

# FRAUD AUDIT PLANNING AND EXECUTION

**ICPAK FORENSIC AUDIT SEMINAR, SOUTH RIFT BRANCH**

Uphold public interest

16-17 Oct 20017

# Responding to fraud



An entity/organisation's approach to dealing with fraud should be clearly described in its **fraud policy** and **fraud response plan**.

## **Purpose of the fraud response plan**

- The fraud response plan is a formal means of setting down clearly the arrangements which are in place for dealing with detected or suspected cases of fraud.
- It is intended to provide procedures which allow for evidence gathering and collation in a manner which will facilitate informed decision-making, while ensuring that evidence gathered will be admissible in the event of any civil or criminal action.
- Other benefits arising from the publication of a corporate fraud response plan are its deterrence value and the likelihood that it will reduce the tendency to panic.
- It can help restrict damage and minimise losses, enable the organisation to retain market confidence, and help to ensure the integrity of evidence.

# Kenya Legal environment



- Ethics and Integrity Act 2012
- Anti corruption and Economic Crimes Act
- Public Officer Ethics Act
- Public procurement and Disposal Act
- Public Procurement Regulations
- Witness Protection Act 2006
- Proceeds of Crime and Anti-Money Laundering
- Prevention of Corruption Act
- Public Finance Management Act
- The Constitution
- AU Convention on Corruption
- UN Convention on Corruption

# Fraud/Forensic Audit



A fact-finding exercise to gather evidence to establish facts following an allegation or suspicion of malpractice about a person, a process or an organisation.

