



# WEST RAND DISTRICT MUNICIPALITY

## FRAUD PREVENTION POLICY

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- Email Fraud line. [fraudline@wrdm.gov.za](mailto:fraudline@wrdm.gov.za)
- Anti-corruption suggestion box next to tender boxes in the foyer
- National Anti- Corruption Hotline:
  - 0800 701 701 (telephone – toll free)
  - 0800 204 965 (fax – toll free)
  - 39772 ( SMS facility)
- Premier Hotline: Gauteng Premier’s hotline:
  - ✓ Operating hours: 7am to 6pm weekdays
  - ✓ Call: 08600 – 11000
  - ✓ Fax: 011 429 3222
  - ✓ E-Mail: [Hotline@gauteng.gov.za](mailto:Hotline@gauteng.gov.za)
  - ✓ Letters: Gauteng Premiers Hotline, Post: Private Bag x 115, Marshalltown, Johannesburg, 2107

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## **1. INTRODUCTION**

Responsibility for the prevention and detection of misconduct involving loss of West Rand District Municipality assets rests with Management. In particular, fraud, theft and corruption can generally be deterred and/or detected through the design, implementation and operation of adequate system of internal controls.

Internal controls, may, however, fail to operate as designed and may be ineffective against fraud, theft and corruption, when committed with the collusion of employees and/or outside parties. Other factors may also militate against the operation of these controls.

The purpose of this policy is to determine responsibilities and lay down effective procedures for the deterrence and early detection of theft, fraud and corruption.

The policy also seeks to guide management, employees and councilors on how to deal with reporting acts of fraud and corruption when confronted with it. It also seeks to lay down reporting procedures and channels.

## **2. LEGAL FRAMEWORK**

2.1 This policy has been compiled in accordance with:

- **The Constitution on the Republic of South Africa 108 of 1996**
- **Local Government Anti-corruption Strategy - Integrity Management Framework 2016**
- **Protected Disclosure Act (2000)**
- **Promotion of Access to Information Act (2000)**
- **Prevention and Combating of Corrupt Activities Act (2004)**
- **The Municipal Finance Management Act (2003) and Regulations**
- **Local Government: Municipal Systems Act (2000)**
- **Local Government: Municipal Structures Act (2002)**
- **Local Government: Municipal Supply Chain Management Act**

### **3. POLICY OBJECTIVES**

3.1 To develop and foster a climate within the WRDM where all stakeholders strive for the ultimate eradication of all types of fraud, corruption, theft and maladministration through the application of every proactive and reactive means at their disposal.

3.2 This policy also sets out the stance of the Municipality with regard to corruption and fraud, as well as reinforcing existing legislation aimed at preventing, reacting to and reducing the impact of fraud, corruption, theft and maladministration, where these dishonest acts subsist.

3.3 The policy sets out responsibilities, reporting procedures to detect and deter theft, fraud and corruption and reporting guidelines.

3.3 Furthermore, this policy prescribes appropriate deterrence and detection controls, including but not limited to, the disclosure of unlawful or irregular acts or conduct.

### **4. POLICY STATEMENT**

*This document intends to set the tone through which Management commits themselves and their Departments towards rejecting fraud as a business norm.*

Fraud is an ever-increasing problem that affects us all. West Rand District Municipality (WRDM) is not immune to this worldwide epidemic and is not prepared to continue being a victim of fraud, but rather seeks to be a part of the solution to a fraud free society. The main aim of this policy is to reduce fraud to an absolute minimum in order to provide better care and quality of services for all its stakeholders. It sets out the deterrence and detection mechanisms to be employed to responding to the problem of fraud.

WRDM irrevocably binds itself to combat all forms of fraud and corruption and binds the Municipality to remain proactive in the fight against fraud and other white collar crimes.

The Fraud Policy, sets the attitude towards the problem and declares a “Zero Tolerance Policy” towards fraud and other acts of dishonesty.

