

EMAKHAZENI LOCAL MUNICIPALITY



ANT-FRAUD PREVENTION AND RESPONSE PLAN FOR 2018/2019

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ANTI-FRAUD AND ANTI-CORRUPTION PREVENTION PLAN

1. PURPOSE OF THE PLAN

- 1.1. The purpose of this plan is to document Emakhazeni approach to the prevention and detecting of fraud and corruption. The plan recognizes basis of fraud and corruption prevention measures and actions that need to be ongoing and carefully managed, further more it identifies strategic fraud and corruption risks that must be addressed and which could jeopardise the successful implementation of each component of the plan
- 1.2. The plan will be used as a guide to employees and employer on the behaviour and activities that are accepted by the Municipality.
- 1.3. The plan is dynamic and will continuously evolve as Emakhazeni makes changes and improvements in its drive to promote ethics as well as to fight fraud and corruption
- 1.4. The plan doesn't guarantee that the Municipality will not be impacted by incidents of fraud and corruption but is intended to serve as an additional measure to assist in the limitation of fraud and corruption risk with the particular focus on creating awareness and promoting ethical business conduct.

2. COMPONENTS OF THE PLAN

The main principles of the Plan are the following:

- 2.1. Creating a culture which is intolerance of fraud and corruption
- 2.2. Deterrence of fraud and corruption
- 2.3. Preventing fraud and corruption
- 2.4. Detecting of fraud and corruption
- 2.5. Investigation detected fraud and corruption
- 2.6. Taking appropriate action against fraudsters and corrupt individuals e.g. prosecution disciplinary action etc, and;
- 2.7. Applying sanctions which include redress of financial losses.

3. OBJECTIVE OF THE PLAN

- 3.1. Encouraging a culture within Emakhazeni where all employees, the public and other stakeholders continuously behave ethically in their dealings with, or on behalf of Municipality.
- 3.2. Ensure that the management is aware of their responsibility for establishing controls and procedure to prevent and detect fraud and corruption
- 3.3. Provides some guidance on the steps to be taken by the management when fraud and corruption.
- 3.4. Improving the application of system, policies, procedure and regulations.
- 3.5. Changing aspects of Emakhazeni which could facilitate fraud and corruption and allow these to go unnoticed or unreported.
- 3.6. Encourage all employees and other stakeholders to strive towards the prevention and detecting of fraud and corruption impacting or having the potential to impact Emakhazeni Local Municipality.

The above is not intended to detract from the premises that all the components are equally essential for the successfully realisation of the plan. The components of the plan for Emakhazeni Local Municipality are the following:

- a) A code of conduct in which the management of Emakhazeni believes, and requires their employees to subscribe.
- b) Emakhazeni's systems, policies, procedure, rules and regulations.
- c) The Disciplinary Code and Procedures.
- d) Sound Internal controls to prevent and detect fraud and corruption.
- e) Physical and information security management.
- f) Internal Audit.
- g) Ongoing risk assessment and management, which includes system for fraud and corruption detection.
- h) Reporting and monitoring of allegations of fraud and corruption.
- i) Creating awareness amongst employees, the public and other stakeholders (e.g. service providers) through communication and education relating to the relevant components of the plan.
- j) Ongoing maintenance and review of the plan to ensure effective project management of its further implantation and maintenance.

4. PREVENTING FRAUD AND CORRUPTION

4.1. CODE OF CONDUCT

4.1.1 The ethical principles contained in the Code are applicable to all employees of Emakhazeni Local Municipality. Therefore the Code forms part of the Plan for Emakhazeni local Municipality. Refer to Annexure A.

4.1.2 Emakhazeni Local Municipality will conduct regular workshops to create awareness of the Code amongst employees. A further objective of this training is to reinforce the expectations of the Municipality with regard to their conduct and behaving ethically and with integrity.

