



ANTI FRAUD, ANTI CORRUPTION SEMINAR

LESSONS LEARNED

Thursday, 24 November 2016, 08h30 – 16h00

Durban Exhibition Centre

The purpose of this Learning Note is to provide a synopsis of the event with key highlights and points of reflection. For more information specific to the content of each presenters input, one is encouraged to visit the MILE website to view the available presentations.

1. Introduction

The eThekweni municipality, in partnership with the Association of Certified Fraud Examiners (ACFE), commemorated International Fraud Awareness Week (21 -25 November 2016) by hosting a seminar on 24 November 2016 at the Durban Exhibition Centre. International Fraud Awareness Week is celebrated globally in November each year as a campaign to minimize the impact of fraud by raising awareness through education. The City Integrity & Investigations Unit (CIU) mobilised around 500 stakeholders to elevate its efforts to combat fraud and corruption in the Municipality in a 1 day workshop. In creating awareness, this also gave effect to the efforts and commitment of newly installed Mayor Zandile Gumede, to stamp out crime, fraud and corruption in the city. The CIU, supported by its partners conceptualized these outcomes into a day programme aimed at responding to the challenges of governance, staff commitment and political will in order to achieve good governance and clean administration in the city.

The workshop set out the following objectives:

- To commemorate Fraud and Corruption Week and create a meaningful platform for engagement
- To encourage all practitioners and other role players to elevate good governance practices to alleviate fraud and corruption
- To raise awareness on the extent of corruption, the current challenges, and explore the implications to governance
- To mobilize all stakeholders to commit to fighting the scourge of fraud and corruption
- To engage political leadership on how to play a better oversight role in support of good governance
- To leverage existing partnerships and collaboration in addressing fraud and corruption

Mr Sipho Cele, Deputy City Manager and the Program Director for the day, welcomed all participants. Special mention was made of each of the speakers and other invited dignitaries, which included the following:

- Mbuso Ngcobo : Head of CIU
- Dave May: Head of Regional Investigations and Financial Crime Control (Standard Bank)
- Cllr T Luthuli: Mayoral Rep. and Chairperson on MPAC;
- Advocate B Vimbani: National Prosecution Authority
- Philip Zwart: Independent Fraud Investigator

Mbuso Ngcobo

Mr Ngcobo mentioned that we should ask ourselves what happened with Unembeza (Conscience). He reminded the participants of the importance of Ubuntu and how easy it was to lose our sense of morality. One of the issues that was mentioned was the abuse of power by superiors, for instance sexual favors in exchange for jobs and the issue of officials ignoring applicable regulations, rules and policies. Making special reference to jobs and tenders for sale within the Municipality, as well as sexual harassment cases, Mr Ngcobo mentioned that we should reflect on ourselves if we are still practising Ubuntu and/or Batho Pele. He further encouraged staff and the public to be vigilant and report incidents of corruption and wrong doing by public servants. To show that eThekweni Municipality is transparent when it comes to the fight against fraud and corruption, he said officials and the public are also encouraged to report matters, not only to CIIU, but also to SAPS.

Mr Ngcobo closed by requesting SAPS to co-operate with CIIU. He further requested SAPS to state the reasons if they are of the view that the matter being reported does not warrant criminal investigation, instead of just saying that they will not open the criminal case, which does not assist the course of a fight against fraud and corruption.

Dave May

Dave May is the Head of Regional Investigations and Financial Crime Control from Standard bank and also President of the ACFE South Africa board of Directors. Dave spoke on the importance of awareness in fighting fraud and corruption. In order to do this, training and education should be conducted in the work place. Fraud and corruption is often seen as a cold case, which is partly due to perpetrators getting away with the crime. In outlining the various types of fraud, May made mention of components of the fraud triangle which included motivation; opportunity and rationalisation. He noted how cyber fraud affects the banking sector at a national level where between 70% – 85% of the population is impacted. He also made a comparison between murder and fraud cases, stating that it's easy for fraudsters to justify the crime because they don't see the effects of their crime as compared to a murder, when the perpetrator sees his victim. The victims of fraud face many consequences, since the company loses money HR has to restart the process of hiring, and time and money is wasted on court cases. It was estimated that more 3.7 trillion dollars are lost in fraud and corruption annually. He also stated that fraud can be avoided, perhaps not entirely, but it can be monitored to reduce the chances.

