

**EXPLORING INVESTIGATIVE CHALLENGES OF FRAUD CASES BY THE
GENERAL DETECTIVES IN THE EASTERN CAPE PROVINCE**

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I Pumeza Zenani, declares that the above dissertation is my work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.



.....
Signature

22/01/2023

.....
Date

DEDICATION

I want to dedicate this dissertation to my Almighty God for being with me throughout the entire academic journey.

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to the following special organisations and beloved individuals for their contributions towards the success of this study

- My deepest acknowledgement goes to my supervisor, Dr AC Madzivhandila, who has been encouraging and following up on me and providing me unreserved guidance from the inception to the completion of this research work.
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ABSTRACT

This study reports on the exploration of investigative challenges of fraud cases by the General Detectives in the Eastern Cape Province. The researcher used a qualitative descriptive phenomenological research design to address the research objective of the study, as the qualitative method enables the researcher to explore and describe the study phenomenon.

Data were collected from eight SAPS General Detectives who are dealing with fraud cases in Commercial Crime Unit, East London in the Eastern Cape Province. Data were analysed using Colaizzi's seven-step method of data analysis.

The following five superordinate themes emerged from data analysis: a) Fraud detection methods, b) Leading sources of fraud, c) Impact of fraud, d) Consequences of fraud and e) Investigative challenges of fraud detection). These themes were discussed in relation to existing literature. Recommendations were made based on the findings to provide strategies that could be utilized to detect fraud and for future research.

Keywords: Detection; Fraud; Investigation

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LIST OF ACRONYMS

AFU	Asset Forfeiture Unit
AI	Artificial Intelligence
CCTV	Closed Circuit Television
DPCI	Directorate for Priority Crime Investigation
FATF	Financial Action Task Force
FSB	Financial Services Board
FVPSOA	Family Violence Protection Sexual Offences Act
GECFS	Global Economic Crime and Fraud Survey
HSCI	Hawks Serious Corruption Investigation
ID	Investigating Directorate
IPID	Independent Police Investigative Directorate
KPI	Key Performance Indicators
NDPP	National Director of Public Prosecutions
NIA	National Intelligence Agency
NPA	National Prosecuting Authority
OECD	Organisation for Economic Co-operation and Development
PDA	Protected Disclosures Act
PFMA	Public Financial Management Act
POCA	Prevention of Organised Crime Act
PRECCA	Prevention and Combating of Corrupt Activities Act
PWC	Price Waterhouse Coopers
SA	South Africa
SADC	Southern African Development Community
SAFPS	Southern Africa Fraud Prevention Service
SAPS	South African Police Service

SAR	Suspicious Activity Reporting
SAR	Suspicious Activity Reporting
SARB	South African Police Benefit
SARB	South African Reserve Bank
SIU	Specialised Investigation Unit
SOPs	Standard Operating Procedures
SSA	State Security Agency
STATSSA	Statistics South Africa
UK	United Kingdom

CHAPTER ONE: ORIENTATION TO THE STUDY

1.1 INTRODUCTION

South African Police Service (SAPS) is forming part of the law enforcement agent dealing with all types of crimes that are taking place. There are SAPS officials who are duly entitled to deal with crime. Collectively, the detection of fraud rests with the governing body and management in any organisation to create an environment where fraud is not tolerated, identify risks of fraud and take appropriate actions to ensure that controls are in place to prevent and detect fraud. Where fraud has taken place, an organisation has a responsibility to open a fraud case at the SAPS nearby police station.

The SAPS's role is to investigate all crimes that threaten the safety and security of any community or organisation. SAPS ensures offenders are brought to justice, and participate in efforts to address the root causes of crime. However, fraud is regarded as one of the public challenges that are not easily detected and has a negative economic effect on South Africa (SA) since various investors cannot come to invest in the country because of its unreliable economy. Both public and private entity reports show that there is a growing fraud in the Eastern Cape Province. This study explores the investigative challenges of fraud cases by the general detectives in the Eastern Cape Province.

This chapter provides an introduction and background to the study, problem statement, research aim, objectives and research questions. It further highlights the definitions of key concepts, as well as the value of the study. Finally, the chapter provides a preview of the entire study by highlighting the aspects covered in each section of the chapter.

1.2 BACKGROUND TO THE STUDY

Fraud is classified as a crime with less effect on the community when compared to violent contact crimes such as carjacking and house and business robberies (Kasipo, 2016:21). Also, Kasipo (2016:23) stated that fraud can include corruption and mismanagement, illegal transactions, money laundering, funding for terrorism, public security and internet protection. Therefore, it is important to note that committing fraud is a criminal offence, and legal prosecutions should be granted where this type of crime

takes place (Statistics South Africa, 2017:2). According to Writer (2017:9), fraud is a common law crime and is not encoded into legislation.

SAPS has different investigative officials in different units, such as Hawks, General Detectives, Family Violence Protection Sexual Offences Act (FVPSOA), Stock theft, Mounted Unit and Organised Crime Unit. They are at provincial station levels, and the study will unpack the challenges of General Detectives in the investigation of fraud in the Eastern Cape.

The SAPS Commercial Crime Unit is responsible for the investigation of serious commercial crimes and serious corruption, as stipulated in the SAPS Act, 1995 (Act, No. 68 of 1995). However, under the current SAPS structure, the primary functions of this unit are the development and maintenance of strategic direction to ensure the effective investigation of the following namely, commercial crime, syndicate fraud, fraud, serious economic offences, computer crime and customs law enforcing task groups. As indicated above, fraud is categorised by SAPS under other serious crimes which reflect fraud related crimes (Statistics South Africa, 2017: 3).

The main goal of the Commercial Crime Branch is to ensure the effective prevention and investigation of commercial related crime. It also ensures the effective gathering, management, use and dissemination of information on commercial crime in order to meet the legal responsibility of the SAPS. Government departments tried to conduct awareness sessions internally and to the community to prevent and control fraud and corrupt activities by raising the general level of awareness and educating employees and the community on the elements of fraud and corruption. Besides, this awareness is meant to empower employees and the community to take the necessary actions to mitigate the risk of fraud occurring and create an anti-fraud and corruption culture within the Eastern Cape Province.

The South African Police Service Amendment Act, 2012 (Act 10 of 2012) stipulates that fraud should be reported to the police officials in the Directorate for Priority Crime Investigation in terms of Section 34(1) of the Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004). Eastern Cape Province has been facing a high rate of increase in commercial crime, and part of this increase emanated from a huge

shortage of experienced and skilled investigators, as a result, fraud cases are increasing, and there is a delay in detection and prosecution (Writer, 2017:12).

The main causes of fraud in the Eastern Cape include poverty, entitlement mind-set, greed, opportunity, rationalisation, motivation and peer pressure. These are dangers of fraud in the Eastern Cape Province that undermine the fight against poverty. Fraud increases the cost of public services and deters domestic and foreign investments, thus stifling growth and future business opportunities for all stakeholders. It contributes to the loss in government departments; it undermines the rule of law, loss of income and leads to blacklisting.

It is also noted that the perpetrators are always one step ahead of the system, as control environments are circumvented due to collusion, accountability is not enforced, and investigation recommendations are not implemented (Statistics South Africa, 2015:4). The Eastern Cape Province is among the provinces that mired the problem. The Province has been charged with being one of the poorest and most corrupt in the country.

To illustrate this, between 2018 and 2019, fraud related crime increased from 73 277 cases to 83 823 cases in the Eastern Cape Province (Statistics South Africa, 2017:6). Entirely, the growth of the fraud phenomenon in South African societies allows the justice system to reconsider its legal application of the elements of fraud (Tamukamoyo, 2014:np).

To respond to this problem, the judiciary keeps up with frequent changes and new developments in society, while the police force is tasked with the demonstration of the adaptation to these developments (Tamukamoyo, 2014:np). The current society keeps on demanding these police officers should be provided with all required resources to perform their duties to minimise crime.

The study conducted in Ghana regarding fraud cases revealed that employees would engage in fraud when fraud policies are not vividly set, as well as training for guiding employees (Purnamasari & Amaliah, 2015:828). Besides, Purnamasari and Amaliah

(2015:828) stated that poor compensations and states of administration can likewise cause and empower misrepresentation.

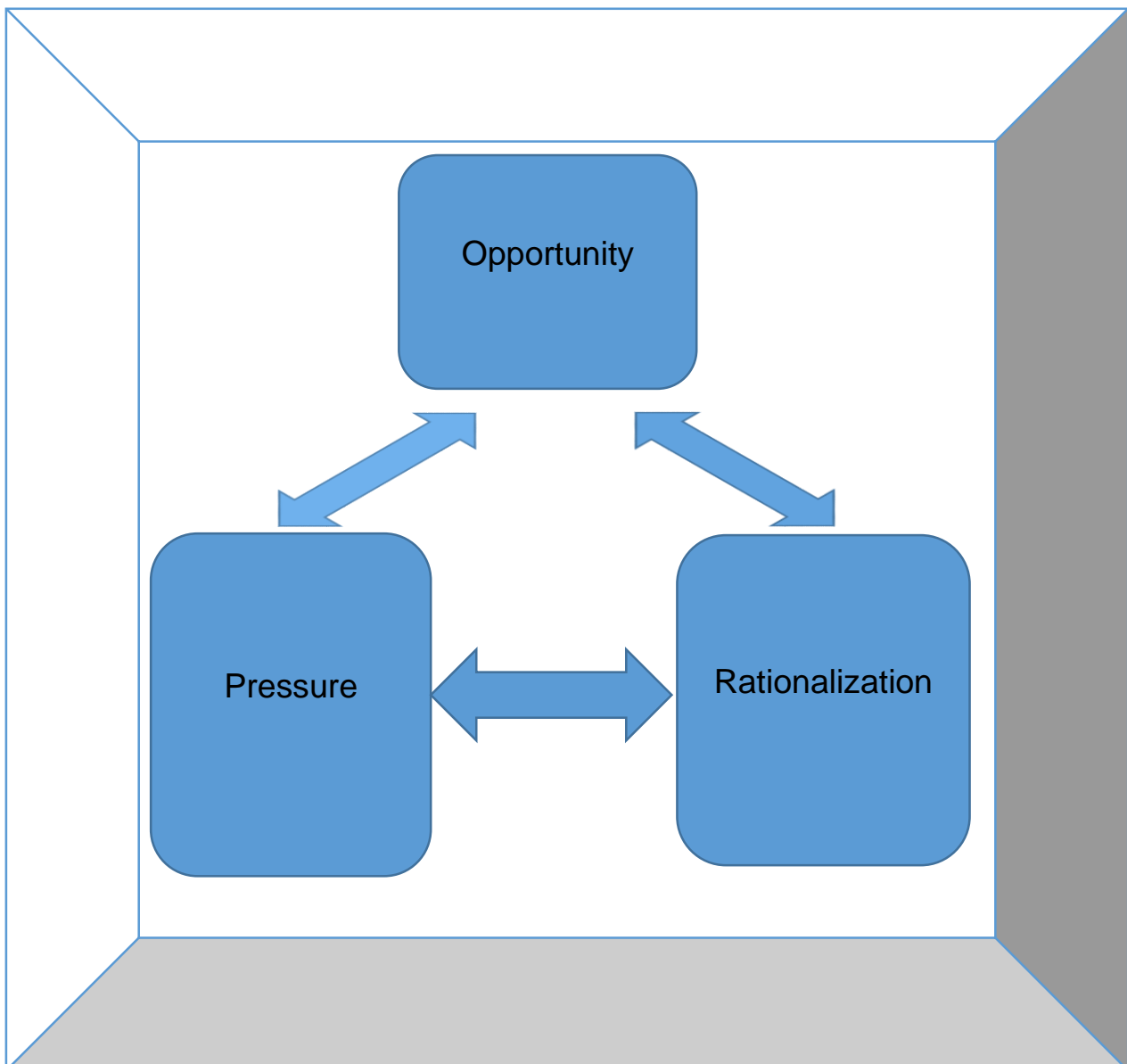
According to Westera, Kebbell, Milne and Green (2014:12), representatives that are inadequately paid are frequently enticed to deceitfully change over a portion of the managers' monies to their utilisation to meet their social needs. Inexperienced staff is helpless in conferring unexpected extortion by falling into the structure of various traps of fraudsters.

In addition, the powerlessness to keep up fitting books of records together with the inability to accommodate the different records rely upon day-by-day, week after-week or monthly premise as a general rule that can be pulled into misrepresentation (Purnamasari & Amaliah, 2015:829). Usually, organisations do not check and screen employees, and it is the first line of defence against fraud (Westera et al, 2014:18).

There were many studies conducted to find out possible reasons why people commit fraud and corruption (Kassem & Higson, 2012:31). Some academics developed some frameworks or figures to present their state of affairs regarding fraud. It was a worrying situation because many countries continue losing economic investors to this form of crime (Kassem & Higson, 2012:34). In this regard, the researcher extracted Doctor Donald Cressey's approach to fraud causes. This theorist indicated that fraud should be developed in a form of a triangle detailing conditions in which fraud could exist.

Therefore, the fraud triangle is a theory developed in 1971 by Doctor Donald Cressey (Awang & Hussin, 2020:56). It was in his studies of criminology, specifically the behaviour of fraudsters that describes the factors that propel them to commit fraud in an organisation (Awang & Hussin, 2020:57). According to this Doctor Donald Cressey's theory, as described by Awang and Hussin (2020:58), for fraud to take place, three conditions should exist namely, rationalisation, pressure and opportunity. These conditions are presented in the following figure.

Figure 1.1: Fraud Triangle Theory



Source : Cressey (1953)

In terms of pressure, Motsepe (2019:48) referred to that as a habitual criminal who steals for the sake of stealing; a person desperate for money, as a result, ends up engaging in gambling or drugs. Furthermore, this person has undue family, community and university expectations. Indeed, according to Motsepe (2019:48), a person is morally superior except for accountability.

In detail, pressure is what causes people to commit fraud in an organisation. This pressure comes in different forms namely, financial needs, work related pressure, and pressure as a way for material possession (Schuchter & Levi, 2015:176). It can also

be a result of one's inability to pay bills, medicals and addiction to drugs, as well as a desire for luxurious stuff (Mabena, 2018:14).

Opportunity

In terms of opportunity, Motsepe (2019:48), describes a situation that presents weak internal controls with circumvention of internal controls. Motsepe (2019:48) states that the greater the position, the greater the trust and exposure to unprotected assets. Indeed, the most trusted employees are the ones that commit fraud. Therefore, what accounts for the rise of this incidence is opportunity.

When opportunities are eliminated, then the incidence of fraud can be greatly reduced. An opportunity to commit fraud, conceal it and avoid being punished is the critical factor that pushes individuals in committing fraud against most financial institutions.

An opportunity to prevail for individuals to commit fraud stems from weaker internal control systems. The more internal controls an institution mounts and implements, the less opportunity for perpetrators or employees to commit fraud.

Rationalisation

Motsepe (2019:48) states that at this stage, most people rationalise that they needed to be assisted more than others and demand to be lent with a promise that they will pay it back. People at the stage of rationalisation make unnecessary excuses that everybody commits fraud, and no one could be hurt because of the fraud incident.

People feel that they are deserving to commit it, and it is important to them (Motsepe, 2019:48). In many organisations, people who do this usually state that they are not paid enough, which is why they act in this manner; they feel that it is legal to commit fraud (Motsepe, 2019:48).

Indeed, rationalisation is the last factor Cressey (1953) discussed in his development of the fraud triangle. A normal component of keeping money extortion and all clerical wrongdoing occurs due to the absence of emotions or impassion communicated by guilty parties coming from a progression of reasons or defences.

The loss caused by fraud in corporations is often connected to impoverished families because of largescale scandals that leave companies bankrupt and therefore impact individuals (Dludla, 2016:43). Regardless of the category of the victim (institutional or

individual), the inability of the police to investigate this type of crime has real consequences to all victims and society in general (Mangan & O'Connor, 2012:24). This inability may be related to the fact that white-collar crime and fraud comprise a degree of criminal expertise and specialisation, which is potentially challenging for investigators.

All of these points come down to the effect of fraud on society, which poses a systemic danger to both companies and ordinary individuals. Also, it places a burden on the police to do more in terms of fraud investigation. The prejudices facing victims of fraud should also be taken into account, in particular, emotional harm and physical costs.

The quality of the victim's life is affected, and the fear of crime may hamper the victim's personal and financial development (Consumer News and Business Channel Africa, 2016:np). Victims of fraud may be under the impression that fraud is undetectable. In many cases, the loss suffered through fraud cannot be recovered from the perpetrators (Dludla, 2016:52). This creates the impression that the police do not effectively investigate fraud because reparations cannot be made thus questioning the investigative capacity of the police and eroding the credibility of general detectives in handling fraud.

This may alter the victim's behaviour in terms of avoiding habitual victimisation and may leave the victim fearful of using the internet and depressed due to the experience. Based on the statistics that women are prone to online fraud (Statistics South Africa, 2017:5), women may be influenced adversely in terms of utilising online financial services. Albrecht and Zimbelman (2016:5) emphasise the adverse consequence of fraud in that it affects how much individuals pay for goods and services, including the detection and investigation of the loss. Furthermore, it is reported that more people are injured and killed every year because of corporate negligence and recklessness than by violent street crimes like assault and homicide (Michel, 2016:55). This suggests that numerous South Africans are vulnerable to a multitude of fraud phenomena in their everyday lives.

Kar and Spanjers (2015:np) investigated global financial integrity in terms of illicit financial flows from developing countries between 2004 and 2013 and indicate that SA, which is regarded as Africa's largest economy, is rated seventh, followed by

Nigeria in the tenth position, in the top ten developing countries based on illicit financial outflows on the continent.

The fraud related cases in SA, in terms of scale and frequency, are high. Therefore, there is growing demand from the government to employ more general detectives to investigate crime and fraud cases (South African Legal Information Institute, 2013:np). White-collar crime is increasing and law enforcement is unable to discover this type of crime and fraud (Price Waterhouse Coopers, 2020:10).

Therefore, there is a high demand for professionals in forensic accounting and auditing. These professionals could play a major role in detecting and curbing financial misrepresentation. In the corporate world, there is a demand and increase for forensic accounting, and this increase is associated with the need for general detectives to support themselves with revised investigative skills.

Fraud and corruption in SA cost the economy billions, and the real impact of these crimes is felt beyond the national fiscus (Tamukamoyo, 2014:59). It is stated that in the business sphere, organisations that experience loss through fraud can recover from insurance claims, which then increases premiums. The loss in company turnover (revenue) hampers the business projections, growth and employment in the affected business sector. This implies that big corporations and small enterprises spend some of their resources putting tougher security and safety measures in place.

Furthermore, goods prices can increase to cover the loss through fraud (Tamukamoyo, 2014:60). Individual victims of fraud can withdraw from using internet-banking services (untrustworthiness of the technologies and systemic issues with negative effects). Pertaining to individuals, only 22% of cases of internet fraud in SA were ruled in favour of the customer, while the remaining 940 cases of internet banking-related complaints went in favour of the banks (Writer, 2017:np). With such unfavourable statistics, police services and detectives play a vital role in assuring the public that fraud is not only worth investigating but worth prosecuting as well. This is done, in part, by addressing the economic impact of fraud.

Many companies in SA experienced more fraud and bribery than their global counterparts (Mkhwanazi, 2015:31). Gauteng, the Western Cape, and KwaZulu-Natal top the list of those experiencing loss increases due to banking fraud in 2014. However, it is also taken into consideration that South Africa is one of the developing

countries in the Southern African Development Community (SADC) (Mkhwanazi, 2015:32). As the country develops and grows, it is assumed that it is likely that it is also moving into spaces of how the developed countries operate, particularly in technology to interact and accelerate its services.

It is important to state that fraud is not only committed in banking institutions (Coenen, 2009:np). Although most fraud is worth a large amount of money committed against corporations, perpetrators of this phenomenon target any type of victim who can be deceived easily, and, as such, there is a greater commercial and societal vulnerability (Tracey, 2015:19).

Fraud is unique to other crimes and exceptionally threatening and complex to examine (Geldenhuis, 2016:51). Fraud examination includes understanding its particular components in expansion to prepare detectives' insights to take after the proof that is regularly concealed in layers of distortions. Mkhwanazi (2015:34) states that SA at first set out upon the course of investigative specialisation although this has, as of late, been switched with the decentralisation of specialised services down to the police stations through the restructuring process. In any case, skills development in those restructuring processes was not provided and has not been supported sufficiently.

According to Coenen (2009:np), fraud is one of the forms of corruption which is a worldwide phenomenon, and it has been with every kind of society throughout history. Therefore, in detail, the researcher argued that although corruption manifests more in some countries than in others, it spans over colour, creed and culture.

