FRAUD PREVENTION MANUAL

2024/2025

BY: RISK MANAGEMENT UNIT
SHARED SERVICES
DR. RUTH S. MOMPATI DISTRICT MUNICIPALITY

PART A: **ETHICS POLICY**

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PART A:

ETHICS POLICY

2024/2025

1 Contents

1. INTRODUCTION

The Dr Ruth S Mompati District Municipality within the jurisdiction of the Dr. Ruth S. Mompati District believe that honesty and integrity are important values, not only in business, but also in life generally. We all want to work with people we trust and we all want people to show their trust in the organisation and each other. We are committed to stopping dishonest behaviour in the workplace. We wish to foster an environment where fraudulent & criminal activity is discouraged.

In terms of the Constitution of the Republic of South Africa, the Municipal Systems Act and the Local Government Municipal Finance Management Act; authorities are to provide, amongst other things, accountable government and to ensure the provision of services to communities in a sustainable manner.

Council and Senior Management of the respective municipality within the jurisdiction of the Dr. Ruth S. Mompati District take this responsibility seriously and realise that accountability and the sustainable provision of services is dependent on effective management of all risks, including fraud.

Fraud is regarded as a serious risk that must be combated using the most up to date and effective techniques. Organisations must not only be able to respond effectively in instances where fraud has been perpetrated but must make every effort to prevent fraud occurring. The need exists to provide assistance and guidance to employees with regard to the spirit in which employees should perform their duties and what should be done to prevent fraud. This Ethics Policy has been implemented in order to stress:

- The need for all to demonstrate the highest standard of personal and corporate ethics,
- The need for compliance with all laws and regulations,
- That Dr Ruth S Mompati District Municipality values integrity and effort, not merely financial performance, in all dealings with staff, the public and suppliers,
- The desire to be open and honest in all internal and external dealings,
- That the policy applies consistently to all staff, whatever their level.

2. BASIC PRINCIPLES

Although the Ethics policy was drafted to be as comprehensive as possible it should not be regarded as an exhaustive set of rules regulating standards of conduct. Staffs are under a duty to ensure that their conduct conforms to the basic values and principles governing Local Government Administration and that the norms and standards prescribed in the aforementioned legislation, and the code of conduct, are adhered to.

The chief purpose of the Ethics policy is a positive one; namely,

- to promote an ethical and moral environment. Notwithstanding this,
- it is also recognised that a failure to punish unethical, irregular or criminal conduct is a strong contributor to continued fraud within the Municipality.
- Council and Senior Management accordingly confirm their commitment to pursuing both disciplinary and criminal action in all appropriate circumstances.

3. FOCUS OF THE ETHICS POLICY

The focus of the Fraud Ethics policy is the prevention and combating of all forms of:

- Dishonesty;
- Statutory offences;
- Common-law offences;
- Criminal offences;
- Unethical conduct;
- Corrupt practices.

For the purposes of this document, collective reference is made to the above-mentioned as unlawful conduct.

4. POLICY REGARDING UNLAWFUL CONDUCT

The Municipality within the Dr. Ruth Segomotsi Mompati District will not tolerate any unethical or unlawful conduct and, in accordance with criminal, civil and labour law, will hold liable those involved. The same applies to persons who are aware of such unethical or unlawful conduct and who fail to report it or to act against it. This policy also applies to all Councillors, Management employees, consultants, contractors and Service Providers.

The Municipality within the Dr. Ruth Segomotsi Mompati District will not do business with or enter into a relationship with any individual or institution involved in unlawful or unethical conduct or who can be directly associated with it.

Persons or organisations guilty of unlawful conduct, in relation to their dealings with any of the Municipality within the Dr. Ruth Segomotsi Mompati District will be prosecuted criminally at all times, irrespective of whether Municipality within the Dr. Ruth Segomotsi Mompati District has suffered losses.

5. DEFINITION OF FRAUD

Whilst there is no single offence that can be called “fraud”, it is usually taken to be “theft” - the removal of assets to which the fraudster is not entitled or “massaging” or falsifying results or documents to create a false impression. Fraud is properly defined as “unlawfully making, with the intent to defraud, a misrepresentation which causes actual prejudice or which is potentially prejudicial to another”.

In a Public Sector environment care must be taken to differentiate between fraud and acting beyond ones powers or delegated authority (“Ultra Vires”), in order to achieve a particular result. Quite often, in the latter situation, a charge of fraud can be laid for misrepresentations made to management to disguise such actions. Action may also be taken for breaches of controls set to avoid such activity, for example authority limits being ignored.

6. DEFINITION OF CORRUPTION

Corruption is any conduct or behaviour when a person accepts, agrees or offers any gratification for him/herself or for another person where the purpose is to act dishonestly or illegally. Such behaviour also includes the misuse of material or information, abusing a position of authority or a breach of trust or violation of duty.

7. TYPES OF OFFENCES CONSTITUTING FRAUD, CORRUPTION OR UNETHICAL BEHAVIOUR

The crime of fraud manifests itself in many forms and it is virtually impossible to make a comprehensive list of all actions that may constitute fraud. Old and established methods of committing fraud are continuously improved upon.

Essentially, fraud requires some sort of deceptive act, which harms another party. It is this deception that makes the discovery of fraud far more difficult than the discovery of errors. In order to provide guidance and clarity with respect to types of actions or conduct that could be regarded as constituting fraud various principles and types of fraud are discussed below.

7.1 Theft

Any business asset can be stolen, by staff or third parties, or by staff and third parties acting in collusion. As with false accounting, there are common patterns, although the exact nature varies according to the asset being misappropriated and the identity of the perpetrator.

Types of theft could include:

- Direct theft of cash or any asset of the business.
- Theft of stock, commonly known as stock shrinkage.
- The theft of intellectual property.

7.2 False expense (S&T) claims

Any claims for expenses not actually incurred or not incurred whilst performing official duties can be regarded as fraudulent. Claims must be made strictly in terms of accepted policy and it is taken that all persons who claim S&T are aware of the policy governing these claims. Any claim, which is contrary to the policy, could be regarded as fraud.

7.3 False overtime claims

All claims for overtime must be based on time actually worked. Where overtime is claimed, but not worked, it is a fraudulent act.

Overtime must be approved in terms of policy and all staff are regarded as being aware of the policy.

7.4 Personal use of municipal assets

All assets of the Local Municipality within the Dr. Ruth Segomotsi Mompati District are to be used only for the benefit of the municipality and in terms of accepted policy.

7.5 Forgery or alteration of any document

Falsifying documents in any form is a misrepresentation of the true facts and can accordingly be regarded as fraud.

7.6 Destruction or removal of records

Although not necessarily fraud, destruction or removal of documents may be regarded as an effort to hide or cover up other irregular conduct. This conduct is accordingly regarded in a serious light.

7.7 Disclosing confidential information to outside parties without authority

Irresponsible disclosure of confidential information may expose any of the Local Municipality within Dr. Ruth Segomotsi Mompati District to risk.

Disclosure of confidential information may also lead to the Local Municipality within the Dr. Ruth Segomotsi Mompati District suffering a loss as a result of unfair business practises or advantage given to suppliers.

Employees have a duty of confidentiality to the Municipality. Information received in the course of employment must not be disclosed to persons outside the Municipality. Information received must not be used for an employee's own benefit or the benefit of others.

7.8 Kickbacks or Illegal gratuities

Receiving kickbacks or commission from a supplier as a "reward" for awarding the contract to that supplier.

These are particularly difficult to detect, since the kickback is paid direct from the supplier to the employee and does not go through the company's books.

7.9 Conflicts of interest

Personal interests in outside organisations should be avoided. Employees may not act as a director, officer, employee or partner of any other organisation outside the municipality.