Councillor Thabani Luthuli

Cllr. Thabani Luthuli, represented eThekweni Mayor Cllr. Zandile Gumede and was also the Chairperson of the Municipal Public Accounts Committee (MPAC). He mentioned that everyone should account for governance issues which include politicians, government officials, and the public at large. There needs to be synergy between government and private sectors in fighting fraud and corruption. He mentioned that abuse of power is the main cause of corruption, and furthered that officials tend not to adhere with policies. He also mentioned that there are tools in place to report fraud and corruption in the Water Department eg. The WhatsApp Reporting.

Advocate Bulelwa Vimbani

Advocate Bulelwa Vimbani is the Senior State Advocate for the National Prosecuting Authority in Durban. In her opening presentation she quoted the eThekweni mayor Cllr. Zandile Gumede saying that "Awareness is more important than conviction". This means that educating people on the do's and don'ts is key since

it is a measure that would eliminate or minimize fraud and corruption. She mentioned that corruption and money laundering are growing rapidly around eThekweni municipality due to the prevalence of fraud success in the past. She furthered that in the 2015/16 financial year Specialised Commercial Crimes Unit KZN (SCSU KZN) finalised 196 cases at 96.9% convictions of which 28 government officials were convicted. Furthermore, they have attained approximately R11.4m for compensation orders.

Adv. Vimbane made mention of key challenges and these include separation of duties, for instance, when an assigned member is on leave and they ask someone to sign off documentation. This leads to people making up documents and signing things that do not exist on behalf of the company. She also mentioned how whistle blowers are victimised, especially by senior members as the perpetrators usually occupy higher positions. Another challenge is that people are reluctant to depose to affidavits and to testify in court, which imposes a challenge since fraud cases depend entirely on documentation.

Philip Zwart

Mr. Zwart presented on his work as an independent fraud investigator. His opening statement was that as city officials we are the first line of defence and for everyone to be responsible as we have role to play in the workplace. He also mentioned that every employee is governed by the company's various policies, e.g. IT Policy, but employees do not understand the fraud risk. He used the analogy of an iceberg that showed the area above the sea level as the 20% of fraud cases that are identified and known by the public. Below the surface, the next 40% represent the cases that are identified but unknown by the public, and the last 40% as cases that have not been detected as yet. He concluded the presentation with several examples of preventable fraud cases where passwords were written on desk calendars or staff didn't question unknown people entering the office.

2. The Panel Session included the following panellist

Mr Philip Zwart: Independent Fraud Investigation

Mr Brigadier Marion: Commissioner (KZN SAPS)

Prof. Pearl Sithole: Public Service Commissioner (KZN)

On the panel, Sogen Moodley led panelists Philip Zwart, Brigadier Marion, and Dr Pearl Sithole, into a discussion of some of the largest challenges in fighting fraud. Mr. Zwart suggested that prevention is necessary because prosecution processes take too long and do not always work for convictions. Brigadier Marion suggested that fighting fraud is a mammoth task that needs to be tackled by changing the trajectory of the entire situation. He also gave examples of market manipulation which could lead to investment fraud and that people hardly take the responsibility to report cases of fraud, especially if the culprit is a person in/with power. Dr Sithole suggested that the greatest challenge is diagnosis of fraud. Dr Sithole was vocal in her comments and highlighted that South Africa has a problem with this as a developing country because fraud is tolerated at some level to meet certain goals (country, organisational, family and individual) and people do not have a sense of responsibility when managing government funds. We need to ask where we went wrong and how can we stop this from continuing.

Mr Moodley then asked the panel about collaborations and partnerships necessary to fight fraud. All agreed that they need to work together as representatives of police, private investigators, community based organizations, and the community itself. Pearl Sithole also suggested that a lack of partnership is not an excuse as each partner has a moral responsibility to ensure fraud prevention and detection.

4. Facilitated Group Work: World Café Conversations

In the afternoon, MILE facilitated a World Café discussion around the topic of fraud. This model gets participants to hold a structured conversation around a table for a short window period, note their points onto the “table cloth” and then they move as individuals to another table to respond to a new question in another discussion – each time penning the main points from the conversation on to the fixed table cloth. Later this will be reported on.

