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**SPEECH DELIVERED BY THE MEC FOR FINANCE**

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**AT THE FRAUD AWARENESS CAMPAIGN**

**“IT’S YOUR BUDGET BECOME A PLAYER” LAUNCH**

**MMABATHO CONVENTION CENTRE 13 OCTOBER 2006 AT**

**10H00**

Honored guests

Ladies and Gentlemen.

## **INTRODUCTION**

Corruption manifests in many forms. All of these forms DEVIATE from many generic and fundamental values of society, faiths, as well as morals and other codes of behavior that govern individuals and groups, in various pursuits of life, whether they act alone or in relation to one another. Many of these codes have been refined into a set of descriptions and prescripts of behavior known as ethics.

As we know, ethics are the standards of conduct that distinguish between right and wrong, good and bad, virtue and vice, justice and injustice. Some ethical standards i.e. morals are highly general and apply within the context of various institutional or organizational codes of conduct or familiar roles such as medical ethics etc.

Corruption has become an acceptable evil in governments all over the world. Commentators and investigators of corruption say the scourge is of such magnitude that it cannot be uprooted altogether, but can only be "controlled" to "acceptable limits," like a chronic disease !" ....Astonishing .....isn't it ?

Sadly, we must concede that corruption is one of the major problems facing our society. It's like a parasite that erodes stability and trust and it damages the ethos of our democratic government. It's effects can seriously constrain development of our economy and grossly compromise our efforts to halve poverty and unemployment by 2014.

## **GOVERNMENT'S ROLE**

To address the specific problems of corruption in our country, the South African Government in 1997 initiated a National Anti-Corruption Campaign and expressed its commitment to fight fraud and corruption in the Public Service. From this, a National Public Service Anti-Corruption Strategy was developed to prevent and combat corruption through a variety of supportive actions.

As one of those actions, the Public Finance Management Act (PFMA) was enacted, together with the accompanying Treasury Regulations. These documents prescribe that "fraud prevention plans" be developed to limit the risk of fraud, while creating awareness and promoting ethical business conduct.

One needs to realize that a professional, well-planned and detailed fraud awareness and preventative strategy can only be developed with extensive research and by taking the National Public Service Anti-Corruption Strategy (NPSAS) and all other relevant information and facts into cognizance. Our Fraud Prevention Framework is founded upon the dimensions of fraud risk assessments, fraud policies and response plans, fraud prevention controls (documents, systems, policies and procedures), training, education and essentially the awareness factor.

The National Government has gone to so much trouble to fight crime, fraud and corruption and various bodies such as the **National Anti-corruption Forum** which was launched in Langa, Cape Town as far back as June 2001. This forum's objectives were to establish national consensus through the co-ordination of sectoral anti-corruption strategies, to advise government on the implementation of strategies to combat corruption and to share information and best practice on sectoral anti-corruption work, so that members can advise one another on the improvement of anti-corruption strategies.

Apart from this, a **special investigations unit** was established, which managed the execution of special investigations with relation to the core functions of the Commission.

Then the **National Prosecuting Authority of South Africa (NPA)** was established which included the National Prosecuting Services (NPS), the Directorate: Special Operations (DSO), the Witness Protection Programme, the Asset Forfeiture Unit (AFU), and specialised units such as the Sexual Offences and Community Affairs Unit and the Specialised Commercial Crime Unit.

This was over and above the **Office of the National Director of Public Prosecutions (NDPP)** which forms the head office of the Prosecuting Authority.

These are just a few of the many initiatives which the National Government came up with in their fight against fraud and corruption. I must hasten to add that progressive structural changes have been made since. In spite of all these efforts, crime and corruption carries on unabated.

Let me share a few examples with you:

**SO-CALLED SOFT ISSUES:**

In the workplace, all officials have access to official telephones. If every one of the 66 761 officials just make an estimated two private calls at a cost of just 50c per call, per day, this amounts +- **Rm16** per year.

Another example to amplify the point, if most of our officials are generally unproductive, surfing the internet, taking long coffee breaks and lunches, sitting around doing nothing, gallivanting at Mega City during working hours, for an average time of just 60 minutes per day, this amount to +- **Rm24** per annum.

If you just isolate these two examples from the many examples out there, we are effectively losing more that Rm40 annually, meant to address the very important issues of poverty alleviation and job creation in this country. What are we doing? We could build more than 600 RDP houses for the homeless for instance, or put this money towards addressing the promises made by the Honourable President.

