BRENTWOOD
OPEN LEARNING COLLEGE

Assignment Cover Sheet

Student Name:	Dr Anupam Mehta
Student Number:	6338
Course:	Certificate in Forensic Accounting (Level 3)
Assignment NO:	1

Marking Criteria:

We expect the learners to write minimum one well expressed point in three lines against each allocated mark. This means one needs to write 15 lines with 5 well expressed points to get high grades for a 5 marks question.

For high grades use examples and illustrations where appropriate.

Question No: 1 What is fraud?

Answer as follows:

A deliberate attempt to deceive with some objective in mind is called as fraud. Providing accounting statements to present a better position than the reality, embezzlement of company funds. According to the **Fraud triangle theory**, a fraud to take place must have three important components: motivation, rationalisation and opportunity. For example, in year 2015, the manipulation of accounting statements in TOSHIBA company, was an example of Fraud. The **fraud diamond theory** adds one more component to the list of three components given by the fraud triangle by adding the capability of committing the fraud. [1]

As given by the Association of Certified Fraud *Examiners, "*fraud *is* defined *as any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair* means"[2]

Question No: 2 What qualities of mind/and or body should a forensic accountant possess?

A forensic accountant has to systematically and analytically look at fraud. So he or she must process following qualities –

- Knowledge of accounting, law and investigative procedures
- Systematic approach to work
- Well versed with the policies and the regulations to know what loopholes can be used for fraud.

[1] Wolfe, David T., and Dana R. Hermanson. "The Fraud Diamond: Considering the Four Elements of Fraud." CPA Journal 74.12 (2004): 38-42.

[2] "What Is Fraud? | Internal Audit". *Internalaudit.ku.edu*. N.p., 2017. Web. 5 Mar. 2017.

- Eye for the details , looking for the micro clues that can lead to the detection of fraud
- Mentally very alert
- Organized and balanced
- A good listener, so he can listen to all the parties involved and make his or her own inferences
- Should have the ability to put the pieces of the fraud puzzle together
- Ability to work for long hours, as an when the situation demands
- Excellent communication (both written and oral)
- Ability to handle evidence safely
- Professional judgment and competence[3]

Answer as follows:
Question No: 3 How would you distinguish forensic accounting, fraud auditing, and investigative auditing from financial auditing?

Answer as follows:

Forensic Accounting: Fraud Auditing is done when a fraud is suspected or as a precautionary measure. [4] Investigative auditing is the process of finding out if the fraud has occurred, how it has occurred and when it had occurred and who were involved in the fraud and ultimately what are the financial implication/ exposure or losses to the company due to the fraud[5]

Whereas, Financial auditing is more related to ensuring that the regulations. Policies and procedures are properly complied. The Financial auditor is an external independent entity.
Financial auditing is continuous in nature, whereas, Forensic accounting, fraud auditing and the investigative accounting take place when there is a possibility or suspicion of fraud in the organization.

The forensic accountant provides his evidences to prove or disprove the existence of fraud and the results of investigation serves a legal proof.

Forensic accountants prepare the investigative reports whereas the external auditors evaluate the reliability and fairness of the financial statement and report to the external parties, whether the books of accounts compliance or don't, with the accounting standards, while bringing out the gap.[6]

Case Study:

1. How the investigation for the above case should be started?

   As soon as the secretary blows whistle on the school administrator, the school management should immediately set up an investigative committee. The school can

[3] "Association of Certified Fraud Examiners - Forensic Accountant". *Acfe.com*. N.p., 2017. Web. 5 Mar. 2017.
[4] http://legalbeagle.com/4728350-what-fraud-auditing.html
[5]The institute of Internal Auditors,. *Internal Auditing and Fraud*. USA: N.p., 2009. Web. 5 Mar. 2017.
[6] "Association of Certified Fraud Examiners - Independent Auditor". *Acfe.com*. N.p., 2017. Web. 5 Mar. 2017.

appoint a forensic accountant to look into the matter. Till the time the investigation is going on the school administrator access the finance should be restricted and payment due should be withheld. Meanwhile the investigative team should gather the evidence to prove or disprove the presence of fraud. The investigative team should look for the internal control gap in the school. Here one of the biggest internal control gap was that the school management did not have an effective internal control system thorough which the fraudulent claims could have been identified. Once sufficient evidence has been gathered the report should be prepared that would serve as an evidence against the school administrator.

2. Outline some documents which you think can help disclose the administrator's fraud activities.

   The bills like car repair bills, Mileage expenses bills, credit card statements, car repair bills and the meals bills are the prima facie evidence in this case. A verification of the claims made by the school administrator and the supporting evidence that he has already submitted should be compared.

3. If the forensic accountant is to be hired, how should he be chosen?

   A forensic accountant should be hired based on his experience, professional qualification and the individual competences.

4. Should the administrator being interviewed? If so at which stage.

   Yes, he can be interviewed at various stages of investigation. He can be asked about the alleged fraud charge and an opportunity of being heard should be given to him. A lot of clues can be gathered in his initial interview. If he dines his role in the fraud than the investigative committee should collect the evidence prove it against him in the court?

Student Statement:

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

Student Signature	Dr Anupam Mehta	Date	5/3/2017

For Tutor / Assessor Use Only

Total Marks	
Marks Obtained	

Percentage / Grade	