

Sub-Saharan Africa Fraud and Corruption Report



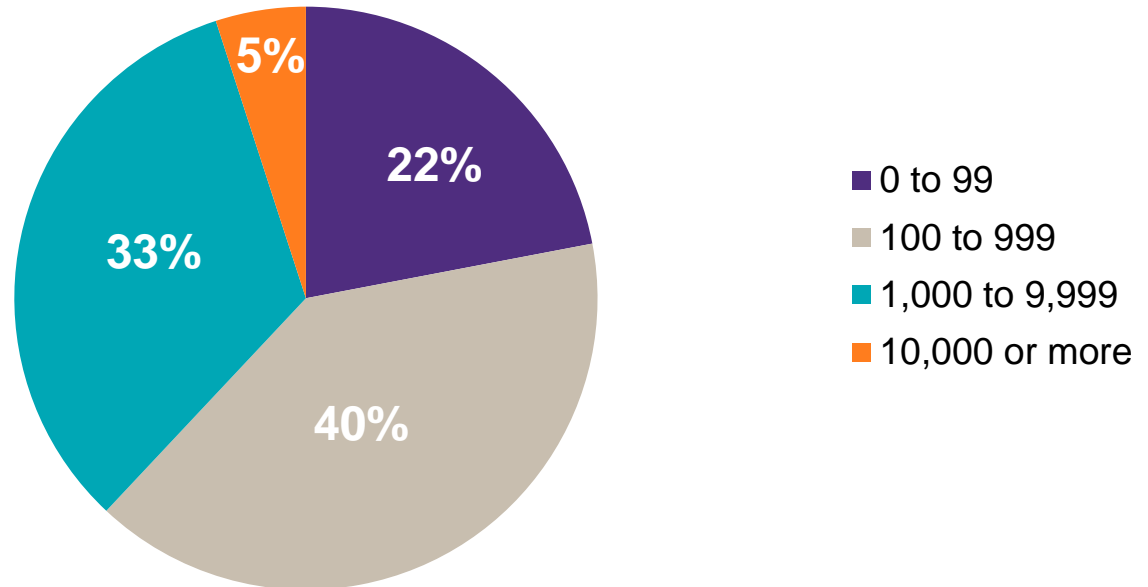
Introduction

- **In November 2020**, we emailed key people in Sub-Saharan Africa in order to gather information on how the Covid-19 pandemic, and related uncertainties, are affecting **the state of fraud and corruption in Sub-Saharan Africa**.
- The questions focused on what happened during the **past year**, what the **current situation** looks like and **what is predicted for the future**.
- This report is intended to be the first in a series of annual surveys addressing this topical subject in Sub-Saharan Africa and was coordinated by Antonio Pooe and Mario Fazekas of the South African office.