4.1.3 Processes and mechanism to manage professional ethics are keys to the fight against fraud and corruption. In line with the principle contained in the Local Government Anti-Corruption Strategy, Emakhazeni will pursue the following additional steps to communicate the principle contained in the Code:

a) A copy of the Code will be circulated to all employees and included in the induction packs for new employees. All employees will also be required to sign an annual declaration serving as an indication of their understanding of and commitment to the Code, and

b) Include relevant aspects of the code in the further awareness presentation, training sessions, and communication programs to create awareness thereof amongst employees and other stakeholders. Further objective of this training will be the following:

- i. The employees to understand the meaning of unethical behaviour (including harassment in any form) in line with expectation of Emakhazeni Local Municipality.
- ii. Presenting case studies which will assist in developing behaviour to articulate and encourage attitude and values which support ethical business conduct
- iii. Helping employees to understand issues involved in making ethical judgments; and
- iv. Communication the implications of unethical behaviour and its impact for individual, the workplace, professional relationships, Emakhazeni Local Municipality as whole and external stakeholders including the public.

- v. The development of a more robust system for the declaration of private business interest and actual or potential conflicts on interest by all employees and keeping of a central record thereof will be considered.

4.2 EMAKHAZENI' SYSTEMS, POLICIES, PROCEDURE, RULES AND REGULATIONS

4.2.1. Emakhazeni Local Municipality has a number of systems, policies, procedure, rules and regulation designed to ensure compliance with government legislation.

4.2.2. Emakhazeni Local Municipality has identified a fraud and corruption risk in this area as being the lack of application, knowledge, awareness, effective communication and training with regard to its prevailing prescript.

4.2.3. The management of the Municipality will improve awareness and knowledge of the relevant systems, policies, procedure, rules and regulations, including the requirements of the Municipal Finance Management Act and Preferential Procurement Policy Framework Act amongst its employees.

4.2.4. The Municipality will develop clearly defined communication and training strategies to create awareness of existing and new policies and procedures in order to ensure that all employees are made aware of, and adequately trained in the implementation of the policies and procedure relevant to their duties and responsibilities including:

- a) Provision for all employees to acknowledge, in writing, that they have read the policies and procedures applicable to their duties, have undergone relevant training and/or are aware of this policies and procedure
 - b) The keeping of adequate records serving as a proof that employees have been made aware of the policies and procedure relevant to their duties; and
 - c) The development of a regular communiqué is outlining the importance of complying with the policies and procedure and the implications for employees, for example – taking of corrective action against offender snot complying with the policies and procedure.
- I. A structure monitoring mechanism will be developed for the keeping of proper record of the policies and procedure that are being updated, and of new policies and procedure that are being developed in order to set clear targets and monitor progress.

II. Emakhazeni Local Municipality is committed to developing human resources system, policies, and procedure, which will incorporate the fraud and corruption prevention practices detailed below:

- a) The development of a system for transparent and merit-based hiring and promoting practices with objective standard in order to reduce the risk of nepotism and favouritism, both of which are imaging forms of fraud and corruption.
 - b) Through pre-employment and security clearance screening of candidates for sensitive positions. Emakhazeni Local Municipality will verify at least the previous employment, qualifications, citizenship and criminal records of all persons before they are employed.
 - c) Emakhazeni Local Municipality applies the resolution of its bargaining council, which enables employees who have been unfairly or falsely accused to seek recourse. This is based on the recognition that aggrieved employees may become malicious, thus increasing the risk of them committing fraud and corruption; and
 - d) Emakhazeni Local Municipality recognized that despite on going organizational and policy changes, for example employment equity policies, matching of competence to the job extremely important. As part of its approach to the management of human resources, Emakhazeni Local Municipality will continue to pursue steps to limit the risk of incompetent people being appointed.
- Management must be held accountable for complying with and implementing the systems, policies, procedures, rules and regulations and for preventing fraud and corruption.
 - Emakhazeni Local Municipality will also develop a system with clear guidelines for the placing of prohibitions on individuals and restriction of entities found guilty of fraud and corruption against it.

4.3 Disciplinary code and procedures

- 4.3.1. The disciplinary code and procedure prescribe appropriate steps to be taken to resolved disciplinary matters
- 4.3.2. Emakhazeni Local Municipality recognizing the fact that the consistent and efficient application of disciplinary measure is an integral component of effective

fraud and corruption prevention. The following steps to expedite the consistent, efficient and speedy application of disciplinary measures will be initiated:

- a. Creating awareness amongst employees to ensure that disciplinary standards are adhered to.
- b. Ongoing training of managers in the application of disciplinary measures and the disciplinary processes, and sustaining this training.
- c. Developing a system to facilitate the consistent application of disciplinary measure; and
- d. Regular monitoring and review of the application of discipline with the objective of improving weakness identified.