These examples only depict the impact of wasteful practices in our provincial government. Just think of the amounts of money that is lost if one assumes the same bad habits exist at National level, in all of the other provincial governments and at Local Government level in all of our municipalities. These losses could in fact run in to hundreds of millions or even billions of Rand annually.

### **SO-CALLED HARD ISSUES**

Then you have the supply-chain management environment, where we are dealing with a minefield of opportunity to defraud Government and ultimately the poor. You have contractors who bribe decision makers in the public sector to award them contracts, they inflate their prices unrealistically in order to make excessive profits, or they even quote unrealistically low prices, knowing that they will never be able to do the job according to specifications.

They then compensate for the low quotes with the so-called cost-increases, bankruptcy ploys and low-quality work and sub standard materials. Contractors even form front companies with public servants!

Then you have suppliers who deliver products and services that do not comply with the agreed specifications, or they would falsify the quality- or standards certificates. These suppliers also engage in duplication and/or over-invoicing or submitting claims for services not rendered. Then there are the issues of collusion to fix prices, interfering with the work of evaluators, ignoring quality or safety standards and misrepresentation or dubious claims about the services or products.

Then there are the issues of general unethical behaviour by some of the business sector where agents do not disclose to consumers how much commission goes to the agent as part of the deal, often pressurising ignorant consumers into serious debt. You also find that managers of companies award themselves large bonuses and benefit packages that they do not deserve and in the process deprive the company's other stakeholders of their full benefit. Issues such as creative accounting to falsify the apparent value of shares in the company and the methods whereby powerful companies stall to settle accounts with suppliers, gaining interest on money in their bank accounts are just a few examples.



These few examples, of big time embezzlement by some corrupt individuals run into billions of Rand annually, which otherwise were meant to address our strategic objectives as articulated by our President as follows:

- eradicate the bucket system by 2007; and that
- every citizen would have access to fresh running water by 2008; and that
- every citizen would have access to proper sanitation by 2010; and that
- every citizen would have access to electricity by 2012...
- halve poverty and unemployment by 2014; etc.

Against this background, it cannot be over emphasized, that when people charged with providing poverty alleviation and rural development, brazenly steal funds meant for the poor, there is more than enough reason for outrage! In an attempt to solve the above challenges or for that matter any challenge of this magnitude, we surely have to go back to our roots.

So, in absence of another similar national or provincial exercise, the North West Provincial Treasury launched the biggest fraud awareness campaign to date, during it's 2006/07 budget speech with the theme, **"It's your budget; become a player !"**

The philosophy of this campaign has been derived from the traditional tools of African legal philosophy as illustrated in a story published in Lovedale Press, 1970. The story relates to a dispute between twin brothers, about who should be the successor to their father, Vuyisile.

(The interesting story can be read in the Fraud Awareness booklet, which was distributed to you)

However, the following observations can be made based on the said story and more so about the African folklore:

- Matters of law engaged the whole community and were not the domain of a few legal experts.
- Legal solutions were also sought in historical analogies and precedents, like Western law, but legal rules were applied in a flexible fashion.

- Many other factors as well as the fact that, the community regarded everyone as equally worthy of concern and that everyone was capable of influencing important decisions regardless of age, gender or status.

Our Fraud Awareness Campaign **“It’s YOUR budget; become a player”** is founded on these historic principles. The campaign is an attempt to get every citizen in the province to do their bit to ensure that all the budgeted funds are spent where intended in terms of the budget statement and that none of the funds should vanish due to poor or maladministration, wasteful practices, fraud, theft and corruption by any stakeholder.

This department and all “players” are endeavoring to embed corporate citizenship in the North West. While specific qualities will always underpin the values of good citizenship, we are committed to responding to the shifting demands of this role. Our motto is based on the well-known phrase; **“Prevention is better than cure”**

Because this province is committed to high legal, ethical and moral standards, and because all employees are expected to share this commitment, we had no choice but to initiate something fresh in absence of another similar exercise and in line with the well known indigenousness proverb, "Until the lions have their storytellers, tales of the hunt will always glorify the hunter...",

**What makes this approach fresh and unique is the fact that we're trying to move away from the re-active approach of whistle blowing and prosecuting in an attempt to become more pro-active.**

A corporate citizen or "player" does not engage in corrupt shameful behaviour....If we, as the community see an individual for example misusing a government asset such as a vehicle, we need to become **"a player"** or a corporate citizen and confront that individual. That person might ignore the first person to approach him or her, but when the tenth member of the community approaches the same perpetrator, at the same shopping mall, he or she would surely think twice before misusing that vehicle so blatantly again.

