

# Corruption and Fraud Trends: Including 10-steps to preventing fraud\*

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\*connectedthinking



# Key elements

Control Environment

Fraud Risk Assessment

Control activities

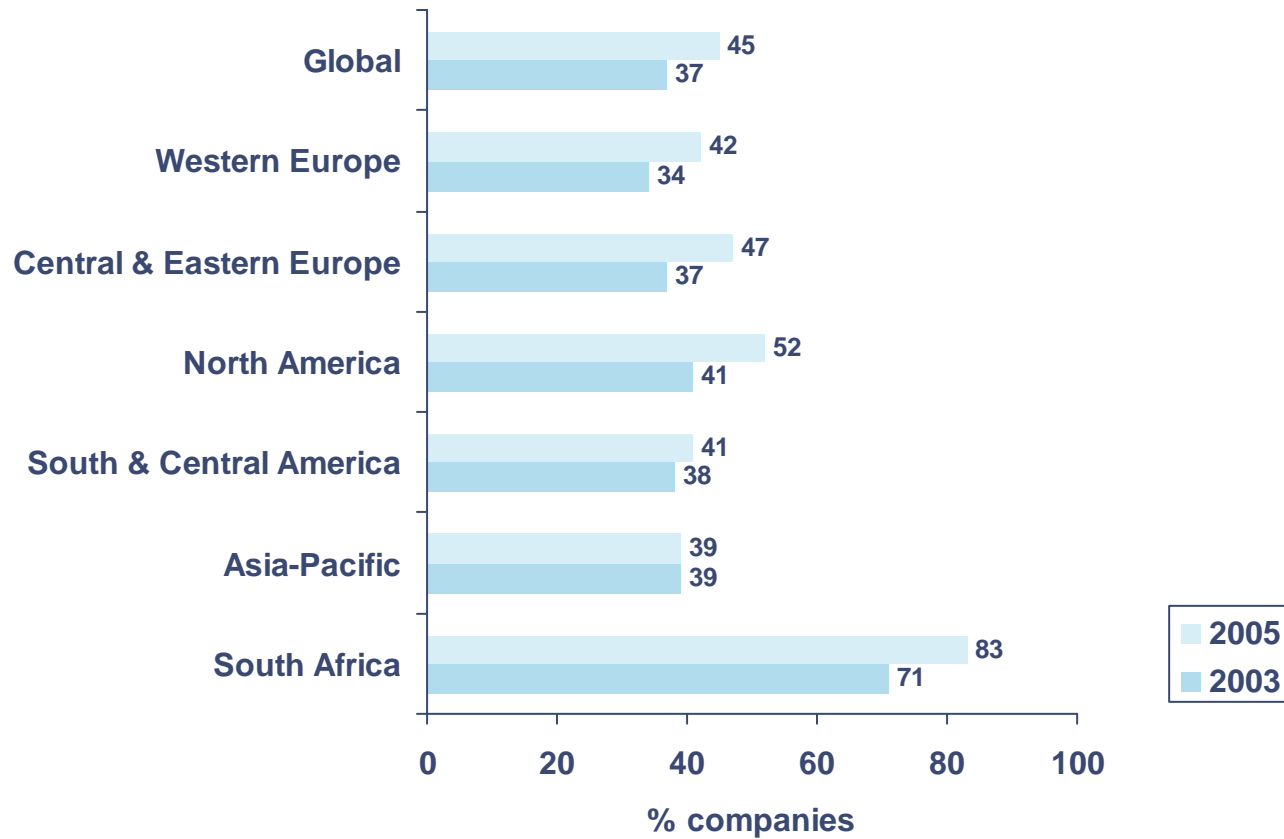
Information and Communication

Investigation

Monitoring

The trend?

