



INTERNAL MEMO

To	The Head of Department Ms. E. Botes
From	The Executive Manager: Corporate Services Mr. Z. Albanie
Date	12 December 2013
Ref	H 2.2.2.1

Subject	Approval of Revised Fraud Prevention Plan
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Dear Madam

Attached for your consideration and approval by your good self, the departmental Fraud Prevention Plan, which has gone through the relevant consultative process.

The purpose of the departmental Fraud Prevention Plan is to set out the approach of dealing with fraud risk at the Department of Social Development.

The fraud prevention plan provides for amongst others, the mechanisms for:

- Early detection of fraud,
- The investigation of fraud in order to minimize its negative impact and,
- Special initiatives that need to be undertaken to prevent fraud

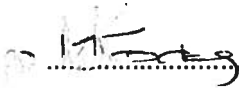
Kind regards



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MR.Z.ALBANIE
EXECUTIVE MANAGER: CORPORATE SERVICES

Approval

The Revised Fraud Prevention Plan for the Department of Social Development is approved by the Head of Department and shall come into effect from date of approval thereof.

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ESOTLS

Head of Department

.....20/12/2013.....

DATE



social development

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Inquiries: E. Botes

10/12/2013

Reference : SP54000297

Ms.S.Wookey
Chief Financial Officer
Department of Social Development
Mimosa Complex
Kimberley
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Dear Ms.Wookey

APPOINTMENT AS ACTING HEAD OF DEPARTMENT: DEPARTMENT OF SOCIAL DEVELOPMENT

The head of Department, Ms E Botes will be on annual leave for the period 16 December 2013 – 16 January 2014.

Please note that you are hereby appointed as acting Head of Department and Accounting Officer for the period 16 December to 20 December 2013

The acting appointment is made by virtue of the powers vested in me as Executive authority in terms of Section 32 (2) (b) of the Public Service Act, 1994, as amended.

You are also informed that in terms of the Policy on Acting Allowance for Senior Management Services the Payment of an acting allowance to you will not be applicable.

As the acting Head of Department, you will report directly to myself as the Member of Executive Council (MEC) of the Department and will as such be expected to provide professional, strategic management and leadership in respect of the Department in order to ensure the effective, efficient and economical delivery of all services and functions attached to the Department of Social Development in the Northern Cape province.

The following constitute the core responsibilities and key performance areas that you will be accountable for as acting Head of Department:

- a) Effective and efficient management (including supervision, staffing, allocation, utilization, care and training and development)



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all of the resources (human, financial, technological, physical & logistical) allocation to the Department.

- b) Effective performance management , monitoring, evaluation, reporting and communication;
- c) Ensuring the achievement of goals, objectives and targets as set out in the mentioned Plans within the appropriated budget expenditure projections;
- d) Exercising those authorizations and delegations assigned to the Head of Department; and
- e) Performance of any other duty or function to ensure the proper administration and functioning of and effective service delivery by the Department.

I wish to express my sincere appreciation for your commitment and willingness to accept the additional responsibilities.



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Ms.C.T Choteo MPL

Member of Executive Council for Social Development



social development

Department:
Social Development
NORTHERN CAPE

NORTHERN CAPE

DEPARTMENT OF SOCIAL DEVELOPMENT

REVISED FRAUD PREVENTION PLAN

DATE: DECEMBER 2013



FRAUD PREVENTION PLAN

1. GLOSSARY OF TERMS

Fraud, i.e. "the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another";

Corruption could be summarised as:

- "giving or offering;
- receiving or agreeing to receive;
- obtaining or attempting to obtain any benefit which is not legally due to or by a person who has been charged with a duty or power by virtue of any employment,
- to do any act or omit to do any act in relation to that power or duty"; and

Theft could be summarised as: the unlawful and intentional misappropriation of another's property or property which is in his/her lawful possession, with the intention to deprive the owner of its rights permanently.

FRAUDULENT OR CORRUPT ACTS MAY INCLUDE:

System issues where a process or system is in existence and is vulnerable to abuse by either employees or public members' e.g.

- Maladministration or financial misconduct in handling and or reporting of money, financial transactions or other assets
- Irregular colluding in the awarding of contracts, or orders for services and or goods.
- Disclosing confidential or proprietary information to outside parties.
- Travelling and subsistence claims (false charges for accommodation and meals, false mileage claims and,
- Abuse of sick or other permissible leave

Financial Issues i.e. where individuals or companies through fraudulent means obtains money from the department by,

- Suppliers submitting invalid invoices or invoicing for work not done.

