

## In this issue



The ACFE's Fraud Awareness Training Benchmarking Report – Key Findings

Pg.2



The SNG Grant Thornton Sub-Saharan Africa Fraud Survey

Pg.4



Some Shocking News from the World Economic Forum

Pg.6



A fraud case study

Pg.6



Editor: Mario Fazekas



Email: [mario.fazekas@sng.gt.com](mailto:mario.fazekas@sng.gt.com)



Mobile: +27 (0)83 611 0161

# Forensic focus newsletter

Winter | 2021

Welcome to the second issue of the SNG Grant Thornton Forensics Newsletter! If you missed the first issue you can download it [here](#).



Well, we are now halfway through the year and during that time our forensic division published the first SNG Grant Thornton sub-Saharan Africa Fraud & Corruption survey.

The survey report release was followed up with online webinars for clients and potential clients in South Africa, Eswatini, Uganda, Kenya, Tanzania and Lesotho, with Botswana, Zimbabwe and Nigeria planned for July and August. In addition to putting the spotlight on Fraud in Africa, this initiative was also aimed at strengthening the Grant Thornton forensics family in Africa.

**In this issue, we provide some feedback on these webinars and have the following articles:**

- We look at some of the key findings from the recently published ACFE Fraud Awareness Training Benchmarking Report.
- We examine the World Economic Forum's Future of Jobs Survey, which has some alarming information you should be aware of, especially if you are an auditor or accountant.
- Finally, we go through a most interesting fraud case study where the perpetrator stole \$22 million over seven years.

We hope you enjoy this issue and if you have any suggestions for future editions, please let us know as our goal is to be a leading forensics practice that is seen as a center of excellence, supporting Grant Thornton offices across the African Continent.

**Dr Antonio Poee (Head of Forensic Services)**

M +27 (0)72 781 4157

E [antonio.poee@sng.gt.com](mailto:antonio.poee@sng.gt.com)

# The ACFE's Fraud Awareness Training Benchmarking Report – Key Findings



One of the most important components of any effective anti-fraud program is fraud awareness training for all staff members.

Effective fraud awareness training can help you mitigate fraud risks, increase the effectiveness of your anti-fraud controls, and ensure that anti-fraud policies and reporting protocols are followed.

While there is no one-size-fits-all approach to fraud awareness training, understanding how other organizations approach this component of their anti-fraud program can help you benchmark your initiatives and identify best practices. To assist with this, the ACFE surveyed its members and used the findings to create the [Fraud Awareness Training Benchmarking Report](#). By reviewing this report, you can assess your organization's fraud awareness training efforts and determine whether improvements or updates might be necessary.

Here are the key findings with our comments relating to each one:



It's great that the large majority of organisations provide some form of fraud awareness training to their employees.

The training, however, needs to be delivered at the very least, **annually**, which **46%** of respondents confirm doing on an annual basis. Only **8%** of respondents provide **quarterly** fraud awareness training, which is the ideal, as employees tend to forget what they have learnt after a few weeks so it's good to supplement the initial training with newsletters, posters, animated gifs, desk drops and other awareness initiatives.

Of the 29% of respondents whose organizations did not offer fraud awareness training, the most commonly cited reason was that such training is not part of the organizational culture (37%).

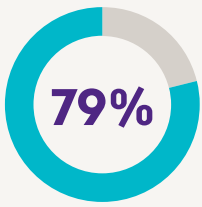
With fraud losses costing the average organization 5% of their annual turnover, how can any organization say that fraud awareness training “**isn't part of their corporate culture**”?! No wonder that a [third of all business failures](#) are estimated to be a direct result of fraud losses.



The most commonly covered topic is red flags of fraud, which is included in 91% of organizations' fraud awareness training programs. Red flags of fraud should form the heart of any anti-fraud training as it is every employee's responsibility to detect and then report suspected fraud and how are they going to report fraud if they cannot recognize the symptoms? Red flags can then be combined with the code of ethics, fraud reporting procedures, other organizational anti-fraud policies, social media risks, cyber security risks etc.

