

# COMMON FRAUDS

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**There is no single offence of fraud but there are broad categories of offences in which numerous types of fraud are found. Here are some of these fraud offences.**

## **1. False Accounting.**

**False accounting is used to obtain more finance from banks. It is also used to raise share price, to appear more successful, to obtain performance-related bonuses, to cover up theft, to mislead auditors and to hide losses. False accounting is charged under the Theft Act 1968, section 17(1) which states “..a person dishonestly with a view to gain for himself or another or with intent to cause loss to another –**

**(a) destroys, defaces, conceals or falsifies any account or record or document made or required for any accounting purpose; or**

**(b) in furnishing information for any purpose, produces or makes use of any account, or any such record or document as aforesaid, which to his**

**knowledge is or may be misleading, false or deceptive in a material particular....”**

**2.Theft can also be theft by fraud. The common patterns for theft by fraud are direct theft of cash or any asset of the business, theft of stock, theft of computer equipment, theft of intellectual property, theft of price lists and customer lists, theft by making false expense claims, and by diverting payroll payments to ex-employees or fictitious employees and theft by increasing one’s own salary.**

**Other fraud offences are:**

**2. False statements by company directors. This offence is charged under the Theft Act 1968, section 19, which states,**

**“..an officer of a body corporate or incorporated association (or person purporting to act as such), with intent to deceive members or creditors of the body corporate or association about its affairs, publishes or concurs in publishing a written statement of account which to his knowledge is or may be misleading, false or deceptive in a material particular...”.**

**3. There is the offence of obtaining property by deception, under section 15 of the Theft Act 1968.**

- 4. The offence of “carrying on business with intent to defraud” comes under section 458 of the Companies Act 1985.**
- 5. “Insider dealing” comes under the Criminal Justice Act 1993.**
- 6. “Fraudulent trading” is charged under Companies Act 1985, section 458 ; this section states “...any business of a company is carried on with intent to defraud creditors of the company or creditors of any other person, or for any fraudulent purpose...”.**
- 7. “Fraudulent misappropriation of funds” is charged under the Proceeds of Crime Act 2002.**
- 8. “Engaging in a course of conduct which creates a false or misleading impression as to market or price or value of investments” is charged as being contrary to section 47(2) of the Financial Services Act.**
- 9. Cheque and credit card frauds are offences under the Theft Act 1968, section 15.(obtaining property by cheque or credit card fraud); Theft Act 1968, section 16 (obtaining pecuniary advantage by cheque or credit card fraud); under the Criminal Justice Act 1987, section 12 (Conspiracy to commit cheque or credit card fraud); under the Theft Act 1987, section 12 (obtaining services by cheque or credit card fraud); and under the Theft Act 1968, section 15A (obtaining a money transfer by cheque or credit card fraud).**
- 10. “Obtaining property by deception (apart from cheque and credit**

**card fraud) is caught under the Theft Act 1968, section 16.**

**11. Conspiracy to defraud (apart from cheque and credit card fraud) is caught under the Common Law and the Criminal Justice Act , section 12.**

**12. “Suppression of documents” is caught under the Theft Act 1968, section 20.**

**13. “Obtaining services by deception” is caught under the Theft Act 1978, section 1.**

**14. “Evasion of liability by deception” is an offence brought to the courts under the Theft Act 1978, section 2.**

**15. “Making off without payment” is an offence under the Theft Act 1978, section 3.**

**16. “Assisting another to retain the benefit of criminal conduct” is an offence under the Criminal Justice Act 1988, section 93A.**

**17. “Obtaining a money transfer by deception” is an offence under the Theft Act 1968, section 15A.**

**There are many other fraud offences.**

**How can fraud be frustrated? By putting controls in place, controls such as procedures to frustrate attempts to over-ride controls , segregation of responsibilities, controls of reconciliations and journal entries – a key control, use of pre-numbered , sequential documents, review of audit logs, pre-**

**employment screening, internal audits, authorisation limits for cheques, dual signatories for all cheques, regular back-up of data, surveillance, job rotations and a fraud procedure in place.**

**A good employee will be prepared to sign a confidentiality agreement which states that he has a duty of confidentiality to the company and its clients and that information received in the course of employment will not be disclosed to persons outside the group and will not be used for an employee's own benefit or the benefit of others. If a company has a fraud ethics policy and reporting procedures in place, attempted frauds will be nipped in the bud, thus avoiding a scrupulous person from being forced to go to the police or to other authorities with the matter, as it will not arise if nipped in the bud.**

**ENDS**