



health

Department of Health
NORTHERN CAPE

FRAUD PREVENTION PLAN

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1. STATEMENT OF ATTITUDE

The Northern Cape Department of Health acknowledges that FRAUD represents a significant potential risk to its assets, service delivery efficiency and reputation. The Department will not tolerate corrupt or fraudulent activities, whether internal or external to the Department, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

2. INTRODUCTION

- 2.1 This document represents the Fraud Prevention Plan for the Northern Cape Department of Health (NCDOH). The Plan recognises basic fraud prevention initiatives within NCDOH. Furthermore, it identifies key risks of fraud that will be addressed as these risks could jeopardise the successful implementation of the various components of the Plan.
- 2.2 This Fraud Prevention Plan has been developed to comply with section 3.2.1 of Treasury Regulations and to effectively manage fraud activities within the Department.
- 2.3 It is also intended for the employees to become aware of fraud indicators to assist the department in identifying the incidents of fraud should they take place. The stand point of the department is also outlined to inform the stakeholders on how serious zero tolerance will be observed within the department.
- 2.4 Fraud Prevention Plan will also be in line with Risk Management Strategy of the department as approved by the Accounting Officer.
- 2.5 This Fraud Prevention Plan will include provision of a focus point and allocation of accountability and authority, it will provide a common understanding of what constitutes fraud, it will raise vigilance for staff and managers to be actively involved on an on-going basis in preventing and detecting fraud.
- 2.5 A Fraud Awareness Programme will be rolled out to employees of the department, with the primary objective of sensitizing both management and staff to fraud, common fraudulent practices and fraud indicators.

3. PURPOSE OF THE FRAUD PREVENTION PLAN

- 3.1 This Fraud Prevention Plan has been developed as a result of the expressed commitment of NCDOH to fight fraud and corruption. It is also an important contribution to the National Anti-Corruption Strategy of the country and supplements the Public Service Anti-Corruption Strategy.

- 3.2 The Plan is designed to protect public resources, protect the integrity, security and reputation of the department and maintain a high level of services to the community consistent with good governance.
- 3.3 Heads of Directorates are responsible for fostering an environment within their directorates, which makes active Fraud Prevention a major responsibility of all staff, for articulating clear standards and procedures to encourage the minimization and deterrence of fraud, and for the detection and prosecution of offences should they occur

4. PRIMARY OBJECTIVES OF THE PLAN

This Plan seeks amongst other things to:

- 4.1 Provide guidelines in preventing, detecting and reporting fraudulent activities within NCDOH
- 4.2 Encourage all employees and stakeholders to report suspicions of fraudulent activity without fear of reprisals or recriminations
- 4.3 Provide a focus point for the allocation of accountability and authority
- 4.4 Improving accountability, efficiency and effective administration within NCDOH
- 4.5 Continuously support a culture within NCDOH where all employees and other stakeholders continuously behave ethically in their dealings with, or on behalf of NCDOH
- 4.6 Improve the application of systems, policies, procedures and regulations
- 4.7 Improve relevant aspects of NCDOH to facilitate the reporting and monitoring of incidents of fraud
- 4.8 Encourage all employees and other stakeholders to strive for the deterrence, prevention and detection of fraud impacting, or having the potential to impact the NCDOH

5. FRAUD DEFINITION

In South Africa fraud is commonly defined as "the unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another". The use of the term in this Plan is in its widest possible meaning and is intended to include all aspects of economic crime and acts of dishonesty

6. FRAUD INDICATORS AND WARNING SIGNS

All managers and employees of the department must always be alert to warning signs which might indicate that fraud is taking place. These may include:

- 6.1 Unusually high personal debts;
- 6.2 Severe personal financial losses;

