



## INTERNAL MEMO

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

<b>Subject</b>	<b>Approval of Revised Anti Fraud and Corruption Strategy</b>
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Dear Madam

Attached for your consideration and approval by your good self, the departmental Revised Anti Fraud and Corruption Strategy, which has gone through the relevant consultative process.

The Anti-fraud and Corruption Strategy of the Department is informed by the Fraud Prevention Policy and forms part of the integrated approach to risk management of the Department of Social Development, albeit it concentrates on the management of fraud risks.

The Anti-fraud Strategy is a high level plan on how the Department will go about implementing its Fraud Prevention Policy and is designed to help managers meet their responsibilities and in this way ensure that the Department of Social Development protects its revenue, expenditure and assets from fraudulent exploitation from contractors, suppliers, service providers, employees of the department and the general public at large

Kind regards



**MR.Z.ALBANIE**

**EXECUTIVE MANAGER: CORPORATE SERVICES**

# Approval

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The Anti Fraud and Corruption Strategy for the Department of Social Development is approved by the Head of Department and shall come into effect from date of approval thereof.

*[Handwritten Signature]*  
.....

**MS. LESOTHE**

**Head of Department for Social Development**

*[Handwritten Date]*  
.....

**DATE**



**social development**

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Department:  
Social Development  
**NORTHERN CAPE**

**NORTHERN CAPE**

**DEPARTMENT OF SOCIAL DEVELOPMENT**

# **REVISED ANTI-FRAUD AND CORRUPTION STRATEGY**

**DECEMBER 2013**



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## 1. EXECUTIVE SUMMARY

The Anti-fraud and Corruption strategy of the Department forms part of the integrated approach to risk management of the Department of Social Development, albeit it concentrates on the management of fraud risks. It is crucial that in the management of fraud risk, the tone is set at the top and a culture of intolerance to fraud and corruption is embedded in all aspects of the Department's programmes, activities and structures.

The officials of the Department as a whole must buy into the anti-fraud and corruption strategy. For example, whereas top management will set the tone at the top, the finance department must ensure that all funds of the department are properly utilized and accounted for; the personnel department must ensure integrity of personnel issues and records so that only bona-fide employees are paid; the IT department must ensure the protection of the Department's information and the security department must ensure physical security of property and officials of the department.

The Anti-fraud strategy is also designed to help managers meet their responsibilities and in this way ensure that the Department of Social Development protects its revenue, expenditure and assets from fraudulent exploitation from contractors, suppliers, service providers, employees of the department and the general public at large.

This Anti-fraud and Corruption strategy is anchored on the following three main pillars:

- i) Losses prevention/mitigation by stringent implementation of the anti-fraud strategy
- ii) Dedicated commitment to a policy of detection, investigation, recovery and prosecution of fraud cases as enshrined in the anti-fraud strategy
- iii) Citizens' rights should be respected.

## **2 STATEMENT OF ATTITUDE TO FRAUD AND CORRUPTION**

Fraud represents a significant potential risk to the Department of Social Development's assets, service delivery efficiency and reputation. The Department will not tolerate corrupt or fraudulent activities, whether internal or external to the Department, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

## **3 DEFINITIONS OF FRAUD AND CORRUPTION**

The National Guideline on Fraud Prevention Strategy published by the National Treasury defines fraud as "the unlawful and intentional making of a misrepresentation which causes actual and/or potential prejudice to another" and further alluded that the term "fraud" is also used in a wider sense by the general public.

The National Guideline on Fraud Prevention Strategy published by the National Treasury further defines corruption as "any conduct or behaviour where a person accepts, agrees or offers any gratification for himself / herself or for another person where the purpose is to act dishonestly or illegally. Such behaviour also includes the misuse of material or information, abuse of a position of authority or a breach of trust or violation of duty".

The general offence of corruption is contained in Section 3 of The Prevention and Combating of Corrupt Activities Act (Act no.12 of 2004). This section provides that a person is guilty of the offence of corruption if such person gives or accepts or agrees or offers to accept / receive any gratification from another person in order to influence such other person in a manner that amounts to:

- The illegal or unauthorised performance of such other person's powers, duties or functions;
- An abuse of authority, a breach of trust, or the violation of a legal duty or a set of rules;
- The achievement of an unjustified result; or
- Any other unauthorised or improper inducement to do or not to do anything is guilty of the offence of Corruption.

The broadest meaning of fraud and corruption, which can be deduced from the combination of the definitions above is applicable in this Anti-Fraud and Corruption Strategy.

#### **4. COMMON METHODS AND TYPES OF FRAUD AND CORRUPTION**

Fraud and Corruption takes various forms in the public service and elsewhere in society.

**4.1 The following are some of the different types of fraud and corruption.**

##### **4.1.1 Bribery**

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of public servants. This benefit may accrue to the public servant, another person or an entity. A variation of this manifestation occurs where a political party or government is offered, promised or given a benefit that improperly affects the actions or decisions of the political party or government.

**Example:** A department official accepts a cash payment in order to approve the grant of an unqualified beneficiary.

##### **4.1.2 Embezzlement**

This involves theft of resources by persons entrusted with the authority and control of such resources.

**Example:** Employee of the department who steals food parcels meant for orphanage homes and in turn sells them to private groceries stores.

##### **4.1.3 Fraud**

This involves actions or behaviour by a public servant or other person or entity that fools others into providing a benefit that would not normally accrue to the public servant, or other persons or entity.

**Example:** A public servant that registers a fictitious employee in order to collect the salary of that fictitious employee.

##### **4.1.4 Extortion**

This involves coercing a person or entity to provide a benefit to a public servant, another person or an entity in exchange for acting (or failing to act) in a particular manner. **Example:** An official threatens not to approve the grant of an NPO unless the managers give him a certain amount of money.

##### **4.1.5 Abuse of power**

This involves a public servant using his or her vested authority to improperly benefit another public servant, person or entity (or using vested authority to improperly discriminate against another public servant, person or entity).

**Example:** A senior public official stalling the promotion of a junior official to teach him a lesson for laying complaint against the senior official.

#### **4.1.6 Conflict of interest**

This involves a public servant acting or failing to act on a matter where the public servant has an interest or another person or entity that stands in a relationship with the public servant has an interest.

**Example:** A public servant considers tenders for a contract and awards the tender to a company of which his or her partner is a director even though such company was not recommended by the evaluation committee.

#### **4.1.7 Abuse of privileged information**

This involves the use of privileged information and knowledge that a public servant possesses as a result of his or her office to provide unfair advantage to another person or entity to obtain a benefit, or to accrue a benefit for himself or herself.

**Example:** An official has, as a result of his or her office, knowledge of decision by the Department to provide funding for meals to certain NPOs at a fixed price and then provides such information to his relative who has a catering company even before the tender for the service is advertised for the general public.

#### **4.1.8 Favouritism**

This involves the provision of services or resources according to personal affiliation (for example, ethnic or religion) of a public servant.

**Example:** A Department manager ensures that only persons from the same ethnic group are successful in tendering for the supply of food parcels.

#### **4.1.9 Nepotism**

This involves a public servant ensuring that family members are favoured in various dealings with government including appointments, government businesses, etc.