Moreover, corruption does not discriminate against rich (developed), poor (underdeveloped) or developing countries, as its objective of destruction remains the same everywhere (Statistics South Africa, 2017:24). Through the process of unpacking the concept of corruption, one discovered that it is an enormously rich term. The concept of corruption has been described and defined by many theorists and scholars in a vast array of light. Because of its extensive use, corruption has diverse connotations for various individuals in different situations. It is critical to have a thorough understanding of corruption in order to advance knowledge regarding fraud (Coenen, 2009:np).

Corruption has been misconstrued and confused with other types of criminal behaviour (Tamukamoyo, 2014:34). It may occur parallel and in conjunction with other forms of

illegal activities. However, the objective(s) of corruption is very clear, and it becomes evident in the forms (types) of corruption such as fraud and bribes. There is enough evidence to show that corruption is not a result of a magical occurrence. Corruption is human behaviour, and this code of conduct is the outcome of several circumstances. Corruption hurts practically every aspect of society at best, and it leaves a trail of destruction at its worst (Mkhwanazi, 2015:4).

In the current state of affairs in SA, fraud and corruption are hot subjects in the corporate and governance worlds, with employment playing a key role in the debates. The unemployment rate in July 2018 was 27,2% thus up by 0.5% from the beginning of the year. A recent survey demonstrated that the majority of today's youth believe that corruption threatens their employment prospects (Statistics South Africa, 2017:45).

With corruption on the rise and financial security in jeopardy, it is more important than ever to assess and evaluate how corruption and fraud can affect our businesses and future employment prospects (Tracey, 2015:20). Fraud in government sectors should not be overlooked, as they can have far-reaching consequences for businesses. Service delays, a lack of essential services, untrustworthy officials and poor infrastructure can all influence sectors of the financial environment (Tracey, 2015:23).

Many businesses are suffering the impact of the recession, and in their efforts to cut costs, they unwittingly expose themselves to significant financial and reputational hazards. This is because cutting costs increases the likelihood of a company being a victim of fraud. According to various reports, fraud is SA's number one economic crime, and considering that fraud accounts for 7% of company revenue worldwide, any further increases in this figure could prove detrimental to an organisation in these difficult economic times (Mkhwanazi, 2015:30). In SA alone, it is estimated that fraud costs the economy over R2 billion a year (Mkhwanazi, 2015:31).

In an economic downturn, the incentive or pressure to commit fraud is increased as, inter alia, financial pressures increase, unrealistic corporate targets are set, the desire to help the organisation succeed intensifies, and/or employees feel the need to impress employers as those around them lose their jobs (Writer, 2017:2). This may result in the fraudster defrauding the company for their benefits or resorting to fraudulent actions on behalf of the company to ensure success for their organisation.

When tough economic times impact the company financially, this usually increases the opportunity to commit fraud (Writer, 2017:8). This is because, in an attempt to reduce costs, companies usually resort to measures like retrenching staff (which may affect the segregation of duties doctrine), reduced training, abandoning checks and balances which may be in place and/or cutting back on internal audits, amongst various other things. In such conditions, an organisation is susceptible to fraudulent behaviour from its employees both internally and externally in transactions binding the firm.

As employees feel the effects of the recession, they also begin to find it easier to rationalise any corrupt doings (Mofokeng & De Vries, 2016: 85). Companies often look to reduce any pay increases or bonuses and also delay promotions. This may lead to employees feeling resentful and being able to justify to themselves that the fruits of the fraud that they are committing are owed to them (Theobald, 2015:4). Alternatively, they may convince themselves that it is acceptable, as they are doing it to save a loved one or that it is the only option available. Some even believe that they are just because everyone else is doing it, thus they are also entitled to do it.

Businesses resort to desperate measures to survive. This may result in the payment of bribes, misrepresentations being made to clients, the favouring of tenders and insurance claims being falsified and/or taking short-cuts (Oberholser, 2014:30). On the other hand, employers may find themselves falsifying qualifications and references, stealing cash and stock, creating ghost workers, falsifying medical and other insurance claims, resorting to insider trading and/or falsifying suppliers' details (Lancaster, 2017:21).

The latest indications are that insurance fraud has dramatically increased over the last year. The short term insurance industry in SA has noted an increase in insurance fraud of 12%. Currently, various scams are doing the rounds, ranging from car and house arson to medical identity theft, whilst consumers are being fooled into taking false car warranty extensions or bogus health cover (Statistics South Africa, 2017:43).

When a business or country is perceived to be corrupt or fraudulent, it is likely to influence the investment opportunities for that entity (Plato, 2014:21). Fraud can lead to shareholders from losing trust in the business and dissuade them from investing further or influence them to withdraw their support (Statistics South Africa, 2017:52).

Investors aim for stable, reliable investment prospects that they can trust (South African Legal Information Institute, 2013). As investments dwindle, businesses may be unable to retain current employees or hire recruits.

It is not all doom, as fraud could even create some indirect positive effects on the world of work as companies attempt to curb the impact of fraud and corruption (Tracey, 2015:10). The potential positive outcomes include increased demand for security specialists. As fraud rise, companies may attempt to curb this by using highly-trained security specialists. This ensures a growing market for a new job sector.

Companies may turn to internal auditing and risk management services to monitor and assess fraud and to control these processes (Tracey, 2015:17). Internal audits provide objective assurance to management and the board by determining whether fraud controls are efficient at identifying fraud risks and whether these controls are functioning effectively (Tracey, 2015:21). Risk management programmes aim to eradicate fraud with ongoing risk assessment processes

Fraud may influence businesses to invest in better cybersecurity and innovative technical solutions aimed at reducing fraud and corruption (Theobald, 2015:9). Robotics offers companies a novel way to counter fraud and corruption and increase efficiency and controls (Theobald, 2015:11). Fraud poses significant dangers to businesses and the employment chances of job seekers. Proper and professional recruitment plays a vital part in ensuring that companies employ ethical and experienced employees.

According to Corruption Watch (2014:np), there are two master units within the South African Police Benefit (SAPB) that explore fraud of complex nature, to be specific, the Directorate for Priority Crime Investigation (DPCI), commonly known as the Hawks and Commercial Crime Units. The DPCI, which was set up in 2009, is dependable for the combating, examining and anticipating of national need crimes such as genuine composed crime, and genuine commercial crime.

It is only in espionage and national security threat circumstances that the services of the former National Intelligence Agency (NIA), now referred to as the State Security Agency (SSA), is enlisted. Apart from the SAPS crime intelligence component, NIA is the SA law enforcement agency or intelligence structure that operates as a domestic

intelligence service that generally collects intelligence on crime to support SAPS crime intelligence.

Fraud cases are commonly reported at the police station and thereafter referred to one of the specialised units, depending on the merits that require further investigation as screened by general detectives (Motsepe, 2014:41). According to Naidoo (2016:31) fraud case allocation requires a commitment and dedication to ensure that cases are allocated to relevant detectives as per their experiences.

However, it is also stated that most of the general detectives lack the intellectual capacity and competency to handle and utilise forensic techniques to investigate fraud matters. As a result, crime statistics show that in 2013 under “other serious crimes”, the total incidents of commercial crime were 91200, and in 2014, the total incident number was 79009 at the time of reporting (Statistics South Africa, 2015:34).

1.3 PROBLEM STATEMENT

A research problem is an area of concern or a gap in the existing knowledge that points to the need for further understanding and investigation (Polit & Beck, 2014:430). In this context, the current issue for investigation circles around the challenges in the detection of fraud. It is stated that law enforcement agencies are obliged constitutionally in investigating fraud in SA and strengthen the justice system as stipulated (Plato, 2014:26). In assisting law enforcement agencies, a variety of forms, as well as confidentiality procedures, have been established to enable responsible citizens to report crime and fraud related issues.

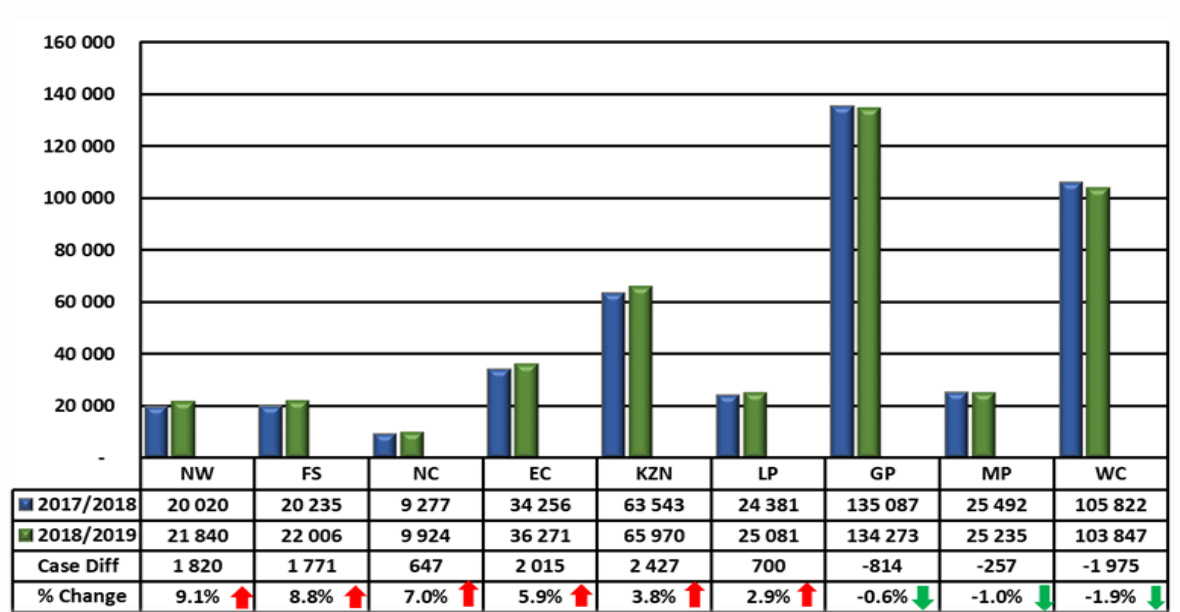
In the Eastern Cape Province, it found that SAPS General Detectives experience some challenges in the investigation of fraud cases, and the most prevalent cases are credit cards fraud, stolen cards, fraud false application, account take over fraud, cheque fraud, tender fraud and not received issued card fraud (Delamaire, Abdou & Pointon, 2009:58). Furthermore, the Eastern Cape Province is being declared as one of the poorest and most corrupt provinces in the country (Ishu & Mrigya, 2016:2279). The inexperienced fraud investigators, lack of resources, and fraudsters who are using advanced technologies that are new in their investigation field were reported as challenges. Some attempts were made to manage crime and corruption, which include upskilling investigators to achieve proper investigations on time and earlier detection of crime and fraud.

In other measures, the National Prosecuting Authority (NPA) headed by the National Director of Public Prosecutions (NDPP) decides whether to prosecute matters where a criminal complaint has been made to the SAPS. Accordingly, a duty to investigate and report suspected fraud is imposed by many statutes namely, the Prevention of Organised Crime Act, 1998 (POCA); Protected Disclosures Act, 2000 (PDA); the Prevention and Combating of Corrupt Activities Act, 2004 (PRECCA); the Public Finance Management Act, 1999; the Local Government: Municipal Finance Management Act, 2003; the Banks Act, 1990; the inspection of Financial Institutions Act, 1998; the Mutual Banks Act, 1993 and Co-operative Banks Act, 2007.

The South African Reserve Bank (SARB) acts as the supervisory body for the Banks Act and the Inspection of Financial Institutions Act (Serrao, 2017:29). The Financial Services Board (FSB) is the statutory supervisory body for financial services other than banking (Serrao, 2017:334). However, there is no specific fraud regulator in SA. The SARB and FSB serve as regulators of the banking and financial services industries. The SAPS has an all-encompassing duty to investigate suspected fraud in all other areas (South African Legal Information Institute, 2013:np). All these authorities have investigative powers, including search and seizure powers. Once they have accumulated sufficient information, legal proceedings may be instituted at the appropriate Magistrates' Court or High Court.

There is a distinction between civil and criminal proceedings. A victim and several regulatory and enforcement authorities can bring civil proceedings for fraud. Only the prosecution authority can bring criminal proceedings against offenders (Oosthuizen, 2015:np). Common forms of court orders or interdicts that can be granted for fraud include freezing orders, interim interdicts and disclosure orders (Plato, 2014:26). The Asset Forfeiture Unit (AFU), a directorate of the National Director of Public Prosecutions (NDPP), is authorised under the Prevention of Organised Crime Act, 1998 (POCA) to seek temporary restraining orders or permanent forfeiture orders to restrain the use of the proceeds of crime or to permanently confiscate the proceeds for return either to the victim or for forfeiture to the state (South African Legal Information Institute, 2013:np). SA had recorded multiple fraud related cases, as shown in the figure below.

Figure1.2: Fraud related cases in South Africa



Source: (Statistics South Africa, 2015)

The above figure shows the cases of fraud reported as other crimes in all provinces of SA. Gauteng Province led the country with fraud related cases of 135087 and 134273 in 2017/2018 and 2018/2019 respectively, followed by the Western Cape Province with 105822 and 103847 in 2017/2018 and 2018/2019, as well as KwaZulu-Natal Province, with 63543 and 65970 in 2017/2018 and 2018/2019. The Eastern Cape is 4th province recorded with high fraud related cases, 34 256 and 36 271 in 2017/2018 and 2018/2019 respectively. However, other provinces have recorded minimal cases of fraud related cases as compared to the already mentioned provinces.

The proceedings are instituted by way of application with the evidence presented by way of affidavit (Coenen, 2009:np). Very urgent proceedings for temporary orders obtained without notice to the party against whom relief is sought may be granted overnight. Normal applications can vary widely depending on the nature of the matter and the extent of the opposition to the application. A typical opposed application can take about six to months to finalise (Van Petegem, 2018:46).

In the past, organisations had to take a fragmented approach to fraud prevention, using business rules and rudimentary analytics (Coenen, 2009:np). Data could not be cross-referenced through automation, and investigators could not manually monitor transactions and crimes in real time; they had to do so after the fact (Coenen, 2009:np). In healthcare, fraud prevention was more like “pay and chase” because the

criminal was long gone by the time fraud was detected (Lancaster, 2017:np). Though numerous strategies were developed to combat fraud because of various factors, it is still a public concern (Price Waterhouse Coopers (2020:7).

Fraud cases, especially in the commercial crime unit sector in SA, are growing daily and it has been observed that law enforcement agencies are unable to manage these types of crimes and fraud (Statistics South Africa, 2017:1). There are a variety of reasons for this failure such as limited resources and skilled employees in the field though more investigation is needed for scientific backup literature (Theobald, 2015:9). Price Waterhouse Coopers (2020:10) notes that law enforcement is unable to discover white collar crime fraud which requires professionals from forensic accounting and auditing. Therefore, as yet, general detectives are not enough and well trained to investigate certain types of fraud as indicated.

Once believed to be the domain of government, high level economic crime has become more common in the corporate arena, with exposure of the wrongdoing of many reputable companies such as Bell Pottinger, McKinsey, KPMG and more recently, Steinhoff (Mail & Guardian, 2015:np). This level of economic crime has reached staggering heights and trust among the average citizens of the country has been eroded. According to the Global Economic Crime and Fraud Survey (GECFS) (2018:np) conducted by Price Waterhouse Coopers (PWC), SA's rate of reported economic crime at 77% is higher than the global average of 49%.

The reputational risk associated with fraud and economic crimes has led to an increase in demand for accountability in both public and private sectors in addition to the normal compliance issues (Geldenhuys, 2016:50). The report claimed that business misconduct and consumer fraud have also increased within the past two years. Of the respondents, 28% indicated they had been the victim of business misconduct, while 29% of respondents had experienced fraud.

Statistics South Africa (2017:22) revealed that fraud committed by consumers ranks as the second most reported crime in SA. This enforced Chief Executive Officers and boards to be held accountable for economic crime. Statistics supplied by the Southern Africa Fraud Prevention Service (SAFPS) show a similar trend of increasing crime related fraud (Statistics South Africa, 2017:24). The role of SAFPS is to facilitate a database for member organisations to list confirmed fraud information and assist

consumers who are victims of identity fraud or offer additional protection for consumers whose identity was compromised. These consumer services are free of charge.

According to Writer (2018:np), new fraud listings on the SAFPS database increased by 56% in 2017, while victim listings were up by 52% in 2017. According to SAFPS, males make up 70% of fraudsters and fall in the 26 to 35 age group. Female victims of fraud calculate for 33%, with most in the 36 to 45 years old age segment. In terms of Protective Registration, the gender split is more even, with females representing 46% and males 54% in 2017. The age group across gender is 36- to 45-year-olds who mostly register for the service (Writer, 2018:np).

Concerning cases filed, SAFPS revealed that the highest category of fraud is in 'forged documents'. The second highest category of fraud is Employment Application Fraud. The sector most affected by fraud is banking, with micro finance, furniture retail, clothing retail, asset finance and telecoms also affected. SAFPS members reported savings of more than R2.3 billion in 2017, which is an increase of 17% compared to the previous year. These savings are directly attributed to using the SAFPS database, and members on average save R249 for every R1 spent with SAFPS (Crime Statistics South Africa, 2017:29). There is a greater awareness around fraud which has helped to increase the rate of reporting and boosted stats in this area.

There has also been training on compliance with the SAFPS Code of Practice, which encouraged members to pay more attention to reporting. In addition, victim awareness has increased substantially due to the proactive use of the media to make consumers more aware. There is a greater demand for a collaborative effort from all stakeholders like banks, retailers, consumers and risk assessors in order to ensure that fraudulent activities are identified and minimised. Globally, in 2020, 1.4 million complaints were for identity theft, up from 651,000 in 2019. Of the 2.2 million fraud cases, 34 percent reported money was lost. Consumers reported losing more than \$3.3 billion related to fraud complaints, an increase of \$1.5 billion from 2019.

As of 2014, SA had experienced more fraud than its global counterparts, and it is continuously growing up. This has financial implications for millions of rand are lost in relation to fraud related matters. For example, Gauteng saw an increase of 49%, from R63.5 million in 2013 to R94.7 million in 2014, the Western Cape's fraud incidence

increased by 47%, from R26.2 million in 2013 to R38.6 million in 2014 and in KwaZulu-Natal the loss increased by 18% from R13.5 million in 2013 to R15.9 million in 2014 (Oberholser, 2014:30).

According to Statistics South Africa (2017:20), the number of incidences of consumer fraud increased from 497 000 in 2018/19 to 1,4 million in 2019/20. A larger number of these incidences is attributed to advance-fee fraud (e.g., R99 debit/credit card scams, 419 scams). The number of individuals who experienced consumer fraud increased from 81 000 in 2018/19 to 384 000 in 2019/20. The percentage of individuals that reported the incidences to the police decreased from 47,0% in 2018/19 to 26,0% in 2019/20.

However, it is declared by SAFPS that SA has seen a sharp increase in fraud incidence, including identity theft last year, and there was a staggering increase of 337% of cases where people either tried to impersonate or successfully did it (Writer, 2018:np). The Eastern Cape and Gauteng Provinces recorded increases of 161% and 120% with email scams where people were asked to apply for payment holidays and fake applications for Covid-19 grants being mainly used to steal people's information to be able to impersonate them (Motsepe, 2014:39). For example, fraudsters would ask someone to click on a link to apply for a Covid-19 grant and get all their valuable information, including their addresses, bank details and personal details which they would later use to impersonate them.

This became evident that SA continues to lose millions of money because of fraud related issues. Though the Eastern Cape Province data were not reported as high, the Statistics South Africa (2017:35) on crime survey report noted that police stations are recording a lot of crime and fraud related cases. The public sector fraud cost the government a large amount of money close to R1 billion rand in the 2011/2012 financial year (Tamukamoyo, 2014). This money had increased from an estimated R130.6 million in the 2006/2007 financial year.

In 2014, fraud case reports have shown that Gauteng had an increase of 49%, from R63.5 million in 2013 to R94.7 million in 2014, the Western Cape's fraud incidence increased by 47%, from R26.2 million in 2013 to R38.6 million in 2014 and in KwaZulu-Natal, the loss increased by 18% from R13.5 million in 2013 to R15.9 million in 2014 (Mkhwanazi, 2015:31; Oberholser, 2014:39). This statistic is an indication that police

also experienced an increase in fraud cases in SA (Lancaster, 2017). In a 2020 report from the Eastern Cape Province Socio-economic Council (ECSEC) (2020:np), fraud related cases in the province had increased by 62% and Gauteng by 54%. There were increases in every province, with exception of Limpopo.