# Companies reporting fraud worldwide



# Key elements

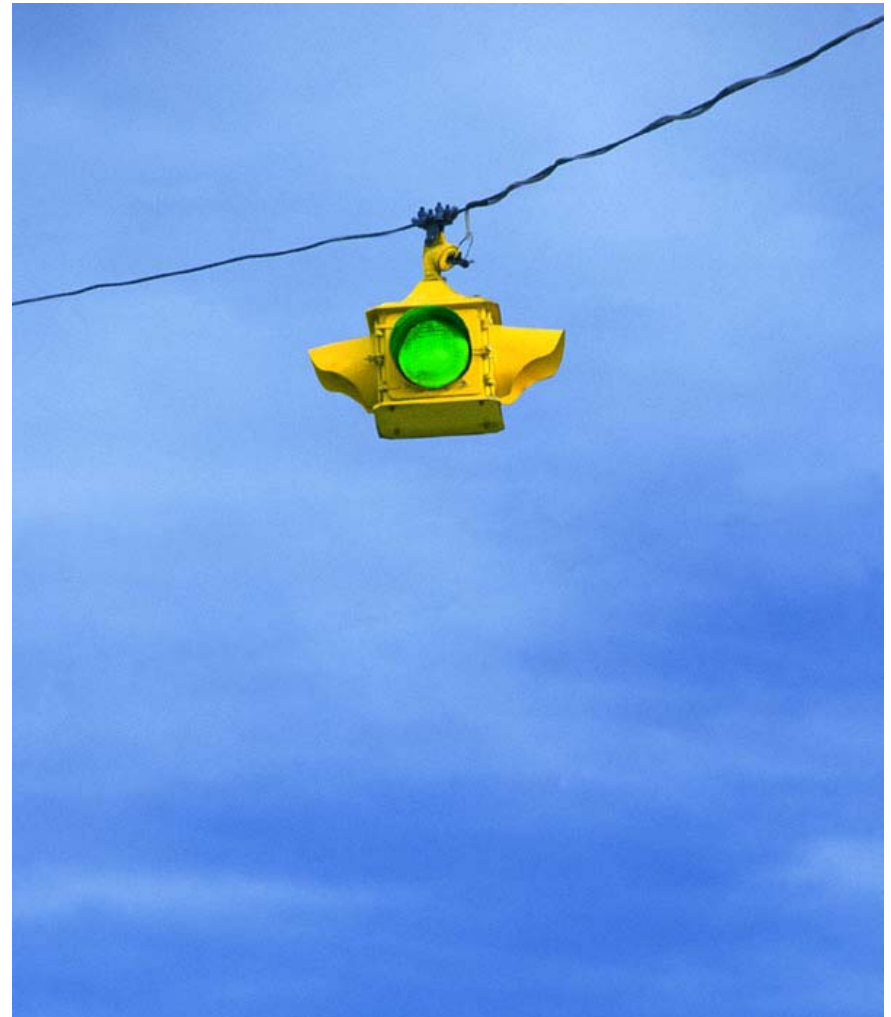
## 1. Control Environment

- Code of Ethics and Business Conduct
  - Conflicts of interest
  - Acceptance and offering of business courtesies
  - Private work

# Key elements

## 1. Control Environment

- Anti-Fraud Policy
- Whistle Blowing Policy
- Fraud Response Plan



# Key elements

## 2. Control Environment

- Systems, Policies and Procedures (HR and Finance)
- Physical and information security measures



