

**AN EVALUATION OF CORPORATE FRAUD AT THE SMALL ENTERPRISE
FINANCE AGENCY: A SOUTH AFRICAN PERSPECTIVE**

by

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31 MARCH 2022

DECLARATION

I, Azwihangwisi Judith Mphidi, student number 36924024, declare that this thesis title “*An evaluation of corporate fraud at small enterprise finance agency: a South African perspective*” is my own work and that all the sources that I have used or quoted have been indicated and acknowledged using complete references. I further declare that I have not previously submitted this work, or part of it, for examination at Unisa for another qualification or at any other higher education institution.

Signature

A handwritten signature in black ink, appearing to read 'A. Mphidi', written over a horizontal line.

AZWIHANGWISI JUDITH MPHIDI

DATE: 31 MARCH 2022

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ABSTRACT

A state of unemployment links with human rights at some point in life. Some human rights can only be met when there is an employed breadwinner in the family. Unemployment can also be a crime generator. The South African government noted this challenge and developed the National Development Plan 2030 to curb unemployment growth through the establishment of State-Owned Companies such as the Small Enterprise Financial Agency (SEFA) to help create jobs and prevent crime motivated by unemployment. This was meant to encourage a specific group of people who are self-employed and with an interest in job creation by establishing a small business through financial assistance. However, criminals also observed such opportunities. Financial institutions such as SEFA are likely to be a target of crime, which goes against their mandate to create jobs. The South African government therefore created laws to assist in regulatory compliance to minimise and combat corporate fraud.

The aim of this research was to evaluate corporate fraud at SEFA in South Africa. The assessment was guided by the following three main research questions – *What does corporate fraud entail in the SEFA direct lending product?*, *What are the traits and Modus Operandi of corporate fraud targeted at SEFA direct lending?* and *What are the best and doable practices available to mitigate corporate fraud at SEFA direct lending?* This study adopted a mixed method approach. The sample consisted of SEFA staff dealing with the direct lending product.

The beneficiaries of this research include potential victims of corporate fraud, such as SEFA; entrepreneurs; Small, Medium and Micro Enterprises; the South African Criminal Justice System entities such as the South African Police Service, the courts and the correctional services, regulatory authorities; and the South African government. The findings make a valuable contribution as a practical, new framework which could be used to speed up the economic growth process through job creation without the extreme threat of corporate fraud. This would be possible if the South African historical factors, demographics, and acknowledgement of new talent for job creation are considered for economic growth and the prevention of corporate fraud.

DEDICATION

This thesis was dedicated to my daughter, Muvhango Cassidy, and my late parents, Sewela Francina Masalesa-Mphidi and Muvhango Edward Mphidi. My parents sacrificed their time to care for my daughter so that I can go to school – here I am, I did it, I finished school! I am grateful for the life they gave me. I would like to thank my late parents in spirit for bringing me into this world and for all the experiences I had and am still going through.

EDITOR'S DECLARATION

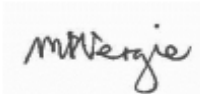
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TO WHOM IT MAY CONCERN

This is to confirm that the doctoral thesis "An evaluation of corporate fraud at Small Enterprise Finance Agency" by Azwihangwisi Judith Mphidi has been edited. The edited version was submitted to her on 1 July 2021.

The onus is, however, on the student to make the changes suggested, to attend to the language editor's queries, and to make sure that all additional changes made after 1 July 2021 has been submitted for editing.

Kind regards



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KEY TERMS

Small Enterprise Finance Agency; Corporate fraud; Small, Medium and Micro Enterprises; Application fraud; First-Party Fraud; Regulatory requirement; Corruption in financial institutions; State-Owned Company; Occupational fraud; National Development Plan 2030.

ACRONYMS

AA	-	African Agenda
ACA	-	Administrative Control Authority
ACDCP	-	Africa Centre for Disease Control and Prevention
ACFE	-	Association of Certified Fraud Examiners
ACIC	-	Australian Criminal Intelligence Commission
AGD	-	Attorney-General's Department
AGSA	-	Auditor-General of South Africa
AICAMAPC	-	American Institute of Certified Accountants' Management Antifraud Programs and Controls
AML	-	Anti-Money Laundry
ANAO	-	Australian National Audit Office
APS	-	Australian Public Service
ATM(s)	-	Automatic Teller Machines
BEE	-	Black Economic Empowerment (BEE)
BMW	-	Bayerische Motoren Werke
CA	-	Companies Act
CCTV	-	Closed-Circuit Television
CEO	-	Chief Executive Officer
CFF	-	Card Fraud Forum
CIPC	-	Companies Intellectual Property Commission
CISA	-	Compliance Institute of South Africa
CJS	-	Criminal Justice System

CLAW	-	College of Law
CLC	-	Client Liaison centre
CMC	-	Computer-Mediated Communication
CMIS	-	Crime Management Information System
COVID-19	-	Coronavirus Disease 2019
CPAA	-	Certified Practising Accountant Australia
CRM	-	Credit Risk Management
CSD	-	Central Supplier Database
DAFF	-	Department of Agriculture, Forestry and Fisheries
DCP	-	Developmental Credit Provider
DCS	-	Department of Correctional Services
DLA	-	Dipp Lupton Alsop
DMRE	-	Department of Mineral Resources and Energy
DOE	-	Department of Energy
DOH	-	Department of Home Affairs
DPE	-	Department of Public Enterprises
DPWI	-	Department of Public Works and Infrastructure
DRDLR	-	Department of Rural Development & Land Reform
DSBD	-	Department of Small Business Development
DSD	-	Department of Social Development
DSFF	-	Department of Agriculture, Forestry and Fisheries
DST	-	Department of Science and Technology
DTI	-	Department of Trade and Industry
DWS	-	Department of Water and Sanitation

EC	-	Eastern Cape
ECA	-	European Court of Auditors
ECTAC	-	Egyptian Coalition for Transparency and Anti-Corruption
EDD	-	Economic Development Department
EISA	-	Ethics Institute of South Africa
EO	-	Ethics Officer
ERC	-	Ethics Review Committee
ESA	-	Egyptian Standards on Auditing
EYGL	-	Ernest and Young Global Limited
FIC	-	Financial Intelligence Centre
FICA	-	Financial Intelligence Centre Act
FFF	-	First Friday Fraud
FNB	-	First National Bank
FPF	-	First-Party Fraud
FPP	-	Fraud Prevention Plan
FRF	-	Financial Reporting Fraud
FS	-	Free State
GDP	-	Gross Domestic Production
GEP	-	Gauteng Enterprise Propeller
GFI	-	Global Financial Integrity
GP	-	Gauteng Province
GTAG	-	Global Technology Audit Guide
HIG	-	Higher Information Group
HO	-	Head Office

HRCGC	-	Human Rights Commission and Gender Commission
ICT	-	Information and Communications Technology
IDC	-	Industrial Development Corporation
IMF	-	Integrity Management Framework
IP	-	Internet Protocol
ISS	-	International Space Station
IT	-	Information Technology
ITC	-	International Trade Centre
KCG	-	Khula Credit Guarantee
KHULA	-	Khula Enterprise Finance Limited
KPMG	-	Klynveld Peat Marwick Goerdeler
KYC	-	Know Your Customer
KZN	-	KwaZulu-Natal
LP	-	Limpopo Province
LRA	-	Labour Relations Act
LRC	-	Law Reform Commission
MDB	-	Municipal Demarcation Board
MO	-	Modus Operandi
MOU	-	Memorandum of Understanding
MP	-	Mpumalanga Province
MS	-	Microsoft
NAA	-	National Archive Act
NACH	-	National Anti-Corruption Hotline
NASA	-	National Aeronautics and Space Administration

NC	-	Northern Cape
NCA	-	National Credit Act
NCR	-	National Credit Regulator
NDP	-	National Development Plan
NI	-	National Instruction
NPC	-	National Planning Commission
NT	-	National Treasury
NW	-	Northwest
NZCAG	-	New Zealand Controller and Auditor-General
NZTE	-	New Zealand Trade and Enterprise
ODAC	-	Open Democracy Advice Centre
OFCANZ	-	Organised and Financial Crime Agency New Zealand
PAF	-	Product Application Form
PAIA	-	Promotion to Access to Information Act
PDA	-	Protected Disclosures Act
PDF	-	Portable Document Format
PFMA	-	Public Finance Management Act
PIM	-	Post-Investment Monitoring
PLBSP	-	Post-Loan Business Support Programme
PMG	-	Parliamentary Monitoring Group
POCA	-	Prevention of Organised Crime Act
POCDATARA-	-	Protection of Constitutional Democracy against Terrorism and Related Activities Act
POP	-	Purchase Order Product

POPI	-	Protection of Personal Information
PPSA	-	Public Protector South Africa
PRECCA	-	Prevention and Combating of Corrupt Activities Act
PSACS	-	Public Service Anti-Corruption Strategy
PSC	-	Public Service Commission
PWC	-	PriceWaterhouseCoopers
QLFS	-	Quarterly Labour Force Survey
RCMU	-	Risk and Compliance Management Unit
RDP	-	Reconstruction and Development Programme
SAA	-	South African Airways
SABC	-	South African Broadcasting Corporation
SAFPS	-	South African Fraud Prevention Service
SAIT	-	South Alberta Institute of Technology
SAMAF	-	South African Micro Finance Apex Fund
SANDF	-	South African National Defence Force
SAPPC	-	South African Parliament Portfolio Committee
SAPS	-	South African Police Service
SARS	-	South African Revenue Service
SASSA	-	South African Social Security Agency
SCC	-	Specialised Commercial Crime
SDGs	-	Sustainable Development Goals
SEDA	-	Small Enterprise Development Agency
SEFA	-	Small Enterprise Finance Agency
SFO	-	Serious Fraud Office

SIU	-	Specialised Investigation Unit
SLS	-	Space Launch System
SMEs	-	Small to Medium-Sized Enterprises
SMMEs	-	Small, Medium and Micro Enterprises
SOC	-	State-Owned Company
SOC(s)	-	State-Owned Companies
SOE(s)	-	State-Owned Enterprises
Stats SA	-	Statistics South Africa
TPF	-	Third-Party Fraud
TR (s)	-	Treasury Regulations
UNDP	-	United Nations Development Programme
UK	-	United Kingdom
UNISA	-	University of South Africa
UN	-	United Nations
UNIDO	-	United Nations Industrial Development Organization
UPACR	-	Ugandan Police Crime Annual Report
USA	-	United States of America
USEPA	-	United States Environmental Protection Agency
VAT	-	Value-Added Tax
VBS	-	Venda Mutual Bank
VoIP	-	Voice-over-Internet Protocol
WC	-	Western Cape
WIN	-	World International Network
WR	-	Workout and Restructuring

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CHAPTER ONE

GENERAL ORIENTATION

1.1 INTRODUCTION

Corporate fraud is a destructive crime which does not bring growth in any organisation. It brings prejudice as a result of one or more individuals gaining from such activity. According to the global economic crime and fraud survey 2022 of PriceWaterhouseCoopers (PWC) (2022:5) losses of millions of rands have been reported globally, which affirms the cost of corporate fraud. Corporate fraud also directly or indirectly affects individuals' personal lives, either inside or outside of the organisation. Individuals are either victims or perpetrators of the crime; however, naturally, misrepresentation is deceitfulness, and it is always intended to prejudice another person.

According to Bekiaris and Papachristou (2017:467), corporate fraud is constituted as any unlawful conduct based on deceitful concealment or violation of trust against another person. The organisation may be liquidated, individuals may be retrenched, and others incarcerated because of this crime and the rising unemployment statistics. Anon (2017:np) states that in recent years, South Africa's unemployment rate poses a serious threat to the country's young democracy. Historical information linked to the recent events or economic status of the country shows that the unemployment rate was at an average of 25.46% from 2000 until 2017, reaching an all-time high of 31.20% in the first quarter of 2003 and a record low of 21.50% in the fourth quarter of 2008.

Statistics South Africa (2016a:iv) reported an increase in unemployment during the year 2016 in which 521 000 persons were confirmed to be unemployed, which amounts to a decrease of 353 000 in employment. At the end of 2016, the rise in unemployment totalled 27% (Statistics South Africa, 2016b:1). South Africa's unemployment rate in the second quarter of 2017 totalled 27.7%, unchanged from the previous period's 13-year high. The number of unemployed fell by 37 000 to 6,18 million while the number of employed declined by 113 000 to 16.10 million (Anon, 2017:np). In the following year, there was a decrease of 70 000 in quarter four of 2018. There was also an increase of 62 000 in quarter one of 2019, which amounted to 6,2 million unemployed people (Statistics South Africa, 2019:7). The numbers kept on increasing drastically. There was an escalation of 344 000 in quarter one of 2020, following a decrease of 8 000 in the last quarter, which left 7,1 million people unemployed (Statistics South Africa, 2020:7).

Statistician-General, Mr Risenga Maluleke, revealed in the Quarterly Labour Force Survey (QLFS) Q2:2022 that South Africa had 7.9 million unemployed persons in the first quarter of 2022 (Statistics South Africa, 2022:2). The latest statistics show that the official unemployment rate was 33.9% in the second quarter of 2022 (Statistics South Africa, 2022:6). The results suggested that 648 000 jobs were gained between the first quarter of 2022 and the second quarter of 2022. The job gains were from sectors such as community and social services (276 000), trade (196 000), finance (128 000) and construction (104 000). However, job losses were reported in the manufacturing (73 000) and transport (54 000) sectors.

The number of the unemployed persons increased by 132 000 to 8,0 million in the second quarter of 2022 compared to the previous quarter (Statistics South Africa, 2022:3). Thus, the number of job seekers decreased by 183 000 4, 9 % and the number of economically inactive people decreased by 452 000 (3.3%) between the two quarters, giving a total of up to 635 000 persons that are not economically active in the population (Statistics South Africa, 2022:4). The South African government is desperately exploring alternative methods to create sustainable jobs and address the high unemployment rate.

This chapter covers the background and the rationale of the research, as well as the purpose of the research, key concepts, research demarcation, population sampling, value of the research and the organisation of the thesis. The researcher has also expressed her research aim, objectives, and questions. The value of this study was explained, and the problems encountered during the research were disclosed. The structure of this thesis and the key theoretical concepts are also outlined in this chapter to provide a better understanding.

1.2 BACKGROUND OF RESEARCH

The South African government under the stewardship of the National Planning Commission (NPC) in the office of the Presidency drafted the NDP 2030. This plan articulates the aims and objectives in reaching the goal for driving economic growth through various means, including sustainable job creation. The plan was launched in 2012 and set specific deliverables are to be achieved by 2030. The NDP 2030 envisages an economy serving all South Africans aimed at eliminating poverty, reducing inequality, and creating economic growth by creating eleven million jobs by 2030 (South Africa, 2011a:1). As a result, this plan gives a summary of the programmes that were created to encourage, support, and develop entrepreneurship and Small, Medium and Micro Enterprises (SMMEs) to create jobs (South Africa, 2011b:30).

Amra, Hlatshwayo and McMillan (2013:3) add that entrepreneurship and the SMMEs sector have been the engine for driving economic growth as well as the rationale for job creation. The programmes for encouraging entrepreneurship and SMMEs are set to be executed through better coordination with some of the South African State-Owned Companies (SOCs). In addition, the NDP 2030 (South Africa, 2011b:30) stipulates that SOCs have been established to provide developmental credit¹ to the sector for sustainable job creation and economic growth. The Small Enterprise Finance Agency (SEFA) is one of the SOCs established to provide developmental credit to facilitate sustainable job creation strategies as outlined in the plan. The institution² was established through a merger of three SMME funding agencies into one entity, as announced by the former President Zuma during his presidential term in the 2011 State of the Nation Address.

The three agencies that merged to form SEFA are Khula Enterprise Finance Limited (KHULA), the South African Micro Finance Apex Fund (SAMAF) and the small business funding activities of the Industrial Development Corporation (IDC) (SEFA, 2013:36). SEFA's mandate is aligned with the plan to foster the establishment, survival, and growth of SMMEs by contributing to the alleviation of poverty and job creation (SEFA, 2015:3).

1.3 RATIONALE OF RESEARCH

Employment for individuals is particularly important, since it gives them a sense of independence to do things which are desired, either for themselves or family members. These things entail the buying of food, paying for transport, nurturing talents through education, and paying for tuition fees, medical aids, and other general needs. Not being able to afford these things gives rise to negative feelings. These negative feelings may trigger individuals' frustration levels causing them to do things that they would not normally do. Some of these deeds include resorting to a life of crime. However, some individuals also commit corporate fraud not because they cannot afford something but merely out of greed. Corporate fraud affects a country's economic growth. The more individuals are employed to take care of themselves, the more pressure is on the government to focus on other important projects to benefit the lives of the people in the country.

¹ Developmental credit in terms of the National Credit Act 34 of 2005, section 10 (a) (b). Agreement between credit provider and consumer registered under section 41 of the Act, and the principal debt under the agreement does not exceed the prescribed maximum amount.

² The institution refers to the Small Enterprise Finance Agency (SEFA).

According to the PWC (2014c:8) report on the global economic crime survey, 49% of financial institutions such as SEFA are prone to falling victim to economic crimes such as fraud, compared to only 34% across all other industries. The types of economic crimes committed from 2011 to 2014 are asset misappropriation, procurement fraud, bribery and corruption, cybercrime, and accounting fraud (PWC, 2014c:6). The global economic crime report indicated that the financial services fraud levels are motivated by relatively high levels of cybercrime and money laundering (PWC, 2014c:8). In 2020 it was reported in the South African edition of the PWC global crime survey that organisations are facing a complex situation where 20% to 30% of fraud was occupational fraud committed by senior management between 2018 to 2020. Concurrently, financial statement fraud increased from 22% in 2018 to 34% in 2020.

In this regard, several shortcomings were revealed, such as the fact that 42 % of the respondents indicated that no investigations were conducted, 59% of the incidents were not disclosed to the organisation's board of directors, 66% were not disclosed to regulatory or law enforcement authorities, and 72% of the incidents were not divulged to the auditors (PWC, 2020a:4). With regard to business, SEFA (2016:np) criteria to qualify for developmental credit includes providing financial assistance to cooperatives and survivalists in South Africa falling in the following funding gaps:

- microenterprises – loans between R500 and R50 000;
- small enterprises – loans between R50 000 and R1 million; and
- medium enterprises – loans between R1 million and R5 million.

SEFA as a SOC is aware that it is vulnerable to corporate fraud. There is a legislative obligation by regulatory requirements to mitigate instances of fraud in its business operations. The researcher was interested in corporate fraud within direct lending, as it is the most targeted product with major potential monetary loss.

Further, fraudulent activities are an impediment to its business mandate, and therefore to the vision for South Africans. According to the SEFA Fraud Register (SEFA, 2017a:1-5), 52 attempted fraudulent activities in direct lending have been reported in five provincial branches in South Africa for a period of five years. Fraudulent activities targeted at SEFA also disadvantage and implant fear in upcoming and most deserving legitimate entrepreneurs and existing SMMEs in South Africa who qualify for developmental credit.

Furthermore, these fraudulent activities are detrimental to the provision of opportunities for sustainable jobs that are essential for economic growth in the country (Amra, Hlatshwayo & McMillan, 2013:3). The institution creates jobs through developmental credit to entrepreneurs and SMMEs in South Africa, but the organisation is currently experiencing frequent attempts of corporate fraud. Some of the officials have detected corporate fraud during the application process at the stage where clients are required to submit supporting documentation for the applications to be processed.

It was discovered that some of the documents have been forged. The officials then started to report the findings, which led to the compilation of the register to track and mitigate fraud. SEFA has since created a register on reported fraudulent cases since April 2013. The cases recorded in the register are listed for further investigation internally or externally by the South African Police Service (SAPS). Table 1.1 below depicts the number of fraud cases recorded by SEFA per provincial branch for the period 2013 to September 2017. These provincial branches include the Eastern Cape (EC), Western Cape (WC), Gauteng Province (GP) and Northwest (NW).

Table 1.1: Number of corporate fraud cases per provincial branch from September 2013 to September 2017

SEFA Financial year	Cases reported	Potential loss	Cases per provincial branch
1/4/2013-31/3/2014	2	R 740 000.00	GP (1); NW (1)
1/4/2014-31/3/2015	3	R 5 000 000.00	WC (1); GP (2)
1/4/2015-31/3/2016	7	R 1 703 325.00	GP (2); WC (2); EC (3)
1/4/2016-31/3/2017	25	R 14 405 020.00	EC (16); WC (7); NW (1); GP (1)
1/4/2017-31/09/2017	15	R 5 152 586.00	EC (11); WC (3); GP (1)
Total	52	R 27 000 931.00	

Source: SEFA Fraud Register (SEFA, 2017a:1-5)

All the cases in the table were detected during the application process for developmental credit for the direct lending product. The information was derived from four SEFA provincial branches in the nine provinces in South Africa. No cases were reported in the other provinces such as Mpumalanga Province (MP), Free State (FS), Northern Cape (NC), Limpopo Province (LP) and KwaZulu-Natal (KZN), but this did not mean that the provincial branches would not be targeted in future or learn more from other SEFA family branches.

The researcher has first-hand experience on the topic, as she has been working for SEFA for more than five years as a Compliance Specialist. She has been part of the team that compiles reports for the Financial Intelligence Centre (FIC) in instances of suspicious transactions as part of regulatory compliance monitoring and reporting. She also worked for SAMAF for four years prior to the merger in the legal and corporate secretariat unit. She has discovered that there is a potential loss of funds that might bring an organisation to a halt if the perpetrators should periodically succeed. An evaluation of all the stages, such as the application process, approval process and the post-approval stage to establish where the gap or opportunity lies was therefore of vital importance to secure the direct lending product.

1.4 PURPOSE OF RESEARCH

According to Strydom (2013:149), authors have different opinions on the issue of defining the purpose of research. Creswell (2013:134) is of the opinion that the purpose of research is when an author makes a statement of declaration to explain the objective of the research. In addition, Terrel (2016:21) adds that the purpose of research informs the audience of the focus of the entire study. Strydom (2013:160) states that it is therefore crucial to describe the purpose of the research separately. The researcher has detailed the three most common purposes of research, namely, exploration, description, and explanation, as stated by Babbie (2013:90).

- Exploration involves the researcher doing research to explore the topic and usually occurs when there is an examination of a new interest in the topic.
 - ✓ It is conducted to satisfy the researcher's curiosity and desire for better understanding, and to develop the methods to be employed in any subsequent research (Babbie, 2013:90).
- Description involves describing situations and events.
 - ✓ It entails answers to the questions on what, where, when, how and why.
The researcher observes and describes that which was observed. It also usually entails an examination on why the observed patterns exist and what it means (Babbie, 2013:91-92).
- Explanation involves explaining things.
 - ✓ Idiographic explanation requires an exhaustive understanding of the causes producing events and situations in a single or limited number of cases (Babbie, 2013:92).

Bhattacharjee (2012:25) adds that idiographic explanations assist in explaining a single situation or event in idiosyncratic detail. It requires the researcher to pay attention to the explanations offered by the people living the social process under study compared to similar situations from various places or at a different time in the same place, which can be insightful (Babbie, 2013:120).

- ✓ Nomothetic explanations, according to Bhattacharjee (2012:26), describe a class of situations or events rather than a specific situation or event. Criteria for nomothetic causality include correlation, time order and non-spuriousness (Babbie, 2013:93). This means that the variables must be correlated, the cause must take place before the effect, and the variables must be non-spurious (not false).

The purpose of this study was to evaluate corporate fraud at SEFA. The threat of corporate fraud is a reality for financial institutions, which will always be vulnerable to this crime when delivering a service to those who meet the qualifying criteria within the South African community to address unemployment and historical economic issues that face the country and threaten economic growth. As stated by Babbie (2013:17), social research is seldom a vehicle for mapping out a topic worth researching at a later stage. The purpose was, first, to explore the establishment and give an overview of corporate fraud cases reported to SEFA. Second, this would be followed by an overview of the modus operandi (MO) and other successful methods to fight corporate fraud. The purpose of the exploratory study was therefore to collect facts and describe situations to eliminate misconceptions (Babbie, 2013:17), as well as to establish the gaps or opportunities for corporate fraud within the business life cycle aimed at securing the direct lending product. It is a fact that corporate fraud hampers the entrepreneurship, establishment, and development of the SMMEs sector in South Africa.

It is worth noting that this study involved all the three elements (exploratory, descriptive, and explanatory) as efforts to deliberately bring about social change and to create a more workable and just society (Babbie, 2013:18). The researcher therefore felt that there should be a way to resolve specific problems facing a country such as South Africa through an institution such as SEFA. The solution lies in the willingness to take on the responsibility and the initiative to investigate in order to allow everyone to benefit directly or indirectly.

The ultimate reason for this research was to develop a strategy (personalised new conceptual model framework) to mitigate corporate fraud at SEFA. Minimising corporate fraud within SEFA will prevent the SOC from losing state funds to crime, being liquidated, or declared insolvent, retrenching employees, or losing employment. Further, minimising corporate fraud will ensure that the SMMEs sector is provided with funding for sustainable job creation as mandated. Moreover, the economy of the country will grow, and other crimes related to unemployment may decrease.

1.5 RESEARCH AIM AND OBJECTIVES

According to Denscombe (2012:49-50), the aim of the research determines the direction of the study and the intended objectives. The aim of this research was to evaluate corporate fraud at SEFA. The idea was also to provide the reader with an understanding on how this thesis was compiled from the beginning to the end. Wanjohi (2014:3-4) defines research as a search for knowledge, and the objectives are small particles that make up the problem, of which the solution is attainable. In addition, Fouché and De Vos (2011:94) believes that objectives represent a solid, quantifiable and a faster way of achieving what the researcher sets out to do regarding a study. The following objectives were formulated:

- 1.5.1 To provide an overview of corporate fraud in SEFA's direct lending product.
- 1.5.2 To identify the traits and MO of corporate fraud targeted at SEFA direct lending.
- 1.5.3 To determine other successful methods at a global glance to mitigate corporate fraud.
- 1.5.4 To establish a conceptual model framework customised to mitigate corporate fraud at SEFA direct lending.

1.6 RESEARCH QUESTIONS

A research question can assist in identifying what the researcher wants to know and understand (Maxwell, 2013:77). The researcher has prepared the following questions, which she believes assisted her in achieving her objectives to complete this research:

- 1.6.1 What does corporate fraud entail in the SEFA direct lending product?
- 1.6.2 What are the traits and MO of corporate fraud targeted at SEFA direct lending?
- 1.6.3 What are the best and doable practices available to mitigate corporate fraud at SEFA direct lending?

1.7 KEY CONCEPTS

According to Babbie (2013:114), after defining the purpose with a clear description of the required outcomes that the researcher wants to achieve, the next step in the design of the research is conceptualisation. It is also necessary to clarify the meaning of these concepts to derive a meaningful conclusion from them. The concepts were defined below to eliminate any misunderstandings and to give a meaning related to this study.

1.7.1 Small, Medium and Micro Enterprises

According to the study conducted by the Bureau for Economic Research (2016:5), commissioned by the Small Enterprise Development Agency (SEDA), SMMEs encompass an overly broad range of firms, some of which include formally registered, informal, and non- Value-Added Tax (non-VAT) registered organisations. Small businesses range from medium-sized enterprises such as established traditional family businesses employing over a hundred people to informal micro-enterprises. The latter includes survivalist self-employed persons from the poorest layers of the population.

In terms of section (1) of the National Small Business Act 102 of 1996 (Department of Trade and Industry³, 1996:1-2) as amended by section (1) of Act 26 of 2003 the definition is as follows:

a small business or enterprise means a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operative enterprises [and non-governmental organisations], managed by one owner or more [which, including its branches or subsidiaries, if any, is] predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the schedule and 5, 10, 15, 20, 25. This can be classified as a micro, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the schedule [opposite the smallest relevant size or class as mentioned in column 2 of the schedule].

1.7.2 Small Enterprise Finance Agency

SEFA is a SOC established to provide developmental credit to entrepreneurs and SMMEs within South Africa to create sustainable employment and economic growth (SEFA, 2015:3).

³ The Department of Trade and Industry is now referred to as the Department of Trade Industry and Competition.

SEFA is also meant to be “the leading catalyst for development of sustainable SMMEs and Co-operatives through provision of finance” (SEFA, 2020:4).

1.7.3 Application fraud

Mookiah, Holmes, Watkins and O’ Connell (2019:1) state that application fraud in the financial sector is the type of crime committed through the procurement of a number of monetary products through misrepresentation, deceitfulness, and malicious conduct such as using a stolen identity or fake documents and passing them on as authentic. According to British Aerospace Systems (2016:1) application fraud can also be found in “deposit products such as savings and checking accounts”.

1.7.4 First-Party Fraud

Experian (2016:5) describes First-Party Fraud (FPF) as a crime committed by people who have no intention to repay borrowed funds, resulting in the business being the victim. According to Detica NetReveal (2013:2), FPF transpires when clients apply for financial products such as credit cards, loans, overdrafts, or other unsecured banking credit lines with the intention of not making repayments.

1.7.5 National Development Plan 2030

The NDP 2030 is a document with a strategy drawn up on behalf of government by the NPC (South Africa, 2011a:14) aimed at eliminating poverty and reducing inequality. According to Zarenda (2013:7), the South African NDP 2030 relates to the commitment of government to engage all the sectors of society by incorporating the private sector, which has a key role to play in helping to achieve the objectives of poverty reduction, economic growth, economic transformation, and job creation.

1.7.6 Corporate fraud

According to Chen (2017:np), corporate fraud consists of dishonest, illegal activities undertaken by an individual or company designed to advantage the perpetrating individual or company. This type of crime is one of the corporate crimes that refers to criminal offences that are either committed by a corporation or by an individual or individuals who represent corporations (Upcounsel, 2019:np).

The criminal element has been observed through unauthorised transactions, requests for funds, returned bounced cheques and loss of stolen merchandise as well as the redistribution of costs associated with the redelivering of purchased items through courier fraud (LexisNexis, 2016:4). Cliff and Desilets (2014:483) profiled corporate fraud as white-collar crimes committed by a person of respectability and high social status while in the occupation.

1.7.7 Regulatory requirement

A regulatory requirement exists after legislation has been drawn up. Legislation consists of laws made by Parliament or by people who are given power by Parliament to make laws (Department of the Attorney General, 2011:2). The Compliance Institute of South Africa (CISA) (2013:12) describes regulatory requirements as statutory, regulatory, and supervisory requirements, industry codes and best practice guidelines, by which an organisation should abide.

1.7.8 Corruption

Corruption, according to the Prevention and Combating of Corruption Activities Act, No. 12 of 2004 (South Africa, 2004:10), takes place when an individual person directly or indirectly offers or accepts or enters into an agreement to accept gratification, whether it is for self-benefit or for another person. Enste and Heldman (2017:5) define corruption as an abuse of power in one's occupation for personal gain.

1.7.9 State-Owned Company

In the South African context, a State-Owned Company (SOC) is defined according to the Companies Act 71 of 2008 (Department of Justice, 2008:32). The intentions of business operations are outlined during registration with the relevant registrant, which in this case is the Intellectual Property Commission (CIPC) and other regulators that must regulate the type of business registered, depending on the type of activities.

1.7.10 Occupational fraud

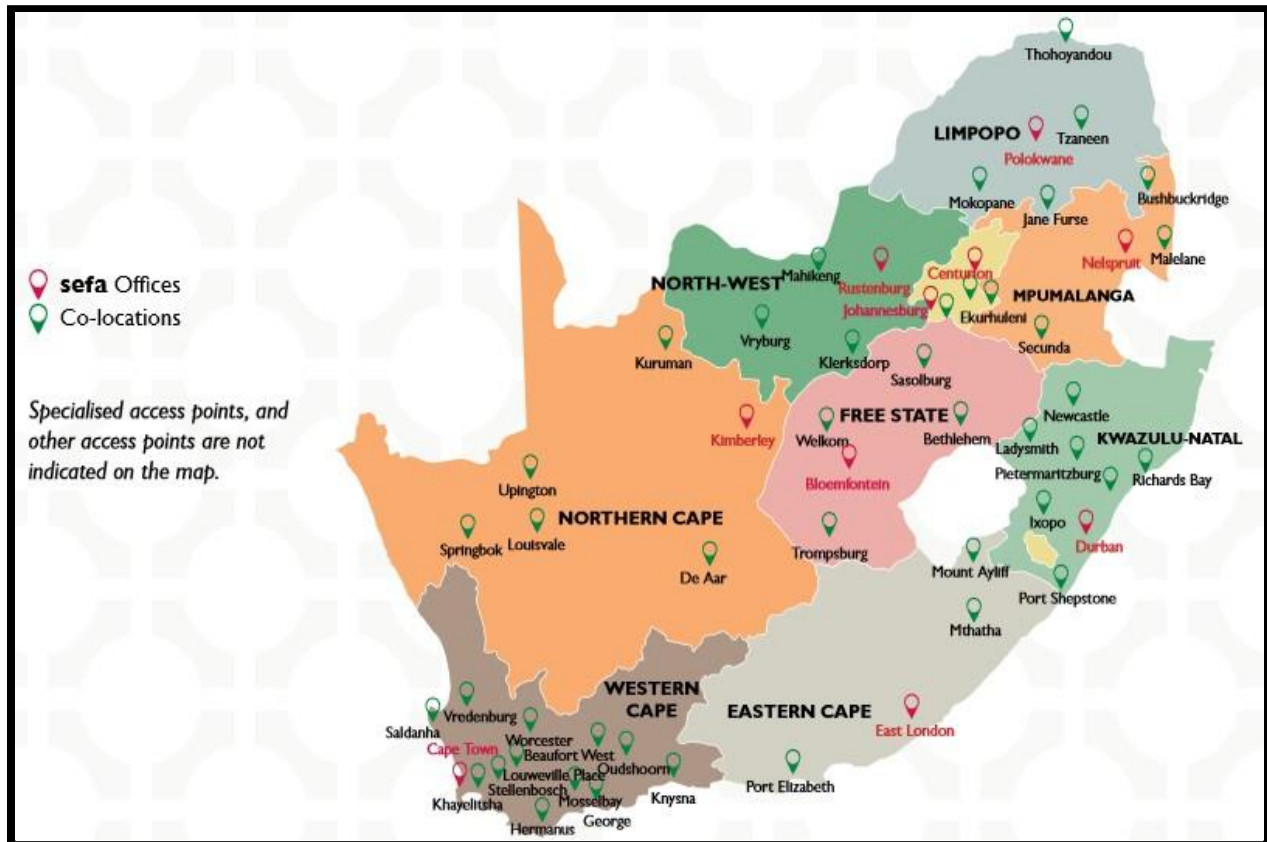
Davis and Harris (2020:42) describe occupational or employee fraud as an intentional misappropriation of a company's resources by an employee. It occurs when individuals use their occupation for self-enrichment by intentionally misusing the employer's assets (Umar, Samsudin & Mohamed, 2015:502).

1.8 RESEARCH DEMARCATION

This research was limited to evaluating corporate fraud at SEFA direct lending product in the nine provincial branches in South Africa. The locations are in the southern part of Africa.

Figure 1.1 points out the locations of SEFA business operations in the nine provinces in the country in the map below.

Figure 1.1 SEFA provincial branches locations



Source: SEFA Annual Report (SEFA, 2020:7)

All the provincial branches offer direct lending products to the same clientele in South Africa that meet the qualifying criteria. However, not all provincial branches were reported to have been affected by corporate fraud. During the period when this research was conducted, only four provincial branches have since reported cases of corporate fraud, as stated in table 1.1. However, this did not mean that the other five provincial branches, – Limpopo Province (LP), Mpumalanga Province (MP), Northern Cape (NC), Free State (FS) and KwaZulu-Natal (KZN) – are immune to future incidents.

The researcher wanted to include all nine SEFA provincial branches in Figure 1.1. She adhered to ethical considerations by sending informed consent requests to all nine provincial branches. The informed consent request explained what this study was about. As detailed in Table 1.2, only eight provincial branches participated. However, the provincial branches that took part in this study were sufficient in reference to the data collected and analysed.

1.8.1 Timeframe

The researcher registered at the University of South Africa (UNISA) in 2016 and expected to complete the study in 2020. The information which the researcher wished to examine from SEFA dates back since its inception. Information on the activities of the three entities – SAMAF, KHULA and IDC – was difficult to find, as the information was archived or transferred to SEFA, the merged entity. The data on corporate fraud was evaluated from 2013 to 2021. Permission was received from SEFA to collect data on reported corporate fraud cases for a period of five years from 2013 to 31 March 2018. However, the data were collected until September 2017. Literature consulted in this study was collected from 2016 to 2021. The information from respondents and participants were collected from September 2018 to March 2019.

1.8.2 Numeric demarcation

This research was limited to respondents and participants in SEFA linked to the direct lending product business life cycle across the nine provincial branches. The business life cycle is the progression of a business in phases over time and is most commonly divided into five stages, namely launch, growth, shake-out, maturity and decline (Business Life Cycle..., 2015). According to the SEFA Annual Report (SEFA, 2020:32), the organisation has a total of 249 employees nationwide. Direct lending has at least 50 but not more than 100 employees across South Africa, and each branch consists of not more than ten employees.

However, there was no guarantee that the number of respondents and participants would always be available because of possible ill health, death, or resignations. Eighty SEFA employees working with direct lending were considered for this study. Fifty questionnaires were distributed, and 30 interview schedules were prepared. However, only 24 employees eventually cooperated, as discussed below under 1.9.

1.9 POPULATION

Asiamah (2017:1607) views a population as a group of potential participants in a study that share the same characteristics on which the results can be based. Vonk (2015:1) defines the population as the chosen participants on which the researcher intends to base the results of the research. The researcher has adopted the essential aspects of a population by Creswell (2014:158), namely that a research plan must include the identification of a population in the study, state the size, and determine the individuals in the population.

The SEFA direct lending policies, processes and procedures are developed at the head office in GP, namely Centurion in Pretoria, and distributed to the eight provincial branches (LP, MP, NW, NC, WC, FS, EC and KZN) in South Africa. It is expected that the implementation should be uniformly done throughout the branches. Direct lending does not operate solely; business units support the unit, which include, among others, the Post-Investment Monitoring (PIM) & Workout and Restructuring (WR), Client Liaison Centre (CLC), Legal, Risk and Compliance Management Unit (RCMU), Internal Audit, and Credit Risk Management (CRM) units (SEFA Annual Report, 2019:40-86). The population of this study was therefore constituted by seven business units, including direct lending.

The mentioned business units participated in this study across the eight provincial branches. Direct lending is an essential product for SEFA in which all employees are involved in chain transactions of the business life cycle. All the participants therefore play a crucial role in their respective designations. The population selected below (see 1.9.1) form a chain in the direct lending product. The population ranges from the front office to the managers and other divisions that are consulted in any instances to assist the target market, whether corporate fraud is involved or not.

1.9.1 Target population

Pazzaglia, Stafford and Rodriguez (2016:5) describe the target population as the specific group of participants to whom the developed survey would be distributed. The target population for this research were 80 employees that deal with the SEFA direct lending product or who are somehow linked to it during business transactions, as mentioned above in 1.9 of this chapter. The researcher chose a population which deals with and are also within the chain of the direct lending product business transactions, in the mentioned SEFA business units.

1.10 SAMPLING STRATEGY

Kumar (2011:397-398) defines a sampling strategy as the way in which one selects a sample unit from a population. This usually takes place after the researcher has chosen a population on which to focus. According to Taherdoost (2016:19) the identification of a sampling process must begin with a clearly defined target population. Sampling can also be utilised to make an inference about a population in relation to an existing theory. Furthermore, it depends on the choice of sampling (Taherdoost, 2016:20). The researcher used the mixed method approach to conduct this research, which means that quantitative and qualitative sampling methods were used. A selection of probability and non-probability sampling methods were used for data collection.

1.10.1 Sampling methods

According to Bhattacharjee (2012:65) sampling consists of a process which involves numerical processes to choose a subgroup of a population to concentrate on to interpret the patterns in the study. Due to the history of the researcher with the SOC, she could combine several sampling methods to obtain the sampling size. Expert and matched-pair sampling were used to select the sampled population. Bhattacharjee (2012:69) describes expert sampling as a technique used to choose respondents in a non-random manner based on their expertise on the phenomenon to be studied. Potential participants and respondents with expertise were found in the head office in GP, Centurion. The business units also included direct lending, PIM & WR, CLC, Legal, RCMU, Internal Audit and CRM. These business units were selected because of their expertise and roles in instances of suspected corporate fraud within the SOC, and were therefore consulted during the preliminary investigation and during this study.

The matched-pairs sampling method may apply in research, especially when the researcher wants to compare two subgroups within one population, based on an exact condition (Bhattacharjee, 2012:68). The researcher therefore developed a survey questionnaire and an interview schedule with the same questions to collect data. It enabled making comparisons between the findings from the respondents and the participants across all eight SEFA provincial branches that participated in this study. Northwest Province did not participate. Quantitative and qualitative sampling methods were used to achieve the research objectives, as discussed below.

(a) Quantitative sampling method

The probability sampling procedure means that “the item in the population has an equal chance of being included in a sample” (Taherdoost, 2016:20). A survey questionnaire was administered to a cluster sample where the entire population is seen as a group. A random sample is then taken from this cluster, which is regarded as the final sample (Taherdoost, 2016:21). The researcher had a sample of 50 employees to take part in the completion of the questionnaire survey. Groups were selected from the SEFA direct lending product, which has other subdivisions and business units, as well as individual employees who only deal with the direct lending product across the nine provincial branches. The decision for the separation or division was that these employees form part of the business life cycle and different areas of the SEFA direct lending product at the branches. They also have expertise and experience on the thesis topic and have the ability to assist in the achievement of the research objectives.

(b) Qualitative sampling method

Creswell (2014:158) says it is important for the researcher to decide whether to use a single or multistage sampling design of the population. The sampling design in this research is a single-stage sampling design. In a single-stage sampling procedure the researcher has access to the names of the population and can also sample the people directly (Creswell, 2014:158). Ishak and Bakar (2014:29) state that researchers using the qualitative sampling approach seldom articulate their sampling procedures and the exact procedure in selecting participants. This required the use of the non-probability sampling method, which involves judgement (Showkat & Parveen, 2017:7).

The researcher used purposeful sampling in this study and has ensured that the sampling method and size at least covered the SEFA provincial branches. These provincial branches are known to have policies for uniform business life cycle transactions. Also, the smaller populations within the provincial branches who perform duties know the clients and how to get access to them. This is made possible by weekly meetings for all employees to familiarise themselves with all the products offered. To the advantage of this research, Showkat and Parveen (2017:7) state that the non-probability sampling is less expensive, less complicated, and easier to apply than the probability method. Indeed, the researcher, in her capacity as a SEFA employee since the start of this research, has found the non-probability sampling method to be less expensive, as she personally knew the population in SEFA and had electronic access to all information of the population.

The purposeful sampling was guided by permissions granted by the Chief Executive Officer (CEO) and the participants (see Table 1.2 under 1.10.2, *Sampling size*). Thirty employees were invited to be interviewed. All the samples used in this study have working experience on corporate fraud at SEFA from one month to over ten years.

1.10.2 Sampling size

The researcher chose a sample of a total of 80 employees who play vital roles within the divisions linked to the direct lending product business cycle. However, only eight respondents completed the questionnaires and 16 participants agreed to be interviewed. The table below shows the statistics of the provincial branches and the mentioned business units chosen to participate in the survey questionnaires and interviews because of their expertise.

Table 1.2. Sampling size of questionnaires and interview schedule per SEFA provincial branches

SEFA provincial branches	A - Questionnaires		B – Interview Schedule		Sampled business units/subdivisions
	Online survey sampling size		Interviews		
	Sent	Responded	Invited	Participated	
FS	4	-	4	2	Direct lending
WC	4	-	4	1	Direct lending
GP	20	6	5	4	PIM & WR, CLC, Legal, RCMU, Internal Audit & Direct lending
KZN	4	-	4	2	Direct lending
EC	4	-	2	1	Direct lending
NC	4	1	1	-	Direct lending
MP	4	-	4	3	Direct lending
LP	2	1	4	3	Direct lending, CRM
NW	4	-	2	-	Direct lending
Total	50	8	30	16	

Source: Designed by the researcher

1.11 VALUE OF RESEARCH

According to PWC (2014b:5), corporate fraud remains a fact for every business. Crime, irrespective of its nature, affects everyone. This research is going to benefit everyone directly and indirectly, locally, and internationally, including research communities. The beneficiaries will include potential victims such as entrepreneurs and SMMEs, the Criminal Justice System (CJS), regulatory authorities and the South African government. The main recipient of this research is SEFA and other SOCs with a similar mandate. Other beneficiaries will be institutions within the CJS. According to Ioimo (2016:2) the CJS comprises the police, prosecutors, courts, and corrections. Law and order are maintained and ensures that criminals and victims receive justice. This means that once alleged offenders are introduced to the CJS for examination of the truthfulness in the matter they stand accused of, the CJS assists both the victim and the offender to go through a fair judicial process in accordance with the statutes of the country. This enables the victim to get closure and the offender to be rehabilitated (Pope, Davies & Guerin, 2020:9).

In this regard, in South Africa, the SAPS is one of the organisations that falls under the CJS, which, according to the SAPS (2015:np), aims to create safety and security for all South Africans by depending on victims and witnesses to report any type of crime for investigation to bring the perpetrators to the CJS. Under the umbrella of law enforcement agencies, the Specialised Investigation Unit (SIU) is one of the authorised institutions to investigate SOCs. The SIU is mandated by the Special Investigations Units and Special Tribunals Act No. 74 of 1996 and as amended Act No. 11 of 2012, to investigate serious malpractices or maladministration in the administration of state institutions (Department of Justice, 2012:1). South Africa also has a Specialised Commercial Crime (SCC) court that handles fraudulent matters affecting SOCs like SEFA.

Correctional Services might refer to this research when a thesis report is completed on issues related to rehabilitation programmes for corporate fraud offenders against SEFA. The conclusion in this thesis will also contribute to the creation of academic knowledge. Hopefully, the findings will provide recommendations that may assist offenders to return to society and become some of the entrepreneurs and SMMEs owners that will play a role in creating jobs.

1.12 PROBLEMS ENCOUNTERED DURING THE STUDY

One provincial branch did not take part in this study, which is the NW. Many respondents from FS, WC, KZN, EC and MP did not answer the questionnaires as promised; only eight respondents of the 50 targeted participated in this study. Making appointments with the participants to take part in face-to-face interviews proved to be a limitation of this study. The researcher believes it might have something to do with the topic of this research. In this regard, due to the sensitive nature of the topic, most participants and respondents mentioned that they did not want to get involved in this study due to fear of victimisation, even though this study was for academic purposes.

