

**Umsobomvu Municipality**  
Continuously Rising

# **FRAUD PREVENTION AND WHISTLE BLOWING POLICY**

## **(Including Anti-Fraud & Corruption)**

## Anti-fraud and corruption statement

Umsobomvu Municipality is **committed** to:

- *Develop a workforce culture of zero tolerance to fraud, corruption, theft and financial misconduct.*
- *Prevent fraud, corruption, theft and financial misconduct.*
- *Limit the opportunities for fraud, corruption, theft and financial misconduct to the lowest possible level of risk.*
- *Investigate and report all fraud, corruption, theft and financial misconduct allegations.*
- *Institute legal action against officials and third involved in fraud, corruption, theft and financial misconduct.*

ORIGINAL

## Table of Contents

<b>1. DEFINITIONS</b>	<b>5</b>
<b>2. LEGAL FRAMEWORK</b>	<b>8</b>
<b>3. INTRODUCTION</b>	<b>10</b>
<b>4. OBJECTIVES</b>	<b>10</b>
<b>5. SCOPE OF THE POLICY</b>	<b>11</b>
<b>6. THE ULM'S RESPONSIBILITIES</b>	<b>11</b>
6.1 COUNCIL	12
6.2 THE EXECUTIVE MAYOR, IN CONSULTATION WITH THE ACCOUNTING OFFICER, ULM MANAGER...	12
6.3 COUNCILLORS	13
6.4 AUDIT, PERFORMANCE AND RISK COMMITTEE	13
6.5 LINE MANAGER'S RESPONSIBILITIES	13
6.6 INTERNAL AUDIT	14
6.7 STAFF RESPONSIBILITIES	15
6.8 SUPPLIERS, CONTRACTORS, CONSULTANTS AND THE COMMUNITY RESPONSIBILITIES	16
<b>7. AN ETHICAL CULTURE</b>	<b>16</b>
<b>8. DISCLOSURE OF INTERESTS</b>	<b>17</b>
<b>9. GIFT POLICY</b>	<b>17</b>
<b>10. INVESTIGATION</b>	<b>17</b>
10.1 ANTI-FRAUD PROGRAMMES	18
10.2 INVESTIGATOR	18
<b>11. DISCIPLINARY ACTION</b>	<b>18</b>
<b>12. FRAUD PREVENTION AND RESPONSE PLAN</b>	<b>19</b>
12.1 FORMAL REPORTING STAGE	19
12.2 RESPONDING EFFECTIVELY TO FRAUD WHEN IT OCCURS	20
12.3 POST EVENT ACTION	23
12.4 COMMUNICATION	23
<b>13. REPORTING ARRANGEMENTS</b>	<b>23</b>
<b>14. WHISTLE BLOWING</b>	<b>25</b>

14.1	THE PURPOSE OF WHITLE BLOWING .....	25
14.2	ITS APPLICATION .....	25
14.3	PROTECTION OF WHISTLE BLOWERS .....	26
14.4	WHO CAN RAISE A CONCERN? .....	26
14.5	HOW CAN THE CONCERN BE RAISED? .....	27
14.6	HOW ULM WILL HANDLE THE MATTER? .....	27
14.7	CONFIDENTIALITY .....	27
15.	<b>HARASSMENT OR VICTIMISATION</b> .....	<b>28</b>
16.	<b>CONFIDENTIALITY</b> .....	<b>28</b>
17.	<b>ANONYMOUS ALLEGATIONS</b> .....	<b>28</b>
18.	<b>FALSE ALLEGATIONS</b> .....	<b>28</b>
19.	<b>CONFLICT OF INTEREST</b> .....	<b>28</b>
20.	<b>APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS</b> .....	<b>29</b>
21.	<b>TRAINING, EDUCATION AND AWARENESS</b> .....	<b>29</b>
22.	<b>ADMINISTRATION</b> .....	<b>29</b>
22.1	COMPOSITION OF THE COMMITTEE .....	30
22.2	RESPONSIBILITIES OF THE COMMITTEE .....	30
23.	<b>CONCLUSION</b> .....	<b>31</b>
24.	<b>EFFECTIVE DATE</b> .....	<b>31</b>
25.	<b>APPENDIX I</b> .....	<b>32</b>
26.	<b>APPENDIX II</b> .....	<b>33</b>
27.	<b>APPENDIX III</b> .....	<b>34</b>

## 1. DEFINITIONS

“**ULM**” means the **Umsobomvu Municipality**, and when referred to as:

- a) A municipal, has the meaning assigned to it section 1 of the Municipal Systems Act, and
- b) A geographic area means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998).

“**Accounting Officer**” means the person who is appointed by the Council as the head of the administration and accounting officer for the municipality in accordance with section 55 of the Municipal Systems Act, 2000 (Act 32 of 2000 and Section 60 of the Municipal Finance Management Act, 2003, Act 56 of 2003).

“**CFO**” means the Chief Financial Officer of the municipality.

“**Code of conduct for councillors**” means the Code of Conduct for Councillors contained in Schedule 1 of the Local Government Municipal Systems Act 32 of 2000.

“**Code of conduct for municipal staff members**” means the Code of Conduct for employees contained in Schedule 2 of the Local Government Municipal Systems Act 32 of 2000.

“**Constitution**” means the Constitution of the Republic of South Africa 108 of 1996.

“**Corporate governance**” means aligning, as nearly as possible and in a fair, transparent, accountable manner, the interests of the political structures and administration of the municipality with those of the community (residents, ratepayers and the various other groups involved in the municipality’s affairs).

“**Corruption**” is defined according to the Prevention and Combating of Corrupt Activities, Act No 12 of 2004 of South Africa.

Any person who, directly or indirectly –

- (a) Accepts or agrees or offers to accept any gratification (see definition of gratification) from any other person, whether for the benefit of himself or herself or for the benefit of another person; or
- (b) Gives or agrees or offers to give to any other person any gratification, whether for the benefit of that other person or for the benefit of another person, in order to act, personally or by influencing another person so to act, in a manner –
  - (i) that amounts to the –
    - (aa) illegal, dishonest, unauthorised, incomplete, or biased; or

- (bb) misuse or selling of information or material acquired in the course of the, exercise, carrying out or performance of any powers, duties or functions arising out of a constitutional statutory, contractual or any other legal obligation;
- (ii) that amounts to –
  - (aa) the abuse of a position of authority;
  - (bb) a breach of trust; or
  - (cc) the violation of a legal duty or a set of rules;
- (iii) designed to achieve an unjustified result; or
- (iv) that amounts to any other unauthorised or improper inducement to do or not to do anything.

**“Council”** means the Municipal Council of the **Umsobomvu Municipality** its legal successors in title and its delegates.

**“Councillor”** means a councillor of the municipal council of the municipality.

**“Fraud”** is defined according to the common law of South Africa, and is summarised for ease of reference as: Any unlawful act of omission by which a misrepresentation is made with the intention to defraud which causes actual prejudice or which is potentially prejudicial to another, whether or not there is personal benefit to the perpetrator.

