



## **social development**

Department  
Social Development  
North West Provincial Government  
REPUBLIC OF SOUTH AFRICA



### **NORTH WEST DEPARTMENT OF SOCIAL DEVELOPMENT**

#### **FRAUD PREVENTION POLICY**

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<b>Description</b>	This policy defines the Department's position on <b>FRAUD PREVENTION</b> . It contains the basic framework as well as roles and responsibilities.
<b>Coverage</b>	All officials of Department of Social Development and stakeholders conducting business with the department

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## 1. DEFINITIONS

- 1.1. **Fraud and corruption is but not limited to,**
- 1.2. ***Fraud***, i.e. "the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another";
- 1.3. ***Corruption*** is defined as follows:
  - (a) Any person who directly or indirectly 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
  - (b). Person who directly or indirectly, gives or agrees or offers to give any gratification to a public officer, whether for the benefit of that public officer or for the benefit of another person, in order to act, personally or by influencing another person so as to act in a manner
    - (i) That amounts to the-
      - (aa) illegal, dishonest, unauthorised, incomplete, or biased or,
      - (bb) misuse or selling of information or material acquired in the course of the exercise, or carrying out or performance of any powers, duties or functions, arising out of a constitutional, or statutory, contractual or any other legal obligation
    - (ii) that amounts to-
      - (aa) the abuse of a position of authority
      - (bb) a breach of trust or
      - (cc) the violation of a legal duty or a set of rules
    - (iii) Designed to achieve an unjustified result, or
  - (IV) That amount to any other unauthorised or improper inducement to do or not to do anything,  
Is guilty of the offence of corrupt activities relating to public officers

1.4. **Theft** could be summarised as: 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.

1.4.1. Fraudulent or corrupt acts may include:

System issues where a process or system is in existence and is vulnerable to abuse by either employees or public members' e.g.

- a) Maladministration or financial misconduct in handling and or reporting of money, financial transactions or other assets.
- b) Irregular colluding in the awarding of contracts, or orders for services and or goods.
- c) Disclosing confidential or proprietary information to outside parties.
- d) Travelling and subsistence claims ( false charges for accommodation and meals, false mileage claims.
- e) Abuse of sick or other permissible leave

1.5. Financial issues i.e. where individuals or companies through fraudulent means obtains money from the department by;

- a) Suppliers submitting invalid invoices or invoicing for work not done.

1.6. Equipment and resource issues i.e. where department's equipment and or resources are used for personal gain e.g.

- a) Misuse of department's telephone lines for personal and or private use.
- b) Abuse of department's vehicles.
- c) Theft of department's computers, inventory and cleaning materials.

1.7. Other issues i.e. activities undertaken by official/employees of the department which may be unlawful and against department's regulations or policies, or falling below standards or practices or amount to improper conduct e.g.

- a) Receiving undue gifts or favors for rendering services e.g. expensive gifts in contradiction to the code of conduct.
- b) Nepotism and favouritism.

## **2. ACRONYMS**

- 2.1. **DSD**- Department of Social Development
- 2.2. **PRECCA**- Prevention and Combating of Corrupt Activities Act 12 of 2004
- 2.3. **PDA**- Protected Disclosure Act 26 of 2000
- 2.4. **PFMA**- Public Finance Management Act 1 of 1999
- 2.5. **PAJA**- Promotion of Justice Administration Act Act 2 of 2000
- 2.6. **PAIA**- Promotion of Access to Information Act 2 of 2000
- 2.7. **PSC**- Public Service Commission
- 2.8. **NGO**- Non Government Organization
- 2.9. **NPO**- Non Profit Organisation
- 2.10. **SAPS**- South African Police Services
- 2.11. **POHA**- Protection from Harassment Act 17 of 2011

### **3. INTRODUCTION**

The Department of Social Development recognizes the fact that criminal and other unethical conduct in an organization is detrimental to good, effective, accountable and transparent governance and can endanger the economic stability of the organization and have the potential to cause social damage, it is therefore important that such suspected conduct be reported to relevant authorities without fear.

There is therefore a need for procedure in terms of which employees in an organization are without fear of reprisals, encouraged to disclose information relating to suspected or alleged criminal or other unethical conduct affecting the DSD.

Employees in an organization have the responsibility to disclose any suspected criminal, unethical and other irregular conduct in the workplace and every organization has a responsibility to protect employees who disclosed such information are protected from any reprisal as a result of such disclosure.

### **4. PROBLEM STATEMENT**

The core business of the Department is to implement social welfare policies and programmes that provide for transfers, social relief, and enable and developmental service in order to ensure that people have adequate economic and social protection during times of unemployment, ill health, maternity, child-rearing, widowhood, disability and old age.

The department transfers funds to NPO's for purposes of achieving its objectives and that has made the Department vulnerable to acts of fraud and corruption involving its employees and other stakeholders.

### **5. POLICY OBJECTIVES**

- 5.1. To indicate the stance of the Department with regard to fraud and corruption. As instances of fraud and corruption 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 therefore adopting a **ZERO TOLERANCE TO FRAUD AND CORRUPTION** and instituted a comprehensive approach to the management of fraud risks.