1.13 ORGANISATION OF THE THESIS

This research is chronologically organised as follows:

1.13.1 Chapter one: General orientation

This chapter is a general orientation of the thesis. It provides highlights of the content of this study and gives the reader an idea of the aim of the research.

1.13.2 Chapter two: Research methodology

This chapter deals with the research methodology used to collect and interpret data. The data presented were followed by an explanation of the data analysis to obtain the outcomes for this thesis.

1.13.3 Chapter three: An overview of the Small Enterprise Finance Agency and corporate fraud

The focus of this chapter is on answering research question one and to achieve research objective one. The chapter also provides an overview of corporate fraudulent activities reported in the SEFA direct lending product. Further, it deals with the opportunities in SEFA processes and procedures that may have offered leeway to such activities. Furthermore, it describes the business life cycle from the application for funding to the disbursement of funds, as well as the period after funds are disbursed to a client.

In addition, theories of fraud as well as SEFA's role in contributing to economic growth in South Africa are discussed.

1.13.4 Chapter four: Identification of traits and modus operandi of corporate fraud targeted at SEFA

This chapter relates to answering research question two.

It deals with the identification of traits and an analysis of the MO of corporate fraud targeted at SEFA, which includes profiling of the perpetrators and their MO based on evidence available in the SEFA Fraud Register (SEFA, 2017a:1-5). More information identified during this study is outlined in Chapter six.

1.13.5 Chapter five: Successful methods to mitigate corporate fraud in financial institutions

This chapter discusses research question three.

The focus in this chapter is on the investigation of available methods to limit instances of corporate fraud in financial institutions on a global level. Further, it provides an evaluation of whether these methods are practical and doable in the South African context and in line with legislation.

1.13.6 Chapter six: Presentation and interpretation of findings

The findings in this research are based on the research objectives and questions. These findings are divided into primary and secondary findings.

1.13.7 Chapter seven: Recommendations and conclusions

This chapter outlines the primary and secondary recommendations and conclusions made based on the findings of this research. The recommendations culminate in a description of a conceptual model framework developed and outlined by the researcher to mitigate corporate fraud targeted at the SEFA direct lending product. It also forms part of the suggestions to reduce corporate fraud at SEFA.

CHAPTER TWO

METHODOLOGICAL FRAMEWORK

2.1 INTRODUCTION

The methodological framework in this research refers to the guidelines used to outline the order in which this study was conducted. The methodology provides an idea of what the researcher had in mind during the course of the research. The methods used were those that best articulated her objectives and the outcomes. Daniel (2018:1-13) explains that research methods are vital because they equip students with the necessary skills and understanding needed to solve various problems in society. The method chosen was the mixed method approach, as the collection of diverse types of qualitative or quantitative data can best provide clearer results than one technique (Creswell, 2014:19).

Creswell (2014:14) defines mixed methods as an approach involving a combination of both qualitative and quantitative methodologies including the data in a study. The qualitative research method is in the form of a case study. According to Zohrabi (2013:254) this mostly requires the use of interviews, diaries, journals, classroom observations and open-ended questionnaires to obtain, analyse and interpret the data. The quantitative research section is expressed in the form of statistics. Kumar (2011:20) also says that it articulates the generality, commonness, and the extent of the nature of issues, opinions, and attitudes. It would have not made sense if the researcher did not provide a clear direction into the type of research which was conducted prior to providing a philosophical worldview. It is of vital importance to highlight that the goal of this thesis was to solve a problem, which requires pre-understanding of the research environment in real time. The choice of action must be based on philosophy, which should describe why and how the action may source the anticipated conversion (Bhattacharjee, 2012:40).

2.2 PHILOSOPHICAL WORLDVIEW

Creswell (2014:5) says worldview is a general philosophical orientation about the world and the nature of research that a researcher brings to a study. Hence, it was vital to provide definitions and explanations to avoid any misunderstanding of this study. A research approach consists of a plan or proposal to conduct the study and includes the connection of philosophy, research design and specific methods (Creswell, 2014:4). The worldviews are discussed below.

2.2.1 The post-positivist worldview

According to Creswell (2014:6) post-positivism represents the thinking after positivism, challenging the traditional notion of the absolute truth of knowledge and recognising that we cannot be that positive about our claims of knowledge when studying the behaviour and actions of humans. Bhattacharjee (2012:18) is of the view that post-positivism entails making sensible interpretations about a phenomenon by merging empirical observations with rational reasoning. The problems in studies by post-positivists reflect the need to identify and assess the causes that influence outcomes, such as those found in experiments (Creswell, 2014:6).

Further, laws or theories govern the world which need to be tested or verified and refined to bring a better understanding of the world. In addition, Bhattacharjee (2012:18) views post-positivism as a science that is not certain but probabilistic and often seeks to explore these contingencies to understand social reality better. Therefore, the accepted approach to the research by a post-positivist is to begin with a theory, collect data that either support or refute the theory, and then makes the necessary revisions and conducts additional tests (Creswell, 2014:6). Bhattacharjee (2012:18) says the post-positivist camp is fragmented into subjectivists, who view the world as a subjective construction of subjective minds rather than as an objective reality, and critical realists, who believe that there is an external reality that is independent of a person's thinking.

It is, however, suggested that we can never know such reality with any degree of certainty (Bhattacharjee, 2012:18). There is a need to develop relevant, true statements that can explain the situation of concern or describe the causal relationships of interest (Creswell, 2014:7). Data, evidence, and the rational considerations shape knowledge. In practice, information is collected using instruments based on measures completed by the participants or by observations recorded by the researcher (Creswell, 2014:7).

2.2.2 The constructive worldview

The constructive worldview or social constructivism (often combined with interpretivism) is such a perspective, and it is typically seen as an approach to qualitative research (Creswell, 2014:7). Social constructivists believe that individuals see and have an understanding of the world in which they live and work. The goal of the research is to rely as much as possible on the situation being studied. The questions become broad and general so that there can be construct to the meaning of a situation, typically forged in discussions or interaction with other persons (Creswell, 2014:7).

The more open-ended the questioning, the better, as the researcher listens carefully to what people say or do in their life setting. Researchers recognised that their own backgrounds shape their interpretation, and they position themselves in the research to acknowledge how their interpretation flows from their personal, cultural, and historical experiences (Creswell, 2014:7). The intention is to make sense of or interpret the meanings others have about the world, rather than starting with the theory (as in post-positivism). Inquirers generate or inductively develop a theory or pattern or meaning (Creswell, 2014:7). Humans engage with their world and make sense of it based on their historical and social perspectives. A researcher seeks to understand the context or setting of the participants by visiting this context and gathering information personally (Creswell, 2014:8).

2.2.3 The pragmatic worldview

According to Creswell (2014:9), pragmatism provides a philosophical basis for research as follows:

- Pragmatism is not committed to any one system of philosophy and reality. This applies to mixed methods research in which researchers draw liberally from both quantitative and qualitative assumptions.
- Individual researchers have freedom of choice. They are also free to choose the methods, techniques and procedures of the research that best meet their needs and purposes.
- Pragmatists do not see the world as an absolute unity. They also look to many approaches to collect and analyse data rather than subscribing to only one way.

Truth is what works at the time. It is not based on duality between reality independent of the mind or within the mind. Thus, in mixed methods research, investigators use both quantitative and qualitative approaches because they work to provide the best understanding of the problem (Creswell, 2014:9). Creswell (2014:10) says that the mixed methods pragmatism opens the door to multiple methods, different worldviews, and the different assumptions as well as multiple forms of data collection and analysis.

2.3 RESEARCH APPROACH

Chetty (2016:np) says a research approach can be defined as a plan that consists of steps of broad assumptions to detail methods of data collection, analysis and interpretation based on the nature of the problem under study. Mohajan (2017:2) also defines it as a plan of action that gives direction into conducting research systematically and efficiently. Mafuwane (2012:670) views it as a planned activity aimed at establishing new facts and information about a phenomenon.

By taking into consideration the circumstances, the researcher considered and adopted a mixed methods approach.

2.3.1 Mixed methods approach

According to Almalki (2016:291), a mixed method approach is empirical research involving the integration of qualitative and quantitative data collection and analysis in a study. Cameron (2015:3) states that it involves collecting, analysing, and interpreting quantitative and qualitative data in a single study or in a series of studies to investigate the same underlying phenomenon. However, every research project has many possibilities, and there is a possibility that any chosen method may pose potential challenges besides its strengths.

It was therefore important for the researcher to outline the advantages and disadvantages of the chosen mixed methods approach. Wium and Louw (2018:9) explain that the advantage of the mixed method approach is that it increases the strengths and reduces the limitations of a single-sided study. When both quantitative and qualitative methods are used, it gives a deeper insight into the context and the effectiveness of using both methods. The sampling was done through a concurrent mixed methods approach (De Lisle, 2011:100). In this research, qualitative sampling took the form of a probability and purposeful sampling method. In addition, the method deploys both approaches interactively (Malina, Nørreklit & Selto, 2011:61). The combination of quantitative and qualitative results may give weight to the study representation.

2.3.2 Disadvantages of the mixed method approach

According to Wium and Louw (2018:10-11), researchers who use mixed method research experience the following challenges:

- (a) Adequacy of the sample: It is questioned whether the sample is representative, especially when the lived experiences have to be expressed in words and numbers. It may require representation of the total population. This challenge can be addressed through data saturation, that is, when enough data has been collected.
- (b) Appropriateness of the sample: This is encountered when the researcher has to merge quantitative and qualitative research in sequential designs. The researcher must decide which results must be used as a follow-up phase or not, as the sampling size for both phases are unequal in the weighting thereof.

De Lisle (2011:109) also highlights the issue of the challenge in representation as one of the difficulties in showing lived experiences through text and numbers. This requires proof of its legitimacy through the trustworthiness of the interpretations and disclosure of the manner of combination of both methods. When there is no legitimacy and disclosure, it may lead to the problem of not producing high quality mixed methods research. Some mixed method studies are fundamentally flawed from the start as there are threats to the validity and trustworthiness within each methodological approach. The data collected in the quantitative research of this study was less than the data collected through the use of qualitative methods. Data collected by means of survey questionnaire was less (with eight respondents) than the interviews (with 16 participants). However, the total number (which is 24) of people who took part in the single study, posed related questions, and gave weight to findings after data analysis and interpretation. It was important for the findings of both populations to be presented separately and the overall results combined in the end, so that it could be interpreted as a full representation of the population in this research.

2.4 RESEARCH DESIGN

Edmonds and Kennedy (2017:19) state that “the overarching objective of a research design is to provide a framework from which specific research questions or hypotheses can be answered while using the scientific method”. Creswell (2014:11) is of the opinion that these are types of inquiry within qualitative, quantitative, and the mixed methods approach that provide specific direction for procedures in a research design. Bhattacharjee (2012:35) describes a research design as a complete plan for data collection in an empirical research project aimed at answering specific questions or testing specific theory in a procedural manner of three phases, namely the collection process, the instrument to be used, and the sampling process. Kumar (2011:94) elucidates that it is a procedural plan adopted by the researcher to answer questions authentically, objectively, truthfully, and cautiously. This is empirical research.

Gray (2014:682) describes empirical research as the way in which data are collected. Viorela (2017:1) states that empirical research typically involves systematic collection and analysis of data. The researcher was employed by the organisation in which this research was based, and it was conducted to acquire knowledge on how to solve the problem under study. It was a case study investigation, which can be defined as intensive research about a unit aimed at generalising the entire component at the end (Gustafsson, 2017:2).

In addition, according to Creswell (2014:13), case studies are a design of inquiry found in many fields, especially evaluation, in which the researcher develops an in-depth analysis of a case, often a programme, event, activity, process or one or more individuals. The cases are bound by time activity, and researchers collect detailed information using a variety of data collection procedures over a sustainable period (Creswell, 2014:13). It was necessary to follow an explanatory sequential mixed method approach in this study. According to George and Merkus (2021:np), explanatory research is a method that explores why something occurs when limited information is available. It can help increase one's understanding of a given topic, ascertain how or why a particular phenomenon occurs, and predict future occurrences.

2.4.1 Mixed method research design

Schoonenboom and Johnson (2017:108) define a mixed method design as a type of strategy in which methods are combined to provide an extensive understanding and corroboration. Researchers typically require more funding to execute research. Wium and Louw (2018:5) believe it is therefore critical that the researcher identifies the mixed method that will work best to ensure that the approach is followed throughout the process. The specific factors are in concurrent and sequential designs. Wium and Louw (2018:5-6) explain concurrent and sequential designs as follows:

- (a) Concurrent designs involve the collection of quantitative and qualitative data at the same time. These methods are also known as parallel, simultaneous, or convergent designs.
- (b) Sequential designs are implemented when the quantitative and qualitative components are equal in weight. The data are therefore collected sequentially in phases where the first phase informs the second phase.

As mentioned before, this is a case study. It is therefore important that not only one method be deployed as it will not do justice to the researcher's objectives. This research was funded by the University of South Africa (UNISA). The bursary covered the purchasing of extra supplies, for example, use of the SurveyMonkey system, and academic language editorial services. Bhattacharjee (2012:40) declares that case research involves an in-depth investigation into the problem in a real-life setting over a specific period. In this instance, the researcher has started working for SEFA from its inception. During the time of research, data was collected through various means including personal observations and access to essential internal and external documents. The data in this study was collected as mentioned in (a) above.

Further, the researcher followed Schoonenboom and Johnson's (2017:115) method of data integration, which suggests that it is important to determine the point of integration to leave no room for misunderstanding. This method usually takes place when the results are integrated, and seldom at any other stage of writing the results. Primary and secondary components were used in this research to connect the data (overall results), as suggested by Schoonenboom and Johnson (2017:116) as follows:

- (a) merging the sets of data;
- (b) connecting from the analysis of the one set of data to the collection of a second set of data;
- (c) embedding of one form of data with a larger design or procedure; and
- (d) using a framework to bind together the data sets.

2.4.2 Advantages of the mixed method design

According to Malina, Nørreklit and Selto (2011:63), a major advantage in this design is that the researcher can refer back to the qualitative data during the study and reread quotes in the context of the larger document. Multiple runs of statistical analyses of quantitative data can also be made until evidence can be confirmed. Quantitative results are seldom enough to publish as they are. It is therefore vital to return to the data collected by interviews and reassess it in order to find explanations for the quantitative results. In this way, the additional qualitative analysis contributes to revising the conclusion.

2.4.3 Disadvantages of the mixed methods design

According to Malina, Nørreklit and Selto (2011:66), reviewers of journal articles encounter major challenges in some other instances of the research where they find it difficult to understand the study. The blind reviewer is not satisfied with quantitative statistical refutations in the research. The qualitative reviewer requires a richer and more complex story than what is being presented. However, when both challenges are being considered, the review process results into a vastly improved article.

The mixed method research approach helps researchers to cultivate ideas for future studies, which is the only way to be certain of the findings and interpretations (Kim, 2017:203). However, Almalki (2016:293) warns that the exploratory design is time-consuming by nature. Therefore, there might be a risk that the participant may not be willing to participate in both phases due to the second phase not being planned well enough in advance.

2.5 DATA COLLECTION

According to Canals (2017:390), data collection by a researcher entails reproducing real-life scenarios with the oral or written contributions of participants, which may be useful in a study, and at the same time beneficial for their learning process. Riedstra (2018:16) views data collection as a method which assists researchers to systematically collect and access existing data, while at the same time identifying the gaps in learning where they can add value to a research project. According to Molina-Azorin (2016:37), a mixed method researcher may decide on the factors which may suit the study better through prioritisation and implementation of data collection.

The emphasis will be on the research question which may yield to practical constraints on data collection and the need to understand such data prior to taking the next step. The implementation refers to the sequence in which the researcher used both methods. This process involves the introduction of data at the same time or in phases (Molina-Azorin, 2016:37). The researcher has identified research instruments to assist in data collection. According to Maguire (2015:31) research instruments are tools used to collect specific data to help achieve the objective of the study, such as surveys, interviews, case studies and observations. Eng (2013:2) contends that these tools are selected to gather answers to the research questions. Data was collected by means of a literature study, questionnaires, and interviews, as discussed below.

2.5.1 Literature study

According to Pheiffer (2013:25), some parts of research are founded in literature. Krystal (2014:89) notes that “literature means not only what is written but what is voiced, what is expressed, what is invented, in whatever form.” However, according to Ramadhani, Ramadhani and Amin (2014:48), this involves surveys, scholarly articles, books, and other sources relevant to an issue, area of research, or theory, and by doing so, providing a description, summary, and critical evaluation of these works. Further, a literature review is an objective, thorough summary and critical analysis of the relevant available studies and non-research literature on the topic under study (Ramadhani, Ramadhani & Amin, 2014:48). A literature review involves studies of various academic articles, books, and other sources related to the topic, of which a summative criticism is present during evaluation of the research (Ramdhani, Ramdhani & Amin, 2014:48). The literature review in this study includes legislation, policies, procedures, books, SEFA documents, plans, guidelines, website sources, theses, dissertations, and journal articles from other scholars.

This type of literature involves many records in the form of documentation, which required safekeeping for use as references and storage purposes during and after the research had been completed. A more detailed description of the primary and secondary data collected in terms of its classes can be found below under this heading section (a) and (b). Wallace (2013:1) says that a literature review from other scholars can be used to provide a context for describing and evaluating a new theory through the integration of material reviewed. In this study, the researcher could identify work by other researchers on corporate fraud definitions, theories and how other countries deals with the crime of fraud in Chapter three. Further, she could identify common successful methods to mitigate corporate fraud in financial institutions such as SEFA in Chapter five, which dealt with successful methods to mitigate corporate fraud at a global level.

According to Denicolo and Becker (2012:46), the significance of a literature study should show that the researcher is acquainted with the appropriate range of literature and recent key publications that pertain to the research topic under study. The data collected for the literature study consisted of data consolidated by UNISA and SEFA. The researcher has also studied specifically on the range of literature related to the topic under study, which assisted her in writing the proposal and developing the structure of this thesis. This literature study enabled the researcher to identify the focus of the primary and secondary literature.

(a) Primary literature

The researcher studied literature on the SEFA founding legislation, corporate fraud register, policies, plans, procedures, and strategies to achieve the outcomes. Some of the legislation used in this study includes the following founding legislations to which SEFA must comply:

- Companies Act (CA) 71 of 2008; National Credit Act (NCA) 34 of 2005; FICA 38 of 2001; Public Finance Management Act (PFMA) 1 of 1999; Treasury Regulations (TRs); the original Protected Disclosures Act (PDA) 26 of 2000 and the Amended Act 5 of 2017; Protection of Personal Information Act (POPI); the Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA); and the Prevention of Organised Crime Act (POCA) 121 of 1998.
- All SEFA policies and important documents related to this study, such as the SEFA Anti-Corporate Fraud and Corruption Policy 2014 and SEFA Fraud Register (SEFA, 2017a:1-5).
- Important plans which drive the SEFA mandate, such as the NDP 2030.

- Primary data from the survey questionnaire (Annexure C) and interview schedule (Annexure E).

(b) Secondary literature

Grant (2012:4-5) mentions three advantages of secondary data. First, it allows for broader comparisons across time. Second, secondary data reaches populations that are hard to reach. Finally, it is data collected by experts. However, the disadvantages include the fact that findings and choices may clash, and the more aggregated the data, the more invisible the individuals. Some of the secondary data in this study include:

- Newspaper and website articles from publications, such as *Mail and Guardian* and government websites. These publications reported on the problem of corporate fraud within and relevant to South Africa.
- Scholarly journal articles, dissertations, and theses.
- Annual reports, such as the reports of SEFA and PWC consolidated from various sources, including primary data.
- Textbooks and television media, such as eNews Channel Africa, related to the topic.
- Various bulletins from local and international sources.

2.5.1.1 Advantages of the literature study

Curtis (2015:2) believes that literature is about human experience. The benefits include the fact that it transforms the readers to other boundaries through space and time. The researcher experienced the following advantages of the literature study:

- Literature collected served as an advantage in proving that corporate fraud was a global problem when comparing causes and contributors globally.
- It was easy to compare primary data with those compiled by SEFA and the individual responses from respondents and participants.
- The presentation of data was uniquely narrated, which provided the researcher with confidence that this research may be understood by any reader and in consideration of the seriousness of the topic.

- It was easy to develop recommendations based on the reality of the unemployment status or the economic growth of South Africa, as she rotates between residents from the city, and urban, suburban, and rural and semi-rural areas on a monthly or quarterly basis.

This allowed her to witness the reality of all sorts of socio-economic problems, including crime.

2.5.1.2 Disadvantages of a literature study

A literature study is time-consuming and there are budgetary constraints on utilising literature study to the full (Pheiffer, 2013:25). The disadvantages in this research project include the following:

- The researcher had to make substantial use of the internet and a printer to print documents, where necessary. In this regard, the data and multicolour ink printer cartridges were expensive.
- The referencing methods suggested by other sources as a means of citation differed from method prescribed by the university, and the researcher relied on the method provided by UNISA.

2.5.2 Questionnaire

According to Kumar (2011:145), a questionnaire can be described as a written list of questions to which the respondents must provide the answers. Theron (2015:3) states that most researchers develop a questionnaire to collect data for their studies. This is usually accompanied by a description of the sampling method, distribution, data analysis and reporting of the results (Pazzaglia, Stafford & Rodriguez, 2016:1). The survey in this research contained a mix of questions, namely (a) open-ended, (b) closed-ended, (c) semi-closed-ended, and (d) Likert-scale.

The reason for the mixed questions, as discussed under 2.5.3, was to emphasise the links between the types of questions posed in the survey questionnaire and the interview schedule, which allowed the researcher to generate a document in Portable Document Format (PDF) from the SurveyMonkey system. The use of the survey questionnaire as a research tool to collect data is explicitly detailed in Annexure C (a) (b) and (c) of this thesis. The survey questionnaire was administered through the online SurveyMonkey system – see Annexure C (c). Skarupova (2014:11) argues that the online data collection survey questionnaire is suitable for large and diverse samples because it is easy to distribute over large geographical areas.

Also, the perceived level of anonymity and privacy of online data collection surveys may be higher, which can help to eliminate errors associated with social desirability and the presence of the interviewer. The design of the survey questionnaire is shown in Annexure C (a). The survey has a dashboard that allowed the researcher to have control over the survey tool. The dashboard had the following functionalities:

- Invitations: The dashboard displayed a record of the number of invitations that were sent and collected, the number of emails that bounced, the number of participants that opted out, the number of recipients who completed the survey, and the number of surveys outstanding.
- Email messages: Follow-up emails, reminders, and thank-you messages were sent after the surveys were sent to the respondents.
- Message history: The message history could be displayed with an option for the researcher to view the recipients of the survey. This assisted the researcher to identify and monitor any omissions and mistakes, and to check whether the survey was mistakenly sent to the same respondent more than once.
- Other options: The electronic invitation provided an option to add a recipient (respondent of this study) or the subject. It also automatically embedded the questions in the survey as it was sent out to the recipient. Furthermore, the researcher could add the first question on informed consent before the other questions.
- Portal for recipients: The SurveyMonkey system provided a column for emails, the first and last names of the participants, the date the email was sent and the name of the recipient, the date the recipient responded to the email, and the name of the person who responded (SurveyMonkey, 2018:np).

2.5.2.1 Advantages of using the online survey questionnaire

Some authors argue that mixed method online surveys have an advantage over the single-mode internet survey, as it is less expensive and effortless, and allows participants less likely to use the internet an opportunity to participate in the survey (Vaske, 2011:150). With reference to Annexure C (a), (b) and (c) of the survey questionnaire, the researcher noted the following advantages:

- The SurveyMonkey invitations were sent individually and not in bulk, thus allowing the respondents to remain anonymous. The respondents also did not know who else received invitations unless they were told by others.

- Personal information such as the email address, names and surnames, computer tracking addresses, the IP address, which is in the form of numbers linking it to the source of information including the person's personal details and location indicators, were disabled so as not to create a report on it to protect their identity.
- A review option allowed the researcher to confirm the recipient's email address. The respondents could also edit their responses as they completed the survey.
- The responses remained anonymous.
- The SurveyMonkey system allowed the researcher options to create the four mixed-type questions, namely, (a) open-ended, (b) closed-ended and (c) semi-closed-ended and (d) Likert-scale, as mentioned in 2.5.2 – see Annexure C (b). The system had ready-made answers for sub-questions on age and years of service in numerical order from which the respondents could choose.
- The researcher could simulate the same procedure as the SurveyMonkey through MS Word (2016) and MS Excel (2016) to consolidate the responses of those who responded.

2.5.2.2 Disadvantages of the survey questionnaire

Vaske (2011:149) says that some critics of this type of data collection method have raised genuine concerns on “the non-probability samples, network coverage challenges, non-responsive errors and sampling errors.” The researcher faced the following disadvantages with the use of the survey questionnaire:

- The surveys could have been easily mistaken for the normal unwanted advertisements that persons receive daily if the receiver did not pay attention to the subject.
- The corresponding scores in terms of ranking and points could therefore not be reflected. The researcher had to improvise by looking at those rankings and points with the same answers in the results folder – see Annexure C (b).

2.5.3 Interviews

According to Bhattacharjee (2012:78), interviews are a more personalised form of data collection than questionnaires and are said to be conducted by a trained interviewer.

Edwards and Holland (2013:17) view a research interview as formal and staid, with an established procedure for taking turns, questions and answers, and polite listening. Further, interviewees are invited to tell their stories and are guaranteed a high degree of mutual respect.

However, certain requirements of the research interview could impose constraints. In this study, an interview schedule was developed with four types of questions, namely:

- (a) The open-ended questions were meant to prompt participants to give deeper and new insights by answering with sentences, lists and stories (Farrell, 2016:np). The questions were designed in an open-ended manner to provide respondents an opportunity to help solve the problem under study (Çakır & Cengiz, 2016:np). Alsaawi (2014:151) recommends that open-ended questions should be piloted in advance to determine if they can provide the researcher with the outcomes. The goal in this study was simply to know more from the participant about the phenomenon – see Annexure C (a).
- (b) Hyman and Sierra (2016:1) state that closed-ended questions consist of questions equivalent to those in a multiple-choice format developed by the researcher with pre-set answers to choose from. The answer options for the posed questions were meant to provide a decisive answer – see Annexure C (b).
- (c) Semi-closed-ended type questions have the advantage of both open- and closed-ended questions because the researcher may request additional responses after the participant has answered (Darsi, 2017:21). This gives the participants freedom to express their minds and not to be forced to choose an answer that was not suitable/correct – see Annexure C (b).
- (d) Joshi, Kale, Chandel and Pal (2015:398) state that the Likert scale is grounded by the original discussion in the first paper in 1932, namely that the research aim and the need to understand the participants' views on the phenomenon of interest were important. The origin of the Likert scale was to find definable attitudes in persons with the likelihood to group them into a collection of responses. The researcher wanted to capture the participants' attitudes – see Annexure C (b).

Due to time constraints on the participants' side, the researcher was compelled to use online interviewing. The decision to adopt the mixed interview mode was taken while the study was underway and was motivated by the availability of participants after hours (Krouwel, Jolly, & Greenfield, 2019:3). The participants were interviewed by using Voice-over-Internet Protocol (VoIP) technologies, that is, voice and video across the internet via a synchronous (real-time) connection (Lo Iacono, Symonds & Brown, 2016:1). Information and Communication Technology (ICT) allows diverse visual and verbal conversations (Salmons, 2012:2).

The only condition is that the person using the platform must ensure that there is some level of knowledge and educational training through practical or trial-run opportunities before conducting an interview (Center for Career Development, 2017:np). For example, the researcher found it possible to attend video conferences on portals such as Zoom and WhatsApp while being able to type at the same time. Salmons (2012:2) contends that a researcher can use online interviews to collect data. In this regard, the researcher must follow important steps and explain the rationale to those who are taking part in the additional dimension of using technology.

Conducting online interviews therefore involves far more than just a simple transactional medium when the interviewer and the participant interact through Computer-Mediated Communication (CMC). At the same time, the technology delimits such communication subtly and obviously. Possible network failures could bring the interview to a halt until the network is on again. Flick (2014:233) said that online interviews may be conducted for varied reasons if the researcher's target population for the research can be reached. The advantage of the online interviews is that participants have more time to express their views, as they can participate and respond to the email in their own time. The use of the interview schedule as a research tool to collect data is explicitly detailed in Annexure C. The section below outlines how data was stored before the interpretation.

➤ Storage of hard copy and electronic records collected

Pirie (2011:22) defines records as documents or things that preserve information. Records were kept well for this research. Most of the sources consulted in this study were documents in electronic format and in hard copy. The control over proliferating paper and electronic records can be demanding (Kyocera Document Solutions South Africa, 2011:2). The researcher used unprinted and printed documentation during data collection for this study. However, Denscombe (2012:58) recommends that a researcher uses authoritative and credible published sources, such as the following:

- Academic textbooks. It was easy for the researcher to get academic textbooks, as the personal librarians from UNISA had already provided over 340 lists of sources with titles and internet links to make the literature search easier.
- Journal articles. A list of journal articles was provided by the personal librarians from UNISA. Some of the journal articles were also easily accessed since the researcher's UNISA student number was already linked to the journal article portals.

It was easy to read the abstracts before going through the entire article to see if it had the required or relevant information for this study. The links led to some portals with journal articles which could be accessed through Google Scholar.

- Dissertations and theses. The links from the personal librarian from UNISA could lead the researcher directly to some of the university's portals where it was easy to extract or download PDF copies of dissertations or theses.
- Conference proceedings. The links could take the researcher to internet portals such as SlideShare which enabled her to memorise locations of information for future reference and make follow-ups on presentations shared by presenters on the internet. The information was in the form of conference papers in PDF and could be saved on a computer or laptop or printed to be read at a later stage.
- Official publications. These can be found on the government websites and in newspaper articles (see 2.5.1, (a) *Primary literature* and (b) *Secondary literature*). The documents could be saved on a computer or laptop or printed and stored in a file.

The documents could safely be stored without the data being deleted the next time the researcher visited the source (website) where the document was found. Some links of the document sources were also kept for future access even if the downloads were stored electronically. Furthermore, screenshots of the documents were taken. In addition, the researcher emailed the documents to herself in the event of stored documents getting lost. According to Higher Information Group (2018: np), there are benefits of storing documents in hard copies with the understanding that going completely digital has limitations. Some of the advantages and disadvantages are summarised below:

Advantages of hard copy and electronic document records

- Documents can be safely scanned through a scanner machine to a computer. The scanned documents can then be saved and stored in a restricted, digital internet storage, for example, Cloud, which can only be accessed through a password code only known by the person who stored the documents.
- Some hard copy and electronic documents may be saved on a memory stick after being scanned according to the method mentioned in the bullet above.

- Both the documents may be sent by email and a shared link to a common online (internet) office storage to more than one recipient without any logistical cost.
- Hard copy document records represent authenticity and may be presented and acceptable in a court of law.

Disadvantages of hard copy and electronic document records

- Documents saved on a computer can become corrupted if the computer should be infected with a virus.
- Documents kept in a file can be damaged by natural disasters such as hurricanes, storms, or fires.
- Documents kept on a memory stick can be lost or get damaged.
- Digital scanning can result in a loss of data.
- Some sections of the document may not be scanned due to human error (omitting one page of the document).

➤ Record management of hard copy and electronic documents

The importance of the safekeeping of records for interpretation was of vital importance. A substantial amount of information collected in this research was in the form of documents. Pirie (2011:22) uses the Collins English dictionary (2003) to describe documentation as documents which provide proof or evidence of something or are a record of something.

(a) Working with literature

The researcher worked with electronic documents and printed them only when necessary. All primary and secondary data sources such as document policies, books, legislation, and journal articles were read and interpreted by the researcher in this thesis by following the research questions and subheadings which were formulated through the objectives of the study. Only relevant information was extracted precisely according to the topic under research. Chapter three was formulated from data extracted from SEFA policy documents, relevant legislation and all scholarly and corporate sources related to the subheadings in this study to affirm what the researcher was trying to achieve while authoring this thesis.

(b) Working with surveys

As respondents completed their online SurveyMonkey system surveys by clicking on the “thank-you” button, the results were sent to the researcher’s SurveyMonkey portal. The information was then downloaded in PDF format, stored in a folder on her personal computer or laptop, and then printed as a readable copy.

(c) Working with interview schedules

When the participants completed their online interviews, their answers were noted on the interview schedule. The information was organised electronically and in hard copy; and the researcher read the participants’ answer sheets in chronological order to avoid confusion. The participants answers were extracted, captured, and typed to ensure correct data interpretation.

(d) Data capturing of hard copy and electronic documents

A manual data capturing method was used when writing up the thesis. According to Gulipalli (2016:np), a manual data capturing process is when the data are entered manually by an operator using input devices such as keyboards, touch screens, and so on. It also entails keying in data in the form of figures or text into a software program such as MS Excel or any other data or word processing program. After the researcher allocated sequential numbers to the electronic and hardcopy data in the folder, the data was captured into the thesis chapters related to a discussion theme. The literature, documentation, the survey questionnaire, and interview schedules were then incorporated. This information was recorded throughout the typing of this thesis. All consulted sources and material in the form of documents with the feedback of respondents and participants were captured. Each sub-question on the survey questionnaire and interview schedule were perused to answer the research questions, as discussed in Chapter one (1.6). The data were captured and incorporated as per attached Annexure E (a), (b) and (c).

2.6 DATA ANALYSIS

Gerring (2012:78) says data analysis is a process of examining the collected data. In this mixed method research, a mixed analysis is described as the analysis of information in the said methodology (Onwuegbuzie & Combs, 2011:2).

Onwuegbuzie and Combs (2011:1) state that a mixed analysis may not be separated but requires the use of quantitative and quantitative data analysis techniques within the same study. In the mixed analysis, there might be a cross-over between case-oriented, experience-oriented, phased, or sequential analysis, but it will still require qualitative or quantitative data analysis terms (Onwuegbuzie & Combs, 2011:3). The reasons why the researcher conducted mixed analysis, as mentioned by Onwuegbuzie and Combs (2011:4), are because (a) quantitative discoveries are associated with qualitative outcomes, (b) results from one method of analysis are understood to improve results in the other, (c) data were collected in sequential order and responses from the other method are used to apprise the other, (d) incongruities force reframing of the research question, and (e) both quantitative and qualitative methods are used to inflate the study's scope and focus. In this study the researcher used MS Word (2016) graphs and MS Excel (2016) for data analysis, which are matched with the data collected from the questionnaire survey and interviews.

These elements allowed the researcher to objectively measure the responses of respondents and participants without bias. By following these elements, the understanding of the phenomenon became known in the specific context without generalisation (Bezuidenhout, Davis & du Plooy-Cilliers, 2013:258). Quotation marks were used to show the direct words/responses of respondents and participants, which were then referenced in the text.

2.6.1 Qualitative part of data analysis

Denscombe (2010:273) states that qualitative data are presented in a creative narrative form which can be visualised or read like spoken words. If some shortcomings in any form can be identified in the data presented, and if data can be made more understandable in any way, then Babbie (2013:39) emphasises that researchers have an obligation to make such shortcomings known to their readers, even if they admit to mistakes that make them feel foolish. In addition, the need for interpretation, understanding and explaining the data is essential (Gray, 2014:602, 607). Data analysis consists of preparing and organising the data for analysis, reducing the data into themes through a process of coding, condensing the codes, and finally presenting it in figures, tables, or discussions (Creswell, 2013:180). The feedback from participants was presented in a narrative form and MS Word 3D 100% stacked bar graphs to show the common themes and characteristics from the sampled population, and to give more visual understanding (See Chapters three, four and five). The interview schedule questions were coded to verify reliability of the answers.

2.6.2 Quantitative part of data analysis

According to Kumar (2011:255) the main emphasis in quantitative research data analysis is to decide how to analyse the responses for each posed question. Gray (2014:566) also states that the rate of recurrence is the usual method of data analysis, especially when analysing survey data. In this regard, eight survey questionnaires were received from SEFA's eight provincial branches. All questions were coded prior to distribution to the respondents and captured in this study by means of MS Word tables. The answers were grouped together during the capturing of the results by combining the sub-questions from the survey questionnaire to ensure reliability of the data. Frequency tables were presented to reflect all the answers collected from the respondents per theme.

Table 2.1: The process of data analysis

Steps	Thesis chapter		
	Action	Chapters	Tools
Step 1: Following through on the research proposal	Data were analysed using tables and the narrative or storytelling approach while integrating the literature reviewed, survey questionnaire and interviews.	MS Word (2016) graphs and the MS Excel (2016) computer program:	Academic language editing of all the chapters
Action	Chapter 3	<ul style="list-style-type: none"> • tables; • pictures; • drawings; • shapes; and lines 	
Step 2: Chapter 3	Introducing SEFA as an organisation, presenting an overview of corporate fraud and global theories	(sources: in text and listed in the thesis)	
Action	Chapter 4		
Step 3: Chapter 4	Identification and presentation of primary data from the SEFA Fraud Register (SEFA, 2017a:1-5) to establish the extent of the threat of corporate fraud, through the MO and profiling of perpetrators.		

Action	Chapter 5		
Step 4: Chapter 5	Analysing the literature review, understanding the uniqueness of South Africa, and determining a method suitable for SEFA prosperity.		
Action	Chapter 6 and Chapter 7		
Step 6,	Presenting primary and secondary findings in Chapter 6, making recommendations based on primary and secondary findings in Chapter 7.		

Source: Designed by the researcher

2.7 DATA INTERPRETATION

According to Almalki (2016:293) researchers using mixed methods are provided opportunities to address a phenomenon in a numerical or narrative manner in their research, which is most comfortable. Lebied (2018:np) states that data interpretation refers to the implementation of the processes through which data is reviewed for arriving at an informed conclusion. In addition, De Trigueros (2018:2) states that the researcher may use individual cases, not for comparison but for specific value and to add data on the table. Feedback from data collected by means of the survey questionnaire and the interview schedule was presented separately. Answers were grouped together to ensure that the reader understands the intended meaning of the participants and respondents. This was firstly achieved through record management; secondly, through data capturing; and thirdly, through the interpretation of data during the time the researcher was authoring this thesis. The interpretation entailed the following:

- The number of respondents and participants that answered the sub-questions were determined.
- The numbers were added to the MS table for data capturing as indicated in Annexure C and Annexure E.
- Each generated MS Excel table consisting of the respondents' feedback was labelled to indicate the sub-question posed and the themes of the answers provided, which included location and years of service.

2.8 TRUSTWORTHINESS OF THE STUDY

According to Noble and Smith (2015:34), evaluating the quality of research is essential if findings are to be further used and incorporated in practice. Kumar (2011:84) states that the use of and importance of the concepts of validity and reliability areas determine the difference between quantitative and qualitative studies. Heale and Twycross (2015:66) define validity as the degree to which a concept is precisely measured in a quantitative study. Taherdoost (2016:28) says that validity refers to measuring what is supposed to be measured. Validity should also be able to explain how the collected data covers the entire investigation. Mohajan (2017:14) emphasises the degree to which the results are truthful. Further, two essential parts form part of validity in research, namely, internal (credibility) and external (transferability) validity.

Internal validity provides specifications of the authenticity of the results in the study in terms of group selection, data record management and analysis performances, other than just being replicated (Mohajan, 2017:15). External validity provides specifications on whether the results are transferable to other interest groups. Internal and external validity can be achieved through representation of the population through certain strategies (Mohajan, 2017:15). The researcher has articulated appropriate strategies under data collection to show that the results in this research can be regarded as representative of SEFA direct lending. In establishing trustworthiness of the qualitative method, the research findings can be triangulated to demonstrate credibility of the research. In quantitative studies, this is referred to as validity and reliability (Statistics Solutions, 2016:np).

Devault (2018a:np) adds that the concepts of validity and reliability are relatively foreign to qualitative research. In quantitative research the validity and reliability of the data add to the value of the research. Also, trustworthiness of the information in qualitative research has the same effect (Devault, 2018b:np). Gunawan (2015:4-11) states that numerous checklists on recordings, transcripts, triangulation, systematic planning, and coding without bias add to the trustworthiness of the research. The literature reviewed and studied with all sources mentioned in the text and listed at the end of the thesis adds to the trustworthiness.

(a) Trustworthiness of qualitative data

According to Anney (2014:275), trustworthiness of qualitative research has already been established in literature.

The intention of various literature sources on trustworthiness in qualitative research is to improve the current practice and help students to understand and apply the correct evaluation criteria to add to the legitimacy of their research projects. The findings are also presumed to be a collection of private opinions and perceptions (Noble & Smith, 2015:34). The researcher was aware that her former status as a SEFA employee could also create a suspicion at some point that she was conducting the study with a preconceived opinion and perception. For this reason, principles such as trustworthiness, quality rigour and dependability were applied in this study, as stated by (Simon, 2011:1-3).

(b) Trustworthiness of quantitative data

Kumar (2011:185) says that confirmability refers to the extent to which the results can be corroborated by others. Trustworthiness is comparable to reliability in the quantitative research method. To ensure confirmability, feedback from respondents and participants (see Chapter six), suggested that there was a problem relating to corporate fraud. In their feedback the respondents and participants also commented on the MO and made suggestions on how corporate fraud can be tackled. Furthermore, they had different designations in SEFA, which add to the confirmability of corporate fraud in the SEFA business life cycle. Mynhardt (2011:14) and Kumar (2011:184) confirm that validity is the degree to which the data collection instrument had produced the result for which it was intended.

(c) Quality rigour

The fact that the researcher has been a SEFA employee since its inception and has been working as a compliance specialist and officer for more than five years provides assurance that the time spent in the field of study has contributed to rigour in the qualitative research. The respondents and participants in this study were the researcher's colleagues. They worked directly with and formed chain processes in the direct lending product and therefore provided credibility to the findings, as they are experts in the product in question (Billups, 2014:1-4). Some of the information in this study is confirmed by the South African Parliamentary Monitoring Group (PMG) committee, to which SEFA is regularly summoned to provide briefings.

Further reading and confirmation can be verified from the South African PMG website, which is in the public domain. The data that became known in this thesis came from the perspective of professionals in the field and the bodies assigned to oversee SEFA business operations. According to Olivier (2017:9), four methods can be used to enhance the quality of data, namely credibility, transferability, dependability, and confirmability. Thus, the trustworthiness practices and relevant guidelines regarding the legitimacy of this study are discussed below.

2.8.1 Credibility/authenticity

Kumar (2011:185) states that all research results achieved by a researcher can be evaluated to ensure the credibility of the study. The research conducted must be credible to be accepted by the scholarly community (Creswell & Plano, 2011:13). Noble and Smith (2015:34) declare that the credibility of the research findings can be articulated using language, namely quantitative terminologies applicable to qualitative research and alternative terminologies associated with the credibility of qualitative research. According to Noble and Smith (2015:35), some strategies such as the following can enhance the credibility of a study:

- true value in flexibility and reflection from one's own perspective and representativeness of the findings in relation to the phenomena;
- consistency in achieving auditability, transparency in the description of the research process from the initial outline, development of methods and reporting of findings; and
- applicability of findings to other settings or contexts.

Other authors such as Creswell (2014:201) and Leedy and Ormrod (2013:104) are in support of Bezuidenhout, Davis and du Plooy-Cilliers (2013:258), who are of the opinion that credibility is a term in qualitative research that addresses validity. Credibility also refers to the accuracy with which the researcher interprets the data which have been provided by the participants. According to Wagner, Paquin and Persky (2012:138), the researcher's personal experience also serves as a form of credibility to the study. This fact contributes to the credibility and accuracy of the findings, as both parties (the researcher and the participants) have personal experience in the industry (Creswell, 2014:201). The researcher used the SurveyMonkey system and the UNISA MS Outlook (2016) email system to distribute and collect data, thus ensuring credibility and an audit trail of the data collected.

In addition, to incorporate strategies to increase the trustworthiness of this study, the following criteria as set out by Glesne (2011:49), Liamputtong (2013:28-34) and Creswell (2014:201-202) were adopted.

(a) Triangulation

According to Anney (2014:277), triangulation involves the use of multiple and different methods, investigators, sources, and theories to obtain corroborating evidence. The researcher used different data sources as indicated in 2.5 under *Data collection*. Literature, a survey questionnaire, and interview schedules were used to collect traceable data for this study.

(b) Prolonged engagement

According to Anney (2014:276), an extended time in the field gains the trust of the respondents and provides a greater understanding of the participants' culture and context. This study was based on the researcher's place of employment, as she has been with SEFA as an employee of the merged entity SAMAF, which amounts to more than nine years in the sector. The researcher's experience in the field helped her to gain a better understanding of the core issues that might have affected the quality of the data as a result of the trust relationship that developed between the researcher, the participants, and respondents.

(c) Clarification of researcher bias

Anney (2014:279) further argues that the challenge facing researchers is how to avoid the fabrication of data by participants. Participants may decide to provide false information if they are not happy about supplying information to the researcher or take a dislike in the researcher. To ensure credibility, the researcher also discussed the findings of the study with the participants to ensure that the data and results were in accordance with their initial remarks and comments; and had been correctly interpreted and captured to eliminate any prejudice.

2.8.2 Transferability

Transferability refers to the extent to which the results of a study can be transferred to other settings (Lichtman, 2014:387). The researcher is of the view that the findings can be beneficial to SEFA and other similar industries that offer products like the SEFA direct lending product. The recommendations can also be used to achieve some of the NDP 2030 goals for sustainable employment through self-employment programmes in South Africa.

Further, scholars can use the recommendations and conclusions of this study in their respective fields. Moreover, this study covers the eight SEFA provincial branches within South Africa. In addition, more research at a global level was included in this thesis. As also noted by Gheondea-Eladi (2014:116), this study may be transferable, as other scholars may apply the methods used in this research to their novel studies. Furthermore, the views and experiences expressed by the participants will ensure that the reader is able to decide on the transferability of the research findings.

2.8.3 Dependability

Kumar (2014:218) defines dependability as the consistency of the results if they can be used two or more times. According to Noble and Smith (2015:34-35) researchers aim to design and incorporate methodological strategies to ensure the dependability of the findings. The stepwise replication method assisted in showing the precise method on how the researcher obtained information (Anney, 2014:278). Noble and Smith (2015:34-35) stated that researchers should consider using same strategies to address the issues of bias and accountability that may influence the findings in recordkeeping, exercise comparison and data triangulation. The researcher ensured the dependability of this research by verifying that the questions in the interview schedule and questionnaire survey were consistent in each category of samples. All the processes followed were documented accordingly. The methods of data collection through the survey and interviews have an audit trail of electronic interviews to ensure reliability and authenticity of data collected.

