

**AN ANALYSIS OF THE RULES AND PROCEDURES OF REPORTING FRAUD AND
CORRUPTION IN THE DEPARTMENT OF TRADE AND INDUSTRY**

by

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DECLARATION OF AUTHENTICITY

I declare that the title **AN ANALYSIS OF THE RULES AND PROCEDURES OF REPORTING FRAUD AND CORRUPTION IN THE DEPARTMENT OF TRADE AND INDUSTRY** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

AZWIHANGWISI JUDITH MPHIDI

DATE

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SUMMARY

The primary goal of this study is firstly to analyse the Fraud Prevention Policy and Strategy, the Policy on Protection of Whistle-Blowers, and the Policy Document on Forensic Audit Process of the Department of Trade and Industry (DTI) in order to establish the reason for the ongoing spate of fraudulent and corrupt activities among employees within the DTI Head Office, regardless of the relevant policies put in place. Secondly, another goal is also to establish other reasons that could be linked to the reoccurrence of fraudulent and corrupt activities within the DTI.

During the research survey questionnaires were administered to employees of the DTI. Furthermore, online interviews were conducted with a purposively selected sample within two divisions of the DTI. In addition, a literature study was conducted to acquire relevant information and perspectives from available national and international literature.

Various objectives were fulfilled in this study as follows:

- It was established whether the reporting of internal or external fraud and corruption and the relevant policies put in place contribute in any manner to the prevention of fraudulent and corrupt activities at the Department of Trade and Industry's national office.
- It was determined if there is a policy document on measuring these policies after they have been implemented.
- It was determined how the Department of Trade and Industry's national head office addresses fraud

and corruption.

- Other possible reasons for the Department of Trade and Industry employees' lack of reporting fraud and corruption in their departments, other than the fear of being victimised, were identified.
- The views and opinions on the internal reporting of fraud and corruption were determined.
- The degree of awareness of the investigative procedures related to fraud and corruption among the Department of Trade and Industry management and their employees were determined.
- It was established if employees have faith in the Department of Trade and Industry's investigative procedures to fraud and corruption.
- The extent of knowledge on the importance of reporting fraudulent and corrupt activities in the DTI were established.
- Feedback to help minimise fraud and corruption within the Department of Trade and Industry and improve future strategies was provided.

This study contributes to the knowledge base with regard to fraud and corruption within the Department of Trade and Industry.

KEY TERMS: fraud; corruption; Department of Trade and Industry; Fraud Prevention Policy and Strategy; Policy on Protection of Whistle-Blowers; Policy Document on Forensic Audit Process

LIST OF ABBREVIATIONS

AMS	–	Accommodation Management and Security
BPD	–	Broadening Participation Division
CCRD	–	Consumer and Corporate Regulation Division
CIPC	–	Company Intellectual Property Commission
CSC	–	Client Service Centre
DPCI	–	Directorate for Priority Crime Investigation
DPSA	–	Department of Public Service Administration
DTI	–	Department of Trade and Industry
EEDD	–	Enterprise and Equity Development Division
FPP	–	Fraud Prevention Plan
GPAC	–	Global Programme Against Corruption
GSSSD	–	Group Systems and Support Services
IDD	–	Industrial Development Division
IDIAD	–	Industrial Development Incentive Administration Division
IDPD	–	Industrial Development Policy Development Division
ITED	–	International Trade and Economic Development Division
LGACS	–	Local Government Anti-Corruption Strategy
MISS	–	Minimum Information Security Standard

MS	–	Microsoft
NACF	–	National Anti-Corruption Forum
NACH	–	National Anti-Corruption Hotline
NEHAWU	–	National Education and Health Allied Workers Union
NGO	–	Non-Governmental Organization
NIA	–	National Intelligence Agency
NPA	–	National Prosecuting Authority
ODD	–	Office of the Director General
PSA	–	Public Service Administration
PSC	–	Public Service Commission
RMC	–	Risk Management Committee
RMU	–	Risk Management Unit
SACU	–	Public Service Anti-Corruption Unit
SADC	–	Southern African Development Community
SAMAF	–	South African Micro-Finance Apex Fund
SAPS	–	South African Police Service
SARS	–	South African Revenue Service
SEC	–	Security Exchange Commission
SEFA	–	Small Enterprise Finance Agency

SIU	–	Special Investigating Unit
TEO	–	The Enterprise Organisation
TISA	–	Trade and Investment South Africa
USA	–	United States of America
UNISA	–	University of South Africa

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CHAPTER 1 GENERAL ORIENTATION

1.1 INTRODUCTION

According to the report on the implementation of fraud prevention plans (South Africa. Public Service Commission, 2007: 2), "fraud is an ethical practice that remains one of the challenges facing South Africa and it undermines the fight against corruption in such a way that a situation where money meant for infrastructure and development ends up in corrupt officials pockets". The South African Prevention and Combating of Corruption Activities Act, No. 12 of 2004 (South Africa, 2004) provides for the strengthening of measures for persons in authority to prevent, investigate and report such transactions of corrupt activities to allow the judicial process to take place in respect of such corrupt activities. Chapter 2 of the above-mentioned Act specifies information that constitutes corruption and corrupt activities related to public officials within South African government departments. These departments are obliged to develop and implement policies to curb fraudulent and corrupt activities within the departments, including the Department of Trade and Industry (DTI).

The DTI national office has developed policies designed to curb fraud and corrupt activities. These policies are the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009) for the detection and prevention of fraud and corruption, the Policy on Protection of Whistle-Blowers (South Africa. Department of Trade and Industry, 2004b) for internal reporting of irregularities such as fraud and corruption, and the Policy Document on Forensic Audit Process (South Africa. Department of Trade and Industry, 2004a) to combat fraud and corruption. The DTI national office Risk Management Unit (RMU) within corporate governance is the custodian of both the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009) and the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b). The DTI national office Internal Audit Services is the custodian of the Policy Document on Forensic Audit Process (South Africa. Department of Trade and Industry, 2004a) and is also responsible for all investigations on cases reported internally or externally.

As indicated in the DTI annual reports from 2007/8 to 2012/13, the DTI has been disclosing an ongoing series of fraudulent and corrupt activities within the department. These activities include theft of state assets

and employees' personal belongings, abuse of state property, bribery, fraud and corruption, failure to report stolen property and maladministration.

The focus of this study is twofold, namely to analyse the three above-mentioned policies designed to curb fraudulent and corrupt activities within the DTI national office, and to explore the causes of the ongoing series of fraudulent and corrupt activities disclosed in the annual reports from 2007/8 to 2012/13 with the said policies in place.

This chapter presents an overview of the study. The research problem is identified and presented. The aims and objectives of this study are outlined and the rationale for the research problem defined. This is followed by an explanation of the scope and delimitation of the study, which includes geographical and time limitations. Theoretical definitions that are fundamental to this study are then defined. Problems encountered during this study are also described.

This chapter further focuses on the nature of the research approach and design, methods of data collection, a description of the measuring instruments and data analysis procedures. In addition, methods to ensure validity and reliability are integrated into this chapter.

1.2 BACKGROUND TO THE STUDY

The DTI is a South African government department. The DTI's mission is firstly to promote structural transformation towards a dynamic industrial and globally competitive economy. Secondly, it aims to provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development. Thirdly, it aims to broaden participation in the economy to strengthen economic development. Finally, it aims to continuously improve the skills and capabilities of the DTI to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens (*Overview of the Department of Trade and Industry, 2014*).

The DTI has one national head office situated in Pretoria, Gauteng and three regional offices situated in KwaZulu-Natal, Eastern Cape and the Western Cape respectively. The DTI comprises of the following divisions (*Overview of the Department of Trade and Industry, 2014*):

- International Trade and Economic Development Division (ITED)

This division provides leadership on South Africa's trade policy to promote economic development. It has two business units, namely the International Trade Development and African Economic Development.

- Consumer and Corporate Regulation Division (CCRD)

This division develops and implements coherent, predictable and transparent regulatory solutions which facilitate easy access to redress and provide an efficient framework in which economic citizens can operate, as well as promote competitive fair and efficient markets. This division comprises three business units, namely Policy and Legislation, Enforcement and Compliance, and Regulatory Services.

- Customer-centric and integrated resource solutions in human resource management, information and communication technology (ICT), legal services and facilities management.

- Industrial Development Incentive Administration Division (IDIAD)

This division is responsible for stimulating and facilitating the development of sustainable, competitive enterprises through the efficient provision of effective and accessible incentive measures that support national priorities.

- Industrial Development: Policy Development Division (IDPDD)

This division designs and implements policies, strategies and programmes for the development of manufacturing and related sectors of the economy. Further, it contributes to the direct and indirect creation of decent jobs, value-addition and competitiveness, in both domestic and export markets.

- Broadening Participation Division (BPD)

This division must lead the development of policies and strategies that create an enabling environment for SMMEs. It must also enhance the competitiveness of local and provincial economies to achieve inclusive shared equity, growth and job creation.

- Trade and Investment South Africa (TISA)

This division aims to increase export capacity and support direct investment flows through the implementation of strategies directed at targeted markets. The division is also responsible for effectively managing the DTI's network of foreign trade offices.

The DTI annual reports from 2007/8 to 2012/13 indicate a recurrence of fraudulent and corrupt activities throughout this period. This is an indication that dishonest employees within the DTI have had the opportunity to execute fraudulent and corrupt activities and have continued to take advantage of such opportunities. Other than the mentioned activities disclosed in the above-mentioned DTI annual reports, a

signed document by representatives of the National Education and Health Allied Workers Union (NEHAWU), and the DTI branch of the Public Service Administration (PSA), confirmed that such fraudulent and corrupt activities were taking place within the DTI national office (Mbele and Mvana, 2009:1–6).

A document containing employee's inputs from one of the DTI national office divisions, The Enterprise Organisation (TEO), was circulated in this regard. The mission statement of the TEO is to stimulate and facilitate the development of sustainable, competitive enterprises through efficient provision of effective and accessible funding mechanisms (i.e. incentive schemes) that support national priorities. The document contains employees' views and concerns within TEO division and includes comments and suggestions such as "corrupt activities and managers' unethical conduct", "corruption occurs quite often and it is kept secret", "secret promotions", "the abuse of state property", and "travels must be investigated". This document remained topical for some time as most employees found the TEO staff's views and concerns similar to those in their divisions (Mbele and Mvana, 2009:1–6).

In February 2010 the researcher also witnessed the arrest of a DTI national office public official from the Communication and Marketing division by the South African Police Service (SAPS) on allegations of fraud and corruption. It was unlikely that the public would not know about such allegations in the South African government departments by employees in junior or executive positions. Therefore, allegations of unethical and criminal conduct by a public official are usually under public scrutiny, whether the accusations are true or not.

Additional proof of fraudulent and corrupt activities that kept on reoccurring within the DTI national office was circulated by Gqiba (2012) who sent an e-mail message on behalf of the DTI facilities meeting. Her e-mail message provided updates on security alerts on theft of laptops within the DTI national office. Another e-mail message (Mbele, 2012) brought to the management's attention in the DTI national office dealt with the confiscation of computers and subsequent arrest of DTI national office officials from Group Systems and Support Services (GSSSD) and Accommodation Management and Security (AMS) division.

Fraud and corruption should be considered as a threat to the improvement and provision of services in the DTI, as the DTI could be regarded as the heart of the South African economy. A reputational risk to the DTI affects the local and international economy of the country. According to the Report on the Implementation

of Fraud Prevention Plans in the Public Service (South Africa. Public Service Commission, 2007: 43), South African government departments (including the DTI) are encouraged to investigate the most effective means of promoting awareness and educating employees about fraud and its prevention. The said report further suggests that the absence of investigations into fraud and corruption in the South African government departments run the risk of blindly implementing education and awareness programmes in a narrow manner without achieving the required impact.

1.2.1 Researcher's knowledge and experience of fraud and corruption

The researcher was first introduced to fraud and corruption when she was employed as an intern at the South African Police Service since 2005. The researcher's duties included familiarising herself with the administrative functions within support services divisions such as Registry, Record Management, Logistics, case docket store, administration office and Client Service Centre (CSC) and Evidence Office (SAP 13) as well as Crime Prevention. During 2006, the researcher joined the SAPS Reservists and is currently stationed at the SAPS Sunnyside police station. The researcher's current duties include crime prevention and sector policing.

The researcher has been employed by the DTI Agency, the South African Micro-Finance Apex Fund (SAMAF) from September 2008 to November 2012 as an administrative officer in the Legal and Corporate Secretariat Unit. The researcher's responsibilities included legal general office practice, assisting the Head of the Legal and Corporate Secretariat Unit with confidential investigations, corporate secretariat services to the audit, risk, credit, disbursement, advisory and other internal confidential meetings on request. The researcher, thus, has occasionally interacted with the DTI Internal Audit Services and Risk Management unit. Policies and procedures adopted by SAMAF, by virtue as a DTI agency, were those of the DTI. From time to time SAMAF's Legal and Corporate Secretariat interacted with the DTI Internal Audit Services and Risk Management unit within Corporate Governance for advisory purposes. The DTI Internal Audit Services is responsible for investigations within the DTI and the RMU is responsible for drafting policies to curb fraud and corruption within the DTI.

The researcher currently works at the Small Enterprise Finance Agency (SEFA), a merged entity from Khula Enterprise Limited and SAMAF. The researcher is attached to the Risk and Compliance division as a compliance specialist. SEFA is also a finance Agency which risks a potential victim to fraudulent and corrupt activities due to the fact that the Agency disburses state funds. The Risk and Compliance division,

from time to time, also investigates potential fraud, money laundering and non-compliance irregularities which could lead to offences such as fraud and corruption. The researcher finds the growth of offences such as fraud and corruption transforming everyday even though new technology, laws and improvements to resources are in place. This compelled the researcher to want to know more about this phenomenon.

In view of the above, the researcher has not been influenced by her own assumptions and values during data collection and the interpretation of the results. The researcher has set aside her own experiences, as much as possible, in order to take a new perspective towards the phenomenon under investigation. As a result, the researcher has described her own experiences with the phenomenon and bracketed out her views before proceeding with the experiences of others.

1.3 PROBLEM STATEMENT

Leedy and Ormrod (2010:44) view a research problem as an axis around which the whole research effort revolves. The statement of the problem must first be expressed with utmost precision. In addition, Hernon and Schwartz (2007:308) believe that a problem statement should be specific, manageable and written to stimulate the reader's interest. The focus of the research problem in this study is on the ongoing occurrence of fraudulent and corrupt activities among employees within the DTI national head office, as stated in paragraph 1.2.

The purpose of chapter 2 of the Prevention and Combating of Corruption Activities Act, No. 12 of 2004 (South Africa, 2004) obliges the DTI as a government department to mitigate corruption and corrupt activities within its divisions. The DTI national head office did put in place the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009), the Policy on Protection of Whistleblowers (South Africa. Department of Trade and Industry, 2004b), and the Policy Document on Forensic Audit Process (South Africa. Department of Trade and Industry, 2004a) to curb fraud and corruption among employees within the DTI. The South African Protected Disclosure Act, No. 26 of 2000 (South Africa, 2000b) was introduced as a mechanism to protect public officials in government departments who disclose any acts of misadministration, fraud or corruption against any occupation detriment. The acts of maladministration, fraud or corruption are not new to the South African government departments and are also not a problem in the DTI only. The Department of Public Service Administration (DPSA) introduced the National Anti-Corruption Hotline (NACH) administered by the Public Service Commission (PSC) to

assist public officials in the anonymous reporting of any fraudulent and corrupt activities within their respective government departments (South Africa. Department of Public Service Administration, 2004).

According to the DTI's Annual Report for 2008/9 (South Africa. Department of Trade and Industry, 2009:146) incidents of theft, bribery and fraud comprised 23% of misconduct cases for the financial year. In 2009/10 fraud and corruption amounted to 23% of misconduct incidents (South Africa. Department of Trade and Industry, 2010). During the 2010/11 financial year, fraud and corruption incidents amounted to 19% of the total misconduct cases (South Africa. Department of Trade and Industry, 2011) while these offences constituted 3.57% of misconduct incidents during the 2011/2012 financial year (South Africa. Department of Trade and Industry, 2012). During 2012/13 fraud and corruption totalled 5% of the total misconduct cases (South Africa. Department of Trade and Industry, 2013).

Despite these policies that have been implemented, the reoccurrence of fraud and corruption activities disclosed by the DTI national office suggest there is a significant problem regarding these offences. It is an indication that fraud and corruption remain a challenge to the DTI as reflected in the DTI annual reports of 2007/8 to 2012/13. According to the literature search conducted by the researcher there has not been any research conducted to explain why fraudulent and corrupt activities within the DTI national office are continuing despite controls put in place. Research published, such as the research by Smith (2005), however, focus on the importance of reporting fraud and corruption by public sector agencies.

1.4 DELIMITATION OF THE STUDY

This study was delimited according to the following geographical and time limitations:

1.4.1 Geographical delimitation

This study was limited to the permanently appointed personnel attached to the DTI's national head office in Pretoria, Gauteng.

1.4.2 Time

This study focused on incidents of fraudulent and corrupt activities within the DTI as reflected in the DTI annual reports from 2007/8 to 2012/13.

1.5 RESEARCH QUESTIONS

A research question is a concise question which expresses what the research project aims to find out. Robson (2002:1) and White (2009:123) add that formulating a research question is the first step in the research process, which the researcher will provide an answer to.

The primary research question of this study is:

- What is the reason for the ongoing spate of fraudulent and corrupt activities among employees within the DTI head office irrespective of the relevant policies implemented to address fraud and corruption?

The secondary research questions are:

- What are the inhibiting factors that prevent DTI national office employees from reporting fraud and corruption within the department?
- What is the extent of the knowledge of the employees of the DTI national office with regard to policies to address fraud and corruption?

1.6 RESEARCH AIM

According to Mouton (2001:50) the aim of research is to establish facts, gather new data and determine whether there are interesting patterns in the data. Rucker (2010:2) views the aim as it derives from questions such as "why one writes a dissertation, what are the intentions, this would not be in a form of a research question but rather that incentive to construct one".

The aim of this research study is to analyse the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009), the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b), and the Policy Document on Forensic Audit Process (South Africa. Department of Trade and Industry, 2004a) in order to establish the reason for the ongoing spate of fraudulent and corrupt activities among employees within the DTI head office, irrespective of the relevant policies put in place, and to establish other reasons that could be linked to the reoccurrence of fraudulent and corrupt activities within the DTI.

1.7 THE OBJECTIVES OF THE STUDY

Kumar (2011:50) explains that the objectives of a research study are the goals set out to attain in the study. As these objectives inform the reader of what the researcher wants to achieve through the study, it is extremely important that they are worded clearly and specifically.

The objectives of this study are as follows:

- The primary objective of this study is to explore and examine whether the reporting of fraud and corruption, and the relevant policies put in place, contribute in any manner to prevent fraud and corruption at the DTI national office.

The secondary objectives of this study are:

- To determine how the DTI national head office addresses fraud and corruption
- To establish a trend of fraud and corruption activities after the implementation of the policies as stated in 1.3
- To establish possible reasons for DTI employees' lack of reporting fraud and corruption in their departments, other than the fear of being victimised
- To obtain the respondents' views and opinions on the reporting process when reporting on fraud and corruption internally rather than through the NACH (South Africa. Public Service Commission, 2004).
- To determine the degree of awareness of the investigative procedures related to fraud and corruption among DTI management and their employees
- To establish whether employees have faith in the investigative procedures related to fraud and corruption, which were put in place by the DTI
- To establish the extent of knowledge on the importance of reporting fraud and corruption in the DTI
- To make recommendations to management about improvements that can minimise fraud and corruption

1.8 VALUE OF THE RESEARCH

According to Marshall and Rossman (2011: 70) convincing the reader that the study is likely to be significant and should be conducted entails building an argument that links the research to important theoretical perspectives, policy issues, concerns of practice, or social issues that affect people's everyday lives.

The DTI will benefit from this research study because the loopholes that keep the reoccurrence of fraud and corruption activities in the annual reports from 2007/8 to 2012/13 as well as those not disclosed or known, would have been identified. Recommendations will then be made particularly on how to address the findings and fill the gaps to that effect. The DTI will be able to identify new methods of addressing the issues of fraud and corruption in its divisions. The researcher will provide a copy of the study to the DTI, as agreed upon when permission was granted to conduct this study.

In addition, this study could have the following value:

- The findings of the study could assist in filling the gaps in current techniques, or finding new ways of constructing successful training programmes for all employees from the level of managers to their subordinates.
- New relationships based on trust could be established between managers and subordinates for reporting fraud and corruption.
- Other South African national and provincial government departments as well as other researchers, who might experience similar problems and have similar interest in this topic, could benefit from this research study.

1.9 KEY CONCEPTS

According to Leedy and Ormrod (2010:58), a formal definition contains three parts: (a) the term to be defined; (b) the general class to which the concept being defined belongs; and (c) the specific characteristics or traits that distinguish the concept being defined from all other members of the general classification. Uecke (2012:62) is of the view that key concepts are defined in the introduction section for the novelty for a particular study.

The key concepts central to this study are described as follows:

1.9.1 Fraud

According to the Public Service Anti-Corruption Strategy (South Africa. Department of Public Service and Administration, 2002:7), fraud is any conduct or behaviour by persons entrusted with responsibility to a public office which violates their duties as public officials, and which are aimed at obtaining gratification of any kind for themselves or others.

1.9.2 Corruption

The Prevention and Combating of Corruption Activities Act, No. 12 of 2004 (South Africa, 2004) states that corruption is constituted when any person who, directly or indirectly, accepts or agrees or offers to accept any gratification from any other person; whether for the benefit of himself or herself or for the benefit another person.

According to the National Treasury Fraud Prevention Plan (*Fraud Prevention Plan (FPP)*, 2014) a person is guilty of corruption, if he/she, directly or indirectly:

- accepts or agrees or offers to accept any gratification from any other person, whether for the benefit of himself or herself or for the benefit of another person; or
- gives or agrees or offers to give to any other person any gratification, whether for the benefit of that other person or for the benefit of another person.

"Gratification", includes:

- money, in cash or otherwise;
- any donation, gift, loan, fee, reward, valuable security, property or interest in property of any description, whether movable or immovable, or any other similar advantage;
- the avoidance of a loss, liability, penalty, forfeiture. punishment or other disadvantage;
- any office, status, honour, employment, contract of employment or services, any agreement to give employment or render services in any capacity and residential or holiday accommodation;
- any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;

- any forbearance to demand any money or money's worth or valuable thing;
- any other service or favour or advantage of any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature. whether or not already instituted, and includes the exercise or the forbearance from the exercise of any right or any official power or duty;
- any right or privilege;
- any real or pretended aid, vote, consent, influence or abstention from voting; or
- any valuable consideration or benefit of any kind, including any discount, commission, rebate, bonus, deduction or percentage.

Fraud and corruption are a threat to public trust and confidence. It is therefore essential to recognise fraud prevention as an integral part of strategic management. It is important that the accounting officer or authority set the right tone for the prevention and management of fraud in the institution.

All staff may be aware of the need to prevent loss and to safeguard stakeholders' interests; however, they may not be clear about the institution's standpoint relating to fraud.

It is a requirement for the accounting officer or authority to publish a fraud prevention policy. This includes a statement that declares the institution's commitment to effective fraud risk management. It should explain that all key fraud risks identified are to be managed appropriately.

Actions constituting fraud and corruption include embezzlement, misappropriation, theft, falsification and forgery, overstatement of assets and income to conceal unauthorised transactions, understatement of liabilities and expenses to conceal illegal transactions or false and/or omitted disclosure, et cetera.

1.9.3 Policy

Policy can be categorised as reactive or proactive. A reactive policy emerges in response to a concern or crisis that must be addressed. A proactive policy, by contrast, is introduced and pursued through a deliberate choice (Torjman, 2005: 2). Pasteur (2001) states that policy is conditioned and shaped by the environment as well as historical circumstances, whether political, social or economic.

1.9.4 Whistle-blower

According to the Guide for Public Sector Managers Promoting Public Sector Accountability Implementing the Protected Disclosure Act (South Africa. Public Service Commission, [sa]: 2), a whistle-blower is an individual who, understood correctly, does not inform in the negative, anonymous sense, but rather raises a concern about malpractice within an organisation. The bravery of being prepared to blow the whistle is directly in contrast with the cultural resistance in many organisations to transparency and accountability.

1.9.5 Protected disclosure

In terms of the South African Protected Disclosure Act, No. 26 of 2000 (South Africa, 2000b), a disclosure is considered protected if an employee decides to "blow the whistle" on criminal conduct or malpractices in the workplace by disclosing that information to a legal representative (route 1), his or her employer (route 2), a minister or a Member of the Executive Council of a province (MEC) (route 3), a specified person or body (route 4), or any other person, under certain circumstances (route 5). Any route may be used to "blow the whistle", but each route has certain requirements that must be complied with.

1.10 PROBLEMS ENCOUNTERED DURING THE STUDY

Problems outside the researcher's control were encountered during the study and included the following:

- Seven identified participants did not respond to and return the survey questionnaires. A total of 65 survey questionnaires were distributed of which 58 (89%) survey questionnaires were completed and returned.
- Due to the demanding schedule of DTI employees, difficulties were experienced in obtaining appointments with such employees to conduct face-to-face interviews. However, online interviews by means of interviewing by e-mail were conducted to overcome this challenge.

1.11 RESEARCH METHODOLOGY

The research methodology in a study refers to a set of principles and ideas that inform the design of a research study. Methodology determines how researchers think about a study, how they make decisions about a study, and how they position themselves to engage firstly with participants and then with the data collected. Methodology is the lens a researcher looks through when deciding on the type of methods they

will use to answer this research question, and how they will use these methods for best effect (Mills, 2014 (as cited in Mills and Birks, 2014:32, 259).

The following methodological principles were implemented in this study:

1.12 RESEARCH APPROACH

Research approaches are plans and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Creswell, 2014:3). The researcher followed a mixed method approach in this study. According to Creswell (2014:14) a mixed method approach involves combining or integrating qualitative and quantitative research and data in a research study. Creswell furthermore contends that qualitative data tends to be open-ended without predetermined responses while quantitative data usually includes close-ended responses such as those found in survey questionnaires. Creswell (in Flick, 2011:189) distinguishes three forms of mixed methods design, namely phase designs, dominant/less-dominant designs and mixed methodology designs. For the purpose of this study, the researcher follows a phase design in which qualitative and quantitative methods are applied separately one after the other (in no particular order).

