



cutting through complexity™

KPMG Africa Fraud Barometer – Assess your risk before doing business in Africa

Period reported on: 1 January 2012 to 30 June
2012

August 2012

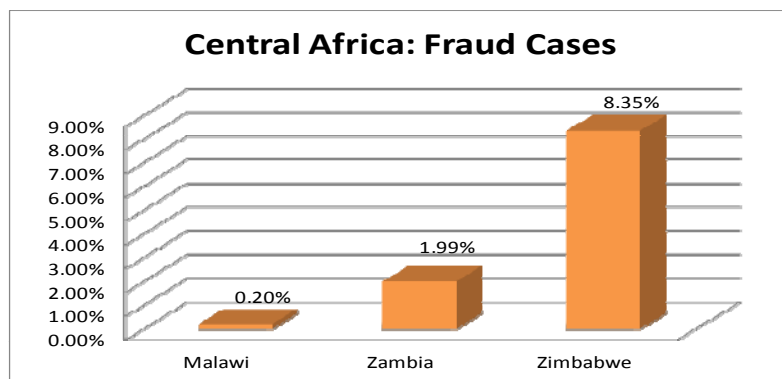
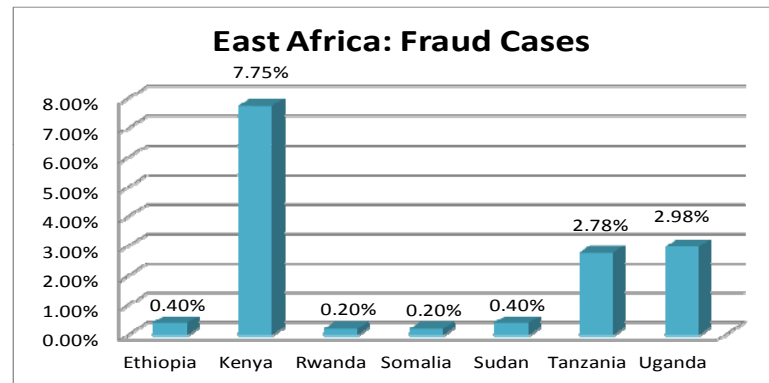
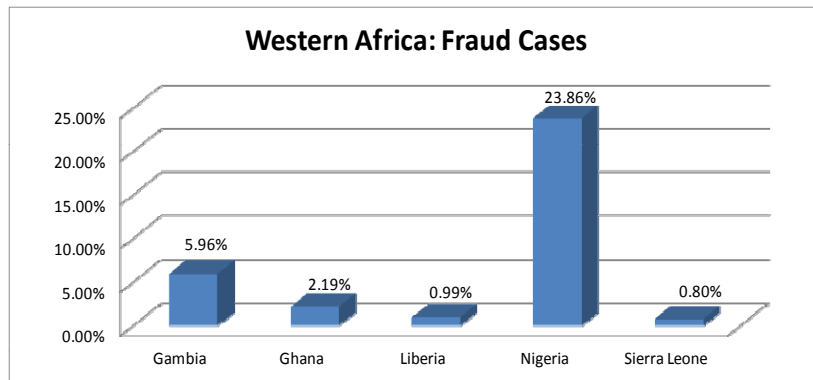


KPMG Africa Fraud Barometer

Assessing the fraud risks you face when investing in Africa

Countries in Africa have generally been perceived by foreign investors to be all alike. There has been a commonly held view that all countries in Africa have the same bad track record regarding fraud and corruption. The KPMG Africa Fraud Barometer No. 2(1 January 2012 to 30 June 2012) identifies clear differences between countries in this regard. Even when looking at countries in the same region one notes that there are marked differences in the volume and value of reported cases of fraud.

The bar graphs below for West Africa, East Africa and Central Africa illustrates the point that when looking at the percentage of total reported fraud cases each country represents, one stands out in each region (bear in mind that our survey polls only English media):



South Africa has the highest incidence in Southern Africa, but this may be materially skewed by the relative size of the economy.

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Nigeria, Kenya, Zimbabwe and South Africa make up 74% of all fraud cases reported in Africa.

While South Africa has the highest number of reported cases of fraud, the value of these cases is less than the value for Nigeria. The cost of fraud in Nigeria is close to \$1.1 bn more than South Africa.

