



premier

Office Of The Premier
PROVINCE OF KWAZULU-NATAL

FRAUD PREVENTION PLAN

2018/2019

CONTENTS	PAGE
GLOSSARY OF TERMS	4
SECTION I: INTRODUCTION AND DEVELOPMENT OF THE PLAN	6
SECTION II: ATTRIBUTES OF FRAUD	8
SECTION III: THE FRAUD PREVENTION PLAN	14
A. PREVENTING FRAUD	18
4.1 Code of Conduct	18
4.2 Premier's systems, policies, procedures, rules and regulations	20
4.3 Disciplinary Code and Procedures	23
4.4 Internal controls	24
4.5 Physical and information security	28
B. DETECTING, REPORTING AND INVESTIGATING FRAUD	29
4.6 Internal Audit	29
4.7 Fraud Risk Assessment	31
4.8 Fraud Detection and Reporting	32
4.9 The Fraud Policy	33
4.10 Whistleblowing Policy	33
C. INVESTIGATING FRAUD	34

D.	RESPONSE	34
4.11	Creating awareness	34
4.12	Maintenance and review	37
4.13	Approval of the Plan	37

LIST OF APPENDICES:

Appendix A	Public Service Code of Conduct
Appendix B	Disciplinary Code and Procedures
Appendix C	Fraud Risk Register
Appendix D	Fraud Policy
Appendix E	Whistleblowing Policy
Appendix F	Fraud Prevention Implementation Plan

GLOSSARY OF TERMS

Throughout this document, unless otherwise stated, the words in the first column below have the meanings stated opposite them in the second column (and cognate expressions shall bear corresponding meanings):

“PAM”	:	Public Administration Management Act, 2014
“Corruption”	:	Giving or offering; receiving or agreeing to receive; obtaining or attempting to obtain any benefit which is not legally due to or by a person who has been charged with a duty or power by virtue of any employment, to do any act or omit to do any act in relation to that power or duty.
“Department”	:	The Office of the Premier
“Fraud”	:	The unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another.
“IAU”	:	Internal Audit Unit – Provincial Treasury
“PFMA”	:	Public Finance and Management Act, Act 1 of 1999
“Plan”	:	Fraud Prevention Plan
“Policy”	:	The Whistle Blowing Policy
“Protected Disclosures Act”	:	Protected Disclosures Act, Act 26 of 2000
“PRECCA”	:	Prevention and Combating of Corrupt Activities Act
“Province”	:	KwaZulu Natal
“P S C B C”	:	Public Service Co-ordinating Bargaining Council
“Forensic Investigations Unit”	:	The forensic investigations unit within the IAU of the Provincial Treasury

**KWAZULU-NATAL
OFFICE OF THE PREMIER
FRAUD PREVENTION PLAN**

- “S A P S” : South African Police Services
- “The Act” : Public Service Act, 1994
- “Theft” : The unlawful and intentional misappropriation of another’s property or property which is in his/her lawful possession, with the intention to deprive the owner of its rights permanently.
- “Treasury” : KwaZulu-Natal Provincial Treasury
- “Resolutions” : Integrity Leadership Summit Resolutions – 22 -23 October 2015

SECTION I: INTRODUCTION AND DEVELOPMENT OF THE PLAN

- 1.1 This document represents the Fraud Prevention Plan for the Office of the Premier. The Plan recognises basic fraud prevention initiatives within the Office of the Premier. Furthermore, it identifies key risks of fraud that will be addressed as these risks could jeopardise the successful implementation of the various components of the Plan.
- 1.2 The primary objectives of the Plan are to:
- a) Provide guidelines in preventing, detecting and reporting fraudulent and corrupt activities within the Office of the Premier;
 - b) Create an organizational culture within the Office of the Premier where all employees and stakeholders continuously behave ethically in their dealings with or on behalf of the Office of the Premier.
 - c) Encourage all employees and stakeholders to strive towards the prevention and detection of fraud and corruption which could potentially impact on the Office of the Premier and or Provincial Administration;
 - d) Encourage all employees and stakeholders to report suspicions of fraudulent and corrupt activity and unethical behaviour without fear of reprisals or recriminations; and
 - e) Provide a focus point for the allocation of accountability and authority.
- 1.3 The Plan is dynamic and it will continuously evolve as the Office of the Premier makes changes and improvements in its drive to promote ethics and prevent fraud and corruption.

