



**national film and video foundation**  
SOUTH AFRICA  
an agency of the Department of Arts and Culture  
*igniting your stories*

# NATIONAL FILM AND VIDEO FOUNDATION

## FINANCE POLICY

AND

## PROCEDURES MANUAL

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### APPROVAL

The signatories hereof, confirm their acceptance of the content and authorize the adoption thereof.

Signature: Chairperson: Audit Committee

Signature: Chairperson: NFVF Council

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# **1. SUPPLY CHAIN MANAGEMENT POLICY**

## **1.1 INTRODUCTION**

The Council of the National Film and Video NFVF (NFVF) resolves in terms of section 51(1)(a)(iii) of the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999), to adopt the following policy as the Supply Chain Management Policy of the NFVF.

## **1.2 DEFINITIONS**

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

**“accounting authority”** means a body or person mentioned in section 49 of the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999), which in the case of the NFVF is the Council;

**“Chief Executive Officer”** means the person appointed by the accounting authority as the administrative head of the NFVF;

**“competitive bidding process”** means a competitive bidding process referred to in paragraph 1.4.1.11 of this policy;

**“competitive bid”** means a bid in terms of a competitive bidding process;

**“final award”**, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

**"in the service of the state"** means to be –

- (a) a member of –
  - (i) any municipal council;
  - (ii) any provincial legislature; or
  - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the Council of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

**"long term contract"** means a contract with a duration period exceeding one year;

**"list of accredited prospective providers"** means the list of accredited prospective providers which the NFVF must keep in terms of paragraph 1.4.1.5 of this policy;

**"official"** means a person in the employ of the NFVF;

**"other applicable legislation"** means any other legislation applicable to supply chain management, including but not limited to –

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);  
and
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);

**"the Act"** means the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999);

**"Treasury guidelines"** means any guidelines on supply chain management issued by the Minister in terms of section 51(1)(a)(iii) of the Act;

**"the Regulations"** means the Treasury Regulations of 2005 issued in terms of the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999);

**"written or verbal quotations"** means quotations referred to in paragraph-13(1)(b) and (c) of this policy.

### **1.3 IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

#### **1.3.1 Implementation requirements**

- (1) All officials and other role players in the supply chain management system of the NFVF must implement this policy in such a way that –
  - (a) it gives effect to –
    - (i) section 217 of the Constitution; and
    - (ii) Chapter 9 and other applicable provisions of the Act;
  - (b) it ensures that the supply chain management system is fair, equitable, transparent, competitive and cost effective;
  - (c) it complies with –
    - (i) the Regulations; and
    - (ii) any minimum norms and standards that may be prescribed in terms of section 76 of the Act;
  - (d) it is consistent with the Preferential Procurement Policy Framework Act, the Broad Based Black Economic Empowerment Act and other applicable legislation;
  - (e) it does not undermine the objective of uniformity in supply chain management systems between organs of state in all spheres; and
  - (f) it is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The NFVF must, in addition to complying with subparagraph (1), apply this policy, to the extent determined by the relevant government department, in a way that is consistent with the supply chain management policy of that government department.

### **1.3.2 Application of the policy**

- (1) This policy applies when the NFVF –
  - (a) procures goods and/or services;
  - (b) disposes of goods no longer in use or needed; and/or
  - (c) selects contractors to provide assistance in the provision of services.
- (2) This policy, except where specifically provided otherwise, does not apply to the procurement of goods and services contemplated, including –
  - (a) electricity, water and all other related municipal charges or charges from a department or public entity;
  - (b) the procurement of goods and services under a contract secured by any other organ of state, provided that the relevant supplier has agreed to such procurement;
  - (c) professional membership;
  - (d) partnership and sponsorship;
  - (e) legal costs pertaining to sensitive cases involving any official of the NFVF initiated by the entity; and
  - (f) study assistance.
- (3) The Chief Financial Officer may opt to participate in transversal term contracts facilitated by the relevant treasury but may not solicit bids for the same or similar product or service during the tenure of the transversal term contract.
- (4) The Chief Financial Officer may, on behalf the NFVF, participate in any contract arranged by means of a competitive bidding process by any other organ of state, subject to the written approval of such organ of state and the relevant contractors.

### **1.3.3 Amendment of the supply chain management policy**

- (1) The NFVF must –
  - (a) review the implementation of this policy at once year; or
  - (b) when the Chief Executive Officer considers it necessary, submit proposals for the amendment of this policy to the Council.
- (2) When proposed amendments are submitted to the Council, such proposed amendments must comply with the Act and Treasury Regulations.



- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses, must be taken into account.

#### **1.3.4 Delegation of supply chain management powers and duties**

- (1) The Council hereby delegates all powers and duties to the Chief Executive Officer, which are necessary –
- (a) to discharge the supply chain management responsibilities conferred on NFVF in terms of –
    - (i) section 76(4)(c) of the Act, which states that the National Treasury may make regulations concerning the determination of a framework for an appropriate procurement and provisioning system; and
    - (ii) this policy;
  - (b) to maximise administrative and operational efficiency in the implementation of this policy; and
  - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this policy.
- (2) The Chief Executive Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the NFVF or to a committee which is not exclusively composed of officials of the NFVF; and
- (3) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process other than through the committee system provided for in paragraph 31 of this policy.

#### **1.3.5 Sub-delegations**

- (1) The Chief Executive Officer may sub-delegate any supply chain management powers and duties, including those delegated to the Chief Executive Officer in terms of this policy, but any such sub-delegation must be consistent with the NFVF's delegation of authority.

(2) No supply chain management decision-making powers may be delegated to an advisor or consultant.

### **1.3.6 Oversight role of Council**

(1) The Council reserves its right to maintain oversight over the implementation of this policy.

### **1.3.7 Supply chain management unit**

(1) A supply chain management unit is hereby established by the NFVF to implement this policy.

(2) The supply chain management unit operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 76 of the Act and Regulation 27.3.3.

### **1.3.8 Training of supply chain management officials**

(1) Officials involved in implementing this policy should be trained in accordance with any National Treasury guidelines on supply chain management training.

## **1.4 SUPPLY CHAIN MANAGEMENT SYSTEM**

### **1.4.1 Format of supply chain management system**

This policy provides systems for –

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management; and
- (vi) performance management.

### ***Part 1: Demand management***

#### **1.4.1.1 System of demand management**

- (1) The NFVF must establish and implement an appropriate demand management system in order to ensure that the resources required will support its operational commitments and its strategic goals outlined in the Strategic Plan and Annual Procurement Plan as per the National Treasury requirements.
- (2) The demand management system must –
  - (a) include timely planning and management processes to ensure that all goods and services required by the NFVF are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
  - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
  - (c) provide for the compilation of the required specifications to ensure that its needs are met; and
  - (d) provide for an appropriate market analysis and research to ensure that benefits for the NFVF are maximised.
- (3) An Annual Procurement Plan approved by the Chief Executive Officer will be submitted to National Treasury annually on or before 31 March subject to recommendation by the Audit Committee and approval by the Council.

## ***Part 2: Acquisition management***

### **1.4.1.2 System of acquisition management**

- (1) The NFVF must implement the system of acquisition management set out in this part (Part 2) in order to ensure –
  - (a) that goods and services are procured in accordance with authorised processes only;
  - (b) that expenditure on goods and services is incurred in terms of an approved budget;
  - (c) that the threshold values for the different procurement processes are complied with;
  - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract are in accordance with any applicable legislation; and

- (e) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) When procuring goods or services with the organs of state, the NFVF must make public that such goods or services are procured other than through the supply chain management system of the NFVF, and must include –
- (a) the kind of goods or services; and
  - (b) the name of the supplier.

#### **1.4.1.3 Range of procurement processes**

- (1) Goods and services may only be procured by way of –
- (a) petty cash purchases, up to a transaction value of R1 000 (VAT included);
  - (b) one (1) written quotation for procurements of a transaction value of over R1 000 and up to R10 000 (VAT included);
  - (c) three (3) formal written price quotations for procurements of a transaction value over R10 000 up to R500 000 (VAT included); and
  - (d) a competitive bidding process for procurements above a transaction value of R500 000 (VAT included).
- (2) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

#### **1.4.1.4 Written quotations and bids**

A written quotation or bid may not be considered unless all the prescribed SBD forms are submitted by the provider – that must be evaluated and adjudicated according to the preference point system may not be considered unless the provider who submitted the quotation or bid –

- (a) has furnished that provider's –
  - (i) full name;
  - (ii) identification number or company or other registration number;
  - (iii) tax reference number and VAT registration number, if any; and
  - (vi) valid tax clearance certificate;

- (b) has indicated in the case of competitive bidding –
  - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
  - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
  - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state or has been in the service of the state in the previous twelve months.

#### **1.4.1.5 Lists of accredited prospective providers**

- (1) The NFVF must –
  - (a) maintain a list of accredited prospective providers of goods and services that may be used for the procurement requirements through written or verbal quotations and formal written price quotations;
  - (b) at least once a year, through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
  - (c) specify the listing criteria for accredited prospective providers; and
  - (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be compiled per commodity and per type of service.

#### **1.4.1.6 Sole and single suppliers**

- (1) A sole supplier of goods or provider of services can be used by the NFVF if there is no competition and only one bidder exists; or
- (2) A single supplier can be identified by the NFVF through a thorough analysis of the market, and by using a transparent and equitable pre-selection process, after

which only one amongst a few prospective bidders will be requested to make a proposal to the NFVF.

#### **1.4.1.7 Written quotations**

The conditions for the procurement of goods or services through written quotations are as follows:

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the NFVF, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria referred to in paragraph 1.4.15 of this policy;
- (b) to the extent feasible, providers must be requested to submit such quotations in writing; and
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Executive Officer.

#### **1.4.1.8 Conditions for the use of written price quotations**

- (1) The conditions for the procurement of goods or services through written price quotations, are as follows:
  - (a) Quotations must be obtained in writing from at least three different providers;
  - (b) Quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria referred to in paragraph 1.4.1.5 of this policy; and
  - (c) If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Executive Officer.

#### **1.4.1.9 Procedures for procuring goods or services through written or verbal quotations**

The procedure for the procurement of goods or services through written or verbal quotations, is as follows:

- (a) When using the list of accredited prospective providers the NFVF must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) All requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 1.4.1.8, be advertised for at least seven days on the website of the NFVF;
- (b) Offers received must be evaluated on a comparative basis, taking into account unconditional discounts;
- (c) Offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (d) Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points, although a contract may in exceptional cases be awarded to a bidder that did not score the highest number of points based on reasonable and justifiable grounds. The reasons for such a decision must be approved, recorded and must be defensible in a court of law; and
- (e) There must be proper record keeping.

#### **1.4.1.10 Competitive bidding process**

- (1) Goods or services above a transaction value of R500 000 (VAT included) (threshold value) for competitive bids that lead to long-term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this policy.
- (2) No requirement for goods or services with an estimated transaction value of R500 000 (VAT included) may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services other than through a competitive bidding process.

#### **1.4.1.11 Process for competitive bidding**

The procedures for the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation as indicated in paragraph 1.4.1.13;
- (b) Public invitation of bids as detailed in paragraph 1.4.1.14;
- (c) Site meetings or briefing sessions, when applicable;
- (d) Handling of bids submitted in response to public invitation as indicated in paragraph 1.4.1.15;
- (e) Evaluation of bids as indicated in paragraph 1.4.1.23; and
- (f) Award of contracts as indicated in paragraph 1.4.1.17.

#### **1.4.1.12 Contract administration**

The administration of contracts includes:

- (a) Entering into a written agreement by the Accounting Officer or delegated official and the bidder after approval of a bid facilitated by the legal and compliance function.
- (b) The user department is responsible for monitoring the deliverables of the contract and the spending on the contract linked to the contractual and performance milestones.
- (c) The Supply Chain Manager will keep a record of original/legal copies of core SCM written contracts agreements in a secure place for reference purposes and maintain a contract register.
- (d) The user must submit a monthly report to the Chief Financial Officer, including a list of all payments for checking and reconciliations.

#### **1.4.1.13 Bid documentation for competitive bids**

The criteria to which bid documentation for a competitive bidding process must comply, must –

- (a) take into account –
  - (i) the general conditions of contract and any special conditions of contract, if specified; and
  - (ii) any Treasury guidelines on bid documentation;



- (b) include the preference points system to be used, the goals as contemplated in the Preferential Procurement Regulations and the evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed a prescribed threshold value (VAT included), require bidders to furnish –
  - (i) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract; and
  - (ii) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the NFVF is expected to be transferred out of the Republic;
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

#### **1.4.1.14 Public invitation for competitive bids**

- (1) The procedure for the invitation of competitive bids is as follows:
  - (a) Bids must also be advertised in the *Government Tender Bulletin* for a minimum period of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the Council may determine; and
  - (b) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the NFVF; and
  - (c) the information contained in a public advertisement, must include:
    - (i) the closure date for the submission of bids;
    - (ii) a statement that bids may only be submitted on the bid documentation provided by the NFVF; and

- (ii) the date, time and venue of any proposed site meetings or briefing sessions.
- (2) The NFVF may determine a closure date for the submission of bids which is less than the 21 days requirement, but only if such shorter period (between 7 and 21 days) can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed.
- (4) Where requested in electronic format, such bids must be supplemented by sealed hard copies.

#### **1.4.1.15 Procedures for handling, opening and recording of bids**

- (1) The procedures for the handling, opening and recording of bids, are as follows:
  - (a) Bids must be deposited in the official tender box of the NFVF before or on the date and time indicated on the bid documents;
  - (b) Bids must be opened in the presence of two or more officials (including at least one SCM official);
  - (c) Bids must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
  - (d) Bids received after the closing time should not be considered and should be returned unopened immediately.
- (2) When bids are opened in public any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- (3) No information, except the provisions in subparagraph (2), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (4) The Supply Chain Manager must:
  - (a) record in a register all bids received in time;
  - (b) make the register available for public inspection; and
  - (b) publish the entries in the register and the bid results on the NFVF website.

#### **1.4.1.16 Negotiations with preferred bidders**

- (1) The NFVF may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
  - (a) does not allow any preferred bidder a second or unfair opportunity;
  - (b) is not to the detriment of any other bidder; and
  - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

#### **1.4.1.17 Awarding of contracts**

Successful bids are published on the NFVF website.

#### **1.4.1.18 Prohibition on awards to persons in the service of the state**

Irrespective of the procurement process followed, no award may be made to a person in terms of this policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the NFVF.

#### **1.4.1.19 Awards to close family members of persons in the service of the state**

The Chief Financial Officer must ensure that the notes to the annual financial statements disclose particulars of any award that exceeds the threshold value for competitive bidding made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

#### **1.4.1.20 Two-stage bidding process**

- (1) A two-stage bidding process is allowed for –
  - (a) large complex projects;
  - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
  - (c) long-term projects with a duration period exceeding three years.
- (2) In the first stage, technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the second stage, final technical proposals and priced bids should be invited.

