

Corporate fraud and criminal behaviour



This item contains selected online content. It is for use alongside, not as a replacement for the module website, which is the primary study format and contains activities and resources that cannot be replicated in the printed versions.

About this free course

This free course is an adapted extract from the Open University course .

This version of the content may include video, images and interactive content that may not be optimised for your device.

You can experience this free course as it was originally designed on OpenLearn, the home of free learning from The Open University –

There you'll also be able to track your progress via your activity record, which you can use to demonstrate your learning.

First published 2025.

Unless otherwise stated, copyright © 2025 The Open University, all rights reserved.

Intellectual property

Unless otherwise stated, this resource is released under the terms of the Creative Commons Licence v4.0 <http://creativecommons.org/licenses/by-nc-sa/4.0/deed.en>. Within that The Open University interprets this licence in the following way:

www.open.edu/openlearn/about-openlearn/frequently-asked-questions-on-openlearn. Copyright and rights falling outside the terms of the Creative Commons Licence are retained or controlled by The Open University. Please read the full text before using any of the content.

We believe the primary barrier to accessing high-quality educational experiences is cost, which is why we aim to publish as much free content as possible under an open licence. If it proves difficult to release content under our preferred Creative Commons licence (e.g. because we can't afford or gain the clearances or find suitable alternatives), we will still release the materials for free under a personal end-user licence.

This is because the learning experience will always be the same high quality offering and that should always be seen as positive – even if at times the licensing is different to Creative Commons.

When using the content you must attribute us (The Open University) (the OU) and any identified author in accordance with the terms of the Creative Commons Licence.

The Acknowledgements section is used to list, amongst other things, third party (Proprietary), licensed content which is not subject to Creative Commons licensing. Proprietary content must be used (retained) intact and in context to the content at all times.

The Acknowledgements section is also used to bring to your attention any other Special Restrictions which may apply to the content. For example there may be times when the Creative Commons Non-Commercial Sharealike licence does not apply to any of the content even if owned by us (The Open University). In these instances, unless stated otherwise, the content may be used for personal and non-commercial use.

We have also identified as Proprietary other material included in the content which is not subject to Creative Commons Licence. These are OU logos, trading names and may extend to certain photographic and video images and sound recordings and any other material as may be brought to your attention.

Unauthorised use of any of the content may constitute a breach of the terms and conditions and/or intellectual property laws.

We reserve the right to alter, amend or bring to an end any terms and conditions provided here without notice.

All rights falling outside the terms of the Creative Commons licence are retained or controlled by The Open University.

Head of Intellectual Property, The Open University

Contents

Introduction	4
Learning outcomes	5
1 Insider dealing	6
1.1 Penalties for insider dealing	7
2 Market abuse	10
3 Money laundering	13
4 Categories of criminal offences	15
5 Money laundering controls	17
6 Internal controls to prevent money laundering	18
7 The COSO framework: control environment	20
8 The COSO framework: risk assessment	21
9 The COSO framework: control activities	22
10 The COSO framework: information and communication	23
11 The COSO framework: monitoring activities	24
12 Bribery	27
12.1 Penalties under Bribery Act 2010	27
13 Fraud	29
13.1 Definition of fraud	29
13.2 Cost of fraud	30
13.3 Why is fraud committed?	31
14 Failure to prevent tax evasion	33
15 Fraudulent and wrongful trading	34
Conclusion	37
References	38
Acknowledgements	41
Glossary	41

Introduction



Figure 1 Judge's gavel

When we think of crime, we often imagine individuals acting alone, but did you know some of the most serious offences take place within businesses and organisations that appear legitimate? Corporate fraud and criminal behaviour refer to illegal actions or serious misconduct carried out by people within companies, often hidden behind complex systems and professional reputations.

This course explores how fraud, insider dealing, bribery, money laundering, and other types of corporate wrongdoing occur. It also outlines what legal measures exist to prevent and respond to them. You'll learn about different forms of financial and organisational crime, the warning signs to watch for, and the responsibilities companies have to prevent such behaviour.

You'll examine real-world examples of corporate crime and consider the wider impact these offences can have. This course will equip you with the knowledge to think critically about corporate responsibility and crime.

This OpenLearn course is an adapted extract from the Open University course [B251 Business Law](#).

Learning outcomes

After studying this course, you should be able to (within the context of English and Welsh law):

- understand the nature of, and legal controls over, insider dealing and market abuse
- describe the nature of, and legal controls over, fraud and money laundering, including relevant policies, procedures and controls
- recognise the nature of, and legal controls over, bribery
- discuss potential criminal activity in the operation, management and liquidation of companies, including fraud and the failure to prevent the facilitation of tax evasion
- recognise the nature of, and legal controls over, fraudulent and wrongful trading.

1 Insider dealing

Public company shares and securities are bought and sold on a stock exchange. To maintain public confidence in the stock market, it is important that all users have the same information about shares and securities. A person should not use any inside information that they have to gain an unfair advantage when they are involved in share and securities trading. Insider dealing is also prohibited under statute in England and Wales, principally under the Criminal Justice Act 1993 (CJA 1993).

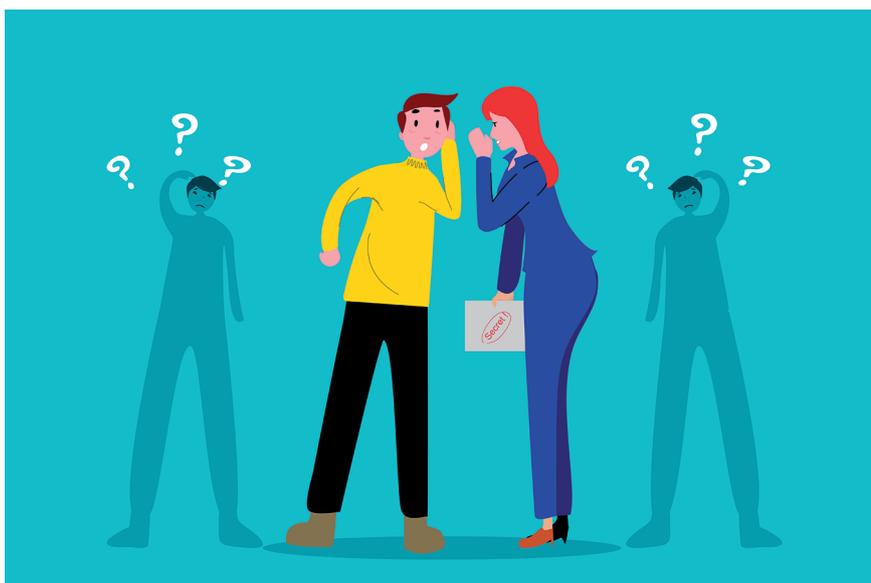


Figure 2 Insider dealing

A company's share value reflects its profitability and future prospects. Outside investors normally use **earnings per share (EPS)** or the **price-to-earnings (P/E) ratio** to assess a company's performance. For example, if the business has a high EPS, it indicates that business is more profitable and will potentially attract more investors.

The prospective purchaser can only access this type of information after it has been made publicly available in the company's annual report. However, if prospective purchasers could access such information before it was made public, they could use this inside information to gain an unfair advantage in transactions involving company shares and securities (Jones, 2019, p. 521). This behaviour is called 'insider dealing'.

Insider dealing was made a criminal offence under section 52 of the Criminal Justice Act 1993 (CJA 1993) because this behaviour can potentially undermine stock market integrity. Considering section 55 of the CJA 1993, 'dealing' refers to both purchasing and selling company shares and securities in the market. Section 56 of the CJA 1993 outlines what is meant by 'insider information', as shown in Box 1.

