BRENTWOOD
OPEN LEARNING COLLEGE

Assignment Cover Sheet

Student Name:	NEAL TANNER
Student Number:	1368
Course:	Diploma in Forensic Accounting
Assignment NO:	1

Please insert your completed assignment (in word format) here:

I. Fraud classified by the Association of Certified Fraud Examiners is "the use of ones occupation for personal enrichment through the deliberate misuse of misapplication of the employing organisations resources or assets"

Fraud can manifest itself from:

- Falsification of records
- Pre-meditated manipulation of accounting records,
- Bribery
- Money Laundering

The effect of fraud has detrimental effects on world economies, corporate companies and individuals. The Fraud Triangle[1] theory suggests that the reason for fraud is due to financial pressure or greed, opportunity and general attitude and moral principles. It is believed that such behavior will always be present at the same time in order to commit fraud.

[1]Donald R. Cressey, *Other People's Money* (Montclair: Patterson Smith, 1973) p. 30.

II. Practicing forensic accounting requires the following skills to uncover fraudulent activities:

- Accounting
- Auditing
- Investigation Skills

III. A forensic accountant should have adequate personal attributes to be able to uncover fraud. Most forensic accountants will have developed a mindset enabling them to sense if there has been any wrong doing. This mind set comes about from being more skeptical than an ordinary person who may not be looking for signs of Fraud and Deception. The forensic accountant will need to have the ability to identify the fraud with little information or assistance. The ability to be able to be analytical, methodical and engaging is just as important, as mindset alone will not provide enough evidence to uncover fraud.

IV. The fraud investigation process is similar to undertaking an audit but with additional observations and activities. The investigation accountant is required to determine if they will have the expertise to undertake the investigation. Different industries and sectors will require difference approaches and skills. The type of investigation is therefore paramount in order to determine if it is a case of corruption, asset misappropriation or financial statement fraud. Once this has been established then the basic steps are:

- **Accepting the investigation** – Does the investigating officer and its team have the required skill set.
- **Planning the investigation** – Provide a timeline and planning of work, detailing who will be involved, what type of fraud it is, value any losses and how you will present any information for court purposes. The investigating team must have training in Computerized assisted audit techniques (CAAT)
- **Gathering Evidence** – Any evidence must be robust in order to with stand scrutinisation from the courts. The evidence will be required to be exhibited and therefore must be kept in a safe environment. By providing and submitting the evidence it may be possible to gain a confession from the alleged party/parties and therefore planning interviews with suspected participates is crucial.
- **Reporting** – After all the evidence and information is gathered a report should be provided summarising the potential losses, which controls had been broken and the possible motive for the fraud. The report should also provide advice on how to improve controls and mitigate fraud.
- **Court Proceedings** – Most cases involving fraud are brought before a court and the investigating officers will be required to provide evidence in a written and verbal format to the court in order that a judgment can be made. The investigating office should be prepared to counter argument any defence to the allegations.

V. Financial Auditing is normal annual occurrence that companies subscribe to or is compulsory for some organisations and/or companies with a turnover of £5m+. It provides continuous compliance of sampled data and provides a statement that the accounts are a true reflection of its financial activities.

Forensic accounting is normally instigated because of the possibility of fraud or flaws in internal controls being observed. It is different to statuary auditing in that it provides more detailed analysis of fraud being detected and is alightned to providing reports and analysis of the exposure found.

In contrast a Fraud Auditor will determine what criminal activities have taken place which will eventually lead to a court outcome.

<u>Case Study</u>

1.Making the assumption that board appointed an independent forensic accountant the investigation would undertake to establish whether an act, intention to act or omission may have given rise to a civil or criminal liability and, if it has, the collection of evidence, or material to identify those responsible and how it will be dealt with.

Any investigator needs, therefore, to know what points he or she needs to prove, whilst doing so in an acceptable and ethical fashion.

The forensic accountant will need to start an investigation and be aware of key points to prove in order to identify and collect the necessary evidence. The forensic account will need to determine what type of Fraud may have been committed by looking at various legislation. I.e.

- The Theft Act 1968-1996
- The Fraud Act 2006
- The Bribery Act 2010.

2. Documents that will assist in the investigation for this case would be :

- Expense Claim Forms
- Credit Card Statements
- Receipts
- Admisntrators Diary

3. The appointment of the forensic accountant would be based on industry experience with in the education sector.

4. The admisntrator should interview the administrator early on into the investigation in order to try and gain a confession from the him.

Student Statement:

By submitting this assignment, I confirm that this is my own work.

Student Signature		Date	26/7/2015

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Total Marks	

Marks Obtained	
Percentage / Grade	