2.8.4 Confirmability

A fourth perception on trustworthiness is confirmability (Stahl & King, 2020:28). Confirmability, which is similar to replicability, requires that other researchers or observers are able to obtain similar findings by following a similar research process in a similar context (Bless, Higson-Smith & Sithole, 2013:237). To ensure confirmability, the researcher should keep detailed records of all the literature consulted. As a result, the researcher will be able to prove that the findings and interpretation of the findings did not derive from her imagination but are clearly linked to the data, as viewed by Liamputtong (2013:26). During data collection the researcher was open-minded and avoided leading the participants to answers that the researcher wished to acquire. In this way, the study was completely guided by the literature review.

2.9 ETHICAL CONSIDERATIONS

Creswell (2014:92) confirms that ethical considerations are emphasised today when conducting research. Babbie (2013:1) mentions that researchers are guided by a set of ethical constraints that reflect ideals and values aimed at helping and not harming people. Research ethics was considered throughout this study by following the principles of the UNISA Policy on Research Ethics (UNISA, 2016: 9-17). The researcher authored a research request to SEFA to grant approval. Permission was granted by the SEFA CEO (during that period) without any objection on 4 November 2016 (see Annexure A). An application for ethical clearance to the College of Law (CLAW) Research Ethics Review Committee (ERC) of UNISA was submitted. Clearance with the reference number ST71 of 2018 was granted (see Annexure B). This thesis was submitted to originality checking software. A Turnitin Digital Receipt was subsequently issued (see Annexure F). Research ethics was observed throughout this study in accordance with the five main categories on ethical considerations noted by Gray (2014:68), as discussed below:

2.9.1 Researcher's commitment

Corporate fraud is the new method used to loot the South African SOCs. Making the commitment to conduct research ethically was the only way the researcher could make authentic discoveries from the feedback of respondents, participants, and literature; and no other unethical research practices were facilitated. The researcher conducted herself in a professional manner and always adhered to the highest standards of integrity. All data sources consulted were credited and the risk of error minimised. The data was not fabricated or intentionally misinterpreted, and no plagiarism was committed.

2.9.2 Voluntary participation

According to Gray (2014:68) the four principal areas on ethical considerations are avoiding harm to participants, ensuring informed consent, respecting their privacy, and avoiding the use of deception. Voluntary participation of participants was ensured. No participant was forced to participate in this study. The researcher included an additional note as a sub-question in the survey questionnaire and interview schedule "Do you agree to voluntarily participate in this study?" All the respondents and participants answered yes to this question (see Annexure C and Annexure D). Anyone could withdraw at any stage without explanation.

2.9.3 Informed consent

Informed consent is a custom in which subjects base their voluntary participation in research projects on a full understanding of the possible risks involved (Babbie, 2013:34). Therefore, it is useful and even necessary to identify oneself as a researcher to the participants (Babbie, 2013:38). There was no deception of any kind, and the researcher was honest all the time. Kumar (2011:244) mentions that consent by a participant should be given voluntarily with no pressure of any kind from the researcher. Written consent was obtained from all participants and respondents, acknowledging that they are freely participating in this study. Everyone was informed that they would not receive financial compensation for their participation.

2.9.4 Protection of respondents and participants

Researchers agreed that research should not harm those who participate in it. When participants give their informed consent, they willingly and knowingly accept the risk of harm (Babbie, 2013:52). According to Gray (2014:74), many dangers may cause participants psychological damage, such as anxiety, stress, embarrassment, or loss of self-esteem. Thus, there is a need to go beyond avoiding harm to participants and focus on the positive benefits such as the potential benefit of contributing to the body of human knowledge. No laws were contravened. The researcher has ensured that this study was conducted with due regard of the supreme law of the country, the Constitution of the Republic of South Africa of 1996, the POPI Act 4 of 2013 and the National Health Act 61 of 2003. Participants were informed of the expected duration of this study. Everyone was informed of potential risks (if any) they may be exposed to due to their participation. Sufficient information on the research topic was provided to everyone prior to their involvement.

2.9.5 Anonymity and confidentiality of participants

Anonymity and confidentiality are the main concerns in the protection of participants' identity, their interests and well-being, especially in the survey phase of the research. A research project guarantees anonymity when the researcher, and not only the people who read about the research, cannot associate a given response with a given respondent (Babbie, 2013:35). According to Flick (2014:59), when one interviews or distributes survey questionnaires to more than one person within the same organisation, the need for confidentiality is vital, not just in relation to the public outside the setting of the study.

Confidentiality is therefore achieved when a research project guarantees confidentiality when it is possible for a researcher to identify a given person's response but promises not to do so publicly (Babbie, 2013:36). Everyone was informed how the research results would be used and that their comments would be treated as anonymous. According to the UNISA Policy on Research Ethics, researchers must respect, protect, and uphold the dignity of all participants, as well as keep the identity of all participants involved confidential (UNISA, 2016:7). Therefore, the researcher adhered and abided to this prescribed policy of conduct throughout this study.

2.10 SUMMARY

A research methodology assisted the researcher to clearly express how she wanted her research planned and data collected, analysed, interpreted, validated, and written in this thesis. This research was consolidated using the mixed method approach, which includes a combination of qualitative and quantitative methods. The mixed method assisted in complementing the researcher's objectives and were used to merge all primary and secondary data collected, analysed, and presented in this thesis. This was done to identify traits, MO's, and profiling potential and real perpetrators, and, most importantly, to find the most suitable method to solve the problem of corporate fraud in SEFA.

This study has been designed for human participation within the direct lending division/unit to report the results in the most effective way. The scope of corporate fraud was discussed, which is a problem within financial institutions globally. Furthermore, successful methods were identified to eliminate corporate fraud within the financial institutions. In addition, the best method, customised for SEFA, was developed for the SOC as a financial institution, and mandated by the NDP 2030 for South Africans. The research methodology served as a guideline on how to provide new knowledge to eliminate commercial crimes such as corporate fraud in our society, thus contributing to academia and society at large.

CHAPTER THREE

AN OVERVIEW OF THE SMALL ENTERPRISE FINANCE AGENCY AND CORPORATE FRAUD

3.1 INTRODUCTION

This chapter was formulated based on research question one – *What does corporate fraud entail in the SEFA direct lending product?* According to the majority of the participants and respondents, corporate fraud can be observed throughout the business life cycle of the business transaction, and it takes place in the form of application fraud, First Party Fraud (FPF), corruption and occupational fraud. Corporate fraud can be motivated by personal greed. This section thus outlines the establishment and legitimacy of SEFA and the regulatory requirements for compliance in relation to fraudulent activities. An overview of the direct lending product is provided and followed by a discussion on the organisational responsibility to curb corporate fraud to protect its financial sustainability.

When a financial institution is established, there would be an awareness of the threat of fraud. The development and implementation of internal controls curb fraud, thus avoiding financial losses. Even with internal controls in place, fraud still somehow finds its way into the system. However, research has shown that fraud is perpetrated directly or indirectly by one human being towards another, and it has been suggested that fraud is one of the crimes linked to moral issues, which constitutes deceitful conduct (Opperman, 2014:11). In addition, summarised feedback from the respondents and participants was also incorporated in this chapter. The theories of corporate fraud and its contributing factors at local and international level are discussed. An evaluation of literature on corporate fraud is necessary, as South Africa is part of the international community. Therefore, the combating of corporate fraud in other countries such as Egypt, the United States of America (USA), China and Australia is explained. SEFA's contribution to economic growth through SMMEs is discussed, as well as fraudulent activities threatening the institution.

3.2 ESTABLISHMENT OF THE SMALL ENTERPRISE FINANCE AGENCY

A report by the South African Bankers Services Company Limited (BankServ Africa) and Payments Association of South Africa (2017:13) state that the NDP 2030 goal is for the South African government to improve the South African economy by 2030.

SEFA was created as one of the SOCs to facilitate and ensure that the vision of the NDP 2030 is executed as planned. According to the SEFA Annual Report (SEFA, 2016:6), the South African government goals include achieving eleven million jobs by the year 2030. These jobs are supposed to be permanent, decent, and sustainable to improve the standard of living of citizens by 2030 (South Africa, 2011a:28-30). As indicated in the SEFA Annual Report (SEFA, 2017b:71), the capital funding was sourced from grants from the Economic Development Department (EDD) through SEFA's only shareholder, the Industrial Development Corporation (IDC). In addition to grants received, the IDC committed to funding to the amount of R921 million (2016: R921 million) should this be required in the future. A grant of R213 million (2016: R406 million) was received from the government to support SEFA's activities.

The grant was paid to the IDC, which is conducting the required oversight over SEFA's operations, and was also made available to the institution for operational purposes through a shareholder's loan (SEFA, 2017b:71). The Anti-Fraud and Corruption Policy of SEFA (2014:1) illustrated that the organisation's financial sustainability (funds) came from public money, namely taxpayers' contributions. The funds that SEFA uses to provide a service to the qualifying South Africans are therefore not meant to be misused in any manner, especially by serving the interests of criminals through corporate fraud. However, on 14 February 2018 SEFA representatives attended a PMG at the Parliament of South Africa in Cape Town with Minister Lindiwe Zulu to discuss a business rescue strategy (PMG, 2018a:np). This may suggest that the financial sustainability of the SOC was under threat.

3.2.1 Legitimacy of Small Enterprise Finance Agency

According to the SEFA Annual Report (SEFA, 2017b:71), SEFA was registered as an SOC in terms of the Company's Act (CA) 71 of 2008 and is a Schedule 2 listed entity in terms of the PFMA Act 1 of 1999 and TRs. The intention of the institution's business operations, products and services is outlined in the documents submitted to the CIPC during the registration process for approval. SEFA, the SOC, was legally registered with the CIPC with registration number 1995/011258/06 as a financial institution in South Africa. Further, it offers direct lending and wholesale financial products and services to entrepreneurs in SMMEs that meet the qualifying criteria (SEFA, 2015:4).

3.2.2 Regulatory requirements for Small Enterprise Finance Agency

SEFA must meet regulatory requirements. According to the Compliance Institute of South Africa (CISA) (2013:12), regulatory requirements are statutory, regulatory, and supervisory requirements, industry codes, and best practice guidelines to which an organisation should abide. For SEFA to comply with legislation applicable to its business operations it must have policies and procedures in place to ensure compliance with legislation. The idea is to be able to identify compliance risks, make risk assessments, deal with risk management, conduct monitoring and training, and provide advisory services to the institution. The compliance risk identification requires that all legislation applicable to the organisation be made known (CISA, 2013:12).

3.2.3 Overview of regulatory compliance

Thabane and Snyman-Van Deventer (2018:9) state that SOCs are legal entities that fall within the ambit of the CA 71 of 2008. These legal entities therefore have their own founding legislation that determines their respective public mandates. However, these entities are still expected to follow protocol in corporate governance in the public sector and implement the suggested recommendations from the King reports on corporate governance in South Africa (Institute of Directors Southern Africa, 2016:111-117). Because SEFA was registered with CIPC, the company must automatically comply with the regulatory requirements in respect of its business operations with potential or actual clients within South Africa. Therefore, it has dedicated personnel to ensure legal compliance within and outside the organisation.

According to CISA (2013:105-108) the function of ensuring legal compliance can even be outsourced if necessary. The dedicated personnel must also make sure that the compliance processes are executed in a manner that complies with the regulation code of good practice. The identified legislation must be assessed to determine the seriousness and probability of the legislation impacting on business with due regard of monetary loss and reputational damage (CISA, 2013:105-108). According to CISA (2013:105-108) the prioritisation of legislation must take place after the risk assessment, in terms of which legislation is supreme or primary to business operations, such as operational permits, licences or certificates. Secondary legislation must be adhered to and should be prepared to comply with. Topical legislation must be complied with while still preparing and considering compliance measures to avoid non-compliance. A regulatory universal framework specifically for the company is then drawn up before the compliance risk management begins.

At this stage, it is important to identify and prioritise the legislation based on the merits of the business (CISA, 2013:105-108). Legislation which enables the institution to perform its primary functions for that specific business and as a legal entity, must be the focus and take priority, as indicated in 3.2.1 – the legitimacy of SEFA. Other legislation that will be emphasised in this chapter is related to corporate fraud within a financial institution in South Africa.

(a) The National Credit Regulator

The enabling legislation for the types of products and services (direct lending) in business operations is the National Credit Act (NCA) 34 of 2005 (Department of Justice, 2005:np). This means that SEFA must be registered as a credit provider in terms of section 40 and 41 as a Developmental Credit Provider (DCP) of the Act with the NCR of South Africa. SEFA is a registered DCP with registration number NCRCP160 (NCR, 2016:np). It is a legal obligation that credit providers must register with the NCR for regulatory purposes and to ensure fairness during business transactions for both the institution and the clients, referring to the SMMEs in need of financial support.

(b) The Financial Intelligence Centre

SEFA as a financial institution must register with some of the institutions such as the FIC. It must therefore disclose its reports on issues relating to misconduct or suspected criminal activities to an institution other than the SAPS, such as FIC. This Agency⁴ is also registered as an accountable institution in terms of the amended Financial Intelligence Centre Act 1 of 2017 (National Treasury, South Africa, 2017:45) which makes it an oversight regulatory body to comply with conditions of registration. FIC (2016:4-5) has pillars which require accountable institutions to put policies and procedures in place to curb criminal activities such as money laundering and terrorist financing during the business transactions. Fraud may also be included in these investigations.

(c) Public Finance Management Act 1 of 1999

Dlomo (2017:35) states that the PFMA is a law that affects all government institutions. These government institutions include SOCs such as Sentec, Telkom, the South African Broadcasting Cooperation (SABC), South African Airways (SAA), ESKOM Holdings, IDC, and constitutional institutions such as Chapter 9 institutions. This also includes the Public Protector.

⁴ The agency refers to Small Enterprise Finance Agency (SEFA).

South Africa (PPSA), the Public Service Commission (PSC), the Auditor-General South Africa (AGSA), the Human Rights Commission and Gender Commission (HRCGC), as well as non-profit organisations receive funding from the state. Sections 38 and 40 and Chapter 10 of the Act relates to material losses experienced by departments, actions to prevent losses, and disciplinary procedures for dealing with financial misconduct. The Guide for Accounting Officers PFMA Act (2000) recommended that departments develop Fraud Prevention Plans (FPPs) no later than 31 March 2001. Subsequently, most of the departments including SOCs have developed such plans. Violations against the Act constitute non-compliance. The duties of the Act constitute the following:

- Regulate fiscal management in the national and provincial government.
- Ensure that all revenue, expenditure, assets, and liabilities of the national and provincial government are managed efficiently and effectively.
- Provide for the responsibilities of persons entrusted with fiscal management in the national and provincial government.
- Secure transparency, accountability and sound management of revenue, assets, and liabilities of the institutions to which this Act applies (South Africa, 2010:2).

(d) The National Treasury

SEFA as an SOC and financial institution must comply with the PFMA Act 1 of 1999 amended Act of 2017 (National Treasury, South Africa, 2017:83) by recording and reporting financial misconduct cases by employees to the National Treasury (NT). It is a legal obligation to report financial misconduct cases by employees annually to the NT. By virtue of the fact that it is a financial institution, The SOC must divert fraudulent activities affecting its business or related parties to the CJS processes. According to the TRs of the PFMA Act (2001) Section 3.2.1, departments must conduct a risk assessment and develop a strategy to manage risks. The developed Fraud Prevention Plan (FPP) must comprise part of this strategy according to Section 3.2.2. FPPs had to be fully operational by 30 June 2001. Revisions to the TRs to the PFMA Act (2002 and 2005) risk management strategy, which comprise the FPPs, must be communicated to all employees and include more references to “fraud” in relation to activities conducted by public service organisations. The PDA Amendment Act 5 of 2017 provides protection for persons with information on unlawful or irregular conduct, which could include engaging in fraud.

This Act assists whistleblowers in good faith but does not guarantee that all whistleblowers would benefit from it. South Africa was one of the first countries in the world to introduce a comprehensive workplace whistleblower PDA Act in 2000, according to the Whistleblowing International Network (WIN) (2017:2). The South African government intended to give the citizens their commitment and express its willingness to take accountability for those who want to make protected disclosures on maladministration within an institution.

(e) Public Service Anti-Corruption Strategy (PSACS) (2002) and PRECCA Act 12 of 2004

The PSACS (2002) and PRECCA Act 12 of 2004 dictate that the government departments, including SOCs, must establish the minimum capacity to combat fraud and corruption (Department of Public Service and Administration, 2002:np). This is outlined in this chapter under 3.4. The Fraud Risk and Prevention Volume 6 ([sa]) is concerned with fraud prevention planning including a variety of topics relating to awareness, management responsibility, risk assessment, progress monitoring, investigations, and deterring fraud. Most of the organisations have such internal controls to curb corporate fraud.

3.2.4 Small Enterprise Finance Agency geographical footprint

According to the NCR (2016:np) SEFA has nine provincial branches across South Africa to enable clients to have easy access to direct lending and wholesale lending products. Currently, services can be accessed in more than 50 locations across the country (SEFA, 2020:175-176). During the time of research, the SOC's registered office address was Eco Fusion 5, Block D and E, 1004 Teak Close, Witch-Hazel avenue, Centurion, 0157 (SEFA, 2016:152). Towards the end of this research, the current head office address changed to 11 Byls Bridge Boulevard, Doringkloof, Centurion, 0157 (SEFA, 2020:175). The institution can be regarded as having a geographical footprint, as it employs professional employees who speak eleven different languages across the nine provinces. In recent history, the staff component consisted of six executives, 57 managers, 132 professionals, 37 administrators and four support staff members (SEFA, 2017b:63).

The staff component now comprises 5 executives, 53 managers, 125 professionals, 63 administrators, 5 support personnel and 12 interns (SEFA, 2020:33). The staff capacity is meant to uphold the mandate and to strengthen the relationship with the clients through communication, accessibility to products and services without language barriers, and, most importantly, to ensure that the rights of clients are not violated during the business transaction processes.

This ensures compliance and ease of access to products and services by clients (SEFA, 2015:5). It is also one of the conditions for registration in terms of Section 40 and Section 41 of the NCA Act 34 of 2005 (Department of Justice, 2005:66-68). The products and services that have been offered to SMMEs are expected to provide responsible and sustainable employment opportunities to all South Africans. This does not make the SOC immune as a target for criminal activities that include fraud. As a result, there is an obligation to abide by the laws that require curbing of criminal activities that undermine the mandate as well as the NDP 2030 vision for all South Africans.

3.2.5 Direct lending products and target market

Financial institutions know their products and services very well, according to the World Bank (2012:8). However, it does not mean anything if clients of financial institutions do not know or do not understand the information provided. SEFA targets only South African citizens, which is articulated in the processes and procedures. According to Section 64 of the NCA Act 34 of 2005, financial institutions must disseminate adequate and reliable information to the target market in a plain and understandable language (Department of Justice, 2005:94). South Africa has 12 official languages. For this reason, as part of the registration conditions, SEFA is obligated to develop a language policy to ensure that clients receive the information in their own language or a language that is easy to understand. If consumers do not know or understand the information, they are at a disadvantage, which could include being subjected to the crime of fraud.

In this regard, Musamali (2014:78) reiterates that financial fraud affects both the financial service providers and consumers. The obligation of a language policy by the NCA Act 34 of 2005 minimises the risk of consumers entering financial commitments and transactions with financial service providers like SEFA with inadequate information. SEFA has developed a language policy to comply with and implement the registration conditions accordingly. For example, marketing materials such as pamphlets detailing the qualifying criteria are distributed to the public at all the branches. The information is also distributed during roadshows where clients from diverse cultural backgrounds are addressed in their home languages. The direct lending target market, according to the SEFA Annual Report (SEFA, 2016:36), is a substantial risk by nature. The investment activities address the financing needs of start-ups and relatively new entrepreneurs who are often not fundable by commercial financiers.

However, the SOC's financial sustainability is at risk if there is inadequate quality growth on the loan portfolio and the losses resulting from the high-risk operating segment is not recovered (SEFA, 2017b:14). According to the products and services report of SEFA (2016:np) the criteria for developmental credit include providing financial assistance to cooperatives and survivalists in South Africa falling in the following funding gaps:

- microenterprises – loans between R500 and R50 000;
- small enterprises – loans between R50 000 and R1 million; and
- medium enterprises – loans between R1 million and R5 million (SEFA, 2016:np).

The abovementioned loans available for funding in accordance with qualifying criteria under threat by the loan is still actual money, whether within SEFA or already allocated to the consumer. This means that both SEFA and the consumer can be a target of corporate fraud because of the money in their possession. The possibility is indeed high as the majority of the respondents and participants indicated that the clientele derives from more than one location. Sub-question 12 (as per Annexures C and E) was posed to the respondents and participants to establish the demographics of typical clientele. Summarised feedback from the respondents and participants suggested that the customers of the institution come from vast areas of the country. Most of the respondents indicated that they are in the cities, suburban areas or from rural communities. Certain participants were also of the same view as the respondents that the customers come from urban areas. Some mentioned that clients come from rural and semi-rural communities which are affected by criminal activities such as fraud targeted at unsuspecting citizens.

3.3 SMALL ENTERPRISE FINANCE AGENCY DIRECT LENDING PROCESS

SEFA processes do not discriminate as to who must apply and who may not access direct lending products. However, qualifying criteria are clearly specified for potential clients. Dube and Gumbo (2017:12) confirm that financial exclusion refers to processes that limit certain people from gaining access to specific financial systems or the inability of certain sections of society to access the necessary financial services in an appropriate manner. To prevent people from being excluded from financial systems and services, SEFA developed a language policy in terms of the conditions of registration of the NCA 34 of 2005 (Department of Justice, 2005).

This policy is being implemented to effectively communicate its products, services, and application process to avoid a situation where others are excluded financially. The SEFA (2016:np) process to apply for access to direct lending products and services, which include bridging loans and term loans, is outlined as follows:

- Applicants approach the nearest regional office for the initial basic assessment.
- The regional office issues and assesses the application forms of qualifying applicants.
- Due diligence is conducted, and submissions are sent to the committee for a decision.
- The committee communicates its decision to the applicant through a regional branch which facilitates the submission. If the application is approved, the client enters into a contractual obligation with SEFA.
- Funds are then transferred to successful clients, and Post-Investment Monitoring (PIM) and/or mentorship support are provided (where applicable).

SEFA (2016:np) also provides a Post-Loan Business Support Programme (PLBSP) for SMMEs. This programme is designed to provide business support services to the business life cycle in the initial stages (growth; development; compliance; mentorship) as well as the turnaround times. This service is only available to small businesses that have benefitted from loans by SEFA and its financing partners. The programme is facilitated through the direct lending division and allows the Wholesale lending division to access such support as and when needed. Pre-loan support by the SEDA is said to be considered when required. In this regard, SEFA has employees to carry out the mandate and are expected to understand the business better in order to communicate the correct message to clients. Sub-question eight (as per Annexure C and Annexure E) was posed to the respondents and participants to determine the level of understanding of processes and procedures.

It was revealed that the majority of respondents were of the view that there is little understanding, while some participants felt that the processes are not clear, and some colleagues were ignorant. Such instances may subject the organisation into disrepute as the same level of customer service will not be delivered by all. Therefore, it was inevitable that there will be misunderstandings and misrepresentation of information with clients and internal procedures during the business life cycle of the submitted application.

3.3.1 Application for credit

The primary role of FIC is to contribute to safeguarding the integrity of South Africa's financial system and its institutions, and to make them intolerant to abuse (FIC Annual Report, 2017:10). One of the conditions of registration in terms of Section 21 of the Financial Intelligence Centre Act 2001 provides for financial institutions to "Know Your Customer" (KYC). This entails that an accountable institution may not establish a business relationship or conclude a single transaction with a client unless the accountable institution has taken steps to (a) establish and verify the identity of the client and (b) if the client is acting on behalf of another person, to establish and verify the identity of that other person. SEFA has online, postal, and walk-in application options. Sub-questions five and nine (as per Annexures C and E) were presented to the respondents and participants to determine the location and the type of method used by clients for the direct lending product.

The majority of the respondents indicated that the application method at their place of work (respective provincial branches) was walk-ins. Others indicated other methods, such as online and postal. Similarly, participants also indicated that the majority of the clients preferred to walk in to branches to apply for loans or developmental credit, while some use online and postal methods. All these methods require documentation submission, but the issue of the identity of the authentic applicant may be concealed when it is a postal or online application.

3.3.2 Sections of the SEFA Product Application Form

According to SEFA (2018a:1-11), the PAF is divided into the following:

- Section A: This section requires information on the company in need of funds.
- Section B: This section requires personal information of the person and other relevant individuals applying for funds.
- Section C: This section requires information on the sureties of the company borrowing funds.
- Checklist: This assists the applicant in reviewing the information required as well as the qualifying criteria.

The qualifying criteria include the following:

- Applicants must be involved in the day-to-day running of the business on a full-time basis.

- The company must comply with the relevant South African legislative regulations regarding its business.
- The company must demonstrate job creation (potential to create new jobs or sustain existing ones).
- The loan range must be between R50 000 and R5 million.

The PAF requires applicants to complete a declaration clause (SEFA, 2018a:3,7,9) granting permission to check their records with any other credit agencies, to conduct fraud prevention checks, and to share information relating to the application through the South African Fraud Prevention Service (SAFPS) or any other relevant authority.

3.3.3 Manual recordkeeping of applications

Client records are mostly kept in terms of some of the legislation such as the Financial Intelligence Centre Act 38 of 2001 and National Archives Act (NAA) 43 of 1996. Information is disclosed in terms of the Promotion of Access to Information Act (PAIA) 2 of 2000.

3.3.4 Online recordkeeping of applications

SEFA has a software system to upload clients' records. Not all employees have access to the system. Only employees who need access to the system for specific purposes are granted access, and certain employees are given access only to the information they will need to execute their job or task.

3.3.5 Stage of approved or non-approved applications

SEFA has committees that peruse and approve applications. The constitution of the committee is based on the relevant representation of the business units, which includes the employees submitting the application on behalf of a client. The committee then deliberates on the application based on the information submitted before they take a decision. Legal agreements are then drafted based on the information provided. Finally, legal consultations are conducted in the event of the committees having missed something.

3.3.6 Disbursement process

There is a checklist for verifications prior to disbursement. Final authenticity of every document submitted by the client to the committee, conditions of approval by the committee, and legal agreements are considered. The money is then disbursed according to the specifications outlined by the collective conditions.

3.3.7 Post-Investment Monitoring and Workout and Restructuring division

The role of the PIM and WR divisions according to the SEFA Annual Report (SEFA, 2017b:56) is to proactively monitor the organisation's investments, which includes loans and advances. This entails the management of collections, mentorship, business support, and WR. WR's objective is to contain impairments and manage collections. This division therefore ensures that organisational capital is not eroded but sustained.

3.4 INTERNAL CONTROLS TO CURB CORPORATE FRAUD AT THE SMALL

ENTERPRISE FINANCE AGENCY

Ayagre, Appiah-Gyamerah and Nartey (2014:379) describe internal control as a process conducted by some of the institution's management members or other designated personnel to develop a process that can provide assurance regarding the achievement of the objectives in the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Human beings commit fraud for several reasons. In this regard, research reveals that fraud is a premeditated act by an individual or individuals among management, employees or third parties who intentionally produce errors in financial reporting in favour of their personal desires (Wekesa, Namusonge & Makokha, 2016:375). Internal controls are therefore developed and implemented to ensure that the company meets its profitability goals and executes its mandate to minimise surprises along the way.

According to Tembo (2013:5-7) internal controls are meant to be practised with dual responsibilities to minimise manipulation of transactions. South African SOCs are under the spotlight for many kinds of maladministration, including fraud. Ernst and Young Global Limited (2016:13) believes that top management should be aware that regulators focus on these behaviours and are keen to hold individuals accountable. This suggests that internal controls are therefore vital to serve as a mitigating factor to avoid reputational damage to the organisation. Research revealed that corporate fraud affects and hurts everyone including the consumers and financial institutions. Moreover, it damages the financial institution's brand image and reputation. Corporate fraud may affect the client's confidence in the institution and could lead to a loss of revenue (STAR & First Data, 2016:2-3). Currently the South African government, regulators and the vibrant media of South Africa are receiving reports from whistleblowers and other investigative means, which proves that fraud is perpetrated by internal employees, including members of management.

For example, Chance (2016:np) stated that SEFA should speed up and conclude the disciplinary inquiry initiated against officials suspected of being allegedly involved in collusion and bribery in the issuing of loans. Whistleblowers have further claimed that employees are receiving kickbacks in return for issuing loans to dodgy businesses who have not followed procedures and are ineligible to receive assistance while other businesses are precluded from this assistance. According to Ernst and Young Global Limited (2016:13), the prevalence of such unethical behaviour places the institution at risk of illegal conduct, which could lead to enforcement action. This can be avoided only if the fraud management designed for the organisation is complied with through redress across the organisation. Olatunji and Adekola (2014:91) add that corporate fraud management is designed to benefit the organisation by exploiting an unfair or dishonest advantage that may deceive an external person.

SEFA has made a commitment to comply with the regulatory requirements of South Africa to curb fraud. Hence, the Agency put measures in place to curb instances of corporate fraud, irrespective of any angle that may be used as an attempt to commit fraud, either internally by employees or externally by other parties. The SOC has internal controls in place to curb corporate fraud as outlined in the fraud prevention policy that has been implemented in 2014. Sub-question seven (as per Annexures C and F) referred to the significance of being familiar with the processes and procedures related to fraud targeted at direct lending. Everyone agreed that employees must be familiar with the process and procedures related to fraud targeted at direct lending. All the respondents believed it was extremely important to be familiar with the processes and procedures related to fraud targeting the organisation.

3.4.1 Small Enterprise Finance Agency Anti-Fraud and Corruption Policy

The Association of Certified Fraud Examiners (ACFE) (2017:11) describes fraud prevention as the measures aimed at mitigating instances of fraud and the actions to take when it has materialised.

SEFA has a corporate fraud prevention policy in place to guide all employees when such incidents occur. The policy is aligned to the regulatory requirements outlined in 3.4 of this chapter. However, the existence of the corporate fraud prevention policy does not necessarily mean that corporate fraud will be automatically stopped or curbed. Adetiloye, Olokoyo and Taiwo (2016:1172) are of the view that fraud control is becoming an issue when regulators and executives in financial institutions are burdened by the fraudulent activities that take place by someone under their control.

All acts of corporate fraud threaten the image of the organisation. It is not only about the monetary loss because of fraud, but this crime of fraud can also damage the reputation of the institution and trust of stakeholders. The focus of the corporate fraud prevention policy is not only on the crime of fraud, but on corruption as well. To make employees aware of fraud, the Anti-Fraud and Corruption Policy (SEFA, 2014) was made available on the company's intranet to all employees.

3.4.1.1 Statement of SEFA Anti-Fraud and Corruption Policy of 2014

According to the Anti-Fraud and Corruption Policy (SEFA, 2014:1), the SOC has undertaken the responsibility to be a steward for safeguarding public money by preventing, detecting, and investigating internal and external instances of corporate fraud. Public money refers to the monies that the state collects from the taxpayers in South Africa. SEFA does not generate its own money to lend to entrepreneurs but uses taxpayers' monies to lend to qualifying citizens to increase job creation. The purpose of the SEFA Anti-Fraud and Corruption Policy (SEFA, 2014:3) serves to formalise and communicate the overall approach to anti-fraud and corruption and aims to protect the brand, reputation and assets from loss or damage, resulting from suspected or confirmed incidents of fraud or misconduct.

This policy will provide guidance to all employees on reporting any suspicious activity and managing critical information and evidence. The management of the institution believes that the policy will instil an anti-fraud culture, raise awareness, encourage open communication, promote zero tolerance for the culture of fraud, and promote peer learning (education) within the organisation (SEFA, 2014:3-4). SEFA's policy further suggests that there are some levels of compliance because an initiative to develop and implement a policy to curb corporate fraud was completed; and the consequences of non-compliance were highlighted. The institution has also outlined its intentions, pointed out the consequences and instances of fraud, and the organisation's stance of zero tolerance to corporate fraud within the organisation by educating the employees to avoid such unethical behaviour (SEFA Anti-Fraud and Corruption Policy, 2014:3-4).

3.4.1.2 The constitution of corporate fraud in the Small Enterprise Finance Agency context

According to the Anti-Fraud and Corruption Policy (SEFA, 2014:2) an act of fraud would mean and include any act committed, with the intent to deceive another party. It is an act intended to secure or cause unlawful gain to anyone.

The SEFA Annual Report (SEFA, 2014:1) defines a fraudster in terms of PRECCA Act 12 of 2004 as any person who, at any stage, with intent to defraud or to conceal an offence or to interfere with, or to hinder or obstruct a law enforcement body in its investigation of any such offence destroys, alters, mutilates or falsifies any book, document, valuable security, account, computer system, disk, computer printout or other electronic device or any entry in such book, document, account or electronic device, or is privy to any such act.

According to the Anti-Fraud and Corruption Policy (SEFA, 2014:1-2), acts that constitute fraud are “collusive practice, coercive practice, embezzlement, theft, extortion, price-fixing, insider trading and misconduct.” The elements considered foremost to the conduct are defined as follows:

- Coercive practice, which is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to improperly influence the actions of a party;
- Collusive practice, which is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.
- Any abuse of a position of employment to gain an advantage in contravention of any legal duty owed by any employee to SEFA and includes favouritism, nepotism, abuse of official power, fronting, conflict of interest, offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

The above suggests that the report by Chance (2016:np) in 3.4.1.2 was aligned with the content that constitutes corporate fraud in the SEFA context. In this regard, Deloitte (2014:3) observes that financial institutions are struggling to manage and control the many elements of financial crime. Sub-question 21 (as per Annexure C and Annexure E) enquired if employers knew the type of fraud targeted at SEFA. Some respondents indicated ‘yes’ and others answered ‘no,’ equally so. The majority of the participants indicated that they do know, while a few did not know. This suggests that there is lack of knowledge on corporate fraud within the SOC. A uniform distribution of information to prevent such crimes through education may also serve as a prevention method.

3.4.1.3 The prevention of corporate fraud

According to Muller (2013:14), some of the well-known controls to curb fraud include top management leading by example, creating an anonymous platform for reporting instances of fraud, ensuring strong internal controls, and organising teambuilding exercises for permanent and temporary employees. In addition, planning for fraud prevention in terms of Section 38 of the PFMA Act 1 of 1999 is important (Mafunisa, 2014:1233-1234). The SEFA (2014:5) Anti- Fraud and Corruption Policy has the following precise instructions for fraud prevention strategies:

- The branches in the regions must identify and verify all customers in terms of the Financial Intelligence Centre Act 38 of 2008. Employees must also strictly adhere to the KYC principles compliance and due diligence standards when they engage with clients.
- All employees must familiarise themselves with and adhere to the code of business conduct of the institution and other stakeholders.
- SEFA representatives within branches must conduct site visits of borrowers and guarantors that are to be funded to ascertain their genuineness and validity of the business and its owners.
- Discreet enquiries are to be added to ascertain their credentials and background, information about their loans, if any, etcetera. at the time of pre-sanction efforts.
- All known or suspected acts of fraud and corruption should be reported by using any media (e.g., anonymous letters) through the mechanisms outlined in Section 6.

SEFA is neither a national nor a provincial government department, but an SOC. However, TRs still apply and must be complied with. According to Mafunisa (2014:1233-1234), TRs can also provide guidelines for the establishment, implementation, and improvement of FPPs. Therefore, it is of vital importance that taxpayers' moneys are not spent recklessly and professional due care is applied in all business operations to mitigate financial loss, including to crimes such as corporate fraud. According to the majority of participants and respondents the verification methods to ensure authenticity of applications need to be improved. Sub-question eleven (as per Annexure C and Annexure E) was to determine the types of verification methods used by respondents and participants. Some respondents responded that the verification methods were in the hands of SEFA representatives because they are supposed to conduct due diligence, which is an internal checklist developed to highlight the requirements in the initial application process.

Certain respondents mentioned that methods involved external sources including CIPC and the South African Revenue Services (SARS). Similarly, the participants indicated that the verification method would initially depend on the first person who manages the application for processing. The methods would include the authenticity of the documents prior to doing other checks. Some of the methods used are credit checks, site visits, interviewing the client, and so on. This suggests that it is vital that all SEFA direct lending employees should be aware and trained on the types of fraud as a prevention method to save costs in further investigations.

3.4.1.4 The management of corporate fraud

Fraud is a real threat and becomes increasingly problematic for the sustainability of all financial institutions globally (Rajapakse & Malaba, 2014:4). Therefore, it is of vital importance to manage fraud efficiently. According to Mafunisa (2014:1233-1234), Section 3.2.1 of TRs to the PFMA Act 1 of 2000 stipulates that internal controls and internal audits assist in performing risk assessments and strategies in managing identified risks, while Section 3.2.2 of the TRs to the PFMA stipulates that fully operational fraud prevention plans must be in place. The SEFA Anti-Fraud and Corruption Policy (SEFA, 2014:9) stipulates the following responsibilities within the organisation which does not dwell in one person only, but everyone:

- Employees are obligated to take part in fraud prevention and detection for further investigation by complying with all the policies within the organisation.
- Managers must ensure that the opportunities for fraud are minimised and that robust controls are managed properly.
- The risk and compliance division will ensure that instances of fraud are managed properly, and controls are implemented to mitigate fraud risks.
- The board of directors will ensure that management has implemented proper systems to ensure that fraud is effectively managed in the organisation.
- Disciplinary action will be institutionalised accordingly (SEFA Anti-Fraud and Corruption Policy, 2014:9).

There is no guarantee that employees designated with the responsibility to prevent fraud in the organisation will be able to see it through. Motives to commit corporate fraud are not always visible, as it is not known what employees may be experiencing in their own private lives.

Adetiloye, Olokoyon and Taiwo (2016:1173) state that one of the biggest white-collar crimes is employee fraud within the organisation where employees intend to enrich themselves as quickly as possible before they resign from the organisation. However, conducting risk assessments, implementing fraud prevention plans, investigating allegations of corruption, detecting risks at a preliminary level, and receiving and managing it all through a whistleblowing policy aligned with the legislation and regulatory requirements of the PDA Amendment Act 5 of 2017 can prevent fraud. PRECCA Act 12 of 2004 provides for the strengthening of measures to prevent fraud (Mafunisa, 2014:1233-1234). According to Joyner (2011:5) a few financial institutions such as banks have strong corporate fraud management programmes that can correlate a customer's behaviour across all contact channels and products to identify bust-out scenarios, social networks, and cross-channel fraud. However, not all financial institutions have or can afford such measures to mitigate fraud through client outreach within South Africa.

Other factors such as geographical area, human ability (the ability to read, write and see) and infrastructure of the financial institution also play a role. For example, Venda Mutual Bank (well known as VBS through the media) is one of the banks which could not prevent, detect, and manage corporate fraud to protect clients. Joyner's (2011:5) view is that the fraud management process itself is fragmented and thus suggested that fraud detection, alert and case management practices should be managed. Some of the financial institutions in South Africa invest in mass media awareness campaigns on corporate fraud to warn their clients, either through notice boards in an organisation's reception, corporate fraud alerts on cellular phones, local newspapers or television channels, or the organisations' websites.

For example, the Gauteng Enterprise Propeller (GEP) (2016:1) warned the public about a scam gone viral (meaning spreading across the province) utilising the GEP brand to manipulate SMMEs to pay fees upfront to secure funding with the Agency. For SEFA, the researcher wanted to establish the method used to detect fraudulent applications. Sub-question 13 (as per Annexure C and Annexure E) determines the methods used to identify fraudulent activities during the initial stages of the application process. The majority of the respondents provided different divisions which also detect fraudulent submissions. Few indicated that the methods in place to identify fraudulent applications were also applied through other internal processes linked to other internal divisions within SEFA.

The majority of participants indicated that fraudulent applications can be identified through other reporting templates such as due diligence, which produces a report about the state of a client's business operations. A few participants, on the other hand, indicated that they pass on the documents to other divisions to confirm whether the application is fraudulent or not. This suggests that methods are not applied uniformly and that representatives use procedures they see fit at that particular time, whether to refer it to other units or divisions, or to do it themselves. Hence, it does not guarantee a proper method to ensure that the application verification processes were exhausted or satisfying. Mistakes may take place at any stage when there is no clear or proper protocol to ensure the authenticity of the information at hand.

3.4.1.5 Reporting and investigations

After a suspicion of a crime is reported or it has been committed, there must be an investigation. According to the United Nations Development Programme (UNDP) (2012:6), the purpose of an investigation is to examine and determine the veracity of allegations. The National Anti-Corruption Directorate of Romania (2010:7) defines an investigation as an analysis of information and documents of business entities involved in or related to defendants. In South Africa, Hardie and Wagner (2017:17) state that the duty to report fraud may arise under specific legislation, such as the following:

- PRECCA Act 12 of 2004;
- The POCA Act 121 of 1998; and
- The Financial Intelligence Centre Act 38 of 2001.

Other than the abovementioned legislations, it is stated that FICA is linked to South Africa's anti-terrorism legislation, namely the Protection of Constitutional Democracy against Terrorism and Related Activities Act (POCDATARA) 33 of 2004 (Hardie & Wagner, 2017:17). According to Musamali (2014:81), reporting any type of crime to the relevant authorities is vital to the CJS. All employees are encouraged to report instances of fraud and escalate it internally without fear or favour. Ernst and Young Global Limited (EYGL) (2016:31) suggests that employees usually know most information about the company. Throughout the researcher's term of employment, SEFA CEO has ensured that staff meetings are scheduled and held to address the issue of fraudulent activities within or targeted at the organisation.

Employees are encouraged to report illegal activities taking place inside the organisation (Isparta, 2014:28). However, it has not been stated that employees should publicly report fraud even when they are uncomfortable. The SEFA Anti-Fraud and Corruption Policy (SEFA, 2014:6) encourages the use of the following mechanisms for effective and efficient handling of reported incidents:

- reporting to line management (where they are not involved in the fraud);
- using the official SEFA hotline of which the contact details will be available to all staff through a variety of communication media of the organisation; or
- reporting to the Internal Audit unit or the chairperson of the Audit Committee (where the above mechanisms may not be appropriate).

Employees are further encouraged to report fraud in terms of the PDA Amendment Act 5 of 2017, which protects the reporting employees against discrimination or victimisation that is made in good faith, although such disclosure or reports may ultimately not be proven fraudulent, as corrupt practices, or misconduct. Further, “the corporate governance practice and fraud prevention strategies include the provision of a 'whistleblowing' hotline. The SEFA Anti-Fraud and Corruption Policy (SEFA, 2014:6-7) states that all instances of reported fraud are to be investigated by Internal Audit unit and other external parties, with the approval of the SEFA CEO. According to Malan (2010:1), whistleblowing is when one divulges wrongdoing in an organisation by reporting the persons responsible for handling complaints for remedial action.

Isparta (2014:1) is of the view that whistleblowing involves the act of using the right to freedom of speech, the right to convey information, and which ends in the reporting of and the revelation of alleged wrongdoing of various kinds. However, according to the SEFA Anti-Fraud and Corruption Policy (SEFA, 2014:10) “employees and clients who make false disclosures of public information knowing it to be false, or being reckless about whether it is false, in addition to being guilty of an offence, may face appropriate action”. According to the SEFA Annual Report (SEFA, 2017b:140), information on the anonymous reporting of fraud is the Fraud Hotline Number: 0800 000 663 (Tip-offs Anonymous). The reality is that the employee might report information, but the information may not be found to be a form of corruption even though it is a signal that untoward or illegal conduct is taking or has taken place (Isparta, 2014:26). This therefore suggests that if there are doubts about the allegations of the whistleblower, more than one party holds investigations to uncover the truth.

Hardie and Wagner (2017:17) state that the POCDATARA Act 33 of 2004 criminalises several activities that may be related to the financing of terrorism. It is therefore essential to report certain offences including theft, fraud, extortion, forgery, and the use of a forged document. The researcher wanted to determine the availability of these internal processes and procedures to report corporate fraud within SEFA through sub-question 25 (as per Annexure C and Annexure E). The feedback from the respondents and participants suggested that SEFA has internal policies and procedures in place for reporting fraud. Sub-question 17 (as per Annexure C and Annexure E) identifies what employers do with fraudulent applications.

Feedback from the respondents and participants revealed diverse portals on the reporting and investigation of incidents within SEFA. The majority of the respondents indicated that the application should be taken to the Internal Audit unit, RCMU, Legal, and Information Technology (IT). The SAPS and the whistleblowing portal were also mentioned as external sources of reporting. Some respondents differed by indicating that there was no clear process. Though participants had different answers, they indicated that reporting to the manager was the most preferred portal to report fraudulent applications, followed by RCMU, Internal Audit, the legal unit, an external party, and IT. Certain participants also indicated that they would either decline or forward the application while some said they do not know how to report fraudulent activities. Some indicated that there is no internal policies and procedures for reporting fraud, which contradicts the mechanisms in place to report incidents as stated in the SEFA Anti-Fraud and Corruption Policy.

It is an indication of a lack of knowledge management. It is also clear that some employees resort to making their own decisions and decline the application without further enquires to the relevant unit provided. The different reporting portals could also be discouraging employees, which could cause them to reject the application. Sub-question 26 (as per Annexure C and Annexure E) determines if employees were provided with knowledge of internal anonymous procedures to report fraud. The majority of the respondents and participants indicated that they were not sure, but they were of the opinion that employees should be empowered with information. Some indicated that they knew because they attended a seminar, or it was discussed in meetings; and they know how to report fraud to the manager and the hotline. Further, sub-question 28 was posed to establish whether the rules and procedures for reporting corporate fraud within SEFA were in place and efficient.

All the respondents and participants indicated that no information was provided and that some employees worry about the lack of anonymity when reporting fraud. The results suggests that there were some uncertainties on whether the rules and procedures for reporting fraud are effective. In this regard, sub-question 27 (see attached Annexure C and Annexure E) determines if authorities responsible for investigations should report the outcome of fraud investigations to employees. All the respondents and participants indicated that feedback reports could assist in having lessons learned and how to avoid corporate fraud in future. They also mentioned that it will assist the employees to keep criminal profiles for identification purposes in the event that candidates may try to re-apply. Further, it could serve as countermeasures to discourage corporate fraud, provide transparency on whether cases reported were investigated and if there was something done about it. Moreover, it will assist employees to know the types of fraud and encourage more reporting in such activities.