In this session, 4 questions were released to initiate the group conversation.

Q1: What are the UNDERLYING CAUSES of engaging in fraud? What are some creative SOLUTIONS?

Q2: What should be the role of CIVIL SOCIETY (NGOs, CBOs, FBOs, etc.) in fighting municipal fraud and corruption?

Q3: What do you think prevents the public from REPORTING FRAUD AND CORRUPTION?

Q4: What should be the role of BUSINESS in fighting municipal fraud and corruption?

The main points from the conversation have been captured in each of the quadrants below:

<p><u>Q1: What are the UNDERLYING CAUSES of engaging in fraud? What are some creative SOLUTIONS?</u></p> <p>Some of the causes and solutions for fraud were discussed by speakers throughout the day. The participants discussed causes and possible solutions, but did not have time to delve deeper into how these solutions may be possible.</p> <p>Causes:</p> <ul style="list-style-type: none"> • Greed/envy • Ethics/human nature • Social pressures (financial difficulty, underpayment, unemployment, poverty) • Social acceptance/norm • Opportunities/lack of controls • Unachievable targets • Unappreciated/discouraged staff • Fun/thrill • Easy money • Technical expertise <p>Solutions:</p> <ul style="list-style-type: none"> • Fair payment/minimum wage • Fraud risk management • Stricter penalties • Raise moral/ethic values • More efficient controls • Naming and shaming culprits • Better detection/monitoring • Financial advice to employees 	<p><u>Q2: What should be the role of CIVIL SOCIETY (NGOs, CBOs, FBOs, etc.) in fighting municipal fraud and corruption?</u></p> <ul style="list-style-type: none"> • NGOs, FBOs and CBOs should educate people on corruption and fraud since they deal with larger groups • The civil society needs to instill ethical upbringings (provide education on integrity in schools, churches, and at home) • Report suspicious activities and not think because they are non-governmental they have no input on reporting government based corruption • There should be an implementation of other whistle blower methods • Moral regeneration in the civil society • Surveys will help check if what was implemented works or not and thus help implement the model if the initial one does not work • There need to be citizen participation • Transparency by the municipality via the media • Inform the public about what is happening • NGO's should lead by an example have in-house cleaning
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<ul style="list-style-type: none"> • Education & training • Set the tone in the workplace • Have an open door policy • More informal & formal job creation • Accountability • Incentives • Encourage whistleblowing • Systems change • Ubuntu 	
<p><u>Q3: What do you think prevents the public from REPORTING FRAUD AND CORRUPTION?</u></p> <ul style="list-style-type: none"> • Fear of victimisation (to appear in court, Fear of the unknown) • Lack of Awareness • Apathy • Peer Pressure • No confidence in the legal system • Lack of witness protection • Lack of education • Lack of impact and progress on the matter reported <p><u>How can we turn this around?</u></p> <ul style="list-style-type: none"> • Educating on the Protected Disclosure Act (Awareness) • Creative channels to report anonymously • Make sure complaints are attended to and progress is given to relevant people/ departments • To implement the sanctions, making sure that the public is aware • Create a database to record all the convicted fraudsters and ensure its accessible to the public • Encourage whistle blowing policy • Education and training • Investigation should be carried out by transparent and independent companies 	<p><u>Q4: What should be the role of BUSINESS in fighting municipal fraud and corruption?</u></p> <ul style="list-style-type: none"> • The business should promote moral and ethical values • Provide training and awareness to staff and stakeholders • Discourage fronting /cover quoting • Manage whistle blowing policy • Creating the sense of ownership among the employees • Giving appraisals to employees • Name and shame the perpetrators • Create Awareness • Encourage Sanctions and ethical behaviour from business • Reporting (whistle blowing) to relevant authorities • Refrain from participating in fraud • Collaboration between business and municipalities • Boycotts (Rate a campaign for # FRAUD AND CORRUPTION MUST FAIL) • Accountability to national governments • Business to be more assertive • Business leading by example

CONCLUSION

In his closing comments, Head of CIU Mbuso Ngcobo reiterated the need to work together as partners to prevent fraud and corruption. He noted that institutional measures have been firmly put in place to provide oversight of financial management and integrity in the city. He also reminded the participant of the commitment and the serious tone of our political leaders, led by Mayor Gumede to eradicate fraud and corruption.