

COUNCIL RESOLUTION NUMBER 05/12/2014

## RAMOTSHERE MOILOA LOCAL MUNICIPALITY



### FRAUD AND ANTI-CORRUPTION POLICY

2014/2014 FINANCIAL YEAR

A handwritten signature in black ink, appearing to be 'AM', is located in the bottom right corner of the page.

## Table of Contents

GLOSSARY OF TERMS.....	3
SECTION I: INTRODUCTION .....	6
SECTION II: APPROACH TO THE DEVELOPMENT AND THE PLAN .....	6
SECTION III: COMPONENTS OF THE PLAN.....	8
A. PREVENTING FRAUD AND CORRUPTION.....	9
Code of conduct for Municipal Employees. ....	9
The Municipality’s Systems, Policies, Procedures, Rules and Regulations .....	10
Disciplinary Code and Procedures .....	11
Internal Controls.....	11
Physical and Information .....	14
B. DETECTING AND INVESTIGATING FRAUD AND CORRUPTION.....	14
Internal Audit .....	14
On-going Risk Assessment and Management .....	14
Reporting and monitoring.....	15
The Fraud Prevention Policy and Response Plan.....	16
C. FURTHER IMPLEMENTATION AND MAINTENANCE .....	17
Creating Awareness .....	17
On-going Maintenance and Review.....	18
LIST OF ANNEXURES .....	20
ANNEXURE A: CODE OF CONDUCT .....	20





## GLOSSARY OF TERMS

Throughout this document, unless otherwise stated, the words in the first column below have the meanings stated opposite them in the second column (and cognate expressions shall bear corresponding meanings):

"Cabinet"	Parliamentary Cabinet of the Republic of South Africa
"Code"	For Municipal Staff Members as prescribed in Section 69 of the Local Government Municipal Systems Act, Act 32 of 2000
"Fraud and corruption"	Includes, but is not limited to the following: <ul style="list-style-type: none"><li>a. The following legal definitions:<ul style="list-style-type: none"><li>i. Fraud, i.e. "the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another,"</li><li>ii. Theft, i.e. 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 rights permanently,"</li><li>iii. Offences in respect of corrupt activities as defined in the prevention and Combating of Corrupt Activities Act, 2004, i.e.<ul style="list-style-type: none"><li>▪ The general offence of corruption which could be summarized as 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:<ul style="list-style-type: none"><li>○ Illegal, dishonest, unauthorized, incomplete, or biased;</li><li>○ Misuse or selling of information or material acquired;</li><li>○ Abuse of position of authority;</li><li>○ Breach of trust;</li><li>○ Violation of a legal duty or set of rules;</li><li>○ Designed to achieve an unjustified result; and</li><li>○ Any other unauthorized or improper inducement to do or not to do anything.</li></ul></li><li>▪ Corrupt activities in relation to:<ul style="list-style-type: none"><li>○ Public officials;</li><li>○ Foreign public officials;</li><li>○ Agents;</li><li>○ Judicial officers;</li><li>○ Members of the prosecuting authority;</li></ul></li></ul></li></ul></li></ul>

- Unauthorized gratification received or offered by or to a party of an employment relation;
- Witnesses and evidential material during certain proceedings;
- Contracts;
- Procuring and withdrawal of tenders;
- Auctions;
- Sporting events; and
- Gambling games or games of chance.
- Conflicts of interests and other unacceptable conduct, e.g.
  - Acquisition of private interests in contract, agreement in investment of public body;
  - Unacceptable conduct relating to witnesses; and
  - Intentional interference with, hindering or obstruction of investigation of offence; and
- 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:

**b. Fraudulent and corrupt acts may include:**

System 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 limitations;
- Collusion in contract management;
- Revenue Fraud; e.g. Reluctance of Municipal officials in the verification of suppliers/contractors VAT details before a contractual agreement can be entered into with the purposes of rendering services to the municipality.
- Travel and subsistence fraud;
- Abuse of risk leave or other permissible leave;
- Disclosure of confidential or proprietary information to outside parties.

Financial issues: i.e. where individuals or companies have fraudulently obtained money from the Municipality e.g.