3.4.1.6 Fraud awareness and training

According to Dzomira (2014:19), some of the challenges faced by financial institutions such as banks are a lack of knowledge and awareness as well as a lack of compliance to legislation. The SEFA Anti-Fraud and Corruption Policy (SEFA, 2014:10) outlined that “all employees are responsible to ensure that they familiarise themselves with all the policies and procedures. Management must ensure that all employees receive the relevant coaching and training where required”. In addition, Kassem and Higson (2015:290) state that combating fraud requires the efforts of regulators, audit professionals, and researchers.

SEFA's Internal Audit unit had been scheduling and conducting workshops to educate employees on the impact and consequences of corporate fraud. Sub-question 18 (see Annexure C and Annexure E) establishes whether SEFA provides opportunities for employees to attend training on corporate fraud. Some of the respondents and participants agreed that they had not receive any training on fraud. Some indicated that it depends on the role of the employee in the organisation. This suggests that there is no consistency when it comes to training employees in the institution. However, by virtue of the fact that it is a financial institution, it is important that employees know and get educated on the threats of fraud. Selecting who should and should not attend, may give an opportunity for fraudsters to collude with employees without knowing that they are committing a crime against their own institution.

Every employee that knows what fraud entails may serve as a deterrent or a prevention method to the crime. It may also be possible that some employees have attended external training outside the organisation. Sub-question 19 (as per Annexure C and Annexure E) enquires whether employees attended information sessions on the Fraud Prevention Policy and Strategies. A few respondents and participants indicated that they did have an opportunity to attend information sessions, while the majority stated that they did not attend any sessions. However, it was discovered through sub-question seven that across the provinces that participated, respondents and participants had a view on the importance of having the rules and procedures related to fraud (see tables 3.1, 3.2a and 3.2b and graphs 3.1, 3.2a and 3.2b). Further, respondents' feedback on whether the rules and procedures for fraud were efficient per years of service suggested that it depended on the individuals and the opportunities they had at some point during the cause or duration of employment, whether on a personal basis or professionally (provided by SEFA). The tables and graphs below are a summary of the feedback from the respondents and participants on the rules and procedures for fraud.

Table 3.1: Respondents' feedback on the importance of knowledge of processes and procedures related to fraud per location

Total number of respondents: 8					
The significance of being familiar with the processes and procedures related to fraud targeted at direct lending per location.					
SEFA branch locations	Extremely important	Very important	Somewhat important	Not so important	Not at all important
GP	6	0	0	0	0
NC	1	0	0	0	0
LP	1	0	0	0	0
Frequency%	100%	0	0	0	0

Source: Feedback from respondents (Survey questionnaire, see attached Annexure C).

Table 3.2a: Respondents’ feedback on whether the rules and procedures for fraud were efficient per years of service

Total number of respondents: 8		
Determining whether SEFA rules and procedures for reporting fraud were efficient per years of service.		
SEFA years of service	Yes	No
10 years or more	0	2
At least 5 years but not more than 10 years	1	4
At least 3 years but not more than 5 years	0	0
At least 1 year but not more than 3 years	0	0
Less than a year	0	0
Frequency%	12%	75%

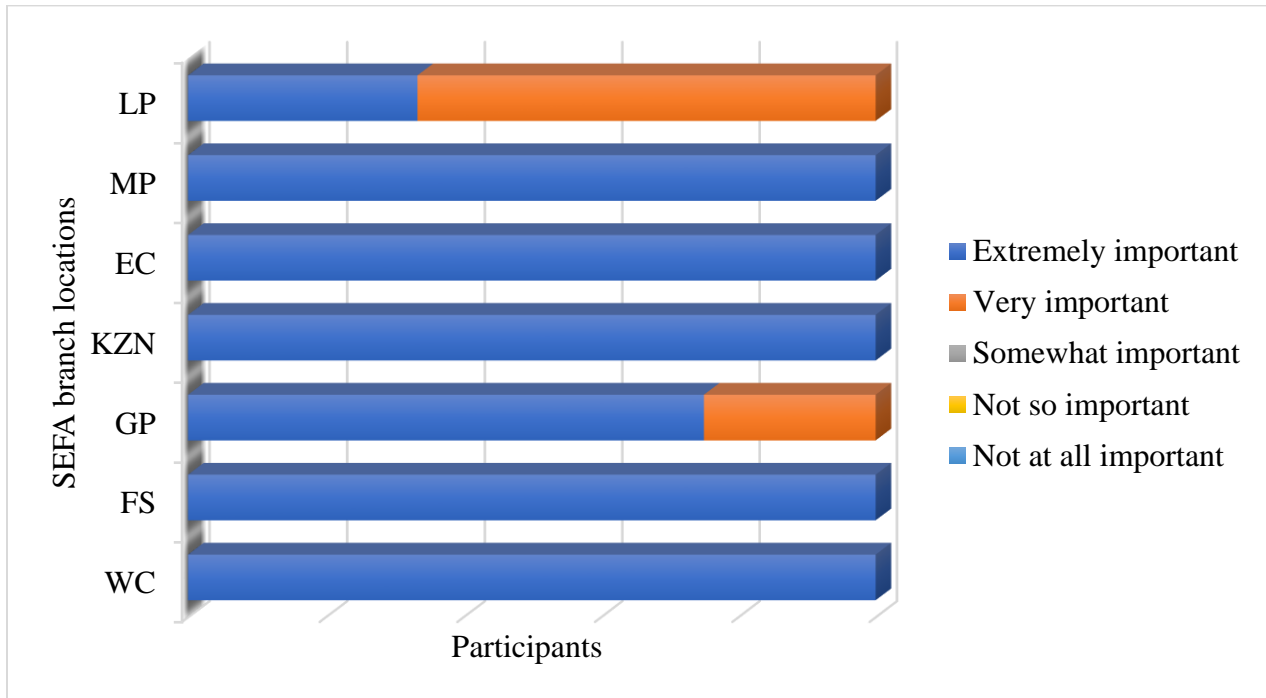
Feedback from respondents (Survey questionnaire, see attached Annexure C).

Table 3.2b: Respondents feedback on whether the rules and procedures for fraud were efficient per location

Total number of respondents: 8		
Determining whether SEFA rules and procedures for reporting fraud were efficient per location.		
SEFA branch locations	Yes	No
GP: Gauteng	3	2
NC: Northern Cape	0	1
LP: Limpopo	0	1
Frequency%	38%	50%

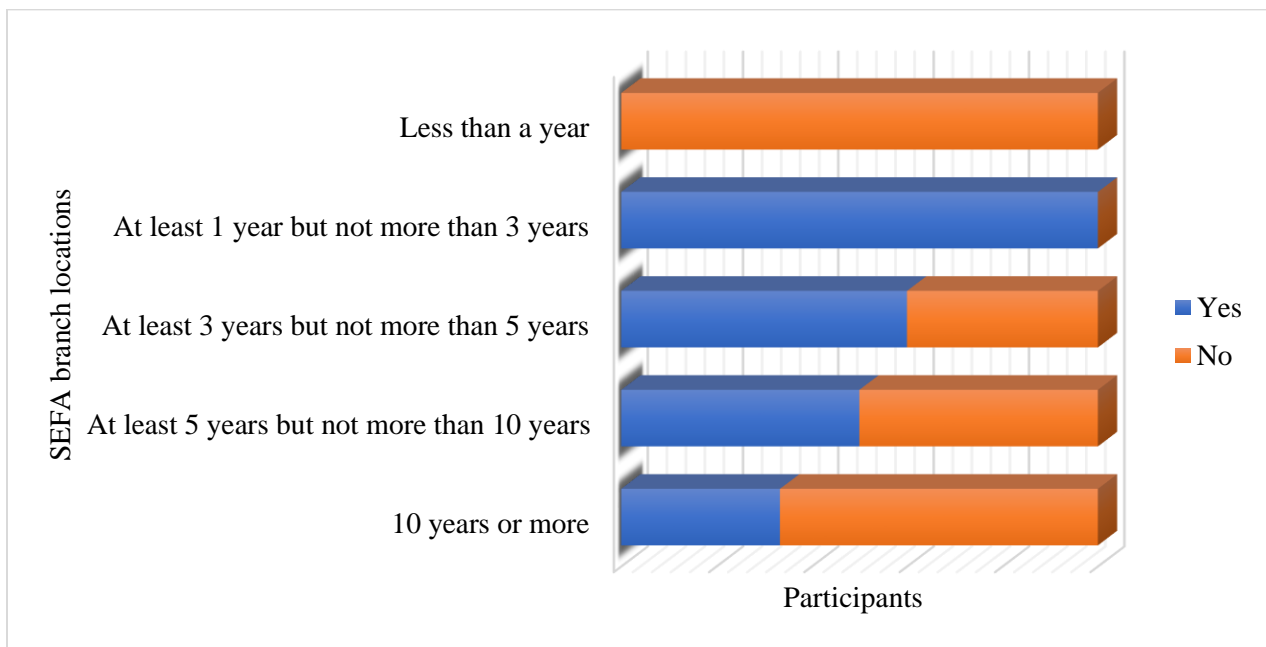
Source: Feedback from respondents (Survey questionnaire, see attached Annexure C).

Graph 3.1: Participants’ feedback on the importance of having knowledge of processes and procedures related to fraud per location



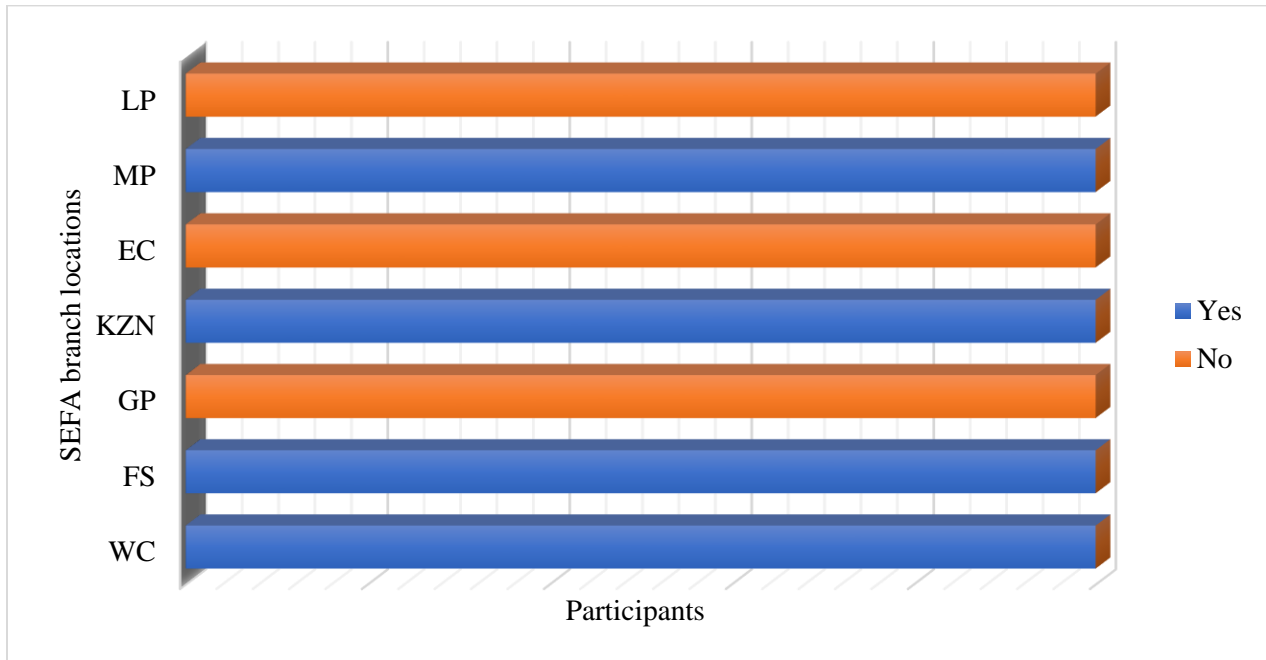
Feedback from respondents (Survey questionnaire, see attached Annexure C).

Graph 3.2a: Participants’ feedback on whether the rules and procedures for fraud were efficient per years of service



Source: Transcribed feedback from participants (interview schedule, Annexure E).

Graph 3.2b: Participants’ feedback on whether the rules and procedures for fraud were efficient per geographical area



Source: Transcribed feedback from participants (interview schedule, Annexure E).

3.5 THEORIES ON CORPORATE FRAUD IN FINANCIAL INSTITUTIONS

Budhram (2013:66) defines fraud as a means of falsification, which includes outright lying, dishonesty, surprise, deception, and false claims by human beings. Schoeman-Malan (2015:125) states that the falsification of documents is a global offence. Joyner (2011:2) explains that fraud is not limited to only one place but can be committed everywhere. In the summary of the statistics published by the SAFPS during December 2017, fraud listings increased by 56% and the fraud database had 70 000 records (Van Schalkwyk, 2017:9). PWC (2014:4-6) confirmed that 45% of the financial service institutions suffered economic crimes including fraud.

Chavez (2017:17) adds that fraudulent activities by individuals can affect an organisation’s reputation in a negative way, which may result in significant legal costs and can lead to imprisonment of individuals and collapse of the organisation. Literature shows that the person committing fraud is corrupt, and corruption is well known to be constituted by a dishonest character, which also relates to occupational fraud (Carroll, 2015:5). This suggests, for example, that financial institutions are likely to have one or two employees who might discover opportunities for fraud within the process and be tempted to commit the crime.

Professional fraudsters outside the organisation might also attempt to defraud the organisation and eventually succeed. If these measures seem to be difficult to execute, there might be other attempts, such as devising means to formulate a relationship with SEFA employees who might be brought in to collude with the external party to defraud the SOC, as suggested by Chance (2016:np) in 3.4.

3.5.1 Types of corporate fraud targeted at financial institutions through technology

Muller (2013:14) found that most fraud is committed through an organisational structure, from employees to managers, up to owners or executives. However, it is further reported that fraud committed through an organisational structure only seems to be decreasing. For example, fraud has been orchestrated by employees within the organisational structure and other external influential parties in the VBS (see 3.4.1.4, *The management of corporate fraud*). By considering previous definitions of the types of fraud, it is necessary to know what corporate fraud entails. Corporate fraud can be classified into three categories. Firstly, corporate fraud involves financial fraud or accounting fraud through the falsifying of financial information. Secondly, corporate fraud involves self-dealing by corporate insiders by means of misappropriation of funds. Finally, corporate fraud can be obstructive conduct towards regulators by providing false testimony or destroying information to report illegal deeds (Grant Thornton & Assocham, 2016:8). The types of fraud found in financial institutions such as SEFA are discussed below.

3.5.1.1 Insurance fraud

Hardie and Wagner (2017:17) observe that fraud is on the rise in South Africa. Some of the businesses financed by SEFA funds usually have assets that might require insurance. The application for funding is usually approved because the business has insurance for these assets. However, it often becomes known later that the business does not have insurance, or that the business may have submitted false insurance documents which may already have been cancelled. It then becomes clear that the SOC may have fallen prey to deceitfulness. The taxpayer's money will therefore not be in safe hands, as the surety for the business is no longer legitimate. If the business that borrowed money should become insolvent, then SEFA will not get the money back as the insurance is no longer valid as suretyship. Huneberg (2017:152) states that "the insured suffers no actual loss, or a loss not covered by the insurance contract, and would ordinarily therefore not have been able to recover anything from the insurer.

However, the insured fabricates his or her loss, very often causing it, and then fraudulently represents to the insured the loss was caused by a peril covered by the insurance contract". Millard (2016:155) adds the principle that if a person insured a specific product for a specific value, he/she cannot claim more than he/she is entitled to. A fraudulently exaggerated claim is an example where the claim was valid but because the insured believes that fraud is necessary to render the claim valid, he perpetrates fraud. Huneberg (2017:152) further adds that fraudulent claims are also submitted when, for instance, the insured does suffer a loss, but to avoid a lengthy query process from the insurer regarding the claim, the insured uses false evidence to substantiate and support the claim.

3.5.1.2 Cyber fraud

Mohamed (2018:8) cites an independent global research study sponsored by the cybersecurity company, Sophos. The study revealed that 54% of the South African organisations that participated in the study in the latter part of 2017 had been hit by ransomware in the previous 12 months. It was further suggested that the risk of cybercrime is rapidly increasing, and many South African companies are ill-prepared. In addition, Ebenezer, Oluwadamilola, Ibunkunoluwa and Roberts (2016:7675) state that cyber fraud involves the participation of both men and women.

During the researcher's time of employment at SEFA, there were many alerts on hackers by the IT department, for example, warning that employees should not click on or open an email. This means that the organisation was not immune to hackers attempting to penetrate the system to disadvantage the SOC and South African citizens at large.

3.5.1.3 Schemes

CIPC (2018:np) has since made a provision that all companies must indicate their status to ensure a fair process and a balance in the economy by not giving business to the same companies repeatedly. Instead, a chance should be given to new and upcoming companies from previously disadvantaged groups for the purpose of Black Economic Empowerment (BEE) to create equality. This was supposed to allow the previously advantaged people to compete with the new and upcoming companies in terms of the preferential value to promote equality. Nobaza (2014:44) confirms that most corporate fraud has been committed in the BEE share-purchase schemes since democracy. Further, vendor companies have since been misrepresenting the BEE share-purchase schemes to clients.

According to Nobaza (2014:45), BEE share-purchase schemes can be described as an oversubscription of their value through overstating the shareholding majority for the vendor company to meet the compliance obligation to obtain business prospectors with government. This also seldom takes place without the company owners knowing, and is described in detail in Chapter four, under point 4.3.2.18, *MO 2014-2017* – tables 4.2, 4.3, 4.4 and 4.5.

3.5.1.4 Card fraud

Fake card fraud is committed with an illegally manufactured card by using information stolen from the magnetic strip of another person's legitimately issued card (Servamus, 2016:35). These cards are also said to be used for both local and international spending (Kempen, 2018:53). Further, "53.4% (R233.2 million) was spent outside South African borders using fraudulent credit card details, compared to 27.9% (R95.5 million) being spent using fraudulent debit card details". Moreover, "46.6% (R203.5 million) was spent locally using fraudulent credit card details, compared to a greater spend of 72.1% (R246.6 million) by criminals using fraudulent debit card details."

"In addition, the general spending of criminals with lost and stolen cards were mainly at Automatic Teller Machines (ATMs); liquor stores; toll plazas; service stations; and at clothing and grocery stores" (Kempen, 2018:53). SEFA and the target market use the modern-day banking system, which subjects them to bank card fraudsters. The SOC sometimes enters into joint-venture agreements with clients to detect the spending of the monies provided for financial assistance. No monies are spent without the authorisation of both parties (SEFA representative and client), depending on the project, which assists the organisation in securing some of the funds.

3.5.1.5 Accounting fraud

Lehmann (2015:341) states that accounting fraudulent activities occur in accounting, operations, sales, customer services, and purchase areas. As a result, controls to curb fraud schemes perpetrated at management level for the organisation are not complied with. Choo and Tan (2012:197) state that accounting fraud includes premeditated monetary misrepresentations such as the falsification of accounts and misappropriation of assets. The SEFA target market may consolidate fraudulent information through an accounting system as a desperate means to qualify for developmental credit.

3.5.1.6 Financial statement fraud

Financial statement fraud can be defined as reckless conduct or an omission of results in materially misleading financial statements or an intentional process of deception by the company management to falsify, manipulate or alter financial records (Mohamed & Handley-Schachler, 2015:47). These types of statements may be submitted to SEFA as part of the documentation requirements in their application to access developmental credit.

3.5.2 Types of corporate fraud targeted at financial institutions through corruption

3.5.2.1 Managerial fraud

Managerial financial fraud can be described as incorrectly booking profits, inappropriately valuing assets, and not disclosing material information. This is a phenomenon that draws extensive industry and regulatory attention (Shi, Connelly & Hoskisson, 2017:4).

3.5.2.2 Investment fraud

Investment fraud is a subcategory of financial fraud, and it occurs when someone intentionally misinforms an investor using false information for monetary gain for their personal advantage (Kieffer & Mottola, 2016:274). Van Der Bijl (2014:172) confirms that there is such a thing called affinity-based investment or securities fraud. Affinity-based investment fraud is a form of investment fraud targeted at persons who belong to a specific religious, ethnic, or racial group. Victims are selected because of their lack of knowledge of investment markets as well as the trust relationship that exists between these group members. In Chapter four of this study, under 4.3.3.1, Case 1/2013, the scenario suggests that this does happen, but it has already happened to a SEFA client.

3.5.2.3 Asset fraud

According to Idaho State Controller (2016:1), in the July publication of the First Friday Fraud (FFF) fact newsletter, it was explained that fixed assets such as land, buildings, equipment, machinery, vehicles, leasehold improvements and other items were executed through the misstatement of fixed asset balances in the financial statement in public companies with little or no audit scrutiny. In this regard, SEFA does buy movable assets such as trucks for clients. It may therefore be very possible that such assets may be reported as stolen while it is not the case.

3.5.2.4 Payoffs/kickbacks

The Idaho State Controller's Office (2016:1) describes kickbacks as conduct that takes place when an employee of a buying organisation solicits and receives money or services from a vendor or contractor in the form of expensive vacations, gifts, or services in return for a favour to influence the awarding of a contract to that vendor or contractor. Kickbacks within government institutions are said to result into higher taxes, loss of finances for products and services, and lower production of quality goods and services (Idaho State Controller's Office, 2016:1).

3.5.2.5 Embezzlement

Embezzlement is theft by employees who mostly work in a finance department, even by a small margin (Karpp, 2017:2). Lusk-Smith (2013:1) describes embezzlement as an act of dishonestly appropriating assets by one or more individuals to whom the assets have been entrusted.

3.6 COST OF FRAUD

Kassem and Higson (2015:290) state that fraud is extremely costly to society to which no country and organisation is immune. Olongo (2013:13) adds that fraud costs are navigated onto society through criminal activities funded by fraudulent advances. Losses as a result of fraud pose a significant problem to many financial industries. In the UK, card fraud costs the economy losses of 423 million pounds in 2006. Deloitte revealed that globally airlines lose up to 600 million dollars through credit card fraud. In addition, the South African Card Fraud Forum (CFF) research revealed that card losses in South Africa reach up to R50 million a year (Joyner, 2011:2).

3.7 VICTIMS OF FRAUD

According to Statistics South Africa (2017:45-46), over 80 000 adult consumers (or one in every 500 adults) in South Africa, were victims of fraud in 2016/17. Similarly, research which have been published in the media on a daily basis, revealed that Australians have suffered substantial losses as a result of financial fraud (Rajapakse & Malaba, 2014:3). In South Africa, 26.8% and 35.0% victims of crime revealed in surveys in 2014/2015 and 2015/2016 respectively that consumer fraud incidents were reported to the authorities (in this instance the SAPS). These statistics clearly show that two-thirds of consumer fraud are not reported (Budhram & Geldenhuys, 2017:10). The victims of fraud are countless; the fact remains that where fraud takes place, victims suffer, and funds or something valuable are lost.

3.8 AUTHORITIES ASSISTING IN COMBATING CORPORATE FRAUD IN OTHER COUNTRIES

Kaima (2013:17) says that organisations are vulnerable to internal and external fraud. Internal fraud is perpetrated by employees, while external fraud is perpetrated by people outside the organisation who are interested in defrauding the company. Research revealed that lack of compliance, superficial implementation of internal controls, and not seeing the investigations through leave organisations vulnerable to fraudulent activities. Kassem and Higson (2015:290) are of the view that lack of compliance, internal audit services and research contribute to the organisation's inability to fight fraud. Literature revealed that the causes of and contributors to corporate fraud in South Africa are similar to other countries. These similarities relate to the lack of compliance to legislation, inadequate regulation from regulatory bodies, and lack of reporting or complete disclosure during auditing within organisations to curb and combat fraud. There is a lack of support from authorities in combating fraud. The next section deals with literature on corporate fraud in Egypt, the USA, China, Australia, and South Africa.

3.8.1 Corporate fraud in Egypt

Designated institutions in Egypt are responsible for fighting fraud, as is the case in South Africa. Regulators, external auditors, and fraud researchers in Egypt detect fraud through collective efforts (Kassem & Higson, 2015:290). The regulators that combat internal fraud in Egypt, according to a study by Kassem and Higson (2015:293), are the following:

- The Administrative Control Authority (ACA): This authority is responsible for monitoring the reliability of administrative performance and safeguarding integrity among public employees. More than 400 cases are investigated annually, of which 65% are related to bribery, embezzlement, and transgressions.
- The Egyptian Coalition for Transparency and Anti-Corruption (ECTAC) and the Anti-Money Laundry (AML) law in Egypt: This authority criminalises money laundering.
- The Egyptian system: It is structured to prevent unlawful use of legal entities and enforce the establishment, registration, and monitoring of nongovernmental organisations.
- External Auditors: These auditors are required to base the detection of fraud on the Egyptian Standards on Auditing (ESA), which is a translation of the international standards on auditing.

Before research was conducted on the role of the institutions, a huge research gap related to fraud existed in Egypt (Kassem & Higson, 2015:294). It is clear that when instances of corporate fraud are suspected, government bodies must make an effort to involve regulators to enforce legislation, as well as auditors, academic bodies, and investigators to investigate the suspicions and allegations.

3.8.2 Corporate fraud in the United States of America

It is evident that many companies can get away with Financial Reporting Fraud (FRF) because not everyone is well educated in terms of accounting knowledge. For example, Mohamed and Handley-Schachler (2015:46-52) are of the view that several large companies in the USA collapsed at the turn of the 21st century after the publication of misleading financial accounts that affected the confidence of investors and led to legislative interventions. When it became evident that something must be done, the USA decided not to ignore the problem and to protect consumers. A similar situation arose in South Africa when the Steinhoff scandal outraged South Africans. The Steinhoff former CEO, Ben La Grange, was said to have absolved himself of all responsibility from the fraud and irregularities in the group. He said that the information shared to him by Mr Markus Jooste, the former CEO, was limited when he was summoned to the South African Parliament Portfolio Committee (SAPPC) to account and provide details on exactly what had taken place. Ben La Grange said that “the fact that there was not a single set of auditors for the group was when things got difficult”. He also indicated that he raised the issue of using small audit companies in various operating companies (Klein, 2018:np).

3.8.3 Corporate fraud in China

Rezaee, Lo, Ha and Seun (2016:106) reiterate that China is one of the biggest emerging global markets. However, this does not exempt the country from FRF. Research revealed that practices such as education in forensic accounting in other countries, including China, are rare. Some of the Chinese firms are subject to scrutiny by international regulators for financial quality reporting and transparency. Further, fraud investigations against China-based companies include the fact that their auditors accuse them of withholding important documentation (Rezaee, Lo, Ha & Seun, 2016:109). The Chinese government made it a point to establish relationships with many countries globally, including South Africa. For this reason, the country has come under scrutiny by international regulators. The Standard Bank is one of the South African connections with China, including its South African clientele.

According to Steyn (2016:np), 100 fraudsters strolled into convenience stores all around the country with fake credit cards that were cloned from the information of 1600 Standard Bank customers in South Africa. In just three hours, between 5:00 and 08:00 (South African local time), 4 000 transactions were made and a total of R300 million in Japanese yen was withdrawn from 1400 ATMs. In another incident, Standard bank was the third company to start legal action to recover losses since Chinese launched an investigation into whether the private metal trading firm, Decheng mining and its related companies, used fake warehouse receipts at Qingdao Port to obtain multiple loans secured against a single cargo of metal. The funds involved was about 170 million dollars' worth of aluminium, and the investigation started at Shandong province to protect its position (Reuters, 2014:np).

3.8.4 Corporate Fraud in Australia

The focus is on the issue of separation between ownership and control to prevent the managers to act in an opportunistic manner to increase their personal wealth at the expense of the organisation (Zainal, Rahmadana & Bin Mohd Zain, 2013:410). In the past years, research conducted on the unexpected corporate failures in Australia revealed that the commonalties of such failures were not identified (Lane, 2016:2). Briefly, it was outlined that managers of companies made decisions based on self-interest, therefore making it difficult for auditing to be conducted properly (Lane, 2016:12). The pressure or motivation, perceived opportunity and rationalisation were then reconciled with the person's behaviour to be commonly accepted with notions of decency and trust (Lane, 2016:15). Some of the examples in South African SOCs is the frequent changing of board members. These changes serve to eliminate issues of entitlement, including the interference of board members in operational duties within an organisation.

Several countries such as the USA, Germany, Brazil, South Korea, Thailand, Malaysia, India, and Australia have started national initiatives to improve corporate governance of their economies (Zainal, Rahmadana & Bin Mohd Zain, 2013:410). According to the ACFE Report to the Nations 2016, India ranks second in terms of victim organisations reporting the cases. The study shows the need for regulators, businesses as well as the investment community to assess the emanating risks (Grant Thornton & Assocham, 2016:7).

3.9 COMBATING CORPORATE FRAUD IN SOUTH AFRICA

The percentage of South African organisations that have experienced economic crime stands at a staggering 77% (PWC, 2018:4). The Integrity Management Framework (IMF) adopted by the South African Cabinet in 2013 required the national and provincial departments to appoint an Ethics Officer (EO). According to the Ethics Institute of South Africa (EISA) (2011:25), EOs should not only serve as a signal or guarantee to prevent fraud or to build an ethical culture within an organisation. They must serve as an internal control in an organisation and function as an activist to the prosperity of the organisation. Further, EOs must view unethical conduct in terms of the behavioural culture, which entails upholding the policies and procedures through awareness training to employees, conducting investigations, and publishing the results thereof (EISA, 2011:25).

Muller (2013:14) advised that South Africa must learn to follow through on the investigations and evaluation of all areas to recognise fraudulent activities. Further, there should be long-term monitoring of disbursement areas through sound internal controls such as technological systems to detect hackers. Kaima (2013:17) believes that organisations that allocate some resources towards fraud control reap enormous benefits through increased returns and their good reputation. Muller (2013:14) is of the view that Internal Audit should not be solely responsible for the detection of fraud; it is the responsibility of management. In addition, Mohamed (2018:8) suggests that South African businesses must be proactive in combating instances of fraud. Moreover, the belief that external auditors will detect fraud should be discarded.

Findings to be identified during compliance and regulatory audits must be attended to by senior management, as these may point to weaknesses in the system that pose as opportunities for fraud to take place (Muller, 2013:14). Even with the internal controls put in place, a whistleblower may regard the disclosure of certain findings as burning issues. Whistleblowing is a central constitutional principle, which is key in fighting mismanagement of public monies and promoting general transparency and accountability within organisations and society (Malunga, 2015:8). Swanepoel and Coetzee (2014:2) add that instances of fraud have an influence on taxation, as SARS might be deprived of tax revenue because of the nature of fraud, either from collections, income tax, value-added tax, employee tax or customs.

It is common knowledge that South Africa's whistleblowing framework has received the highest possible rating by the global law firm Dipp Lupton Alsop (DLA) Piper for providing express protection to those making legitimate disclosures (October, 2015:11). In some countries only public servants or public employees were protected, and only when certain types of evidence were disclosed. However, the South African CA Act no 75 of 2008 extends the whistleblowing protection to "suppliers of goods or services to the company, which may then include all types of personal services, regardless of whether the service provider can be classified as an employee or independent contractor."

With the extension of whistleblowing, it still does not make whistleblowing easier in South Africa. DLA Piper (2013:6) illustrates that the retaliation that whistleblowers have suffered has caused psychological problems and financial hardship to individuals because of dismissal and long-lasting legal proceedings against the employers. In a few instances whistleblowers have received financial compensation for damage suffered. However, in most cases the social problem was addressed while the whistleblowers were abandoned to their fate. The whistleblowing framework in South Africa has developed over time and includes constitutional provisions, the PDA Amendment Act 5 of 2017, the Labour Relations Act (LRA), the CA Act 75 of 2008, and a body of case laws.

South Africa has specific legislative protection for whistleblowers in the workplace, which is similar to the legislation in the UK. However, Patel (2014:np) noted that protection under the PDA and LRA is limited to employees only and excludes independent contractors and volunteers. Recently, the Open Democracy Advice Centre (ODAC) (2016:1-9) wrote a submission to the South African Law Reform Commission (LRC) requesting the "extensions of protections to workers and those in temporary employment services as both commendable and necessary". Important public interest disclosures are made outside of the employment relationship, which should also be protected and requires acknowledgment. This extension of the protection is a significant step forward for the protection of all forms of employees."

3.10 OVERVIEW OF RECORDS ON FRAUDULENT ACTIVITIES THREATENING SMALL ENTERPRISE FINANCE AGENCY

According to SEFA (2017:14), the risk of fraud is inevitable as a financial institution with SOC status. The instances of fraud are said to be perpetrated by external parties through submission of purchase orders.

No other information is presented to prove the authenticity of the purchase orders, such as determining whether it was forged or not. In addition, the FPP and corruption prevention plan and training and awareness sessions were said to be mitigating factors. Since the inception of SEFA, the SOC has facilitated the ongoing creation of jobs through developmental credit to entrepreneurs and SMMEs within South Africa. However, during the process of SEFA executing its mandate and facilitating the NDP 2030 vision, the Agency has since been targeted by fraudsters. The SOC has since created a register on alleged fraudulent cases reported since 2013 as stated in Table 1.1, *Number of corporate fraud cases per provincial branches from September 2013 to September 2017*. PMG has since been asking for a disclosure about some of the fraudulent cases reported and wanted to know if these cases were being investigated. The cases in the table below were disclosed to the People’s Assembly since 2013.

Table 3.3: Number of SEFA fraud cases disclosed to the People’s Assembly

Name of company		Description of the case	Date of conclusion
1	Gal Logistics	Client submitted a fraudulent Coca Cola contract in a loan application form	June 2013
2	Aloga Financial services	The intermediary submitted a fraudulent purchase order in a loan application form	March 2015
3	Ethandwa Kan Ndlovu	Submission of a SEFA fraudulent letter to a franchisor entailing that the loan application was approved, whereas it was not so	September 2014
4	Unknown impersonator	An independent consultant claiming to work for SEFA soliciting fees from potential clients and claiming to have secured a loan with the SOC	March 2015
5	Yats Gopul	A consultant claiming to be working for SEFA, soliciting fees from potential clients to assist in obtaining R5 million loan	September 2014

6	Undisclosed client name	Client submitted fraudulent Department of Public Works purchase orders in loan application forms	January 2016
7	Undisclosed client name	Client submitted fraudulent Rand Water purchase orders in loan application forms	January 2016
8	Leshiko Human Capital	Client submitted a fraudulent Bayerische Motoren Werke (BMW) contract in a loan application form; two SEFA employees were implicated in the scheme and were dismissed for gross negligence	March 2016
9	Khaba ya Sembo Trading & projects (Pty) Ltd	Client submitted a fraudulent Transnet contract in a loan application form; two SEFA employees were implicated in the scheme and were dismissed	March 2016
10	Tasotone (Pty) Ltd	Client submitted a fraudulent BAUBA Platinum Mines contract in a loan application form; two SEFA employees were implicated in the scheme and were dismissed	July 2016
11	Brainwave Projects	Client submitted fraudulent Department of Energy (DOE) purchase orders in loan application forms	October 2016
12	CHW & CNB Logistics	Client submitted a fraudulent transportation and delivery agreement with Premier Fishing in loan application forms	October 2016
13	Frednksi (Pty) Ltd	Client submitted a fraudulent Department of Trade and Industry (DTI) purchase order in loan application forms	October 2016

14	Matuesz Marketing Services and products supplier	Client submitted a fraudulent Department of Agriculture, Forestry and Fisheries (DSFF) purchase order in loan application forms	October 2016
15	Sharosca Construction & projects	Client submitted fraudulent DTI and DSFF purchase orders in loan application forms	October 2016
16	Triponza Trading 385 CC	Client submitted a fraudulent Department of Health (DOH) purchase order in loan application forms	October 2016
17	Lwenzhe Investment Holdings (Pty) Ltd	Client submitted a fraudulent Anglo-American contract and fraudulent cession agreement in loan application forms	October 2016

Source: People's Assembly (2017)

If the whistleblower decided to make a disclosure anonymously, assurance or protected disclosure was provided for the whistleblower. The information would not be disclosed to all the parties or recorded in the normal SEFA Fraud Register (SEFA, 2017a:1-5) to avoid sabotage to the investigation. The results above suggest that some cases might be reported to RCMU and some directly to the Internal Audit unit, including using the hotlines. Confidentiality is thus maintained, which facilitates successful investigation.

3.11 SMALL ENTERPRISE FINANCE AGENCY CONTRIBUTION TO ECONOMIC GROWTH IN SOUTH AFRICA

According to Plagerson and Mthembu (2019:5), the world now knows the extent of poverty, inequality, and social exclusion post-2015 through the global developmental agenda. In this regard, the United Nations (UNs) Sustainable Development Goals (SDGs) has disclosed its focus on issues related to equity, and identification of those excluded because of gender, age, race, ethnicity, disability, lack of opportunities, influence, and migration status. South Africa is one of the countries that fall under the African Agenda (AA) 2063 with the focus on the vulnerable and extremely poor (Plagerson & Mthembu, 2019:5). It is important to highlight factors for consideration in pursuit of inclusive economic growth in a country like South Africa.

The terms under discussion, namely poverty and inequality hindering the chances for inclusive participation in the economic growth, are important and cannot be ignored in this research. Plagerson and Mthembu (2019:7) describe poverty as a state of deficit in the well-being of individuals or households, and inequality in a situation by being disadvantaged, and vice versa. It is of the essence to address the issue of implications of the geographical footprint for economic drive. Is it accessible to the poor, and does it enable clients to access developmental credit? Another issue which may pose a threat to attracting clients is the manner in which information is disseminated and the types of criteria for funding of services offered: Were the selected criteria for qualification based on extensive research? Are there guidelines on how it was going to be executed, and was it successful before in driving economic growth? Has the organisation ever made a profit to equally gain as part of the sustainable entity to stay afloat? Such questions and related matters need to be evaluated.

3.11.1 Closing the historical gap of economic exclusion

There is a history of discrimination and segregation in terms of economic standards and the way of life in South Africa. According to Plagerson and Mthembu (2019:8), certain people in a country are subjected to a system that places them at a disadvantage based on their ethnicity, religion, gender, age, disability, migrant status, and many other dimensions. The primary sources for social division in South Africa was due to structural legacies and socioeconomic inequalities inherited from the colonial and apartheid regime (Meiring, Kannemeyer & Potgieter, 2018:5). Indeed, people suffered discrimination because of factors such as the pigmentation of their skin. Meiring, Kannemeyer and Potgieter (2018:5) found that 60.2 % of South Africans are affected by racism on a daily basis and that 67.3% have little or no trust in others with a different skin pigmentation. There was also segregation in terms of where people may stay, go, and not enter. As a result, not everyone could participate in certain activities in the country. The discrimination extended to people's types of jobs, education and so forth. Inequality was evident, and the poorest of the poor and the richest of the rich could not stay in the same areas in the country. The segregation can still be seen today in some parts of South Africa. In addition, many people had to travel to towns and cities for employment opportunities. Today, people in urban areas still live in squatter camps (houses made of plastic, metal, or wood, which may be considered unsuitable or hazardous for human beings), and far away in rural areas far from towns, while others live in clustered townships not far from towns (Meiring, Kannemeyer & Potgieter, 2018:5).

The new democratic South Africa after the apartheid regime is already over 27 years old. However, people still travel to towns and cities to look for jobs and a better life to improve their livelihoods. The NDP 2030 was developed to address this inequality. The aim of the plan was to also bring equality to all South Africans for inclusive economic growth (South Africa, 2011a:1). SOCs like SEFA were established, which were meant to close the gap between the rich and the poor and infiltrate the areas which historically were denied the opportunity to become economically viable. At the same time, the institution had to guard against interference to the mandate in the form of corporate fraud. The researcher was charged with duties to conduct regulatory reporting statistics on the status of developmental credit provided in terms of the NCA Act 34 of 2005.

It was expected that the SOC must honour this legislative requirement by submitting regular statistical reports on the NCR Form 39 to the NCR (the regulator). The report entails information such as how many individuals and companies were provided with credit, the geographical area of the beneficiaries, as well as their race, gender, and amount granted. The intention was for the regulator to establish the extent of inequality, poverty and other measures stipulated to address historical exclusion as mentioned by UN SDGs, Plagerson and Mthembu (2019) and Meiring, Kannemeyer and Potgieter (2018). SEFA used to submit the statistics to the regulator, then to the DTI, before it was announced in the form of a statistical report in the South African Parliament during reporting times. The researcher considered negative aspects affecting economic growth, which includes challenges in the institution's business life cycle, demographics of business operations, viability of clients to access developmental credit, and information disseminated to clients which may give rise to opportunities for corporate fraud.

The South African government has spent large sums of money trying to bridge this gap for all South Africans through organisations such as SEFA. As a South African, the researcher has had the experience of living in rural and semi-rural areas, townships, suburban areas, and the city. It can clearly be seen from the geographical demarcations whether a place has economic activity or not. Efforts made by the government must materialise and be supported until there is viable economic growth through changing people's lives. Some of the monies injected into SEFA are explained below to disclose the amounts, as indicated by the SOC.

As mentioned before in point 3.2 under the heading *Establishment of SEFA*, according to the SEFA Annual Report (SEFA, 2013:36), loan funding was initially sourced mainly from grants received from the Economic Development Department (EDD). In addition to grants received, the IDC has committed advances through a shareholder's loan valued at R921 million for on-lending activities (SEFA, 2013:36). During 2014, an allocation of R231 million was received from the government channelled through the IDC as a shareholder's loan (SEFA, 2014:16). The SEFA Annual Report (SEFA, 2015:7) outlined consolidated and expanded growth in its loan portfolio approvals valued at R1 008 693 010, disbursements to SMMEs and cooperatives valued at R1 294 026 352, the financing of 68 724 SMMEs and cooperatives, and facilitating or sustaining 60 169 jobs.

According to the SEFA Annual Report (SEFA, 2016:7) SEFA has approved R3.6 billion in loans to SMMEs and cooperatives and disbursed R3.2 billion into the South African economy during the past four financial years (2012-2016) despite tough economic conditions. More than 160 000 enterprises have benefited from the institution's funding. Collectively, these funding initiatives have created more than 300 000 formal and informal sector jobs. In addition, it is mentioned in the SEFA Annual Report (SEFA, 2017b:4) that during the 2016/17 financial year alone, the organisation approved R827 million and injected over one billion rand into the South African economy.

This assisted 43 000 SMMEs and cooperatives, which in turn helped to create and maintain close to 56 000 jobs. In the SEFA Annual Report (SEFA, 2017b:29), the commitment to the NDP 2030 was outlined in an attempt to contribute to the national policies and industrial policy action plan, by approving R359 million in respect of the productive sectors of the economy. Furthermore, almost R366 million was disbursed to enterprises operating in the country's priority provinces, R407 million was shared by businesses run by women, and just over R451 million was disbursed to entrepreneurs requiring less than R500 000. In the following year, the SEFA Annual Report (SEFA, 2018:7) disclosed that R446 million was approved in loan financing to SMMEs and cooperatives for the financial year ending March 2018. In terms of providing a cash flow injection into the South African economy, the institution has disbursed over R1,3 billion thus far. This is truly a remarkable achievement, as the total amount disbursed for the past five years that have ended in March 2017, is a staggering R4,3 billion.

During the year under review, loans provided by SEFA have assisted over 45 000 small businesses and cooperatives, creating over 54 000 jobs in the formal and informal sector. In pursuit of the developmental impact, the SEFA Annual Report (SEFA, 2019:14) mentioned that during the 2018/19 financial year, loans to the value of R703 million were approved. A total of R1.2 billion was disbursed to the South African economy. The beneficiaries were 72 894 entrepreneurs through various loan programmes, which assisted in the creation of 88 590 jobs. According to the SEFA Annual Report (SEFA, 2020:13) loans to the value of R1.4 billion was approved, and R1.3 billion was disbursed into the South African economy during the 2019/20 fiscal year. The amounts disbursed to black-owned businesses was 921 million, R446 million to women-owned enterprises, R212 million to youth-owned businesses, and R371 million to businesses in rural towns and villages. This enormous monetary funding helped 74 472 SMMEs and cooperatives, and created and sustained 87 828 jobs.

3.11.2 Implications of the geographical footprint for economic drive and publicity

Geletkanycz, Bennett and Tepper (2012:257) are of the view that perhaps the most straightforward definition of implications is that they are derived from a logical interpretation of a study's findings. It was thus important to evaluate the location of a business to ensure that the target market benefits; it must not be too expensive to access services of which there is no guarantee that it will materialise. An evaluation may assist in discovering whether the business will achieve the objectives of the mandate and meet the needs of the country at large. Guthrie, Wamae, Diepeveen, Wooding and Grant (2013:1) describe that an evaluation can be used for multiple purposes, one of which is for analysis and learning. Chen (2013:2) articulates how it works with the intention of improving what is valuable.

According to the European Court of Auditors (ECA) (2017:6), corporate fraud prevention and deterrence are much less costly and time-consuming than the lengthy process of detection, investigation, and prosecution. The researcher is of the view that there are ways to cut costs through the geographical footprint and the manner in which the citizens live. South Africa is a unique country with a diverse geographical area from one province to another. The people of South Africa are from diverse cultural backgrounds and the country has the advantage of 12 official languages. These variables can be advantageous, as business can be personalised according to the lifestyle and rich cultural values of the citizens.

SEFA thus understands its critical role in assisting the South African government in the quest to alleviate poverty, create jobs and grow the economy as targeted through the NDP 2030 (SEFA, 2020:4). Experian (2013:6) states that building corporate fraud predictor information involves analysing new and existing data sources to create merged information to predict fraud. In this study the lifestyle of the clientele can be easily determined, as they are South African citizens and may be a trustworthy target market in need of poverty alleviation and a sustainable livelihood, and not necessarily to get rich. It could also be quite easy to determine what they need and do not need.

This is because in some of the areas in South Africa, people rarely move to other places and prefer to stay in one place. However, according to Du Toit (2017:1) poverty in the rural areas in South Africa is the outcome of the growth deficit in the economy in general. This is said to be the result of the disconnection between the remote outlying rural areas and the cities. Some people prefer the cities for the sustainable lifestyle, and some prefer the comfort of living next to nature in the rural areas. Either way, thorough research of the demographics can make it quite easy to predict how an economy can best be nurtured through its demographics and its clientele. According to the SEFA Annual Report (2013:5), the SOC locations were in towns and not so much in rural areas when it came into existence.