## Focus on employees

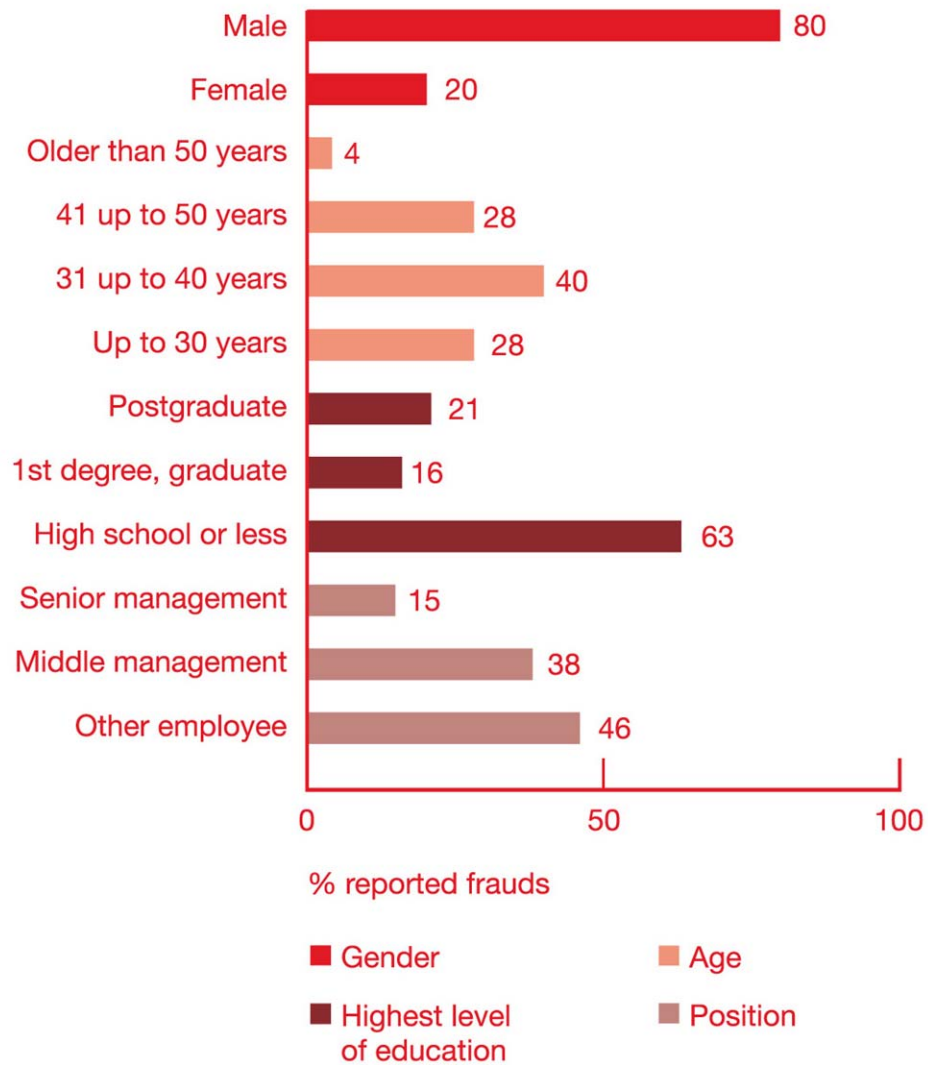
### 3. Control Environment

- Vetting and security clearance screening
- Induction
- Compulsory probationary periods
- Performance management and appraisal
- Screening prior to promotion
- Reviews relating to employees in sensitive posts, including security grading of sensitive posts
- Disciplinary Code and Procedures
- Exit procedures for employees leaving service



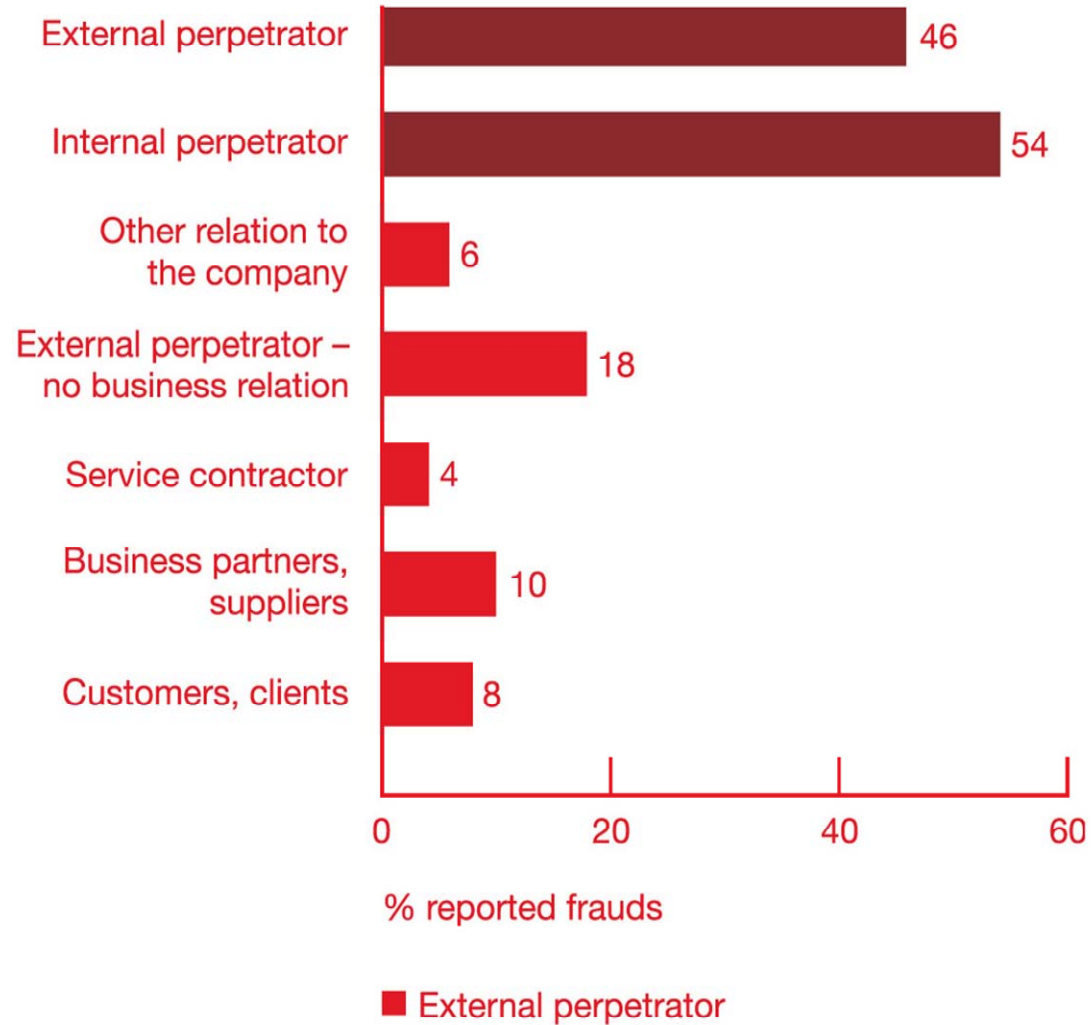
Fraudsters profile?