#### **1.4.1.21 Committee system for competitive bids**

- (1) A committee system for competitive bids must be established, consisting of the following committees for each procurement or cluster of procurements:
  - (a) a bid specification committee appointed by the Chief Executive Officer;
  - (b) a bid evaluation committee appointed by the Chief Executive Officer and chaired by a head of department who is not a user;
  - (c) a bid adjudication committee appointed by the Chief Executive Officer and chaired by the Chief Financial Officer; and
  - (d) an SCM representative must be present in each of the committee meetings to ensure due process.
- (2) The committee system must be consistent with –
  - (a) paragraphs 1.4.1.22 - 24 of this policy; and
  - (b) any other applicable legislation.
- (3) The Chief Financial Officer may apply the committee system to written price quotations.

#### **1.4.1.22 Bid specification committees**

- (1) A bid specification committee must compile the specifications for each procurement of goods or services by the NFVF.
- (2) Specifications –

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
  - (b) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
  - (c) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations; and
  - (d) must be approved by the bid adjudication committee prior to publication of the invitation for bids in terms of paragraph 1.4.1.24 of this policy.
- (3) A bid specification committee must be composed of two or more officials of the NFVF, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

#### **1.4.1.23 Bid evaluation committees**

- (1) A bid evaluation committee must –
- (a) evaluate bids in accordance with –
    - (i) the specifications for a specific procurement;
    - (ii) assess all bidders' submissions to ensure compliance to all Treasury Regulations; and
    - (iii) the points system set out in terms of Preferential Procurement Regulations; and
  - (b) evaluate each bidder's ability to execute the contract; and
  - (c) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of –
- (a) officials from departments requiring the goods or services; and
  - (b) at least one supply chain management practitioner of the NFVF.

#### **1.4.1.24 Bid adjudication committees**

- (1) A bid adjudication committee must consider the report and recommendations of the bid evaluation committee in line with its delegation of authority; and
- (2) A bid adjudication committee must consist of at least three senior managers of the NFVF which must include
  - (a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the Office of the Chief Financial Officer reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
  - (b) at least one senior supply chain management practitioner who is an official of the NFVF; and/or
  - (c) a technical expert in the relevant field who is an official, if such an expert exists.
- (3) The Chief Financial Officer must be appointed as the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the bid evaluation committee, may be a member of a bid adjudication committee.
- (5) BAC must also consider and rule on all recommendations/reports regarding the amendment, variation, extension or transfer of contract.
- (6) BAC should only consider recommendations/reports if at least 60% of its members are present.

#### **1.4.1.25 Procurement of IT-related goods and services**

- (1) The NFVF may request the State Information Technology Agency (SITA) to assist with the acquisition of IT-related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

#### **1.4.1.26 Procurement of goods and services through public-private partnerships**

Treasury Regulation 16 must be complied with when goods or services are procured through public-private partnerships or as part of a public-private partnership.

#### **1.4.1.27 Procurement of goods and services under contracts secured by other organs of state**

- (1) The NFVF may procure goods or services under a contract secured by another organ of state, but only if:
  - (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - (b) there is no reason to believe that such contract was not validly procured;
  - (c) there are demonstrable discounts or benefits to do so; and
  - (d) that other organ of state and the provider have consented to such procurement in writing.

#### **1.4.1.28 Proudly South African Campaign**

The NFVF supports the Proudly SA Campaign to the extent that, where possible, preference is given to procuring local goods and services from:

- suppliers and businesses within the relevant municipal or district area;
- suppliers and businesses within the relevant province; and
- suppliers and businesses within the Republic of South Africa based on the designated sectors referred to in Regulation 9 of the Preferential Procurement Regulations.

#### **1.4.1.29 Appointment of consultants**

(1) The NFVF may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

(2) Consultancy services must be procured through competitive bids if –

- (a) the value of the contract exceeds R500 000 (VAT included); or
- (b) the duration period of the contract exceeds one year.

(3) The NFVF must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of consultancy service, is vested in the NFVF.

#### **1.4.1.30 Deviation from and ratification of minor breaches of procurement processes**

(1) The NFVF may only deviate from the official procurement processes established by this policy in cases of emergency and sole supplier status.

(2) An emergency occurs not due to poor planning, but where there is a serious and unexpected situation that poses a risk to health, life, property or environment which calls for an agency to action and there is insufficient time to invite competitive bids.

(3) Sole source occurs when there is evidence that only one supplier possesses the unique and singularly available capacity to meet the requirements of NFVF.

(4) Any other deviation will be allowed in exceptional circumstance subject to prior written approval from the National Treasury.

(5) Any minor breaches of the procurement processes should be ratified by an official or committee acting in terms of delegated powers or duties.

(6) The Head of the Department requesting a deviation must submit a memorandum with reasons for the deviation and the reasons must be in line with the legislation. The memorandum must be approved by the Chief Executive Officer.

#### **1.4.1.31 Unsolicited bids**

(1) The NFVF is under no obligation to consider unsolicited bids received outside a normal bidding process.

(2) An unsolicited bid may be considered, only if –

(a) the product or service offered in terms of the bid is a demonstrably or proven unique, innovative concept; or

(b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages; or

(c) the person who made the bid is the sole provider of the product or service;  
or



(d) the reasons for not going through the normal bidding processes are found to be sound by the Chief Executive Officer.

(3) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Chief Executive Officer, based on its delegation of authority.

#### **1.4.1.32 Combating of abuse of supply chain management system**

(1) The NFVF must –

- (a) take all reasonable steps to prevent abuse of the supply chain management system;
- (b) investigate any reasonable allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this policy based on documentary proof, and when justified –
  - (i) take appropriate steps against such official or other role player; or
  - (ii) report any alleged criminal conduct to the South African Police Service;
- (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- (d) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (e) cancel a contract awarded to a person if –
  - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
  - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person;
- (f) reject the bid of any bidder if that bidder or any of its directors has abused the supply chain management system of the NFVF or has committed any improper conduct in relation to such system.

### ***Part 3: Logistics, Disposal, Risk and Performance Management***

#### **1.4.1.32 Logistics Management**

The NFVF must establish and implement an effective system of logistics management, which must include –

- (a) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (b) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and are in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (c) regular checking to ensure that all assets, including official vehicles, are properly managed, appropriately maintained and only used for official purposes; and
- (d) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### **1.4.1.33 Disposal management**

- (1) Unserviceable, redundant or obsolete assets may be disposed of by –
  - (i) transferring the asset to another organ of state at market-related value or, when appropriate, free of charge in terms of a provision of the Act enabling the transfer of assets;
  - (ii) selling the asset by means of an auction or a competitive bidding process;
  - (iii) donating it to schools or charitable organisations; or
  - (iv) destroying the asset.
- (2) The NFVF must ensure that –
  - (a) immovable property is let at market-related rates except when the public interest or the plight of the poor demands otherwise;
  - (b) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and

- (c) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

#### **1.4.1.34 Risk management**

- (1) A risk management process will be followed within the Supply Chain Management Unit according to the annual risk assessment.
- (2) Appropriate risk management conditions must be incorporated in contracts.

#### **1.4.1.35 Performance management**

- (1) The NFVF must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this policy were achieved.
  - (2) The performance management system shall accordingly focus on, amongst others:
    - (a) achievement of goals;
    - (b) compliance to norms and standards;
    - (c) savings generated;
    - (d) cost variances per item;
    - (e) non-compliance with contractual conditions and requirements; and
    - (f) the cost efficiency of the procurement process itself.

### ***Part 4: Other matters***

#### **1.4.1.35 Prohibition on awards to persons whose tax matters are not in order**

No award above R30 000 may be made in terms of this policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

#### **1.4.1.36 Ethical standards**

- (1) A code of ethical standards, “the *National Treasury’s Code of Conduct for Supply Chain Management Practitioners*”, is hereby accepted for officials and other role players in the supply chain management system of the NFVF in order to promote –
  - (a) mutual trust and respect; and
  - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) An official or other role player involved in the implementation of this policy –
  - (a) must treat all providers and potential providers equitably;
  - (b) may not use his or her position for private gain or to improperly benefit another person;
  - (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value higher than determined by the relevant policy of the NFVF;
  - (d) notwithstanding subparagraph (2)(c), must declare details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person in line with NFVF’s policy;
  - (e) must declare details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the NFVF;
  - (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
  - (g) must be conscious of the fact that property belonging to the NFVF must be utilised in the best interest of the NFVF and for the purpose that it was meant for;
  - (h) must assist the Chief Executive Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

- (i) must report to the Chief Executive Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
  - (i) any alleged fraud, corruption, favouritism or unfair conduct;
  - (ii) any alleged contravention of paragraph 1.4.1.32 of this policy; or
  - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2)(d) and (e) –
  - (a) must be recorded in a register which the Chief Executive Officer must keep for this purpose;
  - (b) by the Chief Executive Officer must be made to the Council of the NFVF who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.
- (5) A breach of the code of ethics must be dealt with as follows –
  - (a) in the case of an employee, in terms of the disciplinary procedures of the NFVF;
  - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach; and
  - (c) in all cases, financial misconduct must be dealt with in terms of Chapter 10 of the Act.

#### **1.4.1.37 Sponsorships by providers**

The NFVF must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- (a) a provider or prospective provider of goods or services; or
- (b) a recipient or prospective recipient of goods disposed or to be disposed.

#### **1.4.1.38 Objections and complaints**

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system may lodge, within 14 days of the decision or action, a written objection or complaint against the decision or action.

Resolution of disputes, objections, complaints and queries –

- (1) The Chief Executive Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –
  - (a) to assist in the resolution of disputes between the NFVF and other persons regarding –
    - (i) any decisions or actions taken in the implementation of the supply chain management system; or
    - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The Chief Executive Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.

**1.4.1.39 Inducements, rewards, gifts and favours to NFVF officials and other role players**

- (1) No person who is a provider or prospective provider of goods and services, or a recipient or prospective recipient of goods disposed or to be disposed of, may either directly or through a representative or intermediary promise, offer or grant –
  - (a) An inducement or reward to the NFVF for or in connection with the award of a contract; or
  - (b) Any reward, gift, favour or hospitality to
    - (i) any official; or
    - (ii) any other role player involved in the implementation of this policy.
- (2) The Chief Executive Officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for consideration of whether the offending person, and any representative or intermediary through which such

person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Subparagraph (1) does not apply to gifts of less than R350 in value.

#### **1.4.1.40 Reporting of SCM information**

The NFVF must submit to the relevant treasury such supply chain management information as that treasury may require.

#### **1.4.1.41 Other**

Any additional directives/amendments to the existing SCM prescripts by National Treasury will take precedence where applicable.

## 2 DELEGATION OF AUTHORITY

<b>"Accounting Authority"</b>	means the body or person(s) contemplated in section 49 of the PFMA, for purposes of this document being the Council;
<b>"AG"</b>	means Auditor General of South Africa;
<b>"Approval"</b>	means a resolution passed at a duly constituted meeting or obtained by way of round robin; and the provision of consent in relation to specific conduct;
<b>"AC"</b>	means the Audit Committee of the Council;
<b>"Authorised Signatories"</b>	means the persons authorised to sign any documents on behalf of the NFVF, thereby binding the NFVF in contractual arrangements, including executing written agreements on behalf of the NFVF;
<b>"Budget Plan"</b>	means that portion of the Business Plan setting out the CAPEX and OPEX of the NFVF for a financial year;
<b>"Business"</b>	means the business conducted by the NFVF, being the business as defined in the Strategic and annual Performance Plan;
<b>"Capex"</b>	capital expenditure on items with a life expectancy of more than 12 (twelve) months, and which would normally be regarded as an asset accounted for on the asset register of the NFVF and depreciated over the lifespan of the asset;
<b>"CEO"</b>	means the Chief Executive Officer of the NFVF, and includes any person acting in such capacity from time to time;
<b>"CFO"</b>	means the Chief Financial Officer of the NFVF, and includes any person acting in such capacity from time to time;
<b>"Exco"</b>	means the executive committee of the Council;
<b>"Head : Marketing Public Affairs"</b>	means the Director: Strategic Marketing and Communications, and includes any person acting in such capacity from time to time;
<b>"Organisation"</b>	means the NFVF, established as a juristic person according to Act 73 of 1997;
<b>"Contractual Obligation"</b>	means expenditure incurred or obligations assumed on behalf of the NFVF by a person who is specifically authorised to place legally enforceable commitments and liabilities on the NFVF, including the signing of contractual arrangements on behalf of the NFVF;
<b>"Delegation"</b>	means a right officially entrusted to a subordinate with specific authority to execute responsibilities bestowed upon him/her and allowing him/her to take action and make decisions on behalf of the NFVF;
<b>"Delegated Authority"</b>	means any person to whom authority is delegated by the Council, pursuant to this policy;
<b>"Delegation of Authority Matrix"</b>	means the delegation of authority matrix set out in Annexure "B" hereto;



<b>"Designate"</b>	means a person to whom authority has been sub-delegated by a Delegated Authority;
<b>"Executive Directors"</b>	means the executive managers;
<b>"HR"</b>	means Human Resources;
<b>"HR &amp; Ethics Committee"</b>	means the Human Resources and Ethics Committee of Council;
<b>"IA"</b>	means Internal Audit;
<b>"NFVF"</b>	means the National Film and Video NFVF, a schedule 3A public entity established as a juristic person, with registration number Act 73 of 1997;
<b>"IT"</b>	means Information Technology;
<b>"Legal Services"</b>	means the legal and policy department of the NFVF;
<b>"Exco"</b>	means the executive committee of the Council;
<b>"Opex"</b>	means operational expenditure of the NFVF, which typically concerns items that can be debited to operational costs, such as cost of sales, consumable items (for instance, stationery, printer cartridges, coffee and tea), services (i.e., water, electricity and maintenance expenses), travelling expenses (i.e., travel and accommodation costs), entertainment costs and any other general expenses normally debited directly to an operational budget;
<b>"PFMA"</b>	means the Public Finance Management Act (Act No. 1 of 1999) as amended, and the term "the Act" shall have a corresponding meaning;
<b>"Policy"</b>	means the delegation of authority policy set out in this document, including all annexures and/or schedules thereto;
<b>"President"</b>	means the President of the Republic of South Africa;
<b>"Treasury Regulations" or "TR"</b>	means the Treasury Regulations issued by the National Treasury as contemplated in the PFMA, as amended from time to time;

In the ensuing pages, the letters mean the following:

- A Final approval
- B Recommend for approval
- C Consulted (prior)
- D Informed (after)
- E Originate
- F Signature
- G Regular reporting

## General

- The Council has the power to withdraw or suspend any decision-making and signing authorities delegated to the chief executive officer, for the time they consider reasonable.
- The CEO has the power to suspend the decision-making and signing authorities of an official for any reasonable time, after it has been discussed with the official concerned.
- The decision-making and signing authorities in this document are granted subject to all laws and regulations applicable to the business, including all company policies and procedures.
- Minutes of all meetings, at which a quorum must be present, should be kept.
- Decision-making authorities are functionally allocated. For example, decisions regarding a specific function may only be approved by persons responsible for that function.
- Any decision-making authorities in terms of this document include the power to approve and sign the relevant documentation and to take the necessary steps in order to give effect to the decision.
- Signing authorities can be delegated to one functional level lower than those where decision-making authorities are vested.
- Where specific amounts are mentioned, it is the amount including VAT.
- When a comma (,) is used between titles, it indicates or, i.e. the notation CEO or CFO, means that the CEO or the CFO may approve.