The high fraud cases took millions from the government of the Eastern Cape Province, and there are poor systems of investigation in the detection of fraud and prosecution. To illustrate this, the Independent Police Investigative Directorate (IPID) probed a case of alleged fraud of R36 million at an Eastern Cape municipality (South Africa Police Service, 2019:23). In this case, the Hawks Serious Corruption Investigation (HSCI) team conducted a search-and-seizure operation in Mount Ayliff in the Alfred Nzo and alleged that the senior municipal officials colluded with service providers and fashioned a criminal network that acted in a co-ordinated manner. That criminal network allegedly operating outside and within the municipality created a duplicate tender contract that was already in place and procurement processes were disregarded (Geldenhuys, 2016:55).

A tender worth R36 million was awarded to another service provider reportedly linked to the syndicate and a subcontracted company allegedly transferred funds to the municipal officials in order to disguise the source and movement of funds (Delamaire et al, 2009:61). The purpose of the search-and-seizure operation was to secure documents linked to the allegations of fraud and corruption in the interests of justice. No arrests were made during the operation at the municipal offices, pending the finalisation of the investigation. Although millions were lost on the side of the municipality, to date, no one is prosecuted.

Based on the endemic and increasing cases of fraud, it may be argued that the fraud phenomenon is continuously becoming a major concern in the Eastern Cape Province, especially for banks, corporations, civil society, interest groups, the criminal justice fraternity and other sectors of the society (Bucur, 2015:12). There has been no system that promises to improve detection and prevention of fraud (Bucur, 2015:13).

Despite so, Albertson and Fox (2012:144) stated that it is necessary to investigate the cost of crimes, such as fraud on institutions, society and individuals. Fraud creates institutional and societal burdens because in countries where there are fewer developments in terms of policing, members of the police force who are desperate to

achieve certain objectives may resort to harmful means, such as torture and coerced confessions to solve the crime and gratify concerned communities (Motsepe, 2019:54). This may include unfair convictions deprived of comprehensive investigations because of the pressure of the workload and complaints on cases already reported and that remained unsolved.

However, the volume of tasks involved in fraud investigation irrespective of the type of fraud is significant and requires a range of tangible and intangible capacities (Motsepe, 2019:54). The cost constraints in policing are critical to the type of service experience in the SAPS and police cannot fully address the cost and burden of fraud, especially General Detectives with high investigative workloads in a variety of cases (Motsepe, 2019:61). Nevertheless, instilling societal confidence in the police force may benefit vulnerable crime victims, and the effective use of detectives' skills and abilities may go a long way to deter fraudsters (Geldenhuys, 2016:57).

The impact of fraud reaches beyond the banking industry, and the issue of fraud investigation should be addressed in terms of that larger scope. This situation is putting a demand on government and other authorities to establish effective and efficient forms of investigation. This alarmed the researcher that there is a problem that requires further investigation.

1.4 RESEARCH SETTING

Polit and Beck (2014:49) define research settings as the specific places where information is gathered. The study took place in East London, Eastern Cape Province in SA at SAPS Crime Unit in a private office. Data collection with participants took place during working hours between eight (08) a.m. to three (03) p.m. on weekdays. All participants were expected to share important information, which could contribute to the findings and analysis of the research study. The safety of the participants was maintained, thus it enabled them to freely express themselves during interviews.

1.5 RESEARCH AIM OF THE STUDY

1.5.1 Research aim

According to LoBiondo-Wood and Haber (2014:35), the aim and purpose of the research indicate the direction in which the research will go and point to the target that the research hopes to hit. In this research, the aim of the study is to explore

investigative challenges for General Detectives in the investigation of fraud cases in Eastern Cape Province to suggest and recommend guidelines that will assist investigators solving cases related to fraud in the area.

1.5.2 Research objectives

According to LoBiondo-Wood and Haber (2014:35), research objectives are described as concrete statements describing what the research is trying to achieve, and they should be specific, measurable, attainable, realistic and time bound. Therefore, the objectives of this study are:

- To identify the nature and extent of fraud cases in Eastern Cape Province.
- To explore investigative challenges for General Detectives that are hampering the effective detection of fraud cases in Eastern Cape Province.
- To identify procedures that could be followed in the detection of fraud in the Eastern Cape Province.
- To identify the impact of fraud in the Eastern Cape Province.

1.5.3 Research questions

The research questions are only developed effectively when the researcher had already identified the aim of the research (Kumar, 2014:18). According to Denscombe (2012:83), research questions are the end product of a process that progressively narrows the study's focus of interest. In this study, the researcher developed the following research questions.

- What is the nature and extent of fraud cases in Eastern Cape Province?
- What are the investigative challenges for General Detectives that are hampering the effective detection of fraud cases in Eastern Cape Province?
- What are the procedures that could be used in the detection of fraud in the Eastern Cape Province?
- What is the impact of fraud in the Eastern Cape Province?

1.6 DEFINITIONS OF KEY CONCEPTS

The key concepts were extracted from the research title of the study and presented in the following order:

1.6.1 Detection

According to Sen (2014:31), detection is the action of accessing information without specific cooperation from the sender. A process that investigates fraud to find out the actual scene that occurred and its root cause analysis (Miller & Gordon, 2014:18). In this study, detection refers to an action taken by any law enforcement representative to investigate fraud and identify culprits or suspects.

1.6.2 Fraud

Fraud is a generic term that embraces all the multifarious means that human ingenuity can devise, which are resorted to by one individual to get an advantage by false means or representations (Albrecht & Zimbelman, 2016:7). Palmiotto (2013:202) refers to fraud as an intentional misrepresentation or deception employed to deprive another of property or a legal right or to otherwise do them harm. In this study, fraud refers to a misrepresentation of facts done with the intent to unlawfully deceive others for financial or personal gain.

1.6.3 Investigation

According to Gilbert (2004:51), an investigation is a legal enquiry based on logic and objectivity. It is emphasised that this is a highly important function in as much as various sections of the justice system depend upon successful investigations. An investigation is a process that explores in detail the allegations, examining the evidence in depth and determining specifically whether misconduct has been committed, and if so, the responsible person and the seriousness of the misconduct (Chutel, 2017:41).

1.7 VALUE OF THE STUDY

The value of the study is a written statement that explains why research in a certain field is needed (LoBiondo-Wood & Haber, 2014:39). It is a justification of the importance of a researcher's work and the impact it has on a researcher's field, its contribution to new knowledge and how others will detect fraud. Therefore, the findings of this study would benefit both government and private entities, especially SAPS. The

findings could identify gaps in knowledge that have been experienced by the General Detectives or investigators and now both government and private sectors would be able to capacitate their employees on the required investigation skills for fraud detection.

In SAPS, the study would benefit the existing General Detective and other investigators dealing with fraud related cases to familiarise themselves with the law and techniques of identifying, collecting, analysing and presenting evidence. The law enforcement agency of the public entity would benefit from the study by identifying required resources, as well as budget, in order to conduct forensic based, prosecutable and court driven investigations on fraud cases.

It is stated that no investors would wish to invest money in a country that presents high fraud related cases. Therefore, as the study is all about the detection of fraud, applying its findings in the research site is expected to contribute to attracting investors to come and host their businesses as part of the investment which grows up the economy.

Again, the study could benefit both public and private entities by having a fraud prevention programme. Hence, internal controls must be effective and efficient to prevent future occurrences of fraud. This could contribute to the attraction of partners and auditors to have trust and confidence in the operational systems of both public and private entities.

1.8 SUMMARY

This chapter provided an overview of the study, the background to the study, the problem statement, research aim, research objectives and research questions. In addition, this chapter explained the definitions of key concepts of the study which included detection, fraud and investigation. Finally, the value of the study was presented. The research methodology was briefly discussed and its application will be discussed in Chapter 5.

CHAPTER TWO: THE NATURE AND EXTENT OF FRAUD CASES IN EASTERN CAPE PROVINCE

2.1 INTRODUCTION

This chapter aims to provide an overview of the extent of literature pertaining to the early detection of fraud. This overview is based on contextualization of fraud detection and its investigation. This literature presented discusses the current state of knowledge in the area of fraud investigation, which could help in identifying the knowledge gaps in the fraud fraternity. As such, the central focus of this chapter is to discuss the main strands of fraud in the most significant available literature, tracing the origin of the phenomenon, through to its contemporary manifestation. In this chapter, the origin, nature and extent of fraud in the Eastern Cape Province is discussed in detail.

2.2 THE PREVALENCE OF FRAUD IN THE EASTERN CAPE PROVINCE

The most prevalent kind of fraud cases is procurement fraud and money laundering that occurred in the public sector, in particular, the government departments and the Eastern Cape Province has been in the spotlight with fraud related cases by officials (Cunningham, 2015: ii).

While the SAPS vigorously perseveres to root out corruption within law enforcement, in the Eastern Cape Province, there are still those that choose to act on the wrong side of the law. For example, during a two-day crime intelligence-driven sting operation involving various police units, three (3) suspects were arrested in Port Elizabeth on charges of fraud and corruption. In another instance, there was a case reported in 2017 where an official defrauded the department of about R250.000 and consequently that amount was deducted back from his pension (Statistics South Africa, 2017:69). The province has all types of fraud cases, as a result currently, the specialized investigating unit (SIU) reported that a father and his daughter were arrested in connection with alleged PPE fraud amounting to over R4.3 million.

Getting deep into the content of fraud, it is worth noting that the majority of research used the term "fraud" to refer to "generic fraud" (Brodie, 2015:26). General fraud is an operational term used by detectives at a higher level to explain the classification of fraud activities, and it has been recognized by SAPS Detective Services. In this context, the term "generic fraud" has been used to characterize the types of fraud

cases investigated at the local level in the policing context. Unlock (2016:31) argued that the basic fraud definitions should be amended to suit the numerous subcategories of low-level fraud based on methods of operation and real or imagined ideology, keeping in mind that there is no universal definition associated with the notion of fraud. The classification of fraud has an impact on which fraud matters/cases are assigned to general detectives and specialized units within the detective's circle (Cunningham, 2015:3). In the researcher's view, the concept that fraud and general fraud are the same is the basis of general detectives' perspective. Regardless of the circumstances in which detectives work, Miller and Gordon (2014:27) assert that their primary functions are largely the same. However, when both general and specialized investigators apply their criteria, interests and perceptions to the term general fraud, it is sometimes misinterpreted as a subsidiary or low-level fraud crime requiring low-grade criminal investigation techniques (Miller & Gordon, 2014:39).

Another key consideration is that the phrases "white-collar crime," "commercial crime," and "economic crime" are frequently used to characterize acts of fraud or fraudulent operations and the terms "white-collar crime" and "fraud" are frequently interchanged (Price Waterhouse Coopers, 2014:3). Fraud differs from other sorts of crimes in that it has existed since the dawn of commerce. Cunningham (2015:34) points out that, throughout history, fraud has been linked to money or valuable goods. This is reflected in the many definitions of fraud that have been gathered over time. It might be claimed that fraud, as a crime, cannot be done on the spur of the moment without prior forethought and hence necessitates premeditation (Brodie, 2015:14). It is worth noting that persons who commit fraud are frequently referred to as "fraudsters" and are not regarded as dangerous, which contributes to the idea that fraud is less serious than violent crimes.

This study backs up the claim that white-collar crime and unethical behavior create as much damage as violent crimes. From a criminal justice perspective, fraud is an unlawful and purposeful making of deception, with fraudulent intent that causes potential prejudices (Motsepe, 2019:38). This definition offers criminal justice agencies some leeway, especially when it comes to SAPS criminal investigators to distinguish "general fraud" and other sorts of fraud (Motsepe, 2019:38).

These elemental definitions of fraud also affect general investigators who are dealing with general fraud, and it is in contrast with investigation specialists in Commercial Crime Units and the Directorate for Priority Crime Investigation (the Hawks), who are allowed to select “commercial related crime cases” or rather complex fraud, including corruption under the Corruption Act No. 94 of 1992.

Many of the crimes investigated by the specialized team of investigators are manageable and may be handled by local police investigators (Brodie, 2015:3). This can be seen in the informal way of determining which jurisdiction should examine a case (Brodie, 2015:10). According to Financial Action Task Force (FATF) (2015:3), this is at the core of this study, as the impression of fraud, both specific and general, influences the assessment of the capacity required to investigate its commission.

According to Miller and Gordon (2014:165), it is perceived that the nature and complexity of commercial crime related fraud cases are difficult to be investigated in general because of out-of-date technical and legal information that is insufficient to fulfil current fraud investigation needs, hence when general investigators are confronted with an intricate case, they have to refer to case law on the matter. Fraud investigation entails obtaining, analyzing, documenting and presenting evidence in a legal context and per evidentiary rules, thus allowing investigators to pursue criminal cases (Miller & Gordon, 2014:17). Because there is a lack of tangible evidence in the case of digital fraud, the question of the capacity of detection may be raised in terms of evidence collection in fraud cases.

2.3 PERSPECTIVES ON TRENDS OF FRAUD

Fraud is a global problem that can look very different depending on where in the world it takes place (Price Waterhouse Coopers, 2014:1). Further to this, the type, frequency and timing of attacks can vary significantly between countries and continents. Some of the global fraud variations are logical, such as regional businesses being more vulnerable to attack during locally observed holidays (Price Waterhouse Coopers, 2014:24).

According to the Association of Certified Fraud Examiners (2018:10), it is stated that when it is winter season in the Northern Hemisphere, countries in the Southern Hemisphere are not the only things heating up. Travel fraud and hospitality related fraud can also heat up as more people take to the skies in search of warmer weather

(Association of Certified Fraud Examiners, 2018:20). In a country-to-country, fraud occurs and depends on which holidays and where the celebration took place (International Public Sector Fraud Forum, 2019:4). In addition to this, Christmas is a magnet for fraud in much of the world, hence generating two of the busiest shopping days of the year in Black Friday and Cyber Monday (International Public-Sector Fraud Forum, 2019:7).

The global fraud detection and prevention market was valued at USD 18.24 billion in 2020 and is predicted to increase at a CAGR of 18.17 percent to USD 40.8 billion by 2026 (Price Waterhouse Coopers, 2014:12). The fundamental movement away from physical cards, checks and currencies towards digital payments is continuing to change the way consumers and businesses transfer value (Dobell, 2018:30). In a digitized economy, identity, security and trust are essential criteria for payments, trade and finance. Following this, the identity theft is a common consequence of data breaches for consumers. Once a user's account has been stolen, fraudsters can make fraudulent purchases, modify listing information, post bogus reviews and change account details to reroute funds to their accounts (Australian National Audit Office, 2018:10).

The European Cybercrime Centre's 'Internet Organised Crime Threat Assessment revealed that non-cash transfers are always at risk, since fraudsters see online transactions as a goldmine (Dobel, 2018:36). It is suggested that any fraud detection and protection mechanism must be adequately integrated with several verticals in order to be successful in its deployment (such as banking, insurance, retail, healthcare, transportation, IT and others) (Dobel, 2018:40). These integrative strategies could be easily unified to the fraud detection solutions of multiple vendors.

Fraudsters are always looking for opportunities to profit from major world events (Michel, 2016:56). Over the past year, emphasis was done to screen for fraud indications through analysis of billions of transactions, and it became evident that the campaign against the virus has also resulted in a war against digital fraud (Michel, 2016:59). As more people use digital services in the United States, it is revealed that certain businesses like financial services, gambling and telecommunications have grown more appealing to fraudsters. Consumer behaviour has changed in response to lockdown safeguards and limited options for social engagement, thus making

community platforms like dating sites less tempting to cyber criminals (Australian National Audit Office, 2018:16).

Fraud is on the rise across the globe and criminals are exploiting the convergence of social media, technology and social engineering to create more potent and widespread scams (Australian National Audit Office, 2018:19). Furthermore, no one and no business is completely safe from this new wave of fraud, therefore, all relevant organisations worldwide should be aware and provide mechanisms that would manage fraud accordingly.

The Times LIVE has labelled SA as "world fraud champs". This includes crimes such as money laundering, bribery and corruption and procurement fraud (Hosken, 2014). SA accounting and auditing firm PwC conducted a global Economic Crime Survey (Price Waterhouse Coopers, 2014:7) that revealed that SA has fraud problems such as asset misappropriation at 77%, money laundering at 14%, procurement fraud at 59%, human-resources fraud at 42%, financial-statement fraud at 35%, mortgage fraud at 4% and tax fraud at 11%. The SAPS analysis of national crime statistics of reported fraud was at 60% (South African Police Service, 2013:7). The official SAPS crime statistics (South African Police Service, 2013:19) reflect that commercial crime (with specific reference to fraud):

- increased by 45.5% over 9 years (2004/5-2012/13)
- increased by 10.1% during the past 4 years (2009/10–2012/13)
- increased by 0.6% during the past financial year (2012/13)

PWC also reported that the percentage of SA respondents reporting fraud has increased from 2011 for the first time since the inception of the survey. The report revealed that 77% of all internal fraud was committed by senior and middle management. Besides, the typical perpetrator of insider fraud in SA is male aged between 31 and 40, who has obtained a university degree and has been with his employer for more than 10 years (Price Waterhouse Coopers, 2014:10).

2.4 CAUSES OF FRAUD IN THE WORKPLACE

When it comes to workplace fraud, it is easy to simplify the problem by claiming that the fraudster was just "greedy and dishonest." However, things are rarely so straightforward, and just as plane crashes normally require at least two or three things

to go wrong, most cases of fraud require a combination of variables. It is widely considered that there are main factors for fraud that enhance people to commit fraud, which are motivation, opportunity, a lack of surveillance, employee disaffection and indifference to Internal Control (Association of Certified Fraud Examiners, 2018:30).

2.4.1 Motivation

There are several possible motivations for committing fraud (Motsepe, 2019:47). Firstly, many people conduct fraud because of their financial difficulties (Motsepe, 2019:31). This can be of unfortunate circumstances, such as in the case of a relationship breakdown or more strongly self-inflicted from living a lavish lifestyle beyond their means or getting into serious gambling debt. A person might be pressured to collaborate in fraud at work and go along with it to be accepted in the 'in group' or to avoid harassment. Certain personality types may be more inclined towards committing fraud such as opportunists, narcissists or people who like to lord it over or manipulate other people and who enjoy the challenges of beating the system and fooling others (Button, Lewis, Shepherd, Brooks & Wakefield, 2012:8).

In some cases, resentment can be involved such as when an employee feels overlooked for a promotion or pay increase they feel they deserve or where they feel victimised or treated unfairly (Mabena, 2018:19). Rationalisation can also play a part, with a perpetrator justifying their actions to alleviate guilt (Motsepe, 2019:48). This might include thinking "I deserve it" or "it's not hurting anyone" or "the company can afford it and won't even notice the loss."

2.4.2 Opportunity

Of course, fraud cannot happen if the opportunity to commit it is not there (Motsepe, 2019:48). This might include where a worker is put in charge of company assets, such as cash or supplies or where they are given a company credit card to use without rigorous oversight. The opportunity for fraud might come along in small chunks where the perpetrator steals cash just a bit at a time to avoid detection or in one big hit (Motsepe, 2019:49). In some instances, the fraudster may not have set out to commit a crime but becomes tempted when the opportunity pops up.

2.4.3 Lack of surveillance

Lax internal controls increase the opportunity for fraud to be committed (Cunningham, 2015:8). The author made an example where one person is given authority to process and make payments without a second authoriser and so on. This is where a clear separation of duties is required, as well as strong internal controls and other safeguards such as regular internal and external audits (Brodie, 2015:6).

2.4.4 Employee Disaffection

The number of employees who perceive themselves to be endangered and hence may become prospective malefactors has risen. As a result of restructuring, SA has seen waves of staff layoffs. Indeed, restructuring and/or re-engineering appear to have become the norm in various businesses, thereby boosting the number of prospective fraudsters (Maluleke, Motseki, Mokwena & Adjorlolo, 2021:2). Most robbers were thought to be middle-aged white guys in the "good old days," driven by personal shortcomings or necessity (Ogunbanjo & van Bogaert, 2014:10).

On the other hand, fraud has become an equal job opportunity in SA with research indicating that most people would engage in dishonest behaviour if they could justify their actions to themselves (Ogunbanjo & van Bogaert, 2014:11). Moreover, a new type of 'macho' thief has emerged; they had always felt misunderstood and unappreciated; accordingly, he or she may set out to 'show the boss who is smarter' (Young, 2014:3).

2.4.5 Indifference to Internal Control

Internal control has long been prescribed as an antidote to management or employee fraud in SA (Ogunbanjo & van Bogaert, 2014: 12). It follows that successful prevention lies in the isolation of the perpetrator from the asset, and the opportunity and knowledge required for access (Young, 2014:10).

In other words, figurative or literal walls of policies, procedures, devices and controls need to surround and isolate each factor in the Cressey equation (Maluleke *et al.*, 2021:8). The reasons for many public entities' lack of interest in internal control can be attributed to a (perhaps misguided) belief in the integrity of their workers (Young, 2014:19). Managers frequently dismiss the threat posed by potential perpetrators by claiming, "We don't have such people working here." For two reasons, such managers should be persuaded to use public online databases, firstly, to obtain information on

persons being recruited for sensitive positions and secondly, to become aware of the methodologies of fraud, together with the manner of discovery (Maluleke *et al.*, 2021:12).