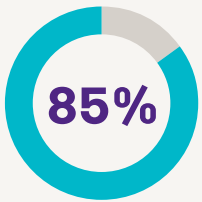


The role least likely to receive fraud awareness training is the board of directors, with 14% providing no fraud awareness training to their board. In our opinion, the fraud awareness training should start with the board. We were doing a national fraud awareness rollout for a large organization (with more than 20 000 employees in five divisions) and one of the first questions we would get asked is “has the board been exposed to this training?”. We would say ‘no’ and then the response from the audience was “**oh, so this training cannot be that important**”, or “**oh, so there are fraudsters only in the lower ranks of employees?**”. Fortunately, the CEO of the one division saw this fraud awareness training as important, and he combined it with his **CEO Roadshow** and the attendance numbers were the highest in the group.



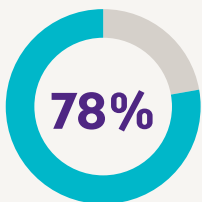
of survey respondents stated that their organizations offer fraud awareness training to all employees, with 66% making the training mandatory for all employees.

It's important to expose **all employees** to your fraud awareness training. We have delivered fraud awareness training to all categories of employees, including white collar staff, blue collar staff, kitchen staff, cleaning staff and security staff. If you train just your white-collar employees your fraud risk 'Achilles' heel' will be the rest of the staff.



of organisations have Fraud awareness training provided, at least in part, by internal personnel

We have found that both, internal and external presenters can be effective. If, however, you are wanting to obtain critical feedback from attendees (for example, asking what types of frauds they are seeing in the workplace) then external presenters tend to work best. The saying, "*A prophet is not without honor except in his hometown and in his own household*" is very true, as most employees do not feel comfortable opening up to colleagues as they fear victimization, but they usually open up to strangers.



Online, on-demand training modules are the most popular approach, present in 78% of organisation's fraud awareness training programs.

There is a place for on-demand training modules but it is good to have a mix of training methods. We have found that a Zoom/Teams session with a presenter is great for an introduction to the topic so that attendees can ask questions and interact with each other and the presenter.

This can then be followed up later with online, on-demand courses where there is less interaction, and where the basics are understood.

This can then be followed up later with online, on-demand courses where there is less interaction, and where the basics are understood. Participants were asked what criteria their organizations use to evaluate their training programs and the most common method of program evaluation is employee feedback or surveys.

We generally use pre-workshop surveys that are emailed a week or two before the event. We then incorporate some of the results in the training to make the training more meaningful. Once we have built trust we end the training with a post-workshop evaluation to which we may add a few more questions. We then supply the client with a feedback report based on the survey results and discussions held during the training.



Participants were asked to rank the importance of a series of 8 objectives for their fraud awareness training and were then asked how strongly they agree that their organizations' training programs effectively accomplish each of those objectives.

Interestingly, the two objectives involving tangible results—**leading to a reduction in fraud occurrence and leading to an increase in tips**—both ranked as the least important objectives by respondents and garnered the least amount of agreement that their organization's training accomplished those objectives!

'Leading to an increase in tips' should be one of the most important objectives emanating from fraud awareness training and can be accomplished if done properly. We took over the management of a fraud hotline where there was mistrust between management and staff. When we took over the hotline management, they were averaging around 6 calls per month and we increased that to 46 calls per month by doing regular awareness initiatives: things like awareness training for the white-collar employees, surveys, newsletter articles and industrial theatre for the blue-collar workers.

# The SNG Grant Thornton Sub-Saharan Africa fraud survey.



In November 2020, during global Fraud Awareness Week, we invited key people to respond to our first Sub-Saharan Africa fraud survey.

