

COMBATING MODERN DAY PROFESSIONAL CRIME

- THE ROLE OF ACCOUNTANT -

Presentation by:

CPA Wanga John Boscow
Financial Controller, Salwa Kenya Limited

2019 Coast Branch Annual Summit, Mombasa

Contents



- ❑ Definition of Crime
- ❑ Types of Crimes
- ❑ The Professional Crime
- ❑ World Statistics of economic crimes
- ❑ The role of Accountants
- ❑ Why Accountants fail in this role
- ❑ Interactive Session

Types of Crimes



1. **Organized Crimes** – A business supplying illegal goods or services
2. **Professional Crime** – Pursues crime as a day to day occupation.
3. **Corporate Crime** – The illegal actions of a corporation or those acting on its behalf

Types of Crimes



4. **White Collar Crime** – Crimes committed by persons of high social position in the course of their occupations..
- 5 **Hate Crime** – A criminal act against a person or a person's property motivated by bias

Professional crime



- ❑ *Professional Crimes* are crimes committed by persons for whom criminally punishable acts are a permanent occupation and the primary source of money.
- ❑ Persons who engage in **professional crime** have the skills and means necessary for **criminal** activity and specialize in some particular type of **crime**

Categories of Professional Crimes



1. Crimes committed by professionals in various fields.

Definition: crimes committed by professionals which violate the trust placed in them by their patients/clients/individuals

Who Benefits? The offender benefits directly

Examples:

- Sexual assault by dentists while patient is asleep
- Teachers sleeping with their students
- Lawyers billing clients for hours they did not work
- Doctors/Vets making a false diagnosis

Categories of Professional Crimes



2. Crimes committed for financial gain i.e as a means of survival – Economic Crime

Economic crime, also known as financial **crime**, refers to illegal acts committed by an individual or a group of individuals to obtain a financial or professional advantage. The principal motive in such **crimes** is **economic gain**.

Categories of Professional Crimes



Example of Professional (Economic) Crimes include:

- ❖ *Asset Misappropriation*
- ❖ *Money laundering.*
- ❖ *Embezzlement.*
- ❖ *Tax fraud and Tax Evasions*
- ❖ *Stocks and securities violations.*
- ❖ *Altering records (“cooking the books”)*
- ❖ *Corruption of government officials.*

World Statistics



Survey conducted by PWC in 2018

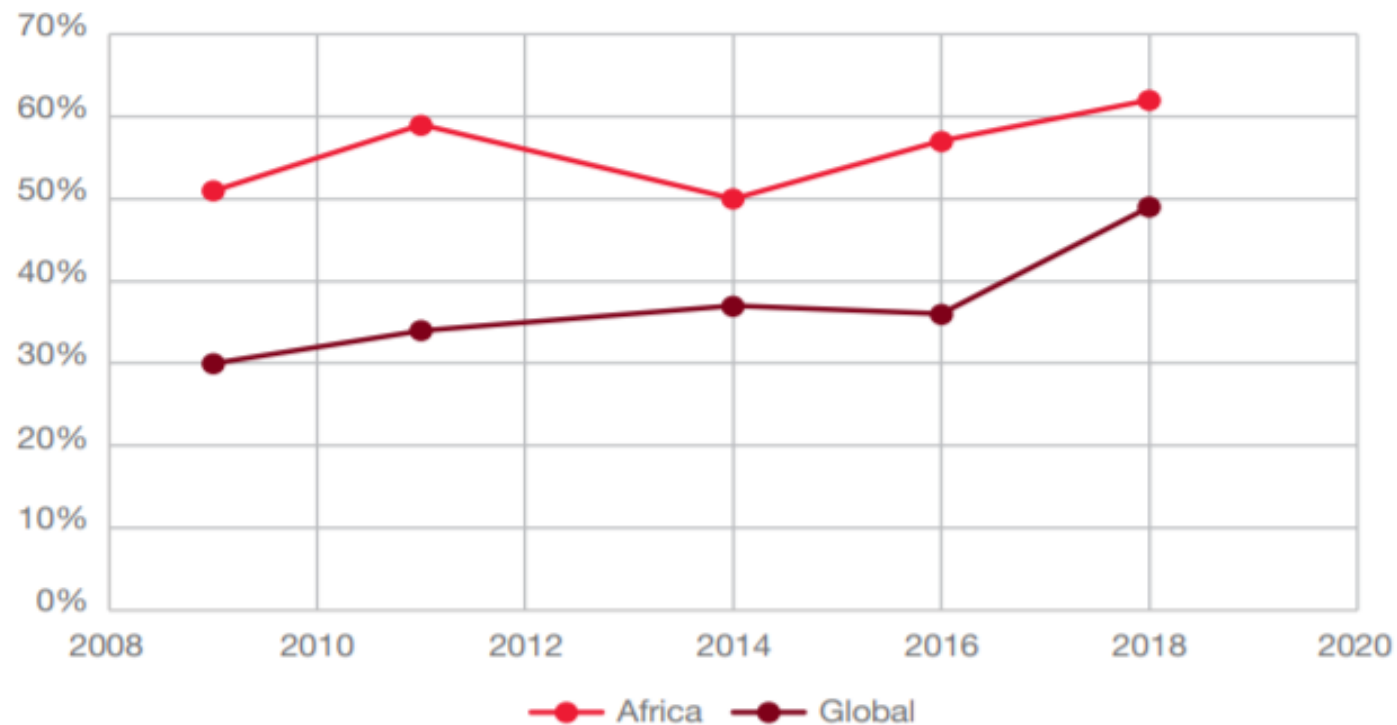
Figure 1: Economic Crimes incidence rates in various regions



World Statistics



Figure 2: Historical incidence rates of economic crimes in Africa and Globally



World Statistics



Figure 3: The kind of economic crime the organization has experienced in the last 24 hours. On average, Asset Misapp - 46%, Fraud by Consumer - 36% and Bribery & Corruption - 29%



The Role of Accountants



1. The Legal Role - Whistleblower

Accountants have been on the receiving end in the wake of the never-ending graft related cases. They have been accused of being complacent and passive participants in these heinous economic crimes.