## **Key Elements**

**1.Fact Finding**

**2.Evidence**

**3.Allegation or Suspicion**

# Fraud Audit Process



Planning

Execution

Reporting

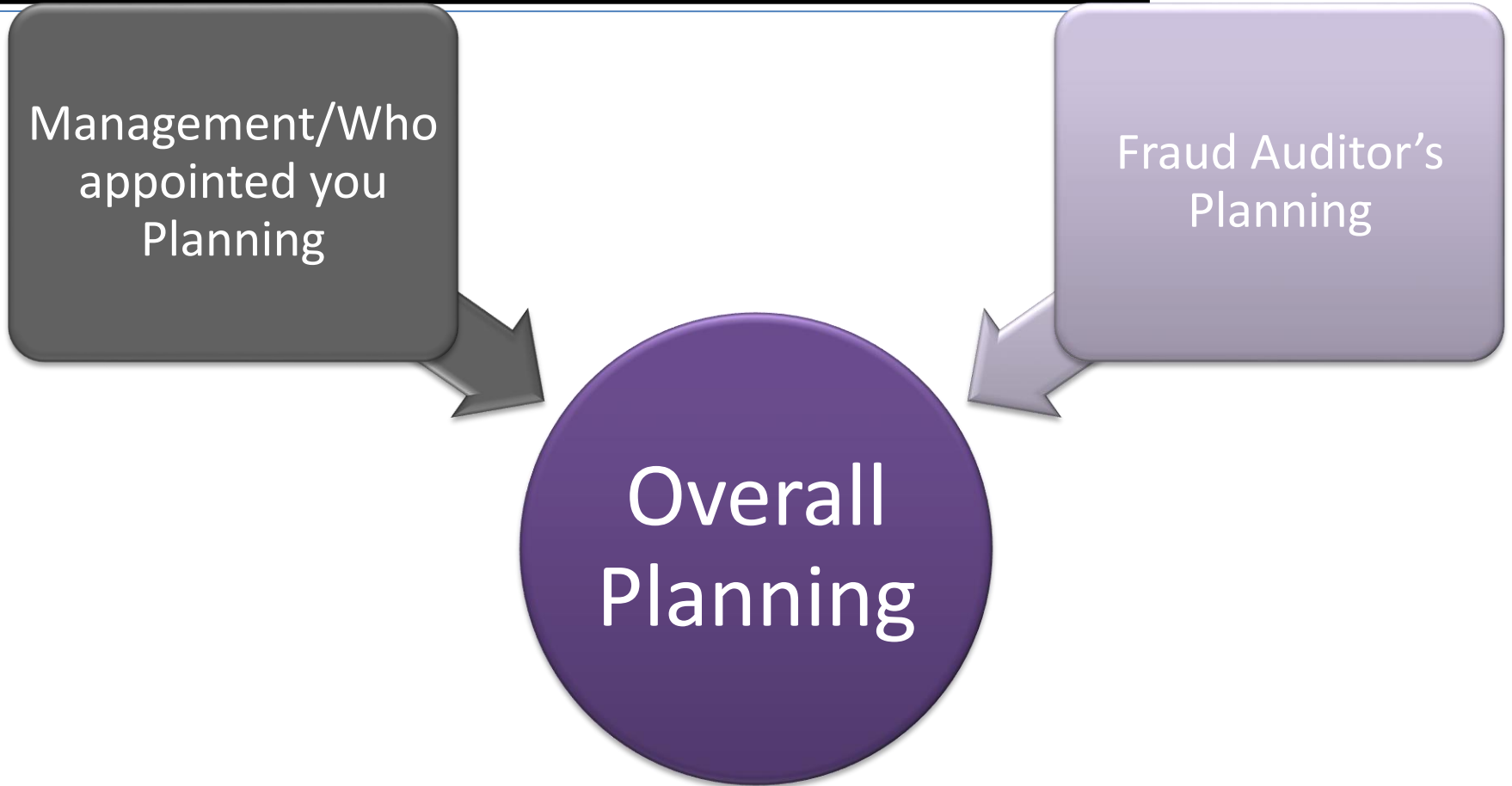
# Planning



Management/Who  
appointed you  
Planning

Fraud Auditor's  
Planning

Overall  
Planning



# Management Planning



## Trigger

- Whistleblower
- Audit findings
- External party complaints
- Management Reviews

## Whistleblower

- Protection
- Reporting concerns
- Legitimacy of allegation

## Investigator

- Internal/External
- Security
- Skills & Traits

## Suspects

- Suspend or Not

# Suspension



*Consider the grounds.*

Sufficient reason?  
Substantial suspicion

*Consider the risk.*

Interference with evidence?  
Could they steal more money?

*Consider the  
implications.*

Company policy and employment act?  
Could someone else interfere with  
evidence? Security of other staff/whistle  
blowers/witnesses? Time to reveal there  
are under suspicion