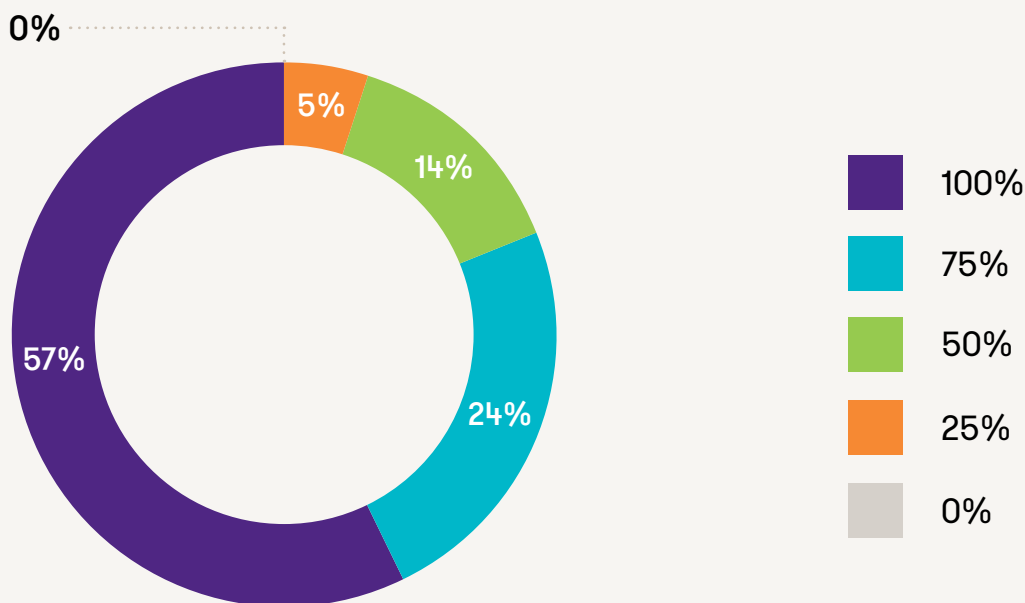
The [survey results](#) were published at the beginning of 2021 and we then ran free 1-hour webinars to discuss the survey report key findings.

We ran the webinars in South Africa, Eswatini, Uganda, Tanzania and Kenya and these are some of the attendee comments:

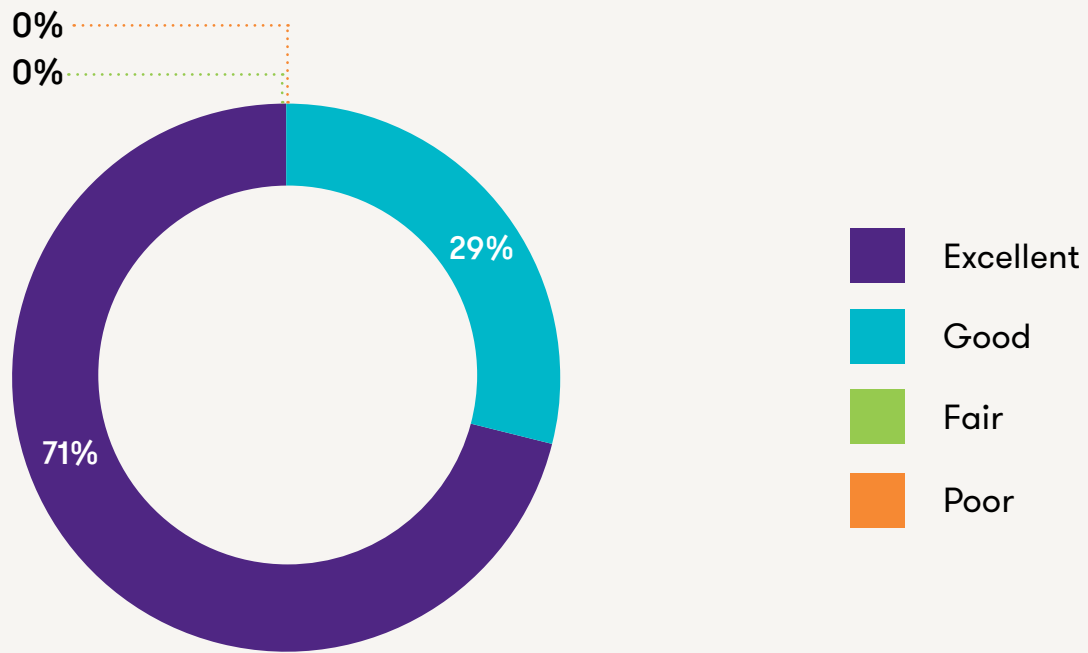
- “Webinar was wonderful. Information is useful in future audits as well as personal life”.
- “The Webinar has been very informative though too short. Let’s have them monthly!”
- “Mind blowing and practical!”
- “The webinar was very informative in these times when Fraud has become the norm of the century.”
- “The webinar has encouraged me to be more observant in my work environment.”

