



COMMUNICARE
BUILDING HOMES AND COMMUNITIES®

FRAUD PREVENTION POLICY



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TITLE: Fraud Prevention Policy

Procedure: FIN 04

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	DESIGNATION	SIGNATURE	DATE
Originator	MANAGING DIRECTOR		4.5.10.
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1. INTRODUCTION AND OBJECTIVES

Communicare is a Section 21 company and is the oldest and one of the largest social housing institutions in South Africa. During 1990 it developed a Code of Ethics in order to promote ethical behaviour within Communicare. This code is publicly displayed and available on its website.

In order to embed the Code of Ethics in the daily operations of Communicare it was decided to develop and implement a Fraud Prevention Policy ("FPP"). Attached, as Appendix A, is the list of definitions applicable to this Policy.

The FPP provides all stakeholders of Communicare with:

- insight and information regarding the various initiatives that will be considered and/or implemented in order to mitigate the risk of fraud, corruption and other irregularities;
- what actions the management of Communicare will take to address all matters reported in respect of fraud, corruption and other irregularities; and
- mechanisms to report to management and to assist management with all instances of fraud, corruption and other irregularities.

The risks relating to fraud, corruption and other irregularities which are discussed in this document should not be relied upon as an indication of the full spectrum of risks facing Communicare, but rather as an indication of the type of risks (refer Appendix C). The FPP does not guarantee that Communicare will not be impacted by incidents of fraud, corruption and other irregularities. The FPP is intended to serve as an additional measure to assist in mitigating the risk of such incidents occurring by creating awareness and promoting ethical business conduct.

2. SCOPE OF THE POLICY

Communicare requires all staff (including its directors) and other stakeholders to act at all times honestly and with integrity in all activities where they are acting with, for and on behalf of Communicare. Communicare requires a zero tolerance approach towards fraud and corruption. Therefore, all incidents relating to fraud and corruption will be thoroughly investigated and, where appropriate, those incidents will be reported to the relevant authorities (such as the South African Police Services) for further action. Communicare will also institute appropriate actions against any stakeholder who is proven to be involved in or has assisted with those incidents.

3. RESPONSIBILITIES

All matters reported in terms of this Policy will be treated confidentially and anonymously. Any individual who does not comply with this will be subjected to the necessary disciplinary, civil and/or criminal action. Further responsibilities are set out as follows:



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3.1 Custodian

The Managing Director (MD) is the custodian of the FPP and ultimately responsible for ensuring that the FPP and its objectives are embedded in the daily operations of Communicare. However, in order to ensure effective utilisation of Communicare's resources and the implementation of the FPP, the MD has delegated the administration and implementation of the FPP to the Fraud Prevention Committee. The latter will report to the Audit & Risk Committee on a quarterly basis regarding planned FPP initiatives, matters reported & investigated and the progress thereof.

3.2 All stakeholders

In terms of the FPP all stakeholders are required to:

- act in the best interests of Communicare;
- maintain a culture of zero tolerance, honesty and integrity;
- report all actual or potential incidents of fraud, corruption and other irregularities pertaining to Communicare to his/her immediate manager, Internal Audit, Co-ordinator: Risk and Special Projects or the MD. Stakeholders are also encouraged to utilise the fraud hotline or any other mechanism provided by management from time to time if anonymity is required;
- assist management to investigate, when required, any incidents of actual or potential fraud, corruption and other irregularities, as well to provide affidavits for and/or testimony at legal / disciplinary proceedings resulting from these investigations;
- prevent fraud, corruption and other irregularities;
- not actively or passively participate in fraud and corruption;
- ensure that they understand and operate all controls, systems and processes of Communicare in order to mitigate the risk of fraud, corruption and other irregularities; and
- with the assistance of the Fraud Prevention Committee, ensure that effective controls and processes are implemented and adhered to and to provide recommendations to improve current controls or processes in order to mitigate the risk of fraud, corruption and other irregularities.