As a Municipality, it is important that we take these values seriously and ensure that we do not permit activities that are not aligned with our norms. It is incumbent on all to be intolerable of this behavior and to report such findings. To this end, defrauding WRDM will not be tolerated and those employees or other stakeholders found to be in violation of this policy will be prosecuted to the fullest extent possible, both internally and externally.

This policy places fraud prevention and/or reporting of any form of irregularity as a responsibility of every employee and Councilor in WRDM. It is therefore expected of every employee and Councilor to report all incidents of irregularities or fraud that comes to his or her attention. Failure to do so will result in disciplinary or criminal action for having failed to comply with this policy.

#### **4.1 POLICY STATEMENT- DETERRENCE**

4.1.1 Deterrence consists of those actions to discourage the perpetration of fraud and theft and to limit the losses to WRDM, which may arise thereof.

4.1.2 Management is responsible for developing sound accounting policies, for maintaining an adequate and effective system of account, for safeguarding assets, and for devising a system of internal control that will inter alia, assist in the production of adequate financial statements and deter theft and fraud.

4.1.3 Internal Audit (I/A) is responsible for assisting Management by:

- Evaluating the adequacy and the effectiveness of actions taken by Management to fulfill their obligations as stated in paragraph 4.1.2 above.
- Examining and evaluating the adequacy and effectiveness of internal controls and the quality of performance in carrying out assigned responsibilities.
- Recommending corrective measures to improve systems of internal control.
- Evaluating compliance with the financial policies and standing orders/ procedures.

#### **4.2 POLICY STATEMENT- DETECTION**

4.2.1 Detection consists of speedy identification of indicators pointing to the commission of fraud and/or theft and/or corruption. These indicators should be such as to warrant an investigation. They may come to light from the control established by Management, by Auditor's tests and/ or other sources both within and outside the WRDM.

4.2.2 It is the practice within the Municipality to allow reporting of suspected theft, fraud and corruption anonymously to either to the Accounting Officer, WRDM Fraud Hotline, Internal Audit or Risk Management Committee and to protect the informants.

4.2.3 In conducting audit assignments, Internal Audit's responsibilities for assisting Management in detecting fraud and theft are:

- Possessing sufficient knowledge of the elements of these offences as to timeously identify indicators denoting commission of possible offence.

- Recognizing the characteristics of fraud and theft, their essential elements, the techniques used to commit fraud and theft and the types of fraud and theft associated with the activities audited.
- Evaluating the indicators that fraud and theft may have been committed and deciding whether any further action is required or whether an investigation should be recommended.

## **5. POLICY SCOPE**

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

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

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

## **6. DEFINITIONS**

### **6.1 Fraud**

A more comprehensive definition that is used is this: "Fraud is willful perversion of the truth made with intent to deceive and resulting in actual or potential prejudice to another".

Fraud involves the misrepresentation of information both by overt (evident) acts such as, forgery, as well as by concealment of and/or deliberate failure to record transactions. Usually fraud involves the concealment and/or falsification of financial information.

*The following elements are requirements to establish fraud:*

- Misrepresentation
- Prejudice
- False accounting
- Misappropriation

- Unlawful Act
- Intent

## **6.2 Theft**

Theft consists of the unlawful appropriation of anything capable of being stolen, with intent to deprive the owner thereof of his/her ownership. This includes the interest of the Council whether tangible or intangible

Within the context of the WRDM, theft usually entails the unauthorized and unlawful removal of assets belonging to the Council. It should be noted that the definition of theft does not cover unauthorized use of motor vehicle (the unauthorized use of a motor vehicle is however a statutory offence).

