Fraud Examinations by Corporate Investigators

Alternative Policing at Internal Reviews

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Introduction

When there is suspicion and allegation of fraudulent deviance and other forms of misconduct by individuals in public and private organizations, corporate investigators are often assigned the task of conducting fraud examinations in organizational reviews. Organizational members and stakeholders need to know what happened, when it happened, how it happened, and who did what to make it happen or not happen. Corporate investigators are charged with the task of reconstructing past events and sequences of events to provide answers. Managing corporate investigations is a challenging task as there are levels of examination maturity that are discussed in this book, from activity-oriented investigation, via problem-oriented and detection-oriented investigations, to value-oriented investigation.

Research into corporate investigations is growing, particularly in Australia (King, 2021), Canada (Schneider, 2006), the Netherlands (Meerts, 2023), Norway (Gottschalk, 2020), and the United Kingdom (Button et al., 2023). The research emphasizes a number of challenges in managing corporate investigations. For example, King (2021) discussed the need to professionalize investigators, including their skills at investigative interviewing in Australia. Meerts (2021) discussed the struggles in cooperation in public-private relations in the investigation of internal financial crime in the Netherlands. Gottschalk (2024) emphasized the challenges of identifying and applying relevant knowledge in investigative work and answering questions without escalating problematic situations in Norway. Button (2020) discussed the need for regulation of the private industry of corporate investigations in the United Kingdom. In the United States and Canada, Lau and Flasher (2025) reviewed prosecutorial characteristics and responses to auditors reporting findings.

The industry of corporate investigators conducting fraud examinations in client organizations is growing. Investigators can be found in consulting firms, auditing firms, accounting firms, and law firms. They conduct internal reviews in public and private enterprises. Successful investigators are able to clarify facts and help client organizations resolve issues. Failing investigators cause escalation of conflicts in client organizations without any solution in sight. Success versus failure in corporate investigations is studied in this book by stages of growth in fraud investigations by examination maturity levels.

Management of fraud examinations in contemporary business and public sector involves expert individuals and teams drawn from financial services professions. These specialists, typically labelled corporate investigators and fraud examiners, operate with a significant extent of independence as financial detectives in the private policing of internal issues within client organizations. Corporate investigators conduct commercial inquiries by undertaking interviews with whistleblowers and other observers, deviant suspects, and various stakeholders. They undertake factual reviews of documents, messages, and financial statements.

While internal investigation reports tend to be kept secret, this research has successfully retrieved a number of key reports. Eight reports were available to review in this book in terms of their examination maturity: corruption at the International Biathlon Union in Austria examined by investigator Taylor (2021) based on a mandate by Dahlin (2020), Swedbank money laundering in Estonia examined by investigator DiBari (2020), manipulation of bank transactions in Moldova examined by investigator Cooper (2015, 2017, 2018a, 2018b, 2018c), accounting manipulation by executives at Wirecard in Germany examined by investigators Leitz and Geschonneck (2020), executive embezzlement at Oceanteam in the Netherlands examined by investigator Skridshol (2019a, 2019b), violation of sanctions against Myanmar at clothing chain Bestseller in Denmark examined by investigators Christoffersen and Mikkelsen (2021), researcher deviance in Norway examined by investigator Lilli and Sunde (2023), and Danske Bank debt collection in Denmark examined by investigator (Plesner, 2020). Reports from these investigations are reviewed in this book in terms of their examination maturity levels.

Chapter 1 starts by presenting theoretical elements applied in this book and by emphasizing the contributions of this book to the practice of corporate investigations. The chapter introduces several models and frameworks that are applied in this book. Most important is the stage model for investigation maturity with four capability levels. The basic level 1 of activity-based investigations focuses on examination activities rather than examination outcomes. The next level 2 of problem-oriented investigations focuses on separate issues rather than links between events. The following level 3 of detection-oriented investigations focuses on disclosure of something being hidden in order to solve the puzzle. The final level 4 of value-oriented investigations focuses on clarification of all relevant issues. The top level is concerned with the value created by the examination, where the investigation is an investment by the client with an expectation of benefits exceeding costs. In addition to the maturity model, this chapter also presents the structural model for convenience theory explaining fraud by white-collar and corporate offenders. The chapter also presents a process model for the corporate investigation process for managing fraud examinations.