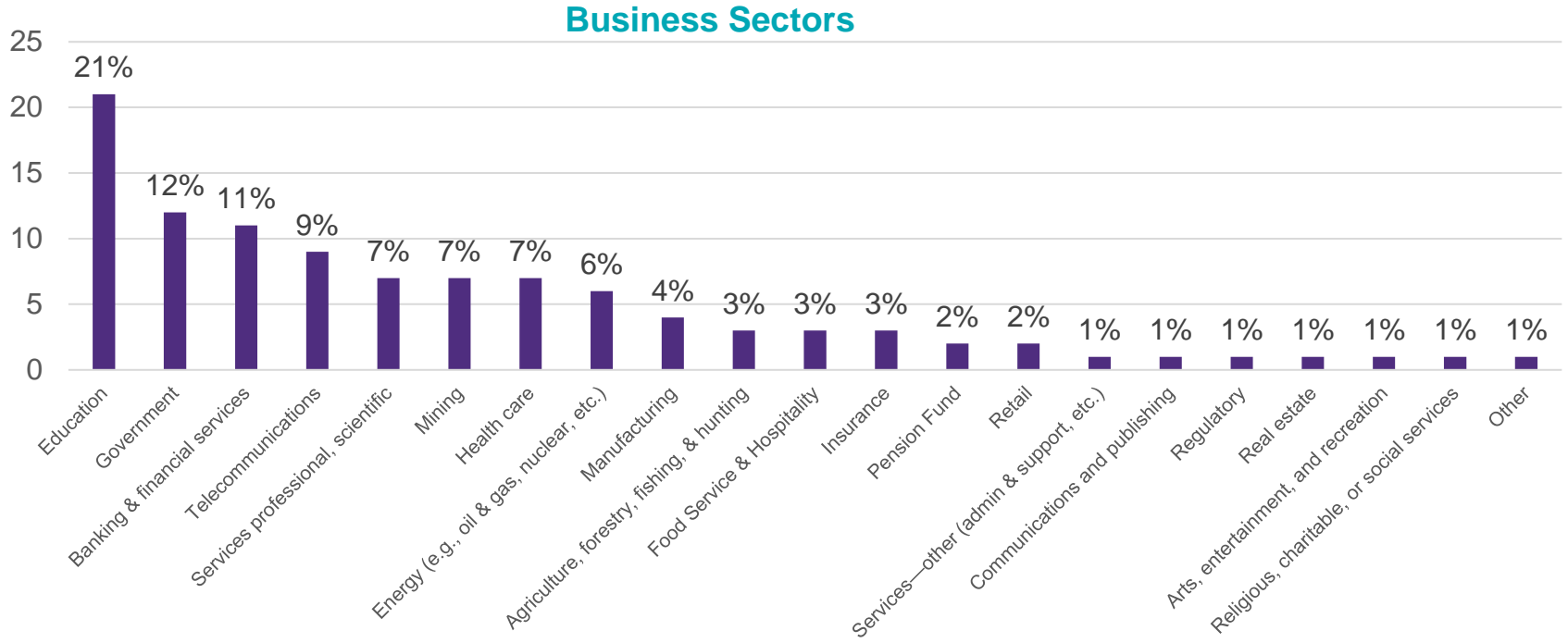
Overview of our survey

- **105** people operating in Sub-Saharan Africa
- Conducted in **November 2020**

