



Media release

Tourism and Mining most targeted by white-collar crime

Johannesburg, South Africa- Feb 12, 2015 -Although fraud and corruption have become endemic in the global economy, the odds are not always stacked in the favour of the criminals. Some encouraging trends indicate that while the battle is far from won, investigators and company watchdogs have some trump cards to play.

One is the increasing effectiveness of compliance mechanisms in exposing fraud. Glenn Pomerantz, Global Head of Forensics at audit and advisory firm BDO asserts, “Whistle blowing and accidental discovery are still the most common methods of detecting fraud but we are starting to see more discoveries through compliance processes.”

“Recently the industries most targeted by white-collar crime are tourism and mining. A lot of cash runs through hotels and restaurants, so there is a natural vulnerability to fraud, but the losses tend to be small. I’d say fraud is more prevalent in mining, and it’s not about the person who can stash a diamond in their shoe; it’s office crime.”

However, some success is being reported at companies which require their employees to sign declarations that they are not participating in, or aware of any fraud or corruption.

“Occasionally, employees tend to speak up at the time that the declaration requires a signature. In these instances however, it is not the person committing the fraud but instead a declaration that they know of someone else who is guilty. Requiring a signature on a form forces a testimony due to possible consequences,” Pomerantz says.

Nevertheless, it would not be correct to say that compliance measures such as these are exposing white-collar crime on a grand scale. “Although slower than desired, compliance is working. It is an encouraging trend and I would call it somewhat effective,” advises Pomerantz, who was in South Africa recently to work with local BDO Forensics team members.

He notes that fraudsters often don’t know when to stop. Lacking an “exit strategy”, they tend to put their fingers in the till one too many times. This explains why many white-collar crimes are still exposed by accidental discovery or through whistle blowing.

Also proving increasingly effective, specifically against bribery and corruption, is the United States’ anti-corruption legislation, the Foreign Corrupt Practices Act. “It’s being heavily enforced by the Department of Justice and the Securities Exchange Commission to prevent and deter bribery,” states Pomerantz.

Carl Bosma of BDO South Africa’s Forensics division agrees that compliance frameworks are playing a bigger role than before in detecting white-collar crime.

“When it comes to bribery and corruption, industries such as oil and gas, infrastructure, pharma, medical devices and defence lead the way. Bribery and corruption continue to be prevalent globally across these industries.

Asked whether white-collar crime is increasing globally, Pomerantz says, “Financial crime is always present. It’s hard to remember a prolonged period of decline, even through strong economic periods. White collar crime is like a chronic disease. You can mitigate the symptoms and prevent it from spreading but the disease never goes away.”

Bosma’s final advice to all companies is to regularly test their controls. That is where internal audit is effective, whether you use an in-house, outsourced or co-sourced internal audit function.

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