- Syndicate fraud, e.g. interception of warrant vouchers; have them reduced from the stated fines by unauthorized officials and or exchanged for cash with guilty parties and documents disposed for future detection of account status.
- 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 employee";
- Receiving money on behalf of the Municipality without issuing of an official receipt;
- Theft of funds; and
- Making a profit from "inside" information.

Equipment and resource issues: i.e. where the Municipality's equipment or other resources utilized for personal benefit or stolen e.g.

- Theft of assets, e.g. computers, face value forms, consumables, (stationery, globes, fuses) etc.;
- Personal use of resources, e.g. telephones, internet, e-mail; and
- Irregular destruction, removal, or abuse or records(including intellectual property); and
- Misuse of the Municipality's official time for personal gain/purpose.

Other issues: i.e. activities undertaken by employees of the Municipality, 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.

"Fraud Prevention Policy"	Fraud Prevention Policy and Response Plan
"Managers"	Includes all Heads of Department and where appropriate Supervisors
"MFMA"	Municipal Finance Management Act, Act No, 56 of 2003
"Municipality"	Ramotshere Moiloa Local Municipality
"Plan"	Fraud Prevention Plan
"Protected Disclosures Act"	Protected Disclosures Act, Act 26 of 2000

*Am*

## **SECTION I: INTRODUCTION**

Ramotshere Moiloa Local Municipality has taken a proactive stance towards the development of an Anti-Fraud and Corruption Prevention Plan for the Municipality which will together with the Fraud Prevention Policy help the Municipality with ways and means of dealing with fraud and corruption.

The plan is dynamic which will continuously evolve as the Municipality makes changes and improvements in its drive to promote ethics, as well as to fight fraud and corruption.

### **PURPOSE**

This plan is established to facilitate the development of controls which will assist in the prevention and detection of fraud and corruption, as well as provide guidelines and strategies as to how to respond should instances of fraud and corruption be identified.

### **STATEMENT OF ATTITUDE TO FRAUD**

Fraud represents a significant potential risk to Ramotshere Moiloa Local Municipality's assets, service delivery efficiency and reputation. Ramotshere Moiloa Local Municipality has zero tolerance to fraud and corruption. The Municipality will not tolerate corrupt or fraudulent activities, whether internal or external to Council and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

### **OBJECTIVES**

The objectives of this plan is to:

- I. Guide employees and employer on the behaviour and activities that are acceptable and expected by Ramotshere Moiloa Local Municipality in achieving its Vision and Mission;
- II. Assist Management to be aware of its responsibilities for establishing controls and procedures to prevent and detect fraud and corruption;
- III. Provide assurance that all suspected fraudulent activity will be fully investigated; and
- IV. Provide some guidance on the steps / initiatives Management needs to take to prevent and combat fraud and corruption.

### **SCOPE OF THE FRAUD PREVENTION PLAN AND STRATEGY**

The Fraud Prevention Plan and Strategy applies to all employees, councillors, stakeholders, contractors, vendors / suppliers and any other party doing business with Ramotshere Moiloa Local Municipality.

### **FORMS OF CORRUPTION**

Corruption takes various forms in the public service and elsewhere in society. The following are examples of different types of corruption.

- I. **Bribery**  
Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of public servants.
- II. **Embezzlement**  
This involves theft of resources by persons who control such resources.



- III. **Fraud**  
Any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.
- IV. **Extortion**  
Coercion of a person or entity to provide a benefit to a public servant, another person or an entity, in exchange for acting (or failing to act) in a particular manner.
- V. **Abuse of power**  
The use by a public servant of his or her vested authority to improperly benefit another public servant, person or entity (or using vested authority to improperly discriminate against another public servant, person or entity).
- VI. **Conflict of interest**  
The failure by a public servant to act or to consciously fail to act on a matter where the public servant has an interest or another person or entity that has some form of relationship with the public servant has an interest.
- VII. **Abuse of privileged information**  
This involves the use, by a public servant of privileged information and knowledge that a public servant possesses as a result of his/ her office to provide unfair advantage to another person or entity to obtain a benefit.
- VIII. **Favouritism**  
The provision of services or resources according to personal affiliation (for example cultural or religious) of a public servant.
- IX. **Nepotism**  
A public servant ensuring that family members are appointed to public service positions or that family members receive contracts from the state, is regarded as nepotism. These manifestations are by no means exhaustive as corruption appears in many forms and it is virtually impossible to list all of these.

