FRAUD PREVENTION PLAN
DEVELOPMENT AND
IMPLEMENTATION
ECPA MODEL

Presentation to Anti Corruption and Risk management workshop at CSIR, Pretoria
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Overview

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Introduction

• For too long, the cost of fraud and corruption to all of us has been allowed to remain invisible in our society and in the government.
• A robust and professional lead on these problems apart from compliance with the PFMA needs to be taken to promote accountability.
• Taking counter fraud work to a new level of quality and efficiency is our aim; and
• Commitment of every employee to improved service delivery
• Key elements include:
• Ensuring the establishment of working structures within the departments, which will ensure an ongoing integration of policy and practice
Introduction (Cont)

• All organisations involved in countering fraud and information gained from whistle blowing should make our departments and provinces learning organisations, with every effort made to ensure
• that knowledge gained of systematic failures which allow fraud to occur is used in analysing and addressing weaknesses in those systems;
• Apart from the TR requirement to deal with fraud in the ECPA, it has been identified as one of the key risk areas by all departments during the risk assessment;
• As SIAS therefore we had to be involved in ensuring that it is dealt with.
Approach

- A need to establish common guidelines to deal with it had to be established.
- A need to establish an ethics line under management of the independent unit, which will not only receive tip-offs about fraud and corruption in our departments and provincial administrations, but also about fraud occurring in the Public entities and district councils is critical (this is in the process);
- Appointment of Senior Accountable Official in overall charge of counter fraud work within our departments and Provinces which role is given to the Head of Internal Audit (which can be reviewed after 3 years at least) when all information and facts about fraud and corruption has been established and situation analysis has been completed, after which a total independent structure will be created. As a starting point concentrating on prevention and promoting accountability
Approach (cont.)

• As of now there is lack of statistics with regard to the extent of fraud in the Departments and Provincial Administration i.e it has not been measured and quantified and its effects analysed. Without this process it will be difficult to identify appropriate skills and structure to handle this task.

• It is crucial that at every level within the organisation there is a clear accountability for the implementation of counter fraud policy/strategy and management of counter fraud work;
Approach (cont.)

- In compliance with the Treasury Regulations Fraud Prevention Plans (PFPP) has been developed and approved by the DG, audit Committee; Clusters and Exec Council.
- This is a generic document that tables the uniform approach for all the departments on how to deal with fraud and/or corruption.
- From this document, other lessons learnt and the fraud risk assessment that is in the process of being conducted, develop a fraud risk profile, finally to produce Fraud Policies with response plans and targets set to reduce that specific type of fraud within an agreed period. These must be active documents that will be monitored and amended as and when targets are achieved and risks are changing.
- Sense of ownership by the departments is key.
Main Aim

• Main aim of the plan is to introduce a common mechanism for the departments and provincial administration, intended to guide all the Accounting Officers in reducing fraud to an absolute minimum within 5 years;

• To ensure that there are arrangements put in place to hold it at that absolute level permanently; and

• To introduce ways to ensure that more departments and Provincial administration resources are used at providing better care and quality of services for all citizens; and

• To ensure that any form of waste within the departments and Provincial administration is unacceptable by all employees.
Other Aims

• To make it intolerable that losses to fraud and corruption are allowed to deprive the citizen of this province of resources intended for their benefit;

• To reflect the determination and commitment to see fraud and corruption matched by insistence that the work of those responsible for countering fraud is carried out to the highest standards and is supported by well designed, comprehensive training covering all aspects of work from preventative through to the effective imposition of appropriate sanctions for those committing fraud.

• To ensure that training to recognised standards is provided for all staff in the new ECPA Counter Fraud Operational Service and for nominees from various departments
Other Aims (cont.)

• To ensure that awareness of and involvement in counter fraud work is made a general responsibility of all professionals, and the support of independent organisations, NGO’s, management, staff and labour is critical;
• To ensure that the reduction of poverty is linked to counter fraud work and to accountability and the overall improvement of the service provided by the ECPA i.e. prevention of fraud and/or corruption is made a corporate governance process than purely an investigative process.
Objectives

• Creation of an anti fraud culture
• The maximum deterrence of fraud;
• The successful prevention of fraud which cannot be deterred;
• The prompt detection of fraud which cannot be prevented;
• The professional investigation of detected fraud;
• Effective sanctions, including appropriate legal action against those committing fraud irrespective of who they are;
• Effective methods of seeking redress in respect of money or assets defrauded
Objectives (cont.)

