



**STATE DIAMOND TRADER**

# **FRAUD PREVENTION POLICY & PLAN**

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# STATE DIAMOND TRADER

## THE FRAUD POLICY STATEMENT

The State Diamond Trader recognises the importance of protecting the entity, its employees, its revenue, expenditure and assets, and the public funds and assets with which it has been entrusted, from any attempt by any person to gain financial or other benefit in an unlawful, dishonest or unethical manner.

In carrying out its functions, the State Diamond Trader prescribes to a culture of integrity, openness and fairness. The State Diamond Trader declares a policy of zero tolerance towards fraud, corruption, maladministration and any other acts of dishonesty. It is policy of the entity that corruption and the fraud will not be tolerated and that all allegations of corruption and fraud will be investigated. Appropriate action will be taken against all perpetrators, both internally and externally, followed by the recovery of any losses that the entity might have incurred

To ensure that we always conduct our business honestly and transparently, we are committed to the following:

- We have a zero-tolerance approach to fraud and corruption.
- We do not accept/pay facilitation fees or kick-backs".
- We keep proper records of dealings with third parties.
- We conduct due diligence on third party service providers.
- We ensure awareness of our stance on fraud and corruption.
- We protect those who disclose fraud and corruption.
- We take action against those who engage in fraud and corruption.
- We will initiate criminal prosecution by reporting matter to SAPS or any other relevant enforcement agent.

Signed at \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_

SM Mnguni

Accounting Officer

## **1. PURPOSE**

- 1.1 The State Diamond Trader has adopted a Code of Ethics articulating acceptable values and ethical conduct to which all persons associated with the entity are required to adhere. This notwithstanding, the State Diamond Trader acknowledges that in today's business environment, fraud and corruption are prevalent and all business organisations are susceptible to the risk of fraud. In this regard, the purpose of the Fraud Prevention Policy and Plan is to articulate policy as and to set out a plan in terms of which management shall deal with instances of fraud in the State Diamond Trader's Environment.
- 1.2 The Plan is premised on the organisation's core ethical values driving the business of the State Diamond Trader, the development of its systems, policies and procedures, interactions with clients, the public and other stakeholders, including decision-making by individual managers representing the organisation and is an update on the existing Fraud Prevention Plan.
- 1.3 The policy, guidelines and procedures set out in this document are important because it will help the entity to ensure that:
- Business is conducted professionally and with integrity;
  - Risks mitigating measures with regard to fraud and corruption are in place;
  - The entity is in compliance with national and international anti-fraud and corruption legislation;
  - Guidance on the processes that must followed when investigating fraud and corruption is provided;
  - Guidance to all our stakeholders on how to prevent and report fraud and corruption is provided;
  - Ensure timeous reporting of fraud and corruption to the authorities as required by law; and
  - Adequately protect those who report fraud and corruption.

## 2. BACKGROUND

- 2.1 The Public Finance Management Act, No 1 of 1999 and Treasury Regulations, 2005 requires the Board to adopt a risk management strategy that must include a formal Fraud Prevention Plan and to submit the Fraud Prevention Plan together with the Corporate Plan to the Executive Authority annually.
- 2.2 The Prevention and Combating of Corrupt Activities Act, No 12 of 2004 (PCCSA) strengthens the measures against corruption and has created specific offences related thereto.
- 2.3 The Protected Disclosures Act, No 26 of 2000 makes provisions for procedures in terms of which employees may disclose information regarding unlawful or irregular conduct by their employers or fellow employees. The Act accords protection to employees for disclosures made in good faith, under defined circumstances and encourages organizations to adopt internal whistle blowing mechanisms.

## 3. DEFINITIONS OF CONCEPTS

Term	Definition
<b>Fraud</b>	Means the unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another. Fraud is also intended to include all aspects of economic crime and acts of dishonesty. Any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.
<b>Entity</b>	means the State Diamond Trader.
<b>Employee</b>	means employee as defined in section 200 A of the Labour Relations Act 66 of 1995.
<b>Employer</b>	means the State Diamond Trader

\*(Annexure A under the Understanding the State Diamond Trader Policy Guideline gives details about other definitions and examples thereof).

