



STEVE TSHWETE LOCAL MUNICIPALITY

FRAUD PREVENTION POLICY

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1. PREAMBLE

- 1.1. In an endeavour to minimise, discourage, mitigate and ultimately curb all fraudulent activities, in a coherent and integrated manner and promoting ethical conduct or behaviour, Steve Tshwete Local Municipality is hereby adopting a Fraud Prevention Policy with the Fraud Prevention Plan adopted in March 2006 which will go a considerable way in strengthening a culture of honesty, reliability, transparency and care amongst all key/critical stakeholders both (internal and external), with any relationship with the Municipality.
- 1.2. As the organ of the state and local sphere of Government, the Steve Tshwete Local Municipality subscribe, to the principles of good Corporate Governance, which require the conducting of business in an honest and transparent manner.
- 1.3. The policy supersedes any Council or Mayoral Resolutions taken previously, or that may be taken in future, regarding the issue of fraud prevention. The success or failure of this policy rests with all key stakeholders working together to ensure objectives of this policy are attained.

2. BACKGROUND

- 2.1. South Africa is but one of the Countries in the global community which is engulfed with high levels of fraud resulting from white collar crimes. Recent crime statistics show that, a lot of fraudulent activities are committed at local government level, likewise Steve Tshwete Local Municipality as the advocate of service delivery at local government level is not immune to possible fraud and related activities.
- 2.2. It is imperative that, fraud prevention strategies and or plans are developed in order to mitigate chances of fraud within the workplace, hence the development of this policy by Steve Tshwete Local Municipality.
- 2.3. Many times fraudulent activities are orchestrated by officials and Councillors alike who can read and write, people who are capable of differentiating between right and wrong.
- 2.4. It is common practice/knowledge that a lot of times people act illegally purposefully and aware of their actions and consequences thereof; such instances are when an official having been aware of the policies and procedures but elects to deviate or

ignore such policies and procedures, resolutions and guidance's etc., the most common policy to be deviated from is the Supply Chain Management Policy (SCMP).

- 2.5. In short "Fraud" can be best defined as "an act of deception carried out for the purpose of unfair, unwanted and unlawful enrichment especially financial enrichment, and the consequences of this act impact negatively on another natural or juristic person".
- 2.6. This Policy is intended to set down the stance and or approach of Steve Tshwete Local Municipality to fraud and related activities as well as to existing systems, policies regulations, procedures and rules of Steve Tshwete Local Municipality aimed at preventing deterring, detecting, reacting to and reducing the impact and extent of fraud.
- 2.7. Furthermore, the purpose and spirit of this document is to confirm that Steve Tshwete Local Municipality supports and fosters a culture of no tolerance to crime as well as the spirit and principles of clean governance.
- 2.8. Steve Tshwete Local Municipality recognises the fact that acts of fraud by its employees, Councillors, contractors and any other stakeholder impact negatively on the limited resources available to the Municipality in fulfilling its mandate.
- 2.9. Steve Tshwete Local Municipality recognises that the escalating effect of fraud extends beyond the loss of cash and other assets, which have severe negative repercussions on the capability of Steve Tshwete Local Municipality to achieve its constitutional objectives.
- 2.10. Although it may be difficult to qualify, such acts, if left unattended, they seriously impact on:
 - 2.10.1. The quality and effectiveness of service delivery;
 - 2.10.2. The strength of business relationships with clients, suppliers and the public; and
 - 2.10.3. Reputation and image of Steve Tshwete Local Municipality.

2.11. The Policy has been developed as a result of the expressed commitment of Government to fight corruption. It is also an important contribution to the National Anti-corruption Strategy of our Country, and supplements both the Public Service Anti-corruption Strategy and the Local Government Anti-corruption Strategy.

3. SCOPE OF THE POLICY

3.1. This Policy applies to all officials and/or political office bearers, stakeholders, contractors, vendors/suppliers and any other party doing business with Steve Tshwete Local Municipality.

4. THE OBJECTIVES OF THE POLICY

4.1. The key objectives of the Policy is to ensure that fraudulent activities are discouraged, exposed, mitigated and dealt with in Steve Tshwete Local Municipality in an integrated approach or manner. Every effort should be made to ensure that all stakeholders or potential stakeholders like, but not limited to:

4.1.1. Municipal employees, Municipal Councillors or Service Providers are discouraged from being involved in any fraudulent activities.