**Example:** A head of department appoint his or her sister's child to a position when a more suitable candidate has applied for the position.



## 5. PROMOTION OF ANTI-FRAUD AND CORRUPTION CULTURE

### 5.1 Fraud Response Plan

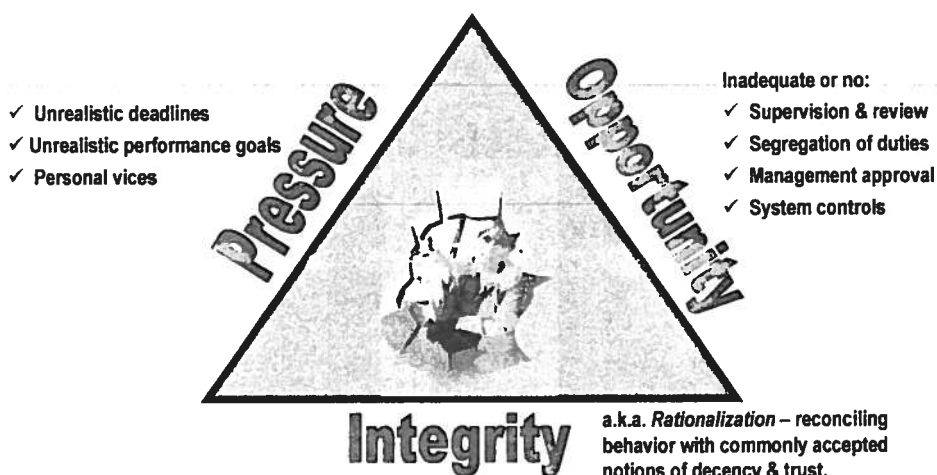
Fraud response plan is vital as part of overall anti-fraud and corruption strategy so that managers are abreast of what to do when confronted with fraudulent and/or corrupt activities. It is equally important that the fraud response plan is adequately communicated to all officials.

The existence of a fraud response plan may, in itself, help to act as a deterrent as it shows that the Department is prepared to defend itself against the risk of fraud. The Department's fraud response plan is included as annexure 1

### 5.2 Conditions antecedent to fraud and corruption

The following three conditions have been identified to be present when fraud and corruption occurs – incentive/pressure; opportunity; attitude/rationalization. This is diagrammatically depicted below in a fraud triangle

## The Fraud Triangle



#### 5.2.1 Incentive/Pressure

An incentive to commit fraud is not only to misappropriate an asset, e.g. cash, but can also consist of manipulating information regarding key performance indicators with the objective of reaping of financial rewards

Personal issues, e.g. financial pressures can increase the occurrence of fraud. Unnecessary demanding business related pressures, e.g. pressure to reach set objectives and targets, also contribute to the likelihood of fraud occurring.

### **5.2.2 Opportunity**

Lack of internal controls, poor control environment, lack of proper segregation of duties, etc., are all examples of opportunities in the work environment which increase the likelihood of fraud.

### **5.2.3 Attitude/Rationalization**

A work culture embracing and rewarding dishonesty can be a fertile breeding ground for fraudulent activities.

## **5.3 Management controls**

Managers must ensure that the opportunities for fraud are minimized. Separation of duties, effective procedures and checks should prevent or deter fraud from occurring. While some people would never contemplate perpetrating a fraud, others may if they thought they could get away with it. A high chance of being caught by detective controls will deter fraud.

## **6. RESPONSIBILITIES FOR PREVENTION, DETECTION AND CONTROL OF FRAUD AND CORRUPTION**

### **6.1 DEPARTMENT'S RESPONSIBILITIES**

The Department's Accounting Officer is responsible for establishing and maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives as well as the prevention, detection and control of fraud and corruption.

His responsibilities include:

- (c) Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
- (d) Establishing an effective anti-fraud policy and fraud response plan, commensurate to the level of fraud risk identified in the fraud risk profile;
- (e) Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
- (f) Instituting, in consultation with the Director of Corporate Services, appropriate pre-employment screening measures;
- (g) Establishing appropriate mechanisms for:
  - Reporting fraud risk issues;
  - Reporting significant incidents of fraud to the Accounting Officer and the RMC;
  - Coordinating assurances about the effectiveness of fraud prevention policy and fraud response plan to support the Statement on Internal Control;
- (h) Liaising with the Provincial Audit and Risk Committee;
- (i) Making sure that all staff are aware of the Department's anti-fraud policy and know what their responsibilities are in relation to combating fraud;
- (j) Ensuring fraud awareness training is provided as appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff;
- (k) Ensuring that vigorous and prompt investigations are carried out if fraud occurs, is attempted or is suspected;
- (l) Ensuring, where appropriate, legal and/or disciplinary action against perpetrators of fraud;
- (m) Ensuring, where appropriate, disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
- (n) Ensuring, where appropriate, disciplinary action against staff who fail to report fraud;
- (o) Taking appropriate action to recover assets and losses; and
- (p) Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

## **6.2 SENIOR MANAGEMENT'S RESPONSIBILITIES**

Senior Managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively. Responsibility for the prevention and detection of fraud, therefore, rests primarily with senior managers. Senior managers need to ensure that:

- (a) Fraud risks have been identified within the overall Risk Management Strategy of the Department;
- (b) Each risk has been assessed for likelihood and potential impact;
- (c) Adequate and effective controls have been identified for each risk;
- (d) Controls are being complied with, through regular review and testing of control systems;
- (e) Risks are reassessed as result of the introduction of new systems or amendments to existing systems;
- (f) Where a fraud has occurred, or has been attempted, controls are reviewed and new controls implemented, as necessary, to reduce the risk of fraud recurring; and
- (g) Fraud occurrences are quantified on an annual basis and Risk Registers updated to reflect the quantum of fraud within the Business Area. Where appropriate, strategies should be devised to combat recurrence of fraud and targets set to reduce the level of fraud.

## **6.3 PROVINCIAL INTERNAL AUDIT AND ORGANIZATIONAL RISK MANAGEMENT UNIT OF THE DEPARTMENT**

Internal Audit is responsible for the provision of an independent and objective opinion to the Accounting Officer on risk management, control and governance. The adequacy of arrangements for managing the risk of fraud and ensuring the Department promotes an anti-fraud culture is a fundamental element in arriving at an overall opinion.

The Organizational Risk Management Unit of the Department in performing its duties regarding risk management should incorporate the prevention and detection of fraud in its work-plan. In this regard, the Unit should liaise with the Provincial Internal Audit so that their work in fraud prevention and detection is coordinated to avoid duplication of efforts.

## **6.4 STAFF RESPONSIBILITIES**

Every member of staff has a duty to ensure that public funds are safeguarded and therefore, everyone is responsible for:

- (a) Acting with propriety in the use of official resources and the handling and use of public funds in all instances. This includes cash and/or payment systems, receipts and dealing with suppliers;
- (b) Conducting themselves in accordance with the seven principles of public life, which are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership; and
- (c) Being vigilant to the possibility that unusual events or transactions could be indicators of fraud and alerting their line manager where they believe the opportunity for fraud exists.

