



## Fraud Prevention Procedures (SOP)

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### Related documents

• UJ Documents	Other
<ul style="list-style-type: none"> <li>• UJ Policy: Risk Management</li> <li>• UJ Financial Policy</li> <li>• UJ Vision, Mission and Values</li> <li>• UJ Electronic Communications Policy</li> <li>• UJ Statute</li> <li>• UJ Conditions of Services</li> <li>• UJ Policy on Disciplinary Procedure</li> <li>• UJ Procurement Policy</li> <li>• UJ Student Regulations</li> <li>• UJ Regulations for Student Discipline</li> <li>• UJ Code of Academic and Research Ethics</li> <li>• UJ Academic Regulations</li> <li>• Policy on Plagiarism</li> </ul>	<ul style="list-style-type: none"> <li>• Higher Education Act 101 of 1997</li> <li>• Constitution of the South Africa Act 108 of 1996</li> <li>• Protection of Personal Information Act 4 of 2013 (POPI)</li> <li>• Electronic Communications Act 36 of 2005</li> <li>• Electronic Communications and Transactions Act 25 of 2002 (ECTA)</li> <li>• The Regulation of Interception of Communications and Provision of Communication Related Information Act 70 of 2002</li> <li>• The Labour Relations Act (Act 66 of 1995 as amended) Labour relations Amendment Act of 2018</li> </ul>

<ul style="list-style-type: none"> <li>• Sexual Harassment Policy</li> <li>• Policy Electronic Evidence</li> <li>• SOP – Fraud Reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention and Combatting of Corrupt Activities Act (Act 12 of 2004)</li> <li>• Criminal Law (forensic procedures) Amendment Act 6 of 2010 Criminal Law forensic procedures amendment Act 37 of 2013</li> <li>• Prevention of Organised Crime Act 121 of 1998</li> <li>• All legislation pertaining to Labour , Finance and Taxation of the Republic of South Africa.</li> <li>• Intimidation Act 72 of 1982</li> </ul>
<p><b>Stakeholders affected by this document (units and Divisions who should be familiar with it):</b></p>	<ul style="list-style-type: none"> <li>• All University Employees</li> <li>• All University Students</li> <li>• Vendors / Suppliers and Service Providers / Contractors to the University</li> <li>• All Agents acting on behalf of the University</li> </ul>
<p><b>Website address of this document: <a href="http://www.uj.ac.za">www.uj.ac.za</a> Intranet</b></p>	

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## **1. Preamble**

This procedure manual has been established to provide guidance to staff, students, external stakeholders and service providers on the process of reporting fraud and misconduct in the University.

It is designed to support the Fraud Prevention Policy and ensure that any acts of misconduct, dishonesty, fraud and corruption are identified, investigated and reported accordingly.

## **2. Legislation, Regulations and Policies**

The **UJ Fraud Prevention Policy** will be guiding the procedure for the reporting, review and investigation of potential fraudulent activities and University policies which provide input to the University ethics and conduct (as mentioned in the Fraud Prevention Policy) must be taken into account.

## **3. Updating the procedure**

This procedure is founded on the policies as mentioned above in paragraph 2. Therefore, this procedure needs to be updated whenever there is a change in these documents that has an impact on this procedure or if the procedure requires amendment.

## **4. Roles and Responsibilities**

The roles and responsibilities are defined in the Fraud Prevention Policy.

## **5. Scope**

**5.1.** The Risk and Assurance division within Financial Governance and Revenue provides oversight on the fraud management process, in conjunction with the independent service provider who manages the UJ Ethics line.

**5.2.** All reports of potential fraudulent incidents are treated with utmost confidentiality and are reviewed on a case by case basis in terms of the appropriate action