- 6.3 Living beyond one's means;
- 6.4 Extensive involvement in speculative investments;
- 6.5 Domestic problems;
- 6.6 Involvement in extra-marital relationships;
- 6.7 Undue family or peer pressure to succeed;
- 6.8 Staff under stress without heavy workload;
- 6.9 Always working late;
- 6.10 Reluctance to take leave;
- 6.11 Refusal to accept promotion;
- 6.12 Feeling of being underpaid;
- 6.13 Dissatisfaction or frustration with job;
- 6.14 Feeling of insufficient recognition for job performance;
- 6.15 Lack of a clearly defined career path;
- 6.16 Continual threats to quit
- 6.17 Suppliers/ contractors who insist on dealing with only one particular member of staff;
- 6.18 Poor credit rating;
- 6.19 Criminal record;
- 6.20 Undisclosed conflicts of interest

7. INDICATORS THAT THE DEPARTMENT MAY BE A TARGET OF FRAUDSTERS

- 7.1 Lack of competent personnel;
- 7.2 Does not enforce clear lines of authority and responsibility;
- 7.3 Does not enforce proper procedures for authorisation of transactions;
- 7.4 Lack of adequate documents and records;
- 7.5 A department that is not frequently reviewed by internal auditors;
- 7.6 Lack of independent checks;
- 7.7 No separation of custody over assets from the accounting function;
- 7.8 Lack of segregation of duties;
- 7.9 Inadequate personnel policies and human resource management systems;
- 7.10 Failure to maintain records of disciplinary actions;
- 7.11 Inadequate disclosure of income from external remunerative work;
- 7.12 Undisclosed conflicts of interest;
- 7.13 Operating on a crisis basis;
- 7.14 Operating without budgetary control;
- 7.15 Budgets not reviewed or meaninglessly justified;
- 7.16 Too much trust placed in key employees;
- 7.17 Unrealistic productivity requirements;
- 7.18 Pay levels not commensurate with responsibilities;
- 7.19 Inadequate staff - quality and quantity;

- 7.20 Failure to discipline violators of departmental policies;
- 7.21 Inadequate communication and awareness about disciplinary codes, fraud policies and codes of conduct;
- 7.22 Absence of conflict-of-interest questionnaires or regular updating thereof; and
- 7.23 Inadequate background and reference checks before hiring decisions are made.

8. FRAUD PREVENTION AND DETECTION MEASURES

When risks and deficiencies in the level of control are identified, it is necessary to choose the most appropriate type of controls. Fraud should be deterred wherever possible. Similarly, prevention is always preferable to detection. Strong preventive controls should therefore be applied wherever possible. However, preventive controls may not be sufficient to guard against determined fraudsters and detective controls are therefore important. Detective controls are established to detect errors, omission and fraud after the events have taken place.

The following range of controls will be considered by the department when preventing and detecting fraud

8.1 Physical security

- 8.1.1 This is a preventive measure which controls or monitors access to assets, documentation or IT systems to ensure that there is no unauthorised use, loss or damage. All assets will be held securely and access to them restricted as appropriate. The control should apply not only to the premises but also to computers, databases, banking facilities, documents and other areas, which are critical to the operation of the department's activities.
- 8.1.2 The Department of Health will also consider conducting a regular review of the physical security arrangements at its offices and improve on weaknesses identified.

8.2 Information Security

- 8.2.1 Access to computer systems is an important area, which should be very tightly controlled, not only to prevent unauthorised access and use, but also to protect the integrity of the data. Computer and data owners should secure information held on their systems especially personal information, which concerns third parties. The threat to computers can come from both inside and outside department as computer hackers may gain access in order to extract or corrupt information.
- 8.2.2 The Department of Health will ensure that employees are sensitized on a regular basis to the risks of fraud associated with poor management of information security in order to enhance their

understanding thereof and the risks to NCDOH that are associated with poor control over confidential information

8.3 Audit Trail

This is largely a detective control, although its presence may have a deterrent effect and thus prevent fraud. An audit trail will ensure that all transactions could be traced through a system from start to finish. In addition to allowing detection of fraud it enables the controls to be reviewed regularly.

