

Fraud examination

*#conducting successful fraud
examination from start to
end*



FRAUD

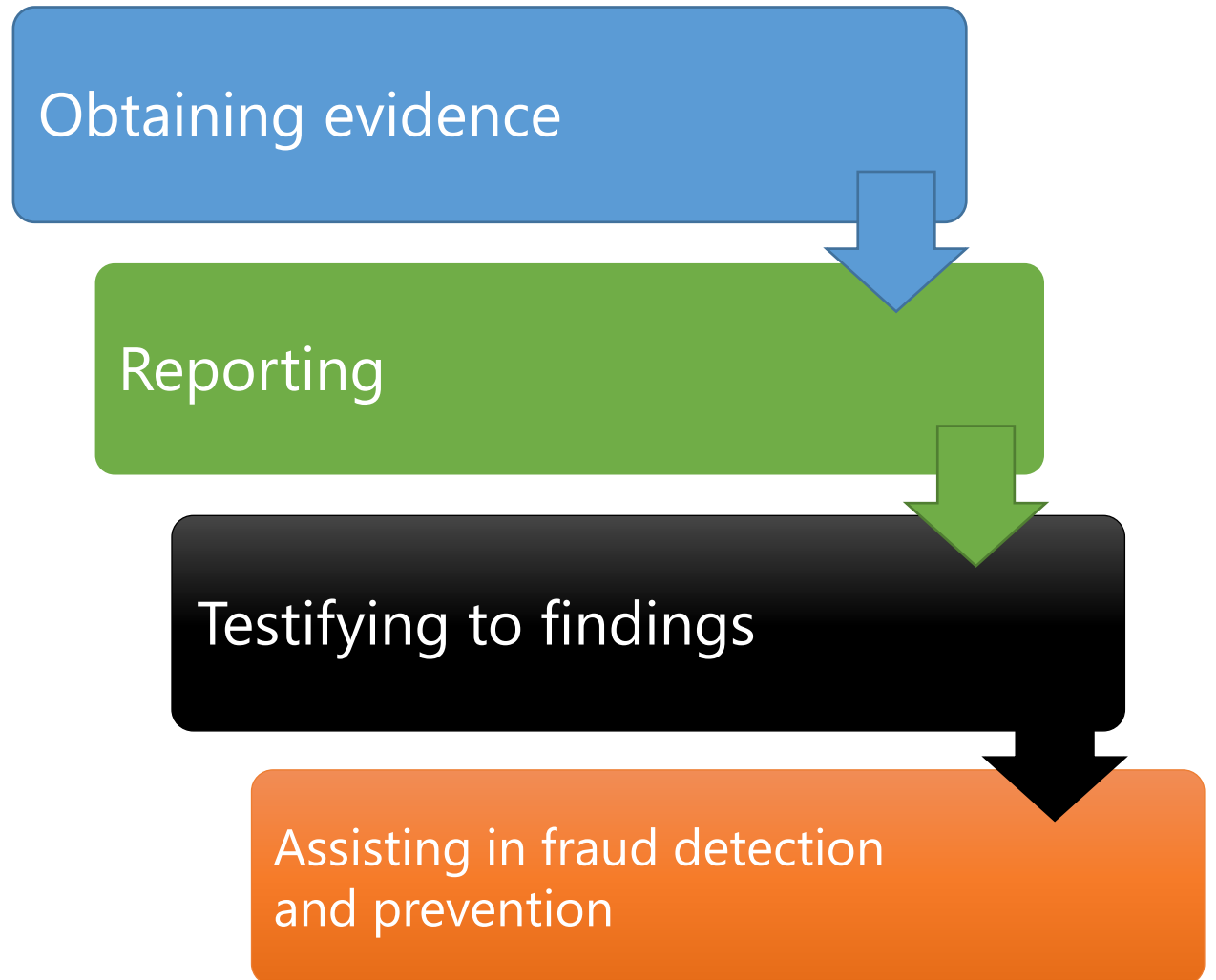
Agenda

- Fraud examination
- Objectives
- Understanding fraud
- Fraud theory
- Fraud schemes



Fraud examination

- Refers to the process of resolving allegations of fraud from inception to disposition.
- This process involves 4 steps



Objectives of conducting Fraud examination

- i. Identifying improper conduct
- ii. Identifying the person responsible for improper conduct
- iii. Stopping the fraud
- iv. Sending a message throughout the organisation that fraud will not be tolerated



What is and not fraud?