Size of the organisations

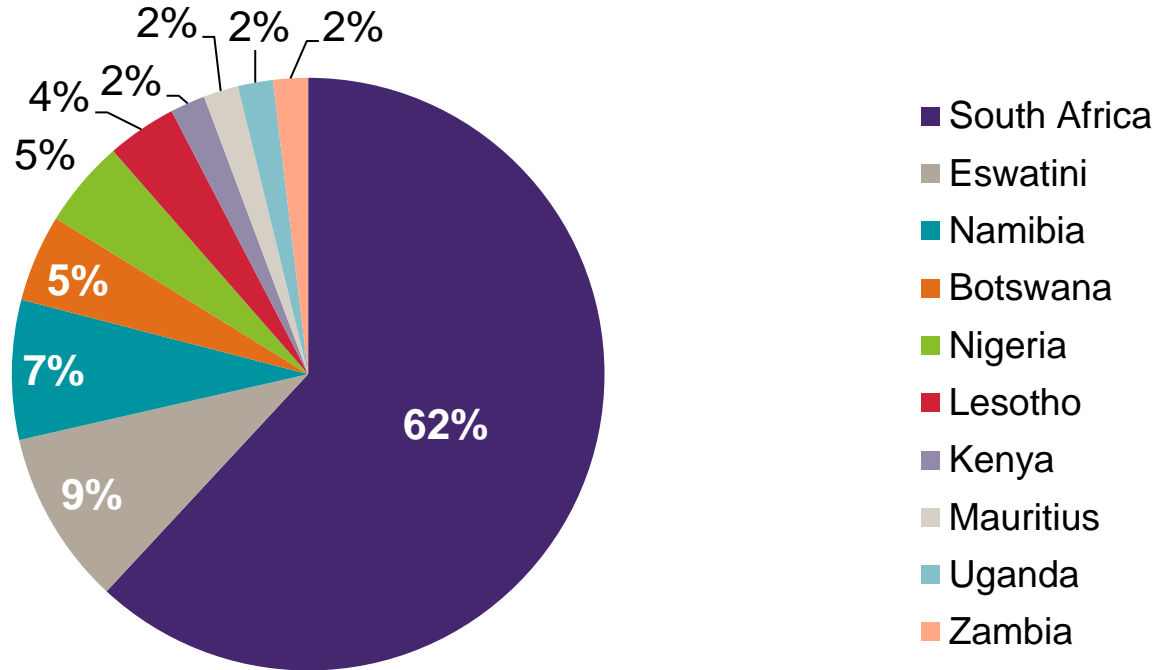


Overview of our survey



Overview of our survey

Countries where Respondents Operate



What happened in 2020

1. If you have discovered fraud and/or corruption during the past year, what did your organisation do about it?

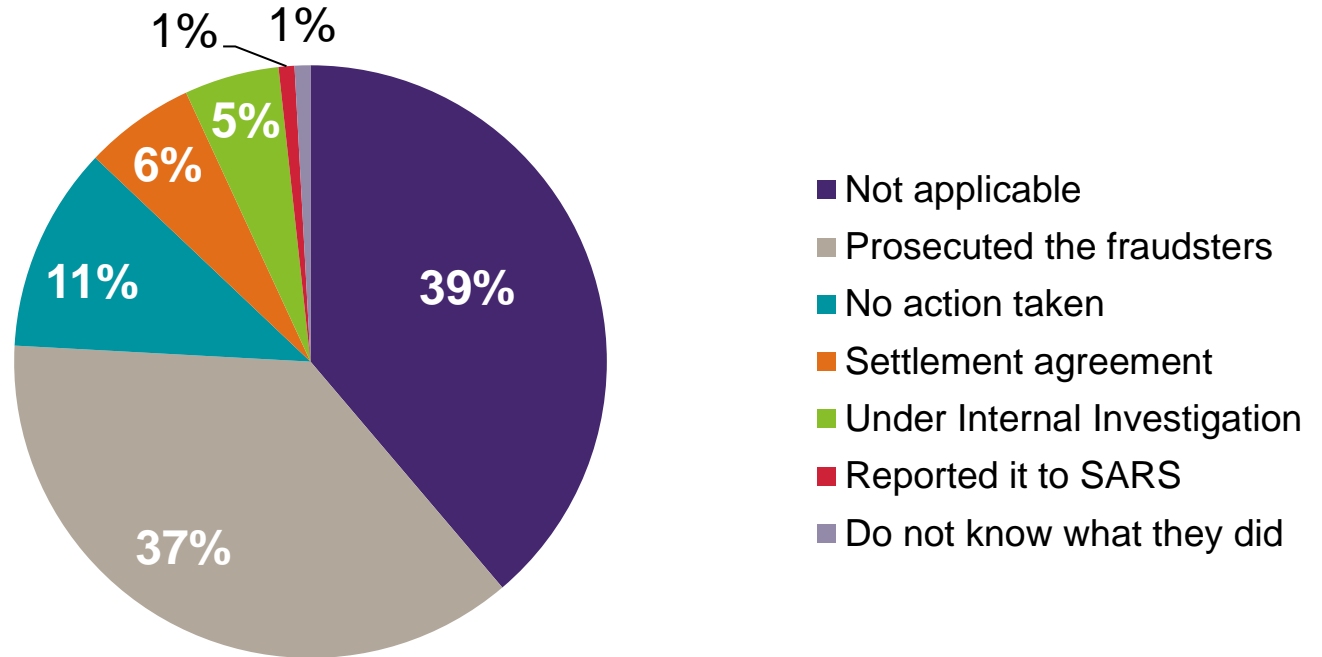


- 37% prosecuted the perpetrators and 5% are still investigating the incidents.
- 11% of respondents took no action, while 6% agreed on a settlement – payback the stolen monies in return for no charges. We have found that settlement agreements are not ideal as most of these fraudsters do not learn their lessons and perpetrate the same frauds with their next employer, making it a vicious cycle.

“Preliminary fraud investigation undertaken and report with recommendations issued - and then inaction on the part of management, which has occurred many times” – one of the 11% of respondents whose organisations took no action.

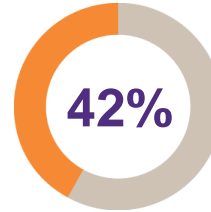
What happened in 2020

What action did your organisation take?



What happened in 2020

2. If you were the victim of fraud and/or corruption during the past year, how did you detect the fraud?

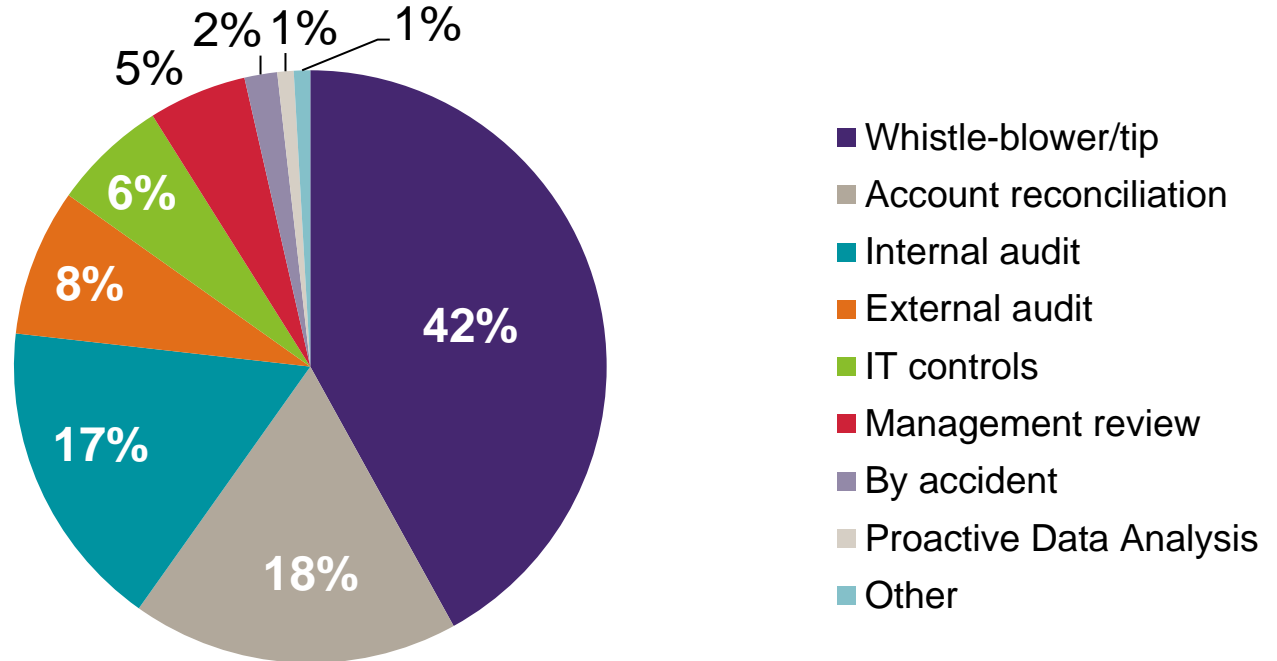


of the frauds were detected through whistleblowers / tips, which correlates with the ACFE's 2020 global fraud survey.

