



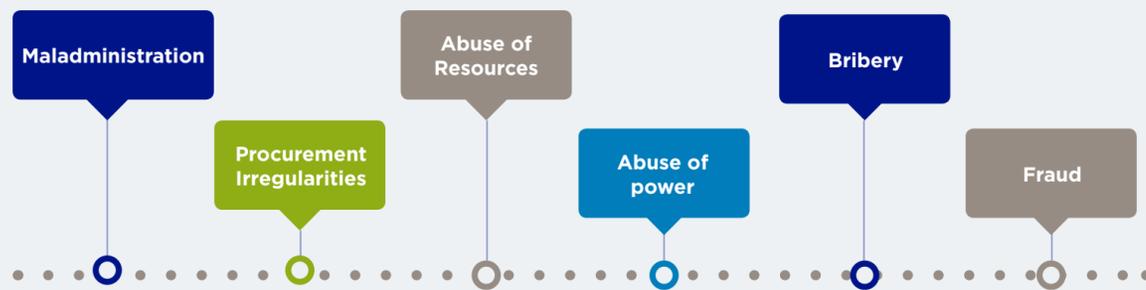
# Unmasking Economic Crime

Economic crime, also commonly known as commercial crime, refers to illegal acts committed by an individual or group of individuals to obtain a financial or professional advantage. The main motive to commit these crimes is economic gain<sup>1</sup>.

Economic crime is generally considered to be non-violent and results in losses (actual or potential) to the affected individual or organisation by means of deceit or misrepresentation. Economic crime covers a wide range of offences such as fraud, bribery and money laundering, to name a few.

## Economic crime during the pandemic:

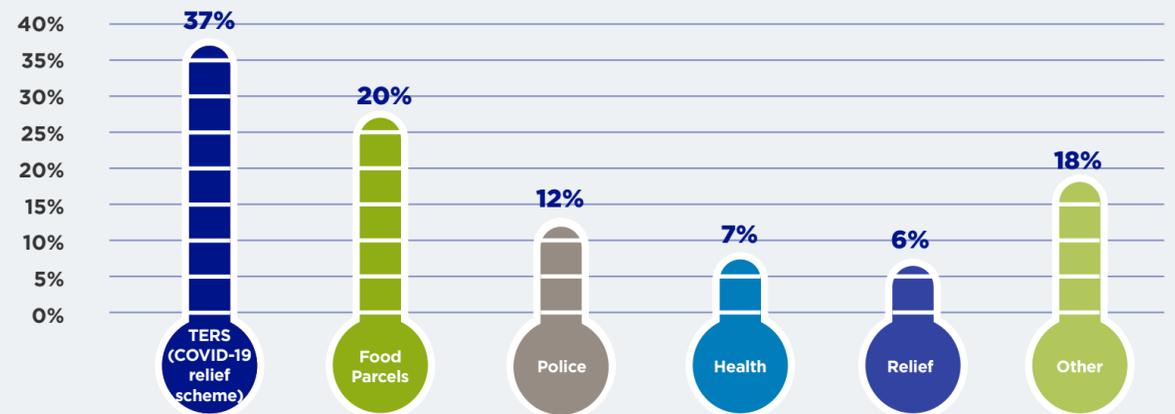
Corruption Watch's 2020 Annual Report<sup>2</sup> highlights the rampant corruption which hit our country since the start of the COVID-19 pandemic. According to this report, Corruption Watch received 418 reports of corruption related to COVID-19 following the National Government's declaration of a national state of disaster. The common types of economic crime reported were as follows:



<sup>1</sup> Definition according to EuroPol  
<sup>2</sup> Corruption Watch Report titled "From Crisis to Action"

They also reported that the following sectors are regarded as "COVID-19 corruption hotspots":

## COVID-19 CORRUPTION HOTSPOTS IN RSA



## Overcoming the aftermath together

The COVID-19 pandemic has brought with it large-scale devastation across the world – people are fighting for survival, not just against the virus, but also against the crippling effect the pandemic has had on the global economy. Our country is no different and not immune to these effects. People are unfortunately prone to resort to corrupt measures to sustain themselves during trying times.

The Auditor General's (AG) special report on COVID-19 in South Africa reported on a real-time audit on the key Covid-19 initiatives introduced by the government and the management of R147,41 billion of the funds made available for the pandemic. The intention behind the COVID-19 audit was to report any audit findings and observations on the payments, procurement, and delivery of the relief packages to the respective accounting officer or authority to enable them to respond immediately and to prevent a recurrence. Even with this proactive and transparent approach, the findings showed clear signs of over-pricing, unfair processes, potential fraud as well as supply chain management legislation being sidestepped throughout most of the country.