## DEFINITION AND ELEMENTS OF FRAUD

Fraud and corruption manifests in a number of ways and varying degrees of intensity. These include, but are not limited to:

- I. Unauthorised private use of the Council 's assets, including vehicles;
- II. Falsifying travel and subsistence claims;
- III. Conspiring unfairly with others to obtain a tender;
- IV. Disclosing proprietary information relating to a tender to outside parties;
- V. Accepting inappropriate gifts from suppliers;
- VI. Employing family members or close friends;
- VII. Operating a private business in working hours;
- VIII. Stealing equipment or supplies from work;
- IX. Accepting bribes or favours to process requests;
- X. Accepting bribes or favours for turning a blind eye to a service provider who does not provide an appropriate service;
- XI. Submitting or processing false invoices from contractors or other service providers; and
- XII. Misappropriating fees received from customers, and avoiding detection by not issuing receipts to those customers.

*Am*

## **SECTION II: APPROACH TO THE DEVELOPMENT AND THE PLAN**

Several business risks, including fraud and corruption risks, will be identified as part of a risk assessment process that will be conducted annually by the Municipality to supplement on what has been identified in future assessments.

The plan also incorporates principles contained in the Public Sector Anti-Corruption Strategy dated January 2002 endorsed by Cabinet.

The Code of Conduct and the Fraud Prevention Policy forms and integral part of the Anti-Fraud and corruption Prevention plan.

Although the fraud and corruption risks will be identified in the updating of the Plan, this cannot be relied upon as an indication of the full spectrum of fraud and corruption risks facing the Municipality, but rather as an indication of the type of risk.

The Plan does not guarantee that the Municipality 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 risk, with particular focus on creating awareness and promoting ethical business conduct.

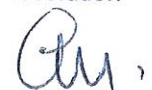
## **SECTION III: COMPONENTS OF THE PLAN**

The main principles of the Plan are the following:

- Creating a culture which is intolerant to fraud and corruption;
- Deterrence of fraud and corruption;
- Preventing fraud and corruption which cannot be deterred;
- Detection of fraud and corruption;
- Investigating detected fraud and corruption;
- Taking appropriate action against fraudsters and corrupt individuals, e.g. prosecution, disciplinary action, etc. and
- Applying sanctions, which include redress in respect of financial losses.

The components of the Plan for the Municipality are the following:

- (a) A Code of Conduct in which the management of the Municipality believes, and requires their employees to subscribe to;
- (b) The Municipality's system, policies, procedures, rules, and regulations;
- (c) The Disciplinary Code and Procedures;
- (d) Sound internal controls to prevent and detect fraud and corruption;
- (e) Physical and information security management;
- (f) Internal Audit;
- (g) On-going risk assessment and management, which includes systems for fraud and corruption detection;
- (h) Reporting and monitoring of allegations of fraud and corruption;
- (i) A fraud Prevention Policy which includes the policy stance of the Municipality towards fraud and corruption and a response plan which incorporates steps for the reporting as well as proper resolution of report and detected incidents and allegations of fraud and corruption;





- (j) 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 Prevention Policy; and
- (k) On-going maintenance and review of the Plan to ensure effective project management of its further implementation and maintenance.

## A. PREVENTING FRAUD AND CORRUPTION

### Code of conduct for Municipal Employees.

The ethical principles contained in the Code are applicable to all employees of the Municipality. Therefore, the Code forms part of the Plan for the Municipality. See **Annexure A**.

The Municipality will arrange workshops to create awareness of the Code among employees. A further objective of this training is to reinforce the expectations of the Municipality and government of employees in the Municipality with regard to their conduct and ensure their behaviour is ethical and of integrity.

