



QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (QCTO)

FRAUD PREVENTION POLICY, PROCEDURES AND PLAN

MARCH 2018

QCTO Fraud and Ethics Hotline:
0800 322 322
Free Fax **0800 00 77 88**
gcto@tip-offs.com
www.tip-offs.com

VERSION CONTROL

POLICY NAME	Fraud Prevention – Policy, Procedure and Plan
UNIT RESPONSIBLE	Governance, Strategy Secretariat Services and Appeals (GSSS & A)
DEVELOPED	Ms. Adri Solomon
DATE APPROVED	9 March 2016
EFFECTIVE DATE	Immediately
DATE REVIEWED	5 October 2017
DATE APPROVED	15 March 2018

APPROVED BY:




 Chief Executive Officer: (QCTO) Name: Mr. Vijayen Naidoo Date: <u>15/03/2018</u>	 Chairperson of the Council: (QCTO) Name: Prof. Peliwe P Lolwana Date: <u>15/03/18</u>	 Director GSSS & A: (QCTO) Name: Ms. Adri H Solomon Date: <u>15/3/2018</u>
--	--	--

TABLE OF CONTENTS

	PAGE
1. DEFINITIONS	5
1.1 FRAUD	5
1.2 CORRUPTION.....	5
1.3 THEFT, EMBEZZLEMENT AND MISAPPROPRIATION	5
1.4 BRIBERY	5
1.5 FALSE ACCOUNTING.....	6
1.6 EXTORTION.....	6
1.7 ABUSE OF POWER.....	6
1.8 CONFLICT OF INTEREST	6
1.9 ABUSE OF PRIVILEGED INFORMATION.....	6
1.10 FAVOURITISM.....	6
1.11 NEPOTISM.....	7
1.12 COVERED PERSON.....	7
2. PURPOSE.....	7
3. POLICY STANCE ON ZERO TOLERANCE TO FRAUD.....	7
4. LEGAL FRAMEWORK	8
5. BACKGROUND	8
6. SCOPE OF THE POLICY.....	8
7. POLICY STATEMENT	8
8. CONCEPT OF FRAUD PREVENTION	10
9. CAUSES OF FRAUD	10
9.1 INVESTIGATION PROCEDURES.....	10
9.2 ANTI-FRAUD PROGRAMMES	12
10. ROLE PLAYERS	12
10.1 RISK MANAGEMENT OVERSIGHT	12
10.2 RISK MANAGEMENT IMPLEMENTERS.....	12
10.3 RISK MANAGEMENT SUPPORT	13
10.4 RISK MANAGEMENT ASSURANCE PROVIDERS	13
11. CONDUCT	14
11.1 BRIBES	14
11.2 INTERACTIONS OF THE QCTO WITH THE PUBLIC.....	14
11.3 FACILITATION PAYMENTS	15
11.4 UNDUE INFLUENCE.....	15
11.5 GIFTS.....	15
12. PREVENTING FRAUD AND CORRUPTION	16
12.1 CODE OF CONDUCT AND ETHICS	16
12.2 THE QCTO'S SYSTEMS, POLICIES, PROCEDURES, RULES AND REGULATIONS.....	17
12.3 DISCIPLINARY CODE AND PROCEDURES.....	17
12.4 INTERNAL CONTROLS.....	18
13. DETECTING AND INVESTIGATING FRAUD AND CORRUPTION	20
13.1 INTERNAL AUDIT	20
13.2 ONGOING RISK ASSESSMENT.....	20
13.3 REPORTING AND MONITORING	21

13.4	THE FRAUD PREVENTION POLICY AND RESPONSE PLAN	21
14.	FURTHER IMPLEMENTATION AND MAINTENANCE.....	21
14.1	CREATING AWARENESS	22
14.2	EDUCATION.....	22
14.3	COMMUNICATION.....	22
14.4	ONGOING MAINTENANCE AND REVIEW	22
15.	FRAUD PREVENTION PLAN.....	23
16.	PROTECTING WHISTLE-BLOWERS	26
17.	POLICY REVIEW	26

1. DEFINITIONS

1.1 FRAUD

Fraud is defined as "the unlawful and intentional making of a misrepresentation which causes actual or potential prejudice to another". The words are used in their widest possible meaning and are intended to include all aspects of economic crime and acts of dishonesty.

While there is no single offence that can be called "fraud", it is usually taken to have elements including an intentional and unlawful misrepresentation, which most often causes prejudice, false accounting, misappropriation or theft.

In other words, fraud can be described as any conduct or behaviour of which a dishonest representation and/or appropriation forms an element. Fraud can therefore constitute any practice that involves deceit or any other dishonest means by which a benefit is obtained.

1.2 CORRUPTION

Corruption is any conduct where a person accepts, agrees or offers any gratification for him/herself or for another person where the purpose is to act dishonestly or illegally. It can involve actions or behaviour by a staff member or other person or entity that induces others into dispensing a benefit that would not normally accrue to the staff member, other person or entity.

Such conduct also includes the misuse of material or information, abusing a position of authority or a breach of trust or violation of duty.

Fraud and corruption can happen in any one or more of the following forms:

1.3 THEFT, EMBEZZLEMENT AND MISAPPROPRIATION

A staff member, a third party, or a staff member and or a third party acting together may steal an asset/s belonging or in the lawful custody of the QCTO. As with false accounting, there are common patterns, although the exact nature varies according to the asset being misappropriated.