Equipment and resource issues i.e. where department's equipment and or resources are used for personal gain e.g.

- Misuse of department's telephone line for personal and or private use.
- Abuse of department's vehicles.
- Theft of department's computers, inventory and cleaning materials.

Other issues i.e. activities undertaken by official/employees of the department which may be unlawful and against department's regulations or policies, or falling below standards or practices or amount to improper conduct e.g.

- Receiving undue gifts or favors for rendering services e.g. expensive gifts in contradiction to the code of conduct
- Nepotism and favoritism and,

Deliberately refusing or omitting to report or act upon reports of any irregular or dishonest conduct.

1. LEGISLATIVE MANDATE

The Accounting Officer has committed the Department of Social Development to a process of fraud prevention that is aligned to the principles of good corporate governance, as supported by:

Public Finance Management Act (PFMA), Act 1 of 1999 as amended by Act 29 of 1999, section 81 which deals with financial misconduct by officials in the departments and constitutional institutions. Section 85 and 86 deals with regulation on misconduct procedures and offences and penalties.

Treasury regulation chapter 4 which emphasizes that there must be investigations of alleged financial misconduct, criminal proceedings and reporting

Protected Disclosure Act 26 of 2000, which makes provision for procedures in terms of which employees in both the private and public sector may disclose information regarding unlawful or irregular conduct by their employers or other employees in the employ of their employer; also provide for the protection of employees who make a disclosure which is protected in terms of this act and to provide for matters connected therewith.

Prevention and Combating of Corrupt Activities Act 12 of 2004 which guides the departments on how to prevent and combat corrupt activities in the workplace.

Batho Pele principles were developed to serve as acceptable policy and legislative framework regarding service delivery in the public service. These principles are aligned with the Constitutional ideals of promoting and maintaining high standards of professional ethics; providing service impartially, fairly, equitably and without bias; utilizing resources efficiently and effectively; responding to people's needs; the citizens are encouraged to participate in policy-making; and rendering an accountable, transparent, and development-oriented public administration.

Code of conduct which outline how should the employees within public service conduct their duties, how they should relate to the public and how to conduct their personal and private interest.

Other internal policies, delegation of authority, Conditions of service and Disciplinary processes.

2. PURPOSE STATEMENT

The purpose of this fraud prevention plan is to set out the approach to dealing with fraud risk at the Department of Social Development.

3. INTRODUCTION AND BACKGROUND

The department recognizes the impact of fraud on its ability to provide an integrated quality service delivery. As a result the Department accepts fraud as an operational risk. Such acceptance, however, does not mean it condones fraud. To the contrary, the Department commits itself to actively combat fraud including all other acts of dishonesty on a zero tolerance basis.

The fraud prevention plan provides for amongst others, the mechanisms for,

- Early detection of fraud,
- The investigation of fraud in order to minimize its negative impact and,
- Special initiatives that need to be undertaken to prevent fraud.

The forensic investigations and risk assessment conducted to date have highlighted the following exposure to fraud risks,

- Misappropriation of departmental assets
- Conflict of interest and corruption
- Circumvention of internal controls
- Tender and other procurement irregularities
- Misuse of departmental assets and resources
- Misrepresentations on curriculum Vitae's

Although this is not an exhaustive list of fraud risks, it serves to highlight the importance of performing a comprehensive fraud risk assessment. The fraud prevention plan will be reviewed to determine its effectiveness. This document sets out the department's strategy to effectively manage fraud risks within the Department. In dealing with fraud risks the following policies were approved by the Honorable Member of Executive Council for this Department.

- Risk management policy

The departmental fraud prevention policy is intended to set down the stance of the department to fraud, as well as to reinforce existing systems, policies procedures, rules and regulations of the department aimed at deterring preventing, detecting, reacting to and reducing the incidence and the impact of fraud of whatever nature or source.

Conflict of interest for members of Senior Management is dealt with in the Senior Management Services Handbook. Conflict of interest is also dealt with in the procurement procedures and code of conduct for public Service for other management and officials.

King III stipulates under principle 2.4 paragraph 36.2 that a code of ethic should specify the ethical values or standards as well as specific guidelines about how an organization should interact with its internal and external stakeholders.

4. SCOPE OF APPLICATION

The prevention and detection of fraud risk is the responsibility of all line managers who manage people, processes/systems within the department as well as any employee of the department

5. FRAMEWORK

The fraud prevention plan provides for the process in terms of which the Department will mitigate, control and reduce the risk of fraud. The fraud prevention plan also provides for, amongst others, the mechanisms for early detection of fraud and for professional investigation of fraud offences so as to minimize the negative effects of fraud.