The researcher based the decision to follow a mixed method approach on Creswell's (2014:19) rationale for following this particular approach "on the assumption that collecting diverse types of data best provides a more complete understanding of a research problem than either quantitative or qualitative data alone".

1.12.1 The use of the qualitative research approach in this study

Creswell (2014:4) explains qualitative research as an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. Creswell (2003:18) furthermore defines the qualitative approach as one in which the inquirer often makes claims based primarily on constructivist perspectives (i.e. the multiple meanings of individual experiences, and meanings socially and historically constructed with an intent of developing a theory or pattern) or advocacy/participatory perspectives (i.e. political, issue-oriented, collaborative. or change oriented) or both. Similarly, Kumar (2011:394) explains that qualitative research is based on the philosophy of empiricism, follows an unstructured, flexible and open approach to enquiry, aims to describe rather than measure, believes in in-depth understanding and small samples, and explores perceptions and feelings rather than facts and figures.

The rationale for the researcher's choice of the qualitative approach was, thus, to explore and understand DTI employees' perceptions, feelings and experiences of fraud and corruption within the organisation.

1.12.2 The use of the quantitative research approach in this study

Matthews and Ross (2010:478) view quantitative research methods as primarily concerned with gathering and working with data that is structured and can be presented numerically. Kumar (2011:394) explains that quantitative research is rooted in, among other factors, rationalism. Further, quantitative research is believed to have a narrow focus, aims to quantify the variation in a phenomenon, and tries to make generalisations to the total population. In addition, Kumar (2011:20) contends that quantitative research explains prevalence, incidence, extent, nature of issues, opinions and attitude. In addition, quantitative research discovers regularities and formulates theories.

The rationale for the researcher's choice to follow the quantitative approach, as viewed by Matthews and Ross as well as Kumar, was to quantify respondents' views in relation to fraud and corruption within the DTI. Respondents' views, as reflected by their responses in the survey questionnaires, are presented numerically explaining the variation of their views on fraudulent and corrupt activities in the DTI. In addition, the quantitative approach explains the extent, opinions as well as attitudes of respondents towards fraudulent and corrupt activities within the DTI. Consequently, consistencies of respondents' opinions of fraudulent and corrupt activities were discovered.

1.13 RESEARCH DESIGN

Research design is, according to Stroebel (2006:70) the planning for finding something specific, while Kothari (2009:14) defines research design as a conceptual structure within which the research would be conducted. Kumar (2011:94) explains a research design as a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. Through a research design you decide and communicate what study design you propose to use, how you will collect information from your participants, how you will select your respondents, how the collected information will be analysed and how you will communicate your findings.

The researcher conducted empirical research in order to achieve the research aim and objectives.

1.13.1 Empirical research

Moody (2002:1) defines empirical research methods as a class of research methods in which empirical observations or data are collected in order to answer particular research questions. Similarly, Gray (2014:682) defines empirical research as research methods in which data are collected.

The researcher conducted empirical research. Information regarding the ongoing series of fraud and corruption, as reflected in the DTI annual reports from 2007/8 to 2012/13, were explored through online interviews with participants and administering of survey questionnaires. The researcher used mixed methods to collect data in the form of interviews, survey questionnaires and a literature study (Moody, 2002:1). In terms of quantitative research design, the researcher applied a survey design. Creswell (2014:157) contends that the purpose of a survey design is to generalise from a sample to a population so that inferences can be made about some characteristics, attitudes, or behaviour of this population (as indicated in 1.11.1.2). In terms of qualitative research design, the researcher followed a phenomenological research design. As explained by Creswell (2014:14), a phenomenological research design describes the lived experiences of individuals about a phenomenon as described by participants. This description culminates in the essence of the experiences for several individuals who have all experienced the phenomenon. This design has strong philosophical underpinnings and typically involves conducting interviews. The lived experiences of respondents (who are the custodians of DTI fraud and corruption policies) in the online interviews were described.

1.14 POPULATION AND SAMPLING STRATEGY

According to Kumar (2011:400) people who you want to find out about are collectively known as the study population. It could be a group of people living in an area, employees of an organisation, a community, et cetera. The sampling strategy for a study is an integral component of the research design because it will affect the usefulness of the data collected, the type of analysis possible and the extent of opportunities to draw wider inference (Ritchie, Lewis, Elam, Tennant and Rahim, 2014:112).

1.14.1 Population

According to Welman, Kruger and Mitchell (2005:52), a population consists of individuals, groups, organisations and human products as well as the events or conditions to which they are exposed. Maxfield and Babbie (2008:217) view population as a specific group which is targeted for research purposes. Gray (2014:688) similarly describes a population as the totality of people, organisations, objects, or occurrences from which a sample is drawn.

The ideal population for this study would have been the inclusion of the total number of DTI employees employed at the DTI national head office in Pretoria, Gauteng, as well as the three regional offices situated in KwaZulu-Natal, Eastern Cape and the Western Cape respectively. The DTI comprises the following divisions and total number of employees attached to each division (indicated in brackets):

The Minister's office (16); Consumer and Corporate Regulation Division (CCRD) (71); Enterprise and Equity Development Division (EEDD) (58); Group Systems and Support Services Division (GSSD) (173); Industrial Development Division (IDD) (84); Office of the Director General (ODD) (39); International Trade and Economic Development (ITED) (93); Trade and Investment South African (TISA) (92); TEO (127); Marketing and Communications (29).

It would, however, be impractical to consult with this wide population. For this reason, the researcher used a target population. The mandate and responsibilities of each of the above-mentioned divisions are indicated in 1.2. The target population for this study was the DTI national office in Pretoria in Gauteng. Employees attached to all the DTI divisions, as mentioned above, formed part of the target population.

1.14.2 Sampling strategy

Sampling is the process of selecting a few respondents (a sample) from a bigger group (population) to become the basis for estimating the prevalence of information of interest to one. The way one selects the required sampling units from a population for identifying your sample is called the sample strategy (Kumar, 2011:397, 398).

The researcher applied qualitative and quantitative sampling strategies in this study. Permission to conduct this study within the DTI National Office was granted by the Director General of the DTI (Annexure B).

1.14.2.1 Quantitative sampling

Following Creswell's (2014:158) recommendation for the selection of individuals in a survey design, a random sampling strategy was applied. Survey questionnaires were administered to a randomly selected sample of 65 DTI employees across all divisions within the DTI. The number of employees (indicated in brackets) included in the sample from all the DTI divisions are as follows:

The Minister's office (2); Consumer and Corporate Regulation Division (CCRD) (5); Enterprise and Equity Development Division (EEDD) (4); Group Systems and Support Services (GSSD) Security & Accommodation and Facilities Divisions (8); Industrial Development Division (IDD) (3); Office of the Director-General (ODD) (3); International Trade and Economic Development (ITED) (4); Trade and Investment South African (TISA) (4); Marketing & Communications (4); TEO (10); Human resources (4); Internal Audit Services (2); Registry (3); Call Centre (2); (GSSSD) Corporate Governance (3); and (GSSD) Finance (4).

1.14.2.2 Qualitative sampling

Creswell (2014:192) is of the view that the purpose of sampling in qualitative research is to either gain in-depth knowledge about a situation, event or episode or to know as much as possible about different aspects of an individual on the assumption that the individual is typical of the group and will therefore provide insight into the group. Creswell furthermore explains that the sample size in qualitative research does not play any significant role, as the purpose is to study only one or a few cases in order to identify the spread of diversity and its magnitude. In such instances the data saturation stage during data collection determines the sample size. Creswell (2013:157) furthermore states that he has seen the number of participants in qualitative research range from 1 to 325.

Five online interviews were conducted with employees attached to the RMU and Internal Audit Services divisions. As mentioned in 1.1, these two divisions are the custodians of the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009), the Policy on Protection of Whistleblowers (South Africa. Department of Trade and Industry, 2004b), and the Policy Document on Forensic Audit Process (South Africa. Department of Trade and Industry, 2004a), which are also responsible for all investigations on cases reported internally or externally. A purposive sampling strategy was followed for this purpose. Maxfield and Babbie (2008:235) suggest that purposive sampling is based on one's own

knowledge of the population, its elements, and the nature of the researcher's aims. Creswell (2013:156) confirms that the concept of purposeful sampling is used in qualitative research. This means that the researcher selects individuals and sites for study because they can purposefully inform an understanding of the research problem and central phenomenon in the study.

1.15 DATA COLLECTION

The researcher gathered data in a mixed method approach, which is defined by Creswell and Plano Clark (2007:5) as a design with philosophical assumptions as well as methods of enquiry. This entails the philosophical assumptions that guide the direction of the collection and analysis of data as well as the mixture of qualitative and quantitative approaches in many phases in the research process. The purpose of data gathering in qualitative research is to provide evidence for the experience (Polkinghorne, 2005:138).

1.15.1 Literature study

Denicolo and Becker (2012:46) summarise the significance of a literature study by explaining that a literature study should demonstrate that you are conversant with the appropriate range of literature, and particular key and recent publications that pertain to your research topic. The size of the literature study should reflect the degree of depth of exploration, and not merely the number of references accessed. Torraco (2011) views a literature review as a distinctive form of research that generates new knowledge about the topic reviewed. A literature review was conducted, with the relevant literature being gathered and reviewed in this study. The literature includes primary sources and secondary sources.

The literature review includes information related to fraud and corruption. The information was obtained from the local and international government departmental sources, media statements, government websites, journal articles, theses, dissertations, and text books. The researcher analysed various documents produced as part of an established social practice, such as preservable records of text (Gubrium and Holstein, 2001: 85) that include local and international sources similar to the DTI policies aimed at curbing fraudulent and corrupt activities. A search on the particular topic was conducted through the Unisa library and it was found that there are no existing topics. The researcher noted and took into consideration that "public sector" also represented the word "government" when searching for information on the internet (scholarly articles and

online newspaper articles) and the Unisa online library. The researcher used the key words "public sector" in conjunction with "fraud and corruption" to obtain related information on the topic.

1.15.2 Interviews

According to Liamputtong (2013:51) interviews in social research can be seen as special conversations. Interviewing is a way of collecting empirical data about the social world of individuals by inviting them to talk about their lived experiences (Holstein and Gubrium in Liamputtong, 2013:51). Similarly, Matthews and Ross (2010:219) describe an interview as a particular type of conversation between two or more people. Interviews are used to find out more by asking questions in a wide range of contexts, for example, social researchers would use interviews to find out more about what people think, feel or experience.

The researcher conducted online interviews with the respondents, in particular e-mail interviews.

1.15.2.1 Online interviewing

According to Flick (2014:233) researchers may do interviews online for various practical reasons if the target groups of their study can be reached by e-mail or the internet. However, there are also good reasons for doing online interviews, for example, if the target group is best to be found in online contexts. For such practical reasons online interviewing has developed into a specific way of doing interviews. Online interviewing also complements the repertoire of interview methods. Flick furthermore explains that online interviews can be organised in an asynchronous form, which means that interviewers send their questions to the participants and they send their answers back after some time. The respondents and interviewers do not necessarily have to be online at the same time. This form of online interviewing is mostly done in the form of e-mail exchanges.

The researcher conducted online interviews with respondents attached to the RMU and Internal Audit Services in order to obtain first-hand information of their lived experiences on fraud and corruption within the DTI. The RMU is the custodian of the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009) and the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b). The Internal Audit Services are the custodian of the Policy Document on Forensic Audit Process (South Africa. Department of Trade and Industry, 2004a) and are also responsible for all investigations on cases reported internally or externally.

Flick (2014:234) explains that online interviewing is organised differently from face-to-face interviewing. Semi-structured interviews are normally run in a single meeting with the interviewee where a set of questions is prepared in advance. In an online interview, the interviewer would do the same by sending a set of questions to participants asking them to send back the answers. Some authors, however, suggest that the interviewer designs the collection of data more interactively by sending only one or two questions requesting participants to answer them. After that the researcher can send the next questions requesting participants to answer them. Thus, the online interview comprises a series of e-mail exchanges.

The researcher conducted e-mail interviews with respondents attached to the RMU and Internal Audit Services. To elicit spontaneous and subjective views of the interviewee, the researcher ensured that the interviewee did not delegate the task of answering the questions to someone else. Flick (2014:235) lists the following advantages of e-mail interviewing:

- It allows the respondents to reflect on their answers more than face-to-face interviews.
- There is a much greater degree of anonymity for the participants, which may protect them from being identified during the interview and from the results.
- It can be very helpful if the researcher wants to involve participants who do not want to talk to strangers (about a possibly sensitive topic).
- Online interviewing produces data which are already available in text form, so that the researcher can avoid the time-consuming task of transcribing the interviews.

Flick (2014:237) also alludes to the limitations of online interviewing, explaining that this approach will only be effective if the people ready and willing to use computer-mediated communication.

The respondents from the RMU and Internal Audit Services are not easily accessible because of the demanding nature of their work. As a result, the use of e-mail interviewing is more appropriate than the time consuming face-to-face interviews. Because fraudulent and corrupt activities within the DTI are a very sensitive issue, the use of e-mail interviewing is more appropriate. Respondents were, furthermore, allowed sufficient time to reflect on their answers to the questions and they were assured that they will remain anonymous.

1.15.3 Survey questionnaires

Kumar (2011:145) describes a questionnaire as a written list of questions to which respondents must provide the answers. In a questionnaire respondents read the questions, interpret what is expected and then write down the answers. A questionnaire can be administered in the following ways:

- The mailed questionnaire: The most common approach to collecting information is to send the questionnaire to prospective respondents by mail.
- Collective administration: One of the best ways of administering a questionnaire is to obtain a captive audience such as people assembled in one place. This ensures a very high response rate. As the researcher has personal contact with the study population, the researcher can explain the purpose, relevance and importance of the study and clarify any questions that respondents may have.
- Administration in a public place: Sometimes the researcher can administer a questionnaire in a public place such as a shopping centre.

The questionnaire in this study was administered through collective administration. It was distributed to respondents attached to all the divisions within the DTI. As a result, the researcher obtained a captive audience assembled in the DTI national office. This captive audience allowed the researcher to have personal contact with the respondents where the purpose, relevance and importance of the study were explained and uncertainties which respondents had were clarified. The researcher sat with each of the respondents at their work stations to explain what the research questionnaire was all about and stressed the ethical considerations of the study. Once the respondents acknowledged and understood the ethical considerations, the researcher notified the respondents that she will leave the research questionnaire with them. It was made clear that researchers were not compelled to participate in the study. It was then up to them to decide whether or not they wanted to participate in the study. The researcher then waited for the respondents to return the research questionnaire. If a research questionnaire was not returned, the researcher assumed that the respondent chose not to participate and did not follow-up with or question the respondents.

Sixty five survey questionnaires were prepared and administered to employees attached to the different divisions within the national office of the DTI. A total of 58 completed questionnaires were received back from the respondents, which is a response rate of 89%. The literature study and research questions were used to inform and design the questions for the questionnaire. The questionnaire provided for closed and open-ended questions. The questions were focused to ensure that the respondents gave the specific

information required to answer the research questions. The questionnaire was divided into three sections. The sections were divided as follows:

- Section A addressed the respondents' biographical information.
- Section B explored respondents' knowledge, understanding of and exposure to the Fraud Prevention Policy and Strategy, the Policy on Protection of Whistle-blowers, and the Policy Document on Forensic Audit Process.
- Section C elicited respondents' views and attitudes on the significance of reporting fraudulent and corrupt activities within the DTI.

The questionnaire was administered to measure how respondents feel, think or act in particular ways, with particular reference to fraudulent and corrupt activities within the DTI. The questionnaire was tested prior to implementation to ascertain whether the questions will be understood. The researcher also distributed and collected the survey questionnaires personally in order to facilitate a good response rate. The questionnaire consisted of closed questions and one open-ended question. Kumar (2011:138) explains that the classification of a data collection method into the qualitative or quantitative category depends upon various factors. For instance, if an observation is recorded in a narrative or descriptive format, it becomes qualitative information, but if it is recorded in categorical form or on a scale, it will be classified as quantitative information. The data recorded in the survey questionnaires are developed and quantified out of descriptive responses and recorded in response categories.

1.16 DATA ANALYSIS

Gerring (2012:78) explains that data analysis refers to the analysis of data once it is collected.

1.16.1 Qualitative data analysis

Qualitative data analysis is a rigorous and logical process through which data are given meaning. The analysis of the data can lead to an initial description of the data. Then, through a process of disaggregating the data into smaller parts, we see how these connect into new concepts, providing the basis for a fresh description. However, merely describing the data is not enough; there is a need to interpret, to understand and to explain the data (Gray, 2014:602, 607). According to Creswell (2013:180) data analysis in qualitative

research consists of preparing and organising the data for analysis, then reducing the data into themes through a process of coding and condensing the codes, and finally representing the data in figures, tables or a discussion.

In this study, qualitative data was analysed in line with Creswell's data analysis spiral. Creswell (2013: 182–188) explains that the researcher engages in the process of moving in analytic circles rather than using a fixed linear approach. A researcher enters with data or text and exits with an account or a narrative. The data analysis spiral consists of the following steps:

- Organising the data

Data management is the start of the process. At an early stage in the analysis researchers organise their data into files. Raw data collected from the literature study and online interviews in this study was organised in physical folders and electronic documents.

- Reading and memoing

Researchers continue the analysis of the data by getting a sense of the whole database by reading all the transcripts several times before breaking them into smaller parts. It is helpful to write notes or memos during this initial process of exploring the data. In this study the data was analysed several times to get a thorough understanding of what it comprises in order to get an impression of the data as a whole. This process allowed the researcher to make notes for preliminary interpretation.

- Describing, classifying, and interpreting data into categories and themes

This step consists of describing, classifying, and interpreting data. Forming categories is at the heart of qualitative data analysis. In this step researchers build detailed descriptions, develop themes, and provide an interpretation in light of their own views or perspectives in the literature. Coding involves aggregating the text into small categories of information. Moving beyond coding, classifying entails taking the text apart and looking for categories or themes. Themes or categories in qualitative research are broad units of information that consist of several codes aggregated to form a common idea.

In this study the researcher classified the data into categories and subcategories allowing for the identification of specific patterns in the data.

- Interpreting the data

Interpretation involves making sense of the data. The researcher interpreted the meaning of the data in terms of themes or descriptions.

- Representing and visualising the data

In the final phase of the data analysis spiral, one represents what was found. Data contains text not numbers. The researcher represented the data according to categories and subcategories.

1.16.2 Quantitative data analysis

In quantitative research the main emphasis in data analysis is to decide how one is going to analyse the information obtained in response to each question that you asked of your respondents (Kumar, 2011: 255). Frequency distribution was used to analyse the data collected from the survey questionnaires. According to Gray (2014:566), frequency distribution is one of the most common methods of data analysis, particularly for analysing survey data. Frequency simply means the number of instances in a class. For example, a survey might measure customer satisfaction for a particular product over a two-year period. The results showing what customers answered for each category are typically shown as percentages.

Fifty eight survey questionnaires were received from DTI employees employed at the DTI national office. A coding sheet (excel spreadsheet) was drawn up to analyse information from these employees in order to ascertain DTI employees' knowledge and understanding of and exposure to the Fraud Prevention Policy and Strategy, the Policy on Protection of Whistle-blowers, and the Policy Document on Forensic Audit Process. The information was also analysed to obtain the employees' views on and attitudes towards the significance of reporting fraudulent and corrupt activities within the DTI. These coding sheets grouped related answers together. All the questions from the survey questionnaires were coded and recorded in excel spreadsheets before statistical analysis was applied to each set of coded question responses.

The data was quantitatively analysed through frequency distribution and presented statistically (in percentage format) in Chapter 5. This chapter explains the variation of respondents' views on and attitudes towards fraudulent and corrupt activities in the DTI. The respondents' knowledge and understanding of and exposure to the Fraud Prevention Policy and Strategy, the Policy on Protection of Whistle-blowers, and the Policy Document on Forensic Audit Process are also explored.

The respondents were also given the option to respond to the open-ended question at the end of the survey questionnaire. Here the researcher attempted to probe possible reasons for the lack of reporting fraudulent and corrupt activities within the DTI national office.

1.17 TRUSTWORTHINESS IN QUALITATIVE RESEARCH

According to Kumar (2011:184) one of the differences between quantitative research and qualitative research is the use of and the importance ascribed to the concepts of validity and reliability. However, Kumar says that there are some attempts to define and establish validity and reliability in qualitative research. These are through determining the "trustworthiness" and "authenticity" of quantitative research. According to Guba and Lincoln (in Kumar, 2011:184) trustworthiness in a qualitative study is determined by four indicators, namely credibility, transferability, dependability and confirmability. These four indicators reflect validity and reliability in qualitative research.

1.17.1 Credibility

According to Trochim and Donnelley (in Kumar, 2011: 185) credibility involves establishing if the results of qualitative research are credible or believable from the perspective of the participant in the research. Kumar explains that because qualitative research studies explore perceptions, experiences, feelings and beliefs of the people, respondents are in the best position to judge whether or not the research findings have been able to reflect their opinions and feelings correctly.

In this study the respondents' answers to the questions posed on the online interviews were verified with the respondents. The respondents confirmed, validated, compared and approved their responses. After this credibility was established the data were stored electronically. Credibility was further ensured through the triangulation of data collection methods.

1.17.2 Transferability

According to Trochim and Donnelley (in Kumar, 2011: 185) transferability refers to the degree to which the results of qualitative research can be generalised or transferred to other contexts or settings. To ensure transferability in this study, the researcher extensively and thoroughly describes the process adopted for others to follow and replicate, such as the sampling strategy and data collection methods as well as the challenges encountered in this study. According to Sandelowski (in Liamputtong, 2013:26) transferability

conveys that the theoretical knowledge obtained from qualitative research can be applied to similar individuals, groups or situations. The theoretical knowledge of this study is ensured through extensive descriptions of the sample and research setting.

1.17.3 Dependability

Dependability is very similar to the concept of reliability in quantitative research. According to Trochim and Donnelley (in Kumar, 2011: 185) dependability is concerned with whether one would obtain the same results if one observes the same thing twice.

To ensure dependability in this research, the researcher kept an extensive and detailed record of the process followed for others to replicate, such as posing standardised questions to participants and storing their responses electronically. The researcher also followed a member-checking process after the online interviews in order to verify whether respondents' answers were a true reflection. In addition, a detailed explanation of the researcher's choice of research methodology in this study is provided. This ensures that the linkages between the data and reported findings are coherent.

1.17.4 Confirmability

Confirmability refers to the degree to which the results could be confirmed or corroborated by others. Confirmability is also similar to reliability in quantitative research. Confirmability is only possible if both researchers follow the process in an identical manner for the results to be compared (Kumar, 2011:185).

To ensure confirmability in this study, the researcher kept a detailed record of all the respondents' answers. This ensured that the findings and interpretation of the findings did not derive from the imagination of the researcher but are clearly linked to the data, as viewed by Liamputtong (2013:26). The researcher set aside any biases, motivation and perspectives that could influence the study and were completely guided by the respondents. As a result, the findings of this study were determined by the respondents.

1.18 VALIDITY AND RELIABILITY IN QUANTITATIVE RESEARCH

Validity concerns the accuracy of the questions asked, the data collected and the explanations offered. Validity generally relates to the data and analysis used in the research (Denscombe, 2002:100). Mynhardt (2011:14) states that validity is the extent to which an instrument measures what it is supposed to measure.

Similarly, Kumar (2011:184) explains that validity in the broader sense refers to the ability of a research instrument to demonstrate that it is finding out what one designed it to.

In this study the validity of the survey questionnaire is determined by the literature review, the research questions as well as the researcher's own experience of fraudulent and corrupt activities within the DTI while working in the DTI. Standardised questions were also posed to respondents who participated in the online interviews. Further, all the questions posed to respondents are relevant to the study, thereby ensuring validity. In addition, the literature used in the research is considered to be valid, as it consists of subject-specific books, academic journals, articles, DTI documents and other sources. Moreover, the survey questionnaire was piloted among respondents who were not part of the study in order to test if the research questionnaire was understandable. A standardised survey questionnaire was administered to all the respondents.

Schwandt (2001:267) explains that the findings of social scientific investigations are (or must be) valid so as to argue that the findings are in fact (or must be) true and certain. Here "true" means that the findings accurately represent the phenomena to which they refer. The concept "certain" means that the findings are backed by evidence – or warranted – and there are no good grounds for doubting the findings, or the evidence for the findings in question is stronger than the evidence for alternative findings.

To ensure reliability in this study, the researcher guarantees that the online interviews were conducted in a consistent manner, without any bias. The researcher, furthermore, ensured that the questions in the survey questionnaire and online interviews were standardised for all respondents. All the questions in the online interviews and survey questionnaire were piloted (with non-participants) before implementation to assess whether it would consistently yield similar results. In addition, all the literature sources cited in this study are acknowledged.

The survey questionnaire with the application and permission letter (Annexure B) was personally distributed by the researcher. The questionnaires were distributed to the respondents' work stations at the DTI national office during lunchtimes and tea breaks and were returned to the researcher at her work station in a sealed envelope during these same time periods. Some respondents called the researcher prior to returning the survey questionnaires to ensure that the envelopes do not fall into the wrong hands.

1.19 ETHICAL CONSIDERATIONS

The concept "research ethics" is described by Blumberg, Cooper and Schindler (in Gray 2014:68) as conducting research in a way that goes beyond merely adopting the most appropriate research methodology, but conducting research in a responsible and morally defensible way. Ethics are thus sets of moral principles or norms that are used to guide moral choices of behaviour and relationships with others. Creswell (2014:92) emphasises that ethical issues in research command increased attention today. The ethical considerations that need to be anticipated are extensive, and they are reflected throughout the research process. Gray (2014:68) categorises ethical considerations into the following four main areas:

- Avoiding harm to participants
- Ensuring informed consent of participants
- Respecting the privacy of participants
- Avoiding the use of deception

The researcher made sure that the respondents exercised their right to be briefed about the study and their right to give informed consent, as advocated by Henning (2004:73). The researcher also ensured that this research has been ethically conducted by adhering to the following principles of the Unisa Policy on Research Ethics (Unisa, 2007:9-17).

1.19.1 Voluntary participation

Gray (2014:78) emphasises that respondents have the right to withdraw from an interview (or survey questionnaire in the case of this study) at any time, or refuse to answer any question they find intrusive. Researchers have to make it transparently clear to respondents that their participation in the research is entirely voluntary and that they have the right to withdraw at any time. This right to withdraw needs to be stated in any preamble before an interview or in the introduction to a questionnaire.