The organisation has mainly been sourcing clients who could reach its business location. South African towns are visited by people who are looking for jobs or schools, who want to buy household resources, or who can afford to go to town or stay in the suburbs. The institution could previously only be accessed in eleven towns in the nine provinces. Many South Africans have already established their lives outside of the towns and have depended on agricultural means of earning money for their families. Anyone who therefore wants to start a business but is unable to go to town to visit a business location will never get an opportunity to access developmental credit.

This applies especially to people with disabilities and other physical impairments. However, the representatives used to travel to look for business outside of town, which meant that money had to be spent to source clients. In 2014, the business location expanded with two more branches, which were inherited from the merged entity, KHULA. Further, SEDA, one of SEFA's fellow entities was housing some employees in their rented building in 25 different co-locations. It also shows that vast spaces in other provinces are not easily accessible (SEFA, 2014:6).

In 2015 there were ten main offices, and it was proposed that there should be 37 more access points in seven co-locations, of which the clients were mostly located in GP, followed by LP, KZN, and WC. Other provinces did not have many clients (SEFA, 2015:5). In 2016 SEFA had ten main offices, and 32 more access points in ten co-locations were proposed (SEFA, 2016:14-15). The following year, the SEFA clientele footprint was mostly in eleven offices and 47 co-locations (SEFA, 2017b:10). Today, services can be accessed in more than 50 locations across South Africa (SEFA, 2020:175-176).

3.11.3 Client's viability to access developmental credit

On 11 October 2018, a concern was raised by one of the attendees in the South African PMG on the lack of support for cooperatives especially in rural areas (PMG, 2018b:np). One of the attendees asked why SEFA is not active in rural areas, as entrepreneurs in rural areas need more money for their businesses. The response was that the definition was for classification of the Municipal Demarcation Board (MDB). This answer was not clear. Further, the response was that the business address, that is, the address from which the business is operating, was being used as an indicator during the application stage according to the classification of the MDB principles (PMG, 2018b:np).

The response was still not clear, as it suggests that the business address is only considered during the application status. Furthermore, it suggests that SEFA intends to only run its business according to the MDB principles and loses sight of the goal of reaching the rural areas for entrepreneurship. In addition, a representative then said that the organisation was a financier and not a project-driven organisation trying through other partnerships and not directly as an organisation (PMG, 2018b:np). These responses suggested that the SEFA representatives were not making it a priority to broaden the spectrum by infiltrating the rural areas.

3.11.4 Information disseminated to clients in South Africa

According to Hinojosa and Cleveland (2017:4635), it is necessary for information to flow within the organisation to maximise profits and performance. South Africa has 12 official languages (see Table 3.2 below), including sign language, which is spoken across all the provinces. In addition, there is also the language of the Khoisan people. However, while some were able to learn many languages, others were not. Some speakers also need translators to interpret their language into English and vice versa. The idea is to ensure that the differently impaired clientele should also enjoy the privilege of receiving information.

Some people have various eye defects and diseases that affect their sight. Others, young and old, have simply not been provided with opportunities to get educated. Moreover, few people know and heard about SEFA. Hinojosa and Cleveland (2017: 4636) state that sharing knowledge is a process motivated by social factors. In addition, the institution’s products and services are not adequately communicated through the mass media. Clients are therefore subjected to fraud by imposters pretending to be representatives of the SOC.

Table 3.4 South African provinces and most spoken languages

South African provinces and most spoken languages								
Sign language across the board								
LP	WC	EC	NC	GP	MP	NW	FS	KZN
Tshivenda, Sepedi, and Xitsonga English and Afrikaans (AFK)	English, Afrikaans and isiXhosa	isiXhosa, English and AFK	Setswana Khoisan, English and Afrikaans	All South African languages	siSwati, isiNdebele, English, and Afrikaans	Setswana, English and Afrikaans	Sesotho, English, and AFK	isiZulu, English and AFK

Source: Designed by researcher

3.11.5 Types and criteria for funding of services offered by Small Enterprise Finance Agency

The type of funding is mainly focused on black people, women, the youth, rural communities, and differently impaired and disabled people (SEFA, 2020:7). The criteria for funding of services offered by SEFA as mentioned in this chapter (see 3.2.1.3, *Direct lending products and target market*), can be perceived as not effective for job creation for the vast expanse of South Africa, as most of the skills are not nurtured through funding. Many unidentified job creation activities are overlooked in South Africa. People rely on self-advertising through social media, while others stand by the road selling their products.

3.11.6 The effectiveness and efficiency of internal processes

According to the SEFA Annual Report (2020:26), internal controls are on par except in the case of human error. It is further stipulated that systems for document management, policies and codes of ethics are communicated to all employees. Although employees can commit fraud, they also perpetrate wrongful acts through their personal motives (Ortiz, 2018:19).

In some instances, when employees get to know the processes and procedures very well over time, they learn to override or manipulate them, and are likely to commit corporate fraud. This is said to be particularly true in the case of managers in the system (SEFA, 2020:26). The opportunity may be used either in time of need or just because they are greedy. If they do not orchestrate fraud alone, chances are that they are likely to involve friends with whom they might have developed a trust relationship in the workplace. It all depends on what people do or do not do when no one is watching (Marks, 2012:22). According to Fáilte Ireland (2013:3), developing a strategy, translating it, and aligning it by linking it to the business operations for monitoring and learning is a start for managing key business processes. The SEFA Annual Report (2020:26) confirms that designer controls provide assurance in transactions aligned with management's authority. Further, resources such as assets are protected against loss or any unauthorised instances of events.

3.11.7 The analogy to understand the threat of corporate fraud in the business life cycle in pursuit of economic growth.

The researcher was inspired by the financial efforts (see 3.10.1, *Closing the historical gap on economic exclusion*) of the South African government to better the lives of citizens. This shows that the government was committed to transforming the economic status of the country to the benefit of everyone through SEFA. The financial efforts aided the researcher in visualising the analogy which must be adopted, namely the efforts to build the International Space Station (ISS) to integrate communities around the globe through satellite technology and other research.

In a global context, the inspiration triggered the researcher to focus on the most difficult tasks undertaken by all parties who partnered with National Aeronautics and Space Administration (NASA), in various research projects of the ISS undertaken outside earth. South Africa is also highlighted on the map as one of the 95 countries and terrains partnered with in the ISS utilisation activities (Ruttley, Robinson & Gerstenmaier, 2017:1165). The researcher has drawn inspiration from her desire to understand to which extent the South African government is willing to go to ensure that citizens are advanced at all costs. This analogy thus suits the illustration to understand the impact of the effort and appreciation. The aim of the ISS was to facilitate space programmes to eradicate inequality, achieve economic freedom, and advance research and other technological aspects for all citizens around the globe (Ruttley, Robinson & Gerstenmaier, 2017:1160-1174). It was a process of inclusiveness even though other countries have not partnered with NASA.

In this regard, the efforts do benefit the globe directly or indirectly. The purpose for building the ISS was to secure a better future for global citizens, which has assisted to virtually integrate the international community and advance all nations (Ruttley, Robinson & Gerstenmaier, 2017:1161). Much has been achieved through the ISS. For example, the ISS plays a key role in saving people's lives by transmitting information observed through the satellite on severe weather conditions, which gives people enough time to evacuate their areas or prepare for disasters. Furthermore, signals are used to enable instant telecommunication with one another. Visuals are used to manage safety, security, and time during travels from one continent to another. The researcher therefore adopted the analogy that seems to relate to the SEFA business process and business life cycle, namely the Space Launch System (SLS) process by the ISS for a better life for all.

In the fight to combat corporate fraud, it is important to note all the stages of the business life cycle relationship between SEFA and the clientele. The process may not be smooth, but it is being threatened by the crime of fraud. According to Cimiotti and Merschen (2013:44), corporate fraud in business is also a reality and accepted as a cost/risk of doing business. Fighting corporate fraud is therefore not an end in itself; it is a means of containing losses as a result of fraud within reasonable limits. It is a fact that the financial services sector carries an inherent risk of fraud due to the nature of its business. The focus is on prevention, detection, and response. Control measures were designed to change the culture of fraud and the behaviour of employees (managers and subordinates) (Howell, 2017: iii).

It is also important to create an early warning system for effectively managing the risks arising from the business relationship with clients (Agarwal & Sharma, 2014:75). Further, it is also important to keep in mind that fraud can be committed by those in a close working relationship to employees, which also requires close attention (Gerard & Weber, 2014:17). Neglecting to introduce remedial action will cause even greater damage. The analogy is hereby presented for better understanding of the impact of this process. SEFA is a SOC financed by the state to carry the mandate of the NDP 2030, which is the creation of sustainable jobs through developmental credit to qualifying clients. The establishment and running of SEFA to fulfil the mandate for economic growth is also expensive. For example, by only taking recent years into account, personal expenses amounted to R177 million in 2019 and R205 million in 2020.

Other operating expenses were R77 million during 2019 and R88 million in 2020. Net losses on investment properties were R24 million in 2019 and R23 million in 2020 (SEFA Annual Report, 2020:91).

3.12 SUMMARY

SEFA was established in a legislative sphere with an obligation to abide by regulatory requirements within the financial industry to fight corporate fraud. Internal controls were developed, articulating how fraud should be managed in a fraud prevention policy signed in 2014. The institution has also developed a fraud register and has been recording fraudulent activities on a regular basis for further internal action. Sub-questions (as per Annexure C and Annexure F) posed to participants revealed the status quo within the organisation. More detailed findings on the status quo will be presented in the chapter on the findings. Literature on corporate fraud proves that fraud is a universal problem facing all financial institutions despite the internal controls put in place. The costs of fraud have been highlighted, as well as its impact on economic growth in South Africa.

This research revealed that the estimated monetary loss due to fraudulent activities in the SEFA's direct lending product amounts to millions of rands which could have been used to help the poor. However, the amount reported might also be understated as there may be new developments on the active cases without the researcher's knowledge. There is a possibility that there are more cases not listed for everyone to see and there was no way of accessing those records for evaluation. The contribution of the organisation to economic growth was recognised and an analogy to the business life cycle was presented to understand the impact of the SOC to the country. The focus in the next chapter is on the identification of the traits, MO, and profiling of the perpetrators to mitigate corporate fraud threatening the institution.

CHAPTER FOUR

IDENTIFICATION OF TRAITS AND MODUS OPERANDI OF CORPORATE FRAUD TARGETED AT SEFA

4.1 INTRODUCTION

The previous chapter provided an overview of SEFA, by firstly establishing the legitimacy of the SOC as a financial institution as well as the regulatory requirements for compliance in relation to fraudulent activities. An overview of the direct lending product and the organisational responsibility and the contribution to economic growth were therefore presented. As part of continuous research into the topic, it was necessary for the researcher to present the impact of SEFA and evaluate primary data to establish the contributing factors to corporate fraud. It was also important to cite some of the countries in Africa such as Ghana, Tanzania, Botswana, and other continents such as Europe and the USA committed and benefited in terms of economic growth by supporting Small Micro-Medium Enterprises (SMMEs).

This chapter was based on research question two – What are the traits and MO of corporate fraud targeted at SEFA direct lending? Most of the respondents described the traits and modus operandi in the institution’s direct lending as the submission of fraudulent documents on business prospects, such as purchase orders, contracts, and letters. Some participants explained that it is seldom done deliberately with the intention to succeed, while other clients are just victims of fraudsters who want to access developmental credit using a company of the unsuspecting prospective client to SEFA. It was of vital importance to identify the traits and MOs to reach the goal of eliminating fraudulent activities at SEFA and allow the mandate of enhancing economic growth in South Africa. The traits mentioned in this chapter refers to the distinctive characteristics of perpetrators committing corporate fraud as well as their MO, which refers to the methods used by perpetrators when committing the mentioned crime. This included profiling of the perpetrator based on data collected in this study, which was the information in the institution’s Fraud Register (SEFA, 2017a:1-5).

4.2 THE IMPACT OF SMALL ENTERPRISE FINANCE AGENCY

According to a report by the South African Bank Services Company (Pty) Ltd and Payments Association of South Africa (2017:15), South Africa is known to have been overwhelmed by weak economic growth. However, the challenges relating to economic growth are said to be self-inflicted because of uncertainties in respect of policies and inconsistencies in the implementation thereof. The South Africa's NDP 2030 mandate is trying to alleviate this in conjunction with other public policies for economic growth (South Africa, 2011a:1). SEFA is also one of the vehicles that drives economic growth by encouraging entrepreneurship and SMMEs through developmental credit to create sustainable jobs to curb the rise in unemployment. Thus, the statistics are published regularly by the South African media houses.

Chance (2015:np) reported that the unemployment rate increased to 24.3% in 2015. This was also confirmed by a television network, eNews Channel Africa (2016:np), on 9 May 2016. An increase in the percentage suggests a setback to the NDP 2030 vision of job creation, especially since the SMMEs sector is one of the key facilitators to reducing unemployment (Chance, 2015:np). The researcher has since observed that the public, potential entrepreneurs and existing SMMEs owners do listen, read, watch, and discuss matters reported by the media houses.

In addition, Stan (2014:169-170) is of the view that the increased unemployment statistics might influence the necessary self-esteem, confidence and positive attitudes required to consider entrepreneurship or self-employment a viable career option. Whichever perception the public may have of the issues related to unemployment, Kritikos (2014:3) believes that entrepreneurship can function as a stimulator for growth in employment through the generation of new jobs. Rupasingha (2013:4) claims that the development of local entrepreneurship can lead to a diversified economic structure that will protect the local economy from being overly dependent on one firm, establishment, or industry.

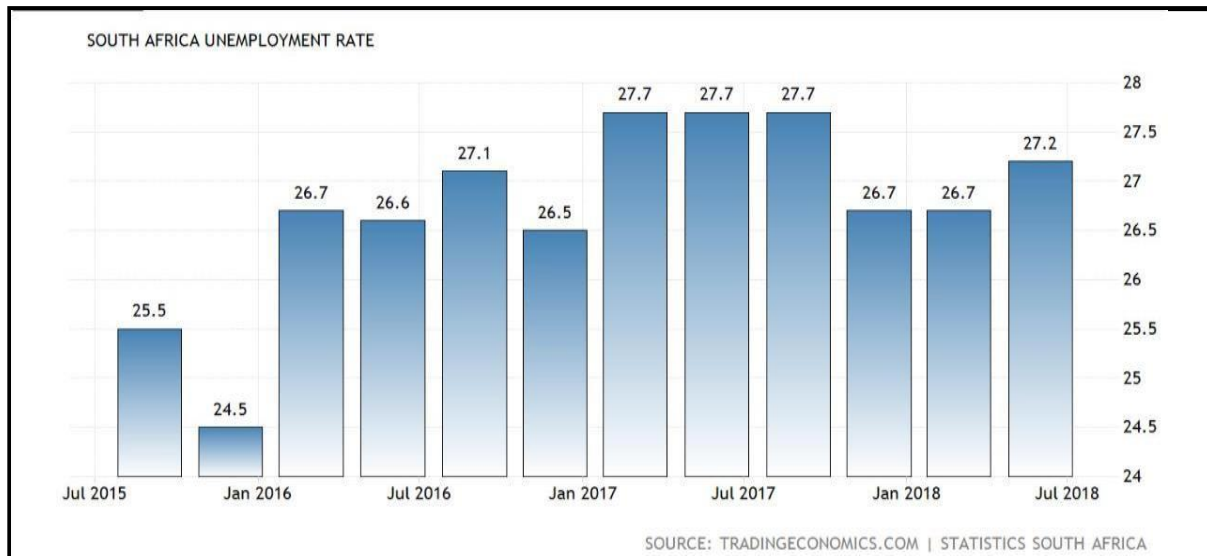
Figure 4.1: South Africa’s unemployment rate from 2014 to 2017



Source: Statistics South Africa (2017:np)

As seen in Figure 4.1, the unemployment rate kept on decreasing and raising the bar higher from 2015 to 2017. This was also reported in the daily news and by print media houses (Chance, 2015:np; eNews Channel Africa, 2016:np), Statistics South Africa (2017:np), and the Quarterly Labour Force Survey (QLFS) Quarter one (South Africa, 2017:9). The unemployment statistics have since increased from the previous year. In the following year, the rate was at 27.2% in quarter two in 2018, according to Statistics South Africa (South Africa, 2018:np).

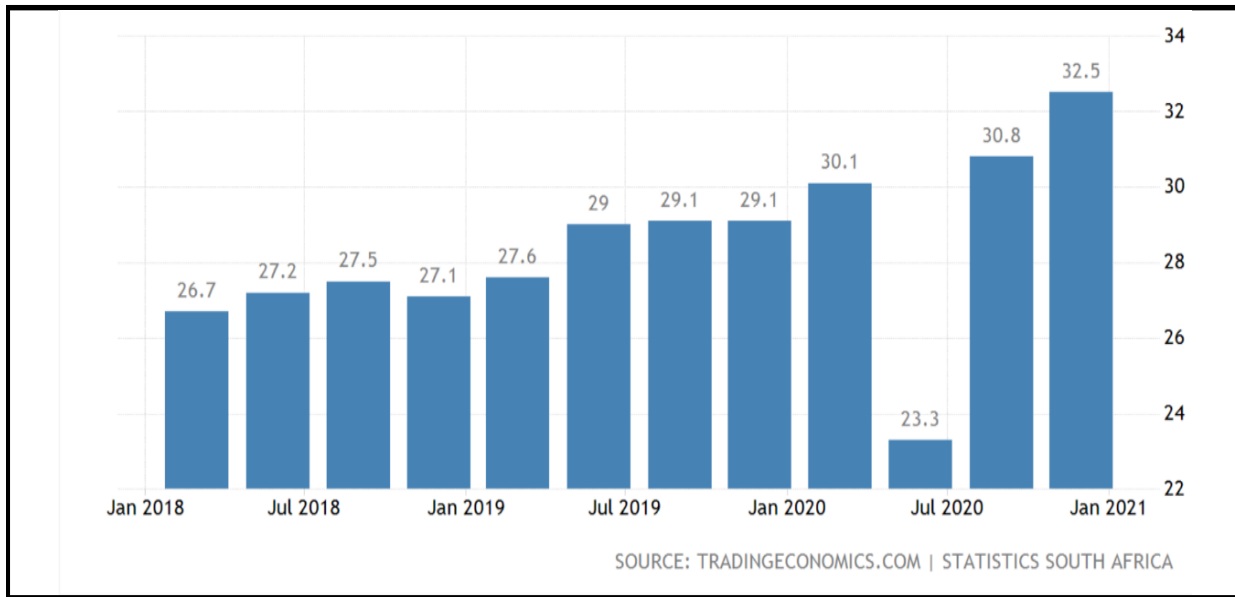
Figure 4.2: South Africa’s unemployment rate from 2015 to 2018



Statistics South Africa (2018:np)

Some website articles provide an indication of how unemployment affects all citizens (Picardo, 2015:np), how it persists within a new economic trajectory (Ramautloa, 2013:np) as well as the alarming challenge of the low level of entrepreneurial activity despite high unemployment (SAVision, 2016:np).

Figure 4.3: South Africa’s unemployment rate from 2018 to 2021



Trading economics (2021:np)

The information in Figure 4.3 above was confirmed by the eNews Channel Africa (2021:np) on 1 June 2021, namely, that unemployment reached 32.6% and that more than 7.2 million people were unemployed. Stan (2014:169-170) adds that entrepreneurship must have focused educational skills programmes for people to start their own ventures or a more enterprising attitude to different situations by developing more creative, innovative approaches to learning in communities, schools and developing students. These programmes entail mainly financial assistance and other resources offered by other developing countries in Africa, such as Ghana, Tanzania, Botswana, and in other continents such as Europe and the USA.

4.2.1 Impact of Small to Medium-Sized Enterprises sector in Ghana

Ghana managed to reduce poverty and improve social indicators better than its regional peers in other African countries in the West African economy (International Trade Centre, 2016:1). This was achieved through competitiveness surveys and the in-depth assessment of the internal operational drivers that affect the efficiency of the company.

Remedial actions were put in place after the assessment. SMEs in Ghana were also willing to review their performance and adopt the necessary corrective actions (ITC, 2016:31-32). The Ghanaian government has been communicating through surveys to identify and understand the challenges faced by the SMEs, and to assist with remedial action to support the sector.

4.2.2 Impact of the Small to Medium-Sized Enterprises sector in Tanzania

Fostering the development of SMEs in Tanzania is one of the main sources of employment creation for jobseekers in the country (United Nations Industrial Development Organisation, 2013:4).

The Tanzanian government ensured access to finances to liberate the financial sector and to create financial intermediaries to cater for SMEs (UNIDO, 2013:7). The Tanzanian government has therefore recognised the importance of the SMEs as far back as 2003 by providing financial assistance to the sector. In this regard, Tanzania has developed special policies with review dates (ten years after implementation) to evaluate its impact. In countries such as Botswana, however, this is not the case.

4.2.3 Impact of the Small to Medium-Sized Enterprises sector in Botswana

The Botswana government has for the past years been depending on the diamond mining sector to generate revenue (Mutoko & Kapunda, 2017:1). The government has become the most important role-player in the economy. The private sector was also dependent on the government for survival. This relationship has been criticised by some researchers who stated that this dependency on the government was not healthy for the country. SMEs in Botswana's manufacturing industry are struggling to get financial assistance and depend on commercial banks for credit.

In addition, many challenges other than the financial factor are outlined, such as lack of recordkeeping and poor-quality products. Further, the relationship was criticised because most of the world's economies were developed from this sector (Mutoko & Kapunda, 2017:2). Storom (2011:28) postulates evidence exists that in some of the most developed economies more than 90% of jobs were created through entrepreneurship and the SMMEs sector. As stated in the NDP 2030 it is also envisaged that the small business sector will create 90% of the proposed eleven million jobs by 2030 (SEFA, 2016:6).

4.2.4 Impact of the Small Medium Enterprises sector in the United States of America and Europe

Valadez (2011:5) states that 64% of new jobs in the USA from 1993 to 2008 were attributed to SMMEs. However, job losses take place during an economic slowdown or recession.

Stan (2014:165) is also of the view that this sector provides catalytic benefits to the economy. In other European countries it has been recorded that the 20 million European SMEs play a significant role in the economy. The sector has employed approximately 86.8 million people in 2012, which represents 66.5% of all jobs in Europe for that year. History in other developed countries suggests that the SMME sector was evaluated and proven to be the driver of economic growth despite the unpredictable changes in the global economy.

4.2.5 Nurturing the Small to Medium and Micro Enterprises sector in South Africa

It is important for institutions to support SMMEs in South Africa. The table below shows jobs created through SEFA through the years since its inception according to their annual reports.

Table 4.1: Jobs created through SEFA financial assistance

Jobs created through SEFA financial assistance						
Annual report	Business financed	Jobs created	Developmental impact			
			Youth-Owned	Women-owned	Black-owned	Rural
2013	28 362	19 853	22%	39%	97%	30%
2014	46 407	46 402	10 291	44 302	43 643	36 729
2015	68 724	60 169	-	-	74%	-
2016	54 833	75 670	13 111	52 987	53 063	-
2017	43 211	55 997	-	-	-	-
2018	45 141	54 389	-	-	-	-
2019	487	3832	-	-	-	-
2020	74 472	87 828	18 193	73 952	74 323	58 086

Source: SEFA Annual Report (SEFA, 17b:3-4; SEFA, 2018:32; SEFA, 2019:58; SEFA, 2020:19).

From the table above it is clear that SEFA has made progress despite the threat of corporate fraud. It is therefore evident that the organisation fulfils its role in the NDP 2030 vision, that is, to contribute to economic growth through the financing of SMMEs (South Africa, 2011a:1). The researcher is of the view that the South African government's NDP 2030 is making an impact. The successes of the entrepreneurs in creating sustainable jobs may introduce the newly employed individuals into the taxpayers' world of generating funds for the state to assist future entrepreneurs and SMMEs (South Africa, 2011:28-30). Further, if the SOC is unable to fulfil its mandate to provide developmental credit according to the qualifying criteria as aligned with the NDP 2030, the situation might fuel a rise in unemployment. This, in turn, may give effect to unforeseen circumstances such as crimes motivated by unemployment. It is therefore vital to identify corporate fraud whenever it occurs.

4.3 IDENTIFICATION OF TRAITS AND MODUS OPERANDI OF CORPORATE FRAUD IN THE SEFA FRAUD REGISTER (2017)

In the SAPS context, the detection rate is based on charges calculated according to the Crime Management Information System (CMIS). This entails the reporting of detected fraud and serious commercial crimes (Budhram & Geldenhuys, 2017:11). Budhram and Geldenhuys (2017:11) state that the SAPS has reported that fraud was at 36.72% during 2013/2014. In the following year, 2014/2015, fraud was at 35.77%, and in 2015/2016 fraud was at 34.08%. Commercial crime for the year 2018/2019 was at 14%, and included fraud, corruption, and so on (Cele, 2020:np). These statistics show that the crime of fraud is a reality in this country. SOCs such as SEFA were therefore not immune to fraud. In fact, the institution may even be one of the SOCs investigated by the SAPS for commercial crimes reported.

The Agency made the decision to create a register to keep record of reported fraudulent activities, whether such activities have materialised or not. The identification of traits is a way of discovering how something took place to understand the core formation because of, in this case, corporate fraud at the institution. The SEFA Fraud Register (SEFA, 2017a:1-5) was a tool used to record instances of corporate fraud for further monitoring and investigation. There has been recordkeeping from 2013 to 2017, the years that were covered in this chapter. The records in 4.3.1 (*Financial year 2013/2014*), 4.3.2 (*Financial year 2015/2016*) and below shows how corporate fraud was identified or detected from the series of events in the register and reported within the SOC.

The cases below were summarised according to the series of events. The registered victims and names of perpetrators have not been disclosed, as the names might in any case not even be the identity of the person, but a stolen identity. Not disclosing the names may have also served to protect the victims against identity theft, as well as the names of victims and other targeted institutions. Furthermore, the purpose was to protect the victims in cases where investigations were underway, as the researcher did not want to jeopardise these investigations. The names are not disclosed in this chapter, therefore no company will be disadvantaged or prejudiced in any form whatsoever. The names disclosed are of the government departments only because this might assist the departments in conducting their own investigation as victims of fraudsters, depending on the outcomes on their side. All information was ethically obtained according to the ethical research standards as per UNISA Policy (2016) (see Annexure B). The letter of approval from SEFA is attached as Annexure A. The next section deals with the traits and MOs identified in the corporate register.

4.3.1 Financial year 2013/2014

The cases below are summarised according to a series of events without disclosing the names of SEFA clients and representatives. When the register was perused, isolated traits and common scenarios were discovered. This led to the identification of an MO and profile of the perpetrator. The researcher has narrated the isolated scenarios separately and placed a common scenario in a table to avoid repeating scenarios of the same identified traits and MO.

4.3.1.1 Case 1/2013 scenario

According to the MS Excel Sheet 1 in the SEFA Fraud Register (SEFA, 2017a:1-5), on 4 August 2013 a SEFA representative from the NW province responded the following day, indicating that the application received had documents outstanding. There was also no indication of whether it was a walk-in, online, or postal application. While awaiting documents from the client, the SEFA representative received a telephone call from the potential client indicating that he received a call from a lady who identified herself as the SOC representative. The lady called to confirm that there was going to be a transfer of R89 000 into the Agency client's bank account; the remaining amount would be transferred in due course. The client further indicated that, after his conversation with the lady believed to be a representative from SEFA, he received a text message from his bank that R89 000 was deposited in his bank account.

The client further reported that the lady asked the client to not touch the money and deposit R7 000 into a bank account (of which the bank name will not be revealed), as this amount was mistakenly deposited into the potential client's bank account. The potential client then made two payments into this account – an amount of R1 400 followed by R3 100, which amounts to R4 500.

4.3.1.2 Case 1/2013 preliminary investigation

According to MS Excel Sheet 1 of the SEFA Fraud Register (SEFA, 2017a:1), the matter was referred to RCMU on 15 October 2013. The preliminary investigation revealed that text messages were received by the client at the beginning of September 2013, one day after the client got feedback from a SEFA representative regarding the outstanding documentation. On 4 September 2013 it was indicated that the bank could not clear the cheque and it bounced. As a result, the client suffered a monetary loss of R4 500, as money was paid into an undisclosed male caller's bank account. The client further indicated that the deposit was acknowledged by the alleged representative from GP. Further, the caller insisted on the outstanding balance of the total amount of R7 000. The client expressed dissatisfaction at returning the money while it is presumed that the application was being processed and outstanding information was required. The matter was referred to Internal Audit for further investigation.

4.3.1.3 Case 1/2013 Modus Operandi

According to MS Excel Sheet 1 of the SEFA Fraud Register (SEFA, 2017a:1-5) Case 1/2013 scenario suggests that the MO was an impersonation. Paxson (2011:3) defines impersonation as a state of “something not being what it appears to be”. In the Agency some of the applications are not loaded and closed in the electronic system until the client shows that he/she is serious about the application for financial assistance. The use of an advanced technological tool to send a text like those sent by the local banks, a forged cheque, and lying were intended to deceive the potential SEFA client. The numbers used for committing this act of corporate fraud had the NC provincial area code for landlines and one of the biggest local cellular networks. However, it should be noted that for the past few years it was possible in South Africa to switch from one network to another where the number remains the same even though the user uses a different network to buy voice and data bundles.

4.3.1.4 Case 1/2013 profiling of perpetrator

According to Case 1/2013 scenario in the MS Excel Sheet 1 of the SEFA Fraud Register (SEFA, 2017a:1) the perpetrator was an individual who had knowledge and access to information about the applicant within SEFA, as well as the competence to manipulate the situation to his or her own advantage. Marks (2012:32) describes competence as an employee's ability to predominate internal controls, develop a sophisticated disguise strategy, and control the social situation to his or her advantage by selling it to others. This suggests that it could be occupational fraud where the perpetrator uses his or her position to target clients using the SEFA processes within the organisation. In this instance it was possible for the perpetrator to obtain the applicant's contact details and make telephonic contact. It was also unlikely that the applicant would have been targeted by the perpetrator if no application had been made to SEFA. Furthermore, the perpetrator could manipulate conversations and provide assurance to the applicant, which suggests that the perpetrator had been actively conducting these fraudulent acts for a while. Moreover, the fact that the applicant suffered a financial loss suggests that this act of fraud may already have been successfully employed to someone else prior to this victim.

4.3.1.5 Case 2/2013 scenario

According to the MS Excel Sheet 1 in the SEFA Fraud Register (SEFA, 2017a:1) a client applied for financial assistance on 8 October 2013. He needed the financial assistance to supply the South African Department of Correctional Services (DCS) with 100 Samsung Galaxy S4 cellular phones valued at R790 616. There was no indication of whether it was a walk-in, online, or postal application. A SEFA representative from the NC province was not comfortable with the application and decided to call the Department of Correctional Services (DCS). Two representatives from the DCS confirmed that the purchase order was valid. However, SEFA representatives called both landline numbers for the DCS in Pretoria in GP. The application was presented to the committee, and the resolution demanded further verification of the purchase order. A request was made to a fellow colleague to go and verify or conduct a site visit to the DCS in Pretoria, upon which it was discovered that the purchase order was not valid. An observation concealment strategy caused someone to stop, assess the situation, and investigate (Mark, 2012:34).

4.3.1.6 Case 2/2013 preliminary investigation

A SEFA representative in Pretoria investigated the matter further and made an appointment with the DCS logistics representatives where they confirmed that the purchase order was fraudulent.

The landline number on the purchase order provided by the client also did not belong to the DCS. Furthermore, the reference numbers and the delivery address were incorrect. In addition, it was confirmed that there was no need for the DCS to request such a product.

As a result, the application was declined.

4.3.1.7 Case 2/2013 Modus Operandi

According to the MS Excel Sheet 1 in the SEFA Fraud Register (SEFA, 2017a:1), the MO took place in the form of a scam or forgery of supporting evidence to secure financial assistance from SEFA. Misrepresentation of information also suggests possible impersonation or occupational corporate fraud from the side of the DCS. Further, when the numbers provided were called, individuals who answered were ready to confirm verification. This suggests possible occupational fraud or impersonation of a representative of the DCS. Moreover, the SOC representative was not going to be able to detect the difference without due care and conducting due diligence and preliminary verification. In addition, there was no indication of whether it was an online, walk-in, or postal application.

4.3.1.8 Case 2/2013 profiling of perpetrator

According to the MS Excel Sheet 1 in the SEFA Fraud Register (SEFA, 2017a:1) the act of fraud was not orchestrated by one individual, but a group of at least two or three people. The perpetrator relied on the fact that SEFA representatives would call to confirm the purchase order and thus waited for the call. Further, the perpetrator relied on the fact or predicted that this application may be passed on and not further investigated. The application was from a different province and presented believable documentation to the committee using the business life cycle.

4.3.1.9 Case 2/2014 scenario

According to MS Excel Sheet 2 of the SEFA Fraud Register (SEFA, 2017a:2) a representative from the WC province reported on 22 December 2014 that four individuals claiming to be SEFA consultants have received money from the alleged victims who are potential clients. The said consultants had been charging this potential client consultation fees.

The impersonation was discovered when the potential client had not seen any progress and decided to do research on the location of the SOC offices. The potential client made a site visit to enquire about the application for financial assistance, only to discover there was not an application. The victims were women who wanted to form and register a cooperative by sourcing funding from the institution to buy machine equipment and start their business.

4.3.1.10 Case 2/2014 preliminary investigation

According to the MS Excel Sheet 2 of the SEFA Fraud Register (SEFA, 2017a:2) the preliminary investigation revealed that the institution's consultants met with the group at a training session on cooperatives hosted by the DTI. The person claiming to be a SEFA consultant promised the group that they could assist them with services, such as the registration of the company and sourcing of funds, after which they could join the group as shareholders. They could also help the group with financial assistance from the SOC just like the DTIC would have done, but with a much quicker turnaround time. The representative then tried without success to contact the so-called SEFA consultants. The said consultants had been changing the contact details, which made it difficult for the group to plan a meeting with them. The potential clients also suffered a monetary loss of R1 899. Furthermore, attempts to contact the Agency's consultants were fruitless, as no breakthrough could be made. Moreover, a review of Closed-Circuit Television (CCTV) footage to ascertain whether any of the said individuals entered the building did not render positive results. The building manager was informed to be on the lookout for the so-called institution's consultants (perpetrators). The potential clients/victims were subsequently requested to report the matter to the SAPS.

4.3.1.11 Case 2/2014 Modus Operandi

According to MS Excel Sheet 2 of the SEFA Fraud Register (SEFA, 2017a:2) the MO took place in the form of a scam, in which the MO was impersonation of SEFA consultants and deceitful dissemination of false information. The said SEFA consultants told the group that the institution is giving them two options: (a) a quotation for purchasing the machinery to use for their business, and (b) pay the Agency R649 for the quotation obtained by the said consultants on behalf of the group (potential clients/victims). The group decided to opt for option (b) and paid the amount as part of the registration, quotation, constitution, minutes, and transport on several occasions. There was assurance in the form of text messages allegedly from the institution from one of the said SEFA consultants to the group.

The first text message was to provide a status update on the progress of their application. The second text message was to inform the group (potential clients/victims) that the Agency would be conducting a site visit. However, the group did not understand the delay, and therefore decided to visit the branch offices. The said consultant also gave the group an incorrect SEFA location address.

4.3.1.12 Case 2/2014 profiling perpetrator

MS Excel Sheet 2 of the SEFA Fraud Register (SEFA, 2017a:2) provides a profile of individuals who operate as a consulting firm. These individuals target vulnerable groups who do not have enough knowledge about the correct processes to follow when starting a specific project, which was the information the group could ask at the DTI function. If the perpetrator was present at the event, sitting among the members of the group and listening to the conversation as they discuss among each other, it was easy to scope from the conversations and take advantage. The perpetrator used methods to create trust to be believable to the group.

Reurink (2016:38) confirms that operational financial scammers apply a variety of methods to create trust. These methods are words and behaviours which can signal trust. Thus, they “typically wrap their scams in detailed and convincing stories meant to signal trustworthiness by using vocabulary with a specific legal or professional meaning; however, in the specific context of the scam, such words are actually empty and meaningless” (Reurink, 2016:38). The common trait and MO of the cases appear in Table 4.2 below.

Table 4.2: Two common traits and MO identified in 2014

November and December 2014	Investigation	MO	Perpetrator Profile
Two clients from one of the GP branches submitted invalid contracts as supporting evidence to secure financial assistance with SEFA. No financial information was recorded.	Both reported cases were forwarded for further investigation.	The MO took place in the form of a scam and forgery of supporting documentation on the application to secure financial assistance.	There was no information provided on the cases to assist in forming a possible profile of the perpetrator or victim.

Source: SEFA Fraud Register (SEFA, 2017a:2)

4.3.2 Financial year 2015/2016

The cases below are illustrated 4.3.1, *Financial year 2013/2014*. Common cases have also been tabled to avoid repetition of the same information in this chapter.

4.3.2.1 Case 1/2015 scenario

According to MS Excel Sheet 3 of the SEFA Fraud Register (SEFA, 2017a:3), a representative from WC province reported on 9 February 2015 that a potential client has been in communication with an individual who presented himself as a SEFA consultant. However, there was no Memorandum of Understanding (MOU). All the applications forwarded by this individual claiming to be an Agency consultant were declined since there was no viability. The potential client/victim, who was supposedly using the said consultant, had paid consultation fees. Further, he was told that the institution had approved the application valued at R5 million during 2014 and that the money would be paid out in two weeks (without mention of the year). The client/victim confirmed that he has not received any documentation or signed any legal agreement to prove that there was an approval.

4.3.2.2 Case 1/2015 preliminary investigation

The potential client/victim informed the representative that he was meeting with the said SEFA consultant for further briefing. The representative advised the client to assess the situation and report the matter to the local SAPS as soon as possible.

The matter was referred internally for investigation.

4.3.2.3 Case 1/2015 Modus Operandi

According to MS Excel Sheet 3 of the SEFA Fraud Register (SEFA, 2017a:3) the MO took place in the form of a scam. The MO was impersonation of SEFA consultants and deceitfully disseminating false information to potential clients.

4.3.2.4 Case 1/2015 profiling perpetrator

MS Excel Sheet 3 of the SEFA Fraud Register (SEFA, 2017a:3) provided a profile of individuals operating as a consulting firm. It is not recorded or known how the potential client got to meet and start consultations with the so-called SEFA consultant. This suggests that there may be individuals out there scouting for clients, presenting themselves as the SEFA liaison officers or dealing with the related services.

This suggests that the perpetrator was not yet done with the client or just got the monies already paid, which was therefore good enough for them before they moved on to another victim.

4.3.2.5 Case 4/2016 scenario

According to MS Excel Sheet 4 on the SEFA Fraud Register (SEFA, 2017a:4) on 17 May 2016, a representative from WC province received an application from a potential client (cooperative) for financial assistance of R3.2 million to buy a truck to supply a contract deal with a big private company in the same province.

4.3.2.6 Case 4/2016 preliminary investigation

The SEFA representative contacted the private company in the WC province, and it was confirmed that such a contract did not exist.

4.3.2.7 Case 4/2016 Modus Operandi

The MO was in the form of a scam, using forged supporting evidence to secure financial assistance from SEFA. Illegitimate information of a private company had been used to disadvantage the Agency. Therefore, if the contracts were not questioned and investigated, the potential client was going to benefit financially, and the Agency would have been financially disadvantaged.

4.3.2.8 Case 4/2016 profiling perpetrator

No information was provided on the cases which could assist in making a possible profile of the perpetrator. Information in the register did not provide any leads to try and get an understanding of the type of individual SEFA was dealing with. Information stated in other cases in tables 4.2 and 4.4 may subject the institution to believe it is dealing with that exact company while it was also dealing with the victim while the perpetrator was not in the picture.

4.3.2.9 Case 6/2016 scenario

According to MS Excel Sheet 4 in the SEFA Fraud Register (SEFA, 2017a:4) a SEFA representative from the Northwest province reported on 12 June 2016 that a client received a purchase order on navigators worth R260 000 and wanted to know more about it. The client called the contact numbers on the purchase order and wanted to speak to the person whose name was written on the purchase order. The names did not correspond, as the person could not verify the person that the potential client was looking for.

Further, the client called the Department of Science and Technology (DST) on the telephone number provided on the website to enquire about the purchase order. However, the client was advised that the purchase order was fraudulent, and that the DST was busy investigating the matter.

4.3.2.10 Case 6/2016 preliminary investigation

According to MS Excel Sheet 4 of the SEFA Fraud Register (SEFA, 2017a:4), the preliminary investigation revealed that the perpetrator requested a quote with information from the designer of a website advertising a product that can only be procured from them. Upon researching the supplier of that product on the internet, the only company that appeared on the google search engine was believed to be on an unauthenticated website. The client asked their usual suppliers about the product, which he knew were the only few specialists on navigators in South Africa. The specialists also did not know anything about the persons requesting the quotes and the brand on the designed website. Furthermore, it was revealed that the money that would have been obtained from SEFA for financial assistance was going to be deposited into a different account, allegedly owned by a foreign national. In addition, upon investigating their IP address, it was discovered that they operate from a residential home.

4.3.2.11 Case 6/2016 Modus Operandi

It is the same MO as in other cases, as noted in tables 4.2, 4.3 and 4.4.

This time, however, the client made enquiries upon receipt of the purchase order to verify if he was indeed entrusted with that purchase order as a company. Fake companies are also established, many of them with their own website to make it believable.

4.3.2.12 Case 6/2016 profiling perpetrator

The perpetrator was a syndicate, as noted in other cases shown in tables 4.2, 4.3 and 4.4. The client did not mention the location from where these perpetrators were working. It was therefore difficult to identify the location.

4.3.2.13 Case 11/2016 scenario

According to MS Excel Sheet 4 of the SEFA Fraud Register (SEFA, 2017a:4) a representative from GP reported on 15 August 2016 that a potential client applied for financial assistance to finance the expansion of their business. It was also indicated that the client had an agreement with one of the biggest beverage suppliers in South Africa, a private company, which needed R 260 000 for a delivery vehicle and working capital.

4.3.2.14 Case 11/2016 preliminary investigation

A representative conducted a preliminary investigation which revealed that the representative from this big private company who signed the agreement during 2013 and 2015 on behalf of the company was a sales representative and not a sales manager. This representative was also not authorised to sign off such agreements. In addition, the last pages of the contract have been tampered with. A representative within support services therefore scheduled a teleconference with the company regional manager to discuss further action. The company's regional manager confirmed that the said sales representative was suspended from his duties because of his conduct. The regional manager also informed the SEFA representative that a case of fraud would be opened against the sales representative.

4.3.2.15 Case 11/2016 Modus Operandi

According to the MS Excel Sheet 4 in the SEFA Fraud Register (SEFA, 2017a:4) occupational fraud on the side of a big private company appears to have been committed – knowingly or unknowingly – through collusion with the potential client. The individual, a sales representative, who signed the agreement was committing occupational fraud against his or her own employer who may be an exploited potential client.

Furthermore, SEFA would have been disadvantaged, as the funds would have been disbursed in terms of a fraudulent contract which could not be used to the fullest. In this regard, occupational fraud schemes can be broken down into three primary categories, namely asset misappropriation, corruption, and financial statement fraud (ACFE, 2016:4). In addition, occupational fraud can be defined as a crime which involves the betrayal of trust implied in the holding of an office or other position of trust (Padgett, 2015:12-13).

4.3.2.16 Tabled case scenarios in 2015

In the cases listed below, the clients submitted either purchase orders for equipment to render business or supporting documentation to secure financial assistance from SEFA.

Table 4.3: Four common traits and MO identified in 2015

Case number	Date	Location	Person reported	Potential financial loss	Victim
Case 2/2015	25/05/2015	GP	In SEFA	R499 600	DTI
Case 3/2015	27/05/2015	GP	In SEFA	R433 225,95	DTI
Case 4/2015	13/11/2015	WC	In SEFA	R385 155	Private company
Case 5/2015	20/11/2015	WC	In SEFA	R 258 000	DPW

Source: SEFA Fraud Register (SEFA, 2017a:3)

Table 4.4: Twenty common traits and MO identified in 2016

Case number	Date	Location	Person reported	Potential financial loss	Victim
Case 1/2016	01/02/2016	WC	In SEFA	R285 999	Department of Transport (DOT)
Case 2/2016	31/03/2016	GP	In SEFA	R226 500	DAFF
Case 3/2016	06/05/2016	WC	In SEFA	R246 750	DOE
Case 5/2016	17/05/2016	EC	In SEFA	R215 600	DOH
Case 7/2016	17/06/2016	EC	In SEFA	R225 325	DOE
Case 8/2016	04/07/2016	EC	In SEFA	R244 000	Department of Public Works and Infrastructure (DPWI)

Case 9/2016	08/07/2016	WC	In SEFA	R509 437,50	Department of Water and Sanitation (DWS)
Case 10/2016	11/08/2016	EC	In SEFA	R 423 250	DAFF
Case 12/2016	12/10/2016	EC	In SEFA	R342 000	DAFF
Case 13/2016	25/10/2016	EC	In SEFA	R162 500	Department of Mineral Resources and Energy (DMRE)
Case 14/2016	27/10/2016	EC	In SEFA	R1 119 401	DMRE
Case 15/2016	07/11/2016	EC	In SEFA	R240 000	DAFF
Case 16/2016	09/11/2016	EC	In SEFA	R622 440	DAFF
Case 17/2016	21/11/2016	EC	In SEFA	R466 317	DAFF
Case 18/2016	22/11/2016	EC	In SEFA	R232 000	Department of Social Development
Case 19/2016	22/11/2016	EC	In SEFA	R175 000	DOH
Case 20/2016	28/11/2016	EC	In SEFA	R400 000	DOH

Source: SEFA Fraud Register (SEFA, 2017a:4)

Table 4.5: Twenty four common traits and MO identified in 2017

Case number	Date	Location	Person reported	Potential financial loss	Victim
Case 1/2017	30/01/2017	WC	In SEFA	R408 000	DOH
Case 2/2017	20/02/2017	EC	In SEFA	R490 000	Department of Public Enterprises (DPE)
Case 3/2017	03/03/2017	EC	In SEFA	R350 000	DOH
Case 4/2017	14/03/2017	EC	In SEFA	R273 000	DAFF
Case 5/2017	14/03/2017	GP	In SEFA	R3 800 000	Private company

Case 6/2017	04/04/2017	EC	In SEFA	R118 750	DWS
Case 7/2017	18/04/2017	EC	In SEFA	R499 320	Transnet
Case 8/2017	24/04/2017	EC	In SEFA	R437 580	DPE
Case 9/2017	09/05/2017	WC	In SEFA	R570 000	DOH
Case 10/2017	18/05/2017	WC	In SEFA	R171 764	DWS
Case 11/2017	24/05/2017	EC	In SEFA	R242 000	Department of Education (disclosed)
Case 12/2017	25/05/2017	EC	In SEFA	R438 750	Department of Education (disclosed)
Case 13/2017	03/07/2017	EC	In SEFA	R87 210	DOH
Case 14/2017	10/07/2017	EC	In SEFA	R165 680	DOH
Case 15/2017	10/07/2017	EC	In SEFA	R264 000	DOH
Case 16/2017	12/07/2017	EC	In SEFA	R360 000	DOH
Case 17/2017	12/07/2017	EC	In SEFA	R328 320	DOH
Case 18/2017	19/07/2017	EC	In SEFA	R170 234	DWS
Case 19/2017	25/07/2017	EC	In SEFA	R155 750	DMRE
Case 20/2017	01/08/2017	WC	In SEFA	R225 720	DWS
Case 21/2017	02/08/2017	EC	In SEFA	R234 000	Department of Rural Development & Land Reform (DRDLR)
Case 22/2017	15/08/2017	EC	In SEFA	R180 000	DWS
Case 23/2017	24/08/2017	EC	In SEFA	R200 040	Transnet
Case 24/2017	28/08/2017	EC	In SEFA	R303 468	South African National Defence Force (SANDF)

Source: SEFA Fraud Register (SEFA, 2017a:4)

4.3.2.17 Case scenarios 2014-2017 – tables 4.2, 4.3, 4.4 and 4.5

All the information was forwarded to other internal business units for investigation for further verification. After scrutiny, the preliminary investigation revealed that the contact details on the purchase order as well as the original number on the internet search did not correspond. For example, one of the dates on the purchase order was the end of January 2016, while the delivery date was for the beginning of January 2016. These scenarios relate a common MO mentioned by authors such as Said, Alam, Ramli, and Rafidi (2017:171) that organisational fraud involves cases of misappropriation of assets, misrepresentation of financial statements, theft of funds and corruption, as well as computer-related identity fraud, and consumer-related supply chain fraud. Discrepancies were evident in most of the purchase orders.

