



ecsecc

eastern cape socio economic
consultative council



FRAUD PREVENTION POLICY

Policy Category: Governance



Document Information

Revision History


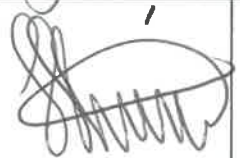

Version	Primary Author	Summary of Changes	Date
1	Chief Financial Officer	Policy Update for Internal audit recommendation – Fraud Report dated January 2019	02 June 2019

Review

This document shall be reviewed every three years unless warranted sooner

Office responsible for review
Chief Financial Officer's Office

Approval

Name	Position	Signature	Date
Mr. Luvuyo Mosana	Acting Chief Executive Officer		07 August 2019
Ms. Loren Smith	Chairperson of Audit Risk and ICT Board Sub-Committee		15 August 2019
Ms. Nomakhosazana Meth	Chairperson of the Board of Directors		29 August 2019

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1 Scope

The purpose of this Policy is to articulate ECSECC philosophy on fraud prevention and the controls which will assist in the prevention and detection of fraud and corruption.

The provisions of Section 38(1)(a)(i) of the Public Finance Management Act stipulates that the Accounting Authority is responsible for ensuring that the Entity has and maintains effective, efficient and transparent system of financial and risk management and internal control.

Furthermore, sections 3.2.1 and 27.2.1 of the Treasury Regulations require that risk assessment is conducted on regular basis and a risk management strategy, which includes a fraud prevention plan, be used to direct internal audit effort. The strategy must be clearly communicated to all employees to ensure that risk management is incorporated into the language and culture of the Entity.

This policy applies to all employees, stakeholders, contractors, vendors/suppliers and any other party doing business with the Entity. This policy must be read together with ECSECC's Declaration of Interest/Code of Ethics and Fraud Prevention Strategy/Plan.

2 Policy Statement

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

It is the responsibility of all employees to report all incidents of fraud and corruption that may come to his/her attention to his/her supervisor.

All reports received will be treated with the requisite confidentiality and will not be disclosed or discussed with parties other than those charged with investigation into such reports.

3 Definition of fraud and corruption

In South Africa, the Common Law offence of fraud is defined as "the unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another". The term "fraud" is also used in a wider sense by the general public.

In this regard, the term is used in this document in its widest possible meaning and is intended to include all aspects of economic crime and acts of dishonesty. In other words, fraud can be described as any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.

The general offence of corruption is contained in Section 3 of The Prevention and Combating of Corrupt Activities Act. This section provides that any person who 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.

Corruption in its wider meaning, and as referred to in this document, includes any conduct or behaviour where a person accepts, agrees or offers any gratification for him/her 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.

5.1 Forms of corruption

Corruption takes various forms in the public service and elsewhere in society. The following are some examples of different types of corruption. These examples are not exhaustive.

5.1.1 Bribery

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of employees. Bribery involves a receipt in any form or amount without disclosure.

5.1.2 Embezzlement

This involves theft of resources by persons who control such resources.

5.1.3 Fraud

This relates to any conduct or behaviour of which a dishonest representation and/or appropriation forms an element. In addition, this involves the theft of any resources.

5.1.4 Extortion

Coercion of a person or entity to provide a benefit to an employee, another person or an entity, in exchange for acting (or failing to act) in a particular manner.

5.1.5 Abuse of power

The use by an employee of his or her vested authority to improperly benefit another employee, person or entity (or using vested authority to improperly discriminate against another employee, person or entity).

5.1.6 Conflict of interest

The failure by an employee to act or to consciously fail to act on a matter where the employee has an interest or another person or entity that has some form of relationship with the employee has an interest.

5.1.7 Abuse of privileged information

This involves the use, by an employee of privileged information and knowledge that an employee possesses as a result of his/ her office to provide unfair advantage to another person or entity to obtain a benefit.

5.1.8 Favouritism

The provision of services or resources according to personal affiliation (for example cultural or religious) of an employee.

5.1.9 Nepotism

An employee ensuring that family members or friends are appointed to ECSECC positions or that family members receive contracts from the ECSECC, is regarded as nepotism.