**5.3.** The objective of the fraud reporting procedures is to ensure that the following is consistently applied:

5.3.1. Prevention of fraud and corruption

5.3.2. Detection of fraud and corruption

5.3.3. Investigation

5.3.4. Reporting

5.3.5. Implementation of controls and mitigating measures

## **6. Procedure**

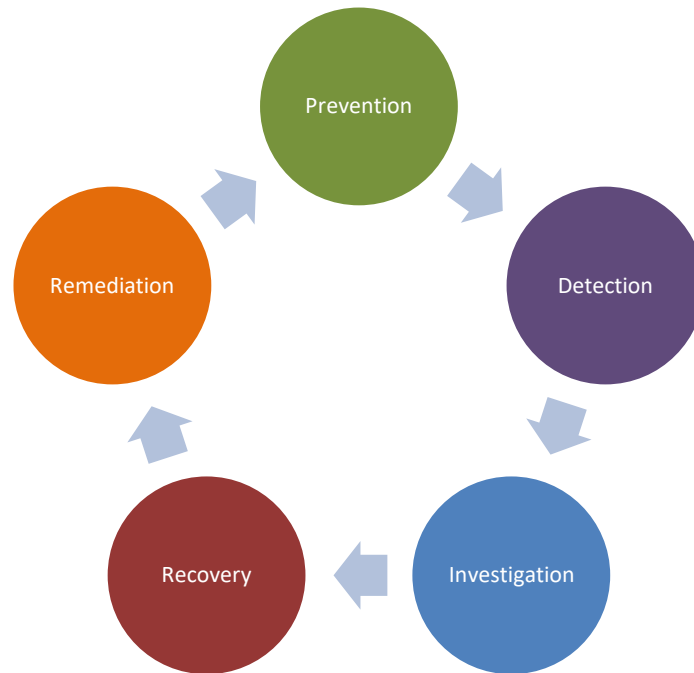
## 6.1. Introduction

Fraud prevention is the cumulative effect of both preventative and detection systems incorporated by management. Detection of fraud can lead to prevention thereof the response thereto acts as a deterrent.

UJ's approach towards fraud prevention is based on the principles mentioned and described hereafter.

## 6.2. Fraud Prevention Principals

The methodology to be adopted in the management of fraud and corruption across UJ comprises of:



- (i) Prevention of fraud and corruption
- (ii) Detection of fraud and corruption
- (iii) Investigation
- (iv) Recovery
- (v) Remediation

## 6.3. Prevention of Fraud and Corruption

UJ's approach to fraud risk management is to implement effective ways to deal with the problem by adopting methods that will decrease motive, restrict opportunity and limit the ability for potential fraudsters to rationalise their actions. In the case of deliberate acts of

fraud, the purpose of preventative controls is to reduce opportunity and remove temptation from potential offenders.

UJ's Fraud prevention measures are embedded in all documents (i.e. Policies, Practices Procedures and Guidelines).

### 6.3.1. Employee screening

#### 6.3.1.1. Pre-employment screening

Pre-employment screening is the process of verifying the qualifications, suitability and experience of a potential candidate for employment in addition for certain roles criminal, credit checks are conducted. Therefore pre-employment screening will be carried out for all appointments, and evidence of such screening will be maintained by Department of Human Resources.

#### 6.3.1.2. Fraud awareness

Fraud awareness is an ongoing process with feedback provided at RMC, MEC and ARCC. Continuous updates on fraud awareness takes place.

#### 6.3.1.3. Disclosure of interests

All employees are expected to declare annually their business interest. Such records will be approved by the line manager and maintained by the Department of Human Resources.

#### 6.3.1.4. Conditions of Service

The University is required to conduct itself in an ethical and moral way. High ethical standards bring long term benefits to all stakeholders.

UJ therefore has a formal value system and it believes that its values constitute the building blocks of the manner in which it conducts its business. All employees are expected to abide by the UJ's Values and Conditions of Service, Code of Academic and Research Ethics while student abide to the Judicial Services and Student Ethics.

#### 6.3.1.5. Stakeholders

The roles and responsibilities of stakeholder is defined in the Procurement Policy.

#### 6.3.1.6. Internal Audit

Internal Audit assists management in maintaining effective controls by evaluating those controls to determine their effectiveness and efficiency and by developing recommendations for enhancement or improvement. Internal Audit furthermore assists management in achieving the objectives of the University by evaluating and developing recommendations for the enhancement or improvement of processes.

A robust Internal Audit plan is compiled annually. The Audit Plan is applied in a risk based approach, serves as an effective preventative measure.

### **6.4. Detection of Fraud and Corruption**

Fraud detection may highlight ongoing fraud that are taking place or offences that have already happened. The most important aspect of fraud detection is that it allows for the improvement of internal systems and controls. Through detection of fraud, controls can be tightened making it more difficult for potential perpetrators to act.