Relationships with parties of another organisation should be fully disclosed in writing to management who should then ensure that the individual is not involved in any activity in the area of the conflict of interest.

If employees find themselves in a position where there is a conflict of interest, the conflict must be disclosed immediately. All potential conflicts must be reported and recorded by the employee in the Disclosure Register, which has been created and which is kept at the respective Municipal Finance Department.

The onus with respect to such disclosure rests solely with the employee. A failure to comply is regarded as a dismissible offence.

7.10 Gifts and entertainment

The acceptance of inappropriate gifts or entertainment from suppliers or any other party is unethical and may, in certain circumstances, constitute fraud. Discretion and common sense must be used if and when accepting modest gifts.

The Municipality’s policy, as reflected in the various codes of conduct, regarding the receipt of gifts and entertainment is as follows:

1. A councillor must within 60 days declare in writing to the municipal manager gifts received by a councillor above a prescribed amount R350.
2. A councillor may not request, solicit or accept any reward, gift or favour for:
    a) Voting or not voting in a particular manner on any matter before the municipal council or before a committee of which that councillor is a member;
    b) Persuading the council or any committee in regard to the exercise of any power, function or duty;
    c) Making a representation to the council or any committee of the council; or
    d) Disclosing privileged or confidential information.

3. A staff member of the municipality may not request, solicit or accept any reward, gift or favour for:
    a) Persuading the council of the municipality, or any structure or functionary of the council, with regard to the exercise of any power or the performance of any duty;
    b) Making a representation to the council, or any structure or functionary of the council
    c) Disclosing any privileged or confidential information; or
    d) Doing or not doing anything within that staff member's powers or duties
4. Material gifts with a monetary value exceeding R350 may not be accepted unless with the express consent of the respective Senior Management. All gifts received must be reported and recorded by the employee in the respective Municipal Disclosure Register, which has been created and which is kept at the respective Municipal Human Resources Section. The Deputy Municipal Manager and General Manager: Corporate Services will review this register on a quarterly basis.
5. These principles also apply to gifts given to outside parties.
6. Any breach of the above policy will be regarded as a dismissible offence.

8. The Municipal Finance Management Act (The MFMA)

The MFMA covers important provisions with respect to the financial management of the Local Municipality within the Dr. Ruth Segomotsi Mompati District and these provisions are relevant to the Ethics policy the most important provisions thereof are summarised below.

8.1 Disciplinary proceedings financial misconduct by municipal officials (Section 171)

1. The accounting officer of a municipality commits an act of financial misconduct if that accounting officer deliberately or negligently –

- contravenes a provision of this Act;
- fails to comply with a duty imposed by a provision of this Act on
- the accounting officer of a municipality; makes or permits, or instructs another official of the municipality to make, an unauthorised, irregular or fruitless and wasteful expenditure; or provides incorrect or misleading information in any document which in terms of a
- requirement of this Act must be –
    - Submitted to the mayor or the council of the municipality, or to the Auditor-General, the National Treasury or other organ of state; or Made public

2. The chief financial officer of a municipality commits an act of financial misconduct if that officer deliberately or negligently –

- fails to carry out a duty delegated to that officer in terms of section 79 or 81 (1) (e);
- contravenes or fails to comply with a condition of any delegation of a power or duty in terms of section 79 or 81 (1) (e);
- makes or permits, or instructs another official of the municipality to make , an unauthorised, irregular or fruitless and wasteful expenditure; or
- Provides incorrect or misleading information to the accounting officer for the purpose of a document referred to in subsection (1) (d).

3. A senior manager or other official of a municipality exercising financial management responsibilities and to whom a power or duty was delegated in terms of section 79, commits an act of financial misconduct if that senior manager or official deliberately or negligently –
   - fails to carry out a delegated duty;
   - contravenes or fails to comply with a condition of the delegated power or duty;
   - makes an unauthorised, irregular or fruitless and wasteful expenditure; or
   - provides incorrect or misleading information to the accounting officer for the purpose of a document referred to in subsection (1) (d).

4. A municipality must –

- investigate allegations of financial misconduct against the accounting officer, the chief financial officer, a senior manager or other official of the municipality unless those allegations are frivolous, vexatious, speculative or obviously unfounded; and
- if the investigation warrants such a step, institute disciplinary proceedings against the accounting officer, chief financial officer or senior manager or other official in accordance with systems and procedures referred to in section 67 of the Municipal Systems Act, read with Schedule 2 of that Act.

8.2 Financial misconduct by accounting authorities and officials of municipal entities (section 172)

1. The accounting officer of a municipal entity commits an act of financial misconduct if that

accounting officer deliberately or negligently –

- contravenes a provision of this Act;
- fails to comply with a duty imposed by a provision of this Act on the accounting officer of a municipality;
- makes or permits, or instructs another official of the municipality to make, an unauthorised, irregular or fruitless and wasteful expenditure; or
- provides incorrect or misleading information in any document which in terms of a requirement of this Act must be –
- Submitted to the mayor or the council of the municipality, or to the Auditor-General, the National Treasury or other organ of state; or made public

2. A senior manager or other official of a municipal entity exercising financial management responsibilities and to whom a power or duty was delegated in terms of section 79, commits an act of financial misconduct if that senior manager or official deliberately or negligently –
   - fails to carry out a delegated duty;
   - contravenes or fails to comply with a condition of the delegated power or duty;
   - makes an unauthorised, irregular or fruitless and wasteful expenditure; or
   - Provides incorrect or misleading information to the accounting officer for the purpose of a document referred to in subsection (1) (d).

3. A municipal entity must –

- investigate allegations of financial misconduct against the accounting officer, the chief financial officer, a senior manager or other official of the municipality unless those allegations are frivolous, vexatious, speculative or obviously unfounded; and
- if the investigation warrants such a step, institute disciplinary proceedings against the accounting officer, senior manager or official in terms of schedule 3 of the Municipal Systems Act.

8.3 Criminal proceedings – Offences (section 173)

1. The accounting officer of a municipality is guilty of an offence if that accounting officer – deliberately or in a grossly negligent way –
   - contravenes or fails to comply with a provision of section 61 (2) (b), 62 (1), 63 (2) (a)

or (c), 64 (2)(a) or (d) or 65 (2) (a), (b), (c), (d), (f) or (i);

- fails to take reasonable steps to implement the municipality's supply chain management policy referred to in section 111;
- fails to take all reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure; or fails to take all reasonable steps to prevent corruptive practices-in the management of the municipality's assets or receipt of money; or
- in the implementation of the municipality's supply chain management policy
- deliberately misleads or withholds information from the Auditor-General on any bank accounts of the municipality or on money received or spent by the municipality; or deliberately provides false or misleading information in any document which in terms of a requirement of this Act must be –
  - submitted to the Auditor-General, the National Treasury or any other organ of state; or made Public

2. The accounting officer of a municipal entity is guilty of an offence if that accounting officer –

- deliberately or in a grossly negligent way –
- contravenes or fails to comply with a provision of section 94 (2) (b), 95 (1), 96 (2), 97 (a) or 99 (2) (a), (c) or (e);
- fails to take all reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure; or
- fails to take all reasonable steps to prevent corruptive practises in the management of the municipality's assets, receipt of money; or supply chain management system;
- deliberately misleads or withholds information from the Auditor-General or the entity's parent
- municipality on any bank accounts of the municipal entity or on money received or spent by the municipal entity; or
- deliberately provides false or misleading information in any document which in terms of requirement of this Act must be –
  - submitted to the Auditor-General, the National Treasury or any other organ of state; or made Public

3. A senior manager or other official of a municipality or municipal entity exercising financial

management responsibilities and too whom a power or duty was delegated in terms of section 79 or 106, is guilty of an offence if that senior manager or official deliberately or in a grossly negligent way contravenes or fails to comply with a condition of a delegation.