Processes and mechanism to manage professional ethics are key to the fight against

Fraud and corruption. In line with the principle contained in the Public Sector Anti-Corruption Strategy the Municipality will pursue the following additional steps to Communicate the principle contained in the Code:

- a) A copy of the Code will continue to be circulated to all employees. It will also be included in induction packs for new employees. All employees will be required to sign an annual declaration serving as an indication of their understanding of and commitment to the Code; and
- b) Include relevant aspects of the Code in further awareness presentations, training sessions and communication programmes to create awareness thereof amongst employees and other stakeholders, Further objectives of the training will be the following:
  - Helping employees to understand the meaning of unethical behaviour (including harassment in any form) in line with expectations of the Municipality;
  - Presenting case studies which will assist in developing behaviour to articulate and encourage attitudes and values which support ethical business conduct;
  - Helping employees to understand issues involved in making ethical judgments; and
  - Communicating the implications of ethical behaviour and its impact for individuals, the workplace, professional relationships, the Municipality as a whole external stakeholders including the public

The development of a more robust system for the declaration of private business interests, actual or potential conflicts of interest by all employees and Councillors and a policy regarding the acceptance and offering of business courtesies as well as keeping a centralized record thereof, will be considered.



## The Municipality's Systems, Policies, Procedures, Rules and Regulations

The Municipality has a number of systems, policies, procedures, rules and regulations designed to ensure compliance with government legislation.

The Municipality has identified a fraud and corruption risk in this area as being the lack of application, knowledge, awareness, effective communication and training with regard to its prevailing prescripts. Furthermore, the Municipality has also identified a risk that some policies and procedures may be inadequate.

The management of the Municipality will improve awareness and knowledge of the relevant systems, policies, procedures, rules and regulations, including the requirements of the MFMA and the Preferential Procurement Policy Framework Act amongst its employees. The Municipality will develop clearly defined communication and training strategies to create awareness of existing and new policies and procedures, in order to ensure that all employees are made aware of and adequately trained in the implementation of policies and procedures, relevant to their duties and responsibilities, including:

- (a) Provisions for all employees to acknowledge, in writing that they have read the policies and procedures applicable to their duties, have undergone relevant training and/or are aware of these policies and procedures;
- (b) The keeping of adequate records serving as proof that employees have been made aware of the policies and procedures relevant to their duties; and
- (c) The development and distribution of a regular communiqué outlining the importance of complying with policies and procedures and the implications for employees, for example-the taking of corrective action against offenders not complying with policies and procedures.

A structured monitoring mechanism will be developed for the keeping of proper records of policies and procedures that are being updated, and of new policies and procedures that are being developed in order to set clear targets and monitoring of progress.

The Municipality is committed on developing human resources systems, policies and procedures, which will incorporate the fraud and corruption prevention practices detailed below.

- (a) The development of a system for transparent and merit-based hiring and promotion practices with objective standards, in order to reduce the risk of nepotism and favouritism, both of which are damaging forms of fraud and corruption;
- (b) Through pre-employment and security clearances screening of candidates for sensitive positions. The Municipality will verify at least the previous employment, qualifications, citizenship and criminal records of all persons before they are employed.





- (c) The municipality applies the resolutions of its collective bargaining council, which enables employees who have been unfairly or falsely accused to seek recourse. This is based on the recognition that aggrieved employees may become malicious, thus increasing the risks of them committing fraud and corruption; and
- (d) The Municipality recognizes that, despite ongoing organizational and policy changes, for example Employment Equity Policies but matching of competence to the job, is extremely important. As part of its approach to the management of human resources, the Municipality will continue to pursue steps to limit the risk of incompetent people being appointed.

Management must be held accountable for complying with and implementing the Municipality's systems, policies, procedures, rules and regulation and for preventing fraud and corruption. This will be addressed in job descriptions, agreed work plans and performance contracts.

The Municipality will also develop a system with clear guidelines for the placing of prohibitions of individuals and restriction of entities found guilty of fraud and corruption against it.

### **Disciplinary Code and Procedures**

The disciplinary code and procedures prescribes appropriate steps taken to resolve disciplinary matters.

The Municipality recognizes the fact that the consistent and efficient application of disciplinary measures is an integral component of effective fraud and corruption prevention. The following steps to expedite the consistent, efficient and speedy application of disciplinary measures will be initiated:

- (a) Creating awareness amongst employees of conduct, that action will be taken against offenders, which is forbidden in terms of the disciplinary code, where disciplinary standards are not adhered to;
- (b) On-going training of managers in the application of disciplinary measures and the disciplinary process, and sustaining of this training;
- (c) Developing a system to facilitate the consistent application of disciplinary measures; and
- (d) Regular monitoring and reviewing of the applications of discipline with the objective of improving identified weaknesses.