1.4 BRIBERY

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions decisions of an employee or official. This benefit may accrue to the employee, another person or an entity. Example: An examiner accepting a cash payment in order not to make an unfavourable decision.

1.5 FALSE ACCOUNTING

The main aim of false accounting is to present the results and affairs of the organisation in a better light than reality. Frequently there are pressures to report distorted income and or expenditure to conceal the true fiscal position in order to influence stakeholder opinion or perception towards the organisation.

1.6 EXTORTION

This involves coercing a person or entity to provide a benefit to a member of staff, another person or an entity in exchange for acting (or failing to act) in a particular manner. Example: A service provider threatens to expose some infidelity on the part of a member of staff unless the service provider is awarded a specific contract.

1.7 ABUSE OF POWER

This involves an official of the QCTO using his or her authority to improperly benefit another person or entity, or using the authority to unlawfully discriminate against another person or entity.

1.8 CONFLICT OF INTEREST

This involves an official of the QCTO acting or failing to act on a matter where the official has an interest or another person or entity that stands in a relationship with the official has an interest. Example: The official considers tenders for a contract and awards the tender to a company of which his or her partner is a director.

1.9 ABUSE OF PRIVILEGED INFORMATION

This involves the use of privileged information and knowledge that an official possesses as a result of his or her office to provide unfair advantage to another person or entity in order to obtain a benefit, or to accrue a benefit to him or herself. Example: An official has, as a result of his or her office, knowledge of services that are to be procured, and then informs friends and or family of the product specifications and budgeted amount in order to give them an unfair advantage during the adjudications of the submitted tenders. (Also refer to Records Management Policy)

1.10 FAVOURITISM

This involves the provision of services or resources according to personal affiliation. Example: An official ensures that only persons from the same ethnic, religious, or political group are

shortlisted in selection process for a vacant position. (Also refer to QCTO Code of Conduct and Ethics).

1.11 NEPOTISM

This involves an official ensuring that family members and friends are appointed to vacant positions or that family members and friends receive contracts from the QCTO. (Also refer to QCTO Code of Conduct and Ethics)

1.12 COVERED PERSON

A person who is a present or former official of the QCTO shall include such persons, legal representatives, heirs, executors and administrators.

2. PURPOSE

The purpose of this Policy is to articulate the QCTO's philosophy on fraud prevention. The QCTO adopts a comprehensive approach to the management of fraud risk.

The QCTO seeks to reinforce existing systems, policies, procedures, rules and regulations aimed at deterring, preventing, detecting, reacting to and reducing the impact of fraud as well as to confirm that the QCTO supports and fosters a culture of zero tolerance to fraud and corruption in all its manifestations. It also assures quality and effectiveness of service delivery, the strength of business relationships with clients, suppliers and the public while enhancing employee morale as well as jealously safeguarding the reputation and image of the QCTO.

3. POLICY STANCE ON ZERO TOLERANCE TO FRAUD

The QCTO reiterates its ZERO TOLERANCE position and policy towards all acts of fraud and dishonesty. Amongst the shared values of the QCTO is *ethics and integrity*. As a public entity in the Republic of South Africa it is important that the organisation takes the above stated values seriously and ensure that activities that are not aligned with the institutional norms are not permitted.

It is further required from all staff to be intolerant of this behaviour and to report all instances or suspicions of fraud and or dishonesty to the QCTO's Fraud and Ethics Hotline (see paragraph 7.3 below) or any internal reporting line that may be instituted by the organisation. Employees and service providers of the QCTO are hereby warned that defrauding the organization will not be tolerated and that employees and or service providers found to be in violation of this Policy will be disciplined accordingly, up to and possibly including dismissal /

termination of contractual relationship and prosecution.

4. LEGAL FRAMEWORK

The following legislation, policies, amongst others, deal with corruption in the South African public sector:

- a) Public Finance Management Act, Act 1 of 1999
- b) Treasury Regulations, Anti-Fraud and Corruption Policy of the South African Government and Protected Disclosures Act, 26 of 2000
- c) Prevention and Combating of Corrupt Activities Act, 12 of 2004
- d) The Prevention of Organised Crime Act, 121 of 1998

5. BACKGROUND

The provisions of Section 55(1)(a)(i) of the Public Finance Management Act stipulates that the Accounting Authority is responsible for ensuring that the public entity has and maintains effective, efficient and transparent system of financial and **risk management** and internal control.

Furthermore, section 27.2.1 of the Treasury Regulations require that risk assessment is conducted on regular basis and a risk management strategy, which includes a **fraud prevention plan**, be used to direct internal audit effort. The strategy must be clearly communicated to all employees to ensure that risk management is incorporated into the language and culture of the QCTO.

6. SCOPE OF THE POLICY

This policy applies throughout the organisation in as far as risk management is concerned.