Chapter 2 reviews research literature addressing corporate investigations by major scholars in the field who are located in Australia, the Netherlands, Norway, and the United Kingdom respectively. Australian research has focused on the skills of private detectives, in particular their interviewing skills. Dutch research has focused on the growing private industry of corporate investigations that co-exist rather than cooperate with the government's law enforcement agencies. Norwegian research has focused on the outcome of corporate investigations as documented in investigation reports. British research has focused on the competence gap of corporate investigators in terms of their theoretical and empirical education.

Chapters 3 and 4 present the investigation of a national hero that turned suspect, and where the people involved in the investigation attempted secrecy. Chapters 5 to 8 present four of the eight mentioned corporate investigations as case studies where their maturity levels are assessed.

The final Chapter 9 addresses the potential of artificial intelligence (AI) in preventing, detecting, and investigating white-collar and corporate crime. Considering the limitations of traditional management approaches to combating financial crime, how can novel technological inventions be applied towards making criminal activities less convenient and riskier for offenders? This chapter presents a review of critical success factors versus failure factors in the management of artificial intelligence systems. Just like the criminals find opportunities for AI enabled future crime, so do the preventers find opportunities for the role of artificial intelligence in preventing, detecting, and investigating white-collar and corporate crime.

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Chapter 1

Characteristics of Investigations

King (2020: 709) identified nine attributes that he claimed makes a successful corporate investigator:

> This study found that the corporate investigator needs an array of attributes to effectively work in a complex and challenging environment, identifying nine main attributes. The three most important, as identified by the interviewees, were communication, motivation, and industry experience. Communication was easily considered the most critical attribute.

Meerts (2020: 95) found that the public-private relations in financial crime investigations are largely ad hoc, and occurring when there is a need to involve public law enforcement agencies in an organization:

> Rather than cooperation, public-private relations generally remain at the level of coexistence. Interestingly, though, there is a measure of contact between corporate investigators and law enforcement agencies: investigators, policy makers, and others involved in the investigative process are part of the same professional networks.
>
> Like the study by Gottschalk (2020) in Norway, Button et al. (2023) studied the outcomes of investigative work in the United Kingdom. One finding in the UK was that 33% of cases led to criminal prosecution, while a similar finding in Norway was that 24% of the cases led to criminal conviction.

There are several differences between corporate investigations and police investigations. An important difference that is relevant to the current research is the strength of evidence and likelihood of guilt. Simply stated, the requirements for corporate investigators are much simpler that for police investigators. In corporate investigations, evidence does not have to be particularly strong, and the probability of guilt does not have to be particularly high. In contrast, guilt must be proven beyond any reasonable and sensible doubt before the defendant can be convicted in Norwegian court. Any doubt in the case should benefit the defendant and lead to acquittal. In a corporate investigation, if guilt is more likely than innocence that is above 50 percent likelihood then the investigation tends to report offender guilt (Gottschalk, 2016).

Theoretical and Practical Perspectives

This book has two main theoretical perspectives applied to managing corporate investigations in terms of organizational reviews by fraud examiners. The first perspective is an understanding of what is investigated and reviewed. This what-question is addressed by convenience theory that explains individual and organizational deviance in terms of motives, opportunities, and attitudes at both the individual and organizational levels. The second theoretical perspective is an understanding of how deviance is investigated and reviewed. This how-question is addressed by the maturity model that explains stages of growth when managing corporate investigations in terms of organizational reviews by fraud examiners. An additional theoretical perspective is strategies applied in fraud examinations, including knowledge strategy, information strategy, and value shop strategy.

The practical perspectives in this book are demonstrated by eight case studies presenting current examples with varying levels of maturity. In fact, the varying levels of maturity indicate that most corporate investigators have a great potential for improving the management of their organizational reviews. The contribution of this research can thus be found also in the emphasis on professionalizing corporate investigations so that innocent persons are not harmed, while guilty persons are brought to justice. There is a significant potential of avoiding miscarriage of justice when corporate investigators conduct internal reviews in client organizations.