4. A councillor of a municipality is guilty of an offence if that councillor –
   - deliberately influences or attempts to influence the accounting officer, the chief financial officer, a senior manager or any other official of the municipality to contravene a provision of this Act or to refrain from complying with a requirement of this Act;
   - interferes in the financial management responsibilities or functions assigned in terms of this Act to the accounting officer of the municipality or delegated to the chief financial officer of the municipality in terms of this Act;
   - interferes in the financial management responsibilities of functions assigned in terms of this Act to the accounting officer of a municipal entity under the sole or shared control of the municipality; or
   - Interferes in the management or operational activities of a municipal entity under the sole or shared control of the municipality.

5. A councillor, an official of a municipality or municipal entity, a member of the board of directors of a municipal entity or any other person is guilty of an offence if that person deliberately or in a grossly negligent way –
   - impedes an accounting officer from complying with a provision of this Act;
   - gives incorrect, untrue or misleading information material to an investment decision relating to borrowing by a municipality or municipal entity;
   - makes a withdrawal in contravention of section 11;
   - fails to comply with section 49;
   - contravenes a provision of section 115 (2),118 0r 126 (5); or
   - provides false or misleading information for the purposes of any document which must in terms of a requirement of this Act be –
     - Submitted to the council, mayor or accounting officer of a municipality or to the Auditor-General or the National Treasury; or made public.

9. REPORTING PROCEDURES

It is expected of officials that they report all incidents of suspected unlawful conduct. If the staff member wishing to make the report does not wish to remain anonymous the report can be made to the Manager of the relevant section, or to any other person appointed by the municipality to receive such reports.

The Local Municipality's Council and Senior Management however recognise that in many instances staff may wish to remain anonymous to avoid any form of reprisal. North West Provincial Government has established a whistle blowing facility to accommodate reports by persons wishing to remain anonymous as well as reports in respect of matters involving Executive management.

Employees are encouraged to report factual information about dishonesty, whether by management, employees, customers or suppliers of any of the Local Municipality within the Dr. Ruth Segomotsi Mompati District to the Municipal Manager and to the Risk Management Fraud and Anti-Corruption Committee.

The Audit Committee, the Risk Management Fraud and Anti-Corruption Committee, Exco and Senior Management are committed to ensuring that:

- ✓ All suspicions/reports will be treated seriously and investigated.
- ✓ The Fraud Prevention Plan will be adhered to.
- ✓ The outcome of any investigation and action will be made known.

10. DISCIPLINARY ACTION

In cases involving unlawful conduct in breach of this Ethics Policy or any applicable code or Legislation, steps will be taken against those involved in terms of the code of conduct and the disciplinary procedures.

11. CRIMINAL PROSECUTION

In all cases where a criminal offence has taken place, criminal proceedings will be instituted against the offender.

External Forensic Investigators may be consulted in cases where it is uncertain if the conduct constitutes criminal conduct or not. Any extenuating circumstances will be taken into account by the National Prosecuting Authority.

Criminal versus civil or disciplinary action

The level of evidence required for criminal action differs to that required for civil or disciplinary action.

Criminal action requires that evidence be on a level beyond all reasonable doubt, whereas evidence for disciplinary action is only required to be on a balance of probabilities. Therefore, although sufficient evidence may exist for a finding during the disciplinary process, such evidence may be regarded as insufficient for criminal conviction.

12. STATUS AND EMPOWERMENT

The Internal Audit Department together with the Risk Management Unit, as mandated by the Council, Exco, Audit Committee and Senior Management, are empowered to take all steps necessary to ensure compliance with this policy and to ensure that appropriate action is taken in the event of breaches thereof.

13. REVISION

This policy document will be submitted to Council for approval and initial adoption and subsequently for approval of amendments where necessary.

THE FOLLOWING EMPLOYEE AGREEMENT NEED TO BE FILED WITHIN THE PERSONAL FILE OF EACH EMPLOYEE AT HR.

14. EMPLOYEES AGREEMENT

I *FULL NAMES OF EMPLOYEE WITH EMPLOYEE CODE* confirm that I have read and understood the contents of this Ethics Policy, and that I agree to abide by it.

I further understand that, should I breach any rules contained herein, then I accept that disciplinary action may be taken against me.

……………………………… ……………………

NAME OF EMPLOYEE **DATE**

………………………………

SIGNATURE

For and on behalf of ___________________________Municipality

……………………………… ……………………

NAME AND DESIGNATION **DATE**

PART B:

FRAUD & ANTI-CORRUPTION POLICY

2024/2025

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1. PURPOSE

The purpose of this Policy is to articulate the Dr Ruth S Mompati District Municipality philosophy on fraud prevention. The Local Municipality within the Dr. Ruth Segomotsi Mompati District adopts a comprehensive approach to the management of fraud risk.

2. BACKGROUND

The provisions of Section 62(1)(a)(i) of the Municipal Finance Management Act stipulates that the Accounting Officer is responsible for ensuring that the Municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control.

Furthermore, sections 3.2.1 and 27.2.1 of the Treasury Regulations require that risk assessment is conducted on regular basis and a risk management strategy, which includes a fraud prevention plan, be used to direct internal audit effort. The strategy must be clearly communicated to all employees to ensure that risk management is incorporated into the language and culture of the Municipality.

3. SCOPE OF THE POLICY

This policy applies throughout the Local Municipality within Dr. Ruth Segomotsi Mompati District in as far as fraud risk management is concerned.

4. POLICY STATEMENT

Fraud represents a significant potential risk to the Local Municipality's assets, service delivery efficiency and reputation. The Local Municipality within the Dr. Ruth Segomotsi Mompati District will not tolerate fraudulent or corrupt activities, whether internal or external to the Municipality, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

5. THE CONCEPT OF FRAUD PREVENTION

Fraud prevention is a process that is adopted by the municipality, in putting mechanisms in place, to manage the municipality's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

As part of the Risk Management, it is the responsibility of the Accounting Officer and Accounting Authority to establish structures to address the threat of fraud.

5.1 Investigation Procedures

Dr. Ruth S. Mompati District Municipality Risk Management Unit Shared Services, has developed investigation procedures to ensure uniformity in the reporting and investigation of incidents of fraud and corruption.

i. Reporting of suspicious acts;

ii. Preliminary investigation of incidents reported;

iii. Investigation procedure;

iv. Involvement of other law enforcements agencies;

v. Procedure in taking resolutions; and

vi. Recovery of loss.

5.2 Anti-Fraud Programmes

Dr Ruth S Mompati District Municipality has developed the following programmes to address the threat of fraud and corruption:

i. Recruitment policy;

ii. Accounting and operational policies;

iii. Fraud awareness training (indicators of fraud);

iv. Fraud risk assessment;

v. Code of ethics and conduct;

vi. Investigation procedure; and

vii. Fraud response strategies.

6. ROLE PLAYERS

Dr Ruth S Mompati District Municipality have taken a stand that management of fraud and corruption threat like any other risks is the responsibility of everyone in the Municipality.

6.1 Risk Management Oversight

6.1.1 Council

Dr Ruth S Mompati District Municipality Council take an interest in fraud risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the Municipality against significant fraud risks.