- It was gratifying to see that 17% of frauds were detected by internal audit and 18% by account reconciliation but what is worrying is the low percentage (1%) being detected by proactive data analytics, as this is one of the most effective tools to proactively root out fraud.

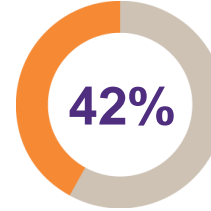
What happened in 2020

Most Effective Fraud Detection Methods



What happened in 2020

3. What do you think was the key issue driving fraud risks during the past year?



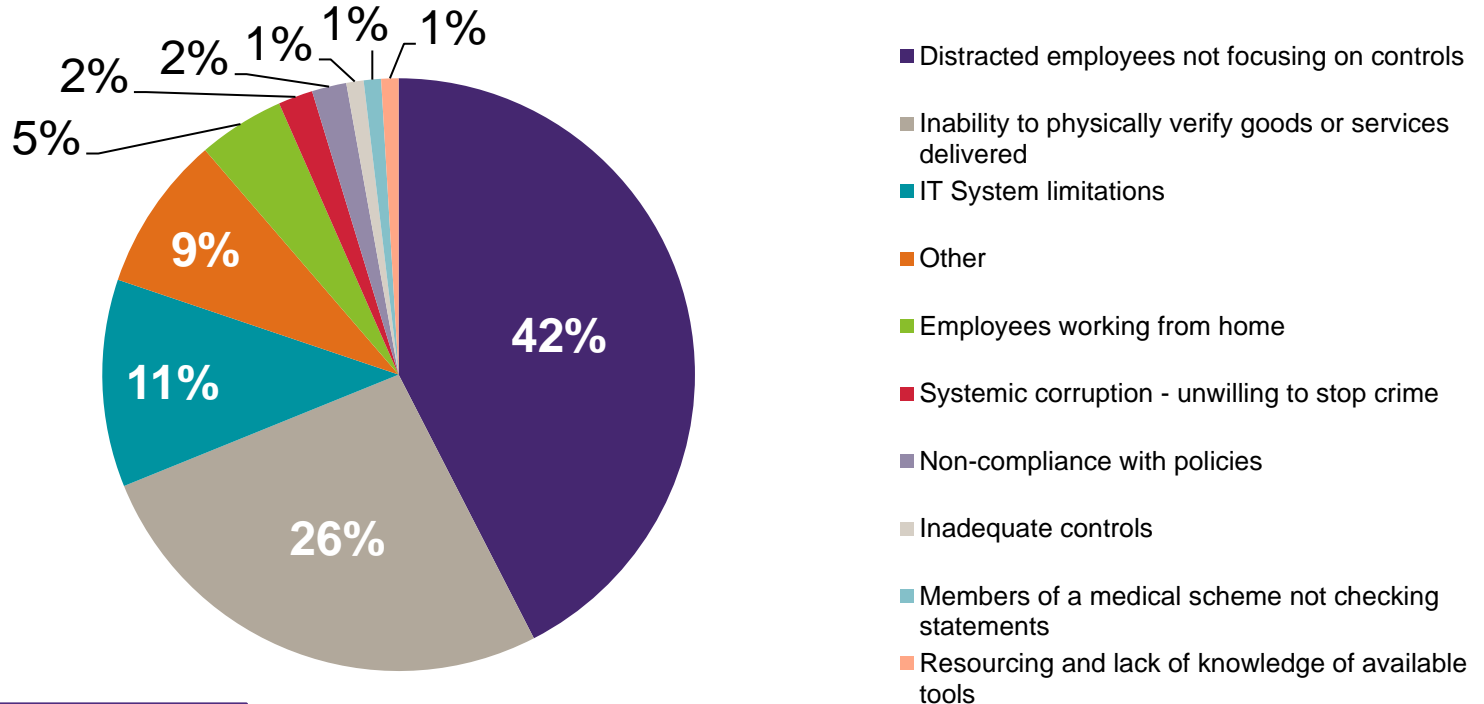
Respondents cited '***distracted employees***' as the primary cause driving fraud risks in 2020.

- The lockdowns made it difficult to physically verify goods and services with 26% of respondents choosing this answer.

“The culture of corruption is taken as being normal as long as it suits one’s personal purposes”.