With thirteen chapters as presented in the Introduction in mind, this book examines the management of corporate investigations studying misconduct and fraud across private and public sectors. The book integrates different case studies to illustrate and review various practices and challenges based on the four-stage model of examination maturity using activity-oriented to value-oriented maturity levels. The blending of criminology, management, and forensic accounting leads to the proposed framework of improving investigation fairness, effectiveness, and value creation. While studying the proposed framework, the book supports the study by using eight real-life cases to assess the investigation process, quality, maturity, and outcome. The book provides in-depth details and structured practical approach framework for managing corporate investigations, supporting empirical inquiry and blending cases with existing theories. The combination of case studies from around the globe should give a clear picture of how the things work as the book is applying different models and perspectives such as convenience theory in an attempt to provide clarity and pedagogical value.

The book analyses the practice of corporate investigations, with a particular focus on managing the investigative process. It evaluates approaches to managing corporate investigations through an examination of eight contemporary case studies, providing insight into practical and theoretical lessons, as well as the challenges faced by corporate investigators. The selected case studies should all be highly relevant. The book explores the successes and failures of corporate investigations across various stages of fraud detection and response.

While it is often extremely important to solve problems and create learning by the help of corporate investigators, it is also important to address the challenges involved in such work as addressed in this book. How should both the accuser and the accused be subject to a fair process? How should the accused be enabled to contradict negative statements without harming the accuser? Is it sufficient to draw conclusions based on probability overweight, or should a conclusion only be drawn if it is beyond any reasonable and sensible doubt? Should investigators not only draw conclusions regarding events, but also regarding possible violations of law that point at the investigated person as a potential criminal? Such issues are discussed in the various case studies.

In this interdisciplinary book, based upon extensive review of contemporary case studies, the research explores and evaluates the developing global field of corporate investigations, applying an offender-based perspective that considers the central role of offender convenience. The book seeks to inform, improve, and develop the theory and practice of corporate investigations by focusing on the management of fraud examinations in organizational reviews. The book analyses eight key investigation reports of varying quality in terms of stages of growth for examination maturity that were produced in recent years by fraud examiners after the completion of internal investigations. In several of the case studies, the research gathered considers white-collar offenders' motives, opportunities, and willingness for deviance based on the investigation reports. The case studies assess investigation effectiveness and review maturity – as both successful and deficient examination practice.

The business of examining fraud is a research topic of increasing importance that speaks to academic scholars in criminology, management, business administration, sociology and psychology, law and economics. This research topic speaks as well to professionals involved in the challenging role of corporate investigators, such as fraud examiners who operate independently or are associated with consulting firms, auditing firms, accounting firms, and law firms. The book also speaks to public regulators and professional associations, which need to consider educational requirements, rules, responsibilities, legitimacy and accountability, and guidelines for the performance of fraud examinations by corporate investigators.

Managing fraud examinations includes developing several strategies in corporate investigation assignments. Knowledge strategy is the first where corporate investigators with relevant understanding and insights are selected. Information strategy is next where a variety of potential information sources have to be prioritized for the assignment. Then follows systems strategy for application of information technology including artificial intelligence. Finally, the method strategy defines the investigation procedure where very often the value shop rather than the value chain or value network seems most appropriate.

Managing a corporate investigation is triggered by a situation of doubt about something or someone where the manager needs to organize an inquiry. Client organizations expect inquiry managers to organize investigations in such a manner that each inquiry is able "to resolve under the guidance of thought, the indeterminateness of uncertain situations" (Carlsen and Kvalnes, 2023: 1336).

Corporate Investigation Task Mandate

Fraud examinations of potential wrongdoing by individuals and organizations are concerned with dishonesty that can harm others. As argued by Coburn (2006), no amount of legislation can protect against dishonesty. Victims of fraud and other forms of economic crime include other individuals and organizations as well as society at large. Especially in cases of white-collar crime, the damage can be substantial to victims. Therefore, this book is particularly focused on fraud examinations of potential white-collar crime.

