



FRAUD PREVENTION POLICY

TT-FOA-29

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Standard Operating Policy – Finance,
Operations & Administration

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Approvals

The signatures below confirm that the reviewers agree with the content of the document and that this document is approved for implementation within Tshiamiso Trust.

Name	Position	Signature	Date
Prof. May Hermanus	Chairperson: Board of Trustees		
Kgomotso Molebatsi	Chairperson: HR, Remuneration and Governance Committee		
Daniel Kotton	Chief Executive Officer		02/11/2021

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1. POLICY SCOPE

1.1 Purpose of the Policy

- 1.1.1 The Tshiamiso Trust (the Trust) recognises that its operations are susceptible to the risk of fraud as are the operations of all organisations which manage and disburse funds, and that the circumstances of many of its intended beneficiaries are especially precarious.
- 1.1.2 The Trust is committed to acting honestly, ethically, professionally, fairly and with integrity in its business dealings and relationships. It is incumbent on the Trustees and the staff of the Trust to safeguard the Trust's funds, ensure that beneficiaries are correctly awarded as set out in the Trust Deed and that beneficiaries' awards are safely delivered into their custody.
- 1.1.3 To this end, this Fraud Prevention Policy (**the Policy**) of the Trust has been established to combat all forms of bribery, corruption and fraud which may impact on the Trust operations and to ensure that high standards of prevention and awareness are maintained.

1.2 Objectives of the Policy

- 1.2.1 The Policy is designed to deal with concerns raised by the Board, prescribed officers, employees, members of the public, auditors, providers of goods and/or services or stakeholders in relation to fraud, corruption, bribery, misconduct and malpractice within the Trust. The Policy establishes a common understanding of:
 - a) what fraud and corruption are;
 - b) how fraudulent and corrupt acts are prevented;
 - c) how the Trust detects fraud and corruption; and
 - d) the actions our people should take if they suspect fraudulent or corrupt activity.

2. POLICY GOVERNANCE

Roles and Responsibilities

2.1 Board of Trustees (the Board)

The Board of Trustees has the following responsibilities in respect of these Policies:

- Maintains oversight of fraud risk management in the Trust;
- Reviews reports on the status of fraud risk management, material non-compliance with this policy and ensures that corrective action is taken where necessary; and
- Provides strategic guidance for fraud risk management across the Trust.

2.2 Finance, Risk, Audit (FRA) Committee

The FRA Committee is accountable for the quality, integrity and reliability of the Trust's fraud risk management capability. It has the following duties and responsibilities in respect to this Policy:

- Notes approval of the fraud risk plan and policies recommended by the Trust Chief Executive Officer;
- Advise the Board of the Trust's fraud risk profile;
- Provide the Board, on a quarterly basis, with an assessment of the state of fraud risk management within the Trust and recommendations to address serious fraud risk issues; and
- Reviews this Policy and provides recommendations to the Board.

2.3 Executive and Senior Management

Executive and Senior Management are responsible for:

- Taking the necessary measures to ensure compliance with the policy principles ;
- Evaluating possible risks of bribery, corruption and fraud and their effects from a reputational and financial point of view;
- Taking the necessary measures in relation to establishing and implementing control mechanisms for the management of the risks that have been determined;
- Reporting activities that are in breach of the policy; and
- Taking the necessary measures to ensure compliance with the Policy principles by business associates and persons from whom outsourcing services are obtained.

2.4 Employees (Full-time, part time or temporary) and Independent Contractors and Consultants

Employees are expected to comply with the Trust's obligations pertaining to the limiting of any instances of fraud and misconduct. Employees should also understand the Trust's procedures for reporting fraud and related irregularity and escalate any suspected fraud or irregularity to appropriate management.

2.5 Internal Audit

Internal Audit will conduct, as a minimum, annual reviews of the Trust's controls and will provide quarterly reports to the Trust. The internal audit function assesses the internal business management and control processes within the framework and progress with corrective actions and report thereon independently to the relevant audit committees. Internal audit will assess the effectiveness and adequacy of the compliance process and assist the compliance function generally with independent monitoring of compliance within the Trust.

