



FRAUD PREVENTION STRATEGY

Version control

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1. Strategy Aim

The aim of this strategy is to curb any risk to the Department's assets, service delivery efficiency and reputation.

2. Legislative and Policy Framework

- Prevention of Organised Crime Act (No.121 of 1998) (POCA)
- Prevention and Combating of Corrupt Activities Act (No. 12 of 2004) (PRECCA)
- Criminal Procedure Act (No. 51 of 1997)
- Public Finance Management Act (No. 1 of 1999)

3. Strategy Scope

This policy is applicable employees¹ in the Department.

4. Policy Statement

It is the policy of the Northern Cape Department of Transport, Safety and Liaison:

4.1. Prevention Strategies

4.1.1. Pre-employment screening will be carried out for all appointments, and evidence of such screening will be maintained by the Human Resource Department.

Consideration should be given to the following pre-employment screening:

- Verification of identity.
- Police criminal history.
- Reference checks with the two most recent employers -- this will normally require telephone contact.
- A consideration of any gaps in employment history and the reasons for those gaps.
- Verification of formal qualifications claimed

4.1.2. The Department's recruitment policy will cover all new and promoted officials including those with administrative responsibilities or computer access.

The screening will be performed by Ethic's Anti-Corruption Manager and Security

¹ Appointed in terms of the Public Service Act, on contract through EPWP as well as inters and learners

Manager in conjunction with the Accounting Officer to ensure that screening is consistent and appropriately resourced throughout all departments. Screening will be conducted in accordance with the classification of the official or the levels of screening outlined below:

- Level 1 - All officials (including those with administrative functions or computer access)
 - Verification of claimed educational qualifications;
 - An independent reference check directly with two references nominated by the applicant or previous employers;
 - Criminal history checks (after authorisation has been obtained from the prospective official).

- Level 2 - All Managers and above, IT and Finance staff
 - All Level 1 checks;
 - Employment history checks;
 - Directorship and membership searches;
 - Insolvency/credit search.

4.1.3. Any person, involved in any decision-making process, who may have a conflict of interest, must declare such a conflict in writing to the Human Resource Department and withdraw from any further procedures.

4.1.4. A robust Internal Audit plan, which focuses on the prevalent high fraud² and corruption³ risks, serves as an effective preventative measure. The Internal Audit section will compile such a plan on an annual basis, and such a plan will also include "surprise audits".

4.1.5. All senior managers of the Northern Cape Department of Transport Safety & Liaison will be required to disclose their specific personal assets and business interests on an annual basis. This register will be kept by the Accounting Officer.

² The unlawful and intentional making of a misrepresentation which causes actual prejudice

³ Dishonest activity where official acts contrary to the interest of the department and abuses his/her position of trust in order to achieve personal gain or advantage

4.2. Detection Strategies

4.2.1. Detection of fraud and corruption may occur through:

- Vigilance on the part of officials, including line management;
- The Internal Audit function;
- Ad hoc management reviews;
- Anonymous reports;
- The application of detection techniques.

4.2.2. Similar to the prevention strategies, a robust Internal Audit plan which focuses on the prevalent high fraud and corruption risks also serves as an effective detection measure. As part of the detection strategy, the Internal Audit plan will cover the following:

- Surprise audits: Unplanned audits conducted on specific business processes throughout the year
- Post-transaction reviews: A review of transactions after they have been processed and completed can be effective in identifying fraudulent or corrupt activity. In addition to the possibility of detecting fraudulent transactions, such a strategy can also have a significant fraud prevention effect as the threat of detection may be enough to deter a staff member who would otherwise be motivated to engage in fraud and corruption;
- Forensic data analysis: The department's computer system is an important source of information on fraudulent and sometimes corrupt conduct. Software applications will be used during internal audits, surprise audits and post transaction reviews to assist in detecting any possible fraud and corruption;
- Management accounting reporting review: Using relatively straightforward techniques in analysing the department's management accounting reports, trends can be examined and investigated which may be indicative of fraudulent conduct. Some examples of the types of management accounting reports that can be utilised on a compare and contrast basis are:
 - Budget reports for each section;

- Reports comparing expenditure against public sector benchmarks;
- Reports highlighting unusual trends in bad or doubtful debts and overspending.

