Help Our Scheme – Crime, Fraud and Criminality Risk Guide

Fraud, Theft, Robbery and Criminality (economic crime) are endemic to all organisations where money, assets and people are involved. Community Schemes are not exempt from this threat.

The size and scale of these can vary greatly and can extend back over a lengthy time-period. Criminals are always one step ahead and Trustees/Directors/Estate Management and Managing Agents need to be permanently on their guard. The impacts of crime can vary greatly, but most Community Schemes will not be able to survive or recover from a material financial loss without comprehensive insurance being in place, or a special levy being raised.

Not only is the number of incidences increasing, but the sophistication of the crimes is also on the rise as technology evolves and office bearers/employees become increasingly implicated in criminality. Crimes range from being simple basic thefts to very complex accounting frauds to ones involving organised crime syndicates which look to infiltrate specific industries.

Crime (fraud, theft and criminality) risks are risks that are the result of criminal behaviour. Risks emanating from crime can have a material impact on the operations and financial position of a Community Scheme, as a result of a direct or indirect loss.

While crime generally manifests itself in financial losses, it can also impact many other areas, including operations and reputation (e.g inability to operate optimally or insufficient resources to keep up maintenance).

These impacts can be immediate and significant or happen over a period of time but will have a lasting effect on the Community Scheme.

Fraud, theft and criminality risk management starts with a review of the potential criminal threats and to assess how vulnerable the Community Scheme is to crime. This should include a review of the level of governance – processes, procedures, controls, systems and people management and the effectiveness of crime controls throughout the Community Scheme. The incidents of crime there have been and the extent to which owners/tenants/ lessees/ residents/ visitors or employees have been victims of crime e.g. robbery, theft, break-in, violent acts, muggings etc. in and around the Community Scheme in the recent past, should also be evaluated.

Crime experience and potential risk due to changing socio economic circumstances may well force a Community Scheme to review/increase its security measures. This may require increased guards, better use technology (sensors/beams), increased/improved access controls and additional use of cameras.

The management of fraud, theft and criminality risk will ensure that the Community Scheme is better equipped to identify, deter/prevent and deal with fraud, theft and criminal incidents or situations in a structured and effective way.

In order to manage these risks you have to place a specific focus on financial controls around people and systems. You have to be extra vigilant around asset controls, particularly cash and moveable assets, the people you employ, your payroll, physical security, banking system access, payment systems, procurement processes and undertake KYC of all the suppliers and contractors to the Community Scheme.

A Community Scheme needs a risk culture that is aligned with policies, processes, procedures, systems and controls in order to manage the risk of fraud, theft and criminality effectively. The culture needs to place a high priority on financial controls and discipline, fraud awareness, tight asset controls, clear segregations/separations of duty, accurate and timeous financial reporting and one that endorses financial accountability at all levels. A lack of general financial controls, accountability and daily oversight will facilitate fraud, theft and criminality.

People will always look for gaps or weaknesses in controls. A zero- tolerance approach needs to be reinforced in induction, employment contracts, training and extend into formalised disciplinary processes.

Fraud, theft and criminality is not confined to operational employees. Estate Management and Trustees/Directors/Office Bearers are also often guilty of sophisticated accounting fraud, manipulation of financials and false or fraudulent reporting. Incentive plans linked to performance and related measures can unfortunately encourage inappropriate behavior and greed. Trustee/Director/Board oversight and other controls measures like independent external and internal audit controls might be necessary.

High risk employees in the Community Scheme pose a specific risk. As such it is important that these aspects are detected prior to formal recruitment and engagement e.g. work references, criminal record checks, credit checks, ID verification.

As Trustees/Directors/Estate Management, you need to be aware of high-risk behaviour and lifestyle changes i.e. gambling addictions, drug addiction, high levels of debt, new vehicles, overseas trips. Employees who have specific responsibilities and accountabilities but who are loathe to comply with set down processes or having any oversight over them or the assets under their control, need particular attention.

A high-risk employee will pose a great risk to a Community Scheme and are not only a risk to the Community Scheme but also to fellow workers and owners.

Cash, Banking, Collection and Payroll Controls to Counter Fraud/ Theft and Criminality

These areas are singularly the biggest contributors to fraud, theft and loss. Cash is a core ingredient for fraud and theft in an organisation. The mere presence of cash in your Community Scheme makes it a target for not just criminals but for your employees as well, who will constantly be looking to exploit loopholes or gaps in controls.

The safety of residents, staff, visitors and customers of Community Schemes where large amounts of cash are present, will always be under threat too.

With e-commerce growing at exponential rates, so too has the criminal focus and effort shifted. This has seen ever-increasing attempts being made to infiltrate existing business processes, collusion with and among staff, deviation from and/or circumvention of procedures and controls, interception and/or diversion of payments and collections.