#### 6.4.1.1. Internal audit

Similar to the prevention strategies, fraud may be detected through the execution of the Internal Audit plan which focuses partly on the prevalent high fraud and corruption risks.

#### 6.4.1.2. External audit

UJ recognises that it is not the external auditor's responsibility to prevent and detect fraud, although they should be providing reasonable assurance that the financial statements are free from material fraud and error.

#### 6.4.1.3. Line management and employees

Line management and employees may detect fraud in the execution of their daily activities. UJ recognises that its employees and other stakeholders, as its primary asset, are an invaluable tool in the detection of fraud in the University.

#### 6.4.1.4. Reporting fraud and corruption – Ethics Hotline

The University subscribes to an Ethics hotline allowing employees, students and stakeholders and/or external people to report any suspicion of fraud or corruption. If an employee or any other party becomes aware of a suspected fraud, corruption or any



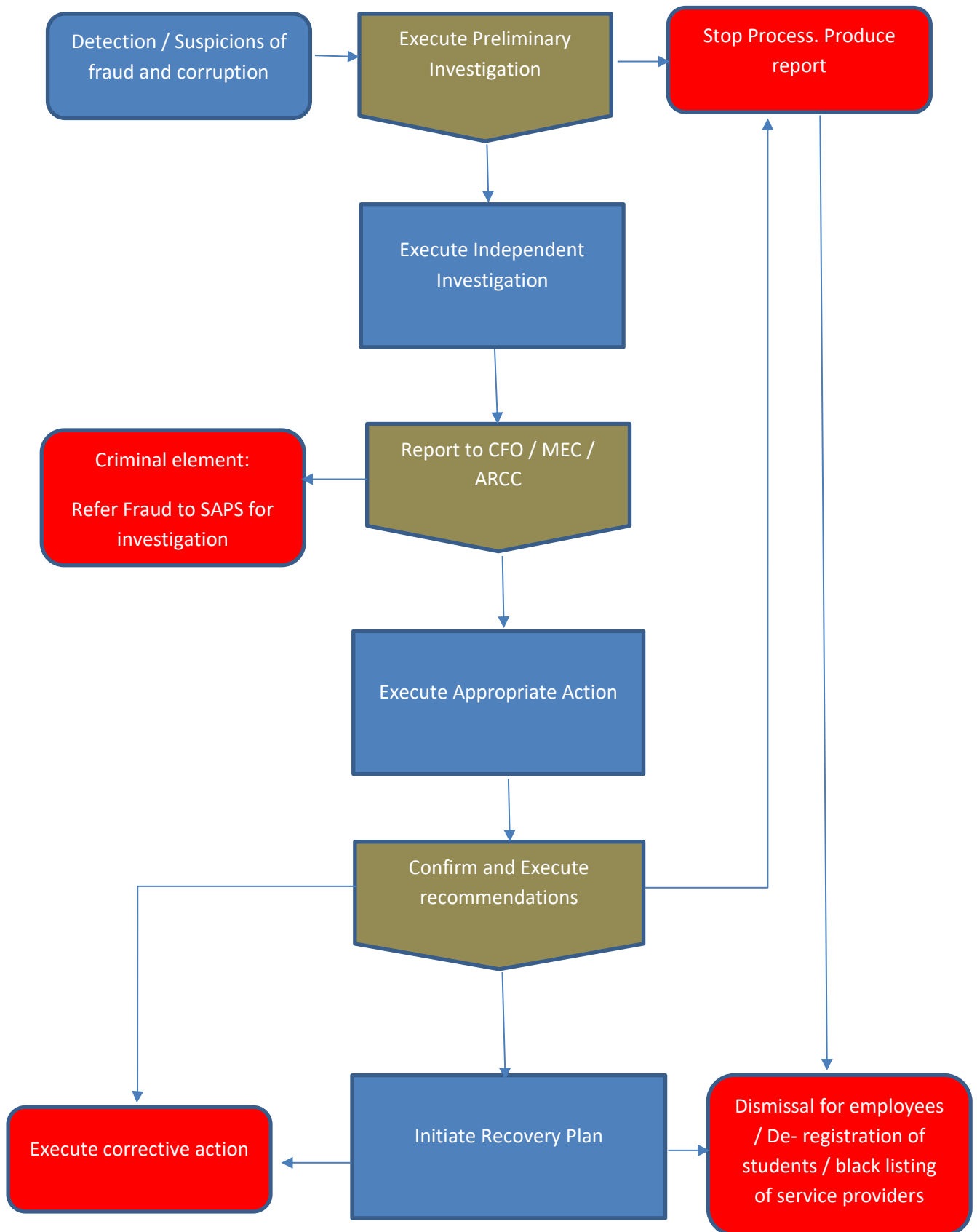
irregularity or unethical behaviour, such issues should be reported. Any suspicion of fraud and corruption will be treated seriously and will be reviewed, analysed, and if warranted, investigated and an appropriate action will be undertaken.

