

Fraud soars as result of global crisis

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Fraud in companies globally is at the second-highest level for the 21 years in which KPMG has been conducting studies, and it can be attributed to the financial crisis.

"The market hasn't seen anything like this since the dot.com bubble burst in the late 1990s," said André Groenewald, director of fraud risk management at KPMG SA earlier this week.

Groenewald warned that worse was to come as the downturn took hold and companies looked more closely at their operations. "It is likely that more fraud will come to light so the real effect of the credit crunch on fraud is still to be fully felt. Fraud is coming to light because of restructuring taking place, more particularly retrenchments.... The environment is highly conducive for employees to misappropriate assets."

Industries such as retail and manufacturing were seeing huge shrinkage as their stock pile became depleted, he said. In the past, such industries would tolerate a fraction of shrinkage taking place. However, they were no longer prepared to turn a "blind eye".

Theft of assets was usually committed by those who knew they were on the verge of being retrenched, said James Roberts, a senior manager of forensics at KPMG SA. When people were facing financial ruin, some would turn to fraud, he said.

Roberts said companies needed to be vigilant about putting anti-fraud mechanisms in place.

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