4.2. "Zero tolerance to fraud" serves as the basis of Steve Tshwete Local Municipality's Fraud Prevention Policy. In addition all fraudulent activities will be investigated through application of all available remedies within the full might of the law and appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies, procedures, rules and regulations of the Steve Tshwete Local Municipality.

4.3. It is the responsibility of all Councillors and employees of Steve Tshwete Local Municipality to report all incidents of fraud to the appropriate directorates, if for any reason there is a reasonable suspicion that the superior(s) is/are involved in fraudulent activities, the case must be referred to the Accounting Officer or Executive Mayor / Council / Salga as the case may be.

4.4. All employees and Councillors of Steve Tshwete Local Municipality are responsible for the prevention and detection of fraud.

- 4.5. Members of the public, contractors, suppliers etc. are also encouraged to report suspected incidents of fraudulent activities, either by municipal employees (e.g. abuse of municipal assets, such as municipal vehicles) or by Councillors.

5. REPORTING PROCEDURES AND RESOLUTION OF REPORTED INCIDENTS

- 5.1. It is the responsibility of all Councillors / employees of Steve Tshwete Local Municipality to timeously report all allegations or incidents of fraud.
- 5.2. Councillors are required to report any incidents of fraud to the Executive Mayor or his/her nominee.
- 5.3. Councillors are also at liberty to report such activities to the Municipal Manager.

6. MANNER OF DEALING WITH ALLEGATIONS OF FRAUD AT STEVE TSHWETE LOCAL MUNICIPALITY

- 6.1. Each matter will be dealt with on its own merits. The matters raised may:
 - 6.1.1. Be raised internally; or
 - 6.1.2. Be referred directly to the SAPS and/or any other relevant Government or State Agent, depending on the nature of each individual case/matter.
- 6.2. The Municipal Manager, Executive Directors and any other delegated parties have the advisory and supporting assistance of the following units, but not limited to the below listed:
 - 6.2.1. Internal Audit Unit (IAU);
 - 6.2.2. Audit Committee;
 - 6.2.3. Legal and Administration Department;
 - 6.2.4. Human Resources;
 - 6.2.5. The office of the Auditor General; and
 - 6.2.6. The Public Protector.

- 6.3. The IAU provides *inter alia* mechanisms for more integrated strategic intelligence efforts to:
 - 6.3.1. Support Policy – making and the coordination of fraud control policy;
 - 6.3.2. Conduct investigations via its risk management division; and
 - 6.3.3. Co-ordinate processes among law enforcement agencies involved in combating crime/fraud.

- 6.4. Any fraud committed either by Councillors or officials of Steve Tshwete Local Municipality, shall be pursued through investigation and to the full extent of the laws, including consideration of the following:
 - 6.4.1. Taking disciplinary action in terms of internal Human Resources Policies;
 - 6.4.2. Instituting a recovery of financial losses, including formal civil action;
 - 6.4.3. Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agent; and
 - 6.4.4. Any other appropriate and legal remedy available.

- 6.5. The Municipal Manager and or any delegated persons, are required to ensure that losses or damages suffered by Steve Tshwete Local Municipality as a result of all reported acts of fraud committed or omitted, by a Councillor, employee or any other party, are recovered from such, Councillor, employee or any other party should same to be found to be liable.

- 6.6. The Municipal Manager or his/her delegated representative, will upon receiving a report of fraud from an external person, write to the person (unless the report has been made anonymously) who submitted the report or has made the allegations:
 - 6.6.1. Acknowledge that the concern has been received; and
 - 6.6.2. Informing him/her whether any further investigations will take place, and if not stating the reasons as to “why not”.

6.7. The Steve Tshwete Local Municipality acknowledges and accepts that those people including Councillors and employees who may have reported the alleged fraud, need to be informed of the progress on the reported matters:

6.7.1. Subject to legal constraints, information about outcomes of any investigations, will be disseminated on a “need to know” basis, by also following proper Promotion of Access to Information (PAI) processes within the Steve Tshwete Local Municipality.