White-collar crime is economic crime committed by persons of respectability and high social status in the course of the offender's occupation. White-collar offenders are privileged individuals who abuse their organizational positions for personal or corporate gain (Sutherland, 1983; Wingerde and Lord, 2020). This book applies the offender-based perspective on white-collar crime that emphasizes some combination of the actor's high social status, power, or respectability as the key features of white-collar crime (Benson et al., 2021), as well as the violation of public trust (Sohoni and Rorie, 2021).

Suspected offenders are accused of abusing their positions for individual or corporate gain. Typical examples include resignation by the CEO Tolstedt at the Community Bank of Wells Fargo in the United States (Shearman Sterling, 2017) and resignation of CEO Borgen at Danske Bank in Denmark (Bruun Hjejle, 2018), as well as prison for CFO Brorson at Hadeland Broadband in Norway (PwC, 2014). Many suspects were found innocent, such as Professor Wildenthal at the University of Texas in the United States (Hastings, 2012) and CEO Juvik at Ferde toll collection in Norway (Kluge 2019).

Fraud examinations start with an investigation mandate where clients agree with examiners about the tasks to be performed in the examinations. The investigation mandate describes the examination in terms of tasks and objectives. The mandate should avoid bias in terms of directing examiners in one direction at the expense of another direction. The mandate should not be too comprehensive, but rather have a specific focus. The mandate should not be too limited with a danger of avoiding important avenues. The mandate should focus more on results than on activities, so that the client afterwards can determine to what extent examiners have completed their tasks successfully. Outcomes include clear answers to questions such as: What happened? How did it happen? When did it happen? Who did what to make it happen or not happen? The mandate should describe the expected reconstruction of past events and sequence of events; it should not simply say investigate that and that. The mandate describes expected performance of analysis and judgments, but it should avoid criminal indications or charges in terms of law violations. The mandate should always include attention to those who order and eventually pay for the investigation in case they had a role that they attempt to disguise by redirecting examiners' focus.

The powerful positions of corporate investigators derive from the client mandates where the clients empower investigat ors to do what is necessary to fulfill the mandate. While not in possession of formal power such as public police officers have, corporate investigators enjoy unregulated authority and tools of private policing (Brooks and Button, 2011; Button, 2020; Button and Gee, 2013). For example, corporate investigators sometimes take on all the three roles of investigator, prosecutor, and judge that are clearly separated in the criminal justice system in democratic nations.

Mandates are often not formulated explicitly. Sometimes they are formulated as an introduction to explain the background for the investigation. An example might be the accusations against Leon Black regarding his dealings with Jeffrey Epstein investigated by law firm Dechert (2021:1) in New York City:

> In October 2020, the Conflicts Committee of Apollo Global Management, Inc. ("Apollo") retained Dechert LLP ("Dechert") as independent counsel to conduct a thorough investigation into (1) the relationship between Leon Black ("Black") and Jeffrey Epstein ("Epstein"), including any financial, business or personal dealings between Black and any Black affiliate, on the one hand, and Epstein and any Epstein affiliate on the other; (2) any work performed for, or services rendered to, Black or any Black affiliate by Epstein or any Epstein affiliate; (3) the financial or other relationship, if any, between Apollo

> or any Apollo affiliate, and Epstein and any Epstein affiliate, including without limitation, any financial or other dealings between them; and (4) any statements made by or on behalf of Black or Apollo referring, relating to or characterizing either Black's or Apollo's relationship with Epstein. The Committee placed no restriction on Dechert's investigation. This memorandum summarizes Dechert's findings.

The mandate was triggered by media attention in 2020 regarding "the billionaire who stood by Jeffrey Epstein", "Dechert's Leon Black investigation: things you may have missed", "what a sad tale of sycophants: Wall Street is not buying Leon Black's Epstein story", "Jeffrey Epstein's deep ties to top Wall Street figures", "billionaire Leon Black is leaving Apollo following scrutiny over ties to Jeffrey Epstein", and "billionaire Leon Black, revealed to pay Jeffrey Epstein $158, is stepping down" (Gara and Voytko, 2021). These headlines emerged as law firm Dechert (2021) was investigating on behalf of Apollo Global Management' board. Jeffrey Epstein committed suicide in jail in August 2019 after conviction as a sex offender abusing underage female prostitutes (Sampson, 2020). The suspected fraud was concerned with Black's involvement with Epstein as stated in the above mandate.