7. POLICY STATEMENT

- 7.1 The QCTO takes a zero tolerance position. It is the policy of the QCTO that fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature will not be tolerated. In addition, these activities will be investigated and followed up by the application of all remedies available within the full extent of the law.
- 7.2 Appropriate prevention and detection controls will be applied. These include controls and checking mechanisms as prescribed in existing policies, procedures and other relevant prescripts to the activities of the QCTO, and systems of internal control.
- 7.3 It is the responsibility of employees of the QCTO to detect, prevent and report all incidents of fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature to his or her manager or other responsible person. If the employee or official is not

comfortable reporting such matters to his or her manager or other responsible person, he or she should report the matter to his or her manager's superior, with final recourse to the CEO or Chairperson of the Council. If the employee is not comfortable of reporting fraud incidents to anyone internally, they may also report incidents anonymously to the Internal Auditors; or to the Office of the Auditor General of South Africa or by phoning the toll-free QCTO Fraud and Ethics Hotline at **0800 322 322**, using FreeFax **0800 00 77 88**, emailing **qcto@tip-offs.com** or visiting **www.tip-offs.com**..

- 7.4 All employees, in particular management are specifically responsible for the detection, prevention and investigation of fraud, corruption, theft, maladministration or any dishonest activities of a similar nature, within their areas of responsibility.
- 7.5 Appropriate legal recourse to recover losses or damages arising from fraud, corruption, theft or maladministration must be taken without undue delay.
- 7.6 In respect of all reported incidents of fraud, managers are required to immediately review, and where possible, improve the effectiveness of the controls which have been breached in order to prevent similar irregularities from happening in future.
- 7.7 Where an official is alleged to have committed an act of fraud, corruption, theft or maladministration, the Manager/ Executive must institute disciplinary proceedings within a reasonable period, in terms of the disciplinary code and procedure of the QCTO;
- 7.8 The QCTO encourages members of the public who suspect fraud to contact the CEO or any member of the Council. Staff members and, or members of the public are encouraged to report fraud anonymously by phoning the QCTO Fraud and Ethics Hotline. (See paragraph 7.3 above for details)
- 7.9 If the matter could lead to the laying of criminal charges, it must also be reported to the South African Police Services.
- 7.10. The policy applies to all employees and officials of the QCTO and relates to all attempts and incidents of fraud and corruption impacting or having the potential to impact on the QCTO. All employees and officials must sign to attest that they have read and understood the Policy.
- 7.11. All employees must complete and sign a declaration of financial interest form.
- 7.12. All employees convicted of fraud and corruption will be dismissed from the QCTO in line with the QCTO's Code of Ethics and Conduct.
- 7.13. Where appropriate; legal advice must be obtained to effectively deal with cases of fraud and corruption.
- 7.14. Management and staff will receive appropriate training on the requirements of the policy. The Risk Manager is responsible for co-coordinating the implementation of this policy.
- 7.15. The QCTO will seek to collaborate with national and other anti-fraud & corruption bodies to ensure that the QCTO stays abreast with contemporary developments in anti-fraud and corruption practices.
- 7.16. Council members and employees of the QCTO are not permitted to give or accept, directly or indirectly, favours, gifts, or business courtesies that might compromise or be seen to compromise their professionalism or impartiality or which may in any way impair their ability to

act or be seen to act with integrity and in the best interests of the QCTO. This requirement extends to the immediate family members of Council members and employees. All gifts must be managed in terms of the Code of Ethics and Conduct of the QCTO.

8. CONCEPT OF FRAUD PREVENTION

Fraud prevention is a process that is adopted by the Institution, in putting mechanisms in place, to manage the Institution's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

As part of the Enterprise Risk Management (ERM), it is the responsibility of the Council to establish structures to address the threat of fraud.

9. CAUSES OF FRAUD

Actions contributing to fraud are, but not limited to the following:

- a) Negligence, poor internal controls
- b) Poor staff vetting
- c) No early warning systems (low chance of detection)
- d) Lack of supervision
- e) Unethical management practices
- f) Weak internal controls
- g) Absence of controls
- h) An economic or psychological need
- i) Moral justification e.g. attitude / culture
- j) Lack of disciplinary action

9.1 INVESTIGATION PROCEDURES

When a fraud allegation is made, the process of determining its validity may involve several stakeholders.

The key steps to be followed in managing fraud allegations are outlined in the steps below. The CEO may delegate some or all of the tasks within these steps. However, full accountability and responsibility remains with the CEO. Throughout the process, confidentiality must be maintained and the individuals' rights respected. Appropriate documentation, recording details of the fraud allegations and the processes followed will be securely stored.

STEP 1

Upon receiving a fraud allegation, reasonable grounds to suspect that the QCTO official or employee has committed fraud will be determined.

Reasonable grounds to suspect that fraud has occurred have to be determined. There must have existed a suspicion based on circumstances which would cause a reasonable person to suspect that criminal conduct or involvement has occurred or improper conduct might be involved.

To be in a position to determine this, some preliminary investigation may be required. The Risk Manager has the responsibility to co-ordinate preliminary investigations.

Where fraud is alleged to have been committed by a person outside the QCTO (e.g. private contractor):

- Criminal charges will be laid with the police for fraud, and
- A responsible officer will be instructed to investigate whether there has been a breach of contract for fraud relating to improper conduct.

If there are insufficient grounds to suspect that a QCTO official has committed fraud, the person making the allegation will be advised that the matter is not being pursued. However, they should be given the opportunity to provide further information to justify re-opening the investigation. To avoid guilt by implication, confidentiality must be maintained.

STEP 2

A determination has to be made of whether the alleged fraud is criminal, serious improper conduct or improper conduct. If unsure, the CEO should seek advice from the QCTO's legal advisers, relevant anti-corruption body or police.

STEP 3

If **criminal fraud**, and considered sufficiently serious, the relevant anti-corruption body and the Police Public Sector investigation unit will be informed.