The respective Council shall:

i. Understand fraud and corruption risks

ii. Maintain oversight of the fraud risk assessment by ensuring that fraud risk has considered as part of the municipality's risk assessment and strategic plans.

iii. Monitor management's reports on fraud risks, policies and control activities

iv. Oversee the internal controls established by management

v. Have the ability to retain and pay outside experts where needed

6.1.2 Audit Committee

The Audit Committee is an independent committee responsible for oversight of the department's control, governance and risk management. The responsibilities of the Audit Committee with regard to fraud risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the Council's fraud risk management effectiveness.

6.1.3 Dr. Ruth S. Mompati District Shared Services, Risk Management, Fraud & Anti-Corruption Committee

The Dr. Ruth S. Mompati District Shared Services - Risk Management, Fraud & Anti-Corruption Committee is appointed by the Accounting Officer / Authority to assist them to discharge their responsibilities for fraud risk management. The Committee's role is to review the fraud risk management progress of the Council, the effectiveness of fraud risk management activities, the key fraud risks facing the Council, and the responses to address these key fraud risks

6.2 Risk Management Implementers

6.2.1 Accounting Officer

The Accounting Officer is accountable for the Council's overall governance of fraud risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

6.2.2 Management

Management is responsible for executing their responsibilities outlined in the fraud risk management strategy and for integrating risk management into the operational routines.

Management shall:

i. Set the tone at the top for officials.
ii. Report to Council on what actions have been taken to manage fraud risks and regularly report on the effectiveness of fraud risk management programmes
iii. Be responsible for the prevention and detection of fraud and corruption and must report all incidents and allegations to the Accounting Officer.
iv. Ensure that risk assessment are conducted annually in their department/units and that agreed risk management plans are implemented
v. Ensure that all employees attend fraud and corruption related awareness workshop or training and that all information is communicated to all employees for compliance and implementation.

6.2.3 Other Officials

Other officials are responsible for integrating fraud risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

Other Officials, including management shall:

i. Have a basic understanding of fraud and be aware of the red flags.
ii. Understand how their job procedures are designed to manage fraud risks and when non-compliance may create an opportunity for fraud to occur or go undetected.
iii. Read and understand policies and procedures (e.g. fraud policy, code of conduct and whistle blowing policy), as well as other operational policies and procedures, such as procedure manuals.

6.3 Risk Management, Fraud & Anti-Corruption Support

6.3.1 Chief Risk Officer: Risk Management (Shared Services)

The Chief Risk Officer is the custodian of the Fraud & Anti-Corruption Policy, Fraud Prevention Plan, and coordinator of fraud risk management activities throughout the Council. The primary responsibility of the Chief Risk Officer is to bring to bear his/her specialist expertise to assist the

Council to embed risk management and leverage its benefits to enhance performance.

6.3.2 Risk Owners and Champions

The Risk Champion's responsibility involves coordinating fraud risk mitigations in their respective department. Risk Champions will not assume role of risk owner for fraud risk management.

6.4 Risk Management Assurance Providers

6.4.1 Internal Audit

The role of the Internal Audit in fraud risk management is to provide an independent, objective assurance on the effectiveness of the Council's system of fraud risk management. Internal Audit must evaluate the effectiveness of the entire system of fraud risk management and provide recommendations for improvement where necessary.

Internal Audit shall:

i. Monitor the implementation of recommended control to minimise fraud and corruption
ii. Evaluate the effectiveness of fraud and corruption control measures
iii. Advise management on the integrity of information
iv. Design additional steps in the audit programs to assist in detecting, addressing and preventing re-occurrence of similar incidents
v. Monitor implementation of recommended actions resulting from conclusions of fraud investigations
vi. Highlight legislation, policies and procedures that might have been violated as a result of the outcome of an investigations ,and
vii. Report all identified and suspected fraud and corruption matters

6.4.2 External Audit

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of fraud risk management.

7. POLICY REVIEW

This Policy shall be reviewed annually to reflect the current stance on fraud risk management.

PART C:

FRAUD PREVENTION PLAN 2024/2025

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1. INTRODUCTION AND PURPOSE

Section 95(c) of the MFMA states that it is the responsibility of the Accounting Officer to take all reasonable steps to ensure the entity has and maintains effective, efficient and transparent systems of financial risk management and internal control. The MFMA further states in

Section 115(1)(b) that the accounting officer of a municipality must 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 and corruption.

The purpose of this Prevention Plan is to articulate the municipality's philosophy on fraud prevention and risk management. The Municipality adopts a comprehensive approach to the management of fraud risk and risk.

The Municipality believes that honesty and integrity are important values, not only in business, but also in life generally. We all want to work with people we trust and we all want people to show their trust in the organisation and each other. We are committed to stopping dishonest behaviour in the workplace. We wish to foster an environment where fraudulent and criminal activity is discouraged.

Fraud represents a significant potential risk to the municipality assets, service delivery efficiency and reputation. The Municipality will not tolerate fraudulent or corrupt activities, whether internal or external to the Municipality and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

2. DEFINITIONS

CFO		Chief Financial Officer of the Municipality
Constitution		Constitution of the Republic of South Africa, 1996 (Act. No 108 of 996).
Corruption		any conduct or behaviour where a person accepts or agrees or offers any gratification for him/her or for another person where the purpose is to act dishonestly and illegally. Such behaviour also

		includes the misuse of material or information, abusing a position of authority or a breach of trust or violation of duty;
Corrupt Activity Act		Prevention and Combating of Corrupt Activities Act 2004 (Act No.12 of 2004).
Council		the Council of the Municipality
Councillor		a member of Council of the municipality
Disclosure		in terms of the Protected Disclosure Act, 2000 (Act No. 26 of 2000) any disclosure of information regarding any conduct of an employer or an employee of that employer, made by any employee who has reason to believe that the information concerned shows or tends to show one or more of the following: i. That a criminal offence has been committed is being committed or is likely to be committed; ii. That a person has failed is failing or is likely to fail to comply with any legal obligation to which that person is subject; iii. That a miscarriage of justice has occurred is occurring or is likely to occur; iv. That the health or safety of an individual has been, is being or likely to be endangered; v. That the environment has been is being or is likely to be damaged; vi. Unfair discrimination as contemplated in the Promotion of Equality and Prevention of Unfair Discrimination Act, (No.4 of 2000)or vii. That any matter referred to above has been/ is being or is likely to be deliberately concealed;
Disciplinary Procedure		the Disciplinary Procedure of the Municipality in terms of the collective agreement of the South African Local Government Bargaining Council and/or the Disciplinary Code and Procedures for Senior Managers;

Employee / Official		any employee of the Municipality, contractual or permanent;
Fraud		the unlawful and intentional making of a misrepresentation which causes actual or potential prejudice to another. The use of the term is in its widest possible meaning and is intended to include all aspects of economic crime and acts of dishonesty;
MFMA		Local Government: Municipal Finance Management Act, Act 56 of 2003
Municipality		Dr Ruth S Mompati District Municipality
Municipal Manager		Municipal Manager duly appointed by the Municipality
NPA		National Prosecuting Authority of the Republic of South Africa
Occupational detriment		in relation to the working environment of an employee in terms of the Protected Disclosure Act (Act No.26 of 2000) means - i. Being subjected to any disciplinary action; ii. Being dismissed, suspended, demoted, harassed or intimidated; iii. Being transferred against his or her will; iv. Being refused transfer or promotion; v. Being subjected to a term or condition of employment or retirement which is altered or kept altered to his or her disadvantage; vi. Being refused a reference, or being provided with an adverse reference, from his or her employer; vii. Being denied appointment to any employment, profession or office; viii. Being threatened with any of the actions referred to in paragraphs above; or ix. Being otherwise adversely affected in respect of his or her employment, profession or office, including employment opportunities and work security;
Political Office Bearers		Councillors appointed to hold political offices in the respective Municipality i.e the Mayor and the Speaker;