The evaluation form also asked the following questions:

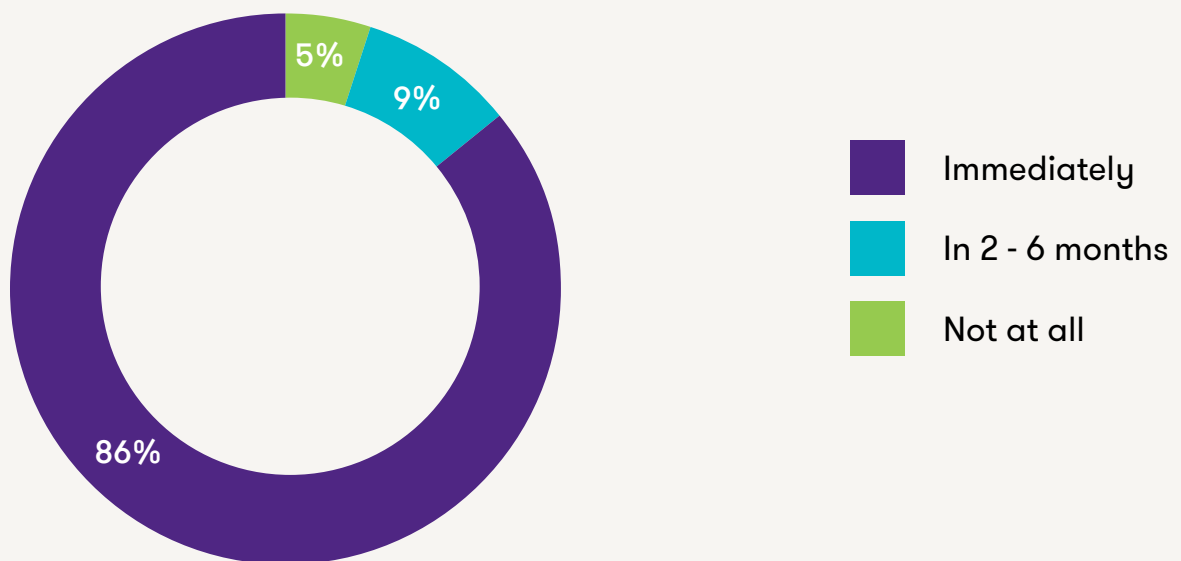
## What percentage of the information was new to you?



### Please rate the content of the slides/virtual aids/polls:



### I can use this webinar information:



Keep a look out for this year's Grant Thornton Sub-Saharan Africa fraud survey link that will be emailed out soon.



# Some Shocking News from the World Economic Forum

[The World Economic Forum's Future of Jobs Survey](#) has some alarming information you should be aware of.

Due to the rise of automation and artificial intelligence, certain professions are at a significantly higher risk of being outsourced to computers. What that means for humans like you and me is: will we have the skills necessary to not have a computer take our job?

It's not a surprise that the **#1 job at risk is Data Entry Clerks**. So much of data now is automatically entered into systems from other systems, so the need for someone manually entering information into the computers has gone down significantly. **#3 Accounting, Bookkeeping, and Payroll Clerks...** also not a surprise.

**But, at #4 - Accountants and Auditors** - a big surprise that it's so high on the list!

Now, even if you aren't in one of these roles, what can you learn from this as a leader? Those who will be left standing are the humans who do things computers can't do.

It's the skills a computer can't replicate that will determine your success in the future, and there are things you can do right now to prepare for the future of work... whatever it may be. Jason Mefford, who provides coaching for CAE's, recently talked with Greg Hutchins, a professional engineer who has been dedicated to studying the future of job markets and the evolution of work for decades. He recently wrote a book: Working It Disruption Rules: COVID Edition, and here's a link to Jason's interview with him on Jamming with Jason: <http://www.jasonmefford.com/jammingwithjason170/>



## A fraud case study

The following recent case study sums up much of what we teach in our two-day fraud prevention and detection course.

### The Fraud:

Gary Foster, a former assistant vice president in Citigroup's treasury finance department, stole \$22 million. He worked for the bank for 10 years and stole during 7 of them.

### How he did it:

Foster had been investigating an account of unreconciled, unclaimed money of about \$772,000. The bank wanted to get the account to zero. So, Foster obliged, and he wired the money to his personal Chase account! He would manually manipulate numbers in Excel spreadsheets for amortization and accretion and then move them to a general ledger. He kept the numbers relatively small, **under \$1 million**, and he would steal in the **middle of the month** instead of the end when auditors might be more attuned.

