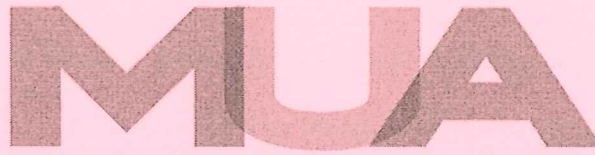


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

ACC 424: FRAUD PREVENTION AND INVESTIGATION

DATE: 31ST MARCH 2025

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the case study below carefully and answer the questions that follow:

INSURANCE FRAUD CASES (EXTRACTS)

The Insurance Regulatory Authority (IRA) Insurance Fraud Investigation Unit (IFIU) received reports and detected cases of insurance fraud totaling 150 in 2022 compared to 124 cases in 2021. The most frequent fraud cases in 2022 were fraudulent motor insurance claims and theft by insurance agents with 51 (34.0%) and 51 (34.0%) cases respectively.

Analysis in the IRA report involves insurance fraud in the form of: Fraudulent Accident Claims; Fraudulent Insurance Claims; Forged Insurance Certificates; Fraudulent Theft of Motor Vehicle; Double issuing of insurance certificates; Double motor vehicle registration; Fraudulent Claims; Addition of non-members to insurance scheme; Theft by Insurance Agents; Insurance Agency Business without Registration; Commission Fraud by Insurance Agent; Complaint against agents/broker; Obtaining by false pretense; Attempt to defraud insurance agent; Theft by Insurance Companies Employees; Complaints against Insurance Companies; Fraudulent settlement of insurance claim; Workmen's Compensation Fraudulent Claims; Complaint against Advocates/Auctioneers/Investigators; Suspicious court summons; Theft by an Advocate; Unwarranted Prosecution; Fraudulent Claims; Public Liability; All Risk Fraudulent Claims; Fire Fraudulent Claims; Last expense cover Fraudulent funeral claims; Forgery of Insurance policy/insurance documents; Fraudulent Personal Accident Claims; Transfer of Company Property without Authority; Complaint against Bank; Theft by Bankers Cheque/bouncing issued cheques; Non-Compliance with the Insurance Act; Others Insurance Related Frauds.

By the end of 2022, the reported cases were at different stages of conclusion as given below:

- 70 cases pending under investigation
- 30 cases pending before Court
- 6 referral cases

- 15 cases forwarded to DCI/CEO IRA or Insurance Company for advice
- 13 cases successfully prosecuted in Court
- 16 cases finalized and complainants advised

Source: Insurance Regulatory Authority, September, 2023: Insurance Industry Annual Report for the Year Ended 31st December, 2022

Required:

Based on the insurance fraud cases reported in the case above, together with learning gained on fraud prevention and investigation;

- a) Examine four factors that drive employees and managers of insurance companies to commit business crimes such as the ones outlined in the report above. (6 Marks)
- b) Assess six elements of a fraud and corruption control framework that can help insurance companies to prevent or reduce commission of the frauds in the above case. (9 Marks)
- c) Demonstrate five corporate governance principles that may be used by insurance companies to reduce some of the frauds in the above case that emanate from the management. (10 Marks)

QUESTION TWO

- a) Explain two requisites of whistleblower protection policy. (5 Marks)
- b) Assess the universal nature of five economic and business crimes drawing from worldwide examples. (10 Marks)

QUESTION THREE

- a) Examine three dimensions of employee screening that curb the recruitment of fraudulent employees. (6 Marks)
- b) Identify the components of the fraud triangle and demonstrate with examples how fraud is perpetrated through them in a logistics company. (9 Marks)

QUESTION FOUR

- a) Develop five steps that are undertaken in a fraud risk assessment process showing the practical applications of each step. **(5 Marks)**
- b) Propose five elements of income statement and financial position statement that may be misstated by corporate managers showing the effects of each. **(10 Marks)**

QUESTION FIVE

- a) Mshukiwa has been a long-serving employee of Maadili Company. His behavior has in the recent past been questionable. Examine five behavioural signs that Mshukiwa could be engaged in organizational fraud. **(5 Marks)**
- b) Examine four adverse effects of fraud on a company and its employees. **(10 Marks)**

QUESTION SIX

- a) Analyse the contributions and limitations of electronic evidence in fraud investigations using real world examples. **(6 Marks)**
- b) Assess six structural methodologies that top managers should institute to play a leading role in diminishing corporate fraud. **(9 Marks)**