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1 BACKGROUND

- 1.1. During 1997, Government initiated a National anti-fraud and -corruption campaign. This campaign progressed to a National Anti-corruption Summit held in April 1999 at which all sectors (public and private) committed themselves to establishing anti-fraud and corruption strategies. At the same time, they also committed to the co-responsibility for fighting corruption through the coordination of these strategies.
 - 1.2. A range of other resolutions emanated from this Summit and all the sectors committed to implementing these. The National Department of Health conducted the fraud awareness campaigns and fraud risk assessment in the 2008. Some incidents of fraud and corruption reported were investigated and disciplinary action taken against perpetrators.
 - 1.3. The Department of Public Service and Administration (DPSA) was instructed to forge various initiatives across the public service into a coherent strategy with the support of other Departments. A Public Service Task Team (PSTT) consisting of key Departments was convened for this task and representation from local government and public entities were included in order to establish a platform for the roll-out of the strategy to the whole Public Sector.
 - 1.4. The main principles upon which an anti-fraud and -corruption strategy is based includes but is not limited to the following:
 - 1.4.1. Creating a culture within the National Department of Health, which is intolerant to unethical conduct, fraud and corruption;
 - 1.4.2. Strengthening participation in the fight against fraud and corruption;
 - 1.4.3. Strengthening relationships, with key stakeholders, that are necessary to support the actions required to fight fraud and corruption;
 - 1.4.4. Deterring and preventing of unethical conduct, fraud and corruption;
 - 1.4.5. Detecting and investigating unethical conduct, fraud and corruption;
 - 1.4.6. Taking appropriate action in the event of irregularities, for example, disciplinary action, recovery of losses, prosecution, etc; and
 - 1.4.7. Applying sanctions, which include redress in respect of financial losses.
 - 1.5. This Fraud Prevention Strategy (FPS) has been developed as a result of the expressed commitment of Government to fight fraud and corruption. It outlines a high level strategy on how the National Department of Health will go about implementing its fraud prevention policy. The strategy forms the most important part of the fraud prevention plan.
 - 1.6. The fraud prevention strategy is informed by and developed based on the National Department of Health's current fraud risk profile or exposure. It describes how ongoing fraud risk management will work throughout the National Department of Health.
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2 MATTERS CONSIDERED

2.1 DEFINITION OF FRAUD AND CORRUPTION

2.1.1 Fraud

- a) 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.*
- b) 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.
- c) 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:
 - (i) The illegal/unauthorised performance of such other person's powers, duties or functions;
 - (ii) An abuse of authority, a breach of trust, or the violation of a legal duty or a set of rules;
 - (iii) The achievement of an unjustified result; or
 - (iv) Any other unauthorised or improper inducement to do or not to do anything, is guilty of the offence of Corruption.

2.1.2 Corruption

- a) 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.

2.2 FORMS OF FRAUD AND CORRUPTION

2.2.1 Fraud and corruption takes various forms. The following are examples of different types of corruption:

- a) Bribery

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of an official.

b) Embezzlement

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

c) Extortion

Coercion of an official or the Department to provide a benefit to that official and/or a third party in exchange for acting (or failing to act) in a particular manner.

d) Abuse of power

The use by an official of his/her vested authority to improperly benefit another official and/or a third party (or using vested authority to improperly discriminate against another official and/or a third party).

e) Conflict of interest

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

f) Abuse of privileged information

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

g) Favouritism

The provision of services or resources according to personal affiliation or other relations (including, for example, cultural, religious, etc) of an official.

h) Nepotism

An official ensuring that family members and/or friends are appointed to the National Department of Health positions or family members and/or friends receive contracts from the Department is regarded as nepotism.

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

2.3 IDENTIFICATION & ASSESSMENT OF VULNERABLE AREAS

- 2.3.1 In order to develop and implement a Fraud Prevention Strategy (FPS), the National Department of Health needs to identify where exposures to fraud exist within the National Department of Health's current operating systems and procedures.
- 2.3.2 Only once these exposures have been identified will it be possible to implement action to counter the exposures and, wherever possible, prevent or reduce the incidence of fraud in the future.
- 2.3.3 The identification and assessment of vulnerable areas can be performed in a number of ways including the current approach by the National Department of Health of utilising fraud risk assessment questionnaires. Other methodologies include the use of SWOT analysis, etc.