In addition, it is the responsibility of every member of staff to report details immediately to their senior manager or the Chief Finance Officer (CFO) if they suspect that a fraud has been attempted or committed, or see any suspicious acts or events. The Protected Disclosure Act, (Act no.26 of 2006) protects the rights of staff who report wrongdoing.

Staff must also assist any investigations by making available all relevant information, by cooperating in interviews and if appropriate provide a witness statement.

As stewards of public funds, civil servants must have, and be seen to have, high standards of personal integrity. Staff should not accept gifts, hospitality or benefits of any kind from a third party, which might be seen to compromise their integrity.

It is also essential that staff understand and adhere to laid down systems and procedures including those of a personnel/management nature such as submission of expenses claims and records of absence, annual leave, etc.

Staff should be encouraged to report suspicions of fraud either to their line managers, to internal control and risk management or possibly to a hotline set up for the purpose.

## **7. FRAUD AND CORRUPTION PREVENTION, CONTROL AND DETECTION STRATEGIES**

Three focal areas for the control of fraud and corruption are:

- Structural strategies;
- Operational strategies; and
- Maintenance strategies.

## **7.1 Structural strategies**

Structural Strategies represent the actions to be undertaken in order to address fraud and corruption at the Structural level and include the following.

### **7.1.1 Responsibilities for fraud and corruption risk management**

The responsibilities for risk management in the Department include the following:

#### **7.1.1.1 Accounting Officer**

The Accounting Officer will bear the ultimate responsibility for fraud and corruption risk management within the Department. This includes the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, and facilitation for the reporting of such instances.

#### **7.1.1.2 Risk Management Committee (RMC)**

In terms of the Risk Management Strategy of the Department, a Risk Management Committee is to be constituted with the Chief Financial Officer as the chair of the committee.

Since fraud risk is a component of the department's overall risk management, the Risk Management Committee will also be responsible for the fraud risks.

In addition to matters mentioned in the Risk Management Strategy for deliberation by the Risk Management Committee, the following specific issues relating to fraud risk should be discussed by the RMC:

- a) Progress made in respect of implementing the Anti-Fraud and Corruption Strategies and Fraud Prevention Plans;
- b) Reports received by the Department regarding fraud and corruption incidents with the view to making any recommendations to the Accounting Officer and Provincial Audit Committee;
- c) Reports on all investigations initiated and concluded; and
- d) All allegations received via the hotline.

### **7.1.2 An ethical culture**

The Officials of the Department are required to be seen and to conduct themselves in ethical and moral way. Ethics are concerned with human character and conduct and deal with questions of right and wrong, appropriate and inappropriate behaviour and what constitutes good or evil. Ethical conduct is based on a set of principles referred to as values or norms. The collective ethical conduct of all the individual employees of the Department reflects the Department's ethical conduct. In this regard, the highest standards of ethics are required by employees when fulfilling their duties.

### **7.1.3 Senior management commitment**

Senior management is to be committed to eradicating fraud and corruption and ensuring that the Department strives to be perceived as ethical in all its dealings with the public and other interested parties. In this regard, 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. Furthermore, senior management will ensure that all employees and stakeholders are made aware of its overall anti - fraud and corruption strategy through various initiatives of awareness and training.

### **7.1.4 Assessment of fraud and corruption risk**

An annual fraud and corruption risk assessments to be championed by the Chief Finance Officer will be conducted to identify potential fraud and corruption risk exposures to the Department. This should be done as part of the overall risk assessment of the Department. This process will ensure that actions to address the identified fraud and corruption risk exposures will be implemented to mitigate these exposures.

The above will be formulated into "Fraud Risk Assessment", which will provide an indication of how fraud and corruption risks are manifested and, a "Fraud and Corruption Risk Register" which will prioritise the fraud and corruption risks and indicate actions to mitigate these risks.

## **7.1.5 Employee awareness**

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 employees should receive training on the following:

- a) Anti-Fraud and Corruption strategy;
- b) Code of Conduct for employees;
- c) Whistle blowing policy;
- d) How to respond to fraud and corruption; and
- e) Manifestations of fraud and corruption in the workplace.

The Chief Finance Officer in consultation with the Director of Corporate Services will be responsible for employee awareness of the department's anti-fraud and corruption strategy.

## **7.2. Operational strategies**

### **7.2.1 Internal controls**

Internal controls are the first line of defence against fraud and corruption. While internal controls may not fully protect the Department against fraud and corruption, they are essential elements in the overall Anti-Fraud and Corruption Strategy.

All areas of operations require internal controls, for example:

- a) Physical controls (securing of assets);
- b) Authorisation controls (approval of expenditure);
- c) Supervisory controls (supervising day-to-day issues);
- d) Analysis of data;
- e) Monthly and annual financial statements;
- f) Reconciliation of bank statements, monthly; and



g) Reconciliation of vote/budget accounts, monthly.

The Accounting Officer is responsible for the overall internal control within the department.

The Provincial Internal Audit, working closely with the Organizational Risk Management Unit of the Department, will be responsible for implementing an internal audit program which will incorporate steps to evaluate adequacy of the internal control systems of the department and adherence to internal controls.

## **7.2.2 Prevention strategies**

The following are some actions that predict well for preventative environment and as such will promote the implementation of the Department's Anti-Fraud and Corruption Strategy:

### **7.2.2.1 Employee awareness**

Awareness by the employee of the Department's Anti-Fraud and Corruption Strategy, Code of Conduct, Whistle blowing policy and the manifestation of fraud and corruption in the workplace is crucial in the creation of an environment which may be considered to be hostile to a would-be transgressor. The Chief Finance Officer together with the Director of Corporate Services will be responsible for creating awareness of this Anti-Fraud and Corruption Strategy amongst the employees of the Department. To this end, a Departmental Anti-fraud and Corruption Indaba should be organized annually to review progress of implementation of the Anti-fraud and Corruption Strategy.

### **7.2.2.2 Pre-employment screening**

An essential control mechanism to minimize fraud and corruption is pre-employment screening, which should be carried out for all appointments, and evidence of such screening will be maintained by the HR Directorate. Consideration should be given to the following pre-employment screening:

- a) Verification of identity.
- b) Police criminal history.
- c) Reference checks with the two most recent employers – this will normally require telephone contact.

4) A consideration of any gaps in employment history and the reasons for those gaps.

5) Verification of formal qualifications claimed.

6) The Department's policy of pre-employment screening will cover all new and promoted employees including those with administrative responsibilities or computer access.

The levels of screening include:

Level 1 – All employees (including those with administrative functions or computer access)

- i) Verification of claimed educational qualifications;
- ii) An independent reference check directly with two referees nominated by the applicant or previous employers; and
- iii) Criminal history checks (after authorisation has been obtained from the prospective employee)

Level 2 – all Managers and above, IT and Finance Staff

- i) All level 1 checks;
- ii) Employment history checks
- iii) Directorship and membership searches; and
- iv) Insolvency/credit search

### **7.2.2.3 Recruitment procedures**

It is vital that the recruitment process be transparent with utmost probity and in accordance with approved recruitment procedures. Conflict of interest and nepotism in the recruitment process should be avoided to maintain the integrity of the process. Recruitment should be conducted in accordance with the Department's recruitment procedures.