What happened in 2020

Key Issues Driving Fraud Risks



Your current situation

4. Who do you think is the current biggest fraud threat to your business?

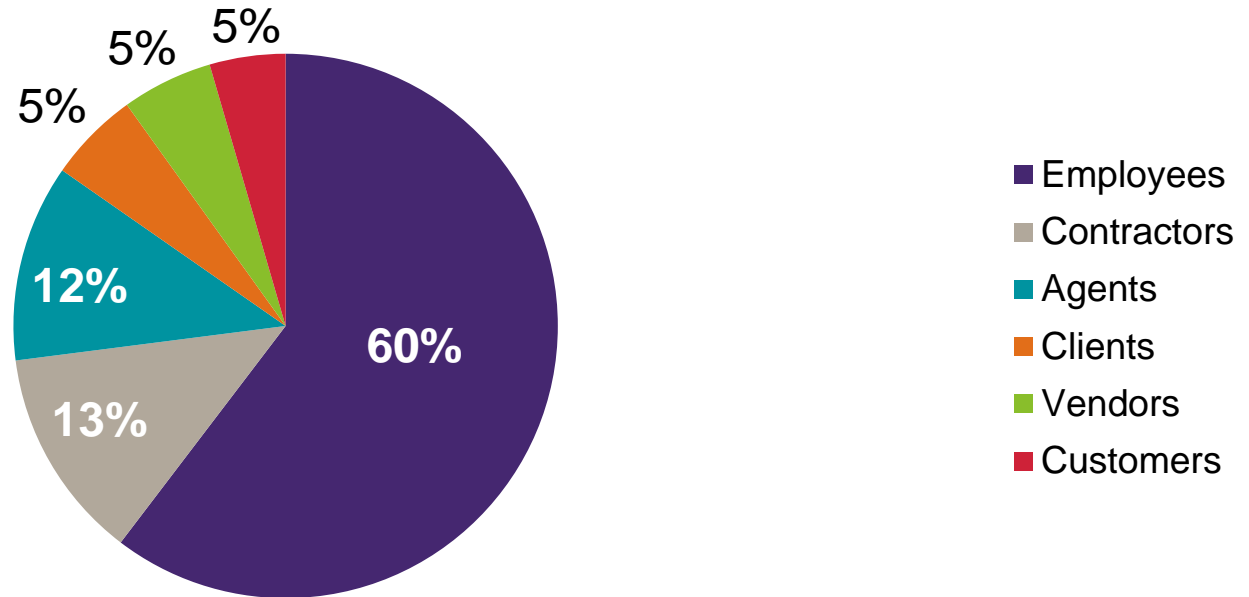


Respondents chose employees as the current biggest fraud threat to their businesses.

- Employees tend to be the biggest threat as they are generally trusted and allowed to circumvent controls or collude with one another due to familiarity and/or complacency.

Your current situation

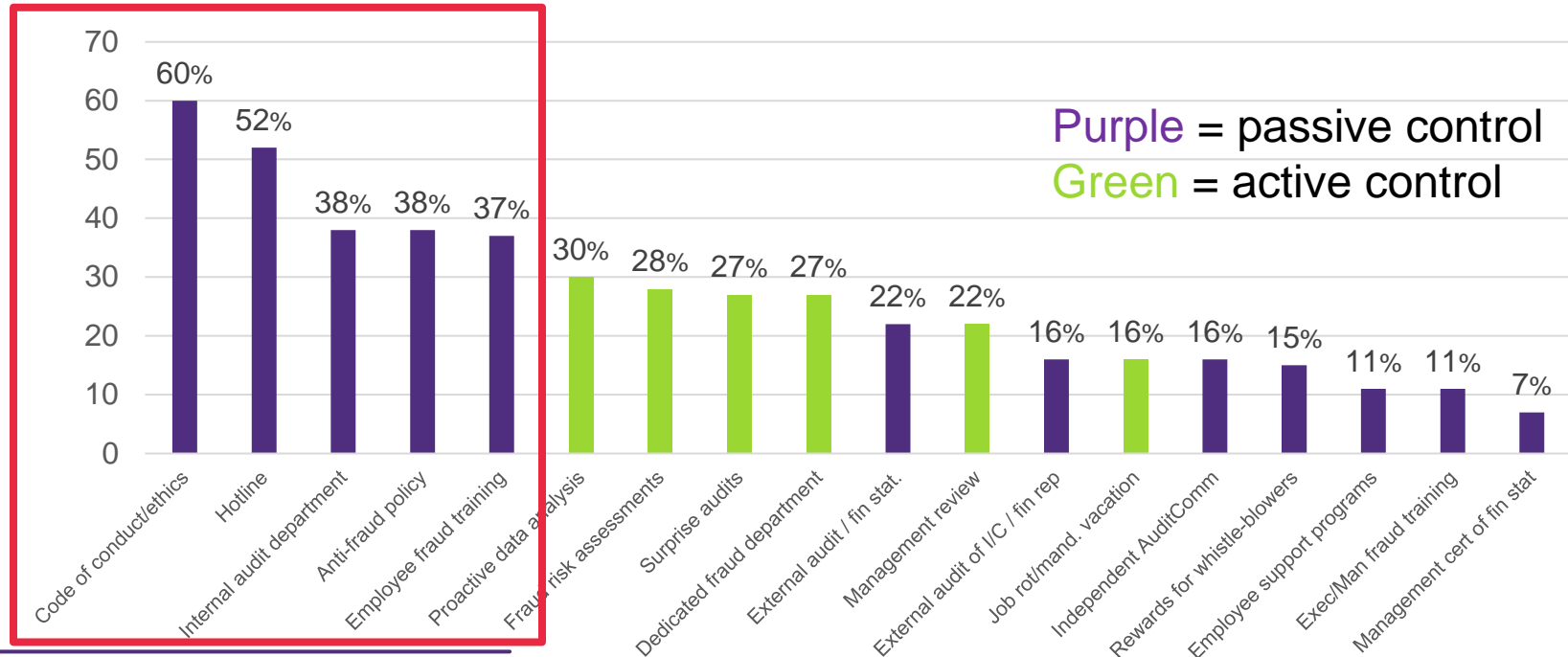
Who do you think is the current biggest fraud threat to your business?