The CEO should continue controlling the investigation until instructed otherwise by the anti-corruption body. Serious improper conduct is where the conduct is sufficiently serious to warrant dismissal, including breach of public trust, neglect of duty, abusing power or function, telling lies and favouritism. If fraud is found to constitute maladministration or improper conduct, it will be dealt with in accordance with the HR disciplinary code.

9.2 ANTI-FRAUD PROGRAMMES

The QCTO will ensure that the following programmes to address the threat of fraud and corruption are in place:

- a) Recruitment and selection policy;
- b) Accounting and operational policies and procedures;
- c) Fraud awareness training and workshops (indicators of fraud);
- d) Audits focusing on fraud indicators;
- e) Risk assessment (including fraud risks);
- f) Code of Conduct and Ethics; and
- g) Fraud response plans.

10. ROLE PLAYERS

QCTO has taken a stance that management of fraud and corruption threat like any other risks is the responsibility of everyone in the organisation.

The Council has delegated the ownership and communication of fraud risk management to Business Unit Managers in the QCTO (refer to Fraud Risk Register).

10.1 RISK MANAGEMENT OVERSIGHT

10.1.1 Executive Authority

The Executive Authority takes an interest in fraud risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the entity against significant fraud risks.

10.1.2 Audit and Risk Committee

The Audit and Risk Committee is an independent committee responsible for oversight of the organisation's control, governance and risk management. The responsibilities of the Audit and Risk Committee with regard to fraud risk management are formally defined in the Audit and Risk Committee Charter. The Audit and Risk Committee provides an independent and objective view of the QCTO's fraud risk management effectiveness.

10.2 RISK MANAGEMENT IMPLEMENTERS

10.2.1 Council

The Council is accountable for the organisation's overall governance of fraud risk. By setting the tone at the top, the Council promotes accountability, integrity and other factors that will create a positive control environment.

10.2.2 Management

Management is responsible for executing their responsibilities outlined in the Fraud Prevention Plan and for integrating risk management into the operational routines.

10.2.3 Other employees

Other officials are responsible for integrating fraud risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

10.3 RISK MANAGEMENT SUPPORT

10.3.1 Chief Risk Officer

The Risk Manager is the custodian of the Fraud Prevention Policy and Plan, and coordinator of fraud risk management activities throughout the QCTO. The primary responsibility of the Risk Manager is to bring to bear his/her specialist expertise to assist the organisation to embed risk management and leverage its benefits to enhance performance.

10.3.2 Risk Champions

The Risk Champion's responsibility involves intervening in instances where the fraud risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of skills and expertise.

10.4 RISK MANAGEMENT ASSURANCE PROVIDERS

10.4.1 Internal Audit

The role of the Internal Auditing in fraud risk management is to provide an independent, objective assurance on the effectiveness of the QCTO's system of fraud risk management. Internal Auditing must evaluate the effectiveness of the entire system of fraud risk management and provide recommendations for improvement where necessary.

10.4.2 External Audit

The Auditor-General South Africa provides an independent opinion on the effectiveness of fraud risk management.

11. CONDUCT

11.1 BRIBES

11.1.1 The QCTO Council, its staff and its Covered Persons, will not offer, make or accept bribes; as defined in this strategy; nor will they participate in or authorize (directly or indirectly) an arrangement that involves the offering, making, or accepting of bribe in relation to activities associated with the QCTO either directly or indirectly, to or from any third party, whether or not that third party is a private individual or a "public official".

11.1.2 To offer or accept a bribe may be a criminal offence in the Republic of South Africa.

11.1.3 Any request for a bribe must be immediately reported to any Management or Council member.

11.2 INTERACTIONS OF THE QCTO WITH THE PUBLIC

11.2.1 The QCTO regularly interacts with members of the public, regarding compliance with the Act, and subsequent regulations, and other issues that are essential to the QCTO's ability to conduct its public entrusted functions. The QCTO must guarantee that its interactions with those members of the public comply fully with the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004, and any other laws and regulations.

11.2.2 Bribery or attempted bribery of members of the Council by the public is specifically prohibited by the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004. It is improper to offer or provide anything of value to a public official, or for the benefit of a public official, to gain an advantage. A wrongful act occurs even if such a member or employee rejects the bribe or is not actually influenced by the bribe.

11.2.3 Accordingly, the QCTO and its Covered Persons will not offer or provide anything of value to or for the benefit of, a member of the public for the purpose of gaining or retaining direct or indirect benefit, or to obtain some other advantage. In addition, the QCTO and its Covered Persons will not participate in or authorise (directly or indirectly) an arrangement that involves offering or providing such a thing of value or a benefit.

11.2.4 Any request by any employee or a member of the Council or its sub-committees from

a member of the public or vice versa for something of value or a benefit must be reported to the QCTO Fraud and Ethics Hotline.

11.3 FACILITATION PAYMENTS

- 11.3.1 The QCTO strongly discourages the use of facilitation payments (STRICTLY prohibited by the Prevention and Combating of Corrupt Activities Act and the Prevention of Organised Crime Act.
- 11.3.2 Any facilitation payment that is paid to a person associated with the QCTO by a member of the public or supplier, actual or potential applicant, distributor to secure or expedite the performance of a routine or non-discretionary duty is strictly forbidden and will not be permitted and must (1) not be made to obtain or retain business; (2) not be paid to obtain an improper business advantage.
- 11.3.3 Any request for a facilitation payment must be immediately reported to the QCTO Fraud and Ethics Hotline or any member of Management or the Council.