2.5 THE COSTS OF FRAUD

Fraud is the most common type of crime in the United Kingdom (Association of Certified Fraud Examiners, 2018:10). The agency further added that every year, fraud costs the United Kingdom billions of pounds. Fraud and associated crimes such as market exploitation and counterfeiting can have severe consequences, ranging from unsustainable personal losses for vulnerable victims to a company's capacity to stay in business (Button, Lewis, Shepherd, Brooks & Wakefield, 2012:34). On-the-job fraud is notoriously costly, costing American businesses an estimated \$652 billion every year and the average cost of occupational fraud to a business is between \$10,000 and \$500,000 (Association of Certified Fraud Examiners, 2018:23).

This only includes the money taken by the robber and not the other charges that might soon add up, and the fraud may quickly escalate in cost, losing businesses time, money, productivity, reputation and customer relationships. The chances of recovering fraud proceeds are slim, with 65 % of victim companies recovering only 25% or less of the monies taken, and many people are left with nothing (Button *et al.*, 2012:34).

In the SA context, many aspects of the financial accounts are affected by theft, as a result, internal theft can also have an impact on a company's tax responsibilities, and it is common for a fraudster to take money set aside for payroll taxes, especially in small businesses (Motsepe, 2019:35). This situation causes unpaid payroll taxes to cause a lot of problems because they come with a lot of fines and interests.

An insurance policy may cover some direct financial losses, but the money that is not covered by the policy is unlikely to be retrieved, and it is cautioned that when you think about fraud, do not merely think of the money that a thief steals (International Public Sector Fraud Forum, 2019:2). Consider all of the various expenses that will arise as a result of the theft, as well as all of the opportunities that will be lost if personnel are unavailable or funding is unavailable for operations (International Public Sector Fraud Forum, 2019:4).

Data breaches are still a major source of fraud. Individuals, the business and public sectors and individuals' personal and financial information can all be utilised to perpetrate fraud as a result of a data breach (Schuchter & Levis, 2015: 111).

Schuchter and Levis (2015:115) also reported that criminals can conduct fraud and harm people, businesses and services by harvesting personal and financial information through data breaches. According to the most recent data available from the Crime Survey of England and Wales, there were 3.4 million fraud instances in 2016-2017 (Price Waterhouse Coopers, 2020:39).

However, it is believed that only about 20% of fraud cases are reported, thus the true rate could be significantly higher (Schuchter & Levis, 2015: 119). This indicates that fraud is widespread, but that under-reporting obstructs our understanding of the issue. Much of the money will be laundered in the United Kingdom or sent abroad. Organised crime groups frequently use 'mule networks,' in which bank accounts belonging to both willing and unwitting members of the public are exploited to conceal the source and origin of the payments (FATF, 2015:34).

According to the 2017 Annual Fraud Indicator, as reported by the United Kingdom Cabinet Office (2018:4), the UK loses roughly £190 billion per year to fraud, with the private sector losing around £140 billion. Following this, the public sector might lose over £40 billion, while individuals could lose roughly £7 billion. Secondly, due to their larger financial transactions and the greater potential earnings for fraudsters, businesses and high-net-worth individuals are now increasingly being targeted. Fraud can have major reputational consequences for firms, in addition to the financial expenses and its under-reporting is most likely due to apprehension of negative publicity (Association of Certified Fraud Examiners, 2018:33).

Individual fraud is most commonly perpetrated against the elderly and other vulnerable people for whom the consequences can be catastrophic both psychologically and financially. Online misrepresentation is turning out to be more predominant (Price Waterhouse Coopers, 2020:np). Online access permits fraudsters to manhandle casualties distantly, habitually from another country, while once in the past, a trick would have been finished by telephone, post or face-to-face (Price Waterhouse Coopers, 2020:np). Some venture fakes, just like most PC programming administration fakes are known to be done from outside.

2.6 THE ROLE OF INVESTIGATORS IN THE DETECTION OF FRAUD

Fraud specialists are at the forefront of setting up current realities of suspected misrepresentation or other deceptive business conduct (South Africa, 2014:34). A misrepresentation agent's range of abilities and wide information on extortion laws, proof assembling and talking make them 'the go-to master' for exploring protection misrepresentation, monetary extortion, obtainment extortion, resource recuperation, digital extortion, medical care extortion, retail misrepresentation and different regions (South Africa Police Service, 2015:8).

A fraud investigator can either be essential for a group of experienced agents or the head of such a group (South African Police Service, 2015:19). If part of a group, the investigation agency for the most part works with the other colleagues to deal with reports of dubious movement. If accountable to a group, the investigation examiner would ordinarily answer to the top of a division, like corporate security, consistency or review (South African Police Service, 2015:23).

According to the South African Police Service (2015:31), the role of the fraud investigator is also to be answerable for the everyday checking, examination and goal of deceitful action by identifying delays in the reimbursement and discount measures. They will start to lead the pack on the execution of procedures to forestall extortion and monetary wrongdoing, thus accordingly relieving hazards to the business.

Fraud investigators provide subject matter expertise on claims and associated fraud risks, thus helping to ensure the effective resolution of investigations (Discovery, 2014:3). Also, the effective fraud investigator adheres to relevant security standards, internal and external procedures and legislative requirements (Discover, 2014:6). Their role often involves developing and maintaining close working relationships with relevant law enforcement agencies, hence ensuring that cases are developed and prosecuted to a criminal standard.

When working with an organization in a preventative fashion, a fraud investigator will perform fraud risk assessments across the business relating to both external and internal threats, thus implementing mitigation measures as required (De Villiers, 2014:45). They also build appropriate fraud prevention and detection processes and implement them. Some fraud investigators manage the day-to-day operation of an expanding fraud team, thereby ensuring that Key Performance Indicators (KPIs) are

met and regular reports are produced for the management team (De Villiers, 2014:47). In this capacity, they will also work closely with the senior management team to ensure that operational capacity is correctly aligned to combat a variety of fraud types.

According to the South African Police Service (2015:56), a few other responsibilities of a fraud investigator include:

- Working to a high standard, meeting strict timeframes whilst working under pressure.
- Communicating directly with customers as part of ongoing fraud investigations through in-app messages or via telephone with potential victims of fraud to establish circumstances and additional information, before providing a fair and logical decision, with supporting rationale.
- Work as part of a team and support colleagues as and when required to reduce workload(s).
- Conduct surveys and research to obtain relevant information when investigating fraudulent activities and cases.
- Gather and analyse relevant hard copy or electronic documents, information or other evidence necessary to confirm or disprove claims or allegations of fraud.
- Analyse financial records, data, legal documents and processes to identify inconsistencies.
- Conduct interviews with persons within and outside the organisation to establish the facts and circumstances of fraudulent activities.
- Maintain a complete and accurate database of fraudulent cases by ensuring all case files are complete and accurate and include detailed documentation of actions taken and recommendations made.
- Prepare reports and propose strategies and solutions to organisational leaders on ways to minimise or eliminate the risk of fraud.
- Provide guidance and/or support in the preparation or supply of evidence for presentation in court when necessary or as requested.

Beside the aforementioned duties of fraud investigators, Rejda and McNamara (2014:3) stated that they also often wear different hats such as many ongoing responsibilities. These include monitoring transaction reports to identify any suspicious transactions and conducting detailed investigations as required. They must also proactively identify financial crime trends through data analysis and share findings with leadership as and when needed.

2.7 SUMMARY

This chapter discussed the contextual factors and the role of fraud. There were many negative impacts on the existence of fraud in the environmental setting. Indeed, a few policies and commitments to preventing fraud were also discussed. Those who are willing to commit fraud do not discriminate. It can happen in large or small companies across various industries and geographic locations. Occupational fraud can result in huge financial loss, legal costs and ruined reputations that can ultimately lead to the downfall of an organisation. Having the proper plans in place can significantly reduce fraudulent activities from occurring or cut losses if fraud already occurred. Making the company policy known to employees is one of the best ways to deter fraudulent behaviour. Following through with the policy and enforcing the noted steps and consequences when someone is caught is crucial to preventing fraud. The cost of trying to prevent fraud is less expensive to a business than the cost of the fraud that gets committed.

CHAPTER THREE: INVESTIGATIVE CHALLENGES IN THE DETECTION OF FRAUD IN THE EASTERN CAPE PROVINCE

3.1 INTRODUCTION

The chapter discusses the fraud investigation in SA, which included challenges that are hampering the effective detection of fraud, as well as the current procedures that could be followed to detect fraud in SA.

3.2 FRAUD INVESTIGATION IN SOUTH AFRICA

Scientific journal articles or books could still be written about how to conduct a thorough fraud investigation because up-to-date fraud investigation is not yet managed accordingly in our societies, especially in SA. Some of the failures in SA include the cases where the justice system fails to prosecute correctly because of a lack of evidence during the investigation process (Price Waterhouse Coopers, 2014:45). The purpose of a fraud investigation is to gather evidence of a probable scam. Even when faced with allegations of fraud, an investigator should remain objective in his or her work by attempting to determine whether or not there is proof of fraud.

In SA, documentation such as paper, computer files or other written sources is not enough to prove fraud related crime (Price Waterhouse Coopers, 2020:39). It also includes information gathered through surveillance and covert operations, as well as testimony obtained through interviews and interrogations, physical evidence such as fingerprints and stolen objects, personal observations of the fraud investigators and information obtained through surveillance and covert operations (Price Waterhouse Coopers, 2020:42).

According to the South African Police Service (2015:30), document examination, including both physical and digital evidence, should be at the heart of the fraud enquiry. The report from SAPS further revealed that technology and business are advancing at a quick pace, therefore, the digital component of investigations continues to rise (South African Police Service, 2015:32).

Depending on the investigation, the focus is on examining a variety of details like examining bank statements, cancelled checks, vendor invoices, accounting system

reports, purchase and inventory data, payroll records, internal and external emails and a range of other documents all part of the investigation process (Association of Certified Fraud Examiners, 2018:11). The scope of the investigation could play a large part in the amount and type of documentation examined.

Fraud investigators and forensic accountants may examine other tangentially relevant documentation in addition to a rigorous study of books and records (Motsepe, 2019:67). Prior audit and investigation files, for example, may provide insight into the company's operations and previous fraud situations (Association of Certified Fraud Examiners, 2018:121). Personnel records for alleged criminals can provide useful background information, as well as pointers to other topics that should be explored. Security logs that detail building access and entry into restricted areas may be beneficial.

Finally, computer access records, which show who personnel accessed which information when and when, can be a crucial piece of the puzzle. The process of fraud investigation should not be left in the hands of amateurs. In many cases, there is only one chance to get an investigation properly (Association of Certified Fraud Examiners, 2018:22).

When evidence is tampered with or destroyed, a fraud enquiry cannot be restarted. Competent professionals are essential for successfully finishing an investigation so that management and staff may get back to work. The Eastern Cape Province in SA is among the provinces that have poor investigation processes and as a result, an injustice system is being observed (South African Police Service, 2015:49). According to Sen (2014:30), the detection of fraud is a preliminary measure in the fraud investigation process. It is a method of detecting and preventing fraudsters from obtaining money or property by deception (Sen, 2014:33).

3.3 CHALLENGES THAT ARE HAMPERING THE EFFECTIVE DETECTION OF FRAUD CASES BY THE GENERAL DETECTIVES IN THE EASTERN CAPE PROVINCE

Various challenges were identified as hampering the effective detection of fraud. Therefore, the following subsections are fully discussed.

3.3.1 Fraud investigation capacity in South Africa

Capacity is the power or ability to perform a certain activity (Motsepe, 2019:34). In this study, this capacity refers to investigators' abilities to meet the challenges of investigating or detecting fraud cases. The aim is to establish the organizational capacity to deal with the identified challenges and ensure early detection is being achieved in fraud cases.

It is said SAPS investigators require knowledge, skills and experience in conducting their duties successfully and their capacitation depends on a managerial staff training strategic plan which seems to be lacking (Miller & Gordon, 2014:2). Based on this analysis, SAPS investigators seem to be the lacking capacity to carry out their delegated duties accordingly.

3.3.2 Physical resources

Lack of resources such as new technology to utilise during the investigation is the main concern (Purnamasari & Amaliah, 2015:21). In addition, many fraud cases failed to be investigated fairly because devices in need such as record notes and proper forensic reports were lacking (Purnamasari & Amaliah, 2015:22). Limited resources such as budget and transport vehicles are also contributing to the poor investigation of fraud. In terms of funds, the limited budget makes the detection of fraud poor because there might be limitations in strengthening the use of informers like whistle-blowers. It is stated that payment of informers also encourages them to contribute to the facilitation of fraud detection as well as maintaining safety against themselves. However, where safety is not guaranteed, this might be due to a lack of resources to safeguard the informers (Purnamasari & Amaliah, 2015:24).

The literature consulted revealed that police investigators are not technologically capacitated at the same time rate as technology advanced due to a lack of funding in the SAPS (Rahman & Anwar, 2014:102).

3.3.3 Lack of staff training and required skills

For fraud to be detected, training should be facilitated within the staff and communities so that they understand what is meant by fraud and how to detect it (Purnamasari & Amaliah, 2015:26). Lack of education skills in relation to fraud detection contributes to the failure to investigate fraud and therefore alertness could not be done to report the

fraud (Rejda & McNamara, 2014:10). Investigators are required to be capacitated fully to detect fraud.

3.3.4 Difficulty in integrating data

Accurate data collection and proper interpretation could provide a positive impact on the outcomes of the investigation (Purnamasari & Amaliah, 2015:28). Therefore, strengthening and upskilling investigators in integrating data lead to proper data interpretations for fraud detection as well as investigative report. However, a lack of integration of data could lead to failure to detect fraud and its investigation, which ultimately gives wrong investigation outcomes.

3.3.5 Inadequate fraud discovery techniques

Deficiencies in accounting systems or technology are a symptom rather than a cause and even these are the result, directly or indirectly, of human failings (Writer, 2017:28).

3.3.6 Difficulty in examining crimes

Lack of skills leads to the failure of provision for examining the crime and such, a situation messes up the whole process of investigation of fraud (Rejda & McNamara, 2014:9).

3.3.7 Poor coordination with law execution agencies

It has been observed that there are no proper relations in law enforcement agencies to facilitate prosecution (Purnamasari & Amaliah, 2015:30). Sometimes investigators come with a report investigation for court usage but during court period, such information is not utilised accordingly. This is based on poor relations with the corporate governance. People who deserves procecuton sometimes are not prosecuted due to this poor coordination. For proper investigation, all governments are required to assist the investigators where it is related so that fraud can be investigated fully (Rejda & McNamara, 2014:3). For instance, if the hospital is required to provide an audiology report, the process should be done and report be supplied to the investigators for the next step.

3.4 THE PROCEDURES THAT COULD BE FOLLOWED IN THE DETECTION OF FRAUD

It is stated that no organisation or administrative process is free of risk (OECD, 2014:3). It is the management's responsibility to identify and control the risks that the organisation faces (Rejda & McNamara, 2014:17). Risk may be defined as the chance of an unwelcome outcome and may cover a wide range depending upon the nature of the organisation's business (OECD, 2014:7). In the context of managing fraud, the risk is the vulnerability or exposure an organisation has towards fraud and irregularity (Rejda & McNamara, 2014:18).

It combines the probability of fraud occurring and the corresponding impact measured in monetary terms, and it is desirable to minimise risk both by reducing the probability of fraud occurring and by reducing the size of any consequential losses (Rejda & McNamara, 2014:19). Preventive controls and the creation of the right type of corporate culture will reduce the likelihood of fraud occurring while detective controls and effective contingency planning can reduce the size of any losses (OECD, 2014:30). Procedures that are used to detect fraud are unlimited to the strategic consideration, fraud detection techniques, practices of fraud detection and prevention and fraud reporting policy and procedure.

3.4.1 Strategic consideration

Every company or organisation ensures that it operates through strategic planning. However, the basic strategic variables for consideration considered when making such a plan for the future are products, services, customers, markets, finances, people, technology, policy development and production capability (Patidar & Sharma, 2011:2230). In the context of this study, conducting risk assessments are key priority measurements for fraud prevention policy.

Risk assessments, whether formal and informal, are key aspects of any fraud prevention policy, in addition to being required under the Public Financial Management Act (PFMA) (Association of Certified Fraud Examiners, 2018:46). The assessment of risks in all operations and situations must become a habit and second nature for all employees and management, and it should be included in management and appropriate employee performance contracts (Association of Certified Fraud Examiners, 2018:49). While a written fraud prevention strategy is required, fraud

prevention must also be incorporated into all operational plans (Rahman & Anwar, 2014:101).

Fraudulent employees and others must be pursued to the fullest extent of the law (Rahman & Anwar, 2014:101). Employees, authority members and others who have relations with the organisation reserve the right to have their criminal histories examined before they are officially affiliated with it, and ethics management is pushed as a concept and practice (Dobel, 2018:39). Further, Dobel (2018:46) also stated that authority members, management and employees must all believe the following in order to build such an ethical culture:

- That an organisation or company is honest and ethical in its business dealings, including dealings with stakeholders, customers, suppliers and employees.
- That the organisation or company should be ensured that it treats employees with respect, rewards them fairly, imposes discipline fairly, and where, regrettably, redundancy becomes necessary, exits them fairly.
- Fraud prevention should be a common objective throughout the organisation at all levels, and they have been trained to play their part in the fight and their efforts are acknowledged.
- In an event that fraud is suspected, the perpetrator can expect the most rigorous investigation and if found guilty, a severe sentence should be instituted.
- Where professional and other bodies require ethical behaviour from their members, staff who are eligible for membership in such bodies are encouraged to become members of such bodies.

3.4.2 Fraud detection techniques

Fraud detection techniques are divided into two broad spectrums. Each one has its sub-techniques.

3.4.2.1 Statistical data analysis techniques

By conducting extensive investigations, statistical data analysis for fraud detection accomplishes numerous statistical operations such as fraud data gathering, fraud detection and fraud validation. The following sorts of techniques are subdivided from these:

- *Statistical parameter calculation*

Statistical parameter computation is the process of calculating numerous statistical parameters for fraud related data collected during the data collection process, such as averages, quantiles, performance indicators and probability distributions (Salkind, 2014:43).

- *Regression analysis*

Regression analysis are used to look at the relationship between two or more variables (Salkind, 2014:45). The link between the independent and dependent variables is also estimated. This helps in the understanding and identification of links between various fraud characteristics, as well as the prediction of future fraudulent acts. These forecasts are based on fraud variable usage patterns in a possibly fraudulent use case (Salkind, 2014:51).

- *Probability distributions and models*

Models and probability distributions of various fraudulent business operations are mapped using this technique, either in terms of distinct parameters or probability distributions (Salkind, 2014:53).

- *Data matching*

Data matching is used to compare two sets of collected data in relation with fraud. The process can be carried out either based on algorithms or programmed loops. Furthermore, data matching is used to find linkages between two datasets and remove duplicate records for marketing, security and other applications (Salkind, 2014:62).

3.4.2.2 Artificial Intelligence

Companies have improved their internal security and streamlined corporate processes by deploying artificial intelligence for fraud prevention (IvyPanda, 2019:10). Artificial Intelligence (AI) has emerged as a critical tool for preventing fraud at financial institutions due to its increased efficiency (IvyPanda, 2019:11). AI based fraud detection techniques include the following methods:

- *Data mining*

Data mining for fraud detection and prevention automatically classifies, clusters and segments data and finds relationships and rules in the data that may indicate intriguing patterns, including fraud trends (Salkind, 2014:78).

- *Neural networks*

Neural networks under fraud detection perform classification, clustering, generalization and forecasting of fraud related data that can be compared against conclusions that are raised in internal audits or formal financial documents (Patidar & Sharma, 2011:2231).

- *Machine learning*

Machine learning algorithms can learn from prior fraud trends and recognize them in future transactions, thus making fraud detection with machine learning conceivable (McKinsey Global Institute, 2015:10). Unsupervised or supervised learning methods are used in machine learning. A random subset of all data is manually classified as "fraudulent" or "non-fraudulent" in supervised learning (McKinsey Global Institute, 2015:16). Unsupervised learning, on the other hand, searches the raw data for common patterns (i.e., fraud) and correlations, and predicts without further labelling.

- *Pattern recognition*

Pattern recognition algorithms detect approximate classes, clusters or patterns of suspicious behavior, either unsupervised or supervised (Makary & Michael, 2011:19). Other techniques such as link analysis, Bayesian networks, decision theory and sequence matching are also used for fraud detection (Makary & Michael, 2011:21).

3.4.3 Practices for Fraud Detection and Prevention

Advances in fraud detection technologies act as an accurate and efficient arsenal against fraudsters and cybercrimes (Rahman & Anwar, 2014:98). The following figure presents best practices for fraud detection and prevention.