Protected Disclosure		in terms of the Protected Disclosure Act (Act No. 26 of 2000), means a disclosure made to:- i. a legal adviser in accordance with section 5; ii. an employer in accordance with section 6; iii. ia member of Cabinet or of the Executive Council of a province is accordance with section 7; iv. a person or body in accordance with section 8; v. any other person or body in accordance with section 9; but does not include a disclosure:- *a) in respect of which the employee concerned commits an offence by making a disclosure; or* b) *made by a legal adviser to whom the information concerned was disclosed in the course of obtaining legal advice in accordance with section 5.*
Protected Disclosure Act		Protected Disclosure Act, 2000 (Act No. 26 of 2000);
Recipient of a complaint		any employee or councillor of the respective Municipality to whom a complaint of fraud, corruption and maladministration is laid; this may involve but is not limited to a Supervisor, Line Manager, Executive Director, Municipal Manager or an employee acting in any such capacity, Mayor, the Speaker and/or the Chairperson of the Risk Management, Fraud & Anti-Corruption Committee and/or the Audit & Performance Management Committee.
SAPF		South African Police Force of the Republic of South Africa
Speaker		the speaker of the respective Municipal Council;
Systems Act		Local Government: Municipal Systems Act, Act 32 of 2000
Structures Act		Local Government: Municipal Structures Act, Act 117 of 1998

3. LEGISLATION

The prevention plan is in accordance with applicable legislation and any relevant policies and guidelines of:

a) Dr Ruth S Mompati District Municipality
AND
b) The Constitution of the Republic of South Africa,(Act No. 108 of 1996 (hereafter referred to as the Constitution);
c) Protected Disclosure Act, (Act No. 26 of 2000);
d) Prevention and Combating of Corrupt Activities (Act, No 12 of 2004); The Municipal Finance Management Act,(Act No. 56 of 2003);
e) Local Government: Municipal Systems Act,(No. 32 of 2000); Local Government: Municipal Structures Act,(No. 117 of 1998);
f) Local Government: Municipal Supply Chain Management Regulations,(Act No 27636 of 2005);
g) National Treasury Regulations
h) Or any other relevant legislation and/or regulations and/or circulars applicable.

4. SCOPE OF THE PLAN

This plan applies to all corruption, fraud, theft and maladministration or suspected irregularities of this nature involving, but not limited to, the following persons or entities within the Municipality:

a) Employees of the Municipality, Political Office Bearers, Councilors;
b) Consultants, suppliers, contractors and other providers of goods and services to the respective Municipality.

This plan shall be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the respective Municipal Manager and other responsible officials; the Council and the Executive Mayor as well as between the Council and the Municipal Manager

5. FRAUD, CORRUPTION, THEFT AND MALADMINISTRATION

5.1 Forms of Fraud and Corruption

5.1.1 Bribery

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of an employee. This benefit may accrue to the employee or councillor, another person or an entity

5.1.2 Embezzlement

This involves theft of resources by persons entrusted with the authority and control of such resources.

5.1.3 Fraud

This involves actions or behaviour by an employee, councillor or other person or entity that provides a benefit that would not normally accrue to the person(s) or entity. Such fraud is frequently committed by persons who enjoy positions of trust or authority within the respective Municipality; and may involve acts such as issuing falsified financial statements or performance reports with the object of misleading council. External fraud occurs when persons outside the organization perpetrate fraud against the Municipality:

- Such as the inadequate supply of deliveries at delivery points exploiting loopholes in the respective Municipality's security system;
- False statements or reports regarding work done on construction sites, or
- Repair and service contracts where there is inadequate control over these contracts.

5.1.4 Extortion

This involves coercing a person or entity to provide a benefit to an employee, councillor or another person or an entity in exchange for acting (or failing to act) in a particular manner.

5.1.5 Abuse of power

This involves an employee or councillor using his or her vested authority to improperly benefit another employee or councillors, person or entity or using vested authority to improperly discriminate against an employee or councillor, another person or entity.

5.1.6 Conflict of interest

This involves an employee or councillor acting or failing to act on a matter where the employee or councillor has an interest or another person or entity that stands in a relationship with the employee or councillor has an interest

5.1.7 Abuse of privileged information

This involves the use of privileged information and knowledge that an employee or councillor possesses as a result of his or her office to provide unfair advantage to another person or entity to obtain a benefit, or to accrue a benefit to him or herself. This may also involve the misuse of confidential information of the Municipality by people in positions of trust, for example through the misuse of computer access control.

5.1.8 Favouritism

The provision of services or resources according to personal affiliation of a public servant (for example cultural or religious).

5.1.9 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 outlined above are by no means exhaustive as fraud and corruption appears in many forms and it is virtually impossible to list all of these.

5.2 Examples of Actions constituting fraud, corruption, theft and maladministration

The term fraud, corruption, theft and maladministration refer to, but are not limited to:

- Any dishonest, fraudulent or corrupt act;
- Theft of funds, supplies, or other assets;
- Maladministration 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;
- Deliberately and dishonestly altering documents, records or vouchers of the municipality for financial gain. For instance:
  - Creating false invoices or credit notes;
  - Creating fictitious supplier accounts;
  - Creating false purchase invoices or destroying supplier credit notes;
  - Purchasing items for private use on the municipality's accounts;
  - Submitting false claims for remuneration of expenses;
  - Buying goods on credit with the full knowledge that council does not\ have the means to pay for them;
  - Approving unauthorised deliveries and/or creating fictitious employees on the respective Municipality's payroll.
  - Irregularly accepting or requesting anything of a material value from contractors, suppliers, or other persons providing services/goods to the respective Municipality, for instance conspiring unfairly to others to obtain a tender;
  - Irregularly offering or giving anything of a material value to contractors, suppliers, or other person providing services/goods to the respective Municipality; and/or special favours or concessions to clients/suppliers or contractors or other parties in exchange for remuneration in the form of cash or other benefits.
- Destruction, removal, or abuse of records, furniture, and equipment as well as unauthorised private use of the Municipality's assets, including vehicles;
- Employing family members of close friends;
- Operating a private business in working hours;
- Deliberately omitting to report or act upon reports of any such irregular or dishonest conduct;
- Acts of financial misconduct contemplated in terms of sections 171 to 173 of the MFMA;
- Incidents of unauthorized, irregular or fruitless and wasteful expenditure as defined in section 32 of the MFMA; and
- Any similar or related irregularity as prescribed by the Prevention and Combating of Corrupt Activities Act, the MFMA and other applicable legislation.

6. FRAUD AND CORRUPTION STRATEGIES

The approach in identifying, controlling and mitigating fraud and corruption is divided into three main areas:

- Organisational Strategy
- Operational Strategy
- Maintenance Strategy

6.1 Organisational Strategy

The Organisational Strategies represent the actions to be undertaken in order to address fraud and corruption at the Organisational level.