Another example of a mandate for corporate investigations is the fraud examination by PwC (2020) regarding allegations of abuse of funds at Equinor in the United States where the Norwegian energy company Equinor had onshore activities:

> The main purpose of the review has been to extract learning for Equinor's future business decisions and operations. The review team was tasked with the following:
>
> - Provide a timeline of events for Equinor's history in the US since 2005.

- Extract learning from the acquisition and integration processes of the US onshore activities with focus on governance, internal control and culture.

- Provide assurance that adequate actions have been taken following red audit findings related to internal control pertaining to the US and other relevant international activities.

> The review team was subsequently requested to include a factual description of how the activities in the US were communicated to the Norwegian Ministry of Petroleum and Energy and how financial performance was presented in financial reports to capital markets.

Helge Lund was an ambitious chief executive officer at Norwegian oil company Statoil. He thought Statoil should do more than produce oil in the Norwegian sector of the North Sea. The company had developed world-leading offshore experience in oil exploration and was ready to expand into other energy sectors and into other parts of the world. One of the corporate fiascos occurred in the United States where Statoil, later named Equinor, recorded a loss of 21 billion USD on its activities between 2007 and 2019 (Hovland and Høgseth, 2020). The victims of the corporate scandal were shareholders at Equinor. The Equinor executive responsible for operations in North America, Bill Maloney, had to resign. One of the accusations against him was that he spent USD 20,000 on one single turkey (Mullis, 2020).

The client defines a mandate for the investigation, often in consultation with the investigator, and the investigation has to be carried out according to the mandate. The mandate tells investigators what to do. The mandate defines tasks and goals for the investigation. The mandate is an authorization to investigate a specific issue or several specific issues by reconstructing the past.

The mandate can be part of the blame game, where the client wants to blame somebody while at the same time diverge attention from somebody else (Datner, 2011). Some are too powerful to blame (Pontell et al, 2014). The mandate can be part of a rotten apple or rotten barrel approach, where attention is either directed at individuals or at systems failure (Gonin et al., 2012). Anchoring of suspicion can be unintentionally or purposely be misplaced in the mandate.

A badly formulated mandate can be misleading for investigators and also represent possible avenues for opportunistic behaviors by investigators. Rather than getting to the core of the matter, an investigation may end up avoiding touching on inflamed issues. Rather than spending resources on difficult issues, investigators may end up solving the simple issues, thereby completing the assignment quickly and making a business profit on the project. Investigators can then take advantage of positions of professional authority and power as well as opportunity structures (Kempa, 2010).

Corporate Investigation Strategy Alternatives

Strategy is the choice among alternative paths to reach a goal. The goal of corporate investigations by fraud examiners is to complete mandated tasks successfully. The most important strategies are concerned with choice of knowledge categories and information sources.

Fraud examiners in corporate investigations implicitly or explicitly apply various investigation strategies. Knowledge strategy is one of them, where the competence of investigators should match requirements in each specific investigation assignment. Knowledge is here defined as information combined with interpretation (understanding), reflection (thinking) and context (situation) that reside in the heads of investigators. Competence is defined as knowledge combined with skills, abilities, and attitudes. The choice of knowledge workers for corporate investigations is dependent on mandated tasks (Harvey et al., 2021; Lichtfield et al., 2021; Zhu et al., 2019).

For example, if there is suspicion of accounting fraud, then expertise in forensic accounting and auditing is of critical importance (Kaur et al., 2023: 63):

> Forensic accounting is a three-pronged approach requiring merging accounting, auditing and investigative skills to detect or prevent accounting fraud and white-collar criminal activity.

