INTERNATIONAL ANTI-FRAUD EFFORTS: 
THE ISSUES OF BORDERLESS FRAUD 
FRAUD AND CORRUPTION IN AFRICA

Economic and high-tech crimes are an ongoing problem in Africa. Explore the challenges of managing fraud and corruption specific to Africa. Learn how common fraud schemes are being executed, how to spot red flags, how to protect your company, and how to stay a step ahead of cyber fraudsters.

PROCTOR NYEMBA, CFE, CICA, CFP, CICP
Senior Partner
Proctor & Associates
Harare, Zimbabwe

Proctor Nyemba is the senior partner of Proctor & Associates, a governance, ethics, fraud, internal control, due diligence, risk, and business advisory group in Zimbabwe, Africa.

Proctor Nyemba is a Certified Fraud Examiner (CFE), Certified Internal Control Auditor (CICA), Certified Forensic Practitioner (CFP), Certified Internal Control Professional (CICP), and White-Collar Criminologist (WCC). He is also an independent consultant, lecturer, expert witness in employee white-collar crime, and a frequent speaker and contributor to trade magazines. A member of the Institute of Directors in Zimbabwe, he holds a forensic examination degree, with an advanced certificate in fraud examination.

In 2011, Proctor completed many workshops and conferences in Zimbabwe pertaining to fraud, internal control, and corruption. He also managed to train 1,300 executives (board members, managers, and staff) in Zimbabwe.

He is currently working on his dissertation in fraud examination to complete his M.Phil. in fraud and forensic examination sciences, fraud risk management, at the University of Pretoria.

He works with internal audit and human resources departments, directors, senior managers, and risk and loss control departments in the private and not-for-profit sectors to help them embrace best practices in governance and assurance, and to manage risk positively to improve business performance and enhance reputation. Proctor has 12 years of experience in forensic advisory, due diligence, and fraud risk management. He has provided expert assistance to numerous companies in a broad spectrum of industries. As an accomplished strategist, Proctor has assisted corporations to recover assets and reduce losses due to fraud, waste, and abuse. He has developed internal control systems in many companies throughout Zimbabwe. He created the “FraudWatch Column” in Zimbabwe newspapers to bring awareness of fraud and corruption.

“Association of Certified Fraud Examiners,” “Certified Fraud Examiner,” “CFE,” “ACFE,” and the ACFE Logo are trademarks owned by the Association of Certified Fraud Examiners, Inc. The contents of this paper may not be transmitted, re-published, modified, reproduced, distributed, copied, or sold without the prior consent of the author.
# GOOD NEWS ON AFRICA BUSINESS
1. Introduction and latest news
2. Economic and high-tech crime in Africa
3. Challenges
4. Methodology approach
5. Health experts’ approach
6. Conclusion

## LATEST NEWS ON THE COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA
- In Africa we have 20 countries, with South Sudan being the newest, under the Common Market for Eastern and Southern Africa Business Council (COMESA). And according to COMESA’s Secretary General, Trust Chikohora, by 2015 Africa will have the following:
  - Common currency
  - Free movement of people
  - A lot of cross-border trade
  - Moving toward grand FTA with SADC and EAC to create biggest economic bloc in Africa
    - Out of this development there is movement of many African businesspeople from country to country, which criminals will use as an advantage to commit crimes and move to another country before they are caught.
    - Also the African economy’s performance over the past decade has improved substantially due to the “Look East” policy that has expanded opportunities for African states to do business with China.
    - African infrastructure development has encouraged many investors to consider investing in Africa since Africa is now competing in a reshaped global economy.
FRAUD AND CORRUPTION IN AFRICA

Economic and High-Tech Crime in Africa Includes:
- Fraud and corruption
- Smuggling
- Illegal transfer pricing
- Tax evasion
- Computer-assisted economic crime (crime scene for fraud)
- Internet and e-commerce

**Why Economic and High-Tech Crime Is on the Rise**
This can be attributed to the African economic growth, especially in the oil and mineral industries. For example, Zimbabwe has a thriving diamond industry. The problem is that growth promotes fraud and corruption. The risks are very high because of unstable legal, political, and business environments.