Figure 3.1: Fraud Detection Best Practices



Source: ((Rahman & Anwar, 2014:99)

The above mentioned figure presents fraud detection best practices and underneath are discussions based on the figure.

Create a potential fraud risk profile

This is about a top-down approach to risk assessment, thus outlining the areas of your firm where fraud is most likely to occur, as well as the sorts of fraud that could occur in those areas (Rahman & Anwar, 2014:99). After that, there is a need to classify the risks according to the organisation's overall risk exposure and develop fraud risk profiles that are a part of the overall risk assessment and include all stakeholders and decision-makers in the process.

Address the possible indicators of fraud

Rather than testing only random data samples, organisations should test 100% of their data while sampling can be useful for finding problems that are fairly constant across datasets; this is not necessarily the case when fraud is involved (Rahman & Anwar, 2014:100). By their very nature, fraudulent transactions do not happen at random

(Rahman & Anwar, 2014:101). It is stated that transactions can fall within the boundaries of certain standard testing and still not be flagged.

Implement continuous auditing and monitoring

To evaluate and validate the effectiveness of an organisation's controls over transaction authorisations, continuous auditing and monitoring can be used. Setting up scripts to spot anomalies as they arise over time might be used for continuous analysis (Price Waterhouse Coopers, 2014:20). This process can substantially improve the overall efficiency, consistency and quality of an organisation's fraud detection process.

Increase organisational awareness of the monitoring activity

The programme's communication across the organisation is an important aspect of fraud prevention and is very useful for preventing fraud within the company (Price Waterhouse Coopers, 2014:23). Employees will not engage in fraudulent activities if they are aware of the preventative procedures that have been put in place and can be a very effective preventative measure (Price Waterhouse Coopers, 2014:25).

Deploy artificial intelligence

Machine learning is a powerful force for improving both the accuracy and efficiency of fraud detection (Price Waterhouse Coopers, 2014:28). According to Rahman and Anwar (2014:110), through machine learning, systems can automatically perform the following tasks:

- *Create and update rules for detection and alert handling:* Machine learning can examine masses of data to help establish rules and keep them up-to-date. Even something as simple as a decision tree can add some benefits to more accurate rules.
- *Select the most accurate detection models:* A combination of machine learning techniques such as gradient boosting and support vector machines and neural networks can deliver the most accurate fraud detection rates.

- *Automate investigation processes:* On average, 60 to 70% of an investigator's time is spent collecting data about a subject. Machine learning can guide systems to automatically search and retrieve data, run database queries and collect information from third-party data providers without any human intervention.

Encourage anti-money laundering and fraud suspicious activity reporting

The purpose of suspicious activity reporting (SAR) and the investigation that follows is to find customers who are involved in money laundering, fraud or terrorism financing (Omar & Bakar, 2012:15). SAR can involve a wide range of activities that are considered unusual (Omar & Bakar, 2012:16). If a behaviour raises suspicions that the account holder is attempting to conceal something or perform an unlawful transaction, it may be included in SAR (Omar & Bakar, 2012:20). Hence, organisations need to implement measures to report money laundering and related frauds (Omar & Bakar, 2012:24).

Deploy intelligent case management

According to the KPMG Malaysia report (2013:3), an advanced, analytics-driven, intelligent case management solution can automatically assist in the following ways:

- Prioritise cases, recommend investigative steps and fast-track straightforward cases.
- Enrich alerts with details about the associated customers, accounts or beneficiaries.
- Intelligently find and pull data from an internal database or even from a third-party data provider.
- Present data in easy-to-understand visualisations.
- Auto-populate and prepare SAR for electronic filing (if applicable).

As such, organisations can streamline their fraud investigations by deploying an intelligent case management solution to aid their fight against cybercrimes (KPMG Malaysia, 2013:19).

Learn, adapt and repeat

This is about reviewing, re-evaluating, and restructuring one's fraud profile, taking into account the most common fraud schemes and also those relating specifically to the risks that are unique to one's organisation, thereby moving your investigative lens accordingly (Omar & Bakar, 2012:1). This can be achieved by using data analytics to find out where controls are not working or are ineffective and also keep a watch on controls that application control settings cannot govern (Omar & Bakar, 2012:4). Lastly, patterns and fraud indicators shown by fraud detection tests and continuous monitoring and auditing processes need to be investigated.

3.4.4 Fraud reporting policy and procedure

Managers must be aware of what to do in the event of a scam or any alarming sign of fraud so that they can act quickly (Patidar & Sharma, 2011:2232). According to the National Treasury (2013:34) on anti-corruption, the goal of the fraud reporting policy and procedure is to ensure that action may be performed quickly and effectively:

- to prevent losses of funds or other assets and to maximise recovery of losses where fraud has occurred;
- to minimise the occurrence of fraud by taking rapid action at the first signs of a problem;
- to identify the fraudsters and maximise the success of any disciplinary or legal action taken;
- to minimise any adverse publicity for the organisation suffered as a result of fraud;
- to identify any lessons learnt and use these to prevent fraud in the future; and
- to reduce adverse impacts on the business of the organisation.

The existence of a fraud reporting policy and procedure may, in itself, help to act as a deterrent, as it shows that an organisation or a company is prepared to defend itself against the risk of fraud.

3.5 SUMMARY

Fraud investigation in SA has been a public concern, as it has shown that cases that are investigated are always challenged by perpetrators due to lack of evidence and a lack of skill to conduct investigations. However, fraud detection and prevention need to be a top priority for any business. A well-designed and implemented fraud detection system can significantly reduce the chances of fraud occurring within an organisation. In addition, timely detection of fraud directly positively impacts the business by reducing future potential losses.

Effective detection techniques such as AI and statistical data analysis serve as a deterrent to potential fraudsters. As regulatory requirements and compliance demands have grown, it has become extremely important to implement a robust fraud detection and prevention programme. The chapter further discussed procedures that are utilised to detect fraud where it brought two main subsections to deal with fraud such as strategic consideration and fraud reporting policy implementations.

CHAPTER FOUR: THE IMPACT OF FRAUD IN SOUTH AFRICA

4.1 INTRODUCTION

Fraud is a severe problem that is often overlooked and unregulated. Fraudsters are on the lookout for any government entity. Unfortunately, when executing their business, government agencies do not always consider fraud. Even when fraud is taken into account, it can be difficult for public entities to define, measure and describe the problem without assistance. Furthermore, the emphasis on financial loss may be overstated. In reality, the impact of fraud goes well beyond this.

Therefore, this chapter is set to discuss the impact of fraud in SA, including Eastern Cape Province as a research site. Fraud is thought to affect people, industries, public entities, services and the environment in SA, and all of these might be irrevocably destroyed. Understanding the whole impact of fraud, rather than just the financial loss, assists government agencies to make better judgments. Any sort of fraud, whether committed by opportunistic individuals or major and organised crime groups, can have catastrophic consequences. Serious and organised crime can amplify the scope and impact of fraud, and expert facilitators make it more difficult to detect and eradicate their operations.

4.2 IMPACT OF FRAUD IN SOUTH AFRICA

There is no crime without a victim. Fraud may be a painful event for victims, their families, caregivers and communities, with real and irrevocable consequences (Crosby, 2017:23). Besides, the elderly, frail, sick and underprivileged, who rely on government assistance, are frequently the ones who are injured directly or indirectly by fraud (Crosby, 2017:25). Fraud has the potential to be devastating and compounding for these victims, thus reinforcing their disadvantage, vulnerability and inequity (Richard, 2015:1). Victims of fraud can suffer long-term mental and physical stress, and in certain situations, fraud can even result in death (Richard, 2015:3).

Public-sector fraud jeopardises the government's ability to offer services and accomplish desired goals (International Public Sector Fraud Forum, 2019:1). Money and services are diverted from their intended destinations, and the services provided may be inadequate or dangerous (International Public Sector Fraud Forum, 2019:3). This may result in the program's failure. Individuals and businesses lose out on possibilities as a result of it. According to the Young (2014:60), fraud depletes

government resources in a variety of sectors, including investigations and compliance, prosecution, prison, welfare, identity and computer systems. In summary, fraud occurs in the public sector and can impact any organisation. When fraud against government programmes is handled incorrectly, it can lead to a loss of trust in the government and industries, as well as a loss of international and commercial reputation (Young (2014:64). This is especially true when fraud is made possible by corruption.

Fraud against government entities can lead to skewed markets, in which fraudsters gain a competitive edge and drive legitimate businesses out (Brodie, 2015:1). It can have an impact on how businesses supply services and expose other industries to fraud. It can also put a larger strain on charities and community agencies that help people who have been victimized by public sector fraud (Palmiotto, 2013).

Fraud is difficult to detect since it is based on secrecy and deception (Palmiotto, 2013). Following this, conducting surprising audits, anonymous hotlines and ongoing surveillance can all aid in the detection of fraud. Another measure is to provide a whistleblower hotline service at Wise that can assist firms in detecting fraud (Palmiotto, 2013). According to Discovery (2014:23), public sector fraud can jeopardise national defence and security, thus endangering service members and people. It can also harm a country's international reputation and hinder its ability to obtain international assistance. Government fraud can be used to fund organised crime and terrorism, hence potentially leading to more crime and terrorist attacks (Piskorski, Tomasz & Witkin, 2013:731).

According to international estimates, governments lose between 0.5 percent and 5% of their budgets to fraud and related losses (Patil & Bhakkad, 2014:2). The majority of fraud is concealed and unnoticed, thus making it difficult to classify it. Financial impact calculations can help agencies understand their potential losses and how to mitigate them (Price Waterhouse Coopers, 2014:21). Dealing with fraud against government programmes has considerable and extended business expenses that go far beyond the direct financial loss (Patil & Bhakkad, 2014:3). This author further affirmed that assessment, detection, investigation and response costs, as well as potential reparation, might all be included and those costs may include programme evaluations and audits, as well as retrofitting or modifying programmes.

Fraud has an impact on many key areas sectors such as human, government outcome, government systems, reputational impact, industry, environment, security and in businesses.

4.2.1 Human impact

Public sector fraud is not a victimless crime and may be a devastating experience for victims, their families, caregivers and communities, with real and irrevocable consequences. Fraud has the potential to be devastating and compounding for these victims, thus reinforcing their disadvantage, vulnerability inequity, and victims of fraud can suffer long-term mental and physical stress, and in certain situations, fraud can even result in death (South African Police Service, 2019:25).

The purpose of public bodies is to improve the lives of the people they serve by handling fraud in a way that is most meaningful to those citizens if they consider the human consequences of fraud. Fraud impacted the Eastern Cape Province negatively where public agencies bear the direct financial losses. Every story of fraud involves actual people, families and communities whose lives have been touched or even destroyed (South African Police Service, 2015:34). In the Eastern Cape Province, it is stated that people suffer financial, physical or mental harm.

According to Oosthuizen (2015:23), opportunistic individuals and significant organised crime groups attack public agencies, especially programmes created to assist vulnerable people. All too frequently, the people who are the most vulnerable to fraud are those who already have the most difficulties in their daily lives.

Examples of human impact as observed in the Eastern Cape Province included substandard services, stolen or undeliverable services or products and identity theft. It has been revealed that individuals are not the only ones that suffer; their families and communities are also affected. To make an example, on the 22nd of October 2020, a court case in Mthatha within the Eastern Cape Province where a director of a certain company allegedly defrauded OR Tambo municipality of R4.8 million. This company was awarded a tender between March and June 2020 to conduct awareness about Covid-19 pandemic disease in selected wards of OR Tambo. In the court case, it was found that the company claims to have done door-to-door visits in the Port St Johns, King Sabata Dalindyebo and Mhlontlo Local Municipalities, yet no evidence. The

company was found guilty by the court, and this impacted communities, families and entire wards as people were demised because of Covid-19 due to poor awareness.

Fraud committed against public bodies, such as services being delivered by someone without qualifications, can directly impact those who rely on government services (Oosthuizen, 2015:35). Fraudsters can divert funds from payments and programmes, thus causing victims to lose access to critical services and support. Because the funds were not spent as intended, the intended receivers may miss out on possibilities.

People who are victims of public sector fraud might experience substantial psychological and emotional problems such as shame, embarrassment, distress, despair and wrath, in addition to financial losses (De Villiers, 2014:45). People who have been victims of the public sector fraud face social issues, such as a loss of reputation, feelings of vulnerability, isolation and exposure. This circumstance also carries a negative effect on a victim's mental health, thus causing anxiety, depression and even suicide (South African Police Service, 2019:31).

The processes involved in dealing with fraud can result in trauma and additional costs from dealing with banks, insurance companies, utilities, law enforcement and advisors (De Villiers, 2014:52). Fraud against public bodies results in individuals having their identities stolen. This can have long term impacts of exposing the person to further fraud and potentially impacting their eligibility for services or benefits that they are reliant on (Rejda & McNamara, 2014:10).

A failure to resolve financial and credit problems associated with fraud can have a detrimental long term effect on the victim's financial health and ongoing credit ratings (De Villiers, 2014:49).

4.2.2 Government outcomes impact

Public sector fraud compromises the government's ability to offer services and accomplish desired goals (International Public Sector Fraud Forum, 2019:7). Money and services are diverted from their intended destinations, and the services provided may be inadequate or dangerous, and this may result in the programmes failure (International Public Sector Fraud Forum, 2019:9). Indeed, the individuals and businesses lose out on possibilities as a result of it.

When fraud against a public body occurs, it diverts limited resources and compromises the government's ability to deliver services and achieve intended outcomes, such as services not delivered and resources being diverted away from the intended target or services are undelivered to the required standards (Motsepe, 2019:78).

The programme's objectives could not be met as its vision, including customers, is affected negatively because it relies on the service rendered, and fraud can result in lost opportunities for a programme or service (Motsepe, 2019:80). Programmes or services lose the opportunity to improve if shut down, as a result of fraud or if they are constrained by fraud financial losses and the business costs of responding to fraud.

4.2.3 Government systems impact

Fraud costs money and drains capacity in a variety of government systems and services (Writer, 2017:90). To deal with fraud responses and outcomes, limited resources are diverted, and this limits the governments' ability to address other issues. Government system impacts include investigations and compliance agencies. Public bodies with compliance and investigatory functions, including police and law enforcement, have limited resources (Serrao, 2017:1). With these limited resources, legal representation and judicial proceedings are exceedingly costly (Writer, 2017:95). Systematic fraud that leads to a higher number of prosecutions require the government to pay additional resources for courts and legal aid organisations.

If the prosecution of fraudsters leads to a conviction, this results in prison costs (Mofokeng & De Vries, 2016:90). Fraudsters who are caught may move to government welfare and other services for support and assistance, which results in additional costs on the welfare and other government services (Mofokeng & De Vries, 2016: 93). Identity fraud also lead to costs for authorities that regulate passports, permits and licences, eligibility to other programmes, vetting systems and Fit and Proper Person checks. The Eastern Cape government system has been weakened by fraudsters, and this harmed service delivery.

The NPA prosecuted five individuals linked to the 2014 procurement of learner/teacher supplementary resource material by the Eastern Cape Department of Education to the value of R59 million. In this case, the SIU investigation revealed that the Sigismund Trust had delivered the resource material as per the terms of the irregular contract, which has since been reviewed and set aside (Price Waterhouse Coopers, 2020: 59).

As result, the SIU calculated the profit earned from the procurement contract and demanded it be paid back.

Civil litigation was instituted by the SIU in the Grahamstown High Court to recover the monies. The trustees of Sigismund Trust agreed to pay back R3 million in three instalments, plus interest and the agreement was made as an order of the Grahamstown High Court in March this year. This fraud case failed the department to utilise its budget, as outlined in the financial year period. The fraud case took the name of the department into dispute (Mail & Guardian, 2015).

4.2.4 Reputational impact

Public entities that proactively manage their risks may be less susceptible to reputational damage and can utilise their reaction to develop trust with other public bodies and industries, customers, the general public and politicians (Mail & Guardian, 2015). Where fraud might have been avoided or mismanaged, reputational damage arises.

Loss of trust in government is one of the reputational consequences, and this can negatively impact how people conduct business at personal, industry and state levels (Price Waterhouse Coopers, 2020:28). additionally, other parties may not trust the government with information, may feel a lack confidence in the government's ability to deliver programmes or policies or view the government as a soft target for further exploitation (Price Waterhouse Coopers, 2020:29). Price Waterhouse Coopers (2020:23) further stated that loss of trust in the integrity of the public sector has been shown to lead to a decrease in legal compliance. Fraud can result in not only loss to the government but can have further impacts on industry (South African Police Service, 2019:30).

Legitimate business in an industry where fraud has occurred against a government programme can be tarnished by association (Theobald, 2015:14). Knowledge of fraud occurring against or within the public sector can reduce employee morale and performance, and this decreases productivity and compromises organisational culture (Statistics South Africa, 2015:11). This can also lead to a culture of non-compliance where some level of fraud is seen as acceptable.

Fraud impacts the international and economic reputation of countries (International Public Sector Fraud Forum, 2019:2). Widespread fraud can be a contributing factor in assessments of whether a country is safe to conduct international trade and business, particularly where this is combined with corruption (International Public Sector Fraud Forum, 2019:5).

4.2.5 Industry impact

Fraud can have a flow-on impact on legitimate businesses and the industry as a whole, and in terms of market distortion and competition, fraudsters can gain a competitive advantage from engaging in fraudulent conduct (Button, Lewis, Shepherd, Brooks & Wakefield, 2012). This can mean that legitimate competitors are priced out of the market and become bankrupt and close down, and the fraudster can achieve a monopoly over the market.

When a fraudster is identified and their business is shut down, but the fraudulent conduct led to market distortion and competitors closing down, recipients can be left with no service options (Button et al, 2012). The author further stated that fraudsters are agile and move between government programmes as opportunities for fraud are closed down and others arise. Increasingly, fraudsters are operating across multiple programmes or public bodies, for instance, fraud against public bodies can expose other sectors such as the banking and insurance sectors (Mail & Guardian, 2014:4).

Community services and charities can have extra burdens placed on them by fraud victims who seek out financial, welfare, mental health and healthcare services. This may also reduce their ability to offer services to other often vulnerable people. Besides, if fraud has occurred within community service, this may affect their ability to undertake and deliver their services (Mail & Guardian, 2014:7).

4.2.6 Environmental impact

In some cases, fraud can have an impact on the environment, and its damage can be immediate and direct, such as increasing levels of pollution, reducing biodiversity and disturbing ecological balance (Munien, 2015:70). These impacts can be medium to long term or in some cases irreversible. Environmental impacts also include any clean-up and maintenance costs. Fraud can also undermine efforts and the real or perceived effectiveness of green measures to improve the environment, and it is found that in

countries where there are higher levels of fraud and corruption, environmental sustainability decreases (Munien, 2015:76).

4.2.7 Security impact

Fraud has an impact on security, including national security and the security of individuals and organisations (Naidoo, 2016:91). Security impacts include national defence where fraud compromises security, and it can impact a nation's ability to effectively defend its sovereignty and citizens. This can put the lives of its service men and women, as well as citizens, at risk (Naidoo, 2016:98). National security fraud can compromise national security and community safety when perpetrated by organised crime groups and terrorist groups (Naidoo, 2016:101).

Fraud is being undertaken by actors for funding terrorist activities, organised crime groups using proceeds of fraud to perpetrate other criminal activities and compromise border security, thus resulting in biosecurity risks and enabling trafficking of illegal goods (Naidoo, 2016:107).

In terms of organisation security, fraud can compromise the security within the private sector or non-public bodies, and this can compromise national security, for example, where fraud involves identity theft or where there are links with government services or systems. Also, where trusted insiders are exploited by serious and organised crime groups or innocent persons are coerced by these groups, this can put organisational security and personal security at risk (Naidoo, 2016:120).

4.2.8 Business impact

The cost of responding to fraud once it has occurred cannot be discounted. These costs are significant and extensive but often overlooked (Roodt, 2016:20). However, as per this author, these costs can be identified, and measuring these costs can help demonstrate a complete picture of the actual financial cost to a public body.

Considering business costs can also highlight the importance of investing in preventative measures, which may be comparatively lower (Roodt, 2016:23). These costs include assessment costs, and when allegations or referrals of fraud are received, resources (staff, time and systems) are required to assess whether to investigate. Detection costs if public bodies are detecting fraud, and this will take resources and detection costs may be spread across the public bodies (Brock & Boutin

2012:21). Detection costs could include building in detection to programme design, compliance checks, organisation-wide fraud detection, tip-off arrangements, data analytics programme, technology tools, training and data sharing between public bodies.