Box 1 Section 56(1), CJA 1993

56 'Inside information', etc.

- (1) For the purposes of this section and section 57, 'inside information' means information which—
- a. relates to particular securities or to a particular issuer of securities or to particular issuers of securities and not to securities generally or to issuers of securities generally;

- b. is specific or precise;
- c. has not been made public; and
- d. if it were made public would be likely to have a significant effect on the price of any securities.

Section 57 of the CJA 1993 clarifies when a person has information as an insider, as shown in Box 2.

Box 2 Section 57, CJA 1993

57 'Insiders'.

(1) For the purposes of this Part, a person has information as an insider if and only if—

- a. it is, and he knows that it is, inside information, and
- b. he has it, and knows that he has it, from an inside source.

(2) For the purposes of subsection (1), a person has information from an inside source if and only if—

- a. he has it through—
 - i. being a director, employee or shareholder of an issuer of securities; or
 - ii. having access to the information by virtue of his employment, office or profession; or
- b. the direct or indirect source of his information is a person within paragraph (a).

Under section 52 of the CJA 1993, individuals may be guilty of insider dealing if they use this inside information about shares and securities for their profit. It is also an offence for an individual to enable another person to use the inside information to deal. Furthermore, it is a criminal offence to disclose inside information to another person outside the scope of one's job or profession.

There are three general defences available to anyone accused of insider dealing under section 53 of the CJA 1993:

- the individual did not expect this dealing to make a profit or avoid a loss
- the individual had reasonable grounds to believe that the information had been disclosed widely
- the individual would have done the same if they had not had the information.

1.1 Penalties for insider dealing

As of the CJA 1993, insider dealing is a criminal offence. There are two types of penalties: an unlimited fine and a maximum of seven years' imprisonment (before 1 November 2021). This has increased to ten years for offences committed on or after 1 November 2021. If individuals are found guilty of insider dealing, the court can impose one or both penalties.

Box 3 Insider dealing: an example

The investment bank UBS AG recruited Fabiana Abdel-Malek to be its senior compliance officer in its London office. During her employment, she was able to gain inside information and disclosed the information to her family friend, Walid Choucair, a very experienced day trader of financial securities. Choucair was able to make a profit of approximately £1.4 million with the information he gained from Abdel-Malek.

In 2019, a jury at Southwark Crown Court decided that Abdel-Malek and Choucair were both guilty of insider dealing under section 52 of the CJA 1993 and the judge sentenced each of them to three years' imprisonment (Financial Conduct Authority, 2019).

The purpose of the following activity is to help you understand insider trading and the relevant legislation using a multiple-choice question format.

Activity 1 Insider dealing

 Allow around 15 minutes for this activity

Answer the following questions by selecting the best option:

1. Which statute contains the legislation on insider dealing?
 - Criminal Justice Act 1993
 - Companies Act 2006
 - Proceeds of Crime Act 2002
 - Bribery Act 2010

Answer

The Criminal Justice Act 1993 contains legislation on insider dealing.

2. Which of the following behaviours is considered to be insider dealing?
 - Use inside information to deal in shares/securities.
 - Encourage other people to use inside information to deal in shares/securities.
 - Disclose the inside information to the public.
 - All of the above.

Answer

All are examples of insider dealing.

3. Which of the following is not a general defence to a charge of insider dealing?
 - The individual did not expect this dealing to make a profit or avoid a loss.
 - The individual had reasonable grounds to believe that information had been disclosed widely.

- The individual expected other people to benefit from this dealing in shares/securities.
 - The individual would have done the same if they did not have such information.
-

Answer

According to section 53 of the CJA 1993, expecting other people to benefit from the dealing in shares/securities is not a general defence to insider dealing.

4. Which of the following statements is false?

- A person has information from an inside source if they have access to the information by virtue of their employment, office or profession.
 - Insider dealing has been made a criminal offence under section 57 of the CJA 1993.
 - Inside information is not disclosed publicly.
 - The person has information from an inside source if the direct or indirect source of their information is a director, employee or shareholder of an issuer of securities.
-

Answer

Insider dealing has been made a criminal offence under section 52 of the CJA 1993.

2 Market abuse



Figure 3 Market abuse/market manipulation

As well as the criminal offence of insider dealing, civil offences have also been created in relation to market abuse. Market abuse is defined as an individual or group of people acting to disadvantage other market investors. The UK Market Abuse Regulation (UK MAR) is the legislation that governs this area. It aims to protect market integrity and enhance confidence in the market. UK MAR includes three core offences:

- insider dealing
- unlawful disclosure of market information
- market manipulation.

Market manipulation includes (but is not limited to) manipulating transactions and disseminating information which gives or is likely to give a false or misleading impression on the supply of, demand for or price of financial instruments.

The Financial Conduct Authority takes enforcement action against market abuse. It can impose a number of penalties including imposing fines and ordering injunctions.

In Activity 2, you will explore different types of market abuse behaviours further.

Activity 2 Market abuse

 Allow around 20 minutes for this activity

The purpose of this activity is to help you to understand the nature of different market abuse behaviours.

Using the text boxes provided, explain why the following behaviours might be considered market abuse.

1. An employee learns that their company may lose a significant contract with its main customer. The employee then sells their shares, because the loss of the contract is reasonably certain.

Provide your answer...

Discussion

The employee's behaviour creates an unfair marketplace because the investor who brought the shares from the employee might not have done so if they had the information about the potential loss of a significant contract.

2. A person buys a large number of a particular share near the end of the trading day, aiming to drive the share price higher to improve the performance of their investment.

Provide your answer...

Discussion

This could give other investors a false or misleading impression of the stock or share price, and it could lead to wrong investment decisions being made by investors.

3. An employee finds out that their company is about to become the target of a takeover bid. Before the information is made public, the employee purchases shares in the company because they know that the takeover bid is likely to happen soon. The employee also discloses this inside information to their friends and family.

Provide your answer...

Discussion

This behaviour also creates an unfair marketplace because the person who sold shares to this employee might not have done so if they had known of the takeover bid. Since the employee disclosed this information to friends and family, they could also potentially profit from the information.

4. A person uses a chat room to post information about the takeover of a company which they know to be false or misleading.

Provide your answer...

Discussion

This behaviour could artificially increase or decrease the share price and it could lead to wrong investment decisions being made by those investors.

5. There is movement of an empty cargo ship that is used to transport commodities.

Provide your answer...

.....

Discussion

This behaviour could create a false impression regarding the supply, demand, price or value of this commodity.

3 Money laundering

According to the Crown Prosecution Service (CPS, 2024), money laundering is defined as ‘the process by which the proceeds of crime are converted into assets which appear to have a legitimate origin, so that they can be retained permanently or recycled into further criminal enterprises’.

The United Nations (UN) Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances¹ defines money laundering in a similar way, as:

the conversion or transfer of property, knowing that such property is derived from any offense ... for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such offense(s) to evade the legal consequences of his actions.

As Figure 4 shows, money laundering has three stages.

- **Placement:** collecting the dirty money and placing it into the financial system.
- **Layering:** transferring the money across offshore bank accounts to conceal the initial source of the money.
- **Integration:** making the money available to the criminal from what seem to be legitimate sources.