The researcher emphasised that participation in the study was voluntary and respondents were not obligated to complete and return the survey questionnaire or to participate in the online interview. Respondents were informed that they could withdraw from the study at any time without the obligation to explain the reason for their withdrawal in which case all information and recordings they have provided would be destroyed and excluded from the study. Respondents were furthermore informed that their withdrawal from this study

would not result in any form of penalty or loss of benefit. Finally, it was made clear to respondents that their participation in this study was voluntary and did not entitle them to any form of compensation, reimbursement, gifts or services.

1.19.2 Protection from harm

There may be dangers in causing participants psychological damage, anxiety, stress, embarrassment or loss of self-esteem. It could be argued that researchers need to go beyond avoiding harm to participants and should aim instead for positive benefits. One potential benefit of research is adding to the body of human knowledge (Gray, 2014:74).

The researcher did not expose participants to physical or psychological harm. Survey questionnaires were administered in a safe environment and online interviews were responded to in the comfort of participants' work stations at the DTI. The risk from harm was furthermore minimised and guaranteed, as the survey questionnaire was personally distributed to the respondents at their respective work stations and the online interviews posed no risk from harm.

Permission to conduct this study within the DTI national office was granted by the Director-General of the DTI (Annexure B) upon condition that the information collected during the study be shared with the DTI. The data should also not be published, publicised or disseminated without the agreement of the DTI.

1.19.3 Informed consent

Flick (2014:538) explains informed consent as the participants' agreement, willingly provided, to cooperate with research that has been explained to them and that they are able to understand. This is a requirement for ethically sound research. Gray (2014: 684) views informed consent as the obtaining of voluntary participation in a research project based on a full understanding of the likely benefits and risks.

Respondents were informed of the nature and purpose of this study to avoid deceit and each respondent's voluntary consent was obtained. Respondents' actual role in the study was also explained as well as the possible benefits of the study for the DTI. The procedure for getting the prior informed consent ensured that each respondent understood the implications of their participation and were able to make an autonomous decision.

1.19.4 Anonymity and confidentiality

Flick (2014:59) emphasises that when one interviews (or administers survey questionnaires as in the case of this study) several people in the same company, the need for confidentiality is not just in relation to the members of the public outside this setting. Readers of the report should not be able to identify which persons took part in the study. Flick suggests that for this purpose specific details, such as names and addresses, should be encrypted to protect identities.

The researcher requested respondents not to indicate their names on the survey questionnaire as a precaution to maintain anonymity and confidentiality. The researcher assigned a number to each questionnaire to keep track of survey questionnaires that were distributed.

1.20 RESEARCH STRUCTURE

This dissertation is organised according to the following chapters:

Chapter 1: General orientation – This chapter presents information on the research methodology and indicates the exact steps that were followed to address the research problem.

Chapter 2: Broad overview of fraud and corruption in South Africa – This chapter provides a broad overview of the extent, contributing factors, a legislative overview, and anti-corruption strategies to fraud and corruption within South Africa, as well as an overview of examples of fraud and corruption activities in international countries.

Chapter 3: An overview of policies regulating fraud and corruption within the Department of Trade and Industry – This chapter provides an overview of the pattern of reoccurrence of fraudulent and corrupt activities in the DTI and the analysis of the policies designed to curb fraud and corruption in the DTI as well as the impact thereof.

Chapter 4: Management and employee roles in combating fraudulent and corrupt activities within the Department of Trade and Industry – The focus of this chapter is on the DTI national office's efforts to combat fraudulent and corrupt activities.

Chapter 5: Presentation and discussion of the research findings – In this chapter the quantitative and qualitative data are presented and discussed by means of themes. Recommendations are then made based on the findings of the study.

Chapter 6: Summary, recommendations and conclusion – In this chapter the findings are summarised, recommendations are made. The chapter ends with a final conclusion of the study.

1.21 SUMMARY

This chapter provides an overview of the study. The rationale for the study and the relevance of the study is presented. The focus of the study is accentuated by the aims and objectives. Key theoretical definitions provide further clarification. In addition, time and geographical limitations are presented to clarify where and when the study was conducted.

This chapter presents theoretical information on the research methodology and points out the exact steps that were followed to address the research problem. This chapter provides a clear and complete description of the steps followed to achieve the aim of the research. These steps include the nature of the research approach and design, methods of data collection, a description of the measuring instruments and data analysis procedures, and methods to ensure validity, reliability and trustworthiness. The aim of this study is to analyse the Fraud Prevention Policy and Strategy, the Policy on Protection of Whistle-blowers, and the Policy Document on Forensic Audit Process in order to establish the reason for the ongoing spate of fraudulent and corrupt activities among employees within the DTI head office, irrespective of the relevant policies put in place. In addition, the study aims to establish other possible reasons that could be linked to the reoccurrence of fraudulent and corrupt activities within the DTI. This aim is pursued by the use of survey questionnaires, a literature study, and online interviews. The research is of a quantitative and qualitative nature. Ethical considerations followed in this study are also outlined.

Chapter 2 provides an overview of fraud and corruption in South Africa.

CHAPTER 2 BROAD OVERVIEW OF FRAUD AND CORRUPTION IN SOUTH AFRICA

2.1 INTRODUCTION

Fraud and corruption activities are undermining the economic growth of South Africa. Corruption undermines good governance, which includes sound institutions and the effective operation of government (South Africa. National Planning Commission, 2012:446). South Africa has acknowledged that fraud and corruption activities do take place. For this reason, various directives, policies, legislation, strategies and governing bodies have been implemented to address fraud and corruption. Literature reviews explored the contributing factors and those initiatives addressing fraud and corruption within South Africa.

This chapter provides an overview of contributing factors to fraud and corruption within South Africa, the extent of fraud and corruption in South Africa, a broad legislative overview of fraud and corruption in South Africa, an overview of fraud and anti-corruption strategies within South African government departments, and examples of fraud and corruption activities in international countries.

2.2 FACTORS CONTRIBUTING TO FRAUD AND CORRUPTION IN SOUTH AFRICA

The following factors contribute to fraud and corruption in South Africa:

2.2.1 Lack of economic freedom

Miller, Kim and Holmes (2014:398) report that according to the 2014 Index of Economic Freedom, South Africa falls under the "moderately free" countries, ranked at number 75. South Africa is ranked sixth out of 46 countries in the Sub-Saharan Africa region. This index found that enforcement of anti-corruption statutes is inadequate and public servants often do not declare their business interests as required by law. Further, it was found that the public procurement process is often politically driven and opaque, and the delivery of government services is undermined by poor administration. However, it was found that property rights are relatively well protected and contracts are generally secure. This index also indicated that South Africa is 41,6% free from corruption.

According to *Fact and Stats about South Africa* (2014) South Africa ranks 1st among upper middle-income economies in the World Bank. Overall, South Africa ranks 23rd out of 155 countries included in the logistics performance indicators. Its main competitor on the African continent, Nigeria, is ranked 121. Eiras

(in Habtemichael, 2009:70) argued that lack of economic freedom may give rise to corruption. South Africa has been experiencing inflation since 2009. According to the South African Department of Statistics, inflation is hitting the ceiling of the South African Reserve Bank inflation target range. The Corruption Perception Index was at 6% during April 2014, with a 1,3% monthly increase. The monthly increase is the largest since June 2008, at 1,4%.

However, according to the government notice published in the Government Gazette of 26 February 2014 (South Africa, 2014:1-8), the DTI has since called for the removal of adverse credit consumer information and information relating to judgement to allow consumers a chance for rehabilitation on their financial expenditure. This stems from the fact that some ordinary South Africans no longer qualify to purchase houses and vehicles or get loans on whatever they desire due to this factor.

Agbibo (2013:273) explains the South African situation by drawing attention to the economic level, explaining corruption is blamed for encouraging waste, promoting resource distribution asymmetries, distorting markets and competition, and producing revenue losses. In addition, corruption is blamed for decelerating investment opportunities, privileging non-productive rent-seeking activities, and fuelling distortions in economic policy. This is confirmed by the PwC 2014 Economic Crime Survey (PwC, 2014). The findings in this survey come from executives who reported on their experiences of economic crimes. The focus of this study is on cybercrime, corruption/bribery, money laundering and competition law/antitrust law. This survey takes a detailed look at these threats which are often systemic in nature — and thus are more prone to cause a long-term, damaging impact on the organisation.

According to Sindzingre and Milelli (2010:8) the concept of corruption in developing economies is most often analysed through different families of models. For example, at the microeconomic level the modelling of principal-agent relationships and the stylisation of games can be found, and at the macroeconomic level there is the cross-country growth econometrics. For this reason, Olken and Pande (2012:5) are of the view that the Transparency International's Annual Corruption Perception Index and the World Bank's Control of Corruption Index may be inadequate, as these instruments may not measure corruption accurately.

2.2.2 Immigration

According to *Facts and Stats about South Africa* (2014), South Africa has an increasing influx of Zimbabweans in search of better economic opportunities. This is confirmed by Cooray and Schneider (2014:1) who refer to the neo-classical migration theory that views emigrants as individual, rational players

who decide to move on the basis of a cost-benefit calculation. This theory perceives migration as leading to an optimal allocation of resources through which wages are equalised across countries due to the movement of labour from surplus to scarce countries.

The influx of immigrants led to South African citizens becoming more vulnerable and desperate in search of jobs and other opportunities. There have been claims that it seems that emigrants settle for lower salaries. This has an effect on small businesses which are taking over in urban and semi-rural areas. Immigration has also been associated with evidence of forgeries of some official documents, such as asylum seekers documents, identity documents, work permits, as well as other crimes within South Africa. Confirmation of such allegations was cited in articles as follows:

A man falsely claimed he was married to a South African citizen and was in possession of a fake asylum seekers permit (Ellis, 2012).

Identity theft has been of serious concern for South Africans, however with the new ID Smart card this may soon be nearly impossible (Pearce, 2013).

Joseph Sithole was another of Carte Blanche's examples of a man whose life was disrupted by identity theft. He was informed by SARS that he owed large amounts of taxes due when an ID thief used his details to fraudulently gain employment (Pearce, 2013).

According to a study conducted by Vigneswaran and Duponchel (2009:1) the police spent a quarter of their annual budget, or R350 million (US\$48 million) in Gauteng alone, on immigration policing, despite instructions from senior officials that this was not a priority. Police commissioner Calvin Sengani said the province, which borders Zimbabwe, had to deal with foreign nationals "flooding our towns and cities. They cause a great number of problems with crime; we arrest them and protect them with resources that are intended for our citizens".

There have been business operations of immigrants that are reported vandalised as a result of illegal operations, xenophobia and anger of South Africans feeling cheated out on businesses. It is reported as follows:

Xenophobic violence has often accompanied service delivery protests, which have mushroomed across Gauteng Province since the beginning of 2010. Attacks on foreign owned shops and businesses have been reported. Shange said, "We are worried about it [protests combined with xenophobic violence] (McKinley, 2010).

Mataboge (2013) reported that less than 300 000 Zimbabweans stay legally in South Africa. The South African government also spends at least R90 million a year on sending illegal immigrants back to their countries, most to Zimbabwe. Many Zimbabweans, however, make it back into South Africa within days.

2.2.3 Equality

According to the Transparency International Policy Brief 1/2014 (Transparency International, 2014:2-4) on gender equality and corruption, there is evidence around the world that countries with more women in government or parliament are less prone to corruption. However, women can be victimised differently by corruption on account of vulnerabilities created by their gender. In the light of equality, Habtemichael (2009:73) also believes that transfers in a corrupt transaction are not only in cash or other tangibles, as in economic corruption. There are social exchanges like clientelism, nepotism, ethnic and other types of favouritism which are variants of corruption, in social terms. The following is evidence that nepotism does exist in South Africa:

The latest incident of corruption saw Dina Pule, South Africa's former Minister for Communications giving her boyfriend's company a R6 million tender – yet her punishment consisted of being publicly reprimanded and fined one month's salary (Ward, 2013).

2.2.4 Lack of governance

According to *Fact and Stats about South Africa* (Intergate Immigration, 2012), South Africa ranks 5th overall on the 2011 Ibrahim Index, which measures the quality of African governance. Mauritius, Cape Verde, Botswana and Seychelles took the first four places on a list of 53. According to Schwab (2010:29) in the Global Competitiveness Report 2010/11, South Africa has the 34th most efficient government out of the 139 countries ranked. According to Cooper and Burke (2014) risk management is an ongoing concern for modern organisations in terms of their finance, their people, their assets, their projects and their reputation. In section 2.3 of this chapter South Africa is currently being labelled as the "fraud champs". To address fraud and corruption South Africa has implemented initiatives, resources and manpower to fight fraud and corruption in this chapter, but fraud and corruption are still on the rise. Habtemichael (2009:69) is of the view that many developing countries where monitoring the endemic corruption seems not to function effectively, the governments pay very low salaries (termed 'capitulation' wages) to their employees because they are aware that the bureaucrats can compensate by demanding bribes. Nyemba (2012:2) also believes that poor corporate governance, among others, is the reason why fraud and corruption are on the rise.

2.2.5 Politics

An example of political interference is the manipulation of tender procurement processes. It was confirmed by Miller et al (2014:398) that the public procurement process is often politically driven and opaque, and the delivery of government services is undermined by poor administration. In addition, the public procurement process deviates from the fair practice of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003 (South Africa, 2003). It has been confirmed that corruption by political leaders has been identified as one of the major causes of poverty and failure in the development of developing countries, particularly in Africa (Ikejiaku, 2009:19). Habtemichael (2009:60) also believes that economic and political aspects are the most comprehensive causes of corruption.

2.2.6 Poverty and unemployment

History has proven that there is a direct link between poverty and crime (Nidess, 2013). Unemployment today is the result of the current economic order being unable to generate sufficient viable work opportunities for those seeking work (Hoffman, 2012). South Africa's unemployment rate is at 36%. It is evident that some people who are unemployed tend to devise some means to maintain their lifestyle, with some people resorting to crime in whichever form. This could include paying a bribe to secure a good job or to get business.

2.2.7 Victimisation of whistle-blowers

The South African Protected Disclosure Act, No. 26 of 2000 (South Africa, 2000b) was introduced to protect whistle-blowers. The Act was supported by the introduction of the National Anti-Corruption Hotline (South Africa. Public Service Commission, 2004), which allows for anyone to report fraud and corruption in South Africa without disclosing their identity. The National Anti-Corruption Hotline Toolkit (South Africa. Public Service Commission, 2006) is a document that provides the organisation with employee obligations, guidelines and contact details on when and how to report corruption. However, some of the South African whistle-blowers have been reported to have been victimised. This was confirmed by Ngcobo (2010) that:

Two prominent Labour Court cases involving whistle-blowers within four days of each in the past week are harsh reminders that there is very little or no protection for these brave individuals despite the existence of the Protected Disclosures Act, No. 26 of 2001 (Ngcobo, 2010).

One of the cases involving Vodacom alleges that Mdluli, a former financial manager, developed a vendetta against the company after he was dismissed, prompting the board to commission KPMG to conduct a forensic audit (Ngcobo, 2010).

... generally the whistle-blower becomes the prime target of victimisation by those accused of unlawful or irregular conduct. And the real reason behind is vengeance, retaliation and retribution sparked and ignited by whistle-blowing activities. This is the very mischief which the legislature sought to prevent in promulgating the PDA (Ngcobo, 2010).

A similar case was heard by the Labour Court in Braamfontein, Johannesburg last Friday in the matter between Dudu Bongiwe Tshabalala, the daughter of retiring Judge President of KwaZulu-Natal, Justice Vuka Tshabalala and L'OREAL South Africa (Ngcobo, 2010).

Mbanjwa (2010) further reported the following:

Durban – A former top city official, who blew the whistle on irregularities in the eThekweni Municipality, claims his role in exposing corruption led to him being targeted by his superiors and eventually fired.

2.3 THE EXTENT OF FRAUD IN SOUTH AFRICA

The Times LIVE has labelled South Africa as "world fraud champs". This includes crimes such as money-laundering, bribery and corruption, and procurement fraud (Hosken, 2014). South African accounting and auditing firm PwC conducted a global Economic Crime Survey (PwC, 2014:7) that revealed South Africa has fraud problems such as asset misappropriation at 77%, money laundering at 14%, procurement fraud at 59%, human-resources fraud at 42%, financial-statement fraud at 35%, mortgage fraud at 4%, and tax fraud at 11%. The SAPS analysis of national crime statistics of reported fraud was at 60% (South Africa. South African Police Service, 2013:7). The official SAPS crime statistics (South Africa. South African Police Service, 2013:19) reflect that commercial crime (with specific reference to fraud):

- increased by 45.5% over a 9-year period (2004/5-2012/13)
- increased by 10.1% during the past 4 years (2009/10–2012/13)
- increased by 0.6% during the past financial year (2012/13)

PwC also reported that the percentage of South African respondents reporting fraud have increased from 2011 for the first time since the inception of the survey. The report revealed that 77% of all internal fraud was committed by senior and middle management, that the typical perpetrator of insider fraud in South Africa is male aged between 31 and 40, has obtained a university degree, and has been with his employer for more than 10 years (PwC, 2014:3).

2.4 LEGISLATIVE AND POLICY FRAMEWORK ADDRESSING FRAUD IN SOUTH AFRICA

Due to its very nature, it is a challenge to prevent fraud and corruption. To prevent fraud, however, it is considered necessary to have a proper strategy that can be measured in some way (Brooks, 2012:9). Since South Africa officially classified fraud as an offence, the following legislation and policy directives have been implemented to address fraud:

2.4.1 The Prevention of Organised Crime Act, No. 121 of 1998

The Prevention of Organised Crime Act, No. 121 of 1998 (POCA) (South Africa, 1998) lists fraud as a schedule 1 offence. This Act has been implemented to introduce measures to combat organised crime, such as fraud and corruption, to provide for the prohibition of money laundering and for an obligation to report certain information.

2.4.2 The Proceeds of Crime Act, No. 76 of 1996

The Proceeds of Crime Act, No. 76 of 1996 (South Africa, 1996) was adopted on 20 November 1996 and commenced on 16 May 1997. The Act provided for the restraint and confiscation of the proceeds of crime, and established a number of money-laundering offences. This Act was repealed by the Prevention of Organised Crime Act, No. 121 of 1998, with effect from 21 January 1999.

2.4.3 The Broad-Based Black Economic Empowerment Act, No. 53 of 2003

The Broad-Based Black Economic Empowerment Act, No. 53 of 2003 (South Africa, 2003) provides for fair tendering businesses and, as a result, attempts to curb possible procurement fraud in the tender bidding system. The fundamental objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy.

2.4.4 The Protected Disclosure Act, No. 26 of 2000

The Protected Disclosure Act, No. 26 of 2000 (South Africa, 2000b) makes provision for procedures in terms of which employees in both the public and private sectors may disclose information regarding unlawful or irregular conduct by their employers or other employees in the employ of their employers. The Act also provides for the protection of employees who make a disclosure which is protected in terms of this Act. The provisions of this Act thus assist employees and any other citizens to report fraudulent activities without fear of being victimised or unfairly dismissed by their employer.

2.4.5 The Public Finance Management Act, No. 1 of 1999 (PFMA)

The Public Finance Management Act, No. 1 of 1999 (South Africa, 1999) is meant to regulate financial management in the national government and provincial governments; ensuring that all revenue, expenditure, assets and liabilities are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management and to provide for matters connected therewith. Sections 38(1)(a)(i) and 76(4)(e) of the PFMA also provides for internal controls and internal audits that prescribes that an accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit efforts and priorities, and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution.

2.4.6 The Promotion of Access of Information Act, No. 2 of 2000

The Promotion of Access to Information Act, No. 2 of 2000 (South Africa, 2000a) is meant to give effect to the constitutional right of access to any information held by the State and any information that is held by another person and that is required for the exercise or protection of any rights; and to provide for matters connected therewith.

The King Report on Corporate Governance III of 2009 became necessary because of the new Companies Act, No. 71 of 2008. The King Report on Corporate Governance III of 2009 has chapters that provide guidelines of how companies should comply with the Public Finance Management Act, No. 1 of 1999.

2.4.7 The Financial Intelligence Centre Act, No. 38 of 2001

The Financial Intelligence Centre Act, No. 38 of 2001 (South Africa, 2001) was meant to establish a Financial Intelligence Centre and a Money Laundering Advisory Council in order to combat money laundering activities and the financing of terrorist and related activities. It was also meant to impose certain duties on institutions and other persons who might be used for money-laundering purposes and the financing of terrorist and related activities. Further, the Act aims to amend the Prevention of Organised Crime Act, 1998, and the Promotion of Access to Information Act, 2000, and to provide for matters connected therewith.

2.5 BROAD OVERVIEW OF FRAUD PREVENTION STRATEGIES WITHIN THE SOUTH AFRICAN PUBLIC SECTOR

During 2001, the South African National Treasury mandated all South African government departments to develop and implement fraud prevention plans whereafter the PSC conducted a study on the implementation of fraud prevention plans (South Africa. Public Service Commission, 2007: VII). The Report on the Implementation of Fraud Prevention Plans in the Public Service (South Africa. Public Service Commission, 2008b) released in March 2008 indicated that the fraud prevention plans were meant to ensure that there is transparent and accountable public administration and a proactive approach towards minimising risks that can impact adversely on their operations. The PSC press statement further indicated that the key finding in the report on the implementation of fraud prevention plans was that 87% of national and provincial departments that participated in this survey reported having fraud prevention plans in place. Contents of the plans and risk strategies were also of a high standard. The findings also showed that departments could be doing more to improve the frequency with which they review the effectiveness of their fraud prevention plans. The PSC also developed a standard fraud prevention checklist as part of monitoring and evaluation systems.

The National Treasury also provides public sector departments with guidelines on how they should structure their Fraud Prevention Plans (*Fraud Prevention Plan (FPP)*, 2014). The purpose of this document is to provide guidance to enable the institutions to develop fraud prevention plans that cover all the basic mechanisms of preventing fraud and corruption. During 2013 the National Treasury updated its Strategic Plan for 2013–2017. The National Treasury Strategic Plan (South Africa. Department: National Treasury 2013:24) has outlined in the financial accounting and reporting programme that there was a risk of supply chain management fraud in a form of inappropriate use of state funds and allocation of contracts to non-deserving service providers.

The non-deserving service providers are those who did not meet the applicable requirements of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003. The National Treasury Strategic Plan 2013 – 2017 (South Africa. Department: National Treasury, 2013:24-40) mitigation strategy to fight supply chain management was identified to establish a Chief Procurement Office, enhance relationships with other government agencies support programmes on legislation and financial management systems transversal bid and contract management processes as well as compliance monitoring mechanisms of blacklisted service

provider databases maintained. The financial intelligence and state security programme must allocate funds to combat financial crime including money-laundering and terror financing activities, and gather intelligence for purposes of national security, defence and combating crime.

2.5.1 Fraud prevention policy

The fraud prevention policy is an institution's statement on its commitment/stance in managing the threat of fraud and corruption. The fraud prevention policy informs the fraud prevention strategy of the institutions, therefore any major changes in the operations, structures and/or legislation that affects fraud risk management will require a review of the policy. The institution can also include a provision on the review of the policy to ensure relevance at all times. The statement can include the following:

- Anti-fraud programmes adopted by the institution;
- Policy/procedure for reporting of fraud;
- Mechanisms in place to prevent, detect and investigate fraud;
- Recovery of financial losses; and
- Anti-fraud culture and values of the organisation.

(Fraud Prevention Plan (FPP), 2014).

2.5.2 Fraud prevention strategy

The fraud prevention strategy is a detailed plan on how the institution will implement the measures to address risk of fraud and corruption. The institution should review the strategy annually to address the emerging fraud risks. The strategy should include detailed information on the following:

- Identification and assessment of vulnerable areas;
- Ownership of fraud risk;
- Response plan;
- Anti-fraud culture; and
- Legal framework.

The following are the key pillars of fraud prevention:

- Prevention;
- Detection;
- Investigation; and

- Resolution.

(*Fraud Prevention Plan (FPP)*, 2014).

2.6 GOVERNING BODIES REGULATING FRAUD AND CORRUPTION IN SOUTH AFRICA

Various governing bodies were established to regulate, investigate and report on fraud and corruption incidents.

2.6.1 National Treasury: Department National Treasury

The National Treasury is responsible for managing South Africa's national government finances. Supporting efficient and sustainable public financial management is fundamental to the promotion of economic development, good governance, social progress and a rising standard of living for all South Africans. The Constitution of the Republic (Chapter 13) mandates the National Treasury to ensure transparency, accountability and sound financial controls in the management of public finances (*The role of the National Treasury*, 2014).

2.6.2 South African Revenue Services

The South African Revenue Services (SARS) administers a number of tax Acts in terms of which money (taxes, duties and levies) are collected and paid into the National Revenue Fund. SARS also collects money on behalf of other departments under their legislation, which is then also paid into the National Revenue Fund. The South African Revenue Services website has a portal for tax crimes that lead to identity fraud, which is theft of a human individual identity (*Identity Fraud*, 2014).

The portal further describes the types of identity fraud such as phishing, in which the conmen use e-mail "phishing" scams requesting individuals to provide private and confidential information via a website link tool. Another type is refund scams, in which an identity thief can use a legitimate taxpayer's identity to fraudulently file a tax return and claim a refund. Identity theft involves taxpayers being phoned by a person alleging to be a SARS employee to inform them that SARS owes them money. However, SARS will never notify taxpayers about refunds by telephone. Fake SARS auditors and scam artists pretending to be SARS auditors also contact businesses to inform them that they are under investigation and that an audit is going to be conducted.

SARS has reporting channels of identity theft and fraud for the public. The channels include toll-free telephone numbers, walk-ins, and the Anti-corruption and fraud hotline toll-free number. Victims of tax

crimes should notify SARS and the South African Police Services, and close all their bank accounts. SARS also provides some guidelines on what people should have at hand when they report identity theft and fraud. The guidelines include having an identity book number, a tax reference number and the vehicle registration number of the person being reported (*Identity Fraud*, 2014). The person reporting the offence is allowed to choose to remain anonymous. Lastly, the person reporting should be aware that SARS will not revert back to him or her, as SARS does not share a person's tax affairs with anyone else except with the person's consent. SARS also advises people to protect themselves from identity theft and identity fraud by registering personal information with the South African Fraud Prevention Services if they have lost or had their identity document or passport stolen.