## 4. LEGISLATIVE & POLICY FRAMEWORK

- 4.1 Constitution of the Republic of South Africa (Act No 106 of 1996).
- 4.2 Public Finance Management (Act, No 1 of 1999).
- 4.3 Prevention and Combating of Corrupt Activities (Act, No 12 of 2004).
- 4.4 Protected Disclosures (Act, No 26 of 2000).

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4.5 SDT's Corporate Governance Manual

4.6 Basic Conditions of Employment (Act, 75 of 1997).

4.7 Companies Act, 2008 {Act. No. 71 of 2008} ("Companies' Act")

4.8 Electronic Communications and Transmissions (Act No. 25 of 2002)

4.9 Financial Advisory and Intermediary Services (Act, 37 of 2002 ("FAIS"))

4.9 Financial Intelligence Centre (Act, 38 of 2001 ("FICA"))

4.10 Foreign Corrupt Practices (Act 1977 {FCPA)

4.11 Labour Relations (Act No.66 of 1995)

4.12 Promotion of Equality and Prevention of Unfair Discrimination (Act No. 4 of 2000)

4.13 Protection of Personal Information (Act, No 4 of 2013).

**4.14 Other documents include but not limited to the following:**

- Code of Ethics and Conduct.
- Delegations of Authority
- Sexual Harassment Policy and Procedure.
- Grievance Procedure
- Procurement Policies and Procedures.
- Disciplinary Policy and procedure
- Sexual Harassment Policy.
- Code of Conduct.

**5. SCOPE OF APPLICABILITY OF THE POLICY**

The Policy applies to all officials and/or Board members, Stakeholders, Contractors, vendors/suppliers and any other party conducting business with the State Diamond Trader.

**6. ROLES AND RESPONSIBILITIES**

6.1 The Legal Manager shall be responsible for policy development and review as well as policy awareness in the organization.

6.2 Management shall be responsible for the detection, prevention and investigating of fraud and corruption within their areas of responsibility.

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6.3 The Chief Executive Officer shall be responsible for fraud and corruption risk management. This includes the coordination of risk assessments, overseeing investigations and facilitating reporting of such instances to the Board, the Executive Authority and National Treasury.

6.4 Board is responsible for the approval of the policy.

6.5 Every employee has a responsibility to report instances of fraud and corruption.

## **7. POLICY STATEMENT**

The State Diamond Trader recognises the importance of protecting the entity, its employees, its revenue, expenditure and assets, and the public funds and assets with which it has been entrusted, from any attempt by any person to gain financial or other benefit in an unlawful, dishonest or unethical manner.

In carrying out its functions, the PIG prescribes to a culture of integrity, openness and fairness. The State Diamond Trader declares a policy of zero tolerance towards fraud, corruption, maladministration and any other acts of dishonesty. It is policy of the entity that corruption and the fraud will not be tolerated and that all allegations of corruption and fraud will be investigated. Appropriate action will be taken against all perpetrators, both internally and externally, followed by the recovery of any losses that the entity might have incurred.

To ensure that we always conduct our business honestly and transparently, we are committed to the following:

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- We ensure awareness of our stance on fraud and corruption.
- We protect those who disclose fraud and corruption.
- We take action against those who engage in fraud and corruption

## **8. FRAUD CONTROL STRATEGIES**

The State Diamond Trader's approach to fraud risk management is focused on three (3) areas namely:

### **8.1 Structural Strategies**

Structural Strategies represent the actions to be undertaken to address fraud and corruption at the level of the organization's governance structure as follows\_

#### **8.1.1 Good Corporate Governance**

Good Corporate Governance is critical to promote an organizational culture of ethical behavior and integrity to prevent fraud and corporate crime by influencing employees' conduct and behavioral standards. The Board and Management shall strive to promote an organizational culture of good corporate governance and high ethical standards. The following corporate governance structures are in place at the State Diamond Trader:

- 8.1.1.1 The Audit and Risk Committee has oversight responsibility for the State Diamond Trader's systems of internal control and reports to the Board.
- 8.1.1.2 An independent Internal Audit function conducts reviews and tests the effectiveness of the systems of internal control, providing assurance, and reports to the Audit & Risk Committee.
- 8.1.1.3 The State Diamond Trader has written Delegations of Authority and documented financial control systems.

