

# **DEPARTMENT OF SOCIAL DEVELOPMENT**



**LIMPOPO**  
**PROVINCIAL GOVERNMENT**  
REPUBLIC OF SOUTH AFRICA

## **FRAUD PREVENTION POLICY**

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## **1. BACKGROUND**

The Fraud prevention policy and plan are developed in compliance with the Treasury Regulations issued in terms of the Public Finance Management Act which requires that each government department or body design an Anti-Corruption Strategy which are aimed at rooting out corruption within an organisation.

The Department of Social Development has established an Anti-corruption Unit with the Risk Management Directorate that is directly responsible for fighting against corruption, with a mandate to enhance and strengthen the fight against corruption.

The unit has aligned its functioning in line with the Public Service Anti-corruption Strategy as approved by Cabinet during January 2002 which requires the establishment of minimum anti-corruption capacity.

The Unit is responsible to conduct investigations as well as compliance inspections. Since its establishment, the Anti-corruption Unit has received information where irregular activities of corruption are reported. Incidents are reported through the toll free line, which was put in place to encourage feedback from the public and also directly at the Risk Management directorate. These were proven to be a primary means of detecting corruption and should always remain sound systems of fraud and corruption control.

## **2. LEGAL MANDATES**

The policy is informed by the following prescripts:

- 2.1 The Constitution of RSA, 1996, as amended.
- 2.2 The Public Finance Management Act, 1999 (Act 1 of 1999), as amended.
- 2.3 Treasury Regulations 2002 (issued in terms of PFMA)
- 2.4 The Public Service Act (1999), as amended.
- 2.5 Public Service Regulations, 2001.
- 2.6 The Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004).



- 2.7 Public Service Anti-corruption Strategy, January 2002.
- 2.8 The Protected Disclosure Act, 2000 (Act 20 of 2000).
- 2.9 Promotion of Access to Information Act, 2000 (Act no 2 of 2000).
- 2.10 Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)
- 2.11 The Labor Relations Act, 1995 (Act 66 of 1995)
- 2.12 National Archives and Records Services Act, 1996 (Act 43 of 1996)
- 2.13 The Minimum Information Security Standards, 4 December 1996.
- 2.14 King III Code of Good Corporate Governance for South Africa 2009.

### 3. PURPOSE

- 3.1 This policy is intended to set down the stance of the department to fraud and corruption and to reinforce existing systems, policies and procedures of the department aimed at deterring, preventing, detecting, reacting to and reducing the impact of fraud and corruption.
- 3.2 Furthermore, the purpose of this document is to confirm that the department supports and fosters a culture of zero tolerance to fraud and corruption in all the activities.

### 4. DEFINITION OF CONCEPTS

**Fraud and corruption** include but is not limited to the following legal definitions:

- 4.1 **Fraud** is the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another;
- 4.2 **A General Offence** in respect of **corrupt activities** as defined in the Prevention and Combating of Corrupt Activities Act, 2004, is that any person who directly or indirectly;
  - (i) accept or agree to accept any gratification from another person, accepts or agrees or offers to accept any gratification from any other person. whether for the benefit of himself or herself or for the benefit of another person: or

(ii) gives or agrees or offers to give to any other person any gratification whether for the benefit of that other person or for the benefit of another person.

a) In order to act personally or by influencing another person so to act in a manner that amounts --

- Illegal, dishonest, unauthorised, incomplete, or biased;
- Misuse or selling of information or material acquired in the course of the exercise, carrying out or performance of any powers, duties or function arising out of a constitutional, statutory contractual or any other legal obligation that amounts to the following:
- Abuse of position of authority; breach of trust; or the violation of a legal duty or set of rules;
- Designed to achieve an unjustified result; and
- Any other unauthorised or improper inducement to do or not to do anything.
- Is guilty of corruption.

**Fraudulent and corrupt acts include:**

(a) **Systems issues** where a process\systems exists which is prone to abuse by employees, the public or other stakeholders, include the following:

- Irregular collusion in the awarding of tenders or orders for goods and\or services;
- False qualifications by officials;
- Deliberate non-compliance with tender and procurement policy and procedures;
- Inadequate verification of supplier credentials;
- Deliberate non-compliance to recruitment policy and procedures; and
- Ghost employees.

(b) **Financial issues** where individual or companies have fraudulently obtained money from the department, include the following:

- Unauthorised sales of assets;
- Theft of funds;
- Fraudulent mileage and subsistence claims; and
- Payment made to contractors for work not carried out.

**(c) Equipment and resource issues** where department's equipment is utilised for personal benefit or stolen, include the following:

- Abuse of time management systems;
- Destruction of equipment in the office;
- Claiming of commuted overtime for days not worked;
- Thefts of assets.
- Abuse of assets.
- Personal use of resources.
- Irregular destruction, removal, or abuse of records;
- And disclosing clients' confidential proprietary information to outside parties.

**(d) Other issues** which are activities undertaken by employees of the department which may be against policies or fall below established ethical standards, namely:

- Soliciting gifts or favours from applicants, consultants or other suppliers, for example acceptance of 'kickbacks';
- Performing of remunerative work outside the public service (RWOPS).
- Pursuing private business interests without permission;
- Extortion;
- Bribery;
- Non-disclosure of personal interests or conflicts of interest;
- Theft;
- Embezzlement;
- Nepotism;
- Abuse of power;
- Insider trading\abuse of privileged information;
- Favouritism; and
- Conflict of interest.