**“Gratification”** includes –

- (a) money, whether in cash or otherwise;
- (b) any donation, gift, loan, fee, reward, valuable security, property or interest in property of any description, whether movable or immovable, or any other similar advantage;
- (c) the avoidance of a loss, liability, penalty, forfeiture, punishment or other disadvantage;
- (d) any office, status, honour, employment, contract of employment or services, any agreement to give employment or render services in any capacity and residential or holiday accommodation.
- (e) any payment, release, discharge or liquidation of any loan obligation or other liability, whether in whole or in part;
- (f) any forbearance to demand any money or money’s worth or valuable thing;
- (g) any other service or favour or advantage or any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted, and includes the exercise or the forbearance from the exercise of any right or any official power of duty;
- (h) any right or privilege;
- (i) any real or pretended aid, vote, consent, influence or abstention from voting; or
- (j) any valuable consideration or benefit of any kind, including any discount, commission, rebate, bonus deduction or percentage.

**“Line management”** means any staff member in reporting levels 1 to 4 and includes all the staff members that exercise a management or supervisory function, including top management.

**“MPAC”** means the Standing Committee on Public Accounts, a Committee established to in order to ensure political accountability and legislative accountability oversight of the municipality’s accounts.

**“Financial misconduct”** is the legal term that refers to a failure by a government organization, agency, or entity to carry out its duties and responsibilities properly and fully. Public financial misconduct may be unintentional or intentional. It may stem from inefficiency or waste, clerical errors or mistakes, incompetence, negligence, or carelessness. On the other hand, bureaucratic corruption in the form of bribes, kickbacks, bartering for favour, illegal activity, or misappropriation of public resources for personal use constitutes intentional financial misconduct.

**“Political office bearer”** in relation to the municipality, means the executive Mayor and the Speaker elected by the Council to such a post or position in accordance with the provisions of the Structures Act.

**-Risk management** is the responsibility of the accounting officer. The task may be delegated.

**“Staff”** means the Council, Political Office Bearers and the other employees of the **Umsobomvu Municipality**.

In this document, unless the context otherwise indicates, words and expressions denoting:

- The singular shall include the plural and vice versa;
- The male sex shall include the female sex and vice versa; and
- A reference to a natural person shall include a legal person and vice versa.

**“Theft”** is defined according to the common law of South Africa, and is summarised for ease of reference as: –The unlawful misappropriation of movable property or money with the intention to permanently deprive the owner of his/her property.

**“Top management”** means the accounting officer, Directors and senior managers, who serve together, as the administration management.

## **2. LEGAL FRAMEWORK**

The object of the legal framework is to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements for—

- ensuring transparency, accountability and appropriate lines of responsibility
- in the fiscal and financial affairs of municipalities and municipal entities;
- the management of their revenues, expenditures, assets and liabilities and the
- handling of their financial dealings;
- budgetary and financial planning processes and the co-ordination of those
- processes with the processes of organs of state in other spheres of government;
- borrowing;
- the handling of financial problems in municipalities;
- supply chain management; and
- other financial matters.

The following legislation and policies, amongst others, have been considered:

- Access to information Act, no 2 of 2000
- Administration of Justice Act, no 3 of 2000
- Basic Conditions of Employment Act 75 of 1997
- Basic Conditions of Employment Amendment Act 11 of 2002
- Bills of Exchange Amendment Act 56 of 2000
- Code of conduct for the Public Service Competition Act 89 of 1998
- Constitution Chapter 2
- Competition Amendment Act 35 of 1999
- Counterfeit Goods Act 37 of 1997
- Criminal Procedure Act 51 of 1977
- Debt Collectors Act 114 of 1998
- Electronic Communications and Transactions Act 25 of 2002
- Extradition Amendment Act 77 of 1996
- Financial Intelligence Centre Act 38 of 2001
- Insider Trading Act 135 of 1998
- Interception and Monitoring Prohibition Amendment Act, 1995
- International Co-operation in Criminal Matters Act, 1996



- Investigation of Serious Economic Offences Amendment Act 46 of 1995
- National Prosecuting Authority Act 32 of 1998
- National Prosecuting Authority Amendment Act 61 of 2000
- Prevention and Combating of Corrupt Activities Act 12 of 2004
- Prevention of Organised Crime Act 121 of 1998
- Prevention of Organised Crime Amendment Act 24 of 1999
- Prevention of Organised Crime Second Amendment Act 38 of 1999
- Private Security Industry Regulation Act 56 of 2001
- Proceeds of Crime Act 76 of 1996
- Promotion of Access to Information Act 2 of 2000
- Promotion of Access to Information Amendment Act 54 of 2002
- Protected Disclosures Act 26 of 2000
- Municipal Finance Management Act, no 56 of 2003 (MFMA)
  - *Section 32 - Unauthorised, irregular or fruitless and wasteful expenditure*
  - *Section 67 - Funds transferred to organisations and bodies outside government*
  - *Section 111 & 112 - Compliance with the prescribed SCM policy framework*
  - *Section 166 – Audit, Performance and Risk Committees*
  - *Section 171 - Financial misconduct by municipal officials*
- Municipal Structures Act, no 117 of 1998
- Municipal Systems Act, no 32 of 2000
  - *Section 9 – Gifts and favours*
  - *Section 69 & 70 - Code of conduct*
- Protection of Personal Information Act of 2013
- Public Protector Act 23 of 1994
- Public Protector Amendment Act 113 of 1998
- Public Protector Amendment Act 22 of 2003
- Regulation of Interception of Communications and Provision of Communication-related Information Act 70 of 2002
- Special Investigating Units and Special Tribunals Act 74 of 1996
- Special Investigating Units and Special Tribunals Amendment Act 2 of 2001

- Witness Protection and Services Act 112 of 1998

### **3. INTRODUCTION**

Umsobomvu municipality is a local municipality established under the South African Constitution and other laws applicable to local government.

There is a continuing need to raise staff awareness of their responsibility to safeguard public resources against the risk of fraud, corruption, theft and financial misconduct.

This policy will provide ULM's employees (both management and staff) and other stakeholders (such as the public, service providers and non-governmental organisations) with some essential information regarding the anti-corruption campaign and the responsibilities of the various role players in combating corruption.

ULM recognises the fact that:-

- Criminal and other irregular conduct within ULM is detrimental to good, effective, accountable and transparent governance and can endanger the economic stability of ULM and have the potential to cause social damage;
- There is a need for procedures in terms of which staff may, without fear of reprisals, disclose information relating to suspected or alleged criminal or other irregular conduct affecting ULM;
- Every staff member has a responsibility to disclose criminal and any other irregular conduct in the workplace; and
- The ULM has a responsibility to take all reasonable steps to ensure that –Whistle Blowers who disclose such information are protected from any reprisals as a result of such disclosure.

### **4. OBJECTIVES**

The objective of this policy is to develop and foster a climate within the ULM where all staff strived for the ultimate eradication of fraud, corruption, theft and financial misconduct by means of the application of the full spectrum of both proactive and re-active measures at their disposal. This policy also sets down the stance of the ULM to fraud/corruption as well as re-enforcing existing regulations aimed at preventing, reacting to, and reducing the impact of fraud, corruption, theft and financial misconduct where these dishonest acts subsist.