*The following can be established as theft:*

- Act of removing or misappropriation property capable of being stolen
- Unlawful act
- Intent, e.g. taking unrecorded leave
- Direct theft of cash or any asset of the business
- Theft of stock, commonly known as inventory stock
- The theft of intellectual property
- False expense claims e.g. Subsistence & Travelling claims, Overtime, etc
- Personal use of Municipal assets
- Forgery or alteration of any document
- Kickbacks or Illegal gratuities
- An employee obtains employment under false deceptions by dishonestly claiming to have the required qualifications
- A staff member registers a fictitious employee in order to collect salary of that fictitious employee.
- 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).

## **6.3 Corruption**

Corruption can be defined as: “the offering, giving, soliciting or acceptance of an inducement or reward which may improperly influence the action of any person”.

Such conduct also includes the misuse of material information, abusing a position of authority or a breach of trust or violation of duty.

#### **6.4 Deterrence**

Deterrence maybe defined as: “the prevention and discouragement of crime or hindrance of individuals in the perpetration thereof”.

#### **6.5 Detection**

Detection may be defined as: “the revelation or bringing to light of crime and the speedy discovery of loss sustained and the identification of individuals involved”.

#### **6.6 Maladministration**

Maladministration may be defined as: ‘An act or an omission by an employee to perform a lawful act which results or could result in harm or prejudice to WRDM. Such act or omission may have been occasioned by ignorance, negligence or incompetence. Maladministration by itself may not constitute fraud and corruption; it becomes fraud and corruption once there exists an intention (*mens rea*) to act unlawfully (*culpa*). To establish a *prima facie* case of fraud and corruption these two elements must be present. A verdict of maladministration can be passed if there is a failure to prove *mens rea*.

#### **6.7 Bribery**

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of an employee or Councilor of WRDM. This benefit may accrue to the employee, another person or any entity e.g. an employee/Councilor accepting a cash payment in order not to make an unfavorable decision.

#### **6.8 Embezzlement**

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

#### **6.9 False Accounting**

The main aim of false accounting is to present the results, affairs or performance of the Municipality in a better light. Frequently there are pressures to report distorted income and/or expenditure to conceal negative true fiscal position in order to influence stakeholder opinion or perception towards the Municipality.



### **6.10 Extortion**

This involves forcing a person or entity to provide a benefit to a member of staff, another person or an entity in exchange for acting (failing to act) in a particular manner.

### **6.11 Abuse of Power**

This involves an employee or Councilor of the Municipality using his/her authority to improperly benefit another person or entity, or using the authority to unlawfully discriminate against another person or entity.

### **6.12 Conflict of Interest**

This involves an official or Councilor of the Municipality acting or failing to act on a matter where the employee/ Councilor has an interest or another person or entity that stands in a relationship with the official/Councilor has an interest e.g. the official/Councilor considers tenders for a contract and awards the tender to a company of which his or her partner is a Director.

### **6.13 Abuse of Privileged Information**

This involves the use of privilege information and knowledge that an official/Councilor possesses as a result of his/her office to provide unfair advantage to another person or entity in order to obtain a benefit, or to accrue a benefit to him or herself.

### **6.14 Favoritism**

This involves the provision of service or resources according to personal affiliation e.g. an official/Councilor ensures that only persons from the same ethnic, religious, or political group are shortlisted in selection process for a vacant position.

### **6.15 Nepotism**

This involves an official/Councilor ensuring that family members are appointed to vacant positions or that family receive contracts from WRDM e.g. an official/Councilor influence the appoint his/her relatives' person to a position when a more suitable candidate qualifies to be considered.

The above definitions are not exhaustive. All employee and Councilors of WRDM must understand and accept what constitutes fraud and corruption within the Municipality.

## 7. ROLES AND RESPONSIBILITIES

Fraud prevention is part of all Management's (Executive Directors and Managers) normal duties. Management has a stewardship role over the resources and processes under their control, including protection against losses arising from fraud. The responsibility of fraud prevention must be formalized by including it in each Executive Director and Manager's job description and performance agreement and within risk management responsibilities.