In one case, for example, the stamp on the purchase order did not match the stamp on the award letter that proves that the client secured the business with the private company or government department. In other cases, for example, the departments have advised SEFA that the documents are not valid and that investigations are underway. In cases such as the one from the DTI in the table, there was no information provided to profile the perpetrator; however, it was presumed that it was an individual within a company, who could have been legitimate or not. In Case 7/2016, for example, preliminary investigations revealed that the DWS did not recognise the purchase and outlined many shortcomings on the purchase order. The department has stopped using the electronic stamp, as hackers can easily get hold of it and use it.

The first page of the purchase order was also not according to how the DWS representatives usually address the applicants. For example, it did not have the proper departmental landline, there was no fax number, or the purchase number, which is the serial number, did not match the department's original number. This information is usually used for reference purposes by the department to process the applicant's invoice, and it would be difficult if it is not the numbers of the department. In Case 9/2016, for example, the female perpetrator could not provide the SEFA representative with information on where to deliver the purchased goods. The perpetrator said that she would come down the stairs of the building at a location (concealed) to meet the driver outside the building when the truck arrives. She would then show the driver the warehouse where the goods would be kept. This address also did not indicate the province, but the number clearly showed that the place is in Pretoria, GP.

According to the respondents and participants, collaborating scenarios give an indication that not all is what it seems to be, and require more probing into the documents submitted with the application during the business life cycle of that particular business transaction. Sub-question ten (see Annexure C and Annexure E) explore what constitutes a fraudulent application. The majority of the respondents indicated that clients purposefully conceal information which cannot be verified during the application stages. A few respondents indicated that some clients were not aware that their documents; for example, the purchase order was not authentic. Clients and suppliers collude for personal gain. Many participants believed a fraudulent application includes intentional misrepresentation by clients, which mostly includes the submission of forged or fake documents.

It may be suggested that some SEFA clients attempt or do so deliberately with the intention of succeeding. Further, it suggests that these suspicious applications are not always detected during a process of authenticating the submitted application for funding. Sub-question 14 (see Annexures C and E) asked at which stage of the application the employee realises that the application is dodgy. Some of the respondents indicated that the detection takes place at a later stage, depending on the situation, as it is seldom realised during the legal agreement drafting stage and some other time after funds have been disbursed to the client. Certain participants believed that deceitfulness is detected at an early stage and occurs also when a client does not honour the agreement to pay back the money borrowed from SEFA.

Further, dishonesty takes place when the client manipulates the process after disbursement of funds. This suggests that there is an opportunity to try to defraud SEFA during the application stage, and after the business transaction has been concluded. It indicates that clients can still manage to contact third parties such as suppliers and request refunds on the money directly paid by the Agency on their behalf and use it for other reasons than what it is intended for as stipulated in the contract. Sub-question 16 (see Annexures C and E) was posed to establish how difficult or easy it is to detect fraudulent applications. The majority of the respondents and participants did not make it clear, and it cannot be concluded if it was easy or difficult to detect. However, the minority of the respondents and participants suggested that it was difficult to determine the detection phase of a suspected fraudulent application. Even with the majority indicating that it was quite easy to detect such an application, it was still difficult to gauge the overall feedback provided, as some answers were neutral, and others indicated that it was difficult.

4.3.2.18 Modus Operandi 2014-2017 (tables 4.2, 4.3, 4.4 and 4.5)

The MO was a scam and forgery of supporting evidence in the form of a purchase order to secure financial assistance from SEFA. The purchase order served as supporting documentation for the application to obtain financial assistance. The purchase orders seemed to have been signed by the same person. The contact details did not match the original addresses when compared to the addresses obtained through the internet. This individual seemed to have tried the same method everywhere in the SEFA branches where it was successfully executed. According to the MS Excel Sheet 4 of the SEFA Fraud Register (SEFA, 2017a:4), a SEFA representative who reported one of the cases, specifically the one valued at R226 500, suggested that the MO of the perpetrator was the following:

- The contact details of any registered company were obtained either through the CIPC, NT Central Supplier Database (CSD) for service providers in South Africa, or through a government department.
- The business owners received a call requesting their email address and to attend to an urgent quotation request.
- When the business owners responded, they were also requested to update their details, including the registered company's banking details.
- The items on the quotation request were apparently available from one supplier in the country, which was in the WC province.
- The business owners learnt about the supplier either through conducting their own research on Google or through the very same perpetrator who tipped them off on where to get the so-called items at a "bargain price".
- This supplier was obviously fictitious and had a webpage on the internet, which may or may not have looked well organised.

There was consequently a direct link between the perpetrator and "supplier" who would ultimately be paid for goods ordered. This means that the fraud was not orchestrated by one individual but a group of people who knew that SEFA representatives call clients to verify information. The perpetrator was ready to commit fraud. According to the respondents and participants, suspected fraudulent applications are characterised by certain patterns. Sub-question 23 (as per Annexure C and Annexure E) verified the characteristics of corporate fraud in direct lending.

The majority of the respondents highlighted that the characteristics of corporate fraud were in the form of solicitation of money from suppliers by clients, occupational fraud in the form of kickbacks and bribery, falsification of information, misrepresentation in document format, and submission of fraudulent documents by clients. Most of the participants believed that some of the attempted corporate fraud appeared to be opportunistic, – to see if the crime can be executed with perfection. This can be observed when other clients intentionally submit fake documents.

4.3.2.19 Profiling perpetrators 2014-2017 (tables 4.2, 4.3, 4.4 and 4.5)

Klynveld Peat Marwick Goerdeler (KPMG) (2016:15) compiled a global profile of fraudsters. According to this global profile the chances of fraudsters operating in groups are almost twice as those acting alone. After a detailed scrutiny of the tabled cases, SEFA was targeted by a group of organised criminals. It is not clear if this is a case of organised crime as described in the POCA of 1998, which is a research theme that can be explored. There are many definitions of organised crime, but the researcher has found one which precisely defines the SEFA tabled cases. Varese (2017:28) states that organised crime involves the quest for profit through illegal activities by an organised hierarchy that shows continuity over time. Organised crime also operates in a structured way, which consists of specialisation, hierarchy, illegal enterprise, and the syndicate.

Further, Arsovska (2014:3) states that organised criminals are a small, structured group of three or more persons that exists for a period and acts in concert with the aim of committing one or more serious offences established pursuant to this convention to obtain, directly or indirectly, financial, or other material benefits. In addition, one of the MOs of organised crime attempts to regulate and control the unlawful production and distribution of a given commodity or service (Varese, 2017:45). The tabled case scenarios suggest that it is a group of people who intend at all costs to obtain funds meant for the qualifying South Africans. Marks (2012:10) believes that the profile of 70% of the fraudsters combines pressure with arrogance or greed.

The group may also consist of both males and females. Furthermore, the fraudsters may have also studied the South African government procurement processes. In addition, they are familiar with the goals of the NDP 2030. These goals assist them to focus on projects which are executed with taxpayers' money, and they presume that "it means no harm to anyone specifically or directly". Organisations such as the SOC are the most vulnerable to clients in pursuit of the NDP 2030 goals.

Further, it is evident that criminals are aware that no one is likely to get arrested for a failed business, as some are provided with a credit guarantee to cover the debt or write off the debt on funds not recovered. MS Excel Sheets, pages 1 to 4 of the SEFA Fraud Register (SEFA, 2017a:4) reflect that criminals are equipped with the following resources:

- **Human resources:** The case scenarios show that more than one person is usually involved in the organisation. Because the criminals know that SEFA makes follow-ups on the applications and verifications from the client, they make sure that there is always someone – female or male – to answer the calls on the telephone numbers provided to confirm all the questions asked by SEFA representatives.
- **Computer literacy:** These criminals – male or female – can usually operate a computer. However, Ebenezer, Oluwadamilola, Ibunkunoluwa and Roberts (2016:7676) assert that crime is committed predominantly by men, and it could involve anything from violence and petty property crime to multimillion-rand fraud. Computer literacy skills were used to forge the purchase orders to make them look authentic. Evidently, the perpetrators could get hold of the official letterheads of other departments to make the purchase order seem authentic. The researcher observed that some of the purchase orders were obviously copied and pasted, specifically the signatures. A computer could also be used to send online applications to SEFA without the perpetrator having to see the SEFA representatives face-to-face to avoid disclosure of their identity.
- **Landline telephone numbers:** Landline numbers on a purchase order mean that a landline with a working telephone was possibly installed in a physical building.

With the fact that masterminds of corporate fraud are known to conceal their identity, the researcher wanted to establish the ways in which applications to SEFA are submitted. According to the respondents and participants, some clients who have submitted applications with fraudulent documentation used the face-to-face method. Sub-question 15 (as per Annexure C and Annexure E) explored the ways in which suspect fraudulent applications were submitted. The majority of the respondents indicated that it was face-to-face clients. However, upon preliminary enquiries, certain clients were unaware that some of the submitted purchase orders were not authentic. It was discovered that the purchase orders were coming from an external source.

The client was made to believe that he or she received an offer of business. Similarly, the majority of the participants mentioned that it was face-to-face as well as online client applicants. Other participants indicated that they were not sure, as they only get hold of applications in the middle stages of the process. Evidently, respondents and participants across SEFA branch locations were aware of the methods used to try and defraud the SOC through the SEFA business life cycle. The tables and graphs below highlights the feedback from respondents and participants on the types of fraud targeted at the institution.

Table 4.6a: Feedback from respondents on the types of fraud targeted at SEFA per years of service

Total number of respondents: 8		
Establishing the type of fraud targeted at SEFA per years of service.		
SEFA years of service	Yes	No
10 years or more	2	0
At least 5 years but not more than 10 years	2	3
At least 3 years but not more than 5 years	0	0
At least 1 year but not more than 3 years	1	0
Less than a year	0	0
Frequency%	62%	38%

Source: Feedback from respondents (Survey questionnaire, see attached Annexure C).

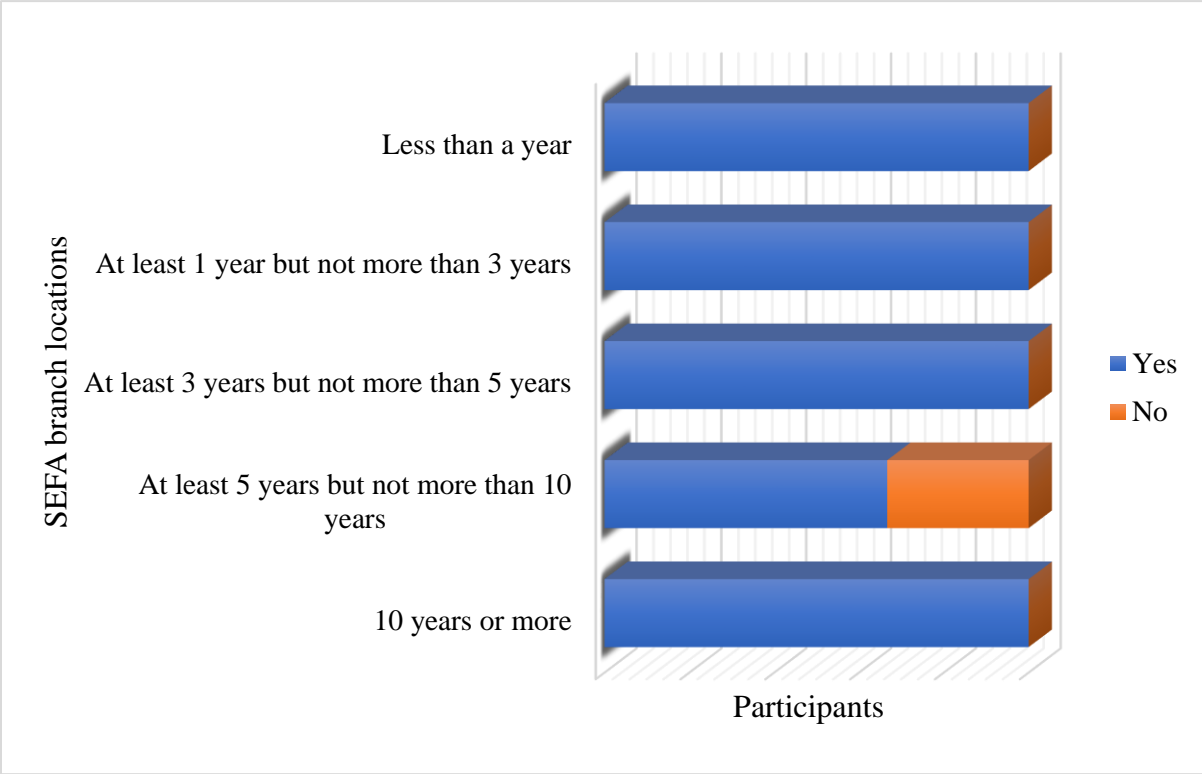
Table 4.6b: Feedback from respondents on the types of fraud targeted at SEFA per location

Total number of respondents: 8		
Establishing the type of fraud targeted at SEFA per location.		
SEFA branch locations	Yes	No
GP	4	2
NC	0	1

LP	0	1
Frequency%	50%	50%

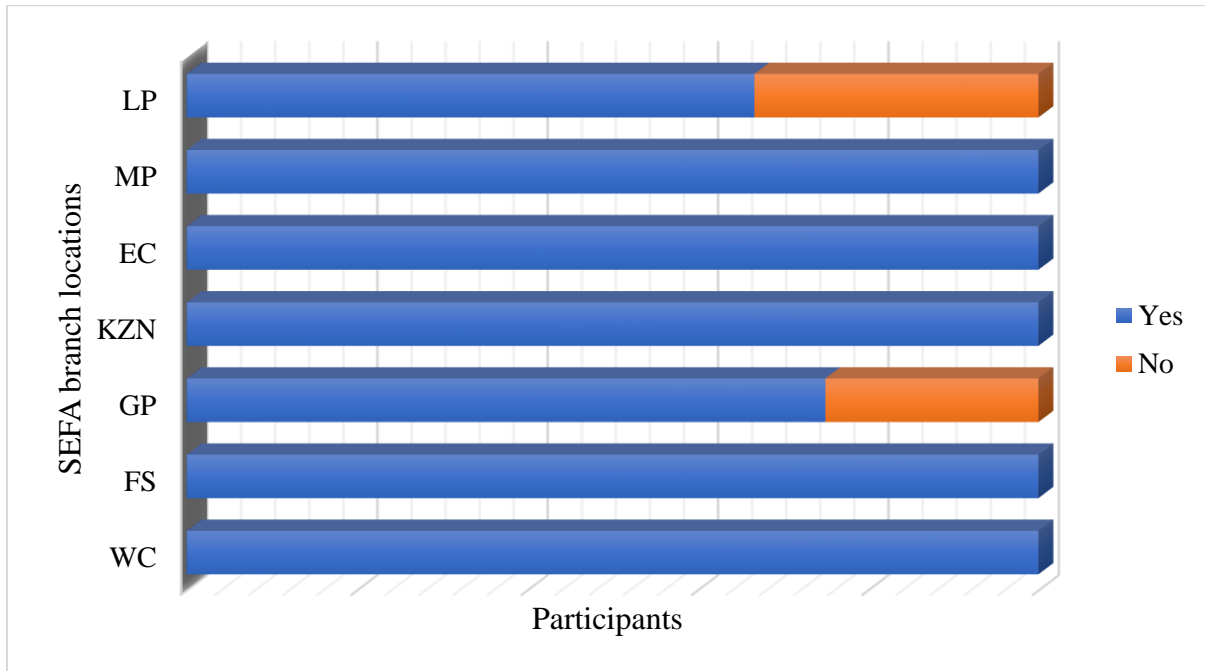
Source: Feedback from respondents (Survey questionnaire, Annexure C).

Graph 4.1a: Participants’ feedback on the types of fraud targeted at SEFA per years of service



Source: Transcribed feedback from participants (interview schedule, Annexure E).

Graph 4.1b: Participants' feedback on the types of fraud targeted at SEFA per location



Source: Transcribed feedback from participants (interview schedule Annexure E).

4.4 SUMMARY

This chapter dealt with the identification of traits and MO of corporate fraud targeted at SEFA. It includes an overview of the impact of the institution and its mandate for job creation linked to the NDP 2030 for qualifying South African clients. The rise in unemployment from the previous years within South Africa are highlighted, which emphasises why it is essential to evaluate corporate fraud at the Agency. Preventing corporate fraud will allow the organisation to thrive and assist qualifying clients to grow economically. It was of the essence to examine the SEFA corporate fraud register from inception to get an idea on the type of corporate fraud the SOC has been facing. It was discovered that the institution was in great danger of possible application fraud, corruption, occupational fraud, and other professional corporate fraudsters targeting the organisation, along with the clientele. The next chapter deals with successful methods to mitigate corporate fraud in financial institutions.

CHAPTER FIVE

SUCCESSFUL METHODS TO MITIGATE CORPORATE FRAUD IN FINANCIAL INSTITUTIONS

5.1 INTRODUCTION

As part of the solution to the topic under investigation, it was necessary to explore literature on the successful methods to mitigate corporate fraud in financial institutions. This chapter answers research question three – What are the best and doable practices available to mitigate corporate fraud at SEFA direct lending? The participants and respondents all agreed that the best way to mitigate fraud is to create awareness and training to staff on fraudulent activities directed at the SOC. Therefore, information on practical and doable approaches to lessen corporate fraud at SEFA was discussed. As a result, a combination of local and international sources was consulted from countries such as New Zealand, Australia, the USA, and Uganda. The realities and efforts to combat fraud were discussed. In addition, general organisational activities required to curb corporate fraud in any legitimate functioning organisation from other sources were also cited. This was meant to point out where opportunities for corporate fraud may lie within an organisation, and what must be done by either internal or external parties to ensure that the opportunity to commit fraud is not provided.

5.2 SUCCESSFUL METHODS TO MITIGATE CORPORATE FRAUD IN NEW

ZEALAND, AUSTRALIA, THE UNITED STATES OF AMERICA, AND UGANDA

The researcher has conducted a literature review on the successful methods to mitigate corporate fraud in New Zealand, Australia, the United States of America, and Uganda.

5.2.1 The reality of corporate fraud in New Zealand

Past findings in a paper presented by the New Zealand Controller and Auditor-General (NZCAG) (2012:11) in the New Zealand Parliament indicated that respondents often commented that they trusted their staff and colleagues to “do the right thing”. However, it has been a growing trend for employers to conduct lifestyle audits among their permanent employees to ensure that their funds do not derive from criminal activities against the employer. According to the PWC (2018:5) global economic crime survey “51% of New Zealand organisations reported that they have been the victim of economic crime in the past 24 months.”

NZCAG suggests that some form of corporate fraud in New Zealand organisations is because of the management's blind faith in their employees. A study conducted by KPMG New Zealand Forensics showed that there was a problem with corporate fraud in New Zealand in the past years. 44% of the respondents agreed that there was a problem of fraud in the country, 27% stated that it was within their industry, 8% indicated that it was in their workplace, and 30% said that it was by virtue of doing business (KPMG, 2012:11). Further, KPMG New Zealand Forensics revealed that both internal parties (4% fraud loss by management and 8% fraud incidents) and external parties (84% fraud loss and 75% fraud incidents) were the perpetrators of corporate fraud (KPMG, 2012:13).

On the other hand, Warfield (2013:10) says that other staff may inadvertently and unknowingly become involved in corporate fraud by, for example, processing illegitimate transactions at the request of the perpetrator. In these instances, employees cannot be accused of actively colluding to commit fraud. In addition, it is a fact that "fraud involves dishonesty, managers and staff may feel shocked, betrayed, disillusioned, demoralised and they may find it difficult to re-establish trust in the people they work with" (New Zealand, 2012:9). KPMG (2016:14) found that even though the company may have strong controls in place, these may not necessarily be the solution. In this regard, it was reported that 21% of employees simply ignored the company's controls.

In 2019, KPMG (2019:2) revealed that financial institutions were hit the most by fraud, then followed by the government, commercial businesses, investors, customers, and other parties. Further, the fraudster profile revealed that 20% took advantage of weak controls, and 25% involved multiple parties of fraudsters. Recent literature revealed that, under the current Coronavirus Disease 2019 (COVID-19) pandemic, which is according to the Africa Centre for Disease Control and Prevention (ACDCP) (2020:np) a communicable respiratory disease caused by a new strain of COVID-19 that causes illness in humans, fraudsters opportunistically prey on the confusion created by the public health emergency in these uncertain and difficult times. This is because fraudsters were looking for profit to regain a sense of safety and security (Bell, Lowe & Preece, 2020:np).

5.2.1.1 Efforts to tackle corporate fraud in New Zealand

The performance measures and standards of the Serious Fraud Office (SFO) (2012:44) include the fact that complaints are assessed by fraud detection and the investigation team to gauge if they resort under the set criteria for investigation by the SFO.

According to KPMG New Zealand Forensics (KPMG, 2012:19), the predominant method of fraud detection was the application of internal controls by 49 %. The factors that contributed the most to major fraud were poor internal controls (KPMG, 2012:22). In recent history related to the COVID-19 pandemic, suggestions were made to tackle corporate fraud. In the KPMG report, Bell, Lowe and Preece (2020:np) suggested that individual human beings must firstly ensure that they do not lose sight of their core values by doing follow ups on the suspected actions of fraud, bribery, and corruption. Secondly, they must make risk assessments in business practice and show compassion towards employees as an organisation.

Thirdly, as far as technology is concerned, anti-malware and anti-virus software must be installed on computers and laptops, and employees must be wary of fraudulent emails, check email addresses, conduct background research, and reflect on the fraud risk management system. However, they must not rely solely on the anti-malware and anti-virus software, as it may be hard to prove in the justice system. This is because Austin (2016:10), in his study on “the fraud exception exposed: a Bilta approach to corporate attribution” indicated that fraud exception has been recognised in New Zealand. However, the law is relatively undeveloped in relation to the UK. Further, in a few cases where “the fraud exception has been considered, it has been done in direct reference to the UK authority and is often at a low level.”

5.2.2 The reality of corporate fraud in Australia

In the recent Australian history, identifying and targeting serious financial crime remains a priority for the Australian government (Australian Criminal Intelligence Commission, 2017:9). According to the ACFE (2020: np) it is important to identify one or two risks in an organisation as the most significant fraud risks and then to look at controls to address those risks. PWC (2020b:4) reports on the findings of a global economic crime and fraud survey of Australia compared to the world. According to the ACFE (2020:np), during the reporting period in the year 2020, it was found that 56% of fraud was perpetrated by external persons, while the global record stands at 39%. Internal persons perpetrated 24% of fraud, compared to the world’s 37%. Collusion occurrences are 13% by internal persons, while the global record stands at 20%. External fraud was committed by customers (35%), hackers (33%), organised crime (18%) and vendors (12 %), among others.

5.2.2.1 Efforts to tackle corporate fraud in Australia

According to the Australian National Audit Office (ANAO) (2011:2), the Australian government has made a commitment to protect the country's financial status in the form of revenue, expenditure, and property from fraudsters by ensuring a systematic approach to manage fraud across the Australian Public Service (APS). As a result, the publication *Fraud Control in Australian Government Entities: Better Practice Guide* has set out some of the methods to mitigate corporate fraud in the country. The guide was meant to benefit senior executives, fraud managers, operational managers, line area employees, and service providers and contractors (ANAO, 2011:2-3). Furthermore, the guide was organised around the elements of the fraud control framework, namely leadership, policy, governance and legislation, culture, and fraud control strategies (ANAO, 2011:3). In this regard, the leadership of the organisation is supposed to set the tone at the top and inculcate the culture of driving the organisational values and behaviour.

The requirements are mandated by policy and legislation, while governance ensures performance and compliance. Fraud control strategies are a systematic approach to control fraud (ANAO, 2011:4). The office of the Attorney-General's Department (AGD) (2017:4) of Australia states that the legislative framework for the rule of fraud must provide a legislative basis of the Commonwealth's fraud control arrangements. Failure to maintain appropriate fraud control arrangements within an entity may also constitute significant non-compliance with the financial law. It is further advisable to conduct regular fraud risk assessments whenever there is a substantial change in the structure, functions, or activities of the entity (AGD, 2017:9).

The Certified Practising Accountant Australia (CPAA) Ltd (CPAA, 2011:6) suggests that leaders of the organisation must lead by example, create a positive working environment, have a policy manual, create a code of conduct, separate duties, authorise controls, implement a whistleblowing policy, and create an organisational chart. Additional measures include a comprehensive recruitment policy, monitoring employee behaviour, implementing supervisory processes, performing regular accounting reconciliations, implementing physical access, and investigating every incident (CPAA, 2011:7). According to the CPAA Ltd (CPAA, 2011:8) the following steps may be considered when fraud is detected:

- Step 1: Stop the continuation of fraud.
- Step 2: Collect the facts.

- Step 3: Discuss the issue with the employee (if the employee is involved).
- Step 4: Report the fraud to the police.

Finally, Johns (2012:31) stated that “the Parliament has changed the sentencing landscape for fraud offences by the enactment of the Crimes Amendment (Fraud, Identity and Forgery Offences) Act 2009. The increase in maximum penalties evinces a clear intention by Parliament that the courts are to treat these crimes as serious and that harsher sentences are to be imposed”. The Australian government has still not yet surrendered to the financial crime of fraud. The government has since established key initiatives aimed at addressing serious financial crime threats and reducing the impact of such crimes on its citizens (ACIC, 2017:9).

5.2.3 The reality of corporate fraud in the United States of America

Laufer (2011:401) states that fraud is widespread today and enforces huge expenses on businesses globally. To identify fraud, one must know the characteristics that enable the crime to take place. These characteristics are referred to as the fraud triangle, consisting of perceived pressure, rationalisation, and perceived opportunity. Irrespective of how fraud was committed, it is a fact that it results in monetary loss, which is often not recovered. This includes the cost incurred during the investigation and resolving the negative impact on the staff morale and productivity (Laufer, 2011:404). Further, Laufer (2011:404) advises that, to evade being a victim of fraud, businesses should identify fraud risks and put precautionary measures in place to increase awareness and improve anti-fraud mechanisms to help prevent losses as a result of fraudulent activities.

For example, the United States Environmental Protection Agency (USEPA) (2016:1) mentioned that precautions such as audits, evaluations and investigations of the organisation and its service providers must be undertaken to promote economy and efficiency, and to prevent and detect fraud, waste, and abuse. It is, however, puzzling that the PWC (2020c:2) global economic crime survey report of 2020 mentioned that 76% of companies in the USA have not developed and implemented any formal and corruption risk programme. Three in ten companies were accused of fraud and 35% were requested to pay a bribe, of which 37% of them lost deals to their competitors because they paid a bribe.

5.2.3.1 Efforts to tackle corporate fraud in the United States of America

Laufer (2011:402) emphasises the fact that fraud prevention is cheaper than fraud detection, as it takes about 18 months or more to detect the crime.

Businesses should also start with efforts to prevent employee fraud even before the employee is recruited. The study conducted by the Ethics Resource Centre in 2009 revealed that organisations with top executives, middle managers and workers with strong ethical values experience fewer cases of misconduct and more reports on the misbehaviours and retaliations of other employees in a workplace (Laufer, 2011:403). The Bank of San Antonio (2016: np) suggests the following four ways to protect businesses from fraud:

- (a) Keep the company information close and confidential: This means that the employees are not willing to sell the secrets of the organisation to external parties. Employees sign a confidential code of conduct upon employment to ensure that they remain loyal and keep the organisation's information secured from its competitors.
- (b) Recognise that employees can be the best fraud defenders: Ensure that the employees remain ethical, comply with the organisation policies, and are loyal to the organisation.
- (c) Prevent social engineering fraud: This is similar to organised crime that can take place in a well-set social environment.
- (d) Require multiple signatures and signoffs: The final decision is not solely under the authority of one person in a workplace, but several persons.

According to the Global Technology Audit Guide (GTAG) (2012:1) the crime of corporate fraud encompasses an extensive range of irregularities and illegal conduct categorised by intentional deception or misrepresentation. Because fraudsters increasingly use technology, the GTAG (2012:2) gives assurance that IT risk assessments are possible. Further, this usually involves (a) IT fraud risk assessments, which entail evaluating the opportunities for fraud that could arise because of technological breach; (b) assessment of fraud schemes; and (c) IT fraud schemes, which are schemes related to technology, cellular phones, electronic banking, and so forth.

In the USA, various techniques and technologies can be used to fight fraud. The data can then be analysed to provide red flags and control gaps that might give leeway to potential misconduct (ACFE, 2019:7). The techniques and technologies include biometrics, blockchain/distributed ledger technology or robotics as part of anti-fraud programmes. It is common knowledge that usernames, account identification methods and passwords are no longer enough to secure accounts. Additional methods such as personal security questions are used to enhance the safety of online usage systems.

According to the ACFE (2019:9), many organisations have taken the decision to use data analytics to monitor fraud within specific business functions and operations for numerous factors, such as accessing data, technological or process limitation, and assessing risk levels.

5.2.4 The reality of corporate fraud in Uganda

The not so recent incidents related to corporate fraud, according to the Ugandan Police Annual Crime Report (UPACR), include offences such as obtaining money through false pretences, forgery, uttering false statements, counterfeiting, issuing false cheques, embezzlement, cybercrime, banking and other corporate frauds, abuse of office and causing financial loss (Uganda, 2018:24). Kultanen (2017:1) asserts that unemployment in Uganda has devastated the population, including the youth. This population is constituted by the working class earning low wages and with a need to earn extra income. Also, according to the Global Financial Integrity (GFI) (2018:6) possible risks of financial mismanagement include illicit financial flows within any of the Ugandan SOCs.

According to Cusack and M'Crystal (2020:3), organised crime ranges from 34% to 36% of proceeds, laundering 20% to 12%, and corruption up to 15% to 20% of proceeds. In addition, UPACR (Uganda, 2020:28) reported 65 cases of corruption, which include offences such as abuse of office, causing financial loss, embezzlement, bribery, corruption, and extortion. A total number of 256 cases was reported in 2019, while 248 cases were reported in 2020. Some of these cases included offences found under cybercrime in Uganda, such as electronic fraud, obtaining money under false pretences, money laundering, and forgery (Uganda, 2020:60-61).

5.2.4.1 Efforts to tackle corporate fraud in Uganda

Kultanen (2017:29) discusses the following 14 steps to detect and prevent fraud, as presented by Biegelman and Bartow through the American Institute of Certified Accountants' Management Antifraud Programs and Controls (AICAMAPC) in 2002:

- Set the tone right from the top: Lead the organisation by example. The management team must conduct themselves in such a way to influence employees positively to follow the example of the management's ethical leadership.
- Create a positive workplace environment: Managing employees can be difficult, as people are different. Therefore, ensure that employees are comfortable and happy to perform their duties.

- Hire and promote appropriate employees: Implement human resource management processes fairly. Also recognise and give incentives for good performance.
- Training: Train staff regularly on new knowledge and the correct processes and procedures.
- Security clearance: Confirm the security clearance of the employees.
- Discipline: Provide employees with policies to curb ill-discipline in the workplace.
- Identify and measure fraud risks: Establish a risk management programme to identify organisational risks.
- Mitigate fraud risks: Implement measures to minimise opportunities for corporate fraud.
- Implement and monitor appropriate internal controls: Conduct an audit to measure the effectiveness of the controls in place, and implement remedial action where necessary.
- Audit committee: This oversight committee must mitigate fraud risks and implement and monitor internal controls.
- Management: The management must enforce the organisational mandate by complying to policies and monitoring the effectiveness of the products and services.
- Internal auditors: These internal investigators must ensure that all the organisational divisions operate according to the organisation's mandate by complying to the policies and monitoring the effectiveness of the products and services.
- Independent auditors: These external investigators must ensure that maladministration within the organisation is not covered up and that all operations are aligned to the mandate of the organisation.
- Certified fraud examiners: These individuals must be qualified to identify the crime of corporate fraud and have the means to tackle it.

5.3 ORGANISATIONAL ACTIVITIES REQUIRED TO CURB CORPORATE FRAUD

An institution, an organisation or a company is built through many activities. These activities include a combination of all sorts of actions mentioned below (see 5.3.1, *Activities in a functional organisation*). These activities also play a key role in corporate fraud prevention, detection, and response. The “prevention” of fraud is mentioned first to emphasise its importance. Successful methods can eliminate the need for time-consuming or costly investigations and response methods such as legal proceedings and outsourced lawyers to fight the cases in the court of law.

5.3.1 Activities in a functional organisation to combat corporate fraud

Maciejczyk (2016:48) states that effective control in a company is strictly based on the connection of the organisational structures. An institution is established to ensure that it is legitimate and achieves its goals. Usually, people who establish an organisation know very well what they want to achieve before they take steps to formalise it. This information is usually outlined in the business plan and some form of financial commitment, depending on the business operations. Being in control is a key management function (Maciejczyk (2016:49). The following steps are usually taken when some organisations are formalised:

- Legitimising the organisation: Brewer (2020:75) states that this is an act collectively attributed to a policy and other objects by multilateral parties. In South Africa, the CIPC requires all companies to register with the commission to legitimise the business and to avoid company takeover without the owner's knowledge.
- Regulatory compliance: Deloitte (2016:6) says that embedding the law in the company is a core function with critical activities and seeking collaborations with legal risk and compliance management and internal audit. The mission of the institution is stated in the registration documents to ensure that the regulatory environment meets the South African legislative requirements. This will depend on whether the company will be operating locally or internationally.
- Business strategy: Tapera (2014:122) describes a business strategy as an action plan for running business operations. The units in the organogram required to carry out the organisation's mandate are mostly those that are necessary and which the company can afford when hiring staff. Salaries are benchmarked according to what the company can afford, or other market-related scales.
- Human resources: Mendy (2018:1) says it is a management function to select human resources, and it is the most important asset of a company. Human capital drives the mandate. Human resources are usually selected in terms of the legislative requirements of the country, and it depends on the internal procedures of the company.

The security clearance checks depend on the business and includes an evaluation of the history of the person deployed. The employees are also placed in positions as determined by the organogram of the institution.

- Induction training: Mchete and Shayo (2020:285) report that knowledge integration and enhanced performance are the most important aspects which form part of the assets of the organisation. Training on the policies and procedures of the organisation is particularly important. All the employees are also expected to participate in corporate fraud prevention. However, in most companies, induction training is the responsibility of specific employees, such as investigators, EOs, as well as staff in risk and compliance, internal audit, and forensics. The role of these staff members is to ensure that all the employees fully understand their responsibilities and obligations, and to communicate both internally and externally to all potential programme beneficiaries that the organisation has a coordinated approach towards combating corporate fraud (European Commission, 2014:12).
- Organisational culture: Morcos (2018:1) explains organisational culture as the character and personality of the organisation. The values and cultural activities of the organisation affect the morale. For example, a lack of incentives and bonuses or even a “thank you” for a job well done from the management may affect the staff’s morale negatively. The culture, integrity, ethical climate, empowerment and shared values and behaviour of both management and employees are also referred to as tangible soft controls. Soft controls relate to the workplace attitude on achieving organisational objectives (Howell, 2017:37). According to the European Commission (2014:12), the creation of an anti-fraud culture is key both in deterring potential fraudsters and maximising the commitment of staff in combating corporate fraud within the organisation.
- Risk and compliance management: This refers to internal protocol and implementation of policies and procedures, as well as internal feedback, accountability, segregation of duties and redress to combat fraud. Further, the strongest defence against potential corporate fraud is a well-designed and operated system of internal controls to effectively mitigate the identified risks (European Commission, 2014:13).
- Basic conditions of employment: According to Krekel, Ward, and De Neve (2019:3), the well-being of employees is important. However, there is a relationship between work stress and employee emotions in terms of creativity and performance within the organisation (Krekel, Ward & De Neve, 2019:3). This influences the morale of an employee. Innovation in the organisation through research, training and practical sessions play a crucial role in employees’ morale.

- Disaster recovery plan: Anitha (2020:193) says that the objective of a disaster recovery plan is to allow an organisation to proceed with business in case of calamity. This is a business continuity plan, which is seldom not considered or ignored in an organisation (Anitha, 2020:193).

5.3.2 Activities to mitigate internal corporate fraud

Outsourcing brings changes to the organisational structure (Maciejczyk, 2016:52). Some employees are hired to work for the organisation, while some tasks are outsourced to temporary staff who are suppliers of services and loyal to the project tendered.

5.3.2.1 Recruitment of staff

Brice and Rupp (2015:537) believe that employers need to understand how personality characteristics can contribute to deviance in the workplace and identify these characteristics accordingly. Employers can use this information to screen and select suitable candidates and to exclude individuals with potential deviant criminal behaviour. Requesting such information can act as a deterrent to potential corporate fraudsters, but it may also make it difficult to gauge the true nature of potential corporate fraudsters (Warfield, 2013:9). Other recruiters ensure that potential candidates furnish their prospective employers with a criminal record (if any) or conduct in-house verifications with the state security agencies before they employ applicants (Mphidi, 2018:16). Potential fraudsters will generally not be identified by traditional internal controls which are designed to focus on the organisation's processes rather than human behaviour (Padgett, 2015:15).

It has been proven by Kroll (2016:9) that the biggest threat of corporate fraud is from within a company. As a case in point, of the companies that experienced corporate fraud where the perpetrator was known, four in five (81%) suffered at the hands of at least one insider, which is more than the 72% as found in the previous global survey of 2015/2016. Further, more than one in three victims (36%) have experienced corporate fraud at the hands of a member of their own senior or middle management, 45% at the hands of a junior employee, and for 23%, the corporate fraud resulted from the conduct of an agent or intermediary. Despite these statistics, employees often form close relationships after some time in the organisation. These close relationships may develop into trust relationships to possible collusion which may progress to occupational fraud.

5.3.2.2 The impact of training employees on processes and procedures of the organisations

According to Grant Thornton and Price (2016:14), policies and procedures must be effectively communicated after they have been developed and employees must receive regular training on them. However, knowledge regarding the organisation may serve as an advantage for the employer or not (see 5.3.2.1, *Recruitment of staff*). It is thus vital to minimise the external threat of corporate fraud. Segregation of duties or the organogram can also serve as an advantage in instances where some controls are ignored by other employees in other units/divisions. Furthermore, formal training and awareness-raising can form part of the organisation's overall risk management strategy, as necessary (European Commission, 2014:12).

5.3.2.3 Risk and compliance management

It is stated in the European Commission (2014:6-8) that the specific corporate fraud risks that should be assessed are identified through previous fraudulent cases encountered in organisational policies, as well as commonly recognised and recurring fraud schemes. Further, corporate fraud risk self-assessment targets the main situations in which key processes in the implementation of the programmes could be most open to manipulation by corporate fraudsters or organisations. Grant Thornton and Assocham (2016:14) state that assessing the relevant types of corporate fraud risks can impact the business, which includes fraudulent financial reporting, potential loss of assets, and corruption methods through which corporate fraud and misconduct can be committed. In addition, identifying and evaluating corporate fraud and risks bring change to the operational environment by providing direction to an organisation with a focus on anti-fraud resources and periodical review of the results by the audit committee. Such reviews assist in identifying areas of improvement and vulnerability.

According to Sytel Reply ([sa]:1), fraud is a deliberate dishonesty made for individual gain to acquire unlawful profits. The ideal approach requires the involvement of the entire company, including the processes to find key solutions through fraud management. In addition, it requires prevention, detection, management, analysis, and investigation (SyteI Reply, [sa]:3). Risch (2014:8) believes fraud can be minimised by using the following three lines of defence:

- (a) The organisational management takes ownership, responsibility, and accountability for assessing, controlling, and mitigating the risks.

- (b) The risk management function facilitates and monitors the implementation of effective risk management practices by managing operations and assisting the risk owners in reporting adequate risk-related information and difficulties in the organisation.
- (c) The internal audit function will, through a risk-based approach, provide assurance to the organisation's board and senior management on how effective the organisation assesses and manages its risks, including the manner in which the first and second line of defence operates.

Activities to set up an anti-fraud control plan (Risch, 2014:16) include inculcating a culture of creating fraud awareness, providing training for staff, and improving controls. Further, oversight on fraud risk management activities include fraud risk in the overall risk assessment process, fraud risk assessment methodology, and oversight on the roll-out thereof.

5.3.2.4 Prevention of corporate fraud

The following best practices for the prevention of fraud are recommended by the Idaho State Controller's Office (2016:2):

- Create policies and procedures that describe acceptable practices when working with vendors and contractors, and prohibit bribery and kickback schemes.
- Require training on ethics.
- Separate the accounts payable duties from accounts receivable duties.
- Follow up on and investigate complaints from vendors.
- Examine bid and proposal reports for discrepancies.
- Establish a hotline for reporting fraud.
- Review contract awards and purchase orders.

According to Lusk-Smith (2013:2), the effectiveness of the controls can be observed when and if the following policies and procedures are adhered to in a timely manner – For an example, performance reviews; control over systems; investigation processes; financial audit; data comparison and follow ups on the outcome or unusual items. Ortiz (2018:13) says that occupational fraud entails financial statement fraud, misappropriation of assets, and corruption. The successful curbing of fraud should not be a once-off occurrence. KPMG (2014:17) suggests that due diligence should commence during the recruitment process and throughout the business relationship.

Performance evaluations can also shed some light on the behaviour of employees towards the following of protocol in the organisation. Furthermore, it may be necessary to screen service providers and temporary workers who have access to confidential information (KPMG, 2014:16). The financial institution is the primary victim of FPF.

5.3.2.5 Detection of corporate fraud

Some organisations rely on auditors for the detection of corporate fraud. Motubatse (2014:63) says that auditors are expected to possess the “proficiency and due professional care” as per standard: 1210.A2 that internal auditors should have sufficient knowledge on to evaluate the risk of corporate fraud and the way it is managed in the organisation. However, those who are charged with the primary responsibility of detecting and investigating corporate fraud do not necessarily have the expertise to do so. In this regard, even though auditors are important corporate fraud detectors, they only account for 11% of detections (Dyck, Morse & Zingales, 2013:15). Said, Alam, Ramli and Rafidi (2017:172) observe that corporate fraud investigators experience pressure, have limited interaction with offenders and cannot always evaluate their behaviour. Besides the aforesaid challenges, managers in an organisation may make it difficult for auditors to detect corporate fraud.

Shi, Connelly and Hoskisson (2017:7) state that managers are often guilty of corruption, or lie about facts, fail to disclose substantial information, fabricate information about the performance of the organisation, or cover up systemic problems. It is also difficult to detect corporate fraud when organisational networks in the workplace collude to commit corporate fraud. Waddell (2016:39) believes that collusion takes place when managers, employees or third parties work together to conceal fraudulent activities by defeating the internal controls and rendering them ineffective. Fraud can seldom or only be detected by chance and reported through whistleblowing. For this reason, external bodies in the country have been established to deal with organisations that exhaust state funds through corporate fraud and corruption.

5.3.2.6 Monitoring of corporate fraud

Monitoring is therefore of the utmost importance. Lusk-Smith (2013:3) recommends that the effectiveness of internal controls should be assessed over time through ongoing monitoring of activities and separate evaluations of internal controls, including internal audits and spot checks of transactions.

It may also be considered difficult, as financial corporate fraud may occur when managers act to deceive investors or other key stakeholders (Shi, Connelly & Hoskisson, 2017:7). The South African PMG has since been monitoring SEFA. At the South African PMG meeting that took place on 11 October 2018, Mr Chance mentioned that “SEFA former management had been exorbitant in dishing out cash and loans that came back to hurt the entity” (PMG, 2018b:np). At the meeting held on 9 October 2019, the issue of private auditing, the decline in funding of women-led businesses, and the decline in job creation were discussed (PMG, 2019:np). This suggests that SEFA did not have any government-oriented auditing body and could have been subjected themselves to FPF where it was reported that the organisation had high-loan impairments because funded clients have not adhered to their loan obligations, as noted below in 5.3.2.8).