## **6. LEGISLATIVE MANDATE**

6.1. The Accounting Officer has committed the Department to a process of fraud prevention that is aligned to the principles of good corporate governance, as supported by:

***Public Finance Management Act (PFMA)***, Act 1 of 1999 as amended by Act 29 of 1999, section 81 which deals with financial misconduct by officials in the departments and constitutional institutions. Section 85 and 86 deals with regulation on misconduct procedures and offences and penalties.

***Treasury regulation chapter 4*** which emphasis the there must be investigations of alleged financial misconduct, criminal proceedings and reporting.

***Protected Disclosure Act 26 of 2000***, which makes provision for procedures in terms of which employees in both the private and public sector may disclose information regarding unlawful or irregular conduct by their employers or other employees in the employ of their employer; also provide for the protection of employees who make a disclosure which is protected in terms of this act and to provide for matters connected therewith.

***Prevention and Combating of Corrupt Activities Act 12 of 2004*** which guides the departments on how to prevent and combat corrupt activities in the workplace.

***Batho Pele principles*** were developed to serve as acceptable policy and legislative framework regarding service delivery in the public service. These principles are aligned with the Constitutional ideals of promoting and maintaining high standards of professional ethics; providing service impartially, fairly, equitably and without bias; utilizing resources efficiently and effectively; responding to people's needs; the citizens are encouraged to participate in

policy-making; and rendering an accountable, transparent, and development-oriented public administration.

**Code of conduct** which outline how should the employees within public service conduct their duties, how they should relate to the public and how to conduct their personal and private interest.

Other internal policies, delegation of authority, Conditions of service and Disciplinary processes.

**Constitution** which outlines the rights of all citizens as enshrined in Chapter 02.

## **7. STAKEHOLDER ANALYSIS**

### **7.1. Internal Stakeholders**

#### **7.1.1. Accounting Officer**

7.1.1.1. He/ she is accountable for overall governance in the Department.

7.1.1.2. Must set an appropriate tone by supporting and being seen to be supporting the Department's aspirations for effective management of fraud prevention.

#### **7.1.2. Management**

7.1.2.1 Management shall be responsible for executing their responsibilities in relation to prevention, detecting and reporting of Fraud and Corruption in their operational area.

#### **7.1.3. Directorate Risk Management**

7.1.3.1. The Directorate shall be the custodian of this policy and coordinate fraud prevention activities throughout the department. The primary responsibility of the Directorate shall be to investigate fraud and corruption where it is reported.

#### **7.1.4. Other official**

7.1.4.1. Other officials shall be responsible for integrating fraud prevention activities in to their day-to-day functions and this includes reporting of fraud where is detected.

#### **7.1.5. Legal Services**

7.1.5.1. The role of legal services shall be upon recommendation or after the investigation kick start a process of recovery of loss, or recommend any other alternative relief possible.



#### **7.1.6. Human Capital Management/ Payroll**

7.1.6.1. The Directorate shall ensure that the Department recovers any loss through payroll system upon approval of recommendation to do so or upon being given instruction to do so by the accounting officer.

#### **7.1.7. Labour Relations**

7.1.7.1. When determining the appropriateness of disciplinary steps against an official charged in terms of section 38 (1) (h) of PFMA, Labour Relations takes the following into account:

7.1.7.1.1. The circumstances of the transgression.

7.1.7.1.2. The extent of the expenditure involved.

7.1.7.1.3. The seriousness of the transgression.

7.1.7.1.4. Ensuring that the disciplinary process is carried out within ninety days.

7.1.7.1.5. Advising the executive authority, the Department of Public Service and Administration and the Public Service Commission of the outcome of disciplinary and criminal proceedings.

#### **7.2. External Stakeholders**

##### **7.2.1. South African Police Service (HAWKS)**

7.2.1.1. The role of SAPS in terms of this policy shall be limited to the Department reporting cases of fraud and the Department doing follow ups regarding any progress that would be registered concerning those matters.

##### **7.2.2. Public Service Commission**

7.2.2.1. The Public Service Commissioner refers to the Department all cases of fraud and corruption reported through the National Hotline. The interaction of the Department and PSC shall be limited to us investigating and proving PSC with regular updates in as far as the responsibility of the Department is concerned regarding those cases.

##### **7.2.3. Office of the Premier**

7.2.3.1. Shall be the coordinator office in terms of this policy in as far as implementation of fraud prevention activities in the Province.

7.2.3.2. The Department shall have the responsibility to be part of any fraud prevention organized by the Office of the Premier and provide feedback on all cases referred to the Department by Public Service Commission through office of the Premier.

7.2.4. **Provincial Risk Management Unit**

7.2.4.1. The role of Provincial Risk Management Unit is to monitor and assess the implementation of risk management, building risk management capacity and enforcing the Public Finance Management Act.

**8. SCOPE OF APPLICATION**

8.2. The policy applies to the employees of Department of Social Development and covers activities within and outside the Department, including the activities of third parties directly or indirectly having dealings with the department.