- When a "&" (ampersand) is used between titles, it indicates and, i.e. the notation CEO & CFO means that the CEO and the CFO (acting together) must approve.
- The stipulations of all policies and procedures of the NFVF, as well as Council Committee Charters, remain subject to the Delegation of Authority document. If there is a conflict between a policy and the Delegation of Authority, the Delegation of Authority shall apply and the policy should be amended accordingly.

## 1. Governance

No.	CATEGORY OF RESPONSIBILITIES	Department of Arts and Culture (DAC)/Minister	National Treasury	NFVF Council	Council Chairperson	Executive Committee	Audit Committee	Treasury Committee	CEO	CFO	Employee Management
<b>1.1</b>	<b>NFVF MANDATE</b>										
<b>1.1.1</b>	Definition and amendments to NFVF Mandate	A		B		C					E
<b>1.1.2</b>	Material change to the Business	A		B		C					E
<b>1.2</b>	<b>NFVF COUNCIL &amp; COMMITTEES</b>										
<b>1.2.1</b>	Appointment of Council members	A							D		
<b>1.2.2</b>	Dismissal of Council Members	A							D		
<b>1.2.3</b>	Appointment of Council Chairperson and Deputy Chairperson	A							D		
<b>1.2.4</b>	Establishment of Council Committee(s), For Audit Committee, PFMA section 77 and Treasury Regulations 27.1			B	A				D		
<b>1.2.5</b>	Appointment and Dismissal of Council Committee Chairs, excluding Audit Committee			B	A				D		
<b>1.2.6</b>	Premature termination of Audit Committee Chair and Members (TR27.1.5)			B	A				D		
<b>1.2.7</b>	Delegation of Authority to Council Committee(s)			B	A				D	E	
<b>1.3</b>	<b>GOVERNANCE AND INTERNAL CONTROL</b>										
<b>1.3.1</b>	Establishment of controls in the form of policies, procedures and business processes, changes thereto; and deviations therefrom:										
<b>1.3.1.2</b>	Shareholder Compact	A		B					E		
<b>1.3.1.3</b>	Delegation of Authority			A		C			B	E,B	
<b>1.3.1.4</b>	Council and Committee Charters			A					B		E
<b>1.3.1.5</b>	Fundraising Policy			A							E,B

No.	CATEGORY OF RESPONSIBILITIES	Department of Arts and Culture (DAC)/Minister	National Treasury	IPVF Council	Council Chairperson	Executive Committee	Audit Commission	Transco Committee	CEO	CFO	Executive Management
1.3.1.6	Other Governance Policy (e.g. Materiality & Significance, Organisational Performance Management)			A			B		B		E,B
1.3.1.7	Financial & Accounting Policy			A			B			E,B	
1.3.1.8	Procurement Policy			A			B			E,B	
1.3.1.10	Transco Policy			A				E,B			
1.3.1.11	Information Technology Policy			A						E,B	
1.4	<b>STATUTORY PROCESSES AND COMPLIANCE</b>										
1.4.1	<b>External Audit</b>										
1.4.1.1	Appointment/dismissal of External Auditors			C	A					E,B	
1.4.1.2	Approval of External Audit Plan					A				E,B	
1.4.1.3	External auditors Management Report and management's response - Draft Version								A	B	
1.4.1.4	External auditors Management Report and management's response - Final Version						A			E,B	
1.4.1.5	External Auditor's Audit Report						A			B	
1.4.1.6	Annual Financial Statements (AFS) as per PFMA						A			E,B	
1.4.1.7	Annual Report (as per PFMA)				A				B		E
1.4.1.8	Approval and appointment of external auditors to undertake non-statutory audit work						A			B	
1.4.1.9	Remuneration of External Auditors						A			B	
1.4.2	<b>Internal Audit</b>										
1.4.2.1	Appointment & dismissal of Internal Auditors						A			E,B	
1.4.1.2	Approval of Internal Audit Plan						A			B	

No.	CATEGORY OF RESPONSIBILITIES	Department of Arts and Culture (DAC)/Minister	National Treasury	NFVF Council	Council Chairperson	Executive Committee	Audit Committee	Trustee Committee	CEO	CFO	Executive Management
1.4.2.2	Internal Auditors Management Report and Managerial Response - Draft Version								A	B	
1.4.2.3	Internal Auditors Management Report and Managerial Response - Final Version						A			C	
1.4.2.6	Approval and appointment of internal auditors to undertake non-statutory audit work								A	E,B	
1.4.2.7	Remuneration of Internal Auditors						A			B	

## 1. Plans and Budgets

New No.	CATEGORY OF RESPONSIBILITIES	Executive Authority	Council Chairperson	Audit Committee	HR & Ethics Committee	Executive Management Procurement Committee	CEO	CFO
2.1	<b>3-YEAR STRATEGIC PLAN AND BUDGET</b>							
2.1.1	High-level Strategic Plan & Budget (as per TR 5)	A	F			E,B	E	
2.1.2	Amendments to Strategic Plan/Budget	A	F			E,B	E	
2.1.3	Medium Term Expenditure Framework (MTEF)	A	F			E,B		E
2.1.4	NFVF Performance Indicators	A	F			E,B	E	
2.2	<b>ANNUAL BUSINESS PLAN AND BUDGETS</b>							
2.2.1	Consolidated Annual Performance Plan and Budget (as per para 52 (b) of the PFMA)	A	F			C,G	E	
2.2.2	Material Amendments to Business Plan/Budget	A	F			C	E	
2.2.3	Annual Risk Management Plan		F	B		C,G		E

New No.	CATEGORY OF RESPONSIBILITIES	Executive Authority/	Council Chair/person	Audit Committee	HR & Ethics Committee	Executive Management Procurement Committee	CEO	CFO
2.2.4	Annual Internal and External Audit Plans			A		D	B	E
2.3	<b>DEPARTMENTAL</b>							
2.3.1	Marketing & Communications Plan & Budget					C	A,F	
2.3.2	Funding projects & bursaries							
2.3.3	Stakeholder Relations Plan & Budget					C	A,F	
2.3.4	Corporate Services Plan & Budget - HR				C	C	A,F	
2.3.5	Corporate Services Plan & Budget - Operations			C		C	A,F	
2.3.6	Finance Plan & Budget			C		C	A,F	E
2.3.7	Office of the CEO Plan & Budget					C	A,F	
2.3.8	Detailed Project Plans per major project					C	A,F	E
2.4	<b>BUDGET REALLOCATIONS</b>							
2.4.1	Approve re-allocation of budget between line items within a Division						A	B
2.4.2	Approve re-allocation of budget between Divisions (opex budget)			D		C	A	E
2.4.3	Approve re-allocation of budget between Personnel and Operational Cost			D		C	A	E
2.4.4	Allocation of interest earned on call account to Operational Budget.					C	A	B
2.5	<b>REPORTING ON FULFILMENT OF PLANS</b>							
2.5.1	Monthly Management Report					E	A	E
2.5.2	Quarterly Report as per PFMA		D			E	A	E
2.5.3	Annual Report (see 1.4.1.7)	D				E	A	E

New No.	CATEGORY OF RESPONSIBILITIES	Executive Authority/	Council Chairperson	Audit Committee	HR & Ethics Committee	Executive Management Procurement Committee	CEO	CFO
2.5.4	Annual Financial Statements (see 1.4.1.6)			A		C,D		E

### 3. Financial Management

New No.	CATEGORY OF RESPONSIBILITIES	National Treasury/DAC	NFVF Council	Council Chairperson	Audit Committee	Exco	Transco Committee	Funding Panels	Executive Management	Evaluation committee	Bid Adjudication Committee	Procurement Committee	CEO	CFO
<b>3.1</b>	<b>CAPITAL EXPENDITURE (CAPEX)</b>													
3.1.1	Development of Capex Policy	C			A				C					E
3.1.2	Implementation and compliance monitoring				G				G					A
3.1.3	Capital acquisitions													
3.1.3.1	All capital items to be acquired by a Division form part of that Division's Annual Budget, with the exception of the items listed below:													
3.1.3.2	Immovable property for the NFVF		A		B				C				E	
3.1.3.3	Vehicles												A	B,E
3.1.3.4	Furniture and equipment													A
3.1.3.5	IT Software and Hardware													A
3.1.4	Capital items to be sold or scrapped											B	A	E
<b>3.2</b>	<b>FUNDING</b>													
3.2.1	Grant Funding		A					B	E				C	C



New No.	CATEGORY OF RESPONSIBILITIES	National Treasury/DAC	NPVF Council	Council Chairperson	Audit Committee	Esco	Transco Committee	Funding Panels	Executive Management	Evaluation committee	Bid Adjudication Committee	Procurement Committee	CEO	CFO
3.2.2	Festival & Training (incl Filmmaker support) up to R30 000					A			B				A	A
3.2.3	Grant Appeals					A								
3.3	<b>OPERATING EXPENDITURE (OPEX)</b>													
3.3.1	Development of Opex Policy Framework	C	A		B				C					E
3.3.2	Implementation and compliance monitoring				G				G					A
3.4	<b>PROCUREMENT OF GOODS AND SERVICES</b>													
3.4.1	<b>Items above R500,000: Public Tender</b>													
3.4.1.1	Written request for tender using relevant form		A			B			B	B		E,B		B
3.4.1.2	Implementation of tender process as per procurement policy									B		A		B
3.4.1.3	Shortlisting of potential suppliers									A		E,B		
3.4.1.4	Select and recommend preferred bidder				D				C	B	A	E	C	
3.4.1.5	Approval of selected bidder - above R1m		A		D,G	B				B	B	E		
3.4.1.6	Approval of selected bidder - below R1m				D	A				B	B	E		
3.4.2	<b>Items between R10,001 and R200,000</b>													
3.4.2.1	Three written quotations to be obtained. Where it is not possible to obtain 3 quotations, a written motivation must be provided.								B	B			A	A,F

New No.	CATEGORY OF RESPONSIBILITIES	National Treasury/DAC	MPVF Council	Council Chairperson	Audit Committee	Exco	Transco Committee	Funding Panels	Executive Management	Evaluation committee	Bid Adjudication Committee	Procurement Committee	CEO	CFO
3.4.3	<b>Items between R200,001 and R500,000</b> At least three written quotations to be obtained. Where it is not possible to obtain 3 quotations, a written motivation must be provided.								E	B	B	E,B	A	A,F
3.4.4	<b>Items between R1,001 and R10,000</b>													
3.4.4.1	One written quotation												D	A,F
3.4.5	<b>Items between R0.01 and R1,000</b>													
3.4.5.1	Items can be purchased from petty cash												D	A,F
	<b>Note: All figures quoted include VAT</b>													
3.5	<b>SIGNING OF ORDERS - WITHIN BUDGET</b>													
3.5.1	<b>From Contracted Suppliers:</b> Approve orders for expenses within the approved Budget provided that the Procurement Policy requirements and clause 3.3 above have been adhered to:													
3.5.1.1	Over R1,000,000 per order								B	B	B,E		A	A,F
3.5.1.2	Between R500,001 and R1,000,000 per order.								B	B	B		A	A,F
3.5.1.3	Between R0.01 and R500,000 per order												A	A,F

New No.	CATEGORY OF RESPONSIBILITIES	National Treasury/DAC	NTVF Council	Council Chairperson	Audit Committee	Exco	Transco Committee	Funding Panels	Executive Management	Evaluation committee	Bid Adjudication Committee	Procurement Committee	CEO	CFO
	All orders which are part of a larger overall order/transaction need to be disclosed as such so the approver is aware of the total value of the transaction when approving													
<b>3.5.2</b>	<b>From Non-Contracted Suppliers:</b> Approve orders for expenses within approved Budget provided that the Procurement Policy requirements have been adhered to:													
<b>3.5.2.1</b>	Above R500,000 - no orders can be placed without going to public tender (see 3.3 above)									B	B	B,E	A	A,F
<b>3.5.2.2</b>	Between 200,001 and R500,000 per order											B	A	A,F
<b>3.5.2.3</b>	Between R1,001 and R200,000 per order												A	A,F
<b>3.5.2.4</b>	Between R0.01 and R1,000 per order													A
<b>3.5.3</b>	<b>For Internal Payments</b> , in accordance with relevant policies relating thereto:													
<b>3.5.3.1</b>	Remuneration												A	A
<b>3.5.3.2</b>	International and project-related travel and S&T within approved plans and budgets													
<b>3.5.3.2.1</b>	Council Chair					A							A	C
<b>3.5.3.3</b>	Adhoc/unbudgeted international and project related travel and S&T			A					E				C	C

New No.	CATEGORY OF RESPONSIBILITIES	National Treasury/DAC	NFVF Council	Council Chairperson	Audit Committees	Exco	Transco Committee	Funding Panels	Executive Management	Evaluation committee	Bid Application Committee	Procurement Committee	CEO	CFO
3.5.3.4	Reimbursement of Expenses – Council			A									B	E
3.5.3.5	International travel and S&T within approved plans and budgets												A	E,B
3.5.3.5.1	CEO			A										
3.5.3.5.2	Divisional Manager												A	C,E
3.5.3.5.3	Other NFVF staff													A
3.5.3.6	Domestic travel and S&T													
3.5.3.6.1	CEO												E	A
3.5.3.6.2	Divisional Manager												A	C,E
3.5.3.6.3	Other NFVF staff													A
3.5.3.7	Reimbursement of Expenses - Staff													A
3.6	<b>SIGNING OF ORDERS - OUTSIDE BUDGET</b>													
3.6.1	Emergency expenditure up to a maximum of R500,000 for critical items as per clause 16 of the procurement policy. Retroactive approval is required from Exco following the order												A	B
3.6.2	Any other orders outside of budget are not permitted. A budget reallocation as per section 1.4 of this document is required.												A	
3.7	<b>CASH AND BANKING</b>													
3.7	Cash-flow management													
3.7.1	Choice of banks				B	A								E

New No.	CATEGORY OF RESPONSIBILITIES	National Treasury/DAC	NFVF Council	Council Chairperson	Audit Committee	Exco	Transco Committee	Funding Panels	Executive Management	Evaluation committee	Bid Adjudication Committee	Procurement Committee	CEO	CFO
3.7.2	Instruction for changing signatories on the bank accounts of the NFVF				D	A			D				B	E
3.7.3	Opening and Closing Bank Accounts	A	D		C									E,B
3.7.4	Approval of surplus generated at year end	A											B	E
3.7.5	Transfer of funds from the NFVF call account to the NFVF current account												D	E,A
3.7.6	Releasing of Payments by any method (e.g. cheque, EFT) for fulfilment of approved orders								A				A,D	E,A
3.8	Insurance													
3.8.1	Conclusion of insurance contracts with insurers after following procurement process								D				A	A,F
3.8.2	Submission of insurance claims												D	A

#### 4. Operations

New No.	CATEGORY OF RESPONSIBILITIES	NFVF Council	Council Chairperson	Audit Committee	EXCO	Transco Committee	NFVF Executive Management	Procurement Committee	CEO	CFO
4.1	LEGAL – CONTRACTING									