# Fraudster profiles



Relationship to the entity?

# Fraudster's relation to the company



## Focus on Employees

### 4. Control Environment

- Management accountability
- Assessment of risks identified in manager's area
- Prompt and in-depth follow up on audit findings
- Assessment of disciplinary actions
- Corrective action against managers

# Key elements

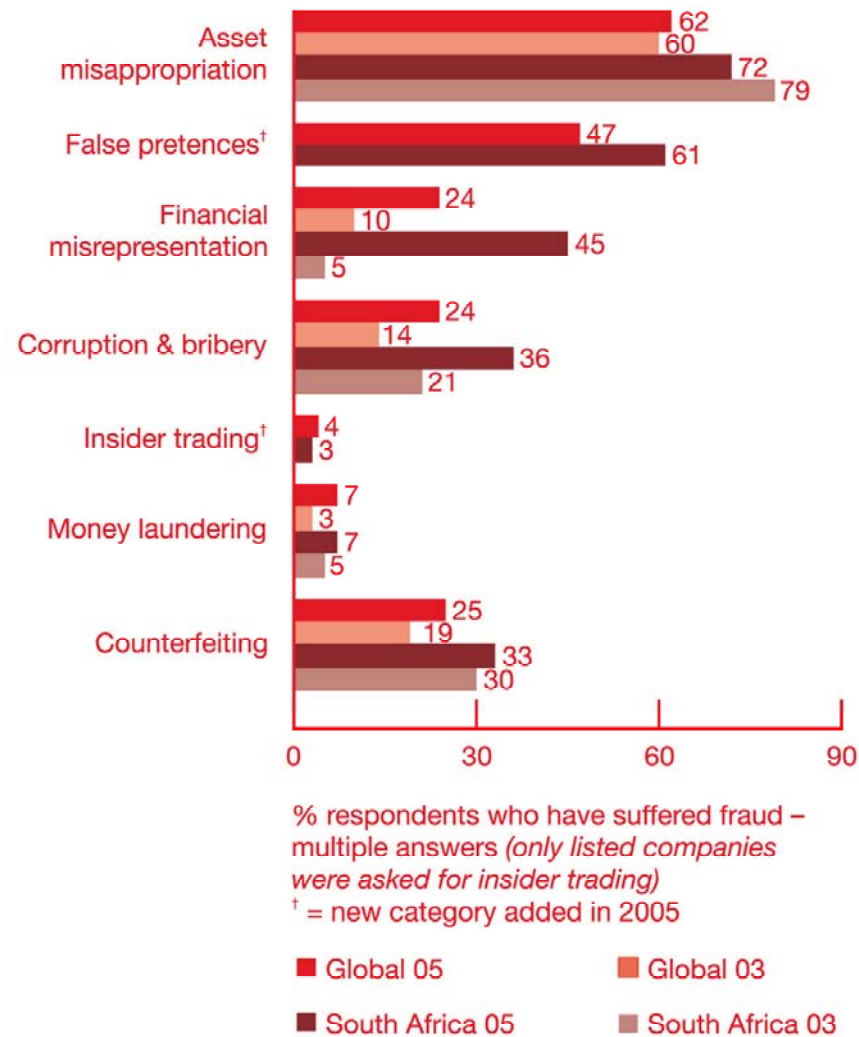
## 5. Fraud Risk Assessment

- Enterprise wide
- Significant BU Level
- Significant Process/Account level



Types of fraud?

# Incidents of fraud - reported by companies that experienced fraud





## The public sector - trends

- Procurement and tender fraud
- Conflicts of interest
- Contracts management – allowing scope creep
- Computer-aided fraud – in accounts payable and fraudulent access to financial systems
- Creditors fraud – over-invoicing, fictitious invoicing
- Asset misappropriation
- Various types of petty fraud – personnel claims, and resource abuse, etc

# Key elements

## 6. Control activities

- Anti-fraud controls
- Basic internal controls
- Audits



## Key elements

### 7. Information and communication

- Training and education
- Code of ethics and business conduct
- Anti-Fraud Strategy, Policy and Response Plan
- Fraud risks and red flags – general and process specific
- Allegations investigated
- Publication of sanctions

Impact on organisation?

