

**REMARKS BY PREMIER OF KWAZULU-NATAL HONOURABLE
WILLIES MCHUNU DURING THE SIU STAKEHOLDER
ENGAGEMENT FORUM
HELD IN DURBAN ON 17 AUGUST 2018**

**Thank You Programme Director;
The Head of Special Investigating Unit, Advocate Mothibi;
Honoured Guests;
Members of the Media;
Ladies and Gentlemen;**

I greet you all!

We meet on this important day, in the 100th year of Nelson Mandela and the Women's Month of August to address the Special Investigations Unit Stakeholder Engagement Forum.

It is our pleasure, Programme Director, that as we deliver this speech, we are guided by the theme of the event which is: "***Working together towards ridding society of corruption, malpractice and administration***".

It is our humble view that the theme is in many respects, also in line with the governments theme of 2018 as adopted by all of government which is: "***100 years of Nelson Mandela and Albertina Sisulu, the Year of Renewal Unity and Jobs***"

The Madiba Legacy

It is also very fortunate that this SIU Stakeholder Engagement takes place in this historic month in which we remember the day on 22 August 1962 on which Madiba was arrested, and later sent to long term imprisonment on Robben Island.

It is thus unavoidable that in the 100th year of Madiba's birth, we look generally at the legacy that Madiba left for South Africa. As we enter the 25th year of our freedom, we can all attest to the dramatic change not only in our political circumstance, but that as a result, our lives have been transformed economically and our dignity as human beings restored.

We can all attest to the fact that the democratic order has placed priority on access to water, electricity, health and housing for all. In addition, our government has introduced a battery of rights for women, the elderly, disabled, vulnerable and youth which are guarded by equitable access to justice and protected by an internationally acclaimed Constitution.

Yet, today we are gathered here because these gains of the liberation struggle have come under serious threat from the decay in morals in our society, and the rising tide of those who want to use government resources for their own selfish and illegal ends.

Nelson Mandela on Corruption

As early as immediately after our country's first democratic election, President Mandela pointed out the dangers of a corruption that was already creeping into our society.

Delivering the opening address to the Business Initiative Against Crime held in Kempton Park in August 1995, Madiba had this to say about this scourge and I quote:

“It is often said that success should be the natural reward for hard work, initiative and moral uprightness. We need a collective sense of mission to change mind-sets and to steer the nation away from a dangerous course.

“Just as we extricated South Africa from the mire of conflict, we are now called upon to use the new tools at our disposal to build a prosperous, truly just and morally upright nation”.

The impact of corruption

Defining the problem further, former United Nations Commissioner Dr Navi Pillay said and I quote:

“Money stolen through corruption every year is enough to feed the world’s hungry 80 times over. Corruption has a direct impact on people’s human rights. Nearly 870 million people go to bed hungry every night and many of them are children. Corruption denies them the right to food, and in some cases, their right to life”

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The impact of corruption cannot be underestimated. Roughly 43 per cent of Africans are living in poverty, while over US\$50 billion worth of stolen assets flow out of Africa every year. These illicit outflows represent money that could be invested in jobs and social services, where additional resources are needed most.

In her proposed solution, Dr Pillay said a human rights-based approach to anti-corruption must respond to the people's call for a social, political and economic order that delivers on the promise of freedom from fear and freedom from want.

She said and I quote: "***While we are deeply concerned with corruption and disregard for ethics in our country right now because of the immediate impact on us daily, we must view the issue in the context of global corruption that has a macro impact on us. We need to seek international, regional and national solutions. Anti-corruption efforts are more likely to be successful if they approach corruption as a systemic problem rather than a problem of individuals.***"

Corruption Watch

According to the latest Corruption Watch's annual report, most corruption complaints originate from Gauteng, followed by Free State and KwaZulu-Natal. In 2014 alone Corruption Watch received 2714 reports of corruption which was an average of seven a day. At least 56% were confirmed as corruption according to the definition of Corruption Watch.

As we will recall, we recently had the greatest corruption emanating from provincial government having to do with the schools tenders in all provinces including KwaZulu Natal. This involved financial mismanagement, theft of funds and tender corruption involving principals, school officials and members of governing bodies.

According to Transparency International's Corruption Perception Index for 2017, the majority of countries are making little or no progress in ending corruption.

The index, which ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. This year, the index found that more than two-thirds of countries score below 50, with an average score of 43. Unfortunately, compared to recent years, this poor performance is nothing new.

- In 2017, New Zealand and Denmark ranked highest with scores of 89 and 88 respectively;
- Syria, South Sudan and Somalia ranked lowest with scores of 14, 12 and 9 respectively;
- The worst performing regions were Sub-Saharan Africa with an average score of 32, Eastern Europe and Central Asia with an average score of 34[;
- By the way, South Africa had score of 43 and ranked number 64 out of 180 countries.

The continent as a whole ranks lowest amongst global regions in the Corruption Perceptions Index (CPI). Individual countries in Africa average 32 out of 100 in their CPI scores, and six out of the bottom ten countries are African.

For this reason, the African Union (AU) has designated 2018 as the year for ***“winning the fight against corruption”***. The AU is committed to fighting this problem and has signed several treaties aimed at ensuring democracy, rule of law and good governance. However much more needs to be done. Corruption continues to harm Africa, hampering democracy, development and the ability to bring people out of poverty.

