



Fraud Concepts

The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.

iACT to fight corruption!

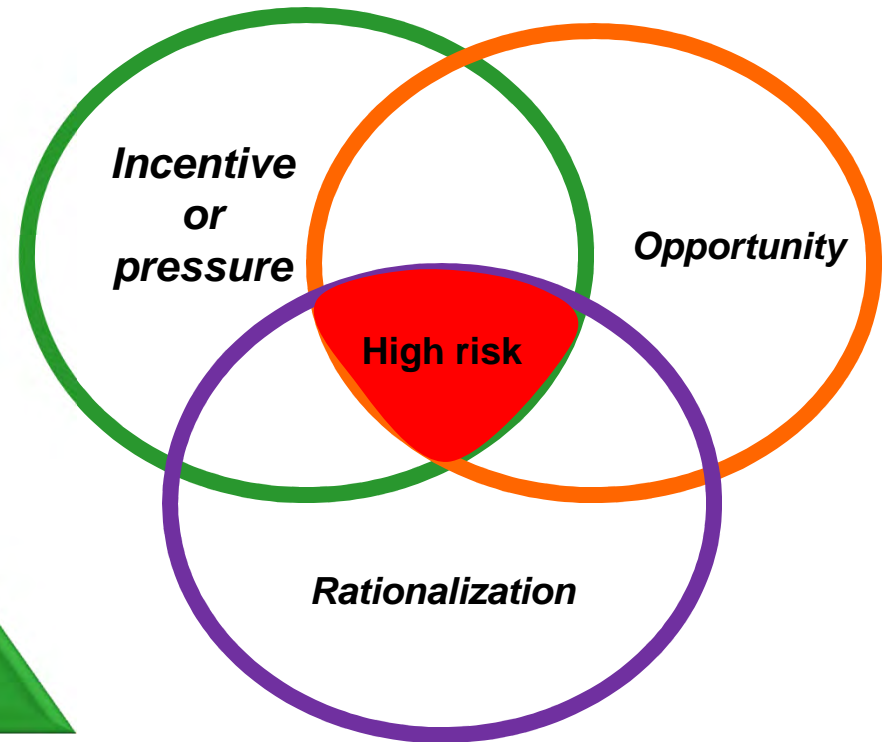


FRAUD – tell tale signs

- There is **always evidence** of fraud when it occurs
- The real numbers **always exist**
- If you want to find fraud, you have to know **what it looks like**
- If you want to prevent fraud, you have to know **what causes it**

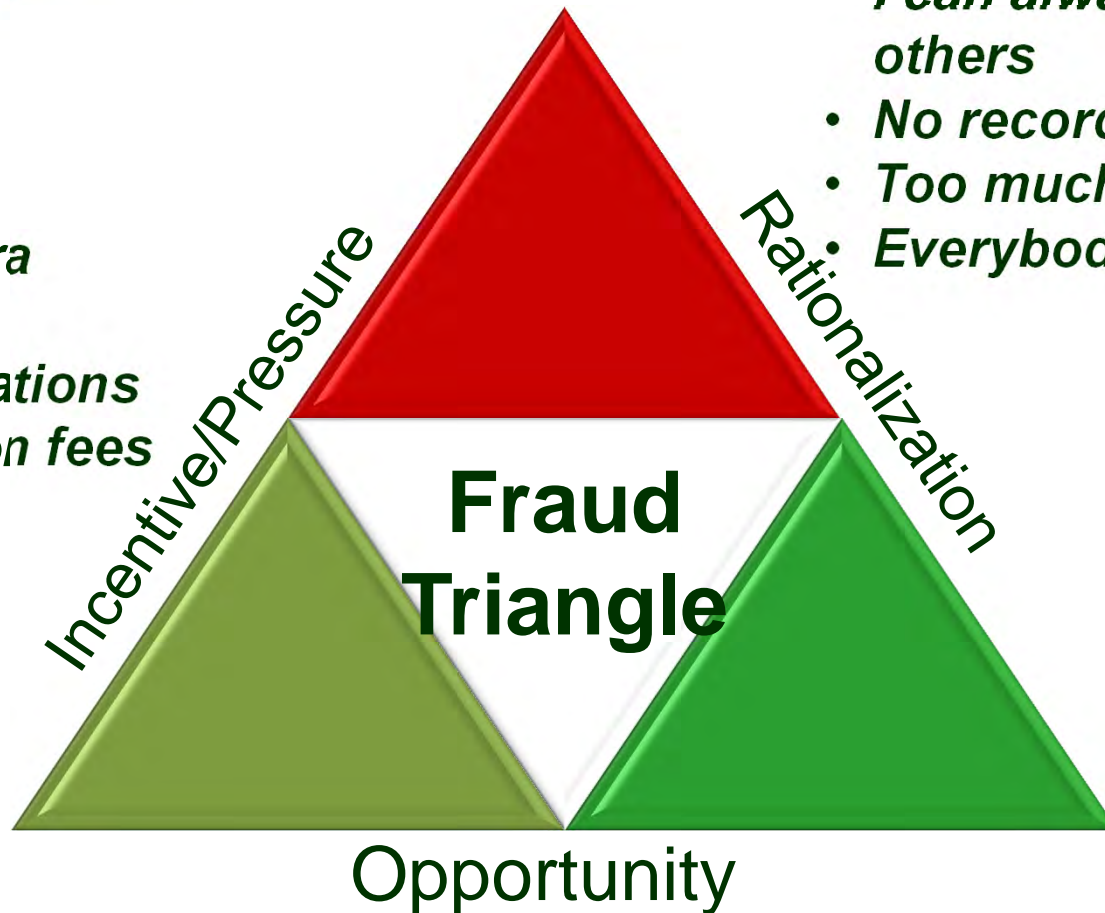


Fraud Triangle



iACT to fight corruption!