6.1.1 Responsibilities of the Accounting Officer and Risk Management, Fraud & anti-corruption Committee

a) The respective Municipal Manager bears the ultimate responsibility for fraud and corruption risk management within the Municipality. This includes the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, and facilitation for the reporting of such instances. It is the responsibility of the Municipality Municipal Manager to appoint a Risk Management, Fraud and anti-corruption committee.

b) The DRSM Shared Services Risk Management, Fraud and Anti-Corruption Committee- The role of the committee is set out below:

i. Oversee the Municipalities approach to fraud prevention, fraud detection strategies and respond to fraud and corruption incidents reported by employees or other external parties.

ii. The committee must be chaired by one of the independent members from the Audit Committee.

iii. Representatives from the various municipalities and/or departments must also form part of the members of the committee

iv. The committee must also be represented from a member from the Internal Audit division

v. The committee must meet on a regular basis (as determined by the adopted Dr Ruth S Mompati District Committee Charter) to discuss all related fraud and corruption matters

6.1.2 Ethical Culture of the Municipality

a) The Municipality is required to conduct itself in an ethical and moral way.

b) 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 the Municipality's ethical conduct. In this regard, the highest standards of ethics are required by employees when fulfilling their duties.

c) 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 the Municipality

6.1.3 Senior Management Commitment

a) The respective Senior management teams must be committed to eradicating fraud and corruption and ensuring that the Municipality strives to be perceived as ethical in all its dealings with the public and other interested parties.

b) In this regard, senior management, under the guidance of the respective Accounting Officer, will ensure that it does not become complacent in dealing with fraud and corruption and that it will ensure the Municipality overall fraud and corruption strategy is reviewed and updated regularly.

c) Furthermore, the respective senior management team will ensure that all employees and stakeholders are made aware of its overall anti-fraud and corruption strategies through various initiatives of awareness and training.

6.2 Operational Strategy

6.2.1 Internal Control

a) Internal controls are the first line of defense against fraud and corruption.

While internal controls may not fully protect the Municipality against fraud and corruption, they are essential elements in the overall Anti-Fraud and Corruption Strategy.

b) All areas of operations require internal controls, for example:

i. Physical controls (securing of assets);

ii. Authorisation controls (approval of expenditure);
iii. Supervisory controls (supervising day-to-day issues);
iv. Analysis of data;
v. Monthly and annual financial statements;
vi. Reconciliation of bank statements, monthly; and vii) Reconciliation of vote accounts, monthly.

c) The Internal Audit Shared Services within the Dr. Ruth S. Mompati District and the Audit Unit of the Municipality will be responsible for implementing an internal audit program which will incorporate steps to evaluate adherence to internal controls.

6.2.2 Prevention of fraud and corruption

A number of combined initiatives results in an overall preventative environment in respect of fraud and corruption activities. These include the following:

a) Assessment of Fraud and Corruption Risk

The Local Municipality, under the guidance of the Accounting Officer and the Chairman of the DRSM Shared Services Risk Management Anti- Fraud and Corruption Committee, must conduct annual fraud and corruption risk assessments to identify potential fraud and corruption risk exposures to the Local Municipality within the Dr. Ruth Segomotsi Mompati District. This process will ensure that actions to address the identified fraud and corruption risk exposures will be implemented to mitigate these exposures.

The above will be formulated into "Fraud Risk Assessment" and which will provide an indication of how fraud and corruption risks are manifested and, a "Fraud and Corruption Risk Register" which will prioritise the fraud and corruption risks and indicate actions to mitigate these risks.

b) Employee Awareness

The main purpose of fraud and corruption awareness workshops training to assist in the prevention, detection and reporting of fraud and corruption by raising the level of awareness as to how fraud and corruption is manifested in the workplace. In this regard, all employees will receive training on the following:

- Anti-Fraud and Corruption strategy;
- Code of Conduct for employees;
- Whistle blowing policy;
- How to respond to fraud and corruption; and
- Manifestations of fraud and corruption in the workplace.

It is the responsibility of the Municipal Manager to identify an individual that will be responsible for employee awareness and that will arrange and schedule awareness sessions throughout the year.

c) *Recruitment procedures*

Recruitment will be conducted in accordance with the Selection and Recruitment Policy. It will be a transparent process and all appointments will be confirmed only after due recommendation.

Any person, involved in any decision-making process, who may have a conflict of interest, must declare such a conflict in writing to the HR Department and withdraw from any further procedures

d) *Internal audit plan*

A robust Internal Audit plan, which focuses on the prevalent high Fraud and Corruption risks, serves as an effective preventative measure. The Internal Audit Division will compile such a plan on an annual basis, and such a plan will also include "surprise audits".

e) *Fraud and corruption prevention plan*

The actions set out in this plan are all focused at mitigating the risk of fraud and corruption in the Municipality.

f) *Disclosure of interests*

All officials and/or councillors of the Municipality will be required to disclose their specific personal assets and business interests on an annual basis. This register will be kept with the Budget and Treasury Department.

6.2.3 Detection of fraud and corruption

Detection of fraud and corruption may occur through:

a) Internal Audit-Through surprise audits, post transaction reviews, review of management reports and data analysis
b) External Audit-Chief Financial Officer will need to hold discussions with engaged external auditors to ensure due consideration is given, by the auditor, to ISA 240 "The Auditors' Responsibility to Consider Fraud in the Audit of a Financial Statements".
c) Employee Awareness -To report to management any suspicions on fraud and corruption

6.2.4 Response to fraud and corruption

a) <u>Reporting fraud and corruption</u>

i. *Responsibility of reporting*

It is the responsibility of every employee of the Municipality to report incidents of fraud, corruption, theft, maladministration and other suspected irregularities of this nature to his/her Manager. If the employee is not comfortable reporting such matters to his/her immediate supervisor or manager, he/she should report the matter to any other member of management, the Municipal Manager and/or the Chairperson of the DRSM Shared Services Risk Management Fraud & Anti-Corruption Committee

Should an employee wish to make a report anonymously, such a report may be made to any member of management, the Municipal Manager, the Chairperson of the DRSM Shared Services Risk Management, Fraud & Anti-Corruption Committee and/or the Speaker or the Mayor.

Consistent with section 32 of the MFMA and in terms of this Plan, the Municipal Manager must inform the Executive Mayor, Council, the MEC for Local Government in the North West and the Auditor General, in writing of:-

- any unauthorized, irregular, fruitless and wasteful expenditure incurred by the Municipality; and in terms of this policy, shall also include serious incidents of fraud, corruption, theft, maladministration and other suspected irregularities of this nature;
- whether any person is responsible or under investigation for such unauthorized, irregular, wasteful or fraudulent expenditure; and

- the steps that have been taken to: recover or rectify such expenditure; and
- to prevent a recurrence of such expenditure.

ii. *Whistle Blowing*

One of the key obstacles to fighting fraud and corruption is the fear by employees of being intimidated to identify or "blow the whistle" on fraudulent, corrupt or unethical practices witnessed in the work place.

Those who often do "blow the whistle" end up being victimised and intimidated. For this reason, the Local Municipality and the Dr. Ruth Segomotsi Mompati District Municipality has set out the detailed procedures on Whistle Blowing, applicable to all the Local Municipality within the District, later in this policy which must be followed in order to report any incidents of fraud and/or corruption.

This section on Whistle Blowing is designed to comply with the provisions of the Protected Disclosures Act.

Any suspicion of fraud and corruption will be treated seriously and will be reviewed, analysed, and if warranted, investigated. If an employee becomes aware of a suspected fraud, corruption or any irregularity or unethical behaviour, such issues should be reported in terms of the section on Whistle Blowing.

b) <u>Managing the allegation</u>

Should a respective departmental director or any other person receive an allegation of fraudulent or corrupt activity, he or she will ensure that the Municipal Manager is advised at the earliest opportunity.

The Municipal Manager will submit a report to the Chief Risk Officer and/or the Chairperson of the DRSM Shared Services Risk Management, Fraud and Anti-Corruption Committee to conduct or co-ordinate an investigation into the allegations in co-ordination with the Local Municipality's legal unit and /or department. The manager appointed to conduct or co-ordinate the investigation of an allegation of fraud may consult the Chairman of the DRSM Shared Services Risk Management, Anti-Fraud and Corruption Committee on technical aspects of the investigation.