### **7.2.3 Internal audit plan**

The Provincial Internal Audit is responsible for carrying out internal audit services for all provincial government departments. The Internal Audit Plan should be robust with a high focus on the preventing and detecting of fraud and corruption in the department.

## **7.2.4 Fraud and corruption prevention plan**

The actions set out in this plan are all focused at mitigating the risk of fraud and corruption in the Department of Social Development.

## **7.2.5 Disclosure of interests**

All senior managers of the Department should disclose their specific personal assets and business interests on an annual basis, including assets and business interests of their spouses and children, which will be recorded in the disclosure of interest forms.

## **7.3. Detection strategies**

Detection of fraud and corruption may occur through:

- a) Vigilance on the part of employees, including line management;
- b) The Internal Audit function;
- c) Ad hoc management reviews;
- d) Anonymous reports; and
- e) The application of detection techniques.

The Accounting Officer is ultimately responsible for implementing detection strategies, and will work closely with senior manager and the Internal Audit function for this purpose. The Accounting Officer may however delegate this responsibility to an appropriate senior manager, preferably the CFO.

### **7.3.1 Internal audit**

A robust internal audit plan, which focuses on the prevalent high fraud and corruption risks, should also serve as an effective detection measure. The Internal audit Plan, as part of the detection strategy, should cover the following:

- a) Surprise audits – Internal audit will carry out unplanned audits on specific business processes throughout the year

- b) Post-transaction reviews – Internal audit will review transactions after they have been processed and completed, which may assist in identifying fraud and corruption.
- c) Forensic data analysis – Internal audit will make use of software during internal audits, surprise audits, post-transaction reviews to assist in detecting and possible fraud and corruption.
- d) Management accounting reporting review – Internal audit will use relatively straight forward techniques in analysing the Department's management accounting reports, so that 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:
  - i) Budget reports for each directorate/programme/unit
  - ii) Reports comparing expenditure against public sector benchmarks; and
  - iii) Reports on transfer payments/grants to NPOs

The Accounting Officer, who is ultimately responsible for internal control, risk management and corporate governance of the department, will liaise with the Provincial Internal Audit to ensure that the three year strategic internal plan covers all the issues mentioned above.

### **7.3.2 External audit**

The Department of Social Development recognises that external audit function is an important control in the detection of fraud. The CFO should hold discussions with the Office of the Auditor General to ensure that due consideration is given, by the auditors, to ISA 240 *"The Auditors' Responsibility to Consider Fraud in the audit of a Financial Statement"*.

## **7.4 Response strategies**

### **7.4.1 Reporting fraud and corruption – a Whistle blowing policy**

One of the key obstacles to fighting fraud and corruption is the fear by employees of being intimidated to identify or "blow the whistle" on fraudulent, corrupt or unethical practices witnessed in

the work place. Those who often do "blow the whistle" end up being victimised and intimidated. For this reason, the Department has adopted a Whistle Blowing Policy setting out the detailed procedure which must be followed in order to report any incidents of fraud and / or corruption. This policy has been designed to comply with the provisions of the Protected Disclosures Act (Act no.26 of 2000).

The national anti-fraud and corruption hotline, public protector and presidential hotline for anonymous reporting of fraud and corruption in the department are: 0800 707701, 0824577247, and 0800 112040 and 17737 respectively.

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

## **7.4.2 Investigating fraud and corruption**

### **7.4.2.1 Dealing with suspected fraud and corruption**

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 in accordance with the Fraud Response Plan of the department.

## **7.5 Maintenance strategies**

### **7.5.1 Review of the effectiveness of the Anti-Fraud and Corruption Strategy and Prevention Plan**

The Department will conduct a review of the Anti-Fraud and Corruption Strategy annually to determine the effectiveness thereof. The Accounting Officer is ultimately accountable for this review and may appoint a person to take responsibility for this.

### **7.5.2 Review and updating the Anti-Fraud and Corruption Strategy and Prevention Plan**

A central part of any fraud and corruption control programme should involve an ongoing review of fraud and corruption risk exposures. Fraud and Corruption risk assessments will also be conducted annually at the same time as the review of the Anti-Fraud and Corruption Strategy and Prevention Plan and as part of the overall risk assessment of the Department. As with the review,

the Accounting Officer is ultimately accountable for this and may delegate a person to take responsibility.

### **7.6. Procedures for investigation**

The Department will ensure the investigating of all reports of fraud and corruption, or other improper conduct. The investigation of fraud and corruption can be a complex and, at times, technical process and employees should be aware of the consequences of a poorly conducted investigation, including:

- a) Denial of natural justice;
- b) Defamation;
- c) Action against an employer for wrongful dismissal;
- d) Inadmissible or poor control over the collection of evidence; and
- e) Destruction of physical evidence.

External consultants such as external auditor, forensic auditors may periodically be used to assist the Department in investigation of fraud due to their specialised knowledge and technical expertise. However, officials of the Department will work closely with the external consultants.

The appointed investigator is to submit a written report to the Accounting Officer detailing the circumstances and recommending appropriate remedial action following the investigation.

### **7.7 Other matters**

The Accounting Officer, in conjunction with the Chairperson of the Risk Management Committee, will provide the details of fraud / corruption or possible fraud / corruption to the Audit Committee.

In each instance where fraud is detected, the Department will reassess the adequacy of the internal control environment (particularly those controls directly impacting on the fraud incident) and consider the need for improvements. Where improvements are required, they should be implemented as soon as practicable.

### **7.7.1 Reporting fraud to Police and / or external parties**

Reporting to the police, in circumstances in which there is evidence of fraud, should be done in accordance with the Security Policy of the Department.

Any decision not to refer an allegation of fraud to the police for investigation (where there is sufficient evidence to justify making such a report) will be referred to the RMC, together with the reasons for the decision.

Responsibility for statements lodged with Police will be assigned on a case by case basis by the Accounting Officer in consultation with the investigator.

### **7.7.2 Recovery and other remedies**

It is the policy of the Department to actively pursue the recovery of any money or property lost through fraud, provided there is a strong prospect of a net benefit to the Department from such action.

Where it is considered appropriate that the matter not be reported to the police, the Department reserves its right to pursue a range of other remedies including appropriate disciplinary action. Any disciplinary action pursued will be done in accordance with the Department's disciplinary procedures.

Exit interviews and exit checklist procedures will be performed in the event of dismissal from the Department for misconduct or fraud. This is necessary to ensure that factors contributing to misconduct and fraudulent activity by employees can be managed as a process to mitigate fraud risk.

## **8 DISCIPLINARY ACTION**

8.1 After full investigation the Department will take legal and/or disciplinary action in all cases where it is considered appropriate. Any member of staff found guilty of a criminal act will be considered to have committed a serious disciplinary offence and is likely to be dismissed from the Department on the grounds of gross misconduct.

8.2 Where supervisory negligence is found to be a contributory factor, disciplinary action may also be initiated against those managers/supervisors responsible.

8.3 It is Departmental policy that in all cases of fraud, whether perpetrated or attempted by a member of staff or by external organisations or persons, the case will be referred to the SAPS at the earliest possible juncture.