**9. THE RATIONALE OF THE POLICY**

- 9.2. To ensure that all employees and persons associated with the Department are aware of their obligations to act in an honest way and to assist in the control and detection of fraud.
- 9.3. To establish effective fraud prevention, control, detection, and reporting measures.
- 9.4. To provide a clear statement to employees and associated persons, forbidding any illegal activity including fraud.
- 9.5. To provide assurance that any and all suspected fraudulent activity will be fully investigated.
- 9.6. To ensure that principles of natural justice are applied in the investigation of any potential fraudulent activity either reported directly to the Risk Management Directorate or through the National Anti Corruption Hotline Number **0800 701 701**.
- 9.7. To communicate the fraud prevention plan in the context of how fraud prevention is expected to support the Department in achieving its objectives.

## **10. REPORTING PROCEDURES**

### **10.1 Reporting by employees at Service Point, District office and Head Office:**

**10.1.1** All employees should report in writing immediately all allegations and incidents of fraud & corruption to their immediate supervisor/manager

**10.1.2** If the employee has reasonable believe that the immediate supervisor/manager is involved, they should report to the next level of management.

**10.1.3** Should the employee have reservation about reporting fraud and corruption to their immediate supervisor/manager, employee should either;

**10.1.4** Report allegations of fraud and corruption anonymously, by contacting any member of the management,

**10.1.5** Report to Risk Management Directorate

**10.1.6** Report to office of the Head of Department,

**10.1.7** Report to the National Anti-Corruption Hotline at **0800 701 701**.

**10.1.8** In the event the Departmental property being lost or stolen the responsible person or responsible line/division manager or his/ her authorised representative shall make sure that the incident is reported to all State Organs within 24 hours.

### **10.2 Reporting by members of public**

**10.2.1** The department encourages a members of the public who suspects fraud to contact either of the following:

#### **10.2.1.1** Member of Management

**10.2.1.2** Risk Management Directorate

**10.2.1.3** Office of the Head of Department

**10.2.1.4** Office of the Public Protector

**10.2.1.5** National Anti-Corruption Hotline **0800 701 701**

10.2.1.6 Labour Relations Unit

10.2.1.7 Public Service Commission

10.2.1.8 Special Investigating Unit

10.2.1.9 Priority Crime Investigation Directorate (HAWKS)

### **10.3 Steps to be taken to address fraud**

**10.3.1** Any fraud and corruption incident alleged to have been committed by an employee of the Department will be pursued through investigation and to the full extent of the law, including:

- 10.3.1.1** Taking disciplinary action within a reasonable period of time after the incident,
- 10.3.1.2** Instituting civil action (recovery of lost money),
- 10.3.1.3** Initiating criminal prosecution, and
- 10.3.1.4** Any other appropriate and legal remedy available.

## **11 REPORT TO HEAD: RISK MANAGEMENT, LEGAL SERVICES AND LABOUR RELATIONS**

11.1. The following steps can also act as a guideline to managers when faced with fraud; these should be considered with the Heads of Risk Management, Legal Services and Labour Relations.

- 11.1.1. Evaluate the information or allegations
- 11.1.2. Identify the issues and their implications
- 11.1.3. Consider all possibilities and their implications
- 11.1.4. All assets must be secured for example notifying banks and other parties holding assets or other documentary records.
- 11.1.5. Where appropriate eliminate the immediate threat by suspension or removal of the suspect from position of authority by following prescribed processes.
- 11.1.6. Secure the contents of the office where the suspect was employed such as files computer data which is property of the department.
- 11.1.7. Start tracing and securing documentation that was under the control of the suspect
- 11.1.8. Initiate the investigation of the alleged fraud
- 11.1.9. Start the process of the recovery of departments assets
- 11.1.10. Where appropriate contact the SAPS or other organisation for assistance.

## **12. REFFERAL TO EXTERNAL STAKEHOLDERS**

12.1. The Department shall refer and liaise with external stakeholders (PSC, SIU & HAWKS) insofar as it facilitates and monitors the implementation of Minimum Information Security Standards (MISS) and anti-corruption initiatives.

**13. CONFIDENTIALITY**

- 13.1. All information relating to fraud which is received and investigated will be treated with outmost confidentiality.
- 13.2. The institution of investigations shall be treated confidentially and will not be disclosed or discussed with any person 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.

**14. APPLICATION OF CONTROLS AND DETECTION MECHANISMS**

- 14.1. In respect of all reported incidents of fraud, managers are required to immediately review and where possible improve effectiveness of the controls which have been breached to avoid similar occurrences in future. Risk Management Directorate should conduct follow-ups on the recommendations of the reports.

**15. ADVOCACY**


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

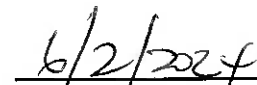
**16. NON-COMPLIANCE**

- 16.1. Disciplinary measures shall be taken against any official who does not adhere to the provision of the policy.

**17. POLICY SIGN OFF:**

~~APPROVED/NOT APPROVED~~

  
\_\_\_\_\_  
**DR. F. NGQOBE**  
**ACTING HEAD OF DEPARTMENT**

  
\_\_\_\_\_  
**DATE**