Frauds and thefts are well coordinated among syndicate participants, slick in execution and well timed. Given that this area is now the most vulnerable to attack by outsiders and employees, very strict disciplines and controls need to be deployed. A Community Scheme managing its own bank accounts and payments, becomes highly vulnerable to its banking applications and systems being compromised or hacked and its bank accounts and/or credit card details being compromised if tight security controls and disciplines are not deployed.

The deviation of monies via payment and/or collections using electronic transfers into third party bank accounts is the most effective and quickest way for employees and syndicates to steal and embezzle funds. The "altering" of beneficiary bank details or the "creation" of "beneficiaries" being a common area of fraud. It is thus essential that duties, capabilities and responsibilities around banking systems are segregated.

Procurement of consumable/stock/materials or assets such as vehicles or equipment over the web is another area that needs to be handled very carefully. Buying or purchasing items from random sellers or suppliers on the web or social media where you are required to pay a deposit or amounts into a bank account up front, are highly risky and prone to fraud unless the beneficiary is known and credible with a known track record.

Lifestyle expenditure is one of the major reasons driving fraud. This applies to not only employees but to Trustees/Directors, Estate Management or Office Bearers of the Community Scheme. The situation is aggravated where the socio-economic environment is adverse, or where the Community Scheme may no longer be performing well with revenues under pressure. Trustees/Directors, Estate Management, Office Bearers or employees have lifestyle expenses that still need to be met, and the resources of the Community Scheme become easily targeted.

Conflicts of interest are another particular area that can give rise to corruption, losses and kickbacks. It is important that these are disclosed by Trustees/Directors/Estate Management or employees in a position of influence. Conflicts can influence contractor, supplier and service provider selection, the levels of business given, orders and tenders, the extension of "credit"/delayed payment terms to individual owners, unwarranted pricing or sales terms and impact on legal recourse and the maintaining of an objective arms-length with owners, customers, contractors, service providers or suppliers.

Where the Community Scheme makes use of the services of a contracted security service provider or privately contracted/employed guards, it is important that the security service provider is registered with the appropriate authority, that it holds the necessary indemnity cover and that all their security guards are formally accredited. While it is important that the guards deployed are knowledgeable of the requirements of the Community Scheme where they are based and are knowledgeable of the tenants/occupants, suppliers and contractors, the rotation of guards does remain important.

The Community Scheme must consistently be taking pro-active measures to improve their security and access controls making use of the latest technology e.g. provision of panic buttons to residents, maintenance of an accurate resident/servant data base, number plate/drivers licence recording, pin approved third party/visitor entry, fingerprint or facial recognition, use of CCTV cameras, motion sensors in sensitive areas, thermal imaging and the use of drones in larger estates etc.

It is important that the Community Scheme knows the full details of everyone who is resident, or temporarily based in the Community Scheme at all times. This includes the employees/staff of contractors/service providers, visitors and domestic servants, who have been granted approved access to the Community Scheme.

The Community Scheme/Managing Agents/Estate Management should have a crime reporting line or confidential reporting mechanism in place. A detailed record of all crime incidents within and impacting the Community Scheme should be kept, as well as copies of access records and CCTV data records of the Community Scheme.

As part of crime and criminality prevention, the Trustees/Directors/ Estate Management and/or Managing Agents should take immediate measures to deal with high-risk tenants, suspicious lessees or owners e.g. units rented for cash, units bought with laundered moneys, parties undertaking or conducting criminal activity, drug dealing or other suspicious or unacceptable behaviour from units/properties.

Use of effective lighting for Safety and Security

Lighting is an often, over-looked security measure but as well as providing a necessary component for other security elements such as manned patrols or CCTV, it can also stand on its own right providing a deterrence against intruders and a reassurance to residents. Adequate lighting in the right places is important to the safety and security of your Community Scheme, its residents, employees and visitors. Proper lighting can also enhance the efficiency of your operations.

- Light critical areas such as entrance areas and gates, reception areas, passageways, perimeter fences, vehicle parks, communal facilities, storage areas.
- Consider using glare lighting as a deterrent. It can blind intruders, making it difficult for them to see who or what is in their vicinity.
- Put exterior lights or spotlights on motion sensors or control them with photocells that turn them on and off according to the amount of natural light available. Motion sensors are able to detect motion through the use of passive infrared technology. Manual switches and timers are less effective.
- In addition to bringing light to shadows and increasing the visibility around your Community Scheme an outdoor lighting system can be a huge help to surveillance cameras.
- Consider placing some of your security lighting on a timer so that it turns on and off at specified time by using smart timers.
- Back-up power and/or the use of solar power becomes an integral consideration for continued lighting.