## 8. REPORTING PROCEDURES

**Employees who discover action (or omissions), which may suggest fraud, theft and corruption, must report their findings to their immediate Supervisor/Manager immediately. If the immediate Supervisor/Manager is a party to the fraud, the case may be reported the next level of Management. That Manager/ Executive Manager has the responsibility to report the findings to the Municipal Manager who will hand over to the Manager: Internal Audit and the Risk Management Committee through its Chairperson.**

In case of a Councilor discovering actions (or omissions), which may suggest fraud, theft and corruption must report their findings to the Speaker of Council immediately. It is then the Speaker's responsibility to report the matter to the Municipal Manager who will hand it over to Internal Audit and Risk Management Committee through its Chairperson. However the Speaker will communicate the findings to the Executive Mayor.

Nonetheless any employee can report any act of fraud, corruption and theft direct to the Internal Audit unit and the WRDM Fraud Hotline for investigation.

If necessary, Management will also be responsible for informing the South African Police Services (SAPS). Steps must be taken to inform WRDM's insurers that a claim on WRDM's insurance policy may be forthcoming.

No person in the Municipality, regardless of seniority, will and may have access to the identities of staff members or other persons that report irregularities or fraud, except the person the case is reported to.

## 9. FRAUD PREVENTION HOTLINE

A reporting channel (Hotline) through which employees, communities, suppliers, contractors and other third parties and can report irregular activities, free from victimization or repercussions, must be developed by the Municipality. The primary means of detecting fraud

will and should always remain a sound system of internal control and regular internal audits. These measures should be supplemented with a fraud-reporting channel where information regarding fraud, theft and corruption is collected and decisive corrective and protective steps are taken to limit the Municipality's exposure to further or future loss. Vital to this function is the assurance of anonymity, commitment to investigate all irregularities, protection of the whistleblowers and consistent application of the fraud policy, regardless of the seniority of the alleged offender.

All calls to the fraud Hotline will be treated with the utmost confidentiality. Reports may be made anonymously. This facility will be administrated independently by the Internal Audit Unit and/or the appointed service provider if the function is out-sourced.

Internal and external stakeholders are encouraged to report factual information about dishonesty, whether by management, employees, customers or suppliers of WRDM to the WRDM Fraud Prevention Hotline on either of the following methods:

- **Email Fraud line.** [fraudline@wrdm.gov.za](mailto:fraudline@wrdm.gov.za)
- **Anti-corruption suggestion box next to tender boxes in the foyer**
- **National Anti- Corruption Hotline:**
  - ✓ **0800 701 701 (telephone – toll free)**
  - ✓ **0800 204 965 (fax – toll free)**
  - ✓ **39772 ( SMS facility)**
- **Premier Hotline: Gauteng Premier's hotline:**
  - ✓ **Operating hours: 7am to 6pm weekdays**
  - ✓ **Call: 08600 – 11000**
  - ✓ **Fax: 011 429 3222**
  - ✓ **E-Mail: [Hotline@gauteng.gov.za](mailto:Hotline@gauteng.gov.za)**
  - ✓ **Letters: Gauteng Premiers Hotline, Post: Private Bag x 115, Marshalltown, Johannesburg, 2107**

### 10. ACTIONS TO BE TAKEN

In the event of the alleged fraud, theft and corruption, the investigation will consist of carrying out the necessary procedures to determine whether the offence, as suggested by the indicators, has occurred. This will include gathering of sufficient evidential information about the alleged misconduct.

The aim of fraud, theft and corruption investigation is to perform procedures in order to determine whether fraud as suggested by fraud indicators does exist or not. The role players included in the investigations can operate in a team or individually and include the following, subject to the directions of the Municipal Manager and/or Executive Mayor, as the case may be:

1. Section: Internal Audit
2. Section: Corporate Secretariat & Legal Services
3. Other specialists within the approval of the Municipal Manager e.g. Section: Labour Relations, Forensic/Internal Audit, etc.

In cases involving less than R2000 in value, the investigations are to be conducted by Internal Audit.