2.6.3 Financial Intelligence Centre

The Finance Intelligence Centre (FIC) has been established to maintain an effective policy and compliance framework and operational capacity to oversee compliance. It also aims to provide a high quality, timeous financial intelligence for use in the fight against crime, money-laundering and terror financing in order for South Africa to protect the integrity and stability of its financial system, develop economically and be a responsible global citizen (*Financial Intelligence Centre*, 2014).

Some of the requirements for financial institutions as stipulated in the Finance Intelligence Centre Act, No. 38 of 2001 include a "Know-your-client checklist" in which financial institutions get to verify clients' personal information before they proceed with business. This checklist assists the financial institutions in eliminating some of the potential clients that does not comply with the Act as potential fraudsters within the system.

Institutions or organisations registered with the Finance Intelligence Centre (FIC) as Accountable Institutions must comply with the FICA Act, No. 38 of 2001, section 11. The Act stipulates that persons who carry on with the business of lending money against the security of securities are obligated to report any suspicious financial transactions or cash deposits over the set limit of R25, 000.00. The reason for this is to determine whether the said financial transactions or cash deposits constitute the crime of money-laundering in terms of the FICA Act, No. 38 of 2001.

FIC also interacts with the SAPS, SARS, National Prosecuting Authority (NPA) and the Special Investigation Unit (SIU).

2.6.4 The Public Protector

The Public Protector is an independent institution established under the Constitution (Section 182). It receives reports from any person who has a complaint of fraud or corruption that involves government departments, agencies or officials who violate their ethical codes or codes of conduct, as long as it is not a criminal case. Criminal cases are investigated by the SAPS. Reports can be made in person at any of the Public Protector's offices in each province or through its website (*Corruption Watch: Who can help?*, 2014).

2.6.5 The South African Police Service

Cases of fraud and corruption that involve criminal offences can be reported at any police station. Non-criminal cases can be reported to the Public Protector (see 2.6.4). The SAPS has two specialist units that may investigate fraud and corruption cases – the Directorate for Priority Crime Investigation (DPCI, The Hawks) and the Commercial Crimes Unit. After a case is opened at a police station, it may be referred to one of these specialist units for further investigation. The local police station where the case is reported must communicate the progress of the case to the person who reported the case.

2.6.6 The Public Service Commission

The Public Service Commission (PSC) is an independent institution established under Chapter 9 of the Constitution that oversees the public service. One of the functions is to receive complaints from individuals regarding, among others, financial misconduct by government employees. The commission hosts the National Anti-Corruption Hotline for the Public Service, which receives and compiles reports on fraud and corruption, and it refers the reports to investigators.

2.6.7 National Anti-Corruption Forum

South Africa established the National Anti-Corruption Forum (NACF) to focus on combating and preventing corrupt activities, building integrity and raising awareness during 2001. The NACF is divided into three sectors, namely civil society, business and government. The NACF was meant to find common ground between sectors, harmonise the sectors' strategies against corruption, and to provide advisory services on the implementation of strategies to combat corruption (*National Anti-Corruption Forum*, 2014).

Over the years the NACF was hosting summits in regard to corruption. The First National Anti-Corruption Summit was held from 14 to 15 April 1999 in Parliament, Cape Town. Some commitments were made to combat corruption that was corroding the national culture and ethos of democracy and good governance at all levels of society. Recommendations were also made to stamp out corruption at every level of society by

developing a culture of zero tolerance against corruption as well as educating the people to that effect (*National Anti-Corruption Summits*, 2014).

A commitment was made to combat corruption and to protect persons who expose corrupt and unethical practices from being victimised. After this summit, the Protected Disclosures Act, No. 26 of 2000 (South Africa, 2000b) was in place. The National Anti-Corruption Hotline (South Africa. Public Service Commission, 2004) was put in place to facilitate the reporting of corrupt practices in all sectors. At a later stage the National Anti-Corruption Hotline Toolkit (South Africa. Public Service Commission, 2006) was also in place so that the public could know how, when and what to report and not to report.

The Second National Anti-Corruption Summit was held in March 2005 in Pretoria. Some of the resolutions drawn from the summit were that corruption was an obstacle to development and that all sectors represented here should unite in preventing and combating corruption. Further, in the fight against corruption, a commitment was made to ensure that the South African legal framework fully complies with international conventions of the United Nations, African Union and Southern African Development Community (SADC) in respect of corruption. After this summit, the National Anti-Corruption Program was developed aimed at coordinating key problem areas and projects with specific outputs, timeframes and budgets. The Third National Anti-Corruption Summit was held in August 2008 in Johannesburg. Some of the resolutions were that the NACF establish a task team to urgently consolidate and articulate the National Integrity System. The Fourth National Anti-Corruption Summit was held at the Sandton Convention Centre on 8 and 9 December 2011. The original vision of the NACF, as set out in the Memorandum of Understanding on its establishment, was that the NACF must be the primary platform for the development of a national consensus through the coordination of sectorial strategies against corruption (*National Anti-Corruption Summits*, 2014).

2.6.8 Special Investigating Unit

The Special Investigating Unit (SIU) was established by the President in terms of the SIU and Special Tribunal Act, No. 74 of 1996 (South Africa, 1996). Its primary mandate is to recover and prevent financial losses to the state caused by acts of corruption, fraud and maladministration. The SIU also assists departments with systemic improvements to improve service delivery. The SIU is a public entity with powers of investigation and litigation (*Special Investigating Unit. Who we are*, 2014).

2.6.9 Auditor-General of South Africa

The Auditor-General of South Africa (AGSA) is the Supreme Audit Institution of South Africa. The AGSA has a constitutional mandate and, as the Supreme Audit Institution of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. Some of the corrupt activities are usually uncovered during the audits and reported by AGSA to relevant authorities (*Auditor-General South Africa. Reputation promise, 2014*).

2.6.10 The National Prosecuting Authority

The National Prosecuting Authority has the power to: Institute and conduct criminal proceedings on behalf of the State; carry out any necessary functions incidental to instituting and conducting such criminal proceedings (this includes investigation) and discontinue criminal proceedings (*National Prosecuting Authority of South Africa. Mandate, 2014*).

2.6.11 The Public Service Anti-Corruption Unit

The launch of the Public Service Anti-Corruption Unit (SACU) is part of a broader anti-corruption strategy for the public service by the Minister for the Public Service and Administration. Established to assist departments with managing corruption cases from investigations to conclusion, the Unit operates through a multi-agency approach which includes coordination of anti-corruption initiatives within the public sector with key stakeholders such as the SIU, Auditor General of South Africa, National Treasury and the PSC. The Unit primarily investigates officials with undeclared business interests, officials who do business with government without disclosing their business interests, officials who perform remunerative work outside the public service without permission, officials who solicit and/or receive bribes in return for performing or not performing official duties, and officials receiving grants or benefits unlawfully.

The key functions of the Unit include:

- Conducting, facilitating and coordinating the investigation of high profile cases;
- Referring investigation outcomes for corrective action to relevant authorities;
- Conducting, coordinating and facilitating the management of disciplinary proceedings for high profile cases;
- Monitoring and evaluating the consistency and efficacy of the implementation of disciplinary outcomes and corrective action taken;

- Providing legal advice and support to resolve high profile cases; and
- Assisting departments with the management of cases.

Indicators that measure the performance of the Unit are the:

- Percentage reduction in incidents of corruption in the public service;
- Percentage increase in finalised cases (administrative and criminal);
- Number of cases successfully concluded;
- Percentage increase in the time it takes to finalise cases;
- Percentage reduction in the level of negative perception of corruption;
- Percentage increase in amounts of money recovered; and
- Number of cases reported.

(Launch of the Special Anti-Corruption Unit, 2014).

2.7 THE EXTENT OF CORRUPTION IN SOUTH AFRICA

In the Afro Barometer paper on perceptions and realities of corruption in South Africa, Wielders (2013:1) indicate that cases of alleged corruption of government officials are detailed in the news media on a regular basis, and include allegations targeted at the highest levels of government. This was supported in the article by the South African Institute of Security Studies released on 13 December 2013 confirming that South Africans certainly think that public sector corruption is getting worse.

The PwC report on the global economic survey (2014:7) also confirms these factors by detailing some of the forms of corruption manifesting in South Africa, such as bribery and corruption at 57%, espionage at 3%, and illegal insider trading at 9%. Wielders (2013:3) further details that most of the corruption within South Africa is among the police officials at 52%, followed closely by local government councillors at 51% and government officials at 50%. Corruption among SARS officials, judges and magistrates are between 23% and 27%. The officials across these different categories involved in corruption are 40% in 2011, up quite substantially from 30% in 2008 (Wielders, 2013:3).

Minister Lindiwe Sisulu of the Department of Public Service and Administration has announced that South Africa is to set up an Anti-Corruption Bureau, and urged ordinary South Africans and parliamentarians to get behind such a bureau to tackle corruption in the public sector. It was hoped that the Bureau would be

operational from July 2013 (*SA to set up anti-corruption bureau*, 2014). South Africa will also proceed with disclosing and shaming corrupt officials as done by Minister Jeff Radebe of the Department of Justice and Constitutional Development (*SA names, shames corrupt officials*, 2014).

South Africa implemented the National Development Plan 2030 (South Africa. National Planning Commission, 2012) and updated the National Treasury Strategy Plan 2013–2017 (South Africa. Department: National Treasury, 2013) in order to enhance anti-corruption strategies. The office of the Public Protector is an influential institution that addresses fraud and corruption. The head of the Public Protector, Dr Thuli Madonsela, was recognised as one of the top 100 influential individuals in the world after an announcement of the report on irregularities that cost millions of South African tax payer's money. She reportedly hopes to achieve the following:

She plans to use the opportunity to meet and share good practice and experiences with the officials from the World Bank's Anti-Corruption Unit, the office of the New York Inspector-General and the Washington DC Investigation Unit, among other people

(Vecchiatto, 2014:4).

The Protected Disclosure Act, No. 26 of 2000 (South Africa, 2000b) allows for South Africans to report on allegations of corrupt activities. The PSC continuously conducts research and publishes reports on the progress of service delivery in government departments. South Africa has also local support in the form of Transparency South Africa, an NGO committed to address corruption and good governance in society. Transparency South Africa has committed itself, as part of an international movement against corruption, to combat corruption in the public and private sectors and civil society through networks of integrity.

South Africa has also received support for the National Anti-Corruption Programme from the UNODC. Within the framework of the Global Programme Against Corruption (GPAC), the UNODC entered into an agreement with the South African government in 2001 entitled the "United Nations' Support to the South African National Anti-Corruption Programme" (*Support to the South African National Anti-Corruption Programme*, 2014). Transparency International has an Anti-Corruption Research Network with many researchers around the globe researching corruption.

2.8 LEGISLATIVE AND POLICY FRAMEWORK ADDRESSING CORRUPTION IN SOUTH AFRICA

The policies and directives discussed below act as the legislative framework governing corruption in South Africa.

2.8.1 The Prevention and Combating of Corrupt Activities Act, No. 12 of 2004

The South African Prevention and Combating of Corrupt Activities Act, No. 12 of 2004 (South Africa, 2004) was put in place to provide for stronger measures to prevent and combat corrupt activities and to bind persons in positions of authority to report such activities. The Act has supporting Acts such as the Local Government Municipal Finance Management Act, No. 56 of 2003 that also contribute to the fight against corruption. These supporting Acts assist in securing sound and sustainable management of the financial affairs within municipalities and other institutions in local governments. The Acts also establish treasury norms and standards and any related matters to that effect.

2.8.2 The Promotion of Administrative Justice Act, No. 3 of 2000

The Promotion of Administrative Justice Act, No. 3 of 2000 (South Africa, 2000c) makes the administration effective and accountable to people for its actions.

2.8.3 The Promotion of Access to Information Act, No. 2 of 2000

The Promotion of Access to Information Act, No. 2 of 2000 (South Africa, 2000a) allows the constitutional right of access to any information held by the State and any information held by another person and that are required for exercising or protecting any rights; and to provide for matters connected therewith.

2.8.4 The Public Finance Management Act, No. 1 of 1999

The Public Finance Management Act, No. 1 of 1999 (South Africa, 1999) regulates the management of finances in national and provincial government by providing protocol in all revenue, expenditure, assets and liabilities in order to secure transparency, accountability and sound financial management in government and public institutions.

2.8.5 The Protected Disclosures Act, No. 26 of 2000

Having realised that one of the reasons corruption was on the rise could be because of fear of victimisation, South Africa introduced the Protected Disclosures Act, No. 26 of 2000 (South Africa, 2000b). The Act is meant to protect employees in the public and private sectors from occupational detriment should they blow

the whistle. South Africa also created guidelines into the Acts to make them easy to understand and implement.

According to Mkhize (2012) some of the significant South African legislation relevant to combating corruption includes the Promotion of Administrative Justice Act, the Prevention of Organised Crime Act, the Financial Intelligence Centre Act, the International Cooperation in Criminal Matters Act, the Criminal Procedure Act, the new Companies Act and the Protection of State Information Bill.

2.9 STRATEGIC OVERVIEW OF ANTI-CORRUPTION STRATEGIES WITHIN THE SOUTH AFRICAN PUBLIC SERVICE

South Africa introduced the Public Service Anti-Corruption Strategy specifically for the Public Service to give effect to the expressed commitment of government to fight corruption in the Public Service. The Public Service Anti-Corruption Strategy contains the following interrelated and mutually supportive considerations:

A review and consolidation of the legislative framework, improving access to report wrongdoing and protection of whistle-blowers and witnesses, prohibition of corrupt individuals and businesses, improving management policies and practice, managing professional ethics, social analysis, research and policy advocacy, training, awareness and education.

(South Africa. Department of Public Service and Administration, 2002:3–6).

South Africa has a National Development Plan 2030 (South Africa. National Planning Commission, 2012:447), which also stipulates how the goal of zero tolerance for corruption will be achieved by 2030. The goal is planned to be achieved by building a resilient anti-corruption system, strengthening accountability and responsibility of public servants, and creating a transparent, responsible and accountable public service. During 2006 the Local Government Anti-Corruption Strategy (LGACS) to prevent, detect and investigate corruption was launched at municipal level.

In the Administration programme section of the National Treasury Strategic Plan 2013/2017 (South Africa. Department: National Treasury 2013: 11–12), some of the strategies' risks on fraud and corruption were financial losses and reputational implications. There are plans to mitigate these strategic risks by aligning the anti-corruption plan with the minimum anti-corruption capacity requirements, integrated corruption case

management framework, screening and vetting processes, delegation of authority, and segregation of duties. In the technical support and development finance programme the description of risk corruption was found to be in contracts impacting service delivery. The mitigation strategy was concluded to conduct segregation of duties, anti-corruption clauses and penalties in contracts.

2.10 FRAUD AND CORRUPTION IN OTHER COUNTRIES: INTERNATIONAL EXAMPLES

Two countries are selected based on the fact that they have international relations with South Africa through the DTI. These countries are Australia and the United States of America. Some of the countries are chosen because of their status as developing countries by the International Statistical Institute. These countries are Zimbabwe, Mozambique and Botswana.

2.10.1 Fraud and corruption in Australia

According to the South African Department of International Relations, South Africa and Australia established diplomatic relations in 1947 and enjoyed very close political and economic ties. As campaigns for international isolation of South Africa intensified in the 1970s and 1980s, successive Australian governments placed Australia firmly in the anti-apartheid camp. The successive governments supported the resolutions of the United Nations against apartheid and implemented the oil, trade and arms embargo as well as the sport boycott against South Africa. After the inauguration of the first democratically elected Government of South Africa in May 1994, relations were normalised and the two countries now enjoy excellent relations (*Commonwealth of Australia*, 2014).

South African friendship groups and clubs were formed in Australia. Some of these friendship groups and clubs include the Parliamentary Friendship Group, New South Wales Parliamentary Association, Sydney-South Africa Friendship Association, South African Friendship Group (Sydney), South African Australian Association, South African Cultural Association, and Australia South Africa Business Council. According to the Corruption Perceptions Index 2013(2013:5–8) of Transparency International, Australia is ranked globally at number 9 and scores 80–90% on the very clean scale of corruption. The survey conducted by KPMG Forensic in Australia and New Zealand on fraud, bribery and corruption tell a different story. It reveals that over the past two years, \$373 million has been stolen with an average value of fraud loss of more than \$3 million and 41.3% contributors of fraud are said to be triggered by internal controls (Australia. KPMG Forensic, 2013:6). In addition, Bronnitt (2013:1-3) says that rarely a week passes by without news

about serious fraud and corruption allegations implicating leaders in high public offices such as the office of the Prime Minister, House of Representatives Speaker and a federal politician of Australia. In spite of these reports, Transparency International regularly places Australia in the top 10 countries with the least amount of corruption. This ranking is largely based on the situation in the business community, because corruption in the Australian government did not receive any attention.

The Australian Agency for International Development (AusAID) issued a zero tolerance attitude policy statement against fraud and maintains the highest standards of prevention, detection and remediation (Australia. Australian Agency for International Development, 2012:1). The commitment was extended by signing a joint agreement on the zero tolerance of fraud with the Papua New Guinea government ministries (Basil and Baxter, 2012:1–2).

The Australian Institute of Criminology has estimated that nearly \$500 million in fraud was committed by third parties against the national government during 2009 to 2010 and that less than \$200 million of that number was recovered. Other measures might yield significantly higher totals in Australia. The Association of Certified Fraud Examiners (2011) approximates that five percent of government spending is lost to fraud annually. With Australia's federal outlay of \$375 billion in the current financial year, the total amount lost to fraud could be nearly \$19 billion. This encourages the Australian government to start rewarding whistleblowers (Silver, 2013). The question arises whether all the information is recorded precisely in The Corruption Perceptions Index 2013 (2013) of Transparency International. The Australian National Audit Office has set out a best practice guide of Fraud Control in Australian Government Entities (Australia. Australian National Audit Office, 2011). The guide includes the legislative framework, strategies and agencies addressing fraud in Australia. The guide is similar to the framework of South Africa as explained in sections 2.3, 2.4, and 2.5. If South Africa is using similar methods as Australia, the question should be asked why Australia is ranked at number 9 by the Transparency International on the report of the perception on corruption, while South African is ranked at number 72. In addition, answers should be found on why corruption is worse in South Africa in spite of the fact that the country has so many resources.

The Index of Economic Freedom 2014 (2014:104) reveals that the reason for Australia's good rating are the fact that Australia is a developed country ranked at number 3 in the world, and the fact that the anti-corruption measures generally discourage bribery of public officials. In 2013, however, a special Independent Commission against Corruption investigated two former state ministers in New South Wales on allegations of a conspiracy of profiting from mining leases. Australia's judicial system operates

independently and impartially. Property rights are secure, and enforcement of contracts is reliable. Expropriation is highly unusual.

2.10.2 Fraud and corruption in the United States of America

According to the South Africa department of international relations, South Africa and the United States of America established formal relations in 1789 when the United States of America (USA) opened a consulate in Cape Town. However, cordial relations between the two countries became increasingly strained after the National Party Government adopted its apartheid policy. In 1986 the United States of America Congress introduced wide-ranging sanctions against South Africa in terms of the Comprehensive Anti-Apartheid Act. With the launch of South Africa's democratisation process in 1990, a gradual improvement in bilateral relations took place, which were normalised after the successful completion of South Africa's first fully democratic elections in April 1994 (*United States of America*, 2014).

The USA is also a developed country. According to Miller et al (2014:398) the 2014 Index of Economic Freedom ranked the United States of America number 12, placing the country among the most free in the world. In terms of the rules of law in the economy it was indicated that the expansive use of government regulatory agencies to manage economic activity, particularly in the financial, health care, and energy sectors, has opened the door to increased perceptions of cronyism and corruption. Although property rights are guaranteed and the judiciary functions independently and predictably, protection of property rights has been uneven, raising charges of favouritism.

According to the Transparency International report on the Corruption Perception Index (2013:5–8), the United States of America is ranked number 19 out of 175 countries and scores 73 on the very clean scale of corruption. This means that the United States of America is not squeaky clean. It is confirmed by Snyder (2011) that it is not only the economy that is crumbling, but the entire fabric of society is tearing apart due to rampant corruption in the United State of America. Wilson (2014) confirms that all fifty states in the USA were mentioned to be corrupt.

In addition, the University of Illinois in Chicago study released in February 2012 revealed that corruption costs the taxpayers of Illinois an estimated \$500 million per year. Hosken (2014:1) confirmed that in terms of financial losses below \$100000 (R1million) South Africa ranks lower than global averages. In losses between \$1million and \$100 million and above, South Africa ranks the highest. The director of the Institute of Accountability (Hoffman, 2012) estimated that corruption has cost South Africa R700 billion over the

last 20 years. It was found that only 22% of North American (United States of America) corporations have adopted formal anti-bribery policies, compared with 61% in Europe, 54% in Latin America and 30% in the Asia-Pacific region. It was also found that while 39% of Standard and Poor's global 1200 companies have a formal policy against bribery, less than 25% of the larger companies on the Standard and Poor 500 Index have one (*North America Far Behind Europe in Fight against Global Corruption*, 2014).

Another reason the United States of America is ranked lower on corruption could be that the states are encouraged to develop laws for whistle-blowers and potential monetary rewards are attached to this (Goel and Nelson, 2013: 5–6). For example, a whistle-blower who helped the Securities and Exchange Commission stop a multi-million dollar fraudulent activity will receive nearly \$50,000 — the first pay-out from a new Securities and Exchange Commission SEC program to reward people who provide evidence of securities fraud (Securities and Exchange Commission, 2012). The SEC announced on 4 April 2014 that the whistle-blower who received the first award under the agency's new whistle-blower programme will receive an additional \$150,000 payout after the SEC collected additional funds in the case. The IRS Whistle-blower office pays money to people who blow the whistle on persons who fail to pay the tax that they owe. If the IRS uses information provided by the whistle-blower, it can award the whistle-blower up to 30 percent of the additional tax, penalties and other amounts it collects (*Whistleblower - Informant Award. International Revenue Code*, 2014).

2.10.3 Fraud and corruption in Zimbabwe

Zimbabwe is a neighbouring country of South Africa. The two countries are only separated by a borderline called Beit Bridge in Musina in the Limpopo province, far north of South Africa. Zimbabwe has similar problems to South Africa as a developing country. The problems include political corruption from the high office, development issues, a high unemployment rate and general economic problems. The political problems were confirmed when it was reported in the Transparency International report that politicians, military figures, police and others are all involved and implicated in the current corrupt scenario at the Chiadzwa diamond fields (Bell, 2013). The development issues are also affected by corruption. This was confirmed in a preliminary report on corruption in Zimbabwe's mining sector where senior government officials were implicated in fraud, and which prompted calls for proper legislation to be introduced (Bell, 2013). Masewe and Mangoma (2014) are of the opinion that corruption retards Zimbabwe's development and they emphasise that dealing with corruption will benefit the country and make it attractive for foreign investments.

The United Kingdom Aid has assisted Zimbabwe in developing an Anti-Corruption Strategy for Zimbabwe. This is because Zimbabwe's score declined from 3.0 out of 10 in 2000 to 2.2 in 2011 according to the Transparency International Corruption Perception Index. Over the same period, Zimbabwe's CPI ranking has fallen from 65th out of 90 countries to 154th out of 183 countries. Similarly, the World Bank's Control of Corruption Index 4 ranks Zimbabwe in the 5.2 percentile, down from 15.1 in 2000 (United Kingdom. Department of International development, 2013:1). According to the Transparency International Corruption Perception Index (2013:3), Zimbabwe's CPI ranking has fallen from 154 out of 183 countries to 157 out of 175 countries. Zimbabwe also falls under the repressed economic freedom ranking at number 176. According to the Index of Economic Freedom 2014 (2014:462), corruption has become endemic, also at the highest levels of government. The IMF reports that \$600 million of diamond dividends to the state was initially budgeted for in 2012, but only \$45 million was actually received in the treasury. Pressure from the executive branch has substantially eroded judicial independence. The government's land reform programme, characterised by chaos and violence, badly damaged commercial farming (Miller et al, 2014:462).

Another factor is that a lot of immigrants from Zimbabwe, estimated at one to three million, are living in South Africa (Chiumia, 2013). This has contributed to some of the problems highlighted as the causes of fraud and corruption. Assistance from international aids to Zimbabwe might bring hope to citizens, which may lead them to the decision to move back home to Zimbabwe. This might also harmonise the South African development, economy and crime that might have been contributed to by Zimbabwe immigrants and trades.

2.10.4 Fraud and corruption in Mozambique

Mozambique is also one of the neighbouring countries of South Africa. The two countries are only separated by a borderline in the Kruger National Park in the Mpumalanga province, far northeast of South Africa. As a developing country Mozambique has similar problems to South Africa. There are similarities between Mozambique and South Africa as far as historical issues are concerned, such as gaining independence from oppression by their former governments – South Africa from the National Party in 1994 and Mozambique from Portugal in 1975 (Transparency International. U 4 Anti-Corruption Resource Centre, 2012:1).

According to the Transparency International Corruption Perceptions Index (2013:5) Mozambique ranked 119 out of the 175 assessed countries worldwide. According to Miller et al (2014:326) Mozambique falls under the "mostly unfree" for economic freedom, ranked at number 119. Corruption in government and

business remains pervasive. Corruption, scarce resources, and poor training undermine judicial independence. The judicial system is further challenged by a lack of qualified judges and a backlog of cases. Without an efficient legal framework, court rulings can be arbitrary and inconsistent. Property rights are not strongly respected, and law enforcement is inefficient and uneven.

South Africa does have immigrants from Mozambique. Most of the immigrants come through the Kruger National Park in Mpumalanga and then head to Gauteng for better work opportunities. Mozambique is receiving assistance from the United Kingdom Aid which has developed an Anti-Corruption Strategy for Mozambique. As is the case with Zimbabwe, this might influence citizens to regain hope and move back home to Mozambique. This, in turn, might also harmonise South Africa's development, economy and crime that may have been contributed to by Mozambique immigrants.

2.10.5 Fraud and corruption in Botswana

Botswana is also one of the neighbouring countries of South Africa. The two countries are only separated by a borderline in the Northwest Province, far northwest of South Africa. Botswana gained independence since 1996 and has been rapidly developing. The pace of Botswana's development has been the root of the country's problems with corruption and economic crime. In 1994, the Government of Botswana enacted the Corruption and Economic Crime Act. This led to more acts being regarded as offences relating to corruption, including being in control of disproportionate assets or maintaining an unexplained high standard of living. To deal with these offences a new body, the Directorate on Corruption and Economic Crime, was created and given special powers of investigation, arrest, search and seizure (*Botswana's Approach to Fighting Corruption and Economic Crime*, 2014).