# Types of collateral damage experienced

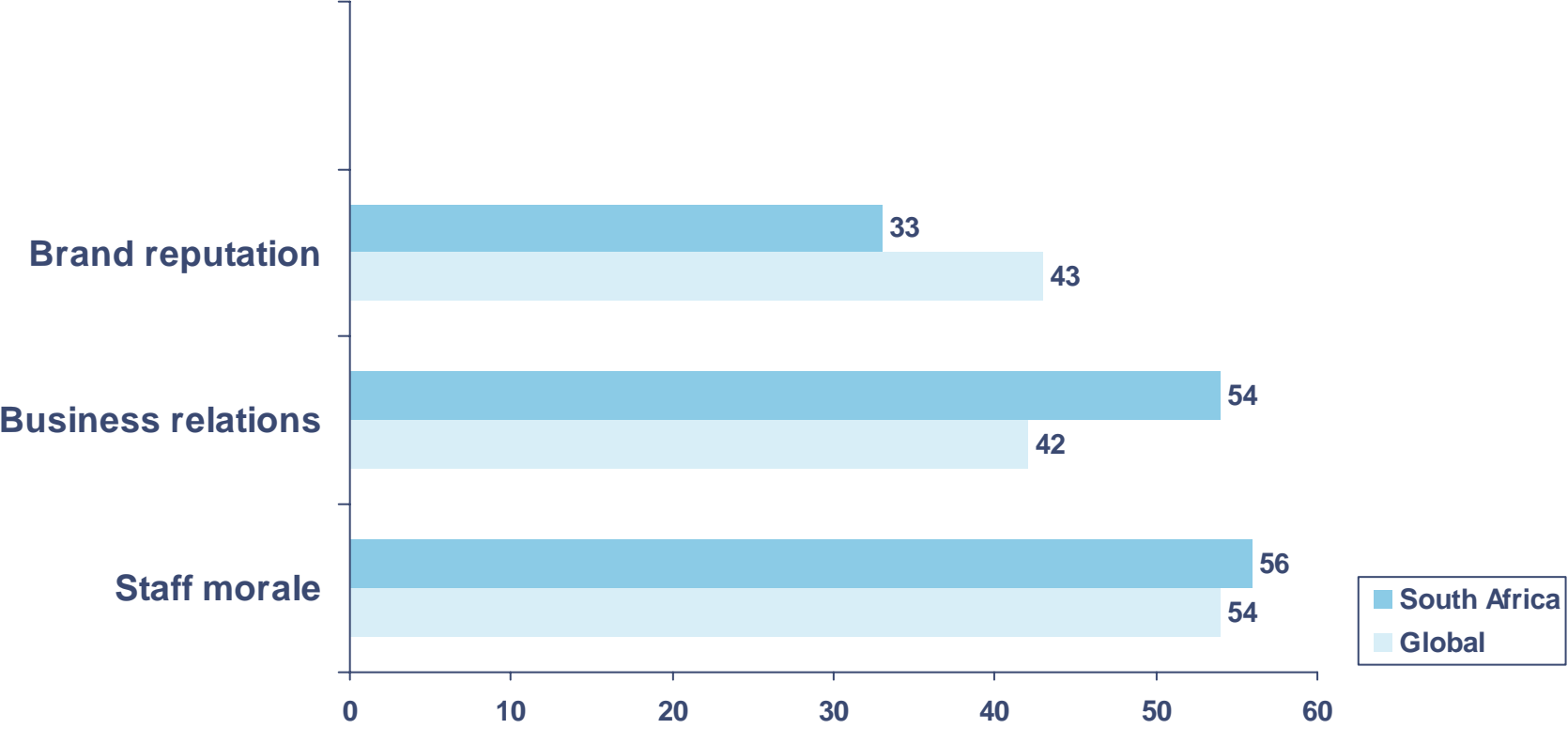


Figure total more than 100% as respondents were able to provide multiple answers

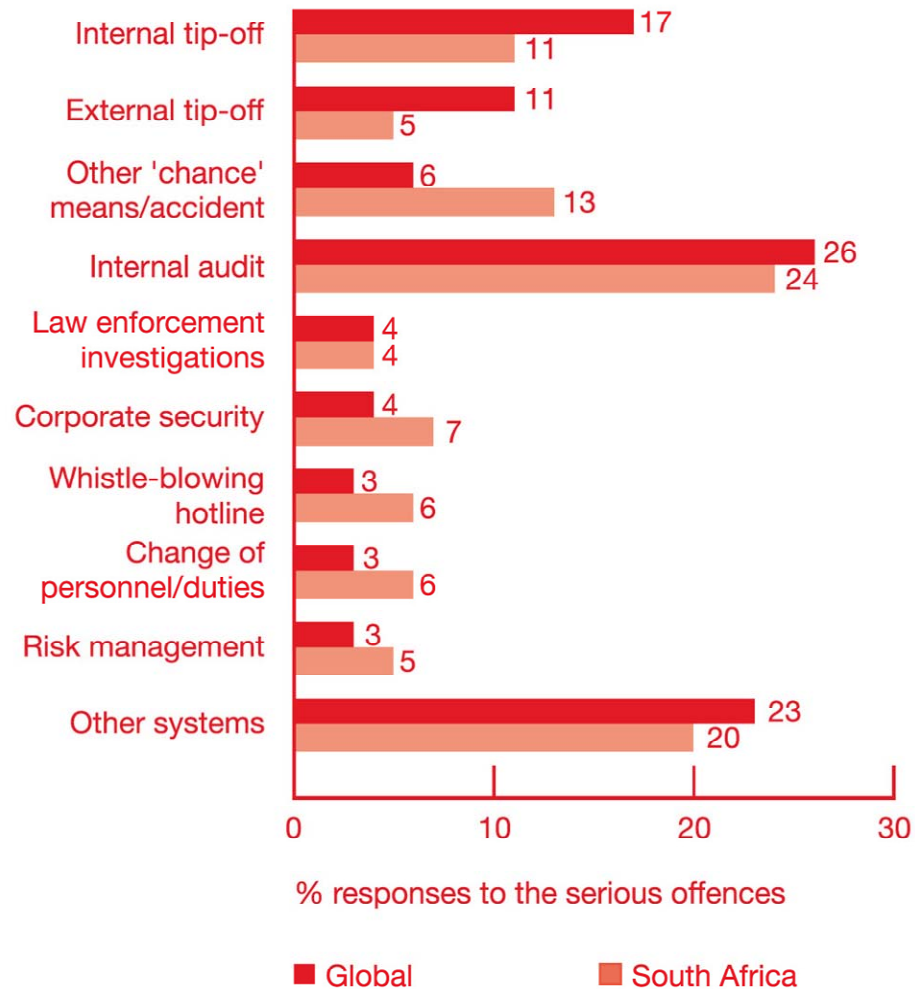
## Key elements

### 8. Investigation

- Investigation methodology
- Data mining
- Fraud detection reviews (high risk areas)
- Vetting procedures for suppliers and trading partners

Detection?

# Means by which fraud was originally detected





## Key elements

### 9. Investigation

- Comprehensive resolution
  - Disciplinary Action
  - Initiating recoveries
  - Criminal prosecution