4.2.3. The Department recognises that the external audit function is an important control in the detection of fraud. The Chief Finance Officer will need to hold discussions with all engaged external auditors to ensure that due consideration is given, by the auditors, to ISA 240.

4.2.4. Internal controls are the first line of defense against fraud and corruption. Whilst internal controls may not fully protect the department against fraud and corruption, they are essential elements in the overall Fraud Prevention and Corruption Strategy. All areas of operations require internal controls, for example:

- Physical controls (securing of assets);
- Information security;
- Segregation of duties;
- Authorisation controls (approval of expenditure);
- Supervisory controls (supervising day-to-day issues);
- Analysis of data;
- Monthly and annual financial statements;
- Reconciliation of bank statements, monthly;
- Reconciliation of vote accounts, monthly.

4.2.5. Any suspicion of fraud and corruption will be treated seriously and will be reviewed, analysed, and if warranted, investigated. If an official becomes aware of a suspected fraud, corruption or any irregularity or unethical behaviour, such issues should be reported in terms of the Department's Whistle Blowing Policy.

4.3. Investigation Strategy

4.3.1. In the event that fraud or corruption is detected or suspected, investigations will be initiated, and if warranted, disciplinary proceedings, prosecution or action aimed at the recovery of losses will be initiated.

4.3.2. Any reports of incidents of fraud and / or corruption will be confirmed by an independent investigation. Anonymous reports may warrant a preliminary investigation before any decision to implement an independent investigation is taken.

4.3.3. Investigations will be undertaken by Ethic's & Anti-Corruption Unit where investigations are required.

4.3.4. All investigations performed and evidence obtained will be in accordance with acceptable practices and legal requirements. Independence and objectivity of investigations are vital.

4.3.5. Any investigation initiated must be concluded by the issue of a report by the person/s appointed to conduct such investigations. Such reports will only be disseminated to those persons required to have access thereto in order to implement whatever action is deemed appropriate as a result of the investigation.

4.3.6. Reports of forensic investigations are deemed confidential and will not be released to officials who are alleged in the forensic report to have been involved in any fraudulent or corrupt acts.

4.3.7. Investigations may involve one or more of the following activities:

- Interviewing of relevant witnesses, internal and external, including obtaining statements where appropriate
- Reviewing and collating documentary evidence;
- Forensic examination of computer systems;
- Examination of telephone records;
- Enquiries from banks and other financial departments (subject to the granting of appropriate approval/Court orders);
- Enquiries with other third parties;
- Data search and seizure;
- Expert witness and specialist testimony;

- Tracing funds/ assets/ goods
- Liaison with the police or other law enforcement or regulatory agencies;
- Interviewing persons suspected of involvement in fraud and corruption;
- Report preparation.

4.3.8. Any investigation into improper conduct within the Department will be subject to an appropriate level of supervision by the responsible committee, having regard to the seriousness of the matter under investigation.

4.4. Resolution Strategies

4.4.1. The ultimate outcome of disciplinary proceedings may involve a person/s receiving written warnings or the termination of their services. All disciplinary proceedings will take place in accordance with the procedures as set out in the disciplinary procedures' prescripts.

4.4.2. Should investigations uncover evidence of fraud or corruption in respect of an allegation or series of allegations, the department will review the facts at hand to determine whether the matter is one that ought to be reported to the relevant law enforcement agency for investigation and possible prosecution. Such reports must be submitted to the South African Police Service in accordance with the requirements of all applicable acts. The Department will give its full co-operation to any such law enforcement agency including the provision of reports compiled in respect of investigations conducted.

4.4.3. Where there is clear evidence of fraud or corruption and there has been a financial loss to the Department, recovery action, criminal, civil or administrative, will be instituted to recover any such losses.

4.4.4. In respect of civil recoveries, costs involved will be determined to ensure that the cost of recovery is financially beneficial.

4.4.5. In each instance where fraud is detected, Line Management will reassess the adequacy of the current internal control environment (particularly those controls directly impacting on the fraud incident) to consider the need for improvements.

4.4.6. The responsibility for ensuring that the internal control environment is reassessed and for ensuring that the recommendations arising out of this assessment are

implemented will lie with Line Management of the department of the unit /programme concerned.