#### 6.4.1.5. Disclosure in accordance to the Protected Disclosure Act 26 of 2000

Disclosure means any disclosure of information regarding any conduct of the University made by an employee, student, service provider or stakeholder to the University who has reason to believe that the information concerned shows in intent one of more of the following:

- i) That a criminal offence has been committed, is being committed or is likely to be committed,
- ii) That a person has failed, in failing or is likely to fail to comply with any legal obligation to which that person is subject,
- iii) That a miscarriage of justice has occurred, is occurring or is likely to occur,
- iv) That the health or safety of an individual has been, is being or is likely to be endangered,
- v) That the environment has been, is being or is likely to be damaged,
- vi) Unfair discrimination as contemplated in the Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000,
- vii) That any matter referred above has been, is being or is likely to be deliberately concealed

## Investigation Process



#### 6.4.1.6. Preliminary Investigation

In the event that fraud or corruption is detected or suspected, preliminary investigations will be initiated. Anonymous reports may warrant a preliminary investigation before any decision to implement an independent investigation is taken.

Should the preliminary investigation not uncover any fraudulent or corruptive activities the process should be stopped and no further action should take place.

The following process will be followed for a preliminary investigation:

- a) Step 1: Understand the problem or opportunity
- b) Define the project scope and constraints
- c) Perform fact finding
- d) Analyse project usability, cost, benefit and schedule data
- e) Evaluate feasibility
- f) Present results and recommendations to management

#### 6.4.1.7. Independent investigation

Formal investigation of fraud and / or corruption will be confirmed by an independent investigator. Investigations will be undertaken by appropriately qualified and experienced persons who are independent where investigations are required.

Any investigation initiated must be concluded by the issue of a report by the person/s and or service provider appointed to conduct such investigations. Such reports will only be disseminated to those persons required to have access thereto in order to implement whatever action is deemed appropriate as a result of the investigation.

Any investigation into improper conduct within UJ will be subject to an appropriate level of supervision, having regard to the seriousness of the matter under investigation.

Procedure to request an independent investigation:

- a) An independent investigation may be requested by the member of the MEC in conjunction with the CFO or the CFO authorising an investigation,
- b) A formal request must be made through email and the CFO will approve such an investigation including the budget associated with the investigation,
- c) Should be investigation be initiated with the result of malice or unfair discrimination an HR process will be instituted to recover the monies lost from the employee involved or a Student disciplinary process instituted accordingly.,

- d) An investigation scope if agreed upon with the Executive Director: Financial Governance and any request for change / addition to the scope should be supported by a formal request to the CFO,

#### 6.4.1.8. Reporting to the Audit and Risk Committee

The Chief Financial Officer will be responsible for reporting fraud to the Vice Chancellor and the Audit and Risk Committee relating to, but not limited to:

- (i) An employee of UJ;
- (ii) A student of UJ;
- (iii) A client of UJ;
- (iv) A supplier to UJ.

Any decision not to refer an allegation of fraud to the police for investigation (where there is sufficient evidence to justify making such a report) will be referred to the Audit & Risk Committee, together with the reasons for the decision.

Reporting fraud to the police for investigation will be subject to the requirements as set out in applicable acts.

#### 6.4.1.9. Refer instance to SAPS for investigation

Should investigations uncover evidence of fraud or corruption in respect of an allegation or series of allegations, the University will review the facts at hand to determine whether the matter is one that ought to be reported to the relevant law enforcement agency for investigation and possible prosecution. Such reports must be submitted to the South African Police Service in accordance with the requirements of all applicable acts. The University will give its full co-operation to any such law enforcement agency including the provision of reports compiled in respect of investigations conducted.

