

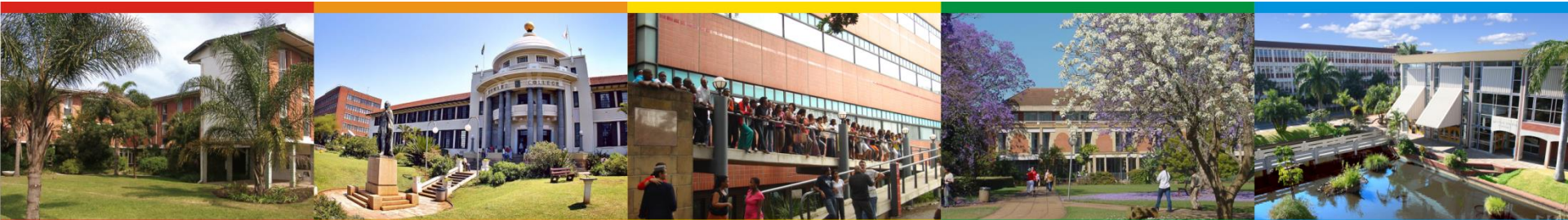


UNIVERSITY OF TM
KWAZULU-NATAL
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INYUVESI
YAKWAZULU-NATALI

Fraud Prevention in the Public Sector

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EDGEWOOD CAMPUS

HOWARD COLLEGE CAMPUS

NELSON R MANDELA SCHOOL OF MEDICINE

PIETERMARITZBURG CAMPUS

WESTVILLE CAMPUS

INSPIRING GREATNESS

Introduction

- Trust and collegiality
- Management fraud – >60%
- Statistics – 64%
- Global fraud surveys – 5%
- Internal controls
- Public universities in KwaZulu-Natal

Concept of Fraud Prevention

- Checking clerks – 500 BC
- Tally stick and Pipe roll 1100 – 1200 AD
- Fraud vs corruption
- Enemy within – 97%
- Fraud schemes : collusion / procurement / expense claims / CV / misuse of funds / phantom employees

Legislative Framework

- Examples of legislation
 - Constitution of SA
 - Higher Education Act
 - Prevention of Organised Crime Act
 - PRECCA – s29 / s34
 - Companies Act
 - PFMA / MFMA
- Batho Pele Principles
- NDP

Fraud Prevention Modelling

- EY, PwC, KPMG, CIMA, KZN, Albrecht *et al.*,
 - Ethical conduct
 - Education and training
 - Internal controls
 - Monitoring
 - Auditing
 - Forensic data analysis
 - Investigation capacity
 - Legislation
 - Policies and procedures
 - Whistle-blowing
 - Risk assessment
 - Management oversight
 - Due diligence

Prevention Strategy

- Anti-fraud and corruption policy
- Whistle-blowing
- Code of ethics
- Gifts
- Conflict of interest
- Communication and training

Prevention Strategy

- Leadership and governance
 - Directors and audit committee oversight
 - Senior management : “*fish rots from the head*”
 - Internal Audit : change of focus
- Due diligence
- Ongoing process
 - Assessment
 - Design of internal controls
 - Implementation and evaluation

Prevention Strategy

- Batho Pele
- Criminal prosecution
- Civil recovery
- Disciplinary action
- Course curriculum
- KPA's

CONCEPTUAL MODEL TO PREVENT EMPLOYEE FRAUD AT UNIVERSITIES IN KWAZULU-NATAL

Input

Macro Environment

- Political
- Legislative
- Socio-economic
- Technological
- Criminality
- Educational

Micro Environment

- Constitutional dictates
- Tenets of democracy
- Governance
- Community requirements
- Legal compliance
- Competition
- Values/ethics
- Suppliers
- Fraud

Transformation

Conversion

- SWOT analysis
- Management oversight
 - Policy-making
 - Planning
 - Organising
 - Leading
 - Controlling
- Methods and procedures
 - Code of ethics
 - Anti-fraud policy
 - Whistle-blowing
 - Conflict of interest
 - Declaration of gifts
- Resources
 - Employee vetting
 - Disciplinary code
 - Financial controls
 - Systems
- Fraud risk management
 - Fraud risk assessment
 - Fraud prevention plan
 - Forensic data analysis
 - Investigation capacity
 - Awareness training
- Governance
 - Council
 - Audit & Risk Committee
 - Forensic Services
 - Internal Audit
 - External Audit
 - Key performance area

Output

Goal Achievement

- Whistle-blowing reports
- Ethical culture – tone at the top
- Trained employees
- Enhanced internal controls
- Fraud averse environment
- Reduced incidents of fraud
- Reduced losses due to fraud
- Sustainable university
- Enhanced stakeholder confidence

F E E D B A C K L O O P

Conclusion

- Fraud committed by Management
- Trust and collegiality
- Beyond internal controls
- Communication and training
- Enforcement = deterrence (punitive)