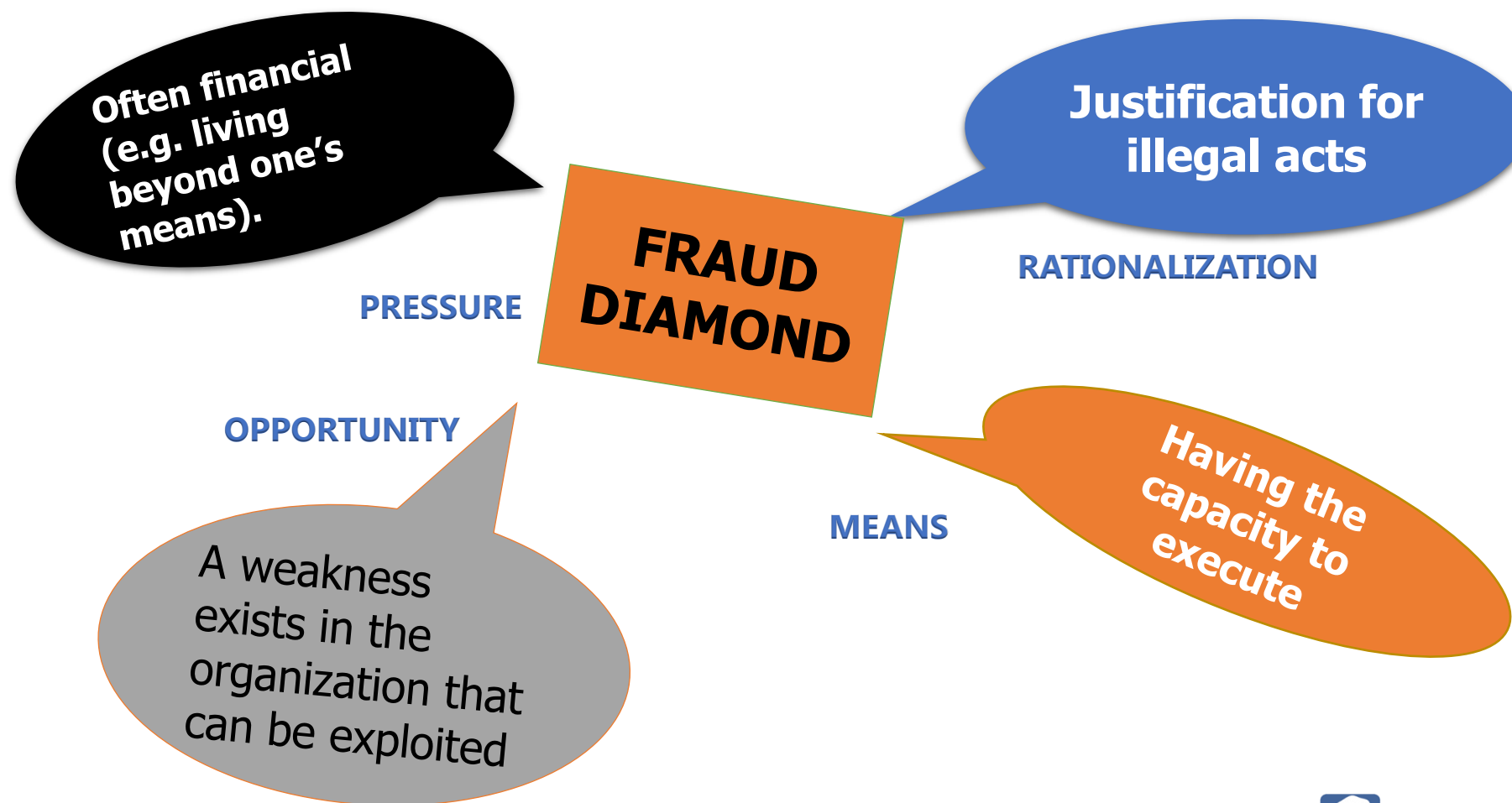
Any trials?

Components of fraud

- Fraud consists of an
 - intentional
 - the concealment of that act (misrepresentation of material facts) and
 - illegal/unlawful Act,
 - Loss to the victim and gain to the perpetrator



Fraud Diamond



Fraud- Criminal or Civil?

