

~ GENERAL ~

Procurement fraud in government departments emphasises need for strong compliance culture

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In his Budget Speech, Finance Minister Pravin Gordhan acknowledged the reality of procurement fraud in government departments and announced that a team has been set up to look at procurement as a whole with a view to reducing the opportunities for fraud. This came on the back of President Zuma's recent comments where he referred to a 'tender compliance unit' being established, as well as supply chain fraud audits and the establishment of an inter-ministerial committee to address the findings of the Public Service Commission relating to the Evaluation of Supply Chain Management Practices within the R200 000 threshold.

Julie Methven, CEO of the Compliance Institute of South Africa, said today that the Institute welcomes these developments, adding that given the current scarcity of compliance knowledge and skills in the country, and the lack of a compliance culture, fraud and corruption are not surprising.

"Government has at last sent a strong signal that corruption in state organs is in the spotlight and compliance must be strengthened," Methven says.

She said that a culture of compliance needs to be inculcated in government departments and civil servants need to be trained in identifying compliance risk and establishing a robust compliance function.

"Organisations with mature compliance cultures consider the compliance function a vital element of business operations and no critical decisions, for example the awarding of a large tender, are taken in such organisations without the involvement of the compliance function."

As witnessed in the recent financial crisis, non-compliance can have a devastating effect on communities and was, in fact, the catalyst for the current recession. Government corruption is just as potentially damaging, as public money lost through fraud is no longer available to deal with SA's very real social and economic problems. In his speech to parliament Minister Gordhan labelled corruption "an ever-present threat to our ambitions."

Methven says that compliance tends to be seen as an exercise in ticking boxes instead of a critical component of an organisation's entire risk management framework and this has serious implications for sustainability.

"Internationally compliance is no longer focused on attaining minimum levels; it's about aspiring to best practice."

In this regard the Institute has developed a Generally Accepted Compliance Practice framework (GACP). Launched last year, it provides a set of standards and norms that act as a benchmark of compliance best practice.