3.1 Fraud Prevention Committee

The Fraud Prevention Committee will consist of the Co-ordinator: Risk and Special Projects, one Non Executive Member of the Board of Directors, one Senior Manager, one Member of the Audit Committee and the Managing Director. Internal Audit will attend in an advisory capacity. This Committee will ensure that:

- an effective FPP remains in place at Communicare, which will be regularly updated, reviewed and communicated to all stakeholders;



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- initiatives to embed a culture of zero tolerance and awareness of this Policy, such as those set out in Appendix B of this Policy, are properly administered and implemented;
- sufficient mechanisms are in place for all stakeholders to report all matters pertaining to fraud, corruption and other irregularities;
- all matters reported to the Committee in terms of the FPP are thoroughly assessed and investigated by the Committee and/or suitably qualified independent investigators;
- Committee members remain sufficiently independent from any matter assessed and/or investigated by the Committee and where potential conflicts of interest are evident, such members of the Committee recuse themselves from the process;
- all decisions regarding its recommended actions pertaining to reported matters are properly documented;
- appropriate disciplinary, civil and criminal actions are taken; and
- proper feedback is provided to the MD and relevant stakeholders.

4. NON-COMPLIANCE WITH THE FPP

It is the responsibility of the Managing Director to make the stakeholders aware of the Policy and to ensure that the Policy is implemented. All stakeholders will be required to comply with the Policy. Where necessary it is recommended that all stakeholders liaise with representatives of the Fraud Prevention Committee in order to understand the contents of the Policy. If any individual to whom the Policy is applicable fails to comply with this Policy, he/she may be subjected to disciplinary, criminal and/or civil action where applicable.

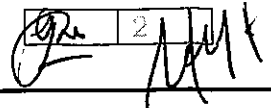
5. CONFIDENTIALITY AND PROTECTION

All stakeholders operating within this Policy are entitled to protection against victimisation and confidentiality. However, this will be subject to disciplinary, civil and/or criminal processes governed by the policies of Communicare and relevant legislation of South Africa. It should be noted that if any disclosure or matter reported in terms of this Policy is of malicious intent or not a bona fide report, the protection and confidentiality of this Policy will not be applicable.

6. WHISTLE BLOWING

Communicare has provided an anonymous hotline which is administered by an external entity, i.e. "Tip-Offs Anonymous". All stakeholders are encouraged to utilise this hotline (0800 20 49 69) for reporting any matters relating to fraud and corruption. The external entity will ensure that the details provided in respect of each reported matter do not include any references that may disclose the identity of the whistle blower before providing a report to Communicare.

This Policy and the hotline protects the confidentiality of each reported matter as well as the identity of each whistle blower. In this regard we also refer you to the Protected Disclosures Act (Act 26 of 2000). Any non compliance with the Policy will be dealt with in terms of the FPP. In terms of this Act an





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employee of Communicare is protected from victimisation by his/her colleagues and/or the Company should the whistle blowing report be bona fide and comply with the Act. A protected disclosure in terms of the Act is defined as follows:

"Any disclosure of information regarding any conduct of an employer, or an employee of that employer, made by any employee who has reason to believe that the information concerned shows or tends to show one or more of the following:

- (a) that a criminal offence has been committed, is being committed or is likely to be committed;
- (b) that a person has failed, is failing or is likely to fail to comply with any legal obligation to which that person is subject;
- (c) that a miscarriage of justice has occurred, is occurring or is likely to occur;
- (d) that the health or safety of an individual has been, is being or is likely to be endangered;
- (e) that the environment has been, is being or is likely to be damaged;
- (f) that unfair discrimination as contemplated in the Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No, 4 of 2000) has occurred; or
- (g) that any matter referred to in paragraphs (a) to (f) has been, is being or is likely to be deliberately concealed;"