- 1.4 In reviewing the Plan, several risks, including fraud and corruption risks which were identified as part of a detailed and comprehensive risk analysis exercise undertaken by the Internal Audit Unit (IAU) were also taken into account.
- 1.5 In addition, high level reviews of the following documentation were undertaken:
- The P S C B C Resolution No.2 of 1999 and the Disciplinary Code and Procedures for the Public Service;
 - Departmental policies;
 - Cabinet Resolution No. 166 of 2000, relating to the investigation of Government fraud;
 - The KwaZulu-Natal Anti-Corruption Strategy published on 12 June 2008;
 - Public Service Regulations, 2016; and
 - The Public Service Code of Conduct.
- 1.6 The risks of fraud addressed in this document should not be relied upon as the full spectrum of the risks facing the Office of the Premier, but rather as an indication of the type of risks that can be expected bearing in mind the transformation of risks of fraud resulting from constant technological enhancements and changing business processes.

SECTION II: ATTRIBUTES OF FRAUD

2.1 A detailed definition of Fraud, Corruption and Theft is reflected in the Glossary of Terms. The following indicators, although not exhaustive, reflect actions that may be considered to be fraudulent:

Systems Issues	:	<p>Where a process/system exists which is prone to abuse by either employees or the public, e.g.:</p> <ul style="list-style-type: none"> • Maladministration or financial misconduct in handling or reporting of money, financial transactions, or other assets; • Collusion in awarding contracts or orders for goods and/or services; and • Disclosing confidential or proprietary information to outside parties.
Financial Issues	:	<p>Where individuals or companies have fraudulently obtained money, e.g.:</p> <ul style="list-style-type: none"> • Suppliers submitting invalid invoices or invoicing for work not properly completed; and • Theft of petty cash. • Misstatement of financial reports
Equipment and Resource Issues		<p>Where equipment is utilised for personal benefit, e.g.:</p> <ul style="list-style-type: none"> • Abuse of telephones, internet and e-mail; and • Abuse of assets, including equipment and time.

Other Issues	:	<p>Activities undertaken by employees which may be unlawful against the Office of the Premier’s regulations or policies; falls under established standards or practices or amounts to improper conduct, e.g.:</p> <ul style="list-style-type: none"> • Receiving undue gifts or favours for carrying out functions, e.g. gifts in contravention of the relevant policy; and • Deliberately omitting or refusing to report or act upon reports of any irregular or dishonest conduct.
--------------	---	--

2.2 In order to understand and to be able to detect fraudulent activities, employees should be aware of the behavioural aspects of individuals and organisations. The behavioural aspect of individuals assists in profiling a typical fraudster while that of organisations typifies the risks that make the organisation susceptible to fraud.

2.3 The following, although not exhaustive, reflect the behavioural aspects of individuals and organisations which are typically “red flags” or “fraud indicators” that all employees within the Office of the Premier should be aware of in their daily functions:

Indicators that individuals may be susceptible to committing fraud

- Unusually high personal debts;
- Severe personal financial losses;
- Living beyond one’s means;
- Extensive involvement in speculative investments;

- Excessive gambling habits;
- Alcohol and drug abuse;
- Unexplained wealth;
- Sudden change of lifestyle;
- Domestic problems;
- Involved in extra-marital relationships;
- Undue family or peer pressure to succeed;
- Staff under stress without heavy workload;
- Always working late;
- Reluctance to take leave;
- Refusal to accept promotion;
- Feeling of being underpaid;
- Dissatisfaction or frustration with job;
- Feeling of insufficient recognition for job performance;
- Lack of a clearly defined career path;
- Continual threats to quit;
- Belief that the job is in jeopardy;
- Close associations with suppliers/ contractors;
- Suppliers/ contractors who insist on dealing with only one particular member of staff;
- Poor credit rating;
- Rationalisation or justification of poor performance;

- Wheeler-dealer attitude;
- Lack of personal stability such as frequent job changes, residence, partners and acquaintances;
- Desire to “beat the system”;
- Unreliable communications and reports;
- Criminal record;
- Defendant in a civil suit;
- Rationalisation for conflicting behavioural patterns;
- Undisclosed conflicts of interest.

Indicators that OTP may be a target for a fraudster

- Inadequate document management system;
- Weak strategic management system;
- Lack of stake holder engagement strategy;
- Unsafe and unhealthy working environment;
- Lack of proper monitoring of the implementation of approved SCM processes;
- Inability to effectively deal with incidences of fraud and corruption and unethical behaviour;
- Inability to effectively monitor, evaluate and report on service delivery strategies and programmes;
- Nondisclosure of financial interest.
- Inability to control the use of emergency and urgent provisions;
- Ineffective management of fleet management processes;

- Inadequate asset management procedures;
- Poor management of leave;
- Poor management of contracts;
- Poor implementation of employee performance management system;
- Processing of irregular expenditure;
- Litigations.