The campaign will start small but every cent saved will convert into millions in the near future and provide a better life for all.

**However, the most difficult part of such a campaign is to ensure that the message reaches every person in the Province.** The Fraud Awareness and Preventative Framework as well as the Regulatory Framework are booklets, compiled by the Provincial Treasury with the assistance of certain skilled individuals from the Office of the Auditor General, PWC, KPMG and Gobodo to name but a few. These documents are intended to create awareness at all levels of society, educating us all in the relevant controls, procedures and Acts and helping us to realise the importance of protecting our slice of the cake for the greater good of many, rather than watching it being consumed by a greedy few.

**Coming up with an awareness initiative is one thing, but our next biggest challenge is to find ways to get people interested to educate themselves and to understand more about fraud and corruption and how this impacts negatively on their lives.**

We then came up with the idea of using a game, in both pamphlet form as well as electronic format. The game is a self-test questionnaire, which has a soccer theme and should work well with the people of South Africa as it also helps to ignite world cup 2010 fever. When you play the game, it would randomly select a few questions and answers and based on the answers you pick, the game would then tell you which role you play in the community at present.

We say that all people can generally be categorised into four main groups being the; **spectators**; the **critics**; the **manipulators**; and the **“players”** or corporate citizens.

- Most people are mere **spectators** as our cartoon character Lizz, who just turns a blind eye, and does not want to get involved.
- Then, you will find the next group of people being the **critics** who would, just like our cartoon character Humphey, criticises everything around them (especially the ANC led government) without offering any solutions.

- Unfortunately, we have among us quite a few “on-the-take Jakes”, our cartoon version of a little jackal, who are the cause of these problems ! Jake is a **manipulator** who looks for weaknesses in systems and procedures and then manipulates them for his or her own benefit.
- Luckily, we are not all bad and there are a handful of individuals, like our cartoon character Kelebogile, who wants to make a difference. These people build solid bridges between how things are right now, and how they should be. These individuals are the so-called “**players**” or **corporate citizens**.

Our main goal with this initiative is ultimately to get at least fifty percent of all people in this province to become corporate citizens or “players” as we say. Once you have played the game and you know who you are right now, you can do something about it by reading more about the subject in our awareness – guides and by getting involved.

**Our next big challenge is how to ensure that every person in the province gets in contact with our campaign.**

We realized that the only way to achieve this goal is to get a partnership going with the most prominent business people in the province. If we could achieve a strong public and private partnership that could jointly fund the tools that we require to spread the message to the most isolated areas of the community, we believe that this initiative would ultimately be successful.

We also realised that if we wanted to keep our corporate citizens or “players” interested in a campaign of this nature, regular feedback of some sort would be required. People quickly lose interest in an initiative where they cannot see the progress made as a result of their efforts.

So, we gave the Finance Web Site a face lift and added a link, which takes you to the home page of this particular campaign. On this page, you will find links to the available documentation as well as a link where the public can interact with the department regarding the campaign by sending E Mails, SMS’s and even photographs of potential misuse or wasteful practices by perpetrators.



Our communications directorate would monitor all interaction received from the public, just to make sure that it does not contain any offensive material and that it would be suitable for people of all ages etc.

Information that seems to depict wasteful or illegal practices would be forwarded to the Department of the Premier for further investigation and feedback. The public would receive general monthly feedback on the Web Site, regarding the progress made with cases reported, cases under investigation and cases completed.

What makes it interesting is the fact that the public would for the first time be able to read about other people's experiences relating to this campaign and therefore all corporate citizens would in fact assist in creating general awareness. The public would also be updated on all new developments relating to this campaign in the media and on this Web page.

There will also be a **recycling initiative** which will be driven by the Department of Education at all Secondary Schools in the Province, to create awareness amongst our youth. We must bear in mind that most of our grade twelve learners of this year become economically active next year, and it is of great importance that these young people entrench consciousness in becoming corporate citizens before entering the mainstream economy.

We will also initiate a potential **new source of provincial revenue** by acquiring TV and DVD equipment which would be used in all our revenue offices such as hospitals and motor vehicle license offices, to sensitise the public on the importance of this campaign and how to become corporate citizens. The same equipment could be used for marketing services rendered by some of our bigger suppliers, which could in turn render additional revenue for the province to increase service delivery to our communities.

In conclusion, we call on the people of the North West to join us in the struggle against fraud and corruption. The cancer at the heart of this imbroglio, and the loopholes that corrupt people exploit to enrich themselves at the expense of the poor, must be excised.

The robbing of the poor must stop!

Thank You