2.4 OWNERSHIP OF FRAUD RISK

- 2.4.1 All employees are responsible for the management of fraud risk, to some extent, but the Accounting Officer has the ultimate responsibility.
- 2.4.2 The Accounting Officer can delegate the responsibility to relevant and responsible management in specific branch/unit of the National Department of Health.
- 2.4.3 The Accounting Officer can delegate responsibility of fraud risk management along with the flow of activities from strategic to operational level.

2.5 RESPONSE PLAN

- 2.5.1 As part of the response plan the National Department of Health should develop clear procedures on how to address control deficiencies that can lead to fraud and corruption including removing, to the extent possible, all opportunities for fraud and corruption.
- 2.5.2 The National Department of Health should develop clear lines of reporting fraud. Fraud reporting should be part of the fraud investigation policy, fraud prevention policy and where specific to a particular fraud, a risk response plan. The response plan should also outline the activities and the personnel responsible for specific response activities.

2.6 LEGAL FRAMEWORK

- 2.6.1 The legislation that is relevant to addressing civil and criminal acts against the National Department of Health should be outlined and clearly interpreted. It should be clear what constitutes the act of fraud and/or corruption.
- 2.6.2 Detailed framework has been developed in this regard that can be used as a reference.

2.7 ANTI-FRAUD CULTURE

- 2.7.1 The Accounting Officer will put structures in place to promote and provide awareness to the National Department of Health's officials, stakeholders, and other third parties, especially those doing or intending to do business with the National Department of Health about the Department's culture on fraud and corruption.
- 2.7.2 Management can be charged with responsibility of training other employees under their supervision on fraud and corruption as part of anti-fraud and corruption programme.

3 UNDERSTANDING FRAUD AND CORRUPTION TRIANGLE

- 3.1 The following conditions would in most cases occur for fraud and/or corruption to take place and the National Department of Health's fraud prevention mechanisms must take them into consideration:

3.1.1 Pressure

Pressure may take one or a combination of the following forms:

- a) Financial pressures;
- b) Personal habits (gambling, drugs, alcohol);
- c) Work-related factors (overworked, underpaid, not promoted);
- d) Achieve financial and other targets for compensation or other incentive(s); and
- e) High debt level.

3.1.2 Opportunities

Opportunities may arise due to one or a combination of the following:

- a) Poor internal control;
- b) No/inadequate fraud awareness;
- c) Treat fraudster with leniency;
- d) Rapid turnover of employees;
- e) Use of different banks;
- f) Weak subordinate personnel; and
- g) Absence of mandatory vacations.

3.1.3 Rationalisation

Rationalisation may take one or a combination of the following forms:

- a) I am only borrowing the money and will pay it back;
- b) Nobody will get hurt;
- c) The National Department of Health treats me unfairly and owes me;

- d) It is for a good purpose; and
- e) No one will ever find out.

4 FRAUD AND CORRUPTION CONTROL STRATEGIES

The approach in controlling fraud and corruption is focused into 3 areas, namely:

- a) Structural strategies;
- b) Operational strategies; and
- c) Maintenance strategies.

4.1 STRUCTURAL STRATEGIES

Structural strategies represent the actions to be undertaken in order to address fraud and corruption at the structural level.

4.1.1 Responsibilities for fraud and corruption risk management and prevention

The following section outlines the fraud and corruption risk management responsibilities associated with different roles within the National Department of Health:

(i) Accounting Officer

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

(ii) Anti-fraud and corruption committee(s)

The Risk Committee will play the role of anti-fraud and corruption committee until the National Department of Health establishes a committee or identifies one of the Governance structures to which this responsibility can be delegated. The role of the anti-fraud and corruption committee should include overseeing the National Department of Health's approach/strategy to the prevention, detection and response to fraud and corruption incidents reported by employees or other external parties. The committee **when established** should be a sub-committee of the Audit Committee and chaired by one of the independent member. The various business divisions should have representation on this committee. Internal Audit shall be a member.

