

FRAUD AND CORRUPTION PREVENTION POLICY



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1. PURPOSE

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

2. SCOPE

- 2.1 This Policy applies to all allegations, attempts, and incidents of fraud and corruption influencing or having the potential to affect the Land Bank.
- 2.2 All employees of the Land Bank (including the Board, temporary and contractual employees) must comply with the spirit and content of the Policy.
- 2.3 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.

3. DEFINITIONS

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

COSO	The Committee of Sponsoring Organizations of the Treadway Commission
Fraud	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
Corruption	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.
Theft	The unlawful possession of an item with the intent of keeping it, without the owner's permission.
Irregularity	Any unlawful act or omission committed by any person responsible for the management of an entity.
Gratification	Any benefit which amounts to money, donation, gift, loan, fee, reward, and privilege.
Bribery	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.
Embezzlement	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.

Extortion	A criminal offence of obtaining money, property, or services from a person, entity, or institution, through coercion.
Conflict of interest	A person's private interests interferes or is perceived to interfere with the interests of the Land Bank. This usually happens when the interest impairs the employee's ability to act impartially.
Unacceptable conduct	Unacceptable conduct relating to witnesses; and intentional interference with, hindering or obstruction of investigation of an offence;
Abuse of power	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.
Abuse of privileged information	Abuse of information involves a breach of confidence or extending the confidence of information beyond those authorized.
Favouritism	Unfair provision of services/resources to friends or family.
Nepotism	The practice among those with power or influence of favouring relatives or friends, especially by giving them jobs.
NPA	National Prosecuting Authority
PDA	The Protected Disclosures Act, No. 26 of 2000 as amended
Land Bank	Land and Agricultural Development Bank of South Africa
POCA	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.
PRECCA	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

4. CONTEXTUAL BACKGROUND

- 4.1 The Fraud and Corruption Prevention Policy is established to facilitate the development of controls to assist in the enforcement of existing systems, policies and procedures of the Land Bank, 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 Risk Governance Principle I, which focuses on the establishment of a Fraud Risk Governance Programme, including developing a comprehensive Anti-Fraud Policy.
- 4.2 Furthermore, the purpose of this policy is to confirm that the Land Bank supports and fosters a culture of zero tolerance to fraud and corruption in all its forms and activities.
- 4.3 This policy also includes how Land Bank will deal with any reported incidents of fraud and corruption, whether internally or externally perpetrated. The Fraud and Corruption Prevention policy reinforces Land Bank'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.
- 4.4 This policy forms part of the Land Bank's overall Fraud and Corruption Prevention Strategy and should be read in conjunction with the:
- Fraud and Corruption Prevention Strategy;
 - Code of Ethics and Business Conduct that includes declaration of interests; and
 - The Appointment of Nominee Directors Policy.
 - The Disciplinary Code and Procedure

5. POLICY

- 5.1 The Land Bank 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 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 is zero tolerance to fraud and corruption. The Land Bank 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 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 Where the Internal Audit staff or Executive Manager has been implicated, the decision whether to investigate will be that of the CEO and the Chairperson of the Audit and Finance Committee.

5.6 Should a report from Internal Audit or any other source to the Audit and Finance Committee implicate any member(s) of the accounting authority in fraud, corruption or gross negligence, the Chairperson of the Audit Committee must promptly report this to the relevant executive authority and the Auditor General.

5.7 An independent body might be appointed in instances where the Bank decides to investigate.

5.8 In addition, all fraud and corruption investigated will be followed by the application of all punitive/ corrective measures and or remedies available to the Land Bank 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 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 employees to report fraud and corruption.

6.3 A duty is also placed on Land Bank Executives who holds a position of authority and who knows or ought reasonably to have known or suspected that any other person has committed certain offences 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.

7. THE CODE OF CONDUCT

7.1 The Land Bank 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.

7.3 The conduct of Board Members is governed by the Land Bank Board Charter and the Land Bank Directors Code of Ethics and Business Conduct and any provision of the Fraud and Corruption Prevention Policy not expressly excluded addressed in either the Board Charter or Code of Business Conduct will apply to Directors.

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.

8.2 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 authority¹ and who knows or ought reasonably to have known or suspected² that any other person has committed certain offences³ of corruption under this act; or the offence of theft, fraud,

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.

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.

8.3 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.

8.4 In instances where an employee of the Bank might feel threatened to report such offences for various reasons, they are encouraged to make use of the Fraud and Ethics Hotline in order to remain anonymous.

9. AUTHORITY TO INVESTIGATE SUSPECTED FRAUD AND CORRUPTION

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 IA will commence with the investigation process within 14 to 21 days from the date the matter was reported,

9.3 The investigation function is required to conclude all investigations within 3 months, however the period could be longer depending on the complexity of each case,

9.4 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, SIU or NPA for purposes of further investigation and prosecution.

9.5 The Forensic function will at all times strive in its investigation to work in conjunction with the Legal Services and Employee Relations for guidance and legal opinion in relation to the investigation, including as well in the civil recovery of losses that the Land Bank might have suffered as a result of fraudulent or corrupt activity.

9.6 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.

9.7 The Chief Audit Executive 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 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, so that the issue may be addressed internally failing which other external avenues, such as the relevant authorities and media may be approached.

10.5 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 Audit and Finance Committee, 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

- i. The Senior Specialist: Forensics shall provide the Chief Audit Executive 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.
- ii. They 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.
- iii. On completion of the investigation, the Senior Specialist: Forensics will submit a confidential written report to the Chief Audit Executive and Chief Risk Officer and Labour relation 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 strengthening future responses to fraud.

12.2 Reporting to Audit and Finance Committee

- i. On a quarterly basis the Chief Audit Executive 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

- i. 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.
- ii. The Land Bank 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:
- iii. The CEO of the Land Bank must on an annual basis, submit to the National Treasury and the Auditor-General a schedule of –

- (a) The outcome of any disciplinary proceedings and/or criminal charges;
- (b) The names and ranks of officials involved; and
- (c) The sanctions and any further actions taken against these officials.

13. APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS

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.

The above can be conducted through a Fraud Risk Assessment process, which will aim to ascertain that internal policies and process adequately covers any possible fraud events and are aligned with the recent Legislative amendments and the ever-changing Fraud environment.

Comprehensive Fraud Policies are fundamental in addressing Fraud risk as they set out our approach, process and procedures to, Deter, Detect and Prevent fraud.

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 will facilitate bi-annual fraud awareness training to its employees and other stakeholders including its suppliers and service providers.

15. RELATED LEGISLATION AND SIMILAR DOCUMENTS

- 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. RELATED POLICIES AND SIMILAR DOCUMENTS

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

17. APPROVAL AND REVIEW PROCESS

The custodian of this Policy is the Chief Audit Executive and Chief Risk Officer who shall be responsible for its administration, revision and interpretation. The Policy shall be reviewed once every two years and appropriate changes effected as deemed necessary.

18. POLICY REVIEW HISTORY

19. APPROVAL OF THE FRAUD AND CORRUPTION PREVENTION POLICY

- 19.1 This Policy was recommended by the Policy and Process Change Committee (PPROCC) on 07 June 2022
- 19.2 This Policy was recommended by the Executive Committee (EXCO) on 14 December 2022
- 19.3 This Policy was recommended by the Risk and Governance Committee (RGC) on 17 January 2023
- 19.4 This Policy was recommended by the Audit and Finance Committee (AFC) on 20 January 2023
- 19.5 10.5 This policy was approved by the Land Bank Board