- Criminal fraud requires proof of intentional deception.
- It denotes a **false representation** of a material fact made by one party to another party with the intent to deceive and induce the other party to justifiably rely on the fact to his/her detriment (i.e. injury or loss)



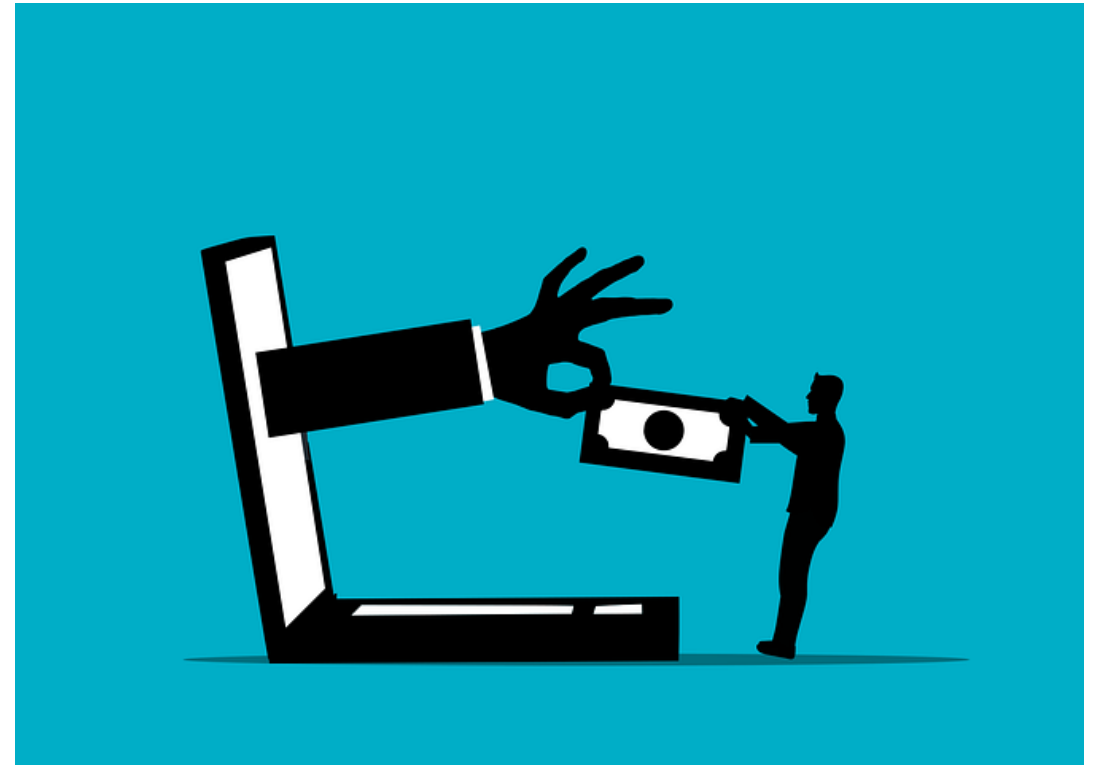
Fraud- Criminal or Civil?

- Civil fraud requires that the victim suffer damages. Fraud in the inducement of a contract may vitiate consent and render a contract voidable