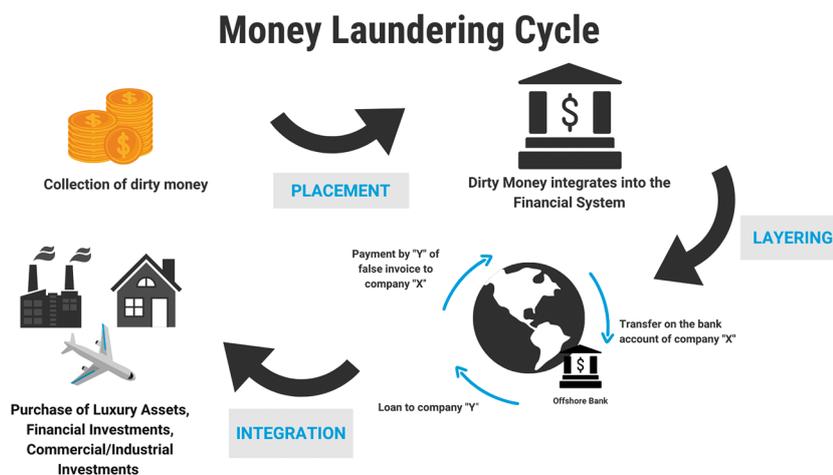


Figure 4 Money laundering cycle

Money laundering has some negative impacts on society. Activity 3 will help you understand the three biggest impacts of money laundering.

Activity 3 The impact of money laundering on society

 Allow around 15 minutes for this activity

Watch Video 1 to find out more about money laundering and then use the text box to summarise the impacts of money laundering on society.

¹ Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (adopted 20 December 1988, entered into force 11 November 1990) 1585 UNTS 95 art 3.1(b)(i).

View at: [youtube:sEVbmgbbYq4](https://www.youtube.com/watch?v=sEVbmgbbYq4)



Video 1 What is money laundering and how does it impact our society?

Provide your answer...

Feedback

Your summary might include these points.

- **Support criminal activities:** when criminals profit from their illegal activities, they can invest more money into the black-market economy and facilitate further crimes.
- **Undermine the financial system:** money laundering undermines the financial system, and it can also undermine public confidence in financial institutions.
- **Erode public trust:** money laundering erodes public trust in the integrity of the financial system, and it can also weaken the economy.

4 Categories of criminal offences

The Proceeds of Crime Act 2002 is the legislation that primarily obstructs and prevents money laundering. It imposes obligations upon accountants, auditors and legal advisers, and it requires them to report money laundering to authorities.

Under the Proceeds of Crime Act 2002, there are three categories of criminal offences:

- money laundering
- failure to report
- tipping off.

Money laundering

The Proceeds of Crime Act 2002 outlines the offence of concealing with regard to money laundering.

Box 4 Section 327(1), Proceeds of Crime Act 2002

327 Concealing etc

1. A person commits an offence if he—
 - a. conceals criminal property;
 - b. disguises criminal property;
 - c. converts criminal property;
 - d. transfers criminal property;
 - e. removes criminal property from England and Wales or from Scotland or from Northern Ireland.

Concealing or disguising criminal property includes concealing or disguising its nature, source, location, disposition, movement, or ownership or any rights with respect to it.

Section 340(3) of the Proceeds of Crime Act 2002 defines property as criminal property if 'it constitutes a person's benefit from criminal conduct or it represents such a benefit (in whole or part and whether directly or indirectly), and the alleged offender knows or suspects that it constitutes or represents such a benefit'.

Section 334(1) of the Proceeds of Crime Act 2002 sets out a maximum penalty of 14 years' imprisonment and/or a fine for money laundering.

Failure to report

Under section 330 of the Proceeds of Crime Act 2002, a person commits an offence of failing to report if four conditions are satisfied. Section 330 applies to the regulated sector, which is defined in schedule 9 of the Proceeds of Crime Act 2002.

Box 5 Section 330, Proceeds of Crime Act 2002

330 Failure to disclose: regulated sector

- 1 A person commits an offence if [the conditions in subsections (2) to (4) are satisfied.

- 2 The first condition is that he—
 - a. knows or suspects, or
 - b. has reasonable grounds for knowing or suspecting, that another person is engaged in money laundering.
- 3 The second condition is that the information or other matter—
 - a. on which his knowledge or suspicion is based, or
 - b. which gives reasonable grounds for such knowledge or suspicion, came to him in the course of a business in the regulated sector.
- 3A The third condition is—
 - a. that he can identify the other person mentioned in subsection (2) or the whereabouts of any of the laundered property, or
 - b. that he believes, or it is reasonable to expect him to believe, that the information or other matter mentioned in subsection (3) will or may assist in identifying that other person or the whereabouts of any of the laundered property.
- 4 The fourth condition is that he does not make the required disclosure to—
 - a. a nominated officer, or
 - b. a person authorised for the purposes of this Part by the Director General of the National Crime Agency, as soon as is practicable after the information or other matter mentioned in subsection (3) comes to him.

A maximum penalty of 5 years' imprisonment and/or a fine applies for failure to report.

Tipping off

Under section 333A of the Proceeds of Crime Act 2002, it is a criminal offence to make a disclosure that is likely to prejudice money laundering investigations. This can happen when an accountant informs the client that a report has been submitted to the National Crime Agency (NCA).

There is a maximum penalty of 2 years' imprisonment and/or a fine for tipping off.

5 Money laundering controls



Figure 5 Look into 'money laundering'

There are also some other types of controls over money laundering, such as risk assessment.

Risk assessment goes hand in hand with risk management. Risk assessment is the systematic process of evaluating the potential risks that a business might face, while risk management is about dealing with those risks. It is not enough for organisations merely to assess risks – they must also manage risks to survive and operate successfully (Kassem, 2021).

Firms need to conduct regular assessments to evaluate the risk of money laundering. When conducting a risk assessment, a firm will consider the following factors:

- customers
- location
- products and services
- transactions
- distribution and delivery channels.

Sound risk assessment can help a firm develop effective policies, procedures, controls and approaches to detect and prevent money laundering.

6 Internal controls to prevent money laundering

Internal controls are policies and procedures an organisation has in place to ensure that its systems operate as efficiently and effectively as intended, its assets are safeguarded, and it is complying with all applicable laws and regulations (Arens, Elder and Beasley, 2014).

Designing and implementing robust controls is essential for ensuring accountability. The UK Corporate Governance Code requires directors of listed organisations to design and implement a sound internal control and risk management system (FRC, 2024).

The Association of Certified Fraud Examiners (2022) highlighted that almost half of the fraud cases covered by its global fraud study could be attributed to either a lack of internal controls (29%) or the overriding of existing controls (20%). If firms adopt effective internal controls, money laundering can also be avoided.

There are various types of controls that could combat money laundering effectively. One of the most important components is monitoring.

Besides monitoring, there are some other additional anti-money laundering controls that can be used, including:

- external audit of financial statements
- internal audit department
- external audit of internal controls over financial reporting
- an independent audit committee
- an anti-money laundering policy
- anti-money laundering training
- an employee support programme
- a dedicated anti-money laundering department, function or team
- management review
- customer due diligence where accountants ask clients to provide satisfactory evidence to verify their identity
- rewards for whistle-blowers.

(B816 *Financial strategy and governance: Ethics, fraud and governance.*)

Furthermore, firms are legally obliged to appoint a money laundering compliance principal (MLCP) and a money laundering reporting officer (MLRO). These officers can help firms assess the likelihood of money laundering and report any suspicious activities to relevant authorities. However, the requirement to appoint a MLCP and a MLRO is subject to the 'size and nature' of the business.

A framework for internal controls was developed, and subsequently revised, by the Committee of Sponsoring Organisations of the Treadway Commission (COSO, 2013a).

The COSO Internal Control Integrated Framework (see Figure 6) recognised five components of internal control:

- the control environment
- risk assessment
- control activities
- information and communication
- monitoring activities.

