

The Association of Certified Fraud Examiners –
KZN -
International Fraud Awareness Week
15 November 2017

*Financial Management Fraud in a Municipal
Environment*

A practical discussion

Presented by

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INTEGRATED FORENSIC
ACCOUNTING SERVICES

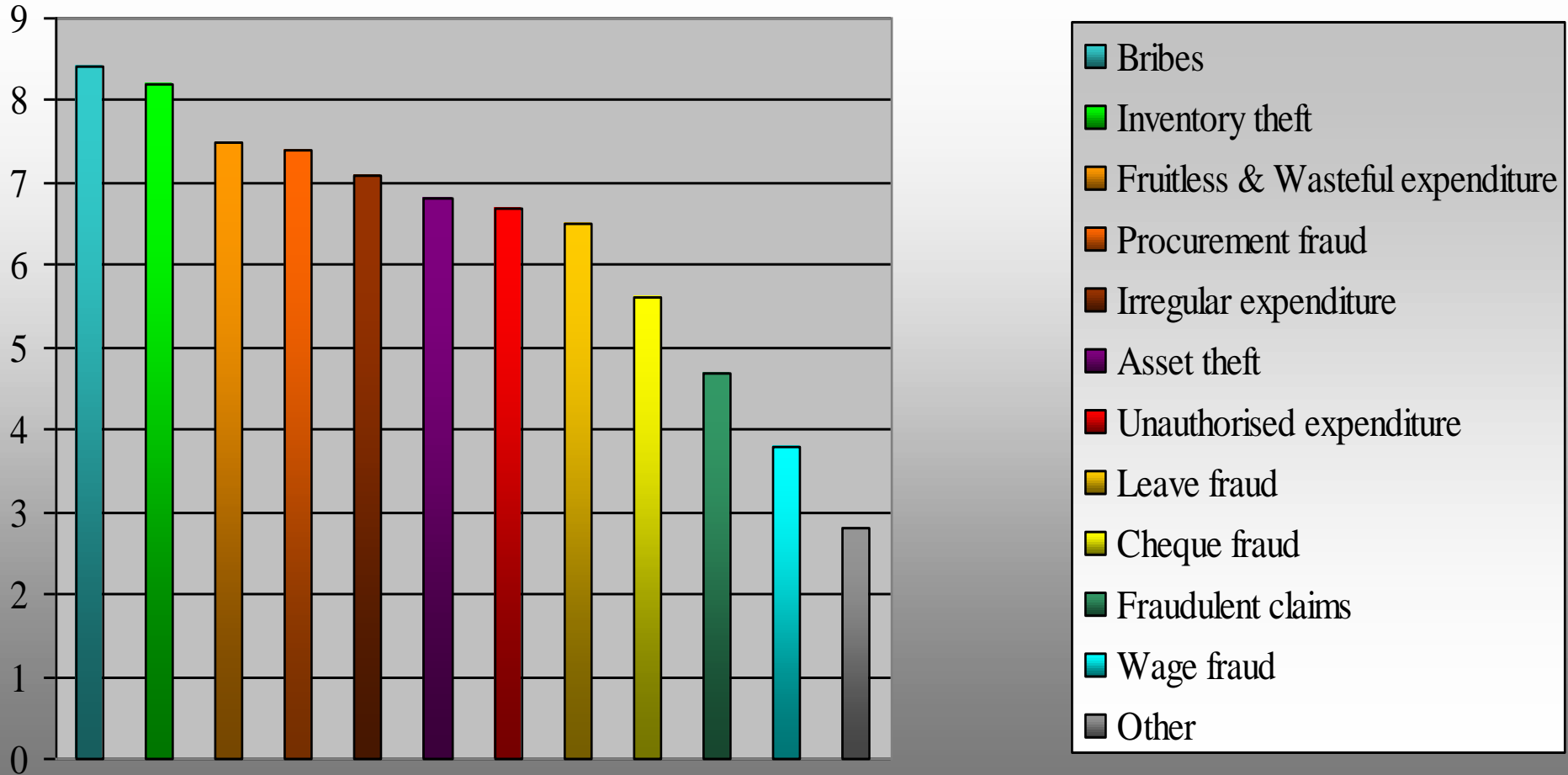
The Southern African Institute of Government Auditors