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7. APPENDIX A – DEFINITIONS

Term	Definition
"fraud, corruption and other irregularities"	<p data-bbox="437 589 1134 618">Includes, but is not limited to, the following legal definitions:</p> <ul style="list-style-type: none"><li data-bbox="437 678 1528 752">■ Fraud, i.e. the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another;<li data-bbox="437 813 1528 936">■ Theft, i.e. the unlawful and intentional misappropriation of another's property or property which is in his/her lawful possession, with the intention to deprive the owner of its rights permanently;<li data-bbox="437 996 1528 2029">■ Offences in respect of corrupt activities as defined in the Prevention and Combating of Corrupt Activities Act, 2004, i.e:<ul style="list-style-type: none"><li data-bbox="496 1093 1528 1621">▪ The general offence of corruption which could be summarised as directly or indirectly accepting or agreeing to accept any gratification from another person; giving or agreeing to give any other person any gratification in order to influence that person directly or indirectly to exercise his powers, duties or legal obligations in a manner which is / amounts to:<ul style="list-style-type: none"><li data-bbox="544 1317 1238 1346">- Illegal, dishonest, unauthorised, incomplete, or biased;<li data-bbox="544 1361 1214 1391">- Misuse or selling of information or material acquired;<li data-bbox="544 1406 943 1435">- Abuse of position of authority;<li data-bbox="544 1451 775 1480">- Breach of trust;<li data-bbox="544 1496 1528 1570">- Violation of a legal duty or set of rules designed to achieve an unjustified result; and<li data-bbox="544 1585 1485 1615">- Any other unauthorised or improper inducement to do or not to do anything;<li data-bbox="496 1637 903 1666">▪ Corrupt activities in relation to:<ul style="list-style-type: none"><li data-bbox="544 1682 767 1711">- Public officials;<li data-bbox="544 1727 863 1756">- Foreign public officials;<li data-bbox="544 1771 679 1800">- Agents;<li data-bbox="544 1816 783 1845">- Judicial officers;<li data-bbox="544 1861 1038 1890">- Members of the prosecuting authority;<li data-bbox="544 1906 1406 1980">- Unauthorised gratification received or offered by or to a party with an employment relationship;<li data-bbox="544 1995 1318 2024">- Witnesses and evidential material during certain proceedings;



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Term	Definition
	<ul style="list-style-type: none">- Contracts;- Procuring and withdrawal of tenders;- Auctions;- Sporting events; and- Gambling games or games of chance;■ Conflicts of interests and other unacceptable conduct, e.g.:<ul style="list-style-type: none">- Acquisition of private interests in contracts, agreement in or investment in public bodies;- Unacceptable conduct relating to witnesses; and- Intentional interference with, hindering or obstruction of investigation of offence;■ Other offences relating to corrupt activities, viz:<ul style="list-style-type: none">- Accessory to or after an offence;- Attempt, conspiracy and inducing another person to commit offence; and- Failure to report corrupt transactions;■ Irregularities relating to the following:<ul style="list-style-type: none">■ <i>Systems issues</i>: where a process/system exists which is prone to abuse by employees, the public or other stakeholders, e.g.:<ul style="list-style-type: none">- Non-compliance to tender procedures;- Procurement fraud, e.g. collusion between employees and suppliers;- Inadequate vetting of employees;- Abuse of leave;- Theft of blank cheques;- Fraudulent assessment or calculation of any levies, rates, taxes and other funds due to COMMUNICARE;- Abuse of the system of overtime;- Abuse of the system of travel claims;- Fraudulent information submitted by suppliers when tendering for work;- Fraudulent payment certificates submitted for payment;- Non-compliance to delegated authority limits;- Deliberate non-compliance to policies and procedures; and- Disclosing of confidential and/or proprietary information to outside parties.■ <i>Financial issues</i>: i.e. where individuals or entities have fraudulently obtained money from COMMUNICARE, through:



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Term	Definition
	<ul style="list-style-type: none">- Theft, e.g. petty cash, etc;- Suppliers invoicing for work not done;- Fraudulent cashing of cheques;- Fraudulent travel claims by employees;- Abuse of petrol and credit cards;- Insurance fraud, e.g. collusion between employees and public with respect to fraudulent insurance claims;- Service providers double invoicing; and- Contractors or service providers misrepresenting their abilities to render the required services or goods and / or misrepresenting their ownership and / or management, such as black economic empowerment "fronting".▪ <i>Equipment and resource issues:</i> i.e. where Communicare's equipment is utilised for personal benefit or stolen, e.g.:<ul style="list-style-type: none">- Theft of assets;- Abuse of assets;- Unauthorised use of assets or facilities;- Deliberate destruction of property; and- Use of COMMUNICARE resources and equipment for private gain.▪ <i>Other issues:</i> i.e. activities undertaken by employees of COMMUNICARE, which may be against policies or fall below established ethical standards, e.g.:<ul style="list-style-type: none">- Deliberate disclosure of confidential information;- Conflict of interest ;- Favouritism or nepotism; and- Non-disclosure of private work.
"stakeholders"	The directors and staff of Communicare, as well as all temporary staff, contract workers, contractors, service providers, customers and tenants.
"MD"	The Managing Director of Communicare.