Your current situation

5. Of the 18 most common anti-fraud controls, which are the top five that you currently rely on to prevent and detect fraud?

Top five anti-fraud controls to prevent and detect fraud?



Your current situation

Many of the most effective anti-fraud controls are being overlooked by a large number of organizations. All the proactive controls are **green**, so you'll see that the top five anti-fraud controls being implemented are primarily passive controls with two, fraud awareness training and internal audit, being potentially active or passive.

Many controls are considered potentially active or passive as their effectiveness depends on the company culture. For example, a fraud hotline can be a proactive control if it is managed by an outside party, there is regular awareness training around the service, there is no victimization against staff members who use the service, unbiased investigations are done and so on. But it's comments like this one, from one of the respondents, that will ensure that an organisation's hotline will be ineffective:

"Employees protecting their jobs by keeping quiet".

Passive controls, or soft controls as they are also known, are important, but you must supplement them with proactive controls, as these ensure that frauds are less costly and that the frauds last much shorter durations.

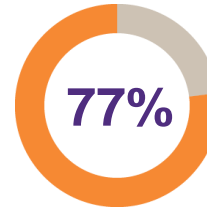
For example, proactive data analysis was used by only **30%** of the organizations in our study, but, according to the ACFE, the presence of this control was correlated with frauds that were a third less costly and a third shorter in duration. Other less common controls — including **surprise audits, a dedicated fraud department or team, formal fraud risk assessments and fraud awareness training for all staff members** — showed similar associations with reductions in one or both of these measures (cost and duration) of fraud damage.

So when determining how to invest your anti-fraud budget, it is crucial that management considers the observed effectiveness of specific control activities and how those controls can enhance potential fraudsters' perception of detection.

Keep in mind that the saying "***The best defense is a good offense***" applies perfectly to anti-fraud measures!

Your predictions for 2021

6. Due to factors related to the coronavirus, over the next 12 months, what type of change, if any, do you expect with regard to the overall level of fraud and corruption?

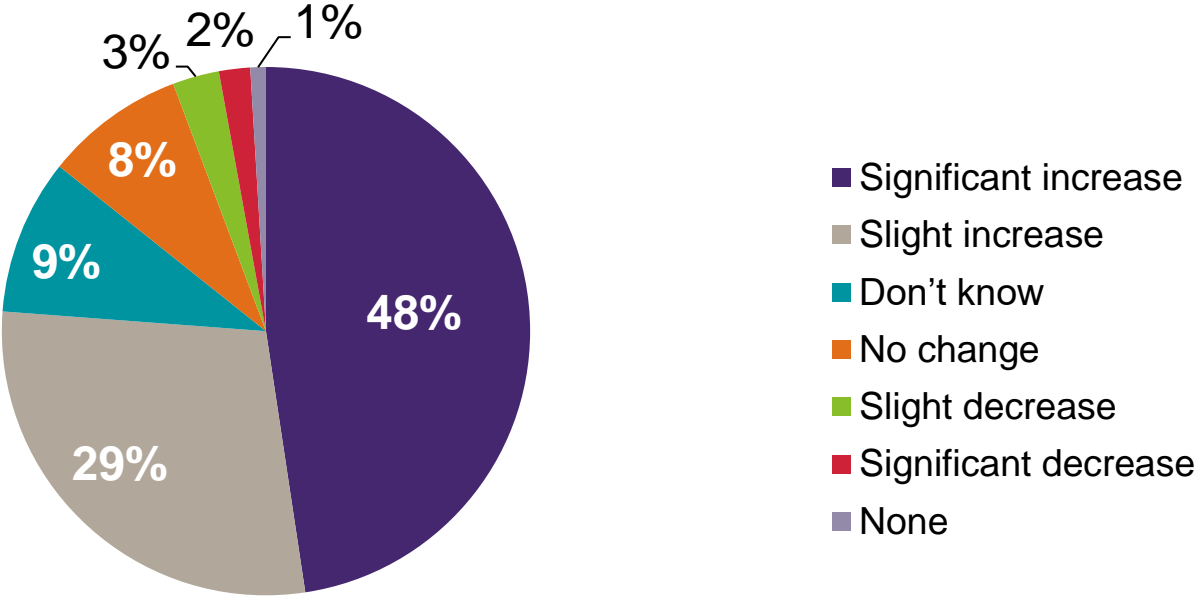


Respondents said that they expect an increase in fraud and corruption during 2021.

- This isn't surprising as the Tone at the Top (this refers to not just the C-suite but employees' direct bosses, as many employees never have any contact with executives) in many organisations is sorely lacking and there is a general global decline in ethics and morality. Hence the importance for organisations to be proactive in the fight against fraud.