The anti-fraud and corruption committee(s), when established or as represented by the Audit Committee, shall meet at least once a month or at any Audit Committee meetings, in the case of Audit Committee taking the role, to discuss the following issues:

- a) Progress made in respect of implementing this fraud prevention strategy and plan;
- b) Reports received by the National Department of Health regarding fraud and corruption incidents with the view to making any recommendations to the Accounting Officer and other relevant governance structures;
- c) Reports on all investigations initiated, and concluded; and
- d) All allegations received via the fraud hotline as indicated in the fraud prevention policy.

4.1.2 Assessment of fraud and corruption risk

- i. The National Department of Health will, under the guidance of or as coordinated by ERM, conduct annual fraud and corruption risk assessments to identify potential fraud and corruption risk exposures to the National Department of Health.
- ii. This process will ensure that actions to address the identified fraud and corruption risk exposures will be implemented to mitigate these exposures.

4.1.3 An ethical culture

- i. The National Department of Health's employees must conduct themselves in an ethical and moral way.
- ii. Ethics are concerned with human character and conduct and deal with questions of right and wrong, appropriate and inappropriate behaviour and what constitutes good or bad. Ethical conduct is based on a set of principles referred to as values or norms. The collective ethical conduct of all the individual employees of the National Department of Health reflects the Department's ethical conduct. In this regard, the highest standards of ethics are required by employees when fulfilling their duties. The public sector corporate values as well as the Sango Pele principles must always be borne in mind in any employee's conduct and practiced at all times.
- iii. Good corporate governance indicates the National Department of Health must develop/adopt a Code of Conduct (CPC) or ethics as part of its corporate governance framework. All employees are expected to abide by the CPC for the National Department of Health.

4.1.4 Senior management commitment or buy-in

- i. Senior management must be committed to eradicating fraud and corruption and ensuring that the National Department of Health strives to be perceived as ethical in all its dealings with the stakeholder, the general public and other interested parties.

- ii. In this regard, senior management, under the guidance of the Accounting Officer, will ensure that it does not become complacent in dealing with fraud and corruption and that it will ensure the National Department of Health's overall fraud and corruption strategy is reviewed and updated regularly.
- iii. Furthermore, senior management will ensure that all employees and stakeholders are made aware of its overall anti-fraud and -corruption strategies through various initiatives of awareness and training.

4.1.5 Employee and third party awareness

- i. The main purpose of fraud and corruption awareness workshops/training will be to assist in the prevention, detection and reporting of fraud and corruption by raising the level of awareness as to how fraud and corruption is manifested in the workplace. In this regard, all employees will receive training on the following:
 - a) Anti-fraud and -corruption strategy;
 - b) Code of Conduct for employees;
 - c) Fraud prevention policy including the whistle blowing procedures;
 - d) How to respond to fraud and corruption; and
 - e) Manifestations of fraud and corruption in the workplace.
- ii. The National Department of Health should identify appropriate individual(s)/branch/unit that will be responsible for employee awareness and that will arrange and schedule awareness sessions throughout the year.

4.2 OPERATIONAL STRATEGIES

4.2.1 Internal controls

- a) Internal controls are the first line of defence against fraud and corruption. While internal controls may not fully protect the National Department of Health against fraud and corruption, they are essential elements in the overall anti-fraud and -corruption strategy.
- b) Internal Audit is responsible for implementing an internal audit plan/ program which will incorporate steps to evaluate adherence to internal controls.

4.2.2 Prevention strategies

- a) Fraud and corruption prevention is a primary control which should lower the likelihood of fraud occurring.
- b) The prevention efforts must focus on identifying controls to prevent all three conditions (e.g. opportunity, rationalisation and pressure) that would normally occur for fraud to take place.

- c) A number of combined initiatives that would result in an overall preventative environment in respect of fraud and corruption. These include the following:

i. Employee awareness

Employee awareness as discussed above will assist in the creation of an environment which may be considered to be hostile to a would-be transgressor.

ii. Pre-employment screening

Pre-employment screening must be carried out for all appointments and evidence of such screening be maintained by HRM. Consideration must be given to the following pre-employment screening processes:

- a) Verification of identity;
- b) Verification of criminal history;
- c) Reference checks with the two most recent employers;
- d) A consideration of any gaps in employment history and the reasons for those gaps; and
- e) Verification of formal qualifications.

iii. Internal Audit plan

A robust Internal Audit plan, which focuses on the prevalent high fraud and corruption risks, serves as an effective preventative measure. The Internal Audit Unit must compile such a plan on an annual basis and such a plan will also include *surprise audits*.

iv. Fraud prevention plan (FPP)

The actions set out in this plan will be focused on mitigating the risk of fraud and corruption in the National Department of Health.

v. Disclosure of interest(s)

All senior managers of the National Department of Health, i.e. those that influence decision making, will be required to disclose their specific personal asset(s) and business interest(s) on an annual basis or an earliest stage possible. This register will be kept with the Accounting Officer, i.e., by the DG's office.

