
Retirement Funds and Fraud Prevention

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What is fraud?

*Fraud—An **intentional** act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage*

Source: PREFACE TO THE INTERNATIONAL STANDARDS ON
QUALITY CONTROL, AUDITING, REVIEW, OTHER
ASSURANCE AND RELATED SERVICES - IAASB

So what does legislation do?

Act with integrity

Demonstrate independence

Avoid conflicts of interest

Values and ethical principles

UTMOST good faith

Trust each other and be worthy of trust

Take all *reasonable steps*

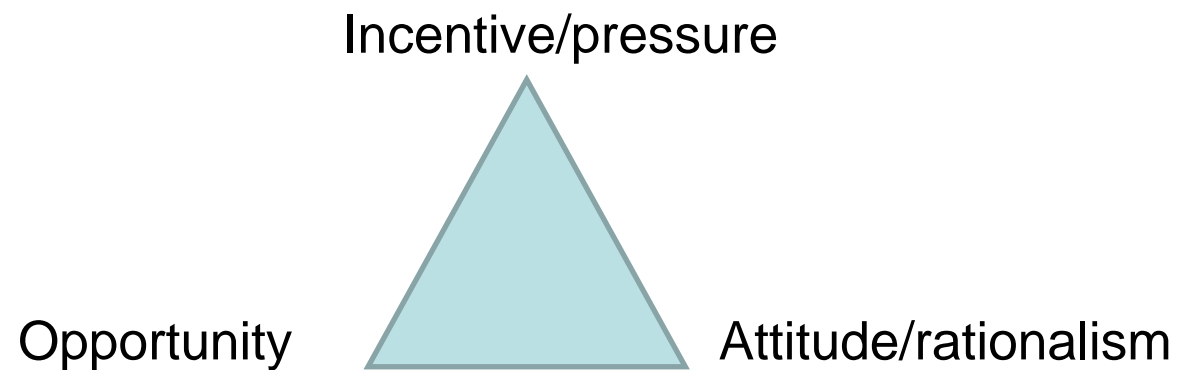
Act with due care, diligence and good faith

FIT AND PROPER REQUIREMENTS

Codes of conduct

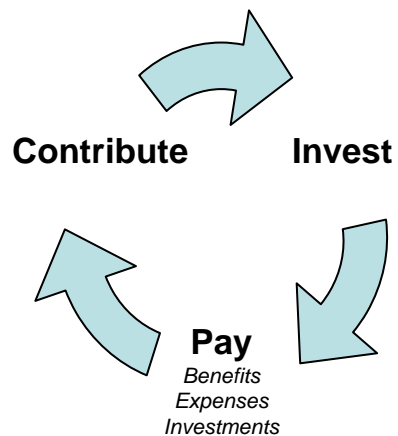
Render Financial Services Honestly

The “fraudsters triangle” aka Bermuda triangle of loss

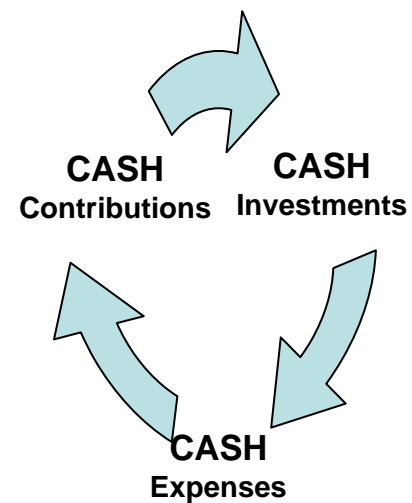


Fraudster's view of a retirement fund

Standard View



Fraudsters View



A fraud strategy

- Get **YOUR** ethics right!
 - Fraud prevention starts at the top*
 - Make fraud prevention personal and incorporate it in the governance structures*
 - Look at all service providers and stakeholders' ethics*
- Document all **FRAUD** risks
 - Consider the cycles in a retirement fund (contributions, expenses, investments)*
 - Including incentives to commit fraud*
 - Do not forget errors...these could show control weaknesses*
- Document **CONTROLS** to prevent, detect and correct fraud
- Monitor compliance** with controls and fraud strategy
- Be **OPEN** about fraud
 - Management that tries to hide fraud risks or frauds and does not openly communicate and learn is a prime target for fraud*

Do not be a fraud enabler

- Know who you are dealing with
 - *Human resources is the gatekeeper and effective election of trustees is important*
- Segregate duties
 - *Especially when dealing with cash i.e. same person authorising must not be the same person paying*
- Ask the questions
 - *Fraudsters rely on the fact that you may not ask difficult questions*
- Check, check and double check – **scrutinise**
- **Ask WHY, WHY, WHY, WHY**
- Keep a clean desk policy and enquire what is going on in your area
- **Make it personal**
- Educate, train and communicate
- **What is the cost of not doing the above?**

Fraud example

- Valhandra van Cartier member of “Cartier Retirement Fund” is due a surplus payment. She phones in, hysterically sobbing, (she needs the payment to pay for her very expensive watch) to the call centre of “C U Right Administrators” stating that she still has not received her surplus payment.
 - The administrator pulls out the claim form received and it indicates the banking details. C U Right asks Valhandra to submit the claim form she submitted and it shows another set of banking details.
- What went wrong?**
•Who do you think committed the fraud?

Questions?