



social development

Department:
Social Development
PROVINCE OF KWAZULU-NATAL

POLICY ON MANAGEMENT OF FRAUD, CORRUPTION AND THEFT

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1 DEFINITIONS

For the purpose of this policy:

- a) **“Corruption”** refers to corruption activities as referred in Chapter 2 of Prevention and Combating of Corrupt Activities Act 12 of 2004.
- b) **“Department”** means the Department of Social Development in the Province of KwaZulu-Natal Provincial Government;
- c) **“Detection controls”** means the type of internal control mechanism intended to find problems within the organisation’s processes
- d) **“Employee”** means any person in the employ of the Department, as defined in terms of Section 1 of the Public Service Act
- e) **“Fraud”** means the unlawful and intentional making of misrepresentation which causes actual and or potential prejudice to another.
- f) **“Prevention Controls”** means controls designed to keep errors or irregularities from occurring.
- g) **“Theft”** means the unlawful and intentional (act), making of a misrepresentation, resulting in actual or potential prejudice to another.
- h) **“Sanction”** means a penalty for disobeying law or rule
- i) **“ Whistle Blower”** for the purpose of this policy it means a person who exposes any kind of information or activity that is deemed illegal, unethical, or not correct within an organisation that is either private or public.

2. INTRODUCTION

The Department recognises the fact that acts of fraud, corruption and theft, by its employees seriously deplete the scarce resources available to fulfill its mandate.

The Department also recognizes that debilitating effects of fraud, corruption and theft extends beyond the loss of money and other assets which has severe negative repercussions on its ability to achieve its objectives.

Although difficult to quantify such acts, if left unchecked, seriously impact on:

- a) The quality and effectiveness of service delivery;
- b) The strength of business relationships with clients;
- c) Suppliers and the public;
- d) Employee morale; and
- e) Reputation and image of the Department

3 PURPOSE

This policy seeks to: -

- a) establish the stance of the Department towards fraud, corruption and theft;
- b) re-inforce systems, policies, procedures, rule and regulations of Department aimed at deterring, preventing, detecting, reacting to and reducing the impact of fraud, corruption and theft; and
- c) confirm that the Department supports and fosters a culture of zero tolerance to fraud, corruption and theft in all its manifestations.

4 OBJECTIVES

The objectives of this policy are to: -

- a) create, promote and maintain a culture which is intolerant to fraud, corruption and theft and corruption in all its manifestations; and to

- b) provide an opportunity for employees to report to management instances of unethical behaviour, actual or suspected, fraud, corruption and theft or any violation of the applicable codes of conduct.

5 SCOPE AND APPLICABILITY

This policy is applicable to all Employees of the Department.

6 LEGISLATIVE FRAMEWORK

- a) The Constitution of South Africa Act 108 of 1996
- b) Labour Relations Act 66 of 1995
- c) Public Finance Management Act 1 of 1999
- d) Prevention and Combating of Corrupt Activities Act 12 of 2004
- e) Public Service Act 103 of 1994
- f) Protected Disclosure Act 26 of 2000 (The Whistle-Blower Act)
- g) The King Code on Corporate Governance for South Africa, 2016.

7 THE POLICY STATEMENT

- 7.1 The Accounting Officer has committed the Department to a process of fraud risk management that is aligned to the principles of the Public Finance Management Act(PFMA), Act 1 of 1999 as amended.
- 7.2 As instances of fraud remain a constant threat to public trust and confidence, it becomes essential to recognize fraud risk management as an integral part of strategic management and the department is therefore adopting a comprehensive approach to the management of fraud risks.
- 7.3 The Department's approach is to focus on efforts to:
- a) understand the fraud risks that can undermine the Department's business objectives;
 - b) determine whether fraud prevention programmes and controls are actually effective in reducing instances of fraud;
 - c) gain insight into better ways of designing and evaluating controls to prevent, detect and respond appropriately to fraud;
 - d) reduce exposure to liability, sanctions and litigation that may arise from violations of law or stakeholder expectations;
 - e) derive practical value from the development of a sustainable process of managing fraud risk and improving performance; and
 - f) achieve the highest levels of business integrity through sound corporate governance, internal control and transparency.
- 7.4 The Department has a **zero tolerance stance** towards fraud and corruption and shall do everything financially prudent to ensure that fraud, corruption theft or misconduct, cannot affect its assets and financial well-being.
- 7.5 An entity-wide approach to fraud risk management must be adopted, which means that every key fraud risk in each part of the Department must be included in a structured and systematic process of fraud risk management. It is expected that the fraud risk management processes will become embedded in the Department's systems and processes, ensuring that our responses to fraud risk remain current and dynamic.
- 7.6 All fraud risk management efforts must be focused on supporting the Department's objectives, equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

- 7.7 All fraud must be investigated and followed up by the application of all remedies available within the full extent of the law as well as the application of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls, and checking mechanisms as prescribed in the systems, policies, procedures, rules and regulations of government.
- 7.8 Employees who report in good faith, any suspected or actual incidents of fraud, corruption and theft must not suffer any penalty or retribution, they must be protected.
- 7.9 Employees or other parties must be discouraged from making allegations, which are false and made with malicious intentions. Where such allegations are discovered, the person who is found guilty must be subjected to firm disciplinary action.