  - Alternative dispute resolution – e.g. prohibition/restrictions
  - Improving controls

## Key elements

### 10. Monitoring and implementation

- Involvement of all relevant stakeholders in development and implementation
- Consolidation of fraud statistics
- Ongoing risk identification and remediation
- Documented strategy (with schedule of allocated tasks)
- Ongoing maintenance and review

Re-action?

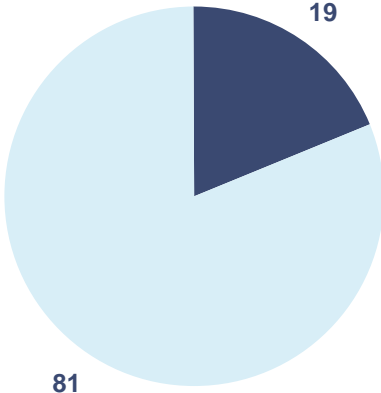
# Corporate reaction on detecting fraud



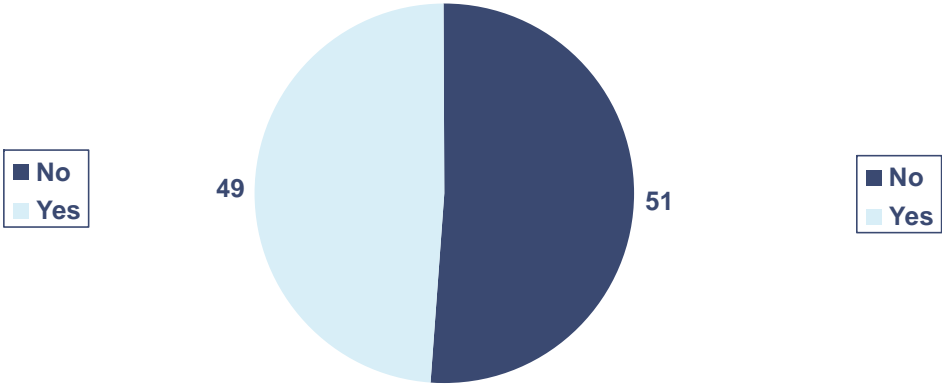
Figures total more than 100% as respondents were able to provide multiple answers