SAIGA

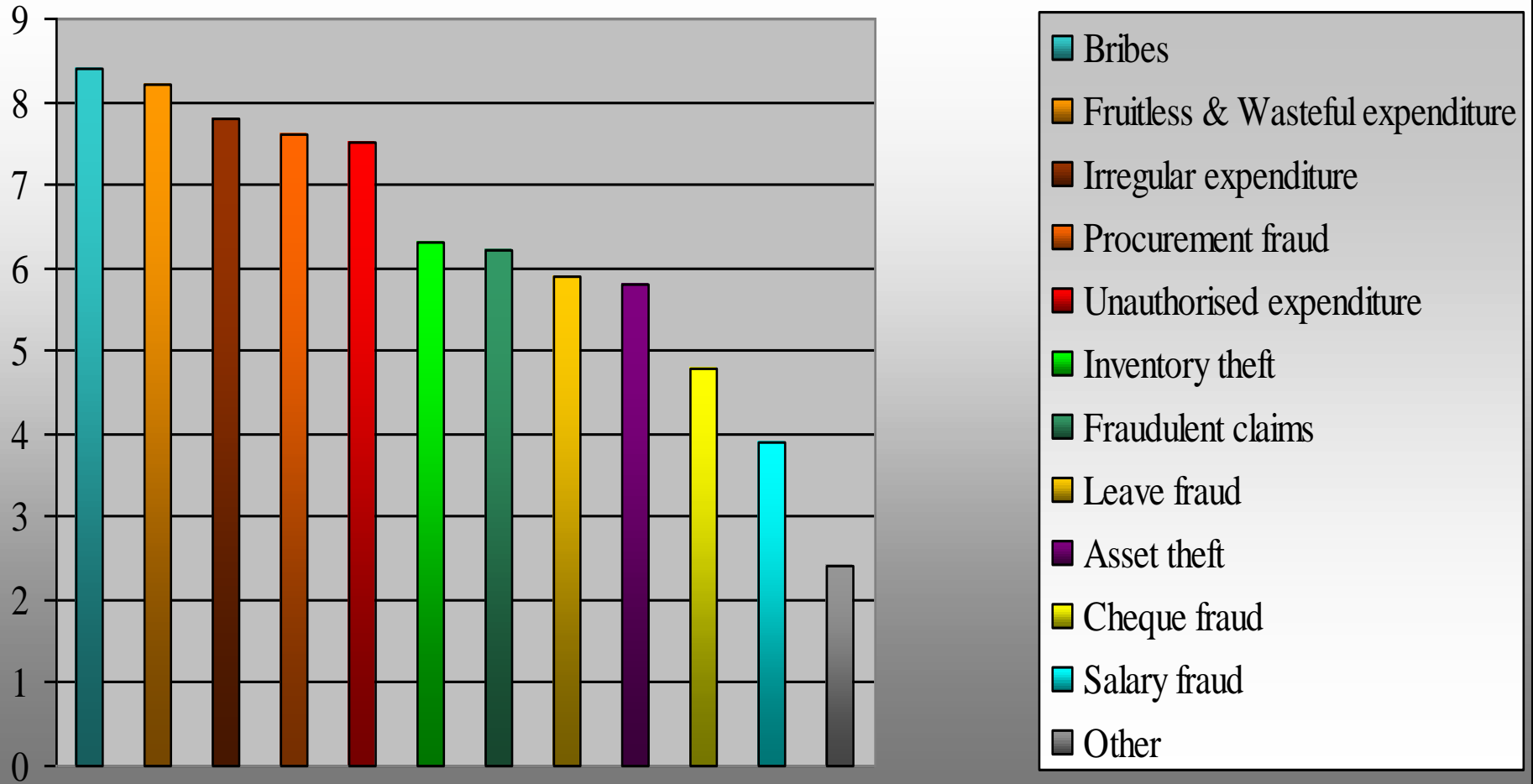
Advancing Auditing & Accountability

PUBLIC SECTOR FRAUD SURVEY 2001/2002

Types of employee fraud (all respondents)