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8. APPENDIX B – EXAMPLES OF FRAUD CONTROLS AND INITIATIVES

The following is a list of initiatives and controls that will be considered by Communicare to create awareness of the FPP and to mitigate the risk of fraud, corruption and other irregularities. It should be noted that this list must not be seen as a complete list of such initiatives and controls, but rather an indication of the types of initiatives and controls that will be considered.

Awareness initiatives

- Awareness workshops and initiatives will be considered by the Fraud Prevention Committee.
- Annual declarations will be signed by all staff as evidence that they are aware of the contents of the FPP.
- Relevant marketing material such as posters and emails will be circulated to create awareness of the FPP.

Initiatives and controls relating to the organisation

- Ensure that proper policies and processes are in place which are regularly reviewed and amended as required.
- Ensure that all stakeholders are aware and understand the contents of the relevant policies applicable to their environment.
- Ensure that a culture of ethical business conduct is embedded in the organisation.
- Ensure that the Audit and Risk Committee will in conjunction with Management assess the effectiveness and relevance of all controls, systems and processes, through initiatives such as fraud risk assessments and integrated & risk based internal audits.

Initiatives and controls relating to stakeholders

- Pre-employment screening, probity, vetting and background checks will be considered before the appointment of new employees and service providers.
- Conflicts of interest declarations will be signed before the adjudication or awarding of tenders or proposals.
- Declarations in respect of private work conducted external to Communicare will be signed on a regular basis.
- Employees will be encouraged to take compulsory leave on an annual basis.
- The appointment of service providers will be done once best practice procurement processes have been followed.



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Enforcement of the FPP

- Ensure regular review of the FPP.
- Ensure success of the current FPP and its relevant initiatives via feedback from stakeholders.
- Ensure independent and surprise reviews of high risk processes and transactions.

Ensure regular monitoring and data mining of transaction data in order to identify potential high risk matters which would require further investigation.



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9. APPENDIX C – EXAMPLES OF KNOWN FRAUD AND CORRUPTION RISKS

Set out below is a list of known fraud and corruption risks to which Communicare may be exposed. In this regard Communicare will be implementing specific controls and initiatives in order to ensure that these risks are sufficiently mitigated. It should be noted that the list below should not be regarded as a complete list of fraud and corruption risks pertaining to Communicare, but rather the types of risks that can be facing the Company.

Procurement processes

- Fronting by potential suppliers in order to comply with black economic empowerment requirements
- Cover quoting in respect of tenders/bids
- Employees operate private businesses which are utilised to tender for bids at Communicare
- Employees or their family members have direct or indirect interests in tendering entities
- Manipulation of bid adjudication process in order to ensure that a bid is awarded to a specific bidder, through the manipulation of price comparisons and bid submissions
- Receipt of gift and / or favours from potential suppliers which are not declared
- Fictitious or fraudulent invoicing
- Fictitious or fraudulent delivery details

Finance and payment processes

- Incorrect or fraudulent bank details are loaded on the payment system in order to misappropriate funds from Communicare
- Reconciliations are manipulated in order to prevent the management of Communicare detecting misappropriated funds
- Manipulation of company payment terms in order to ensure quicker payment to certain suppliers
- Duplicate payments are made to a supplier, who is then requested to refund the moneys to another bank account (unrelated to Communicare)
- Collusion between employees and / or suppliers of Communicare
- Fraudulent or fictitious expense reimbursement claims
- Fraudulent use and / or abuse of company credit cards

Company assets

Fraudulent use and / or abuse of company assets, such as:

- Excessive personal photo copying
- Non-work related internet activity, such as online gambling and adult websites
- Running private businesses utilising the company's assets
- Personal use of company vehicles, computers and stationery

Human Resource and Employee related processes



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- Manipulation of time and attendance registers
- Manipulation of leave records
- Sharing of user names and passwords
- Disclosure of confidential information to internal and / or external parties