

‘The fraud threat comes from within’ – survey

Network Reporter

SOUTH African businesses were buckling under the cost of crime during tough economic times – but the perpetrators were often where companies least expected to find them, warned Reg Horne, the managing director of Justicia Investigations.

Horne said businesses often spent large amounts on security to combat external threats without putting in place systems to counter internal ones.

“Yes, you need visible security. But it will not matter if you have three or 20 security guards. If you do

not know where the problem is, the threat remains,” Horne said.

“Currently, on-the-ground investigators have noted two interesting trends. The problem is not large corporate frauds but the ever-growing number of smaller crimes that are constantly adding up.”

Justicia’s experiences echo the findings of two important studies, according to Horne.

The first is the 2016 PricewaterhouseCoopers (PwC) Global Economic Crime Survey which not only showed that commercial crime was on the rise but had reached crisis proportions in this region. More

than two out of three (69%) South African companies reported having been victims of crime during the 24 months preceding the survey. At double the global average of 36%, this placed South Africa as the top country reporting economic crime.

The second report, the 2016 ACFE Global Fraud Study, not only indicated increased fraud but highlighted that most cases involved employees. Embezzlement – theft by an accountant, bookkeeper or manager – was flagged as a particular threat.

Horne said recent Justicia cases were just the tip of the iceberg.

“Unfortunately, cases like this are

happening daily. Businesses need to fight back to survive. Right now, they’re under siege,” he observed.

Horne said that, even when the various schemes were engineered by crime syndicates, they were more often than not carried out by middle management and employees in positions of trust, such as those receiving or despatching goods, supervising logistics facilities, doing the accounts and controlling security.

The PwC survey noted that the number of crooked senior management had more than halved, while middle management appeared to have taken centre stage, with 39% of

fraud being perpetrated by internal people at this level.

Horne said many fraudulent schemes were often only detected by accident when losses had accumulated over longer periods. This was particularly true during tough times as companies kept a closer eye on cash flow and looked inward to better manage processes in order to cut costs.

The only way to catch those who knew the ropes extremely well was through intelligence-driven prevention – and the only way to prosecute them effectively was to bring in experts, he said.