2.4 In addition to the behavioural aspects of individuals and organisations which typifies circumstances that could result in fraudulent activity, there are other factors which may not necessarily be categorised as behavioural aspects, but nonetheless result in fraudulent activity. These indicators of the opportunities to commit fraud, although not exhaustive, may be summarised as follows:

- Rapid turnover of key employees, through resignation or dismissal;
- Dishonest or dominant management;
- Inadequate communication and training programmes;
- No effective internal control function or lack of a risk based approach;
- Reluctance to provide auditors/ consultants with requested information;
- Continuous problems with regulatory agencies; and
- Unexplained and unusual accounting transactions.

2.5 Certain events or circumstances, could also lead to fraudulent activity. These situations, although not exhaustive, may be summarised as follows:

- Dependence on or utilisation of only a few suppliers;

- Non-existent and over-valued assets;
- Unexplained increases in assets;
- The department is decentralised without adequate monitoring;
- Unusually large transactions between related parties that are not in the ordinary course of business.

2.6 All employees within the Office of the Premier are required to be aware of the indicators listed above and to be vigilant against acts of fraud and corruption within the Office of the Premier. Should an employee have any knowledge or suspicion of fraudulent and corrupt activity and unethical behaviour, the employee is obliged to report such fraudulent and corrupt activity to either directly to his/her immediate supervisor or the Head of Integrity Management Unit (033 341 3406) or alternatively call the National Anticorruption Hotline Number (0800 701 701). Employees may report anonymously if that is preferred. Regulation number 13(e) of The Public Service Regulations 2016 demands such reporting by all employees. The Prevention and Combating of Corrupt Activities Act demands that members who holds position of authority reports any fraud amounting to R100 000 and above to SAPS.

SECTION III: THE FRAUD PREVENTION PLAN

The main principles of the Plan

3.1 The following reflects the main principles which form the basis of the Plan:

- Developing and maintaining an organizational culture which is intolerant to fraud, corruption and unethical behaviour through continuous ethical training and awareness campaigns;
- Deterrence of fraud, corruption and unethical behaviour;
- Preventing fraud, corruption and unethical behaviour which cannot be deterred through control measures;
- Detection of fraud, corruption and unethical behaviour;
- Investigating detected fraud, corruption and unethical behaviour;
- Taking appropriate action against fraudsters, e.g. disciplinary action, prosecution, civil recoveries, etc;
- Applying sanctions, which include redress in respect of financial losses; and
- Pledge respect for the civil rights of all citizens, including the employees of the Office of the Premier.

Objectives of the Plan

3.2 The objectives of the Plan as set out below are in line with and complement a principle-oriented ethos and strategic direction as articulated in the PFMA and other relevant legislation, taking into account the documentation referred to in paragraph 1.5 above.

3.3 The objectives of the Plan can be summarised as follows:

- Improving accountability, efficiency and effective administration within the Office of the Premier;
- Continuously supporting a culture within the Office of the Premier where all employees and other stakeholders continuously behave ethically in their dealings with, or on behalf of the Office of the Premier;
- Improving the application of systems, plans, policies, procedures and regulations; and
- Encouraging all employees and other stakeholders to strive for the deterrence, prevention and detection of fraud impacting, or having the potential to impact on the Office of the Premier.

Components of the Plan

3.4 The above objectives are not intended to detract from the premise that all the components are equally essential for the successful realisation of the Plan. The Plan is structured to address the prevention, detection, investigation and reporting of fraudulent and corrupt activities and unethical behaviour.

3.5 The following represents the components of the Plan:

(a) Prevention

(Ethical Culture, Training and Awareness, Policies and Procedures,

Physical and Information Security, Employee vetting, and Risk Management.)