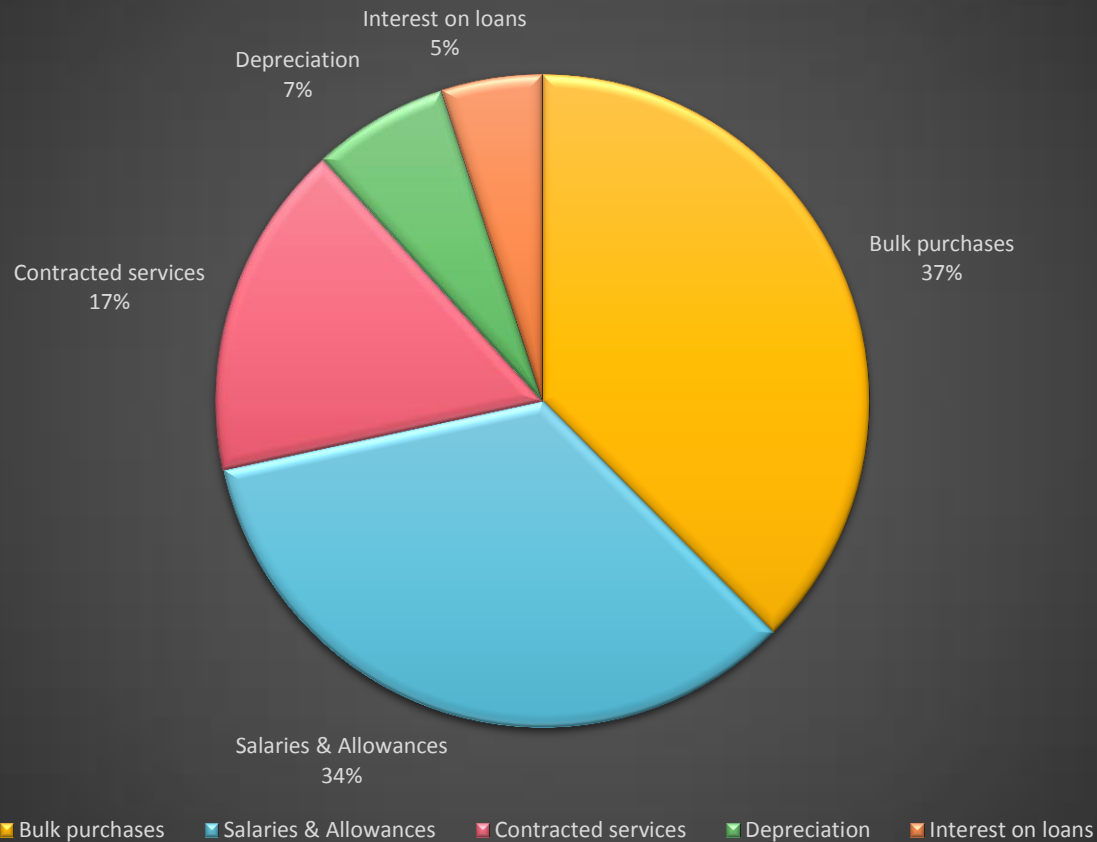
Types of management fraud (all respondents)



year	level	value	matter	category
1988	exec	unknown	Repairs to caravan	SCM
1995	exec	R5.6 M	Repairs to pumps	SCM and corruption
1997	staff	R205 K	Cashier scam	Finance
1999	staff	Unsubstantiated	Alleged price manipulation - Market	SCM
1999	staff	R20 K	Theft of equipment	Fixed assets
1999	exec	N/A	Abuse of office - corruption	Other
2000	staff	R100 K	Review cash office	Finance
2001	staff	R300 K	Housing Development	Other
2001	staff	R1.2 M	Unauthorised investments	Finance
2002	exec	R50 K	Payroll abuse	Financa
2003	exec	R5 M	Refuse removal contract, cellphone, etc	SCM
2004	exec	R7 M	Purchase of computers etc	SCM
2004	staff	R1 M	Leave encashment, unauthorised loans to staff, etc	Personnel
2005	exec	R1 M	Unauthorised expenditure, abuse of office, payroll	SCM/Finance
2008	staff	R30 K	Cash office	Finance
2007	staff	R100 K	Cashier scam	Finance
2008	exec	R1 M	Inflated prices, undisclosed relationships	SCM
2008	staff	R50 K	Finance office and Procurement	SCM/Finance
2009	staff	R100 K	Various procurement matters	SCM
2012	staff	R100 K	Undisclosed relationships	SCM
2014	exec	R85 K	Irregular payments	SCM
2015	exec	R300 K	Credit card abuse, etc	Finance

eThekwini Main Expenditure

Operating expenditure 2017/18 MTREF - Major items



Most serious threat:

- SCM
- Corruption



HOW?

Requisitioning

- Unnecessary purchases
- Unauthorised purchases
- Budget manipulation
- Fruitless expenditure



HOW?

Quoting

- Cover quoting (bid rigging schemes)
- No alternative quotes
- Limited circulation
- Quotes obtained *ex post facto*
- Bypassing tender requirements



Tender and contract irregularities

How?

- Tender process compromised
- “Inside information”
- Limited / restricted invitations
- False specifications
- Corruption
- Unsuitable / uncompetitive tenders awarded
- Fronting



How?

Ordering

- Unauthorised transactions
- Splitting of orders
- Exceed authority
- Policies / procedures not adhered to
- Receive undue benefit
- Unnecessary purchases
- Own company / nepotism
- False specifications
- Order pirated / counterfeit goods
- Receive / demand bribes / kickbacks
- Order for personal benefit / use



How?

Supply of goods / services

- Goods / services not delivered
- Goods / services short delivered
- Goods delivered to alternative address
- Inferior product delivered
- Inflated prices



HOW?

Payment

- Double invoice / duplicate payment
- Payment made to individual
- Cheque intercepted
- Budget manipulation



HOW?

Tax fraud

- Charging VAT – not registered
- Not declaring VAT
- Under declaring VAT
- Selling “off the books”



IFAS Procurement Fraud Risk Assessment Matrix

- Focus on the red flags
- Identify fraud earlier
- Take appropriate remedial action



Further questions /
comments or
suggestions ?????

Thank you !



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