4.2.3 Detection strategies

- a) Detection of fraud and corruption may occur through one or a combination of the following:

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- i. Vigilance on the part of employees;
 - ii. Independent and objective Internal Audit function;
 - iii. Ad hoc management reviews including surprise audits;
 - iv. Anonymous reports or whistle blowing; and
 - v. Appropriate application of detection techniques.

4.2.4 Response strategies

a) **Reporting fraud and corruption and/or whistle blowing**

- 4.2.4.a.1. One of the key obstacles to fighting fraud and corruption is the fear by employees of being intimidated to identify or blow the whistle on fraudulent, corrupt or unethical practices witnessed in the work place.
- 4.2.4.a.2. Those who often do blow the whistle end up being victimised and intimidated.
- 4.2.4.a.3. For the above reason, the National Department of Health will adopt a **whistle blowing policy** setting out detailed procedures to be followed in order to report any incidents of fraud and/or corruption. This policy is being designed to comply with the provisions of the Protected Disclosures Act.
- 4.2.4.a.4. Any suspicion of fraud and corruption must be treated seriously and be reviewed, analysed and if warranted, investigated.
- 4.2.4.a.5. If an employee becomes aware of a suspected fraud, corruption or any irregularity or unethical behaviour, such issues must be reported in terms of a whistle blowing policy.

b) **Investigating fraud and corruption**

- 4.2.4.b.1. Fraud investigation will be conducted in the manner provided in the fraud prevention policy and/or other relevant policies and procedures of the National Department of Health and rules and regulations of this country as appropriate.

4.3 MAINTENANCE STRATEGIES

4.3.1 Review of the effectiveness

- a) The National Department of Health will conduct a review of this strategy annually to determine the effectiveness thereof. The Accounting Officer is ultimately accountable for this review and may appoint a person to take responsibility for this.

4.3.2 Fraud risk assessment

- a) A central part of any fraud and corruption control programme will involve an ongoing assessment of fraud and corruption risk exposures which should be conducted at least annually.
- b) As with the review, the Accounting Officer is ultimately accountable for this and may delegate a person to take responsibility.

5 DEVELOPING A FRAUD PREVENTION IMPLEMENTATION PLAN

- 5.1 Once exposures to fraud and corruption risks in terms of the risk management processes have been identified, it will be necessary to evaluate the effectiveness of existing controls and counter measures. Where additional/new controls and procedures are deemed necessary, responsibility for their development and application must be allocated to the relevant senior personnel.
- 5.2 The National Department of Health will take the following steps when developing a fraud prevention implementation plan:
 - a) Determine the fraud risk management activities to be performed taking into account the fraud risk profile.
 - b) Resourcing requirements: This element describes the capacity and competence of personnel and the strategy to address capacity gaps. It also addresses the technology and funding requirements to give effect to the fraud risk management strategy;
 - c) Determine the sequence of activities and the target implementation dates;
 - d) Assign ownership for and communicate fraud risk management activities; and
 - e) Agree on frequency and format of reporting. Consensus should be obtained regarding the frequency, content and responsibility for reporting.

6 AUDIT AND RISK COMMITTEE

- 6.1 The National Department of Health taking into consideration the magnitude of fraud & corruption to date, will in the mean time use the Audit and Risk Committees as oversight bodies for fraud and corruption prevention.

7 REVIEW

- 7.1 This strategy will be reviewed annually.

7 REVIEW

7.1 This strategy will be reviewed annually.

RECOMMEND/NOT RECOMMEND FOR APPROVAL

Chairperson of the Risk Committee

Signature: _____

Date: _____



APPROVED/NOT APPROVED

ACCOUNTING OFFICER

Signature: _____

Date: _____

02/07/2012