Fraud investigations can be resource intensive, and understanding these costs can help a business prioritise prevention rather than reactive investigation (Bughin, 2016:51). Investigation costs include the costs of briefing and resourcing investigation staff, both internal and external. Investigation costs vary depending on the size and complexity of the fraud, and may not necessarily correspond with a public body's fraud risk (for example a public body with a large fraud risk may have simple matters to investigate while a public body with a small fraud risk could be victim to a complex fraud that is very resource intensive to investigate) (Brock & Boutin, 2012:24).

Investigation costs can continue over many years where the investigation staff is required to give evidence in court proceedings or review findings from a matter to highlight vulnerabilities in a programme (Sorensen, Mejlgaard & Hiney, 2020:34). Once fraud is identified and a decision is made to take action, this requires additional resourcing for the proper prosecution of the fraudster (Sorensen et al, 2020:37). These court and tribunal actions are resource intensive, and resources are required to support the court process with the prosecutorial briefing and evidence gathering, and legal representation (both for the public body, persons affected by the fraud and potentially the offender), as well as advice, is very costly. Administrative action may be taken in response to fraud, such as cancelling a service or cancelling a person's participation in a programme and administrative action consumes organisation resources in terms of time and briefing (Sorensen et al, 2020:39). Administrative actions are subject to appeal in court, which has associated costs.

4.3 SUMMARY

Fraud affects all societies and can impact negatively. In this chapter, the impact of fraud draws a discussion about the effect of fraud in SA communities, as well as the Eastern Cape Province. It is reported that people affected by fraud against public bodies suffer from social problems, such as a loss of reputation, feelings of vulnerability, isolation and exposure. Fraud can impact on a victim's mental health, thus resulting in anxiety, depression and suicide. In the Eastern Cape Province, the

impact has been fully discussed under various sections, such as human impact, government outcomes impact, government systems impact, reputational impact, industry impact, environmental impact, security impact and business impact. This provided a true picture of the impact of fraud in the Eastern Cape Province.

CHAPTER FIVE: RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

The chapter discusses the research design and methodology that was followed in the study. A description of the research design, method and ethical considerations is provided in detail. The section on the research method gives a thorough description of sampling and the data collection method.

5.2 RESEARCH DESIGN

A research design refers to an overall structure, the blueprint or a detailed plan for how a research study is conducted (Guest & Namey 2015:37). According to Moule and Goodman (2015:467), an appropriate research design improves the value of study findings and its contribution to evidence-based practice. Moreover, in this study the research design is about the preparation of parts that have to be incorporated to answer the research questions (Jha & Srivastava 2014:227).

This study used a qualitative descriptive phenomenological research design to explore investigative challenges of general detectives in the detection of fraud cases in the Eastern Cape Province. This design was chosen as it was found to be ideal for achieving the objectives and answer the research questions of the study. In this design, participants were able to share their lived experiences and frustrations including challenges they face while conducting their normal daily duties with regard to investigation of fraud cases. Therefore, the investigative challenges of general detectives in the detection of fraud cases in Eastern Cape Province were empirically investigated and quantified. Factors and impacts that had been associated with extent and nature of fraud were also investigated.

5.3 RESEARCH METHODOLOGY/APPROACH/PARADIGMS

The qualitative research approach was adopted to fulfil the purpose of the study. Burns, Grove and Gray (2015:20) stated that the qualitative research is a method of understanding the unique, dynamic, holistic nature of human beings and is concerned with understanding the meaning of social interactions by those involved. The advantages of this approach are that the researcher is close to the information, can do a follow-up when something is unclear and the information is valid.

In qualitative approach, researchers are interested in the profundity of human experience, which encompasses all the personal and subjective distinctiveness that are characteristic of individual experiences and meanings associated with a particular phenomenon (Du Plooy-Cilliers, Davis & Bezuidenhout, 2014:174). According to Çekmez, Yildiz and Bütüner (2012:78), the qualitative approach is an observation and experience based on an approach in which the intention is to describe differences among different people on their understanding or perception of a phenomenon.

The study focus was based on the real-life experiences of SAPS employees who are dealing with fraud cases in the Commercial Crime Unit and was conducted through in-depth face-to-face interviews.

The focus of the study was on the detection of fraud in the Eastern Cape Province. A qualitative descriptive phenomenological research design was used in this study. Because the study focused on what SAPS employees who are dealing with fraud investigation would normally experience in the SAPS Commercial Crime Unit in the Eastern Cape Province of SA, the qualitative descriptive phenomenological research design was considered a suitable method. The researcher had carefully read different types of research methods when undertaking a qualitative study but chose the qualitative descriptive phenomenological research design because of the type of data to be collected. The chosen research design helped to gather the important information required to answer the research question.

5.4 TARGETED POPULATION AND SAMPLING

This section describes the population and the sample that was selected. The definition of the population as well as sampling are supplied. The researcher indicates how many people were interviewed and provides the reasons for selecting them.

5.4.1 Study population

A population is the entire well-defined collection of individuals that is the interest in the scientific query and have similar characteristics (Brink *et al.*, 2018: 116). However, due to the large sizes of populations, researchers often cannot test every individual in the population because it is too expensive and time-consuming (Polit & Beck, 2014:450). The researchers usually focus on the target population (Botma, Greeff, Mulaudzi & Wright, 2016:124). In this study, the population entailed multiple officials at the management and functional level in the commercial crime sector (HAWKS) and

General Detectives who investigate fraud cases of the Eastern Cape Provincial offices. The researcher targeted officials with work experience in the investigation and detection of crime and fraud in SA.

5.4.2 Sampling

Sampling involves selecting a group of people, events, behaviours or other elements with which to conduct a study (Burns & Grove, 2011:243). It can be either random or non-random. In this study, the researcher used non-random purposive sampling. Creswell (2014:206) states that in qualitative research, the aim is not to generalise a population but to develop an in-depth exploration of the phenomenon of interest. This sampling technique was chosen because it assisted the researcher to choose specifically those SAPS employees who were dealing with fraud investigations, as described in the inclusion criteria. Therefore, a non-random purposive sample of eight (8) general detectives who met the criteria were selected to participate in the study in order to gain in-depth rich information about the phenomenon of interest under investigation.

5.5 DATA COLLECTION

Data collection is a systematic way of gathering relevant information that helps the researcher to answer the research question and meet the objectives of the study (Maree, 2016:45). Accordingly, Du Plooy, Davis and Bezuidenhout (2014:147) add that data collection is one of the crucial aspects of any research study. The research question guides the data collection method to be followed.

However, some strategies can be used when collecting data. They include the use of a questionnaire, interview schedules or guides, documents, observation guides and audio tape or video camera. According to Bertram and Christiansen (2014:71), during data collection, researchers collect data in order to find answers to the particular questions they are asking.

Creswell (2014:np) asserts that the data collection step includes setting the boundaries for the study, collecting information by means of unstructured or semi-structured observation and interviews, documents and visual material, as well as establishing the protocol for recording material. In this study, in-depth open-ended/semi-structured questions were developed as a tool guide for data collection. The purpose of the questions in the interview guide were to give direction to

conversations regarding their experiences about investigative challenges in the detection of fraud in the Eastern Cape Province. During the interviews, the researcher also employed the technique of probing in order to obtain more descriptive responses relevant to the questions. In this regard, Terreblanche and Durrheim (2002:281) state that in-depth information can be derived from semi-structured interviews and probing.

An in-depth open ended / semi structured interview through face to face was chosen as the most appropriate data collection strategy. The in-depth open ended interview is a flexible type of interview where the researcher could ask questions broadly and probe until no further outstanding information related to the main question (Polit & Beck 2014:537). It also allows the researcher to interact with each participant and able to follow up on a point made.

The open ended in-depth or semi structured questions were developed for interview process. A permission to conduct the study was granted by SAPS (i.e. See Annexure C). Prior commencement of the data collection, the researcher sought a permission to the eight (8) participants and all of them have signed the consent forms as a form of granting proceeding with the interview processes. The researcher further requested permission for audio taping and notes recording and these were granted.

In the similar vein, researcher maintained privacy and confidentiality during the interview process and that brought comfort to them. At times, the participants were able to discuss sensitive issues and could ask questions and they were provided with answers and clarifications about the matters that they had made.

Based on the suitable method (i.e. face to face in-depth interview/ semi structured) utilised to collect data, it is believed that rich information was gathered that broadened the understanding in respect of this study because participants expressed themselves freely and were unlimited in terms of answering the questions.

5.6 DATA ANALYSIS

According to Polit and Beck (2014: 430), qualitative data analysis is the process that aims to discover themes, categories and patterns of the relations. In this study, only themes and subthemes that emerged from the findings were used. The researcher utilised Colaizzi's seven-step method of data analysis, as suggested in Creswell (2014:390) in the following order:

- Reading and re-reading each transcript to obtain a general sense of the whole content.
- Extracting significant statements from the transcripts that relate to the phenomenon under study.
- Formulating meanings from the significant statements.
- Sorting the formulated meanings into categories, clusters of themes and subthemes.
- Integrating themes into an exhaustive description of the participants' statements.
- Describing the structure of the phenomenon.
- Validating the findings with the research participants.

As earlier indicated, the researcher was permitted by all participants to use tape recording and notebook recording during in-depth individual interviews. This tape-recorded information was transcribed into a Microsoft Word document. Also, these notes records from the notebook were transferred into a Microsoft Word document.

When all information was recorded in a Microsoft Word document, the researcher utilised the seven (7) steps of Colaizzi's of data analysis. At this stage, the researcher read all transcribed and recorded notes information in order to understand the data and extract themes (i.e. fraud detection methods, leading sources of fraud, impact of fraud, consequences of fraud and investigative challenges of fraud detection) that were found relevant to the study. Themes were organised and categorised based on familiarity and meaning.

Hence the themes with the same meanings could be clustered together. The researcher further analysed all those themes to present the findings. The extracts and quotes from interview transcripts were used to support argumentative statements. This was followed by the use of relevant literature findings of other researchers. Accordingly, the researcher discussed the findings in the context of what other studies revealed with regard to improving the quality of maternal healthcare in maternal health facilities. The themes and subthemes are discussed in Chapter 6.

5.7 ETHICAL CONSIDERATIONS

Babbie (2016:100) states that researchers have an ethical standard to follow during the process of conducting and reporting research. According to Bryman, Hirschsohn, Santos, Du Toit, Aurd & Wagner (2016:39), the primary step to proceed with data collection is to get ethical approval from the relevant authorities prior to commencing with data collection. In this study, the researcher received an ethical certificate that was used to gain access to the research site.

The researcher requested an appointment date to convene a briefing meeting with potential participants, as guided by the inclusion criteria. The meeting session was about giving a full overview of the study. The researcher started by giving a brief introduction of the study, the purpose of the study and an explanation as to why they were invited to participate in the study.

In this meeting, each participant was allowed to ask questions for clarity. The researcher provided each participant with honest and clear answers as to what they needed to know about the study. Once all the prospective participants agreed to participate in the study, the researcher in collaboration with these participants' scheduled times for the individual interviews.

5.7.1 Belmont report

According to Polit and Beck (2012:152), the Belmont Report articulates three broad principles on which standards of ethical conduct in research are based. These are the principles of beneficence, respect for human dignity and justice.

5.7.1.1 The principle of beneficence

The principle of beneficence enforces a duty on researchers to minimise harm and benefits to participants (Polit & Beck, 2014:150). In this study, the researcher stated in the consent letter to participants that there would be no risks involved in the study. Therefore, the safety of participants was ensured during the process of data collection. The researcher organised for a professional counsellor to help through debriefing sessions where there could be signs of psychological trauma or distress experienced by the participants.

5.7.1.2 The principle of respect for persons

Respect for persons refers to the recognition of personal dignity and autonomy, which include the right to full disclosure (Bless, Higson-Smith & Sithole, 2016:22). In this study, the researcher ensured that she reached an agreement with participants prior to playing a part in the study. This included the informed consent that was officially obtained from the participants to voluntarily take part in this study, and the respondents could withdraw at any stage if the individual felt so.

Also, to obtain informed consent, participants were fully informed about the processes of the research, the research problem, the purpose and objectives of the study and the benefits thereof. The researcher allowed the participants to ask questions for clarification where they did not understand or require more information. This confirmed that all the participants knew that they could refuse to give information and that they had the right to ask questions relating to the study.

5.7.1.3 The principle of justice

The principle of justice means fairness and equity which relates to the participants' rights to fair treatment and their right to privacy (Polit & Beck, 2014:111). The right to fair treatment entails selecting the participants based on the study inclusion criteria stipulated and not on participant vulnerability. The researcher maintained the fact that the participants were not targeted to participate in the study for the convenience of the researcher but to contribute to a new intervention that would address issues or challenges around crime related fraud investigation in order to improve the detection of fraud in the Eastern Cape Province.

To maintain privacy in the study, all these interview sessions were conducted in a private office that enhanced confidentiality, and made the participants comfortable to share their experiences about the phenomenon under investigation. To further maintain their privacy, pseudonyms were used.

The interview guides, specifically under biographic information, did not have any column that required the names of the participants. This, therefore, meant that no names were recorded in the interview guides. The interview guides and voice recording would be kept for five years under lock and key. The researcher is the only one with access to these interview guides and voice records referred to. A researcher and each participant signed a confidentiality binding form (see Annexure G).

To maintain principles of confidentiality and privacy, informed consent was obtained from each participant before data collection commenced. This guaranteed that the participants were consulted and understood the context of data collection in detail.

Each interview commenced after the researcher provided the information sheet (see Annexure C) to the participant who would participate in the study. This entailed the purpose of the study and the researcher made sure each participant understood it. This included the information that the study was voluntary and with an option to withdraw anytime he/she wished to. The researcher was flexible with any changes in the period of interview sessions, including allowing short breaks during interviews for individuals who became overwhelmed by emotions when sharing their experiences in crime related fraud investigations challenges they encounter.

5.7.2 The South African Police Service Code of Conduct for Research

The SAPS has its Code of Conduct that researchers should adhere to when conducting research in the organisation, and one has to obtain permission first. The SAPS has a Code of Conduct that guides every member with regard to standards and moral judgements. It is the responsibility of managers and supervisors to implement the Code of Conduct in their units, departments and stations (South African Police Service, 2015:60).

SAPS is a government organisation, and it has to adhere to the prescribed, promulgated legislation, regulations and official directives. Like any other organisation, SAPS stipulates that a person who wishes to conduct research must first apply for permission, and if the application is approved, the researcher will be informed in writing that the permission has been granted, provided that the researcher signs an undertaking (of which a copy must be attached to the approval letter) to comply with the conditions upon which the research was approved. Moreover, researchers are urged to adhere to the governance and protocol of the organisation and where access is granted, to sensitive information and to treat it as such. As indicated in 7.2 of this study, the researcher was granted permission to conduct research in the SAPS.

5.7.3 University of South Africa Code of Research Ethics

The UNISA Policy on Research Ethics (2007:np) outlines the following

- **Essentiality and relevance:** Before undertaking research, sufficient consideration should be given to the current literature on the topic or issue under study, and to the options available. Given the lack of resources in SA, it should be demonstrated that research is essential to the pursuit of knowledge. In this study, essentiality and relevance were adhered to by ensuring that this study did not go beyond the anticipated scope of the research. The researcher ensured that all essential elements were considered.
- **Maximisation of public interest and social justice:** Research should be carried out for the benefit of society and with the motive of maximising public interest and social justice. All efforts should be made to make public in an appropriate manner and form and at an appropriate time, information on the research undertaken, as well as the results and implications of the completed research.
- **Competence, ability and commitment to research:** Researchers should be professionally qualified for the research. Commitment to research in general and the appropriate subject, in particular, is an essential requirement for good and ethical research. The researcher believed she was qualified to undertake this study.
- **Respect for and protection of participants' rights:** Researchers should respect and protect the dignity, privacy and confidentiality of participants and should never expose them to procedures or risks related to the research project or its methodology. Research and the pursuit of knowledge should not be regarded as the supreme goal at the expense of the participants' rights. The participants selected were protected from any harm, and they were treated with the utmost respect.
- **Informed and non-coerced consent:** Autonomy requires that individuals' participation should be willingly given, specific and based on informed consent. Direct or indirect coercion, as well as undue inducement of people in the name of research, should be avoided. These aspects could act as an obstacle to autonomous decision-making and may result in people agreeing against their better judgement to participate in studies involving risks. Consent must be

obtained from the participants, and they must give that in writing. In turn, they must be given written information containing adequate details of the research. Researchers should respect their right to refuse to participate in research and to change their decision or withdraw their informed consent given earlier, at any stage of the research, without giving any reason and without any penalty.

Obtaining informed consent implies all possible or at least adequate information regarding the procedures will be followed during the interviews. Increasingly, voluntary participation and the principle of no harm to participants have become formalised in the concept of informed consent (Babbie, 2016:90).

- **Respect for cultural differences:** Researchers should treat research participants as unique human beings within the context of their community systems and should respect what is sacred and secret by tradition. Research should rather be undertaken in conjunction with, and not merely on, an identified community. In some circumstances, the consent of gatekeepers may have to be obtained in addition to that of research participants. In this study, all cultural prejudices were adhered to.
- **Justice, fairness and objectivity:** Criteria for the selection of participants of research should be fair, besides being scientific. Easily accessible individuals or groups should not be inordinately burdened with research being carried out repeatedly on them. Justice, fairness and objectivity must be considered by the researcher.
- **Risk minimisation and confidentiality:** Researchers should ensure that the tangible benefits to the participants or society from the research outweigh the possible risks, and that participants are subjected to only those risks that are necessary for conducting the research. Researchers should ensure that the risks are assessed and that adequate precautions are taken to minimise and alleviate risks. The associated risks and confidentiality were dealt with in this study.
- **Non-exploitation:** There may be no exploitation of research participants, researchers, including student and junior members, communities, institutions or vulnerable people. There should be a benefit to a community in which research is conducted. As far as possible, SAPS and other relevant parties

should receive feedback on research carried out on them. No participants were exploited in this study.

5.8 TRUSTWORTHINESS

According to Du Plooy-Cilliers et al (2014:258), the trustworthiness is defined as the way in which data is collected, sorted and classified. The author further notes that trustworthiness embraces credibility, dependability, confirmability and transferability.

5.8.1 Credibility

Credibility refers to the level of confidence in the findings of the study (Anney, 2014:272). If credibility is ensured, people who read a research report can believe and accept the research findings as a true reflection of the subject under discussion. Prolonged engagement was used to establish credibility in this study. Prolonged engagement referred to means spending sufficient time with participants to deeply understand them and gain their trust (Polit & Beck 2014:589). The researcher engaged with participants separately to build trust, which in turn is useful, as accurate and rich information could be obtained.

Credibility was also ensured by gathering information from those potential participants who met the inclusion criteria. Potential participants were believed to have first-hand knowledge of the phenomena. Participants were interviewed individually through in-depth open ended questions, and their responses were audio recorded and later transcribed verbatim. The verbatim reports were kept under lock and key. Finally, the researcher (self) conducted all interviews to ensure consistent follow-up on questions.

5.8.2 Dependability

Dependability is the stability of data over time and conditions, and it asks if the findings will be replicated should the study be repeated with the same participants under similar conditions (Polit & Beck, 2014:584). In this study, the researcher facilitated in-depth interview sessions until saturation was achieved.

An audit trail on other hand refers to a practice where the researcher keeps a collection of materials and documents in order to allow any authorised auditor to make conclusions about the data (Polit & Beck, 2014:591). It allows readers to examine the adequacy of the research process; hence researchers should document in detail the data collection and analysis method they used. The aim is to show the evidence and

thought processes that led to the conclusions arrived at. In this study, the researcher kept voice recordings, transcripts of interviews, field notes, as well as codes discovered during data analysis for any examination that may be required.

A dense description is a process where a researcher provides a rich and thick description of the setting, participants and methods of conducting the study (Polit & Beck, 2014:594). For a dense description of the research method, the researcher provided a comprehensive description of the setting, participants, data collection and data analysis and interpretation procedures that were followed, to enhance the possibility of other researchers repeating the study. The researcher further provided thorough descriptions of the findings supported by direct quotations from the interviews with participants and backed up with relevant literature.

For audit strategies, the researcher follows the Promotion of Access to Information Act (PAIA) (Act No. 2 of 2000). This Act allows access to any information held by State and any information held by private bodies in a certain period. In this study, the researcher would keep collected data such as audiotapes of the interviews, field notes and transcribed interviews for five years as an audit trail.

5.8.3 Confirmability

Confirmability refers to the objectivity and accuracy of the findings after being confirmed by other researchers (Moule & Goodman, 2014:190). According to Polit and Beck (2014:420), the researcher should report on the information provided by the participants and interpretations of that data, excluding the researcher's imagination.

In this study, the researcher utilised a purposively selected sample of potential participants, as per the inclusion criteria and conducted in-depth interviews with them. The topic was covered comprehensively. This helped the researcher to ensure the gathered data supported the provision of thick descriptions. The researcher bracketed her experiences related to the topic, as she worked in SAPS by ensuring not to bring out her thoughts about the topic.