- With this development, economic crime and cybercrime are expected to increase, mainly fraud and corruption.
- As foreign investment grows, it is opening new opportunities for criminals to commit fraud and corruption.
- These fraudsters are succeeding partly due to inadequate knowledge on the part of politicians and business executives about corruption in Africa.
- Meanwhile technology has heightened the threat because the Internet itself has become a crime scene and most African governments have invested very little in training their staff to guard against cybercrime.

**Why Fraud and Corruption Are on the Rise**
- Poor corporate governance
- Greediness
- Lack of articulation and adherence to ethical standards
FRAUD AND CORRUPTION IN AFRICA

- Cultural perception that bribery, kickbacks, and other forms of corruption are essential for doing business
- Poor internal controls

In addition to weak legal and regulatory systems, sources of corruption include:
- Lack of transparency and accountability in the public sector and private sector
- Poor regulation of political contributions
- Low public-sector wages
- Weak enforcement of laws and regulations
- Lack of management review
- Lack of free and independent media
- Excessive discretionary authority of public officials
- Poor tone at the top
- Lack of independent checks and audits
- Few accounting firms practicing as the {4 BIG FIRMS}

Why Fraud and Corruption Thrive in Africa

There are two main reasons why corruption thrives.
- Prosecution is weakened by the public’s indifference toward corruption, which makes it difficult for anti-corruption advocates to go after perpetrators.
- Those who engage in corrupt activities are increasingly resourceful. They are an elite group that thrives on corruption and is subsequently sustained through corrupt activities.

These two trends are also applied to political campaigns.
Impact of Corruption in Africa
- Corruption is a drawback to any African government’s efforts to save the people from the pangs of poverty and will be fought in deeds and words because it is right, because it is good, and because it is a good governance policy.
- Inflation
- Failure to complete work
- Deters investment
- Hinders development
- Adds to unproductive debt

Ways of Combating Corruption and Improving Governance in Africa
Establishment of economic and administrative market reforms:
- Update mandatory accounting, audit, procurement, and other financial regulations.
- Involve civil society groups such as Transparency International.
- Strengthen capacities for decision making and delivery of basic service.
- Establish a whistleblower act in all African countries.

Fraud prevention is part of good business management, not something to hide in a backroom and hope it is never needed … because it surely will be:
- Ethics
- Good corporate governance
- Risk management
- Fraud prevention

Good Governance Framework for Africa

<table>
<thead>
<tr>
<th>Elements</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>• Ensure the transparent and</td>
</tr>
</tbody>
</table>
## FRAUD AND CORRUPTION IN AFRICA

| NOTES |  
|---|---|
| **efficient procurement at national, provincial, and communities levels** |  
| **Financial management** |  
| • Ensure strong internal controls at central, provincial, district, and community levels |  
| • External/internal audit capacity |  
| • Minimize cash transactions |  
| • Adoption of merit-based performance incentive by project. |  
| **Disclosure** |  
| • Minimize possible conflicts of interest among project staff |  
| • Enhance transparency through public disclosure of project information |  
| **Civil society role** |  
| • Provide for greater involvement by civil society organizations |  
| **Complaints and remedies mechanism** |  
| • Provide comprehensive complaints and grievances mechanism covering all aspects of project |  
| **Ode of ethical conduct** |  
| • Require all staff to adhere to a Code of Ethical Conduct |  
| **Sanctions** |  
| • Reinforce Code of Ethical Conduct with sanctions for fraudulent or corrupt activity by project staff, contractors, suppliers, and consultants |  

### Zero Tolerance: The Only Way

Your staff is not one of your biggest assets if you:

- Excuse some of the people who commit fraud.
- Sweep losses under the carpet.