### Fraud triangle:

The fraud triangle is a model for explaining the factors that cause someone to commit occupational fraud. It consists of three components, namely pressure, opportunity, and rationalization, which together, lead to the fraudulent behavior. Here is Gary's fraud triangle:

**Pressure** - "I realised that I could get all my goals that I wanted," Foster said. "My favorite thing is traveling the world." He realised he could feed his travel hobby.

**"I realised that I could get all my goals that I wanted."**

**Opportunity** - He began wiring more cash from other accounts to his private account with required second authorizations, which were easy to get because the bank thoroughly **trusted him**, he said.

Citibank generally didn't audit anything under \$1 million and his department was dealing with billions a day, so he gambled that Citibank wouldn't notice his embezzlement.

**Rationalization** - a subordinate made \$10,000 more than him. *"I was shocked," "I was in love with the bank. I felt completely devastated. I'm working like crazy. ... I felt betrayed."* During the next two years, Foster's resentment against Citibank festered. Finally, he realized that he needed some payback for what he deserved.

### **Guilt to arrogance:**

Most fraudsters start out small, testing the system and for the first 6 months or so they tend to feel guilty but when no one asks any questions, the guilt turns to arrogance. Gary is no different - at first, he experienced some guilt, *"I felt like part of me was betraying another part of me. ... I've just never done anything like this,"* he said. Later on he thought, *"Maybe this is God-sent. I started feeling confident."*

**"I felt like part of me was betraying another part of me. ... I've just never done anything like this."**

### **What about the auditors?**

Foster said that he was able to fool the external auditors — most of whom were inexperienced. *"These young kids who come in to do the legwork ... really don't know what they're doing. I could just play dumb with them because if they think you're stupid then they figure they're running circles around you. ... They won't ask that many questions".*

The fraud was uncovered during an internal audit of Citigroup's treasury department. The firm caught him because **he'd violated his embezzlement rules — he wired \$3 million at the end of the month.** He got greedy and over-confident.

### **Red flags:**

As with most frauds, there were obvious red flags. With a salary of less than \$100k per year, he used the money to fund a lavish lifestyle, purchasing luxury cars including a Ferrari, BMW 550i and Maserati and he hired a chauffeur to drive him around! He also purchased six expensive properties including an apartment in Midtown Manhattan; two luxury apartments in Jersey City; a \$1.35 million house in Tenafly, N.J.; and a \$3 million home in Englewood Cliffs, N.J., that had a \$500,000 entertainment system and bathroom mirrors that turned to video screens when touched. Oh, and not to mention the regular trips to exotic destinations and that all the fraudulent transfers ended in round numbers. No colleagues noticed any of the red flags...? If they did notice, did they not feel an obligation to report?

### **Recoveries:**

The government seized cars and property from Foster worth approximately \$14 million. 50% of victim organizations do not recover any fraud losses so the bank was fortunate to recover so much. Hopefully they will get close to the \$14 million after selling the items.

### **What happened?**

Gary Foster was sentenced to eight years in prison and he was released on probation in October 2019. Peter Orlandi, Foster's boss, was terminated due to a "lack of leadership regarding the Gary Foster situation." It's important for managers to be trained in the red flags of fraud and then to encourage them to be alert for, and to report, these fraud symptoms when dealing with colleagues, clients and vendors.

You can see a short video interview with Gary on [YouTube](#).

# Upcoming Fraud & Ethics Courses



We will be presenting the following three courses for the IIA's Leadership Academy for Guardians of Governance:

- [Fraud Investigations \(FRIN\) 22-23 July 2021 \(online\)](#)
- [Fraud Prevention & Detection \(FPDT\) 2-3 August 2021 \(online\)](#)
- [Ethics and the Internal Auditor \(ETIA\) 20-21 September 2021 \(online\)](#)

Click on each link for more details or contact the CPD Project Coordinator, Sharene Smit on mobile: 082 421 7057 or email: [sharene@governanceacademy.co.za](mailto:sharene@governanceacademy.co.za)

What previous attendees have said about the above courses...