7. DETECTING AND INVESTIGATING FRAUD AND CORRUPTION

7.1. The Municipality has a fully managed Internal Audit Unit, with its clear functions and responsibilities:

7.1.1. Audit plans are in place as well as mechanisms used to detect and possible deter fraud and corruption.

7.1.2. The Municipality recognises and supports all endeavours by the Internal Audit Unit to curb any form of fraud and corruption, as well as the fact that positive support by the Executive Manager/Directors for Internal Audit and its functions will entail speedy response to, and the addressing of queries raised by the Internal Audit Unit.

7.1.3. Executive Directors who are found to be slow in addressing internal control queries raised by the Internal Audit Unit, will have action taken against them.

7.1.4. In an endeavour to assist Executive Directors to better understand the role of the Internal Audit Unit, awareness strategies shall be developed.

7.1.5. A fraud hotline controlled by an independent service provider on behalf of the Municipality, shall be used to report any suspected fraudulent and or corrupt activities.

8. CONFIDENTIALITY

8.1. All information relating to fraud which is reported and investigated shall enjoy the status of a privilege, it shall be treated as privileged information.

- 8.2. The progression of the investigation shall be handled in a confidential manner and shall not be discussed with any person other than those with legitimate right to such information. The latter is done in order to avoid damaging the reputation and or integrity of suspected persons, who at the end of the investigation may be found to be innocent of the alleged wrongful conduct, as well as the safety and security of the informant who has supplied the Municipality with the allegations.
- 8.3. No person is authorised to supply any information with regards to allegations or incidents of fraud to the media without the express permission of the Municipal Manager.
- 8.4. It shall remain the discretion of the Municipal Manager with appropriate Senior Managers, to decide whether any information relating to corrective actions taken or sanctions imposed regarding incidents of fraud should be brought to the direct attention of any person or made public through any means.

9. PROTECTION OF INFORMANTS

- 9.1. No person shall suffer any penalty or retribution for reporting in good faith any suspected or actual incidents of fraud.
- 9.2. Managers/Executive Directors should discourage employees or any other parties from making allegations which are false, misleading, and/or made with malicious intentions. Where such allegations are discovered, the person who made such allegations shall be subjected to firm disciplinary or other appropriate actions.

10. APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS

- 10.1. In respect of all reported incidents of fraud, the Municipal Manager and heads of Departments are required to immediately review and where possible improve the effectiveness of the controls which have been breached in order to prevent similar irregularities from taking place in future.

11. CREATING AWARENESS

- 11.1. It is the responsibility of the Municipal Manager to ensure that all Councillors and employees are made aware of the Fraud Prevention Policy.

- 11.2. The Municipal Manager is responsible for communicating relevant sections of this Policy to members of the public or other stakeholders of Steve Tshwete Local Municipality and uploading of this Policy in the Municipal website.

12. ADMINISTRATION AND REVISION OF THE POLICY

- 12.1. The custodian of this policy is the Municipal Manager who is supported in its implementation by all Executive Directors or Section Heads within the Steve Tshwete Local Municipality.
- 12.2. The Department of Legal and Administration Services within Steve Tshwete Local Municipality, shall be instrumental in ensuring that this policy is implemented and adhered to.
- 12.3. The Municipal Manager, supported by all Executive Directors of Steve Tshwete Local Municipality are responsible for the administration and revision of this Policy.
- 12.4. The Policy will be reviewed once every financial year and appropriate changes shall be made should there be a need, any time during the financial year through a Council Resolution to that effect.

13. HOW WILL THIS POLICY BE COMMUNICATED

- 13.1. The Municipal Manager shall ensure that this Policy is widely published to all relevant stakeholders (internal and external) and is made available on the Municipal website. The Municipal Manager shall further make sure that the contents of this Policy are communicated to Ward Councillors, Ward Committee Members and displayed in Municipal Libraries so that it is accessible to members of the public.

14. ESTABLISHMENT OF A FRAUD PREVENTION COMMITTEE

- 14.1 In order to ensure smooth implementation of the objectives of the Steve Tshwete Local Municipality Fraud Prevention Policy, a Fraud Prevention Committee must be established.

15. COMPOSITION OF THE COMMITTEE

15.1. The Committee shall be composed of the following personnel.

- Municipal Manager or his/her nominee (Chairperson).
- Personnel from Supply Chain Management Unit.
- Personnel from Human Capital Management.
- Personnel from Infrastructure Services Department.
- Personnel from Community Services Department.
- Personnel from Internal Audit Unit.
- Personnel from Legal & Administration Services Department.