### **Processes to be followed:**

In the event that fraud or corruption is detected or suspected, investigations will be initiated, and if warranted disciplinary proceedings, prosecution or action aimed at the recovery of losses will be initiated.

The process to be followed after fraud or corruption has been detected is to launch an investigation and if enough proof exists, then to start the process. Investigating starts with:

- Planning
- Obtaining statements
- Collecting documents/ sufficient evidential information about the alleged misconduct and
- Interviewing implicated parties.

The actions among others to be taken by the response team dealing with the fraud case include:

- Understanding the fraud
- Knowing the offence
- Knowing your rights and the offenders'
- Tracing witnesses, offenders and others to co-operate
- Covering loop-holes
- Report it to the SAPS after consulting with the Municipal Manager

**Internal Audit:**

- Designing appropriate procedures in attempting to identify the alleged perpetrators, extent of the alleged fraud, theft and corruption techniques used, and the cause of the alleged fraud, theft and corruption.
- Interview persons having knowledge of the allegations as well as possible witnesses.
- Carry out various Audit tests and gather all necessary evidence
- Attempt to identify the perpetrator(s)

Internal audit findings on each case of alleged fraud, theft and corruption should be the basis for Management's decision to institute disciplinary action against any employee and/or lay criminal charges against the alleged perpetrators. Management may also decide to take steps to secure restitution or compensation.

**Corporate Secretariat and Legal Services:**

- Provide legal advice and support
- Carry out preliminary review of the case and evaluate the available evidence
- Assist in determining what further evidence would be required to prove the alleged misconduct
- Advice on whether the matter should be reported to SAPS
- Advice with the preparation of the clearance and the necessary evidence supporting the charge, for delivery to SAPS; and
- Attend/ monitor criminal proceedings where thought appropriate.

Based on the amount involved and the complexity of the case, Management must decide on who is to represent WRDM in attending (and taking notes) at the hearing/court case.

Management's attention should be drawn to the "Statutes of the Republic of South Africa-Criminal Law and Procedure" and the "Criminal Procedure Act, No 51 of 1977" specifically section 300 dealing with compensation and restitution, where Court may award compensation where offence caused damage to or loss of property:

- 1) Where a person is convicted by a Superior Court, a Regional Court or a Magistrate's Court of an offence which has caused damage to or loss of property (including money) belonging to some other person, the court in question may, upon the application of the injured person, or of the Prosecutor acting on this instruction of the injured person, forthwith award the injured person compensation for such damage or loss, provided

that- a Regional Court or a Magistrate's Court shall not make any such award if the compensation applied for exceeds R20 000 or R5 000 respectively.”

- 2) To apply this section, Management should refer its application to Section: Corporate Secretariat & Legal Services who are to prepare a written request through the appropriate channels.
- 3) On completion of the investigation, Internal Audit is to make an assessment of the control procedures in order to:
  - Determine whether further controls need to be implemented or existing controls strengthened to reduce future vulnerability;
  - Design audit tasks to help disclose the existence of similar behavior in future
  - Determine the reason for existing controls not functioning effectively

## **11. COMPILING THE REPORT**

11.1 Reporting consists of the various oral or written, interim or final communications to Management regarding the progress and/or results of investigations into alleged fraud, theft and corruption.

11.2 When a possible offence has been detected, preliminary report is to be drawn up. This report should be completed by Management and distributed to the Municipal Manager and to Internal Audit.

11.3 A final report on the investigation should be prepared in cooperation by Internal Audit and Corporate Secretariat & Legal Services or by departmental staff in less serious cases. The report should indicate what evidence has been gathered, set out conclusions based on such evidence and be distributed accordingly.

11.4 All evidence is to be retained by the investigating team for use in possible criminal prosecution.

11.5 The report should attempt to identify the cause of the misconduct and the reason why the occurrence went undetected or was not prevented. If there are weaknesses in control, recommendations should be made for remedial action.

