

Professional scepticism – the cornerstone of a successful investigation

With more and more company CEOs placing a high value on data analytics, an increasing number are turning to professional sceptics to detect fraud in insolvency matters.

“Investigating in a data-driven world demands a highly refined sceptical skillset,” says *Jirsch Sutherland* Partner **Chris Baskerville**. “It is crucial to the critical and conclusive assessment of financial supply chain evidence and protection of business intelligence.

“From questioning contradictory data to raising concerns over the reliability of tendered documents, this diagnostic reasoning process is paramount to a quality – and transparent – investigation process.”



“Sifting through large amounts of data to reveal hidden trends, patterns and relationships takes both patience and a predilection for uncovering fraud,” he explains. “With everything from social media posts and online banking to GPS signals creating 2.5 quintillion bytes of data*, the need for specialised accounting procedures and personalities is greater than ever before.

“In addition to working with data mining tools and computer assisted investigation techniques, professional sceptics need to maintain a questioning approach when evaluating information and forming conclusions.

“Professional scepticism is a vital skill that today’s investigators should hone, because it provides us with a particular mindset that is crucial in detecting areas of mismanagement and fraud.”

A sceptical mindset leads to settlement

Described as an independent state of mind that can form an opinion without being affected by factors that compromise judgment, professional scepticism is widely considered to be the cornerstone of a successful investigation.

“The personal traits associated with healthy levels of professional scepticism include self-confidence, intellectual curiosity, clear communication skills, a strong moral compass, and the ability to suspend judgement until all appropriate evidence has been collated,” says Chris.

Chris cites a case he worked on that appeared at first glance to have no asset and only a debt to the ATO (“a typical case,” he says). Consequently, *Jirsch Sutherland* was given a minimal contribution towards his fees to “kill off” the company, a wholesale car yard.

“That’s where our professional skeptical minds came into play,” he says. “We began to collate evidence on the company’s previous transactions and revealed that a short time before my appointment, the director of the company had sold the business of the company.

“The sale of the business was sufficient to discharge all liabilities in full. Instead of paying creditors (i.e. the ATO), the director deviated the greater majority of settlement monies to shareholders of the company to which he and his superannuation fund benefitted.”

To further complicate the case, the director was unable to provide evidence as he had passed away a few months prior to Chris’s appointment.

“We then went on the attack against the company’s advisers and inferred that they must have aided and assisted in the deviation of monies, whilst being aware of the ATO’s debt,” explains Chris. “We applied enough pressure that caused the advisers to come to a negotiated settlement, which has now been signed off and settled.”

As a result of Chris’s professional sceptical mindset, *Jirsch Sutherland* was able to return some monies to creditors that was not otherwise available.

“At Jirsch, we value these highly specialised and sought after skills – from recruiting right through to training and mentoring,” Chris adds. “While most of us possess a natural tendency to question outcomes, training is paramount to the development and maintenance of the art and science of professional scepticism.”

* Based on IBM statistics