

When does workplace fraud become your problem?

By [Graham Reid](#)

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Over 45 years ago, Donald R. Cressey explained that, "Trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable, are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to apply to their own conduct in that situation."



Graham Reid

Is this statement true today? Perhaps more so than ever. We work in an increasingly volatile world, with 82% of worldwide executives experiencing a fraud incident in 2017, compared to 75% in 2015 (Kroll Annual Global Fraud & Risk Report).

Research into workplace corruption suggests that 10% of employees will always be honest and do the right thing; 10% of employees will always be dishonest or corruptible; and a staggering 80% of employees will be honest or dishonest; incorruptible or corruptible – depending entirely on the controls that are in place.

This ties in neatly with Cressey's 'Fraud Triangle', a framework designed to explain the reasoning behind a worker's decision to commit fraud. It examines three stages of 'effect on the individual'; namely pressure, opportunity, and rationalisation.

At an individual level

Ask yourself: If your colleagues commit fraud, is it your business? It depends - do you want to keep your job? If so, that's a strong 'Yes' for speaking up. Because, if people allow their colleagues to be corrupt, the entire organisation is in trouble.

For instance, fraud leads to companies and government entities overpaying – directly or indirectly – for products and services, which leads to inefficiencies.

Furthermore, if we take Steinhoff as an example, you'll agree that many staff linked to Steinhoff and the South African horseracing industry lost their jobs as a result of the alleged actions of Marcus Jooste. Another example is ANN7 TV, where hundreds lost their jobs in the wake of state capture investigations into the Gupta family.

And what if you've felt the temptation towards corruption yourself? Well, accept that you're bound to be part of the 90% (10% corrupt plus 80% corruptible).

The guide is: Be vigilant about the life pressures and rationalisations you may experience, especially during tough economic times. Put effective obstacles in front of these temptations, by ensuring that business controls are adhered to. And don't simply look to the top of the hierarchy for ethical guidance; instead, realise that you have the potential to affect the ethics and control systems within your organisation.

At a company level

Cressey's 'Fraud Triangle' reveals that fraud results where: a situation of insufficient controls exists; there is a total lack of enforcement of controls and punishment; and a seniority level allows people to bypass controls. Almost 50 years later, the Citizen (22-08-18) provides an astounding reason for corrupt people 'getting away with it':

'We lack the experts to stop them.'

The truth is, each of us can become an expert in rooting out corruption and fraud.

What can you do to stop colleagues from being corrupt? First, develop an internal code of business ethics; one that's robust enough to drive you to report issues even when you fear job loss or victimisation. Then, become more observant.

In situations where inefficient controls exist, are you also seeing early warning signs among your peers, like lifestyle changes (positive and negative); gambling problems; many credit cards; too regular holidays; too few leave days; or negative talk?

It's critical to see the connection between fraud and your future livelihood. Is a colleague who commits fraud really your friend, if they're jeopardising your job?

At a municipal level

The OECD, the UN Convention and the National Anti-Corruption Summit cite the following prevailing forms of corruption: bribery; fraud; embezzlement; extortion; abuse of power; conflict of interest; favouritism; and nepotism.

Specific to South African municipalities are economic crimes including fuel card fraud; photocopier rental contract manipulation; payroll fraud; procurement fraud; specification manipulation; ownership of and unlawful relationships with businesses; and misappropriation of assets and corruption.

As such, it is our opinion that the most cost-effective long-term investment any municipality can make is to empower its people with the knowledge and understanding they need to fight economic crime. This begins with recognising the warning signs of economic crime in its infancy, and extends into:

- Providing access to information;

- Driving transparency;
- Creating watchdogs and oversight mechanisms;
- Building protection and enforcement mechanisms;
- Enacting public service reforms; and
- Blacklisting corrupt individuals.

Sebata Municipal Solutions is available to host fraud-related workshops at municipalities in future, to enable them to better identify and combat fraud.

ABOUT THE AUTHOR

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