- The objectives are based on all ECPA officials and Executive Council committing themselves to a culture of “Zero Tolerance” to fraud, to ensure equitable and fair distribution of resources to the benefit of all EC citizens i.e. any acts of dishonesty and fraud and/or corruption will not be tolerated against the ECPA, and that all alleged fraud and/or corruption will be investigated and all transgressors punished both internally and externally to the fullest possible extent possible.
Creating effective structure

• Development of the strategic plans in the various departments has not accommodated the risk identification leading to ineffective risk management and budgetary process.
• The strategic plans should be made to cater for effective risk management and fraud prevention and new risk management structures as appearing in the Risk Assessment Report should be introduced as soon as possible.
• The responsibility of countering fraud for this first three years will rest with AO, CFO and AC in conjunction with the SIAS by establishing the forensic investigation unit within SIAS.
Creating an effective structure (cont.)

• The establishment of Anti-fraud working committees that includes key functions and labour is a first step towards implementing the guiding principles of the plan. This has already been achieved. Their responsibility is to ensure that (a) the Fraud Risk Assessment within their departments is conducted (measurement); (b) the fraud policies with response plans are developed; (c) targets and timeframes to deal with specific fraud and/or corruption are set and monitored; and (d) creation of an anti fraud culture is maintained and fraud awareness is an ongoing process within departments.
Creating an effective structure (Cont.)

• Anti Fraud Working Committees membership includes senior members of all key units within the department i.e. HR, Finance, Training, Legal, Communications, Internal Control, etc and Organised labour, etc.

• Formal appointment of members by Accounting Officers and included in the performance agreement as a measurable criteria.

• Monthly meetings should have a Chairperson and Secretary (Chair preferable from IA).
Creating an effective Structure for the ECPA Project with IPSP

• Establishment of a steering committee for the project to:
  • set up the criteria for conducting workshops in the Regions (target to reach at least more than 80% employees)
  • weekly meetings
  • Finalise the fraud risk questionnaire
  • Give regular feedback to management and rest of the AFWC
Principles guiding the combating of fraud in the operational staff

• General and basic
• Prevention of fraud
• Every manager in various departments in line with s45 of the PFMA, is managing fraud and corruption with the full understanding that it has the following effects as observed by the National Anti-Corruption Summit Resolutions:
  • Demoralising effect to the employees;
  • Discourages accountability to the people of South Africa;
  • Affect credibility and integrity of the public servants; and
  • Promotes own gains and promotes poverty
Principles (Cont.)

• Every Manager keeps statistics of fraud incidence in his area of responsibility that will guide future strategy to fight corruption;

• To ensure that fraud prevention is made a measurable performance criteria to all Senior Manager and captured in their Performance Agreements and this should filter down to all levels of staff in the departments should be captured in their job descriptions;

• To ensure that every Manager and staff makes it their responsibility to receive training in all related issues about fraud and/or corruption and any other area that they feel incompetent to perform his duties
Principles (Cont)

• **Human Resource Principles.**
  Each Department should make it their policy to employ honest people. The departments should realise that they cannot successfully prevent fraud if the untrustworthy and dishonest people are employed. Integrity assessments done by independent organisations coupled with security vetting of all shortlisted candidates should be done and a certificate issued to that effect.

• Recruitment and placement procedures should be transparent processes where candidates are informed of their performance in an interview if they were not successful.
Principles (Cont.)

• Nepotism (in every respect) is dealt with and not tolerated and is made a punishable offence.
• Performance of all employees is assessed timeously and when it is due, by the relevant persons.
• Deadlines or target dates are met without excuse.
• All employees reflected in the salary paysheets are verified by a relevant manager every month and a persal report is generated by HR at a reasonable time and is verified by a relevant manager before salaries are paid. It is made without favour that every manager must ensure that salaries and benefits are paid to bona fide employees of the department.
Principles (Cont.)

- **Financial Management principles.**
- The PFMA read in conjunction with the TR provides the framework for practicing sound financial management and this should be adhered to and observed by all officials.
- All suppliers are paid timeously and suppliers list approved in advance, and ensure that procurement processes are in line with the principles of the Constitution of the RSA and the PFMA.
- To ensure that countering fraud is made integral part of strategy, operation and administration of the departments, all policies developed reflects and include prevention and management of fraud.
The ethical framework

• These are principles of good practice.
• Technical skills alone are not enough, these are standards that should apply to the counter fraud specialists and Anti fraud structures.
• They are:
  • -Professionalism;
  • -Objectivity;
  • -Fairness;
  • -Expertise;
  • -Propriety and
  • -Vision
Conclusion

- We are convinced that the approach that will enable the ECPA to achieve its objectives is the one that is:
  - Inclusive;
  - Professional and systematic;
  - Comprehensive;
  - Fair;
  - Balanced;
  - Cost effective; and
  - Specialist
- and not haphazard.
• THANK YOU