The Protected Disclosures Act came into effect on 16 February 2001. In order to remain in compliance with the Act, ULM will:-

- Strive to create a culture which will facilitate the disclosure of information by staff relating to criminal and other irregular conduct in the workplace in a responsible manner by providing clear guidelines for the disclosure of such information and protection against reprisals as a result of such disclosure; and
- Promote the eradication of criminal and other irregular conduct within ULM.

The Policy is intended to encourage and enable staff to raise concerns within ULM rather than overlooking a problem or blowing the whistle to inappropriate channels. Furthermore the policy aims to:-

- Provide avenues for staff to raise concerns and receive feedback on any action taken;
- Inform staff on how to take the matter further if they are dissatisfied with the response; and
- Reassure staff that they will be protected from reprisals or victimisation for whistle blowing in good faith.

## 5. SCOPE OF THE POLICY

This policy should be read in conjunction with the Code of Conduct, the principles of which are fully supported herein. The Council wishes to make it clear that ULM has **zero tolerance** for the commission or concealment of fraudulent or illegal acts. Allegations of such acts will be investigated and pursued to their logical conclusion, including legal action, criminal prosecution, and disciplinary action where warranted.

This policy applies to all fraud, corruption, theft, financial misconduct or suspected irregularities of this nature involving the following persons or entities:

- All employees of the ULM;
- Consultants, suppliers, contractors and other providers of goods or service to the ULM;
- Non-Governmental Organisations and other parties receiving benefits from the ULM;
- Political Office Bearers; and
- Councillors

## 6. THE ULM'S RESPONSIBILITIES

The Accounting Officer is responsible for establishing and maintaining a sound system of internal control that supports the achievement of ULM policies, aims and objectives. The system of internal control is designed to respond to and manage the whole range of risks that the ULM faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk will be seen in the context of the management of this wider range of risks.

Overall responsibility for managing the risk of fraud has been delegated to the Chief Risk Officer (CRO). His responsibilities include:

- Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
- Establishing an effective anti-fraud policy and fraud response plan;
- Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
- Operating appropriate pre-employment screening measures;
- Establishing appropriate mechanisms for:
  - Reporting fraud risk issues;
  - Reporting incidents of fraud to the Accounting Officer;
  - Reporting to the Audit, Performance and Risk Committee; and
  - Coordinating assurances about the effectiveness of anti-fraud
- Liaising with the Risk Committee;
- Making sure that all staff are aware of the organisation's anti- fraud policy and know what their responsibilities are

in relation to combating fraud;

- Ensuring fraud awareness training is provided as considered appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff;
- Ensuring that vigorous and prompt investigations are carried out if fraud occurs, is attempted or is suspected, with due regard to available resources;
- Ensuring, where appropriate, legal and/or disciplinary action against perpetrators of fraud is instituted;
- Ensuring, where appropriate, disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
- Ensuring, where appropriate, disciplinary action against staff who fail to report fraud;
- Taking appropriate action to recover assets and losses; and
- Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

## **6.1 COUNCIL**

The Council is accountable to the community and other stakeholders for the sound management of the ULM. On a day-to-day basis the ULM is, however, managed by the Accounting Officer in consultation with the Top Management. The Council's general oversight role includes the management of the risk to the ULM from corporate crime.

## **6.2 THE MAYOR, IN CONSULTATION WITH THE ACCOUNTING OFFICER, ULM MANAGER**

In line with the requirements for good corporate governance outlined in the King Report and in recognition of the way in which the ULM is currently structured, are jointly accountable to the Council and the community and other stakeholders for, at a strategic level:

- managing the risk to the ULM from corporate crime, due regard being had to international best practice;
- preventing consequential loss to the ULM from such crime;
- promoting, developing and sustaining a culture of zero tolerance to corporate crime;
- implementing appropriate crime-prevention, detection, investigation and prosecution strategies, policies and action plans to achieve these; and
- monitoring and evaluating the success of such strategies, policies and action plans.

In doing so, they will also be guided by recommendations made in this regard by the ULM's Audit, Performance and Risk Committee and MPAC.

## **6.3 COUNCILLORS**

Councillors are legally bound by the Code of Conduct for Councillors and must comply with and actively promote this Policy.

Councillors must contribute to developing and sustaining a culture of zero tolerance of corporate crime in or against the ULM

## **6.4 AUDIT, PERFORMANCE AND RISK COMMITTEE**

The role of the Audit, Performance and Risk Committee is to oversee the Municipality's approach to fraud prevention, fraud detection strategies and response to fraud and corruption incidents reported by employees or other external parties. The various business units should have representation on this committee. The Committee shall meet at least once in a quarter to discuss the following issues:

- Progress made in respect of implementing the Anti-Fraud and Corruption Strategies and Fraud Prevention Plans;
- Reports received by the Municipality regarding fraud and corruption incidents with the view to making any recommendations to the Accounting Officer and Chairperson of the Audit Committee;
- Reports on all investigations initiated and concluded; and
- All allegations received via the hotline.

## **6.5 LINE MANAGER'S RESPONSIBILITIES**

Line managers must promote and develop a culture in the organisation of zero tolerance of corporate crime and lead by example. They must ensure that all cases of corporate crime or alleged corporate crime are reported promptly to the CRO.

Furthermore, line management must support and actively assist in any investigations undertaken by Internal Audit.

Line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively. Responsibility for the prevention and detection of fraud rests primarily with managers.

A major element of good corporate governance is a sound assessment of the organisation's business risks. Managers need to ensure that:

- Fraud risks have been identified within Risk and Control Frameworks encompassing all operations for which they are responsible;
- Each risk has been assessed for likelihood and potential impact;
- Adequate and effective controls have been identified for each risk;
- Controls are being complied with, through regular review and testing of control systems;
- Risks are reassessed as a result of the introduction of new systems or amendments to existing systems;
- Where a fraud has occurred, or has been attempted, controls are reviewed and new controls implemented, as necessary, to reduce the risk of fraud recurring; and
- Fraud occurrences are quantified on an annual basis and Risk Registers/Risk and Control Frameworks updated to reflect the quantum of fraud within the Business Area.

In terms of establishing and maintaining effective controls, it is generally desirable that:

- There is a regular rotation of staff, particularly in key posts where possible and practicable;
- Wherever possible, there is a separation of duties so that control of a key function is not vested in one individual;
- Backlogs are not allowed to accumulate;
- In designing any new system, consideration is given to building in safeguards to prevent and/or detect internal and external fraud.

As fraud prevention is the ultimate aim, anti-fraud measures should be considered and incorporated in every system and programme at the design stage, e.g. the design of application forms, the statement of accountability in respect of the content in completed applications, regular monitoring of expenditure etc. Internal Audit is available to offer advice to managers on risk and control issues in respect of existing and developing systems/programmes.

## **6.6 INTERNAL AUDIT**

Internal Audit is responsible for the provision of an independent and objective opinion to the Accounting Officer on risk management, control and governance. The adequacy of arrangements for managing the risk of fraud and ensuring the ULM promotes an anti-fraud culture is a fundamental element in arriving at an overall opinion.