8.4 Losses resulting from fraud should be recovered, subject to the policy on write-offs, if necessary through civil action.

## **9. MALICIOUS ALLEGATIONS**

If an allegation is made frivolously, in bad faith, maliciously or for personal gain, disciplinary action may be taken against the person making the allegation.

## **10. CONCLUSION**

Fraud and corruption are twin evils capable of inflicting serious damage to the Department if left unbridled. The Department takes fraud very seriously and will ensure that all cases of actual or suspected fraud, including attempted fraud, are vigorously, aggressively and promptly investigated and that appropriate remedial action is taken. Managers should be fully aware of their responsibility to protect public funds and as such, should always be alert to the potential for fraud.

Any queries in connection with this policy document should be directed to the Accounting Officer.



## ANNEXURE 1

### FRAUD RESPONSE PLAN (FRP)

#### Introduction

1. The Department has prepared this Fraud Response Plan to act as a procedural guide and provide a checklist of the required actions, which MUST be followed, in the event of a fraud, attempted fraud or irregular activity being suspected.
2. Adherence to the Fraud Response Plan will enable the Department and its officials to:
  - Take timely and effective action to prevent further losses;
  - Help to recover losses;
  - Establish and secure evidence necessary for possible criminal and disciplinary action;
  - Highlight areas of weakness in the operating systems to prevent future losses.
3. In the event of a fraud, attempted fraud or other illegal act being suspected, the officer should immediately report the matter to their line manager. If there is concern that line management may be involved, the matter should be reported to the next appropriate level. Additionally, the Accounting Officer and or the Chairperson of the Risk Management Committee should be notified by the Line Management. Where confidentiality is sought, staff may report their suspicions direct to the following National Fraud Hotline 0800701701, 0824577247, 0800112040 and Presidential Hotline 17737, whereby all information received will be treated in strictest confidence.
4. It is for line management to undertake an initial fact-finding exercise. This discreet preliminary enquiry should be carried out as speedily as possible and certainly within 24 hours of the suspicion being raised.
5. The purpose of the initial fact-finding exercise is to determine the factors that gave rise to suspicion and to clarify whether a genuine mistake has been made or if it is likely that a fraud has been attempted or occurred. This may involve discreet enquiries with staff or the examination of documents. It is imperative that such enquiries should not prejudice subsequent investigations or corrupt evidence.

The Accounting Officer or Chairman of Risk Management Committee or even the Head of Provincial Internal Audit can be contacted for advice on how to correctly proceed at the preliminary enquiry stage and on what further enquiries are necessary.

6. If the preliminary enquiry confirms that a fraud has not been attempted nor perpetrated but internal controls were deficient, management should review their control systems with a view to ensuring they are adequate and effective. Provincial Internal Audit may be contacted to offer advice and assistance on matters relating to internal control, if required.

### **Formal Reporting and Investigation**

7. If the preliminary enquiry confirms the suspicion that a fraud has been attempted or perpetrated, the Management must ensure that all original documentation is preserved in a safe place for further investigation. This is to prevent the loss of evidence, which may be essential to support subsequent disciplinary action or prosecution. The facts should be reported immediately to the Accounting Officer, Chairman of Risk Management Committee and the Provincial Internal Audit.

8. To remove any threat of further fraud or loss, management should immediately change/strengthen procedures and if appropriate, suspend any further payments pending full investigation. Where the fraud has been perpetrated externally management should consider the need to inform other government Departments/Bodies.

9. The Accounting Officer in consultation with the Risk Management Committee will decide on the appropriate course of action including the full formal investigation arrangements.

9.1 Investigations should be undertaken by appropriately qualified and experienced persons who are independent of the directorate/programme/unit where investigations are required. This may be a senior manager in the Department, an external consultant or a law enforcement agency. All investigations performed and evidence obtained should be in accordance with acceptable practices and legal requirements.

9.2 Any investigation initiated must be concluded by the issue of a report by the investigator/s appointed to conduct such investigations. Such reports should 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.

9.3 Investigations may involve one or more of the following activities:

- 9.3.1 Interviewing of relevant witnesses, internal and external, including obtaining statements where appropriate
  - 9.3.2 Reviewing and collating documentary evidence
  - 9.3.3 Forensic examination of computer systems
  - 9.3.4 Examination of telephone records
  - 9.3.5 Enquiries from banks and other financial institutions (subject to the granting of appropriate approval/Court Orders)
  - 9.3.6 Enquiries with other third parties
  - 9.3.7 Data search and seizure
  - 9.3.8 Expert witness and specialist testimony
  - 9.3.9 Tracing funds/assets/goods
  - 9.3.10 Liaison with the police or other law enforcement or regulatory agencies
  - 9.3.11 Interviewing persons suspected of involvement in fraud and corruption
  - 9.3.12 Report preparation
- 9.4 Any investigation into improper conduct within the Department of Social Development will be subject to an appropriate level of supervision by the RMC, having regards to the seriousness of the matter under investigation.
- 9.5 The Accounting Officer, in conjunction with the Chairman of the Risk Management Committee, should provide the details of fraud/corruption or possible fraud/corruption to the Audit Committee

## **10 Liaison with SAPS**

10.1 Three types of information are crucially central to implementation of effective anti-fraud and corruption strategy as follows:

- The Department's internal investigation structures should initially investigate all instances of criminal activities. This may entail engaging outside expertise to provide assistance to the Department. Thereafter, decision will be made by the Accounting Officer in consultation with the Risk Management Committee as to whether to refer the matter to SAPS for further investigation and criminal prosecution.

- The department can also obtain fraud intelligence support from relevant law enforcement agency during the investigations and to assist its investigators to assess patterns of criminal activity.
- Finally statistical data may be compiled to assist the department in determining where and to what extent losses are occurring.

10.2 All arrangements for the provision of information for the purposes of fraud investigation will be subject to the provisions of the Promotion of Access to Information Act, (Act No 2 of 2000) and any provisions in South African Legislation, which relate to fraud and corruption. In determining whether a particular matter, fraudulent or otherwise is of sufficient seriousness that it should be referred to the SAPS for investigation, the Accounting Officer will firstly consult with the RMC and thereafter with the Provincial Director of Public Prosecutions to determine whether referral is appropriate after taking into consideration whether one or more of the following criteria exist, or are believed to exist: -

- A significant monetary or property loss to the department;
- Exploitation or attempted exploitation of a department programs, projects or schemes.
- The matter involves department official(s), or person engaged on contract to the department, either acting alone or in concert with others;
- Organised or conspiratorial criminal activity;
- Bribery, corruption or attempted bribery or corruption of public officials or persons performing duty on behalf of the department;
- The security, standing or integrity of the department, its resources and interests;
- A sustained course of conduct or activity over a protracted period of time; or a matter, which is known or suspected to involve criminal activity

## 11. Disciplinary action

The ultimate outcome of disciplinary proceedings may involve an official receiving written warning or termination of service. All disciplinary proceedings will take place in accordance with the Department of Social Development's disciplinary procedures.