If there is suspicion of corruption, both briber and bribed have a natural tendency to keep quiet about their wrongdoing. Traces of corruption can be difficult to find as favors might occur in various forms of monetary and non-monetary transactions. Crime signal detection knowledge is then important in terms of distinguishing true from false signals, where there are four possible outcomes (Asting and Gottschalk, 2023: 598):

> First, the observer notices a noise signal when it is a crime signal (called a miss). Second, the observer notices a crime signal when it is a crime signal (called a hit). Third, the observer notices a noise signal when it is a noise signal (called a correct identification). Finally, the observer notices a crime signal when it is a noise signal (called a false alarm).

An observer is someone who watches or notices something. Potential observers are "the wide range of members within the organization" apart from the deviant individuals (Liu et al., 2024: 860).

Understanding of indicators of corruption based on knowledge is important, where some of the knowledge requirements are concerned with the following indicators (Økokrim, 2022) listed in Table 1.1.

1. *Geographic risk*. Corruption can occur everywhere, but some countries and regions are associated with an increased risk of corruption.

2. *Sectorial risk*. Experience has shown that some sectors involve an increased risk of corruption. This is because of access to valuable natural resources, to public permits or licenses to operate, or to valuable government contracts.

3. *Company characteristics*. How a company is structured or does business may be associated with an increased risk of corruption. This will not always be immediately apparent when monitoring transactions, but can often be inferred from customer control or other inquiries. It may often be necessary to conduct further investigations into open sources as part of the information strategy described below. There is a need to have sufficient knowledge to understand:

- *Legal company structure*: Is there a complicated and / or international legal structure that apparently has no commercial, legal, or tax benefits?
- *Historical background*: Have organizations or persons involved previously being suspected or investigate for financial crime?
- *Internal control*: Does management have no guidelines on anti-corruption or are no references to it in the annual report?
- *Conflicts of interest:* Are persons involved in transactions or activities on both sides of the table?
- *Customer base*: Is the company strongly dependent on another party, for example having only one major customer?
- *Historical experience*: Have organizations or persons been reluctant to provide answers or refused to answer questions in the past?

- *Track record*: Is the company unusually successful in obtaining and retaining contracts? Does the company obtain contracts without tender processes? Are executives dismissed or do they resign from position for no apparent reason? Do trusted executives have close relationships with external partners?
- *Sales agents*: Are success-based reward methods offered to sales agents that do not reflect agents' expertise and efforts?
- *Politically exposed person (PEP)*: Are contracts or permits obtained from PEPs or their family members?
- *Life style*: Do some employees in the company have a lifestyle or consumption that is disproportionate to the persons' income?

4. *Situational risk*. Examples include strange procurement situations, dependence on ambitious goal achievements, dependence on legal license to operate, dependence on entry into a new market, and preference of goods and services from vendors with social links to management.

5. *Transaction characteristics*. Examples include a very large sum of money or smaller amounts on a repetitive basis to the same recipient, the use of private email addresses or private bank accounts, and transactions to persons and entities that were not involved in the project or at strange locations.

6. *Counterparty in the transaction*. Is it an agent or a newly created entity that receives money? Is the material basis for the transaction unclear? Is there no publicly available information about the receiver? Does the receiver seem non-relevant for the tasks at hand?

Table 1.1 *Indicators of corruption (derived from Økokrim, 2022)*

A knowledge category required in a number of different financial crime cases is interviewing knowledge. The purpose of investigative interview is to gain information, and persons providing information may not always be motivated to do so, especially if the persons perceive being subject to suspicion or blame for misconduct. Required knowledge for the examination interviewers is then concerned with a productive relationship that builds on cooperation and respect. Investigative interviewing of high-status fraud suspects should be very different from interviewing street crime suspects. Hoekstra and Verhoeven (2021: 188) found that rapport building is essential in obtaining information of high-status fraud suspects:

> Rapport building during suspect interviewing is broadly defined as building a working relationship based on mutual understanding, goals, and needs.

