

**Confidential**

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CENTURION

Registered credit provider: Reg number NCRCP18



# FRAUD AND CORRUPTION POLICY



## I. PURPOSE

- I.1. Convey the stance of the Land Bank Group regarding the management of fraud, corruption, theft, misconduct and other dishonest acts;
- I.2. Establish procedures and assign responsibility for the investigation of fraud, corruption, theft and irregularities;
- I.3. Provide guidance to employees who find themselves having to deal with suspected cases of fraud, corruption and theft;
- I.4. Embed anti-fraud and corruption culture within the organisation; and
- I.5. Provide guidance to employees and other stakeholders on the procedures to be followed when fraud is suspected or detected.

## 2. DEFINITIONS

List and describe all the words, acronyms that are used throughout the document.

<b>COSO</b>	The Committee of Sponsoring Organizations of the Treadway Commission
<b>Fraud</b>	The unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another. In this document the term is used loosely and is intended to cover the broader aspects of economic crime, e.g. corruption, theft, extortion and acts of dishonesty
<b>Corruption</b>	Any conduct or behaviour in relation to persons entrusted with responsibilities in public office which violates their duties as public officials and which is aimed at obtaining undue gratification of any kind for themselves or for others.
<b>Theft</b>	The unlawful possession of an item with the intent of keeping it, without the owner's permission.
<b>Irregularity</b>	Any unlawful act or omission committed by any person responsible for the management of an entity.
<b>Gratification</b>	Any benefit which amounts to money, donation, gift, loan, fee, reward, and privilege.
<b>Bribery</b>	The offer, promise, giving, demanding or acceptance of an advantage as an inducement for an action which is illegal, unethical or a breach of trust.
<b>Embezzlement</b>	The act of dishonestly withholding assets for the purpose of conversion (theft) of such assets by one or more

	individuals to whom such assets have been entrusted, to be held and/or used for other purposes.
<b>Extortion</b>	A criminal offence of obtaining money, property, or services from a person, entity, or institution, through coercion.
<b>Conflict of interest</b>	A person's private interests interferes or is perceived to interfere with the interests of the Group. This usually happens when the interest impairs the employee's ability to act impartially.
<b>Unacceptable conduct</b>	Unacceptable conduct relating to witnesses; and intentional interference with, hindering or obstruction of investigation of an offence;
<b>Abuse of power</b>	The act of using one's position of power in an abusive way by taking advantage of employees, gaining access to information that shouldn't be accessible or manipulating employees with the ability to punish them if they don't comply.
<b>Abuse of privileged information</b>	Abuse of information involves a breach of confidence or extending the confidence of information beyond those authorized.
<b>Favouritism</b>	Unfair provision of services/resources to friends or family.
<b>Nepotism</b>	The practice among those with power or influence of favouring relatives or friends, especially by giving them jobs.
<b>NPA</b>	National Prosecuting Authority
<b>PDA</b>	The Protected Disclosures Act, No. 26 of 2000 as amended
<b>Land Bank Group</b>	Land and Agricultural Development Bank of South Africa
<b>The Bank</b> <b>PFMA</b>	Land and Agricultural Development Bank of South Africa Public Finance Management Act, No. 1 of 1999.
<b>POCA</b>	Prevention of Organised Crime Act 121 of 1998 POCA was introduced to reform the legislation around proceeds of crime, making it more transparent and

	straightforward to enforce. It criminalised money laundering and made it an offence for persons in the regulated sector not to report suspicions regarding money laundering activity.
<b>PRECCA</b>	Prevention and Combating Corrupt Activities Act 12 of 2004 The general offence of corruption under PRECCA is giving or offering to give someone in a position of power gratification to act in a certain manner
<b>POLICY</b>	Fraud and Corruption Policy

### 3. CONTEXTUAL BACKGROUND

- 3.1. The Fraud and Corruption Policy is established to facilitate the development of controls to assist in the enforcement of existing systems, policies and procedures of the Land Bank Group, aimed at deterring, preventing, detecting, reacting to and investigate on the impact of fraud and corruption against the Bank. This is consistent with and supportive of the COSO Fraud a Risk Governance Principle 1, which focuses on the establishment of Fraud Risk Governance Programme, including developing a comprehensive Anti-Fraud Policy.
- 3.2. Furthermore, the purpose of this policy is to confirm that the Land Bank Group supports and fosters a culture of zero tolerance to fraud and corruption in all its forms and activities.
- 3.3. This policy also includes how Land Bank Group will deal with any reported incidents of fraud and corruption, whether internally or externally perpetrated. The Fraud and Corruption policy reinforces Land Bank Group’s approach by providing guidance on the ways in which employees, clients, other stakeholders or members of the public can voice their concerns about suspected fraud and corruption. This correlates with the COSO Fraud Investigation and Corrective Action principle 4, which is more narrowly focused on establishing the information and communication, investigation, reporting and corrective action processes related to investigation of potential fraud.
- 3.4. This policy forms part of the Land Bank Group’s overall Fraud Prevention Strategy and should be read in conjunction with the:
  - 3.4.1. Fraud Prevention Strategy;
  - 3.4.2. Code of Ethics and Business Conduct that includes declaration of interests; and
  - 3.4.3. The Appointment of Nominee Directors Policy.