This document is not all encompassing and should not be seen as the only process relevant to the fraud prevention initiatives within the department. It will be reviewed on an ongoing basis. Specific initiatives to be undertaken to prevent fraud are listed below and thereafter discussed in greater detail:

- Training
- Tip-offs anonymous
- Supplier and trading partner awareness
- Pre employment vetting
- Expediting disciplinary processes
- Lessons learnt
- Proactive fraud detection

Over and above these specific initiatives, which are designed to be a deterrent and to contribute to a "fraud adverse" environment, effective internal controls are, and will always remain the best protection against fraud. Internal controls are by nature, designed to

protect the department against fraudulent activities. The fraud prevention plan according relies on an effective corporate governance function that utilizes the risk based approach to its work and ensures that compliance to internal controls is achieved, so as to minimize the opportunities of fraud.

6. TRAINING

The department will provide a comprehensive training programme to highlight the risk of fraud in the department, empower employees to recognize fraud in its infancy and to guide the fraud prevention team in developing the most optimum process in combating fraud.

Training is vital for every fraud prevention plan, as this is the process through which employees are empowered to become actively involved in fraud prevention and detection. A number of workshops will be presented at varying intervals depending on particular staff categories and their future roles in the fraud prevention process.

7. TIP-OFF ANONYMOUS

Through this service all stakeholders can report suspected fraud to any member of management, the Risk Management Unit, office of the Head of Department, the national anti-fraud hotline number for public service directly which is **080 070 1701**, public protector which is **080 011 2040**, presidential hotline which is **17737**, State security agency or chapter 9 institutions.

This is a useful tool through which the momentum and interest in the fraud prevention initiatives can be maintained. Should the information received through this service be useful and result in fraud being uncovered, appropriate steps/action shall be taken against the perpetrator(s). The head of risk management shall identify and report to relevant stakeholders cases involving

- Allegations of a criminal nature
- Allegations which could potentially justify disciplinary action.

The head of risk management shall also identify specific tip-offs requiring further investigation. Information of non fraud related matters will also be inevitably received, a provision has been made to relay such information to the relevant division and or responsible manager, and such information should not be disregarded as it may result in the whistle blower losing faith in the system. The promotion of awareness thereof shall form part of the communication strategy for the fraud prevention plan.

8. SUPPLIER AND TRADING PARTNER AWARENESS

All suppliers will be required to report any indent where a departmental employee attempts to solicit favors, gifts, kickbacks, or donations from suppliers of whatever nature and or amount. Under no circumstance may a supplier accede to such a request or demands from any employee.

9. DISCLOSURE OF GIFTS

To reduce possible fraud or corruption by suppliers and departmental employees, all gifts offered by suppliers to departmental employees must be formally disclosed. Gifts should not be accepted, and any such offer must be disclosed to the employee's line manager from whom guidance must be sought if any doubt as whether or not the offer of a gift is regarded of a significant value. Each employee must maintain an arm's length with the suppliers at all times and must guard against undue influence. A gift declaration register must be maintained and updated annually by the department.

10. PRE EMPLOYMENT VETTING

To ensure that the department limits its exposure to hiring potential fraudsters, the human resource division must ensure that all relevant details about prospective employees are acquired prior to employment. The screening process will typically include a review of:

- References
- Criminal records
- Civil claims records
- Disciplinary records
- Other businesses
- Qualifications - CV audit
- Technical competence

10.1 References

When checking references of prospective employees, care should be taken to ensure that the prospective employee's entire career history is disclosed. The reference checking process can only be considered as complete when the department has the assurance that there were no undisclosed acts of dishonesty relating to prospective employee's previous employment.

10.2 Criminal Records

It is difficult to obtain criminal records of prospective employees as such information is under exclusive control of the South African Police Force, and may not release it on demand. It is however important for the employer to know whether a prospective employee has a criminal record as this would significantly affect the related risk profile.

Differentiation should be made between crimes involving dishonesty and crimes which are not likely to affect the employees work. It should therefore be a requirement that all applicants submit full disclosure of criminal records. In addition a prospective employee must prior to his/her employment accept in writing that non disclosure of a criminal record or pending criminal case shall be a dismissible offence.