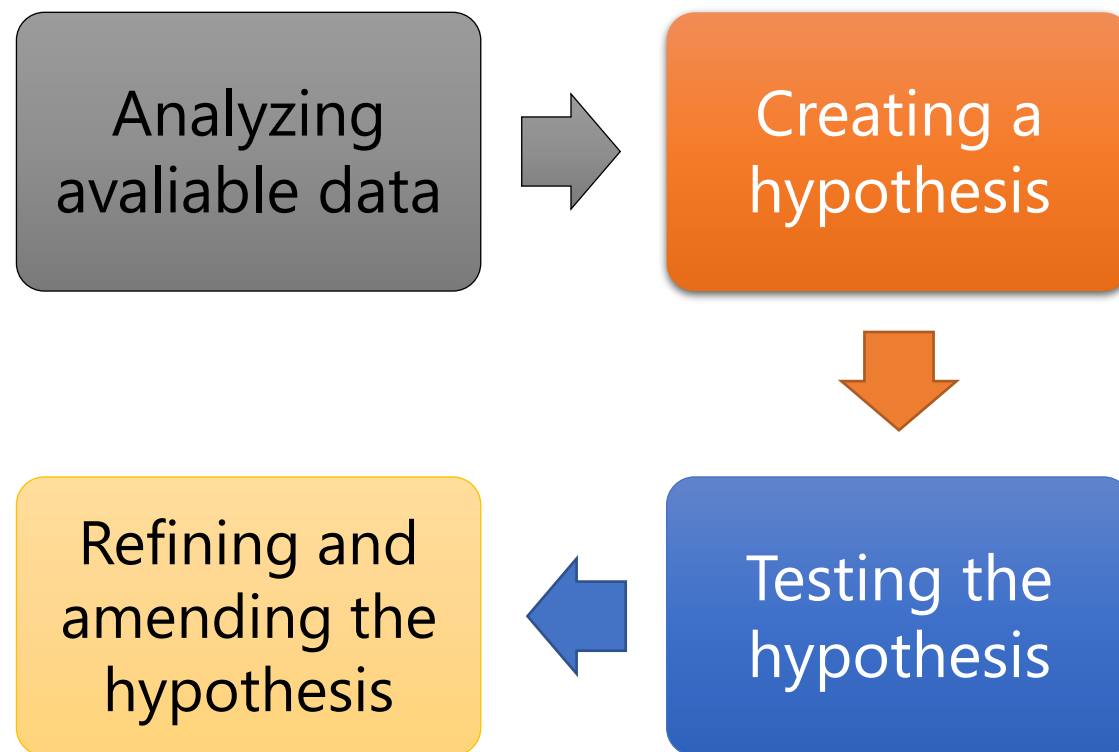
Types of Fraud

- Conflict of interest
- Forgery
- Breach of contract
- Theft of money or property
- Conspiracy
- False claims and statements
- Mobile Money Fraud