#### **8.1.2 Assessment of Fraud Risk**

Under the guidance of Internal Audit, the State Diamond Trader will conduct annual fraud risk assessments to identify potential fraud risk exposures to the entity. The process will ensure that appropriate actions are taken to address identified risk exposures to mitigate them.

#### **8.1.3 Creating Awareness**

- 8.1.3.1 It is the responsibility of the Chief Executive Officer to ensure that all Board members and employees are made aware of the Fraud Prevention Policy and Plan. The Chief



Executive Officer shall further communicate the Fraud Prevention Policy and Plan to other stakeholders and upload it on the State Diamond Trader website.

**8.1.3.2** Employee awareness workshops shall be undertaken annually to assist in the prevention, detection and reporting of fraud and corruption by raising the level of awareness of employees as to how fraud and corruption manifests in the workplace.

## **8.2 Operational Strategies**

### **8.2.1 Internal Control**

Internal controls are the first line of defense against fraud and corruption. While internal controls may not fully protect the State Diamond Trader against fraud and corruption, they are an essential element in the overall strategy of the entity. All areas of operations shall ensure internal controls for *inter alia*, \_

8.2.1.1 Physical control of State Diamond Trader assets.

8.2.1.2 Authorization controls.

8.2.1.3 Supervisory controls (day to day staff management).

8.2.1.4 Data analysis.

8.2.1.5 Monthly, quarterly and annual financial statements, and

8.2.1.6 Monthly bank reconciliations.

## **8.3 Prevention Strategies**

A combination of initiatives shall be put in place for fraud and corruption prevention with the State Diamond Trader environment. These include but are not limited to \_

### **8.3.1 Pre-employment Screening**

The State Diamond Trader shall undertake pre-employment screening procedures for all potential employees regardless of level, including employees acting in specific positions, seconded employees and temporary and contractual employees.

### **8.3.2 Recruitment Procedures**

All recruitment shall be undertaken in accordance with the State Diamond Trader's Recruitment Policy.

### **8.3.3 Disclosure of Interests**

All employees shall annually declare financial interests in the prescribed form in accordance with the Code of Ethics.

## **8.4 Detection Strategies**

### **8.4.1** Fraud detection may occur through:

- 8.4.1.1 Vigilance of employees, including senior management.
- 8.4.1.2 The Internal Audit Function.
- 8.4.1.3 Ad hoc management reviews.
- 8.4.1.4 Anonymous Reports made in line with the Code of Ethics.
- 8.4.1.5 The application of detection techniques.
- 8.4.1.6 Segregation of duties; and
- 8.4.1.7 External Audit.

### **8.4.2 Response Strategies**

All allegations of fraud or corruption shall be investigated in line with the requirements of the PFMA read with the Treasury Regulations, the State Diamond Trader's Disciplinary Policy & Procedure and/or the Code of ethics of the entity.

Investigations of suspected acts of fraud or corruption must have due regard to process and must respect the legal rights of those allegedly involved.

## **8.5 Manner of dealing with the allegations of fraud at the State Diamond Trader**

### **8.5.1** Each matter to be dealt with on its own merits. The matters raised may:

- 8.5.1.1 Be raised internally with the Chief Executive Officer, or the Chairperson of the Board.
- 8.5.1.2 Be referred directly to the SAPS and/or any other relevant government or State Agent, depending on the nature of each individual case/matter.

### **8.5.2** The Chief Executive Officer/, Company Secretary/Legal Manager or any other delegated party have the advisory and supporting assistance of the following units, but not limited to the:

- 8.5.2.1 Internal Audit
- 8.5.2.2 Audit and Risk Committee
- 8.5.2.3 Legal Unit
- 8.5.2.4 Human Resources

8.5.2.5 The office of the Auditor General, and

8.5.2.6 The Public Protector

**8.5.3** Any fraud committed either by Board member of State Diamond Trader officials, shall be pursued through investigation and to the full extent of the laws, including consideration of the following:

8.5.3.1 Taking disciplinary action in terms of internal Disciplinary Policy and Procedures.

8.5.3.2 Instituting a recovery of financial losses, including formal civil action.

8.5.3.3 Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agent, and

8.5.3.4 Any other appropriate and legal remedy available

**8.5.4** The Chief Executive Officer and or any delegated persons, are required to ensure that loses or damages suffered by the State Diamond Trader as a result of all reported acts of fraud committed or omitted, by the Board member, employee or any other party, are recovered from such, Board member, employee or any other party should same to be found to be liable.