11.4 UNDUE INFLUENCE

- 11.4.1 All undue influence and undertaken by Covered Persons, or by anyone else on behalf of the QCTO must be consistent with the principles set forth in the QCTO Code of Conduct and Ethics.
- 11.4.2 All activities by any third party that constitutes undue influence including the subject, target, method and extent of the undue influence must be reported to the Office of the CEO.

11.5 GIFTS

- 11.5.1 Covered Persons are not permitted to give or accept, directly or indirectly, favours, gifts, or business courtesies that might compromise or be seen to compromise their professionalism or impartiality or which may in any way impair their ability to act or be seen to act with integrity and in the best interests of the QCTO. This requirement extends to the immediate family members of Covered Persons.
- 11.5.2 No cash payments, discounts or vouchers, no matter how small, maybe accepted under any circumstances from any current, prospective distributor or potential suppliers, advisors, customers, of the QCTO.
- 11.5.3 Covered Persons may however, accept novelty or advertising items of a nominal value that are widely distributed by the donor, e.g. calendars, pens, diaries, ties etc. The following is deemed to be a nominal value – **Cumulative up to R350 in South Africa per year, or the equivalent thereof in foreign currency unless prior approval is obtained from the relevant executive authority.** Details of any favour, gift or business courtesy of any nature that is accepted by Covered Persons, no

matter how small, must promptly following receipt be reported to and recorded in the Gifts Register that is kept in Office of the CEO.

- 11.5.4 All consecutive gifts from the same organisation to the same Covered Person must also be recorded in the Gifts Register.
- 11.5.5 All invitations received from third parties must be recorded in the Invitations Register that is kept in the Office of the CEO. This includes:
- 11.5.6 Any invitations to any events, where no payment is required by the covered person in situations where other invitees are required to pay, or the public is required to pay, with the exception where the invitation related to a speaking engagement on the part of the covered person.
- 11.5.7 Invitation to travel with the third party, where the no payment is required by the covered person in situations where other invitees are required to pay, or the public is required to pay, with the exception where the invitation related to a contractual arrangement or a QCTO role or responsibility of the covered persons requires the travel.

12. PREVENTING FRAUD AND CORRUPTION

12.1 CODE OF CONDUCT AND ETHICS

- 12.1.1 The QCTO Code of Conduct and Ethics forms part of Fraud Prevention in the QCTO.
- 12.1.2 The QCTO expects all people and organisations that are in any way associated with it to be honest and fair in their dealings with the QCTO and its clients. All employees are expected to lead by example in these matters.
- 12.1.3 The risk identified in this area is the following:
 - 12.1.3.1 Inadequate training and awareness strategy relating to the Code.
- 12.1.4 The QCTO will pursue the following steps to communicate the principles contained in the Code:
 - 12.1.4.1 A copy of the Code will be circulated to all employees and included in induction packs for new employees; and
 - 12.1.4.2 Include relevant aspects of the Code in awareness presentation, training sessions and communication programmes to create awareness thereof amongst employees and other stakeholders. Further objectives of this training will be the following:
 - 12.1.4.2.1 Helping employees to understand the meaning of fraudulent and corrupt behaviour in line with expectations of the QCTO;
 - 12.1.4.2.2 Presenting case studies which will assist in developing behaviour to articulate and encourage attitudes and values which support ethical behaviour;

12.1.4.2.3 Helping employees to understand issues involved in making ethical judgments; and;

12.1.4.2.4 Communicating the implications of unethical behaviour and its impact for individuals, the workplace, professional relationships, the QCTO as whole and external stakeholders including the public.

12.1.5 The Fraud Prevention Policy will be reviewed in order to ensure that it adequately addresses both the acceptance and offering of business courtesies, including gifts. This review will also consider the stipulations of the Code in this regard.

12.2 THE QCTO'S SYSTEMS, POLICIES, PROCEDURES, RULES AND REGULATIONS

12.2.1 The QCTO has a number of systems, policies, procedures, rules and regulations in the respective business units designed to ensure compliance with prevailing legislation and limit risk, including fraud risk. Fundamentally, all employees of the QCTO should understand and must comply with these.

12.2.2 The following are some of the relevant policies, procedures, rules and regulations:

- a) The Skills Development Act;
- b) The National Qualifications Framework Act;
- c) The Public Finance Management Act;
- d) The Treasury Regulations to the PFMA;
- e) Supply Chain Management Policy;
- f) Code of Conduct and Ethics;
- g) Human Resource Policies and Procedures; and
- h) Delegation of Authority.

12.2.3 In addition to the above, several operational measures have been designed to control all business activities.

12.2.4 In pursuit of high employee morale and commitment, the QCTO will continue to pursue its policy of paying fair, market-related salaries (within public service prescriptions) enabling employees to maintain a livelihood that obviates any desire to justify increasing their income through fraud.

12.2.5 Furthermore, a system for transparent and merit-based hiring and promotion practices with objectives standards in order to reduce the risk of nepotism and favouritism, both of which are demanding forms of corruption, will also continuously be pursued.