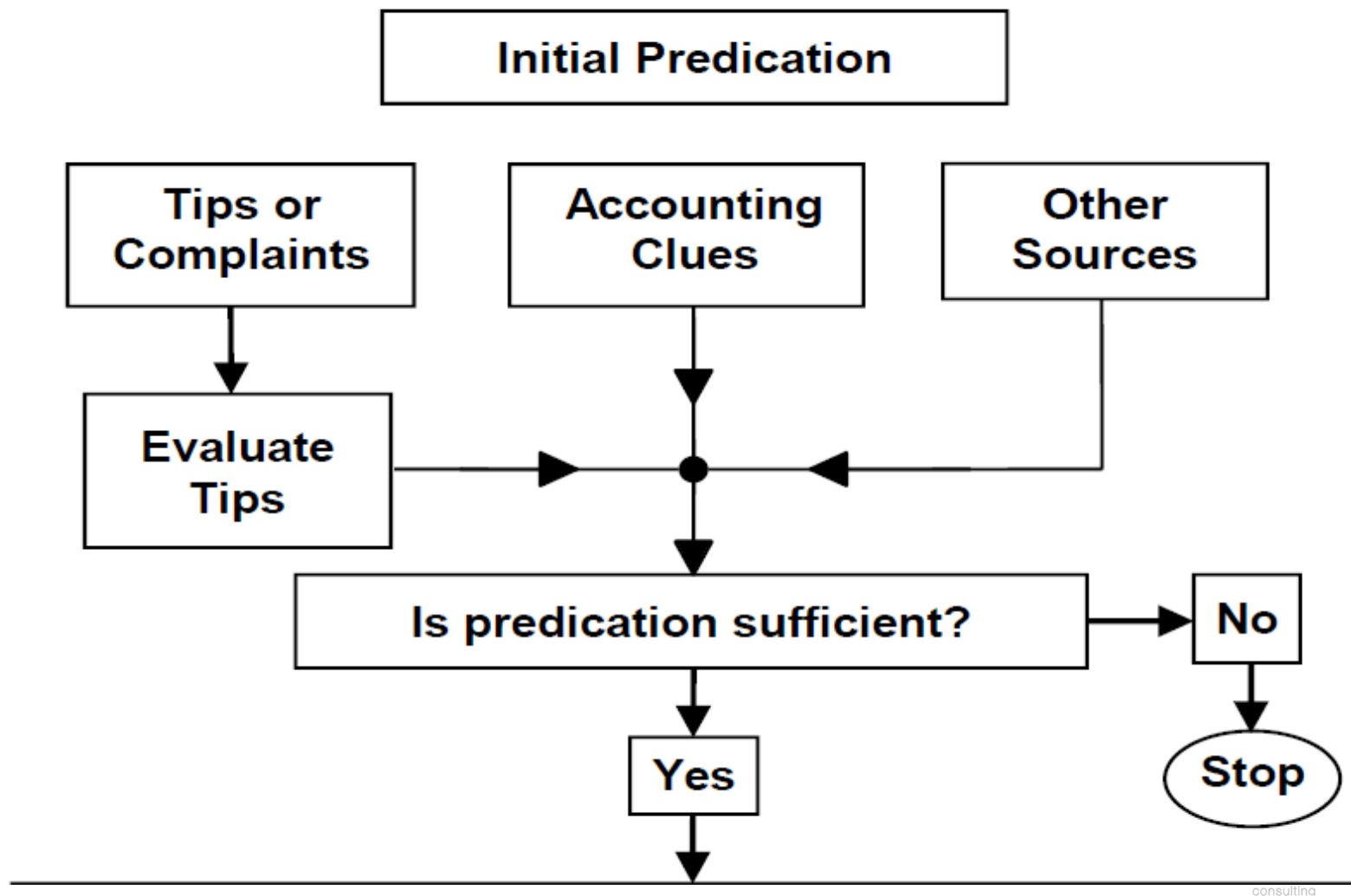


Fraud Examination theory

- It provides that when conducting investigations into allegations or signs of fraud the examiner needs to make a hypothesis (or theory) of what might have occurred based on the known facts as follows;



Fraud examination theory



Fraud examination theory

Yes

Stop

Develop fraud theory:

- Who might be involved?
- What might have happened?
- Why might the allegation be true?
- Where are the possible concealment places or methods?
- When did this take place (past or present)?
- How is the fraud being perpetrated?

Determine where the evidence is likely to be:

- On-book versus off-book
- Internal or external
- Potential witnesses

What evidence is necessary to prove intent?

- Number of occurrences
- Other areas of impropriety
- Witnesses

Fraud examination theory

Revise fraud theory.

Prepare chart linking people and evidence.

Determine possible defenses to allegations.

Is evidence sufficient to proceed?

No

Yes

Discontinue

Complete the investigation through:

- Interviews
- Document examination
- Observations

Reality check 1...

1. How much money do you estimate Horizont 3000 loses annually to fraud?
2. State 5 possible fraud schemes at Horizont 3000



Research...

"An average organization loses about 5% of its annual revenue to fraud", *ACFE Report to The Nations 2020.*

ACFE Uganda survey in 2019 revealed organizations in Uganda lose 15-25% of annual revenue to fraud!

Horizont 3000's annual budget (Ugx)

[xx] billion

The cost of fraud to Horizont

[xx] billion!

Impact...

What is the impact
of fraud on staff?



Limitations of Internal Control that may lead to unethical practices and fraud

No system of internal control can provide an absolute guarantee against the risk of wrongdoing or error. The proper goal of internal control is to provide "reasonable assurance" that improprieties will not occur, or if they do occur, they will be revealed, reported and appropriate action taken.



Design flaws

Poor implementation

Poor response to reported anomalies

Collusion

Wrongdoing by top managers

Fraud schemes

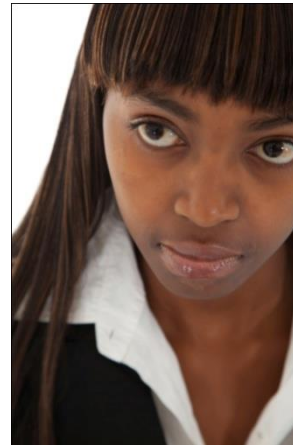
- i. Fraudulent misrepresentation of material facts
- ii. Negligent misrepresentation
- iii. Concealment of material facts
- iv. Bribery
- v. Illegal gratuity
- vi. Economic extortion
- vii. Conflicts of interest

Fraud schemes

- i. Forgery
- ii. Theft of money or property
- iii. Breach of contract
- iv. Breach of fiduciary duty
- v. Gross negligence
- vi. Conspiracy
- vii. False claims and statements to government agencies

Our *values* for your success!

Thank you!



We take pride in doing the **right thing**, rather than what is right for **the profitability** of SCL.