**“Even in the midst of a crisis, transparency and accountability for government spending to the benefit of citizens cannot take a backseat.”**

Message from the Auditor-General

## How did the WCG rise above?

A Centralised Procurement Advisory Committee (CPAC) was established within the WCG to guide decisions around procurement in response to COVID-19. This committee is led by PT and also includes Internal Audit. Internal Audit advised and provided CPAC with proactive recommendations in

respect of any significant risk exposures stemming from the proposed approach and or transaction. This advice was based on relevant prescripts, governance requirements, risk management and the internal control framework, considering the need for adequate control versus efficiency.

National Treasury issued circulars to provide specifications for COVID-19 related supplies and the price range, which was used by the WCG departments as a benchmark when procuring PPE goods and services.<sup>1</sup> The WCG took a proactive approach when dealing with

the COVID-19 pandemic. The following initiatives were undertaken at an early stage to ensure that economic crime risks that could emerge during the pandemic were effectively and adequately dealt with:

### Managing Department's risks

With the onset of the COVID-19 pandemic, Enterprise Risk Management (ERM) immediately engaged with Departments to identify and unpack the risks posed by the pandemic and impact. In some instances, management performed an assessment to determine whether the strategies and mitigations implemented were effective. At a provincial level, key risk indicators were identified as an early detection to alert risk owners when a risk could potentially materialise.

For the first time, ERM engagements were held on virtual platforms which allowed for a broader audience to participate in risk discussions whilst simultaneously minimising the possible spread of the virus by eliminating human contact. ERM also assisted certain Departments, with risk identification and assessments in respect of relief grants that were allocated to qualifying citizens.

This pandemic further catapulted the need for the increased embedding of risk management within departments. As a result, ERM is in the process of designing risk management awareness on online platforms to equip officials with a toolkit when identifying risks within their respective operations.

### PPE procurement<sup>2</sup>

- The WCG adopted a centre-led and enabled approach that focuses on uniformity and standard governance processes with Accounting Officers managing their departments procurement systems and ensuring that accountability is maintained.
- Department of Health which is one of the departments that have been greatly impacted by the pandemic, managed procurement risks of PPE equipment by ensuring the following:
  - Centralisation of all bulk PPE procurement to SCM Head Office within the department.
  - Allowing only senior and experienced SCM officials to be involved in the bulk procurement of PPE.
  - Segregating duties and process management in terms of the ordering, approval, delivery and issue of bulk PPE by different directorates.
  - Ordering processes are independently verified by the internal control units of the department.
  - High value purchases above R5m were done in consultation with CPAC before order placement

### Transparent expenditure<sup>3</sup>

- Provincial Treasury(PT) is responsible for monitoring the expenditure related to the pandemic for all 13 WCG departments.
- Circulars were issued making it mandatory for all WCG departments to report all COVID-19 related expenditure to PT.
- PT publishes all pandemic related expenditure on the external and internal website platforms to promote a culture of transparency in the WCG.
- PT supports departments' SCM through its longstanding helpdesk mechanism to provide procurement support, assistance and guidance. The PT has also established a WhatsApp group of provincial SCM officials to encourage just-in-time advice and support on key COVID-19 related technical issues.
- PT has also supported departments by instructing and enabling governance requirements for emergency procurement

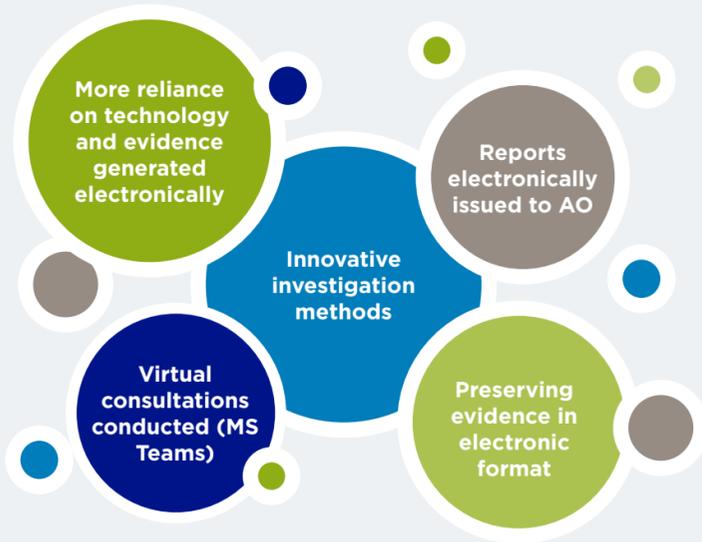
<sup>1</sup> Treasury Circular No.11 of 2020 WCG Procurement Requirements COVID-19 Disaster and Treasury Circular No.21 of 2020 NT Instruction no.5 of Emergency Procurement COVID-19,  
<sup>2</sup> AGSA First special report on The Financial Management of Government's Covid-19 initiatives (2020), <sup>3</sup> Procurement Disclosure Report | Provincial Treasury (westerncape.gov.za)

### What are Provincial Forensic Services (PFS) doing to deal with economic crime during the pandemic?

PFS ensured that our commitment to deter fraud, theft and corruption within the WCG was not hindered by the onset of the pandemic. Changes in the working environment required innovation, finding new ways to continue rendering our services and being responsive, despite the restrictions on travel and physical distancing requirements.