Internal Audit has no responsibility for the prevention, detection or investigation of fraud.

However, internal auditors are alert in all their work to risks and exposures that could allow fraud. Individual audit assignments, therefore, are planned and prioritised to assist in deterring and preventing fraud on examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk. Risk and Control Frameworks are also reviewed as a constituent part of each audit assignment to ensure that management have reviewed their risk exposures and, where appropriate, identified the possibility of fraud as a business risk.

## **6.7 STAFF RESPONSIBILITIES**

ULM staff members are bound by the South African law (both statute and common law), the terms and conditions of their employment and also the Code of Conduct for Municipal Staff Members, ULM policies and instructions issued by management from time to time.

Every member of staff has a duty to ensure that public funds are safeguarded and therefore, everyone is responsible for:

- Acting with propriety in the use of official resources and the handling and use of public funds in all instances. This includes cash and/or payment systems, receipts and dealing with suppliers;
- (b)Aspiring to the following core principles, selflessness, integrity, objectivity, accountability, openness, honesty and leadership; and
- Being vigilant to the possibility that unusual events or transactions could be indicators of fraud and alerting their line manager where they believe the opportunity for fraud exists
- (Annexure I provide examples of Fraud Indicators. In addition, Common Methods and Types of Fraud are included in Annexure II, with Examples of Good Management Practices Which May assist in Combating Fraud detailed in Annexure III).

In addition, it is the responsibility of every member of staff to report corporate crime immediately to their line manager or the Head Internal Audit if they suspect that same has been attempted or committed, or see any suspicious or events.

An Anti-corruption national hotline facility is available on 0800 701 701. The Hotline operates 24 hours a day and all information received is treated in the strictest confidence. The accounting officer is responsible to present monthly the report form the national hotline.

Staff must assist any investigations by making available all relevant information, by co-operating in interviews and where appropriate providing a witness statement.

As stewards of public funds, ULM Officials must have, and be seen to have, high standards of personal integrity. Staff should not accept gifts, hospitality or benefits of any kind from a third party, which might be seen to compromise their integrity (the ULM's Gifts Policy refers). Staff may only engage with third parties with the authorisation of the municipal

manager.

It is also essential that staff understand and adhere to laid down systems and procedures including those of a personnel/management nature such as submission of expenses claims and records of absence, flexi and annual leave.

Mala fide reporting to line management and/or the Head Internal Audit with the knowledge that such transmittal of information is false or with wilful disregard of the truth shall constitute misconduct, for which disciplinary measures may be imposed.

Staff may not prevent the employer from accessing any information or property on the premises of the municipality on ground of suspicion of fraud. This includes private, public property/information and social media connected to property on the premises of the municipality.

## **6.8 SUPPLIERS, CONTRACTORS, CONSULTANTS AND THE COMMUNITY RESPONSIBILITIES**

Suppliers, contractors and consultants are expected to act honestly and fairly in all their dealings with the ULM and failure to do so may result in the cancellation or suspension of any tenders awarded to them and/or their being deregistered by ULM and/or being reported to the South African Police Services. Suppliers, contractors and consultants working for the state are required to make a full disclosure of the fact before their appointment is considered

The accounting officer must be satisfied that the organisation or body implements effective, efficient and transparent financial management and internal control systems to guard against fraud, theft and financial mismanagement. (Section 67 of MFMA).

The accounting officer of a municipality or municipal entity must implement the supply chain management policy of the municipality and take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices. . (Section 112 of MFMA).

The community is encouraged to make use of the National Fraud Hotline to report instances or allegations of corporate crime involving the ULM. In the event that a local hotline is established, the Audit, Performance and Risk Committee and risk committee will have access to the hotline reports. Only the Audit, Performance and Risk Committee will be allowed to remove any reports.

## **7. AN ETHICAL CULTURE**

The Municipality is required to conduct itself in an ethical and moral way. Ethics are concerned with human character and conduct and deal with questions of right and wrong, appropriate and inappropriate behaviour and what constitutes good or evil. Ethical conduct is based on a set of principles referred to as values or norms. The collective ethical conduct of all the individual employees of the Municipality reflects on its ethical conduct. In this regard, the highest standards of ethics are required by employees when fulfilling their duties.

Good governance indicates that institutions should develop codes of conduct (ethics) as part of their corporate governance frameworks. All employees are expected to abide by the Code of Conduct for Municipal Staff whereas all municipal councillor are also expected to abide by the Code of Conduct for municipal Councillors.

## **8. DISCLOSURE OF INTERESTS**

All officials be it councillors within the municipality are required to disclose their specific personal assets and business interests on an annual basis. This register will be kept with the Accounting Officer. Officials may not perform any private

work outside of public service without prior approval of the Accounting Officer.

## **9. GIFT POLICY**

The gift policy of the municipality is in place to ensure that both the acceptance and offering of business courtesies including gifts by all ULM's employees only occurs within the ethical standard as prescribed by ULM. The gift policy outlines the amount the employee should disclose on the gift register.

## **10. INVESTIGATION**

Line managers should be alert to the possibility that unusual events or transactions can be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.

It is ULM policy that there will be consistent handling of all suspected fraud cases without regard to position held or length of service.

Investigators shall have free access to all staff, records and premises in order to carry out investigations. Staff/suppliers/public may not prevent the municipality from accessing any information or property on the premises of the municipality on ground of suspicion of fraud. This includes private, public property/information, social media connected to property on the premises of the municipality and polygraph tests.

Irrespective of the source of suspicion, it is for the appropriate line management to undertake an initial examination to ascertain the facts and to confirm or repudiate the suspicions, which have arisen so that, if necessary further investigation may be instigated. After suspicion has been roused, prompt action is essential. However, as detailed in this policy, it is imperative that such enquiries should not prejudice subsequent investigations or corrupt evidence, therefore, if in doubt, ask for assistance from the Head Internal Audit.

If the initial examination confirms the suspicion that a fraud has been perpetrated or attempted, management must follow the procedures provided in the ULM's Fraud Response, which forms part of the ULM's Fraud Prevention Policy.

### **10.1 ANTI-FRAUD PROGRAMMES**

ULM has developed the following programmes to address the threat of fraud and corruption:

- Recruitment policy;
- Accounting and operational policies;
- Fraud awareness training (indicators of fraud);
- Fraud risk assessment;
- Code of ethics and conduct;
- Investigation procedures; and
- Fraud prevention and response plans.



## **10.2 INVESTIGATOR**

Currently the municipality does not have an investigator therefore a service of Risk Officer is utilised in this regard. The Risk Officer will have responsibility for initiating and overseeing all fraud investigations. Risk Officer in conjunction with Manager: Corporate Services will assess the report and make recommendation pending the outcome from the investigation. Risk Officer will manage any internal investigations and act as a liaison officer with all other interested parties both internal and external including police and internal auditors. Record the incident/investigation log sheet (log of all reported suspicious, including those dismissed as minor or otherwise not investigated).