To this effect, the amended Accountant act aims to redefine the role of accountants and protection of the accountant as far as these crimes are concerned,

The Role of Accountants



Accountants Act – Section 30 introduced several subsections that give effect to the vindication of Accountants by employers or clients in case the accountant detect issues and inform authorities on any malpractices

- ❑ SS (2A) – requires and obligates an accountant to observe the ethical guidelines and applicable standards in the discharge of duty

The Role of Accountants



- ❑ SS (2B) – states that the ethical guidelines and applicable standards of the accountancy profession shall take precedence over any instructions from a client or other person
- ❑ SS (2C) – insulates an accountants from any form of harassment, civil suit or being subjected to a disciplinary action for taking such actions or decisions or rejecting instructions in regards to SS A&B above

The Role of Accountants



2. Professional Roles

- ❑ Economic crime and fraud continually make headline news. People tend to be resorting to economic crime and fraud in order to cushion the effects of the economic global crisis. A lot of managers have lost hope as most of these frauds and economic crimes are committed and perpetrated by insiders. This then presupposes that economic crime and frauds can effectively be curbed by an insider.

The Role of Accountants



- ❑ No other information processing professional is better positioned to wedge war against economic crime perpetrators than accountants. This is evidenced by the responses that accountants and their professional bodies give to the new challenges brought to them by changes in the modern day business landscape.
- ❑ Or tell me how you can effectively fight economic crime and fraud when you do not have good finance background

The Role of Accountants



Accountants can act as: Auditors, Consultants, Business Advisors and Accounting Information System (AIS) designers to businesses.

These various roles give accountants opportunities at different levels to positively impact a business in such a way that quality internal controls are maintained

The Role of Accountants



1. Accountants as Auditors

- ❑ The traditional duty of an auditor was to lend credibility to a piece of information. Auditors in this our modern day now have it as part of their responsibilities to actually look out for fraud and economic crime.



The Role of Accountants



- ❑ That is why many professional accounting bodies now encourage their members to also become members of **fraud fighter professionals** like ACFE as this will help them fill the gap created in their training as accountants and auditors
- ❑ Also taking up one or two **computer forensic courses** is a recommended step that auditors should take in order to effectively play their role in the fight against economic crime and fraud are now rooted to computer and internet.

The Role of Accountants



2. Accountants as Consultants

- ☐ Many accountants are now taking up **consulting assignments** in their various capacity as this will help serve their clients in the manner they are suppose to serve them.
- ☐ Accountants can help prevent **tax fraud** from taking place and help uncover those that has already taken place.

The Role of Accountants



- ❑ Since accountants are one of the professionals that are closer to **business processes**, bringing them in as consultants will instill more fear in current and potential perpetrators of fraud and this singular act will go a long way in preventing economic crime and fraud.
- ❑ The mere presence of an accountant as a consultant can make a fraudster nervous enough to point of losing control and do one or two things that will get him/her implicated.

The Role of Accountants



3. Accountants as Business Advisors

- ❑ The primary duty of business advisors is to advice management on the **best possible measure or policies** that needs to be in place in order for the objectives of the business to be achieved. This coincidentally happens to be the reason for having an internal control in place.

The Role of Accountants



- ❑ This then means that accountants acting as business advisors help companies set up both functional and operational internal control to help businesses achieve their objectives.
- ❑ They also carry out business analysis of a company's business environment, its strategies and its financial position and performance.
- ❑ Accountants therefore help prevent fraud and economic crime by carrying out an insightful business analysis.

The Role of Accountants



4. Accountants as AIS Designers

- ❑ The advent of AIS changed the traditional roles of accountants as records keepers to information specialists. You know that perpetrators of economic crime and frauds look for loopholes in information systems so as to plan and launch their attack.

The Role of Accountants



- ❑ Accountants/ auditors as internal control experts are not likely to leave many loopholes for perpetrators of financial crime and fraud to strike from. Note however that AIS is just a subsystem in the overall information system, but, a properly designed AIS will go a long way in preventing fraud and economic crimes.
- ❑ This is due to the fact that accounting and financial system are where the money is.

Why Accountants Fail in Crime Prevention



We have noted that accountants are at the centre of professional economic crimes preventions. But why are we experiencing an upsurge in economic crimes?

Why Accountants Fail in Crime Prevention



Have Accountants failed????



Why Accountants Fail in Crime Prevention



Some of the reasons why accountants have failed include

a) Ignorance

Some Accountants are not conversant with the business process and as such are not aware of high risk areas that may perpetrate fraud and other professional crimes,

Why Accountants Fail in Crime Prevention



b) Acting as spies

Accountants are custodians of the company resources and internal controls and should not act as spies. We have accountants who are always paranoid and treats every transaction with suspicion.

Why Accountants Fail in Crime Prevention



c) Partners in crime

It is believed that almost all fraud cases involve accountants. And therefore in situations where accountants are involved, they become accomplices and therefore cannot fight themselves

Why Accountants Fail in Crime Prevention



d) Fear of being targeted

In these hard economic times, losing a job may be very costly. As such accountants sometimes abet professional crimes for fear of being victimized or targeted by the criminals. This may result in loss of job or even to loss of life

Interactive Session



What should an accountant do when his life and job are in danger as a result of fighting professional crime?

