

Seven tips for combatting white-collar crime

White-collar crime costs the South African economy a huge amount every year. One expert puts the figure at R930 million a year, and poor conviction rates are estimated to be driving a 50% rise in this kind of crime.



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“White-collar crime is hard to detect and it can be difficult to bring perpetrators to book and recover stolen money or repair the damage caused,” says David Loxton, Partner at law firm Dentons SA in Johannesburg, specialising in corporate investigations and compliance. “It makes very good business sense to put measures in place to prevent employees from putting your business at risk.”

Based on his years of experience, Loxton suggests the following tips to stop white-collar crime before it even begins:

Screen employees properly and timeously

“I am surprised at how often I have been asked to vet a senior employee’s credentials long after he or she has been appointed,” he says. “Companies need to be sure that employees have the qualifications they have, and that they have a record of honesty.”

Maintain a strict segregation of duties

It is critical that those approving expenditure or any sort of contract are not those who action them. In tough economic times, when retrenchments occur, it can be hard to maintain proper segregation of duties but, says Loxton, it is a vital safeguard against common types of fraud, such as payments to bogus suppliers or the granting of tenders to family members.

Ensure you have a good, anonymous tip-off line



David Loxton, Partner at Dentons SA law firm

Whistle-blowing by employees or customers is one of the primary sources of information about underhanded practices by an organisation's employees.

Prioritise an internal audit function — and make sure it is effective

Experience shows that internal auditors, with their inside knowledge of how the company works, are second only to whistle-blowers as identifiers of fraudulent practices.

Use powerful software to perform exception monitoring in real time

This software is relatively inexpensive and increasingly intelligent. It can flag anomalous activity as it happens, providing an invaluable early-warning system.

Provide employees with proper training

“Even senior executives find it hard to define exactly what constitute fraud or unethical business practices,” Loxton says. “Understanding what is unacceptable is the essential first step in preventing it from happening — and alerting potential whistle-blowers.”

Develop and manage an ethical culture throughout the company

One hears about “tone at the top” but it is critical that the same note is struck across middle management as well. Employees see and discuss everything, and if any managers do not act ethically, their subordinates will dismiss ethics as window dressing. This may involve some difficult decisions; for example, holding a high performer to the company's ethical standards even though it might mean losing him or her.

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