8.4 On-going Risk Assessment

8.4.1 NCDOH acknowledges the fact that it faces diverse business risks from both internal and external environments. It has initiated negotiations with Provincial Treasury in order to ensure that a structured programme is put in place to ensure that risk assessments within NCDOH are conducted in line with the requirements of the PFMA.

8.4.2 In addition to the risks of fraud already discussed, the risks of fraud will be addressed by conducting reviews in order to secure a more detailed understanding of the areas wherein these risks exist.

8.4.3 This is intended to ensure that fraud prevention controls and detection mechanisms are developed. This will include making presentations to managers and staff to ensure that they have a more detailed understanding of these areas, thus enhancing the prospect of detecting irregularities quicker.

8.4.4 Furthermore, specific transactions in areas identified will be selected in order to conduct fraud detection reviews, including fraud susceptibility assessments, aimed at detecting possible incidents of fraud and/or control weaknesses in order to address these

9. FRAUD RISK MANAGEMENT

9.1 Managing the risk of fraud is the same in principle as managing any other activity risk. It is best approached systematically, both at the department level e.g. by using fraud policy statements and personnel policies, and at the operational level.

9.2 When considering fraud risks in specific operations of the department, there are a number of steps, which should be taken, which are in line with Risk Management components already adopted by department:.

9.2.1 Identify risk areas

The NCDOH will establish the areas that are most vulnerable to the fraud risk. Patterns of loss and areas of potential loss will be identified so that vulnerable areas can be pin-pointed. It may be useful to survey the staff involved in operating the system to establish all the risks of which they are aware.

9.2.2 Assess the risk

The NCDOH will identify and assess what measures are already in place to prevent fraud, determine the level of residual risk, using the assessment methodology identified in the Risk Management Strategy. When the residual risk is above the department's tolerance level, the corrective action will be devised.

9.3.3 Identify need for revised controls

9.3.3.1 The NCDOH will evaluate adequacy of existing controls and establish what further controls or changes to existing controls are required to reduce or eliminate the risk. Detailed in the latter part of this document is the type of controls which should be put in place to address such risks of fraud.

9.3.3.2 When revising these controls or devising the corrective action, responsible officials will be identified and reasonable target date will also be given.

9.3.3.3 The NCDOH will monitor the revised controls for their effectiveness and determine whether the fraud risk is lessened as a result of the implementation of revised controls

9.3.3.4 This will be achieved by a number of means including internal audit reviews of system controls and spot checks by managers to ensure that controls (such as supervisory controls or reconciliation's) are in operation.

9.4 Fraud Risk Management Cycle

The risk management cycle should be treated as a cyclical process. If the implementation of revised controls is not sufficient to eliminate the threat of fraud then the cycle must begin again. There are a number of main types of controls, which can be applied to individual systems and to the department as a whole. Some of these are preventive, some detective and some have a combined role.

10. ROLES AND RESPONSIBILITIES

10.1 Management

Managers of the Department are ultimately responsible and accountable for the implementation of Fraud Prevention Plan in their respective areas of responsibility. Management must also ensure that employees are aware of fraud prevention and their role should they be alerted to fraudulent activities.

10.2 Chief Risk Officer

Chief Risk Officer must assist in ensuring the implementation of Fraud Prevention Plan and it must be reviewed annually by Risk Management Committees to determine the extent to which the department's Fraud Prevention Plan is in line with related acts and guidelines, and monitor effective implementation.

10.3 Risk Management Committee

The committee must review the adequacy and effectiveness of the Fraud Prevention Plan and recommend it for approval by the Accounting Officer.

10.4 Employees

All officials and managers must familiarize themselves with the departmental Fraud Prevention Plan.

11. SEGREGATION OF RESPONSIBILITIES

- 11.1 The lack of segregation of duties or the overriding of existing internal controls is a generic risk that exposes NCDOH to the inherent risk of fraud and manipulation of data. One of the primary means of control is the separation of those responsibilities or duties, which, if combined, enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit fraud
- 11.2 Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.
- 11.3 Functions that should be separated include those of authorisation, execution, custody and recording and, in the case of computer-based accounting systems, systems development and daily operations.