Generally speaking, all five components must be present, functioning and operating together to conclude that internal control is effective (Arens, Elder and Beasley, 2014).

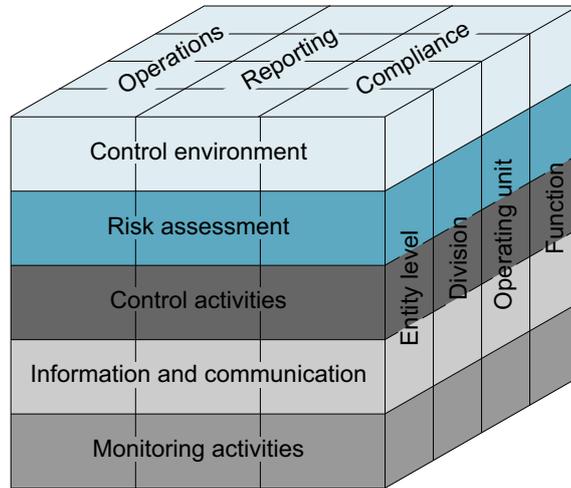


Figure 6 The COSO Internal Control Integrated Framework (COSO, 2013b)

You will examine each of these components in turn.

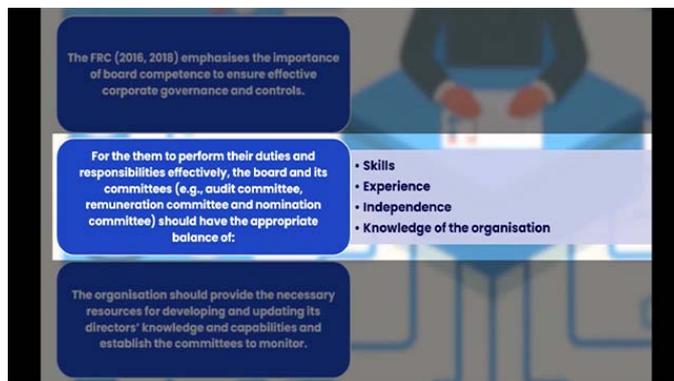
7 The COSO framework: control environment

The first internal control component in COSO's framework is the control environment. Video 2 below covers the following aspects of control environment:

- integrity and ethical values
- management's philosophy and operating style
- commitment to competence
- the role of the human resources department
- organisational structure
- board of directors and the audit committee
- holding individuals accountable for their responsibilities.

Video content is not available in this format.

Video 2 Control environment



8 The COSO framework: risk assessment

The second internal control component is risk assessment. A general definition of risk is the variation from an expected outcome over time (Kallman, 2005).

A favourable or positive risk could be referred to as an opportunity, while a negative risk could be referred to as a threat and the possibility of harm or loss. Examples of opportunity or positive risk include favourable mergers, acquisitions and new business ventures. There are some negative risks, including risk from fraud, money laundering and poor organisational controls (Hillson, 2002).

9 The COSO framework: control activities

The third internal control component, control activities, refers to the procedures and policies that help ensure that management instructions are carried out, and that necessary actions are taken to address risks and to ensure that the organisation's objectives are achieved. Control activities include adequate separation of duties, proper authorisation of transactions and activities, adequate documentation and records, physical control over assets and records, and independent checks on performance (COSO, 2017).

Adequate segregation of duties

The concentration of power in the hands of one or a few individuals can result in a high risk of fraud and abuse. For this reason, COSO (2017) recommends that organisations segregate certain jobs by:

- separating the custody of assets from accounting (custody of cash and data entry for cash receipts)
- separating the authorisation of transactions from the custody of related assets
- separating IT duties from user departments (e.g. designing and updating information systems).

Proper authorisation

COSO (2017) suggests that any transaction or activity should only be authorised by those with the requisite authority to give such permission. Proper authorisation is needed in order to hold people accountable for their responsibilities.

Adequate documentation and records

Having proper documentation is another vital internal control. Documents should be pre-numbered consecutively to facilitate control over missing documents; prepared at the time a transaction takes place to minimise errors; designed for multiple uses to minimise the number of different forms; and constructed in a manner that encourages correct preparation (e.g. they should contain instructions, spaces for authorisation and columns for numerical data) (Arens, Elder and Beasley, 2014; COSO, 2017).

Physical control over assets and records

This can be defined as using physical precautions to protect assets and an organisation's resources (Arens, Elder and Beasley, 2014). Examples of physical safeguards include securely locking stockroom doors, appointing security guards, using strong passwords and backups to secure computer files and avoid data loss, installing CCTV cameras and investing in cybersecurity.

10 The COSO framework: information and communication

The fourth control component, information and communication, refers to the methods used to initiate, record, process and report an entity's transactions and maintain accountability for related assets.

11 The COSO framework: monitoring activities

The fifth control component in the COSO internal control framework is monitoring. Monitoring is a process that assesses the quality of the internal control system's performance over time. It includes regular management and supervisory activities. Internal control deficiencies should be reported to upper-level management, and serious matters should be reported to the board of directors. Monitoring is essential because it ensures the other components of the COSO internal control framework are running as effectively as planned, and it helps reduce the risk of money laundering (Arens, Elder and Beasley, 2014). The next activity will help you understand the monitoring of internal control activities.

In Activity 4, you will explore internal control in the business context of Ramero Ltd.

Activity 4 Internal control and mitigating money laundering

 Allow around 40 minutes for this activity

The purpose of this activity is for you to identify internal control deficiencies and understand how effective internal control can reduce money laundering.

Read the case study and then answer the questions that follow, applying your knowledge of internal controls.

Ramero Ltd case study

You have been delegated by the board of directors of Ramero Ltd, a family-owned business, to assess and evaluate the effectiveness of the company's internal control system, as well as any fraud risks. The company manufactures and sells food and beverages, and has been in the industry for about four years. You have held several meetings with key personnel to get an idea about the company's internal control system. You also had a tour of the company's premises to observe the working environment.

Your first meeting was with Mr Jones, the company manager. Mr Jones gave you a very brief idea about the company's internal control system and organisational structure. Mr Jones explained that he reports directly to the CEO, Mrs Ramy, who strives to meet family owners' expectations and is under continuous pressure to achieve high returns. Mr Jones is overburdened with many responsibilities as he rarely delegates authority to lower-level managers and prefers to approve and authorise almost every business-related transaction. Mr Jones even sets the required criteria for the company's employees at all levels and is keen to interview and assess them himself. This is why he thinks there is no need for a human resources department. You were told by Mr Jones that there are two accounts officers in the company, who usually do all the recording as well as the preparation of financial statements. However, there is no finance manager to review and approve the financial records and Mr Jones does that himself.

Your second meeting was with Ms Anderson, the IT manager, who is responsible not only for designing the computerised accounting systems but also for updating customers' information and maintaining the system. After talking to Ms Anderson, you realised she is a qualified and intelligent employee. She is very loyal to the company and does her best to save money for the company. For example, she does all the updates and data backups

herself to save the cost of setting staff passwords, creating backups and purchasing security software. Employees in other departments share computers to save the money needed to purchase a PC for each individual employee. There are only two printers for the whole company, easily accessible to everyone and with no login detail for ease of use.

Your third meeting was with Mr Wenzhao, who has been the external auditor for Ramero Ltd since it was first established. Mr Wenzhao assured you of the integrity and qualification of Ramero's senior management. He mentioned that he always issues a clean audit report for Ramero Ltd because of the management's integrity, history, and cooperation. However, he mentioned that some internal control weaknesses have not yet been resolved, despite Mr Wenzhao raising them with management. You noticed that there is no internal audit department or audit committee, which Mr Jones justified by cost constraints and the small size of the company.