For an investor in Africa it is important to assess each African country on its own merits and fraud risks.

The latest KPMG Africa Fraud Barometer has also identified four major types of reported fraud. These frauds are:

- Fraud & Misrepresentation (37%)
- Misappropriation & Theft (17%)
- Counterfeit & Forgery (14%)
- Bribery & Corruption (8%)

A fifth one to be aware of is that of Money Laundering at 5%.

While these are the types of fraud with the highest prevalence, sight must not be lost of international and local legislation. Legislation such as the Foreign Corrupt Practices Act (USA), the UK Bribery Act and even the UN/EU Anti-Money Laundering regulations must be carefully considered when doing a risk assessment as the consequences of a breach can be far-reaching for any multinational.

The Barometer indicates that these frauds are committed primarily by:

- Government officials (18%)
- Business people (15%)
- Employees (14%)

The KPMG Africa Fraud Barometer identified three industries/sectors in which there is a higher risk of fraud. These are:

- Government (55%)
- Financial Services (18%)
- Consumer Markets (7%)

Investors in Africa should therefore design any fraud risk assessment to include country specific risk, perpetrator profile and sector risk. The point to stress is that not all African countries can be treated the same.

When comparing the results of this period, 1 January 2012 – 30 June 2012, to that of 1 July 2011 – 31 December 2011 it is again important to bear in mind that the survey is dependent on the media's vigilance and focus when reporting fraud and corruption cases.

The last two surveys identified that Government is a high risk area. We therefore included a new perpetrator category of "Government Officials". It would seem from the statistics that Government is under attack from its own people. Elsewhere in the world similar surveys show that companies are under attack from management more than employees.

In Africa one needs to be aware of the fraud risks and pitfalls that can plague your investment(s).

The silver lining is that the comparative results of the two periods mentioned show that there is a steady decline of reported fraud cases as well as in the monetary value of these cases (Fig 1 and 2). This raises the question, is fraud on the decline in Africa or are the statistics skewed by the media's focus.

Future KPMG Africa Fraud Barometers will assist in determining whether this is the start of a positive trend.

KPMG Africa Fraud Barometer

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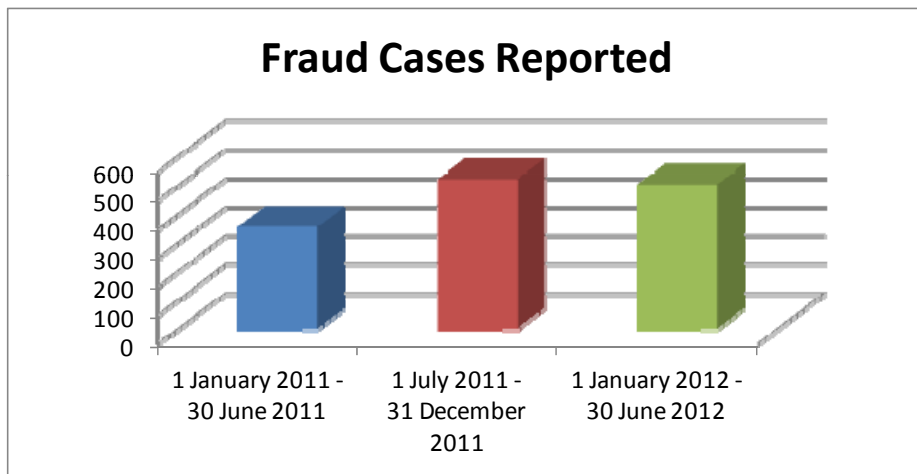


Fig.: 1 – A decline from the previous six months to the current six months in reported cases of fraud