The Directorate on Corruption and Economic Crime, which has its headquarters in Gaborone and an office in Francistown, now has an establishment of over 100 officers. Since its inception to the end of 1999 the Directorate had received 5250 reports, from which it has launched 1565 investigations, 1018 of which have been completed. Thus far 197 persons have been prosecuted with a conviction rate of 84%. South Africa has launched a Special Anti-Corruption Unit only in January 2011. Botswana, which launched the Directorate on Corruption and Economic Crime long before South Africa was far more proactive, and has long seen the corruption and economic crime to be an obstacle to the development of the country.

According to the Index of Economic Freedom 2014 (2014:132) Botswana is the least corrupt country on the African continent, ranked at number 27. Botswana also continues to perform positively in international

measures of corruption and takes a tough approach to crime. The legal system is sufficient to enforce secure commercial dealings, setting a critical legal precedent. The Corruption Perceptions Index 2013 (2013:3) ranked Botswana at number 30. When compared to South Africa, Botswana is far better than South Africa in many respects, specifically in addressing economic crime and corruption issues.

2.11 SUMMARY

Fraud and corruption is a global problem which requires continuous interventions. Literature also suggests that fraud and corruption undermines the economic growth of South Africa as a developing country. Massive immigration into the country, political interference in procurement processes, lack of governance and inequality in developing countries are some of the causes of corruption. Statistics indicate that fraud and corruption are continuously on the increase, and current initiatives addressing fraud and corruption are inadequate. If these initiatives are in place in South Africa some of the activities relating to fraud and corruption would be detected. The prevention and remediation of fraud and corruption are the main challenges. Whistle-blowers in South Africa are being victimised. The Protected Disclosure Act, No. 26 of 2000 is not implemented as it was intended to. Some of the countries such as Australia and the United States of America were rated clean on corruption by The Corruption Perceptions Index 2013, and proposed rewards to whistle-blowers. With initiatives set up for South Africa, rewarding whistle-blowers might be an effective option to consider in addressing these crimes.

Chapter 3 provides an overview of policies regulating fraud and corruption particularly within the DTI.

effectiveness of the NACH, two officials were found guilty of fraud and given final written warnings (South Africa. Public Service Commission, 2008: 39).

The DTI Annual Report for 2008/09 (South Africa. Department of Trade and Industry, 2009:146) disclosed the following types of misconduct for that financial year:

- Theft cases (3%);
- Misrepresentation cases (6%);
- The possession or use of property of the state (10%);
- Attempted assault (3%); and
- Theft, bribes or committing fraud (23%).

The DTI annual report for 2009/10 (South Africa. Department of Trade and Industry, 2010:135) disclosed the following types of misconduct for that financial year:

- Fraud and corruption cases (23%);
- Misrepresentation cases (7%);
- Non-compliance cases (34%); and
- Abuse of state property cases (1%).

The statistics regarding reported offences and the reoccurrence of unethical conduct kept rising from 45 in 2008/9 to 65 in 2009/10. The known number of cases for fraudulent and corrupt activities before the implementation of the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009) was lower.

The DTI Annual Report for 2010/11 (South Africa. Department of Trade and Industry, 2011:255) listed the following types of misconduct for that financial year:

- Fraud and corruption cases (19%);
- Failure to report stolen property cases (2%);
- Non-compliance cases (26%); and
- Abuse of state property cases (9%).

According to the Third Biennial Report on Measuring the Effectiveness of the NACH: (South Africa. Public Service Commission, 2011:12) for the period 01 September 2004 to 31 August 2010, the DTI has had a total of 109 cases referred to the PSC with feedback received on a total of 50 cases and 31 cases closed.

The DTI Annual Report for 2011/12 (South Africa. Department of Trade and Industry, 2012:230) listed the following types of misconduct for that financial year:

- Fraud and corruption (3.57%);
- Misrepresentation (1.7%);
- Failure to disclose information (1.7%);
- Non-compliance (26.79%);
- Abuse of state property (3.57%);
- Victimization of staff (1.7%);
- Abscondment (1.7%)
- Absenteeism (3.57%);
- Irregular expenditure (3.57%);
- Insubordination (3.57%);
- Late coming (1.7%);
- Improper conduct/insolent behaviour (8.93%);
- Failure to obey lawful instruction (30.36%); and
- Negligence (3.57%).

The 2012/13 Annual Report (South Africa. Department of Trade and Industry, 2013:225) listed the following types of misconduct for that financial year:

- Fraud and corruption (5%);
- Non-compliance (27%);
- Victimization of staff (2%);
- Insubordination and poor performance (17%);
- Irregular expenditure (5%);
- Failure to coordinate work/obligation (5%);
- Improper conduct, alcohol and absenteeism (12%);
- Failure to obey lawful instruction (20.36%); and

- Failure to report lost property/loss of records (5%).

Fraud and corruption offences were the highest at 23% in the DTI Annual Report for 2008/09 (South Africa. Department of Trade and Industry, 2009). The DTI annual report for 2009/10 still lists fraud and corruption at 23%, and the DTI annual report for 2010/11 reports a decrease of 19%, though it is still high. However, fraud and corruption has drastically decreased to 3.57% according to the DTI annual report for 2011/12. Misrepresentation cases were at 14% during the mentioned years except during 2010/11; however, there is uncertainty whether these misrepresentations constitute fraud or not as the cases are separate from the fraud and corruption cases. (South Africa. Public Service Commission, 2011:24–33).

During the period the DTI national office referred 108 cases to the PSC. Feedback was received on 50 cases and 31 cases were closed on the PSC Crime Management System (South Africa. Public Service Commission, 2011:25). The types of criminal activities referred by the PSC to national departments, specifically to the DTI, were fraud and bribery (44), mismanagement of funds (4), abuse of government resources (5), procurement irregularities (32), report irregularities (6), unethical behaviour (6) and other activities (9) (South Africa. Public Service Commission, 2011:31–32). In the DTI Annual Report for 2012/13 (South Africa. Department of Trade and Industry, 2013) fraud and corruption were reported at 5%, which represents a decrease compared to the statistics prior to 2012.

3.3 ANALYSIS OF THE FRAUD PREVENTION POLICY AND STRATEGY

A discussion follows on the contents of the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009). Relevant literature and the views and opinions of respondents are incorporated. The purpose and function, legislative requirements, and awareness and training will be discussed.

3.3.1 The Purpose and function of the Fraud Prevention Policy and Strategy

The Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009:2) was designed to curb fraudulent and corrupt activities. It applies to all DTI divisions, personnel (whether on contract or permanent), DTI agencies and contractors conducting activities on site or otherwise under the control of the DTI. The DTI considers fraud committed against the department as a criminal offence under

various provisions of the legislation. Fraud also constitutes serious misconduct under the disciplinary code of conduct.

The DTI acknowledges that fraud is presented in many ways, citing examples ranging from embezzlement to identity theft, though the list of possible incidences is non-exhaustive. Further, fraud comes with certain warning signals and definite situations which can indicate the occurrence of fraud. For instance, there is "crime of opportunity", which is often committed by people who face overwhelming financial pressures or who are simply greedy (South Africa. Department of Trade and Industry, 2009:3). Some of the examples stated in the Fraud Prevention Policy and Strategy that constitute fraud in the DTI context are:

theft of property e.g. stationary, cash and equipment through misrepresentation, unlawful or unauthorized release of confidential information, dishonest use of intellectual property of the DTI or of its electronic systems, knowingly making or using forged or falsified documents, dishonest use of the DTI's computers, vehicles, telephones, credit cards, and other property or services, fabrication, falsification or plagiarism of research or scholarly work, falsifying invoices for goods or services, dishonestly using purchase or order forms for personal benefit, receiving or giving kickbacks or secret commissions to or from third parties and falsifying travel, subsistence and petty cash claims

The DTI further acknowledges the following in the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009:6):

a significant proportion of fraud does go undetected because of the inability of individuals to recognize the early warnings of fraudulent activity or because they are unsure of how, when and to whom they should report their suspicions

Warfield (2008:19) confirms that employee fraud takes longer to detect until an extraordinary loss to the institution or organisation is detected. Furthermore, management may want to believe that in the event that fraud is committed in the organisation, the internal controls will identify the issue fairly quickly. During the preliminary considerations with the DTI national office RMU, it was indicated that the DTI conducts financial disclosure among officials in senior and middle management, and lower levels to detect conflict of interest.

The DTI's explains in the Fraud Prevention Plan of 2005(South Africa. Department of Trade and Industry, 2005.) that the fraud and corruption in the DTI occur as a result of the fact that the DTI is exposed to such activities because of its role as a unique organ of government. Managers are not taking fraud and corrupt conduct seriously, and they regard commercial crime fighting as an impossible task and a waste of effort and money. Salifu (2008:280) is of the view that the consequence of corruption is the waste of financial resources that get misdirected. Huther and Shah (2000:193) therefore feel that corruption represents a direct attack on institutions which, in the researcher's opinion, requires some amount of energy to combat fraud and corruption. For example, the former Companies and Intellectual Property Registration Office (CIPRO), now known as the Companies and Intellectual Property Commission (CIPC), has displayed banners outside their offices and electronic notices on electronic monitors in the DTI national office buildings from 4 to 31 January 2011. These notices warned all people who intended to make use of intermediaries such as agents, accountants and accounting officers to register their companies on their behalf would be doing so at their own risk, as there are incidences of fraud in the department. Another example that has been broadcast on the television news is that of Mr Majali who has been accused of hijacking Kalahari Resources by allegedly changing the Companies and Intellectual Property Commission (CIPC)'s record to list himself as one of the mining company's directors (South African Press Association, 2011). CIPC is constantly trying to use all means to make the public aware of the seriousness of fraud and corruption.

To mitigate fraud, the DTI has set out the following fraud controls in two categories:

1) **Prevention strategies** such as the ethics framework, fraud prevention strategy, fraud and ethics awareness training, fraud risk assessment, robust internal controls, and pre-employment screening (South Africa. Department of Trade and Industry, 2009:4);

2) **Detection strategies** such as data analysis, management reports and reviews (including the allocation of fraud prevention responsibilities), fraud and ethics awareness training, clear reporting channels, whistleblower protection and internal auditing.

No challenges are mentioned in the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009), thus there is no indication of what they have experienced during the period and what motivated them to draft the current policy with the inclusion of the strategy. The challenges mentioned in the previous Fraud Prevention Plan (South Africa. Department of Trade and Industry, 2005) are that the

DTI's management of economic entities that utilise monetary value or control benefits to the public pose a risk of exploitation by criminals. The DTI has a measuring and monitoring matrix which is still in the draft stage, as well as an Ethics Framework.

The methods used by the DTI national office are generally similar to those used by international government departments. For example, the purpose of the methods used by the Conwy County Borough Council as indicated in the county's Anti-Fraud and Corruption Policy of 2011(United Kingdom. Conwy County Borough Council, 2011:2-8) is to mitigate fraud are to encourage prevention by promoting detection and identifying a clear pathway for investigation and remedial action. In addition, the methods are based on a series of comprehensive and interrelated procedures designed to frustrate any attempt at fraud or corruption. This includes culture, prevention, detection, investigation and training (United Kingdom. Conwy County Borough Council, 2009:1-6). The Darlington Borough Council uses similar methods in their own Anti-Fraud and Corruption Strategy (United Kingdom. Darlington Borough Council, 2009:2). This framework contains the key activities for an effective anti-fraud strategy such as management accounting review, identification of early warning, reporting instances of fraud, and support across the organisation by means of a corporate framework. Further, the framework contains activities such as the prevention of error, irregularities, fraud and corruption detection, investigations, as well as training on deterrence.

According to the Warwickshire Police Authority, their Anti-Fraud and Anti-Corruption Strategy (United Kingdom. Warwickshire Police Authority (2008:2–6) includes the detection and investigation of fraud and corruption, awareness training and response plan on what needs to be done when there is suspicion of fraud. Further, it includes guidelines on how allegations should be raised, and methods for taking the complaint further. The Policy on Prevention of Fraud and Corruption in its Activities and operations of the International Fund for Agricultural Development (IFAD), 2005) outlines the responsibilities, investigations, prevention, detection and application of sanctions. The Whistleblowing Policy and Anti-Fraud and Anti-Corruption Strategy of the Cardiff Cyngor Caerdydd Council (United Kingdom. Cardiff Cyngor Caerdydd Council, 2004:28-33) is similar and also has a structure for dealing with allegations.

3.3.2 Legislative requirements of the Fraud Prevention Policy and Strategy

According to the Report on the Implementation of Fraud Prevention Plans in the Public Service (South Africa. Public Service Commission, 2007:16) fraud prevention plans should include the following legislatives requirements: section 38, section 40, and chapter 10 of the South African Public Finance

Management Act of 1999 as amended. This would include the material losses experienced by departments, action taken to prevent losses and disciplinary processes for dealing with the financial misconduct. This would also include recommendations to develop fraud prevention plans by the Guide for Accounting Officers of the South African Public Finance Management Act (South Africa. Department of Finance, 2000) as amended, the development of a risk strategy comprising of fraud prevention plans as per Treasury Regulations to the South African Public Finance Management Act of 1999 as amended.

Section 3.2.1 and section 3.2.2 outline offences in respect of corrupt activities relating to the public officials in the Public Service Administration Anti-Corruption Strategy (South Africa. Department of Public Service and Administration, 2002).

The Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009:11) was aligned with the South African legislative requirements that include the following:

- The Public Finance Management Act (1 as amended by No. 29 of 1999) and incorporated with some of Treasury Regulations;
- King III Report on Corporate Governance, (South Africa. Institute Of Directors (IOD), 2009);
- Corruption Act, No. 94 of 1992;
- The Protected Disclosure Act, No. 26 of 2000; and
- The Prevention and Combating of Corrupt Activities Act, No. 12 of 2004.

There were concerns about the most famous excuses offered by national departments, such as the following:

- No treasury approval was granted;
- Tender board proceedings caused a delay;
- Inadequate systems;
- Unfunded mandates;
- Capital projects take longer than expected; and
- The province or municipality is to blame.

(South Africa. Department of Finance, 2000:14)

The King III Report on Corporate Governance (South Africa. Institute of Directors (IOD), 2009:6) advised that there is always a link between good governance and corruption. Good governance is not something that exists separate from the law and it is therefore entirely inappropriate to unhinge governance from the law.

The King III Report on Corporate Governance assists in the establishment of the structural processes with appropriate checks and balances that enable directions to discharge legal responsibilities.

3.3.3 Fraud awareness training among Department of Trade and Industry Employees

The DTI has committed itself to achieve fraud prevention objectives by providing fraud awareness training to those staff members considered to be in a position that requires fraud awareness training. The DTI wants to ensure that all staff members are aware of the DTI Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009:4) and wants to clearly communicate how to handle the reporting of fraud. Hepworth (1995:4) adds that fraud risks can be mitigated by improving staff awareness, learning how to recognise threats, assessing risk and opportunity, controlling access, and assigning responsibility for security.

3.4 THE POLICY ON PROTECTION OF WHISTLE-BLOWERS

A discussion follows on the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009), and the respondents' views and opinions of this strategy. The purpose and function, legislative requirements, and awareness and training will be discussed.

3.4.1 The purpose and function of the Policy on Protection of Whistle-blowers

The purpose of the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b:7) is to provide a mechanism for staff members to raise concerns with the appropriate line managers of staff members in the DTI when they have reason to believe that there is fraud and corruption in the DTI. It covers issues related to whistle-blowing, such as financial damage, unfair discrimination, corruption, fraud, bribery, and attempts to conceal or suppress information related to whistle-blowing. Further, the policy contains a statement that false accusations will result in disciplinary hearings; however, it does not mention the steps that will be taken against someone who deliberately raises false accusations.

There is also a list of some crimes or offences covered in the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b:8). Some of the offences are, for instance:

Financial misconduct, health and safety risks, environmental damage, unfair discrimination, corruption, fraud, bribery and attempts to conceal or suppress any information related to any of the above

Further, the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b:8) does not apply to personal grievances that must be dealt with under the existing grievance procedures. However, if during the investigation any concern raised in relation to fraud and corruption issues appears to the investigator to be related to grievances or discipline, then grievance procedures will be applied.

Also, the policy does not detail the steps or actions to be taken against someone who discriminates against a whistle-blower. The policy only mentions an employee who makes malicious unfounded accusations at a later stage or date. The Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b) also details that people who want to make anonymous disclosures can only do so through the NACH (South Africa. Public Service Commission, 2004). The policy also stipulates that anonymous disclosures seldom have evidence to support allegations. Further, people who disclose anonymously will not receive feedback as he or she is unknown, whereas internal reporting results in good problem solving (South Africa. Department of Trade and Industry, 2004). Finally, should the name of the person be revealed by any chance during the investigation, the policy does not stipulate how this matter will be approached. For example, it is not mentioned in the policy what measures the DTI will take to address the issue when the name of the person who reported the matter is revealed (South Africa. Pretoria. Public Service Commission, 2011:09).

Whistle-blower protection is also highlighted in the Fraud Prevention Policy and Strategy (South Africa. Pretoria. Department of Trade and Industry, 2009: 9). It is regarded as a key tool for promoting individual responsibility and organisational accountability. However, the DTI acknowledges that one of the key obstacles to whistle-blowing is the fear of being intimidated or victimised for identifying or exposing fraudulent, corrupt or unethical practices witnessed in the workplace. The Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b) serves to "encourage individuals to come forward with such information without the fear of victimisation" (South Africa. Department of Trade and Industry, 2009:9).

The whistle-blowing methods used by the DTI are similar to those used in countries such as the United Kingdom (People in Aid Policy Guides – Rest & Relaxation, 2008:1–6). The method outlined promotes good practice in the management and support of aid personnel. This includes the employees working abroad, procedures for raising issues separate from grievances, and noting false disclosures for disciplinary hearings. This is also similar to the Protected Disclosure Reporting Policy (Australia. 2009:5–9), which illustrates issues covered and aligned with the Australia's Protected Disclosures Act of 1994. The Whistleblowing Policy and Anti-Fraud and Anti-Corruption Strategy of the Cardiff Council Cyngor Caerdydd (United Kingdom. Cardiff Cyngor Caerdydd Council, 2004:4–13) is aligned with the United Kingdom Public Interest Disclosure Act 1998, which is similar to South Africa's Protected Disclosure Act, No. 26 of 2000.

3.4.2 Legislative requirements of the Policy on Protection of Whistle-Blowers

The Policy on Protection of Whistle-Blowers (South Africa. Department of Trade and Industry, 2004b) was aligned with the Protected Disclosure Act, No. 26 of 2000. The DPSA released the NACH Toolkit during 2006 intended to be administered by the PSC for those who want to report offences through the hotline. The NACH Toolkit (South Africa. Public Service Commission, 2006) principles are not stated in the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b). This hotline was established to help public officials and South African citizens to report crimes anonymously. According to the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009:9), the DTI subscribed to the NACH (South Africa. Public Service Commission, 2004), administered by the DPSA for all public institutions. The Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b) states that the hotline number has been publicised throughout the DTI and that the anti-fraud reporting facility complements and underpins the commitment of the DTI to fight fraud and corruption (South Africa. Department of Trade and Industry, 2009). Principles that guide the operation of the hotline are included in the NACH Toolkit (South Africa. Public Service Commission, 2006).

3.4.3 Training received on the Policy on Protection of Whistle-Blowers

The Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009:9) indicated that the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b) serves to encourage individuals to come forward with information on fraud without the fear of victimisation.

3.5 THE POLICY DOCUMENT ON THE FORENSIC AUDIT PROCESS

The Policy on Protection of Whistle-Blowing (South Africa. Department of Trade and Industry, 2004:6) is applicable to everyone who works for the DTI, including permanent, contract or temporary workers who engage with the Forensic Audit or are audited by the Internal Audit Services. Dye (2007:8) is of the opinion that financial reporting and auditing do help in reducing the misrepresentation that hides fraudulent operations and misleads the reader. The South Wales Government also believes that internal audits play a role in controlling fraud (Australia. Department of Environment Climate Change, 2008:8).

3.5.1 The purpose and function of the policy document on the Forensic Audit Process

The purpose of the policy is to protect the DTI from litigation, regulate the use of forensic audit issues, and set clear standards for accepted and considerate use of the forensic audit process. Forensic processes outline issues such as tip-offs, anonymous cases, whistle-blowing cases, and consideration of the cost versus benefit analysis (South Africa. Department of Trade and Industry, 2004a:6). According to the policy document on the Forensic Audit Process the process is outlined as follows:

All requests for forensic auditing or investigations are sent via e-mail or in a submission to the DTI Director-General. It details the entire forensic process including the handling of tip-offs, anonymous cases, and whistle-blowers' cases in relation to the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b).

The DTI Internal Audit Services are also in charge of handling whistle-blowing cases from within the department or through the NACH (South Africa. Public Service Commission, 2004). Whistle-blowers' cases are channelled through the Internal Audit Services directly. They get registered and the same process will be followed as that of anonymous reports. Should any of the cases involve an employee problem, or suspicion of irregularities which necessitate furthering the investigation, either the DTI Labour Relations Services will be involved by appointing an investigating officer, or in the event of a case that was reported anonymously, the RMU will provide monthly reports.

The Chief Internal Auditor and the Deputy Director evaluate cases and engage the Forensic Auditors in this respect. All details are sent to them although it cannot be determined which cases are valid until they are investigated by the Forensic Officer; there are time frames for this process.

The limitations to the investigations stated in this policy could be the unavailability of a budget; as a result, cases are prioritised in terms of their importance. The Director-General provides a motivation for further

allocation of funds to an investigation, on request. The Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b) states that the internal and external forensic auditors must delegate persons from the time of the submission or alleged reported misconduct to such time when the report is compiled and handed over to management. If forensic cases involve the DTI and external bodies, the DTI's Legal Services are to be involved in the matter.

After handling the case, the Policy Document on Forensic Audit Process (South Africa. Department of Trade and Industry, 2004a) further indicates that forensic investigations are to proceed. In the event where fraud or corruption is detected or suspected, Internal Audit Services will ensure that the case is fully investigated and progress reports will be presented at the pre-risk meeting before each RMC meeting. These reports are handled with strict sensitivity and confidentiality. All suspected fraud cases will be handled consistently and without regard for the positions held by the parties or the length of service of the parties being investigated. The case will now be within the bounds of Employment Laws (Labour Relations Services) if any of the cases mentioned above involve employee problems or related suspicion.

3.5.2 Legislative requirements regulating Internal Audit Services in the DTI

All Internal Audit Services are regulated by the International Standards for the Professional Practice of the Internal Auditing (2011) in the carrying out of their daily duties. In this chapter, the standards are not stipulated in terms of the procedures and responsibilities although they are regarded as guidelines or requirements. According to the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009:3), the DTI utilises the Internal Audit Services for investigation functions, which, according to the International Standards for the Professional Practice of the Internal Auditing (2011:1220.A2), Internal Audit Services must exercise due professional care by considering the probability of significant errors, fraud or non-compliance. Further, the Internal Audit Services must also evaluate risk exposure as well as the relevant laws, regulations, policies, procedures and contracts (International Internal Audit Standards, 2011:2120. A1).

According to the Minimum Anti-Corruption Capacity Audit report 2009/10 (South Africa. Department of Public Service and Administration, 2010: 8), the DTI has achieved an 86% rating during this period, even though the department does not have dedicated functions. The DTI runs its anti-corruption processes from its corporate and Internal Audit Services. The department was praised for having exceptional ratings for departments with small staff components that also perform other functions. However, it is also suggested

that ratings do not indicate whether there is corruption within the department or not; instead, they reveal the extent to which the department has implemented anti-corruption management interventions. During this period, the statistics on the DTI annual reports for 2009/10 and 2010/11 (DTI, 2010 and DTI, 2011) was still high, ranging between 19% and 23%.

3.8 SUMMARY

This chapter provided an overview of contributing factors to fraud and corruption within South Africa, the extent of fraud and corruption in South Africa, a broad legislative overview of fraud and corruption in South Africa, an overview of fraud and anti-corruption strategies within South African government departments, and examples of fraud and corruption activities in international countries.

Chapter 4 presents a review of management and employee roles in combating fraudulent and corrupt activities within the Department of Trade and Industry.

CHAPTER 4 MANAGEMENT AND EMPLOYEE ROLES IN COMBATING FRAUDULENT AND CORRUPT ACTIVITIES WITHIN THE DEPARTMENT OF TRADE AND INDUSTRY

4.1 INTRODUCTION

The DTI is regulated by the South African Public Service Act, No. 103 of 1994 (South Africa, 1994). The Public Service Regulations of 2001 (South Africa, 2001:58) advocates the promotion of ethical conduct and binds senior management to display the highest possible standards of ethical conduct, set an example to their subordinates and maintain a high level of professionalism and integrity in their interaction with political office bearers and the public. Senior management must also ensure that they minimise conflicts of interest and that they put their interest first in the performance of their functions. Near and Morehead (2009) supports the Public Service Regulations of 2001 (South Africa, 2001:58) stating that managers can also have a positive influence within the organisational environment. The South African Prevention and Combating of Corrupt Activities Act, No. 12 of 2004 (South Africa, 2004) also places a duty on any persons holding positions of authority and persons who or reasonably ought to have known or suspected that any other person has committed certain corrupt transactions. Camerer (2001) is also of the view that there is an urgent need to promote awareness of the South African Prevention and Combating of Corrupt Activities Act, No. 12 of 2004 (South Africa, 2004) and the way in which it is intended to work.

One of the PSC's responsibilities is to watch over South African government departments' compliance with regard to the said Acts, ethics and conduct. The mission of the South African PSC is to promote the constitutionally enshrined democratic principles and values of the Public Service by investigating, researching, monitoring, evaluating, communicating and reporting on public administration (*Public Service Commission of South Africa. Vision and Mission*, 2014). The focus of this chapter is based on the efforts of the DTI national office to combat fraudulent and corrupt activities.

4.2 THE DEPARTMENT OF TRADE AND INDUSTRY'S COMMITMENT AGAINST FRAUD

The DTI's attitude to fraud is that the department practices zero tolerance to fraud and is committed to minimising the incidence of fraud through the development and regular review of fraud prevention,

detection and response activities as well as through periodic risk assessment exercises (South Africa. Pretoria. DTI Fraud Prevention Policy and Strategy, 2009:3). It is evident that in the DTI's Annual Reports 2011/12 and 2012/13 (DTI, 2012, DTI, 2013), there was a significant drop of fraud and corruption cases in statistics compared to the previous years' Annual Reports of 2007/08 (DTI, 2008) to 2010 (DTI, 2009/10).