During your tour of the company's premises, you found that there were no security guards for the stockroom and poor-quality locks on the stockroom doors. When you entered the room, you found some of the stock boxes were opened, with some of the stock scattered on the floor. You also found the stockroom inappropriate for keeping food and beverages for a long time. The administrative offices housed ten employees who shared three computers. After talking to three of the employees, you realised that morale is low and they complained of unfair treatment by Mr Jones. One of them commented that 'if Mr Jones likes you, work will be fun'. Some were also unhappy with the compensation structure and annual pay rises, which are usually not linked to performance but based on Mr Jones's personal judgement. Employees also have no code of ethics or penalty system, as Mr Jones decides on what is acceptable behaviour in the workplace and who should be penalised for what.

Identify three internal control deficiencies and discuss the potential impact of these deficiencies (in approximately 450 words).

Provide your answer...

Feedback

Mr Jones

Mr Jones is overburdened with a lot of responsibilities as he rarely delegates to lower-level managers and prefers to approve and authorise almost every business-related transaction. Too much power in the hands of one person will increase the risk of fraud, money laundering and abuse.

A heavy workload will lead to inefficiency and increase the risk of error. It will also affect the wellbeing of staff, who will struggle to maintain a healthy work-life balance.

The board of directors should pay attention to the importance of delegation of authority and segregation of duties to ensure efficiency and reduce the risk of fraud, money laundering, abuse and error. The board should evaluate the performance of management to ensure that the risk of management override is reduced.

Lack of human resources department

There is no human resources department. Mr Jones sets the required criteria for the company's employees at all levels and is keen to interview and assess them himself. As there is no human resources department in this company, there are no experts to respond to employee complaints or address staff development needs. There is a lack of commitment to competence, given that there are concerns about Mr Jones's qualifications and ability to interview staff. Is he sufficiently well qualified? Would he be fair in his decisions, given that there are no defined criteria for employees' conduct and expected performance?

No separate finance manager

There is no finance manager to review and approve the financial records. The board of directors should pay attention to the importance of monitoring to reduce the risk of fraud, money laundering, abuse and error. The finance manager's role is significant in ensuring the accounts are prepared correctly and that employees' performance in the finance department is up to the required level.

12 Bribery

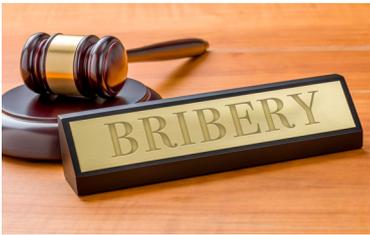


Figure 7 Bribery

Bribery is the 'offering, giving, receiving, or soliciting of anything of value to influence an official act' (Wells, 2011, p. 281).

Bribery does not have to involve cash or an actual payment exchanging hands. It can take many forms, such as a gift, lavish treatment during a business trip or tickets to an event. Under the Bribery Act 2010, there are four main offences of bribery:

- bribing another person (section 1)
- requesting or accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failure by a commercial organisation to prevent bribes (section 7).

The Bribery Act 2010 makes it a criminal offence in the UK to offer, promise or give a financial or other advantage where that advantage is intended to reward a person for performing an activity or function improperly, or to induce them to do so. It is also a crime to request, agree to receive or accept such an advantage (section 1 and section 2, Bribery Act 2010).

The Bribery Act 2010 applies to businesses. If a person bribes a foreign official to retain or gain an advantage in the conduct of the business, this will be seen as a criminal offence (section 6, Bribery Act 2010).

Section 7 of the Act further requires businesses to ensure they have sufficient internal controls to prevent bribery by any of its employees or agents, and to detect bribery when it occurs. This requirement applies to organisations carrying on a business in the UK as well as those incorporated or formed in the UK. It is irrelevant whether the act of bribery occurs inside or outside the UK.

Under section 7 of the Bribery Act 2010, it is a defence to have 'adequate procedures' in place to prevent bribery. Those procedures include anti-bribery procedures.

12.1 Penalties under Bribery Act 2010

The maximum penalty for an individual committing bribery is ten years' imprisonment (section 11, Bribery Act 2010). For a commercial organisation that is involved in bribery, the penalty could be an unlimited fine. If the prosecuted organisation agrees to the conditions set by the prosecutor, such as paying a financial penalty, the prosecutor may suspend the prosecution under a deferred prosecution agreement (DPA). In this case, the organisation does not offer a formal admission of guilt. However, if the organisation did not satisfy the conditions, the prosecution would continue.

In Activity 5, you will need to identify whether bribery exists in the given scenario.

Activity 5 Bribery

 Allow around 10 minutes for this activity

The purpose of this activity is to test your understanding of bribery.
Consider this scenario.

A manager at Brighton plc, who has overall responsibility for the procurement of a service that is subject to tender, is approached by the current supplier, Kent plc. Kent plc offers the manager a day trip to Liverpool, including dinner at a fine dining restaurant and a trip on a ferry cruise. Kent plc says this is to thank the manager for his business relationship.

Using the text box below, write about 100 words advising the manager as to whether accepting this offer constitutes bribery, explaining your reasoning.

Provide your answer...

Feedback

This could be interpreted as an attempt to influence the manager's actions in the current tendering process, asking the manager to act contrary to their duties. Therefore, this is not corporate hospitality and may be considered as bribery under the Bribery Act 2010. Only reasonable and proportionate hospitality and gifts used to promote the business are allowed. This offer should not be accepted.

13 Fraud

According to Kaplan (2022), there are various criminal offences that may be committed by individuals in reference to the operation, management and winding up of companies. Many of these offences are set out in the Companies Act 2006 (CA 2006). Examples include:

- failure to file accounts or annual return (section 451)
- providing false information to auditors (section 499)
- using a business name without approval (section 82)
- failure to disclose the required business details (section 82).



Figure 8 Criminal activities

Fraud can be defined as intentional deception, cheating or stealing.

A broader definition encompasses any crime for personal gain that uses deception and trickery to harm victims (Wells, 2011). In many cases, victims are unaware that they have been defrauded or deceived until considerable time has passed, but perpetrators of fraud always have the intention to deceive their victims for some personal gain. This gain could be either financial (e.g. to receive a bonus, obtain financing or evade tax) or non-financial (e.g. to satisfy ego, exact revenge or fulfil a desire to commit a crime).

Regardless of the type of gain to be made, the intent to deceive is present in all instances of fraud. Persons who act fraudulently willingly and knowingly commit the crime, while realising the harm that may be caused to the victim(s). This intention is one of the two main differences between fraud and error. The second difference between fraud and error is that fraud perpetrators will always conceal their crimes to avoid detection and prosecution. In the case of error, however, an honest person will never try to conceal their own mistake (Kassem, 2021).

13.1 Definition of fraud

The Fraud Act 2006 defines the criminal offence of fraud, classifying it in three ways:

- fraud by false representation

- fraud by failing to disclose information
- fraud by abuse of position.

A person is guilty of fraud by false representation if they dishonestly make a false representation with the intention of making a gain for themselves or another (or causing loss to another or exposing them to a risk of loss) (section 2(1), Fraud Act 2006). Fraud by failing to disclose information occurs when a person dishonestly withholds information which they are under a legal duty to disclose, again with the intention of making a gain for themselves or another or causing loss (or a risk of loss) to another (section 3, Fraud Act 2006).

Abuse of position occurs when a person occupies a position in which they are expected to safeguard, or not to act against, the financial interests of another person and they dishonestly abuse that position to the benefit of themselves or another or to the detriment of another (section 4(1), Fraud Act 2006). Examples of positions of trust include trustee–beneficiary, director–organisation, professional–client, agent–principal, employee–employer, and partners–spouses.