## **11. DISCIPLINARY ACTION**

After full investigation the ULM will take legal and/or disciplinary action in all cases where it is considered appropriate. Any member of staff found guilty of a criminal act or misconduct of which dishonesty is an element will be considered to have committed a serious disciplinary offence and is likely to be dismissed from the ULM on the grounds of gross misconduct.

Where supervisory negligence is found to be a contributory factor, disciplinary action may also be initiated against those managers/supervisors responsible.

It is ULM policy that in all cases of fraud, theft and/or corruption, whether perpetrated or attempted by a member of staff or by external organisations or persons, the case will be referred to the police.

Losses resulting from fraud should be recovered, subject to legal opinion vis-a-vis any potential write-offs.

It is appreciated that the circumstances of individual frauds will vary. The ULM takes fraud very seriously and will ensure that all cases of actual or suspected fraud, including attempted fraud, are investigated and that appropriate remedial action is taken. Managers should be fully aware of their responsibility to protect public funds and as such, should always be alert to the potential for fraud. Any queries in connection with this policy document should be directed to the Head Internal Audit.

Internal Audit is available to offer advice and assistance on internal control issues.

## **12. FRAUD PREVENTION AND RESPONSE PLAN**

It is the policy of the ULM that fraud, corruption, theft, financial misconduct or any other dishonest activities of a similar nature will not be tolerated. In addition, these will be investigated and followed up by the application of all remedies available within the full extent of the law.

Appropriate prevention and detection controls will be applied. These include the existing controls and checking mechanisms as prescribed in existing policies, procedures and other relevant prescripts to the activities of the ULM, and systems of internal control. It is the responsibility of staff of the ULM to report all incidents of fraud, corruption, theft, financial misconduct or any other dishonest activities of a similar nature to his Manager. If staff is not comfortable reporting such matters to his Manager, he should report the matter to his Manager's superior, with final recourse to the Accounting Officer. Staff should report incidents by using the appropriate lines of authority.

All Managers are responsible for the detection, prevention and investigation of fraud, corruption, theft, financial misconduct or any dishonest activities of a similar nature, within their areas of responsibility.

The ULM will report all instances of prima facie criminal conduct to the appropriate authorities. In this regard the ULM recognises that there is any obligation in terms of section 34 of the Prevention and Combating of Corrupt Activities Act,

2004 (Act 12 of 2004), to report all acts of corruption, fraud, theft, extortion, forgery and uttering where the value exceeds R100 000.00 to the SA Police Service, failing which management who knows or ought have reasonable have known of the matter, will be committing a criminal offence.

The ULM will however not only report matters in terms of the above obligation, but will report all criminal conduct irrespective of the value involved.

*The accounting officer must report to the South African Police Service all cases of alleged irregular expenditure that constitute a criminal offence; and theft and fraud that occurred in the municipality in terms of section 32 (6)(b) of MFMA.*

## **12.1 FORMAL REPORTING STAGE**

If the preliminary enquiry confirms the suspicion that a fraud has been attempted or perpetrated, management must ensure that all original documentation is preserved in a safe place for further investigation. This is to prevent the loss of evidence, which may be essential to support subsequent disciplinary action or prosecution. The facts should be reported immediately to the Internal Audit Services. Where there is a risk of financial loss to ULM, the Chief Financial Officer should also be notified.

To remove any threat of further fraud or loss, management should immediately change/strengthen procedures and if appropriate, suspend any further payments pending full investigation.

The Head Internal audit will recommend to the Accounting Officer (dependant on the delegated authority required under the circumstances) the appropriate course of action, which may include a full formal investigation. The scope of the investigation should be determined by Risk Management, in line with the System of Council Delegations. Should Risk Management advise that further expertise is required, e.g. Attorneys, Risk Manager/Investigators, the Head Internal Audit will engage the appropriate assistance together with the appropriate project management of same.

## **12.2 RESPONDING EFFECTIVELY TO FRAUD WHEN IT OCCURS**

The responsibility to conduct investigations relating to the actions listed in this policy resides with the Managers within the ULM who can have the advisory and supporting assistance from units / departments which include the following:

- External and internal Audit Services;
- State Attorney;
- External investigating agencies, for example the South African Police
- Services, where matters fall within their mandate;
- External consultants, for example Forensic Accounting consultants;
- Office of the National Director of Public Prosecutions;
- Special Investigating Units established under any law;
- The Public Protector
- h) Any other authority as determined by Council

It is the responsibility of all staff of the ULM to report all incidents of fraud, corruption, theft, financial misconduct and other suspected irregularities of this nature to his Manager. If the applicable staff member is not comfortable reporting such matters to his Manager, he should report the matter to his Manager's superior, with final recourse to the Accounting Officer and the fraud risk committee.

Concerns are better raised in writing. The background and history of the concern, giving names, dates and places where possible should be set out and the reason why the individual is particularly concerned about the situation. The earlier the concern is reported, the easier it is to take action and initiate recovery procedures where necessary.

Staff members are not expected to prove the truth of an allegation; they will need to demonstrate to the person contacted that there are sufficient grounds for concern. It is the responsibility of the Managers to report all incidents of fraud, corruption, theft, financial misconduct and other suspected irregularities of this nature to the Accounting Officer. This reporting must take place as follows:

- Verbally, immediately after discovery of such an incident;
- This verbal report must be followed by a detailed written report to be submitted within 24 hours of the discovery of such an incident.

It is the responsibility of the Accounting Officer in consultation with the fraud risk committee to immediately report all incidents of fraud, corruption, theft, financial misconduct and other suspected irregularities of this nature to the provincial Treasury. This reporting must take place as follows:

- Telephonically within twenty four hours of receiving the report from the Manager in regards to an incident;
- This telephonic report must be followed by within seven days after discovery of such an incident a detailed written report to be submitted.

If the matter could lead to the laying of criminal charges, the Accounting Officer will report within 24 hours to the South African Police Services.

Where a staff member is alleged to have committed an act of fraud, corruption, theft, or financial misconduct the Manager must institute disciplinary proceedings, within a reasonable period, in terms of the disciplinary code and procedure of the ULM. The ULM will furthermore initiate disciplinary measures against offenders with a view to seeking termination of the employment relationship where the acts of dishonesty are proven as this type of conduct will usually damage the employer/employee relationship of trust.

As soon as disciplinary hearings concerning charges of financial misconduct are completed, the outcome must be reported within 48 hours to the Accounting Officer. Should the Accounting Officer be the effected party the outcome of the hearing will be reported to the Executive Mayor. The following will be reported on:

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

The Accounting Officer, in consultation with the risk committee, is also required to ensure that losses or damages suffered by the ULM as a result of an act committed or omitted by a staff member must be recovered from such a staff member if he is liable in law. The risk committee can be a separate or part of a current risk committee. It is important that fraud risk is considered quarterly. The Accounting Officer must determine the amount of the loss or damage and, in writing request that staff member to pay the amount within 30 days or in reasonable instalments. If the staff member fails to comply with the request, the legal process will then be initiated by the Accounting Officer.