At the virtual meeting that was held on 18 November 2020 in the South African PMG, further reports followed on possible FPF. It was noted by the PMG that many loans were outstanding. R209 million in bad debts were also written off in 2020. One of the meeting attendees could not understand why 70% of loans could be written off while there was a decrease in access to financing by small businesses. A concern was raised in this regard, and it was further suggested that the localisation programme could be beneficial to rural communities and townships. The PMG committee members therefore noticed a gap, and it was indicated that there was no report on how small businesses were going to be supported alongside the big retailers (PMG, 2020:np). Further, there was a suspicion about possible ghost employees, but an answer could not be found.

COVID-19 was also an excuse to physically count employees to confirm if the suspicion is legitimate. At the South African PMG virtual meeting held on 5 May 2021, committee members were critical of issues such as lack of support for small businesses in need of developmental credit and delays caused by unnecessary redtape (suggesting obstacles in the process). Moreover, not much information was available on how policies and services would make an impact on rural areas where they are most needed (PMG, 2021:np). There was a suggestion that FPF may be minimised if SEFA could focus more on the target market for sustainable development. These queries suggest that SEFA is not focused on and making an impact on the NDP (2030) goal of introducing small businesses in previously disadvantaged areas to participate in the economic growth through job creation.

5.3.2.7 Reporting corporate fraud

Howell (2017:56) observed that most instances of corporate fraud are perpetrated by employees; however, employees are also a valuable source of information. It has been claimed that personal financial obligations, most often outside the company, may create pressure on managers or employees who have access to cash or other assets and may divert assets (Neguriță & Ionescu, 2016:331). However, reporting of illegal activities by whistleblowers in a workplace can be dangerous, as the whistleblower may not know the extent of the criminal groups in the same organisation. Likewise, external reporting of corporate fraud is associated with similar dangers. Some people in South Africa prefer to approach the media rather than disclose everything to the organisation. The problem is therefore publicised in order to get protection from the interested parties who want to eradicate criminal activities such as corporate fraud and corruption in the organisation. Many stigmas are also attached to people who report crimes where fraudsters are benefiting. For example, a person who reports fraud may be referred to as a “snitch” or a “mole.”

5.3.2.8 Corporate fraud investigation

Though corporate fraud investigation is not a new phenomenon, it is extremely costly. This was demonstrated in the meeting in the PMG on 11 October 2018, when SEFA disclosed that there were “high loan impairments as a result of non-adherence of funded clients to their loan obligation” caused by a loan programme with inadequate systems, skills, and capital base (PMG, 2018b:np). Other companies may not regard this non-payment as corporate fraud, but as debt. However, it may also cost the organisation more write-offs than the corporate fraud reported and investigated. Furthermore, auditors’ checklists usually stay the same year after year and are never adapted. These checklists are particularly ineffective in instances of unethical practices such as collusion in the organisation, which renders auditing ineffective (Waddell, 2016:39).

5.3.2.9 Record management

In instances where the organisation has no internal record management function, auditors are periodically hired to conduct audits on the organisation’s finances. These audits, however, can be hindered if the person gathering the data is the one falsifying the information. Ramamoorti and Epstein (2016:6) suggest that internal audits may also be constrained by the integrity of executive management members who prepare the financial statements.

Record management, whether electronic or in hard copy, is therefore extremely important, irrespective of the size of any organisation. Waddell (2016:41) says that network analysis can provide a visual model for analysing and evaluating employee and organisational relationships while flowcharts, documenting of procedures and network analysis can lead to an improvement in documenting and identifying relationships between people in the organisation. The researcher has since observed that a flowchart outlining SEFA “Internal Controls (Internal system used to capture client information from page 30-41), Systems and Procedures in direct lending – Due Diligence” has been publicised and can be found on the internet through the key words “*Internal controls, systems and procedures - sefa - login page*” SEFA, [sa]: 1-125).

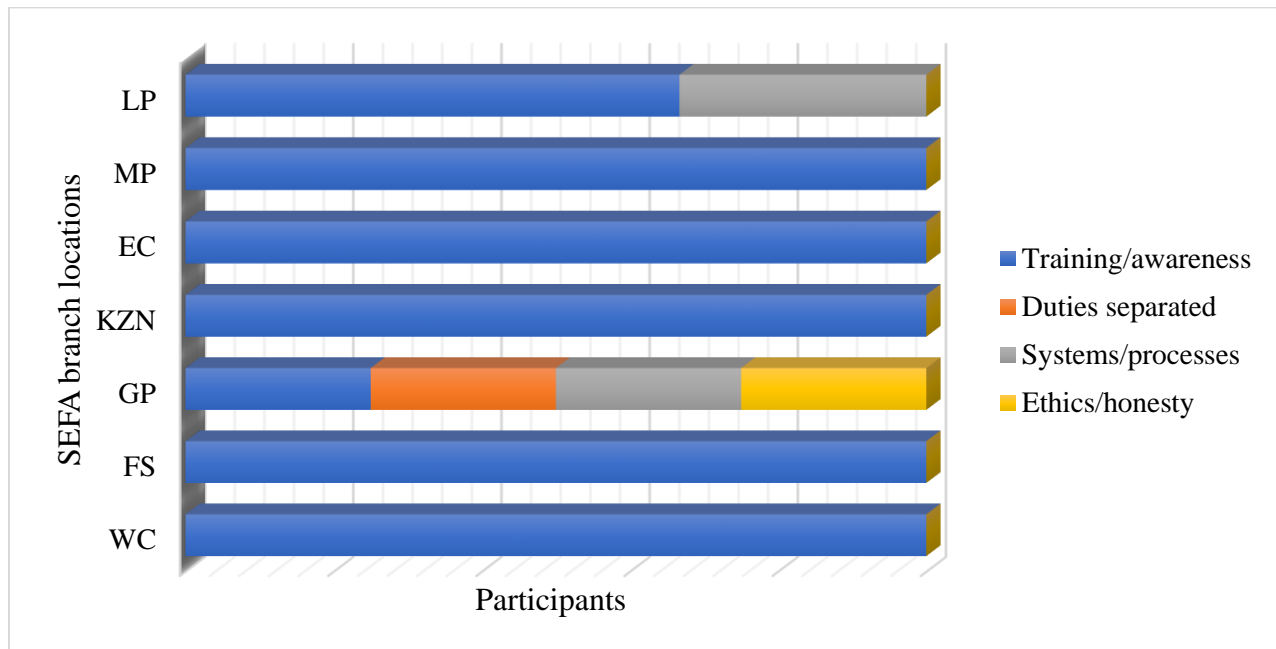
It is therefore possible for the hackers to get hold of the knowledge and to steal clients’ information, as the flowcharts provide clear direction on who and what should be done. This means that the employee’s designation/position to do “what he or she is employed to do” within the organisation, is outlined in the document of the business lifecycle of the application. The researcher is of the view that it is easy for a corporate fraudster to solicit a relationship through collusion with an employee to create means of application fraud. However, feedback from the respondents and participants suggested that there is a need for improvement in operational systems, training, vetting of employees, a trustworthy whistleblowing portal and ethical conduct practices by all SEFA employees. The findings confirm that there must be an improvement in the verification methods, which may require technological gadgets (see Table 5.1 and the accompanying Graph 5.1 below).

Table 5.1: Respondents’ feedback on the best and doable practices available to mitigate fraud at SEFA direct lending per location

Total number of respondents: 8						
Determining the best and doable practices available to mitigate fraud at SEFA direct lending.						
SEFA branch locations	Training/ awareness	Vetting	Whistleblowing	Systems/ processes	None	Ethics/ honesty
GP	2	1	0	2	1	0
NC	0	0	1	0	0	0
LP	0	0	0	0	0	1
Frequency%	26%	12%	12%	26%	12%	12%

Source: Feedback from respondents (Survey questionnaire, see attached Annexure C).

Graph 5.1: Participants’ feedback on the best and doable practices available to mitigate fraud at SEFA direct lending per location



Source: Transcribed feedback from participants (interview schedule, Annexure E).

5.4 ACTIVITIES TO MITIGATE EXTERNAL CORPORATE FRAUD

The Open Risk Manual (2019:np) describes external corporate fraud as unexpected financial, material, and reputational loss because of fraudulent action by a person outside the organisation. Some examples of external corporate fraud include corporate finance, loan fraud, client misrepresentation of information, theft, cybercrime, forgery, theft of information, theft of assets, fraudulent transfer of funds, credit product fraud and payment and settlement fraud. Amanze and Onukwugha (2017:1) state that financial institutions such as banks offering services such as loans are in distress due to bad management of the loans portfolio, and which often results in bad loans. It is suggested that a bad loan may proceed to loan fraud.

KPMG (2015:np) suggests that companies must have an early warning signal or red-flag period when there is an unusual pattern in a loan account. The bank is supposed to predetermine a time period to ascertain incidences of fraud and the appropriate time for reporting it, which suggests that an organisation must have their own threshold to make a decision if and when the client changes the payment patterns. In South Africa, however, the NCA Act 34 of 2005 has many provisions which seldom make it difficult for the organisation to hold the client accountable.

The Australian Federal Police (AFP) ([sa]:2) states that fraud by suppliers include kickbacks for the biased selection of suppliers, purchase of goods for private use, and payment for services, and goods not supplied also serve as external fraud. It cannot be disputed that some instances of corporate fraud can only be achieved if someone in the organisation can be bribed or corrupted by an external person to commit the illegal activities. Waddell (2016:38) believes that corporate fraud involving collusion is the most difficult to detect because of the sophisticated concealment methods used by participants. However, corporate fraud can be mitigated by strong internal controls, systems, and procedures, as well as an embedded risk culture in employees. Sound management of operational risks can also be applied to external corporate fraud (Open Risk Manual, 2019:np). Managers are more likely to compromise their ideals by engaging in financial corporate fraud to meet the expectations of persistent external parties although they know it is wrong (Shi, Connelly & Hoskisson, 2017:10).

Committing fraud is possible because managers form part of the organogram in the organisation. Managers also have a specific level of responsibility within the organisation, as they have certain powers to monitor fraudulent activities in the organisation. This explains the notion by Dyck, Morse and Zingales (2013:15) that auditors can only account for a specific percentage in the detection of fraud and challenges relating to difficulties in investigations as mentioned by Said, Alam, Ramli and Rafidi (2017:172). The behaviour can easily be concealed because a person in a managerial position has control to aid or not to aid in investigations, especially when they are involved or implicated. This is specifically true in the case of complaints by outside vendors, as stated by the Idaho State Controller's Office (2016:2).

Managers who are guilty of fraud will usually not report themselves to the auditors under normal circumstances; instead, they will try their best to conceal it. However, an organisational perspective provided by network analysis can improve fraud risk assessment, especially when members of senior management, employees or third parties collude (Waddell, 2016:45). It can also be said that external fraud consists of "bid-rigging schemes, false invoices, bribery, theft of intellectual property, security breaches, hacking, tax fraud, bankruptcy fraud, insurance fraud, healthcare fraud, and loan fraud" while internal fraud involves "the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the organisation's resources or assets" (Anti-Intimidation and Ethical Practices Forum, [s.a]:2).

Successful fraud risk assessment can only be achieved by the intervention of an external party. For example, AGSA in South Africa can intervene or a special external investigation can be commissioned. Sub-question 24 (as per Annexure C and Annexure E) probes the best and doable practices available to mitigate fraud at SEFA direct lending. Some of the respondents motivated that the best doable practices available to mitigate fraud is to eliminate pressure, rationalisation, and perceived opportunity to commit corporate fraud by using advanced technology. This approach was also highlighted by Laufer (2011:401). Some of the participants indicated that certain clients collude with the third parties, as also identified by Wadell (2016:38). Employees must be honest. Furthermore, the internal procedures should be improved to reduce opportunities to commit crime. There must be more awareness programmes and training, which highlights transparency and innovative ideas that do not involve the submission of fake documents, and compliance to internal policies during the application processes in the SEFA.

5.5 SUMMARY

This chapter showed the realities and solutions on corporate fraud from countries such as New Zealand, Australia, the USA, and Uganda. It was also necessary to highlight activities within the organisation to get a clear understanding of the journey of corporate fraud. Activities required to curb internal and external fraud were discussed. Fighting fraud is a complex battle, as the worst enemy of the organisation could be its employees (from management to junior staff). However, it is possible to minimise fraud. The next chapter deals with the findings of this research.

CHAPTER SIX

PRESENTATION AND INTERPRETATION OF FINDINGS

6.1 INTRODUCTION

This chapter presents the analysed data obtained from the questionnaires, the interview schedules and literature to achieve the research objectives. In this section, the researcher presents the results after data analysis has been conducted (Hanneman, Kposowa & Riddle, 2013:13). The researcher explains the experiences of the participants and respondents by comparing their knowledge with the literature presented in chapters three, four and five. To ensure that the purpose and aim of the research are reached, and the research questions are answered as discussed in Chapter 1 (sections 1.4, 1.5 and 1.6), the findings are presented in two categories, namely primary and secondary findings. The primary findings are based on the three main research questions; while the secondary findings are on all other information which relates to corporate fraud at SEFA.

6.2 PRIMARY FINDINGS

The following findings from the three main research questions are presented in themes:

6.2.1 Theme 1: Corporate fraud in the SEFA direct lending product

Findings show that the threat of corporate fraud in the SEFA direct lending product is a reality. Corporate fraud exists because there are opportunities within the business life cycle which can be exploited by internal and external parties. Corporate fraud takes the form of application fraud, first-party-fraud, third-party-fraud, corruption, and occupational fraud. The SOC developed controls to curb corporate fraud, such as policies and procedures. However, feedback from the participants and respondents suggested that not all employees were familiar with the internal policies and procedures. The majority of the participants and respondents were of the view that the available rules and procedures for reporting fraud were not efficient.

6.2.2 Theme 2: Traits and modus operandi of corporate fraud targeted at SEFA direct lending

This study revealed that the MO occurs through impersonation, submission of forged documents, and also defrauding of clients who already applied for funding and are awaiting the outcome of the application.

Findings also affirm that clients either colluded with SEFA employees, or SEFA employees create fake companies to defraud SEFA and steal money. Feedback from the participants and respondents who were employed for a longer period suggests that there is adequate knowledge on the types of fraud targeted at the Agency. However, not all are familiar with traits and MOs of corporate fraud, especially those employees who are not with the institution for a long time. The findings confirm that the types of fraud targeted at SEFA were mostly the submission of fraudulent documents and corruption.

Some of the verbatim feedback is summarised as follows: Participant 1 commented “... *clients negotiate with suppliers to refund them in cash when funds have been disbursed to them*”. Participants 2, 3, 4, 5, 7, 10, 11, 15 and 16 stated “... *forgery*”. Participant 6 answered “... *misrepresentation in a form of documents*”. Participants 8 and 12 replied “... *purchased order forgery*”, “... *purchase order, fake*”. Participant 13 commented “... *theft*”. Participant 14 responded “... *Money laundering*” (as per question 22 on attached Annexure E).

Respondent 1 commented “... *soliciting money from suppliers by applicants*”. Respondent 2 answered “... *bribery, kickbacks, corruption, fraud and dishonesty*”. Respondent 3 stated “... *both internal and external fraud*”. Respondent 4 replied “... *financial fraud, inflated financials, falsified documents, etc.*” Respondent 5 disclosed “... *purchase order fraud*”. Respondent 6 commented “... *purchase orders tenders contract finance especially transport contracts*”. Respondent 8 responded “... *fraudulent purchase orders, fraudulent bank details, kickbacks*” (as per question 22 on attached Annexure C).

6.2.3 Theme 3: Best practices to mitigate corporate fraud at SEFA direct lending

Findings divulged that successful methods to curb corporate fraud included the identification of risks, educational training on corporate fraud and how to detect it. It was discovered that the right methods of recruiting employees, such as security clearance or vetting prior and during employment add value in the detection of hiring former fraudsters or potential fraudsters. Internal controls were identified to be valuable sources of corporate fraud prevention when complied with by all employees, from executive management to junior employees. Disciplinary methods were found to be a beneficial deterrent for corporate fraud. This study further disclosed that the organisational culture also plays a vital role in the prevention, detection, reporting and investigation of corporate fraud.

Employee wellness, incentives and promotions were revealed to play a bigger role in discouraging corporate fraud. External or internal oversight bodies such as committees and auditors to evaluate instances of corporate fraud was of paramount importance. Participant 1 comments “... *due diligence should be improved. More stringent pay-out procedure.*” Participants 2, 3, 4, 6, 9, 11, 15 and 16 confirmed “... *awareness, “... they must give us training practicals; just teach people and paying attention to details”.* Participant 5 answered “... *transparency*”. Participant 12 responded “... *create a method which does not involve submission of fake purchase orders*”. Participant 13 stated “... *application of processes and procedures*”. Participant 14 disclosed “... *implementation of policies*” (as per question 24 on attached Annexure E).

Respondent 1 answered “... *to create awareness on dealmakers about possible fraudulent activities*”. Respondent 2 confirmed “... *SEFA requires honest employees*”. Respondent 3 stated “... *Introduce the ID Buddy to verify ID's. Verify and identify all the shareholders in the business.*” Respondent 4 affirmed “...*training of staff on possible fraud threats directed at SEFA. Not holistic fraud.*” Respondent 5 commented “... *to have assigned employees to thoroughly check on application documents/info at an early stage*”. Respondent 6 replied “... *call centre and tollfree number where one can report, and we have posters all over the building informing us about fraud*”. Respondent 7 responded “... *segregation of duties, verification and client visits must be done by independent parties who do not work for SEFA*” (as per question 24 in Annexure C).

6.3 SECONDARY FINDINGS

It was found that SEFA is a legitimate establishment, legally formulated and mandated to provide financial assistance to small businesses with the purpose of job creation. It was found that small business is an engine for economic growth. Literature indicated that, even in some of the African (excluding Botswana) countries, and Western and European countries rely on small business as an engine to economic growth, which also applies to South Africa. SEFA has approved over R3 billion and disbursed millions (nearly billions) to businesses to facilitate job creation. As a result, SEFA has already facilitated the creation of more than 312 480 jobs by providing financial assistance to small businesses that meet the mandated criteria. Literature revealed that corporate fraud is a costly universal problem to financial and non-financial institutions. In SEFA, more than R20 million was lost because corporate fraud was not identified as it occurred. As a result, some of the executives and senior managers were also suspended (Chance, 2017:np).

During the meeting held on 13 September 2017 in the South African PMG, an agenda item was presented on the forensic audit conducted by SEFA on four cooperative projects in LP and MP. It was reported that fraud, forgery, and possible collusion had taken place between the technical partner and SEFA staff. The technical partner had also misappropriated more than R5.9 million. In addition, the report provided a range of recommendations, including pursuing charges against all persons involved and reviewing legal terms of the agreement with various partners (PMG, 2017:np). According to Marks (2012:18), superiors are excessively arrogant and have an attitude of entitlement, which requires thorough observation and redirection within organisations. Curbing such behaviour was observed and suggested during the meeting held on 13 September 2017 in the South African PMG.

Committee members suggested that SEFA should not have a chance to audit themselves, and the Auditor-General and the portfolio committee should be the only bodies tasked with such a function (PMG, 2017:np). Some of the incidents suggesting FPF were that some clients had missed payments. According to the SEFA Annual Report (SEFA, 2017b:29), a loan book between the year 2013 and 2015 showed elevated levels of impairments, and was at 47%; however, PIM initiatives were implemented during that fiscal year. Further, the concerted effort of SEFA to disburse over R4.3 billion in the five years of SEFA's existence has seen corresponding challenges about collections. This resulted in the recognition of a high impairment charge to the statement of comprehensive income, with the previous year showing the highest charge of R355 million. The South African Parliament also highlighted inadequate reporting. As disclosed in a meeting held on 21 November 2018 by the South African PMG, where SEFA representatives were present, it was discovered that some of the data columns on the slides were incorrect, which led the committee to question the entire report. It was requested that the report, which was misleading, must be revised and submitted again to the committee (PMG, 2018:np). This suggests that some of the SEFA representatives were not organised and could be suspected of inaccurate reporting.

Inadequate knowledge management to internal and third parties was one of the factors raised by the South African Parliament. According to clients' reports to the South African Parliament, the institution has a bad reputation which derive from lack of redress in communication with external parties (clients). It was discovered that, during the gathering held on 13 September 2017 in the PMG committee meeting (PMG, 2017:np), three clients presented the following cases:

(a) Client one

This client is a CEO in the fruit business and applied for a loan from the Agency. The loan was denied because the business and financial plan were found to be inadequate. When the CEO applied for a second time, the application was accepted. However, “SEFA did not attend the viewing of the fruit session and as a result the partner in the fruit deal had bowed out” (PMG, 2017:np). It therefore seemed as if the Agency sabotaged the fruit business deal, and as a result the business could not expand.

The client then approached the *Mail and Guardian* newspaper to get the story published. The client approached the media because he/she was displeased with the Agency and wanted to go public to get some understanding of the business transactions. The SOC then acknowledged that errors in relation to the transaction were made and the loan was approved. However, by then the client had been supported by a commercial bank other than SEFA. As a result, the Agency was reluctant to release the funds (PMG, 2017:np).

(b) Client two

This case relates to a supermarket. The client’s husband applied for funding in 2016. SEFA advised that the applicant should be suitable, as she is a woman. She was advised to quit her job in order to focus on the supermarket project, but the application was still not approved during 2017. Furthermore, she was advised to relocate her business to a different place from her smaller place while the application was pending. However, the application was rejected in July 2017 without any explanation. It was reported that the client had broken down in tears during the presentation (PMG, 2017:np).

(c) Client three

A client who was a CEO in her company had more than 120 construction contracts in the Reconstruction and Development Programme (RDP) and secured funding with SEFA in 2014. At that time, the client had already laid the foundation for construction but was not yet paid by the department. However, while the client was waiting for the approval, the client’s supplies and materials were stolen from the construction site. By January 2016, the client’s creditors were asking for repayments, but the Agency had not followed through on their financial obligation (PMG, 2017:np).

Members of the committee apologised to the three women and wanted to know how developmental aspects of SEFA, the peer organisation SEDA and Department of Small Business Development (DSBD) were utilised to assist clients.

Comments were made that the Agency was using bullying tactics and wasting taxpayers' money, as the organisation is not helping poor people. In addition, one of the committee members emphasised that it was rumoured that the institution's officials were cruel and heartless during site visits (PMG, 2017:np). The reports of the three clients suggest that the SEFA representatives who were dealing with the clients have destroyed families instead of building an enterprise for sustainable employment. Such reports are frightening and discourage clients and potential clients from dealing with the Agency. The South African PMG meetings are aired on television and regularly disclosed on the website. These occurrences have had a negative impact on existing and potential clients. According to PMG (2017:np), the SEFA representatives responded as follows:

- Client one: This client had missed payments. The institution tried to engage and communicate with the client in order to reschedule and restructure payments. The matter could not be stopped for court litigations because it could have resulted in penalties and counter charges.
- Client two: The advice for this client to resign was uncalled for, and the matter would be investigated.
- Client three: SEFA would investigate the internal processes for ratification.

During the meeting held on 13 September 2017 in the South African PMG, the committee members asked about SEFA standard processes, specifically with reference to the case of client two. One of the committee members emphasised that knowledge management was key to organisational success, which suggested a lack of a learning spirit (PMG, 2017:np). The SOC representatives must therefore ensure that clients are well informed and that all officials convey the same message. This study further revealed the importance of knowing processes and procedures related to fraud targeted at direct lending. All the respondents and participants believed it was extremely important to be familiar with the processes and procedures related to fraud targeting SEFA. The majority of the respondents indicated that they do not have enough knowledge on processes and procedures. Findings divulged that the SOC has identical processes for all the geographical locations within South Africa.

None of the respondents elaborated on their answers except to provide the direct answers. For example, respondents 1, 3 and 7 commented “... *a moderate amount*”. Respondents 2, 4, 5 and 6 commented “... *a little*” and Respondent 6 stated “... *none at all*”. The majority of the participants were of the opinion that they had a moderate amount of knowledge; only a few mentioned that they had little knowledge. Some of the participants mentioned that the processes were not clearly defined and have not been reviewed in a while; that not everyone follows procedures; and that there is some rush to achieve the performance targets.

The findings also indicated that some of the staff were ignorant and do not care about what is happening in their division. The two participants who did not answer this question made the following comments: Participant 4 stated “... *not sure, I only refer clients*”, while Participant 5 commented “... *I don't know*”. Other participants' comments were summarised as follows: Participant 1 replied “... *a moderate amount*” and “... *many of the processes are not clearly defined nor have they been reviewed for a long time*”. Participant 9 answered “... *a lot but not everyone*”. Participant 11 responded “... *a little and some do not follow processes but targets*”. Participant 13 affirmed “... *it would seem they do not care about what is happening in other divisions*” Participant 14 commented “... *not at all*” and “... *SEFA employees are very much ignorant*” (as per questions 7 and 8 on attached Annexure C and Annexure E).

6.4 SUMMARY

This chapter reflected on the fact that oversight over SEFA business activities was not effective. Funds have been injected to assist entrepreneurs, but the government did not invest in ensuring the required strict monitoring plan. Instead, the SOC was left to run the business on its own without an independent forensic audit by government, especially since some cases were revealed on a continuous basis in the South African PMG meetings. Services are said to be inaccessible to the vulnerable and previously disadvantaged groups. A serious intervention is therefore required to reach a broader target market. Moreover, internal processes and procedures can be manipulated by clients, employees and other unknown third parties. Feedback from respondents and participants revealed that organisational activities provide opportunities for corporate fraud. Some comments highlighted the fact that the business life cycle allows for an opportunity for crimes such as submission of fraudulent documents, collusion, and corruption. The possibility of perpetrators being internal and external parties committing fraud is also plausible.

However, induction training on the processes and procedures, strong internal controls, and effective and informative investigations could minimise corporate fraud.

CHAPTER SEVEN

SUMMARY, RECOMMENDATIONS AND CONCLUSION

7.1 INTRODUCTION

This chapter provides a summary of the thesis from Chapter one to Chapter six. Subsequently, recommendations are made that are based on the three main research questions which were presented in themes that emerged in Chapter six. The purpose of the recommendations is to ensure that the stakeholders, which include all SOCs, the SIU, Department of Correctional Services and SMMEs are guided on how to mitigate corporate fraud at SEFA. The researcher presents each theme from the previous chapter and explains what can be done to enhance each one of them. A new conceptual model framework is presented as part of the recommendations for consideration to minimise corporate fraud in financial institutions. This framework was designed to fight corporate fraud and to allow South Africans who meet SEFA's qualifying criteria to contribute to the economic growth of the country, through job creation for all citizens.

7.2 SUMMARY OF THE PRECEDING CHAPTERS

The thesis chapters are summarised to provide context for the recommendations.

7.2.1 Summary of Chapter One

The South African unemployment statistics and the taxpayers' monies injected in SEFA for the purpose of job creation emphasise why this research is important and relevant. The Agency's mandate is to assist with job creation and not to be robbed of the opportunity to create harmonious economic growth collectively from entrepreneurship, from SMMEs to big businesses. In this regard, the role of and threat of corporate fraud were discussed in detail. By virtue of the fact that the SOC is a financial institution, it attracts corporate fraudsters, which forms part of the rationale for this research. The SOC is aware of this threat to its mandate, hence the policies aligned with legislation. The recording of fraudulent activities in a register for further investigation shows that SEFA is responsible in its conduct. The researcher was able to formulate the research objectives, which assisted the researcher in formulating the questions to serve as guidelines for the evaluation and basis for the chapters of this thesis.

Key concepts were presented and defined. The demarcation, time allocation and geographical area articulated how the researcher conducted the study. The sample was selected from SEFA staff in the direct lending product and related units responsible for complementing the transaction processes. Eight respondents and 16 participants took part in this study. The problems encountered during data collection included the fact that people were afraid to talk about maladministration issues, especially in relation to corporate fraud. Additional information was extracted from the literature such as the SEFA annual reports. In the public domain, information included South African PMG meetings and other media reports that validated some of the questions in the questionnaire and interview schedule used to conduct this study. The chapter concluded with an outline of the organisation of this thesis.

7.2.2 Summary of Chapter Two

This research adopted mixed methods, which was a combination of qualitative and quantitative techniques. The ethical considerations were observed by obtaining permission from the participants, applying for ethical clearance from the university and obtaining informed consent from respondents and participants (see annexures A, B, C, D & E). The importance of the role of the population in the study were described. The validity of mixed methods was presented by reflecting separately on the qualitative and quantitative methods to ensure trustworthiness, credibility, dependability, quality rigour and transferability. In addition, the researcher took exceptional care to protect participants and not to coerce or intimidate them to participate in this research.

7.2.3 Summary of Chapter Three:

This chapter provided an overview of SEFA as a SOC. The legality of the Agency, the regulatory environment and compliance obligations are described, followed by an explanation of the geographical footprint and the direct lending product business life cycle. The obligation on corporate fraud management is also emphasised. Further, the theories on corporate fraud from local and international sources, as well as the types of fraud in financial institutions are briefly discussed. A discussion follows on the contributors to corporate fraud with reference to similarities between South Africa and other countries, namely Egypt, the USA, China, and Australia regarding combating of corporate fraud.

Furthermore, SEFA's contribution to South Africa's economic growth of the country is discussed through the analogy of the SLS for a better understanding of the impact of its existence. This chapter concluded with an overview of the records of fraudulent activities in the SEFA Fraud Register.

7.2.4 Summary of Chapter Four

This chapter dealt with the identification of the traits and MO of corporate fraud from 2013 to 2017 in the SEFA Fraud Register (SEFA, 2017a:1-5). The impact of corporate fraud and the problems facing the country were highlighted through statistics reported by Statistics South Africa throughout the years of this study. The importance of nurturing the SMEs discussed with reference to South Africa's peer countries Ghana, Tanzania, Botswana, the USA, and the European countries. The impact of jobs created is illustrated in the form of statistics from the SEFA annual reports.

7.2.5 Summary of Chapter Five

This chapter outlined some of the successful methods to minimise corporate fraud. The researcher's objective was to determine other successful methods at a global glance to mitigate corporate fraud. Countries such as New Zealand, Australia, the USA, Uganda, and South Africa were therefore discussed. It was stated that the activities within the organisation can be effectively used to curb corporate fraud. These include activities aimed at enabling the organisation to execute its mandate as well as internal activities such as recruitment, the impact of training of employees on processes and procedures of the organisation, risk and compliance management, fraud prevention, detection, investigation, monitoring, reporting and records management. The common denominator in the execution of the crime of fraud is the fact that it is always orchestrated by a human being, either an employee, client or other random third party. Data collected point to the fact that the human factor is the major risk in internal or external corporate fraud of the organisation.

7.2.6 Summary of Chapter Six

This chapter discussed the findings from literature on fraud at financial institutions and conceptualised the views of the respondents and participants which allowed the reader to obtain a clear understanding of the gathered data on corporate fraud at SEFA. It contained the interpretation of the results which was arranged in primary findings and secondary findings to achieve the research objectives.

7.3 RECOMMENDATIONS DERIVED FROM THE FINDINGS

The recommendations are based on the three themes, as well as the reviewed national and international literature.

7.3.1 Recommendations on corporate fraud in the SEFA direct lending product

SEFA reported to the South African Parliament that corporate fraud does exist and requires mitigation methods. The following are recommended to mitigate fraud: The government must take the initial responsibility to investigate and recover the lost funds from perpetrators. The dedicated PMG committee may suggest recommendations for action to recover the funds. An overall forensic audit by external parties must be conducted to determine the need for forensic investigation where possible. Both processes may be able to assist in the detection of application fraud, third-party-fraud, occupational fraud, corrupt transactions, and activities as well as other maladministration opening opportunities for corporate fraud.

7.3.2 Recommendations on traits and modus operandi (MO) of corporate fraud targeted at SEFA direct lending

The following recommendations are made in this regard:

The SOC must reach out to a legitimate target market for local economic growth in the vast geographical areas within South Africa in this regard, research must be conducted on the legalities of identifying persons with disabilities and unemployed youth and persons through the South African Social Security Agency (SASSA) to assist them with sustainable jobs. The Department of Home Affairs (DHA) must also be approached (to verify the identity of the clients). In this regard, some of the verification methods of some of the South African banks are linked to the DHA information during the application stage for opening a bank account.

The Department of Social Development (DSD) may be contacted to get the statistics on the beneficiaries of the grants in the country's remote areas without access to economic activities. The SOC may then decide to embark on mobile road shows to establish temporary satellite offices to afford them opportunities to establish businesses according to the community lifestyle. Some big corporates buy office buses to reach their target market; similarly, SEFA can purchase buses to enable SEFA staff to reach the client, get to know them and possibly identify and finding solutions to the problem of fraud.

In this way the risk of failed businesses can be reduced by helping the vulnerable groups and the poor, and by reaching the disabled in their villages and sourcing an authentic target market. The buses may be stationed at the local South African police stations for safety reasons. Furthermore, South African tertiary institutions (colleges and universities) may be contacted to get in touch with prospective scholarly entrepreneurs who could use SEFA funding to start their businesses. Another way could be to recruit and appoint a social media specialist to conduct research on businesses advertised on those platforms for further conversations. Suitable businesses with the potential to generate employment opportunities for more than one person can be evaluated by conducting a site visit at the business address. This may help to generate innovative ideas on low-risk products and services and may also reveal the natural talents of the funded clients.

Clients who use their natural talent usually display more commitment and care. It is also true that people who love their jobs do their best and enjoy it more. In addition, clients who do not display passion towards their job can be identified, and training could be provided on the development of skills in nurturing and supporting the business. Friendly yet formal relationships can be established with clients by encouraging them to do formal reporting on business operations. In this regard, a reporting template can be developed to ensure that taxpayers' moneys are funded for economic growth. This can assist with the KYC and ensure that the funds are traceable. The gaps in knowledge management can be rectified to assist all potential clients not to fall prey to internal and external scams and fraudulent activities. South Africa has a vast geographical rural area in which few facilities such as billboards are available to disseminate information. Television, radio, and cellular phone advertising can be fruitful in ensuring that the correct messages regarding SEFA and its products in general are disseminated. The previously disadvantaged but reliable target market can be sourced and attracted for an opportunity to participate in the economy. The current products and services that are not feasible for the poor vulnerable groups and people in deep rural areas must also be reconsidered.

7.3.3 Recommendations on best practices available to mitigate corporate fraud at SEFA direct lending

It is recommended that SEFA implements the following best practices:

- Consider vetting and conducting a security clearance of criminal records for new and old employees, including previous and new ones which might be unknown to the employer.

- Strictly discourage occupational fraud and promote compliance with legislation and internal policies and procedures. Encourage staff members to exercise professional due care when they conduct business using state funds. Also note and consider the fact that fraud affects all South Africans.
- Reconsider new automated systems to change internal processes to minimise corporate fraud.
- Conduct remedial action on FPFs. Make the post-monitoring programme more efficient.
- Fully disclose reports and misconduct.
- Establish corporate fraud reporting lines.
- Implement compliance-based investigations.
- Provide wellness support to employees experiencing personal problems which could cause individuals to commit occupational fraud, corruption, and other forms of criminal activities in order to overcome these challenges.

7.4 THE NEW CONCEPTUAL FRAMEWORK

Nalzar (2012:1-20) explains that a conceptual framework consists of ideas placed in a logical and chronologically designed manner. The framework as outlined in Table 7.1 below is derived from the data collected and evaluated in this study which reflects the stages in which corporate fraud opportunities might have arisen in the business processes. According to SAnews (2019:np), SEFA has committed to a turnaround time of up to 20 days. However, the SEFA business life cycle from the application stage to the post-disbursement stage lasts exceptionally long, which can be from 0 to 90 days and even more, depending on the circumstances during the business transaction. Lawal, Amogu, Adeoti and Ijaiya (2017:125) note that there is a meaningful relationship between fraud and the business life cycle.

The level of fraud committed, however, does not rely exclusively on the growth or depression of an economy; instead, various forms of fraud may be committed in an adverse economy. South Africa is currently going through an economic crisis and fraud is regarded as a big threat. The conceptual model framework was developed to help decrease the motive and restrict the opportunity for corporate fraud, as well as to deter corporate fraudsters in SEFA. Another aim was to see how the framework could be applied to fulfil the SEFA mandate and the NDP 2030 for the creation of sustainable jobs for economic growth in South Africa.

The problematic areas in the business life cycle which affected all South Africans were taken into consideration in order to rectify them. The idea was to depict that it is possible to reduce corporate fraud so that the SEFA business can thrive for the benefit of the country.

7.4.1 Prevention, detection, and response activities to mitigate corporate fraud at SEFA

- Stage one: Prevention activities

As a financial institution, SEFA should invest in corporate fraud prevention activities aimed at minimising opportunities. Thus, the SOC must conduct compliance research pertaining to fraud minimisation legislation in line with the specific fraud targeted at the Agency. SEFA ought to conduct risk assessments. SEFA must personalise products and services, and go the extra-mile to secure a legitimate target market. Additionally, embark on publicity campaigns using influential communication mediums, for example the radio, television, and various social media platforms; and do the following:

- ✓ Vetting of employees (security clearance);
- ✓ Skills and product training;
- ✓ Employ ethics and fraud officers;
- ✓ Implement reliable automated systems;
- ✓ Administer monthly risk monitoring fraud control plans; and
- ✓ Provide a national hotline reporting service.

- Stage two: Detection activities

The Agency should execute compliance tracking, monitor fraud risk registers; do external auditing; assess fraud monitoring and reporting plans; and evaluate lifestyle audits.

- Stage three: Response activities

This SOC must employ fraud investigators for internal investigations to comply with fraudulent legislation and policies. They should also improve current institutional disciplinary processes to prevent criminal corporate fraud.

7.4.2 Prevention, detection, and response activities to minimise corporate fraud in the clientele's sphere

- Stage one: Nurturing client relationships with fraud prevention activities

The Agency could carry out radio adverts in native languages on products and services; procure office buses to cater for vulnerable groups in rural areas; improve outreach programmes to purposefully target clientele with special disabilities in collaboration with home affairs and social development departments; and provide training on processes and adequate post-monitoring. This SOC must disclose complaints received from clients to prevent fraudulent cases; they should disclose fraudulent cases and their status updates in the SEFA annual reports; and reveal authentic reporting to enhance trust in the local and international community (transparency).

- Stage two: Monitoring client's activities with fraud detection activities

The Agency should consider vetting clients to establish whether they have criminal records. SEFA should consider developing a compliance tracking register on the terms and conditions of the contract. This may assist in identifying early signs of first-party fraud attitudes, as well as that of third-party-fraud tendencies.

- Stage three: Addressing current and future fraud prevention through responsive activities

Immediate investigation on allegations reported and providing feedback to the client is vital; The institution should enhance radio and television alerts on innovation in new fraudulent activities. The regulatory requirement should be intensified, such as compliance reports at the SOC and special investigating units to probe existing reported cases.

Below table displays the proposed new conceptual framework for SEFA to address corporate fraud.

Table 7.1: The potential impact of the new conceptual framework for SEFA

Stages within the SOC			Stages within the target market			Enforcing SEFA mandate/NDP 2030			Impact on economic growth		
↓ →			↓ →			↓ →			↓ ←		
Prevention	Fraud minimisation legislation, risk assessments, fraud prevention policies, compliance policy to processes and procedures, and reporting obligations										
Detection	All the regulatory requirements articulated in Chapter three, under point 3.2.2										
Response	Activities to be carried out to minimise corporate fraud in SEFA										
Activities in SEFA			Activities on target market			Impact on the mandate			Impact on the economic growth		
Prevention	Detection	Response	Prevention	Detection	Response	Prevention	Detection	Response	Prevention	Detection	Response
Publicity (radio and television); vetting of employees (security clearance); skills and product training; employ ethics and fraud officers; reliable automated systems; monthly risk monitoring fraud control plan; national hotline reporting.	Compliance tracking, risk register; external auditing; fraud monitoring and reporting plan; vetting (lifestyle audits).	Employ fraud investigator internal investigations linked to compliance (legislation and policies); internally criminal proven cases reported to the police; institute disciplinary actions.	Radio adverts in native languages on products and services; procuring office buses to cater for vulnerable groups in rural areas; Outreach programme to purposefully target clientele with special disabilities in collaboration with home affairs and social development departments; training (SEFA) processes) and adequate post-monitoring.	Vetting of criminal records from the police. attend to complaints reported within the legal period; compliance tracking register on the terms and conditions of the contract; fraud monitoring on reports to identify signs of first-party fraud.	Immediate investigation on allegations reported and providing feedback to the client; create radio and television alerts on innovation of new fraudulent activities.	Publicity (radio and television); disclosures of complaints received and addressed; fraudulent cases and their status in the SEFA annual report; procuring office buses to cater for vulnerable groups in rural areas; authentic reporting.	Auditor-General of South Africa; South African Receiver of Revenue.	Regulatory requirement: compliance reports as an SOC, special investigating unit for existing cases reported.	Compliance report on legislative requirements; disclosure on reporting corporate fraud in the annual report to enhance trust in the local and international community (transparency).	Auditor-General of South Africa; portfolio committee responsible for monitoring SEFA.	Regulatory requirement: compliance reports as an SOC; special Investigating unit for existing cases reported.

Source: Designed by the researcher

7.5 CONCLUSION

Although the South African government has developed legislation and guidelines for financial entities when drafting policies and procedures, they also established regulatory bodies to assist the financial sector to disclose and report any instances of irregularities and maladministration. Oversight individuals and institutional bodies such as the portfolio committee (PMG) in the South African Parliament also fight instances of corruption which intertwines with the fraudulent activities in the organisation. However, in spite of all these measures, corporate fraud in the SOC has been increasing. This study revealed that instances of fraud increase despite the measures put in place to uphold the law and encourage economic growth for the country. Criminal proceedings are rarely instituted against those who defraud the institution of state funds.

The Agency was created to alleviate poverty. SEFA must also redress the exclusion of previously disadvantaged individuals from participating in economic growth because of segregation and inequality created by the apartheid government. However, the previously disadvantaged groups of South Africa are still denied the opportunity to participate in the economic growth of the country because they cannot access the products and services from the areas where they live. The products and services are also not personalised according to the needs of many people, including the vulnerable groups. This situation can only be remedied if SEFA uses some of the state's money, that is, taxpayers' funds, to make an effort to reach out to people in faraway places to make a difference. The investment to protect state funds by guarding against corporate fraud is inadequate. However, this does not mean that the state itself should not have intervened and investigated when instances of fraudulent activities had arisen.

SEFA should have alerted the state that the SOC is facing a threat of corporate fraud for intervention from the time SEFA was established in 2012. The state would have investigated these cases to protect the NDP 2030 goal of economic growth. The actions by the state could have saved millions of rands and would have avoided reputational damage to the institution. This would have given the South African citizens hope that the Agency can indeed drive the mandate to assist with sustainable job creation. Finally, the researcher introduced the analogy behind the conceptual model framework to minimise corporate fraud. SEFA's mandate does not propose that the SOC must operate on its own. It should be part of the process to address and correct issues such as inequalities of the past and uphold one of the government goals of eradicating unemployment.

Here, the Agency can play a role by providing opportunities for the historically disadvantaged to participate in the economic growth of the country. Inadequacies and gaps, which aided or contributed to corporate fraud, were identified in the SEFA business life cycle. The conceptual model framework was meant to minimise gaps in providing opportunities for corporate fraud. It is possible to prevent, detect and investigate such instances only if there is commitment to serve the people of South Africa and to see the country's growth through equality. A conceptual model framework was then outlined to pinpoint motives, opportunities, and other contributing factors to consider in minimising corporate fraud, specifically customised to SEFA's business environment in South Africa.

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ANNEXURES

Annexure A: Authorisation letter to conduct the study at Small Enterprise Finance Agency

TO: Thakhani Makhuvha
Chief Executive Officer

FROM: Azwihangwisi Judith Mphidi
Compliance Specialist

SUBJECT: To obtain approval to conduct research study within the small enterprise finance agency (sefa) in fulfilment of Doctor of Philosophy in Criminal Justice through the University of South Africa (Unisa).

BACKGROUND

The researcher (Azwihangwisi Judith Mphidi) is first a permanent employee of the Small Enterprise Finance Agency (sefa) and a registered student with the University of South Africa (Unisa) (registration confirmation attached). The researcher has the best interest at sefa as an employer and have passion for sefa mandate to serve South Africans through support and funding of small businesses. The researcher has taken an interest into making sefa business matter, which is why it is vital to conduct this research for the benefit of South Africans.

It's of vital importance that a written permission or approval be obtained in order to comply with ethical considerations outlined in the Unisa policy on research ethics of 2007. If permission or approval is not granted, there will be no research publications regarding the sefa without written permission or approval.

MOTIVATION

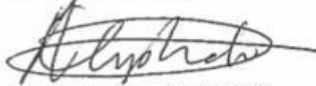
MOTIVATION

The main benefit for the researcher to conduct this research study within sefa is that it will be of a low budget as there will not be any travelling required to obtain information. The participation of sefa in this proposed research study will be of paramount important to sefa mandate, hence strengthen the support the National Development Plan 2030 vision. The working title for the thesis is currently revolving around economic crimes targeted at sefa.

This is because sefa is a financial institution and is bound to attract such criminal activities. The researcher is interested in an exploration of this phenomenon and evaluate how vulnerable sefa is to such activities. The success of the study will benefit sefa and the Republic of South Africa in general including research communities. This is because sefa mandate is aligned with the NDP 2030 vision of job creation through support of small businesses. sefa will benefit from the research and serve as an example amongst peer organisations in practise within the sector.

1

REQUESTING OFFICIAL



Azwihangwisi Judith Mphidi

Compliance Specialist

07 November 2016

RECOMMENDATIONS

It is here by recommended that Azwihangwisi Judith Mphidi may be granted permission to conduct the proposed research study within sefa without prejudice and with ethical considerations at all times. All the information obtained from sefa will be signed off and the thesis will be shared with sefa prior publication.

APPROVAL **NOT APPROVED** **APPROVED**




Thakhani Makhuvha

Chief Executive Officer

14 / 11 / 2016

Annexure B: Unisa Ethical Clearance

UNISA 
university of south africa

UNISA CLAW ETHICS REVIEW COMMITTEE

Date 20180806

Dear Ms Mphidi

Reference: ST71 of 2018
Applicant: AJ Mphidi

**Decision: ETHICS APPROVAL
FROM 6 AUGUST 2018
TO 5 AUGUST 2021**

Researcher(s): Azwihangwisi Judith Mphidi

Supervisor (s): Dr DC Pheiffer
Prof T Budhram

An evaluation of fraud at Small Enterprise Finance Agency

Qualification: PhD (Criminal Justice)

Thank you for the application for research ethics clearance by the Unisa CLAW 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 6 August 2018 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment. The decision was ratified by the committee.*

The proposed research may now commence with the provisions that:

1. The researcher will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. 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.
3. The researcher will conduct the study according to the methods and procedures set out in the approved application.