Firm corrective action will be considered, where managers are found to be inconsistent and/or inefficient in the application of discipline.

### **Internal Controls**

This section of the Plan relates to basic internal controls to prevent fraud and corruption and the training of employees in internal control and the conducting of their day-to-day duties. The systems,

policies, procedures, rules and regulations of the Municipality prescribes various controls, which if effectively implemented, would limit the risk of fraud and corruption. These controls may be categorized as follow, it being recognized that the categories contain overlapping elements:

### **1.1 Prevention Controls**

These are divided into two sub-categories, namely, Authorisation and Physical;

### **1.2 Detection Controls**

These are divided into four categories, namely, Arithmetic and Accounting, Physical, Supervision and Management Information; and segregation of duties.

### **1.3 Prevention Controls**

#### **(a) Authorisation**

- (i) All transactions require authorization or approval by an appropriate responsible person.
- (ii) The limits for these authorisations are specified in the delegations of authority for the Municipality as well as in various government prescripts.

#### **(b) Physical**

These controls are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets are limited to authorized personnel.

### **1.4 Detection Controls**

#### **(a) Arithmetic and Accounting**

- (i) These are basic controls within the recording function which check that transactions that are recorded and processed have been authorized, completed and that they are correctly recorded and accurately processed.
- (ii) Such controls include checking the arithmetical accuracy of records, the maintenance and checking of totals, reconciliations, control accounts, and accounting of documentation.

#### **(b) Physical**

- (i) These controls relate to the security of records. They therefore underpin arithmetic and accounting controls.
- (ii) Their similarity to preventive controls lies in the fact that these controls are also designed to limit access.

#### **(c) Supervision**



This control relates to supervision by responsible officials of day-to-day transactions and the recording thereof.

(d) Management information

- (i) This relates to the review of management accounts and budgetary control.
- (ii) These controls are normally exercised by management outside the day-to-day routine of the system.

**1.5 Segregation of Duties**

- (a) One of the primary means of control is the separation of those responsibilities or duties that would, if combined, enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit fraud and corruption.
- (b) Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.
- (c) Functions that should be separated include those of authorization, execution, custody, recording and in the case of computer-based accounting systems, systems development and daily operations.
- (d) Placed in context with fraud and corruption prevention, segregation of duties lies in separating either the authorization or the custodial function from the checking function.

Despite the existence of systems, policies, procedures, rules and regulations to address internal control, risks assessments have identified deficiencies such as inadequate checking and supervision, poor control over expenditure and lack of sufficient control measures in some area. Some of these resulted from the lack of training, expertise, knowledge and capacity

The Municipality will continue to initiate steps to address the problem regarding the lack of training, expertise and knowledge in systems, policies, procedures, rules and regulations to improve internal control. Areas of weakness will be identified during audits and risk assessments.

Furthermore, the municipality will continue to re-emphasise to all supervisors that consistent compliance by all employees with internal control, is one of the fundamental controls in place to prevent fraud and corruption.

Managers will be encouraged to recognize that internal control shortcomings identified during the course of audits are, in many instances, purely systems and that they should strive to identify and address the cause of these internal control weaknesses, in addition to addressing the control weaknesses.

Where Managers/Heads of Department do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm disciplinary action(s) will be considered.



## **Physical and Information**

### **1.6 Physical Security**

The Municipality will consider conducting a regular detailed review of the physical security arrangements at its offices and improvement of weaknesses identified. Specific focus area will be physical security over infrastructure assets and staff.

### **1.7 Information Security**

The Municipality will ensure that all employees are sensitized on a regular basis to fraud and corruption risks associated with information security and the utilization of computer resources, in particular – access control, and to ensure that systems are developed to limit the risk of manipulation of computer data.

Regular communiqué will be forwarded to employees pointing security policy, with a particular emphasis on e-mail and internet usage and the implications (e.g. disciplinary action) of abusing these and other computer related facilities. Disciplinary action will be taken when employees are found to have infringed on prevailing policies.

Regular reviews of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed.