New No.	CATEGORY OF RESPONSIBILITIES	NPVF Council	Council Chairperson	Audit Committee	EXCO	Transco Committee	NPVF Executive Management	Procurement Committee	CEO	CFO
<b>4.1.1</b>	<b>Contracting with Suppliers</b>									
<b>4.1.1.1</b>	Negotiation, finalisation and signing of contracts for goods or services above R500,000 which are within budget and procured through the procurement process						D	C	A	E,F
<b>4.1.1.2</b>	Negotiation, finalisation and signing of contracts for goods or services below R500,000 which are within budget and procured through the procurement process						D	C	C	A,F
<b>4.1.1.3</b>	Tender documentation						B	A	D	E,F
<b>4.1.2</b>	<b>MOUs with Stakeholders and Partners</b>									
<b>4.1.2.1</b>	General MOUs with stakeholders governing the overall relationship between the parties	D					E		A	F
<b>4.1.2.2</b>	Project-specific MOUs with stakeholders/partners governing project collaboration for amounts below R1 000,000	D					E		A	F
<b>4.1.2.3</b>	Project-specific MOUs with stakeholders/partners governing project collaboration for amounts above R1 000,000	D					E		A,F	B
<b>4.1.2.4</b>	Joint Marketing Agreements, Joint Ventures and/or fundraising agreements for amounts below R1 000,000						E		A	F
<b>4.1.2.5</b>	Joint Marketing Agreements, Joint Ventures and/or fundraising agreements for amounts above R1 000,000						E		A,F	B

New No.	CATEGORY OF RESPONSIBILITIES	NFVF Council	Council Chairperson	Audit Committee	EXCO	Transco Committee	NFVF Executive Management	Procurement Committee	CEO	CFO
<b>4.2</b>	<b>LEGAL – LITIGATION</b>									
4.2.1	Authorisation of any litigation involving the Company	D					D		A	C
4.2.2	Instituting and Defending Actions	D					D		A	C
4.2.3	Instructions to Attorneys						D		A	C
4.2.4	Settlement of Claims where provision has been raised	D					D		A	B
4.2.5	Settlement of Claims above R100,000.00 where provision has <b>NOT</b> been raised	D		A			D		C	E,B
<b>4</b>	<b>HUMAN RESOURCES</b>									
4.1	Approval of and Amendments to the Organisational Structure	A				B	C		E	C
4.2	Filling vacancies within the approved organisational structure of the NFVF, excluding transferring staff between Divisions:									
4.2.1	CEO	A	F			B	D			
4.2.2	Any Divisional Manager					D	D		A,F	
4.2.3	Any other employee						D		A	F
4.3	Transferring of staff between Divisions in order to fill vacancies within the approved organisational structure of the NFVF								A	F
4.4	Promotion of employees (within budget)						D		A	F
4.5	Appointment of staff to Acting positions						D		A	F
4.6	Appointment of Temporary Employees or Consultants:									

New No.	CATEGORY OF RESPONSIBILITIES	NRVF Council	Council Chairperson	Audit Committee	EKCO	Transco Committee	NRVF Executive Management	Procurement Committee	CEO	CFO
4.6.1	For a period not exceeding 6 months on a contract within budget						C,D			A,F
4.6.2	For a period exceeding 6 months on a contract within budget						C,D		A	F
4.7	Dismissal(s) and/or Retrenchment of:									
4.7.1	CEO	A				B	D			
4.7.2	Any Divisional Manager				D	D	D		E,A	
4.7.3	Any other employee						D		A	F
4.8	Creation of Job Descriptions									
4.8.1	CEO	A	F			B	D			
4.8.2	Any Divisional Manager						D		A,F	C
4.8.3	Any other employee								A	E
4.9	Creation of Annual Performance Contracts for employees in line with the performance management policy									
4.9.1	CEO	A	F			B			E	
4.9.2	Any Divisional Manager								A	E
4.9.3	Any other employee									A,E
4.10	Approval of Leave in line with Leave Policy									
4.10.1	CEO		A						E	
4.10.2	Any Divisional Manager								A	
4.10.3	Any other employee									A



New No.	CATEGORY OF RESPONSIBILITIES	NPVF Council	Council Chairperson	Audit Committee	EXCO	Transco Committee	NPVF Executive Management	Procurement Committee	CEO	CFO
4.11	Payout of leave gratuity, only in cases where an employee was not allowed to exhaust leave allocation for the leave period due to work pressure and leave could not have been rescheduled with the applicable leave cycle.								A	B,F
4.12	Placement of staff within approved salary bands, in line with remuneration policy and approved salaries budget									
4.12.1	CEO				A	B				
4.12.2	Divisional Managers								A	C
4.12.3	Any other employee								A	C
4.13	Annual Performance Bonuses and/or Incentives as per Bonus/Incentive Policy	A				B			E	
4.14	Annual remuneration increases in line with Remuneration Policy and approved budget									
4.14.1	CEO	A			A	B				D
4.14.2	Divisional Managers	A				B	D		E	
4.14.3	Any other employee	A				B	D			E
4.15	Training and Development									
4.15.1	Development of an individual career and training plan for each employee, within budget and as per Training & Development policy								A,E	A,E
4.15.2	Development of a division training plan for all employees in the Division, in line with the Training and Development Policy								A	E

New No.	CATEGORY OF RESPONSIBILITIES	NPVF Council	Council Chairperson	Audit Committee	EXCO	Treasury Committee	NPVF Executive Management	Procurement Committee	CEO	CFO
4.15.3	Approval of training for Division Managers and attendance of DM at courses, seminars, workshops, etc. (within budget)								A	E
4.15.4	Approval of training of all other staff, in line with the Training & Development policy and approved training budgets									A

A – Final approval; B – Recommend for approval; C – Consulted (prior); D – Informed (after); E – Originate; F – Signature; G- Regular reporting

## **3 ASSET MANAGEMENT POLICY AND PROCEDURES**

### **3.1 PURPOSE OF POLICY AND PROCEDURES**

The purpose of this policy is to outline the rules and guidelines for the effective management of the assets of the organisation.

### **3.2 SCOPE OF THE POLICY**

This policy covers, but is not limited to, the purchase, replacement, disposal, depreciation and safeguarding of assets.

The management of assets must be in line with the other financial policies and procedures of the organisation.

### **3.3 POLICY AND PROCEDURE**

#### **3.3.1 Purchase of assets**

- 3.3.1.1 The purchase of fixed assets must be in line with the Procurement and Payment Policy and Procedure and with Treasury Regulations. 3 quotations must be obtained and the best combination of price and quality accepted.
- 3.3.1.1 On delivery of the asset, the delivery note must be checked against the order to ensure correctness of asset delivered.
- 3.3.1.2 The processing of payment for the asset must be in line with the Transaction Policy and Procedure.
- 3.3.1.3 All fixed assets must be tagged with a unique asset identification code.

### **3.3.2 Replacement of assets**

- 3.3.2.1 Assets may be replaced should they become redundant, obsolete or damaged or lost. In the case of lost assets, a South African Police Service case number and affidavit with details of how the asset was lost is required.
- 3.3.2.2 A written memorandum signed by a Head of Department must be submitted to IT and/or Finance to assess whether the loss is negligent or not. In cases of negligence, Human Resources processes will be instituted accordingly.
- 3.3.2.3 Replacement of assets must be in line with the Supply Chain Management Policy and the Transaction Policy.

### **3.3.3 Disposal of assets**

- 3.3.3.1 Management may identify redundant assets or assets of low value for disposal. In this instance management may dispose of the asset on the following basis:
  - An offer to staff on a tender basis
  - Donation to organizations within the industry requiring assistance
  - Sale to the general public
- 3.3.3.2 The sale of the asset and recording of receipts must be in line with the Transaction Policy and Procedure.

### **3.3.4 Depreciation of assets**

3.3.4.1 Assets of the organization will be depreciated at the following pre-determined rates:

- Computer hardware 33.33% p.a
- Furniture and fittings 16.67% p.a
- Computer software 50.00% p.a
- Office equipment 16.67% p.a
- Motor vehicles 20.00% p.a

3.3.4.2 The processing of depreciation must be in line with the Transaction Policy and Procedure.

### **3.3.5 Safeguarding of assets**

3.3.5.1 It is the responsibility of all staff members to safeguard the assets in their possession.

3.3.5.2 Management shall ensure that all assets are insured at their replacement cost value.

3.3.5.3 Asset counts should be done on a regular basis (annually).

3.3.5.4 The movement of assets outside the NFVF domicilium is prohibited unless written approval is received from the Accounting Officer.

3.3.5.5 The asset register must be in place in each office and staff members are responsible to ensure that assets removed from the office are returned.

3.3.5.6 All the assets are insured and updated annually.

### **3.3.6 Inventory**

- 3.3.6.1 Items of values less than R2000.00 will be recorded as inventory and expensed in the year of acquisition as it is unlikely that future economic benefits will flow to the organisation. However, exceptions will be made in the case of furniture and computer and office equipment where the item forms part of a unit (e.g. computer monitor).
- 3.3.6.2 An inventory count will be done annually and a list will be kept with the fixed asset register.

### **3.3.7 Leased assets**

- 3.3.7.1 A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and reward incidental to ownership.
- 3.3.7.2 The organisation's leases will depend on the type of lease acquired.
- 3.3.7.3 As per GRAP 13, the following requirements would classify a lease as being a finance lease otherwise it would be an operating lease.
- a. Ownership transferred by end of lease term
  - b. Lease contains bargain purchase option
  - c. Lease term is major part of asset's economic life
  - d. Present value of minimum lease payments amount to substantially all the asset's fair value
  - e. Specialised nature
  - f. Not easily replaced
  - g. Lessee bears lessor's cancellation losses

h. Lessee bears gains/losses from changes in fair value of residual.

3.3.7.4 Lease payments under an operating lease shall be recognized as an expense in the statement of financial performance on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

## **4 PERFORMANCE MANAGEMENT POLICY AND PROCEDURES**

### **4.1 PURPOSE OF POLICY AND PROCEDURES**

The purpose of this policy is to outline the rules and guidelines for the management of the National Film and Video (NFVF) performance information.

### **4.2 SCOPE OF THE POLICY**

This policy covers the performance reporting measures in place that will assist the organisation in determining how well the organisation is doing in meeting its objectives as set out in its mandate. In this regard, information provided will be of both a quantitative and a qualitative nature.

### **4.3 POLICY**

4.3.1 On an annual basis, the organisation will determine and review its strategic thrust for the following 5 years, based on its overall mandate and objectives.

- 4.3.2 Departmental plans must be aligned to the broader strategic objectives of the organisation.
- 4.3.3 Budgeting of plans should be aligned to the objectives and to available levels of resources
- 4.3.4 Based on the strategic thrust and departmental plans, the organisation should, on an annual basis, prepare the 5 year Strategic Plan (SP) and Annual Performance Plan (APP).
- 4.3.5 Strategic Plans and Annual Performance Plans must be approved by the Accounting Authority (Council) for each year.
- 4.3.6 Quarterly reports signed by each head of department reflecting progress must be submitted to the CFO for submission to Council meetings by the Accounting Officer.

#### **4.4 KEY PERFORMANCE INDICATORS**

- 4.4.1 Key Performance Indicators must be determined and defined by each department.
- 4.4.2 Key Performance Indicators should be:
  - 4.4.2.1 Reliable: the indicator should be accurate enough for its intended use and respond to changes in the level of performance.
  - 4.4.2.2 Well-defined: the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and easy to understand and use.
  - 4.4.2.3 Verifiable: it must be possible to validate the processes and systems that produce the indicator.
  - 4.4.2.4 Cost-effective: the usefulness of the indicator must justify the cost of collecting the data.



- 4.4.2.5 **Appropriate:** the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.
- 4.4.2.6 **Relevant:** the indicator must relate logically and directly to an aspect of the institution's mandate, and the realisation of strategic goals and objectives.

#### 4.4.3 A good performance target should be:

- 4.4.3.1 **Specific:** the nature and the required level of performance can be clearly identified.
- 4.4.3.2 **Measurable:** the required performance can be measured.
- 4.4.3.3 **Achievable:** the target is realistic given existing capacity.
- 4.4.3.4 **Relevant:** the required performance is linked to the achievement of a goal.
- 4.4.3.5 **Time-bound:** the time period or deadline for delivery is specified.

#### 4.4.4 Key-Performance Indicators must be reviewed annually during the Annual Strategic Planning process.

### 4.5 Quarterly reporting

- 4.5.1 A report must be prepared for each quarter by management and submitted to the Council for approval
- 4.5.2 The Council must submit the quarterly report to the Department of Arts and Culture within 30 days of the end of each quarter.
- 4.5.3 Each report must include:
  - Actual revenue and expenditure up to the end of the quarter;

- Projection of expected expenditure and revenue for the remainder of the current financial year.
  - Report on all the performance indicators and targets documented in the APP
  - Actual Targets for the quarter and, if applicable, the reasons for non-achievement of the target
  - Corrective action / interventions that will be put in place to assure achievement of targets.
- 4.5.4 All supporting documentation relating to the performance indicators and targets must be filed and stored by the relevant department
- 4.5.5 A checklist must be kept by the chief executive officer (CEO)'s office to monitor the compliance with the National Treasury Framework regarding performance against predetermined objectives.

#### **4.6 Annual reporting**

- 4.6.1 An annual performance report must be prepared by the head of department at financial year end which consists of a report of the organisations performance against predetermined objectives. This report must be signed off by the head of department.
- 4.6.2 This report must include all the strategic objectives/performance indicators as per the annual performance plan.
- 4.6.2.1 The performance targets as per annual performance plan.
  - 4.6.2.2 The actual performance outcome for the year.
  - 4.6.2.3 And if applicable, the reason for non-achievement of the targets.

- 4.6.3 The financial statements together with the annual performance report must be submitted for audit within 2 months of the financial year end.
- 4.6.4 The audited annual performance report must be disclosed in the annual report of the organisation.

#### **4.7 PROCEDURES**

- 4.7.1 Six months prior to start of the new financial year, preparations for the completion of the Annual Strategic Plan must commence. The Chief Financial Officer is responsible for co-ordinating inputs from all departments.
- 4.7.2 Three months prior to start of the new financial year, the CEO must submit the Strategic and Annual Performance Plan to the Accounting Authority (Council) for approval.
- 4.7.3 Two months prior to start of the new financial year, the CEO must submit the Strategic and Annual Performance Plan to the Department of Arts and Culture.
- 4.7.4 On a quarterly basis, all department heads must submit all the performance reports to the CEO for approval.
- 4.7.5 On a quarterly basis, the CEO must submit a consolidated performance report to the Council for approval.
- 4.7.6 On a quarterly basis, the CEO must submit the consolidated performance report to the Department of Arts and Culture.

#### **4.8 RESPONSIBILITIES**

- 4.8.1 The Council is responsible for establishing and maintaining the systems to manage performance information.
- 4.8.2 Departmental managers are responsible for establishing and maintaining the performance information processes and systems

within their areas of responsibility. Their performance agreements must reflect these responsibilities.