Upon receipt of an allegation of a suspected fraud, the immediate concern of the manager or investigating officer should be the preservation of evidence and the containment of loss.

c) Investigating Fraud and Corruption

i) Investigations

In the event that fraud or corruption is detected or suspected, independent investigations will be initiated, and if warranted, disciplinary proceedings, prosecution or action aimed at the recovery of losses will be initiated. Anonymous reports submitted to the DRSM Shared Services Risk Management, Fraud & Anti-Corruption Committee and/ or Dr. Ruth S. Mompati District Risk Management Unit and/or the respective Office of the Speaker may warrant a preliminary investigation before any decision to implement an independent investigation is taken

The responsibility to conduct investigations relating to the actions listed in this plan resides with Council, the Municipal Manager and the Departmental Directors within the Municipality. All investigations performed and evidence obtained will be in accordance with acceptable practices and legal requirements. Independence and objectivity of investigations are paramount.

The accounting officer may decide to appoint a suitably qualified and experienced advisor, consultant or person to conduct the investigations. For example:

- Internal and external audit services;
- State Attorney;
- External investigating agencies, for example the SAPSs, 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;
- Any other authority as may be determined by Council
- AND reports to the DRSM Shared Services Risk Management, Fraud & Anti-Corruption Committee

Any investigation initiated must be concluded by the issue of a report by the person/s appointed to conduct such investigations. Such reports will only be disseminated to those persons required to have access thereto in order to implement whatever action is deemed appropriate as a result of the investigation.

Investigations may involve one or more of the following activities:

- Interviewing of relevant witnesses, internal and external, including obtaining statements where appropriate;
- Reviewing and collating documentary evidence;
- Forensic examination of computer systems; Examination of telephone records;
- Enquiries from banks and other financial institutions (subject to
- the granting of appropriate approval/Court orders); Enquiries with other third parties;
- Data search and seizure;
- Expert witness and specialist testimony; Tracing funds I assets I goods;
- Liaison with the police or other law enforcement or regulatory agencies;
- Interviewing persons suspected of involvement in fraud and corruption; and Report preparation.
- AND reports to the DRSM Shared Services Risk Management, Fraud & Anti-Corruption Committee

Any investigation into improper conduct within the Municipality will be subject to an appropriate level of supervision by a responsible committee, having regard to the seriousness of the matter under investigation.

ii) *Disciplinary Hearings*

The ultimate outcome of disciplinary proceedings may involve a person receiving written warnings or the termination of their services. All disciplinary proceedings will take place in accordance with the procedures as set out in the disciplinary procedures.

iii) *Prosecution*

Should investigations uncover evidence of fraud or corruption in respect of an allegation or series of allegations, the Municipality DRSM Shared Services Risk Management, Fraud & Anti-Corruption Committee, Risk Management Unit and the respective Municipal Manager and Speaker will review the facts at hand to determine whether the matter is one that ought to be reported to the relevant law enforcement agency for investigation and possible prosecution. Such reports must be submitted to the South African Police Service in accordance with the requirements of all applicable acts. The Municipality will give its full co-operation to any such law enforcement agency including the provision of reports compiled in respect of investigations conducted.

iv) *Recovery action*

Where there is clear evidence of fraud or corruption and there has been a financial loss to the Municipality, recovery action, criminal, civil or administrative, will be instituted to recover any such losses. In respect of civil recoveries, costs involved will be determined to ensure that the cost of recovery is financially beneficial.

The Local Municipality may, in terms of this policy and section 176 (2) of the MFMA, recover such losses or damages incurred by the Municipality. Therefore an employee or councilor shall be held liable for the recovery of financial losses that occurred due to deliberate or negligent unlawful actions.

In the event that a Municipal Manager reported the unauthorised, irregular or fruitless expenditure as stated in section 32 of the MFMA, the Municipal Manager may utilize the amendments to the Pension Funds Act, which allows an employer, on registration of a criminal docket with the SAPS, to request the pension fund to freeze the employee's or the councilor’s benefit payments who has been allegedly involved in financial misconduct, pending finalization of the criminal prosecution.

Thereafter, if the employee or councilor is convicted, any losses caused by the employee or councilor shall be deducted from the benefits due to the employee or councilor concerned or shall be recovered from the assets owned by the person concerned.

Exit interviews and exit checklist procedures will be performed in the event of dismissal from the Municipality for misconduct or fraud. This is necessary to ensure that factors contributing to misconduct and fraudulent activity by employees can be managed as a process to mitigate fraud risk.

v) *Internal control review after discovery of fraud*

In each instance where fraud is detected, Departmental Director will reassess the adequacy of the current internal control environment (particularly those controls directly impacting on the fraud incident) to consider the need for improvements. An immediate report will be submitted to the Chief Risk Officer, the DRSM Shared Services Risk Management Unit and the District Shared Service Risk Management, Fraud & Anti-Corruption Committee, the respective Municipal Manager and respective Speaker.

The responsibility for ensuring that the internal control environment is re-assessed and for ensuring that the recommendations arising out of this assessment are implemented will lie with Departmental Director concerned.

6.3 Maintenance Strategy

6.3.1 Review of the Effectiveness of Anti-Fraud and Corruption Policy

The Dr. Ruth Segomotsi Mompati District Risk Management Unit Shared Services and the District Risk Management, Fraud & Anti-Corruption Committee, will conduct a review of the Fraud Prevention Plan on annual basis to determine the effectiveness thereof. This will be done in conjunction with the findings from the Internal Audit division and External Audit findings.

The Accounting Officer is ultimately accountable for this review and may appoint a person to take responsibility for this.

6.3.2 Review and updating the Fraud & Anti-Corruption Policy

A central part of any fraud and corruption control programme should involve an on-going review of fraud and corruption risk exposures.

Fraud and Corruption risk assessments will also be conducted annually at the same time as the review of the Anti-Fraud and Corruption Plan. As with the review, the Accounting Officer is ultimately accountable for this and may delegate a person to take responsibility.

7. PROTECTED DISCLOSURE

7.1 Protection of Whistle Blowers

The Protected Disclosures Act makes provision for the protection of employees or councillors who make a disclosure in terms of the provisions of this Act.

Any disclosure made in good faith and in accordance with the procedures outlined in this policy with regards to reporting, is considered a protected disclosure. An employee or councillor making such a disclosure is protected from being subjected to an occupational detriment.

An employee who suspects or reports suspected dishonest activity which he/she has witnessed should be afforded the opportunity to remain anonymous should he/she so require.

Allegations made by employees, 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.

The Municipality recognizes that employees or councillors will be concerned about potential victimization, recrimination and even threats to their personal safety as a consequence of disclosing such fraudulent and/or corrupt activities. The Municipality shall provide measures to protect the information and the identity of the person (when such protection is required).

7.2 Harassment

The Municipality acknowledges the fact that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for any fraudulent or corrupt conduct or irregularity.

The Municipality shall not tolerate harassment or victimization and shall take action to protect employees or councillors when they report an irregularity in good faith.

Any act of harassment or victimization should be reported, in line with the reporting protocol of the Municipality. This does not mean that if an employee is already the subject of a disciplinary process, that action will be halted as a result of making a 'protected disclosure' in terms of the Protected Disclosure Act.

7.3 Confidentiality

Information relating to fraudulent, corrupt or dishonest acts that is received and reported to any supervisor, manager or an executive director and/ or the municipal manager shall be treated with the utmost confidentiality.

The progression of the investigation 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 the suspected person(s) who may be subsequently found innocent of any wrongful conduct.

Any information should be preferably communicated to the Accounting Officer, and/or Speaker AND the DRSM Chief Risk Officer and/or Risk Management Unit Shared Services and the DRSM Risk Management, Fraud & Anti-Corruption Chairperson or Committee.

