

state
diamond
trader

REPUBLIC OF SOUTH AFRICA

STATE DIAMOND TRADER

FRAUD PREVENTION POLICY & PLAN

SDT – 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 benefits 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 toward fraud, corruption, maladministration, and any other acts of dishonesty. It is the policy of the entity that corruption and 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 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 the matter to SAPS or any other relevant enforcement agency.

Signed at _____ on the _____ day of _____ 2023.

Mr. Kagiso Menoe

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 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 be 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 require 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.

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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 whistleblowing mechanisms.

3. DEFINITIONS OF CONCEPTS

Term	Definition
Fraud	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.
Entity	Means the State Diamond Trader.
Employee	Means employee as defined in section 200A of the Labour Relations Act 66 of 1995.
Employer	means the State Diamond Trader

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).

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")

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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 are 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 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. "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

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of the public, outside agencies and/or any other parties with a business relationship with the Diamond Trader. Report fraudulent and/or corrupt activities.

Act in accordance with the State Diamond Trader's;

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

6.2 RISK MANAGEMENT OVERSIGHT

(a) Accounting Authority

The Accounting 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.

(b) Audit and Risk Committee

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

The Audit and Risk Management Committee is appointed by the Accounting Authority to assist them to discharge their responsibilities for fraud and risk management. The Committee's role is to review the fraud and risk management progress of the entity, the effectiveness of fraud and risk management activities, the key fraud and risks facing the entity, and the responses to address these key fraud risks

6.3 RISK MANAGEMENT IMPLEMENTERS

(a) Accounting Officer

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

(b) **Management**

Management is responsible for executing their responsibilities outlined in the fraud risk management strategy and for integrating risk management into the operational routines.

(c) **Other Officials**

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.

6.4 RISK MANAGEMENT SUPPORT

(a) **Chief Risk Officer**

The Chief Risk Officer is the custodian of the Fraud Prevention Strategy, and coordinator of fraud risk management activities throughout the department. The primary responsibility of the Chief Risk Officer is to bring to bear his/her specialist expertise to assist the department to embed risk management and leverage its benefits to enhance performance.

(b) **Risk Champion**

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/or the lack of skills and expertise in the entity.

6.5 RISK MANAGEMENT ASSURANCE PROVIDERS

(a) **Internal Audit**

The role of the Internal Auditing in fraud risk management is to provide an independent, objective assurance on the effectiveness of the department'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.

(b) **External Audit**

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of fraud risk management.

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 the policy of the entity that corruption and 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.

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 behaviour and integrity to prevent fraud and corporate crime by influencing

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employees' conduct and behavioural 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 and 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 defence 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 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. Report fraudulent and/or corrupt activities.

Act in accordance with the State Diamond Trader's

- standing orders and financial regulations
- policies and procedures

Code of Conduct and Ethics.

8.6 Maintenance Strategies

8.6.1 Annual Review

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

8.6.2 Standard Operating Procedure for Reporting an alleged fraud matter

The procedure for reporting a fraud matter is set out in Annexure A

8.7 Confidentiality

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

8.7.2 The progression of the investigation shall be handled in a confidential manner and shall not be discussed with any person other than those with a 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.

8.7.3 No person is authorised to supply any information concerning allegations or incidents of fraud to the media without the express person of the authorised person within the State Diamond Trader.

8.8 Protection of Informant

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

8.8.2 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.

8.9 Application of prevention controls and detection mechanism

8.9.1 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 breached in order to prevent similar irregularities from taking place in future.

8.10 Fraud Prevention Committee

8.10.1 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
5	26 January 2023	5

11. DOCUMENT CONTROL

Policy Name	FRAUD PREVENTION POLICY AND PLAN
Owner	Company Secretary
Version	5
Date Approved	27 January 2023
Effective Date	27 January 2023
Date of next review	27 January 2024

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12. Approval

This Fraud Prevention Policy & Plan was approved by the Board on 27 January 2023

13. SIGNATURE

Board Chairperson

Maletlatsa Monica Ledingwane

Signature

Date

Annexure A: Standard Operating Procedure for Reporting an alleged fraud matter

Standard Operating Procedure

Purpose

1. To set out the standard operating procedure for all Management, Employees, Contractors, and Stakeholders of the State Diamond Trader. ("SDT")
2. This document aims to provide a standardized procedure to deal with the reporting on the Fraud Hotline, and all activities associated with it.

Scope

1. This procedure binds –
 - a. All SDT employees.
 - b. Management.
 - c. Members of the Board
 - d. Contractors and sub-contractors of the SDT, both on ad-hoc or long-term contracts.
 - e. Security personnel, whether employed by the SDT or whether providing services as a service provider to the SDT.
 - f. Stakeholders of the SDT.

