



the premier

Department of  
the Premier  
FREE STATE PROVINCE

KEDYNOTE ADDRESS BY MEC: FINANCE, ELZABE ROCKMAN ON THE OCASSION OF THE SEMINAR ON FRAUD AWARENESS, HELD AT BLOEM SPA, 5 NOVEMBER 2013

Programme Director,

MECs,

Chairperson: Provincial SCOPA,

Executive Mayors,

Mayors,

DG,

HODs, CEO's and Municipal Managers,

CEOs from Association for Certified Fraud Examiners (ACFE),

PriceWaterhouseCooper (PWC) and Standard Bank,

Audit Committee Chairs and members,

Guest Speakers,

Provincial Accountant General,

CFOs

Senior Management from hosting partners,

Media representatives,

Ladies and gentlemen:

Corruption is a global problem that undermines growth, development and service delivery by diverting resources away from development programmes. Its effects are particularly harmful to developing countries while achieving good governance and fighting corruption is amongst the most important challenges facing new democracies such as South Africa.

The ANC Government is committed, both as matter of policy and in practice, to combating and rooting out corruption and fraud. That is why when we began this

ending term of political office, we had "*fighting crime and corruption*" as one of our five priorities in our 2009 electoral manifesto. This was further translated into formal programme of Government when "intensifying the fight against crime and corruption" became one of the 10 strategic priorities of Government's Medium Term Strategic Framework 2009-2014. The Diagnostic Report which has informed National Development Plan also highlighted "*high levels of corruption*" as one of the nine primary challenges for advancing national development. We even talk about "Creating a safe and secure environment for individuals" as one of our policy programmes in the Free State Provincial Growth and Development Strategy that contains our Free State Vision 2030.

Through this Fraud and Corruption Awareness Week, as Government, we therefore seek to showcase our work and success in combating and rooting out corruption. Good governance is equally important in the public and private sectors although objectives are often different pursuit of profits, wealth creation and service delivery for shareholders versus communities. Fraud and corrupt amongst others, may include the private use of public resources for personal gain, bribery, improper dealings, nepotism, and so forth.

Government is especially struggling with BEE-fronting, which is the abuse of the rules governing Broad Based Black Economic Empowerment (BEE). Fronting is when qualifying persons are given a seat on the Board of Directors of a company while having no decision-making power in the company, in order to qualify the company for government contracts in terms of BEE. That is why the purpose of the week is therefore focusing on both government and the private sector, with the aim to promote fraud awareness and share best practices and/or methods to prevent, detect and address these fraudulent activities.

We therefore join in on celebrating this week, more so because we are not operating in an environment which is immune to fraud. It is of utmost importance to continue with awareness campaigns, discuss, engage and create a platform where dialogue is

at the forefront of realising the different avenues which can be used to combat fraud.

We are privileged to have amongst others the following prominent speakers

- Mr. Gerhard Geldenhuys: a Director for PWC Advisory Services – Central Region,
- Mr Rudolf Laubscher: a Chairperson for ACFE Central Region,
- Mr Jaco de Jager: CEO of ACFE South African Chapter,
- Mr S Tshitangano from the Office of the Chief Procurement Officer – National Treasury,
- Ms Jean Smith: Head of Fraud and Risk Management – Standard Bank South Africa.
- We further acknowledge the decision that was made by the National Lottery Board that also participate and shares their experiences on this particular event.

We should leave here having gained knowledge and information on the recent developments and principles on fraud and corrupt activities and be able to enhance control measures in the respective areas of works in order to mitigate the likelihood and impact of possible perpetuated fraud at our respective areas of responsibilities.

As the Free State Provincial Government, we have already started walking the talk. We have dealt with high profile and very delicate cases since 2009. We changed the procurement rules that gave officials too much power to decide on awarding of contracts to service providers. Amongst others were cases where faceless service providers were allegedly providing transport services for school kids, others were in school nutrition. We insisted that information about these service providers be brought to our knowledge. It occurred, as we came to know through our investigative services that there were no such service providers and in some cases, the service providers were inflating the numbers of children they were taking to school, they falsified the distances they were travelling and they also inflated the numbers of children that were in school nutrition programmes. Through this

intervention, we were able to save government millions of rands because we exposed a scam and a network of collusions between service providers and officials.

Since 2010, we ensured that no government department provides bursaries to students in isolation to the provincial vision. A lot of money was spent on a meagre 100 students per year. We ensured that government re-prioritises its budget and spending in line with the dictates of the Election Manifesto. We centralised bursaries to the department of Education and implemented a Provincial Bursary scheme. Today, we are proudly spending in excess of R300 million bursaries on approximately 6500 students.

Our clamping down on corruption has ensured that we regain the stability of our provincial government departments such as Police, Roads and Transport which was placed under Section 100 as a result of corrupt and fraudulent activities of officials there. We are happy that through our intervention, the Department has improved its audit outcome for 2012/13 to an unqualified audit and is a candidate for clean audit 2014.

At the Department of Human Settlements, we exposed a syndicate that was that was milking the coffers of the government dry. Certain officials were manipulating the individual subsidy system to favour their corrupt and fraudulent intentions. Six Senior officials were suspended in July last year, whilst 1 middle management official and 3 junior officials were dismissed for manipulating allocation lists of contractors, facilitating advance payment and poor or no inspection of projects that belonged to their favoured service providers. The systems that we put in place as a result of what we discovered have ensured that no one can get away with fraud, corrupt and deliberately negligence that is aimed at unfairly advantaging other people.

The Department of Social Development is another area that has been prone to irregular practices. At first, it was social grants fraud. Whilst systems were put in place to manage and regulate this area with dedicated surveillance measures, other officials risked being caught and these have been dealt with over the years. A new

trend that we identified recently is where officials in the department seem to have colluded with ECDs and NPO's to inflate the numbers of children, so as to get higher subsidies. This problem was identified by the Department's Internal Audit and has led to the institution of a forensic audit. It illustrates the important role that our internal Audit units can play to strengthen on identified weaknesses.

We are surely winning the war against the levels of complacency with which acts of fraud and corruption were committed. I just wanted to give you a sense of the wider phenomena of fraud, corruption which this awareness and our actual work on the ground, everyday are dealing with.

I am sure that working together we can achieve greater heights, speedily in arresting the levels of greed that seem to have pervaded broader society. Stealing from government is stealing from the people. It is depriving children, people with disabilities, the elderly and many other vulnerable groups of the social amenities, economic opportunities and a right to life.

We must act responsibly when we deal with alleged acts of fraud and corruption. There is no need to run media campaigns focussing on alleged corruption and not follow through the right legal processes. We must educate our communities of the concepts and processes involved in order to give them the right meanings to the labels they tend to attach. Everyone must be deemed innocent until proven guilty beyond any reasonable doubt. We must also urge our officials and our systems to be vigilant and adapt as quickly as the innovations of the wrong doers.

On behalf of the Provincial Government, I wish to thank everyone that works harder to ensure that our society benefits from the good work of honest men and women who are committed to making South Africa a much better country than it was before 1994.

I thank you.