## **B. DETECTING AND INVESTIGATING FRAUD AND CORRUPTION**

### **Internal Audit**

The Municipality should have a fully-fledged and functional internal audit unit whose obligation is to detect and investigate acts of fraud and corruption.

The Municipality will regularly re-emphasise to all managers that consistent compliance by employees with internal control is one of the fundamental controls in place to prevent fraud and corruption. Managers will be encouraged to recognize that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the cause of these internal control weaknesses, in addition to addressing the control weaknesses.

Awareness strategies will also be developed to enhance the understanding of managers about the role of internal Audit.

### **On-going Risk Assessment and Management**

Acknowledge the fact that it faces diverse business risks from both internal and external sources, the Municipality will complete a comprehensive risk assessment on all risks that are prevailing with the Municipality including fraud and corruption risks.



This information will be used to assist management with the following:

- (a) Prioritizing areas for attention and subsequently developing appropriate controls to limit the material risks identified; and
- (b) To enable management to continually assess and update the risk profile (incorporating fraud and corruption risk) of the Municipality.

Presentations to employees of the Municipality will be conducted in order to ensure that they have a more detailed understanding to the fraud and corruption risks facing the Municipality and the areas wherein these risks exist, thus enhancing the prospect of detecting irregularities earlier.

The Municipality will also consider performing specific fraud and corruption detection reviews in the following areas on a regular basis. This will include the conducting of presentations to managers and staff to ensure that key have a more detailed understanding of the fraud and corruption risks associated with these areas, thus also enhancing the project of detecting irregularities earlier. These include:

- Asset and inventor management
- Procurement/Supply Chain Management
- Conflict of interest
- Project management and maintenance
- Contracts management
- Fleet management
- Install updated Tracker systems in all municipal vehicles to monitor speed, location and time
- Compliance of delegations of authority
- Budget control
- Creditor payments
- Revenue management
- Payroll
- Travel and subsistence

## **Reporting and monitoring**

The Municipality has identified the fact that no consolidated record is kept of allegations of fraud and corruption, which it receives. The effect hereof is that fraud and corruption risks cannot be managed effectively, as threats to the Municipality could be overlooked.

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

The Municipality encourage the utilization of the PSC Fraud Hotline, controlled by an independent Service Provider which is intended to achieve the following:

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

**2.1 The Municipality will ensure that a fraud and corruption information system is developed for the following purposes:**

- (a) Recording of all allegations;
- (b) Tracking process with the management of allegations;
- (c) To facilitate the early identification of systemic weaknesses and recurring risks, and inform managers and employees of systemic weaknesses/risks;
- (d) Provide feedback to employees and other whistle blowers on the management of allegations;
- (e) To provide minimum information on fraud and corruption to designated national department.

**The Fraud Prevention Policy and Response Plan**

A Fraud Prevention Policy, which contains the policy stance of the Municipality on fraud and corruption as well as the response mechanisms in place for reporting, investigating and resolving incidents of fraud and corruption, has been developed for the Municipality.

The Fraud Prevention Policy will be circulated to all employees of the Municipality and appropriate sections to the public and providers of goods and services.

The following steps are included in the fraud policy for the reporting of fraud and corruption:



- (a) All allegations of fraud and corruption should be reported by employees to their immediate Manager and/or the Municipal Manager;
- (b) If there is a concern that the immediate Manager is involved, the report must be made to any other member of Senior Management and/or the Audit Committee;
- (c) All managers should report all allegations to the Municipal Manager who will initiate an investigation; and
- (d) Should an employee wish to make a report anonymously, such a report may be made to any member of senior management, the Municipal Manager or the Chairperson of the Audit Committee.

## **C. FURTHER IMPLEMENTATION AND MAINTENANCE**

### **Creating Awareness**

This component of the Plan comprises two approaches, namely education and communication.

#### **1.1 Education**

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

- (a) Informing employees on a on-going basis on what constitutes fraud and corruption;
- (b) Promote municipal 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;
- (c) Informing employees of fraud and corruption risks to enable understanding of specific risks to which the Municipality may be exposed, thus enhancing the prospect of detecting irregularities earlier;
- (d) Encouraging employees to blow the whistle on fraud and corruption;
- (e) Employee awareness of the current legislative framework as it relates to fraud and corruption, 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
- (f) Inform employees of their obligations and rights in terms of the Access to information and Promotion of Administrative Justice Acts.