2.6 Policy Review

The Policy will be reviewed on an annual basis, considering any changes and/or amendments to regulatory and operational requirements.

2.7 Ownership of Policy

Ownership of the Policy will be vested in the Chief Executive Officer.

2.8 Related Group Policies

The policy is aligned with the following Trust Policies and legislation:

- Code of Conduct
- Risk Management Framework Policy
- Whistleblowing Policy
- The South African Prevention and Combating of Corruption Activities Act, 2004
- The Protected Disclosures Act, 2000



3. POLICY STATEMENT

- 3.1. No employee, associated person business partner may engage in any act of bribery or corruption in relation to the business of the Trust.
- 3.2. The Trust is committed to creating and supporting a workplace culture that promotes fair and just ethical standards as set out in the Trust's Code of Conduct. Fraud and corruption are incompatible with this culture and presents a risk to the achievement of the Trust's intended objectives.
- 3.3. The Trust is committed to preventing, identifying and addressing all acts of fraud and corruption. To achieve this, the Trust will raise awareness of fraud and corruption risks and implement "preventative" controls designed to reduce the opportunity to commit fraudulent and corrupt acts and "reactive" controls designed to report, detect and investigate potential fraud and misconduct.

4. POLICY GUIDELINES AND PRINCIPLES

4.1. *What is Fraud*

- 4.1.1. Fraud can be defined as wrongful or criminal deception intended to result in financial or personal gain. It may also involve conduct or acts such as bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion which affect the Trust or its beneficiaries.
- 4.1.2. The fraud risks with which the Trust may be confronted are many and varied and will be detailed in the Trust's risk register. The Trust under the guidance of the Chief Financial Officer, will conduct annual fraud risk assessment to identify potential fraud risk to the Trust. This process will ensure that actions are implemented to address and mitigate the identified fraud risk exposures.

4.2. *Prohibition against fraud, corruption and bribery*

- 4.2.1. **The Trust takes a zero tolerance approach to fraud, corruption and bribery.**
- 4.2.2. A person to whom this policy applies may not, amongst others:
- a) Give or receive bribes or improper advantages, either directly or through any third party.;

- b) Defraud or deceive anyone or act dishonestly.
- c) Give or receive facilitation of payments.
- d) Give or receive any gift, donation or benefit that may improperly influence a decision or impair independence or judgement.
- e) Participate in any other criminal activity, such as extortion, collusion, breach of trust abuse of power, embezzlement, trading in influence or money laundering.

4.4. *Fraud Prevention and Detection*

4.4.1. The Trust will place appropriate preventive (to limit the possibility of fraud and corruption) and detective (to spot incidents of fraud and corruption) controls to counter the risk of fraud. Procedures set up to prevent and detect fraud must be proportional to the risk involved and be carefully followed and monitored.

4.5. *Reporting & Confidentiality*

4.5.1. The Board of Trustees, Trust personnel, service providers, beneficiaries, stakeholders as well as members of the public are required to report any suspicions or incidents of fraud that come to their attention. Reports may be made through the channels listed in the Trust's Whistleblowing Policy.

4.5.2. All information relating to fraud and corruption must be treated confidentially, and such confidential information shall not be disclosed or discussed with any person(s) other than those who have a legitimate right to such information or unless the Trust is obliged to do during legal proceedings. It should be noted, however, that the investigation process may inadvertently locate the source of the information and that a statement by the employee, worker, contractor, service provider, stakeholder or member of the public concerned may be required as part of the evidence. However, no person may be compelled to give evidence in terms of this Policy.

4.5.3. The making of allegations that are false and are intended to cause harm to the affected party are discouraged. In instances where reported allegations are proven to be



intentionally fabricated and malicious, the person who made them shall be subjected to firm disciplinary or similar action, while appropriate action may be taken in the case of external parties.

4.6. *Investigations of Fraud and Corruption*

4.6.1. All reports and any suspicions of fraudulent practices will be investigated, and the Trust must take timely action against those found responsible. Actions taken by the Trust against perpetrators of fraud and corruption may include internal disciplinary processes, laying of criminal charges, civil and administrative actions and procedures to recover losses.