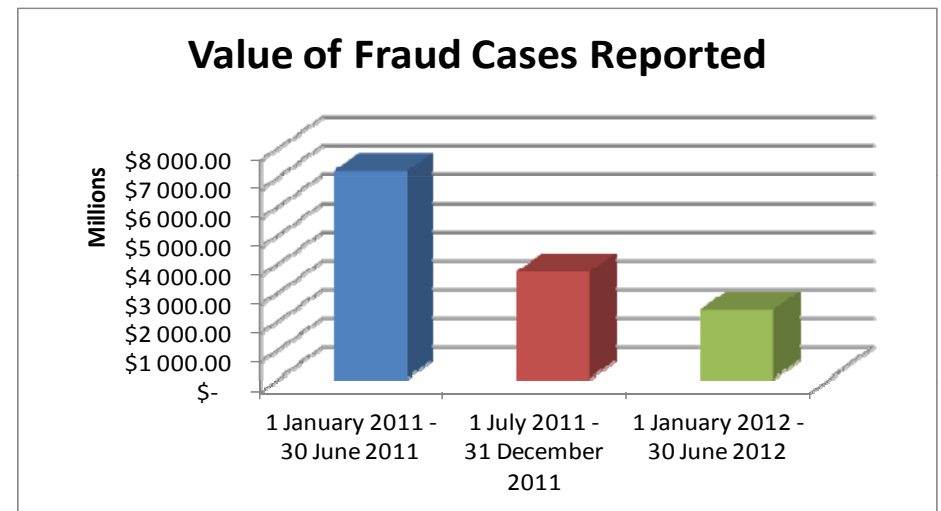


Fig.: 2 – A definite decline in the value of reported fraud cases

General

Fraud cases reported – 1 January 2012 to 30 June 2012

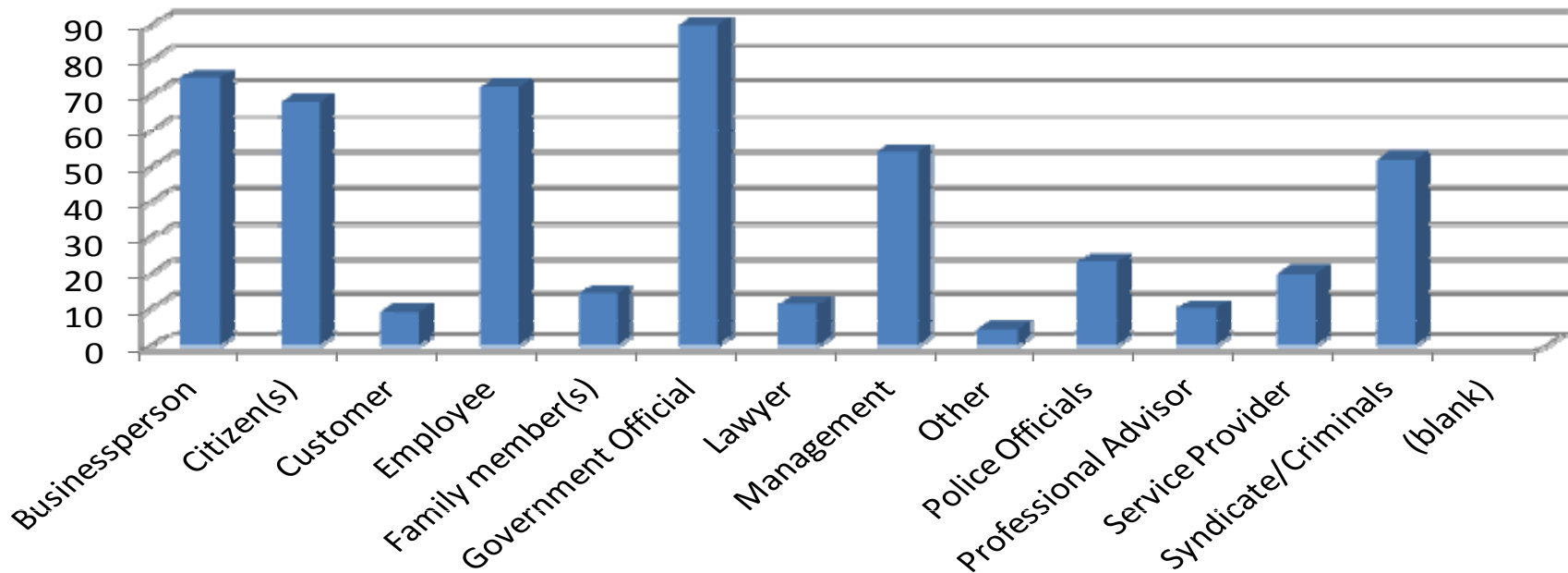
- In the period 1 January 2012 to 30 June 2012 **503** cases of fraud was reported
 - This is a decrease of 17 cases from the previous reported period of 1 July 2011 to 31 December 2011
- The value of the reported cases for the period 1 January 2012 to 30 June 2012 is over \$2 billion
 - This is a decrease of \$1.3 billion in relation to the previous reported period