There are various examples of abuse of a position of trust, such as:

- an employee copying their employer’s client database to set up a rival organisation
- a person employed to care for an elderly or disabled person, who has access to that person’s bank account, transferring funds to invest in a high-risk business venture or for any other unauthorised purpose
- a staff member offering cheap motor insurance premiums to a friend by deliberately not entering known driving convictions as part of the quotation process.

A person holding a trusted position may be regarded as having abused it even where their conduct consisted of an omission (that is a failure to act), rather than an act itself (section 4(2), Fraud Act 2006).

13.2 Cost of fraud

Fraud is the most prevalent crime in the UK (National Crime Agency, no date). The threat, harm and loss caused by fraud are among the most significant challenges facing the UK government and police service. Any entity with assets is in danger of those resources being targeted by criminals. This includes major corporations, small- and medium-sized enterprises (SMEs), banks, charities, NHS trusts, educational establishments and governments. Fraud risk is, therefore, a universal concern for all entities, regardless of their size, industry and context.

The cost of fraud goes beyond financial losses. The consequences extend not just to individuals and organisations, but to national security, the economy, society and infrastructure. Fraud can adversely impact on its victims in many ways. Fraud victims often experience psychological consequences, such as feelings of anger and betrayal, the burden of self-blame, and a decrease in their self-confidence, self-esteem and ability and willingness to trust. Organisational victims may suffer reputational damage, business failure and a loss of public confidence (Kassem, 2021). In some cases, fraud could even lead to the contamination of supply chains owing to corrupt professionals, such as in the case of the [Tesco horsemeat scandal in the UK](#) (Lawrence, 2013).

Fraud in public spending in the UK is estimated to cost taxpayers ‘up to £51.8 billion every year, around £25 billion of which is outside the tax and benefits system’ (Parliament. House of Commons, 2021). It has been reported that the UK suffered a total loss of £16 billion owing to COVID-19 loan fraud alone (Jolly, 2022).

Box 6 Patisserie Holdings and Victoria Carpets

Patisserie Holdings, the owner of cafe chain Patisserie Valerie, announced in October 2018 that the company had debts amounting to £9.8 million after significant accounting irregularities came to light. The surprising announcement came only five months after published accounts indicated that the company held £28 million in cash reserves. The investigation which followed uncovered secret overdraft facilities with two banks and an unpaid tax bill of its primary subsidiary. The investigative report by PwC revealed fraudulent entries over several years, including the double counting of voucher sales to inflate revenue and cheque manipulation to temporarily boost the company's cash position shortly before the year end. The company fell into administration three months after the fraud was discovered, putting up to 3,000 jobs at risk (BBC News, 2018a; 2018b; Marriage and Beioley, 2019).

More recently, the external auditor of Victoria Carpets was sceptical enough to flag a fraud risk; however, in this case, the management of Victoria Carpets prevented the auditor from doing further work (Smith, 2023).

13.3 Why is fraud committed?

Cressey (1950) identified three common factors as to why a person commits fraud. In each case:

1. the perpetrator had a financial problem that they were unable or unwilling to share with others
2. the perpetrator had an opportunity to commit the violation
3. perpetrators were able to rationalise their actions (e.g. by perceiving themselves as a borrower rather than a thief).

This tripartite theory of unshared financial burden, opportunity and rationalisation later became known as the 'fraud triangle', as shown in Figure 9 (Albrecht, 1991). The scope of the fraud triangle has been widened since.

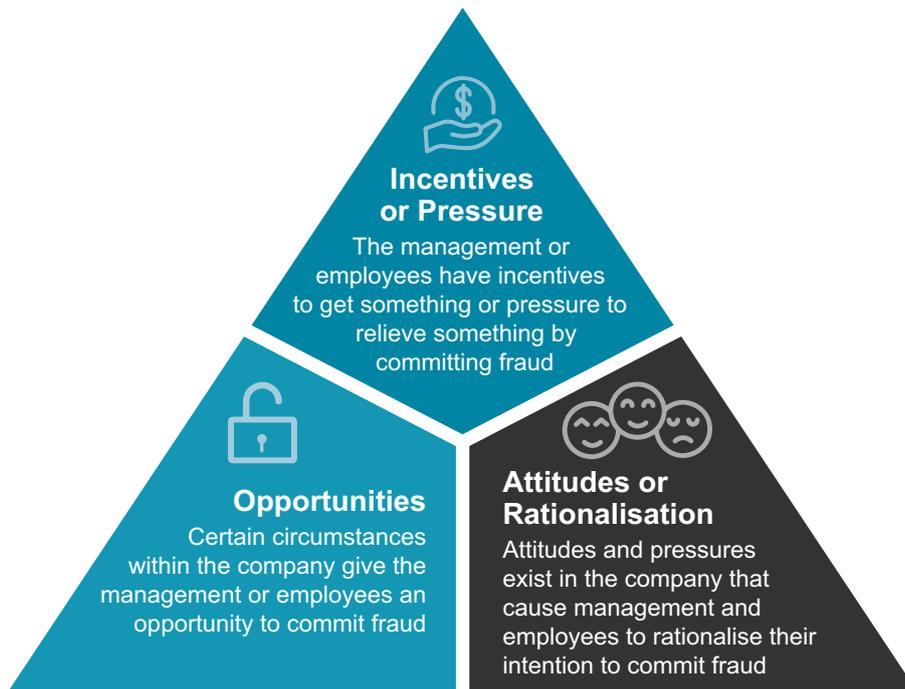


Figure 9 Fraud triangle (adapted from Ruiz, 2022)

Examples of motives to commit fraud include:

- greed
- financial need
- revenge
- ego
- coercion
- ideology (i.e. for the greater good)
- desire to 'beat the system' (sometimes a 'catch me if you can' attitude).

Others could be motivated to commit fraud for commercial reasons, for instance, to save an organisation from bankruptcy, keep their job, cover up theft, receive a bonus, obtain finance for the organisation, gain a promotion, increase the share price or please investors.

Opportunity to commit fraud arises when individuals have the chance to do so without being caught. Offenders look for every possible opportunity to commit fraud without detection, and some opportunities may emerge from weaknesses in an organisation's internal controls system.

One significant source of opportunity is the use of technology, including online banking, internet shopping and social media. These have opened the door for perpetrators to defraud more victims through digital means, such as hacking or phishing to steal victims' money or personal and confidential information.

14 Failure to prevent tax evasion

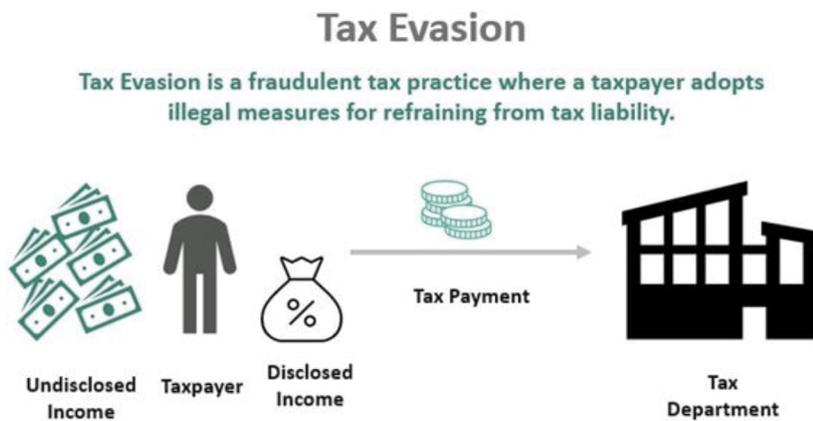


Figure 10 Tax evasion

As Figure 10 shows, ‘tax evasion’ refers to using illegal ways to pay less tax than you should. ‘Tax avoidance’ refers to using legal ways to reduce your tax liability.