4.8.3 Other relevant department staff is responsible for capturing, collating, checking, filing and storing performance data and documentation related to their activities

**REPORT TEMPLATES:**

**Annual Performance Plan**

Measurable objectives	Indicator(s)	MTEF Target	Target		
			Year	Year	Year

**Quarterly Report**

Annual Target (s)	Quarter Target	Actual Performance	Reason for NOT Achieved and Partially Achieved	Interventions that will be put in place	Status to date(Achieved, Partially Achieved ,Not Achieved )	Verification sources
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**Job Creation and Skill Development Report**

Details	Black	White	Disabled	Total

## **5. RISK MANAGEMENT POLICY**

### **5.1 INTRODUCTION**

5.1.1 Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the NFVF.

5.1.1 Effective risk management is imperative to any organisation. The realisation of the organisation's business strategy depends on its ability to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk through the NFVF's risk management system enables the organisation to anticipate and respond to changes in its business environment, as well as make informed decisions in conditions of uncertainty.

### **5.2 PURPOSE OF THE POLICY**

The purpose of this policy is to:

5.2.1 identify and manage the risks involved in NFVF's business activities in order to maximize opportunities and minimize adversity.

5.2.2 reduce the likelihood and consequences of adverse effects to acceptable levels.

5.2.3 to achieve continual improvement in the management of risk, thereby enhancing the degree of certainty in achieving organisational objectives.

### **5.3 SCOPE OF THE POLICY**

The policy applies to all NFVF programmes and activities. Routine activities are excluded from this policy unless mandated by other policies.

## 5.4 DEFINITIONS

For the purpose of this policy, the following words shall mean:

5.4.1 **"Risk"** means the change of something happening that will have an impact on the achievement of NFVF's objectives. Risk is measured in terms of consequences and likelihood.

5.4.2 **"Risk Assessment"** means the overall process of risk analysis and evaluation, mitigation plans, implementation and monitoring targets.

5.4.3 **"Risk Management"** means the processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the NFVF environment.

5.4.4 **"Risk Management Process"** means the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

## 5.5 CONTENTS OF THE POLICY

The NFVF will implement and maintain sound risk management systems that are consistent with best practice and that will address the following objectives:

- To identify, assess and manage risks in an effective and efficient manner;
- To provide greater certainty on the delivery of organisational objectives;
- To satisfy corporate governance requirements
- To maintain an annual risk register; and

- To ensure compliance with risk assessment procedures.

## **5.6 PROCEDURE**

The NFVF will hold a risk assessment workshop on an annual basis. The principal aims of this risk assessment workshop are to:

### *5.6.1 Verify the strategic objectives of the NFVF*

This will provide the source material for understanding dependencies, exposures and potential vulnerabilities in the NFVF's environment.

### *5.6.2 Identify Risks*

Having confirmed and clearly documented the strategic objectives, it is necessary to identify all the potential risks threatening the achievement of these objectives.

### *5.6.3 Analyse Risks*

This is determination of existing controls and the analysis of risks in terms of consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequences and likelihood are combined to produce the residual risk exposure.

### *5.6.4 Treat identified Risks*

Based on the value of the residual risk exposure, management will decide whether it is willing to accept the identified level of residual risk exposure.

If the residual risk is considered to be too high, then an action plan should be prepared to reduce the risk to a level that is more acceptable to management and stakeholders.

Management actions may include the re-examination of the control design for the business objective identified earlier in the risk management process.

The action plans must clearly identify:

- The required actions;
- The person(s) responsible for implementing the action, and
- The implementation dates/timeframes.

#### *5.6.5 Monitor and Review*

This is the oversight and review of risks any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the year.

#### *5.6.6 Communication and Consultation.*

Appropriate communication and consultation with internal and external stakeholders should occur consistently.

## **5.7 ROLES AND RESPONSIBILITIES**



Everyone in an organisation plays an important role in the management of risk in an organisation's .The roles that are played by the various stakeholders in the organisation are as follows:

## **5.8 ACCOUNTING AUTHORITY**

Management is accountable to the Accounting Authority, which provides governance, guidance and oversight.

### *5.8.1 Audit Committee*

As a sub-committee of the Accounting Authority, the Audit Committee will perform most of the oversight functions of the Accounting Authority and report to the Accounting Authority.

### *5.8.2 Management*

The Accounting Officer is accountable for ensuring that a risk management system is established, implemented and maintained in accord with this policy. Assignment of responsibilities in relation to risk management is the prerogative of the Accounting Officer.

Management is responsible for implementing and maintaining effective risk management in their areas of responsibility. They also have the responsibility for monitoring progress and reporting relevant risk information.

### *5.8.3 Internal Auditors*

Internal auditors assist management and the Accounting Officer or Audit Committee by monitoring, examining, evaluating, reporting

on and recommending improvements to the adequacy and effectiveness of managements risk management processes.

#### *5.8.4 External Audit*

The role of external audit, Auditor General, is to work in conjunction with Internal audit and be aware of the scope of internal audits performed.

#### *5.8.5 Other personnel*

Employees are responsible for communicating risks such as problems in operations, non- compliance with the code of conduct, other policy violations or illegal actions.

## **6. TRANSACTION POLICY AND PROCEDURES**

### **6.1 PURPOSE OF POLICY AND PROCEDURES**

The purpose of this policy is to outline the rules and guidelines for the capturing and processing of transactions onto the accounting system.

### **6.2 SCOPE OF THE POLICY**

This policy covers all transaction types including, but not limited to, cashbook payments and receipts and general journal entries.

### **6.3 POLICY AND PROCEDURES**

#### *6.3.1 Payments*

6.3.1.1 All invoices received from regular suppliers must be captured onto the supplier ledger. The following information is required:

- Supplier Name and Address
- Invoice Number
- Invoice Date
- Invoice Amount
- Account Code for allocation to general ledger

6.3.1.2 The payment of the invoice must be processed in the cashbook and matched against the relevant supplier invoice.

6.3.1.3 Ad-hoc invoices received from once-off suppliers can be processed directly to the cashbook using the relevant account code for allocation to the general ledger.

6.3.1.4 Processing of fixed asset transactions must, in addition to capturing onto the supplier and general ledgers, also be captured onto the Fixed Asset Registrar.

## **6.4 RECEIPTS**

6.4.1 All receipts from regular customers must be captured onto the customer ledger. The following information is required:

- Customer Name and Address
- Customer Reference Number
- Transaction Date
- Amount
- Account Code for allocation to general ledger.

6.4.2 The receipt must be processed in the cashbook and matched against the relevant customer account.

## **6.5 JOURNAL**

### *6.5.1 Payroll Journals*

6.5.1.1 Payroll transactions are processed onto the payroll system.

The following information is required:

- Employee Details
- Gross Remuneration
- Relevant deductions, e.g. medical aid and provident fund.

6.5.1.2 A payroll journal is prepared from the payroll system and captured onto the general ledger using the relevant account codes and amounts.

### *6.5.2 Depreciation Journals*

Monthly depreciation is calculated from the fixed asset register. A journal is prepared using the relevant account codes and amounts and processed as a general journal onto the general ledger.

### *6.5.3 General Journals*

Reallocation or corrective journals must be processed in the event that original transactions were incorrectly captured onto the accounting system.

## **6.6 RECONCILIATIONS**

6.6.1 General Ledger accounts must be reconciled on a regular basis

## **7. PETTY CASH POLICY AND PROCEDURES**

### **7.1 PURPOSE OF POLICY AND PROCEDURES**

The purpose of this policy is to outline the rules and guidelines for the payment of goods and services by means of petty cash. Petty cash will be operated on an imprest system.

### **7.2 SCOPE OF THE POLICY**

This policy covers the payment of goods and services for an amount that is less than R1000.00.

### **7.3 POLICY**

#### **7.3.1 Petty Cash**

7.3.1.1 Where the need may arise in a department to have cash available for payments of a minor and non-recurring nature and it is impracticable to follow Supply Chain Management policies and procedures for every expense, such payments (excluding remuneration for services rendered) may be made by means of petty cash facilities. This will cover expenses such as general kitchen expenses, taxi fares, postage, handyman repairs, etc.

7.3.1.2 The use of petty cash shall be limited to minor requirements for which a single transaction shall not exceed R1000.00.

7.3.1.3 It is not necessary to obtain a quote for payments made nor to complete an order form.

7.3.1.4 All requests for petty cash must be approved by the relevant line manager.

7.3.1.5 NFVF shall keep petty cash not exceeding R5000.00, which must be reviewed on annual basis.

## **7.4 PROCEDURE**

- 7.4.1 A petty cash voucher must be completed when requesting petty cash.
- 7.4.2 All supporting documentation must be attached to the petty cash voucher.
- 7.4.3 The petty cash voucher must be approved by the relevant line manager or accountant.
- 7.4.4 The person requesting the cash must sign a receipt for the cash.
- 7.4.5 The petty cash must at all times be kept in a lockable moneybox, which must be kept in a safe.
- 7.4.6 Access to the petty cash must be limited to one responsible person only.
- 7.4.7 A payment requisition must be made out requesting the replenishment of cash. Supporting documentation must be attached to the payment requisition. The accountant will prepare the petty cash reconciliation.
- 7.4.8 The cashed money must be counted and placed in the moneybox immediately.

## **8. SUBSISTENCE AND TRAVEL POLICY AND PROCEDURES**

### **8.1 PURPOSE OF THE POLICY**

The purpose of this policy is to outline the rules and guidelines for employees and council members who travel on business on behalf of the NFVF.

## **8.2 SCOPE OF THE POLICY**

This policy applies to all employees, council members and individuals not necessarily in the employ of the NFVF, including funding advisory panel members.

## **8.3 POLICY**

### **8.3.1 General**

- 8.3.1.1** Employees embarking on local business travel must obtain approval from the relevant line manager. International travel must be approved by the CEO.
- 8.3.1.2** Council members must obtain approval from the Executive Committee and from the Minister of Arts and Culture for any international travel.
- 8.3.1.3** The NFVF may pay for the travel costs of individuals not in the employ of the NFVF. This is solely at the discretion of the NFVF and needs the approval of the CEO.
- 8.3.1.4** All travel bookings, including car hire, will be made by the NFVF.
- 8.3.1.5** The Council, CEO and executive staff will travel on business class. All other employees will travel on economy class unless otherwise approved by the CEO.
- 8.3.1.6** All accommodation will be booked by and paid for by the NFVF. Accommodation will be on a bed-and-breakfast basis and at a hotel/guest lodge determined by the NFVF.
- 8.3.1.7** Any funds (excluding the subsistence allowance) given to the employee/Council members must be fully accounted for with supporting documentation. Any unused funds must be returned to

the NFVF. This must be done within 7 days of the employees/Council members return from his trip.

- 8.3.1.8 Any expenses, which cannot be accounted for, will be borne by the employee/Council member.
- 8.3.1.9 The NFVF does not pay for travel expenses of family of employees and council members including flights and S & T.

## **8.3.2 SUBSISTENCE AND TRAVEL**

### *8.3.2.1 Travel expenditure*

- 8.3.2.1.1 When an employee/Council member travels on business for the NFVF, he does so at the NFVF's expense and by such means as the NFVF may determine.
- 8.3.2.1.2 If an employee wants to use his own vehicle or transport, other than that provided by the NFVF, he must obtain written permission from his line manager. Notwithstanding such permission, the employee uses such transport at his own risk and indemnifies the NFVF from any claim that may arise out of the use of such transport. This stipulation does not apply if an employee is expressly instructed to use a private vehicle on business for the NFVF.
- 8.3.2.1.3 Travel expenditure for private use of vehicles (subject to 3.2.1.2) will be reimbursed by the NFVF at individual rates recommended by the Automobile Association Certificate.
- 8.3.2.1.4 Where the employee/Council member changes travel arrangements, any costs associated with such change will be borne by the employee. This will cover such instances as changes in air tickets.



### *8.3.2.2 Subsistence allowance*

- 8.3.2.2.1 An employee/Council member who travels nationally or internationally on business for the NFVF will receive a subsistence allowance to cover the cost of meals and incidental expenses.
- 8.3.2.2.2 A fixed scale of subsistence allowance shall apply, as determined by the NFVF from time to time.

### *8.3.2.3 Other expenses*

- 8.3.2.3.1 An employee/Council member may claim for actual laundry expenses if he is on business for the NFVF and is away for an excess of three days.
- 8.3.2.3.2 An employee/Council member is entitled to claim the cost of a taxi between the hotel and the airport. Supporting documentation must accompany the claim.
- 8.3.2.3.3 An employee/Council member is entitled to make one telephone call a day to his/her family while away on business for the NFVF. On international trips the duration of the call should not be in excess of ten minutes. All business calls will be paid for by the NFVF. The employee/Council member must provide proof of business calls made.
- 8.3.2.3.4 An employee/Council member may need to entertain guests of the NFVF while away on business for the NFVF. Such costs will be reimbursed to the employee/Council member on submission of documentary proof of such expenditure.
- 8.3.2.3.5 The cost of visas and of obtaining a valid international driver's licence will be borne by the NFVF.

- 8.3.2.3.6 An employee/Council member may claim the cost of garaging their vehicle at the airport while on business for the NFVF. The employee/Council member must provide the NFVF with a receipt from the garage.

### **8.3.3 PROCEDURE**

- 8.3.3.1 Complete the travel requisition form ensuring all fields are completed according to the applicable S & T rate that must be signed by the Head of Department and by the CEO in the case of international travel.
- 8.3.3.2 Proof of approval by the Executive Committee of Council and by the Minister of Arts and Culture must be attached for Council trips.
- 8.3.3.3 A copy of the approved travel requisition must be given to the designated travel co-ordinator and one copy must go to Finance and Administration.
- 8.3.3.4 The travel co-ordinator must make the necessary bookings with the travel agent and complete the order form as per the "Procurement and Payment Policy and Procedure".
- 8.3.3.5 All travel arrangements should be made well in advance so as to take advantage of discounted airfares.
- 8.3.3.6 On return from a business trip, all funds (excluding S&T) must be fully accounted for together with supporting documents and any unused funds returned. This must be done within 7 days of the employee's/Council member's return from the business trip. The onus rests with the employee/Council member to ensure that supporting documentation is kept.
- 8.3.3.7 Any additional expenses, which the employee/Council member intends to claim from the NFVF, must be incurred within 7 days of

the return from the business trip. Supporting documentation must be provided and the expense approved by the relevant line manager.

8.3.3.8 Regular reconciliations must be made of all funds issued to employees.

## **8.4 SUBSISTENCE AND TRAVEL RATES**

This document is subject to the provisions contained in the NFVF's Subsistence and Travel Policy.

### **8.4.1 TRAVEL EXPENDITURE**

#### **8.4.1.1 Rates**

Rate per kilometre for private owned vehicles as determined by AA rates.

### **8.4.2 SUBSISTENCE ALLOWANCES**

All subsistence allowances will be payable to employees and Council members into their bank accounts for travel purposes as per applicable rates for local and international travel.

Any additional directives/amendments by Treasury Regulations will take precedence to the current Subsistence and Travel Policy, where applicable.