## **12. Prosecution**

12.1 Should investigations uncover evidence of fraud or corruption in respect of an allegation or series of allegations, the Department of Social Development 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 SAPS in accordance with the requirements of all applicable acts as well as the Security Policy of the Department.

12.2 The Department of Social Development will give its full cooperation to any such law enforcement agency including the provision of reports compiled in respect of investigations conducted.

## **13 Recovery action**

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

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

## **14 Post Event Action**

14.1 Where a fraud, or attempted fraud, has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds or attempted frauds will not recur. Additionally, if a Departmental employee is suspected of involvement, the Accounting Officer will consider the appropriate course of action. This may range from close monitoring/supervision to precautionary suspension, however, it should be noted that suspension does not in any way imply guilt.

14.2 The responsibility for ensuring that the internal control environment is reassessed and for ensuring that the recommendations arising from the assessment are implemented will lie with the Line Management of the directorate/programme/unit concerned.

14.3 Provincial Internal Audit may be consulted to offer advice and assistance on matters relating to internal control, if considered appropriate.

## **15 Communication**

15.1 The following communications should be observed in all cases:

- The Department's RMC should be kept informed of developments during the investigation;
- A lessons-learned document should be circulated throughout the Department, if appropriate;
- This Departmental Fraud Response Plan should be reviewed to determine whether it needs to be updated and if so, changes should be circulated throughout the department
- Consideration should be given to informing other public sector organisations, e.g. other Government Departments, Government Agencies, NPO, etc

## **16 Reporting Arrangements**

16.1 The Accounting Officer is responsible for reporting to the police as well as notification of DPP and the Auditor General, about all discovered fraud, proven or suspected, including attempted fraud, within or against the Department by employees, clients of the department, research grants recipients of the department and suppliers to the department. This arrangement extends to frauds (proven or suspected) including attempted fraud in organisations/companies supported by the Department with public funds.

16.2 Also, the Accounting Officer shall ensure that relevant parties are apprised of progress regarding the completion of the investigation. Care will be taken in making such reports that potential future legal proceedings are not jeopardised.

16.3 Reporting fraud to the police for investigation will be subject to the requirements as set out in all applicable acts.

16.4 Any decision not to refer an allegation of fraud to the police for investigation (where there is sufficient evidence to justify making such a report) will be referred to the Audit Committee, together with the reasons for the decision

16.5 Responsibility for complainant statements lodged with Police will be assigned on a case by case basis by the Accounting Officer in consultation with the investigator.

## **ANNEXURE 2**

### **ACCEPTANCE AND PROVISION OF GIFTS AND HOSPITALITY**

#### **Introduction**

##### **Section 1**

1.1 The Department of Social Development recognizes that contractors and other customers of its services may extend from time to time offers of gifts and hospitality to staff. The Department also recognizes that its employees have a responsibility, in the interests of public confidence, to exhibit high standards of propriety, and carry out their role with dedication and a commitment to the Public Service and its core values: integrity, honesty, objectivity and impartiality.

1.2 Section 2 of this guidance sets out the principles governing the acceptance of gifts and hospitality by staff and provides some specific advice on how these principles should be interpreted across the Department. The guidance is designed to remind staff of their responsibility to exercise judgment and propriety regarding offers of gifts and hospitality. The guidance is effective immediately but will be subject to review when required.

1.3 The Public Service Staff Handbook indicates that civil servants should conduct themselves with honesty and impartiality in the exercise of their duties. As a consequence, they should never receive benefits of any kind from a third party which might reasonably be thought to compromise their personal judgment or integrity. In this field, perception is as important as reality.

1.4 The fundamental principle is that no member of staff should do anything which might give rise to the impression that he or she has been or might be influenced by a gift or hospitality or other consideration to show bias for or against any person or recognition while carrying out official duties.

1.5 Section 3 of this guidance sets out the monitoring arrangements that the department must put in place to ensure that the arrangements are operating effectively and that they can be seen to be operating effectively.

##### **Section 2**

2.1 This guidance sets out good practice concerning the acceptance or rejection of gifts or hospitality and details responsibilities and procedures for the recognition and recording of such instances. As Public Servants our standards of conduct are determined by what the Government

and the public as taxpayers expect and not by what may be a common practice in the private sector.

2.2 External people acting on behalf of the Department (for example, consultants, contracted staff etc) must also abide by the policy. If it is believed that an external person may have breached the policy, the matter should be reported to the Accounting Officer or the official delegated by the Accounting Officer, who will take the matter forward with the individual or his/her company. This requirement should be notified to external staff before they start work within the Department.

2.3 This guidance should also be seen as applying to spouses, partners or other associates if it can be argued or perceived that the gift or hospitality is in fact for the benefit of the official.

2.4 Any breach of the rules of conduct can lead to disciplinary action and in some circumstances can be a criminal offence.

2.5 The policy governing the acceptance of gifts, hospitality and awards by public servants is set out on section 4.5.3 of Code of Conduct for Public Service. This Guidance focuses on the key issues and the specific rules, which all staff in the Department should adopt.

### **Legal Obligations and Fundamental Principles**

2.6 Under the Prevention and Combating of Corrupt Activities Act (Act no.12 of 2004) it is an offence for an officer in his/her official capacity:

- to corruptly accept any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in that capacity; or
- to show favour or disfavour to any person; or
- to receive money, gifts or consideration from a person or organization holding or seeking to obtain a Government contract.

All of these are deemed by the Courts to have been received corruptly unless it is proven otherwise.

### **Record of gifts, hospitality, invitations, etc**

2.7 The Department will maintain Registers of Gifts, Hospitality and Awards which will be available for periodic review. The purpose of the Registers will be to counter any possible accusations or suspicions of breach of the rules of conduct by staff. The registers are subject to Promotion of



Access to Information Act (Act no.2 of 2000) enquiries. A template is attached at Appendix A that should be used to register gifts, hospitality, invitations etc.

2.8 It will be the responsibility of the Accounting Officer to ensure all staff are made aware of this guidance and that registers are in place and properly maintained and updated. To facilitate the monitoring arrangements at paragraph 3.1, the Departments should maintain a separate register for senior managers.

### **Publication of Hospitality Registers on Websites**

2.9 The Department should therefore as a minimum, publish gifts and hospitality information for Senior Managers and note on its websites that records are also kept for staff at all other grades. Such logs can be published and placed on websites at fixed points in the year for example at the end of each financial year (or more frequently if appropriate) and can be a valuable alternative to responding to ad hoc Promotion of Access to Information Act requests about gifts and hospitality matters. The Department would still have to respond to such ad hoc Promotion of Access to Information Act requests if they referred to groups of staff or individuals falling outside those included in the department's disclosure log. The Department may, however, decide to publish the registers for staff at all grades.

### **Acceptance of Gifts**

2.10 The general principle is that all gifts offered should be refused. However seasonal, promotional or trivial gifts (such as calendars, diaries, pens etc), which bear company names and/or logos of the provider of the gift and have a value of less than R150, may be accepted by individuals without the need for these to be reported or approved in advance. A token gift may be accepted if it is presented by an organization, however, these and the acceptance of any other gifts must have been approved by management (see paragraph 2.17) and must be declared by the member of staff in the Department register of gifts

2.11 More expensive or substantial items, valued at R150 or more and gifts of cash, gift vouchers or gift cheques, cannot on any account be accepted. All gifts offered (apart from those which are trivial or inexpensive), even if they are declined/returned need to be recorded in the register.