4.2.1 Service providers

Service providers are registered to provide services for the DTI whenever the need arises and are selected to do so as per procurement processes stipulated by the DTI. After services were procured and rendered by a particular service provider, a media statement (*The DTI Dismisses Valor IT Out-of-Court Settlement*, 2014) was released on 26 January 2011. The service provider was further reported to have made a "false statement (*False Statements by Valor IT*, 2014). The DTI then procured another service provider to conduct an independent investigation. The media statement released on 4 February 2011 stated that the forensic investigation by both the Auditor General and an independent firm advised that awarding of the tender was irregular (*Media Statement on the Cipro/ Valor IT Tender by the Minister of Trade and Industry Dr Rob Davies*, 2014).

These media statements prove that the DTI has taken responsibility and accountability to address the issues of misadministration of service procured with the said service provider.

4.2.2 Public interest

There was a plea to South Africans to stop buying pirated material in a media statement released on 3 May 2011 (*Minister Davies Calls Upon South Africans to Stop Buying Pirated Cds and Dvds*, 2014). Further, concerns were raised about the dismissal of the Chief Executive Officer of the Estate Agency Affairs Board, related to her inability to deal decisively with malpractices and fraud in the industry. The DTI appointed an independent firm to compile a report on her conduct. Two weeks after the investigation a report was released stated that the board acted in a fit and proper manner.

The DTI also took the initiative to educate the regulators of public entities (*The dti and CIPC to Present a Regulation, Enforcement and Compliance Course for Regulatory Entities*, 2014). In addition, when a scandal on meat labelling took the South African media by storm, the DTI requested an urgent investigation into meat labelling (*Minister Davies requests NCC to launch an urgent investigation into Meat Labelling*, 2014). This statement suggests that the DTI does care about the South African citizen's health, and for this reason the department took the initiative to conduct an investigation to get to the root of the problem.

4.2.3 Employee relations

When there were allegations with regard to officials of the National Consumer Commission, DTI Minister Dr Rob Davies appointed an independent investigator to investigate the National Consumer Commission of the current state of affairs in the commission so that he could act decisively and bring the situation back to normal (*Minister Davies Appoints an Independent Investigator to Investigate the National Consumer Commission*, 2014).

Some of the South African government departments such as the Department of Public Works also serve as an example of having zero tolerance towards fraud and corruption. The Anti-Fraud and Corruption Policy (South Africa. Department of Public Works, 2013) emphasise the Department's stance of a zero tolerance against fraud and corruption. All allegations of fraud, corruption and maladministration will be investigated and action will be taken against perpetrators. The SAPS also outlined the measures taken regarding corruption in their organisation and broadly introduced new corruption and fraud prevention plans closely linked to the risk management strategy (Faull, 2007). Some international institutions are of the view that it is vital that employees know and are aware at all the times that the department will not tolerate any act of fraud or corruption and has effective processes for the prevention, detection and management of fraud and corruption (Australia. Cairns Port Authority, 2006:5). It is evident that fraud is not tolerated anywhere in the world (IFAD, 2005:3). This was proven in the report on an overview of the Implementation of the Financial Disclosures Framework exercise as another way to mitigate fraud (South Africa. Public Service Commission, 2009:11). The NACH (South Africa. Public Service Commission, 2004) was also introduced to encourage anonymous reporting in order to minimise fraud and corruption within the department. In addition, the DTI has delegated roles within various divisions to combat fraudulent and corrupt activities within the department.

4.3 ROLE OF DIVISIONS IN THE DEPARTMENT OF TRADE AND INDUSTRY TO COMBAT FRAUDULENT AND CORRUPT ACTIVITIES

The roles of the various divisions in the DTI to combat fraud and corruption within the DTI are outlined below.

4.3.1 Human Resource Division

The division is mainly responsible for recruitment and other issues relating to employee relations. When the department wants to recruit individuals to perform specific duties, the vacant positions are advertised in the local newspaper, government circular or on the website. This would then be followed by the shortlisting of candidates for personal interviews to which representatives of trade unions are invited as observers to eliminate conflict of interest, nepotism and favouritism. Minutes are taken during proceedings in order to formalise the processes. Qualifications on the preferred candidates are verified with relevant external service providers who perform such services, and criminal records are checked with the relevant authorities.

The human resource division then requests security and vetting personnel to conduct security clearances. Depending on the level of clearance required, this may also include top secret, confidential and secret criminal records and qualifications for authenticity purposes before appointments are made. This is done in order to prevent the appointment of offenders or potential offenders are hired. After the individuals are appointed and allocated to a specific division, they sign contracts and get sworn in to become public officials. Only then the individual will be regarded as an official employee. He or she is then inducted on the DTI policies and code of conduct. It is not only the DTI that conducts pre-screening of employees; other international departments do it as well, as stated in the Fraud Control and Corruption Policy (Australian. Cairns Port Authority, 2006:9).

4.3.2 Security and vetting personnel

The DTI has internal and outsourced security personnel. The DTI internal security personnel are guided by the Minimum Information Security Standard (MISS) (South Africa. National Intelligence Agency (NIA), 2006). The researcher decided not to discuss the contents of the document in detail due to the restrictions on sensitive information in the document. The MISS document covers issues such as administrative security, physical security and information security, communication security, computer security and personnel security. Potgieter, Ras and Nesser (2008) emphasise that a sound security policy should serve as

a basis for any successful security programme. It is such a policy that defines the organisation's overall stance toward security, whether it is very restrictive or gives employees more latitude in their actions.

The researcher did not investigate whether respondents have attended training on the Security Policy (DTI, not dated) though Potgieter et al. (2008:36) is of the view that the accumulation of skills through focused practical training and education can assist in security awareness training.

The DTI also makes use of outsourced security services regulated by South African private security laws and relevant measures required by the DTI on the terms of reference during procurement of security services. For instance, the DTI makes use of security services such as access control, entrance guarding and foot patrol within the DTI national office. Potgieter et al. (2008:36) add that the private security and functions in crime prevention undeniably support the notion of private security being an important part of the crime prevention equation in South Africa.

The question arises whether private security has any role to play in the execution of the DTI's mission (Higson, 2005). In some instances perpetrators get away with theft of, for example, computer laptops despite the presence of security officers. At all times there is a physical presence of security officials throughout the DTI national office, but theft is still taking place in spite of security presence. As observed by the researcher, security officers carry access cards in their hands in order to open for visitors to maintain unauthorised access, and visitors are not given access cards once they are in the premises.

During 2012 the DTI has procured the services of a new private security company to enhance human capacity to secure the national office. New security officers in a new uniform were observed, but the old staff could still be seen. At CIPC national office, which is situated within the DTI national office, security guards scan visitors at the gate and then make them hand in all their electronic gadgets and belongings before they pass through the x-ray scanner. When a visitor passes, there should be no signal or sound, except on occasion when people wear clothing belts. Many industrial security experts have warned that if an employee is exposed to laissez faire attitudes towards honesty, there is a strong likelihood that this attitude towards honesty will continue into subsequent work experiences (Pillay, 2005:34).

Pillay (2005:40) believes that any security risk manager is as good as his or her network frame and intelligence gathering. Pillay (2005:34) further says that unethical activity may be cultivated in a variety of settings if employees do not have knowledge of the department's security policy and if the work environment tacitly ignores or tolerates petty incidents of dishonesty. It is therefore important that all employees need security awareness training to a greater or lesser extent, as they must be vigilant and proactive in reporting any deviant activity immediately. In this way, employees can act in the best interest of the organisation.

Competency in combating crime includes sophisticated security technology and intelligence gathering techniques, extended powers under the law, support by public policing and the development of a climate that would be conducive to the maintenance of social order in close partnership with members of the community, in this case officials (Potgieter et. al., 2008) The DTI national office does not have scanners and/or x-ray machines in all the buildings. There is a scanner for visitors at the main gate but not for DTI officials. Upon entry to some of the buildings, the security guards check only the laptop bags, as they are not aware that some people put personal computers and laptops in their handbags. The people with normal handbags are also never searched and they go in and out on a daily basis.

The scanner is only in use in the conference or boardroom building when the minister attends meetings in. When the minister is not attending, the scanners are moved to another place. There is also surveillance cameras located at strategic points within the building, and these visible security measures serve in creating and sustaining a deterring environment for the commission of wrongful activities. Some of the DTI cameras are not working in other buildings. The researcher believes that people have legitimate fears in the workplace because not only are assets which are allocated to them by the DTI stolen, but their personal belongings as well. These cameras can assist in capturing some of the perpetrators and in the providing evidence in a court of law. In this regard, Cushway (2011:182) provides a good example of a data protection policy to minimize fraud.

The DTI national office has its own vetting personnel who work in collaboration with the SAPS and South African National Intelligence Agency (NIA). Vetting personnel assist the human resource division in the security clearance of newly appointed employees and contracted service providers, as well as other functions as required according to specifications within the DTI national office.

4.3.3 Facilities and Accommodation Division

The DTI has facilities and accommodation personnel with the assistance of an outsourced service of the company called the Experience Delivery Company (EDC). The Experience Delivery Company (EDC) was procured and contracted with the DTI to perform several duties one of them being the maintenance and allocation of office furniture. This means that the Facilities and Accommodation Division allocates office space and the EDC staff members carry the workstation furniture (desks, chairs, filing cabinets and drawers) to the offices of the individuals. This often takes place when the broken furniture has to be replaced by new furniture, or when a new employee starts working for the DTI. Each furniture cabinet and drawer comes with a key for locking and unlocking the cabinet or drawer. There are also fireproof safes with drawers in virtually the entire division for the safekeeping of personal computer laptops. Each employee gets a key for locking and unlocking the drawers of the fireproof safe.

The DTI has open-plan offices except for office space allocated to boardrooms, storerooms, and high-level staff members, such as heads of divisions, deputy directors, director-generals and the minister. Facilities and Accommodation is responsible for allocating office space in the DTI. The researcher is of the view that the open-plan office arrangement in the DTI is intended to promote one of the Batho Pele principles, "transparency", to discourage potential unethical and criminal activity. The aim is to discourage a person from committing such an act out of fear that visitors or colleagues might witness him or her committing such an act. Some employees have access to offices for security staff in the DTI. Vetting offices where individuals come for security clearance are open-plan security offices. In other open-plan offices it is alleged that employees hide their belongings, as it is common knowledge that either a cell phone or money can be stolen from an employee's handbag or any other bag.

The DTI national office Security and Vetting personnel offices are allocated next to the Facility and Accommodation division. When clients come for security or vetting, the official who is supposed to receive them comes along to open the door with his or her access card to allow the person to enter. They then pass all the way from the Facilities and Accommodation personnel to the Security and vetting personnel. The Security and Vetting personnel receive visitors on a daily basis.

4.3.4 Risk Management Unit

The DTI national office has a RMU within Corporate Governance. The DTI has a Risk Management Policy (South Africa. Department of Trade and Industry, 2009) which identifies and comes up with measures to mitigate the risks, including risks related to fraud and corruption, and advises the department accordingly. The DTI RMU is the custodian of the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009), and the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b). These policies are some of the internal controls put in place to mitigate fraudulent and corrupt activities in the department. Pomeranz (1995:16) views internal control as an antidote to management or employee fraud. It is well known that the South African government departments have been victims of fraud and corruption, including the DTI. Warfield (2008:19–20) adds that this is particularly relevant in larger organisations which have the resources and audit terms. When major offences are published relating to a particular organisation or department, the following questions are raised: "What prevention controls were in place? Where were the warning signals and the whistle-blowers?" (Warfield, 2008:19–20). There is also a Risk Management Committee (RMC) to monitor risks within the DTI. Lamont (2009:20) opines that the concept "risk management" can mean many things depending on the type of organisation and the activity being conducted. Furthermore, risk management can relate to anything from government or financial management to the physical safety of workers.

There is also an established Audit Committee within the DTI to oversee and assist in ensuring that the department does not misuse state funds and fall victim to fraud and corruption. Moore (2010:73) also supports the management role of periodically reporting on the internal controls and oversight processes to the board, commission or executive director. Moore (2010:74) further indicates that the Audit Committee identifies significant fraud risks on an ongoing basis. Evaluations are conducted on an annual basis to address the risks identified by an assessment. The organisation must be willing to promote a process of re-engagement with the risks. Moreover, it has been suggested by Moore that a positive whistle-blowing culture is a critical element in the success of any risk management system. The promotion of better risk management can also help to prevent the need for increased regulation and intervention by regulators and legislators.

4.3.5 Internal Audit Services

According to the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009) Internal Audit Services is responsible for forensic investigations within the DTI. Investigations include incidents of fraud and corruption. Legal Brief Forensic (2012) warns that if fraudulent or corrupt activities are not discovered, it does not mean that it does not exist or could not easily occur. This statement supports the report on Minimum Anti-Corruption Capacity Audit (South Africa. Department of Public Service and Administration, 2010:8). In addition, if institutions fail to recognise fraud they are likely to fail on corrective measures on suspicions, such as conducting an investigation to get to the root cause and, when uncovered, it might be described as an incident or error and so forth (Legal Brief Forensic, 2012).

The Legal Brief Forensic (2012) emphasised the following:

... the evidence and the system need to be secured and it is necessary to be careful about accusing the wrong person as claims for wrongful dismissals are not unknown and that human nature causes individuals to avoid problems and so some people may not want to know the full extent of a problem.

Thus, some cases of fraud may not be thoroughly investigated for fear of what might be found. It is for this reason that NACH (South Africa. Public Service Commission, 2004) was established and the DTI national office Internal Audit Services is required (Legal Brief Forensic, 2012).

Moore (2010:74) is of the view that the identification of weak internal controls may result in difficulties in making a convincing case. Therefore, management needs to make a judgment as to how much effort should go into an investigation and assess the cost-benefit ratio of taking the matter further. Moore further observes that some organisations might want the situation to end as soon as possible. Some organisations want to in a way "get rid of the person concerned", while other organisations might want to make an example out of the suspected fraudster. For this reason the Legal Brief Forensic (2012) advises that it is necessary to understand what has happened before any direct action can be taken. This needs to be done discreetly, but limiting possible damage must also be considered. For this reason it is important that managers understand their legal position to avoid costs in legal action for constructive dismissal.

4.3.6 Marketing and Communication Division

The division is responsible for advertising the image of the DTI, promoting the DTI brand, and communicating with employees, clients, and local and international stakeholders. The division is also responsible for introducing newly appointed employees through the department's electronic mail press message. The purpose is to inform the employees of who the new colleagues are so that they do not have to wonder who the person next to their work station is. The division also plays an important role in informing the employees on the latest crime alerts or scams, mostly through e-mails. The researcher has observed that this electronic mail press message on awareness makes employees feel that the department cares about them as employees as well as their well-being.

4.3.7 Officials or employees

According to the Fraud Prevention and Strategy (South Africa. Department of Trade and Industry, 2009:5), the DTI officials have a responsibility to report any fraudulent and corrupt activities. When referring to officials, the researcher refers to individuals recruited by the DTI on a permanent or contract basis as stated in section 3.2.6. When an offence is committed, a question usually raised is "who could have committed this offence?" In the researcher suggests that the officials within the department are the ones who know their department well enough to strategise and commit crimes in the workplace. Hepworth (1995:4) admits that although it is popularly assumed that the opportunities for fraud and corruption by officials are increasing, there is no evidence of any disproportionate increase in the public service.

It is possible that the types of offences recorded in the annual reports 2007/8 to 2012/13 (DTI, 2008 to DTI 2013) are those committed by DTI officials. The researcher agrees with Warfield (2008:19) that fraud by an official or employee takes longer to detect until an enormous loss in the institution or organisation occurs. In this regard, management may want to believe that if fraud is committed in the organisation, the internal controls would identify the issue fairly quickly. Lashley (2004) supports Warfield (2008:19) in his statement that officials or employees are likely to be the offenders of fraud, theft and corruption in the workplace and, as such, these offences could be committed by anyone who goes unnoticed.

Huther and Shah (2010) believe that criminal behaviour is learned through interaction with other people through the process of verbal communication and personal example. A person becomes delinquent because there are more definitions or personal reactions that are favourable to the violation of the law than

definitions that are unfavourable to the violation of the law. Pillay (2005:41) supports Hutter and Shah (2010) by stating the characteristics of a person's relationship with other persons, such as employers. Honest behaviour is reinforced and dishonest behaviour is punished. Moreover, it is very difficult to give a verbal description of situations in order to develop a specific definition of what is honest or dishonest (Pillay, 2005:41).

Mortimer and Hofer (1995:13) provided the following examples of syndromes and their characteristics that are difficult to manage:

- *The challenge syndrome* can be found in people to whom any system is a challenge. Presumably the concept of right and wrong does not enter the decision-making process as to whether or not to commit an improper act.
- *The due-me syndrome* manifests itself when the employee or official considers himself as part of the establishment if he or she has been with the organisation for a long time and believes that he or she has been instrumental in its success.
- *The need-and-temptation syndrome* is probably the syndrome that would most likely cause the person to become part of fraud and embezzlement. It is a personal, family or economic need caused by a variety of factors, such as illness of the individual or a family member, excessive gambling, extramarital affairs, poor personal budgeting, extravagance of the individual or his or her family, and family problems.

These syndromes were identified as possible causes of criminal behaviour in the measuring of the effectiveness of the Third Biennial Report of the NACH (South Africa. Public Service Commission, 2011:24). The DTI had a total of 10 officials dismissed, 13 officials suspended, 8 officials fined and 2 officials prosecuted and this suggested that some of these officials fell under one of the categories proposed by Mortimer and Hofer (1995:13).

4.3.8 Manager

A manager in this case is an individual appointed to a leadership position to manage a particular division, unit or subdivision, appointed in terms of the explanation on what an employee is in 3.3.7. Gilley and Gilley (2007:44–45) believe that a manager must have knowledge of a positive work environment, and he or she must display characteristics such as the following:

- **Attentiveness:** This refers to the effort made to hear the message conveyed by employees. Too many managers cannot wait until an employee stops speaking so that they can present their own point of view.
- **Empathy:** This has commonly been described as putting yourself in another person's shoes, i.e. to see things from another person's point of view.
- **Genuineness:** This refers to one's ability to be themselves in all situations rather than play a part or a role.
- **Understanding:** Understanding is recognising and correctly interpreting the feelings, thoughts, and behaviours of another person.
- **Acceptance:** It is the basic attitude that one should have towards an employee and it requires respect for the employee as a person of worth.
- **Involvement:** Involvement implies action. It means active participation in the employee's problems and needs.

According to Pillai (2011:70) conversations occupy the majority of a manager's time in the workplace. Unplanned informative conversations frequently take place with supervisors, colleagues and subordinates. Maser and Pollio (2012:122–124) encourage the use of the basic elements of communication that a manager can adopt when communicating with his or her subordinates in order to improve their working relationships. This can impact on the interpersonal element. Kroth (2007:47) states that a manager needs to know who he or she is developing, as some leaders develop and support strong interpersonal relationships on the job too. Kinder, Huges and Cooper (2008:11) add that leaders do not exist in isolation. They do need meaningful relationships with others, yet such needs may constantly be damaged by counterproductive and destructive workplace practices. The number of grievances lodged with the PSC during the 2006/7 amounted to 20 grievances. During 2007/8 there were 12 cases, and during 2008/9 there were 18 cases. These statistics suggest that the relationships between leaders and employees in the workplace are strained.

4.4 THE SIGNIFICANCE OF REPORTING FRAUDULENT AND CORRUPT ACTIVITIES IN THE DEPARTMENT OF TRADE AND INDUSTRY

The South African Protected Disclosure Act, No. 26 of 2000 (South Africa, 2000b) makes provision for employees to make protected disclosure in a workplace. This is supported by the South African Prevention and Combating of Corrupt Activities Act, No. 12 of 2004 (South Africa, 2004), which also places a duty on any persons holding positions of authority and who or reasonably ought to have known or suspected that any other person has committed certain corrupt transactions. According to the Protected Disclosure Act whistle-blowing serves as an early warning system to avert risks to the organisation. The effect of whistle-blowing is that it enables employers to find out in good time when something is going wrong, so as to take the necessary corrective action.

The researcher is of the opinion that for one to know the difference between ethical and unethical conduct one must have good personal ethics and an overview of the ethics in a workplace. However, Mclean and Jillson (1975:28) believe that ethical conduct is aimed at maintaining and promoting values in situations in which survival and security are not at stake. This suggests that there is no guarantee that some individual will conduct themselves ethically even if they have knowledge of ethics whether at a personal level or at the workplace. For employees to report unethical conduct mainly depended on their ethics and characteristics as expressed by Gilley and Gilley (2007:44–45).

4.5 FACTORS CONTRIBUTING TO FRAUDULENT AND CORRUPT ACTIVITIES

The following factors contribute to fraudulent and corrupt activities.

4.5.1 Human character

The researcher has observed the potential fraudster profile by Dittenhofer (1995:9) that could contribute to the increase in fraudulent and corrupt activities within the DTI. Dittenhofer states that some of the characteristics for profiling potential fraudsters are most likely individuals that are unhappy with themselves, dislike other employees, experience failure, are deceitful, impulsive, destructive, and unsatisfied. These individuals tend to have fear and have below average intelligence. They are usually from the middle class and find it easier to steal. They can also influence other people to cheat or steal in order to achieve important objectives.

Further, the struggle for these individuals to survive could give rise to deceit, and increased opportunities and conditions for fraud (Dittenhofer, 1995:9). It was confirmed by Newham (2002) that corruption is based on human weakness and motivation. The report on the Profiling and Analysis of the most Common Manifestations of Corruption and its Related Risks in the Public Service (South Africa. Public Service Commission, 2011: 13–18) suggested that possible weaknesses contributing to the behaviour could be lack of supervisory figures, recording systems, delegation of authority, and declaration of interest.

4.5.2 Opportunity

Lashley (2004) adds that, immediately after learning the kind of offence committed in a workplace and who did it, people ask themselves the question: "Why did he or she do it?" Seger and Karl (2005:57) supports the profile of Dittenhofer (1995:9) of the potential fraudster by indicating that motivation for fraud is often explained in terms of three elements, namely opportunity, pressure and rationalisation.

After the opportunity to commit an offence has already been identified, the question still remains who committed the offence and how he or she did it (Lashley, 2004). According to the researcher's observation, offences such as bribery are common in the South African government departments. It is perceived as a form of, or opportunity to conduct unethical or criminal activity, but it generally is giving and receiving a thing of value to influence an official to act (University of South Africa. Internal eye e-newsletter, 2010).

4.5.3 Motivations to commit fraud

Dittenhofer (1995:10) further provides several motivations to commit fraud, some of which are committed by individuals who:

- live beyond their means;
- have an overwhelming desire for personal gain;
- have high personal debt;
- have a too close association with customers;
- have extreme gambling habits;
- are experiencing family or peer pressure;
- have the feeling that remuneration is not commensurate with responsibility;
- have a wheeler-dealer attitude; and
- have a strong challenge to the system.

Warfield (2008) conducted a study on gambling as one of the motives for fraud in Australia. The DTI has acknowledged the situations that lead to fraud as described by Seger and Karl (2005:57) and Dittenhofer (1995:9–10). Some of them are mentioned in the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009:3) such as failure to disclose financial interests outside of employment, disclosure of conflict of interests, deviations of the prescripts of the supply chain management system, accepting inappropriate gifts from suppliers, operating a private business during working hours, poor personal financial management and indebtedness to creditors, and lack of personal discipline. The DTI further acknowledges the inadequate or ineffective internal systems of control and inconsistent or ineffective treatment of misconduct involving dishonesty by the organisation and its management within the DTI.

4.5.4 Influence by the media

The South African Minister Mildred Oliphant of the Department of Labour has conceded that reports on acts of corruption have damaged trust in public servants (Legal Brief Forensic, 2012). According to the Legal brief Forensic (2011) most people in South Africa pay bribes. The media publishes and reports on some of the incidents of poor service delivery, corruption, fraud, and malpractices in local and international government departments on a daily basis. He (2000:252) was also of the view that certain errors committed by top leaders or local government leaders to some extent encourage the growth of corruption.

The SIU was probing more than 16 government departments and public entities for fraud and corruption amounting to billions of rand. Legal Brief Forensic (2011) reported that six marriage officers from the home affairs department were arrested on fraud charges for facilitating marriages of convenience between South Africans and foreign officials. In the USA a chief executive officer in a mortgage firm also pleaded guilty for a \$1.5 billion fraud scheme (Legal brief Forensic, 2011). Further, In Zimbabwe, the minister of energy was arrested and released on bail on corruption charges.

The Ugandan government conducted an Inspectorate of Government National Integrity Survey in 2008 (Uganda, 2008). The survey reports on the investigated prevalence and incidences of corruption and administrative injustice in the public service. It also shows that most Ugandans are afraid of reporting corruption. People in the northern region are more willing to report graft (the use of dishonest or illegal means to gain money or property by somebody in a position of power or in elected office) cases and those in the central region are less likely to do so. In this survey, 7 out of 10 people said that bribery is the most

common form of corruption in public institutions, while some said that favouritism is the most common form of corruption. According to Legal Brief Forensic (2011) 80% of individuals interviewed in the Democratic Republic of Congo, Malawi, Mozambique, South Africa, Zambia, and Zimbabwe said that they were willing and prepared to get involved in the fight against corruption.

Legal Brief Forensic (2011) cited examples such as SAPS Deputy Police Commissioner Nobesethu Masiya announcing the arrest of 500 SAPS officials on allegations of corruption. The SIU report on linking 115 SAPS senior officials to tenders awarded by SAPS and 215 instances of awarding tenders where there were possible conflicts of interest. Minister Didiza of the South African Department of Public Works indicated that this department has a zero tolerance stance on fraud and corruption among all management and staff. Minister Didiza explained that the management, professionals and administrative staff are expected to take ownership of the struggle against corruption in a concerted programme of action to defeat corruption. Minister Didiza further mentioned that one of the department's officials was dismissed after he was found to be collaborating in defrauding the department of R4.2 million.