■ Global      ■ South Africa

# Companies that have taken out insurance to cover for economic losses

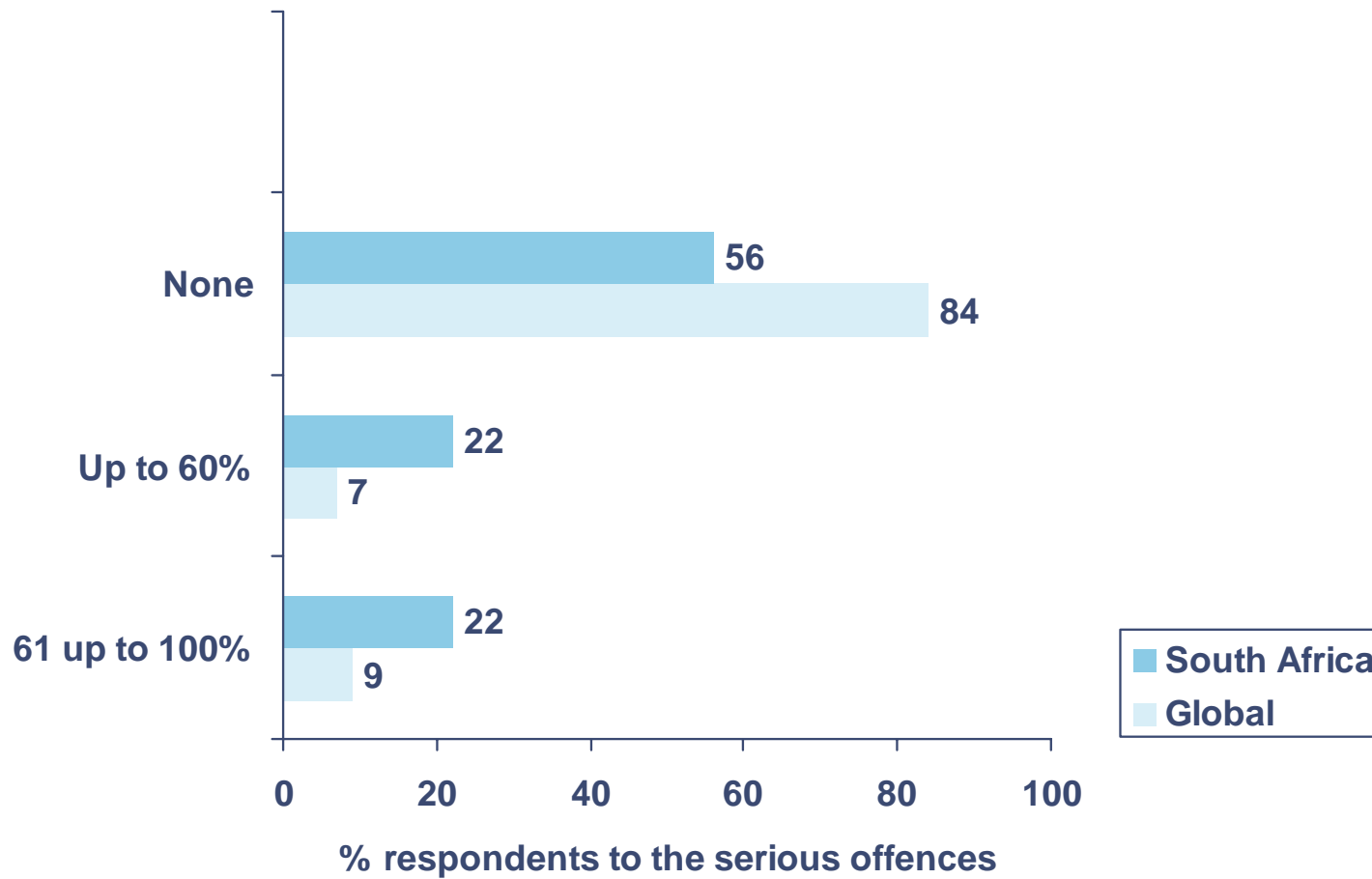


South Africa: % respondents who mentioned serious offences



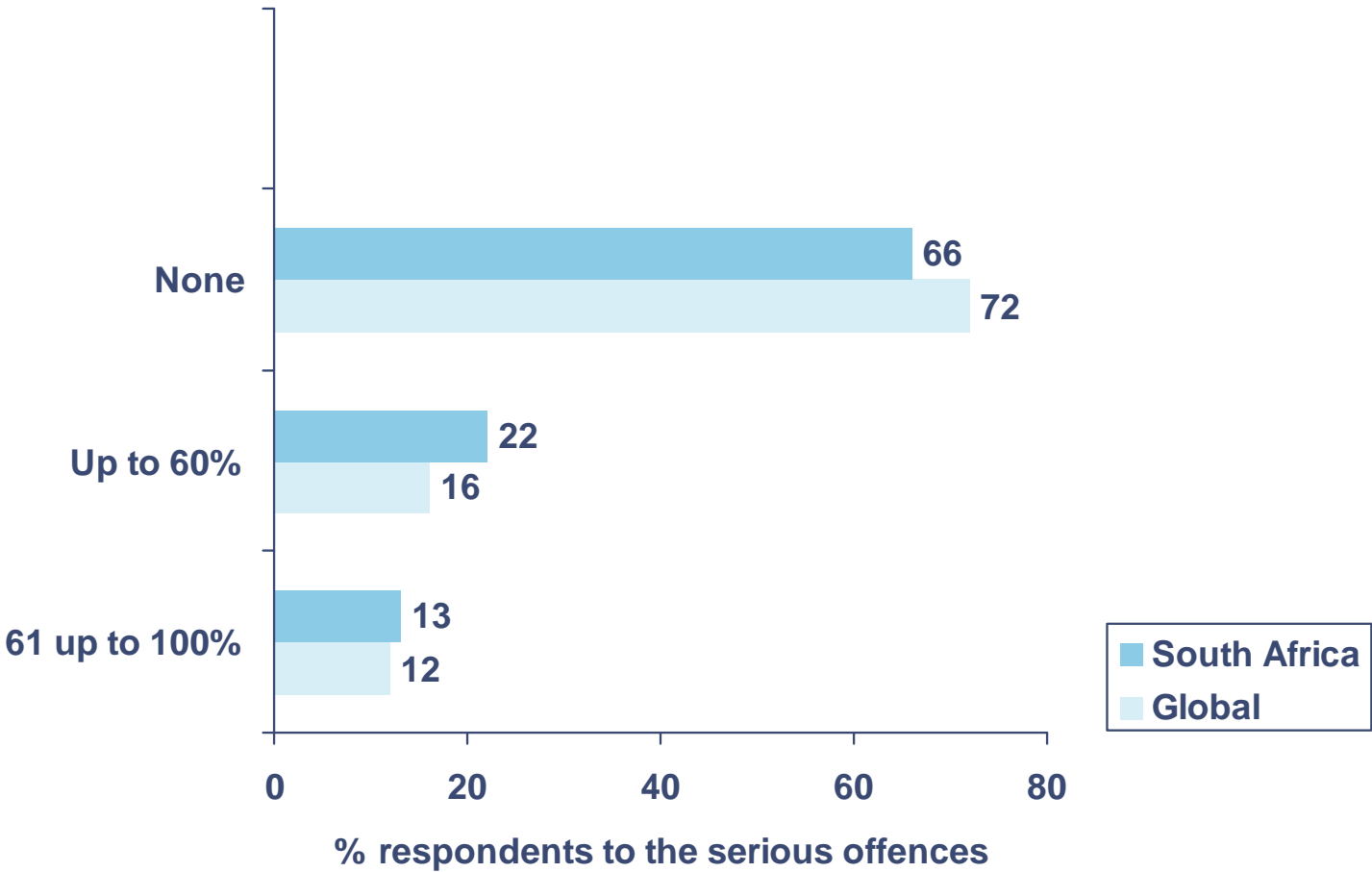
Global: % respondents who mentioned serious offences

# How much of the amount lost has been recovered via insurance



Recovery of losses?