#### *Local Travel*

CEO and Chairman	R 250.00 per day
Employees and Council members	R 200.00 per day

#### *International Travel*

CEO, Chairperson and Deputy Chairperson	USD 200.00 per day
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Employees and Council members

USD 150.00 per day

## **9. RELATED PARTY POLICY AND PROCEDURES**

### **9.1 PURPOSE OF THE POLICY**

9.1.1 The purpose of this policy is to outline the identification, treatment, recognition and reporting of related party transactions within the NFVF according to the requirements of the Public Finance Management Act (PFMA) and the Standard of Generally Recognised Accounting Practice – Related Party Disclosures (GRAP 20).

9.1.2 The Accounting Officer will ensure that internal procedures and internal control measures are in place for all related party transactions.

9.1.3 In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

### **9.2 SCOPE OF THE POLICY**

This policy seeks to:

- Ensure that related party transactions are recorded and disclosed accurately and completely in the annual financial statements; and
- Ensure that only valid related party transactions are recorded in the annual financial statements.

The policy must be read together with the NFVF's Conflict of Interest Policy.

### 9.3 DEFINITIONS

For the purpose of this policy, the following terms are defined below:

- 9.3.1 **"Close members of the family of a person"** means those family members who may be expected to influence or be influenced by that person in their dealings with the entity. As a minimum, a person is considered to be a close member of the family of another person if they:
- a. are married or live together in a relationship similar to a marriage; or
  - b. are separated by no more than two degrees of natural or legal consanguinity or affinity; or
  - c. are separated by no more than two degrees of natural or legal consanguinity or affinity.
- 9.3.2 **"Control"** means the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- 9.3.3 **"Joint control"** means the agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).
- 9.3.4 **"Management"** comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.
- 9.3.5 Where they meet this requirement key management personnel include:
- (a) All NFVF Council and sub-committees of Council; and
  - (b) Executive management, including the Chief Executive Officer (or Accounting Officer).

9.3.5 **"A related party"** means a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties in respect of employees and Council members of the NFVF:

- A person or a close member of that person's family is related to the NFVF if that person: [I've used a different bullet format for the sub-bullets]
  - has control or joint control over the NFVF;
  - has significant influence over the NFVF; or
  - is a member of the management of the NFVF or its controlling entity.
- An entity is related to the NFVF if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

9.3.6 **"Related party transaction"** means a transfer of resources, services or obligations between the NFVF and a related party, regardless of whether a price is charged.

9.3.7 **"Significant influence"** means the power to participate in the financial and operating policy decisions of the NFVF but without control over those policies.

## 9.4 POLICY

### 9.4.1 Identifying related party relationships

9.4.1.1 In identifying related party relationships, attention should be given to the substance of a relationship and not merely its legal form.

9.4.1.2 In all its transactions, the NFVF will give consideration as to the nature of the relationship between the parties. Parties are considered to be related if one party has the ability to control (or jointly control) the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

### 9.4.2 Identifying related party transaction (copy and paste)

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions will include outstanding balances, including commitments, between an entity and its related parties

### 9.4.3 Disclosure

The NFVF shall disclose all related party transactions in its annual financial statements in accordance with GRAP 20.

## 9.5 FLOWCHART



## **10. TELEPHONE AND CELLULAR PHONE ALLOWANCES**

### **10.1 PURPOSE**

The purpose of the policy is to outline the rules and guidelines for the use of cellular phones by staff who qualify for a cellphone allowance and the use of landlines in the NFVF's premises.

### **10.2 APPLICATION**

This policy applies to all NFVF staff who receive cellphone allowances whether managers, heads of department, staff wand members of council.

### **10.3 POLICY**



#### 10.3.1 The following principles apply:

- Employees must own their cellular phones and accessories; the NFVF will only provide a cellphone allowance and a data card for laptops and iPad.
- If an employee exceeds his/her allocated monthly telephone allowance, he/she shall be liable for paying the difference.
- A written motivation must be written by the employee and approved by his/her Manager if the exceeded amount was incurred for NFVF business.
- IT will request and circulate monthly departmental reports to all Managers for the purpose of monitoring telephone usage. IT will circulate to line managers all the telephone usage above the applicable limits.

#### 10.3.2 Approval of a cellular phone benefit

- Managers and executive management are entitled to a cellphone benefit that is determined annually and approved by the CEO.
- Employees below these levels who may require a cellphone allowance depending on the nature of their work should motivate in writing to their Line managers, who will then evaluate the need and recommend to the CFO that such an allowance be granted and the applicable rate.
- Records of motivations must be kept by the department for control and auditing purposes.

#### 10.3.3 Cellular phone calls

- The NFVF will cover the expenditure of approved users up to the following maximums:
  - Chief Executive Officer: R1500,00 per month
  - Head of Departments: R1000,00 per month
  - Managers: R1000,00 per month
- If the actual expenditure is higher than the above limits, the user may be reimbursed for the excess subject to the approval of the Line Manager on the presentation of an itemised bill from the cellphone service provider and a motivation signed off the Line Manager.

#### 10.3.4 Management of payments

- Itemised billing will be sent directly to the user, not to the NFVF. If the official calls exceed a user's allowance, the excess may be claimed from the NFVF by filling in form which will be approved by your Manager.
- The approved amounts may be claimed on a monthly basis from the NFVF.
- An invoice from the network service provider must be submitted with the claim.

#### 10.3.5 International Roaming

When employees travel overseas on business, cellular phones should be used in a responsible manner.

Employees are encouraged to use the leased lines that the company provides at times for employees travelling overseas or Skype, WhatsApp calls to mitigate against high costs of international roaming.

## 11. FRAUD PREVENTION PLAN

For the purpose of this policy, the following phrases mean:

<b>PCCA</b>	the Prevention and Combating of Corrupt Activities Act, No.12 of 2004
<b>Protected Disclosures Act</b>	Protected Disclosures Act, No.26 of 2000
<b>DPSA</b>	Department of Public Services
<b>Fraud</b>	The unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another
<b>Theft</b>	The unlawful and intentional misappropriation of another's property or property which is in his/her lawful possession, with the intention to deprive the owner of its right permanently

### **Offences in respect of PCCA:**

The general offence of corruption means directly or indirectly accepting or agreeing to accept any gratification from another person; giving or agreeing 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:

- illegal, dishonest, unauthorized, incomplete, or biased;
- Misuse or selling of information or material acquired;

- Abuse of position of authority; Breach of trust;
- Violation of a legal duty or set of rules;
- Designed to achieve an unjustified result; and
- Any other unauthorized or improper inducement to do or not to do anything;
- Corrupt activities in relation to:
  - Public officials;
  - Foreign public officials;
  - Agents;
  - Judicial officers;
  - Members of the prosecuting authority;
  - Unauthorized gratification received or offered by or to a party o an employment relationship;
  - Witnesses and evidential material during certain proceedings;
  - Contracts;
  - Procuring and withdrawal of tenders;
  - Auctions;
  - Sporting events; and
  - Gambling games or games of chance;

### **Offences in respect of PCCA (cont.)**

Conflicts of interests and other unacceptable conduct e.g.:

- Acquisition of private interests in contract, agreement in or investment in public body;
- Unacceptable conduct relating to witnesses; and
- Intentional interference with, hindering or obstruction of investigation of offence;

- Other offences relating to corrupt activities, viz.:
- Accessory to or after an offence;
- Attempt, conspiracy and inducing another person to commit an offence; and
- Failure to report corrupt transactions
- Fraudulent and corrupt acts may include:
  - Systems issues: where a process/system exists which is prone to abuse by employees, the public or other stakeholders, e.g.: Procurement fraud, e.g. irregular collusion in the awarding of tenders or orders for goods and/or services;
  - Deliberate non-compliance with delegation of authority limits;
  - Collusion in contracts management;
  - Travel and subsistence fraud; and
  - Disclosing confidential or propriety information to outside parties;

### **Offences in respect of PCCA (cont.)**

Financial issues: i.e. where individuals or companies have fraudulently obtained money from the NFVF include the following instances:

- Syndicate fraud, e.g. interception of warrant vouchers;
- Creditors fraud, e.g. diverting payments to incorrect creditors;
- Suppliers submitting invalid invoices or invoicing for work not done;
- Payroll fraud, e.g. creation of "ghost employees";
- Theft of funds; and
- Making a profit from insider knowledge;
- Equipment and resource issues: i.e. where the NFVF's equipment is utilized for personal benefit or stolen, e.g.:

- Theft of assets, e.g. computers, face value forms, etc.; Personal use of resources, e.g. telephones, internet, email; and irregular destruction, removal, or abuse of records (incl intellectual property);
- Other issues: i.e. activities undertaken by employees of the NFVF, which may be against policies or fall below established ethical standards, e.g.: Soliciting gifts or favours from consultants or other suppliers, e.g. acceptance of "kick-backs"; Pursuing private business interests without permission; Nepotism; and Favouritism.

## **11.1 INTRODUCTION**

- 11.1.1 The NFVF Fraud Prevention Plan recognizes basic fraud and corruption prevention measures. The plan is dynamic and it will continuously evolve as the NFVF makes changes and improvements in its drive to promote ethics, as well as to fight fraud and corruption.
- 11.1.2 The plan incorporates principles contained in the Public Sector Anti-Corruption Strategy dated January 2002, endorsed by Cabinet.
- 11.1.3 The potential fraud and corruption risks as is reflected in Evaluating Anti- Fraud Processes and Controls cannot be relied upon as a full spectrum of fraud and corruption risks, but rather as an indication of the type of risks that can occur.
- 11.1.4 The plan does not guarantee the NFVF will not be impacted by incidents of fraud and corruption but is intended to serve as an additional measure to assist in the limitation of fraud and corruption risks with a particular focus on creating awareness and promoting ethical business conduct.
- 11.1.5 A Fraud Hotline has been set up to report fraud and corruption, operated by the Departments of Arts and Culture.

## **11.2 MAIN PRINCIPLES OF THE PLAN**

11.2.1 The main principles of the Plan seek to:

- Create a culture which is intolerant to fraud and corruption;
- Deter fraud and corruption;
- Prevent fraud and corruption which cannot be deterred;
- Detect fraud and corruption;
- Investigate detected fraud and corruption;
- ensure appropriate action against fraudsters and corrupt individuals is taken; and
- Application of relevant sanctions, which include redress in respect of financial losses, criminal charges and disciplinary procedures will apply.

12.2.2 The objectives of the Plan are as follows:

- to encourage a culture within the NFVF all employees, members of the Council and other stakeholders continuously behave ethically in their dealings with, or on behalf of the NFVF;
- to improve accountability, efficiency and effective administration within the NFVF;
- to improve the application of systems, policies, procedures and regulations;
- to change aspects of the NFVF which could facilitate fraud and corruption and allow these to go unnoticed or unreported; and
- to encourage all employees and other stakeholders to strive toward the prevention and detection of fraud and corruption impacting or having the potential to impact the NFVF.

11.2.3 The NFVF has developed the following policies to encourage a good fraud prevention environment:

- Code of Conduct for employees;
- A Council Charter;
- Conflict of Interest policy and annual declaration of conflict by employees and council and a register of gifts
- Systems, policies, procedures, rules and regulations;
- A Disciplinary Code and Procedures
- Sound internal controls to prevent and detect fraud and corruption;
- Physical and information security management;
- An Internal Audit function;
- Ongoing risk assessment and management, which includes systems for fraud and corruption detection;
- Reporting and monitoring of allegations of fraud and corruption;
- A Fraud Policy which includes the policy stance of the NFV to fraud and corruption and steps for the reporting as well as proper resolution of reported and detected incidents and allegations of fraud and corruption;
- Creating awareness amongst employees, the public and other stakeholders (e.g. goods and service providers) through communication and education relating to relevant components of the Plan, the Code and the Fraud Policy; and
- Ongoing maintenance and review of Plan.



## **12 FRAUD POLICY AND RESPONSE PLAN**

### **12.3.1 Background**

- 12.3.1.1 The Fraud Policy and Response Plan stipulates the stance of the NFVF on fraud and corruption by facilitating the development of systems, policies, procedures, rules and regulations of the NFVF aimed at deterring, preventing, detecting, reacting to and reducing the impact of fraud and corruption.

The policy seeks to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

### **12.3.2 Scope of the policy**

- 12.3.2.1 This policy applies to any fraud, involving employees as well as shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the NFVF.
- 12.3.2.2 Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the NFVF.

### **12.3.3 THE POLICY**

- 12.3.3.1 The policy of the NFVF is zero tolerance to fraud and corruption. All fraud and corruption or any suspicious activities will be investigated and followed up by the application of all remedies available within the full extent of the law.
- 12.3.3.2 Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct.
- 12.3.3.3 Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury.
- 12.3.3.4 Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and should be alert for any indication of irregularity.
- 12.3.3.5 Any fraud that is detected must be reported immediately to his or her superior.

#### 12.4.1 Action constituting fraud and corruption

The terms defalcation, misappropriation, and other fiscal wrongdoings refer to, but not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to the Entity
- Forgery or alteration of a cheque, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of company activities

- Disclosing confidential and propriety information to outside parties
- Disclosing to other persons securities activities engaged in or contemplated by the company
- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the Entity
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related inappropriate conduct.

Corrupt activities include:

- Bribery;
- Nepotism and cronyism;
- Conflicts of interest; and
- Economic extortion

Other inappropriate conduct

Suspected improprieties concerning an employee's moral, ethical, or behavioural conduct should be resolved by departmental management and employee relations of Human Resources.

#### *12.4.2 Fraud response plan*

##### **12.4.2.1 What should an employee do if he/she suspects fraud and corruption?**

It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption to their immediate manager.

All managers are responsible for the detection, prevention and investigation of fraud and corruption and must report all incidents and allegations of fraud and corruption.

Should employees wish to report allegations of fraud and corruption anonymously, they can contact the Fraud Hotline or any member of senior management.

12.4.2.2 What should a member of the public or providers of goods and /or services do if they suspect fraud and corruption?

The NFVF encourages members of the public or providers of goods and/or services who suspect fraud and corruption to contact the Fraud Hotline and any member of senior management.

12.4.2.3 How will allegations of fraud and corruption be dealt with by the NFVF?

For issues raised by employees, members of the public or providers of goods and/or services, the action taken by the NFVF will depend on the nature of the concern. The matters raised will be screened and evaluated and may subsequently:

- Be investigated internally; and/or
- Referred to the SAPS or other law enforcement agency.

12.4.2.4 Approach when a crime is uncovered

Once a crime is uncovered it is of paramount importance to implement remedial actions in a structured and transparent manner. The action should be acceptable to shareholders, management and employees. The following actions should be pursued in the event that a crime is uncovered:

12.4.2.5 Any fraud and corruption committed by an employee or any other person will be pursued by thorough investigation and to the full extent of the law, including (where appropriate) consideration of:

- In the case of employees, taking disciplinary action within a reasonable period of time after the incident;
- Instituting civil action to recover losses;
- Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency; and
- Any other appropriate and legal remedy available.

12.4.2.6 Managers are required to ensure that losses or damages suffered by the NFVF as a result of all reported acts committed or omitted by an employee or any other person are recovered from such an employee or other person if he or she is found to be liable for such losses.

