

TOKOLOGO LOCAL MUNICIPALITY



FRAUD PREVENTION POLICY

2018/19

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1. SCOPE OF THE POLICY

Municipal employees and municipal councilors must at all times be reminded that it is imperative for them to abide to the principles of the "Codes of Conduct" as detailed in Schedules 1 and 2 of the Municipal Systems Act No. 32 of 2000.

1.1 This policy applies to all councilors and employees of Tokologo Local Municipality and relates to all attempts and incidents of fraud impacting negatively or having the potential to impact negatively on Tokologo Local Municipality. This policy also applies to service providers who are doing business with Tokologo Local Municipality, through its tender processes, etc.

1.2. Actions constituting fraud refer to, but are not limited to:

- (a) Any dishonest, fraudulent or corrupt activity;
- (b) Theft of funds (directly or indirectly), supplies or other assets of the municipality;
- (c) Maladministration or financial misconduct in handling or reporting of money, financial transactions or other assets;
- (d) Making a profit from insider knowledge;
- (e) Disclosing confidential or proprietary information to outside parties for financial or other advantage;
- (f) Requesting or accepting anything of material value (free of charge) from contractors, suppliers or other persons providing goods or services to Tokologo Local Municipality;
- (g) Irregular destruction, removal or abuse of records and equipment;
- (h) Deliberately omitting or refusing to report or act upon reports of any such irregular or dishonest conduct;
- (i) Bribery, blackmail, secret commissions and / or extortion involving a Tokologo Local Municipal employee in the performance of her or his duties;
- (j) Abuse of Tokologo Local Municipality's facilities;
- (k) Irregular theft of time without authority from the supervisor/s;
- (l) Non-disclosure of financial or related interest when in the process of awarding tenders;

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- (m) Accepting being taken out by a prospective service provider, who is bidding / competing in a tender process;
- (n) Willfully or knowingly deviating from the documented policies, procedures and guidelines of the municipality, for the benefit of an individual; and
- (o) Any similar or related irregularity.

2. BACKGROUND

South Africa is engulfed with alarming proportions of fraud, resulting from white collar crime. Companies must ensure that they develop fraud prevention strategies (or plans) in order to mitigate chances of fraud, within their workplaces, hence the development of this policy. Municipalities are also not immune to the occurrences of fraud, as they also operate in a global village. In many instances fraudulent activities are orchestrated by officials who can read and write, who know exactly that their actions are indeed illegal, such as in the instances where an official deviates purposefully from the requirements of an approved municipal policy, guidelines, procedures, resolutions, etc. (e.g. Supply Chain Management Policy).

In short “FRAUD” can be defined as “an act of deception carried out for the purpose of unfair, undeserved, and / or unlawful gain, especially financial gain, and the results of this act are injurious to another party”.

2.1 This policy is intended to set down the stance of Tokologo Local Municipality to “fraud”, as well as to reinforce existing systems, policies, procedures, rules and regulations of Tokologo Local Municipality aimed at deterring, preventing, detecting, reacting to and reducing the impact of fraud.

2.2 Furthermore, the purpose and spirit of this document is to confirm that Tokologo Local Municipality supports and fosters a culture of zero tolerance to fraud in all its manifestations.

2.3 Tokologo Local Municipality recognizes the fact that acts of fraud by its employees seriously deplete the scarce resources available to the Municipality in fulfilling its mandate.

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

2.4 Tokologo Local Municipality recognizes that the debilitating effect of fraud extends beyond the loss of cash and other assets which have severe negative repercussions on the ability of Tokologo Local Municipality to achieve its objectives.

2.5. Although difficult to quantify, such acts, if left unchecked, seriously impact on:

- The quality and effectiveness of service delivery;
- The strength of business relationships with clients, suppliers and the public;
- Employee morale; and
- Reputation and image of Tokologo Local Municipality.

3. THE OBJECTIVES OF THE FRAUD PREVENTION POLICY (POLICY STATEMENT / POLICY STANCE)

The key objective of this policy is to ensure that fraudulent activities are discouraged, exposed, mitigated and dealt with in the Tokologo Local Municipality in an integrated approach or manner. Every effort should be made to ensure that service providers or potential service providers, municipal employees, and municipal councilors are discouraged to become involved in any fraudulent activities.

3.1 “Zero Tolerance to fraud” serves as the basis for Tokologo Local Municipality’s Fraud Prevention Policy. In addition, all fraudulent activities will be investigated and followed up by the application of all remedies available within the full extent of the law as well as the application of 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 Tokologo Local Municipality.

3.2 It is the responsibility of all councilors and employees of Tokologo Local Municipality to report all incidents of fraud to their immediate superior/s, if for

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any reason it is suspected that even the superior is involved in fraudulent activities, the case must be referred to the Municipal Manager or the Mayor, as the case may be.

3.3 All employees within Tokologo Local Municipality are responsible for the prevention and detection of fraud.

3.4 Members of the public are also encouraged to report suspected cases of fraudulent activities, either by municipal employees (e.g. abuse of municipal assets such as municipal fleet) or by councilors, to the Municipal Manager or the Mayor.