7.4 Anonymous Allegations

The Municipality encourages employees or councillors to put their names to allegations of acts of corruption and/or fraud. Nevertheless they will be followed up at the discretion of the Municipality. This discretion will be applied by taking into account the following:

7.4.1. the seriousness of the issue raised;

7.4.2. the credibility of the concern; and

7.4.3. the likelihood of confirming such an allegation

7.5 False Allegations

Employees or councillors 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.

If in the course of the investigation it should be found that the allegations were made with malicious intent, such allegations shall be treated in a very serious light. The employee concerned must be subjected to a disciplinary enquiry. Should a councillor be involved, the Code of Conduct for Councillors shall be applied.

8. PENALTIES

Non-compliance to any of the stipulations contained in this plan will be regarded as misconduct and will be dealt with in terms of the Disciplinary Code implemented by the Local Municipality within the Dr. Ruth Segomotsi Mompati District.

9. DISPUTE RESOLUTION

If there is a dispute about the interpretation or application of this plan any party may refer the matter to the Head of Department. If the dispute is not successfully resolved it may be resolved through the Municipal Grievance Procedure Policy.

10. ANNUAL REVIEW OF THE PLAN

The plan must be reviewed by the Chief Risk Officer and the DRSM Shared Services Risk Management, Fraud & Anti-Corruption Committee on an annual basis to ensure compliance with all laws and regulations. If amendments are made the updated plan must be approved by way of council resolution.

11. IMPLEMENTATION OF THE PLAN

This plan will be effective from the date the policy is approved per council resolution. The implementation of this plan cannot be backdated and all sections thereof will only be implemented from date of approval.

PART D:

WHISTLE BLOWING POLICY

2024/2025

Contents

1. INTRODUCTION

Whilst a sound system of internal controls remains a primary means for the effective prevention and detection of fraud, a reporting channel, trusted by officials, councillors and external third parties alike, remains an important tool in the fight against fraud.

The Municipality recognizes that, by remaining silent about fraudulent practices and other malpractices affecting the Municipality, an official, councillor or member of the public concerned becomes part of a culture of fostering such improprieties which are detrimental to the legitimate interests of the Municipality as well as to South African society in general.

The Municipality, as an employer, further recognizes its statutory obligation towards officials, as its employees, to protect such officials disclosing information defined in the Protected Disclosures Act 26 of 2000 as protected disclosures, including fraudulent activities in the workplace.

The Local Municipality within the Dr. Ruth Segomotsi Mompati District expects all its councillors and officials, as well as external stakeholders, such as suppliers, service providers, and partners, to disclose information regarding fraudulent practices affecting the Municipality to the Municipality, whether anonymously or otherwise.

1. DEFINITIONS

For the purpose of this policy, unless the context indicates otherwise:

“disclosure” means any reporting of information regarding any conduct of the employer, or an employee, made by any employee who has reason to believe that the information concerned shows or tends to show one or more of the following:

- ✓ that a criminal offence has been committed, is being committed or is likely to be committed;
- ✓ that a person has failed, is failing or is likely to fail to comply with any legal obligation to which that person is subject;
- ✓ that a miscarriage of justice has occurred, is occurring or is likely to occur;
- ✓ that the health and safety of an individual has been, is being or is likely to be endangered;
- ✓ that the environment has been, is being or is likely to be damaged;
- ✓ unfair discrimination as contemplated in the Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000; or

- ✓ that any matter referred to in sub-paragraphs 2.11 to 2.1.6, which are protected in terms of the Protected Disclosures Act 26 of 2000, has been or is likely to be deliberately concealed.

“employees” means officials of the municipality within the Dr Ruth S Mompati District Municipality

“employer” means the respective Council of each municipality within the Dr Ruth S Mompati Municipality and the Municipality has a corresponding meaning;

“fraud” means any practice that involves acts of deceit or dishonesty by which a benefit is obtained from the Municipality, or where a benefit is obtained by virtue of one’s duties or functions within the Municipality, and fraudulent has a corresponding meaning.

“hotline” means an anonymous reporting channel through which officials, councillors and members of the public can report fraudulent and other irregular activities, free from victimization or repercussions;

“whistle-blower” means a person who informs on someone engaged in a fraudulent or other illegal activity.

2. LEGISLATIVE MANDATE IN RESPECT OF PROTECTED DISCLOSURES

The Protected Disclosure Act provides for the protection of employees who make disclosures in accordance with the procedures provided in the Act, against any reprisals as a result of such disclosure.

3. PURPOSE

The purpose of this Policy is to provide guiding principles in respect of:

- The reporting of irregular or fraudulent activities by employees, councillors and members of the public by way of the hotline or otherwise;
- The protection of employees making disclosures.

4. GUIDING PRINCIPLES

Employees and councillors have a responsibility to disclose and eradicate any irregular or fraudulent activity both in respect of the workplace but also in respect of the Municipality's activities generally.

The employer shall take all reasonable steps to create an environment in which every employee may, without fear, make disclosures and ensure that employees who disclose such information are protected from reprisals as a result of such disclosures.

No employee shall be victimized, penalized or subjected to any disciplinary action, suspension, demotion, harassment or intimidation or any act constituting an occupational detriment as defined in the Protected Disclosures Act, on the grounds of making a disclosure, provided that such disclosure is made in good faith and the employee when making such disclosure, reasonably believes that the information disclosed, is true.

All disclosures made by an employee must be made to the Municipal Manager, who in turn, shall report on such disclosures to Council.

The Municipality shall ensure that a hotline is in place and operational at all times to act as conduit for the free flow of information from whistle-blowers to the Municipal Manager.

Wishes of whistle-blowers to remain anonymous shall be fully respected irrespective of whether such persons are councillors, officials or external third parties, and the identity of such persons shall not be revealed to any other person unless the operation of the law compels such disclosure.

To protect the integrity of the hotline and to demonstrate the Municipality's commitment to ensuring the anonymity of whistle-blowers, the hotline shall be operated by a third party service provider, independent of the Municipality.

All reports made via the hotline shall be immediately communicated to the Municipal Manager, the Chief Risk Officer, the DRSM Shared Services Risk Management, Fraud & Anti-Corruption Committee and the Office of the Speaker and acted upon. In instances where reports concern the behaviour of councillors, such reports will be sent to the Executive Mayor as well.

5. SCOPE AND APPLICATION

This Policy is applicable to all employees and councillors of the Local Municipality within the Dr. Ruth S. Mompati District.

6. ROLES AND RESPONSIBILITIES

The Municipal Manager or his/her delegate assignee accepts overall responsibility for the implementation and monitoring of the policy in facilitation with the Risk Management unit, The Chief Risk Officer and the DRSM Shared Services Risk Management, Fraud & Anti-Corruption Chairperson and/ or Committee and the respective Office of the Speaker.

7. COMMUNICATION

This Policy shall be communicated to all employees.

RECOMMENDATIONS AND APPROVAL OF THE FRAUD PREVENTION MANUAL

This Manual shall come into effect immediately upon approval by Council of the Greater Taung Local Municipality within the Dr. Ruth Segomotsi Mompati District**.** The Risk Management Manual 2024/2025 was approved by the Respective Local Municipality Fraud and Anti-Corruption Risk Management Committee (FARMCO) and the Audit and Performance Committee (APAC).

Smith	**16/10/2024**
ADV. A. BAM **CHIEF RISK OFFICER**	**DATE**
MR. M. MAKUAPANE **MUNICIPAL MANAGER**	**DATE**
ASB	**16/10/2024**
MR. SAB NGOBENI **FARMCO CHAIRPERSON**	**DATE**
APC CHAIRPERSON	**DATE**