### 3.4.4. The Disciplinary Code and Procedure

## 4. SCOPE OF THE POLICY

- 4.1. This Policy applies to all allegations, attempts and incidents of fraud and corruption impacting or having the potential to impact the Land Bank Group.
- 4.2. All employees of the Land Bank Group (including temporary and contractual employees) must comply with the spirit and content of the Policy.
- 4.3. It also applies to the following persons or entities:
  - a) Consultants, vendors, contractors, other members of the public; and
  - b) Organisations or any other parties with a business relationship with the Bank.

## 5. POLICY

- 5.1. The Land Bank Group is committed in ensuring that matters relating to fraud, corruption and other irregularities are reported and dealt with in accordance with the full extent of the law. The Land Bank Group acknowledges that in order to ensure that instances of fraud are dealt with, appropriate and effective systems of reporting such instances with the appropriate channels should be in place.
- 5.2. The policy stance of the Land Bank Group is zero tolerance to fraud and corruption. The Land Bank Group will also put in place and implement appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of the Bank.
- 5.3. All allegations of the commission or concealment of fraudulent or corrupt acts will be investigated and pursued to their logical conclusion including disciplinary, legal action, civil and criminal prosecution where warranted. Employees who commit fraudulent or corrupt acts will be subjected to disciplinary action, up to and including termination with cause. The Land Bank Group is committed to pursue full recovery of all losses resulting from such acts.
- 5.4. All allegations of fraud and corruption, maladministration, financial misconduct will be investigated by the Forensic function within the Internal Audit department without regard to the suspected person's length of service, position or title or relationship to the Bank.
- 5.5. In addition, all fraud and corruption investigated will be followed by the application of all punitive measures and or remedies available to the Land Bank Group within the full extent of the law.

## **6. REPORTING OBLIGATIONS**

- 6.1. The prevention of fraud and corruption as well as the recognition of exposures to fraud and corruption is the responsibility of each and every employee of the Bank. It is the responsibility of all managers to ensure that all employees are made aware of and receive appropriate training and education with regards to this policy.
- 6.2. The Land Bank Group has a number of policies and procedures to ensure compliance with prevailing reporting obligations and to mitigate the risk of fraud. The following prescripts create an obligation for all the Land Bank Group employees to report fraud and corruption.
- 6.3. A duty is also placed on Land Bank Executives who are in “positions of authority” to report to the SAPS all corrupt activities exceeding R100 000. The term “position of authority” will be explained later.

## **7. THE CODE OF CONDUCT**

- 7.1. The Land Bank Group has developed a Code of Ethics and Business Conduct (“the Code”) in guiding the conduct of its employees in respect of expected personal conduct in their public and private lives that may have negative effects on the image of the Bank.
- 7.2. The Code places an obligation on an employee to report on certain matters and provides as follows:
  - a) An employee, in the course of his or her official duties, shall report to the appropriate authorities, fraud, corruption, nepotism, maladministration and any other act which constitutes an offence or which is prejudicial to the public interest;
  - b) An employee, shall report conduct which is, or appears to be, in conflict with the Code;
  - c) An employee who fails to comply with the Code may be subjected to any or all the following actions:
    - Disciplinary action, including termination of employment; and/or
    - Civil action; and/or
    - Criminal proceedings.

## **8. PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT, 12 OF 2004**

- 8.1. The Prevention and Combating of Corrupt Activities Act (generally referred to as “PRECCA”) is aimed at the strengthening of measures to prevent and combat corrupt activities. The Act creates a wide range of offences relating to corrupt activities.

### 8.1.1. Reporting Duty

In terms of Chapter 7 and specifically Section 34 (1) of the PRECCA, the following provision is made:

"Any person who holds a position of authority<sup>1</sup> and who knows or ought reasonably to have known or suspected<sup>2</sup> that any other person has committed certain offences<sup>3</sup> of corruption under this act; or the offence of theft, fraud, extortion, forgery or uttering a forged document, involving an amount of R100 000 or more, must report such knowledge or suspicion or cause such knowledge or suspicion to be reported to any police official." This person also includes a CFO, manager, secretary or director of the company as defined in Companies Act or Land Bank's structure.

