



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Public Sector Risk Management Framework

# Fraud Prevention Policy

## 1. Introduction

Fraud Prevention Policy outlines the Institution's focus and commitment to the reduction and possible eradication of incidences of fraud and misconduct. It also confirms Institution's commitment to legal and regulatory compliance.

The fraud policy statement may vary from Institution to Institution but should highlight the following:

- Anti-fraud programs adopted by the Institution
- Policy / procedure for reporting fraud
- Mechanisms in place to prevent, detect and investigate fraud
- Recovery of financial losses
- Anti-fraud culture & values of the organisation

## 2. Deliverable

Fraud Prevention Policy should be introduced by a brief statement regarding the Institution's commitment to the elimination of fraud. It is the basis for the fraud risk management plan. Institutions should have the fraud risk prevention policy published and circulated to all stakeholders as part of an awareness campaign.

Fraud Prevention Policy and Fraud Prevention Strategy will encompass the identification of exposures to fraud and misconduct in the everyday operations of the Institution and the effective reduction or eradication of those identified exposures by the adoption of an awareness and education campaign applicable to all stakeholders.

A comprehensive approach to the management of fraud and corruption risks with specific focus on the following should be included into a policy:

- Understanding fraud risks that can undermine the Institution's business objectives;
- Determining whether fraud and corruption prevention programmes and controls are also adequately effective in reducing instances of fraud;

- Gaining insight into better ways of designing and evaluating controls to prevent, detect and respond appropriately to fraud and corruption;
- Reducing exposure to liability, sanctions and litigation that may arise from violations of law or stakeholder expectations;
- Deriving practical value from the development of a sustainable process of managing fraud, corruption risk and improving performance; and
- Achieving the highest levels of business integrity through sound corporate governance, internal control and transparency.

The adequate management of fraud and corruption contributes to the realisation of the company's strategic plan and adds value to the stakeholders.

### **3. How to draft a fraud prevention policy**

A fraud prevention policy communicates the Institution's stance with regard to fraud risk management. This policy is informed by the Institution's risk profile, appetite for risk, loss tolerance levels, regulatory compliance expectations, safety and health demands, sustainability management, corporate governance requirements etc.

The fraud prevention policy should:

- be drafted in consultation with key stakeholders;
- be reviewed at least annually to reflect the current stance on fraud and corruption;
- communicate the Institution's fraud risk management philosophy in the context of how fraud risk management is expected to support the Institution in achieving its objectives of preventing fraud and corruption;
- incorporate a statement committing the Institution to implementing and maintaining an effective, efficient and transparent system of fraud risk management;
- define fraud and corruption;
- spell out the objectives of fraud risk management;
- outline the fraud prevention approach; and
- identify the key role players and their responsibilities, such as:
  - Executive Committee;
  - Accounting Officer / Authority;
  - Risk Management Committee;
  - Audit Committee;
  - Management;
  - Other Officials;
  - Internal Audit;
  - External Audit; and
  - Chief Risk Officer.