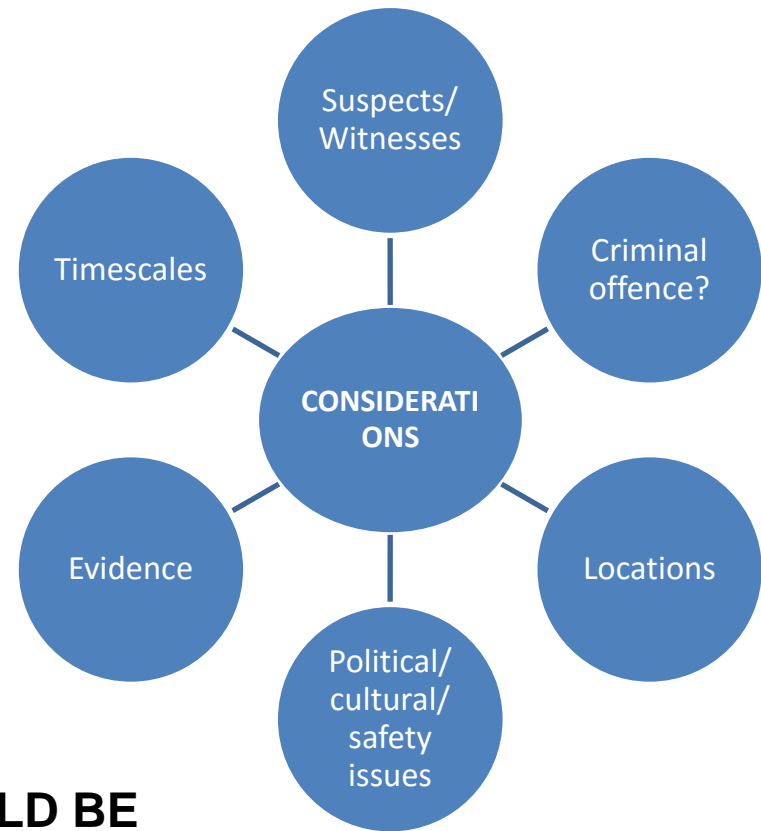
# Fraud Audit Plan



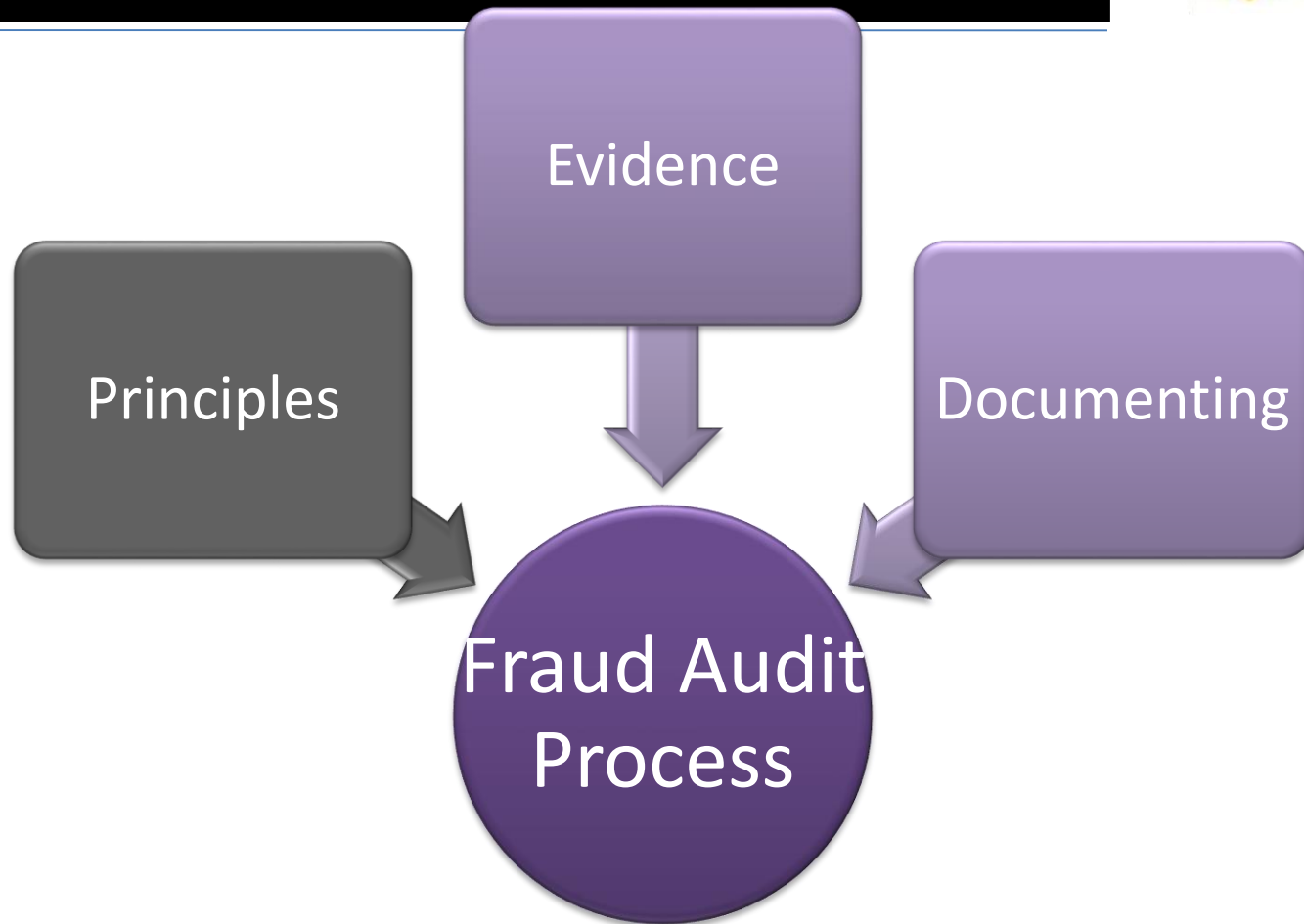
A Fraud audit plan sets out what you are going to do and when.

- a) A clear process to follow, assists organisation.
- b) Auditable and transparent
- c) Planning and preparation, accommodate staff working practices, time scales, preservation of evidence.

