

CONCEPT OF FRAUD

DEFINITION OF FRAUD

- According to Black's Law Dictionary - define fraud as a knowing misrepresentation of the truth or concealment of a material facts to induce another to act to his/her detriment.
- Most common worth countries penal codes criminalized fraud.
- Therefore upon detection, should be tried at the court of law by the republic.

- Forensic audit – Application of Audit skills in examining situations that have legal consequences with the view of producing a report for court purpose.
 - Therefore examination of fraudulent cases needs to embark on a forensic audit approach.
- 3 categories of Fraud – ACFE International guideline
 - Corruption – wrongful use of influence/position to obtain personal benefit contrary to duty/right of another person. i.e Bribery, kickbacks, illegal gratuity, collusion etc.

- Asset misappropriation – the act of misappropriation entities assets or turning it to a wrong purpose to a personal gain i.e embezzlement, deception by employee etc,

Example;

- Financial statement misrepresentation – deliberately misrepresentation of the financial condition of the entity to deceive the users of financial statement . i.e over/ understated revenue or expenditures, etc

Example;

- Principally,
Financial statement misrepresentation and asset misappropriation normally involves records and or documentation which leaves traces for an investigation.

Unlike the two category, corruptions involves the two concealing parties complementing one another over the corrupt activity which usuary does not leave traces in terms of records and documentations.

INTOSAI Guidelines may consider providing guidance on the “audit of fraudulent activities” not only corruption