4. REPORTING PROCEDURES AND RESOLUTION OF REPORTED INCIDENTS

4.1. What should councilors and employees do if they suspect fraud?

4.1.1 It is the responsibility of all councilors and employees to immediately report all allegations or incidents of fraud. Councilors are required to report any incidents of fraud to the Mayor, or his/her nominee, in his/her absence. Councilors are also at liberty to report any fraudulent activities directly to the Municipal Manager, in writing or personally.

4.1.2. All employees are required to report any incidents of fraud directly to their immediate superior/s, and in cases where they suspect that their immediate superior/s is or are involved in fraudulent activities; employees are free to report these cases to Directors, or even the Municipal Manager. The Municipal Manager will then initiate an investigation into the matter.

4.1.3. Nothing prevents anyone, be it an employee, municipal councilor, member of the public or any other key stakeholder in reporting fraudulent activities to other Organs of State, such as the South African Police Service (SAPS), the National Investigating Agency (NIA), relevant Minister in Government, etc.

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4.2. What should a member of the public do if they suspect fraud impacting the Tokologo Local Municipality?

4.2.1. Should members of the public wish to report allegations of fraud anonymously, they can contact the Mayor, any councilor, the Municipal Manager, any member of senior management, the Directors, or even the national hotline at 0800 701 701, the SAPS' Crime Stop Hotline at 0800 010 111. The complaints could also be addressed to: -

***(Municipal Manager, Private bag X46, Boshof, 8340) or phone 053 541 0014.
Fraud hotline number: 0800 20 44 49***

4.2.2 Tokologo Local Municipality encourages members of the public who suspect fraud impacting the municipality to contact the Municipal Manager, Mayor, ward councilor/s or any state agent (such as South African Police Service, National Intelligence Agent, Auditor General, Internal Audit Unit, Government Minister, etc.).

4.3. How will allegations of fraud be dealt with by Tokologo Local Municipality?

4.3.1 For issues raised by employees or members of the public, the action taken by the Tokologo Local Municipality will depend on the nature of the concern. The matters raised may: -

- Be investigated internally; or
- Be referred to the South African Police Service or any relevant government or state agent.

4.3.2 All supervisors and management within Tokologo Local Municipality have the advisory and supporting assistance from other units which include the following:

- Internal Audit Unit;
- Audit Committee,

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- Human Resources;
- The Office of the Auditor-General; and
- The Public Protector.

4.3.3 The Internal Audit Unit provides a mechanism for a more integrated strategic intelligence effort to:

- Support policy-making and the co-ordination of fraud control policy;
- Conduct investigations via its Risk Management and Appointed Service provider; and
- Co-ordinate processes among law enforcement agencies involved in combating fraud.

4.3.4. Any fraud committed by councilors or employees of Tokologo Local Municipality will be pursued by thorough investigation and to the full extent of the law, including consideration of the following:

- a) Taking disciplinary action, in terms of internal Human Resource Policies, within a reasonable period of time after the incident;
- b) Instituting recovery of financial losses, including formal civil action;
- c) Initiating criminal prosecution by reporting the matter to the South African Police Service or any other relevant law enforcement agency; and
- d) Any other appropriate and legal remedy available.

4.3.5. The Municipal Manager and the Mayor are also required to ensure that losses or damages suffered by Tokologo Local Municipality as a result of all reported acts of fraud committed or omitted by any councilor, employee or any other person, are recovered from such a councilor, employee or other person if he or she is found to be liable.

4.3.6. 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:

- Acknowledging that the concern has been received; and
- Inform her or him of whether any further investigations will take place, and if not, stating the reasons as to “why not”.

4.3.7. Tokologo Local Municipality accepts that those people, including councilors and employees who reported the alleged fraud need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, information about outcomes of any investigation will be disseminated on a “need to know” basis.

4.3.8. The Municipal Manager or the Mayor or any relevant structure of Council will regularly review the matters reported and actions taken, in dealing with each and every case.

5. CONFIDENTIALITY

5.1. All information relating to fraud that is received and investigated will be treated confidentially. The progression of investigations will be handled in a confidential manner and will not be disclosed or discussed with any person(s) other than those who have a legitimate right to such information. This is important to avoid harming the reputation (or integrity) of suspected persons who are subsequently found innocent of wrongful conduct, and also the safety or security of the informant who has supplied the municipality with the allegation/s.

5.2 No person is authorized to supply any information with regard to allegations or incidents of fraud to the media without the express permission of the Municipal Manager.

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6. PUBLICATION OF SANCTIONS

6.1. The Municipal Manager will decide, in consultation with appropriate senior managers, 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.

7. PROTECTION OF WHISTLE BLOWERS

7.1. The Whistle Blowing strategy is intended to encourage employees, councilors or other key stakeholders to raise concerns relating to specific matters (including fraud), without fear of victimization or compromising their safety and security.

7.2. No person will suffer any penalty or retribution for reporting in good faith, any suspected or actual incident of fraud.

7.3. Managers should discourage employees or other parties from making allegations which are false and made with malicious intentions. Where such allegations are discovered, the person who made the allegations will be subjected to firm disciplinary or other appropriate action.

8. APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS

8.1. In respect of all reported incidents of fraud, the municipal manager, senior managers, 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.

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Submitted By:


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Date: 24/01/19.....

Risk Officer

Recommended	Date	/	/2019
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Chairperson Risk Management Committee

Approved	Date	24 / 4	/2019
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Accounting Officer

Approved	Date	24 / 01	/2019
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Mayor

