

Fraud prevention plan

A fraud prevention plan should include, amongst others, the following:

1. Actions deemed to constitute fraud

2. Assessment of the overall exposure to fraud

3. Identification of high risk areas like:

- Assets (Misappropriation and misuse);
- Internal controls (Circumvention);
- Procurement (irregularities and fronting);
- Data / information security (Unauthorized access, changes, leakages)
- Employees information (Misrepresentation, leakages, ghost employees, etc)

4. Assessment and prioritization of fraud risks

5. Prioritization of fraud prevention initiatives like:

- Development and promotion of an anti-fraud culture through:
 - ✓ Capacity building / fraud awareness programs;
 - ✓ Pre-employment vetting;
 - ✓ Maintaining good staff morale;
 - ✓ Service provider vetting, for capacity to delivery, ownership, conflict of interests;
 - ✓ Tightening of controls, through lessons learned from previous reported and detected fraud cases;
 - ✓ Code of conduct for suppliers;
 - ✓ Code of conduct for employees;
 - ✓ Centralized supplier database;
 - ✓ Declaration of interests; and
 - ✓ Gifts and donations policy.
- Promotion and enforcement of internal controls (detective, preventative and corrective) through:
 - ✓ Continuous capacity building initiatives;
 - ✓ Setting the tone at the top through positive attitude of managers towards internal controls;
 - ✓ Deterrence of non-compliance, through accountability processes; and
 - ✓ Continuous review and refinement of internal controls.

6. Continuous fraud detection through:

- Investigations of individuals or areas exhibiting possible and worrying fraud indicators like:
 - ✓ Reluctance to take leave;
 - ✓ Negative attitude towards internal controls;
 - ✓ Sudden and unexplained changes in lifestyle; and
 - ✓ Understaffing and inadequate segregation of duties in high risk areas
- Regular data mining and data review for tell-tale signs of fraud:
 - ✓ Duplicate payments;
 - ✓ Payments without proper audit trail and supporting documents;
 - ✓ Numerous and unexplained orders just below the prescribed thresholds for more rigorous procurement procedures;
 - ✓ Suppliers and employees sharing bank accounts, addresses, etc;
 - ✓ Invalid VAT numbers;

- ✓ Unexplained and undeclared relationships between suppliers and employees; etc
- Promotion of either a direct or indirect reporting of suspected cases of fraud by employees and third parties
- Regular unannounced reconciliations and reviews in susceptible and high risk areas by management, risk managers and internal audit;
- Normal internal audit activities; and
- Internal control and compliance assessments

7. Fraud Response: Through investigations of reported and detected cases of fraud

8. Fraud Resolution: Through timeous resolution of reported and detected cases of fraud

9. Assigning of responsibilities

10. Monitoring and oversight activities over the fraud prevention plan

11. An annual implementation plan