## **5. SCOPE OF THE POLICY**

5.1 This policy applies to all allegations, attempts and incidents of fraud and corruption impacting or having the potential to impact the department.

5.2 All employees and management of the department must comply with the content of the policy.

## **6. REPORTING PROCEDURES AND RESOLUTION OF REPORTING INCIDENTS**

### **6.1 When an employee suspects acts of fraud and/or corruption.**

6.1.1 It is the responsibilities of all employees to report all allegations or incidents of fraud and corruption to their managers.

6.1.2 All managers are responsible for the detection, prevention as well as conducting preliminary investigation of fraud and corruption and must report all incidents and allegations of fraud and corruption to the Risk Management Directorate (RMD).

6.1.3 Should employees wish to report allegations of fraud and corruption anonymously, they can contact the National Anti- Fraud hotline that is administered through the Office of the Public Service Commission on 0800 701 701. Alternatively, they can contact the RMD, the HOD, the MEC, the Chairperson of the Audit Committee for the department or the South African Police Service (SAPS).

### **6.2 When a member of the public or providers of goods and services suspects fraud and/or corruption.**

6.2.1 The department encourages members of the public or providers of goods and services who suspect fraud and corruption to contact the National Anti-fraud Hotline, the RMD, the HOD, the MEC or SAPS.

### **6.3 The role of the Department when dealing with allegations of fraud\or corruption.**

- 6.3.1 For issues raised by employees, members of the public or providers of goods and\or services, the action taken by the department will depend on the nature of the concern. The matters raised will be screened and evaluated and may subsequently:
- be investigated internally; or
  - be referred to another law enforcement agency.
- 6.3.2 Any fraud and corruption committed by an employee or any other person will be pursued by thorough investigation and to the full extent of the law, including (where appropriate) consideration of:
- a) in case of employees, taking disciplinary action within a reasonable period of time after the incident;
  - b) instituting civil action to recover the losses;
  - c) initiating criminal prosecution by reporting the matter to SAPS or any other relevant law enforcement agency;
  - d) Any other appropriate and legal remedy available.
- 6.3.3 Managers are required to ensure that losses or damages suffered by the Department as a result of all reported acts committed or omitted by an employee or any other person are recovered from such an employee or other person if he or she is found to be liable for such losses.
- 6.3.4 The department accepts that those people, including employees who reported that alleged fraud need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, information about outcomes of any investigation will be disseminated on a 'need to know' basis.
- 6.3.5 The department will ensure that fraud and corruption information system is developed for the following purposes:



- a) recording all allegations fraud and corruption in the departmental Fraud register;
- b) tracking progress with the management of allegations;
- c) facilitating the early identification of systematic weaknesses and recurring risks, and inform managers and employees of systematic weaknesses\risks;
- d) Reporting to the HOD;
- e) Distributing reports to relevant stakeholders either for monitoring purposes or for implementation of the recommendations made;
- f) Monitoring of the implementation of recommendations made.

6.3.6 In line with the Cabinet instructions, the Department will provide the DPSA, through the Office of the Premier with the following minimum information at the end of each financial year. The same information will be provided to the Risk Management Committee as well as the Audit Committee every quarter.

- a) Number of allegations of corruption received and corruption cases detected per defined categories as defined in the Prevention and Combating of Corrupt Activities Act, 2004 and service delivery areas;
- b) Number of allegations and cases referred to in (a) above:
  - i. Handled in terms of disciplinary procedure;
  - ii. Referred to law enforcement agency or other body;
  - iii. Not investigated for disciplinary purpose or not referred;
  - iv. Description of corruption risk areas; and
  - v. Report on the performance of the minimum anti-corruption capacity as part of the annual report.

## 7. CONFIDENTIALITY

All information relating to fraud and corruption that is received and investigated will be treated confidentially. The progression of investigations will be handled in a confidential manner and will not be disclosed or discussed with any person(s) other than those who have legitimate right to such

information. This is important in order to avoid harming the reputations of suspected persons who are subsequently found innocent of wrongful conduct.

7.1 No person is authorised to supply any information with regard to allegations or incidents of fraud and corruption to the media without the express permission of the HOD.

## **8. PUBLICATION OF SANCTIONS**

8.1 The HOD will decide whether any information relating to corrective actions taken or sanctions imposed, regarding incidents of fraud and corruption should be brought to the direct attention of any person or made public through any other means.

## **9. PROTECTION OF WHISTLE BLOWERS**

9.1 An employee who reports suspected fraud and corruption may remain anonymous should she/he so desire.

9.2 No person will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud and corruption which occurred within the department.

## **10. APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS.**

10.1 In respect of all reported incidents of fraud and corruption, management is required to immediately review, and where possible, improve the effectiveness of the controls, which have been breached in order in order to prevent similar irregularities from taking place in future.

## 11. CREATING AWARENESS

- 11.1 It is the responsibility of all managers to ensure that all employees are made aware of, and receive appropriate training and education with regard to this policy.

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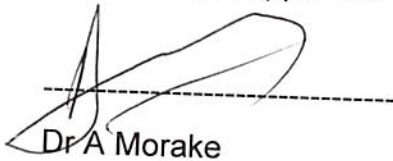


Mrs MD Ramokgopa

Chairperson: Risk Management Committee

Date: 04/05/12

Approved\not approved



Dr A Morake

Head of the Department

Date: 4/8/12