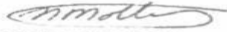


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Note:

The reference number ST71 of 2018 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

Chair of CLAW ERC

E-mail: mollena@unisa.ac.za

Tel: (012) 429-8384



PROF CI TSHOOSE

Executive Dean: CLAW

E-mail: tshooci@unisa.ac.za

Tel: (012) 429-2005

URERC 25.04.17 - Decision template (V2) - Approve

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4. 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.
5. 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.
6. 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.
7. No field work activities may continue after the expiry date of 5 August 2021. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

Note:

The reference number ST71 of 2018 should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Annexure C: Survey Questionnaire

(a) Survey questionnaire design

The SurveyMonkey system provided a variety of options. The survey design included the following and is also embedded in this Annexure.

- **Heading:** *“Academic Research Study by AJ Mphidi 36924024 (Doctor of Philosophy in Criminal Justice) in the College of Law within the University of South Africa”.*
- **Subject:** *“Invitation to participate in survey on an evaluation of corporate fraud at the Small Enterprise Finance Agency.”*
- **Research permissions:** *“Research permission dated the 14th of November 2016 by SEFA CEO” (see Annexure A), “Ethical clearance reference number ST71 of 2018 by UNISA College of LAW RESEARCH ETHICS REVIEW COMMITTEE”.*
- **Introduction letter:** *“Dear Prospective Participants. Kindly be informed that the study is voluntary and is for academic research study purposes only. The estimated time to complete the study is thirteen (13) minutes. This survey is set not to disclose all participants' information in the results. Thank you. Kindly read the informed consent information attached to this email or after. Thank you.”*
- **Informed consent:** *“Q1 Have you read the informed consent information?” and “Q2 Do you agree to voluntarily participate in this study”.* (All the respondents answered “yes” to these questions (see Annexure C).
- **The multiple-choice questions:** sub-questions one and two, of which the “yes” answer was ranked two and the “no” answer ranked one.
- **Sub-questions to extract the respondents' own thoughts or opinions:** sub-questions four, five, nine, ten, eleven, 13, 15, 17, 22, 23 and 24 had comment boxes for the participants to expand on or give their opinion, and not ready-made answers.
- **Sub-questions with a comment field and an option for "other":** The multiple-choice sub-questions seven, eight, 12, 14, 16, 18, 21, 26, 27 and 29 had an option for “other” and a comment field to allow participants to expand and insert additional comments and information.
- **Sub-questions with options ranking from a scale of one to five:** The multiple-choice sub-questions seven, eight, 16, 18 and 29 had points allocated from a scale of one as the lowest to five as the highest.

The participants could choose a ranking from "not significant" (the lowest, one), to "most significant" (the highest, five).

- One sub-question with options ranking from a scale of one to three: sub-question 14 was the only sub-question which required a ranking of scale one (meaning "late"), two (meaning "on time") or three (meaning "early") to determine the period which it takes to detect instances of corporate fraud. This question also had an option of "other" and a comment field for respondents to further express their view.

Date on which survey was completed: In sub-question 30, the respondent had to choose the date on which the survey was completed to assist the researcher in tracking the duration between the date the survey has been sent out and returned.

(b) Types of questions: Likert scale and semi-close ended.

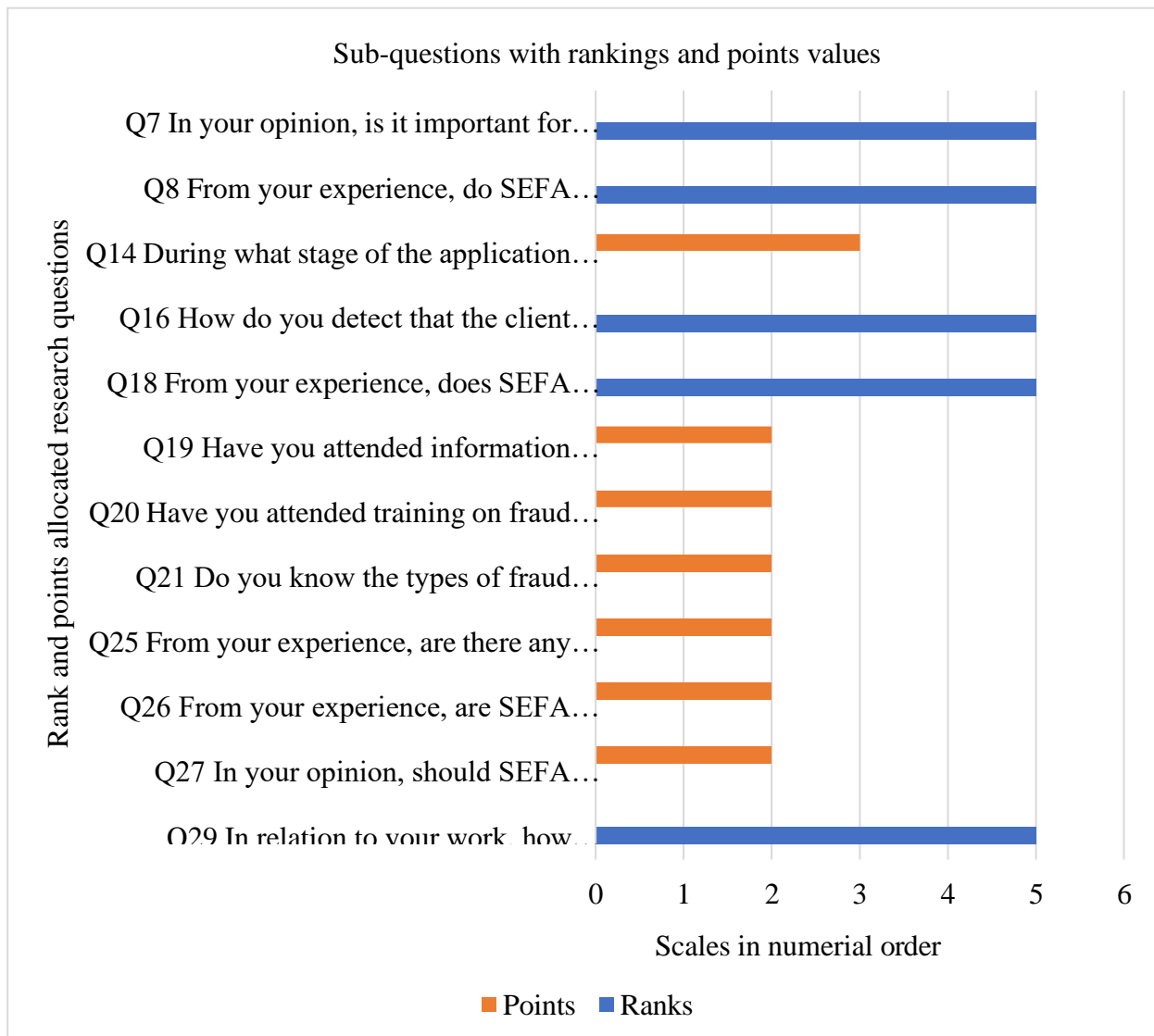
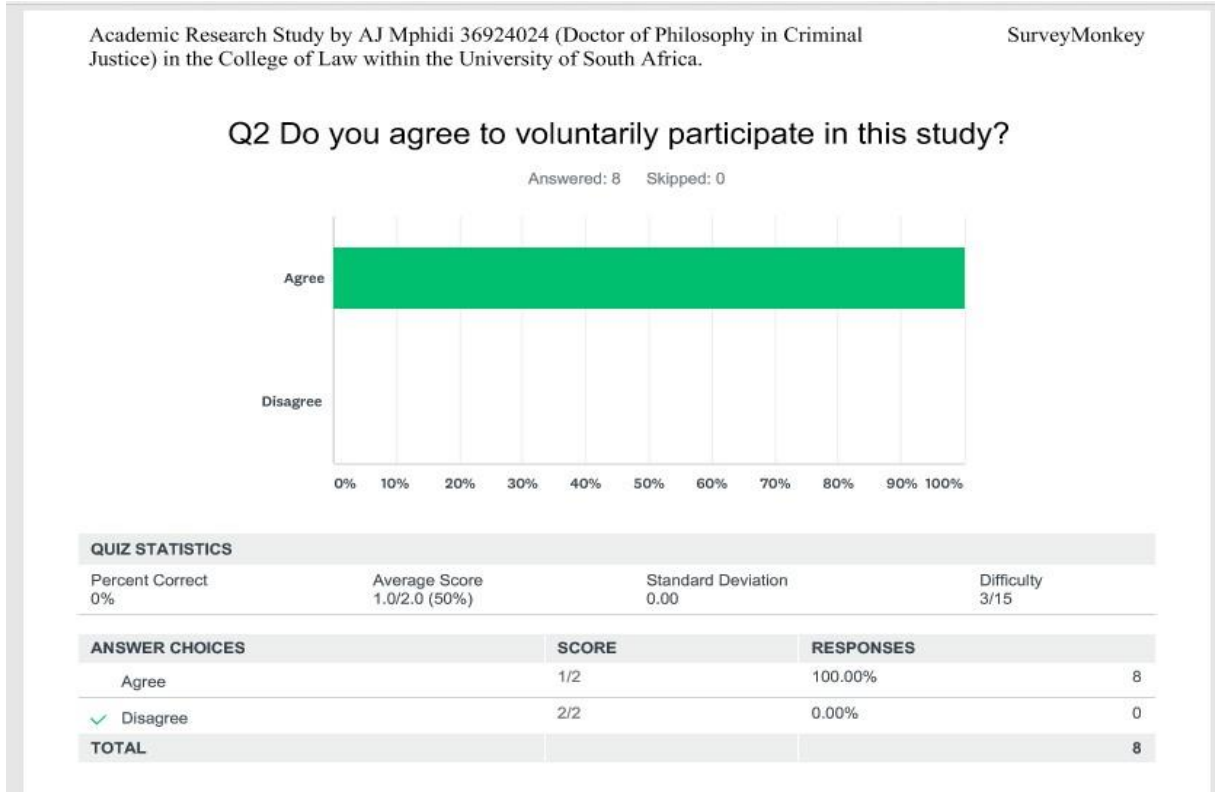
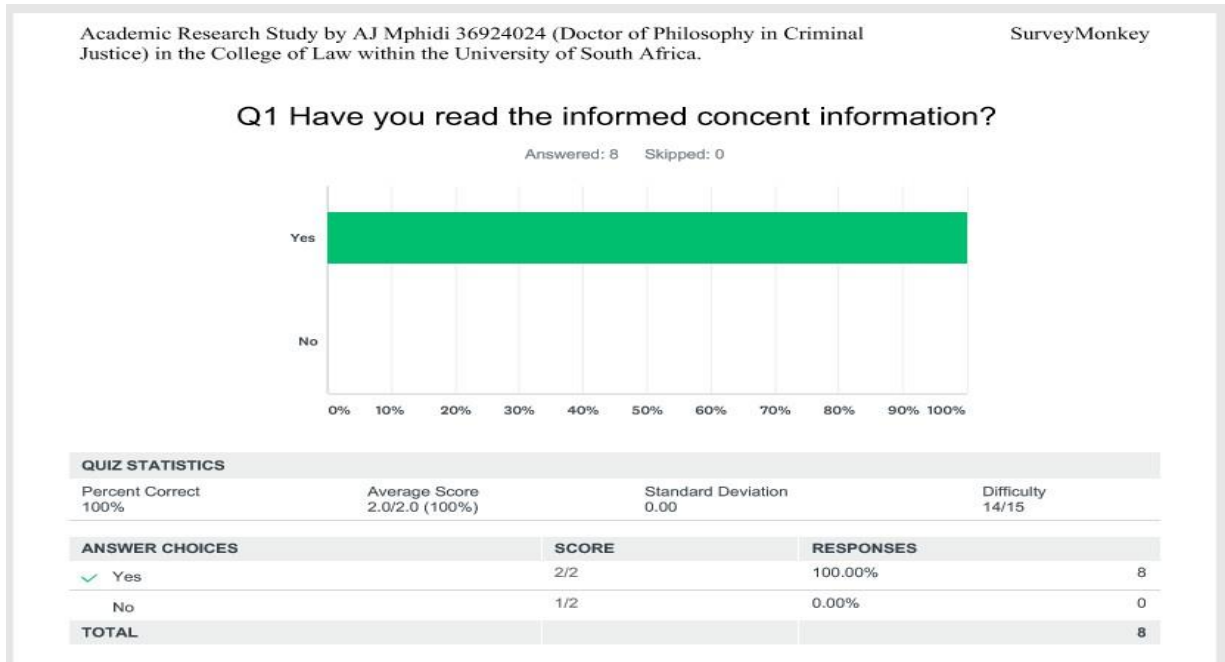


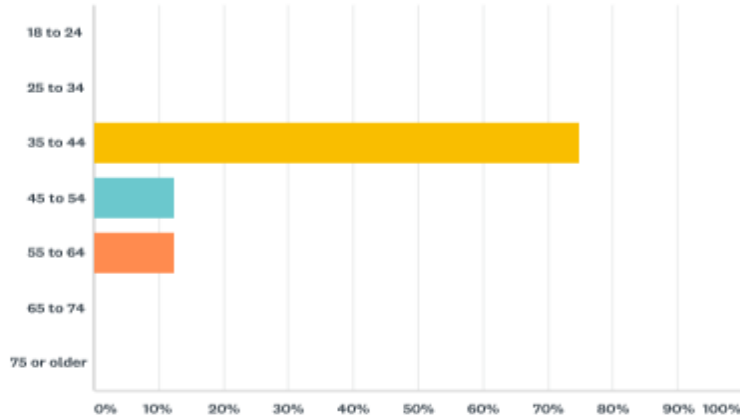
Figure.1: Likert scale and semi-close ended questions.

(c) Actual images of survey questionnaire



Q3 What is your age?

Answered: 8 Skipped: 0



ANSWER CHOICES	RESPONSES
18 to 24	0.00% 0
25 to 34	0.00% 0
35 to 44	75.00% 6
45 to 54	12.50% 1
55 to 64	12.50% 1
65 to 74	0.00% 0
75 or older	0.00% 0
TOTAL	8

Q4 What is your Designation?

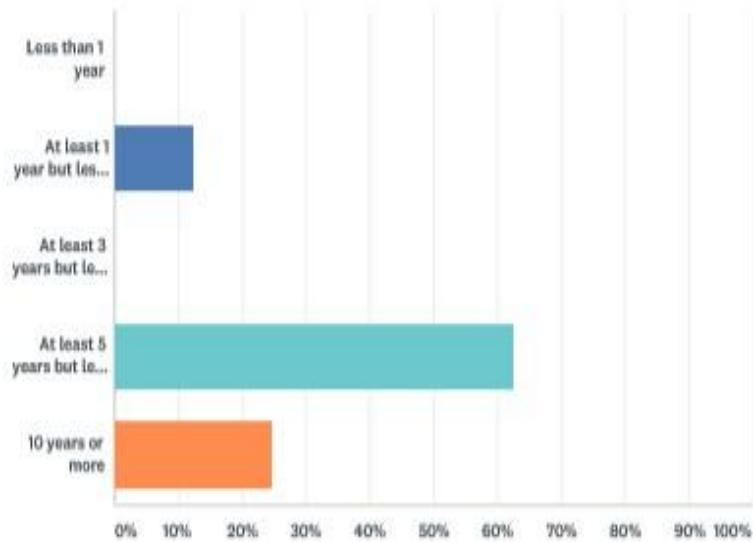
Answered: 8 Skipped: 0

Q5 At which location do you work?

Answered: 8 Skipped: 0

Q6 About how many years have you been in your current position?

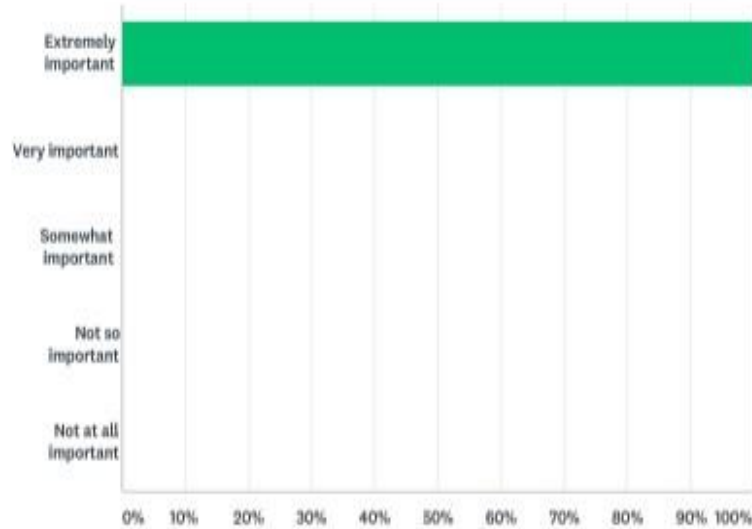
Answered: 8 Skipped: 0



ANSWER CHOICES	RESPONSES
Less than 1 year	0.00% 0
At least 1 year but less than 3 years	12.50% 1
At least 3 years but less than 5 years	0.00% 0
At least 5 years but less than 10 years	62.50% 5
10 years or more	25.00% 2
TOTAL	8

Q7 In your opinion, is it important for SEFA employees to be familiar with the process and procedures related to fraud targeted at direct lending?

Answered: 8 Skipped: 0



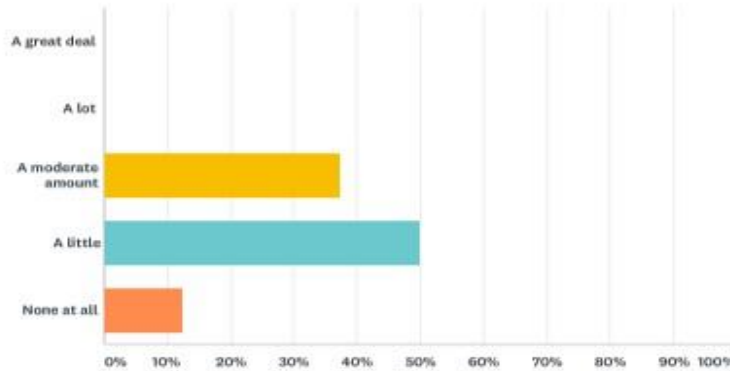
QUIZ STATISTICS

Percent Correct 100%	Average Score 5.0/5.0 (100%)	Standard Deviation 0.00	Difficulty 14/15
-------------------------	---------------------------------	----------------------------	---------------------

ANSWER CHOICES	SCORE	RESPONSES	
✓ Extremely important	5/5	100.00%	8
Very important	4/5	0.00%	0
Somewhat important	3/5	0.00%	0
Not so important	2/5	0.00%	0
Not at all important	1/5	0.00%	0
TOTAL			8

Q8 From your experience, do SEFA employees fully understand the processes and procedures in direct lending? Please motivate your answer?

Answered: 8 Skipped: 0



QUIZ STATISTICS

Percent Correct	Average Score	Standard Deviation	Difficulty
0%	2.3/5.0 (45%)	0.71	2/15
ANSWER CHOICES		SCORE	RESPONSES
✓ A great deal	5/5	0.00%	0
A lot	4/5	0.00%	0
A moderate amount	3/5	37.50%	3
A little	2/5	50.00%	4
None at all	1/5	12.50%	1
TOTAL			8

Q9 How do clients apply for direct lending product, walk inn, online or postal?

Answered: 8 Skipped: 0

Q10 What constitute an application fraudulent in your context?

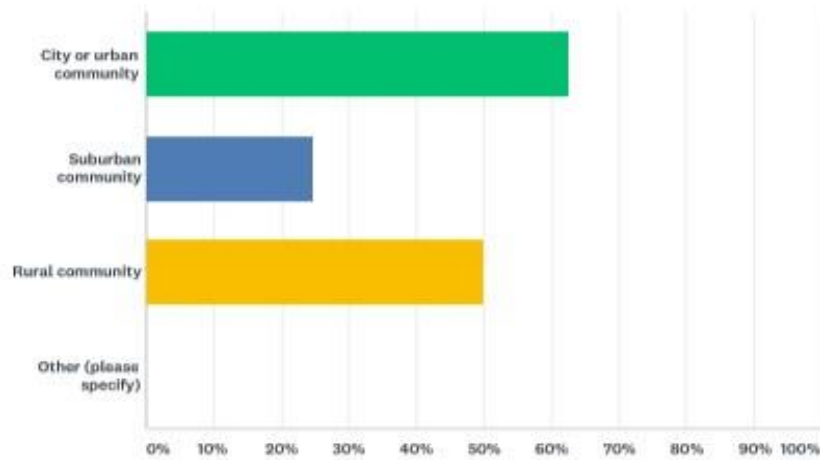
Answered: 8 Skipped: 0

Q11 How does SEFA ensure that the Application is authentic?

Answered: 8 Skipped: 0

Q12 In what type of community does your typical client live? (Check all that apply)

Answered: 8 Skipped: 0



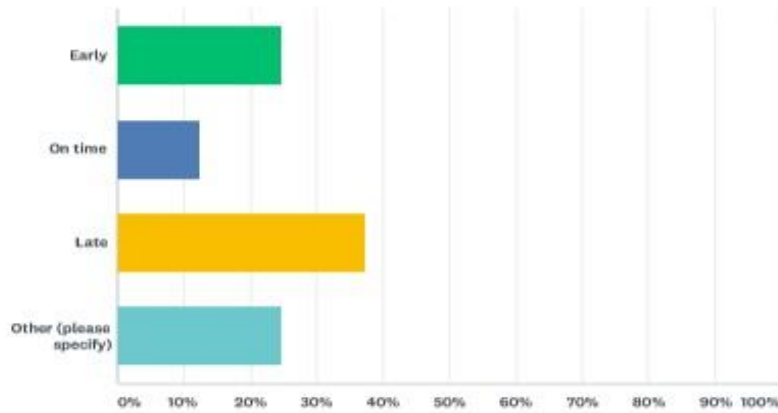
ANSWER CHOICES	RESPONSES
City or urban community	62.50% 5
Suburban community	25.00% 2
Rural community	50.00% 4
Other (please specify)	0.00% 0
Total Respondents: 8	

Q13 What are methods in place to assist in the detection of fraudulent applications?

Answered: 8 Skipped: 0

Q14 During what stage of the application does SEFA representatives realise the application is dodgy?

Answered: 8 Skipped: 0



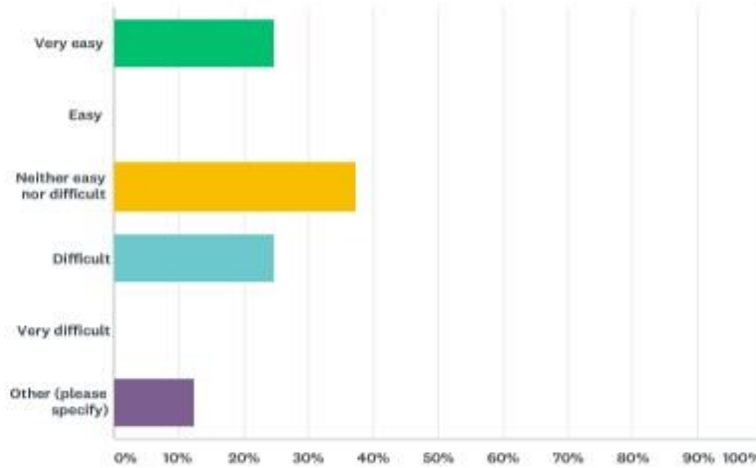
QUIZ STATISTICS			
Percent Correct 25%	Average Score 1.8/3.0 (61%)	Standard Deviation 0.98	Difficulty 4/15
ANSWER CHOICES	SCORE	RESPONSES	
✓ Early	3/3	25.00%	2
On time	2/3	12.50%	1
Late	1/3	37.50%	3
Other (please specify)	—	25.00%	2
TOTAL			8

Q15 Applications of suspected of being fraudulent, where they face to face clients or proxies?

Answered: 8 Skipped: 0

Q16 How do you detect that the client has submitted fraudulent documents?

Answered: 8 Skipped: 0



QUIZ STATISTICS

Percent Correct	Average Score	Standard Deviation	Difficulty
0%	3.3/15.0 (22%)	1.25	1/15

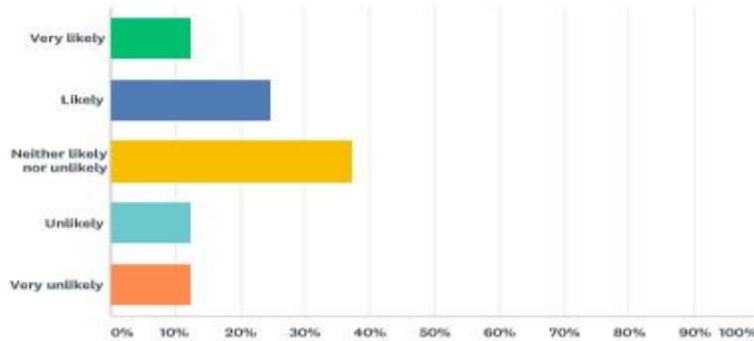
ANSWER CHOICES	SCORE	RESPONSES
✓ Very easy	5/15	25.00% 2
✓ Easy	4/15	0.00% 0
✓ Neither easy nor difficult	3/15	37.50% 3
✓ Difficult	2/15	25.00% 2
✓ Very difficult	1/15	0.00% 0
Other (please specify)	--	12.50% 1
Total Respondents: 8		

Q17 What do you do with fraudulent applications?

Answered: 8 Skipped: 0

Q18 From your experience, does SEFA provide opportunities for employees to attended training on fraud?

Answered: 8 Skipped: 0

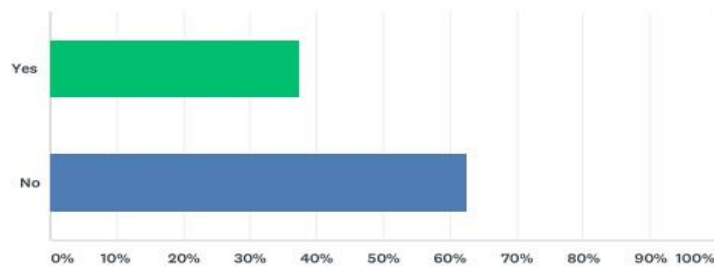


QUIZ STATISTICS

ANSWER CHOICES	SCORE	RESPONSES
✓ Very likely	5/5	12.50%
Likely	4/5	25.00%
Neither likely nor unlikely	3/5	37.50%
Unlikely	2/5	12.50%
Very unlikely	1/5	12.50%
TOTAL		8

Q19 Have you attended information sessions on the Fraud Prevention Policy and Strategies?

Answered: 8 Skipped: 0

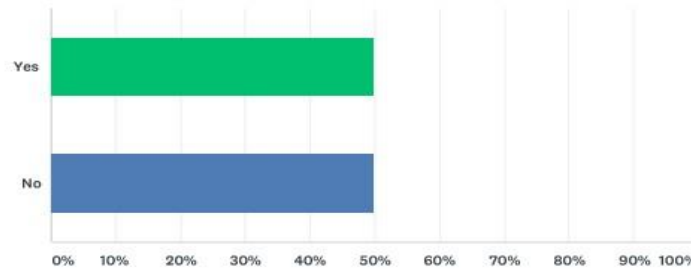


QUIZ STATISTICS

ANSWER CHOICES	SCORE	RESPONSES
✓ Yes	2/2	37.50%
No	1/2	62.50%
TOTAL		8

Q20 Have you attended training on fraud awareness for the past five years, in SEFA or externally?

Answered: 8 Skipped: 0



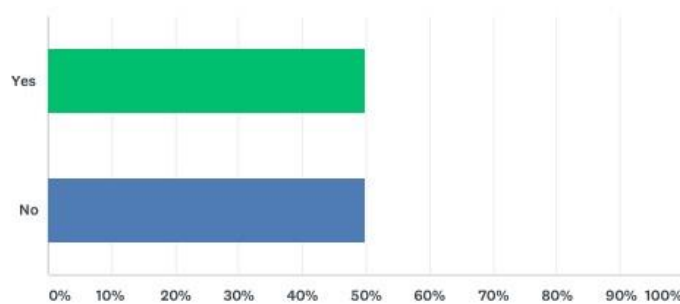
QUIZ STATISTICS

Percent Correct 50%	Average Score 1.5/2.0 (75%)	Standard Deviation 0.53	Difficulty 8/15
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ANSWER CHOICES	SCORE	RESPONSES	
✓ Yes	2/2	50.00%	4
No	1/2	50.00%	4
TOTAL			8

Q21 Do you know the types of fraud targeted at SEFA?

Answered: 8 Skipped: 0



QUIZ STATISTICS

Percent Correct 50%	Average Score 1.5/2.0 (75%)	Standard Deviation 0.53	Difficulty 8/15
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ANSWER CHOICES	SCORE	RESPONSES	
✓ Yes	2/2	50.00%	4
No	1/2	50.00%	4
TOTAL			8

Q22 What type fraud is directed at direct lending?

Answered: 8 Skipped: 0

Q23 What are the characteristics of fraud in direct lending?

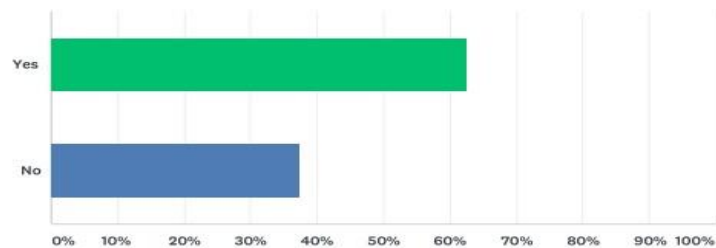
Answered: 8 Skipped: 0

Q24 What are the best and doable practices available to mitigate fraud at SEFA direct lending? Please motivate your answer?

Answered: 8 Skipped: 0

Q25 From your experience, are there any internal policies and procedures for reporting fraud in the SEFA? Please motivate your answer?

Answered: 8 Skipped: 0



QUIZ STATISTICS

Percent Correct 63%	Average Score 1.6/2.0 (81%)	Standard Deviation 0.52	Difficulty 10/15
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ANSWER CHOICES

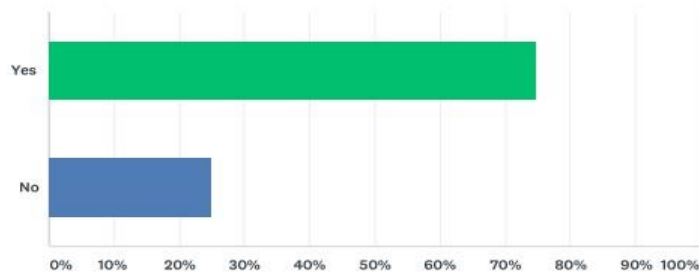
SCORE

RESPONSES

✓ Yes	2/2	62.50%	5
No	1/2	37.50%	3
TOTAL			8

**Q27 In your opinion, should SEFA authorities responsible for investigations report the outcome of fraud investigations to employees?
Please motivate your answer?**

Answered: 8 Skipped: 0



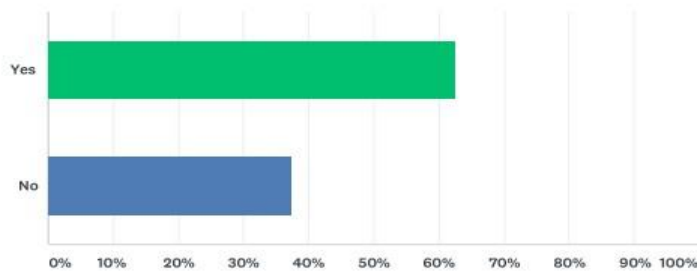
QUIZ STATISTICS

Percent Correct 75%	Average Score 1.8/2.0 (88%)	Standard Deviation 0.46	Difficulty 12/15
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ANSWER CHOICES	SCORE	RESPONSES
✓ Yes	2/2	75.00% 6
No	1/2	25.00% 2
TOTAL		8

Q26 From your experience, are SEFA employees provided with knowledge of internal anonymous procedures to report fraud? If affirmative, how? If not, what is your opinion?

Answered: 8 Skipped: 0



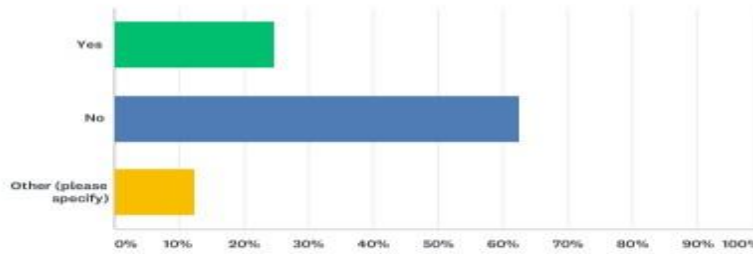
QUIZ STATISTICS

Percent Correct 63%	Average Score 1.6/2.0 (81%)	Standard Deviation 0.52	Difficulty 10/15
------------------------	--------------------------------	----------------------------	---------------------

ANSWER CHOICES	SCORE	RESPONSES
✓ Yes	2/2	62.50% 5
No	1/2	37.50% 3
TOTAL		8

Q28 In your opinion, are the rules and procedures of reporting fraud within the SEFA efficient? Please motivate your answer?

Answered: 8 Skipped: 0

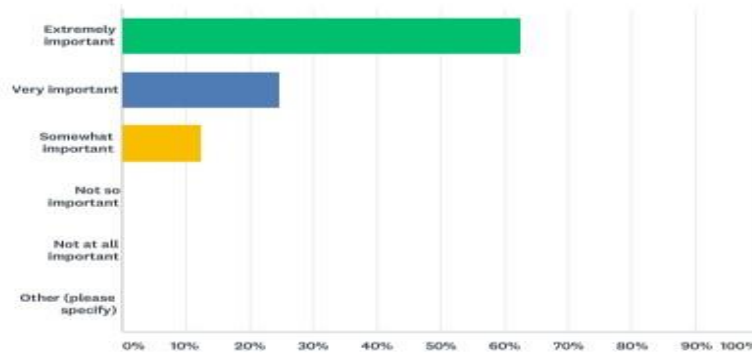


QUIZ STATISTICS

ANSWER CHOICES	SCORE	RESPONSES
✓ Yes	2/2	25.00% 2
No	1/2	62.50% 5
Other (please specify)	--	12.50% 1
TOTAL		8

Q29 In relation to your work, how important were the questions in this survey to you?

Answered: 8 Skipped: 0



QUIZ STATISTICS

ANSWER CHOICES	SCORE	RESPONSES
✓ Extremely important	5/5	62.50% 5
Very important	4/5	25.00% 2
Somewhat important	3/5	12.50% 1
Not so important	2/5	0.00% 0
Not at all important	1/5	0.00% 0
Other (please specify)	--	0.00% 0
TOTAL		8

Q30 Date completed the survey

Answered: 8 Skipped: 0

ANSWER CHOICES	RESPONSES
Date / Time	100.00% 8

Annexure D: Informed Consent



College of Law: Research Ethics Review Committee
Ethics clearance Certificate reference number: ST71 of 2018
Research permission reference: (Copy attached dated 14-11-2016)
Approved by SEFA Chief Executive Officer on 14-11-2016

15 August 2018

Title: An evaluation of corporate fraud at Small Enterprise Finance Agency

Dear Prospective Participant

My name is Azwihangwisi Judith Mphidi and I am doing research with Dr. D.C. Pfeiffer and Prof. T. Budhram in the College of Law towards a Doctor of Philosophy in Criminal Justice at the University of South Africa. We have funding from the University of South Africa for completion of the research project. We are inviting you to participate in a study entitled an evaluation of corporate fraud at Small Enterprise Finance Agency.

WHAT IS THE PURPOSE OF THE STUDY?

This study is expected to collect important information that could assist in the establishment of a framework customised to mitigate fraud at SEFA direct lending. SEFA's mandate is aligned with the NDP 2030 to foster the establishment, survival and growth of SMMEs by contributing to the alleviation of poverty and job creation (SEFA, 2015: 3).

WHY AM I BEING INVITED TO PARTICIPATE?

WHY AM I BEING INVITED TO PARTICIPATE?

Studies have shown that 49% of financial institutions such as SEFA are prone to fall victim of economic crimes including fraud compared to only 34% across all other industries (PricewaterhouseCoopers, 2014c: 8).

According to SEFA (2016) criteria for developmental credit include providing financial assistance to co-operatives falling in a specific funding gap of survivalists within South Africa to micro-enterprises – loans between R500 and R50 000; small enterprises – loans between R50 000 and R1 million; and medium enterprises – loans between R1 million and R5 million. SEFA as a SOC is aware of its vulnerability to the crime of fraud and is also obligated by regulatory



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requirements within its business operations to mitigate such instances. The researcher is interested in fraud at SEFA within direct lending because it is the most targeted product with major potential financial loss. Further, fraudulent activities are an impediment to SEFA's mandate, and therefore the NDP 2030 vision for South Africans.

The researcher has worked at SEFA since inception and the participants will not be subjected to disclosure of their identity. 50 participants will only be vital for participation as SEFA is not a large organization. Every participant will receive the questionnaire with the letter of consent attached so that the participation is voluntary, not coerced.

WHAT IS THE NATURE OF MY PARTICIPATION IN THIS STUDY?

The study involves audio/video taping and the researcher will make use of open-ended questions, which prompts participants to give deeper and new insights by answering with sentences, lists and stories. Survey questionnaire will also be used for participants who are far in other provinces outside of Gauteng province. Time allocation will only be 15 to 30 minutes.

CAN I WITHDRAW FROM THIS STUDY EVEN AFTER HAVING AGREED TO PARTICIPATE?

YES,

Participating in this study is voluntary and you are under no obligation to consent to participation. If you do decide to take part, you will be given this information sheet to keep and be asked to sign a written consent form. It will not be possible to withdraw once they have submitted the questionnaire. If your identity is mistakenly revealed in the process, the researcher will be able to protect the participants identity in the research report to comply with the Protection of Personal Information Act or South Africa and the ethics policy of the university of South Africa. The information will not be included in the thesis report.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

To assist SEFA to execute the NDP 2030 goal for all South Africans and economic growth.

ARE THERE ANY NEGATIVE CONSEQUENCES FOR ME IF I PARTICIPATE IN THE RESEARCH PROJECT?



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If your identity is mistakenly revealed in the process, the researcher will be able to protect the participants identity in the research report to comply with the Protection of Personal Information Act or South Africa and the ethics policy of the university of South Africa. The information will not be included in the thesis report.

WILL THE INFORMATION THAT I CONVEY TO THE RESEARCHER AND MY IDENTITY BE KEPT CONFIDENTIAL?

If your identity is mistakenly revealed in the process, the researcher will be able to protect the participants identity in the research report to comply with the Protection of Personal Information Act or South Africa and the ethics policy of the university of South Africa. The information will not be included in the thesis report.

Your answers will be given a code number, or a pseudonym and you will be referred to in this way in the data, any publications, or other research reporting methods such as conference proceedings. The only individuals who will access the data will be Dr. Pheiffer, Prof. T. Budhram and the researcher for thesis purposes only. Your answers may be reviewed by people responsible for making sure that research is done properly, including the transcriber, external coder, and members of the Research Ethics Review Committee. Otherwise, records that identify you will be available only to people working on the study, unless you give permission for other people to see the records.

Further, the anonymous data maybe used for a research report, journal articles and/or conference proceedings. A report of the study may be submitted for publication, but individual participants will not be identifiable in such a report.

HOW WILL THE RESEARCHER(S) PROTECT THE SECURITY OF DATA?

Hard copies of your answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet in a private home in Pretoria, South Africa. For future research or academic purposes; electronic information will be stored on a password protected computer.

HOW WILL THE RESEARCHER(S) PROTECT THE SECURITY OF DATA?

Hard copies of your answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet in a private home in Pretoria, South Africa. For future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. Hard copies will be shredded, and/or electronic copies will be permanently deleted from the hard drive of the computer using a relevant software programme.

WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?



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NO

HAS THE STUDY RECEIVED ETHICS APPROVAL?

This study has received written approval from the Research Ethics Review Committee of the School of Law, Unisa. A copy of the approval letter can be obtained from the researcher if you so wish.

HOW WILL I BE INFORMED OF THE FINDINGS/RESULTS OF THE RESEARCH?

If you would like to be informed of the final research findings, please contact Azwihangwisi Judith Mphidi on 0724891256, email address (36924024@mylife.unisa.ac.za). The findings are accessible upon completion of the study.

HAS THE STUDY RECEIVED ETHICS APPROVAL?

This study has received written approval from the Research Ethics Review Committee of the School of Law, Unisa. A copy of the approval letter can be obtained from the researcher if you so wish.

HOW WILL I BE INFORMED OF THE FINDINGS/RESULTS OF THE RESEARCH?

If you would like to be informed of the final research findings, please contact Azwihangwisi Judith Mphidi on 0724891256, email address (36924024@mylife.unisa.ac.za). The findings are accessible upon completion of the study.

Should you have concerns about the way in which the research has been conducted, you may contact Promoter/ Supervisor Dr. D. Pheiffer (Pheifdc@unisa.ac.za) contact details (021 862 1315) and Co: Supervisor Dr. N.J.C. Olivier. Contact the CLAW Research Ethics Committee Chairperson Prof. N Mollema (mollena@unisa.ac.za) and the contact details are (012) 429 8384, if you have any ethical concerns.

Thank you for taking time to read this information sheet and for participating in this study.

Thank you.



Ms. Azwihangwisi Judith Mphidi

CONSENT TO PARTICIPATE IN THIS STUDY

I, _____ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable).

I am aware that the findings of this study will be processed into a research report, journal publications and/or conference proceedings, but that my participation will be kept confidential unless otherwise specified.

I agree to the recording /survey of the method for collection of data.

I have received a signed copy of the informed consent agreement.

Participant Name & Surname..... (please print)

Participant Signature.....Date.....

Researcher's Name & Surname..... (please print)

Researcher's signature..... Date.....

PERMISSION LETTER

(Double click below to view Approval by SEFA CEO)

Annexure E: Interview Schedule



Academic Research Study by AJ Mphidi 36924024 (Doctor of Philosophy in Criminal Justice) in the College of Law within the University of South Africa.

Invitation to participate in survey on an evaluation of corporate fraud at the Small Enterprise Finance Agency

Research permission dated 14 11 2016 by SEFA CHIEF EXECUTIVE OFFICER.

Ethical clearance reference number ST71 of 2018 by UNISA CLAW ETHICS REVIEW COMMITTEE.

Dear Prospective Participants

Kindly be informed that the study is voluntary and is for academic research study purpose only.

The estimated time to complete the study is ten (13) minutes.

This survey is set not to disclose all participants information in the results.

Thank you

Kindly read the informed consent information attached to this email or after. Thank you.

* 1. Have you read the informed consent information?

- Yes
 No

* 2. Do you agree to voluntarily participate in this study?

- Agree
 Disagree

1

* 3. What is your age?

- 18 to 24
 25 to 34
 35 to 44
 45 to 54
 55 to 64
 65 to 74
 75 or older

* 4. What is your Designation?

* 5. At which location do you work?

* 6. About how many years have you been in your current position?

- Less than 1 year
 At least 1 year but less than 3 years
 At least 3 years but less than 5 years
 At least 5 years but less than 10 years
 10 years or more

* 7. In your opinion, is it important for SEFA employees to be familiar with the process and procedures related to fraud targeted at direct lending?

- Extremely important
 Very important
 Somewhat important
 Not so important
 Not at all important

Other (please specify)

* 8. From your experience, do SEFA employees fully understand the processes and procedures in direct lending? Please motivate your answer?

- A great deal
 A little

* 8. From your experience, do SEFA employees fully understand the processes and procedures in direct lending? Please motivate your answer?

- A great deal A little
- A lot None at all
- A moderate amount

Other (please specify)

2

* 9. How do clients apply for direct lending product, walk inn, online or postal?

* 10. What constitute an application fraudulent in your context?

* 11. How does SEFA ensure that the Application is authentic?

* 12. In what type of community does your typical client live? (Check all that apply)

- City or urban community
- Suburban community
- Rural community
- Other (please specify)

* 13. What are methods in place to assist in the detection of fraudulent applications?

* 14. During what stage of the application does SEFA representatives realise the application is dodgy?

- Early
- On time
- Late
- Other (please specify)

3

* 15. Applications of suspected of being fraudulent, where they face to face clients or proxies?

* 16. How do you detect that the client has submitted fraudulent documents?

- Very easy
- Easy
- Neither easy nor difficult
- Difficult
- Very difficult
- Other (please specify)

* 17. What do you do with fraudulent applications?

* 18. From your experience, does SEFA provide opportunities for employees to attend training on fraud?

- Very likely
- Likely
- Neither likely nor unlikely
- Unlikely
- Very unlikely

* 19. Have you attended information sessions on the Fraud Prevention Policy and Strategies?

Yes

No

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* 20. Have you attended training on fraud awareness for the past five years, in SEFA or externally?

Yes

No

* 21. Do you know the types of fraud targeted at SEFA?

Yes

No

Other (please specify)

* 22. What type fraud is directed at direct lending?

* 23. What are the characteristics of fraud in direct lending?

* 24. What are the best and doable practices available to mitigate fraud at SEFA direct lending? Please motivate your answer?

* 25. From your experience, are there any internal policies and procedures for reporting fraud in the SEFA? Please motivate your answer?

Yes

No

* 26. From your experience, are SEFA employees provided with knowledge of internal anonymous procedures to report fraud? If affirmative, how? If not, what is your opinion?

Yes

No

Other (please specify)

* 27. In your opinion, should SEFA authorities responsible for investigations report the outcome of fraud investigations to employees? Please motivate your answer?

Yes

No

Other (please specify)

* 28. In your opinion, are the rules and procedures of reporting fraud within the SEFA efficient? Please motivate your answer?

Yes

No

Other (please specify)

Other (please specify)

* 28. In your opinion, are the rules and procedures of reporting fraud within the SEFA efficient? Please motivate your answer?

- Yes
 No
 Other (please specify)

* 29. In relation to your work, how important were the questions in this survey to you?

- Extremely important
 Very important
 Somewhat important
 Other (please specify)
- Not so important
 Not at all important

* 30. Date completed the survey

Date / Time

Annexure F Turnitin report



Digital Receipt

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