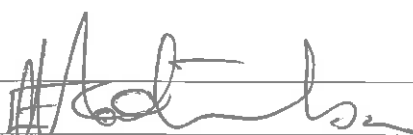



## FRAUD AND CORRUPTION PREVENTION POLICY

Compiled by:	E. MATEMBA 
Approved by	CEO 
Date of approval	04 APRIL 2018
Date of first approval	
Date of implementation	04 APRIL 2018

## Table of Contents

	Page
1. Policy Statement.....	<u>3</u>
2. Objectives.....	4
3. Normative and Informative References.....	5
4. Definitions and Abbreviations.....	5
5. Responsibility of staff and stakeholders.....	7
6. Implementation, monitoring and reporting.....	9
7. Replacement and Withdrawal.....	9
8. Revision Particulars.....	9

## 1. Policy Statement

The NRCS will not tolerate any level of fraud and corruption and is committed to zero tolerance to fraud and corruption. The NRCS aims to maintain high ethical standards and highest standard of prevention, detection and remediation of fraud and corruption. All NRCS employees (permanent and contracted employees) are expected to be responsible and accountable for ensuring compliance to this policy, effective fraud and corruption control and reporting of fraud and corruption where applicable.

This policy is intended to set down the stance of NRCS to fraud and corruption, and to reinforce existing systems policies, procedures, rules and regulations of NRCS aimed at deterring, preventing, detecting, reacting to reducing the impact of fraud. Fraud represents a significant potential risk to the NRCS' assets, service delivery, efficiency and reputation. NRCS will not tolerate corrupt or fraudulent activities, whether internal or external to NRCS, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

The NRCS is committed to minimising the incidence of fraud through the development, implementation and regular review of fraud prevention, detection and response activities as well as through periodic risk assessment activities. Thus all suspected fraud and allegation (anonymous or otherwise) as inculcated by this policy will be investigated and where appropriate, referred to the South African Police Service as the earliest juncture. This policy provides assurance that all cases of fraud will be handled and investigated in confidential, prompt and professional manner. This policy provides the NRCS employees or stakeholders with contact details for those who wish to report a suspected fraud and corruption or who require further information on the NRCS' fraud prevention mechanisms.

This policy applies to all allegations, attempts and incidents of fraud or corruption impacting or having the potential impact on or against NRCS business or property including personnel. Furthermore, this policy applies to all employees, stakeholders, contractors, vendors / suppliers and any other party doing business with NRCS

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

- 1.2.1 Unauthorised private use of the Institution's assets, including vehicles;
- 1.2.2 Falsifying travel and subsistence claims;
- 1.2.3 Conspiring unfairly with others to obtain a tender;
- 1.2.4 Disclosing proprietary information relating to a tender to outside parties;
- 1.2.5 Accepting inappropriate gifts from suppliers;
- 1.2.6 Employing family members or close friends;
- 1.2.7 Operating a private business during working hours;
- 1.2.8 Stealing equipment or supplies from work;
- 1.2.9 Accepting bribes or favours to process any service rendered by the NRCS;
- 1.2.10 Accepting bribes or favours for turning a blind eye to a service provider who does not provide an appropriate service;
- 1.2.11 Turning a blind eye to a non-compliant regulated company
- 1.2.12 Being on the payroll of a regulated entity
- 1.2.13 Submitting or processing false invoices from contractors or other service providers; and
- 1.2.14 Misappropriating fees received from stakeholders, and avoiding detection by not issuing receipts to those stakeholders.

## 2. Objectives

- 2.1 The NRCS has adopted a fraud and risk management framework and approach to fraud prevention which encompasses controls that have the following objectives:
  - 2.1.1 Prevention: Ensuring that the risk of fraud, corruption and misconduct is prevented and or avoided way in advance before occurring
  - 2.1.2 Detection: Ensuring that the risk of fraud is discovered when it occurs and preventative measures are put in place to ensure that there is no repeat
  - 2.1.3 Response: ensuring that corrective action is taken and the harm caused by fraud, corruption or misconduct is cured
  - 2.1.4 To achieve its fraud prevention objectives, the NRCS will:
    - 2.1.4.1 Identify fraud risks and review and update the fraud prevention policy and strategy.

- 2.1.4.2** Provide fraud awareness training to all staff with particular emphasis on those staff who are considered to be in positions that require fraud awareness training
- 2.1.4.3** Ensure all staff and stakeholders are aware on NRCS' initiatives of fighting fraud and combating corruption
- 2.1.4.4** Encourage and promote professional and ethical business practice
- 2.1.4.5** Aim to identify fraud through regular reviews of the NRCS business processes
- 2.1.4.6** Clearly communicate how suspected instances of fraud may be reported
- 2.1.4.7** Assign responsibility for instant response to the occurrence
- 2.1.4.8** Investigate alleged or suspected instances of fraud and corruption using qualified personnel and professionals with experience in investigative techniques
- 2.1.4.9** Take appropriate action to deal with instances of actual, suspected or alleged fraud and corruption including prosecution of persons and or organisations for fraud offences where and when appropriate
- 2.1.4.10** Use all avenues to recover funds or property lost through fraudulent activity
- 2.1.4.11** Ensure the dealings with media in terms of reported and or alleged cases is prompt and savvy
- 2.1.4.12** Preserve evidence and report to the South African Police Services.

### **3. Normative and Informative References**

- a) Protected Disclosures Act, Act 26 of 2000
- b) PFMA, 1999, as amended
- c) NRCS Risk Management Policy and Strategy.
- d) NRCS Fraud Prevention Strategy.
- e) NRCS Code of Ethics

## 4. Definitions and Abbreviations

**4.1 Fraud:** Any unlawful, intentional misrepresentation of facts (distortion of truth) calculated to prejudice another. The use of the term in its widest meaning is intended to include all aspects of economic crime and acts of dishonesty.