### **Trade, loyalty or Discount Cards**

2.12 Trade, loyalty or discount cards by which an officer might personally benefit from the purchase of goods or services at a reduced price are classified as gifts and should be refused or returned to sender.

2.13 Frequent flyer cards used by airlines can be used by staff to avail of special departure lounges and priority booking and check-in. They must record any personal benefits enjoyed from flights/air miles, which derive from flights paid for from the public purse in the register of gifts and hospitality.

### **Staff involved in the procurement or monitoring of a contract**

2.14 Apart from trivial / inexpensive seasonal gifts, such as diaries, no gifts or hospitality of ANY kind from any source should be accepted by anyone involved in the procurement or monitoring of a contract. This will ensure that no criticism can be made regarding bias to a particular company or supplier.

### **Gifts received in recognition of work done**

2.15 On no account should a gift or gratuity be solicited or requested. Where gifts by way of gratuities, vouchers or book tokens etc for lectures, broadcasts or similar occurrences are offered, then acceptance should be based on how much of the preparatory work for the event was done in the officer's own time, how much in official time and the extent to which Department resources, other than, for example, use of an officially issued lap-top at home, were used in the preparation. The following guidelines should be applied:

- a) If the preparation was carried out entirely in the individual's own time and the event took place outside normal working hours at no expense to the Department, it would be acceptable for the individual officer to retain the whole fee, token or other gift;
- b) If, however, the preparation was done wholly in Department time with use of Department resources, no gifts or fee should be accepted unless the event is carried out outside of normal working hours when a gift or token to the value of up to R350 is acceptable; and
- c) If the preparation was carried out and the lecture etc, delivered in an officer's own time but Departmental facilities were used for typing, preparation of PowerPoint / overheads etc, then a gift or token to the value of not more than R150 is acceptable.

2.16 In the case of either b, or c, the Department can, if it so choose, charge the organization or body a fee based on the salary costs of the individual and/or the use of resources. If a series of gifts from the same source exceed the monetary limits set out above the same rules apply.

#### **Reporting Gifts and Approval Process to be followed**

2.17 If gifts (apart from those trivial or inexpensive gifts for which approval is not required under Paragraph 2.10 of this Guidance) are received, the approval of the Accounting Officer/ Executive Authority is required using form A2 which is attached as an appendix B. If the recipient has or will reject the gift, they only need to send details to their line manager for inclusion in the Departmental Register. Details of the gift should be recorded on form A1, appendix B.

2.18 In each case submitted to him/her, the approving officer will decide in writing or email, whether to:

- a) allow the recipient to keep the gift;
- b) return the gift to the donor with a suitably worded letter explaining why the gift cannot be accepted. A template has been attached as an appendix C which should be tailored to suit each individual circumstance;
- c) use or dispose of it, if possible, in or by the Department; or
- d) donate the gift to a nominated Charity.

The approving officer will ensure that the details of the case and his/her decision are recorded in the Gifts and Hospitality register.

#### **Hospitality**

2.19 The handling of offers of hospitality is recognized as being much more difficult to regulate but it is an area in which staff must exercise careful judgment. In exercising this judgment it is acknowledged that there can be difficulty in distinguishing between a "gift" and "hospitality". It is also recognized that it can be as embarrassing to refuse hospitality, as it can be to refuse a gift.

2.20 The acceptance of what would be accepted as conventional hospitality, for example working lunches, should, in the main, cause no problem especially if there is some official means of reciprocity and provided that it is limited to isolated occasions and its acceptance is in the interests of the Department. Hospitality, which would not be acceptable, would include invitations to frequent or more expensive social functions where there is no direct link to official business (sporting

events, the theatre, opera or ballet etc), particularly where these come from the same source, and those which involve travel, hotel or other subsistence expenses.

2.21 It can be argued that if officers are to achieve the best value for money in dealings with suppliers or consultants then they need to build up contacts and that it is quite legitimate for them to have a close working relationship with organizations or individuals, which may involve a degree of hospitality. There may also be instances where staff receive invitations to events run by a voluntary organization such as Annual Conferences or Dinners. Attendance at such events is considered an integral element in building and maintaining relationships with these sectors and any hospitality received is likely to be reasonable and proportionate, and therefore acceptable. Additionally, some occasional acceptance of meals or tickets to public sporting, cultural or social events may be accepted if attendance is justified as being in the Department's particular business interest. But it will be for the officer and his/her managers to demonstrate clearly that acceptance was in the departmental interest.

2.22 The main point is that in accepting hospitality staff need to be aware of, and guard against, the dangers of misrepresentation or perception of favouritism by a competitor of the host.

2.23 To sum up, in deciding whether hospitality can be accepted, staff should consider if it:

- a) is likely to help the department's effectiveness;
- b) places no obligation or perceived obligation on the recipient;
- c) is not frequent, lavish or prolonged;
- d) is unconnected with any decision affecting the organization or the individual offering it;
- e) can be justified; and
- f) provides benefits to the Department, which outweigh the risk of possible misrepresentation of the hospitality.

### **Reporting Hospitality and Approval Process to be followed**

2.24 When in doubt about accepting hospitality or an invitation, line management or the Chief Financial Officer should be consulted. In all instances where other than conventional hospitality (infrequent working lunches) is offered, the approval of the Accounting Officer/Executive Authority or the delegated senior manager should be sought using form A2 which is attached as Appendix B. If the recipient has or will reject the offer of hospitality, they only need to send details to their line manager for inclusion in the Departmental/Agency Register. It is particularly important to ensure

That the Department is not over-represented at an event or function and care should be taken to ensure that this does not happen, for example, by enquiring from the host as to other staff who have received similar invitations. To guard against the multiple acceptances of invitations to the same event, the Department should make arrangements to ensure that corporate consideration is given to all invitations.

### **Awards or Prizes**

2.25 Staff should consult with their line management if they are offered an award or prize in connection with their official duties. They will normally be allowed to keep it provided:

- a) there is no risk of public criticism;
- b) it is offered strictly in accordance with personal achievement;
- c) it is not in the nature of a gift nor can be construed as a gift, inducement or payment for a publication or invention to which other rules apply.

## **Section 3**

### **Monitoring arrangements**

3.1 The Departmental Registers of Gifts, Hospitality and Awards will be subject to the following monitoring arrangements.

3.1.1 Heads of Directorates will be responsible for monitoring the Registers of their respective directorates on an annual basis.

3.1.2 The Accounting Officer will be responsible for monitoring the Registers of Senior Managers within the Department on an annual basis.