(b) Detection

(Corruption database, Internal Audit, Management Action, Whistle

Blowing and Reporting Mechanism)

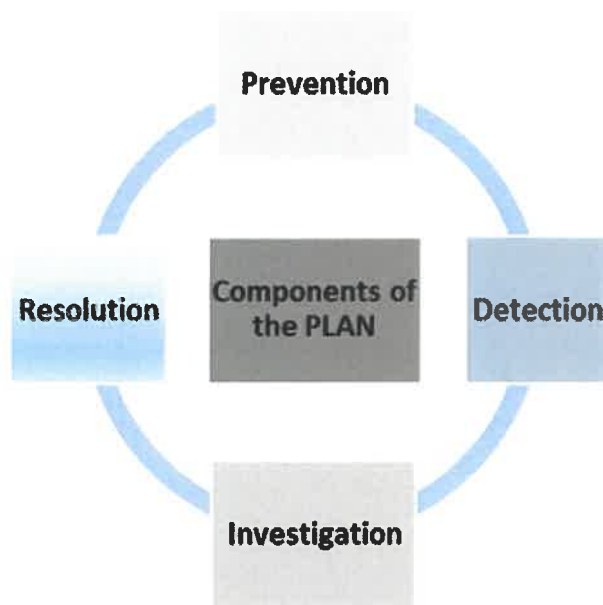
(c) Investigation

(Internal Capacity and Cooperation with other agencies)

(d) Resolution

(Disciplinary actions, Improved controls, Civil recovery, Criminal prosecution, and Referring to other agencies).

3.6 An illustration of the main components of the Plan is contained in the figure below:



A. PREVENTING FRAUD

4.1 Code of Conduct

4.1.1 A Code of Conduct as amended by Public Service Regulations of 2016 is intended to set down clear guidelines relating to Office of the Premier's expectations of the highest ethical standards of business conduct and integrity by its employees, public servants and other stakeholders.

4.1.2 The Code is applicable to all employees of the Office of the Premier. In order to contextualise the Code as a component of the Plan, it has been attached as **Appendix A**.

4.1.3 The Office of the Premier expects all people and organisations that are in any way associated with it to be honest and fair in their dealings with it and its clients. All employees are expected to lead by example in these matters.

4.1.4 The generic risks identified in this area are the following:

- Lack of buy-in or compliance with the requirements of the Code by management and employees;
- Employees with low integrity and/ or standards of professional duties who are constantly seeking to enhance their personal benefit;
- Lack of awareness and or inadequate communication and training strategy relating to the Code;
- Inadequate control over identifying and monitoring remunerative work undertaken by employees, outside their official duties, without approval;
- Inadequate control over identifying employees doing business with the organs of the state;

- Lack of adequate controls over the acceptance of gifts, personal benefits by employees or any other form of gratification.
- Inadequate control over incomplete or false disclosures.

4.1.5 Compliance by employees of the Office of the Premier with the Code, both in its spirit and content, would address the risks listed in paragraph 4.1.4 above. However, appreciating the fact that striving to achieve such a status immediately would be idealistic, the Office of the Premier will pursue the following tactics to improve professional ethics and conduct of its employees:

- a) A copy of the Code will be circulated to all employees and will be included in induction packs for new employees;
- b) Relevant aspects of the Code will be included in the Ethics Awareness presentations, training sessions and communication programmes to create awareness thereof amongst employees and other stakeholders.
- c) Ethics awareness workshops will be conducted in all levels of staff within the Office of The Premier to ensure the achievement of the following objectives:
 - Assisting employees to understand the meaning of fraudulent, corrupt, and unethical behaviour;
 - Presenting case studies which will assist in developing behaviour to articulate and encourage attitudes and values which support ethical behaviour;
 - Assisting employees to understand the organizational values within the Office of the Premier and the need to align their personal values to these organisational values;
 - Assisting employees to understand issues involved in making ethical

judgements; and

- Communicating the implications of fraud, corruption and unethical behaviour and its impact on individuals, the workplace, professional relationships, within the Office of the Premier and external stakeholders.

4.2 Office of the Premier's systems, policies, procedures, rules and regulations.

4.2.1 The Office of the Premier has a number of systems, policies, procedures, and rules designed to ensure compliance with prevailing legislations and to minimise risks, including risks of fraud, corruption and unethical behaviour. Fundamentally, all employees in the Office of the Premier should understand and comply with these.

4.2.2 The following are some of the relevant policies, procedures, rules and regulations:

- Departmental Policies;
- Provincial Policy Framework on Conflicts of Interest;
- Cabinet manual;
- Delegations of authority;
- Disciplinary Code and Procedures for the Public Service;
- Code of Conduct for Public Servants;
- The acceptance of gifts policy
- DPSA Directive on other Remunerative Work outside the employee's employment in the relevant department.
- Public Service Regulations 2016

4.2.3 In addition to the above, several operational measures have been designed to control all business activities.

4.2.4 The Office of the Premier has identified the key risks of fraud in this area as the following:

- Lack of knowledge and understanding amongst employees of prevailing policies and procedures;
- A lack of structured awareness and training programs for employees in applicable policies, procedures, rules and regulations;
- Deliberate non-adherence or non-compliance with policies and procedures by employees as a result of weaknesses in the system of adequately monitoring and evaluating compliance with policies and procedures;
- Resistance by employees to accept objectives and requirements detailed in strategic plans and policies and procedures, since they have not been part of the development of the strategic plans and policies and procedures;
- Lack of proper delegations, in writing, as required by the PFMA;
- Collusion in procurement process.
- Lack of effective systems for the management of assets and inventory;

The lack of management information necessary for timeous risk identification and decision-making.