- ***Need extra money***
- ***Take vacations***
- ***Pay tuition fees***

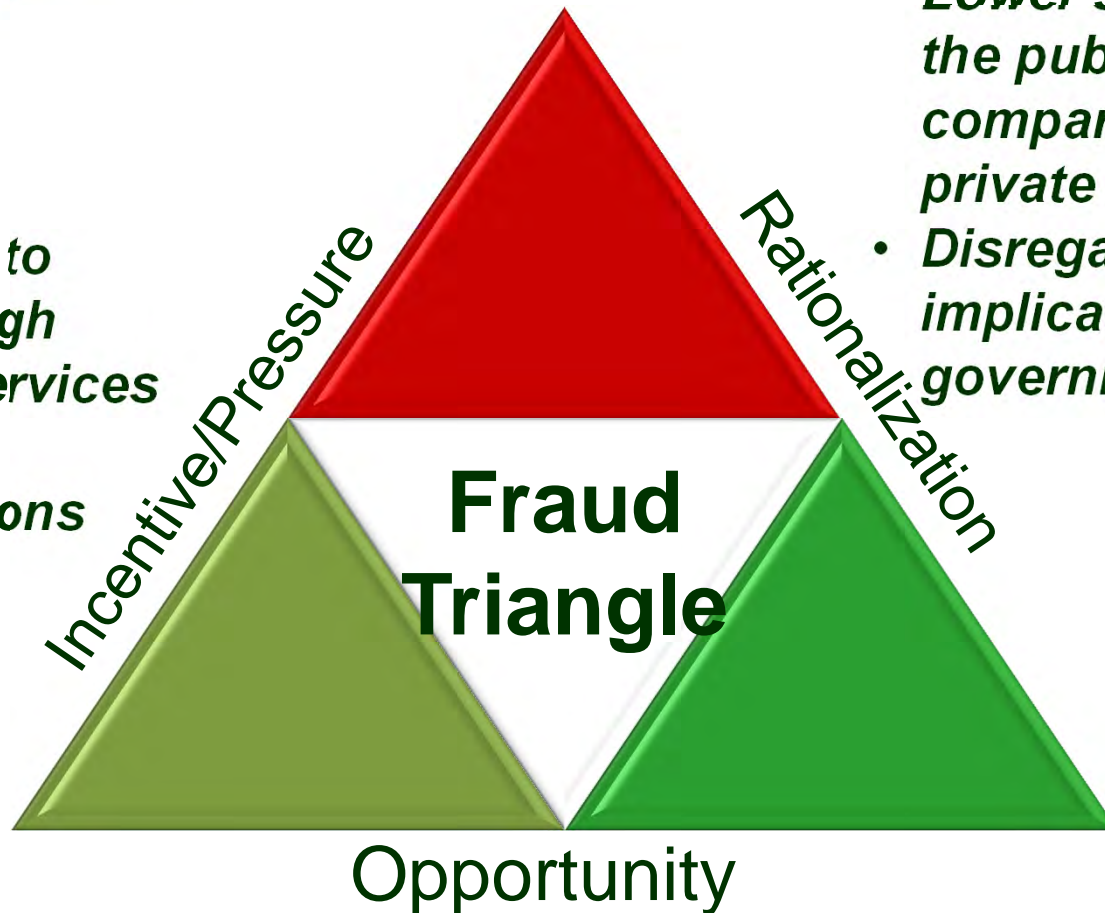


- ***I can always blame others***
- ***No records***
- ***Too much workload***
- ***Everybody's doing it***

- ***Unclear roles & responsibilities***
- ***Poor records management***
- ***Segregation of Duties issue***

iACT to fight corruption!

- **Pressure to deliver high quality services**
- **Budget expectations**



- **Lower salary levels in the public sector compared to the private sector**
- **Disregard for implications of government breaches**

- **Lack of sufficient qualified personnel**
- **High volume, low value cash transactions**

iACT to fight corruption!



What is a Red Flag?

- Fraud indicator that requires closer reviews
- Irregularity
- Unusual event
- Activity obvious to all but disguises to appear as part of a normal activity
- Commonly found in the high risk areas

Red flags – Rationalizations

This company can hire me (or my family member) after my retirement

The project is of limited duration and I will go back to my department

This will not affect the project

Let me do a favor for him, he helped me in the past

His company will do justice to the project

The project is running just because of me



iACT to fight corruption!

ADB

Red flags – Rationalizations

Everyone else was doing it

If I help my boss, he will promote me

I needed the money

His company will do justice to the project

Lower salary levels in the public sector, while level of authority justifies a lifestyle similar to private sector employees

It was just a loan...I would have repaid it



iACT to fight corruption!

Common comments regarding fraud

Our internal controls will take care of fraud related issues

This is how the process is, and has been tested by others

We have no control on what bidders do

This type of fraud cannot happen here

Our staff cannot / would not commit fraud

Implementing agency will detect it, my responsibility is to just approve

It was an error and not intentional

We were not trained on this, we did not know