10.3 Civil Claims Records

Civil records give a full indication of the track record of individuals. If person is recruited for management position, for example, it is important to determine if a person has civil judgments or adverse listings. A prospective manager may prove to be unsuitable for the post if his or her credit history reveals major financial indiscretions in his or her past.

As with criminal records, all prospective candidates shall be required to disclose any civil judgments against their names. This should include pending civil matter. Failure to disclose such information shall be regarded as a disciplinary offence.

10.4 Disciplinary Records

It is important for the department to know whether the candidate has a history of disciplinary actions against him or her from previous employment. The disclosure of disciplinary cases shall include those that were settled or withdrawn as result of candidate's resignation. Failure to disclose such information shall be regarded as a disciplinary offence.

10.5 Other Businesses and Code of Conduct

It is important to ascertain from all applicants whether they have other businesses in which they are involved or hold a share. This is important as it may impact on the applicant's objectivity if he or she were to be in a position to favor that company or his or her ability to commit fully to her or his responsibility at the department. Failure to disclose such information shall be regarded as a disciplinary offence.

10.6 Qualifications

New applicants will submit curriculum vitae in support of their application. The department is exposed to a risk if it appoints a person who has submitted false qualification. Apart from the obvious risks, this is also an indication of dishonesty. The qualification check shall be undertaken not only to prospective employees but also to current employees as part of fraud prevention initiative and employee risk assessment.

10.7 Expediting Disciplinary Hearings

The benefits of an aggressive response to fraud are often negated by slow and inefficient disciplinary process, which could drag on for extended periods. The department will actively address this issue by assessing the current case load of disciplinary processes in progress and seek solutions to bring them to prompt finality in terms of the applicable disciplinary process. Initiatives under consideration include:

- Providing special training to initiators, investigators and presiding officers.
- Setting up a panel of investigators, prosecutors and presiding officers.
- Outsourcing these functions where necessary.
- Essentially completing investigations before suspending officials(where possible)
- Finalizing hearing within shortest space of time.

LESSON LEARNT

Internal Control processes and procedures need to be strengthened as fraud prevention measures. Intensify monitoring and evaluation of Internal control processes and procedures by all programs.

a. Proactive Fraud Detection

In order to seek evidence of fraudulent transactions, identify fraud prone environments and address the underlying causes of fraud, proactive fraud detection will be undertaken.

- Annual verification process will be carried out to ascertain whether employees have interests in any entities that are suppliers to the department.
- Regular analyses of payment data to creditors will be undertaken to ensure no duplicate payment is made to any of the suppliers.

Apart from the normal internal control process, a risk assessment may highlight unacceptably high level of risk in certain divisions which may justify the deployment of specialized fraud detection team. This will be undertaken through

a combination of external and internal resources. There should be at least one risk area subjected to special audit per annum. Proactive fraud detection can be a major deterrent to fraudsters as it carries an element of surprise.

11. IMPLEMENTATION

The risk management committee and management must play a pivotal role in ensuring effective implementation and management of various fraud prevention initiatives.

The specifics on how these guidelines are to be documented are contained in annexure A.

ANNEXURE A

FRAUD PREVENTION PLAN

INITIATIVE	OBJECTIVE	RESPONSIBILITY/IMPLEMENTATION	DATE
Investigations	Investigate all reported allegations of fraud and corruption	Senior Manager: Labour Relations: <ul style="list-style-type: none"> • Compile investigation reports with recommendations on addressing fraud in the department. 	January 2014 – March 2015
Tip off anonymous	Encourage tip off through national hotline	Senior Manager: Labour Relations to: <ul style="list-style-type: none"> ▪ Create regular awareness hotline facility by means of internal communication; ▪ Provide feedback to the stakeholders on the number of calls received from Tip-offs. 	January 2014 – March 2015 January 2014 – March 2015
Expediting Disciplinary processes	Ensure prompt finalization of matters in terms of applicable disciplinary process	Senior Manager Labour Relations to ensure that: <ul style="list-style-type: none"> • Training is arranged to equip line managers to effectively deal with the disciplinary process. 	January 2014 – March 2015
Risk management committee	Ensure focused vigilance in management of fraud risk	Manager: Organizational Risk Management to: <ul style="list-style-type: none"> • Ensure that the Risk Management Committee adds value in addressing fraud risk within the department 	January 2014 – March 2015
Proactive fraud detection	Identify fraud prone environment and review root causes in order to detect fraud.	Manager: Organizational risk management to: <ul style="list-style-type: none"> • Plan and execute projects aimed at proactively detecting fraud within vulnerable areas of the department. 	January 2014 – March 2015