Your predictions for 2021

Due to factors related to the coronavirus, over the next 12 months, what type of change do you expect with regard to the overall level of fraud and corruption?



Your predictions for 2021

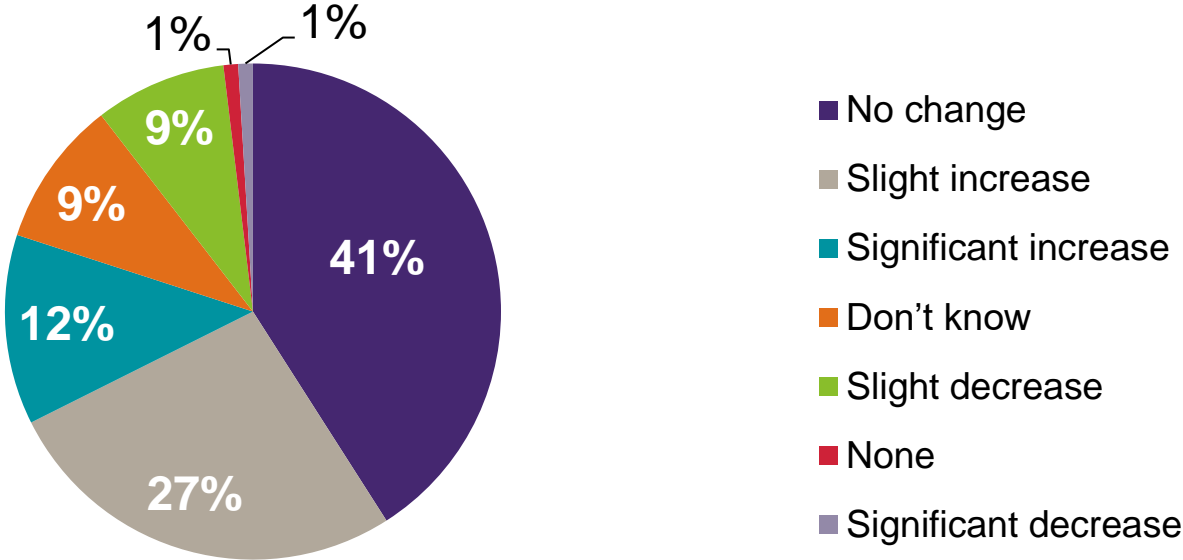
7. Over the next 12 months, what type of change, if any, do you expect with regard to overall budget for anti-fraud programs and initiatives in your organization?



- Even though the majority of respondents feel that fraud will increase in 2021, the majority (**51%**) expect that their anti-fraud budgets will see no change or will decrease.
- How tragic for the honest staff members and fraud fighters within these organisations!
- It's critical for organisations to invest a small amount of money to ensure that their profits are protected, so it's good to see that 12% of respondents say their anti-fraud budgets will significantly increase and 9% say they foresee a slight increase.

Your predictions for 2021

Over the next 12 months, what type of change, if any, do you expect with regard to overall budget for anti-fraud programs and initiatives in your organisation?



Conclusion

So how are your fraud defences looking for 2021? Are you one of the leaders in fraud risk management or do you have gaps that you should be urgently filling?

Most of the predictions (from our survey respondents and the ACFE) say that fraud will increase this year as criminals modify their operating methods to better deceive you, so whether you're a leader in preventing and detecting fraud or know you have gaps and blind spots, you need to do something in order to stay ahead of the fraudsters.

51% of respondents in this survey said that their budgets for fighting fraud would remain the same or would decrease slightly/significantly even though they feel that fraud risks will increase.

Yes, in many cases it's difficult to obtain the required budget as the value proposition of an up-to-date anti fraud programme can be hard to quantify. But you should also consider the flipside – the financial, reputational, legal, and regulatory costs of not setting up a robust anti-fraud program.

Now is the time to understand just how prepared you are. A high-level fraud risk assessment would be the first step to find out how strong your anti-fraud defences are and what steps you can take today to combat fraud in the future.