12.4.2.7 The responsible manager, with assistance of other relevant managers must also ensure that the following steps are taken with regard to financial misconduct in line with the provisions of the Treasury Regulations to the PFMA:

- In the case of employees, taking disciplinary action within a reasonable period of time after the incident;
- Instituting civil action to recover losses;
- Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency; and
- Any other appropriate and legal remedy available.
- Ensuring that disciplinary proceedings are carried out in accordance with the relevant prescript;
- Ensuring that disciplinary proceedings are instituted within 30 days;
- Advising the executive authority on the outcome of disciplinary proceedings
- Annually submitting to the Auditor General a schedule of:
  - The outcome of any disciplinary hearings and/or criminal charges;

- The names and ranks of officials involved; and
- The sanctions and any further actions taken against these officials.

#### 12.5.1 Confidentiality

12.5.1.1 The NFVF treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify their relevant superior immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

12.5.1.2 Investigation results will not be disclosed or discussed with anyone other than those who have legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the NFVF from potential civil liability.

#### 12.5.2 Create awareness

It is the responsibility of all managers to ensure that all employees are made aware of and receive appropriate training and education with regard to this policy.

#### 12.5.3 Administration

The custodian of this policy is the Chief Executive Officer who is supported in its implementation by all managers of the NFVF.

Executive Management is responsible for the administration, revision and interpretation of this policy. This policy will be reviewed annually and appropriate changes made should these be required.

## **12.6 FRAUD PREVENTION AND DETERRENCE**

### **12.6.1 Introduction**

Fraud can range from unproductive behaviour to misappropriation of assets and fraudulent financial reporting. Material financial statement fraud can have a significant adverse effect on an entity's market value, reputation, and ability to achieve its strategic objectives. A number of highly publicized cases have heightened the awareness of the effects of fraudulent financial reporting and have led many organizations to be more proactive in taking steps to prevent or deter its occurrence. Misappropriation of assets, though often not material to the financial statements, can nonetheless result in substantial losses to an entity if a dishonest employee has the incentive and opportunity to commit fraud.

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties. Therefore, it is important to place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals that they should not commit fraud because of the likelihood of detection and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.

Management has both the responsibility and the means to implement measures to reduce the incidence of fraud. The measures an organization takes to prevent

and deter fraud also can help create a positive workplace environment that can enhance the entity's ability to recruit and retain high-quality employees.

### *12.6.2 Creating a culture of honesty and high ethics*

It is the NFVF's responsibility to create a culture of honesty and high ethics and to clearly communicate acceptable behaviour and expectations of each employee. Such a culture is rooted in a strong set of core values (or value system) that provides the NFVF for employees as to how the NFVF conducts its business.

It also allows the NFVF to develop an ethical framework that covers:

- Fraudulent financial reporting,
- Misappropriation of assets, and
- Corruption as well as other issues.

#### 12.6.2.1 Setting the Tone at the Top

Directors and officers of the NFVF set the "*tone at the top*" for ethical behaviour within any organization. Research in moral development strongly suggests that honesty can best be reinforced when a proper example is set—sometimes referred to as the "*tone at the top*". The NFVF's management cannot act one way and expect others in the NFVF to behave differently.

It is necessary for the NFVF's management to both behave ethically and openly communicate its expectations for ethical behaviour because most employees are not in a position to observe management's actions. Management must show employees through its words and actions that dishonest or unethical behaviour



will not be tolerated, even if the result of the action benefits the NFVF. Moreover, it should be evident that all employees will be treated equally, regardless of their position.

The cornerstone of an effective anti-fraud environment is a culture with a strong value system founded on integrity. This value system is reflected in the NFVF's code of conduct.

#### 12.6.2.2 Creating a Positive Workplace Environment

Research results indicate that wrongdoing occurs less frequently when employees have positive feelings about an entity than when they feel abused, threatened, or ignored. Without a positive workplace environment, there are more opportunities for poor employee morale, which can affect an employee's attitude about committing fraud against the NFVF. Factors that detract from a positive work environment and may increase the risk of fraud include:

- Top management that does not seem to care about or reward appropriate behaviour
- Negative feedback and lack of recognition for job performance
- Perceived inequities in the organization
- Autocratic rather than participative management

- Low organizational loyalty or feelings of ownership
- Unreasonable budget expectations or other financial targets
- Fear of delivering “bad news” to supervisors and/or management
- Less-than-competitive compensation
- Poor training and promotion opportunities
- Lack of clear organizational responsibilities
- Poor communication practices or methods within the organization

12.6.2.3 The NFVF’s human resources department often is instrumental in helping to build a corporate culture and a positive work environment. Human resource professionals are responsible for implementing specific programs and initiatives, consistent with management’s strategies that can help to mitigate many of the detractors mentioned above. Mitigating factors that help create a positive work environment and reduce the risk of fraud may include:

- Recognition and reward systems that are in tandem with goals and results
- Equal employment opportunities
- Team-oriented, collaborative decision-making policies
- Professionally administered compensation programs
- Professionally administered training programs and an organizational priority of career development

12.6.2.4 Employees should be empowered to help create a positive workplace environment and support the entity’s values and code

of conduct. They should be given the opportunity to provide input to the development and updating of the entity's code of conduct, to ensure that it is relevant, clear, and fair. Involving employees in this fashion also may effectively contribute to the oversight of the entity's code of conduct and an environment of ethical behaviour.

12.6.2.5 Employees should be given the means to obtain advice internally before making decisions that appear to have significant legal or ethical implications. They should also be encouraged and given the means to communicate concerns, anonymously if preferred, about potential violations of the entity's code of conduct, without fear of retribution.

#### 12.6.2.6 Hiring and Promoting Appropriate Employees

Each employee has a unique set of values and personal code of ethics. When faced with sufficient pressure and a perceived opportunity, some employees will behave dishonestly rather than face the negative consequences of honest behaviour. The threshold at which dishonest behaviour starts, however, will vary among individuals. If the NFVF is to be successful in preventing fraud, it must have effective policies that minimize the chance of hiring or promoting individuals with low levels of honesty, especially for positions of trust.

Proactive hiring and promotion procedures will include:

- Conducting background investigations on individuals being considered for employment or for promotion to a position of trust;
- Thoroughly checking a candidate's education, employment history, and personal references;
- Periodic training of all employees about the entity's values and code of conduct;
- Incorporating into regular performance reviews an evaluation of how each individual has contributed to creating an appropriate workplace environment in line with the entity's values and code of conduct; and
- Continuous objective evaluation of compliance with the NFVF's values and code of conduct, with violations being addressed immediately.

## **12.7 Training**

12.7.1 New employees should be trained at the time of hiring about the entity's values and its code of conduct. This training should explicitly cover expectations of all employees regarding

- their duty to communicate certain matters;
- a list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and
- Information on how to communicate those matters.

There should also be an affirmation from senior management regarding employee expectations and communication responsibilities. Such training should include an element of "fraud

awareness,” the tone of which should be positive but nonetheless stress that fraud can be costly (and detrimental in other ways) to the entity and its employees.

- 12.7.2 In addition to training at the time of hiring, employees should receive refresher training periodically thereafter. Some organizations may consider ongoing training for certain positions, such as purchasing agents or employees with financial reporting responsibilities. Training should be specific to an employee’s level within the NFVF, geographic location, and assigned responsibilities.
- 12.7.3 Compliance letter and Conflict of Interest Questionnaire
- 12.7.4 Management needs to clearly articulate that all employees will be held accountable to act within the NFVF’s code of conduct. All employees within senior management and the finance function, as well as other employees in areas that might be exposed to unethical behaviour should be required to sign a code of conduct statement annually, and complete and sign the Conflict of Interest Questionnaire. If the employees’ circumstances change at any time, a new Conflict of Interest Questionnaire or letter of explanation must be completed.
- 12.7.5 Requiring periodic confirmation by employees of their responsibilities will not only reinforce the policy but may also deter individuals from committing fraud and other violations and might identify problems before they become significant. Such confirmation may include statements that the individual understands the NFVF’s expectations, has complied with the code of conduct, and is not aware of any violations of the code of conduct other than those the individual lists in his or her response.

#### 12.7.6 Discipline

The following actions will be taken in response to an alleged incident of fraud:

- A thorough investigation of the incident will be conducted.
- Appropriate and consistent actions will be taken against violators.
- Relevant controls will be assessed and improved.
- Communication and training will occur to reinforce the NFVF's values, code of conduct, and expectations.

Expectations about the consequences of committing fraud must be clearly communicated throughout the NFVF. Dishonest actions will not be tolerated, and violators may be terminated and referred to the appropriate authorities.

### **12.8 CREATING AWARENESS**

#### 12.8.1 Education

The creating of awareness amongst employees is intended to address the following issues:

- Informing employees on an ongoing basis on what constitutes fraud and corruption;
- Promote the departmental and national policies that must be adhered to, including the values and principles of public administration as contained in the Constitution and standards of professional conduct;

- Informing employees of fraud and corruption risks to enable understanding of specific risks to which the NFVF may be exposed, thus enhancing the prospect of detecting irregularities earlier;
- Encouraging employees to blow the whistle on fraud and corruption;
- Employee awareness of the current legislative framework as it relates to fraud and corruption, and their obligations and rights should they blow the whistle on fraud and corruption, the nature of the witness protection system and the roles and responsibilities of existing anti-corruption institutions; and
- Inform employees of their obligations and rights in terms of the Access to Information and Promotion of Administrative Justice Acts.

## 12.8.2 Communication

12.8.2.1 The objective of the communication approaches is to also create awareness amongst employees, the public and other stakeholders, of the Plan in order to facilitate a culture where all stakeholders strive to contribute toward making the Plan a success as well as for the sustaining of a positive, ethical culture within the NFVF. This will increase the prospect of fraud and corruption being reported and improve the NFVF's prevention and detection ability.

12.8.2.2 Communication strategies that will be considered by the NFVF include the following:

- Posters, newsletters, pamphlets and other publications to advertise the Code and the Fraud Policy, aimed at employees, the public and other stakeholders;

- Screensavers on computers with appropriate anti-fraud, anti-corruption and pro-ethics messages;
- Attachments to tender invitation documents relating to the NFVF's stance to fraud and corruption, where such irregularities can be reported and the actions which will be considered;
- Appropriate attachments to offers of employment and inclusion of appropriate items in induction and training programmes;
- Prudent terms in contracts signed with providers of goods and/or services relating to offering of gifts to employees of the NFVF;
- Ensuring that Fraud and corruption prevention is a fixed agenda item in management and Audit Committee meetings;
- Signing of declarations of commitment by all employees to the Plan;
- Endorsements of correspondence directed at providers of goods and/or services with anti-fraud, anti-corruption and pro-ethics messages; and
- Publishing the Plan and successes in its implementation in the Annual Report of the NFVF.

## **12.9 INTERNAL REPORTING FRAMEWORK**

### **12.9.1 Reporting Framework**

The reporting framework consists of:

- Internal reporting structure to facilitate prevention and detection of fraud and corruption;
- External reporting to government agencies of evidence of



illegal acts or suspected corruption as required by law and as a preventative measure; and

- Publicity of outcomes as a deterrent where inquiries and investigations find fraud and/or corruption has occurred.

#### *12.9.1.1 Internal Reporting Structure*

We all have a responsibility to report suspected fraud and/or corruption to our supervisors. We must be able to provide reasonable grounds for the suspicion. All supervisors have a duty to address the issue raised and let you know the action they have taken.

Experience suggests that many suspicions are easily resolved through explanation and are often the result of misinformation, misunderstanding or error. In other instances, inappropriate conduct or administrative breakdowns can be revealed as the result of a staff member's initiative. This provides an opportunity for corrective or clarifying measures to be taken locally or by the NFVF as a whole. This action could include re-issuing established guidelines, developing new or better procedures, improving checking and documentation requirements, staff training etc.

For more serious issues, formal counselling, warning or some other staff disciplinary action, in terms of the PFMA, may be warranted. In these instances the matter must be referred elsewhere within the NFVF in accordance with this strategy.

It is important to understand that confidentiality will be a necessary part of any inquiry or investigation both to protect the staff member making the report and to protect the reputation of innocent people. Confidentiality cannot be completely guaranteed

in every circumstance. Principles of natural justice and procedural fairness may require disclosure of the original report. In some situations, the NFVF has obligations to inform other agencies.

12.9.1.2 In terms of Section 34(2) of PCCA, any person who holds a position of authority and who knows or ought to reasonably to have known or suspected that any other person has committed an offence 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.

Where evidence is assessed as giving a reasonable belief that a serious criminal offence has occurred, the Chief Executive is compelled by S 316 of the Crimes Act to forward the necessary information for further investigation and/or prosecution to:

- South African Police Services and/or
- the Director of Public Prosecutions

Where financial discrepancies of serious proportions are uncovered, the Chief Executive is required under the Public Finance and Audit Act to report, and will report, the information to the Auditor-General.

Where information from inquiries or investigation into fraud or corruption is assessed as appropriate for reporting to any other

relevant agency, the Chief Executive will forward that information.

Where dismissal or other serious disciplinary action is taken (under the Public Sector Management Act 1988 and Regulations) and restitution is assessed as appropriate, the Chief Executive will authorise commencement of legal proceedings for recovery.

#### 12.9.1.3 Publishing Outcomes

As part of our preventative and awareness measures, we at the NFVF will publish the outcome of every investigation, where fraud and corruption is found to have occurred, by:

- Outlining fraud and corruption instances in staff newsletters; and
- Insertion of an appropriate passage in the Annual Report.

These reports will include announcement of the NFVF's response to identified fraud and corruption situations and will mention the outcome including amendments to internal controls and whatever economies and/or improvements to performance are achieved as a result of improved fraud control and corruption prevention measures.

Any published statement will be couched in terms that are mindful of:

- legal circumstances, both criminal and civil, surrounding each case; and

- both the NFVF's and any affected individual's civil rights, obligations and/or expectations.

## **12.10 REPORTING AND MONITORING**

12.10.1 The NFVF has recognized the fact that whistle blowers could be victimized by fellow employees or managers in contravention of the Protected Disclosures Act, without management being aware of this. This could have severe negative implications for the NFVF, for example, negative media publicity.

12.10.1.1 The NFVF has access to the National Hotline implemented by the Department of Arts and Culture intended to achieve the following:

- To deter fraudsters and corrupt individuals by making all employees and other stakeholders aware that the NFVF is not a soft target, as well as encouraging the participation of employees in supporting, and making use of this facility;
- To raise the level of awareness that the NFVF is serious about fraud and corruption;
- To detect incidents of fraud and corruption by encouraging whistle blowers to report incidents which they witness;
- To assist the NFVF in managing the requirements of the Protected Disclosures Act by creating an additional channel through which whistle blowers can report irregularities which they witness or which come to their attention; and
- To further assist the NFVF in identifying areas of fraud and corruption risk in order to preventive and detective controls can be appropriately improved or developed.