This includes, where appropriate, calling on the support of the Asset Forfeiture Unit to recover misappropriated assets from offenders; asking the court to grant compensation orders on conviction of an accused party in terms of section 300 of the Criminal Procedure Act no 51 of 1977, as well as utilizing legal representatives and law enforcement agencies (SAPS) to initiate civil recovery on behalf of the ULM.

In recovering losses from dishonest employees the accounting officer will utilise the recent amendments to the Pension Funds Act which allows an employer, on registration of a criminal police docket with the SA Police Service, to request the pension fund to freeze employee benefit payments to an employee allegedly involved in dishonest conduct, pending finalization of the criminal prosecution, where after, if the employee is convicted, any losses caused by the employees conduct can be deducted from the benefits due to the employee.

Depending on the significance of the fraud, the fraud investigation process involves some or all of the following:

- Ensuring that the actions to take if fraud is discovered are clearly described in the organisation's Fraud Response Plan.
- The Head Internal Audit providing the direction for any fraud investigation. This includes the decision to conduct an investigation whether in house or on a co-sourced basis.
- Establishing clear terms of reference for the investigation.
- Appointing a Forensic Practitioner to take charge of the investigation.
- Setting up a mechanism to report on progress of the investigation to appropriate senior levels of management as and when required to do so.
- Controlling the investigation and ensuring that it (complies and) meets its objectives.
- The overall investigation process involves:
  - Maintaining confidentiality;
  - Recovering assets;
  - Forensic investigations and protection of evidence;
  - Interviewing witnesses and dealing with employees under suspicion;
  - Controlling police involvement;
  - Managing civil proceedings in conjunction and under the auspices of the Legal Department/consultant;
  - Liaising with experts and regulators;
  - Preparing media statements; and
  - Reporting progress and findings to senior management.
  -

- Ensuring that effective controls are in place to preserve all forms of evidence. This is a key factor if the fraudster's to be prosecuted successfully as evidence must be legally admissible in court.
- Making recommendation at an early stage on the action to be taken with persons under suspicion and whether suspension or dismissal is necessary in consultation with the Labour relations. Arrangements for interviewing suspects must be made and if criminal proceedings are initiated the Police must be involved.
- Adhering to a "fair and reasonable" approach in interviews at all times.
- Setting up adequate measures to protect the business throughout the investigation process particularly when issuing statement to the media.

Initiating a thorough review of all operating procedures in areas affected by the fraud. Comprehensive reports on the findings and recommendations must be presented to management on completion of the investigation.

#### **Liaison with the law enforcement agencies (South African Police Service and Public Protector)**

The Head Internal Audit should ensure that legal and/or police assistance is sought where necessary.

### **12.3 POST EVENT ACTION**

Where a fraud, or attempted fraud, has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds or attempted frauds will not recur.

Internal Audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

### **12.4 COMMUNICATION**

The following communications may be observed:

- The Risk committee may communicate in the appropriate media and/or forum, as determined by the municipal manager, the outcome of disciplinary, criminal and civil hearings resulting from a forensic investigations; and
- This Fraud Response Plan should be reviewed annually to determine whether it needs to be updated and if so, changes should be circulated throughout the organisation.

## **13. REPORTING ARRANGEMENTS**

The ULM's Audit, Performance and Risk Committee should be kept informed on a quarterly basis of the developments of the prioritised investigations within the municipalities.

The Accounting Officer will ensure that the legislative requirements and obligations of reporting criminal conduct to the South African Police Services are satisfied. The Accounting Officer must report to the Disciplinary Board and/or the sub-committees of same in relation to any forensic investigation which falls within the committee's jurisdiction. That all fraud, corruption and/or criminal conduct be reported to the Municipal Manager and/or the Mayor in terms of the System of Council Delegations.

## **14. WHISTLE BLOWING**

ULM is committed to the highest standards of transparency and accountability. It is therefore expected that all employees (including third parties) who have serious concerns about ULM business practices, to come forward and voice those concerns.

Employees are often the first to realise that there may be —something seriously wrong in the institution for which they work. However, should they decide not to express their concerns because they may feel that speaking up would be disloyal to their colleagues or that it may be easier to ignore the concern rather than report what may just be a suspicion of misconduct, could also be guilty of a serious offence. An employee making disclosure in terms of this Policy does so without fear or victimisation and/or subsequent discrimination. Employees are advised that these procedures are in addition to ULM grievance procedures and other statutory reporting procedures. The policy has been developed to comply with the Protected Disclosure Act no 26 of 2000 and Witness Protection Act no 112 of 1998.

### **14.1 THE PURPOSE OF WHISTLE BLOWING**

- To protect those who have blown the whistle against any form of occupational detriment;
- To provide the procedures in which an employee can disclose information regarding improprieties in the workplace;
- To provide avenues for employees and members of the public to raise concerns and receive feedback on any action taken;
- Reassure the employees and members of public at large that they will be protected from reprisals or victimisation;

### **14.2 ITS APPLICATION**

- The policy shall apply to all employees of the municipality including interns, learners and councillors. This policy deals with specific concerns, which are in the public interest and may include:
  - an unlawful civil or criminal offence;
  - failure to comply with statutory obligations/requirements;
  - financial or non-financial mismanagement, fraud and corruption, including bribery;
  - a risk (including a potential risk) to health and safety of any individual;
  - environmental damage;
  - improper conduct or unethical behaviour; or
  - attempts to conceal or suppress information relating to the above

### **14.3 PROTECTION OF WHISTLE BLOWERS**

Whistle blowing is the process by which staff or other individuals can raise a concern about serious malpractice within an organization. It is similar to an early warning system and a means of enabling stakeholders to find out when something is going wrong in time to take corrective action.

Staff that are victimized and subjected to an occupational detriment for blowing the whistle on improprieties now have a legal remedy against their employer. The Protected Disclosures Act, 26 of 2000 makes provision for the protection of staff that makes a disclosure that is protected in terms of this Act.

Any disclosure made in good faith and substantially in accordance with any procedure prescribed by the staff's employer for reporting is considered a protected disclosure under this act. A staff member making such a disclosure is protected from being subjected to an occupational damage on account of having made a protected disclosure.

A staff member who suspects or reports suspected dishonest activity or such activity which he has witnessed should be given the opportunity to remain anonymous should he so require.

The ULM recognises that staff members will be concerned about potential victimization, recrimination and even threats to personal safety as a result of disclosing dishonest activities. The ULM is therefore in the process of initiating a fraud hotline which will provide an independent toll-free fraud hotline number that staff can contact to report irregular conduct. This facility will be provided by an independent service provider who will guarantee to respect confidentiality/anonymity of callers, where this is required by the caller. This toll-free number will be provided to all employees and stakeholders.

The hotline call information will be submitted to a designated senior official in the organization who will then initiate steps to investigate the allegation. Where that person is implicated by the caller, the service provider will only submit the report to a designated alternate recipient, who will then initiate investigation.

Allegations made by staff that are false and made with malicious intentions, should be discouraged by Managers. Where such malicious or false allegations are discovered, the person who made the allegations must be subjected to firm disciplinary action. Such disclosures are not protected by the Protected Disclosures Act.

