

Financial Fraud Case Example (A Scientific Approach)



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Introduction

- Case generation (Informer-led case)
- The allegations were reviewed through the intelligence cycle by the intelligence team and a target profile generated
- Forwarded to the Science Unit and a case management team was set up to undertake the case planning process.

The case of a Cement Manufacturing Company



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Case Management...

Case management

■ Objectives.

1. *To study the production process undertaken by the company*
2. *To carry out material utilization analysis.*

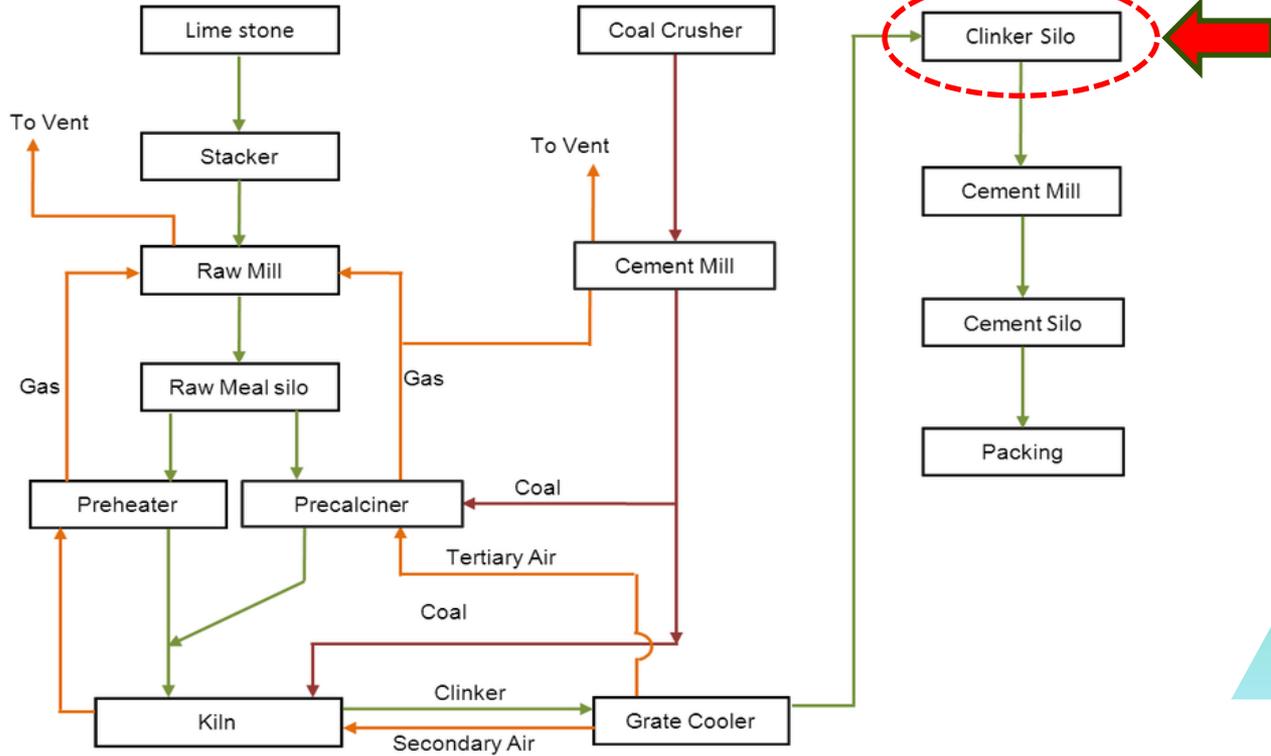
■ Work done

- *Search and seizure*
- *Manufacturing process study*
- *Forensic extraction of electronic data*
- *Laboratory analysis*
- *Data analysis*

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Case Findings...

Cement manufacturing process



Case Findings...

Laboratory findings:

- Samples of clinker imported and the finished product were tested to determine material composition and characteristics.
- Findings therefrom, revealed that Clinker forms the highest proportion of all materials in the finished cement products but cannot be packaged alone and sold as cement.

Applied Science Findings;

- Input-output ratios were determined for the two categories of cement manufactured i.e ordinary Portland and pozzolana Portland cement
- A loss of 2.35% was derived based on material characteristics, chemical reactions and production processes.

Case Findings...

Under declarations

- Analysis of extracted production data indicated a variance of 5,601.7 tonnes of cement that had not been declared for tax purposes.
- Further analysis of the production data indicated 4,021.3 tonnes of clinker that had been used but not declared to customs.

Taxes and penalties assessed

- The under declared sales as well as the undeclared clinker resulted to a tax liability of approximately 620,000 USD inclusive of income tax, VAT, excise duty, import duty and a customs penalty.



Impact of science...

Impact of science

- The team was able to establish that although clinker forms the highest proportion of all materials in the finished cement products, it cannot be packaged alone and sold as cement.
- The team was also able to identify quantities of clinker that had been imported and not declared at customs
- The team was also able to identify domestic taxes that had leaked due to the under declarations of sales.



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Thank you

