PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

END OF SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF ARTS IN CRIMINOLOGY AND SECURITY LEADERSHIP

JANUARY-APRIL 2024 SEMESTER

CAMPUS: ROYSAMBU

DEPARTMENT: COMMUNITY DEVELOPMENT

COURSE CODE: BCSL 320

COURSE TITLE: FRAUD DETECTION AND MANAGEMENT

EXAM DATE:

DURATION: 3 HOURS

TIME:

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- **Answer any TWO questions**
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE

(a) Define different Corruptions According to the Kenya Anti-Corruption and Economic Crime Act of 2003. (8 Marks)

(b) Explain fraud management as a tool of corruption management (4 Marks)

(c) Citing relevant examples, discuss FOUR types of fraudster in Kenya (8 Marks)

QUESTION TWO

(a) With any five examples discuss why people commit fraud in Kenya based on the Fraud Triangle. (10 Marks)

(b) Explain any five challenges hindering EACC and the DCI in fraud investigation in Kenya (5 Marks)

(c) Discuss one practical solution to each of the challenges cited in (b) above. (5 Marks)

QUESTION THREE

(a) In relation to Health Care Insurance Schemes in Kenya, using relevant examples explain any FIVE Provider Frauds that Kenyan population is likely to encounter while seeking healthcare services. (10 Marks)

(b) Using relevant examples explain any FIVE fraud indicators necessary in developing an anti-fraud strategy (10 Marks)

MARKING SCHEME

QUESTION ONE

(a) Define different Corruptions According to the Kenya Anti-Corruption and Economic Crime Act of 2003. (10 Marks)

Corruption means

(a) an offence under any of the provisions of sections 39 to 44, 46 and 47;

bribery;

fraud; embezzlement or misappropriation of public funds;

abuse of office;

breach of trust; oran offence involving dishonesty $

(i) in connection with any tax, rate or impost levied under any Act; or

(ii) under any written law relating to the elections of persons to public office;
II. an organisations complementary processes to enterprise risk management that identifies potential fraud risks and provides the impetus to detect and/or deter the likelihood and prevent the consequences of fraud'

(Definition of corruption (2 Marks) Any four points explanation of what comprises corruption as per the Act (2mark) and a relevant example (1marks)=10marks)

(b) Explain fraud management as a tool of corruption management (4 Marks)

- A process that involves creating a program to detect, stop, or prevent both internal and external fraud for an organization.
- Reduces the risk of theft, corruption, conspiracy, embezzlement, money laundering, extortion, bribery, and other forms of fraud

(Relevant explanation (4marks)=4marks)

(c) Citing relevant examples, discuss THREE types of fraudster in Kenya (6 Marks)

1. Pre-planned fraudsters, who start out from the beginning intending to commit fraud. These can be short-term players, like many who use stolen credit cards or false social security numbers; or can be longer-term, like bankruptcy fraudsters and those who execute complex money laundering schemes.

2. Intermediate fraudsters, who start off honest but turn to fraud when times get hard or when life events, such as irritation at being passed over for promotion or the need to pay for care for a family member, change the normal mode.
3. Slippery-slope fraudsters, who simply carry on trading even when, objectively, they are not in a position to pay their debts. This can apply to ordinary traders or to major business people.

(Any three points (2mark each)=6marks)

QUESTION TWO

(a) With any five examples discuss why people commit fraud in Kenya based on the Fraud Triangle. (10 Marks)

There is no single reason behind fraud and any explanation of it needs to take account of various factors. Looking from the fraudster's perspective, it is necessary to take account of:

- motivation of potential offenders
- conditions under which people can rationalise their prospective crimes away
- opportunities to commit crime(s)
- perceived suitability of targets for fraud
- technical ability of the fraudster
- expected and actual risk of discovery after the fraud has been carried out expectations of consequences of discovery (including non-penal consequences such as job loss and family stigma, proceeds of crime confiscation, and traditional criminal sanctions)
- actual consequences of discovery

(Any five points with relevant example (2mark each)=10marks)

(b) Explain any five challenges hindering Ethics Aand Corruption Commission and the Directorate of Criminal Investigations in fraud investigation in Kenya (5 Marks)

(Any five points (1mark each) and a relevant example=5marks)

(c) Discuss one practical solution to each of the challenges cited in (b) above. (5 Marks)

(Any five points (1mark) and a relevant example=5marks)

QUESTION THREE

(a) In relation to Health Care Insurance Schemes in Kenya, using relevant examples explain any FIVE Provider Frauds that Kenyan population is likely to encounter while seeking healthcare services. (10 Marks)

- Medicaid and Medicare Fraud
- Provider Fraud
- Fraud by the Medical Staff
- Inflated Billings
- Kickbacks in the Health Care Industry
- Fraud by Medical Institutions
- Other Frauds in the Institutional Setting
- Fraud in Special Care Facilities
- Insured and Beneficiary Fraud
- Fraud in Managed Care Environments
- Fraud by Insurance Companies
- Employee Claims Fraud
- Agent Fraud
- Criminal Rings
- Electronic Claims Fraud
- Health Care Compliance Programs

(Any five points and a relevant example (2 Marks each)=10marks)

(b) Using relevant examples explain any FIVE fraud indicators necessary in developing an anti-fraud strategy (10 Marks)

i. Account anomalies

ii. Internal control weakness

iii. Analytical anomalies

iv. Extravagant lifestyle

v. Unusual behavior

vi. Tips and complaints

(Any five points and a relevant example (2 Marks each)=10marks)