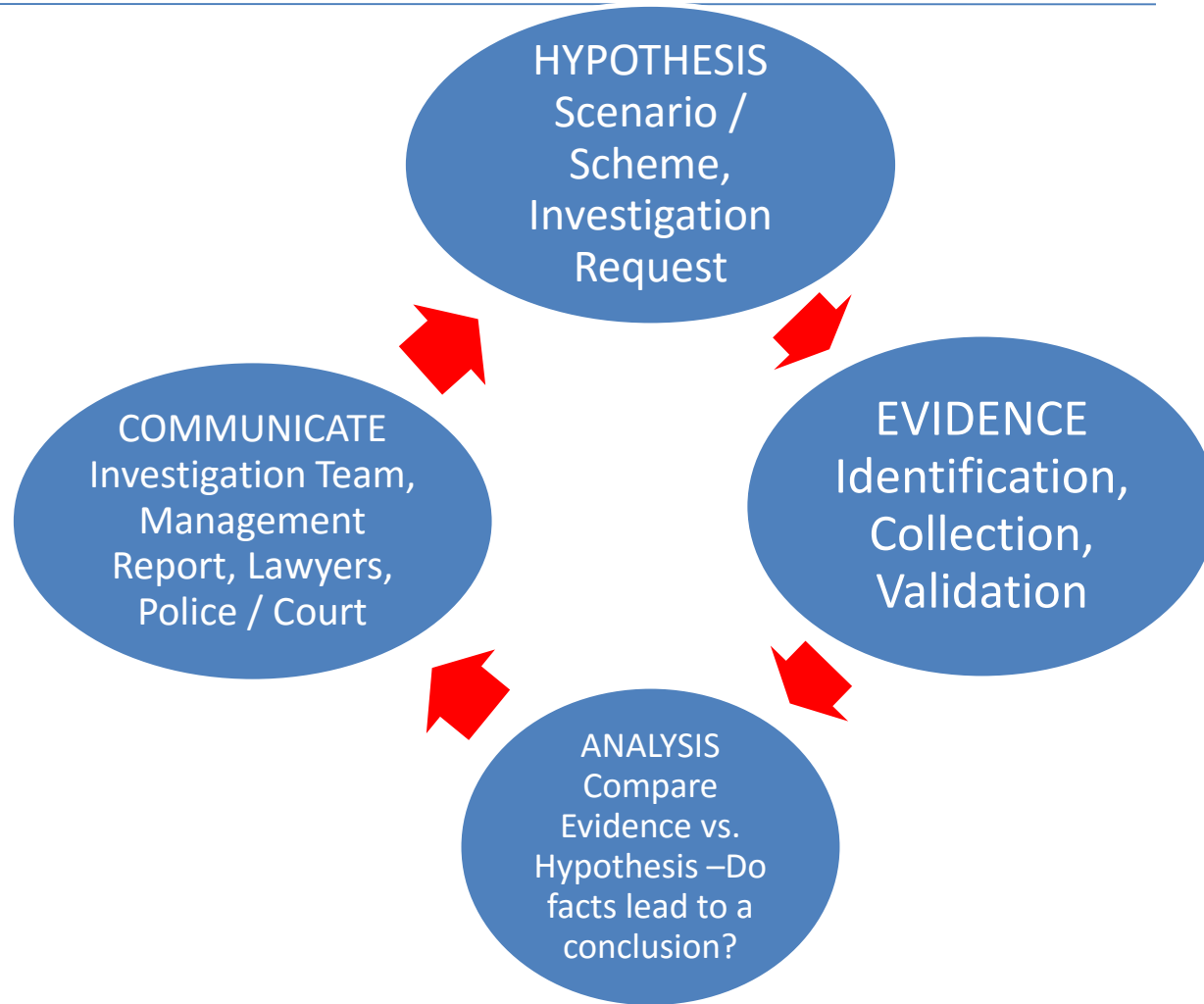
**KEEP AN OPEN MIND, THE PLAN SHOULD BE FLEXIBLE!**



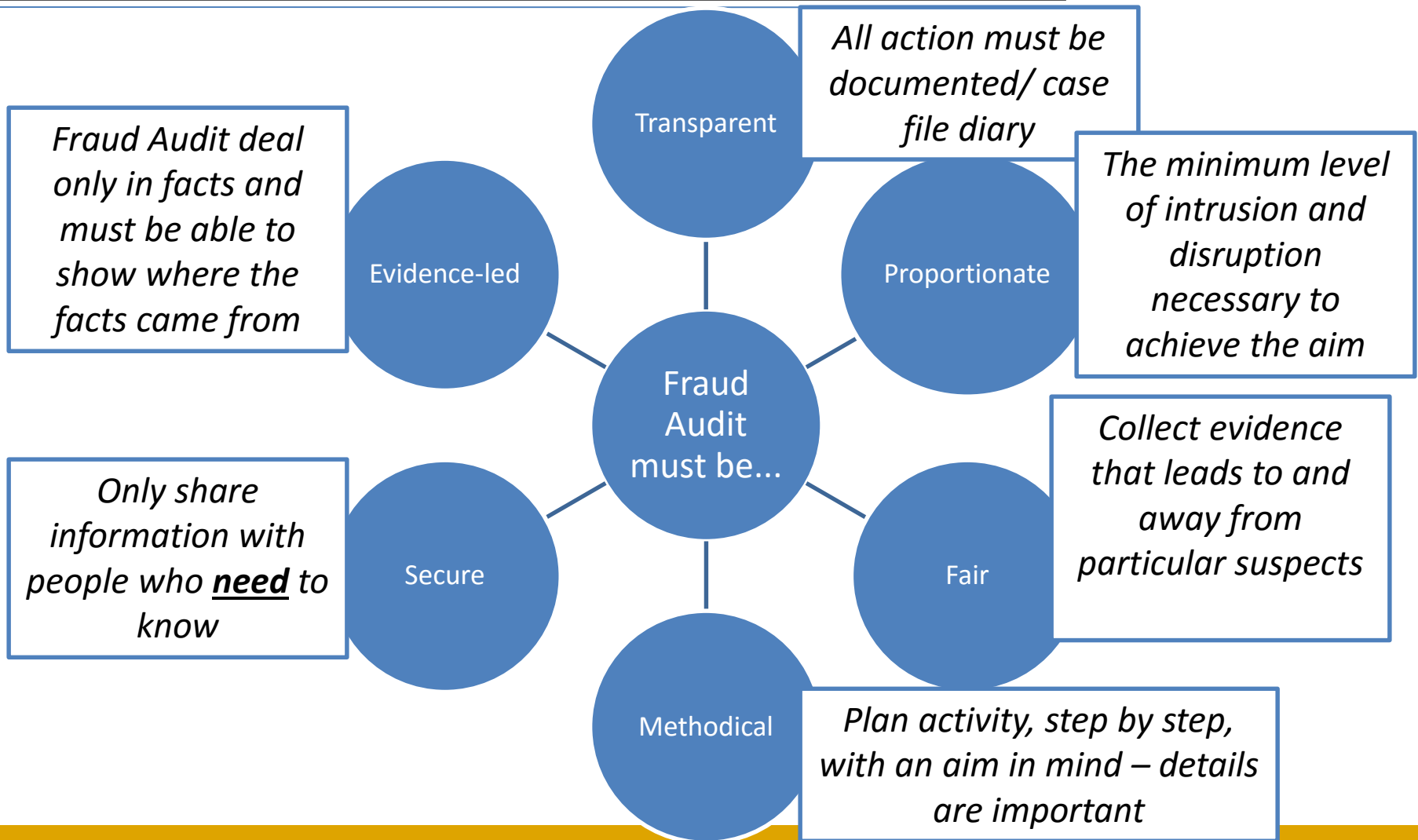
# Execution



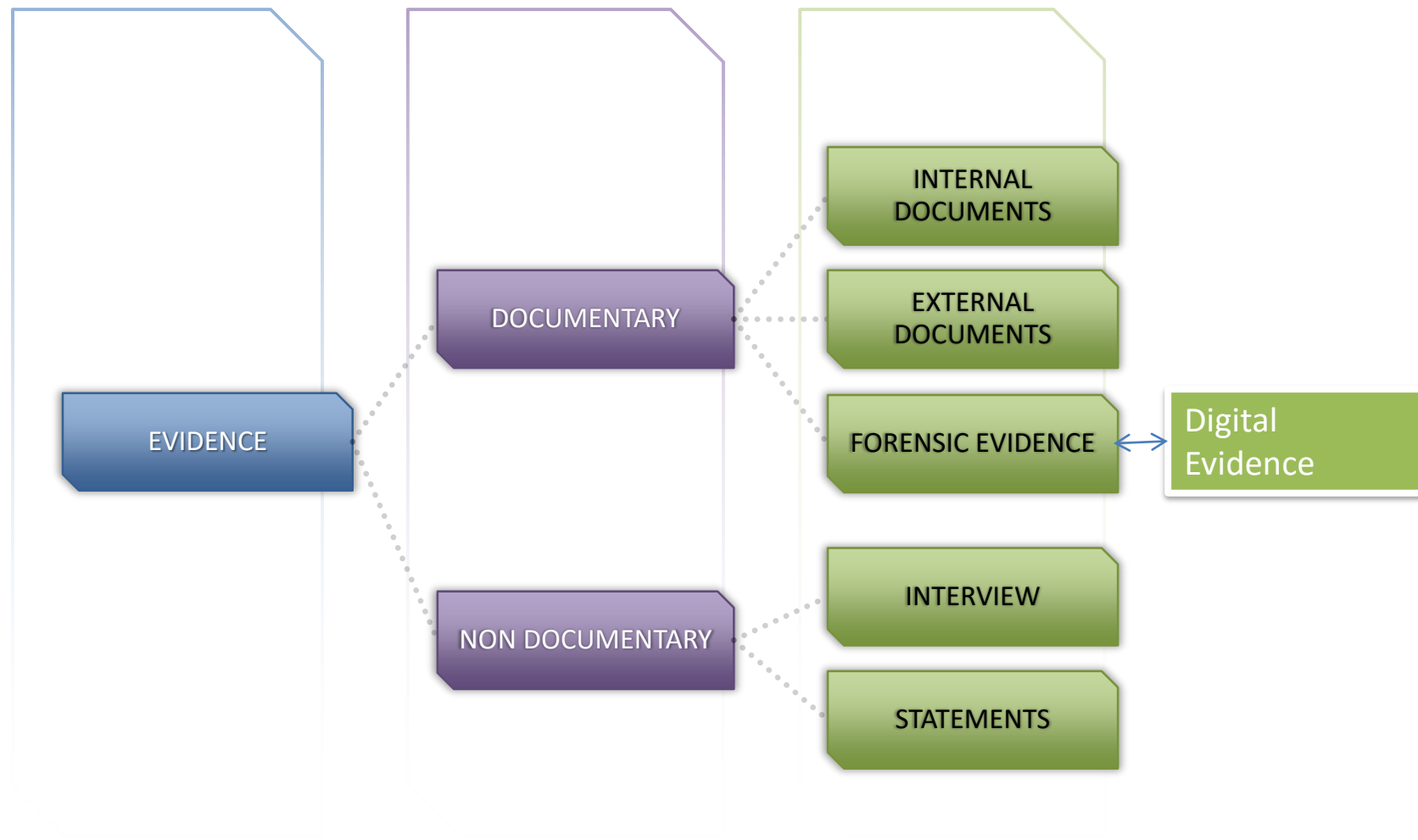
# The Fraud Audit process



# Fraud Audit Principles



# Evidence



# Document Evidence



This will be the evidence used if the case is used in HR disciplinary procedures or is given to Police for criminal prosecution,

For your own protection..... In court your actions will be considered and some civil claims can take several years to go through the system

# Interviewing



**Interview your suspects – It is NOT an interrogation !**

Interviewing is a skill that is learnt over time,

## **Pointers**

- Plan
- In the interview – Tell me, Explain, Describe
- Follow up on suspect responses
- After the interview - At the end of the interview inform the suspect what will happen next.

## **Record Witness Statements**

“I was, I saw, I did”