In terms of section 34 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004

***Duty to report corrupt transactions.***—(1) Any person who holds a position of authority and who ***knows*** or ***ought reasonably to have known*** or ***suspected*** that any other person has committed—

(a) an offence under Part 1, 2, 3 or 4, or section 20 or 21 (in so far as it relates to the aforementioned offences) of Chapter 2; or

*(b) the offence of theft, fraud, extortion, forgery or uttering a forged document, involving an amount of R100 000 or more, **must report** such knowledge or suspicion or cause such knowledge or suspicion to be reported to the police official in the Directorate for Priority Crime Investigation referred to in section 17C of the South African Police Service Act, 1995, (Act No. 68 of 1995).” (our emphasis).*

#### 6.4.1.10. Disciplinary Procedure

All disciplinary proceedings will take place in accordance with the procedures as set out in the disciplinary procedure.

#### 6.4.1.11. Confirm and execute disciplinary hearing recommendation

The ultimate outcome of disciplinary proceedings may result in recommendations from written warnings to termination of service, as guided by the Disciplinary Procedure.

### 6.5. Recovery

Where there is clear evidence of fraud or corruption and there has been a financial loss to the University, recovery action, criminal, civil or administrative, may be instituted to recover any such losses, if considered financially beneficial, and as guided by the Disciplinary Procedure.

In respect of civil recoveries, costs involved will be determined to ensure that the cost of recovery is financially beneficial. The following actions may be undertaken following a fraud process:

- a) Institute corrective action
- b) Institute dismissal actions
- c) Dismissal of the matter

### 6.6. Remediation

There are lessons to be learned from every potential and identified incident of fraud and UJ's willingness to learn from experience is as important as any other response.

#### 6.6.1. Management response

##### (i) Internal reviews

Following an incident of fraud, management may consider a fundamental review of all of its systems and procedures so as to identify any other potential system failures or areas of weakness.

(ii) Implement changes

Should weaknesses have been identified, it can only be of benefit for the University to take the appropriate remedial action. Remedial action will be discussed as agreed upon my management in consultation with the Department of Human Resources where an employee is involved, Student Judiciary service where a student is involved and Finance Expenditure where a service provider is involved.

(iii) Enforcement policies

UJ has adopted a zero tolerance towards fraud and corruption through enforcement policies. Whereby a case of fraud is identified, appropriate action will be taken and those who are responsible will be dealt with accordingly.

(iv) Withholding of Pension Funds Benefit

In terms of 37d of the Pensions Fund Act 24 of 1956:

The fund would be justified in granting the employer's request to withhold benefits provided that:

- a) The employer demonstrates a prima facie case and reasonable prospects of success in its claim; and
- b) The employer provides information and regular updates to the fund confirming that it is diligently pursuing civil recovery proceedings and/or criminal proceedings pursuant to which it shall request the prosecutor to make a claim, on the University's behalf, for an award in terms of section 300 of the Criminal Procedure Act.

(v) Fraud Risk Assessment

In order to manage fraud risk, UJ has adopted a formal risk management process as set out in the Risk Management Policy whereby on an annual basis risks are identified and managed. Fraud risk assessment will also adopt the set process.

## 7. UJ'S ETHICS HOTLINE

One of the tools implemented by the University to detect and identify fraud is the UJ Ethics Hotline. This facility is managed by an Independent Service provider and allows for the anonymous reporting of suspected unethical behaviour and/or misconduct.

The UJ Ethics Hotline guarantees anonymity and provides the following reporting tools that are available to anyone who wishes to report irregularities 24 hours per day and 365 days per year:

Toll free call centre – 0800 872 846

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E-mail facility - [uj@tip-offs.com](mailto:uj@tip-offs.com)

Call log facility on the UJ Ethics Website - [www.tip-offs.com](http://www.tip-offs.com)

A link to the above tools is available on the University Internet and Intranet sites.

Operators will interview callers, probing for specific facts so as to record as much information and in an effort to understand the complaint as clearly as possible.

The call centre has report analysts on site who 'sanitise' every call, which means that they strip out any information that could lead to the identity of the caller, so that, only a factual report of the alleged wrong-doing with no additional information, is received.

Anonymous reports on each incident are sent to selected, authorised executive members of the University for review.

A summarised tracking report of incidents reported is presented to the Risk Management Committee and Audit and Risk Committee of Council (ARCC) on a quarterly basis.