



# Guardians of Integrity: Enhancing Fraud Response through Forensic Collaboration

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# PRESENTERS



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# 01

Roles and Responsibilities of Forensic Accountants



# 02

Collaboration between Internal Auditors and Forensic Accountants



# 03

Key considerations for planning and executing investigations



# 04

Effective engagement models to meet organizational needs



# 05

Real-life examples of successful collaborative investigations

# FACT OR FICTION?

Roles and responsibilities of forensic accountants.

# MENTIMETER

Join the poll at:

<https://www.menti.com>

Use code: 1390 9277



# WHAT IS FORENSIC ACCOUNTING?

Investigative and forensic accounting engagements are those that:

- (a) require the application of professional auditing skills, accounting skills, investigative skills, and an investigative mindset; and
- (b) involve disputes or anticipated disputes, or where there are risks, concerns or allegations of fraud or other illegal or unethical conduct.



# COLLABORATION: INTERNAL AUDITORS AND FORENSIC ACCOUNTANTS



# ROLES AND RESPONSIBILITIES

## INTERNAL AUDITOR

- Financial and operational audits
- Compliance monitoring
- Internal audit planning
- Support corporate governance

## BOTH

- Investigation
- Fraud risk management strategy
- Testing compliance with fraud controls
  - Whistleblower investigation (profile dependent)

## EXTERNAL FORENSIC ACCOUNTANT

- Investigative due diligence
- Financial technology
  - E-discovery
  - Expert witness
- Damage quantification
- Forensic data analytics
- Independent high-profile investigations of senior executives or board members

# IIA GLOBAL POSITION PAPER

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“Investigation is not typically an internal audit task; therefore, internal auditors should exercise due professional care (Standard 1220) by considering the extent of work needed to achieve the engagement’s objectives and the related complexity, materiality, or significance. They should decide if they are best placed to undertake the investigation or whether to engage internal legal counsel, human resources, qualified or certified fraud examiners, digital forensics, or outside legal and investigative expertise.”



# KEY CONSIDERATIONS FOR PLANNING AND EXECUTING INVESTIGATIONS



# KEY CONSIDERATIONS - EXECUTION STAGE

- Chain of custody for evidence
- Best evidence rule
- Identification of sources of evidence
- Interview planning
- File documentation
- Report style



# EFFECTIVE ENGAGEMENT MODELS

## ENGAGEMENT MODELS



**OUTSOURCE**



**CO-SOURCE**



**LOAN STAFF**



**POST  
INVESTIGATION  
REVIEW**

## **POLLING QUESTION 5**

**Do you have a preferred model for engaging forensic accountants?**

- A) Outsource**
- B) Co-source**
- C) Loan staff**
- D) Post investigation review**
- E) Depends on the case facts**

# ENGAGEMENT MODELS - COMPARISON

Feature	Outsourcing	Co-Sourcing	Loaned Staff
Control	Third-party provider controls	Shared responsibility	Borrowing company supervises
Employment	Employees belong to the service provider	Mix of internal and external staff	Staff remains employed by lending firm
Duration	Can be long-term or ongoing	Flexible, often project-based	Temporary
Expertise Use	Delegates full function externally	External experts assist internal team	Fills a temporary skills gap

# REAL-LIFE EXAMPLES

# EXAMPLE 1 - COLLABORATIVE FRAUD RISK ASSESSMENT

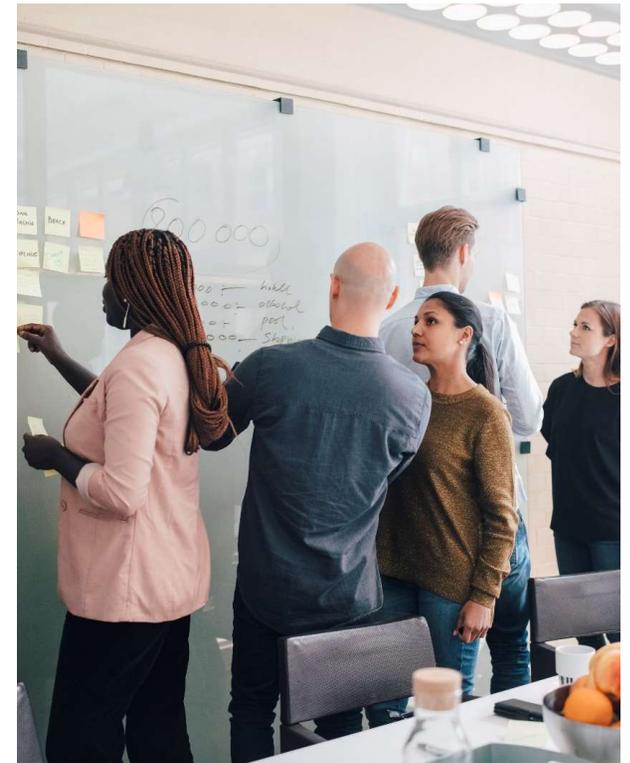
## CO-SOURCING

### Background

- Internal audit team tasked with enterprise-wide risk assessment
- Forensic accountants joined and assisted the internal audit team