- 11.4 Placed in context with fraud, segregation of duties lies in separating either the authorisation or the custodial function from the checking function
- 11.5 To ensure that these internal controls are effectively and consistently applied, deficiencies and non-compliance identified by Internal Audit will be addressed as follows:
 - 11.5.1 NCDOH will continue to regularly re-emphasise to all managers that consistent compliance by employees with internal controls is in itself one of the fundamental controls in place to prevent fraud.
 - 11.5.2 Managers will be encouraged to recognise that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.
 - 11.5.3 NCDOH will ensure that the performance appraisal of senior managers will take into account the number of audit queries raised and the level of seriousness of the consequent risk to NCDOH as a result of the internal control deficiency identified. This is intended to raise the level of accountability for internal control by the Head of Department and Managers.
 - 11.5.4 A matrix of internal control weaknesses identified during audits and investigations will be developed in order to assist in the identification of areas that require additional focus

12. IMPLEMENTATION OF THIS FRAUD PREVENTION PLAN

The following actions will be considered by the department to ensure that this Fraud Prevention Plan is effectively implemented:

12.1 Increase Awareness

The department will use the following campaigns to promote Fraud Prevention Awareness within the department:

- 12.1.1 Promotional aids such as flyers and posters that indicate the department's stand on fraud;
- 12.1.2 Promote the department values during the orientations;
- 12.1.3 Presentations to staff quarterly;
- 12.1.4 Making use of induction processes;

12.2 Encourage involvement

- 12.2.1 Increased awareness on fraud prevention matters will lead to increased involvement of employees in taking pro-active steps when realizing fraud indicators.
- 12.2.2 The department will integrate fraud prevention with normal business processes by including it in all levels of department planning processes by incorporating Fraud Prevention Action Plans.

12.3 Evaluation of Fraud Prevention Plan

The implementation of this Fraud Prevention Plan will be monitored bi-annually to determine the extent to which it has been effectively discharged. The monitoring will be performed by the Chief Risk Officer and submitted to the Risk Management Committee for review and independently reviewed by the Internal Audit unit.

12.4 Employees screening

All newly appointed employees will be screened and or vetted, as part of prevention measures, to prevent the department from appointing high risk candidates.

12.5 Analytical review of fraud statistics

As part of detection mechanism, the department will analyse the trends of fraud activities that occurred to identify the possible weaknesses in processes where fraudulent activities took place. This activity will be performed by the Chief Risk Officer bi-annually.

13. FRAUD DETENTION AND REPORTING

NCDOH recognises that in order to effectively prevent fraud, all fraudulent activities detected by employees and other stakeholders should be reported and investigated. In this regard, the NCDOH will establish a Fraud Hotline (number) which is expected to assist in:

- 13.1 Deterring potential fraudsters by making all employees and other stakeholders aware that NCDOH is not a soft target, as well as encouraging their participation in supporting, and making use of this facility;
- 13.2 Raising the level of awareness that NCDOH is serious about fraud;
- 13.3 Detecting incidents of fraud by encouraging Whistle Blowers to report incidents which they witness;

- 13.4 Helping the NCDOH in managing the requirements of the Protected Disclosures Act by creating a channel through which Whistle Blowers can report irregularities which they witness or which come to their attention; and
- 13.5 Further helping the NCDOH in identifying areas of risk of fraud in order that preventive and detective controls can be appropriately developed or improved.

14. FRAUD INVESTIGATION

- 14.1 The investigation of fraud is a specialist subject and should not be undertaken by people without the necessary skills and training. Safeguarding public funds is important and therefore steps should be taken to prevent further losses and to ensure recovery of funds where losses have already occurred.
- 14.2 It is also important to secure evidence of the fraud, which will enable a successful prosecution. In some circumstances it may be appropriate to suspend individuals during the investigation and to prevent them from destroying or tampering with evidence. The NCDOH's priorities will be determined by an understanding of what is immediately at risk. The NCDOH may need to get extra help in executing investigations.