The Picture in KwaZulu Natal

In his statement of 23 May this year, Auditor General Kimi Makwetu spoke about the overall decline in audit outcomes of our country's municipalities for the period 2016-17.

In general, the AG tells us that audit outcomes regressed and irregular expenditure increased with the highest level of non-compliance with key governance since 2012-13. Of relevance to this discussion is that there has been a national increase of 75% in municipal irregular expenditure, from R16,212 billion in the previous year to R28,376 billion in the year under review. In KwaZulu Natal, we saw a major deterioration in audit outcomes in the period 2016 to 2017.

Against this background, during the State of the Province in February we highlighted a few relevant issues which bear repeating. In respect of strengthening of governance in the Province, we said one of the key pillars of the National Development Plan was our mission to develop a capable state. Without a state with the required capacity to deliver, our democratic order would be at risk of collapsing.

We believe that one of the key features of a developmental, yet capable state, is its ability to combat fraud and corruption, reduce unauthorised, irregular, fruitless and wasteful expenditure. This means working together to ensure improved alignment in the planning, funding and implementation of service delivery programmes.

- These are irregular because contracts awarded in the previous years are not investigated and have not been condoned. The payments on these multiyear contracts are therefore disclosed as and viewed as irregular expenditure;

- Of these EThekweni Metro alone accounts for R514million, KwaDukuza R248million and Umzinyathi R244million. Municipalities should be considered a safe environment for Service Delivery and Career Development;

The Special Investigations Unit

The Special Investigations Unit has indicated that they are currently investigating cases that are worth over R900million with recoverable fixed or liquid assets of about R340million. These are across the tiers of government, including municipalities, provincial departments and national department leases in KwaZulu Natal.

The SIU will present the detail of these cases, but suffice to say that we welcome these probes. We continue to provide our full and unqualified support to these processes and expect all our officials in the provincial government to collaborate fully.

Defining Fraud and Corruption

The KwaZulu Natal Treasury groups fraud into the following categories. These are **Internal Fraud**, which is often perpetrated by individuals inside the organisation, and is most often carried out by staff that has access to moveable or liquid assets such as cash or stocks.

On the other hand **External Fraud** is perpetrated by individuals outside the organisation, and covers activities such as theft, deception, computer hacking by external parties. It is very often systematic and continuous, stemming from the inherent problems of safeguarding some types of systems against attack.

The third type is which involves two or more parties, one internal and the other external working together. This type of fraud is difficult to detect as controls may at first appear to be working satisfactory.

All activities undertaken by employees which may be unlawful, against Provincial Treasury's regulations or policies, fall under established standards or practices or amounts to improper conduct. This includes 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. This may include employing family members or close friends or operating a private business during working hours without prior authorisation.

In addition to the behavioural aspects of individuals and organisations which typify circumstances that could result in fraudulent activity, there are other factors which may not necessarily be categorised as behavioural aspects, but which could nevertheless result in fraudulent activity. These indicators of the opportunities to commit fraud, although not exhaustive, may be summarised as follows: All government employees are expected to be aware of the regulations and to spot indicators of fraudulent behaviour which must be reported.

There is an obligation to report fraudulent activity even to the highest office in the land.

To recap, in broad terms all departments and their agencies are obliged to adhere to the following components of the fraud prevention plan.

- (a) A Code of Ethics to which employees subscribe;
- (b) PFMA Compliant systems, policies, procedures, rules and regulations;

- (c) The Disciplinary Code and Procedures;
- (d) Internal controls to prevent and detect fraud;
- (e) Physical and information security management;
- (f) Internal Audit Unit;
- (g) Ongoing risk assessment, which includes fraud susceptibility assessments and detection approaches;
- (h) Reporting and monitoring of allegations;
- (i) Fraud Policy and Response Plan and Whistle Blowing Policy

Programme Director,

I am listing these broad definitions because among many things, the SIU Stakeholder Engagement Forum must be used to renew our own commitment to ridding government of all crime, fraud and corruption.

No doubt, both the public and government employees must be aware of these expectations because and be able to assist in their detection and prevention.

State of the Province Address

During the State of the Province Address this year, we promised to place our focus on and fighting wasteful and fruitless expenditure. It is our responsibility not to squander resources as we bid to build confidence and thrive to become a responsible and responsive and competent government.

We also announced our intention to improve the situation of having only two Departments in the Province, namely Provincial Treasury and the Department of Sport and Recreation receiving Clean Audits in the last financial year.

We wish to restate that we remain committed to effectively combating fraud and corruption and to reduce unauthorised, irregular, fruitless and wasteful expenditure. We believe we must instil a culture of integrity in our government, doing this through proactive integrity management aimed at the whole of society. Work is continuing on a public-private coalition dedicated that is dedicated to combatting fraud and corruption and promoting good governance.

Role of the Integrity Management Unit

In the Office of the Premier we have the Integrity Management Unit whose task is to instil a culture of integrity in the provincial administration chiefly through maintaining the KwaZulu-Natal Anti-Fraud and Anti-Corruption Strategy.

Some of the IMU's objectives are:

- To implement and manage the KZN Anti-Fraud and Anti-Corruption Strategy
- To lead in innovative and preventative ways of fighting fraud and corruption through risk control improvement strategies and close cooperation with law enforcement agencies and public prosecution
- To create and instil awareness and a culture of ethics and honesty within the Public service.
- Our Social Cohesion and Moral Regeneration programme will assist in instilling in our public servants the element of ethical and professional service delivery.