**8.6** Collective responsibilities of all role players:

The State Diamond Trader requires that all role players do the following:

- Have a positive, appropriate attitude towards compliance with laws, rules and regulations.
- Be aware of common indicators/symptoms of fraudulent and/or corrupt activities or any other wrongful! acts.
- Be aware of the risks and exposures inherent in their area of responsibility.
- Act with propriety in the use of the State Diamond Trader's resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with clients, consultants, vendors, contractors, members of the public, outside agencies and/or any other parties with a business relationship with the Diamond Trader.

e Report fraudulent and/or corrupt activities.

e Act in accordance with the State Diamond Trader 's

- standing orders and financial regulations
- policies and procedures
- Code of Conduct and Ethics.

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## **8.7 Maintenance Strategies**

### **8.7.1 Annual Review**

This Policy & Plan shall be reviewed on an annual basis to ensure its effectiveness and relevance.

### **8.7.2 Standard Operating Procedure for Reporting**

Management must develop and approve a Standard Operating Procedure for Fraud and Corruption Reporting to guide employees on how to report instances of fraud detected which procedures must include a mechanism for whistle blowing in terms of the Protected Disclosures Act.

An independent person or institution appointed by the State Diamond Trader shall be utilized by individuals or institutions to report any acts of fraud, maladministration, corruption or any acts of dishonesty as per the procedures in line with this policy.

## **8.8 Confidentiality**

**8.8.1** All information relating to fraud which is reported and investigated shall enjoy the status of a privilege, it shall be treated as privilege information.

**8.8.2** The progression of the investigation shall be handled in a confidential manner and shall not be discussed with any person other than those with legitimate right to such information. The latter is done in order to avoid damaging the reputation and or integrity of suspected persons, who at the end of the investigation may be found to be innocent of the alleged wrongful conduct, as well as the safety and security of the informant who has supplied the State Diamond Trader with the allegations.

**8.8.3** No person is authorised to supply any information with regards to allegations or incidents of fraud to the media without the express person of the authorised person within the State Diamond Trader.

## **8.9 Protection of Informant**

**8.9.1** No person shall suffer any penalty or retribution for reporting in good faith any suspected or actual incidents or fraud.

**8.9.2** Employees and the public shall be discouraged for making allegations which are false, misleading and/or made with malicious intention. Where such allegations are

discovered, the person who made such allegation shall be subjected to disciplinary action.

### 8.10 Application of prevention controls and detection mechanism

**8.10.1** In respect of all reported incidents or fraud, the Chief Executive Officer shall immediately review and where possible improve the effectiveness of the controls which have been breach in order to prevent similar irregularities from taking place in future.

### 8.11 Fraud Prevention Committee

**8.11.1** In order to ensure smooth implementation of the State Diamond Trader Fraud and Prevention Policy and Plan, a Fraud Prevention Committee must be established which is composed of the following:

- Chief Executive Officer-Chairperson
- Company Secretary/Legal Manager- Secretariat
- Chief Financial Officer
- HR Manager
- Operations Manager and
- A representative from Internal Audit Unit

## 9. REPEAL OF PREVIOUS/EXISTING POLICIES

Upon approval of any review of this document, the policy as revised shall be effective from the date of the approval.

## 10. POLICY HISTORY

All changes and reviews to the Fraud and Prevention Policy and Plan have to be kept up to date by recording them in the format as set out in the table below.

Version	Effective	Amendments
3	26 January 2021	3
4	25 January 2022	4

## 11. DOCUMENT CONTROL

Policy Name	Leave Policy
Owner	Legal Officer

Version	4
Date Approved	25 January 2022
Effective Date	25 January 2022
Date of next review	January 2023

## 12. Approval

This Fraud Prevention Policy & Plan was approved by the Board on \_\_\_\_\_

\_\_\_\_\_

**Chief Executive Officer**

\_\_\_\_\_

**Date**

\_\_\_\_\_

**Chairperson of the Board**

\_\_\_\_\_

**Date**