



Sleeping with the enemy is not an option

One of the harsh realities of South Africa is that we have to live with high levels of crime every day. Paul Halley, Managing Director of Ascent, points out that the past few years have definitely seen a growing trend in employee originated criminal activity, both directly and indirectly, within the hospitality industry.

As an Underwriting Manager in the tourism, hospitality and entertainment sectors, Halley has been privy to this new industry anomaly and goes on to say that, "we are not talking about minor pilferage, but rather large scale and complex criminal activity."

Monitoring the supply chain

He further outlined that the complexities of the hospitality supply chain, variable pricing models, technological advancements and human resources models in the sector socio-economic pressures, have all contributed toward the rising trend. Technological advancement has also contributed to the scope for increased levels of and more sophisticated forms of cybercrime.

"Theft by, or with the collusion of employees, whether intentional or otherwise, is one of the most common and frequent crime related losses in the tourism, hospitality and entertainment sectors. The short-term and seasonal nature of the industry, as well as skill portability and volume of low to medium skilled employment opportunities, exposes the sector to incidents like these. A volatile labour and socio-economic environment, and the frequent use of migrant and foreign labour are also contributing factors," says Halley.

Losses of magnitude are not limited to the trenches but also involve sophisticated accounting fraud at management level. In a recent case involving an employee of a Cape Town based hotel group, the employee was found guilty on numerous counts of defrauding her employer to the tune of almost R9m.

With sector players not officially recording the percentage of crimes with an element of employee involvement, the best guess

estimates trend this number to be around 90% or above. "We can confirm that, in our estimation, and based on the regular review of circumstances involved in both direct and indirect crime, this number could be a conservative estimate," says Halley.

Rules intended to return normality

Recent immigration rule changes for employers are expected to assist against this scourge. However, it may ultimately make things worse. These changes mean work permits in the hospitality, food and beverage sectors will be harder to come by as these industries are reputed to be listed as undesirable business for work permits under the new legislation.

Desperation around the risk of unemployment could increase fidelity losses or drive further sophistication of the illegal market for fake and fraudulently obtained permits. This phase will require additional vigilance on the part of employers, as well as regulatory compliance to ensure all foreign employees have valid work permits.

Sharon Paterson, Chief Executive Officer of Infiniti Insurance and principal carrier for Ascent, says, "Fidelity losses can be sophisticated and extensive, occurring with the ingenious use of point of sale and accounting software technology and syndicate involvement. The prospects of recovering the money are usually very low and losses include the theft of stock, money and other assets of the establishment. This is very common within restaurants where syndicates have employed devious techniques of manipulating point of sale and accounting control systems."

In many instances the perpetrators have disappeared and cannot be brought to book. The human resource model in the sector together with the fact that there

is little or no basis for formal sharing of information regarding employees amongst operators and employers often means the individual implicated has secured another similar job in a different region or town but in the same sector and so the cycle continues.

Indirect crime plays a role

Paterson goes on to say that indirect crime assists external forces to gain information on or access to premises, safes, security systems and banking patterns. This form of indirect involvement can be particularly dangerous as it places owners, staff and guests at risk of being drawn into the dangerous circumstances that come with contact crimes.

Assets and cash can be replaced when insured correctly but lives, on the other hand, cannot be replaced. This also affects the perception of South Africa as a tourist destination with security being a major differentiator for international tourists and business people.



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