- **Unlawfulness:** The action must be seen to be wrong in the eyes of society
- **Intention:** Deceit or intention to prejudice
- **Misrepresentation:** An incorrect statement of fact or law by one person to another (words, conduct and silence)
- **Prejudice:** Some sort of harm to another (proprietary, non-proprietary, actual, potential)

Fraud comes in many forms ranging from embezzlement to identity theft, while the list of possible incidences is not exhaustive, there are certain warning signals which can indicate the occurrence of fraud and definite situations which lend themselves to this crime.

Fraud is more often a crime of opportunity committed by people who face overwhelming financial pressures or simply greed.

**4.2 Bribery:** The offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her public or legal duties. The expectation of a particular voluntary action in return is what makes the difference between a bribe and a private demonstration of goodwill. To offer or provide payment in order to persuade someone with a responsibility to betray that responsibility is known as seeking undue influence over that person's actions. When someone with power seeks payment in exchange for certain actions, that person is said to be peddling influence. Regardless of who initiates the deal, either party to an act of bribery can be found guilty of the crime independently of the other. A bribe can consist of immediate cash or of personal favors, a promise of later payment, or anything else the recipient views as valuable.

**4.3 Corruption:** Whilst this policy is primarily focused on the detection and eradication of fraud, it is important to reflect on the relationship between fraud and corruption, as fraud is a legal offence created by law and defined as such, whereas **corruption** is a

broader offence which has at its essence breach of ethical conduct. **Corruption is defined as:**

“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.”

## **5. Responsibility of staff and stakeholders**

### **5.1 Staff members**

- a) All staff are expected to act in a professional and ethical manner, follow legal requirements, exercise due care for the NRCS property and maintain and enhance the reputation of the NRCS.
- b) Conducting himself/herself in an ethical and moral manner
- c) Attending all the awareness campaigns and anti-fraud trainings that will be conducted
- d) Adhering to NRCS Code of Conduct
- e) Staff is expected to remain vigilant of any suspected fraudulent behaviour that may be occurring around them and are expected to fully cooperate with any investigations and the implementation of fraud prevention strategies.
- f) Staff who become aware of suspected fraudulent conduct must report the matter in accordance with this policy, and must thereafter retain strict confidentiality on such possible incidents of which they have knowledge of.
- g) Any failure by staff to comply with this policy may result in disciplinary action against them
- h) Assisting in any investigation by making available all relevant information, by cooperating in interviews and if appropriate providing a witness statement

### **5.2. Management**

- Management team must ensure that the Fraud Prevention Policy and Strategy are effectively implemented.

- Ensure the development, implementation and maintenance of adequate and effective system of internal control
- Effective management and monitoring
- Ensure that the Fraud, Risk and Loss Control committee is functional

### **5.3. Strategy and Risk Management Unit**

The Strategy and Risk Business Unit is the custodian of the Fraud Prevention Policy and Strategy within the NRCS. The responsibilities will include:

- a) Developing a Fraud Risk profile and undertaking regular review of the fraud risks associated with each of the NRCS' objectives, in relation to operational risks identified as well as results of forensic audits
- b) Managing and revising the Fraud Prevention Policy and Strategy
- c) Establishing appropriate mechanisms for ensuring proper awareness and ensuring that proper anti-fraud training is provided for all staff
- d) Ensuring the reporting of fraud risk issues and escalating to EXCO to ensure that appropriate action is taken against non-compliance or failure to report fraud
- e) Liaising with the Fraud, Risk and Loss Control, Ethics and Audit and Risk Committees and ensure that fraud prevention issues are addressed and dealt with in an effective manner ensuring zero tolerance on fraud and corruption

### **5.4. CEO**

In terms of Part 2: Responsibilities of Accounting Officers, Section 38(1) of the Public Finance Management Act No. 1 of 1999 (as amended), the accounting officer is responsible for establishing and maintaining effective, efficient and transparent systems of financial and risk management and internal control.

The CEO as the Accounting Officer lawfully delegates this responsibility to the Chief Risk Officer as the official assigned to manage risk management functions within the NRCS. However despite this delegation the CEO remains accountable and will not in any way abdicate his responsibilities.



## 5.5. Internal Audit Unit

- a) Internal Audit will assist management in the detection and prevention of fraud and corruption
- b) Evaluate system of internal control, risk management and governance
- c) Internal Audit will be responsible for the investigation of cases that are related to fraud, corruption and forensics on approval by Audit and Risk Committee and the CEO
- d) Internal Audit will provide information related to the incidence of fraud to staff at inductions and to business areas where such incidents occurred or where there is perceived likelihood on occurrence.
- e) Risk Management and Internal Audit units will constantly work collaboratively to provide a co-ordinated approach to the detection and prevention of fraud and corruption.

## 6. Implementation, monitoring and reporting

- a) It is the responsibility of all employees to immediately report all allegations or incidents of fraud to their immediate manager(s)
- b) If the employee has reason to believe that his/her immediate manager is involved, to the next level of management.
- c) If for any reason you feel that reporting the incident internally would be inappropriate, then you may report the matter directly to the **NRCS Fraud and Corruption Hotline 0800 21 47 19** such reports may be made confidentially if desired.
- d) Each staff member is required to act in good faith and reasonably in reporting alleged fraudulent activity
- e) All such reports made in accordance with the Whistle Blower Policy will enjoy the protection against victimisation provided for by the Protected Disclosures Act.

## 7. Replacement and Withdrawal

CPO 600-00

## 8. Revision Particulars

This is the second edition