Fraud Intelligence

# Fraud and corruption prevention: designing an awareness training programme

*An organisation cannot prevent fraud and corruption through policy alone. Ethical management, adequate control, and appropriate risk management activities must also be in place, say* ***Richard Minogue*** *and* ***Veronica Morino*** *of Hibis. Perhaps above all, employees must be able to recognise and willing to report their concerns. Through awareness training employees learn to appreciate the importance of these risks, how to recognise the "red flags", and how to react. An active fraud awareness programme also helps convince employees that management is serious about ethics at all levels, reinforcing an internal culture based on appropriate behaviour. Pride in the organisation is a factor that affects employee morale, loyalty and ultimately retention. So how exactly can we organise fraud and corruption awareness training?*

## Understand why!

Any discussion of ethical issues with employees should only take place if management themselves set a good example. If they are involved in questionable activities, there is little to be achieved through training employees. Aligning project objectives with management goals, and gaining their approval is key. Specific objectives will vary depending on culture, recent history, nature of business, delivery method and so forth. An organisation with strict centralised control will require a different training than one with a tradition of "laissez-faire". When a major fraud incident has occurred, awareness training might be used to normalise the situation, to talk things over. Training over the Internet might be used to quickly reach all employees, and classroom training when a more thorough approach is required. Some typical objectives to consider are:

- raising employee awareness of the risks of fraud and corruption and unethical business behaviour in general;
- training employees how to respond to signs of fraud and corruption;
- obtaining feedback from employees on perceived risks or control loopholes;
- deterring employees from unethical behaviour;
- demonstrating management's commitment to ethical business behaviour;
- providing a forum to discuss recent traumatic events;
- spreading information about specific policies;
- setting a new tone after a management change;
- providing employees with additional channels of reporting and/or communication.

Awareness training is not a one-time investment, but a continuous process. As an organisation increases its capacity to resist the risks of fraud and corruption, awareness training will progress from development to maintenance mode. When developed and delivered unpretentiously, avoiding a paternalistic feeling, fraud and corruption awareness training will be well accepted and supported at all levels.

## Don't lie to employees, or threaten them

Companies tend to exaggerate their own ethical record when describing themselves. While external audiences pay little attention to pompous overstatements in the Company Code of Conduct, employees are more likely to be cynical. After all, they know the truth.

There was laughter… In most companies, a more likely result would be embarrassed silence. Employees

> Sent from corporate headquarters to run training for local employees, a staff manager was surprised when he read from the company's Code of Conduct and was met with laughter. "Our Company has always been a symbol of integrity and the highest ethical standards, wherever we do business" was the message. Unfortunately, employees were fully aware that the former local manager had exemplified the opposite, right up until his promotion to a more important job at company headquarters.

are sick of being lied to but tend to play along rather than compromise their careers. To get employees to take the risks of fraud and corruption seriously and be convinced of management's sincerity, training programmes should be realistic, and take past problems and current shortcomings into account.

A second common training mistake is to over-emphasise the consequences that employees will face should they break the rules. Training should be designed primarily to enlist employees' support in the fight against fraud and corruption, not to threaten them to avoid it themselves. When most employees are motivated, alert and informed about the risks of fraud, an effective deterrent to potential fraudsters is created. The risk of punishment for inappropriate behaviour is implicit and will be understood without difficulty. A productive, "let's do this together" approach will also get better support from managers across the organisation, and avoid the training being seen as just one more corporate headquarters initiative to support "code of conduct" representations in the annual report.

## Training content

The specific approach to fraud and corruption prevention training will vary according to the agreed objectives, company and country culture, and participants. However, a typical training programme consisting of on-site workshops or multimedia training over the Internet, may follow the steps below:

### 1. Build rapport with the participants

First time participants of fraud and corruption awareness training may feel uncomfortable. Why were they invited at all? Is something wrong? It is up to the facilitator to get the participants to relax, capture their attention and show them that there is much more to the risks of fraud and corruption than they expect. The distinction between honest and dishonest is not always clear as there is a large fuzzy middle ground.