### **The written report should include the following:**

- Source of discovery (regular audit, complaint, confession, discovery by Management).
- What was discovered (theft, misappropriation of funds).

- Who was the perpetrator (employee, Manager, outside accomplice), and has there been collusion?
- How occurrence was concealed (forgeries).
- Duration of crime( when it first started)
- Effect on financial statements (how will loss or potential loss be reported)
- Method of prevention (control deficiency, future recommendations)
- Prosecution (waived, pending, sentence, restitution).
- Report to be signed by all personnel participating in the investigation

**Disclosure of Results of Investigations:**

Any investigation initiated must be concluded by the issuing of an investigation 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.

Therefore, the results of the investigation will be disclosed on a need to know basis in order to avoid damaging the reputations of innocent persons initially suspected of wrongful conduct and to avoid civil liability claims against the Municipality. This means that the results of fraud investigations can only be disclosed or discussed with the Audit Committee or the authorized representatives of the Municipality who have a legitimate need to know the results in order to perform their duties and responsibilities.

Any investigation into improper conduct within the Municipality will be subject to an appropriate level of supervision by Audit and Risk Committees, having regard to the seriousness of the matter under investigation.

**12. DISCIPLINARY PROCEDURE**

12.1 Where an employee is alleged to have an act of fraud, corruption, theft or maladministration the Municipal Manager must institute disciplinary proceedings in terms of the applicable procedure of the Municipality.

12.2 Where a Councilor is alleged to have committed an act of corruption or fraud, the Speaker or Council must institute an investigation in terms of section 13 and 14 respectively, of the Code of Conduct for Councilors as contained in the Municipal Systems Act.

12.3 As soon as disciplinary hearing concerning charges of fraud, corruption, theft and maladministration and other suspected irregularities of this nature are completed, the outcome must be reported promptly to the Municipal Manager.

12.4 The Municipal Manager must also report to SAPS all cases of alleged:

- a) Irregular expenditure that constitute a criminal offence and
- b) Theft, fraud, corruption and maladministration including other suspected irregularities of this nature

12.5 Consistent with section 32 of the MFMA and in terms of this policy, the Municipal Manager must inform the Executive Mayor, Council, MEC for local Government and the Auditor General in writing of:

- a) Any unauthorized, irregular, fruitless 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;
- b) Whether any person is responsible or under investigation for such unauthorized, irregular, wasteful or fraudulent expenditure and
- c) The steps that have been taken to:
  - i. Recover or rectify such expenditure
  - ii. To prevent a recurrence of such expenditure

12.6 The writing off of any unauthorized, irregular, fruitless and wasteful expenditure or any other expenditure as a result of fraud, corruption, theft, maladministration and other suspected irregularities as irrevocable does not prevent criminal or disciplinary proceedings being instituted against a person charged with an offence relating to such expenditure.

12.7 Council must take all reasonable steps to ensure that criminal cases are referred and reported to the SAPS.

12.8 Consistent with section 171(4) of the MFMA, the Municipality shall institute an investigation regarding allegations of financial misconduct against the municipal Manager, the CFO, any Senior Management (Executive Director/ Manager) or other official of the Municipality, unless those allegations are playful, annoying, speculative or obviously unfounded; and

12.9 If the allegation warrants such a step, Council shall institute disciplinary proceedings against the Municipal Manager, the CFO or any other Senior Management in accordance with the Disciplinary Code of Procedures for Senior Managers.



All internal disciplinary procedures are to be handled by Section: Labour Relations. The ultimate outcome of disciplinary proceedings may involve a person/s receiving written warnings or the termination of their services. All disciplinary proceedings will take place with the procedures set out in the disciplinary procedures.