"The fraud prevention course provided practical guidance that you can start implementing as soon as you get back to the office. One thing that stood out is the importance of data analytics in the identification of red flags, which can potentially indicate fraud."  
- Marilize van Schalkwyk, GIPF  
Namibia

"The presenter made the session very interactive"  
- Lynette Stemmers,  
Provincial Treasury

"Useful and valuable information that we can apply as auditors".  
- Pieter Sieberhagen,  
Debmarine

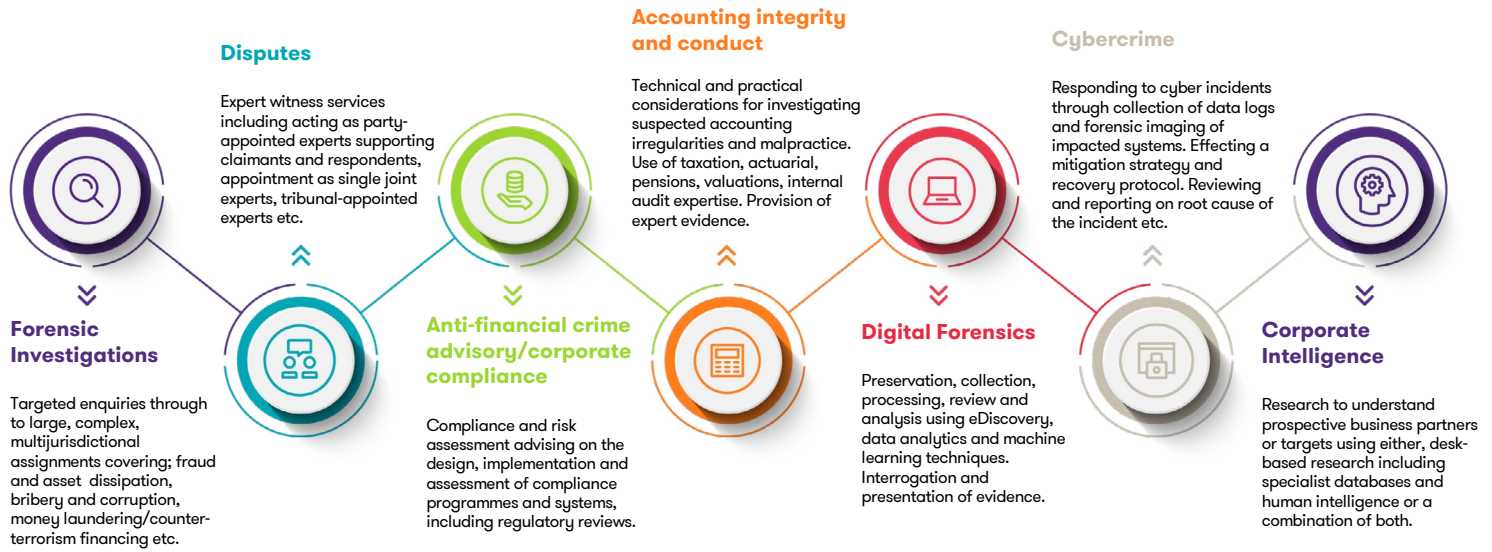
"The training was highly informative. I learned a lot as the presenter was interactive with extensive knowledge of the subject he was presenting"  
- Maria Samahina, Letshego Bank,  
Namibia

"The Code of Conduct Benchmarking & Evaluation Tool is a valuable take-away from this course"  
- Peet du Pont, SA  
Reserve Bank

"Great course that is interesting and most relevant, with a very engaging and experienced presenter"  
- Carin Erasmus, UNISA



# Forensic advisory services



## Contact us

We provide pragmatic, independent and expert advice. Contact us for further information.



**Dr. Antonio Poeo**  
Director and Head of Forensic Services  
T +27 (72) 781 4157  
E Antonio.Poeo@sng.gt.com



**Pontso P. Nyathi**  
Forensic Services Director  
T +27 (72) 372 4829  
E Pontso.Nyathi@sng.gt.com



**Alfred Sambaza**  
Forensic Services Director  
T +27 (73) 289 2933  
E Alfred.Sambaza@sng.gt.com



© 2021 SNG Grant Thornton. All rights reserved.

"Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. SNG Grant Thornton is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.