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

4.4 Internal controls

- This section of the plan relates to basic internal controls to prevent and detect fraud and corruption and the training of employees in the internal control and the conducting of their day-day duties. The system, policies, procedures, rules and regulations of Emakhazeni Local Municipality prescribe various controls, which if effectively implemented, would limit the risk of fraud and corruption. These controls may be categorized as follows:

4.4.1 Prevention controls

These are divided into two sub-categories, namely authorisation and physical

a) Authorisation

- (i) All transaction requires authorisation or approval by any appropriate responsible person.
- (ii) The limits of these authorisations are specified in the delegations of authority of Emakhazeni Local Municipality as well as Government prescripts.

b) Physical

- (i) These controls are concern mainly with the custody of assets and involve procedure and security measures designed to ensure that access to assets is limited to authorised personnel.

4.4.2 Detecting controls

These are divided into the following:

(a) Arithmetic and Accounting

(i) These are basic controls within the recording function which check that transaction to be recording and processed have been authorised, that they are complete, and that they are correctly recorded and accurately processed.

(ii) Such controls include checking the arithmetical accuracy of records, the maintenance and checking of totals, reconciliation, control accounts and accounting for documents.

(b) Physical

(i) These controls relate to the security of records. They therefore underpin arithmetic and accounting controls.

(ii) Their similarity to preventive controls lies in the fact that these controls are also designed to limit access.

(c) Supervision

(i) This control relates to supervision by responsible officials of day-day transaction and the recording thereof.

(d) Management information

(i) This relates to the review of management accounts and budgetary control

(ii) These controls are normally exercised by management outside the day-day routine of the system.

4.5 Segregation of duties

4.5.1 One of the primary means of control is the separation of those responsibilities and duties that would if combined enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit fraud and corruption.

4.5.2 Segregation of duties reduces the risk of intentional manipulation or error and increase the element of checking.

4.5.3 Functions that should be separated include those of authorization, execution custody, and recording and in the case of computer base accounting system, systems development and daily operations.

- 4.5.4 Placed in context with fraud and corruption prevention, segregation of duties lies in separating either the authorisation or the custodial function from the checking function.
- 4.5.5 Emakhazeni Local Municipality will continue to initiate steps to address the problem of lack of training, expertise and knowledge in system, policies, procedure, rules and regulation to improve internal controls. Areas of weakness will be identified during the audits and risk assessment.
- 4.5.6 Furthermore Emakhazeni Local Municipality will also continue to re-emphasise to all supervisors that consistent compliance by all employees with internal control is one of the fundamental controls in place to prevent fraud and corruption. Managers will be encouraged to recognise that internal control shortcomings identified during the course of audit are, in many instances, purely system and that they should strive to identify and address the course of these internal control weaknesses, in addition to addressing the control weakness.
- 4.5.7 Furthermore Emakhazeni Local Municipality will develop a formal system by which the performance of managers is appraised by taking into account the number of audit queries raised and the level of seriousness of the consequent risk to Emakhazeni Local Municipality as a result of the internal control deficiency identified, this is intended to raise the level of Manager's accountability for internal control.
- 4.5.8 Where Managers do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm disciplinary actions will be considered.

5. PHYSICAL AND INFORMATION SECURITY

5.1 Physical security

Emakhazeni Local Municipality will consider conducting a regular detailed review of the physical security arrangements at its offices and improve weaknesses identified. Specific focus areas will be physical security over infrastructure, assets and staff.

5.2 Information security

- Emakhazeni Local Municipality will ensure that all employees are regularly sensitised to the fraud and corruption risk associated with information security and the utilization of computer resources, in particular access control and ensure that system are developed to limit the risk of manipulation of computer data.