**Remove employee-signing authorities/suspension of employee:**

Any suspect in respect of whom there is a prima facie evidence of fraud, theft and corruption should, after discussing with the Executive Committee (EXCO), Section: Labour Relations and Section: Human Resource, an employee/councilor shall be removed from a position of authority. This fact and the suspension of signing authorities must be communicated to the employee in writing. The employee may be suspended as provided for in the Conditions of Service.

**13. CRIMINAL PROSECUTION**

In all cases where a criminal offence has taken place, 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 Judge or Magistrate.

**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.

**14. RECOVERY ACTION:**

14.1 All losses suffered by the Municipality whether through negligence, bad management or dishonest acts must be recovered in accordance with the provisions of the MFMA. It is the responsibility of management to report on all losses to SAPS. Furthermore Management must report losses to the Provincial Treasury for insurance claim purposes.

14.2 The Municipality may, in terms of this policy and section 176(2) of the MFMA, recover such losses or damages incurred as a result of fraud, theft etc.... Therefore an employee or

Councilor who is guilty due to deliberate or negligent unlawful actions shall be liable for the recovery of such financial losses.

14.3 In pursuance of this policy, 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.

14.4 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.

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

In all instances where incidents of fraud, corruption, theft, maladministration and other irregularities of this nature take place, Management are required to immediately review the internal controls which have been breached in order to prevent similar irregularities from taking place in future. Internal Audit Unit should be consulted where necessary for assistance in this regard.

## **16. POLICY COMMUNICATION**

16.1 It is vital in the Municipality's efforts to minimize fraud and corruption that its people are aware of the risks and more importantly that they learn to recognize the symptoms of fraud and corruption. To achieve this, training initiatives are key. The training programs should include different modules pitched at various levels, i.e. a fraud risk overview (pitched at Management), early warning signs (pitched at Supervisor level), practical fraud investigations courses (Internal Audit, in-house Investigators or Security Personnel), workshop on disciplinary hearings (Labour Relations Personnel, Presiding Officers or in-house Prosecutors), etc.

16.2 It is important that the concept of preventing fraud and corruption is embraced by Management and that the aims and objectives are "sold" to the staff. Effective marketing is therefore critical to the strategy's success. As an additional marketing opportunity, a road show has huge potential benefits, especially at the initial implementation stage. This would further demonstrate management's commitment to the project to its people.

16.3 Increased awareness should lead to increased involvement in fraud prevention. Initiatives to encourage involvement will include:

1. Integrating fraud prevention with normal business processes by including it in all levels of the business planning process and by incorporating fraud prevention action plans into the Municipality's business plan.
2. Including fraud prevention as a standing item on the agenda of the Audit Committee and Risk Management Committee meetings and
3. Providing employees with training on fraud prevention issues, including the types of fraud and fraud detection techniques.

## **17. ADMINISTRATION**

17.1 The custodian for the implementation of this policy is the Municipal Manager with assistance from Risk Management and Internal Audit Units.

17.2 Executive Committee in conjunction with Section: Corporate Services must ensure that all relevant background checks are carried out on prospective employees of the Municipality in order to promote the appointment of honest and credible people.

17.3 Section: Corporate Services must distribute this policy to all employees of the Municipality

17.4 This policy must form part of Induction Programme offered to new employees of the Municipality.

## **18. EFFECTIVE DATE OF POLICY**

This policy shall take effect on the date which it is approved by Council. All transactions concluded with the Council and all actions concluded in the period preceding to do so, failing which it will be subjected to the provisions of this policy in so far as it is legal to do so, failing which it will be dealt with in accordance with appropriate legislation or other legal instruments.

## **19. POLICY REVIEW**

The policy will be reviewed, assessed and evaluated by the Risk Management Unit with assistance from the Risk Management Committee as and when circumstances affecting the policy change so that it can continue to be relevant, adequate and effective.

**20. POLICY APPROVAL**

The policy document shall be approved by Council.

**21. CONCLUSION**

It should be noted wherever practical, Management will always take steps to recover losses through litigation and all criminal activities would be vigorously prosecuted.