4.2.5 The risks that are indicated in paragraph 4.2.4 above suggest, amongst other issues, that the policy and procedure framework of the Office of the Premier needs strengthening.

4.2.6 The Office of the Premier recognises that its employees are often best placed to identify “loopholes” or weaknesses in systems and procedures. The Office of the Premier is therefore committed to harnessing this knowledge through the development of a structured program aimed at encouraging employee commitment and effort in reporting such weaknesses.

4.2.7 In addition, the Office of the Premier will undertake the following actions to mitigate the risks identified in paragraph 4.2.4:

- Clearly defined communication and training strategies will be developed to create awareness of existing and new policies and procedures in order to ensure that all employees are made aware of, and adequately trained in the implementation of policies and procedures relevant to their employment, duties and responsibilities.
- Office of the Premier will keep adequate records serving as proof that employees have been made aware of the policies and procedures applicable to the Office of the Premier and relevant to their duties.
- Internal audits and ad-hoc procedures will be undertaken to monitor and evaluate the extent of compliance with policies and procedures. In instances where serious breaches occur, swift and efficient disciplinary action will be considered to set an example to other potential wrongdoers.
- New policies and procedures and strategic plans will be circulated to staff at appropriate levels, in draft format, for the input and comments before they are finalised.
- A specific effort will be made to ensure that the requirements of National Treasury Instruction SCM Instruction Note 3 of 2016/17 paragraph 7, for the placing of restrictions on suppliers and/ or other providers of goods and/ or services who are found guilty of unethical conduct or other

irregularities, are pursued vehemently.

- Any employee found to be colluding with suppliers will be subjected to immediate disciplinary action with a minimum sanction of dismissal and any losses suffered by the Office of the Premier will be recouped from the employee.

4.3 Disciplinary Code and Procedures

4.3.1 The Disciplinary Code and Procedures (**Appendix B**) prescribes appropriate steps to be taken to resolve disciplinary matters. The strategic risks of fraud which have been identified with regard to discipline and the application thereof are the following:

- The disciplinary process, in some instances, takes too long;
- Inadequate training of investigating officers dealing with cases;
- Lack of consultation between investigating officers and the investigating team, concerning findings and charges;
- Inadequate maintenance and security of source documents to be used at disciplinary, criminal and civil proceedings; and
- Inconsistent application of disciplinary action.

4.3.2 The Office of the Premier recognises the fact that the consistent and efficient application of disciplinary measures is an integral component of making the Plan a success.

The Office of the Premier will continue to pursue the following steps to ensure the consistent, efficient and speedy application of disciplinary measures:

- (a) Ensuring, by communication and awareness exercises that all managers are aware of the content of the Disciplinary Code and Procedures, their

responsibility for maintaining discipline, the standards of discipline expected, the procedure for the application of disciplinary measures and the disciplinary process;

- (b) Ongoing training of managers and investigating officers with regard to the content of the Disciplinary Code and Procedures, the application of disciplinary measures and the disciplinary process, and sustaining this training in conjunction with Risk Management Services and Human Resources Management;
- (c) Developing a system to facilitate the consistent application of disciplinary measures, e.g. a monitoring system that includes proper record keeping of all disciplinary actions taken; and
- (d) Developing a system where managers are held accountable for the management and addressing of misconduct and fraud within their sections.

4.4 Internal Controls

4.4.1 This section of the Plan relates to basic internal controls to prevent and detect fraud. The systems, policies, procedures, rules and regulations of the Office of the Premier prescribe various controls, which if effectively implemented, would limit fraud within the Office of the Premier. These controls may be categorised as follows, it being recognised that the categories contain overlapping elements:

- (a) Prevention controls:
 - These are divided into two sub-categories, namely
Authorisation and Physical;
- (b) Detection controls:
 - These are divided into four categories, namely Arithmetic and
Accounting, Physical, Supervision and Management Information;
and

(c) Segregation of Duties

Prevention controls

a) Authorisation

- (i) All transactions require authorisation or approval by a responsible person with appropriate authority limits.
- (ii) The authority limits are specified in the delegations of authority of the Office of the Premier.

b) Physical

- (i) These controls are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to personnel, who have been duly authorised, in writing.