- Regular communiqué will be forwarded to employees pointing out the security policy, with the particular emphasis on e-mail and internet usage and the implications (e.g. disciplinary action) of abusing these and other computer related facilities. Where employees are found to have infringed on prevailing policy in this regard, disciplinary action will be taken.
- Regular reviews of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed.

6. DETECTING AND INVESTIGATION FRAUD AND CORRUPTION

6.1 Internal Audit

- The Internal Audit Unit of Emakhazeni Local Municipality is functioning and all managers are expected to positively support the internal audit and its functions, speedy response and the addressing of queries raised by the Internal Audit is vital to the success of the plan. Where managers are found to be slow in addressing internal queries by Internal Audit, firm action will be taken.
- Emakhazeni Local Municipality will regularly re-emphasise to all Managers that consistent compliance by employees with internal controls is one of the fundamental controls to prevent fraud and corruption. Managers will be encourage to recognise internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of the internal controls weakness, in addressing the control weaknesses.
- Awareness strategies will be developed to enhance Manager's understanding of the role of the Internal Audit.

7 ONGOING RISK ASSESSMENT AND MANAGEMENT

- Emakhazeni Local Municipality acknowledge the fact that it faces diverse business risk from both the internal and external sources. A comprehensive risk assessment of all its departments will be conducted. This information from assessment will be used to assist the Management with the following:
 - a) Prioritising areas for attention and subsequently developing controls to limited risks identified.
 - b) To enable Management to continually assess and update the risk profile (incorporating fraud and corruption risk) of Emakhazeni Local Municipality.

- Presentations to employees of Emakhazeni Local Municipality will be conducted in order to ensure that they have a more understanding of the fraud and corruption risk facing Emakhazeni Local Municipality and the areas wherein these risks exist, thus enhancing the prospect of detecting irregularities earlier.
- Emakhazeni Local Municipality will also consider specific fraud and corruption detection reviews detailed below, on a regularly basis. This will include the conducting of presentation to Managers and staff to ensure that they have a more detailed understanding of fraud and corruption risk associated with these areas, thus enhancing the prospect of detecting irregularities earlier. These include:
 - Assets and inventory management
 - Procurement/Supply Chain Management
 - Conflict of interest
 - Project management and maintenance
 - Contracts management
 - Compliance and delegations of authorities
 - Budget control
 - Creditor's payments
 - Revenue enhancement
 - Payroll; and
 - Travelling and subsistence claims

8. REPORTING AND MONITORING

- Consolidated report of allegations of fraud and corruption must be kept so that fraud and corruption risk can be effectively managed.
- Emakhazeni Local Municipality also recognized the fact that whistle blowers could be victimized by the fellow employees or Managers in contravention with the Amendment Protected Disclosures Act without Management being aware of this. This could severe negative implications for the Municipality e.g. negative media publicity.
- Emakhazeni Local Municipality will consider implementing a fraud Hotline which is intended to achieve the following:
 - a) To deter potential fraudsters and corrupt individuals by making all employees and other stakeholders aware that the Municipality is not a soft target, as well as encouraging the participation of employees in supporting, and making use of these facilities

- b) To raise the level of awareness that Emakhazeni Local Municipality is serious about fraud and corruption
 - c) To assist the Municipality in managing the requirements of the Protected Disclosures Act by creating an additional channel through which the whistle blowers can report irregularities which they witness or which come to the attention; and
 - d) To further assist in identifying fraud and corruption risks in order that preventive and detecting controls can be appropriately improved or developed.
 - e) To detect incidents of fraud and corruption by encouraging whistle blowers to report incidents which they witness.
- The Municipality will ensure that a fraud and corruption information system is developed for the following purposes:
 - a) Recording all allegations
 - b) Tracking progress with the Management of allegations
 - c) To facilitate the early identification of systematic weaknesses and recurring risk and inform Managers and employees of systemic weaknesses/risks.
 - d) Provide feedback to employees and other whistle blowers on the Management of allegations