### 2. Tell it to them straight – we all break rules now and again

Most people are not completely honest, and they know it, but prefer to pretend otherwise. It is important to get participants to "come out of the closet" and admit that yes, perhaps they do bend the rules now and again. This does not require a public confession or finger-pointing exercise; it is simply getting people to move awareness of their misconduct out of the subconscious (where it usually stays) and into the conscious for a while. A few questions designed to fit the audience suffice:

When everyone in the room, including the trainer, admits imperfection, a euphoric atmosphere can even result. It feels good to stop pretending. People don't really mind acknowledging certain rule-breaking, especially when they are part of a crowd of people who act in the same way, and who do not expect to be punished.

Have you ever:
- Stolen anything?
- Added things you shouldn't have to your travelling expense report?
- Not declared all your income?
- Paid for services in cas, to avoid taxes?
- Exaggerated an insurance claim?
- Knowingly exceeded the speed limit?
- Used software with no licence?

Given that most people are willing to break rules to some extent, one can consider how an organisation should protect itself. A system built entirely on trust, which might seem reasonable at first glance, is clearly inadequate. Internal control should therefore not be seen as a sign of mistrust; it is a necessary system of protection for both the employer AND for its employees. It would be irresponsible to subject employees to excessive temptation.

### 3. Show that fraud and corruption happens everywhere

Everyone knows that fraud and corruption exist, somewhere. Employees need to come to the more difficult realisation that fraud and corruption probably exist within their own organisation, and might be occurring right under their noses. In training it is very useful to present case studies of what can and does happen, based on real incidents that have occurred. Through examination of real cases and past problems, employees understand that fraud and corruption are more than theoretical concepts; they are very real risks to be dealt with.

### 4. Brainstorming and feedback

Risk identification is an important source of revenue for the major consulting firms, and many companies regularly pay large fees for assistance. While the consultants might contribute theoretical knowledge, it is easy to forget that the practical experts are often the organisation's own employees. More often than not, the consultant's main advice is based on what they hear from people within the company.

Fraud and corruption training sessions provide an

Asked during a fraud and corruption awareness workshop to "think like a thief", a forklift driver suggested that it would be easy to smuggle expensive parts out of the factory by concealing them among empty pallets, which are routinely removed to an unguarded area behind the building. The company looked into his suggestion, and stopped a pilferage problem that had baffled security consultants for years. To the driver it was obvious.

excellent opportunity to brainstorm fraud risks. Employees are asked to "think like a thief", in order to identify potential methods of fraud. Internal control weaknesses are often obvious to the employees who deal with them daily, they are the experts. Employees also appreciate the chance to contribute ideas, and are more likely to accept system changes that are based on their own suggestions.

**5. Spread practical knowledge**

When fraud and corruption are present, employees are likely to notice something. Unfortunately, they are often not trained to understand the significance of these "red flags" and are not motivated to report their concerns.

In fraud and corruption awareness training, examples of typical tell-tale signs can be presented, or alternatively used as case study material. Instead of ignoring warning signs, employees should be trained to watch out for them, and to exercise professional scepticism when faced with questionable explanations.

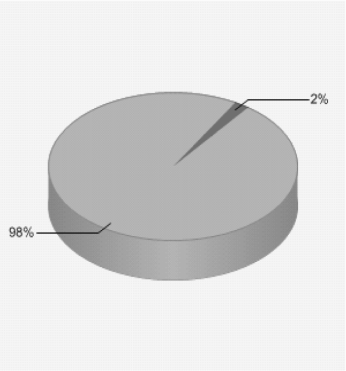
Employees also need to know where to report their concerns. Available communications channels, which vary greatly from one organisation to the next, should be explained and discussed during a training session.

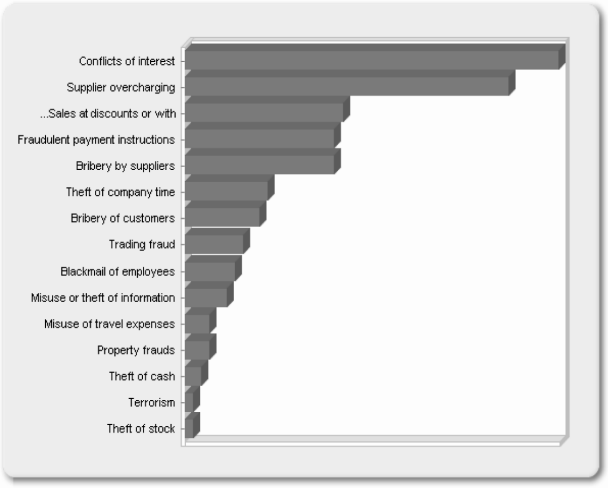
## Multimedia awareness training for wider audiences