### **14.4 WHO CAN RAISE A CONCERN?**

Any member of staff who has a reasonable belief that there is corruption or misconduct relating to any of the protected matters specified above may raise a concern under the procedure detailed in the Fraud Prevention and Response Plan. Concerns must be raised without malice, in good faith and not for personal gain and the individual must reasonably believe that the information disclosed, and any allegations contained in it, are substantially true. The issues raised may relate to a

manager, another member of staff, a group of staff, the individuals in their own unit or a unit/department. The perpetrator can be an outsider, an employee, a manager.

*NB: A member of staff who does not act in good faith or who makes an allegation without having reasonable grounds for believing it to be substantially true, or who makes it maliciously or vexatiously, may be subject to disciplinary proceedings whereas appropriate action will be taken in respect to the external party*

#### **14.5 HOW CAN THE CONCERN BE RAISED?**

Steps on how to raise a concern have been covered in the Fraud Prevention Response Plan. This plan details all the steps that the concern person should follow in an instance where he/she believes fraud and corruption has occurred.

#### **14.6 HOW ULM WILL HANDLE THE MATTER?**

Once you have told us of your concern, we will look into it to assess initially what action should be taken. This may involve an internal inquiry or a more formal investigation where it will involve law enforcement agency. The issue you raise will be acknowledged in writing within 7 working days. If it is requested, an indication of how the organisation proposes to deal with the matter and a likely time scale could be provided. If the decision is made not to investigate the matter reasons will be given. We will tell you who would be handling the matter, how you can contact him / her and whether your further assistance may or will be needed.

When you raise a concern, you may be asked how you think the matter might best be resolved. If you do have any personal interest in the matter, we do ask that you tell us at the outset. If your concern falls more properly within the Grievance Procedure we will tell you. While the purpose of this policy is to enable us to investigate possible malpractice and take appropriate steps to deal with it, we will give you as much feedback as we properly can. If requested, we will confirm our response to you in writing. Please note, that we may not be able to tell you the precise action we shall take where this could infringe a duty of confidence owed by us to someone else.

#### **14.7 CONFIDENTIALITY**

All information relating to fraud that is received and investigated by the Municipality will be treated confidentially. The progression of investigations will be handled in a confidential manner and will not be disclosed or discussed with any person(s) other than those who have a legitimate right to such information. This is important to avoid harming the reputations of suspected persons who are subsequently found innocent of wrongful conduct.

#### **15. HARASSMENT OR VICTIMISATION**

ULM acknowledges the fact that the decision to report a concern can be a difficult one to make, not least because of fear of reprisal from those responsible for the irregularity. ULM will not tolerate harassment or victimisation and will take action to protect staff when they raise a concern in good faith. Any act of harassment or victimisation should be reported to the Head of Department. This does not mean that if a staff member is already the subject of disciplinary or other action, that action will be halted as a result of their whistle blowing.



## **16. CONFIDENTIALITY**

All information relating to irregularities that is received and investigated by Managers will be treated confidentially. The progression of investigations will be handled in a confidential manner and will not be disclosed or discussed with any other person(s) other than those who have a legitimate right to such information. This is important in order to avoid harming the reputations of suspected persons who are subsequently found innocent of wrongful conduct.

No person is authorized to supply any information with regard to the issues covered within this policy to the media without the express permission of the Accounting Officer.

## **17. ANONYMOUS ALLEGATIONS**

ULM encourages staff to put their names to allegations. Concerns expressed anonymously are difficult to investigate; nevertheless they will be followed up at the discretion of ULM. This discretion will be applied by taking into account the following:

- seriousness of the issue raised;
- credibility of the concern; and
- likelihood of confirming the allegation.

## **18. FALSE ALLEGATIONS**

Staff or other parties must understand the implications (resources and costs) of undertaking investigations and should therefore guard against making allegations, which are false and made with malicious intent.

## **19. CONFLICT OF INTEREST**

It is a conflict of interest for any staff member acting or failing to act on a matter where the staff member has an interest or another person or entity that is in a relationship with the staff member has an interest. Staff may only engage with third parties with the authorisation of the municipal manager.

In this regard, all ULM employees and stakeholders are compelled to declare their business interests in terms of the declaration of interests. For the sake of clarity in respect of the anti-fraud obligations this requirement goes further, in that all employees are required to declare business interests whether they are registered or not and declaration is required irrespective of whether such entity is dormant or active.

In addition in terms of Sec 20 (t) of the Public Service Act, a government employee shall be guilty of misconduct if he/she does paid work without obtaining permission from a Head of Department.

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

In all instances where incidents of fraud, corruption, theft, financial misconduct and other similar irregularities of this nature take place, all Managers are required to immediately review the controls which have been breached in order to prevent similar irregularities from taking place in future, within a period of 48 hours after the occurrence of the initial incident. The Head of the Internal Audit Unit may be contacted for assistance. Additionally Internal audit will be mandated to initiate

programs to regularly review the fraud risk, monitor compliance to the policy and initiate random anti-fraud testing within the different fraud risk areas. In compliance with the MFMA, Fraud Prevention Plans (FPP) will be developed and implemented by all heads of department.

## **21. TRAINING, EDUCATION AND AWARENESS**

In order for the Policy to be sustainable, it must be supported by a structured education, communication and awareness programme.

It is the responsibility of all heads of department and managers to ensure that all staff, are made aware of, and receive appropriate training and education with regard to this Policy.

The fraud hotline must be visible at all premises

## **22. ADMINISTRATION**

The custodian of this policy is the Accounting Officer who is supported in its implementation by the all Heads of Department.

The Accounting Officer assisted by the fraud risk committee is responsible for the administration, revision, interpretation, and application of this policy. It will be reviewed annually, and revised as required.

The accounting officer must establish a risk committee to assist him in the fraud risk management process.

### **22.1 COMPOSITION OF THE COMMITTEE**

The composition of the committee should be clearly defined and should include senior officials representing the key areas of activity in the organisation. It is suggested that the following business processes or activity areas should provide representation on the committee:

- Finance
- Administration
- Procurement
- HR / Payroll
- Information technology
- Internal Audit

### **22.2 RESPONSIBILITIES OF THE COMMITTEE**

The responsibilities of the committee would include:

Coordinating the overall approach to fraud control and the implementation of the fraud risk strategy

Determining the priorities for fraud control initiatives and continually identifying areas of high-risk exposure and the adequacy of controls in high risk areas.

This should be done in conjunction with internal audit and take into account frauds already identified. A formal update of the fraud risk assessment should be performed at least annually.

- Documenting responsibilities for strategy implementation.
- Co-ordinating / Implementing adequate fraud communication and training programmes in order to:
  - Inform staff and other key role players of their responsibilities for fraud prevention and detection and ensure that they have adequate skills to assess risk and identify problem areas.
  - Identify risks and implement mitigate control to minimise risks with special emphasis on SCM database management and compliance, human resource and asset management.
  - Ensure adequate communication of identified fraud throughout the organisation and, where applicable to external parties, including the results of disciplinary or legal action throughout the organisation.
  - Receiving reports of alleged fraud and reports required in terms of conflict of interest and gifts policies. Documenting such reports and ensuring adequate follow-up as required.
  - Determining investigative and disciplinary action for detected fraud.
  - Reporting regularly to the Accounting Officer the progress on the fraud risk strategy, details of frauds identified, actions taken and the results thereof.
  - Reporting fraud to appropriate external authorities as required.
  - Keeping up to date with fraud control issues and updating the strategy where appropriate.
  - Assessing the effectiveness of the strategy and taking corrective action where necessary.