Despite the commitment to protect whistle-blowers, whistle-blowers still do not feel protected. This is evident from a television report (South Africa. E.TV News, 2010). According to this report, supporters of whistle-blowers were protesting in front of the Council for the Conciliation, Mediation and Arbitration (CCMA) office in Johannesburg. The reason why they protested is because two of their colleagues were suspended from work for reporting their superiors for fraud and corruption. Minister Richard Baloyi of the Department of Cooperative Governance and Traditional Affairs emphasised that the measures to protect whistle-blowers should be beefed up so that they can feel safe. (Legal Brief Forensic, 2011).

4.5.5 Economic status

On the other hand Pomeranz (1995:16–17) believes that recession, employee disaffection, indifference to internal controls, possible erosion of business ethics and different teachings of ethics are some of the causes of corruption. Salifu (2008:276) investigated some of the causes of economic corruption in developing countries. The results show that institutional mechanisms to combat corruption are weak or not utilised. Further, extensive government control and regulation of economic resources provide ample opportunity for corrupt exchanges. In addition, corruption is so generalised at all societal levels that it is accepted and

tolerated. Pillay (2004:586–605) also agrees that corruption is likely to threaten or obstruct South Africa's path towards sustainable development.

4.5.6 Knowledge management

The Public Service Regulations (South African. Department of Public Service and Administration, 1997) Part VI on Working Environment makes it vital that the generic managerial and leadership training needs of members of the Senior Management Service are met so that they are able to train their employees. Training and retraining costs are thus a good investment (Gillibrand and Maddock, 1982: 113). Newman (1996) emphasises that it is also a collection of processes that govern the creation, dissemination and utilisation of knowledge. McNabb (2007:64) also believes that knowledge provides management of an organisational culture that encourages creating, sharing, exchanging, organising and using the information for the benefit of the organisation. The Report on the Implementation of Fraud Prevention Plans in the Public Service (South Africa. Public Service Commission, 2007:42–43) also stresses that departments should put in more effort in raising awareness among employees at all levels to take ownership of official responsibilities. The responsibilities of line managers should be clearly allocated and widely diffused among the line function managers. This will ensure that investigations into fraud and corruption are more effective if awareness of fraud and corruption is promoted. If awareness campaigns are not conducted in a structured manner, the department runs the risk of implementing education awareness campaigns in a narrow manner and thus not achieving results.

The report on the Profiling and Analysis of the most Common Manifestations of Corruption and its Related Risks in the Public Service (South Africa. Public Service Commission, 2011: 13–18) suggests that policies such as accepting gifts, educational awareness campaigns, internal discipline against perpetrators, operational expenditure, the internal audit process and the risk management process should be in place. However, employees who whistle-blow often risks victimisation, discrimination and even dismissal (Guide to Whistle-Blowing Act, 2000: section 1). However, the DTI believes that the Act is a key tool for promoting individual responsibility and organisational accountability (South African. Department of Trade and Industry, 2009:11). A suggestion was made that external auditors should be obligated to report fraud to the appropriate authorities (Legal Brief Forensic, 2012).

4.5.7 Disregard of Batho Pele principles

When certain employees disregard the White Paper on the Transformation on Public Service Delivery (South Africa. Department of Public Service and Administration, 1997), also known as *Batho Pele* (a Sotho proverb meaning “People First”) and the Public Service Code of Conduct (1999: C.1: C.1.2), which put public interest first in the execution of duties by certain employees, it can contribute to unethical conduct of DTI employees. This factor, if not resolved effectively, could also tarnish the DTI's image in the eyes of the local and international society.

Other than the mechanism provided, the White Paper on the Transformation of the Public Service (South Africa. Department of Public Service and Administration, 1997) and the Public Service Code of Conduct in the new public service regulation (South Africa. Public Service Commission, 1999: C.1: C.1.2) on the part of certain employees outline the control of a working environment atmosphere in a workplace. Moore (2010) adds that the working environment does not belong to one person's rank. All the employees in an organisation from the manager to the subordinates must participate in creating a conducive working environment.

Moore (2010) also believes that public administrators must be made aware that it is critical to create and maintain a positive workplace environment. For example, she indicates that there needs to be a system in place that recognises and rewards employees, not only for what they do to prevent and detect fraud, waste and abuse but also for what they do for programmes administered by the agency (Moore, 2010).

4.6 BENEFITS OF REPORTING FRAUDULENT AND CORRUPT ACTIVITIES WITHIN THE DTI

According to the Fraud Prevention and Strategy (South Africa. Department of Trade and Industry, 2009:9), the DTI outlines the benefits of reporting fraudulent and corrupt activities within the DTI. The DTI further encourages reporting of fraudulent and corrupt activities in the Policy on Protection of Whistle-blowers (South Africa. Department of Trade and Industry, 2004b). In addition, the Protected Disclosure Act of 2000 protects whistle-blowers from being fired in the event that the accused is not found guilty of the offence. Grabosky (1991) also encourages the reporting and investigation of fraud and the documentation of results. The researcher found Grabosky's study very informative in encouraging the reporting of such offences. The

NACH Toolkit (South Africa. Public Service Commission, 2006:10–11) provides the good news that a new anti-corruption team was established in 2009 to fight against corruption. All government employees are warned that action will be taken against anyone involved in corrupt practices. The obligations of departments and whistle-blowers (which include the employer and employee) are outlined for disclosing information on the hotline.

4.6.1 Obligations of departments

The South African government departments are obligated to keep a database of all referred cases and ensure confidentiality of all information referred. The government departments must investigate disclosures as effectively and speedily as possible and provide timeous feedback to the PSC in writing in order to maintain the integrity of the NACH (South Africa. Public Service Commission, 2004) with callers and the public. In addition, departments must observe existing protocols of referrals as agreed to with the PSC and liaise with the PSC on a regular basis to facilitate the smooth running of the NACH.

4.6.2 Obligations of employees

The South African public officials are obligated to report only relevant corruption-related cases to the public. The whistle-blower must be reasonably sure that factual information is reported to the hotline, and information of a frivolous nature should not be reported. Whistle-blowers should also not use the hotline to pursue personal agendas. There are no rewards for making a disclosure in the interest of the public even if the disclosure is proved to be true.

In the report on measuring the effectiveness of the NACH: third biennial report (South Africa. Public Service Commission, 2011:09), the PSC proved that the NACH was operational and recorded the number of calls received as tabled at the NACH from 1 September 2004 to 31 August 2010. The calls statistics include different types of calls, such as abusive calls, calls providing additional information on reported cases, calls requesting advice, calls from children playing on the phones, dropped calls, calls making enquiries, calls requesting feedback on cases reported, calls terminated before the information could be captured, test calls and wrong numbers. Furthermore, the calls from whistle blowers who wanted to stay anonymous is 65% and those who agreed to be identified is 35%.

The DTI has been receiving reports through the NACH (South Africa. Public Service Commission, 2004). According to the report on Measuring the Effectiveness of the NACH (South Africa. Public Service Commission, 2007:24) 54 cases were reported. Feedback was received on 21 cases, even though these cases

were not on corruption. In the Second Biannual Report on Measuring the Effectiveness of the NACH (South Africa. Public Service Commission, 2008a:21-39) it was reported that there were 39 cases during 2006/7 and 18 cases during 2007/8. The outcome of the investigations in this regard was that two officials were found guilty of fraud and given final warnings.

4.6.3 Protected disclosure

According to the Fraud Prevention and Strategy (South Africa. Department of Trade and Industry, 2009:9), the DTI outlined the reporting channels. Near and Morehead (2009) is of the opinion that most people who blow the whistle do so internally at first. They go to the hierarchy and try to tell people that something is wrong, and 80% of them stop at that point. Further, the stereotypical view of whistle-blowers is that they always begin by going to the media and attempt to spark public controversy. A manager is expected to set up procedures to enable the relevant individuals to blow the whistle internally and thus minimise the damage to the organisation externally. Policymakers and managers can also have a positive influence in this regard (Near & Morehead, 2009). Cherry (2010) adds that the DTI can draw up the policies in such a way that readers are drawn to the content and understand the importance of what he/she reads. Hays, Kearney and Cogburn (2009:148) is of the same view that, in public service motivations, there exists empirical research and evidence that policymaking must be made attractive.

4.6.4 Personal integrity

Smith (2005:2) believes that the importance of reporting fraud can offer a wide range of benefits for both government and the community as a whole. Smith (2005:2) also identifies the barriers to effective reporting, and comments that the reasons for non-reporting are well known over and above the fact that some individuals are afraid to be victimised. The researcher believes that when employees do not report unethical and criminal conduct, or know about a crime and not report it, or know about an offence while under supervision, they risk being implicated in a crime they have not committed. Further, the widely-known risks of reporting fraudulent and corrupt activities in the workplace are lack of confidentiality, being labelled a spy or fear of reputational harm and one losing one's job. The researcher is of the opinion that as a result some individuals do disclose knowledge of an offence committed in a workplace to anyone. This is why not many people report fraud and corruption internally.

4.7 SUMMARY

It is evident that the DTI national office has committed itself by segregation of duties throughout the divisions to combat fraudulent and corrupt activities as required. However, the fact remains that fraud and corruption are still taking place. The DTI national office acted responsibly by taking accountability for having developed and implemented policies to curb fraudulent and corrupt activities. However, it is still up to individuals on whether they want to commit a fraudulent or corrupt activity, or if they want to make a difference in curbing such activities to make their working environment a workplace free of fraud and corruption.

Chapter 5 will provide an interpretation of both the quantitative data and the qualitative data that will be presented and discussed by means of emergent themes.

CHAPTER 5 PRESENTATION AND DISCUSSION OF THE RESEARCH FINDINGS

5.1 INTRODUCTION

In this chapter the interpretation of both the quantitative data (survey questionnaires, as discussed in 1.11.6.3 of Chapter1) and the qualitative data (the online interviews with employees as discussed in 1.11.6.2 of Chapter 1) are presented and discussed by means of themes to indicate the achievement of the aim and objectives of this study(see sections 1.6 and 1.7). In order to promote the trustworthiness of the study the research methodology (as discussed in 1.11 of Chapter 1) was implemented and adhered to in the collection and analysis of the data. The results of the survey questionnaires are discussed, followed by the results of the online interviews.

5.2 THE RESULTS FROM THE SURVEY QUESTIONNAIRES

In this section, the results of the survey questionnaires as discussed in 1.15.3 are presented as figures to indicate the respondents' knowledge and views on and their attitudes to the rules and procedures of reporting fraud and corruption within the DTI.

5.2.1 Gender of respondents

From a total of 58 respondents, 28 (48%) respondents are male, while 30 (52%) respondents are female.

Table 5.1: Gender of participants

Total number of respondents: 58		
Gender	Number	Percentage (%)
Males	28	48
Females	30	52

5.2.2 Age of respondents

The table below presents the age of respondents.

Table 5.2: Age of participants

Total number of respondents: 58			
Key	Age group	Respondents	Percentage (%)
20–30	Between 20 and 30	12	21
30–40	Between 30 and 40	32	55
40–50	Between 40 and 50	12	21
>50	Older than 50	2	3

5.2.3 Respondents' period of employment in the DTI

The table below presents the period of employment of respondents.

Table 5.3: Respondents' period of employment in the DTI

Total number of respondents: 58			
Key	Number of years' service	Respondents	Percentage (%)
0–5	Between 0 and 5	34	59
6–10	Between 6 and 10	11	19
11–15	Between 11 and 15	4	7
16–20	Between 16 and 20	6	10
>20	More than 50	3	5

5.2.4 DTI division to which respondents are designated to

The table below presents the divisions/units respondents are attached to.

Table 5.4: DTI division to which respondents are designated to

Total number of respondents: 58		
DTI division	Respondents	Percentage (%)
Minister's office	2	3
CCRD	4	7
EEDD	3	5
GSSD	7	12
IDD	3	5
ODD	2	3
ITED	4	7
TISA	4	7
Marketing and Communications	4	7
TEO	9	16
Human Resource	4	7
Internal Audit Services	1	2
Registry Division	3	5
Call Centre	2	3
GSSSD	3	5
GSSSD – Finance	3	5

5.3 THE FRAUD PREVENTION POLICY AND STRATEGY OF THE DEPARTMENT OF TRADE AND INDUSTRY

In this section, the respondents' knowledge and views on the Fraud Prevention Policy and Strategy of the DTI will be presented and discussed.

5.3.1 Exploring DTI employees' understanding of the purpose of the Fraud Prevention Policy and Strategy

Respondents were asked to respond to the following: *I fully understand the purpose of the Fraud Prevention Policy and Strategy, 2009 of the dti.*

The objective of this question was to establish the extent of the respondents' understanding of the purpose of the Fraud Prevention Policy and Strategy of the DTI. Respondents were probed with whether they fully understand the purpose of the Fraud Prevention Policy and Strategy.

Table 5.5: DTI employees' understanding of the purpose of the Fraud Prevention Policy and Strategy

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	45	78
No	13	22

5.3.2 Exploring DTI employees' knowledge of the legal aspects related to the Fraud Prevention Policy and Strategy

Respondents were asked to respond to the following: *The dti complies with all the legal aspects related to Fraud Prevention Policy and Strategy of 2009.*

The objective of the question in this section was to establish whether respondents knew if the DTI complies with all the legal aspects related to the Fraud Prevention Policy and Strategy (South Africa. Department of Trade and Industry, 2009).

Table 5.6: DTI employees' views of the legal aspects related to the Fraud Prevention Policy and Strategy

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Agree	42	72
Disagree	9	16
No response	7	12

5.3.3 Determining the extent of fraud awareness training among Department of Trade and Industry Employees

Respondents were asked to respond to the following: *I have attended a training session on the Fraud Prevention Policy and Strategy of 2009.*

The objective of the question in this section was to investigate whether respondents have attended any training sessions on the Fraud Prevention Policy and Strategy.

Table 5.7: The extent of fraud awareness training among Department of Trade and Industry Employees

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	21	36
No	37	64

5.3.4 Exploring DTI employees' views on the significance to be familiar with the rules and procedures related to fraud and corruption

Respondents were asked to respond to the following: *It is important to be familiar with the rules and procedures related to fraud and corruption in the dti.*

The objective of the question in this section was to determine respondents' views on the significance to be familiar with the rules and procedures related to fraud and corruption.

Table 5.8: DTI employees' views on the significance to be familiar with the rules and procedures related to fraud and corruption

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	58	100
No	0	0

5.3.5 Exploring DTI employees' views on the familiarity with the rules and procedures related to fraud and corruption

Respondents were asked to respond to the following: *I am familiar with the rules and procedures related to fraud and corruption in the dti.*

The objective of the question in this section was to determine respondents' familiarity with the rules and procedures related to fraud and corruption within the DTI. Respondents were thus probed to indicate their opinion by agreeing or disagreeing.

Table 5.9: DTI employees' views on the familiarity with the rules and procedures related to fraud and corruption

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Agree	49	84
Disagree	8	14
No response	1	2

5.4 THE DEPARTMENT OF TRADE AND INDUSTRY POLICY ON PROTECTION OF WHISTLE-BLOWERS

In this section, the respondents' knowledge and views on the Policy on Protection of Whistle-Blowers of the DTI will be presented and discussed.

Respondents were asked to respond to the following: *I fully understand the purpose of the dti Whistle Blowing Policy of 2004.*

The objective of the question in this section was to establish whether DTI employees fully understand the purpose of the Policy on Protection of Whistle-Blowers. Respondents were probed whether they agree or not to fully understand the purpose of this policy.

Table 5.10: DTI employees' understanding of the purpose of the Policy on Protection of Whistle-Blowers

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Agree	39	67
Disagree	19	33

5.4.1 Exploring employees' knowledge of legislative requirements of the Policy on Protection of Whistle-Blowers

Respondents were asked to respond to the following: *The dti complies with all the legal aspects related to Whistle Blowing Policy of 2004.*

The objective of the question in this section was to explore DTI employees' views on whether the DTI complies with all the legal aspects related to the Policy on Protection of Whistle-Blowers (South Africa. Department of Trade and Industry, 2004b).

Table 5.11: Employees' knowledge of legislative requirements of the Policy on Protection of Whistle-Blowers

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Agree	42	73
Disagree	10	17
No response	6	10

5.4.2 Determining the extent of training received on the Policy on the Protection of Whistle-Blowers

Respondents were asked to respond to the following: *I have attended a training session on the Whistle Blowing Policy 2004 of the dti.*

The objective of the question in this section was to investigate whether respondents have attended a training session on the Policy on Protection of Whistle-Blowers (South Africa. Department of Trade and Industry, 2004b).

Table 5.12: The extent of training received on the Policy on the Protection of Whistle-Blowers

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	16	28
No	42	72

5.5 THE DEPARTMENT OF TRADE AND INDUSTRY POLICY DOCUMENT ON FORENSIC AUDIT PROCESS

In this section, the respondents' knowledge and views on the Policy Document on Forensic Audit Process of the DTI will be presented and discussed.

5.5.1 Exploring the trustworthiness of policies and procedures for reporting fraud and corruption in the DTI

Respondents were asked to respond to the following: *The policies and procedures for the reporting of fraud and corruption in the dti are trustworthy.*

The objective of the question in this section was to determine how respondents view the trustworthiness of the policies and procedures when reporting fraud and corruption in the DTI. Respondents were asked to indicate whether they are of the opinion if the policies and procedures to report fraud and corruption are trustworthy or not.

Table 5.13: The trustworthiness of policies and procedures for reporting fraud and corruption in the DTI

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	46	79
No	10	17
Do not know	1	2
No response	1	2

5.5.2 Determining the awareness of fraud and corruption investigations within the DTI

Respondents were asked to respond to the following: *I am aware that Internal Audit Unit is responsible for investigating offences in the dti.*

The objective of the question in this section was to determine if respondents are aware that the Internal Audit Unit of the DTI is responsible for investigating fraud and corruption in the DTI.

Table 5.14: Employees' awareness of fraud and corruption investigations within the DTI

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	54	93
No	4	7

5.5.3 Determining the awareness of internal anonymous reporting procedures for reporting fraud and corruption within the DTI

Respondents were asked to respond to the following: *All employees were provided with internal anonymous reports procedures.*

The objective of this question was to determine if respondents were provided with internal DTI anonymous reporting procedures for reporting fraud and corrupt activities.

Table 5.15: The awareness of internal anonymous reporting procedures of reporting fraud and corruption within the DTI

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	22	39
No	34	59
No response	1	2

5.5.4 Determining transparency of internal audit report investigations

Respondents were asked to respond to the following: *Should the internal audit report the outcome of the investigations to the dti employees?*

The objective of this question was to determine respondents' views if the outcome of fraud and corruption investigations should be made known to DTI employees.

Table 5.16: Transparency of internal audit report investigations

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	47	81
No	10	17
No response	1	2

5.6 THE IMPORTANCE OF REPORTING FRAUDULENT AND CORRUPT ACTIVITIES IN THE DTI

This section will present respondents' views on the significance of reporting fraud and corruption in the DTI,

5.6.1 The significance of reporting unethical conduct in the DTI

Respondents were asked to respond to the following: *Is it important to report unethical conduct in the dti?*

The objective of the question in this section was to determine respondents' views on the importance of reporting unethical conduct in the DTI.

Table 5.17: The significance of reporting unethical conduct in the DTI

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Agree	56	97
Disagree	2	3

5.6.2 Determining the opinions of employees on education on ethical behaviour within the DTI

Respondents were asked to respond to the following: *The dti has a culture of educating employees about the Code of Ethics Policy.*

The objective of this section was to determine respondents' opinion whether the DTI has a culture of educating employees about the Code of Ethics Policy.

Table 5.18: Opinions on the education of ethical behaviour within the DTI

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Agree	47	81
Disagree	9	15
Do not know	1	2
No response	1	2

5.6.3 Determining the preferred line of reporting fraudulent and corrupt activities within the DTI

Respondents were asked to respond to the following: *To which unit do you prefer to report fraudulent and corrupt activities committed in the dti?*

The objective of this question was to determine whether respondents preferred to report fraudulent and corrupt activities committed in the DTI to their managers, the Internal Audit Unit or to the National Anti-Corruption hotline.

Table 5.19: The preferred line of reporting fraudulent and corrupt activities within the DTI

Total number of respondents: 58		
Key	Respondents	Percentage (%)
NACH	30	52
Internal Audit Unit	19	33
Managers	9	15

5.6.4 Empowering DTI employees in reporting offences

Respondents were asked to respond to the following: *As a part of employee empowerment, employees can be educated how to report offences in the dti.*

The objective of this question was to determine respondents' views on whether they could be empowered through education programmes on the reporting of offences committed within the DTI.

Table 5.20: Empowering DTI employees in reporting offences

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Agree	57	98
Disagree	1	2

5.6.5 The sufficiency of rules and procedures to report fraudulent and corrupt activities in the DTI

Respondents were asked to respond to the following: *Do you think that the rules and procedures of reporting fraud and corruption within the dti are sufficient?*

The objective of this question was to determine respondents' views on whether they regard the rules and procedures of reporting fraudulent and corrupt activities within the DTI to be sufficient and, if not, how these rules and procedures could be made more efficient.

Table 5.21: The sufficiency of rules and procedures to report fraudulent and corrupt activities in the DTI

Total number of respondents: 58		
Key	Respondents	Percentage (%)
Yes	38	65
No	19	33
No response	1	2

Respondents who negatively responded to the above-mentioned question were furthermore probed by the following close-ended question: *If not, what can be done to make the rules and procedures to report fraud and corruption more efficient?*

From the responses to this question it became evident that the majority of the respondents are in need of and highly value education and information sharing on the rules and procedures to report fraudulent and corrupt activities within the DTI. The responses ranged from *"They can still be improved ... by informing employees and educate them on how they will be protected when they blow the whistle ..."* to *"DTI should conduct awareness programmes ... so that people could be aware"* and *"Employees should be aware of this"*.

Another respondent was of the view that procedures should be improved and communicated to employees: *"Procedures to be improved and communicated to all staff affected"*. One respondent similarly stressed that employees should be educated on the rules and procedures as well as of the implications of fraud: *"Educate the employees and stress the implications of fraud ... I don't even know of these rules"*. Another respondent shared similar sentiments stating that a *"... workshop should be conducted ... to help everybody to understand all the facts and procedures to report this"*. In addition, respondents also placed emphasis on the accessibility and transparency of the rules and procedures to report fraudulent incidents: *"They must be accessible to all ... management must be trained and escalate the policies downward"*. *"More awareness and transparency"*.

Moreover, respondents highlighted shortcomings in the implementation of the rules and procedures to report fraudulent activities and suggested continuous managing thereof. In this regard, responses ranged from "... *the implementation process should be enhanced and monitoring should be mandatory*" to "... *the implementation of it is not sufficient*". Another respondent expressed that the rules and procedures are sufficient; however, the consistent implementation thereof was questioned: "*They are sufficient however not consistently implemented*".

One respondent suggested external-stakeholder involvement in order to draw from these stakeholders' experience in corruption: "*Actively involve external stakeholders ...*". Interestingly, two respondents were of the opinion that independent investigators should be mandated to investigate incidents of fraud and corruption in order to eliminate prejudice. They said the investigators of fraud and corruption "... *should be dedicated investigators ... investigators should be independent and not bias*". The one respondent suggested that an "*independent anti-corruption unit needs to be established*" which should be "*autonomous and report directly to the SAPS*".

One respondent argued that the policies and procedures will never be sufficient since fraud and corruption is a continuous process and suggested ongoing reviews of such policies and procedures. His response was "*They can never be sufficient ... they should be subjected to regular reviews and updates ... fraud and corruption is an ongoing process ...*" Another respondent questioned the confidentiality and anonymity of whistle-blowers, feeling they are at risk: "... *no confidentiality ... people reporting fraud and corruption are at risk*". Respondents further viewed the response and feedback to whistle-blowers as a drawn-out process: "*Reaction, response to whistle blowers is usually slow*".

5.7 THE RESULTS FROM THE INTERVIEWS

In this section the results of the online interviews as discussed in section 1.15.2 are presented according to themes to indicate DTI employees' perceptions, feelings and experiences of reporting fraud and corruption within the organisation. The questions posed to respondents are given, followed by the responses to the questions, which will be enriched by direct verbatim reflections of the responses.

5.7.1 Exploring DTI employees' understanding of the purpose of the Fraud Prevention Policy and Strategy, the Policy on Protection of Whistle-Blowers, and the policy document on the Forensic Audit Process

In order to successfully address fraud and corruption in the DTI, every employee should have a clear understanding of the purpose of these policy documents. It is, however, the responsibility of the DTI to empower employees with the required knowledge to familiarise themselves with the purpose of these policies. This theme presents the views of the custodians of the above-mentioned policy documents to determine how an understanding of the purpose of these policies is created among employees.

Respondents were asked to respond to the following: *From your experience, do DTI employees fully understand the purpose of the Fraud Prevention Policy and Strategy of 2009, the Policy on Protection of Whistle-Blowers of 2004, and the Policy Document on Forensic Audit Process of 2004? Please motivate your answer.*

It appears from the online interviews that DTI employees are presented with various internal mechanisms in order to create an understanding of the purpose of policy documents addressing fraud and corruption within the DTI. One respondent said that "*[T]hrough induction and corporate governance workshops and fraud awareness workshops staff are made aware of all the whistle blowing mechanisms in place at the DTI. The hotline number is also advertised on the big screen in the internal street for staff and clients to create awareness*". It was furthermore expressed that the DTI has an ethos of installing knowledge and awareness of fraud and corruption policies among employees. One respondent said that "*... the DTI has a culture of inducting every new employee and organise training sessions on an annual basis for existing employees*".

The following theme looks into how respondents view the significance of being familiar with the rules and procedures related to fraud and corruption.

5.7.2 Exploring DTI employees' views on the significance of being familiar with the rules and procedures related to fraud and corruption

For the effective reporting of fraudulent and corrupt activities in the DTI, it is important that DTI employees are familiar with the rules and procedures to report such activities and also grasp the significance to be acquainted with these procedures.

Respondents were asked to respond to the following: *In your opinion, is it important for DTI employees to be familiar with the rules and procedures related to fraud and corruption in the DTI? Please motivate your answer.*

It was clearly expressed in the online interviews that employees are bound by various policies to report fraudulent and corrupt activities. As a result, it is important for employees to be fully familiarised with such policies. A respondent said: *"Yes. In terms of the Code of Conduct for Public servants, unethical behaviour, fraud or corruption must be reported, either to a manager or a fraud hotline or SAPS. The Prevention and Combating of Corrupt Practices Act further places a requirement on an accounting officer to report fraud or corruption over R 100 000 to the SAPS"*.