Detection controls

a) Arithmetic and accounting

- (i) These are basic controls within the recording function that check that transactions to be recorded and processed have been authorised and that they are completely and correctly recorded and accurately processed.
- (ii) Such controls include checking the arithmetical accuracy of the records, the maintenance and checking of totals, reconciliation and accounting for documents.

b) Physical

- (i) These controls relate to the security of records. They therefore

underpin arithmetic and accounting controls.

- (ii) Their similarity to preventive controls lies in the fact that these controls are also designed to limit access to unauthorised persons.
- c) Supervision
 - (i) This control relates to supervision by managers of day-to-day transactions and the recording thereof.
- d) Management information
 - (i) This relates to the review of management accounts and budgetary control.
 - (ii) These controls are normally exercised by management outside the day-to-day routine of the system.

Segregation of duties

- a) The lack of segregation of duties mainly within SCM or the overriding of existing internal controls is a generic risk that exposes the Office of the Premier to the inherent risk of fraud and manipulation of data. One of the primary means of control is the separation of those responsibilities or duties, which, if combined, enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit fraud.
- b) Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.
- c) Functions that should be separated include those of authorisation, execution, custody and recording and, in the case of computer-based accounting systems, systems development and daily operations.

- d) Placed in context with fraud, segregation of duties lies in separating either the authorisation or the custodial function from the checking function.
- e) To ensure that these internal controls are effectively and consistently applied, deficiencies and non-compliance identified by internal audit will be addressed as follows:
- The Office of the Premier will continue to regularly re-emphasise to all SMS Members that consistent compliance by employees with internal controls is in itself one of the fundamental controls in place to prevent fraud. SMS Members will be encouraged to recognise that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.
 - The Office of the Premier will ensure that the performance appraisal of SMS Members will take into account the number of audit queries raised and the level of seriousness of the consequent risk to the Office of the Premier as a result of the internal control deficiency identified. This is intended to raise the level of accountability for internal control by the Head of Department and SMS Members.
 - A matrix of internal control weaknesses identified during audits and investigations will be developed in order to assist in the identification of areas that require additional focus.
- f) Where SMS Members do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm disciplinary action will be considered.

4.4.2 All employees including SMS members within the Office of the Premier are encouraged to be aware of and to identify any internal control weaknesses within their working environment and to communicate such weaknesses to their

immediate supervisor or to the Head of Integrity Management Unit.

4.5 Physical and information security

4.5.1 *Physical security*

- (a) Recognising that effective physical security is one of the "front line" defences against fraud, the Office of the Premier will take regular steps to improve physical security and access control at its offices in order to limit the risk of theft of assets.
- (b) The Office of the Premier will also consider conducting a regular review of the physical security arrangements at its offices and improve on weaknesses identified.

4.5.2 *Information security*

- (a) The Office of the Premier acknowledges the key risks of fraud in this area as the following:
 - Risk of leaking of confidential information relating to matters under investigation;
 - The system allows for manipulation of data without appropriate authorisation procedures. This risk is further exacerbated as fictitious users may be set-up on the system;
- (b) The Office of the Premier will ensure that employees are sensitised on a regular basis to the risks of fraud associated with poor management of information security in order to enhance their understanding thereof and the risks to Office of the Premier associated with poor control over confidential

information.

- (c) Regular reviews of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed with the respective managers.
- (d) Regular communiqués will be forwarded to employees pointing out the content of the IT Policy and procedures, with particular emphasis on Internet and e-mail usage and the implications (e.g. disciplinary action) of abusing these and other computer-related facilities. Where employees are found to have infringed on prevailing policy in this regard, disciplinary action will be taken.

B DETECTING AND REPORTING FRAUD

4.6 Internal audit

4.6.1 The internal audit function is centralised within Treasury and is performed by the Internal Audit Unit (IAU). However, the new organisational structure of the Office of the Premier provides for the establishment of an Internal Audit and Risk Management unit to work closely with the IAU. The primary function of

the IAU is to assist the Office of the Premier in improving the efficiency and effectiveness of operations, risk management, control and governance. This is

further intended to promote good corporate governance (including promoting ethical conduct and the prevention, detection and reporting of fraud) within the Office of the Premier.