#### **1.2 Communication**



The objective of such communication is 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 towards making the Plan a success, as well as for the sustaining of a positive, ethical culture within the Municipality. This will increase the prospect of frauds and corruption being reported and improve the Municipality's prevention and detection ability.

Communication strategies that will be considered by the Municipality are the following:

- (a) Posters, newsletters, pamphlets and other publications to advertise the Code and the Fraud Prevention Policy, aimed at employees, the public and other stakeholders;
- (b) Screensavers on computers with appropriate anti-fraud and corruption and pro-ethics messages;
- (c) Attachments to tender invitation documents relating to the Municipality's stance to fraud and corruption, where such irregularities can be reported and the actions which will be considered;
- (d) Appropriate attachments to offers of employment and inclusion of appropriate items in induction and training programmes;
- (e) Prudent terms in contract signed with providers of goods and/or services relating to offering of gifts to employees of the Municipality;
- (f) Ensuring that fraud and corruption prevention is a fixed agenda item in meetings;
- (g) Signing of declarations of commitment by all employees to the Plan; and
- (h) Endorsements of correspondence directed at providers of goods and/or services with anti-fraud, corruption and pro-ethics messages

### **On-going Maintenance and Review**

The Municipal Manager will be responsible for the continuous maintenance and review of the Plan. This includes:

- (a) Evaluating reports of fraud and corruption received and highlighting areas of fraud and corruption risk within the Municipality;
- (b) Considering fraud and corruption threats to the Municipality and making recommendations to appropriate committee or management;
- (c) Considering criminal activity threatening the Municipality and making fraud and corruption prevention recommendations with regard to areas that should be examined;





- (d) Monitoring action taken to implement recommendations relating to incidents of fraud and corruption;
- (e) Steering and taking responsibility for the Plan;
- (f) Reviewing and making appropriate amendments in the Code and the Fraud Prevention Policy;
- (g) Amending the awareness programme as necessary and implementing the changes; and
- (h) Ensuring that on-going communication and implementation strategies are developed and implemented.

The plan will be reviewed on an annual basis, whilst progress with the implementation of the various components will be reviewed as when is required.

**PRIMARY CONTACTS**

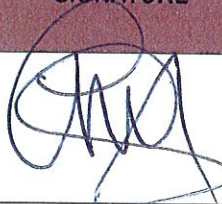
NAME	DESIGNATION	CONTACT DETAILS
Cedric Mtileni	UM: Risk Management	(018) 642 1081

**RECOMMENDATION BY THE EXECUTIVE COMMITTEE**

The document was considered by the Council at a meeting that took place on the 17 December 2014.

It was resolved to recommend the approval of the Fraud and Anti-Corruption Policy.

**APPROVAL**

DESIGNATION	NAME	SIGNATURE	DATE
Municipal Manager	Mr C Maema		18/12/2014.

**COUNCIL RESOLUTION**

COUNCIL RESOLUTION NUMBER	DATE
05/12/2014	18/12/2014

## LIST OF ANNEXURES

### ANNEXURE A: CODE OF CONDUCT

#### Act No. 32, 2000 LOCAL GOVERNMENT MUNICIPAL. SYSTEMS ACT, 2000

#### CODE OF CONDUCT FOR MUNICIPAL STAFF MEMBERS

##### 1. A staff member of a municipality must at all times:-

- 1.1 loyally execute the Lawful policies of the municipal council;
- 1.2 perform the functions of office in good faith, diligently, honestly and in a
- 1.3 transparent manner;
- 1.4 act in such a way that the spirit, purport and objects of section 50 are promoted;
- 1.5 act in the best interest of the municipality and in such a way that the credibility
- 1.6 and integrity of the municipality are not compromised; and
- 1.7 act impartially and treat all people, including other staff members, equally
- 1.8 without favour or prejudice.
- 1.9 Commitment to serving the public interest