### Africa’s Current Developments

The Southern African Development Community (SADC) comprises South Africa, Angola, Botswana, Zimbabwe, Tanzania, Swaziland, Lesotho, Namibia, Malawi, Zambia, the Democratic Republic of the Congo, Madagascar, and Seychelles—these countries agreed to harmonize cyber-
laws by 2007. However, as of November 2007, only three of the thirteen member nations have passed cybercrime legislation, with one nation awaiting approval of a draft bill. This state of affairs of not taking cyber incursions seriously proves that Africa is currently the continent of cyber criminality increase in the world.

Here are several reasons:

- Lack of knowledge about information technologies by the populations
- Absence of a suitable legal system
- Inexistence of cyber security structures
- Absence of a framework for dialog and coordination of strategies at the regional level

To reflect on these problems, which are a concern for all the countries of the world and mainly African countries, Zimbabwe is scheduled to host the first Cyber Security Conference to demystify the subject. The organizers have managed to include various stakeholders (public and private sectors, industry, and civic society). The historic first IT Governance Cyber & Security Conference will provide companies with a strategic view into the constantly morphing aspects of IT governance, cyber-crime, and its impact across all aspects of business. Zimbabwe as a nation understands that the growth of information and communication technology (ICT) applications, the popularity of social networks, and the useful services on the Internet have created a challenge to build trust, confidence in the security, reliability, and privacy of these technologies. Therefore, the conference is a significant turn taken to educate our citizen. These are cardinal elements in facilitating transactions that increase sales, build customer loyalty, and enhance customer experience through the web. The conference will examine the regulatory framework, especially regulatory requirements and cybercrimes.
One of the critical success factors is for nations to distil and derive a good understanding of the complexity, diversity, heterogeneity, incommensurability, multidimensionality, uncertainty, comprehensibility, relativity, and know-ability of the ICT developments such as IT Governance & Cyber Security. With this faith and a spirit of singleness of heart and unity of purpose, we can facilitate the formulation of effective national policies for knowledge-oriented sustainable development supported and enabled by these ICT initiatives.

If you do not have a stance on dealing with internal crime or unethical behavior then:
- You have betrayed the trust of your employees.
- You are the cause for the cancer within.
- There is no doubt that some of your employees are stealing and they are stealing because you are blind to their theft!

**Fraud Risk Governance Approach Recommended for CFEs**
- Enable business to promote an anti-fraud culture by establishing a composite framework of anti-fraud measures
- Approach must cover the following:
  - Fraud risk and scenario identification and identify fraud risk
  - Fraud prevention and detection—identify and test fraud preventive and detective controls through a walkthrough approach
  - Fraud reporting—define reporting processes to promote employee input on potential fraud

**Upon the Above Survey and News on Africa**
Fraud and corruption in Africa are like HIV and AIDS. According to my own findings, African governments are
concentrating on HIV and AIDS and have come up with different ways of managing them:
- HIV testing
- Secession
- ARV drugs, etc.

This is being done to manage the disease. The same approach can be deployed by Africa governments to manage prevention, detection, and mitigation of fraud and corruption in Africa.

**Suggested Strategies**
- Develop an ACFE charter for Africa.
- Increase the ACFE membership in Africa.
- Create public speaking on CFE in primary and secondary schools as well as universities and colleges.
- Join different institutions that can have a positive impact on fraud and corruption prevention (e.g., Institute of Directors, whereby when you are appointed Director to any board then you can join the Audit Committee, Risk Committee, Internal Control Committee, etc.).
- Establish a tone-at-the-top strategy.
- Write business articles as CFEs.
- Give radio and TV talks about the work, importance, and necessity of CFEs.
- Embrace change and manage it so that we do not become victims of change.
- Take advantage of the opportunities presented by regional integration.

**Technology is a game changer!!!**

**Thank you so much! AFRICA, we can make it if we join hands!**