

# Fraud Intelligence

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## Zero tolerance: there's a realistic alternative

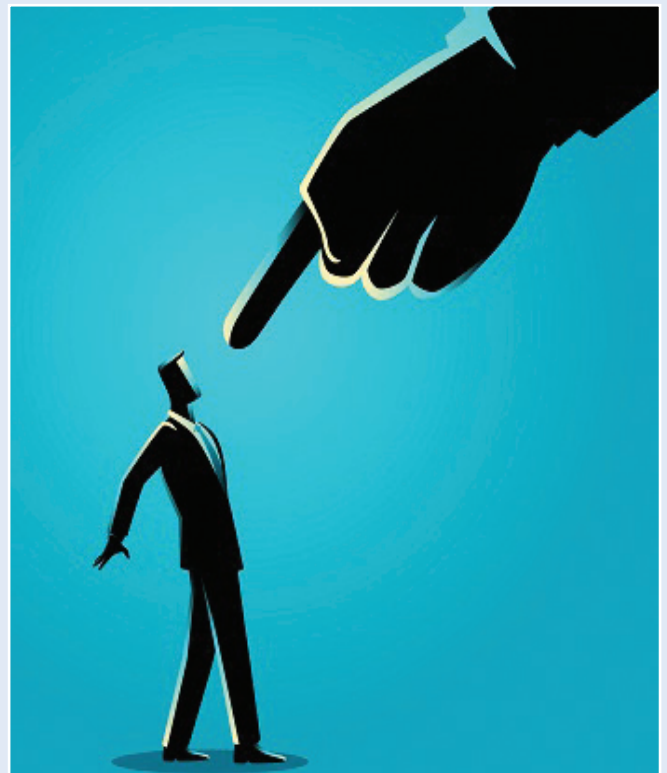
Seven years ago, writes **Nigel Krishna Iyer**, I made a short film called "Fraud and Corruption – Forgiveness and Compassion"[1], which was based on a true story and demonstrated how we often treat the symptoms of corruption and fraud. We tend to "throw the book at" the few people we catch, but because it's hard to investigate complex cases the big cheaters often get away and the root causes remain unresolved.

Three years ago, in Johannesburg, South Africa, I held a short session for around 2,500 people on how proactive investigation, coupled with a liberal dose of understanding and forgiveness, motivates people to speak up, thereby tackling the epidemic problem of fraud and waste in social-upliftment programmes. Just before I spoke, the Minister of Trade, Bob Davies, read a short speech in which he reiterated the policy of "zero tolerance", saying that his government would show "no mercy" when it came to cases of suspected corruption and fraud. I met Bob briefly afterwards and he seemed like a very pleasant chap, but I was left shocked and wondering whether his speechwriter was even born to witness the success of Nelson Mandela's Truth and Reconciliation Commission and one of the most famous examples ever of restorative justice in our times. (And imagine the reaction of Bob's children if he came home one day and announced that from now on he would show no mercy and absolutely zero tolerance of any misdemeanours and wrongdoings in his own family.)

### A blame culture

Let's face it, fraud and corruption are all around us. Surely if we are so heavy-handed with the few "sinners" we catch, won't the large majority who did not get caught breathe a huge sigh of relief and just try even harder to stay hidden? And what does our no mercy, intolerant stance say to the people who are caught? Won't they feel hard done by, unlucky or in most cases bitter?

Whether it's a new scapegoat the media has in its sights or more fallout from the "Panama Papers", I feel that we are becoming an intolerant, dispassionate society where there is less and less room for people to stand up and admit



they are wrong. Even though we know there are hundreds of examples out there, we carry on pointing the finger at scapegoats.... because it is safe to do that.

### Knowledge of dirty money

Take the example of this real post Panama Papers dilemma that came to my attention: a CEO is under pressure when it transpires that his company has been dealing with customers who have accounts and shell companies in one or more of the Dirty Money Centres (DMCs) (my name for tax havens when they are misused).

With the help of his PR and legal advisors he manages to defend himself admirably in the media, both accepting full responsibility for not having done more and for not being more aware, but at the same time raising

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the understandable issue: “How could I possibly know everything that goes on in a company as large as this?” Had this same CEO forgotten that many years ago – albeit in a former life and in a much more junior position – he was rather involved and instrumental in sending money to DMCs? The payments were defined as “finders’ fees”, “commissions” and facilitation payments, which he now knows have been the subject of media investigations into bribery and corruption involving a number of countries. Of course, he was only carrying out the orders of his superiors... and he never took any money for himself, but with hindsight he feels that he behaved rather naively at that time.

But the question remains: what should he do now?

If he genuinely wants to lie flat and “bare all” he feels he must talk openly about his past experiences. On the other hand, today’s intolerant society would crucify him and a scandal-hungry media would have a field day. So, he does as many of us do and hopes that the past stays hidden. In an ideal world, our CEO would be able “come clean” and admit his mistakes fully, earning respect for doing so and encouraging other executives who feel trapped by similar circumstances to also step forward and talk about their past experiences and what we can all learn from them. But to get closer to this ideal world we all need to invoke those human traits of forgiveness and compassion that exist in each of us, and turn the zero tolerance down (for a while at least).

### Owning up to our mistakes

As Gandhi once said, “An eye for an eye will make the whole world blind.” When it comes to how much corruption and fraud are costing the world today, I believe that we are blind already. The word “truth” (or *veritas*) is much used in the legal world and “reconciliation” also describes an accounting tool used to show that money is in agreement.

Surely, we want societies where people are allowed to tell the *truth*, societies where people are encouraged to own up to their mistakes, so that we can *reconcile* the money to where it should really have gone? For this to happen, we need to think afresh. We need new ways to deal with fraud and corruption, ways that actually work.

### Where do we go from here?

Fresh ideas need fertile soil in which to germinate and this implies a new mindset. The starting point should, in my view, be based on:

- A recognition that fraud and corruption amount to an unnecessary cost, which, if we thought collectively (rather than individually), we would all prefer to avoid. In other words, finding fraud early needs to be seen as “good news” rather than a shock. But this also means that we all need to work together and avoid playing the “blame game”.
- Wanting fewer whistleblowers rather than more because we have a reinvigorated belief that, by working together, people can detect fraud and corruption early and deal with them calmly, efficiently and (unfortunately for the media) in a rather unspectacular way.

A final realisation is that we have to stop relying on others, like police, the media, regulators, external auditors (or the whistleblower, who, incidentally, may never turn up), to find fraud. Even if we don’t know it yet, the tools and techniques to find fraud before it finds you are available to us all. As we enter a new and more democratic age, everyone can today find fraud and corruption, remembering, at the same time, that it pays to show as much forgiveness and compassion as we can.

### Note

1. <https://www.youtube.com/watch?v=UYEfReo7Y6c>

■ **Nigel Iyer** (+ 47 906 54 410 or + 44 7253 570004; [nigel.iyer@hibis.com](mailto:nigel.iyer@hibis.com)) has over 20 years’ experience investigating and detecting fraud and corruption. A computer scientist and chartered accountant, Nigel soon found his true passion lay in rooting out corruption and fraud. Nigel is also a dramatist, having written a number of films and plays based on his experiences, many of which are used in teaching worldwide. He has written several books and papers, and teaches widely how to defend organisations against the “commercial dark arts”. He is also a fellow of the University of Leicester School of Business.

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