##### 2. A staff member of a municipality is a public servant in and must accordingly:-

- 2.1 implement the provisions of section 50(2) of the Municipal Systems act;
- 2.2 foster a culture of commitment to serving the public and a collective sense of
- 2.3 responsibility for performance in terms of standards and targets;
- 2.4 promote and seek to implement the basic values and principles of public
- 2.5 administration described in section 195 (1) of the Constitution;
- 2.6 obtain copies of or information about the municipality's integrated development
- 2.7 plan, and as far as possible within the ambit of the staff member's job
- 2.8 description, seek to implement the objectives set out in the integrated
- 2.9 development plan, and achieve the performance targets set for each
- 2.10 performance indicator;
- 2.11 participate in the overall performance management system for the municipal

##### 3. Personal gain

###### A staff- member of a municipality may not:-

- 1.1 use the position or privileges of a staff member of confidential information
- 1.2 obtained as a staff member for private gain or to improperly benefit another person; or
- 1.3 take a decision on behalf of the municipality concerning a matter in which that





- 1.4 staff member or that state member' spouse, partner or business associate, has
- 1.5 a direct or indirect personal or private business interest

**Except with the prior consent of the council to a municipality a staff member of the municipality may not:-**

- 1.6 be a party to a contract for ----
- 1.7 the provision of goods or services to the municipality; or
- 1.8 the performance of any work for the municipality otherwise than as a staff member;
- 1.9 obtain a financial interest in any business of the municipality; or
- 1.10 be engaged in any business, trade or profession other than the work of the municipality;
- 1.11 Disclosure of benefits

A staff member of a municipality who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose in writing full particulars of the benefit to the council.

This item does not apply to a benefit which a state member, or a spouse, partner, business associate or close family member, has or acquires in common with all other residents of the municipality.

## **2. Unauthorized disclosure of information**

A staff member of a municipality may not without permission disclose any privileged or confidential information obtained as a staff member of the municipality to an unauthorized person.

For the purpose of the item "privileged or confidential information" includes any information:-

- 1.3 determined by the municipal council or any structure or functionary of the
- 1.4 municipality to be privileged or confidential;
- 1.5 discussed in closed session by the council or a committee of the council;
- 1.6 disclosure of which would violate a person's right to privacy; or
- 1.7 declared to be privileged, confidential or secret in terms of any law.

This term does not derogate from a person's right of access to information in terms of national legislation.

## **5. Undue influence**

A staff member of a municipality may not:-

- 5.1 unduly influence or attempt to influence the council of the municipality or a structure or functionary of the council, or a councilor, with a view to obtaining.
- 5.2 any appointment, promotion, privilege, advantage or benefit or for a family member, friend or associate; mislead or attempt to mislead the council, or a structure or functionary of the council, in its consideration of any matter; or
- 5.3 be involved in a business venture with a councilor without the prior written consent of the council of the municipality.

## **6. Rewards, gifts and favours**

A staff member of a municipality may not request, solicit or accept any reward, gift or favour for-

- 6.1 persuading the council of the municipality or any structure or functionary of the council, with regard to the exercise or any power or the performance of any duty;
- 6.2 making u representation to the council or any structure of functionary of the council;
- 6.3 disclosing any privileged of confidential information or
- 6.4 doing or not doing anything within that member's powers or duties

A staff member must without delay report to a superior official or to the speaker or the council any offer which, if accepted by the member, constitute a breach of the Code.

## **7. Council property**

A staff member of a municipality may not use, take, acquire, or benefit from any property or asset owed, controlled or managed by the municipality.

## **8. Payment of arrears**

A staff member of a municipality may not be in arrears to the municipality for rates and service charged for a period longer than 3 months, and a municipality may deduct any outstanding amounts from a staff member's salary after this period.

## **9. Participation in elections**

A staff member of a municipality may not participate in an election of the council of the municipality, other than in an official capacity or pursuant to any constitutional right.

## **10. Sexual harassment**

A staff member of a municipality may not embark on any action amounting to sexual harassment.

## **11. Reporting duty of staff members**

Whenever a staff member of a municipality has reasonable grounds for believing that there has been breach of this Code, the staff member must without delay report the matter to a superior officer or to the speaker of the council.

## **12. Breaches of Code**

Breaches of this Code must be dealt with in terms of the disciplinary procedures of the municipality envisaged in section 67 (i) (h) of the Municipal Systems act.