#### PFS responded to allegations during the pandemic by utilising innovative methods as indicated below:



#### Allegations PFS received related to the COVID-19 pandemic

The WCG has not escaped becoming a target of “PPE fraudsters”, PFS has received and dealt with allegations of PPE fraud scams whereby WCG suppliers reported receiving request for quotations (RFQ) that were fabricated by fraudsters. Departments confirmed that the RFQ’s in question were not advertised by them and that the contact person on the RFQ was not employed by the WCG. With these schemes, third-party fraudsters (not WCG officials or its suppliers) target victim suppliers to make advance or upfront payments for unique PPE goods/equipment ostensibly required by a Department or institution. However, no such demand exists.



In another incident, the RFQ required purchase of specific PPE equipment only available for purchase from one specific website. PFS confirmed the RFQ to be fraudulent and were successful in obtaining a takedown of the website through Internet Service Providers Association and this website seems to no longer exist.

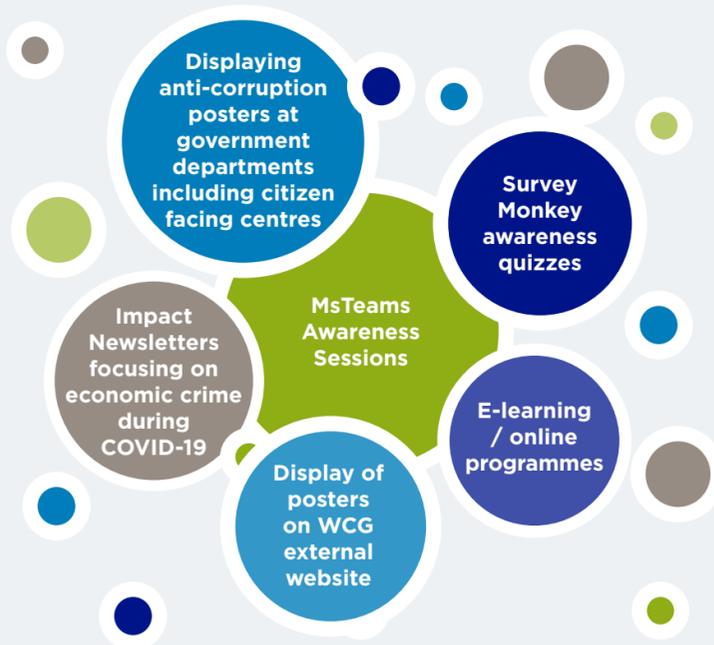
In all instances PFS were able to show how these RFQs can be deemed as fraudulent and even identified a company involved in some of these scams. PFS reported these matters to SAPS for further investigation.

#### PFS facilitated Fraud Risk Assessments at all 13 departments with a focus on the impact of the pandemic on economic crime risks



#### PFS created awareness on economic crime through the platforms below:

PFS has continued to create awareness during the pandemic. Our modules focus on understanding fraud, theft and corruption, unpacking these offences as well as Nepotism and Favouritism, Conflict of Interest, B-BBEE fronting and the WCG Whistle-blowing Policy, to name a few. Via the Provincial Training Institute, we also present various e-learning modules, one such module specifically dealing with Fraud and Corruption in Procurement. Through these sessions PFS aims to ensure that officials can identify fraud and corruption schemes and respond appropriately when they suspect fraud, theft and corruption in the workplace. Contact your Internal Control Unit and obtain more information on how you can attend awareness sessions and keep an eye out for emails from Corporate Communications!



The ACFE Report to the Nations 2020, reports that training persons on fraud and related matters increases their knowledge and adds value to the tip-offs received and thereby increases the number of cases during which fraud is positively detected. PFS is committed to creating awareness and in turn detecting and eradicating fraud and corruption in the WCG.

**From ACFE Report to the Nations 2020**



#### Speak out against fraud and Corruption

The WCG encourages all employees and workers to blow the whistle responsibly through the following available channels when they suspect fraud, theft and corruption:



**Post:** PO Box 659, Cape Town, 8000  
**Tel:** 021 483 0901  
**E-mail:** Tip.Offs@westerncape.gov.za  
**Toll-free** to National Anti-corruption Hotline (**NACH**): 0800 701 701  
 (see the [Whistle-blowing Policy](#) for further guidance on how to blow the whistle responsibly)