# Your Evidence Must be:



1

•Secured

2

•Reliable

3

•Documented

4

•Disclosed



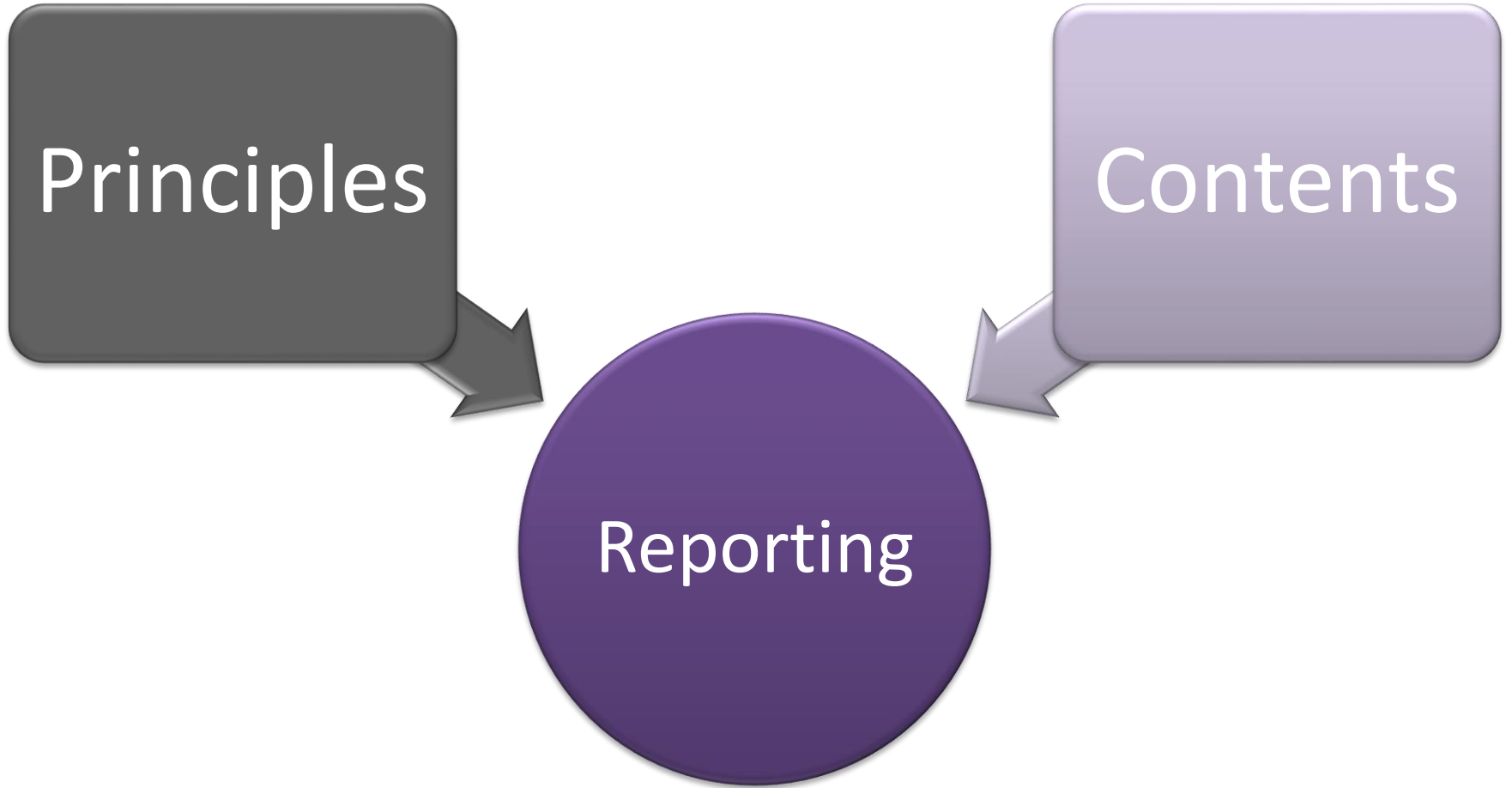
# Reporting



Principles

Contents

Reporting



# Fraud Audit Report: The Principles



- Be specific

- Do not generalise

*"Fraud in the office  
is endemic..."*

- Do not make value judgements

*"It is likely we have  
been defrauded..."*

- Use dates, names, active language

- Do not accuse anybody of fraud or theft

- Only state things for which you can attest

# Report Contents



- Summarise:
  - The grounds for the investigation
  - The work carried out in the investigation
  - Describe the evidence you have collected clearly-Exhibits file
- Quantify the loss
- State remedial action
- Recommend onward action if appropriate

# *Aftermath of fraud:*



## Legal and Court Process

- A Forensic Auditor appears in court as an expert witness
- He testifies in the form of an opinion

# *The End*



## Discussion/Questions/Clarifications

Contact: Michael Karanja CPA(K), CISA

Tel: +254 702898434  
[mike.wanguru@one-source.info](mailto:mike.wanguru@one-source.info)