



# Forensic diagnostic study for mall operations

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## The focal point...

Typical functional areas for a mall that are prone to risk of fraud and misconduct include mall infrastructure management (viz. leasing, safety, parking and power supply among others), ambience management (viz. maintenance of spaces, cleanliness and appearance among others), cash handling, accounting and financial

reporting, marketing events/promotional activities, human resources and compliance.

Our objective is to help companies identify and address the fraud risks arising from vulnerabilities in their key functional areas.

## Key vulnerabilities you should watch out for

### Leasing of mall space

- Space let out to tenants without formal agreements.
- Space rental collected at fixed amounts and not as a percentage of sales though the agreement with the tenant specifies that the monthly rental to be paid at a fixed amount or as a percentage of sales, whichever is higher.
- Deposit collected from tenants, not deposited or partly deposited with the mall.
- No penalty/interest levied on tenants defaulting on their payments.
- Unauthorised removal of material seized from defaulting tenants.

### Management of car parking

- Parking of vehicles without payment of parking charges.
- Frequent system break downs reported and vehicles allowed by passing with manual receipts and no entry made in the system.
- Frequent issue of manual receipts for car parking by the parking contractor, resulting in under collection and siphoning of mall revenue by the parking contractor
- Manipulation of system data to show lower collections to the mall.

### Contracts with third parties (including vendors for marketing and promotional events)

- Absence of adequate due diligence procedures for vendors during selection and onboarding.
- No agreements signed for promotional/marketing events taking place in the mall.
- Conflict of interest with third party vendors engaged by the mall for facility management/ambience management/security/safety/parking/ promotional events and marketing events, amongst others.

### Management of security services

- Manipulation of duty records and inflation of invoices by security agencies.
- Unofficial collection of penalties in cash for security violations by tenants.

### Administration, finance and accounts

- Embezzlement of cash collected from mall operations
- Financing mis-reporting / mis-statement (e.g. under reporting of income or over-reporting of expenditure)
- Theft of seized inventory held by the mall
- Kickbacks received by the administration/finance department employees from vendors for preferential treatment to vendors (for example for clearance of payments/for not levying penalties/foregoing the interest for a delay in lease payments)
- Processing of duplicate or fictitious invoices of third party vendors.
- Misuse of organisation assets and properties for personal usage by organisation employees

### Bribery and corruption

- Making improper payments either directly or indirectly to authorities interacting at various points of mall operations for the below:
  - Licenses/permits
  - Clearances from municipal authorities
  - Tax authorities
  - Regulatory/law enforcement agencies.

## How we can help you

Our approach to conducting a fraud risk diagnostics for mall operations is detailed below:



### Conducting a current state assessment

- Obtain an understanding of the existing processes, systems, controls and documentation maintained, as well as the roles and responsibilities of the persons involved in the key processes at the mall.



### Performing a risk assessment and market intelligence

- Perform a data analysis on critical information identified including but not limited to accounts payable, accounts receivable, income ledgers (lease/car park/events/ promotions) and expense ledgers among others.
- Based on the red flags identified during data analysis, verify supporting documentation for sample transactions including but not limited to purchase orders, vendor invoices, contracts, agreements, parking records, gate records, inventory records, transaction approval and payment documents, delivery records and cash records, amongst others.
- Attempt to gather market intelligence on employees, vendors and third parties, as considered necessary.



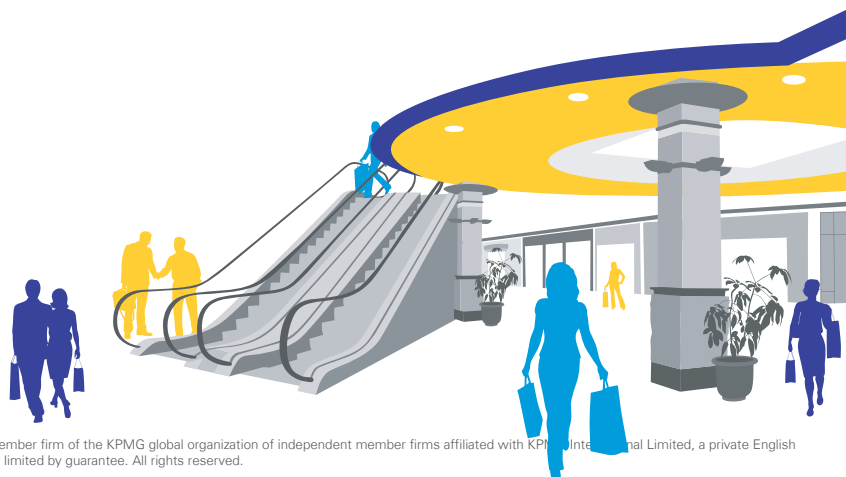
### Performing a gap analysis and providing recommendations

- Based on the red flags identified from data analysis and document review identify gaps attributable to:
  - Process
  - System
  - People
- For the gaps identified, suggest practical recommendations to mitigate fraud risks.

While this is the broad outline of our approach, it is highly customisable, and can be modified to suit the specific requirements of the client.

## Potential benefits

Fraud risks specific to mall operations are identified and mitigated by implementing practical recommendations that help address these risks.



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