4.6.2 The Integrity Management Unit (IMU) should consider ways of communicating and promoting a better understanding by SMS members, of the role and responsibilities of the IMU and Risk Management Unit, which are as follows:

- Detection and investigation of fraud and corruption;
- Conducting fraud and ethics risk assessments and susceptibility assessments of high fraud and corruption risk areas; and
- Promoting integrity of employees within the Office of the Premier.
- Prevention of fraud, corruption and unethical behaviour.

4.6.3 The key risks identified in this area are the following:

- Resistance or failure by employees of the Office of the Premier to co-operate with the IMU and Risk Management Unit.
- Lack of procedures to dissuade employees from becoming victims of bribery and corruption and inadequate controls to identify instances and the affected employee/s when this does happen.

4.6.4 As indicated previously, the Office of the Premier will continue to regularly re-emphasise to all SMS Members that consistent compliance by employees with internal control is in itself one of the fundamental controls in place to prevent fraud. Program and responsibility managers will be encouraged to recognise that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.

4.6.5 The need to comply with the Code and to act with honesty and integrity will be regularly emphasised and communicated to all employees.

4.7 Fraud Risk Assessment

4.7.1 The Office of the Premier has identified the following risks of fraud that are prevalent to the department which requires constant review and monitoring.

- Anti-fraud and corruption programmes may not effectively deal with unethical incidences and curb fraud and corruption.
- Undue performance bonuses and pay progression.
- Misappropriation, abuse and misallocation of assets.
- Unsuitable candidates may be employed.
- Theft, misuse and abuse of official vehicles.
- Abuse of emergency and urgent provision.
- Abuse and misuse of leave.
- Fraudulent BAS activities.
- Kickbacks paid to staff for preferential selection.
- Irregular PERSAL activities.
- Fraudulent S & T claims.
- Specific briefs designed for a particular service provider.
- Unauthorised access to systems.
- Abuse/excessive phone/3G/internet browsing.
- Theft of entity's information/intellectual property.

4.7.2 In order to mitigate risks listed in 4.7.1 above the department has developed a Fraud Risk Register (**Appendix C**) with action plans and action owners for each fraud risk. Fraud Prevention Controls and Detection Mechanisms will be developed that will include conducting of presentations to SMS Members and staff to ensure that they have a more detailed understanding of the arrears where fraud risks exist, thus enhancing the prospect of detecting irregularities sooner.

4.8 Fraud Detection and Reporting

4.8.1 The Office of the Premier recognises that in order to effectively prevent fraud, all fraudulent activities detected by employees and other stakeholders should be reported and investigated.

4.8.2 The office of the Premier supports the National Anti-Corruption Hotline of the Public Service Commission through the Integrity Management Unit (IMU) and encourages its employees to utilise this service to supply information relating to fraudulent activity. The Fraud Hotline is also an integral mechanism for the reporting of fraud in terms of the Fraud Policy.

4.8.3 All instances of fraudulent activity must be reported to the Head of Integrity Management Unit (IMU) who, depending on the gravity of the investigation should report to the director in charge of Forensic Investigations Unit.

4.8.4 Hence, Office of the Premier will ensure that the responsibility of responding to and investigating information secured through the Fraud Hotline and through any other medium, is clearly negotiated with Forensic Investigation Unit Management and that proper records are kept of all allegations relating to the Office of the Premier. This will assist the department in managing risks of fraud.

4.9 The Fraud Policy

4.9.1 The Office of the Premier has developed the Fraud Policy (**Appendix D**) as a basis for fighting fraud and corruption. The Fraud Policy contains actions that constitute fraud and corruption as well as roles and responsibilities. for the reporting of allegations of fraud which include the following:

4.9.2 In order to facilitate the identification of additional risks and the consequent development of appropriate strategies to address these, the Office of the Premier will continue to ensure that the system it has established with the Forensic Investigation Unit is used to keep records of all allegations brought to its attention. This will be crucial in effectively addressing the risk of whistle blowers against victimisation by managers and fellow employees, in contravention of the Protected Disclosures Act.

4.10 The Whistleblowing Policy

4.10.1 In order to further limit the risk of employees being victimised for whistle blowing, in contravention of the Protected Disclosures Act, the Office of the Premier has developed a Whistle Blowing Policy (**Appendix E**).

4.10.2 The Whistle Blowing Policy is based on the Protective Disclosures Act, which guarantees protection to employees against victimisation following disclosure of fraudulent activity by employees, and is intended to encourage and enable employees to raise serious concerns without fear of victimisation.