15. PROTECTION OF WHISTLE BLOWERS

- 15.1 An employee can report suspected fraud and corruption within the confines of the Whistle Blowing Policy, and such report will be treated, dealt with within the confines of the provisions of that policy.
- 15.2 An employee who suspects or reports suspected fraud and corruption may remain anonymous should he/she so desire.
- 15.3 No person will suffer any penalty or retribution for reporting in good faith any suspected or actual incident of fraud and corruption which occurred within the Department.
- 15.4 All managers should discourage employees or other persons from making allegations, which are false and made with malicious intentions. Where such allegations are discovered, the person who made the allegations must be subjected to firm disciplinary, or other appropriate action.

16. CONFIDENTIALITY

- 16.1 All information relating to fraud and corruption that is received and investigated will be treated confidentially. The progress of investigations and results thereof will be handled in a confidential

manner and will not be disclosed or discussed with any person(s) other than those who have a legitimate right to such information. This is important in order to avoid harming the reputations of suspected persons who are subsequently found innocent of wrongful conduct and to protect the Department from possible litigation.

- 16.2 No person is authorized to supply any information with regard to allegations or incidents of fraud and corruption to the media or any external party without the express permission of the HOD.
- 16.3 The Security and Risk Management Directorate has the sole mandate to conduct investigations on matters relating this Plan and no other person who suspects wrong doing should attempt to conduct investigation and or interrogations on any suspected fraud and corruption activity.

17. COMMUNICATION AND AWARENESS

In communicating this Plan NCDOH will embark on the following:

- 17.1 Conducting workshops and creating awareness of the Plan;
- 17.2 Developing a poster campaign aimed at all stakeholders to advertise NCDOH and its stance to fraud and its expectations with regard to the ethics and integrity of all stakeholders;
- 17.3 Publicising "lessons learned" out of investigations into allegations of fraud amongst employees;
- 17.4 Circulating successes related to the Plan and fraud *modus operandi*;
- 17.5 Printing the stance of NCDOH to fraud on pay slips;
- 17.6 Placing notices or other communiqués related to the Plan in toilets and other areas to which employees and the public have access;
- 17.7 Developing a Fraud Prevention Suggestion Box where all employees could make suggestions on how to prevent fraud and corruption and further improve the Plan; and
- 17.8 Using the newsletter to communicate issues relating to the prevention and detection of fraud, including matters reported and action taken

18. ON-GOING ASSESSMENT AND REVIEW OF THE PLAN

- 18.1 In order to ensure that the process of on-going development and implementation of the Plan is consultative and viewed as such by all stakeholders within NCDOH, the Committee, which will include management of the NCDOH and representatives from the Internal Audit, will be established
- 18.2 The Committee, once established, will be responsible for the on-going maintenance and review of the Plan. This will include:
 - 18.2.1 Evaluating reports of fraud and highlight areas of risk within NCDOH;

- 18.2.2 Considering fraud threats to NCDOH and addressing these;
 - 18.2.3 Monitoring action taken to implement recommendations relating to incidents of fraud;
 - 18.2.4 Steering and taking responsibility for the Plan;
 - 18.2.5 Reviewing and making appropriate amendments to the Plan; and
 - 18.2.6 Ensuring that on-going implementation strategies are developed and carried out.
- 18.3 The Plan will be reviewed on an annual basis, whilst progress with the implementation of the various components will be reviewed on a quarterly basis. With regard to the latter, specific priorities stemming from the Plan, actions to be taken, responsible persons and feedback dates relating to progress made will also be set.

19. CONCLUSION

Any successful Fraud Prevention Plan involves creating an environment, which inhibits fraud. Taking immediate and vigorous action if fraud is detected is not only necessary to prevent future losses but also helps deter other frauds. A manager or employee who is alert to the possibility of fraud and who acts accordingly on a day-to-day basis is a powerful deterrent against fraud