4.5. Awareness Campaigns

4.5.1. The main purpose of fraud and corruption awareness workshops / training is to assist in the prevention, detection and reporting of fraud and corruption by raising the level of awareness as to how fraud and corruption is manifested in the workplace. In this regard, all officials will receive training on the following:

- Fraud Prevention Strategy;
- Code of Conduct for officials;
- Whistle blowing policy;
- How to respond to fraud and corruption;
- Manifestations of fraud and corruption in the workplace.

5. Roles and Responsibilities

5.1. The Head of Department:

5.1.1. The Accounting Officer bears the ultimate responsibility for fraud and corruption risk management within the Department.

5.1.2. This includes incorporating this activity into senior management functions and overseeing the investigation of suspected fraud and corruption, and facilitation for the reporting of such instances.

5.2. The Executive Authority:

5.2.1. The Executive Authority takes an interest in fraud and corruption risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the department against significant risks.

5.3. The Risk Management Committee:

5.3.1. The Risk Management Committee oversee the approach to fraud prevention, fraud detection strategies and response to fraud and corruption incidents reported by officials or other external parties.

5.3.2. The Risk Management Committee meets to discuss the following issues:

- Progress made in respect of implementing Risk Management, Fraud Prevention Strategy and Fraud Prevention Plan;
- Reports received regarding fraud and corruption incidents with the view to making any recommendations to the Accounting Officer and Chairperson of the Risk Management Committee;
- Reports on all investigations initiated and concluded;
- All allegations received via the National Anti-Corruption Hotline or the Department's suggestion boxes.

5.4. The Audit Committee

5.4.1. The Audit Committee is an independent committee responsible for oversight of the department's control, governance and risk management.

5.4.2. The responsibilities of the Audit Committee with regard to fraud and corruption risk management are formally defined in its charter.

5.4.3. The Audit Committee provides an independent and objective view of the department's fraud and corruption risk management effectiveness.

5.5. Senior Management

5.5.1. Senior management, under the guidance of the Accounting Officer, will ensure that it does not become complacent in dealing with fraud and corruption and that it will ensure the department's overall fraud and corruption strategy is reviewed and updated regularly.

5.5.2. Furthermore, senior management will ensure that all officials and stakeholders are made aware of its overall anti-fraud and corruption strategies through various initiatives of awareness and training.

5.6. Employees

5.6.1. Officials of the Department are required to conduct themselves in an ethical and moral way.

5.6.2. All officials are expected to abide by the Code of Conduct for the Department.

5.7. Ethics Anti-Corruption Manager

5.7.1. The Ethic's Anti-Corruption Manager will work with management to assist them with implementing the fraud and corruption risk management process in their areas of responsibility. This will include promoting awareness through workshops.

5.8. Internal Audit

5.8.1. This unit plays a monitoring role in the effectiveness of the fraud and corruption risk management process and also during implementation of recommendations to reduce identified cases of fraud and corruption.

5.8.2. Internal Audits will make recommendations to the Audit Committee and can play a pro-active role in reducing corruption risks by identifying weaknesses in internal controls and suggesting strategies to correct them.

5.9. External Audit

5.9.1. The external auditor (Auditor-General) provides an independent opinion on the effectiveness of fraud risk management.

5.9.2. A holistic approach to risk management will be adopted by the department, which means that every key risk in each part of the department will be included in a structured and systematic process of fraud and corruption risk management.

5.9.3. Fraud and corruption risk management processes will become embedded into the department's systems and processes, ensuring that its responses to risk remain current and dynamic. All fraud and corruption risk management efforts will be focused on supporting the department's objectives.

5.10. Risk Champion

5.10.1. The Risk Champion's responsibility involves intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by management and other officials and the lack of departmental skills and expertise.

6. Review and Distribution

6.1. The senior manager for Corporate Services is responsible for this strategy and for ensuring that it is reviewed and updated.

6.2. This Strategy will be reviewed on an annual basis. If necessary, an updated version will be issued, if not a formal cover letter will be issued to supplement the cover of this Policy (identifying a revised publication date).

6.3. The senior manager for Policy & Planning will distribute updated versions to:

- Member of the Executive Council
- Head of Department
- All senior managers who will in turn distribute to their staff as appropriate.