Failure to comply with this section is a criminal offence punishable with up to 10 years' imprisonment or a fine.

The reporting duty commences when a person in authority should have known or suspected, based on reasonable grounds, that corruption or one of the specified offences involving more than the stated financial threshold, may have been committed. Persons in positions of authority would be regarded as "having knowledge" of fraud and corruption if they have actual knowledge of the facts or if they believe a reasonable possibility exists of the facts and they fail to verify the existence of the facts.

8.2. PRECCA places a reporting obligation on the Land Bank for offences where the monetary value is above R100,000. However, this does not mean that instances of Fraud, Theft, Corruption, etc. where the monetary value is below R100,000 will not be reported. The Land Bank will utilise discretion when reporting matters and each matter will be dealt with on a case by case basis.

## 9. AUTHORITY TO INVESTIGATE SUSPECTED FRAUD AND CORRUPTION

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- 1 In terms of Section 34(4) the following persons are inter alia regarded as persons in authority:  
Any person who has been appointed as chief executive officer or an equivalent officer of any agency, authority, board, commission, committee, corporation, council, department, entity, financial institution, foundation, fund, Institute, service, or any other institution or organisation, whether established by legislation, contract or any other legal means
- 2 For the purposes of this Act a person ought reasonably to have known or suspected a fact if: "the conclusions that he or she ought to have reached are those which would have been reached by a reasonably diligent and vigilant person having both-
- (a) the general knowledge, skill, training and experience that may reasonably be expected of a person in his or her position; and
  - (b) the general knowledge, skill, training and experience that he or she in fact has.
- 3 The general offence of corruption which could be summarised as directly or indirectly accepting or agreeing or offering to accept any gratification from another person; giving or agreeing or offering to give any other person any gratification in order to influence that person directly or indirectly to exercise his powers, duties or legal obligations in a manner which is/amounts to:
- a) Illegal, dishonest, unauthorised, incomplete, or biased;
  - b) Misuse or selling of information or material acquired;
  - c) Abuse of positions of authority;
  - d) Breach of trust;
  - e) Violation of a legal duty or set of rules;
  - f) Designed to achieve an unjustified result; and
  - g) Any other unauthorised or improper inducement to do or not to do anything.

- 9.1. The Forensic function as delegated by the Board of directors, has the mandate to investigate all allegations of fraud, corruption, maladministration and other irregularities as defined in this policy.
- 9.2. Where findings are of a criminal nature, the Forensic function (After consultation with the CEO) will refer matters to the appropriate law enforcement agencies i.e. SAPS or NPA for purposes of further investigation and prosecution.
- 9.3. The Forensic function will at all times strive in its investigation to work in conjunction with the Legal Services for guidance and legal opinion in relation to the investigation, including as well in the civil recovery of losses that the Land Bank Group might have suffered as a result of fraudulent or corrupt activity.
- 9.4. If an investigation results includes the recommendation to suspend or institute disciplinary action or terminate the employment of any an employee, the recommendations will be reviewed for approval by the appropriate authorities and designated representative from Human Resources and Labour Relations before such action is taken.
- 9.5. The Forensic function and the Chief Risk Officer will issue quarterly reports to the Board and its relevant committees on all matters relating to fraud and corruption investigations.

## **10. MEDIA**

- 10.1. Land Bank Group acknowledges the risk exposure to negative publicity involving the media and is dedicated on placing appropriate controls to ensure that this risk is managed effectively.
- 10.2. In line with the Land Bank Enterprise Risk Management Framework, an assessment will be done by the Risk Department and an appropriate determination will be made on what may be communicated to the media.
- 10.3. No person shall supply any information with regard to allegations or incidents of fraud and corruption to the media without the express permission of the CEO or the Chairperson of the Board or any person designated by the CEO or the Board.
- 10.4. Employees should be required to utilise and exhaust all internal channels provided by Land Bank Group, so that the issue may be addressed internally failing which other external avenues, such as the relevant authorities and media may be approached.  
The Protected Disclosures Act also makes reference that it is in the best interest of the potential whistle-blower to report the matter internally, rather than to the media, which may result in negative consequences towards both employer and employee.