4.10.3 The Whistle Policy contains provisions for the reporting of allegations of fraud which include the following:

- Making a report to the employee's immediate supervisor;
- Where the person reporting the information wishes to make a report anonymously, such a report may be made to any member of management and/or the Head of Integrity Management Unit, by calling the National Anti-Corruption Hotline, and
- The SMS member who receives such a report must forward it to the Head of Integrity Management Unit, who will initiate an investigation in consultation with appropriate stakeholders within the Office of the Premier.

4.10.4 The Whistle Blowing Policy, which is attached as an appendix to this Plan, will be circulated to all employees within Office of the Premier.

C. INVESTIGATING FRAUD

- Preliminary investigations for all allegations of fraud will be conducted internally by IMU to verify the bases of allegations for a full scale investigation.
- The preliminary investigation will include the analysis of the Acts and policies, interview with the complainant, seizing of documents etc.
- Allegations that require full scale investigations will be referred to the Forensic Investigation Unit for full investigation, should IMU lack
- capacity to conduct such investigation.

D. RESPONSE

- Reports on finalised investigations will be submitted to the Director General for the commissioning of the implementation of the recommendations.
- The Director General shall be responsible for referring cases to SAPS as required by PRECCA.
- All recommendations for disciplinary will be referred to Labour Relations Unit for implementation.

4.11 Creating awareness

4.11.1 This component of the Plan comprises two approaches, namely education and communication. The strategic weaknesses identified in this area are the following:

- Lack of a formalised strategy to create awareness amongst employees of the manifestations of fraud and the risks of fraud facing the Office of the Premier; and
- Lack of knowledge of approaches to prevent and detect fraud in specific processes and transactions.

4.11.2. Education

4.11.2.1. The Office of the Premier will ensure that regular presentations and formal training are carried out for employees to enhance their understanding of the manifestations of fraud, prevention and detection techniques and the

components of the Plan, in general. These presentations and training will include ongoing formal lectures to SMS Members in all functional disciplines on the job or through the Provincial Training Academy.

4.11.3 Communication

4.11.4.1. Communication is crucial in creating awareness of the Plan amongst employees and other stakeholders. This is intended to facilitate a culture where all stakeholders strive to make the Plan a success and to sustain a positive, ethical culture within the Office of the Premier. This will increase the prospect of fraud being reported and improve the Office of the Premier's prevention and detection ability.

4.11.4.2. The Office of the Premier will consider various means of communicating its fraud prevention initiatives, including the following:

- (a) Conducting workshops and creating awareness of the Plan;

- (b) Developing a poster campaign aimed at all stakeholders to popularise the Office of the Premier's stance against fraud and also its expectations with regard to the ethics and integrity of all stakeholders;
- (c) Circulating appropriate sections of the Code to other stakeholders, e.g. consultants and contractors;
- (d) Publicising "lessons learned" out of investigations into allegations of fraud amongst employees;
- (e) Circulating successes related to the Plan and fraud *modus operandi*;
- (f) Printing the stance of the Office of the Premier to fraud on pay slips;
- (g) Placing notices or other communiqués related to the Plan in strategic areas to which employees and the public have access;
- (h) Placing communiqués in government vehicles, e.g. relating to the abuse of vehicles;
- (i) Giving copies of the Code to suppliers of goods and services;
- (j) Developing a fraud prevention suggestion box where all employees could make suggestions on how to prevent fraud and corruption and further improve the Plan; and
- (k) Developing a communication Plan or components thereof, e.g.:
 - Pamphlets;
 - Posters; and
 - Motor vehicle licence stickers.

 - Use of multi-media
- (l) Using the provincial newspaper (Simama and available radio slots) to communicate issues relating to the prevention and detection of fraud, including matters reported and action taken.

4.12 Maintenance and Review


4.12.1 In order to ensure ongoing development and implementation of the Plan IMU shall be responsible for the continuous monitoring and review of the Plan.

4.12.2 The continuous monitoring and review of the Plan will include:

- a) Evaluating reports of fraud and highlight areas of fraud risk within the Office of the Premier;
- b) Considering fraud threats to the Office of the Premier and addressing these;
- c) Reviewing and making appropriate amendments to the Plan; and
- d) Ensuring that continuous implementation strategies are developed and carried out.

4.12.3 The Plan will be reviewed on an annual basis, whilst progress with the implementation of the various components will be reviewed on a quarterly basis. With regard to the latter, specific priorities stemming from the Plan, actions to be taken, responsible persons and feedback dates relating to progress made will also be set. The Fraud Prevention Implementation Plan (**Appendix F**) has been developed to facilitate this.

4.13 Approval of the Plan



Dr Nonhlanhla O Mkhize
Director-General of the Province of KZN

02/05/2018
Date