About SNG Grant Thornton

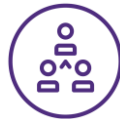
Office locations



Key figures



R715m
Annual revenue



68
Partners



12
Offices

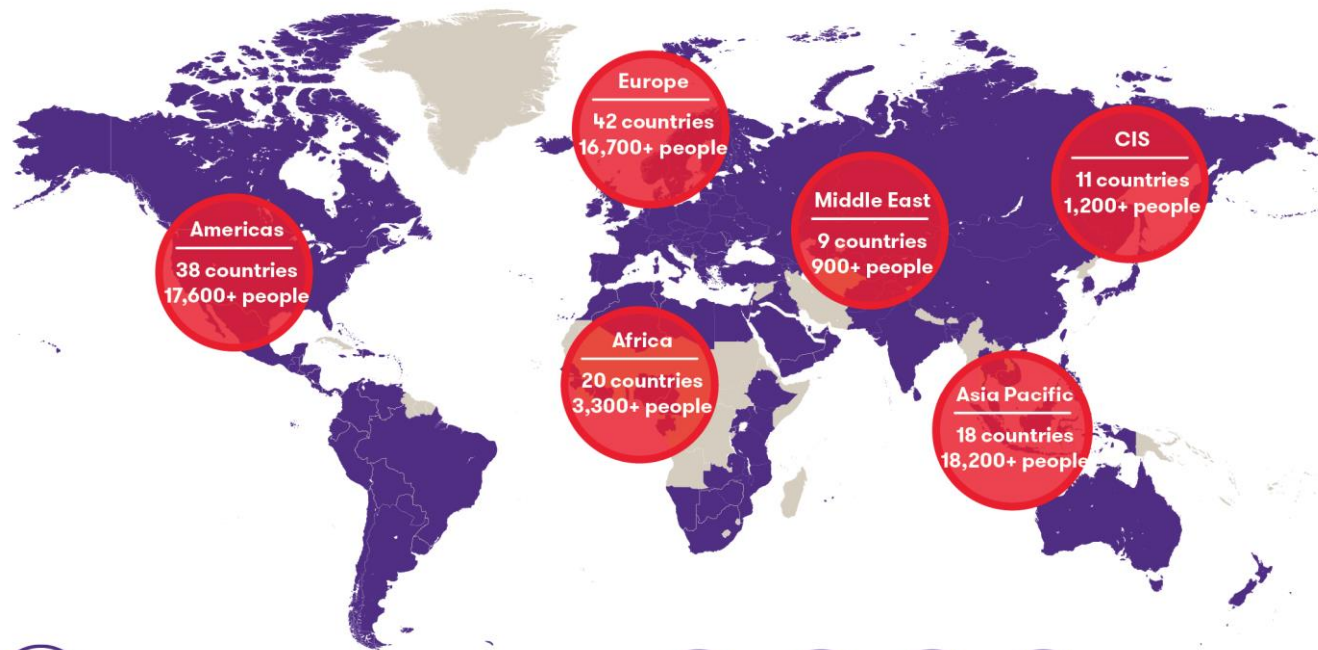


+1200
People

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Global Reach



Our distinctive client experience sets us apart



USD5.76bn
(2020 revenue)



58,000+
people



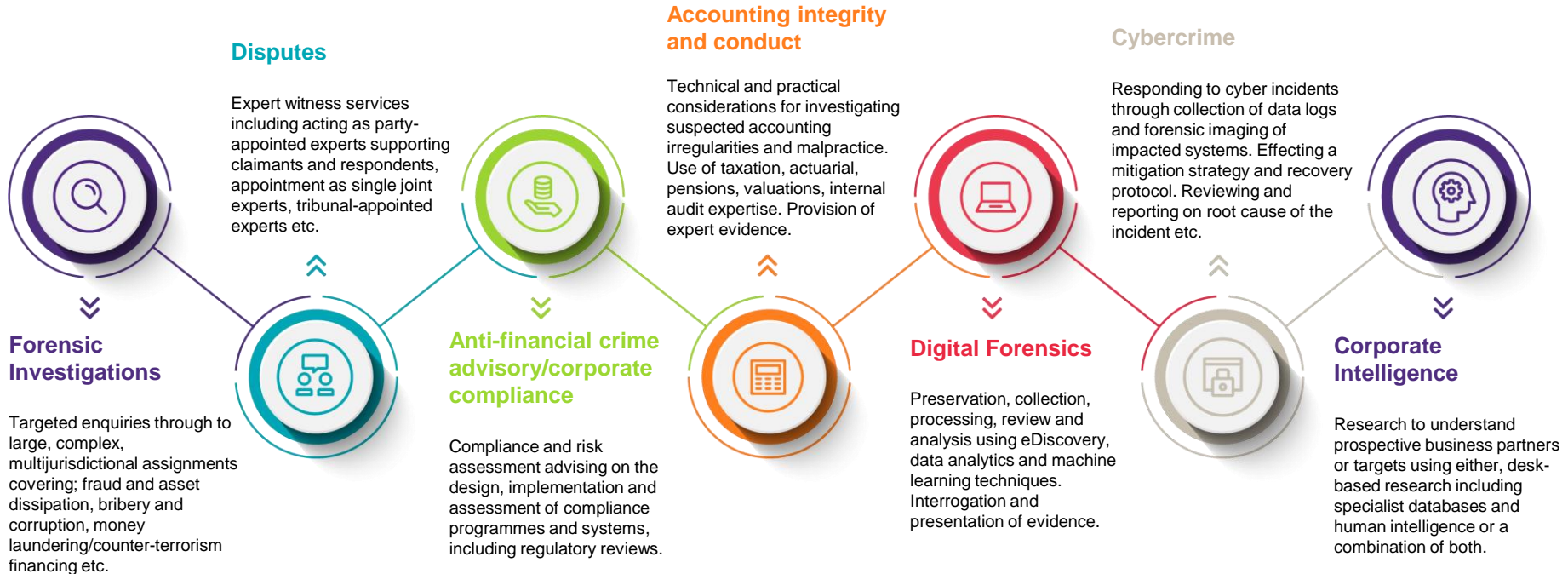
750+
offices



138
countries

Forensic Advisory

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Thank you