Reported cases

Fraud by perpetrator – 1 January 2012 to 30 June 2012

- Government officials (18%) were again reported to perpetrate fraud more than Employees (14%) and Businesspersons (15%)
- In the previous six months Employees and Management had the highest reported fraud cases. In the period 1 January 2012 to 30 June 2012 fraud cases perpetrated by Management declined by 5%

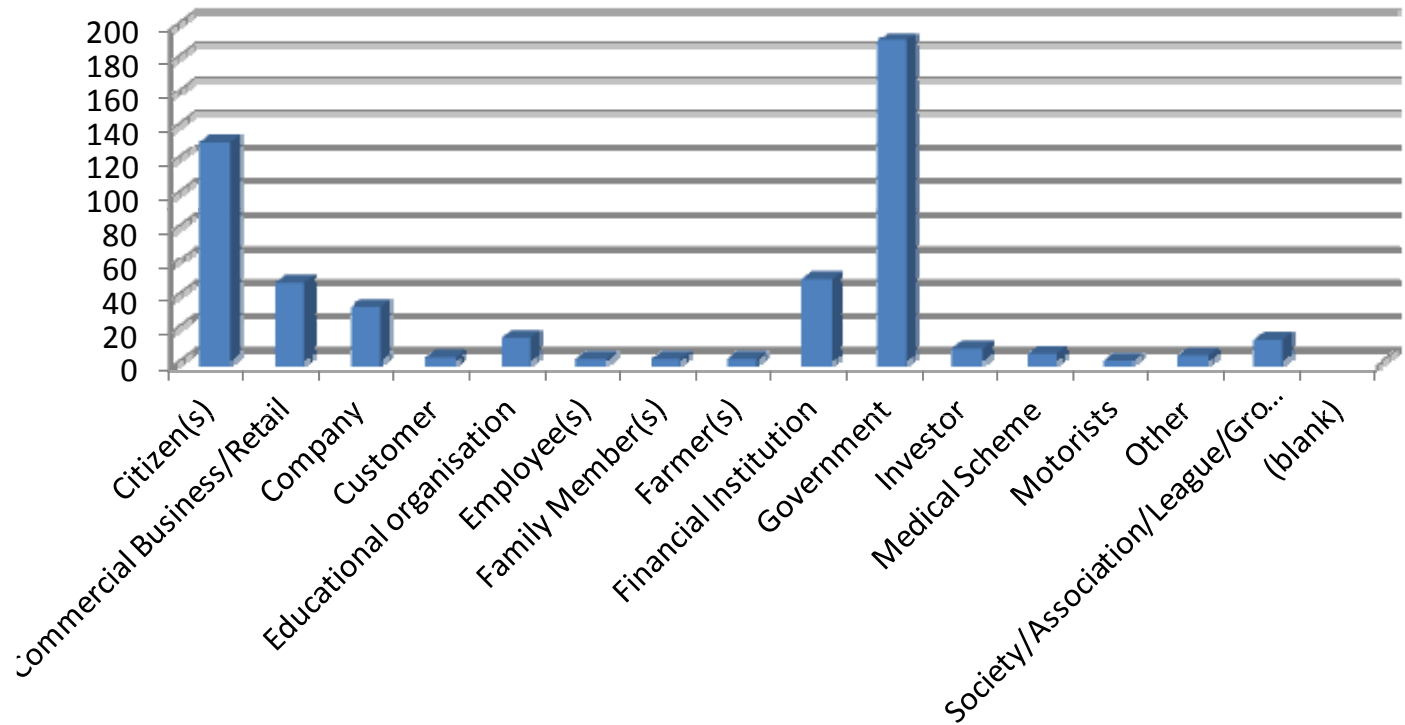
Fraud by Perpetrator



Reported cases Fraud by Victim – 1 January 2012 to 30 June 2012

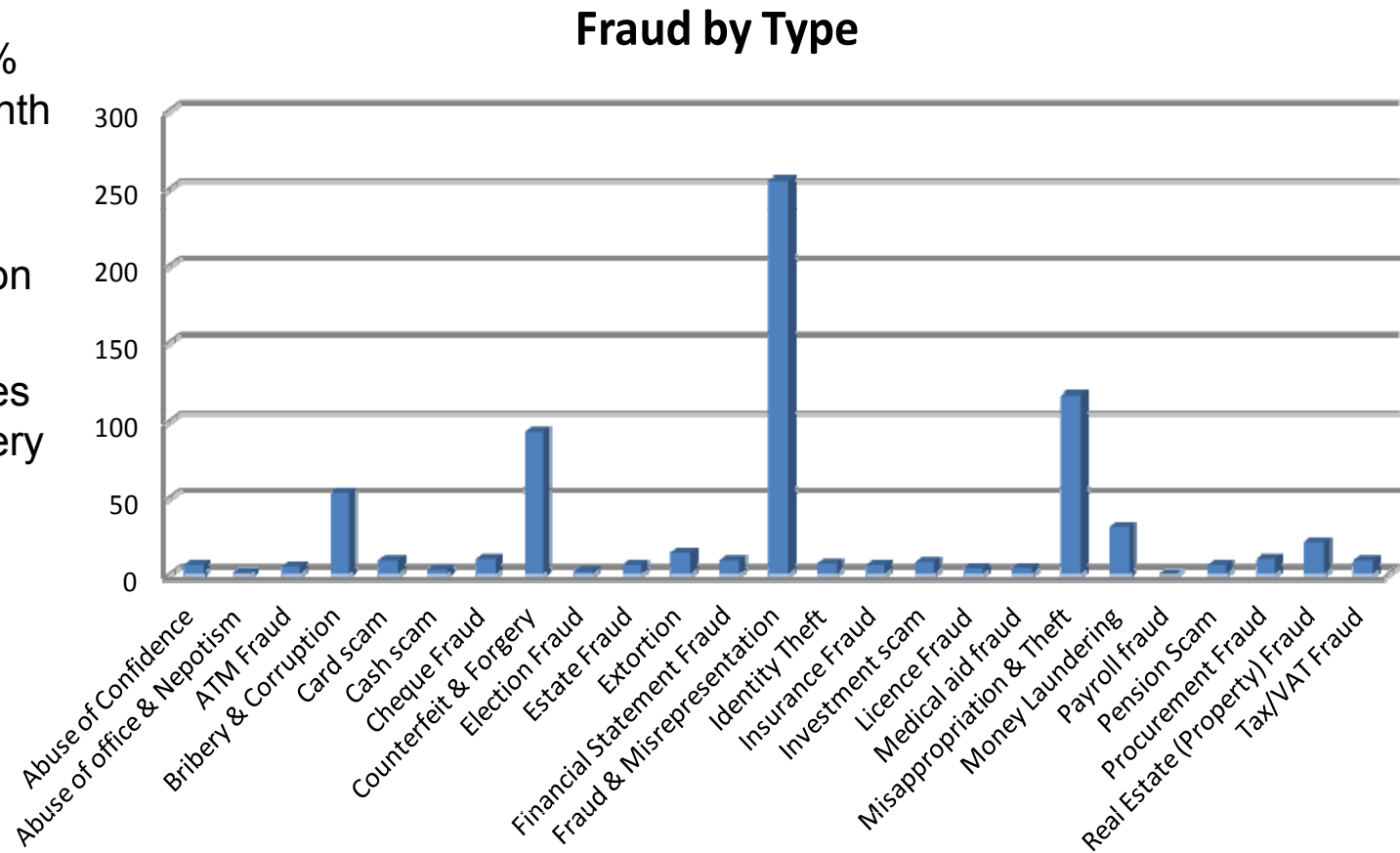
- As per the previous period Government is still the hardest hit by fraud and corruption
 - There is a 1% increase from the previous six months to now – 37% to 38%
- The group of victims with the second highest fraud cases reported are general citizens
 - people like you and me.
 - There was an increase of 8% from the previous period to the current six months

Fraud by Victim



Reported cases Fraud by Type – 1 January 2012 to 30 June 2012

- Fraud and Misrepresentation had the highest reported cases at 37%.
 - This is a decrease of 10% from the previous six month period
- Second highest reported cases were Misappropriation and Theft at 17%
- Third highest reported cases were Counterfeit and Forgery at 14% - up 4% from the previous period