5.8.4 Transferability

Transferability means that the findings have applicability in other contexts (Polit & Beck, 2014:420). These authors also suggest that researchers should provide detailed descriptions of their studies so that readers can evaluate their applicability to other

settings. A thick description refers to a rich and thorough description of the research setting and of observed transactions and processes (Polit & Beck 2014:526). To achieve transferability, the researcher ensured the following criteria applied:

- selecting information-rich participants.
- conducting data collection until data saturation occurred.
- providing dense descriptions of the research data so that in similar contexts and conditions the results could be transferable.

Besides, the researcher provided thick descriptions to enable any interested person in making a transfer to reach a conclusion on whether transfer to other settings is possible.

5.8.5 Authenticity

Authenticity refers to the extent to which qualitative researchers truthfully and honestly demonstrate that their data collection, analysis and interpretation are believable with no fabrication of findings (Polit & Beck, 2014:720). In this study, the researcher was granted permission to collect data (see Annexure B). In addition, the researcher ensured that respect for the participants was demonstrated through verbatim references to their original information such that the meaning was truly expressed in its original form, unaltered by the researcher.

5.9 SUMMARY

This chapter discussed issues that are inclusive of the study setting, the study design and the research method. During data collection, the interviews were conducted through face-to-face. Both audio tapes and notebooks were used during data collection with the permission of the participants. Before each in-depth interview was conducted, the researcher provided some explanations of what the study was all about and a signed informed consent form was obtained from each participant. During data collection, the researcher ensured that privacy and confidentiality were maintained, as stipulated in study protocols. In all, this chapter discussed ethical considerations in full. Colaizzi's seven (7) steps of data analysis were followed to analyse qualitative data. The chapter concluded by discussing measures to ensure trustworthiness in the study. Chapter 6 focuses on presenting research analysis and a description of research

findings. Furthermore, the research findings were discussed first followed by a review of recent and relevant literature.

CHAPTER SIX: PRESENTATION AND INTERPRETATION OF THE RESEARCH FINDINGS

6.1 INTRODUCTION

In this chapter, the findings of the study are presented. In this qualitative study, eight (8) participants who are fulltime police officials (General detectives) at the Commercial Crime Unit, dealing with fraud investigation and detection in the Eastern Cape Province, were interviewed to understand their experiences concerning investigative challenges in the detection of fraud. Five themes were identified using the information provided by the participants and analysed using Colaizzi's seven step method of data analysis. The themes and sub-themes that emerged will be discussed in this chapter. The participants replied to the questions that were put to them, and their views were recorded about their investigative challenges in the detection of fraud. The participants' views will be presented in relation to each specific theme and supported by a literature review.

6.2 DATA MANAGEMENT

The recorded audio data was verbatim transcribed. Throughout the data collecting and analysis procedure, the researcher made sure that all interview guides and gathered data were maintained in a secured cabinet. The researcher also verified the correctness, precision, and clarity of the information gathered. Before the analysis was conducted, the proper steps were followed to assure completeness. The data will be securely stored in accordance with the UNISA research data management policy for a duration of five years. If no challenge to the study is made that calls for longer data retention, the data can then be deleted with the agreement of a UNISA officer.

6.3 RESEARCH RESULTS

6.3.1 Demographic profile of participants

A total of eight (8) interviews were conducted with General Detectives from East London, Eastern Cape Province in South Africa at SAPS Crime Unit. Figure 4.1 below indicates the biographic information.

Table 4.1 Demographic characteristics of General Detectives (n= 8)

Age	Gender/Sex	Pseudonym	Relevant educational level	Title/Rank	Work experience in years
35	Male	P1	BA (Forensic Science)	General Detective	13
40	Male	P2	Diploma in policing	General Detective	12
46	Female	P3	BA (Forensic science)	General Detective	11
56	Male	P4	BA (Forensic science)	General Detective	16
45	Female	P5	BA (Forensic Science)	General Detective	10
43	Male	P6	Diploma in policing	General Detective	5
49	Female	P7	Diploma in policing	General Detective	10
38	Male	P8	Diploma in policing	General detective	6

The participants (General Detectives) were asked about their biographic information on gender, age, highest academic qualification, title, and the period they have been working in SAPS, SA. The pseudonyms were given to protect the identity of the General Detectives and ranged from P1 to P8. Table 4.1 reveals the age, gender, qualifications, and years of experience of the General Detectives. The age of the General Detectives who participated in the study ranged from 35 to 56 years. Table 4.1 further shows that five (5) of General Detectives were males, and three (3) females.

Five (5) General Detectives who took part in the study held forensic science degrees as relevant qualifications in area of fraud investigation whilst three (3) held basic diploma in policing. Lastly, Table 4.1 shows that the experience of the General Detectives ranged from 5 to 16 years.

6.3.2 Themes and subthemes

In analysing the data, an iterative process was followed of reflecting, recording and tracking the thoughts to help make sense of the data. The researcher understood data analysis to mean transforming data into findings by bringing order, structure and meaning to the mass of collected data. Consequently, patterns of expressions with similar or divergent themes were identified whereby overarching themes that seemed vital to the study objectives were highlighted and merged. Subthemes were established as well. Underneath presents themes and subthemes that emerged during data collection.

Table 6.1: Themes and subthemes that emerged during data collection

Themes	Subthemes
6.3.3 Fraud detection methods	6.3.3.1 <i>Use of informers</i> 6.3.3.2 <i>Community awareness of fraud detection</i>
6.3.4 Leading sources of fraud	6.3.4.1 <i>Greediness and financial pressure on the part of officials entrusted with public responsibility</i> 6.3.4.2 <i>Lack of control measures</i>
6.3.5 Impact of fraud	6.3.5.1 <i>Potential monetary losses</i> 6.3.5.2 <i>Effects on an organisation's reputation</i>
6.3.6 Consequences of fraud	6.3.6.1 <i>Ungovernable state</i>
6.3.7 Investigative challenges of fraud detection	6.3.7.1 <i>SAPS's lack of skills, resources and training.</i>

6.2.1 Fraud detection methods

The theme presents the fraud detection methods which form part of the duties of police officials dealing with investigations in the SAPS. However, the duties that are performed by police officials in the Commercial Crime Unit require specific skills to deal with fraud successfully. In this study, findings revealed that the methods used in fraud detection procedures help to identify and prevent fraudsters from obtaining money or property through false means. The study revealed that fraud detection

methods require dedicated, committed, reliable and highly skilled fraud investigators to establish systems and accountabilities to drive fraud detection in workplaces and communities. The use of informers and community awareness are the sub-themes as presented below:

6.2.1.1 Use of informers

This sub-theme refers to people who provide information regarding criminals, criminal activities and/or specific criminal activities to an investigator for reward or other motives. However, informers are used for ensuring that evidence is found in all investigations. Even today, the use of informers is still a relevant tool to detect fraud in order to assist in investigating, arresting as well as prosecuting the offenders.

Participant 8

“Many years ago, around 2014, in SAPS, we used to have many whistle-blowers to come up with information related to particular cases. This was helping the investigators for further steps up to prosecution where evidence was granted”.

Participant 6

“Whistle-blowers are very vital in providing the needed information for any particular case. It is recommended that they are kept anonymous in order to maintain their safety against the culprit”.

Participant 4

“Yes, I think whistle-blowers should be rewarded and be kept protected so that they are not known as the source of information required. Prosecution should proceed once the information is provided to encourage whistle-blowers in ensuring that they contribute to the justice system of SA”.

An informer is a person who provides an investigator with information about criminals, criminal activities or planned criminal activities for remuneration or other motives (De Villiers, 2014:35). The provision of information should be treated confidentially for the safety of the informers.

6.2.1.2 Community awareness of fraud detection

This sub-theme refers to the public participation programmes that capacitate communities about the content of fraud, detection, investigation and prevention. The study revealed that SAPS is dedicated to providing fraud prevention awareness in all forms. In this study, it was stated that ensuring communities are well-trained in all forms of fraud and its implications would help to identify and prevent fraud from taking place. The majority of participants stated a lack of knowledge about fraud by fraudsters in their communities.

Participant 6

“In 2009, one of my friend^s who worked for a certain municipality then showed one of our friend^s in the community a huge amount of money in her account whilst they were drinking alcohol. The friend was concerned about where she got that money, as she knew her source of income. In 2011, the same friend who had a huge amount of money in her bank account was found guilty of theft of money from her workplace. If she was trained in fraud detection at the time, she would have followed her and found possible interventions to report it earlier”.

Participant 5

“Yes, embarking on community awareness regarding crime prevention sessions is a vital measure that would help all communities to become aware of what crime is all about and where to report it”.

Participant 3

“Yes... knowledge is powerful. I wouldn't know what it is all about if I did not attend the community outreach regarding fraud detection, which was conducted by SAPS at next level. Really it's important to listen to other speakers at times just to learn new information”.

A study by Barker (2020:5) on the use of proactive communication through knowledge management to create awareness and educate clients on fraud prevention

emphasised the need for a more comprehensive understanding of the importance of fraud prevention through the creation of community awareness, understanding and knowledge about fraud and the measures SAPS take to prevent it. All this has substantial potential to improve relationships with communities and SAPS and enhances these relationships and add value to the institutions where the fraud took place.

6.2.2 Leading sources of fraud

This theme refers to the causes of fraud across communities. Accordingly, leading causes of fraud have both practical and social implications. Practical implications at work include poor supervision, a lack of training awareness regarding fraud, an unpleasant working environment and poor security controls. Social implications included lifestyle and financial pressure due to a low income.

The majority of participants in this study stated that a lack of control measures in any workplace is a primary cause of fraud. Participants highlighted that fraud occurs at all levels of employment and is caused by different reasons. The study also revealed that low wages contribute to fraud where control measures are lacking. Greed on the part of officials entrusted with public responsibility and financial pressure are the sub-themes presented below:

6.2.2.1 Greediness and financial pressure on the part of officials entrusted with public responsibility

This sub-theme refers to the specific needs of people irrespective of their affordability, thus leading to committing crime and fraud. Participants indicated that public officials commit fraud because of greediness and financial irresponsibility. Public officials have public obligations to maintain integrity and honesty in all government spheres. However, the greediness of public officials in committing fraud results in a bad image of public entities.

Participant 2

“I have a jealous of some sort, every time some of my friends buy assets that I don’t have despite not having budgeted and not even affording, I always tell myself that it will be wise that I take bribes during case investigations so that I can afford the life others afford”.

Participant 1

“Eh, I saw many officials embarking on bribes for a variety of reasons, and some claim to be unable to afford the cost of living”.

Participant 3

Our economic crisis is the leading cause of financial pressure. People are not affording the family's social needs.

A study by Omar, Nawawi and Puteh Salin (2016:1539) found that some of the causes of fraud include social factors like lifestyle and financial pressure due to a low income as well as unplanned financial needs. Policy adjustments, such as an effort to push people beyond the poverty line with higher minimum wages, need to be made to prevent low-income workers from seeing their company as another source of illegal income (Omar *et al.*, 2016:1540).

6.2.2.2 Lack of control measures

This sub-theme indicates that the cause of fraud is human beings. Deficiencies in accounting systems or technology are a symptom rather than a cause and even these are the result, directly or indirectly, of human failings. In this study, participants revealed that both public and private officials are duly responsible for their work environment to ensure that systems of managing fraud are in place and active. However, participants stated that people commit fraud because of a lack of control measures in the working environment as well as the poor justice system observed in SA.

Participant 1

“Due to poor systems such as CCTV cameras in all offices with SAPS, there are still colleagues who are serving sentences in jail because of committing fraud, such as taking bribes within the offices from private visits by culprits”.

Participant 6

“The absence of CCTV cameras is a leading cause of many wrongdoings because officials who are the culprits use all means to

ensure committing crimes within the SAPS because they know there will be no trace of their wrongdoings”.

Participant 8

“Ummm..., poor justice systems in SA against the criminals is a potential cause of other officials enforcing wrongdoings, as they know that actions will be taken against their actions.”

Geldenhuis (2016:20) mentions that the CCTV camera is used as a strong tool to collect data information on any incident taking place in both public and private entities. In terms of a lack of enforcement, the NPA has the power to conduct investigations and prosecute cases of fraud. The SAPS has powers of investigation and is required to investigate and refer matters to the NPA for prosecution. The Investigating Directorate (ID) was also established in 2019 as a specialist investigative unit of the NPA.

6.2.3 Impact of fraud

This theme implies that fraud can impact on a victim's mental health, thus resulting in anxiety, depression and suicide. The processes involved in dealing with fraud can result in trauma and additional costs from dealing with banks, insurance companies, utilities, law enforcement and advisors. In this study, it has been revealed that fraud can have a devastating impact on victims and increase the disadvantage, vulnerability and inequality they could suffer. The study found that fraud can also cause lasting mental and physical trauma for victims. Participants also stated that fraud results in lost opportunities for individuals and businesses. Potential monetary losses and their effects on an organisation's reputation are the sub-themes, as outlined underneath:

6.2.3.1 Potential monetary losses

This sub-theme refers to the financial risks the institutions undergo because of fraud that took place. However, financial risk is a type of danger that can result in the loss of capital to interested parties. In this study, it is noted that fraud causes financial loss in both public and private sector, as a result, where it takes place, there is a potential for inability to procure, as stipulated in the strategic and operational plan.

Participant 4

“Regarding the impact of fraud like monetary losses, in March 2018, my unit had planned to procure record notes devices and laptops to assist in the investigation of cases, and the plan was approved by the manager. To our surprise, when procurement processes commenced, we didn’t get the items as planned, and the report was that there was a financially aligned case opened against the manager in the finance and procurement unit. This delayed the procuring processes and could not get the devices that year”.

Participant 5

“It is always a case, poor planning in any institution leads to a situation in which the institution could not provide services, as outlined in its mandate. An institution cannot run without money.”

Participant 1

“Failure to implement PFMA Act 1 of 1999, as stipulated, affords the institution to lose money. No financial control measures in place.”

A study alluded those fraudsters affect the budgetary processes that are needed to be carried out in a particular year (Discovery, 2014:30). The study also stated that it affects all angles, either direct stealing money or assets, and the effect is the same, financial loss (Discovery, 2014:31).

6.2.3.2 Effects on an organisation’s reputation

This sub-theme outlines that fraud harms any organisation. Therefore, managers have duly responsibility to establish systems that control all forms of fraud.

The study revealed that each organisation has to keep its reputation remarkable with a good reputation. In this study, it was found that fraud harms public and private entities' reputations. According to the participants, the public could lose trust in such an organisation with fraud speculations. According to participant number seven (7),

regarding the question on the impact of fraud, the image of the organisation becomes in question where fraud occurs.

Participant 7

“In 2019, two (2) of our officials were found guilty of accepting bribes by certifying certificates within the police station, and the owners of certificates did not even follow queues as required. This put the image of the police station in disrepute and its reputation is bad to the public”.

Participant 2

“In one of the police stations I am not going to name for confidentiality, in front of the main gate, there are people doing business of helping people by photocopying, and those people are also selling drugs there. This is known though no one wants to come up. Therefore, the reputation of the police station is bad”.

Participant 3

“Yes, the attitudes of police officers towards the public contribute to the loss of trust in our public entities such as police stations. Other people are shot in the police stations where safety should be guaranteed.”

According to Cunningham (2015:12), a company’s reputation can receive a damaging blow instantly, thanks to an unhappy consumer getting media coverage or news report of unethical behaviour such as fraud.

6.3.8 Consequences of fraud

This theme implies that fraud consequently leads to mental health problems and suicide as well. In this study, it has been revealed that fraud can affect the victim's well-being. Participants reported that fraud is a dismissible offence and as such, a perpetrator can lose their job and end up in jail when found guilty and prosecuted. Next to be discussed is the ungovernable state as a sub-theme.

6.3.1 Ungovernable state

This sub-theme outlines that high fraud reports potentially require a strong justice system. In this study, it has been reported that due to various challenges around the investigation processes, the justice system is being weakened, as it loses most of the cases because of the lack of skills in the investigation. The communities and other stakeholders could not wait and had no trust in SAPS. They end up taking the law into their hands by acting on fraud related crime taking place in the communities. This consequently leads to an ungovernable state because SAPS is mandated to stop any illegal handling of wrongdoings in the communities. Therefore, strikes and loss of trust in the public servant lead to an ungovernable state.

Participant 5

“In 2017, my biological brother called SAPS after having discovered his HP computer, which had been lost a month earlier. SAPS took two days to come, and the thief had already left and was nowhere to be found. They told him that their reason was a shortage of SAPS vehicles. After a month, he saw the guy again, and due to the pressure that the guy could hide again, he contacted communities this time. They came and assault the Nigerian guy and instructed him to bring the laptop, and ultimately, he got it. Someone reported that to the police station and some of the community members were taken by SAPS and were almost jailed, and the Nigerian as well opened a case of assault. SAPS officers stated that the case was opened because it was illegal to assault a thief”.

Participant 2

“I can confess that people don't have trust in our justice system, especially SAPS. In 2019, a friend of mine's gun was stolen by a girlfriend, and when it was discovered, the most wrong questions were posed to the guy as to why the gun was accessible to a third party, yet this lady stole a key whilst he was asleep, took the gun and left. As we speak, the gun was never associated with the lady,

yet there was evidence. Currently, that guy is just angry with SAPS”.

Participant 3

“Yes, the attitudes of police officers towards the public contribute to the loss of trust in our public entities such as police stations. Other people are shot in the police station where safety should be guaranteed.”

The study by Discovery (2014:37) found that poor investigation due to a lack of skills in SAPS investigators leads to a situation where justice is not achieved in most cases. It is also found that people who are not getting proper service delivery from SAPS end up taking the law into their hands to deal with the situation.

6.4 Investigative challenges

This theme refers to the investigative challenges in fraud. The study highlighted that many SAPS cases could not be prosecuted properly due to poor investigations. Several participants stated that investigators are lacking the capacity to conduct investigations due to various reasons, such as a lack of skills and many more. Investigative challenge is a sub-theme.

6.4.1 SAPS’s lack of skills

This sub-theme outlines that SAPS's lack of skills regarding investigation becomes a serious concern. It is reported that SAPS could not provide proper evidence in many cases, as a result, the cases are dismissed in court. Participants also noted that this matter has been taking place for a long-time and the government has to prioritise SAPS training on methods of investigating fraud related crime.

Participant 1

“In 2014, I was an investigator in a fraud related matter, and due to my lack of investigating skills, the case was dismissed in court”.

Participant 6

“Since I joined the SAPS under the investigation unit, I last went on a training course in 2007, as a result, new technology that is used in certain cases, I am not able to use it.”

Participant 2

“Yes, my attitude towards my managers is the leading cause of not attending any training. She has been recruiting me to attend training but I refused”.

Barker (2020:10) found that upskilling the investigators could achieve better outcomes at their functional level. The study also found that the investigators who are trained are always standing a better chance of being able to provide enough needed evidence in a court of law, as a result, their cases are not dismissed.

6.5 SUMMARY

The chapter presented the findings of the study. The chapter revealed that the participants had experienced different challenges with regard to fraud detection. The findings on investigation challenges in the detection of fraud in the Eastern Cape Province were classified into the good and the bad. This study reflected that there were more bad encounters than good ones, hence the conclusion is that bad experiences outweigh good experiences. The themes that emerged from the study are: (1) Fraud detection methods; (2) Leading sources of fraud; (3) and Impact of fraud.

The study concluded that the early detection of fraud is a priority in preventing corruption and crime. The findings of the study revealed that informers should be compensated and protected for their safety and should be encouraged to carry on their duties without fear. The use of informers in the investigation process helps to strengthen early prosecutions where cases are deemed such a decision. Furthermore, participants pointed out that community awareness could help in the earlier detection of fraud. Barker (2020:30) stated that proactive communication and public participation and awareness could be used to educate people on how to prevent fraud in all communities.

The findings revealed that leading sources of fraud, such as financial pressure, greediness and a lack of controls in the working environment could be prevented if employers can strengthen human resource management and working systems. According to Geldenhuys (2016:25), working systems include devices such as CCTV cameras, which are used to store the footage for the facility, which could be used later on when there is an investigation conducted. The existence of fraud leads to an

organisation's tarnished reputation. The effect of proper training of investigators also plays a major role in the investigative challenges, thus the fraud could not be detected.

Chapter 7 will provide a summary and discussions of the findings, as well as recommendations that may contribute to improved investigation processes on fraud detection in the Eastern Cape Province. This chapter also summarises the study and presents the overall conclusions, recommendations and limitations of the study.