It also came to light that employees should be familiar with the internal processes to report fraud and corruption within the DTI. Another respondent responded: *"It is important for staff to know who to report to, how to report, what to report and where to report unethical behaviour"*. The importance for employees to be familiar with the rules and procedures was highlighted since fraud and corruption in the DTI has a direct impact on employees. A respondent said that *"... what happens in the DTI affects them one way or the other"*.

Respondents were, furthermore, asked to respond to the following: *From your experience, are DTI employees provided with knowledge of internal anonymous procedures to report fraud and corruption? If affirmative, how? If not, why not?* Respondents unanimously agreed that employees are familiarised with internal anonymous procedures to report fraudulent and corrupt activities within the DTI by means of various internal communication mechanisms and instruments. One said, *"Yes, there is an ethics hotline. Employees are provided with these procedures or alternative whistle blowing mechanisms during induction sessions and workshops"*. Another respondent responded: *"News Flash, SMS, Screens. Furthermore, the DTI encourages employees to report through the Hotline facilitated by the public service"*.

5.7.3 Determining the extent of training provided to employees on the DTI fraud and corruption policies

Training in any organisation should be a continuous process. Training provided on the internal DTI fraud and corruption policies should prepare and educate employees to report fraudulent and corrupt activities in the department.

Respondents were asked to respond to the following: *From your experience, does the DTI provide opportunities for employees to attend training/information sessions on the Fraud Prevention Policy and Strategy of 2009, the Policy on Protection of Whistle-Blowers of 2004, and the Policy Document on Forensic Audit Process of 2004? How are DTI employees familiarised with these policies?*

It was confirmed during the online interviews that sufficient opportunities exist within the DTI for employees to attend training interventions to prepare and educate them on the internal fraud and corruption policies: "Yes, ... *Workshops, targeted training, policies, newsflashes, etc.*". It further surfaced that employees are empowered with knowledge of these policies with a strong focus on internal communication: "... *we also go further by sending alerts through marketing and communications division for effective message delivery. We also broadcast on screens*".

5.7.4 Exploring DTI employees' knowledge of the legal aspects related to the internal fraud and corruption prevention policies

Unfamiliarity with the legal aspects of policies addressing fraud and corruption refers to the vague and doubtful understanding of reporting fraudulent and corrupt activities in the DTI among employees. Because all the facts are not known about the legal process, questions could arise that in turn could lead to reluctance to report fraud and corruption. Unfamiliarity can take the form of doubt, scepticism, fear and hesitancy among these members to report such activities.

Respondents were asked to respond to the following: *In your opinion, does the DTI comply with all the legal aspects related to the Fraud Prevention Policy and Strategy of 2009, the*

Policy on Protection of Whistle-Blowers of 2004, and the Policy Document on Forensic Audit Process of 2004? Please motivate your answer?

It appears from the online interviews that the DTI continuously review the legal aspects of policies regulating fraudulent and corrupt activities to ensure legal compliance and effectiveness. *"Yes. The DTI complies ... note that certain of these documents have been updated. There is a new forensic audit process flow for instance"*. It further came to light that the DTI ensures that policies are in line with the relevant legislation. *"The policies are also aligned with the relevant Acts for compliance purposes"*.

5.7.5 Exploring the trustworthiness of policies and procedures for reporting fraud and corruption in the DTI

Trustworthiness of policies and procedures refers to the degree of confidence that DTI employees have in such policies to report fraudulent and corrupt activities. This can take the form of the reliability of these policies to effectively address fraud and corruption or employees' level of confidence in these policies and their preparedness to report fraudulent and corrupt activities.

Respondents were asked to respond to the following: *From your experience, are internal policies and procedures for reporting fraud and corruption in the DTI trustworthy? Please motivate your answer.*

From the interviews it appears that the trustworthiness of internal DTI fraud and corruption procedures for reporting fraud and corruption within the organisation are reliable. Employees are protected against exposure of reporting such activities through confidential internal measures: *"Yes. An independent forensic audit unit exists that investigates all cases and report the results to the Audit and Risk committee"*. In addition, it appears that procedures are followed rigidly when incidents of fraudulent or corrupt activities are reported: *"Yes, they are ... the procedures will be followed and the relevant matter will be resolved"*.

5.7.6 Determining transparency of internal audit investigations

Transparency is a crucial and powerful factor that has the ability to inform, influence and motivate employees. As a result, uncertainty and vagueness among employees about the outcome of fraud and corruption investigations could be alleviated.

Respondents were asked to respond to the following: *In your opinion, should the DTI Internal Audit Services report the outcome of fraud and corruption investigations to employees? Please motivate your answer.*

It was made known from the interviews that the outcome of fraudulent and corrupt activities within the DTI is reported to those employees whose identities are known. However, the outcomes of these investigations are not communicated to all employees within the DTI. However, the majority of the fraudulent and corrupt activities are reported via the NACH: *"... if the complainant or whistle-blower's identity was known feedback would be provided to the person on the outcome of the investigation. In most instances, it is anonymous complaints coming via the PSC's NACH. Once an investigation is completed, a report is submitted to the PSC and they provide feedback to the complainant".* One respondent was of the opinion that the outcome of fraudulent and corrupt activities should be made public to employees since this practice will promote transparency and internal relationships. In addition, employees would be encouraged to report such activities. *"Yes, this will strengthen the fact that the DTI does promote transparency and internal relationships between senior managers and junior employees. This will motivate employees who want to report in good faith".*

5.7.7 The efficiency of rules and procedures to report fraudulent and corrupt activities in the DTI

Ineffective rules and procedures to address fraud and corruption in the DTI refer to the inadequacy of these rules and procedures to sufficiently address these irregularities. The efficiency of rules and procedures to report fraud and corruption also refers to the consequences for and the effect and influence of such policies on employees.

Respondents were asked to respond to the following: *In your opinion, are the rules and procedures of reporting fraud and corruption within the DTI efficient? Please motivate your answer.*

From the interviews it appears that the rules and procedures to address fraud and corruption in the DTI are adequate: *"Yes, the DTI has put in place all the relevant control measures and procedures regarding whistle-blowing..."*. One respondent compared the small number of fraudulent and corrupt reports received at the time to the efficiency of the rules and procedures to address fraud and corruption: *"... there has not been many reports within the DTI and this proves adequacy"*.

5.8 SUMMARY

This chapter provided the presentation and discussion of the qualitative and quantitative data. The results of the survey questionnaires were presented as figures to indicate respondents' knowledge of and views on the rules and procedures of reporting fraud and corruption within the DTI. These figures provided background information of the respondents for contextualisation purposes and a deeper understanding of how respondents experience fraud and corruption in the DTI.

The respondents' reactions to the online interviews were presented and discussed by means of emergent themes to explore the outcomes of such interviews. An explanation of each theme furthermore provided the reader with a clear understanding of the themes and their subthemes.

Chapter 6 presents a summary, some recommendations and the conclusion of this study.

CHAPTER 6 SUMMARY, RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

This chapter provides a summary of the dissertation from Chapter 1 to Chapter 5 followed by the presentation and discussion of the findings, as presented in Chapter 5. Recommendations based on the findings are made, and the chapter ends with some concluding remarks.

6.2 SUMMARY

Chapter 1 opened with an introduction to the study. The researcher then provided background to the study to contextualise the target population and sample included. Furthermore, the problem statement was comprehensively and unambiguously stated to eliminate any uncertainty about the axis around which the whole research effort revolved. The delimitation of the study then addressed how the study was narrowed in scope. The research questions followed to concisely express what the research project aims to find out. The primary research question explored the reason/s for the ongoing spate of fraudulent and corrupt activities among employees within the DTI head office irrespective of the relevant policies implemented to address fraud and corruption. The aim and objectives followed, which provided the aim and reasons for the study. The primary aim of this study was to analyse the Fraud Prevention Policy and Strategy, the Policy on Protection of Whistle-blowers, and the Policy Document on Forensic Audit Process in order to establish the reason for the ongoing spate of fraudulent and corrupt activities among employees within the DTI head office, irrespective of the relevant policies put in place, and to establish other reasons for the reoccurrence of fraudulent and corrupt activities within the DTI. The primary objective of this study was to explore and examine whether the reporting of fraud and corruption – internal or external – and the relevant policies put in place, contribute in any manner to the prevention of fraud and corruption at the DTI national office. The secondary objectives of this study were:

- To find out whether there is a policy document on measuring these policies after they have been implemented, and the appropriate turnaround time for the review of these policies and its management
- To determine how the DTI national head office addresses fraud and corruption

- To establish a trend of fraud and corruption activities after the implementation of the policies as stated in 1.3
- To establish other possible reasons for DTI employees' lack of reporting fraud and corruption in their departments, other than the fear of being victimised
- To obtain the respondents views and opinions on the reporting process when reporting on fraud and corruption internally rather than through the NACH
- To determine the degree of awareness of the investigative procedures related to fraud and corruption among DTI management and their employees
- To establish whether employees have faith in the investigative procedures related to fraud and corruption, which were put in place by the DTI
- To establish the extent of knowledge on the importance of reporting offences in the DTI
- To make recommendations to management about improvements that can minimise fraud and corruption, and to improve service delivery in general

The value of this research study and its results were also discussed where after the key theoretical concepts central to this study were defined to provide a common understanding of their meaning. Problems encountered during the study were also acknowledged. The research methodology then followed that explained the exact steps that were taken to address the research problem.

Chapter 2 provided an overview of contributing factors to fraud and corruption within South Africa, the extent of fraud and corruption in South Africa, a broad legislative overview of fraud and corruption in South Africa, an overview of fraud and anti-corruption strategies within South African government departments and examples of fraud and corruption activities in international countries.

Chapter 3 presented an overview of the policies regulating fraud and corruption within the DTI. These policies provided the broad framework and foundation for this chapter. The focus of the chapter was on the purpose and function of such policies, and the legislative requirements of these policies.

Chapter 4 provided a holistic overview of management and employee roles in combating of fraudulent and corrupt activities within the DTI. This overview related specifically to key concepts related to this study, namely the DTIs commitment against fraud and corruption, the

roles of the various divisions within the DTI to combat fraud and corruption, factors contributing to fraudulent and corrupt activities within the DTI as well as the significance and benefits of reporting such activities.

The aim of the presentation and discussion presented in Chapter 5 was to understand the various elements of the data obtained through an analysis of the relationships between concepts, constructs and variables to identify and isolate patterns and trends as well as to establish themes that emerged in the data. The data collected by means of online interviews purposively conducted with employees attached to two divisions in the DTI, who act as the custodians of the policies discussed in this study, were described and illustrated. Moreover, data collected from survey questionnaires were illustrated and discussed. Questions relevant to policies regulating fraud and corruption in the DTI were posed to respondents. Quantitative measures were integrated with qualitative measures, and the research design and approaches were triangulated to ensure the richness of the data. Various themes emerged from the survey questionnaires and interviews. An explanation of each theme was presented, which was enriched by direct verbatim reflections of the responses. This chapter concluded with the results of the questionnaires, which were presented as tables to indicate the respondents' reactions towards policies regulating fraud and corruption in the DTI.

6.3 RECOMMENDATIONS

After analysing the Fraud Prevention and Strategy (South Africa. Department of Trade and Industry, 2009), the Policy on the Protection of Whistle-Blowers (South Africa. Department of Trade and Industry, 2004b) and the Document on Forensic Audit Process (South Africa. Department of Trade and Industry, 2004) the researcher made the recommendations and suggestions for consideration and possible implementation in order to address fraud and corruption in the DTI. The following recommendations are made based on the findings of this study:

6.3.1 Reoccurrence of fraudulent and corrupt activities

The DTI should conduct a continuous annual modus operandi comparison of the identified fraudsters and corrupt activities. The internal systems breached to identify gaps, new trends of offences and corrective measures should also be evaluated.

6.3.2 Review of fraud and corruption policies

The DTI should review policies designed to curb fraudulent and corrupt activities timeously. The DTI should also keep in mind factors suggested by respondents such as adopting a simpler policymaking method that can be easily understood by anyone. Elements of white collar crimes in the workplace and the consequences thereof should be clearly outlined.

6.3.3 Knowledge management

The DTI should make the attendance of training and awareness interventions of the policies designed to curb fraudulent and corrupt activities in a workplace compulsory to ensure attendance by all officials. The DTI should also conduct more creative and understandable training and workshops for employees facilitated by experts. These experts could include SAPS specialists that deal with fraud and corruption investigations, representatives of the NPA sensitising employees of the impact of making one guilty of fraud and corruption, and psychologists for counselling employees of the impact on family members and colleagues of being found guilty of fraud or corruption. Moreover, it is suggested that employees are educated on the Protected Disclosure Act, No. 26 of 2000 (South Africa, 2000b) to sensitise them of their obligations to report fraudulent and corrupt activities, their rights to be protected when blowing the whistle, and internal procedures for reporting fraudulent and corrupt activities within the DTI.

6.3.4 Human character

Employee Assistance Programs (EAP) should make education and information available to encourage usage. At the same time, managers must be trained in the correct steps to spot potential problems and make the appropriate referrals (Mazin, 2010:158). Activities should be initiated to provide free confidential help to people who are unsure of whether or how to raise a concern about wrongdoing in the workplace. Organisations should also be trained and supported with regard to whistle-blowing and accountability. Further, the public should be educated that there are safe alternatives to keeping silent. In addition, the public should be informed about policies on governance and regulations (United Kingdom. Public Concern at Work, 2009). It should be further emphasised that government departments such as the DTI should enhance efforts to raise awareness among officials, particularly at the lower levels.

The researcher suggests that the DTI should regard employee wellness as vital. The department cannot function without human resources that comprise both management and

employees, and how they interact and treat one another in the workplace. These interactions can be strengthened by, for example, teambuilding activities. Such interactions assist officials in getting to know one another better, developing trust, and discouraging one another when the other conducts them in an unethical manner.

6.3.5 Influence by the media

The DTI should continue to release media statements on fraudulent or corrupt activities that may arise, or any other issue that could potentially damage the image of the department. If such activities are not identified by the department internally, then a media statement should be released after the information has been made known. Being proactive to potential rumours concerning fraud and corruption within the DTI could enhance transparency.

6.3.6 Communication

The DTI should enhance a culture of fraud and corruption awareness through its current Communication and Marketing division. This could be through e-mail alerts, the DTI Mahube Magazine and adverts on the existing screen monitors around the DTI national office. The publications can play a role in educating the employees about the seriousness of white collar crime, and discourage or limit the motivation and opportunities to commit fraud or corruption.

The DTI should also consider the fact that the majority of respondents prefer to be informed of the outcomes of the investigations by the Internal Audit Services on fraud and corruption keeping in mind the Minimum Information Security Standards (South Africa. National Intelligence Agency, 2006). According to the Promotion of Access to Information Act, No. 2 of 2000 (South Africa, 2000a) and the Protection of State Information Bill (South Africa, 2013), employees should be empowered with the facilities for reporting fraudulent and corrupt activities. This could encourage potential whistle-blowers to report such activities.

6.3.7 Batho Pele principles

The DTI should also consider that though some of the respondents acknowledged that the policies designed to curb fraudulent and corrupt activities are sufficient, they also stressed that there is no consistency in the implementation of the policies designed to curb fraudulent and corrupt activities. The DTI should therefore consider advertising its commitment to employees on the existing national office screen monitors. The DTI commitment as stated in the policies should be aligned to the commitment in the White Paper on Transformation of

Public Service Delivery (South Africa. Department of Public Service and Administration, 1997). This might help to reassure employees, which will instil in them that management cares about the employees and is willing to listen, prevent and combat fraudulent and corrupt activities.

6.3.8 Economic status

The DTI should review the system of incentives, performance appraisals and grievances lodged to ensure that these processes are fair, as most of the employees depend on these incentives as additional income. When an employee does for some reason not receive such incentive whether they deserved it or not, this might trigger them to commit fraud and corruption, as highlighted by Pomeranz (1995:16–17), Salifu (2008:276) and Pillay (2004:586–605).

6.3.9 Protected disclosure

The DTI should take note of the lack of confidentiality expressed by respondents to report fraud and corruption as a serious threat to efficiently address such crimes in the department. The DTI should inform employees of the new improved security methods in reporting these offences as well as provide feedback on reported cases or consider establishing an independent investigation capacity.

6.4 CONCLUSION

The mere reporting of suspected fraud discovered is unlikely to indicate the true magnitude of this crime (Higson, 2005:13). The research results suggest that the DTI needs to review the policies regulating fraud and corruption within the DTI, enhance continuous education of its employees to prevent and report such activities, and adhere to the provisions of the White Paper on Transformation of Public Service Delivery (South Africa. Department of Public Service and Administration, 1997) as well as the Code of Conduct for Public Servants (South Africa. Public Service Commission, 1999). This Code of Conduct pays special attention to confidentiality, disciplinary procedures, whistle-blowing processes and investigations.

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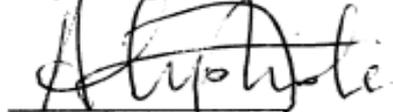
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Recommendations

It is hereby recommended that concurrent approval be granted to Ms. Azwihangwisi Judith Mphidi by Director General to conduct a research study in the Department of Trade and Industry in fulfilment of a Magister Technologiae Degree in Policing at the University of South Africa (Florida).

Requesting Official



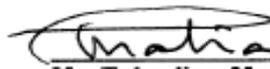
Ms. Azwihangwisi Judith Mphidi
Administrative Assistant: samaf
Date 14/12/09

Approved/Not approved



Mr. Sithembele Mase
Chief Executive Officer: samaf
Date 14/12/2009

Concurrently approved/Not approved



Mr. Tshediso Matona
Director General: the dti
Date 13/01/2010

on the understanding and condition that information about the dti obtained through the research will be shared with the department and will not be published, publicized or otherwise disseminated without the agreement of the dti.

Department of Criminology
School of Criminal Justice: College of Law
University of South Africa
PO Box 392
PRETORIA 0001

23 November 2009

The Director General
Department of Trade and Industry
Private bag X 302
PRETORIA

Dear Mr. Tshediso Matona

MASTERS DISERTATION: THE EFFECTIVENESS OF INVESTIGATIVE PROCEDURES RELATED TO FRAUD AND CORRUPTION IN THE DEPARTMENT OF TRADE AND INDUSTRY HEAD OFFICE

*I hereby certify that Azwihangwisi Judith Mphidi student no: 36924024 (employed by the South African Micro- Finance Apex Fund, an initiative of **the dti**, at the Department of Trade and Industry – Pretoria) is registered for her Magister Technologiae in Policing at the University of South Africa (Unisa) (Florida).*

The title of her dissertation is:

The effectiveness of investigative procedures related to fraud and corruption in the Department of Trade and Industry's head office.

It would be appreciated if she can obtain written permission from your office to conduct the research. It is our experience that students encounter problems if controversial aspects are researched in their work place and there for permission is very important.

The information is only required for the sole purpose of proof that she can do independent research. Research ethics will be complied at all times. No publication of any aspects related to the research will be published without the written permission from your office.

The research procedures will not impede on any work activities of the Department.

Further information can be obtained from her Supervisors: Ms. Johanna Berning, or Mr. Toffie van Vuuren in the Department of Police Practice University of South Africa (Florida).

Regards

Ms. Johanna Berning : Lecturer: Department of Criminology

School of Criminal Justice: College of Law

University of South Africa : Florida Campus

☎ 011 471-2391 : ✉ jberning@unisa.ac.za



Mr. Toffie van Vuuren : Senior Lecturer: Department of Criminology

School of Criminal Justice: College of Law

University of South Africa : TvWijk Building 10-110

☎ 012 429-6605 : ☎ 012 429-6609 : ✉ vvuurjwj@unisa.ac.za

Annexure B

INFORMED CONSENT FORM

AN ANALYSIS OF THE RULES AND PROCEDURES OF REPORTING FRAUD AND CORRUPTION IN THE DEPARTMENT OF TRADE AND INDUSTRY

Thank you for agreeing to participate in this study.

The aim of this study is: To analyse the Fraud Prevention Policy and Strategy, the Policy on Protection of Whistle-blowers, and the Policy on Forensic Audit Process in order to explore the ongoing spate of fraudulent and corrupt activities among employees within the DTI Head Office, regardless of the relevant policies put in place, and to establish other reasons that could be linked to the reoccurrence of fraudulent and corrupt activities within the DTI.

The objectives of this study are to:

- Explore and examine whether the reporting of fraud and corruption – internal or external – and the relevant policies put in place, contribute in any manner to the prevention of fraud and corruption at the DTI national office.
- Determine how the DTI national head office addresses fraud and corruption.
- To establish other possible reasons for DTI employees' lack of reporting fraud and corruption in their departments, other than the fear of being victimised.
- Obtain the respondents views and opinions on the reporting process, when reporting on fraud and corruption internally rather than through the NACH.
- Determine the degree of awareness of the investigative procedures related to fraud and corruption, among DTI management and their employees.
- Establish whether employees have faith in the investigative procedures, related to fraud and corruption, which were put in place by the DTI?
- Establish the extent of employees' knowledge on the importance of reporting fraud and corruption in the DTI.
- Make recommendations to the DTI management about policy and procedures regarding fraud and corruption.

The research could have the following benefits:

- Improve the DTI's knowledge regarding the policy and procedures of reporting fraud and corruption.

- Facilitate problem-solving with regard to these policies to effectively address fraud and corruption within the DTI;
- Provide the DTI with first-hand knowledge of employees' familiarity and views on fraud and corruption;
- Contribute to the existing body of knowledge as an academic source for students and prospective researchers;
- Contribute to the broader South African community and the DTI (with specific reference to those divisions responsible to manage and investigate incidents of fraud and corruption) since fraud and corruption progressively remains to increase and negatively impact the South African economy.

The data collection methods that will be used include:

- Literature study
- Online interviews
- Survey questionnaire

In order to ensure your anonymity for partaking in the online interview I will not divulge your name in this study. Data collected from the online interview will be stored on the researchers computer which is passcode protected. To maintain confidentiality your response to the questions will be used only by me and for the purpose of this study. You have the right to require that the online interview be stopped at any time. You are also free, at any time, to withdraw from participating in the study with no obligation to provide an explanation; in which case all information and recordings you provided will be destroyed and excluded from the study. Withdrawal from this study will not result in any form of penalty or loss of benefit. Your participation in this study is voluntary and does not entitle you to any form of compensation, reimbursement, gifts or services.

The information that you will provide during participation in this study will be included in this research study, which will be analysed in conjunction with the literature and data collected from the survey questionnaires. The findings of this study will be made known to the DTI once it has been finalised.

I am guided in all matters of this research, by the UNISA *Policy on Research Ethics*.

The promoters of this study are Dr. J.G van Graan and Ms J.P.M.S Berning. They can be contacted for research related inquiries at vgraajg@unisa.ac.za or jberning@unisa.ac.za

By signing this consent form I certify that I _____ agree to

(Print name here)

participate in this study.

(Signature)

(Date)

Annexure C

RESEARCH STUDY QUESTIONNAIRE

Title: An analysis of the rules and procedures of reporting fraud and corruption in the Department of Trade and Industry (the dti).

Purpose: The purpose of the questionnaire is to establish the employees' views or opinions on the rules and procedures of reporting fraud and corruption (the dti).

Ethical Considerations

This Research Project was approved by the Director General. The success of this study depends on your participation which should be done voluntarily and it is highly appreciated. This questionnaire will be divided into sections and it is vital that all sections are completed in order to get enough feedback from all participants' views and opinions for the Researcher to get a precise conclusion.

Please do not write your names on the questionnaire and note that all answers will be treated with strict confidentiality and will be anonymous for official and study purposes only.

SECTION A

NB: ALL ANSWERS IN THIS QUESTIONNAIRE WILL BE TREATED WITH STRICT CONFIDENTIALITY FOR OFFICIAL AND STUDY PURPOSES ONLY. PLEASE ANSWER ALL QUESTIONS IN ALL SECTIONS.

BIOGRAPHICAL INFORMATION

Questionnaire number

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1. Age group

1	2	3	4	5
18-20	20-30	30-40	40-50	50+

2. Gender

1	2
Male	Female

3. Years of service in the dti

1	2	3	4	5
0-5	6-10	11-15	16-20	20+

SECTION B

THE PURPOSE AND FUNCTIONS FOR FRAUD PREVENTION POLICY AND STRATEGY 2009, WHISTLE BLOWING POLICY 2004 AND INTERNAL AUDIT PROCESS 2004.

1. It is important to be familiar with the rules and procedures related to fraud and corruption in the dti.

1	2
Agree	Disagree

2. I am familiar with the rules and procedures related to fraud and corruption in the dti.

1	2
Agree	Disagree

3. I fully understand the purpose of the fraud prevention policy and strategy 2009 of the dti.

1	2
Yes	No

4. I fully understand the purpose of the whistle blowing policy 2004 of the dti.

1	2
Yes	No

5. I have attended a training session on the fraud prevention policy and strategy 2009 of the dti.

1	2
Yes	No

6. I have attended a training session on the whistle blowing policy 2004 of the dti.

1	2
Yes	No

7. The dti complies with all the legal aspects related to fraud prevention policy and strategy 2009 of the dti.

1	2
Agree	Disagree

8. The dti complies with all the legal aspects related to whistle blowing policy 2004.

1	2
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Agree	Disagree
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9. The policies and procedures for the reporting of fraud and corruption in the dti are trustworthy.

1	2
Yes	No

10. I am aware that internal audit is responsible for investigating offences in the dti.

1	2
Yes	No

11. All employees were provided with internal anonymous reports procedures.

1	2
Yes	No

12. Should the internal audit report the outcome of the investigations to the dti employees?

1	2
Yes	No

SECTION C

**THE IMPORTANCE OF REPORTING FRAUDULENT AND CORRUPT
ACTIVITIES IN THE DTI**

1. Is it important to report unethical conduct in the dti?

1	2
Yes	No

2. The dti has a culture of educating employees about the code of ethics policy.

1	2
Agree	Disagree

3. To which unit do you prefer to report fraudulent and corrupt activities committed in the dti.

1	2	3
Manager	Internal Audit	National Anti-corruption hotline

4. As a part of employee empowerment, employees can be educated how to report offences in the dti

1	2
Agree	Disagree

SECTION D

1. Do you think that the rules and procedures of reporting fraud and corruption within the dti are sufficient?

1	2
Yes	No

2. If no, what can be done to make them more sufficient?

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**THANK YOU FOR TAKING PART IN THIS RESEARCH STUDY, IT IS
HIGHLY APPRECIATED.**