# How much of the amount lost has been recovered from perpetrator

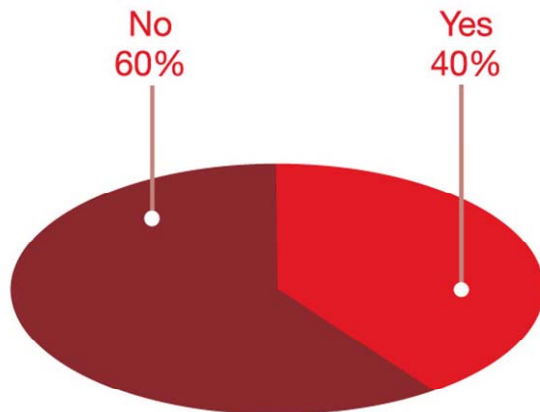




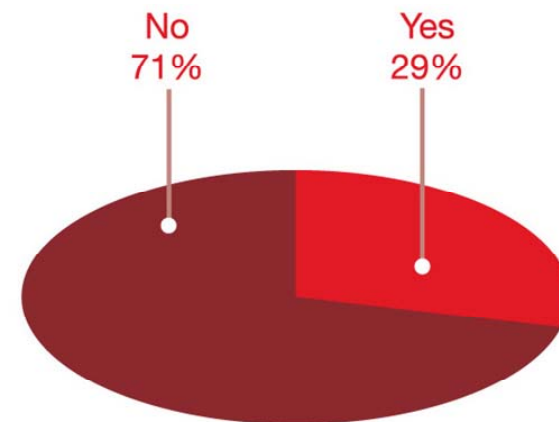
Sentencing?

# Was the perpetrator sentenced

## South Africa



## Global



An idea on implementing your prevention programme?

# Approach to implementation



## CONTACT DETAILS

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# Questions?