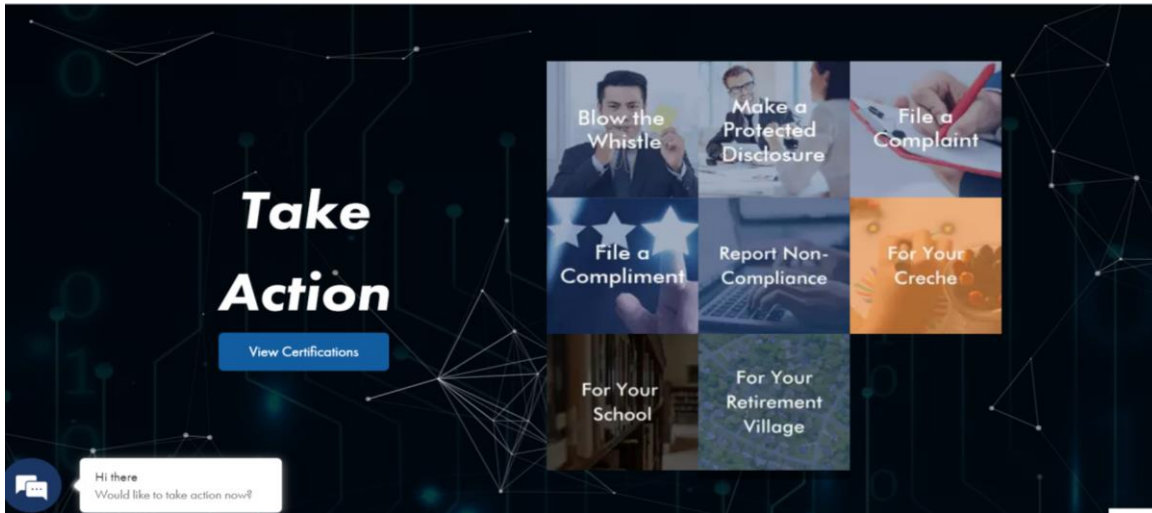
Procedure

Discovery

1. As soon as any unethical activity is suspected, it must be reported.
2. Without risking one's safety, attempts should be made to inconspicuously gather evidence of the activity to be reported. – Although this is not a requirement, it will make investigation attempts easier later.
3. Reporting is done in any of the following ways –
 - a. Scanning the QR code.
 - b. Calling the toll-free line.

Reporting Platform

1. Scanning the QR code will direct you directly to the reporting section of the site.
2. Once there, you must select from “Blow The Whistle” or “Make a Protected Disclosure”.



3. You will be asked to accept the terms and conditions.

A screenshot of a form titled "Complete form below:". Below the title, there is a paragraph of text: "Your information, whether partial or detailed, could be the missing piece of an intricate and important puzzle . Rest assured that your identity will never be revealed." Below this text is a progress indicator with three steps: "1 Terms", "2 Details", and "3 Business Info". The "1 Terms" step is currently active. Below the progress indicator is the heading "Terms and Conditions for Use". Underneath, there is a paragraph of text: "I know that neither AtoZ nor its employees will reveal my real identity to anyone without my permission. I know that AtoZ and all their operators is bound by legislation to protect my identity and that they will use all reasonable measures to do so. I know that there may be questions and that they will contact me on the e-mail address or number, that I provide, and that neither the number, nor the e-mail details will ever be shared with any third parties, whether for marketing purposes, or anything else." In the bottom-right corner, there is a blue button labeled "Next". In the bottom-left corner, there is a chat bubble icon and a white box containing the text "Hi there Would like to take action now?".

4. Once accepted, you can proceed to providing your details. For protected disclosures, as defined in the act, the reporter's real details must be used.

1 Terms 2 Details 3 Business Info

I will be using: *

My real details An alias name and contact details

Name

First Last

Email * **Contact Number**

If you dont currently have an email address, you can create a free one [here](#).

Previous Next

Hi there
Would like to take action now?

- The option to use an alias will ensure 100% anonymous reporting. The email address is compulsory to ensure later follow-ups. The link can be followed to register a Gmail account

Products Services Staff Behaviour Quotations Estimates Other

Please select all that apply

Please select the company that you are blowing the whistle on: *

State Diamond Trader

- United Stations Pty Ltd
- Animal Welfare Society Stellenbosch
- MediaHeads 360 (Pty) Ltd
- African Media Entertainment Ltd
- Algoo FM
- Moneyweb
- Shamrocks Gesegnet Butchery
- Central Media Group (CMG)
- The Wedding Inventory
- The Building Industry Bargaining Council (Cape of Good Hope)
- Schmidhauser Electrical And Plumbing
- Jakaranda Hardware
- Tollie's Meat Market
- Shopmax
- AGRISA Commodities
- Mdzananda Animal Clinic
- Devcotech Electrical Engineering
- State Diamond Trader**

Hi there
Would like to take action now?

- Select State Diamond Trader from the selection of entities.

Would you like to upload any files? *

Yes No

Details of Disclosure

Please provide as much as possible information and include names, department names, dates, times, places and anything else that will assist.

E-Mail Address for communication:

Hi there
Would like to take action now?

7. You can upload any evidence or documents, which you may have referred to in your report by clicking “Yes” at “would you like to upload any files” section.
8. You can now type your report in the “Details of Disclosure” section.
9. Once the report reaches the platform, an email will be send to the whistle-blower with a unique ticket number. This must be used for all future correspondence.

Toll-Free Line

1. Calls to the toll-free number is answered by seasoned investigators. Their questions serves a dual-purpose. Firstly to gather as much information as possible, and secondly to distinguish between real reports and hoaxes.
2. The operator will guide you through the process and will ask questions to ensure that the report is correctly understood and that the investigation / actions to address the report can be conducted as efficiently as possible.
3. He/she will attempt to establish future communication channels. – Rest assured that your details would never be shared with anyone.
4. Once done, you will be given a unique reference number to use for future communication.

Important Footnotes

1. Reporting information is in everyone's best interests. – You might be saving your colleague from doing something stupid by reporting a suspicion sooner rather than later.
2. Legislation ensures your protection. Neither the service provider, nor the SDT will reveal your information or identity to anyone.

3. You do not need facts to report a suspicion. – The SDT will endeavour to find the facts to prove/disprove the suspicion.
4. There is no obligation on you to find evidence. Your safety is more important to the SDT than any evidence you may be able to find.

Point of Contact

1. For matters concerning Management

The point of contact with the service provider should be the Chairperson of the Audit and Risk Committee.

2. For matters concerning staff

The point of contact should be the CEO with matters involving staff.

Reporting

1. All the investigation reports will be reviewed by the Audit and Risk Committee.