Under the Criminal Finances Act 2017, failure to prevent the facilitation of tax evasion is a criminal offence. This means that this offence can make a ‘relevant body’ criminally liable if it fails to prevent UK or non-UK tax evasion by an employee or ‘associated person’ (Kaplan, 2022, p. 258).

Box 7 Section 44, Criminal Finances Act 2017

44 Meaning of relevant body and acting in the capacity of an associated person

1. This section defines expressions used in this Part of the Act.
2. ‘Relevant body’ means a body corporate or partnership (wherever incorporated or formed).
3. ‘Partnership’ means—
 - a. a partnership within the meaning of the Partnership Act 1890, or
 - b. a limited partnership registered under the Limited Partnerships Act 1907, or a firm or entity of a similar character formed under the law of a foreign country.
4. A person (P) acts in the capacity of a person associated with a relevant body (B) if P is—
 - a. an employee of B who is acting in the capacity of an employee,
 - b. an agent of B (other than an employee) who is acting in the capacity of an agent, or
 - c. any other person who performs services for or on behalf of B who is acting in the capacity of a person performing such services.

15 Fraudulent and wrongful trading

Fraudulent trading is defined in section 213(1) of the Insolvency Act 1986 (IA 1986) as 'any business of the company [that] has been carried on with intent to defraud creditors of the company or creditors of any other person, or for any fraudulent purpose'. Fraudulent trading can give rise to civil liability under section 213(2) of the IA 1986 or criminal liability under section 993 of the CA 2006.

Liability for fraudulent trading requires two things to be established.

1. **Dishonest intent.** In *R v Grantham* [1984], the director ordered some potatoes on one month's credit; at that time, the director knew that the payment could not be made at the end of the credit period.²
2. **The person should be party to the fraudulent trading.** In *Re Maidstone Buildings Provisions Ltd* [1971], a person needed to take active steps, such as ordering goods, in order to be classified as party to the fraudulent trading.³

If the director of a company participated in fraudulent trading, they may be disqualified for 15 years under the Company Directors Disqualification Act 1986. The court can also order the director to contribute to the company's assets.



Figure 11 'Fake' and 'Real'

Section 214(2) of the IA 1986 outlines when wrongful trading occurs as follows:

- (2) ...
- a. the company has gone into insolvent liquidation,
 - b. at some time before the commencement of the winding up of the company, that person knew or ought to have concluded that there was no reasonable prospect that the company would avoid going into insolvent liquidation or entering insolvent administration, and
 - c. that person was a director of the company at that time.

² *R v Grantham* [1984] QB 675.

³ *Re Maidstone Buildings Provisions Ltd* [1971] 3 All ER 363.

Section 214(4) of the IA 1986 goes on to state that:

- (4) ...
- a. the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company, and
 - b. the general knowledge, skill and experience that that director has.

In *Re Produce Marketing Consortium Ltd (No 2)* [1989],⁴ the directors recognised that liquidation was inevitable in February 1987, but they carried on business to October 1987. The directors argued that the extended period of trading could minimise the losses to creditors. However, the losses were not minimised; instead, £75,000 net debts were incurred during this extended period of trading. The court decided that this was wrongful trading and required directors to contribute £75,000 to the company's assets.

Activity 6 Fraudulent and wrongful trading

 Allow around 25 minutes for this activity

This activity helps you understand differences between fraudulent and wrongful trading.

Read [What is the difference between wrongful trading and fraudulent trading?](#) (Clark, 2020) and summarise similarities and differences between fraudulent and wrongful trading using the table below.

Table 2 Similarities and differences between fraudulent and wrongful trading

Similarities	Differences
<input type="text" value="Provide your answer..."/>	<input type="text" value="Provide your answer..."/>

Feedback

Table 2 Similarities and differences between fraudulent and wrongful trading (completed)

Similarities	Differences
Both apply when a company is in liquidation or administration and are concerned with the time before any formal insolvency procedure.	An action for wrongful trading may only be brought against a director(s) or a shadow director(s) of a company. An action for fraudulent trading may be brought against

⁴ *Re Produce Marketing Consortium Ltd (No 2)* [1989] 5 BCC 569.

Charges for both are brought by the office-holding insolvency practitioner.

The court may declare that the person found guilty of either should contribute to the company's assets.

Both provide a way for making incompetent or dishonest directors pay financially for their actions after a company has gone into liquidation or administration.

Both are likely to be included in disqualification reports against the director that may result in the director being disqualified from acting as a company director.

any person who was knowingly a party to the fraudulent trading.

The standard of proof is also different. For an action for fraudulent trading to succeed the office-holding insolvency practitioner will have to prove dishonesty on the part of the defendant. This is much more difficult than showing ongoing trade and increasing losses at a time when there was no prospect of the company avoiding insolvency, as with a wrongful trading action.

If wrongful trading occurs, the liquidators can apply to the court for an order that the director should make such contributions to the company assets as the court thinks fit and increase the assets available to creditors. In some cases, directors may be disqualified for a maximum of 15 years (Kaplan, 2022).

Conclusion

This course provided you with a broad overview of the legal control procedures over various fraudulent and criminal behaviours: insider dealing, market abuse, fraud, money laundering, bribery, tax evasion, and fraudulent and wrongful trading.

This course has also helped you focus on three particular skills: reading criminal law legislation, problem-solving, and writing summaries.

You should now be able to:

- understand the nature of, and legal controls over, insider dealing and market abuse
- describe the nature of, and legal controls over, fraud and money laundering, including relevant policies, procedures and controls
- recognise the nature of, and legal controls over, bribery
- discuss potential criminal activity in the operation, management and liquidation of companies, including fraud and the failure to prevent the facilitation of tax evasion
- recognise the nature of, and legal controls over, fraudulent and wrongful trading.

This OpenLearn course is an adapted extract from the Open University course [B251 Business Law](#).

References

Table of legislation

Bribery Act 2010

Companies Act 2006

Company Directors Disqualification Act 1986

Criminal Finances Act 2017

Criminal Justice Act 1993

Financial Services and Markets Act 2000

The Financial Services and Markets Act 2000 (Market Abuse) Regulations 2016, SI 2016/680

Fraud Act 2006

Insolvency Act 1986

Market Abuse Regulations 2016

Proceeds of Crime Act 2002

Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (adopted 20 December 1988, entered into force 11 November 1990) 1585 UNTS 95 art 3.1(b)(i)

Table of Cases

R v Grantham [1984] QB 675

Re Maidstone Buildings Provisions Ltd [1971] 3 All ER 363

Re Produce Marketing Consortium Ltd (No 2) [1989] 5 BCC 569

Books and articles

Albrecht, W.S. (1991) 'Fraud in government entities: the perpetrators and the types of fraud', *Government Finance Review*, 7(6), pp. 27–30.

Arens, A.A., Elder, R.J. and Beasley, M.S. (2014) *Auditing and assurance services: an integrated approach*. 15th edn. Upper Saddle River, NJ: Pearson.

Association of Certified Fraud Examiners (2022) *Occupational fraud 2022: a report to the nations*. Available at: <https://acfepublic.s3.us-west-2.amazonaws.com/2022+Report+to+the+Nations.pdf> (Accessed: 10 January 2023).