### Result:

- Collaborative effort
- Jointly prepared deliverable
- Enhanced team insights



# EXAMPLE 2 - COLLABORATIVE KICKBACK INVESTIGATION

## LOAN STAFF ARRANGEMENT



### Background:

- Small and busy internal audit team
- Anonymous tip about possible conflict of interest and kickbacks

### Two obstacles:

- Lack of investigative experience
- Limited staff and resources

# EXAMPLE 2 - COLLABORATIVE KICKBACK INVESTIGATION

## LOAN STAFF ARRANGEMENT



Contributions of the forensic accountants:

- Specialized knowledge
- Made recommendations
- Internal audit team decision making
- Forensic accountants reported to internal auditors
- Internal audit team authored report

Results:

- Balanced competing priorities
- Effective investigation
- Efficient work
- Knowledge transfer

# EXAMPLE 3 - EVOLVING VENDOR COMPLIANCE AUDIT

## POST INVESTIGATIVE REVIEW

### Background:

- Routine vendor compliance audit
- Red flags and anomalies identified
- Reliance on external data analytics expert
- Concluded evidence of significant overbilling



# EXAMPLE 3 - EVOLVING VENDOR COMPLIANCE AUDIT

## POST INVESTIGATIVE REVIEW

### Obstacles:

- Decision regarding continuing vendor contracts
- Potential breach of contract
- Hesitation to label fraud
- External perspective sought
- Engaged to review procedures and assess conclusions



# EXAMPLE 3 - ACCURACY AND RISK MITIGATION IN VENDOR COMPLIANCE POST INVESTIGATIVE REVIEW

Contributions of forensic accountants:

- Expert review of scripts and coding
- Thorough analysis of evidence
- Assessment of file approach and documentation

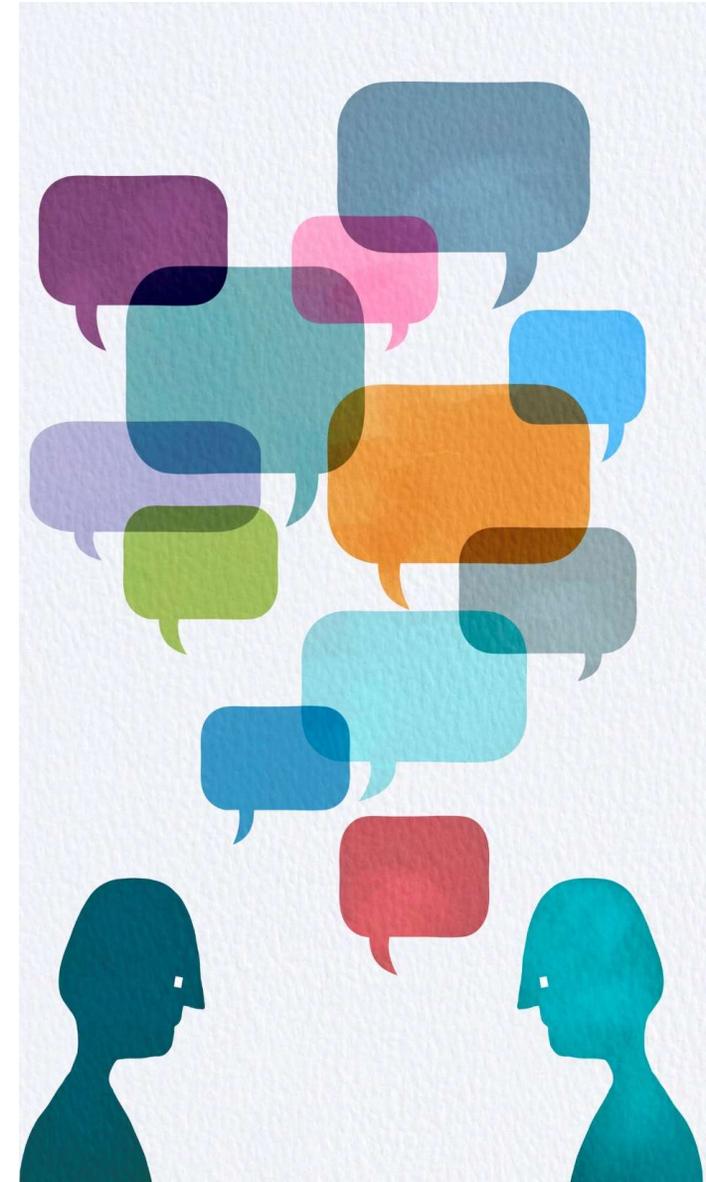
Results:

- Errors in scripts
- Unsupported findings
- Allowed internal audit team to update scripts and analysis to address shortcomings identified



# GROUP DISCUSSION

1. What model have you used?
2. What were the pros and cons?
3. What model do you prefer?
4. Any other topics or questions?





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