## **11. PUBLICATION OF SANCTIONS**

- 11.1. The CEO will decide, in consultation with the Chairperson of the Board of Directors, whether any information relating to outcomes or sanctions of disciplinary actions imposed, including lessons learned should be made public.
- 11.2. This information may include statistics on the number of employees, types of fraud and the actions taken in order to convey the message that fraud will not be tolerated. This will serve as a deterrence to other potential offenders, subject to the usual restrictions on reporting legal proceedings.

## **12. REPORTING TO MANAGEMENT AND STAKEHOLDERS**

### **12.1. Internal Reporting**

- 12.1.1. The Senior Specialist: Forensics shall provide the Head: Internal Audit with periodic confidential updates throughout the investigation, including:
- Circumstances surrounding the case;
  - Root cause;
  - Progress with the investigation;
  - Quantification of losses where possible;
  - Progress with recovery action;
  - Progress with disciplinary action;
  - Progress with criminal action;
  - Estimate of resources and actions required to conclude the investigation;
  - Ageing of the cases; and
  - Analysis per location/incident type.
- 12.1.2. The will decide what specific action should be taken as a result of the investigation and, more generally, actions to be taken to prevent and detect similar incidents.
- 12.1.3. On completion of the investigation, the Senior Specialist: Forensics will submit a confidential written report to the Head: Internal Audit and Chief Risk Officer and for the attention of the relevant business unit head for review. This report should contain:
- A description of the incident, including value of any loss, people involved and the means of perpetrating fraud;
  - Outcome of the investigation;
  - The measures recommended to be taken to prevent a recurrence; and
  - Any action recommended to strengthen future responses to fraud.

### **12.2. Reporting to Audit and Finance Committee**

12.2.1. On a quarterly basis the Head: Internal Audit will provide the Audit and Finance Committee as well as the Risk and Governance Committee with the report on all fraud related matters that sets out:

- Quantification of losses;
- Progress with recovery action;
- Progress with disciplinary action;
- Progress with criminal action; and
- The resources required to conclude any outstanding matters and the actions taken to prevent and detect similar incidents.

### **12.3. Reporting to other stakeholders**

12.3.1. The Treasury Regulations issued in terms of the PFMA 1999 (Act No. 1 of 1999) (as amended by Act No. 29 of 1999) places certain reporting obligations on the respective public entities listed in the PFMA Schedules.

12.3.2. The Land Bank Group is a Schedule 2 listed public entity in terms of the PFMA Schedule of public entities, which places the following reporting obligations on the Bank:

The Accounting Officer of the Land Bank Group must, as soon as the disciplinary hearings are completed, report to the Executive Authority, the Department of Public Service and Administration and the Public Service Commission on the outcome, including:

- a) the name and rank of the official against whom proceedings are instituted;
- b) the disciplinary charges, indicating the financial misconduct the official is alleged to have committed;
- c) the findings of the disciplinary hearing;
- d) any sanction imposed on the official; and
- e) any further action to be taken against the official, including criminal charges or civil proceedings.

## **13. APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS**

13.1. In respect of all reported incidents of fraud and corruption, management shall immediately review, and where possible, improve the effectiveness of the controls that have been breached in order to prevent similar irregularities from taking place in future.

## **14. CREATING AWARENESS**

- 14.1. All managers shall be responsible for ensuring that all employees under their control are made aware and trained on Fraud policy(s).
- 14.2. In terms of its Fraud Prevention Strategy, Land Bank Group will facilitate bi-annual fraud awareness training to its employees and other stakeholders including its suppliers and service providers.

## **15. RELATED LEGISLATION AS AMENDED**

- 15.1. Criminal Procedure Act, No 51 of 1977;
- 15.2. Prevention and Combating of Corrupt Activities Act, 12 of 2004;
- 15.3. Prevention of Organised Crimes Act, 121 of 1998
- 15.4. Protected Disclosures Act, No 26 of 2000; and
- 15.5. Public Finance Management Act, No 1 of 1999.
- 15.6. Constitution of RSA

## **16. POLICIES AND DOCUMENTS**

- 16.1. Fraud Prevention Strategy;
- 16.2. Code of Ethics and Business Conduct; and
- 16.3. Appointment of Nominee Director Policy.

## **17. APPROVAL AND REVIEW PROCESS**

- 17.1. The custodian of this Policy is the Head: Internal Audit and Chief Risk Officer who shall be responsible for its administration, revision and interpretation. The Policy shall be reviewed annually and appropriate changes effected as deemed necessary.

## **18. APPROVAL OF THE FRAUD AND CORRUPTION POLICY**

This Fraud and Corruption Policy was recommended for approval by the Board Committees and is effective from 03/03/2020