12.3 DISCIPLINARY CODE AND PROCEDURES

12.3.1 The HR Disciplinary Code and Procedures prescribes appropriate steps to be taken to resolve disciplinary matters.

12.3.2 The QCTO recognises the fact that the consistent and efficient application of disciplinary measures is an integral component in making the Plan a success. The

QCTO will continue to pursue the following steps to ensure consistent, efficient and speedy application of disciplinary measures:

- 12.3.2.1 Ensuring that all managers are aware of the content of the Disciplinary Code and Procedures, standards of discipline expected, the procedure for application of disciplinary measures and the disciplinary process; and
- 12.3.2.2 Developing a system to facilitate the consistent application of disciplinary measures, e.g. a monitoring system that includes proper record keeping of all disciplinary action taken.

12.4 INTERNAL CONTROLS

This section of the Plan relates to basic internal controls to prevent and detect fraud. The systems, policies, procedures, rules and regulations of the QCTO prescribe various controls, which if effectively implemented, would limit fraud within the QCTO. These controls may be categorised as follows, it being recognised that the categories contain overlapping elements:

12.4.1 Prevention controls:

These are divided into two sub-categories, namely Authorisation and Physical:

- a) Authorisation
 - (i) All transactions require authorization or approval by an appropriate responsible person;
 - (ii) The limits of these authorizations are specified in the delegations of authority of the QCTO and in various Treasury Regulations.
- b) Physical

These controls are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorized personnel. This becomes prominent in the case of protection of valuable, portable, exchangeable and desirable assets.

12.4.2 Detection controls

These are divided into four categories, namely Arithmetic and Accounting, Physical, Supervision and Management Information.

- a) Arithmetic and accounting
 - (i) These are basic controls within the recording function which check that transactions to be recorded and processed have been authorized and that they are correctly recorded and accurately processed.
 - (ii) Such controls include checking the arithmetical accuracy of the records, the

maintenance and checking of totals, reconciliation and accounting for documents.

- b) Physical
 - (i) These controls relate to the security of records. They therefore underpin arithmetic and accounting controls.
 - (ii) Their similarity to prevention controls lies in the fact that these controls are also designed to limit access.
- c) Supervision

This control relates to supervision by responsible managers of day-to-day transaction and the recording thereof.
- d) Management information
 - (i) This relates to the review of management accounts and budgetary control.
 - (ii) These controls are normally exercised by management outside the day-to-day routine of the system.

12.4.3 Segregation of duties

- a) One of the primary means of control is the separation of those responsibilities or duties which would, 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.
- b) Segregation of duties reduces the risk of intentional manipulation or error and increase the element of checking.

12.4.4 Furthermore, the QCTO will continue to regularly re-emphasise to all managers that consistent compliance by employees with internal control is one of the fundamental controls in place to prevent fraud.

12.4.5 The QCTO will develop a formal system by which the performance of managers is also appraised by taking into account the number of audit queries raised and the level of seriousness of the consequent risk to the QCTO as a result of the internal control deficiency identified. This is intended to raise the level of manager accountability for internal controls.

12.4.6 An Audit Action Plan Register detailing the internal control weaknesses (findings) identified during audits and investigations will be developed in order to assist in the identification of areas that require additional focus, particularly the root causes.

12.4.7 Where managers do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm disciplinary action will be considered.

12.4.8 Physical and information security

- a) Recognising that effective physical security is one of the “front line” defences against fraud, the QCTO will take regular steps to improve physical security and access control at its offices in order to limit the risk of theft of assets.
- b) The QCTO will also consider conducting a review of the physical security arrangements at its offices and improve weaknesses identified.

12.4.9 Information security

- 12.4.9.1 The QCTO recognises that a significant risk in this area is the risk of unauthorized access to confidential information.
- 12.4.9.2 The QCTO will continue with ensuring that employees are sensitised on a regular basis to the fraud risks associated with poor management of information security in order to enhance their understanding thereof and the risks to the QCTO associated with poor control over confidential information.
- 12.4.9.3 Regular communiqués will be forwarded to employees pointing out the policy on e-mail and Internet usage and the implications of abusing these.
- 12.4.9.4 Regular reviews of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed.

13. DETECTING AND INVESTIGATING FRAUD AND CORRUPTION

13.1 INTERNAL AUDIT

- 13.1.1 Internal Audit of the QCTO has been outsourced and is intended to assist in improving the effectiveness of operations, risks, management, control and good corporate governance.
- 13.1.2 The QCTO will continue to regularly re-emphasise to all managers and supervisors that consistent compliance by employees with internal control is one of the fundamental controls in place to prevent fraud. 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 **root causes** of these internal control weaknesses, in addition to addressing the control weaknesses.

13.2 ONGOING RISK ASSESSMENT

- 13.2.1 The QCTO acknowledges the fact that it faces diverse organizational risks from both internal and external sources. Annual risk assessments will be conducted. Annual Internal Audit Plans will be developed using a risk based approach.
- 13.2.2 Specific internal audit reviews, intended to identify and improve control weaknesses, have been planned for the above-mentioned areas. The QCTO will consider the

random selection of specific transactions in some of the areas in order to conduct **fraud detection reviews** aimed at detecting possible incidents of fraud.

13.3 REPORTING AND MONITORING

13.3.1 The QCTO has identified the fact that its plan for encouraging the reporting of fraud impacting should continuously be communicated. The QCTO has established its own fraud and ethics hotline.

13.3.2 The QCTO also recognizes the fact that due to the above apparent risks, whistle blowers could be victimized by fellow employees or managers in contravention of the Protected Disclosures Act. This could have severe implications for the QCTO, for example, negative media publicity. A Whistle Blowing Policy approved by Council is in place.