Rapport building is particularly important when interviewing suspects with narcissistic tendencies that typically characterize white-collar offenders. As argued by King (2021), the investigators need to build a trusting relationship with the interviewees, for example by seeing themselves no different from the suspects. This kind of self-verification might be more important to suspects with enhanced narcissistic traits because it can satisfy suspects' need for personal entitlement. A consequence might be that suspects will demonstrate an increased willingness to reveal information if they receive such confirmatory feedback and also emphatic behavior from the interviewers (Hoekstra and Verhoeven, 2021).

According to King (2021), the cognitive approach to interviewing witnesses, victims, and suspects includes four issues: for the interviewee to reinstate the context, to report everything, to recall events in a variety of orders, and to recall events from a different perspective. Investigative interviewing is a cooperative rather than confrontational communication style where the aim of each interview is to elicit an accurate and detailed account of an incident in a manner that does not place significant stress on the interviewee.

Collins and Carthy (2019) studied the relationship between rapport and communication during investigative interviews. Attention, positivity, and coordination are important rapport components. Rapport is a close and harmonious relationship in which individuals understand each other and are sympathetic to each other. The purpose of investigative interviewing is to gain information, and persons providing information may not always be motivated to do so, especially if the persons perceive being subject to suspicion or blame for misconduct. The aim is for the examination interviewer and the information source to have a productive relationship that builds on cooperation and respect. An interview takes place because the interviewer assumes that the subject of an interview has information of value to the interviewer. It is important to use non-judgmental language in interviews, which can have a positive impact on interactions.

If corporate investigators are assigned the task of examining potential law violations, then the expertise of lawyers, solicitors, and attorneys is required. Some examiners take on the roles of investigator, prosecutor, and judge. Then legal knowledge is important. However, as in the criminal justice system, private inquiry processes should as well separate the roles of investigator, prosecutor, and judge. The corporate investigator should concentrate on the role of reconstructing past events, while the client should draw conclusions based on the fraud examination report. Then legal knowledge is not important for corporate investigators. Nevertheless, surprisingly many fraud examination reports by corporate investigators document that the choice of legal knowledge was the main knowledge strategy to the detriment of psychological, sociological, accounting, auditing, and management knowledge. Knowledge workers with an educational background of master's in business administration, sociology, psychology, criminal justice, and police often seem more relevant as fraud examiners than people trained in the interpretation of laws. In addition, knowledge of computers is often important, as there tends to be a gap between expectations towards technology and ability to utilize technology among those who have limited understanding of digitalization.

Next to the knowledge strategy, information strategy is important when approaching fraud examinations. Information strategy is concerned with the choice of sources of information to reconstruct past events and sequences of events. Surprisingly often, formal documents such as minutes of meetings are the dominating source applied, while there is a lack of human sources by investigative interviewing and visits to potential crime scenes. A potential explanation for this bias towards formal and secondary sources of information might be the dominance of legal knowledge is the knowledge strategy.

However, it is recognized both in public and private policing that the most important source of information, particularly at the beginning of an investigation, is people. There is a need to talk to people to gain insights into the relevant issues for the investigation as well as to get on relevant paths to pursue in the examination.

A large number of information sources are typically available in an investigation project where some sources that represent the information strategy have to be chosen based on resource constraints and time limits, as listed in Table 1.2. Other sources of information relevant to an information strategy are physical material, communication control, police records, media such as newspapers and television programs, and various control authorities such as those registering company information regarding board positions, ownerships, and annual reports.

In addition to knowledge strategy and information strategy, there is frequently a need for a system strategy that represents a choice of digital tools in the fraud examinations. It is a matter of choice of search engines where simple word searches or learning algorithms might be applicable. It is also a matter of choice of presentation mechanisms in terms of relational graphs and other forms of visualization that enable understanding by corporate investigators as knowledge workers. The strategic choice is concerned with the extent of digitalization in the investigation and the required support from professional technology experts (Söderlund and Pemsel, 2022).

1. *Individuals*. By means of interviews of witnesses, suspects, reference persons, and experts, information is collected on potential offenses, offenders, times and places, organizations, activities, roles, and so forth.

2. *Networks*. By means of informants inside and outside the client organization, such as whistleblowers, information is collected on actors, plans, competitors, markets, customers, and so forth. Informants often have connections with persons that corporate investigators can approach.