9. FRAUD AND CORRUPTION RESPONSE PLAN

- 9.1. All allegations of fraud and corruption should be reported immediately by employees to their Managers / supervisors preferable in writing and /or the Municipal Manager
- 9.2. The Municipal Manager will then carry out preliminary investigation as soon as possible. If the Internal Audit Unit has the suitable staff to handle the investigation they should do so with advises from the Labour Relations. If not so the job should be outsourced to professionals in the fields of investigation.
- 9.3. If there's a concern that the immediate Manager is involved, the report must be made to any other member of Senior Management and/or the Audit Committee.
- 9.4. Disciplinary action must be taken against offenders. This may include prosecution in court of law and termination of employment. Emakhazeni Local Municipality has an obligation to the South African public to ensure that it runs a clean administration.
- 9.5. All information received by the Municipality in connection with fraud and corruption must be treated with the outmost confidentiality. Results of investigation and subsequent action will be disclosed according to the need-to-know requirements of

parties involved. All allegations will be investigated and individuals involved will be treated equally and fairly regardless of the grade or status.

10. FURTHER IMPLEMENTATION AND MAINTENANCE

10.1 Creating awareness

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

10.2 Education

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

- a) Informing employees on an ongoing basis on what constitute fraud and corruption.
- b) Promoting the Municipality and national policies that must be adhered to. Including the value and the principle of public administration as contained in the Constitution and standards of professional conduct.
- c) Informing employees of fraud and corruption risk enable an understanding of specific risks to which Emakhazeni Local Municipality may be exposed, thus enhancing the prospect of detecting irregularities earlier.
- d) Encourage employees to blow the whistle on fraud and corruption.
- e) Employees awareness of the current legislative framework as it relates to fraud and corruption, and their obligations and rights should they blow the whistle on fraud and corruption, the nature of the witness protection system and the roles and responsibilities of existing anti-corruption institution; and.
- f) Informing employees of their obligations and rights in terms of the Access to information and Promotion of Administrative Justice Acts.

10.3 Communication

The objective of the communication approaches is to also create awareness amongst employees, the public and other stakeholders of the plan in order to facilitate a culture where stakeholders strive to contribute towards making the plan a success as well as for the sustaining of a positive, ethical culture within Emakhazeni Local Municipality. This will increase the prospect of fraud and corruption being reported and improve Emakhazeni Local Municipality's prevention and detection ability.

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

- a) Posters, newsletters, pamphlets and other publications to advertise the code of and fraud policy, aimed at employees, public and other stakeholders.
- b) Screensaver on computers with appropriate anti-fraud and corruption and pro-ethics messages.
- c) Attachment to tender invitation documents relating to Emakhazeni Local Municipality's stance to fraud and corruption, where such irregularities can be reported and the actions will be considered.
- d) Appropriate attachments to offers of employment and inclusion of appropriate items in induction and training programmes.
- e) Prudent terms in contracts signed with service providers relating to offering of gifts to employees of Emakhazeni Local Municipality.
- f) Ensuring that fraud and corruption prevention is the fixed agenda item in meetings.
- g) Signing of declarations of commitment by all employees to the plan; and
- h) Endorsements of correspondence directed at service providers with anti-fraud and corruption and pro-ethics messages.

10.4 Ongoing maintenance and review

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

- a) Evaluation reports of fraud and corruption received and highlighting areas of fraud and corruption risk within the Municipality.
- b) Consideration fraud and corruption threats to Emakhazeni Local Municipality and making recommendation to appropriate committees or management.
- c) Consider criminal activity threatening Emakhazeni Local Municipality and making fraud and corruption prevention recommendations with regard to areas that should be examined.
- d) Monitoring action taken to implement recommendations relating to incidents of fraud and corruption.
- e) Steering and taking responsibility for the plan.
- f) Reviewing and making appropriate amendments to the Code and Fraud Policy.
- g) Amending the awareness programme as necessary, and implementing the changes; and
- h) Ensuring that ongoing communication and implementation strategies are developed and implemented.

11. REVIEW AND APPROVAL OF THIS DOCUMENT

This document will be reviewed and approved on an annual basis

14. APPROVAL PROCESS

PREPARED BY:

Ms. NP Malibe
Risk Officer

Date

RECOMMENDED BY:

Chairperson: Risk Committee
Mr. L.T Gafane

Date

APPROVED BY:

Mrs. EK Tshabalala
Municipal Manager

Date

Council Resolution Number:_____