4.6.2. In the event where preliminary indicators are noted in the course of an investigation that a member of staff may be involved in or where a material irregularity and a significant risk of loss or destruction of evidence exists, approval may be sought for the suspected staff to be placed on precautionary suspension, per the Trust's Disciplinary Policy.

4.7. *Publication of sanctions*

4.7.1. The Board of Trustees, in consultation with Executive Management, shall decide whether any information relating to corrective actions taken or sanctions imposed in respect of incidents of irregularity, fraud and corruption should be brought to the direct attention of any person or made public by any other means, subject to the applicable limitations in terms of the Protection of Personal Information Act.

4.8. *Training and Awareness*

4.8.1. Management must develop and implement regular training for persons to whom this policy applies to make them aware of the types of fraud and corruption they could encounter, the risks of engaging in fraudulent and corrupt activity, the content of this policy and related procedures, and reporting obligations and procedures.

4.9. The Trust will consistently review, and where possible, improve the effectiveness of the controls and measures put in place to identify, investigate and manage fraud, corruption and bribery.



“APPENDIX A”

GLOSSARY OF TERMS

TERMINOLOGY	DESCRIPTION
Conflict of Interest	Exists when an employee's private interest may interfere with the interests of any Service Provider Company of the Trust. Such a conflict may result in divided loyalties, and when loyalties are divided, it is difficult to be objective about a decision. An employee within the Trust should avoid any private interest that may influence his/her ability to act in the best interest of the Tshiamiso Trust or make it difficult to perform his/her work objectively and effectively or lead them to compromise or have the appearance of compromising his/her judgement or integrity or other obligations as an employee within Tshiamiso Trust.
Disclosure	Reporting of any information regarding the conduct of an employer or an employee of that employer, made by an employee who has reason to believe that the information concerned shows or tends to show one or more of the following has taken place: <ul style="list-style-type: none"> o Criminal offense has been committed o That a person has failed to comply with any legal obligation to which that person is subject; o That miscarriage of justice has occurred o That the health or safety of an individual has been endangered; o That the health or safety of an individual has been endangered; o That the environment has been damaged; o Unfair discrimination as contemplated in the Promotion of Equality and Prevention of Unfair Discrimination Act, No 4 of 2000;or o That any matter referred to the above has been deliberately concealed..
External Fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party.
Identity Fraud	Fraud which occurs when an individual's personal information is used by someone else without their knowledge to obtain their benefits or funds from the Trust or other services fraudulently.
Internal Fraud	Losses due to acts of a type intended to defraud, misappropriate property, or circumvent regulations, the law or Trust policy, excluding diversity/ discrimination events, which involves at least one internal party.

Payroll Fraud	Fraud which occurs when unauthorised changes are made to payroll systems.
Personnel	Personnel Refers to any person who works for or provides services to or on behalf of the Trust and that receives or is entitled to receive remuneration and any other person who assists in carrying out or conducting the business of the Trust and includes, without limitation, the Trustees, all permanent, temporary and part-time employees, as well as contract workers.
Procurement Fraud	Fraud in which individuals or organisations associated with the Trust are involved in any fraud relating the purchase of goods or services.
Rigging of Expressions of Interest or Bids	This denies fair pricing and occurs when bidders agree amongst themselves or, with others with inside knowledge of the bid process, to eliminate competition in the procurement process.
Risk	The effect of uncertainty on objectives.
Three Lines of Defence	<p>The three lines of defence framework operates as follows:</p> <ul style="list-style-type: none"> • Staff in the first line of defence have direct responsibility for the management and control of risk in their units. Staff and management working within or managing operational business units with the Trust providing oversight of the operations; • The Risk Management function are the second line of defence who co-ordinate, facilitate and oversee the effectiveness and integrity of the risk management framework. The Finance Risk Audit and Governance Committee provides direct oversight of the second line of defence; and • The third line of defence provides independent assurance and challenge across all of the Trust's functions in respect of the integrity and effectiveness of the risk management framework. The assurance is conducted by both internal and external audit.