While multimedia self-training delivered over the Internet cannot provide the same depth of discussion

## Did you know? *

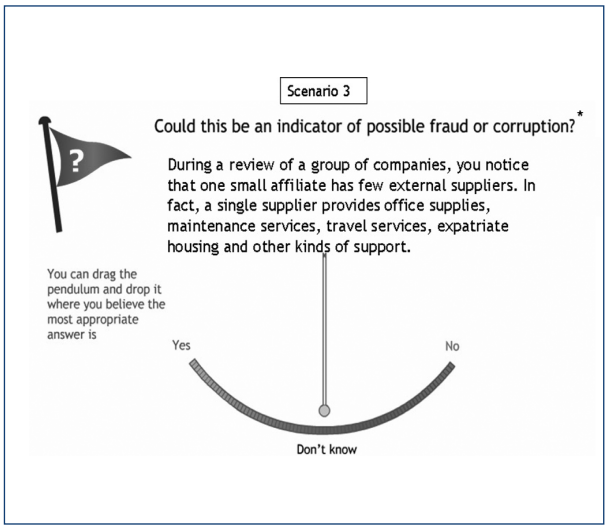
On average your sample of 3246 employees believes that the **total** direct and indirect **cost** attributable to fraud is approximately 2% of the value of sales. **More details …**




**Top 3 typical risks**

1. **Conflicts of interest**
2. **Supplier overcharging**
3. **Sales at discounts or with kickbacks**




and exchange of ideas as a classroom workshop, it does have the advantage of being able to reach any number of people in a fast and cost effective manner. On-site workshops might not be feasible for all employees in every organisation. All employees should however have a basic knowledge of the risks, and how to report concerns. Self-training can provide that, following the same general lines as the workshop.

To be effective, multimedia training must catch people's attention, be short, engaging, interesting and relevant. Instead of group discussions, multimedia training often uses real life scenarios, or problems that the participant needs to solve. The scenarios can be both integrated into the training, and included at the end as test questions, where the participants are asked to display their understanding of the issues (see 'Scenario 3').

Because employees are participating through their computer keyboards, it is also convenient to end multimedia training with a survey or perception questions that can provide valuable feedback to management about employees' points of view on selected subjects. Questions such as "what do YOU believe are the three most important fraud risks in this organisation?" can give very interesting results when cross-sections of employees respond (see diagram below).

To reduce the risk that respondents automatically provide what they think the management wants to hear, answers to perception questions can be accumulated on a 'no names' basis, without the possibility of retrieving specific answers by individuals. If employees are assured, and believe the survey is anonymous, they will feel more comfortable giving their true opinions. For surveys conducted across an entire organisation, it is useful to analyse results by country, division, region, position or other similar criteria.

Multimedia training can also include, or act as a bridge to channels of communication in which the employee is identified or remains anonymous. Employees who wish to report an incident or a suspicion might be more comfortable doing so through a training programme, rather than over a grim link on the security department's website. In order to further lower the psychological barrier, the instructions for the communication channel might ask employees to please report their concerns about any possible weaknesses in the internal control system, or suggested improvements to the system. An employee with information might not be willing to point the finger at someone or report a fraud, but still be willing to report a weakness: "I'm not saying that something is going on, but if someone wanted to do this it would be possible to do it in this way..."

## An integrated approach

An organisation that is serious about training its employees in fraud and corruption risk awareness and prevention is likely to use both workshop training and multimedia self-training in a continuous awareness process. The two methods can be used in a complementary fashion, where for example the statistical results from multimedia perception questions are shown to workshop participants, as a starting point for discussion, and good suggestions from workshops are integrated into the self-training. Multimedia self-training, which is always available, can be easily included in orientation training for new employees, while classroom workshops can be held for selected employees periodically.

* Pictures taken from Fraud-i™. For more information see www.fraud-i.com.

65% of the employees that had gone through multimedia fraud and corruption awareness training reported supplier overcharging as one of the major risks in their organisation. After seeing the results the procurement manager commented: "This is a very interesting result because I was aware of this but now I know that I can get the support from other employees because they perceive the same..."

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