3. *Locations*. By analyzing potential and actual crime scenes, information is collected on procedures, preferences, organizational culture, and organizational structure. Rather than being passively on the receiving end of information from the client organization, corporate investigators review locations to identify relevant information.

4. *Documents*. Studying documents obtained both by provision and request may provide information on ownership, transactions, activities, and so forth. Some documents that seem most relevant have to be read, while other documents can be searched using predefined search words and terms.

5. *Accounts*. Many fraud examinations need financial numbers from internal accounting, external audit, and bank transactions. This is often at the evidence stage of an investigation, where other information sources have guided and explained to examiners certain accounting figures.

6. *Observations.* By anonymous personal presence and digital recordings from surveillance instruments, individuals and their activities can be observed. Both in the physical and virtual world, observation is important in financial crime investigations to identify and interpret deviant behaviors.

7. *Actions*. For example, provocation and other activities conducted by the corporate investigator can cause reactions that yield information. Confronting individuals with selective items can cause new and divergent explanations.

8. *Social media*. Individuals tell a lot about themselves on various social media such as Facebook. For example, individuals claiming to have been in a certain location might expose on social media that they were at a different location.

9. *Internet*. Generally, everything on the internet, and not just social media, is available for digital search. However, to be successful in identifying, retrieving and interpreting data on the internet, and turning pieces of data into information, a basic knowledge of computer programming and search engines is needed to understand how digitalization works.

Table 1.2 *Information sources in corporate investigations*

The system strategy can be described as the choice of digital tools at various stages of technology as illustrated in Figure 1.1. The lowest Stage 1 is concerned with end-user tools such as mobile phones, iPads, personal computers, and other machines equipped with various software for text, numbers, and illustrations so that examiners can improve their personal efficiency. The next Stage 2 is concerned with collaborative tools where examiners can work together on a joint digital platform. Stage 3 provides access to various data repositories at the client organization, within the investigating organization, as well as externally in publicly available sources. The final Stage 4 has systems that help examiners solve knowledge problems. Artificial intelligence is applied in these systems. For example, neural networks are statistically oriented tools that excel at the application of data to classify cases into categories. Stages of growth models such as the one illustrated in Figure 1.1 are generally used to study evolutionary paths in various organizational areas (e.g., Iannacci et al., 2019: Röglinger et al., 2012; Solli-Sæther and Gottschalk, 2015).

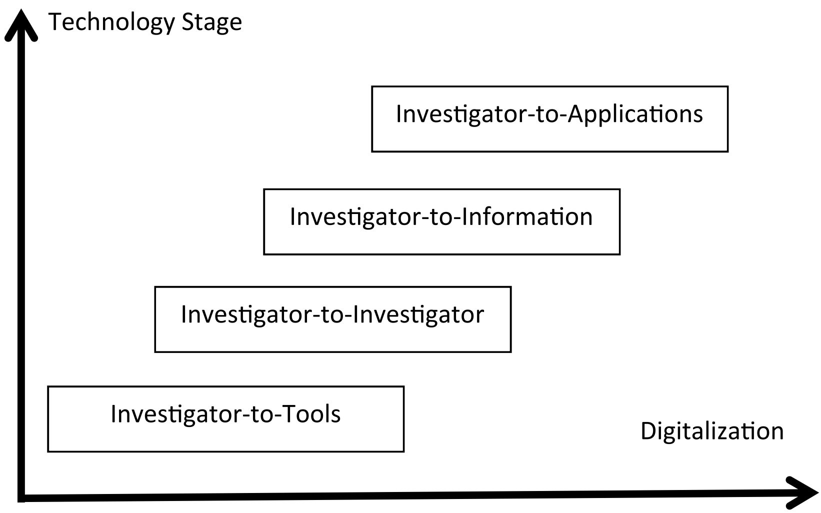

Figure 1.1 *Stages of digitalization in fraud examinations*

In addition to knowledge strategy in terms of knowledge categories required, information strategy in terms of preferred information sources, and system strategy in terms of digitalization, there is