### **23. CONCLUSION**

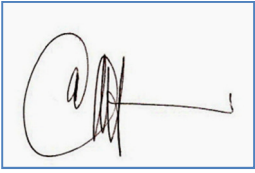
Any queries in connection with this response plan should be made to the Head of Internal Auditor.

Advice and assistance on internal control issues can be sought from the Head Internal Auditor. Advice and assistance on matters relating to risk management can be sought from the Chief Risk Officer.

### **24. EFFECTIVE DATE**

The policy is effective from 12 September 2017 and will be reviewed as and when the need arise.

<b>VERSION CONTROL</b>	
<b>POLICY OWNER:</b>	Umsobomvu Municipality Corporate Services
<b>POLICY EFFECTIVE DATE:</b>	12 September 2017
<b>COUNCIL RESOLUTION</b>	09/07/2017

<b>SIGNATURE MUNICIPAL MANAGER</b>					
Version	Date	Revision	Section	Page	Reason for change
1.					

ORIGINAL

## 25. APPENDIX I

### Indicators of Fraud (not exhaustive list)

- Missing expenditure vouchers and unavailable official record
- Crisis management coupled with a pressured business climate
- Excessive variations to budgets or contracts
- Refusals to produce files, minutes or other records
- Increased employee absences
- Borrowing from fellow employees
- An easily led personality
- Covering up inefficiencies
- Lack of management oversight
- No supervision
- Staff turnover is excessive
- Figures, trends or results which do not accord with expectations
- Bank reconciliations are not maintained or can't be balanced
- Excessive movement of cash funds
- Multiple cash collection points
- Remote locations
- Unauthorised changes to systems or work practices
- Employees with outside business interests or other jobs
- Large outstanding bad or doubtful debt
- Offices with excessively flamboyant characteristics
- Employees suffering financial hardships
- Placing undated/post-dated personal cheques in petty cash
- Employees apparently living beyond their means
- Heavy gambling debts
- Signs of drinking or drug abuse problems
- Conflicts of interest
- Lowest tenders or quotes passed over with scant explanations recorded
- Employees with an apparently excessive work situation for their position
- Managers bypassing subordinates
- Subordinates bypassing managers
- Excessive generosity
- Large sums of unclaimed money
- Large sums held in petty cash
- Lack of clear financial delegations
- Secretiveness
- Apparent personal problems
- Marked character changes
- Excessive ambition
- Apparent lack of ambition
- Poor morale
- Excessive control of all records by one officer
- Poor security checking processes over staff being hired
- Unusual working hours on a regular basis
- Refusal to comply with normal rules and practices
- Personal creditors appearing at the workplace
- Non taking of leave
- Excessive overtime
- Large backlogs in high risk areas
- Lost assets
- Unwarranted organisation structure
- Absence of controls and audit trails
- Socialising with service providers – meals, drinks, holidays
- Seeking work for clients
- Favourable treatment of clients - e.g. allocation of work
- Altering contract specifications
- Contract not completed to specification
- Contractor paid for work not done.
- Grants not used for specified purpose

## 26. APPENDIX II

### Common methods and types of fraud, corruption, theft and financial misconduct (not exhaustive list)

- Any dishonest, fraudulent or corrupt act;
  - Theft of funds, supplies, or other assets;
  - Financial misconduct or financial misconduct in handling or reporting of money or financial transactions;
  - Making a profit from insider knowledge;
  - Disclosing confidential or proprietary information to outside parties;
  - Failing to disclose an interest in a contract or tender awarded by the ULM
  - Failing to disclose an income that you receive from a source other than the ULM
  - Irregularly accepting or requesting anything of a material value from contractors, suppliers, or other persons providing services/goods to the ULM;
  - Irregularly offering or giving anything of a material value to contractors, suppliers, or other persons providing services/goods to the ULM;
  - Destruction, removal, or abuse of records, furniture, and equipment;
  - Deliberately omitting to report or act upon reports of any such irregular or dishonest conduct;
  - Acts of financial misconduct contemplated in terms of chapter 15 of the Municipal Finance Management Act;
  - Incidents of unauthorized, irregular or fruitless and wasteful expenditure as defined in the Municipal Finance Management Act; and
  - Any similar or related irregularity
  - Payment for work not performed
  - Altering amounts and details on documents
  - Collusive bidding
  - Overcharging
  - Writing off recoverable assets or debts
  - Unauthorised transactions
  - Selling information
  - Altering stock records
  - Cheques made out to false persons
  - False persons on payroll
  - Unrecorded transactions
  - Transactions (expenditure/receipts/deposits) recorded for incorrect sums
  - Cash stolen
  - Supplies not recorded at all
  - False official identification used
  - Damaging/destroying documentation
  - Using copies of records and receipts
  - Using imaging and desktop publishing technology to produce apparent original invoices
  - Charging incorrect amounts
  - Transferring amounts between accounts frequently
  - Delayed terminations from payroll
  - Bribes
  - Over claiming expenses
  - Skimming and rounding
  - Running a private business with official assets
  - Using facsimile Signatures
-

## 27. APPENDIX III

### Examples of Good Management Practices Which May Assist in Combating Fraud

- All income is promptly entered in the accounting records with the immediate endorsement of all cheques
- Regulations governing contracts and the supply of goods and services are properly enforced
- Accounting records provide a reliable basis for the preparation of financial statements
- Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information
- A strong internal audit presence
- Management encourages sound working practices
- All assets are properly recorded and provision is made known or expected losses
- Accounting instructions and financial regulations are available to all staff and are kept up to date
- Effective segregation of duties exists, particularly in financial accounting and cash/securities handling areas
- Close relatives do not work together, particularly in financial, accounting and cash/securities handling areas
- Promotion of ethical behaviour
- Act immediately on internal/external auditor's report to rectify control weaknesses
- Review, where possible, the financial risks of employees
- Issue accounts payable promptly and follow-up any non-payments
- Set standards of conduct for suppliers and contractors
- Maintain effective security of physical assets; accountable documents (such as chequebooks, order books); information, payment and purchasing systems
- Review large and unusual payments
- Perpetrators should be suspended from duties pending investigation
- Proven perpetrators should be dismissed without a reference and prosecuted
- Undertake test checks and institute confirmation procedures
- Maintain good physical security of all premises
- Randomly change security locks and rotate shifts at times (if feasible and economical)
- Conduct regular staff appraisals
- Review work practices open to collusion or manipulation
- Develop and routinely review and reset data processing controls
- Regularly review accounting and administrative controls
- Set achievable targets and budgets, and stringently review results
- Ensure staff takes regular leave
- Rotate staff in key risk areas
- Ensure all expenditure is authorised
- Conduct periodic analytical reviews to highlight variations to norms