Reported cases

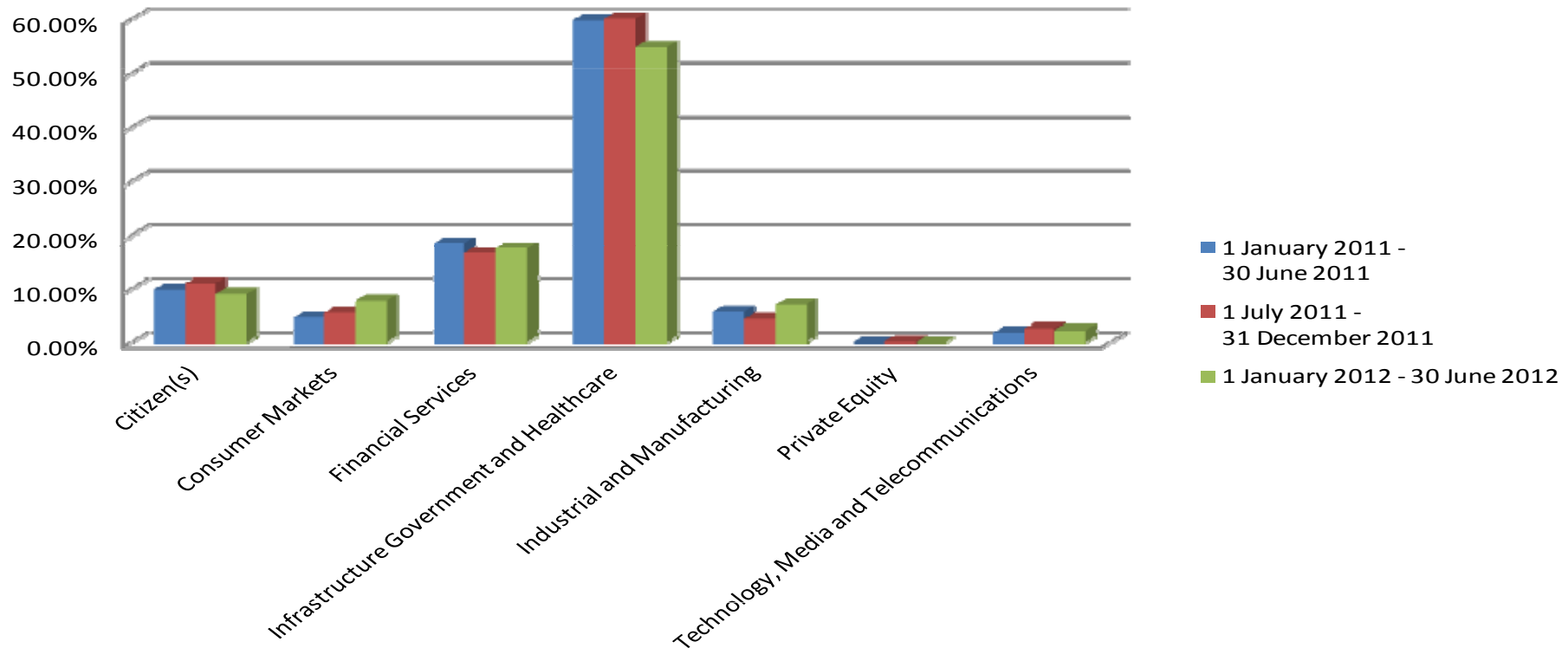
Fraud by Country – 1 January 2012 to 30 June 2012

- There was a slight decrease in reported fraud cases for South Africa (1%) which is still the country with the highest reported fraud cases in Africa
- Interesting is that Zimbabwe has overtaken Kenya as the country with the third highest reported cases of fraud at 8% against 7%
- Nigeria is still the country with the highest value of fraud reported with more than \$1.5 billion
- Our survey polls only English media

Reported cases Fraud by Industry – 1 January 2012 to 30 June 2012

- The Government and Public Sector industry had the highest occurrence of fraud cases reported at 26% for the period
 - This is a decrease of 13% from the previous period

Comparison Fraud by Industry



KPMG Africa Fraud Barometer Methodology

- The KPMG Africa Fraud Barometer has been developed to form a bigger picture of fraud prevalence on the African continent
- The data is compiled by accessing all available news articles on Africa and fraud from designated databases
- The data is captured, processed and disseminated in a press release
- The KPMG Africa Fraud Barometer is compiled and published every six months

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