3.1.3 The Executive Authority will monitor the Registers for the Accounting Officer annually.

### **Enquiries**

4.1 Any enquiries about this guidance should be directed to the Accounting Officer.

## ANNEXURE 3

### INDICATORS OF FRAUD AND CORRUPTION

#### 1. Some methods of fraud and corruption

- a) Payment for work not performed
- b) Collusive bidding
- c) Unauthorized transactions
- d) Supplies not recorded at all
- e) Stolen equipment and supplies
- f) Theft of official purchasing authorities such as order book
- g) Unrecorded transactions
- h) Damaging/destroying documentation
- i) Delayed termination from payroll
- j) Over claiming expenses
- k) Transferring amounts between accounts frequently
- l) False compensation and insurance claim
- m) Cash stolen
- n) Running a private business with official assets
- o) Bribes
- p) Larceny – thefts from deposits
- q) Skimming – embezzlement of cash from an organization prior to its being recorded on the books such as unrecorded sales, understated receipts, etc.
- r) Fraudulent disbursement
- s) Writing off recoverable assets
- t) Using imaging and desktop publishing technology to produce apparent original invoices
- u) False official identification used

The above illustration of the manifestations of corruption is by no means complete or exhaustive. Corruption appears in various permutations and degrees of intensity.

## **2. Specific indicators of fraud and corruption**

Fraud and corruption persist in some instances due to the inherent rationalization of these acts by the perpetrators: Some typical "fraud triangle" rationalisations are:

- a) I am under-paid and have obligations to meet.
- b) They don't treat me right and take advantage of me
- c) I worked hard and deserved it
- d) I am not hurting anyone
- e) The fat cats won't even notice the difference

The following are indicators (red flags) that could be an indication of the potential existence of fraud and corruption:

### **2.1 Indicators that an individual may be susceptible to committing fraud**

- a) Officials with excessively flamboyant characteristics
- b) Employees suffering financial hardships
- c) Unusually high personal debts
  - a) Placing undated/post-dated personal cheques in petty cash
  - b) Living beyond one's means
  - c) Excessive gambling habits
  - d) Alcohol / drug problems
  - e) Conflicts of interest
  - f) Undue family or peer pressure to succeed
  - g) Feeling of being underpaid
  - h) Feeling of insufficient recognition for job performance
- i) Close association with suppliers
- j) Wheeler-dealer attitude
- k) Desire to "beat the system"
- l) Criminal record
- m) Not taking vacations
- n) Not allowing someone access to area of responsibility
- o) Marked character change
- p) Regular borrowing from fellow employees

- q) Excessive ambition
- r) Apparent lack of ambition
- s) Excessive generosity
- t) Employees with apparently excessive work situation for their position
- u) Employees with outside business interest
- v) Inadequate disclosure of personal investment and other income;
- w) Unusual working hours on a regular basis
- x) Refusal to comply with normal rules and procedures
- y) Personal creditors appearing at the workplace

## **2.2 Indicators that the Department may be a target for fraudsters**

- a) Crisis management coupled with a pressured business climate
- b) A Department that lacks competent personnel
- c) Excessive variation to budgets or contracts
- d) Covering up inefficiencies
- e) A Department that does not enforce clear lines of authority and responsibility
- f) A Department that does not enforce proper procedures for authorization of transactions
- g) No supervision
- h) Staff turnover is excessive
- i) Bank reconciliation is not maintained or cannot be balanced
- j) A Department that lacks adequate documents and records
- k) No separation of responsibilities between the various duties within a business cycle
- l) Multiple cash collection points
- m) Lowest tenders or quotes passed over with scant explanations recorded
- n) Too much trust placed on key employees
- o) Failure to discipline violators of the Department's policy; and
- p) Inadequate background and reference checking before hiring new employees.

## **2.3 Indicators of opportunities to commit fraud**

- a) Rapid turnover of key employees through resignation or dismissal
- b) Dishonest and dominant management



- a) Inadequate training programmes
- b) Complex business structures or unwarranted organization structure
- c) Managers bypassing subordinates
- d) Subordinates bypassing managers
- e) Poor and/or no security checking processes over staff being hired
- f) No effective internal audit function
- g) Continuous problems with regulatory agencies and
- h) Large year-end and unusual accounting transactions.

## ANNEXURE 4

### LEGAL FRAMEWORK

The following legislations and policies are relevant in dealing with Anti-Fraud and Corruption

Strategy:

- Constitution of the Republic of South Africa, Act 108 of 1996
- Public Finance Management Act, Act 1 of 1999 (PFMA)
- Treasury Regulations issued in terms of the PFMA
- Prevention and Combating of Corrupt Activities Act 12 of 2004
- Prevention of Organised Crime Act, 121 of 1998
- Financial Intelligence Centre Act, 38 of 2001
- Promotion of Access to Information Act, 2 of 2000
- Promotion of Administrative Justice Act, 3 of 2000
- Electronic Communication and Transactions Act, 25 of 2002
- Protected Disclosure Act, 26 of 2000
- Witness Protection Act 1998, Act 112 of 1998
- Criminal Procedures Act, 51 of 1997
- Regulation of Interception of Communications and Provision of Communication related Information Act, 70 of 2002
- Code of conduct for the Public Service.

**APPENDIX A**

**DEPARTMENT OF SOCIAL DEVELOPMENT**

**YEAR:**

**REGISTER OF GIFTS/HOSPITALITY/AWARDS**

Date of Event or Gift Offered	Gift offered to	Ultimate recipient (if different)	Name of person or organization making the offer	Description of gifts	Reasons for the gifts	Estimated / Actual value of gift	Action taken i.e. Accepted / Declined / Returned	Recorded by	Date recorded	Reference

**APPENDIX B**

**DEPARTMENT OF SOCIAL DEVELOPMENT**

<b>GIFTS/HOSPITALITY FORM A1</b>	
<b>DETAILS</b>	
Offered to:	
Name of ultimate recipient if not as above (i.e. gift or hospitality passed on to someone else)	
Date of event or gift offered	
Who offered the gift	
Description of gift offered	
Why was the gift offered	
Estimated/Actual value of the gift offered	
State whether offer was declined	
Is there a current/potential contract with the donor? If yes, provide details	
Signature	Date:

**APPENDIX B (CONTD)**

**DEPARTMENT OF SOCIAL DEVELOPMENT**

<b>GIFTS/HOSPITALITY FORM A2</b>	
<b>OUTCOME</b>	
Decision: Approved/Not Approved	
Reasons why approval has/has not been granted	
Is gift being returned? If so, a letter should be issued	
Has the gift been used or disposed of? If so, give details	
Has the gift been donated to a nominated charity?	
Has the Gifts and Hospitality register been updated?	
Signature of Approving Officer:	Date:

## APPENDIX C

### DEPARTMENT OF SOCIAL DEVELOPMENT

#### SAMPLE LETTER FOR RETURN OF OFFER OF GIFT/HOSPITALITY

(On the letterhead of the Department)

Date:

Contact name

Name of company

Address of company

Dear ---

The Department of Social Services and Population Development operates a Gift and Hospitality Policy to ensure high standards of propriety in the conduct of its business.

On account of public confidence, perception is as important as reality and because of this I am obliged to return your offer of *(insert name of gift/hospitality)*

This is in no way meant to offend or to imply that your gift/hospitality was offered in anything but the utmost good faith, but is designed to protect both individual members of staff and the Department.

I hope you will accept our response in that spirit and that we can look forward to continued effective working relationships.

Yours faithfully

---