CHAPTER SEVEN: SUMMARY, RECOMMENDATIONS AND CONCLUSION

7.1 INTRODUCTION

The summary of this study, from Chapter one to Chapter six, was presented. Chapter seven presented the recommendations that were established based on the presented findings of the study and followed by the conclusion. The interpretation will be carried out to address the investigative challenges and factors that are contributing to the failure of fraud detection in the Eastern Cape Province. The recommendations will be made to strengthen the investigative process for the detection of fraud in the Eastern Cape Province.

7.2 SUMMARY OF CHAPTERS

Chapter 1 was an orientation to the study and Section 1.1, began with the introduction by an exploration of investigative challenges for General Detectives in the investigation of fraud cases in Eastern Cape Province. This included the role of both public and private entities in managing fraud in the SA context.

Section 1.2 highlighted the background of the study, indicating that fraud is still a serious concern in the Eastern Cape Province. There is high fraud that has been reported, and there is no appropriate strategy to deal with the situation. The comprehensive causes of fraud and its consequences were also briefly discussed. It was further discussed that there are investigators that require extensive training to deal with the investigative challenges of fraud detection. Various stakeholders that could play a major role in dealing with fraud detection were also mentioned.

In Section 1.3, the problem statement was discussed, to emphasise the importance of the study. A comparison of fraud related statistics reported to SAPS in the Eastern Cape Province was provided to determine the status of fraud and to establish the role of SAPS investigators in fraud detection in SA communities.

In Section 1.4, the research setting was provided to guide the exact place where the study was taking place. Aims and objectives were provided in Sections 1.5.1 and 1.5.2 respectively to identify the aim and objectives that inspired the researcher to undertake the research. This study aimed to explore the investigation challenges that are hampering the effective detection of fraud cases by the General Detectives in the Eastern Cape Province.

One of the objectives of the study was to identify the procedures that could be used in the detection of fraud. Research questions that the study had to address were identified, key concepts were listed, and the value of the study was determined.

Chapter 2 presented a literature review in respect of fraud detection and its prevention. Section 2.1 was an introduction to the chapter, and it was indicated that the discussion would be about the scope of fraud detection. The prevalence of fraud in the Eastern Cape Province, its causes and the role of investigators were discussed in this chapter, in light of information obtained from literature sources. The purpose was to obtain rich information to understand the existing origin and the extent of fraud detection in the Eastern Cape Province. Therefore, objective one identification of the nature and extent of fraud cases in Eastern Cape Province was achieved.

Chapter 3 presented an overview of fraud investigation in SA. Section 3.1 was the introduction, followed by the fraud investigation in SA in Section 3.2. In Section 3.3, the challenges that are hampering the effective detection of fraud were outlined. These challenges were discussed in detail to answer the objectives (see Chapter 1; Section 1.5.2).

The current procedures used to detect fraud in SA were outlined in Section 3.4. This is followed by strategic consideration in Section 3.4.1 and the fraud fraud detection techniques in Section 3.4.2 as well. The reason for this was to understand the police's role in the investigation unit in SAPS, namely their functions, how they should conduct themselves when executing their duties, as well as their mandate.

Section 3.1 is a brief history of fraud investigation in SA, which was discussed to outline the background of investigation challenges in the detection of fraud in SAPS.

It was indicated in Section 3.3 that the challenges that are hampering the effective detection of fraud such as fraud investigation capacity in SA, inadequate resources, a lack of staff alertness and required skills, difficulty in integrating data, inadequate fraud discovery techniques, difficulty in examining crimes and poor coordination with law execution agencies should be discussed extensively and establish strategies that would be used to strengthen fraud detection and investigation in SA. It was indicated as well that the fraud detection techniques, such as statistical analysis and artificial intelligence, could be effective strategies that could be utilised in fraud prevention.

Therefore, objective two on exploring investigative challenges for General Detectives that are hampering the effective detection of fraud cases in Eastern Cape Province and objective three on identifying procedures that could be followed in the detection of fraud in the Eastern Cape Province were both achieved.

Section 3.4 details that despite the current procedures used to detect fraud in SA, there are still challenges that are hampering the effective detection of fraud. It was at this juncture that strategic consideration in Section 3.4.1 was presented. Section 3.4.1 stated that for fraud detection and prevention, organisations should consider developing strategic plans that are specifically focusing on fraud prevention. According to Section 3.4.2 which discussed fraud reporting policy and procedures, it is emphasised that policies and procedures should be developed to strengthen and legalise the fraud management systems.

Chapter 4 presented the impact of fraud in SA, and Section 4.1 was the introduction to the chapter. Section 4.2 presented the impact of fraud in SA. In this case, the aim was to understand the impact of fraud in different sectors.

Subsection 4.2.1 discussed human impact, followed by government outcomes impact in subsection 4.2.2. Subsection 4.2.3, which deals with the impact of government systems was also outlined, followed by reputational impact in sub-section 4.2.4. The industry's impact in sub-section 4.2.5, the environmental impact in subsection 4.2.6, the security impact in subsection 4.2.7 and the business impact in subsection 4.2.8 were briefly discussed. The whole discussion helped to give an overview of fraud's negative impact in different sectors.

Chapter 5 presented the methodology used in the study. Section 5.1 was an introduction to the chapter.

Section 5.2, the research design, Section 5.3, the research approach, Section 5.4, the target population and sampling, Section 5.4.1, study population, Section 5.4.2, Sampling, Section 5.5, the data collection, Section 5.6, the method used to analyse data, Section 5.7, discussed ethical considerations, and Section 5.8 captures the methods used to ensure trustworthiness.

Chapter 6 presented and discussed the research findings based on the participants' responses in the form of a narrative technique. Section 6.1 was the introduction to the

chapter. In Section 6.2, the data management, Section 6.3 presented the results in two subsections (see Subsection 6.3.1 and 6.3.2) respectively.

In Subsection 6.3.1, demographic profile of participants was provided. Subsection 6.3.2, the emerging themes were presented, and they are (i) fraud detection methods, (ii) leading sources of fraud (iii) impact of fraud, (iv) consequences of fraud and (v) investigative challenges of fraud detection.

Chapter 7 interpreted the research findings to give a detailed overview of the investigative challenges in fraud detection in the SAPS. Based on Chapter two (2), Chapter three (3), Chapter four (4) and Chapter six (6) as indicated, all study objectives were achieved. The participants' views were interpreted, and the interpretation of the findings was also supported by some literature.

7.3 RECOMMENDATIONS

Chapter 6 analysed the research findings. Participants' views were presented, and the recommendations made were based on how they understood the investigation processes and challenges that could hamper the effective detection of fraud in SAPS. The recommendations were based partially on the literature discussed in this study, as well as on the information obtained from the participants during the interviews.

7.3.1 Recommendation on government engagements

The findings of the study revealed that though there are policies used to manage fraud in SA, there are still many gaps that were identified hence the high fraud and crime rate. Based on these gaps that were found, it is recommended that all spheres of government (national, provincial, and local) should consider amending some of the policies that are related to fraud management in order to cover both organisational systems and human resource factors. This would help in strengthening the justice system.

7.3.2 Standard operating procedures (SOPs) for public and private entities

The findings and literature of this study revealed that some policies and guidelines are too wide to deal with specific issues. It was also noted that organisations differ in terms of their operations and designs. This situation requires different strategies to manage fraud. Therefore, the study recommends the establishment of SOP as a

relevant technique to be used for the management of fraud related crime. The SOP is established to deal with specific issues identified at a particular organisation.

7.3.3 Recommendation on the establishment of community awareness

The study findings and literature revealed that public participation is a central hub for knowledge creation and awareness. It was found that awareness could play a major role in platforms of fraud related context. Based on this finding and the literature review the study recommends that all citizens should be empowered with all the skills relevant to fraud prevention, detection and reporting. This is where the informers are encouraged to be trained and ensure their safety.

7.3.4 Recommendations regarding empowerment of police officials in the investigation of fraud

The literature review of this study discussed that some of the challenges that are faced by SAPS are that some of their investigators lack academic skills in the field. The findings of the study also revealed that part of the cause of fraud is due to the lack of capacitation and model technology used. The study recommends that all SAPS investigators should be capacitated in the new techniques or academic skills of dealing with fraud related crime.

7.3.5 Recommendations on empowering and protecting fraud informers

The literature of this study describes those informers as part of priority tools when it comes to fraud related crime reporting. The concern was that whilst these cadres are viewed as important, the anxiety was around their safety and security which is not guaranteed. The literature further highlighted those informers are not being motivated and remunerated for their vital duty. In this study, it is recommended that government should consider strengthening the safety and security of the informers and provide training for them. The government should further find a proper method of remunerating the informers. The implementation of these strategies would empower the communities to participate in being future informers.

7.4 FUTURE RESEARCH

It has been noted that the study has focused only on public entities yet the topic is wide and affects all spheres. In fact, the literature in this study declared that fraud is a public concern and regarded as a cut across to all sectors either public or private.

Therefore, another study focusing on both private and public entities (private investigators and SAPS investigators), police developers and senior government officials in departments, such as the department of justice, enterprise and the department of health, to mention a few, should be conducted to help provide new perspectives on the topic. This will help in coming up with broader issues related to gaps in the justice system regarding fraud prevention and management. It will be good to understand the challenges experienced by communities when it concerns fraud and corruption.

7.5 CONCLUSION

The study aimed to explore the investigative challenges that are hampering the effective detection of fraud in the Eastern Cape Province. The implementation of the recommendations by SAPS will strengthen the management system of fraud. SAPS, local municipalities and other stakeholders should work together to ensure that public participation in relation to fraud related crimes is implemented in order to increase community awareness campaigns. Fraud related crime must be thoroughly investigated so that effective criminal justice is achieved. If criminals are arrested and prosecuted, there will be fewer repeat offenders. The training of police officials, as well as empowering future informers, will contribute to curbing fraud related crime in the SA context.

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Annexure A: Ethical Clearance



UNISA 2021 ETHICS REVIEW COMMITTEE

Date: 2021:09:10

ERC Reference No.: ST61

Name: P Zenani

Dear Ms Pumeza Zenani

**Decision: Ethics Approval from
2021:09:10 to 2024:09:10**

Researcher: Ms Pumeza Zenani

Supervisor: Dr AC Madzivhandila

An exploration of investigation challenges in the detection of fraud in the Eastern Cape Province

Qualification: MA in Criminal Justice

Thank you for the application for research ethics clearance by the Unisa 2021 Ethics Review Committee for the above mentioned research. Ethics approval is granted for 3 years.

*The **low risk application** was **reviewed** by the CLAW Ethics Review Committee on 10 September 2021 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment.*

The proposed research may now commence with the provisions that:

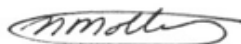
- 1. The researcher will ensure that the research project adheres to the relevant guidelines set out in the Unisa Covid -19 position statement on research ethics attached.**
2. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.

3. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the CLAW Committee.
4. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
5. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
6. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
7. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.
8. No field work activities may continue after the expiry date **2024:09:10**. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

Note:

The reference number ST61-2021 should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,



Prof N Mollema
Acting Chair of CLAW ERC
E-mail: mollen@unisa.ac.za
Tel: (012) 429-8384



Prof OJ Kole
Acting Executive Dean: CLAW
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Annexure B: Request letter to conduct the study

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12 November 2021

Component Research

Pretoria

Attention: Lt Col G. Joubert

RESEARCH STUDY: AN EXPLORATION OF INVESTIGATIVE CHALLENGES IN THE DETECTION OF FRAUD IN EASTERN CAPE PROVINCE

I am Pumeza Zenani ID No. 750209 0441 088 residing at the above mentioned address. My work address is the Department of Employment and Labour No.3 Hill Street, contact no. 043 701 3046/ 0716817923.

Herewith is a request to conduct the above mentioned research study in your South African Police Service (Directorate of Priority Crime Investigation: DPCI) East London in the Eastern Cape. I obtained my B Tech in Forensic Investigations (Unisa). The name of my institution is the University of South Africa.

The goals of my research are:

- To identify the correct procedures in the investigation of fraud in the Eastern Cape Province.
- To explore the challenges that are hampering the effective detection and prosecution of fraud in the Eastern Cape Province.
- To determine recommendations for effective detection and prosecution of fraud in the Eastern Cape Province.

Individual interviews will be used as a data collection tool to interview 8 SAPS officials responsible for fraud investigations in the Eastern Cape Province.

This study is towards the requirement for completion of Master in Criminal Justice degree. The proposal has been approved by the supervising university i.e. Unisa student no.40495493, see attached proof thereof.

The research will be publicise by the University (Unisa) officials who are going to have access to the study, and the information will be private and confidential.

This study will provide a basis for the approaches and strategies that can be applied to understanding the challenges that prevent successful prosecution and the methods that will assist in alleviating these challenges.

In the event of any queries or clarifications, please contact Miss Pumeza Zenani (0716817923) or my supervisor, Dr AC Madzivhandila, Contact No. 082 822 6258.

Thank you for your support in this endeavour.

Yours sincerely



Pumeza Zenani

Student Number: 40495493

Annexure C: Granting letter to conduct the study

South African Police Service



Suid-Afrikaanse Polisie

Privaatsak
Private Bag X94

Pretoria
0001

Faks No.
Fax No.

(012) 393 2128

Your reference/My verwysing:

My reference/My verwysing: 3/34/2

THE HEAD: RESEARCH
SOUTH AFRICAN POLICE SERVICE
PRETORIA
0001

Enquiries/Navrae: Lt Col (Dr) Smit
AC SJ Thenga
Tel: (012) 393 3118
Email: SmitLIndie@saps.gov.za

P Zenani
UNIVERSITY OF SOUTH AFRICA

**RE: PERMISSION TO CONDUCT RESEARCH IN THE SOUTH AFRICAN POLICE SERVICE:
UNIVERSITY OF SOUTH AFRICA: MASTERS DEGREE: AN EXPLORATION OF
INVESTIGATIVE CHALLENGES IN THE DETECTION OF FRAUD IN EASTERN CAPE
PROVINCE: RESEARCHER: P ZENANI**

1. The above subject matter refers.
2. You are hereby granted approval for your research study on the abovementioned topic in terms of National Instruction 4 of 2022.
3. Further arrangements regarding the research study may be made with the following office:
4. The National Head: Directorate for Priority Crime Investigation:
 - **Contact Person:** Brigadier (Dr) Mohajane
 - **Contact Details:** (012) 846 4056
 - **Contact E-mail:** MohajaneM@saps.gov.za
5. Kindly adhere to paragraph 6 of our attached letter signed on the **2021-11-30** with the same above reference number.

MAJOR GENERAL
THE HEAD: RESEARCH
DR PR VUMA

DATE: 2022-03-15

**Privaatsak/Private Bag X 94**

Verwysing/Reference:	3/34/2
Navrae/Enquiries:	Lt Col Joubert AC Thenga
Telefoon/Telephone:	(012) 393 3118
Email Address:	JoubertG@saps.gov.za

THE HEAD: RESEARCH
SOUTH AFRICAN POLICE SERVICE
PRETORIA
0001

The National Head

DIRECTORATE FOR PRIORITY CRIME INVESTIGATION

PERMISSION TO CONDUCT RESEARCH IN SAPS: AN EXPLORATION OF INVESTIGATIVE CHALLENGES IN THE DETECTION OF FRAUD IN EASTERN CAPE PROVINCE: UNIVERSITY OF SOUTH AFRICA: MASTERS DEGREE: RESEARCHER: P ZENANI

1. The above subject matter refers.
2. The researchers, P Zenani, is conducting a study titled: An exploration of investigative challenges in the detection of fraud in Eastern Cape Province, with the aim *to investigate challenges to the detection and prosecution of white-collar crime in the Eastern Cape.*
3. The researcher is requesting permission to interview one (1) Brigadier, three (3) Colonels two (2) Lieutenant Colonels, two (2) Captains, three (3) Warrant Officers and two (2) Forensic Investigators and two (2) investigators from the Special Investigating Unit (SIU), Directorate for Priority Crime Investigation, Eastern Cape.
4. The proposal was perused according to National Instruction 1 of 2006. This office recommends that permission be granted for the research study, subject to the final approval and further arrangements by the offices of the National Head: Directorate for Priority Crime Investigation.
5. We hereby request the final approval by your office if you concur with our recommendation. Your office is also at liberty to set terms and conditions to the researcher to ensure that compliance standards are adhered to during the research process and that research has impact to the organisation.
6. If approval is granted by your office, this office will obtain a signed undertaking from researcher prior to the commencement of the research which will include your terms and conditions if there are any and the following:

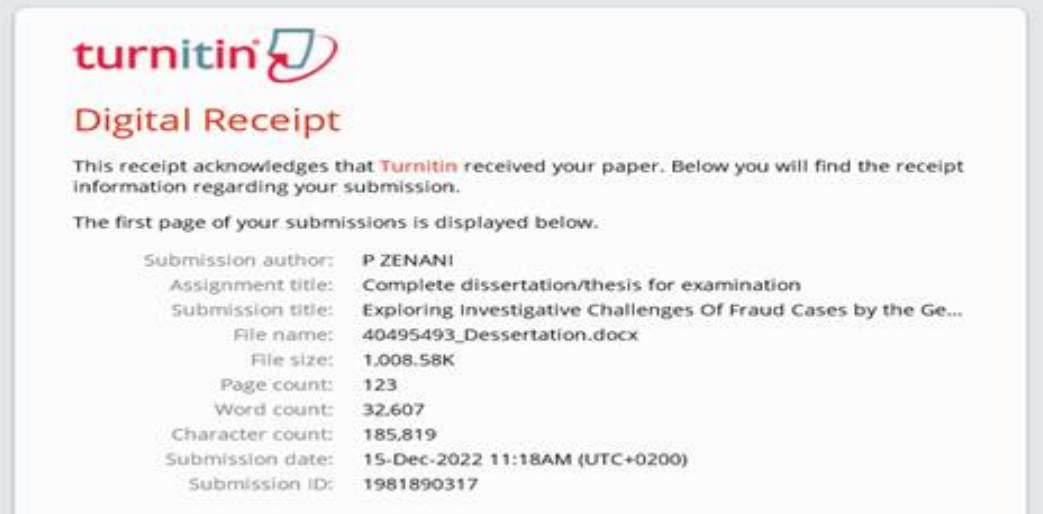
PERMISSION TO CONDUCT RESEARCH IN SAPS: AN EXPLORATION OF INVESTIGATIVE CHALLENGES IN THE DETECTION OF FRAUD IN EASTERN CAPE PROVINCE: UNIVERSITY OF SOUTH AFRICA: MASTERS DEGREE: RESEARCHER: P ZENANI

- 6.1. The research will be conducted at his/her exclusive cost.
- 6.2. The researcher will conduct the research without the disruption of the duties of members of the Service and where it is necessary for the research goals, research procedures or research instruments to disrupt the duties of a member, prior arrangements must be made with the commander of such member.
- 6.3. The researcher should bear in mind that participation in the interviews must be on a voluntary basis.
- 6.4. The information will at all times be treated as strictly confidential.
- 6.5. The researcher will provide an annotated copy of the research work to the Service.
- 6.6. The researcher will ensure that research report / publication complies with all conditions for the approval of research.
7. If approval is granted by your office, for smooth coordination of research process between your office and the researcher, the following information is kindly requested to be forwarded to our office:
 - **Contact person:** Rank, Initials and Surname.
 - **Contact details:** Office telephone number and email address.
8. A copy of the approval (if granted) and signed undertaking as per paragraph 6 supra to be provided to this office within 21 days after receipt of this letter.
9. Your cooperation will be highly appreciated.


MAJOR GENERAL
THE HEAD: RESEARCH
DR PR VUMA

DATE: 2021-11-20

Annexure D: Turnitin Report




turnitin

Digital Receipt

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File size:	1,008.58K
Page count:	123
Word count:	32,607
Character count:	185,819
Submission date:	15-Dec-2022 11:18AM (UTC+0200)
Submission ID:	1981890317



EXPLORING INVESTIGATIVE CHALLENGES OF FRAUD CASES BY THE
GENERAL DETECTIVE IN THE EASTERN CAPE PROVINCE

BY
P ZENANI

OF GRADUATE SCHOOL
SCHOOL OF CRIMINAL JUSTICE

IN THE
Department of Public Practice
Faculty of Law
UNIVERSITY OF SOUTH AFRICA
SOUTH AFRICA
15 DECEMBER 2022

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Exploring Investigative Challenges Of Fraud Cases by the General Detectives in the Eastern Cape Province

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Annexure E: Language Editing Certificate

Registered with the South African Translators' Institute (SATI)

Reference number 1000686

SACE REGISTERED

06 December 2022

Exploring Investigative Challenges of fraud cases by the General Detectives in the Eastern Cape Province

This serves to confirm that I edited substantively the above document including a Reference list. The document was returned to the author with various tracked changes intended to correct errors and to clarify meaning. It was the author's responsibility to attend to these changes.

Yours faithfully



Dr. K. Zano

Ph.D. in English

kufazano@gmail.com/kufazano@yahoo.com

0631434276