BBC News (2018a) *Patisserie Valerie says finance chief arrested*. Available at: <https://www.bbc.co.uk/news/business-45833597> (Accessed: 5 February 2023).

BBC News (2018b) *Patisserie Valerie finds 'secret' overdrafts*. Available at: <https://www.bbc.co.uk/news/business-45854817> (Accessed: 5 February 2023).

Bernardi, C., Atallah, A., Skovoroda, R., Kassem, R., and Verma, S. (2024). B816 Financial Strategy and Governance [Online]. Available at: [8ca1712d13a-b48a84b8b9723fc0c98ac71db66d3](https://open.ac.uk/8ca1712d13a-b48a84b8b9723fc0c98ac71db66d3) (open.ac.uk) (Accessed: 10 May 2024).

Clark, C. (2020) 'What is the difference between wrongful trading and fraudulent trading?', *The Gazette*, 25 August. Available at: <https://www.thegazette.co.uk/all-notices/content/103804> (Accessed: 10 April 2024).

COSO (2013a) *COSO internal control: integrated framework frequently asked questions*. Available at: <https://www.coso.org/Shared%20Documents/COSOFAQs-May-2013-branded.pdf> (Accessed: 9 October 2023).

- COSO (2013b) *COSO internal control: integrated framework principles*. Available at: <https://www.coso.org/Shared%20Documents/COSO-ICIF-11x17Cube-Graphic.pdf> (Accessed: 9 October 2023).
- COSO (2017) *Enterprise risk management: integrating with strategy and performance executive summary*. Available at: <https://www.coso.org/Shared%20Documents/2017-COSO-ERM-Integrating-with-Strategy-and-PerformanceExecutive-Summary.pdf> (Accessed: 22 September 2023).
- CPS (2024) *Money laundering offences*. Available at: <https://cps.gov.uk/legal-guidance/money-laundering-offences> (Accessed: 10 April 2024).
- Cressey, D.R. (1950) 'The criminal violation of financial trust', *American Sociological Review*, 15(6), pp. 738–743.
- Financial Conduct Authority (2019) 'Two found guilty of insider dealing', 27 June [Press release]. Available at: <https://www.fca.org.uk/news/press-releases/two-found-guilty-insider-dealing> (Accessed: 20 September 2023).
- Financial Reporting Council (2024) *UK Corporate Governance Code*. Available at: https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2024_kRCm5ss.pdf (Accessed: 10 April 2024).
- Hillson, D. (2002) 'Extending the risk process to manage opportunities', *International Journal of Project Management*, 20(3), pp. 235–240.
- Jolly, J. (2022) 'UK lost up to £16bn due to fraud and error in Covid loans schemes', *The Guardian*, 23 February. Available at: <https://www.theguardian.com/world/2022/feb/23/uk-lost-up-to-16bn-due-to-and-error-in-covid-loans-schemes> (Accessed: 13 May 2023).
- Jones, L. (2019) *Introduction to business law*. 5th edn. Oxford: Oxford University Press.
- Kallman, J. (2005) 'What is risk?', *Risk Management*, 52(10), pp. 57–65.
- Kaplan Publishing (2022) *ACCA corporate and business law (LW ENG): study text*. Wokingham: Kaplan Publishing UK.
- Kassem, R. (2021) 'Corporate fraud risk management', in C. Zopounidis, R. Benkraiem and I. Kalaitzoglou (eds) *Financial risk management and modeling*. Cham: Springer, pp. 33–54. Available at: https://doi.org/10.1007/978-3-030-66691-0_2.
- Lawrence, F. (2013) 'Horsemeat scandal: where did the 29% of horse in your Tesco burger come from?', *The Guardian*, 22 October. Available at: <https://www.theguardian.com/uk-news/2013/oct/22/horsemeat-scandal-guardian-investigation-public-secrecy> (Accessed: 10 April 2024).
- Marriage, M. and Beioley, K. (2019) 'Patisserie Valerie report talks of fake invoices and ledgers', *Financial Times*, 25 January. Available at: <https://www.ft.com/content/657dd1c8-1feb-11e9-b126-46fc3ad87c65> (Accessed: 5 February 2023).
- National Crime Agency (no date) *Fraud*. Available at: <https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/fraud-and-economic-crime> (Accessed: 3 February 2023).
- The Open University: OpenLearn (2018) Crimes of the powerful. Available at: <https://www.open.edu/openlearn/society-politics-law/crimes-the-powerful/content-section-0?active-tab=description-tab> (Accessed: 3 July 2024).
- Parliament. House of Commons (2021) *Fraud and error: ninth report of session 2021–22, The Committee of Public Accounts*. (HC 253). Available at: <https://committees.parliament.uk/publications/6469/documents/70574/default/> (Accessed: 10 April 2024).
- Ruiz, E.G. (2022) 'What is the fraud triangle in accounting?', *Fit Small Business*, 11 October. Available at: <https://fitsmallbusiness.com/what-is-the-fraud-triangle> (Accessed: 4 February 2023).

Smith, R. (2023) 'Royal carpet maker Victoria's shares tumble on auditor's fraud risk warning', *Financial Times*, 25 September. Available at: <https://www.ft.com/content/c148853d-efbd-443c-9589-b9dc27bb3565> (Accessed: 19 November 2023).

Wells, J.T. (2011) *Corporate fraud handbook: prevention and detection*. 3rd edn. Hoboken, NJ: John Wiley & Sons.

Acknowledgements

This free course was written by Vera Krahmal, Chengruizhi Ma and Deborah Wood. Except for third party materials and otherwise stated (see [terms and conditions](#)), this content is made available under a [Creative Commons Attribution-NonCommercial-ShareAlike 4.0 Licence](#).

The material acknowledged below is Proprietary and used under licence (not subject to Creative Commons Licence). Grateful acknowledgement is made to the following sources for permission to reproduce material in this free course:

Figures:

Course image: fatmawatilauda / 123rf.com

Figure 1: © Morakot Kawinchan / iStock / Getty Images Plus

Figure 2: © Eitchiko / Shutterstock

Figure 3: © Konstantin Inozemtcev / 123rf.com

Figure 4: Taken from <https://www.unodc.org/unodc/en/money-laundering/overview.html> , © United Nations Office on Drugs and crime

Figure 5: sesame / Getty Images

Figure 6: Adapted from McNally, J. Stephen., The 2013 COSO Framework & SOX Compliance Available @ <https://www.coso.org/guidance-on-ic> ., © [2013] Committee of Sponsoring Organizations of the Treadway Commission (COSO). All rights reserved.

Figure 7: Adapted from © Zerbor | Dreamstime.com

Figure 8: © MaDedee / Shutterstock

Figure 9: Adapted from The Fraud Triangle Model by Donald R. Cressey Available @ Eric Gerard Ruiz, CPA, (2022) What Is the Fraud Triangle in Accounting?, Fit Small Business, <https://fitsmallbusiness.com/what-is-the-fraud-triangle/>.

Figure 10: Taken from <https://www.wallstreetmojo.com/tax-evasion/>

Figure 11: © M-SUR / Shutterstock

Every effort has been made to contact copyright owners. If any have been inadvertently overlooked, the publishers will be pleased to make the necessary arrangements at the first opportunity.

Don't miss out

If reading this text has inspired you to learn more, you may be interested in joining the millions of people who discover our free learning resources and qualifications by visiting The Open University – www.open.edu/openlearn/free-courses.

Glossary

Earnings per share (EPS)

Earnings per share (EPS) measures how much profit a company makes for each share of its stock.

Price-to-earnings (P/E) ratio

The price-to-earnings (P/E) ratio compares a company's stock price to its earnings per share.