

**CORPORATE FRAUD: THE ROLE OF FORENSIC ACCOUNTANTS AND
LITIGATION SUPPORT SERVICES IN KENYA**

BY

LEAH WAITHERA NJOROGE G34/1941/2006



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SUPERVISOR: WILLIAM MUSYOKA

UNIVERSITY OF NAIROBI

PARKLANDS CAMPUS

1.1 CORPORATE FRAUD: AN OVERVIEW

At the mention of the word fraud one immediately thinks of the various scandals that have rocked this country, in fact one can say that corporate fraud has now become endemic. Judging from the world wide perspective, Kenya is no exception to this new phenomenon to hit the financial world like a storm.

The famous *Ponzi*¹ scheme perpetrated by one Bernard Madoff; caused ripples in the United States economy. It is believed that Madoff caused losses of almost \$65 billion to his investors. The former NASDAQ² chairman, who headed his stock brokerage firm Bernard Madoff LLC, is said to have begun this scheme in the early 1980's. Unsuspecting investors lost billions of dollars in what was described as one of the biggest fraud in recent history. Much closer home a similar story is told of the stock brokerage firm, Nyaga stockbrokers. The firm went under when it was discovered that it traded in their clients' shares without their consent. Soon after, Discount Securities Limited also collapsed.

Corporate fraud however is not limited to securities fraud but it involves a broad spectrum of activities including deception, embezzlement, corruption, bribery, forgery, extortion, collusion, theft, conspiracy, misappropriation, concealment of material facts and false representations.³ Basically fraud is any kind of activity that uses deception as its *modus operandi*. With this in mind, numerous scandals can be categorized as fraudulent activities. In Kenya, the some scandals can be attributable to fraudulent activity. For example, the Anglo-leasing fiasco is still to be resolved while the Triton Petroleum deals remain a mystery. Fraudulent activities are not only a preserve of the private sector; the public sector is not left behind. The National Social Security Fund (NSSF), the Ministry of Education, Kenya Pipeline has proved that fraud is even more rampant in public institutions.

¹ Named after Charles Ponzi who defrauded Americans in the 1920's with his 'merry-go' round scheme.

² National Association of Securities Dealers Automated Quotations: a stock exchange market based in New York. Founded in 1971, it is the largest electronic screen based equity securities trading market in the United States

³ www.nyse.com (00000) G... .. 00000.