8 ROLES AND RESPONSIBILITIES

8.1 The Head of Department is responsible for:

- a) setting the overall tone to reinforce the message that the Department has zero tolerance towards fraud and corruption;
- b) writing to the person (unless the report has been made anonymously) making the allegations of reporting of fraud, corruption and theft:
 - (i) acknowledging that the concern has been received; and
 - (ii) informing her/him whether any further investigations will be initiated;
- c) referring the reported allegation(s) to Risk Management and Internal Control Directorate or to Forensic Investigations Division within Provincial Internal Audit Unit and initiate an investigation into the matter;
- d) ensuring that losses or damages suffered by the Department as a result of all reported acts of fraud, corruption and theft committed by an employee or any other person, are recovered from such employee or other person if he /she is found liable; and
- e) consulting with appropriate Senior Managers, whether any information relating to corrective actions taken or sanctions imposed regarding incidents of fraud, corruption and theft should be brought to the direct attention of any person or made public through any means.

8.2 Managers are responsible for:

- a) reporting all incidents and allegations of fraud, corruption and theft to the Head of Department;
- b) reviewing, and where possible, improve the effectiveness of the controls, which have been breached in order to prevent similar irregularities from taking place in future in respect of all reported incidents of fraud, corruption and theft, Managers are required to immediately;
- c) identifying, assessing and managing fraud risks within their area of responsibility, that might have a potential to affect service delivery;
- d) ensuring that losses or damages suffered by the Department as a result of all reported acts of fraud, corruption and theft committed by an employee or any other person, are recovered from such employee or other person if he /she is found liable; and
- e) ensuring that all employees in their area of responsibility are made aware of and receive appropriate training and education with regard to this policy.

8.3 Employees are responsible for:

- a) reporting all allegations or incidents of fraud, corruption and theft to their immediate Manager or, if the Employee has reason to believe that his/her immediate Manager is involved, they must report to the next level of Management; and
- b) employees who wish to report allegations of fraud, corruption and theft anonymously, can contact any member of Management, the Head of Department in writing, and or the National Anti- Corruption Hotline on Toll free number **0800 701 701**.

8.4 Members of the public/ Stakeholders are responsible for:

- a) reporting any suspicion of fraud, corruption and theft impacting the Department and are encouraged to contact the Head of Department or the Provincial Internal Audit Unit in writing or telephonically contact the Anti-Corruption Hotline on toll free number **0800 701 701**.

8.5 Risk Management and Internal Control Directorate is responsible for:

- a) investigating all allegations of fraud, corruption and theft and maintain database of all reported cases;

- (b) developing and communicating the Departmental Fraud Prevention Strategy and Implementation plan;
- (c) developing a fraud risk profile for the Department and regular reviewing of fraud and corruption risks associated with the Department and its processes; and
- (d) communicating this policy to all Employees of the Department and its relevant stakeholders.

8.6 Departmental Risk Management Committee is responsible for:

- a) reviewing regularly the matters reported and actions taken to address them;
- b) reviewing the Fraud Prevention Strategy, implementation plan and recommend for approval by the Head of Department; and
- c) evaluating effectiveness of the implementation of the Fraud Prevention Strategy

9 TREATMENT OF ALLEGATIONS OF FRAUD, CORRUPTION AND THEFT

- 9.1 Action taken by the Department on issues raised by employees and members of the public, must depend on the nature of the concern.

Allegations raised may:

- a) be investigated internally; or
- b) be referred to Internal Audit Unit of Provincial Treasury;
- c) be referred to the South African Police Services.

- 9.2 Employees are encouraged to utilize the advisory and supporting assistance from the following Units:

- a) Risk Management and Internal Control;
- b) Human Resources;
- c) Provincial Internal Audit Unit;
- d) Labour Relations;
- e) Office of the Premier;
- f) The Office of the Auditor General; and
- g) The Public Protector.

- 9.3 All fraud, corruption and theft committed by an employee of the Development will be pursued thorough investigation and to the full extent of the law, including considering the following:
- (a) taking disciplinary action within a reasonable period of time after the incident;
 - (b) instituting recovery of financial losses, including formal civil action;
 - (c) initiating criminal prosecution by reporting the matter to the South African Police Services or any other relevant law enforcement agency; and
 - (d) any other appropriate and legal remedy available.
- 9.4 The Department accepts that those people, including Employees who reported the alleged fraud, corruption and theft need to be assured that the matter had been properly addressed, thus, subject to legal constraints, information about outcomes of any investigation must be disseminated on a “need to know” basis.

10 CONFIDENTIALITY

- 10.1 All information relating to fraud, corruption and theft that is received and investigated must be treated confidentially. The progression of investigations should be handled in a confidential manner and must not be disclosed or discussed with any person(s) other than those who have a legitimate right to such information. This is important to avoid harming the reputation of suspected persons who are subsequently found innocent of wrongful conduct.
- 10.2 No person is authorized to supply any information with regard to allegations or incidents of fraud, corruption and theft to the media without the express permission of the Head of Department.

11 COMMUNICATION OF THE POLICY

Risk Management Unit and Managers are to ensure that all employees are made aware of, and receive appropriate training and education with regard to this Policy.

12. NON-COMPLIANCE

An Employee who fails to comply with this Policy shall be guilty of an act of misconduct

13. MONITORING AND EVALUATION

The Policy will be monitored, evaluated and reviewed after three years from implementation date or as and when a need arises.

14. ADOPTION AND EFFECTIVE DATE

This Policy comes into effect on the date of approval.

15. TITLE OF THE POLICY

This Policy shall be called Policy on Management of Fraud, Corruption and Theft.

16. POLICY APPROVAL

This Policy is approved with effect from the 11th day of September in the year 2017



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Head of Department:
Department of Social Development