These manifestations are by no means exhaustive as corruption appears in many forms and it is virtually impossible to list all of these.

5.1.10 State Capture

A type of systemic political corruption in which private interests significantly influence a state's decision-making processes to their own advantage. It refers to the way formal procedures (such as laws and social norms) and government bureaucracy is manipulated by private individuals and firms so as to influence state policies and laws in their favour. State capture seeks to influence the formation of laws to protect and promote influential private interests.

4 Actions constituting fraud and corruption

Fraud and corruption manifests in a number of ways and varying degrees of intensity. These include, but are not limited to:

- Unauthorised private use of the Entity's assets, including company or hired vehicles;
- Falsifying travel and subsistence claims;

- Conspiring unfairly with others to obtain a tender;
- Disclosing proprietary information relating to a tender to outside parties;
- Accepting inappropriate gifts from suppliers;
- Employing family members or close friends that have not gone through the correct procedures and process as would a person who was unrelated;
- Operating a private business during working hours;
- Stealing equipment or supplies from work;
- Accepting bribes or favours to process requests;
- Accepting bribes or favours for turning a blind eye to a service provider who does not provide an appropriate service; and
- Submitting or processing false invoices from contractors or other service providers.

5 The concept of fraud prevention

Fraud prevention is a process that is adopted by the Entity, in putting mechanisms in place, to manage the Entity's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

It is the responsibility of the Accounting Authority to establish structures to address the risk of fraud.

5.1 Investigation procedures

ECSECC has developed investigation procedures to ensure uniformity in the reporting and investigation of incidents of fraud and corruption. For detail on these procedures, refer to the Fraud Prevention Strategy and Plan.

5.2 Anti-fraud programmes

ECSECC has developed the following programmes to address the risk of fraud and corruption:

- Recruitment policy;
- Code of ethics and conduct;
- Supply Chain Management policy;
- Financial Procedures policy;
- Fraud awareness sessions;
- Fraud risk assessment (as part of Risk Assessment); and
- Fraud Prevention Plan.

6 Role players

ECSECC has taken a stance that management of fraud and corruption risk like any other risks is the responsibility of everyone within the organisation.

6.1 Fraud Risk Management Oversight

6.1.1 Accounting Authority

The Accounting Authority bears the ultimate responsibility for fraud and corruption risk management within the Entity. This includes the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, and facilitation for the reporting of such instances.

6.1.2 Audit, Risk and ICT Committee

The Audit, Risk and ICT Committee is an independent committee responsible for oversight of the entity's controls, governance and risk management. The responsibilities of this committee with regard to fraud risk management are formally defined in its charter, which is available from the Chief Risk Officer on request. The Committee provides an independent and objective view of the Entity's fraud risk management effectiveness.

6.2 Fraud Risk Management Implementers

6.2.1 Accounting Officer

The Accounting Officer Authority is accountable for the Entity's overall governance of fraud risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

6.2.2 Chief Financial Officer

The Chief Financial Officer is the custodian of the Fraud Prevention Strategy, and coordinator of fraud risk management activities throughout the Entity. One of the primary responsibilities of the Chief Financial Officer is to bring to bear his/her specialist expertise to assist the Entity to embed fraud risk management and leverage its benefits to enhance performance.

6.2.3 Management

Management is responsible for executing their responsibilities outlined in the fraud risk management strategy/plan and for integrating fraud risk management into the operational routines.

6.2.4 Officials

Officials are responsible for integrating fraud risk management into their day-to-day activities. Further, officials are responsible for reporting instances of fraud and corruption. Officials will be required to assist in the investigation of fraud where applicable.

6.3 Fraud Risk Management Assurance Providers

6.3.1 Internal Audit

The role of the Internal Auditing in fraud risk management is to provide an independent, objective assurance on the effectiveness of the Entity's system of fraud risk management. Internal Auditing must evaluate the effectiveness of the entire system of fraud risk management and provide recommendations for improvement where necessary.

6.3.2 External Audit

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of fraud risk management.

7 Effective Date

This policy is effective from date of signature and shall apply prospectively.

8 Review Date

This policy shall be reviewed every 3 (three) years unless warranted sooner together with fraud prevention strategy/plan and code of ethics.



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