13.4 THE FRAUD PREVENTION POLICY AND RESPONSE PLAN

13.4.1 A Fraud Prevention Policy has been developed for the QCTO. The Fraud Prevention Policy contains provisions for the reporting of allegations of fraud which include the following:

13.4.1.1 Making a report to the employee's immediate supervisor;

13.4.1.2 Where the person reporting the information wishes to make a report anonymously, such a report may be made to any member of management, Internal Audit, Auditor General or to Council and its sub-committees

13.4.2 Furthermore, the Fraud Prevention Policy includes the following issues:

13.4.2.1 The policy stance of the QCTO to fraud, i.e. Zero Tolerance to fraud;

13.4.2.2 The definition of fraud and some manifestations in the QCTO's context;

13.4.2.3 The available channel to report, investigate and resolve incidents of fraud which impact the QCTO;

13.4.2.4 Provisions relating to the protection of whistle blowers (Please see the QCTO Whistleblowing Policy);

13.4.2.5 The handling of confidentiality relating to allegations and investigations of fraud;

13.4.2.6 Publication of sanctions imposed on persons found guilty of fraud; and

13.4.2.7 Responsibility for the administration of the Policy.

13.4.3 Furthermore, all reports or allegations of fraud will be consolidated at a central point to facilitate the identification of additional risks and the consequent development of appropriate strategies to address these.

14. FURTHER IMPLEMENTATION AND MAINTENANCE

14.1 CREATING AWARENESS

14.1.1 This component of the Plan comprises two approaches, namely education and communication. The weaknesses identified in this area are the following:

14.1.1.1 Need for continued awareness raising amongst employees of the manifestations of fraud and the fraud risks facing the QCTO; and

14.1.1.2 Lack of knowledge of approaches to prevent and detect fraud in specific processes and transactions.

14.1.2 The plan must include at least one awareness raising action per year for QCTO staff.

14.2 EDUCATION

The QCTO will ensure that regular presentations and training are carried out for employees to enhance their understanding of the manifestations of fraud, prevention and detection techniques and the components of the Policy and Plan, in general.

14.3 COMMUNICATION

14.3.1 The objectives of the communication approaches are to also create awareness of the Plan amongst employees and other stakeholders. This is intended to facilitate a culture where all stakeholders strive to contribute toward making the Plan a success and for the sustaining of a positive, ethical culture within the QCTO. This will increase the prospect of fraud being reported and improve the QCTO's prevention and detection ability.

14.3.2 Communication tactics that will be considered by the QCTO will include the following:

14.3.2.1 Developing a poster campaign aimed at all stakeholders to advertise the QCTO's stance towards fraud and its expectations with regard to the ethics and integrity of all stakeholders;

14.3.2.2 Circulating appropriate sections of the Code to other stakeholders; and

14.3.2.3 Publicising "lessons learned" out of investigations into allegations of fraud amongst employees.

14.4 ONGOING MAINTENANCE AND REVIEW

14.4.1 Audit & Risk Committee and EXCO

14.4.1.1 In order to ensure that the process of ongoing development and implementation of the Plan is consultative and viewed as such by all stakeholders within the QCTO, the Audit and Risk Committee considers risk management reports from Management regarding fraud prevention.

14.4.1.2 Management, through the Chief Risk Officer and the line managers, are

responsible for the ongoing maintenance and review of the Plan. This includes:

- 14.4.1.2.1 Evaluating reports of fraud and highlight areas of risk within the QCTO;
- 14.4.1.2.2 Considering fraud threats to the QCTO and addressing these;
- 14.4.1.2.3 Monitoring action taken to implement recommendations relating to incidents of fraud;
- 14.4.1.2.4 Steering and taking responsibility for the Plan;
- 14.4.1.2.5 Reviewing and making appropriate amendments to the Plan; and
- 14.4.1.2.6 Ensuring that ongoing implementation strategies are developed and carried out.

14.4.2 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. In the latter regard, specific priorities stemming from the Plan, actions to be taken, responsible persons and feedback dates relating to progress made will also be set. A matrix of tasks and responsibilities will be developed to facilitate the implementation.

15. FRAUD PREVENTION PLAN

PROCESS	ACTIVITIES	OUTCOMES	RESPONSIBLE OFFICIAL	DUE DATE
Risk Assessment and Fraud Prevention Policy	Development and/or review of Risk Management and Fraud Prevention Policy, Procedure and Plan	Risk Management and Fraud Prevention Policy, Procedure and Plan	<ul style="list-style-type: none"> ▪ Chief Risk Officer ▪ ARC and Council for approval 	Annually
Training and awareness	Regular workshops of staff on risk management and fraud prevention policies and fraud prevention plan	Employees aware of facets of fraud and corruption prevention, detection, investigation and resolution	Chief Risk Officer	Once per year
	Publish or distribute Fraud Awareness and Anti - Corruption information	Employees awareness of facets of fraud and corruption prevention, detection, investigation and resolution	Chief Risk Officer	On-going
	Pin-up the following posters: <ul style="list-style-type: none"> ▪ Fraud prevention 	Employee awareness of facets of fraud and corruption prevention,	Chief Risk Officer	Ongoing

QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (QCTO)
FRAUD PREVENTION – POLICY, PROCEDURES AND PLAN

PROCESS	ACTIVITIES	OUTCOMES	RESPONSIBLE OFFICIAL	DUE DATE
	<ul style="list-style-type: none"> ▪ Whistle blowing ▪ QCTO Anti-Fraud Hotline 	detection investigation and resolution		
Screening and vetting of employees	Conduct pre-and-post employment screening and vetting in line with HR policies	Identify fraud risk employees and those misrepresenting personal credentials	Human Resources Management	As and when
Regular workshops	Conduct fraud risk assessment to identify key fraud risk areas together with mitigating controls and the residual risks that must be addressed.	Develop and enhance entities' fraud risk profile	<ul style="list-style-type: none"> ▪ Chief Risk Officer ▪ MANCOM 	Annually
Internal controls and compliance	<ul style="list-style-type: none"> ▪ Verify effectiveness and efficiency of internal controls to prevent fraud. ▪ Internal Auditors to conduct audits 	Internal auditors reports verifying effectiveness of internal controls to prevent fraud and corruption	Internal Auditors	As per approved Internal Audit Plan
Anti-fraud and corruption programmes	Ensure attendance of anti-fraud and corruption workshops and programmes organised by organs of state and private providers	Personnel attended anticorruption and fraud prevention programmes	CEO Chief Risk Officer	As per need
QCTO Fraud and Ethics Hotline	Monitor the QCTO Fraud and Ethics Hotline including an anonymous e-mail to report fraud and/or suspicious fraudulent activities	Fully functional, independently managed QCTO Fraud and Ethics Hotline	Risk Specialist	Ongoing and report quarterly
Fraud Questionnaire	Develop fraud questionnaire and conduct fraud survey annually	Fraud survey conducted	Chief Risk Officer	Every second year
	Maintain and follow-up on the report and suspicious fraudulent activities noted in the questionnaire	Follow Up report	Chief Risk Officer	As per need

QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (QCTO)
FRAUD PREVENTION – POLICY, PROCEDURES AND PLAN

PROCESS	ACTIVITIES	OUTCOMES	RESPONSIBLE OFFICIAL	DUE DATE
Preliminary investigations	Investigation of suspected fraud and corruption conducted	Reported incidences of perceived or actual fraud investigated and resolved	<ul style="list-style-type: none"> ▪ Chairperson of Council ▪ CEO 	As and when
Forensic investigation	Forensic investigation should be instituted to determine the extent of fraud and/or corruption	Report of forensic investigation	<ul style="list-style-type: none"> ▪ Chairperson of Council ▪ CEO 	As and when
HR Disciplinary procedures	Disciplinary procedures conducted in line with approved HR Policy and/or Disciplinary Procedure Document	Approved HR and/or Disciplinary Procedure Document is being used	HR Manager	As and when
Disciplinary actions	Disciplinary action should be conducted fairly in line with the approved relevant policy of the QCTO	Outcome of the disciplinary action is documented accordingly	HR Manager	As and when
Civil recovery	Loss to the QCTO as a result of fraud and/or entity should be recovered from the perpetrator	Recoveries recorded accordingly	<ul style="list-style-type: none"> ▪ HR Manager ▪ CFO 	As and when
Stringent controls	Lessons should be learnt from the cases reported and stringent controls be put in place to prevent re-occurrences.	Effective and efficient internal control environment	Chief Risk Officer and line managers	On-going and continuous
Update incidents database	Develop and maintain a database of fraud and corruption incidents with resolutions and controls put in place to mitigate the re-occurrences.	Update database of incidents	Chief Risk Officer	Quarterly
Reporting	Incidents of fraud and corruption and resolution should be reported in the Annual Report	Incidents and resolutions reported	<ul style="list-style-type: none"> ▪ CEO ▪ Chief Risk Officer 	Annually
Awareness raising amongst all	<ul style="list-style-type: none"> ▪ Fraud prevention to be placed on QCTO 	Improved awareness raising amongst all	<ul style="list-style-type: none"> ▪ Chief Risk Officer 	Annually

PROCESS	ACTIVITIES	OUTCOMES	RESPONSIBLE OFFICIAL	DUE DATE
stakeholders	website <ul style="list-style-type: none"> ▪ E-mail communication and annual reports to include fraud reporting hotline details ▪ Create a banner on website with fraud reporting hotline details ▪ Consider advertising fraud reporting hotline 	stakeholders		

16. PROTECTING WHISTLE-BLOWERS

The Protected Disclosures Act, 26 of 2000 makes provision for the protection of employees who make a disclosure that is protected in terms of this Act.

Any disclosure made in good faith and substantially in accordance with any procedure prescribed by the employee's employer for reporting is considered a protected disclosure under this Act. An employee making a protected disclosure is protected from victimisation on the basis of the disclosure.

An employee or official, who suspects or reports suspected dishonest activity or such activity, which he or she has witnessed, will be afforded the opportunity to remain anonymous should he or she so require.

Managers should discourage employees and officials from making allegations which are false and made with malicious intentions. Where such malicious or false allegations are discovered, the person who made the allegations must be subjected to firm disciplinary action. The Protected Disclosures Act does not protect false disclosures. (Also see QCTO Whistleblowing Policy)

17. POLICY REVIEW

This Policy with its plan shall be reviewed every year to reflect the current stance on risk management. Non-adherence to this Policy may result in disciplinary actions in accordance with the QCTO Disciplinary Procedures.