- 12.10.2 The NFVF will report on the performance of its minimum anti-corruption capacity as part of its annual report.
- 12.10.3 Management will report to the Audit Committee with the following minimum information on a regular basis:
- 12.10.3.1 Number of allegations of corruption received and corruption cases detected;
- 12.10.3.2 Number of allegations and cases referred to in 12.10.3.1 above that were:
- Investigated
  - Handled in terms of disciplinary procedure;
  - Referred to law enforcement agency or other body;

## **12.11 PROTECTED DISCLOSURES**

- 12.11.1 We at NFVF recognise the value and importance of staff contributions to enhance administrative and management practices and will not tolerate corrupt conduct, maladministration or serious and substantial waste of public money.
- 12.11.2 We will strongly support every staff member who makes disclosures where corrupt conduct, maladministration; or serious and substantial waste of public money is concerned.
- 12.11.3 We will take all reasonable steps to provide protection to staff, who make disclosures, from any detrimental action or reprisal provided the disclosure has been made in good faith.

12.11.4 To be protected by the Act, a disclosure must be made voluntarily by a public official to:

- an investigating authority (such as the public protector or the Auditor-General), or
- the Chief Executive Officer, or
- any General Manager, including Audit Committee members.

12.11.1.5 This strategy is intended to complement normal communication channels between supervisors and staff. All staff members are encouraged to continue to raise appropriate matters with their supervisors.

12.11.1.6 What disclosures are protected?

12.11.1.6.1 Disclosures is protected under the Act if they are made voluntarily:

- in accordance with the *Protected disclosure act*
- to one of the investigating authorities nominated in the Act;

**AND**

12.11.1.6.2 Show or tend to show corrupt conduct, maladministration, or serious and substantial waste of public money by the NFVF or any of its staff.

12.11.1.6.3 What disclosures are not protected?

12.11.7 Protection is not available for disclosures which:

- are made frivolously or veraciously;
- primarily question the merits of government policy; or
- are made solely or substantially with the motive of avoiding dismissal or other disciplinary action.

12.11.7.1 It is a punishable offence to wilfully make a false or misleading statement when making a disclosure.

## **12.12 ROLES AND RESPONSIBILITIES**

The NFVF management is responsible for internal control including fraud control and corruption prevention. Everyone in the NFVF has a responsibility to keep the NFVF free of fraud and corruption. We will achieve this by:

- Maintaining the highest standard of personal and professional ethics in accordance with our Code of Conduct;
- Maintaining our awareness of the potential for fraud and corruption; and
- By promptly reporting any instances of it to our supervisors and/or nominated officers who all have a duty to properly deal with the information.

### *12.12.1 Management*

Roles and responsibilities of management are defined as follows:

Members of management in the NFVF shall be familiar with the content of the Fraud Prevention Plan and the types of improprieties that could occur within their areas of responsibility and shall be alert for any indication of irregularity.

- Members of management are responsible for establishing and implementing internal controls that will detect defalcation, misappropriation, and other irregularities.
- Members of management shall also be responsible for implementing required procedures to assure the safety and security of the NFVF's assets, revenue, and financial data.
- Any irregularity that is detected or suspected by any staff member shall be reported immediately.

#### *12.12.2 All Employees*

Roles and responsibilities of employees are defined as follows:

Any employee who has knowledge of an occurrence of employee dishonesty, theft, or fraud, or has reason to suspect that an event has occurred, shall notify his or her immediate supervisor.

- Should there be reason to believe that his or her immediate supervisor may be involved; the employee will notify his or her supervisor's supervisor, manager or department head.
- Every employee shall cooperate with investigations pursuant to this Plan.
- The employee shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than his or her supervisor, manager or departmental head, or the officials conducting the investigation. Allegations will be treated with the highest degree of sensitivity and confidentiality.



## RESPONSIBILITY MATRIX

Action Required	Internal Audit	Finance / Accounting	Executive Mgmt	Line Mgmt	Public Relations	Employee Relations	Fraud Consultant
1. Controls to Prevent Fraud	S	S	SR	SR	S	S	S
2. Incident Reporting	S	S	S	S	S	S	P
3. Investigation of Fraud	S					S	P
4. Referrals to Law Enforcement			S				P
5. Recoveries of Moneys due to Fraud			S				P
6. Recommendations to Prevent Fraud	SR	S	S	S	S	S	SR
7. Internal Control Review	P						
8. Handle Cases of a Sensitive Nature	S		S			S	P
9. Publicity/Press Releases	S				P		S
10. Civil Litigation	S						S
11. Corrective Action/Recommendations to	SR		S	SR			SR

Prevent Recurrences							
12. Monitor Recoveries		P					S
13. Pro-active Fraud Auditing	P						S
14. Fraud Education/Training	S			S	S		P
15. Risk Analysis of Areas of Vulnerability	S			P			S
16. Case Analysis	S						P
17. Hotline	S						P

**P (Primary Responsibility)**

**S (Secondary Responsibility)**

**SR (Shared Responsibility)**

## **12.13 EVALUATING ANTI-FRAUD PROCESSES AND CONTROL**

### **12.13.1 Introduction**

#### **12.13.1.1 The Process**

The fraud risk identification and assessment is, for the most part, much the same as for the identification and assessment of other areas of business risk. The key steps are as follows:

- Identify and assess the fraud risks;
- Evaluate mitigating controls;
- Define the 'gap' or residual risk and prioritize these;
- Determine what additional controls or control improvements are required to eliminate or minimize the threats.

#### **12.13.1.2 Benchmarking your Fraud Risk Profile**

#### **12.13.1.3 A fraud risk profile benchmarking process:**

- Focuses both on financial control and other factors;
- Is a self-assessment process;
- Enables you to assess your susceptibility;
- Is a by-product of risk assessment
- Provides a rational score;
- Measure the entity against others and itself over time;
- Provides a basis for assessing changes in risk profile over time.

12.13.1.4 A world-class benchmarking process should take into account the drivers of fraud for at least the following ten areas of an organization:

- Employee characteristics;
- Financial relationships;
- Financing characters;
- Cultural characteristics;
- Organizational characteristics;
- Management characteristics;
- Control characteristics
- Systems controls
- Business and market characteristics.

#### **12.13.2 Identifying and measuring fraud risk**

12.13.2.1 Management has primary responsibility for establishing and monitoring all aspects of the NFVF's fraud risk-assessment and prevention activities. Fraud risks often are considered as part of an enterprise-wide risk management program, though they may be addressed separately.

12.13.2.2 The fraud risk-assessment process should consider the vulnerability of the NFVF to fraudulent activity (fraudulent financial reporting, misappropriation of assets, and corruption) and whether any of those exposures could result in a material misstatement of the financial statements or material loss to the organization.

12.13.2.3 In identifying fraud risks, organizations should consider organizational, industry, and country-specific characteristics that influence the risk of fraud.

12.13.2.4 Management should recognize that fraud can occur in an organization of any type or size, and that almost any employee may be capable of committing fraud given the right set of circumstances. Accordingly, management should develop a heightened “fraud awareness” and an appropriate fraud risk-management program, with oversight from the board of directors or audit committee.

### 12.13.3 Mitigating fraud risks

It may be possible to reduce or eliminate certain fraud risks by making changes to the NFVF’s activities and processes. The NFVF may choose to sell certain segments of its operations, cease doing business in certain locations, and reorganize its business processes to eliminate unacceptable risks.

The following examples illustrate ways of eliminating unacceptable fraud risks:

- The risk of misappropriation of funds may be reduced by implementing a central lockbox at a bank to receive payments instead of receiving money at the entity’s various locations.
- The risk of corruption may be reduced by closely monitoring the NFVF’s procurement process.

- The risk of financial statement fraud may be reduced by implementing shared services centres to provide accounting services to multiple segments, affiliates, or geographic locations of the NFVF's operations.

A shared services centre may be less vulnerable to influence by local operations managers and may be able to implement more extensive fraud detection measures cost-effectively.

#### **12.14 EXAMPLES OF FRAUD/CORRUPTION PREVENTION CONTROLS**

The following are some examples for guidance.

To Reduce or Control Likelihood:

- Increase supervision (more frequent and/or closer scrutiny)
- Segregate incompatible duties (e.g.: issuing sales invoices and banking receipts)
- Require an authorisation check
- Monitor with regular reporting (verbal or written as appropriate)
- Regular review of processes
- Properly document procedures
- Include inspection and process controls
- Checklists as reminders
- Testing and sampling for reliability and accuracy
- Audit and compliance programs
- Reshape contract conditions
- Include structured training and other education programs
- Formal reviews of requirements, specifications and operations
- Project management with comparison against plans

- Quality assurance, management and standards
- Rotating staff and shifts where feasible and economical
- Improving physical security of all premises
- creation of climate that promotes ethical behaviour
- management encourages sound working practices
- enforcement of disciplinary guidelines
- setting standards of conduct for suppliers and contractors
- immediate action on internal/external audit reports to rectify control weaknesses
- strong internal review/audit presence
- setting achievable targets and budgets and stringently review results
- review of large and unusual payments
- querying mutilation of cheque stubs or cancelled cheques
- performing test checking, confirmation and verification procedures
- regularly reviewing accounting and administrative controls
- ensuring staff in high risk areas take regular leave
- ensuring all expenditure is authorised before delivery
- taking swift and decisive action on all fraud/corruption situations
- ensuring staff are fully aware of their rights and obligations in all matters that relate to this strategy document

## **12.16 CONFIDENTIAL INFORMATION AND PRIVACY OF COMMUNICATIONS**

### **12.16.1 Confidential Information**

Confidential information includes all information, whether technical, business, financial, or otherwise concerning the NFVF, which the NFVF treats as confidential or secret and/or which is not available or is not made available publicly. It also includes any private information of, or relating to, customer records, fellow employees, other persons or other companies, and national security information obtained by virtue of the employee's position. The obligation exists during and continues after employment with the NFVF.

#### Examples of ineffective controls and poor internal control practices

- Supervisors not communicating adequately
- Exercising authority and delegations without checking documentation
- Signing blank forms in advance of use
- Signing off documents without checking for accuracy and reasonableness

#### *12.16.2 Implementing and monitoring appropriate Internal Controls*

12.16.2.1 Some risks are inherent in the environment of the NFVF, but most can be addressed with an appropriate system of internal control. Once fraud risk assessment has taken place, the NFVF can identify the processes, controls, and other procedures that are needed to mitigate the identified risks. Effective internal control will include a well-developed control environment, an effective and secure information system, and appropriate control and monitoring activities.



- 12.16.2.2 Because of the importance of information technology in supporting operations and the processing of transactions, the NFVF management also needs to implement and maintain appropriate controls, whether automated or manual, over computer-generated information.
- 12.16.2.3 In particular, the NFVF management should evaluate whether appropriate internal controls have been implemented in any areas management has identified as posing a higher risk of fraudulent activity, as well as controls over the NFVF's financial reporting process. Because fraudulent financial reporting may begin in an interim period, management also should evaluate the appropriateness of internal controls over interim financial reporting.
- 12.16.2.4 Fraudulent financial reporting by upper-level management typically involves override of internal controls within the financial reporting process. Because management has the ability to override controls, or to influence others to perpetrate or conceal fraud, the need for a strong value system and a culture of ethical financial reporting becomes increasingly important. This helps create an environment in which other employees will decline to participate in committing a fraud and will use established communication procedures to report any requests to commit wrongdoing. The potential for management override also increases the need for appropriate oversight measures by the Board or Audit Committee

12.16.2.5 Fraudulent financial reporting by lower levels of management and employees may be deterred or detected by appropriate monitoring controls, such as having higher-level managers review and evaluate the financial results reported by individual operating units. Unusual fluctuations in results of particular reporting units or the lack of expected fluctuations may indicate potential manipulation by departmental or operating unit managers or staff.

#### *12.17.1 PRACTICAL GUIDE TO RISK MANAGEMENT*

- Step 1** Identify all fluctuations and tasks from the function to be assessed. Briefly document them.
  
- Step 2** Identify the threat of fraud or corruption and briefly document it next to the function or task separating internal threats from external threats.
  
- Step 3** Identify and briefly list the main controls that mitigate or annul each threat
  
- Step 4** Measure the threat (after considering the controls) in accordance with a recognized risk matrix.
  
- Step 5** Determine the level of risk and rank them according to high, medium or low.
  
- Step 6** Develop an action plan that prioritizes risks for further action to reduce/control risks that are too high and /or are unacceptable. Staff, contractors and suppliers who are affected by the risk

management action plans should be made aware of the risk treatment action. In most cases, senior management should endorse the action plans.

## *12.16.2 COMPANY ASSETS*

### 12.16.2.1 Cash and Bank Accounts

All cash and bank account transactions must be handled so as to avoid any question or suspicion of impropriety. All cash transactions must be recorded in the NFVF's books of account.

All accounts of NFVF funds, except authorised "imprest" funds, shall be established and maintained in the name of the NFVF and may be opened or closed only on the authority of the NFVF's Executives.

Imprest funds must be maintained in the name of the custodian and the custodian is wholly responsible for these funds. All cash received shall be promptly recorded and deposited in a NFVF bank account.

No funds shall be maintained in the form of cash, except authorized petty cash, and no NFVF shall maintain an anonymous (numbered) account at any bank.

Payments into numbered bank accounts by the NFVF may leave the NFVF open to suspicion of participation in a possibly improper transaction. Therefore, no disbursements of any nature may be made into numbered bank accounts or other accounts not clearly identified to the NFVF as to their ownership.

No payments may be made in cash (currency) other than regular, approved cash payrolls and normal disbursements from petty cash supported by signed receipts or other appropriate documentation. Further, corporate checks shall not be written to "cash," "bearer" or similar designations.

#### 12.16.2.2 Company Assets and Transactions

Compliance with prescribed accounting procedures is required at all times. Employees having control over NFVF assets and transactions are expected to handle them with the strictest integrity and ensure that all transactions are executed in accordance with management's authorization.

All transactions shall be accurately and fairly recorded in reasonable detail in the NFVF's accounting records.

Employees are personally accountable for NFVF funds over which they have control.

Employees who spend NFVF funds should insure the NFVF receives good value in return and must maintain accurate records of such expenditures.

Employees who approve or certify the correctness of a bill or voucher should know that the purchase and amount are proper and correct.

Obtaining or creating "false" invoices or other misleading documentation or the invention or use of fictitious sales, purchases, services, loans, entities or other financial arrangements is prohibited.

Employees must pay for personal telephone calls and use, except to the extent specifically defined benefit programs or allowances provide otherwise.

#### 12.16.2.2 Expense Reimbursement

Expenses actually incurred by an employee in performing NFVF business must be documented on expense reports in accordance with NFVF procedures.

In preparing expense reports, employees should review these procedures for the documentation which must be submitted in order to be reimbursed for business expenses.

#### 12.16.2.3 Company Credit Cards

The NFVF's credit cards are provided to employees for convenience in conducting NFVF business.

No personal expenses may be charged on NFVF credit cards except as specifically authorized by NFVF procedures.

Any charged personal expenses must be paid promptly by the employee. NFVF credit cards should not be used to avoid preparing documentation for direct payment to vendors. Where allowed by

local law, charges on NFVF credit cards for which a properly approved expense report has not been received at the time of an employee's termination of employment may be deducted from the employee's last pay check.

The NFVF will pursue repayment by the employee of any amounts it has to pay on the employee's behalf.