MATATIELE

LOCAL MUNICIPALITY

FRAUD PREVENTION PLAN

NO 30 OF 2019/20
CR 683/30/05/2019

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MUNICIPAL MANAGER

CLLR. MM MBEDLA
MAYOR

Authority	Date
HOD Approval	
MM Approval	
Council Approval	
Date of next Review	

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by all relevant Heads and/or Committees, including but not limited to:

- Municipal Manager; and
- Municipal Council.

Contents

A. TERMS AND ABBREVIATIONS

Throughout this document, unless otherwise stated, the words in the first column below have the meanings stated opposite them in the second column (and cognate expressions shall bear corresponding meanings):

"Constitution"	means the constitution of Republic of South Africa, (Act No. 106 1996),adopted on 08 May 1996 and amended on 11 October 1996 by the Constitutional Assembly;
"Demarcation Act"	the Local Government Municipality Demarcation Act, No 27 of 1998
COGTA	The Department of Co-operative Governance and Traditional Affairs
"Fraud and Corruption"	Includes, but is not limited to, the following legal definitions • Fraud, i.e. the unlawful and intentional misrepresentation resulting in actual or potential prejudice to another; • Theft. i.e. the unlawful and intentional misappropriation of another's property or property which is in his/her lawful possession, with the intention to deprive the owner of its rights permanently; • Offences in respect of corruption Activities Act 2004 i.e ▪ The general offence of corruption which could be summarized as directly and indirectly accepting or agreeing to give any gratification from another person; giving to agreeing to accept any other person any gratification in order to influence that person directly or indirectly to exercise his/ her powers, duties, or legal obligations in manner which is/ amount to: ▪ Illegal, dishonest, unauthorized, incomplete or biased; ▪ Misuse or selling of information or material acquired; ▪ Abuse of positions of authority; ▪ Breach of trust; ▪ Violation of legal duties or set of rules; ▪ Designed to achieve an unjustified result; ▪ Any other unauthorized or improper inducement to do or not to do anything; o Corruption activities in relation to: ▪ Public officials; ▪ Foreign public officials; ▪ Agents; ▪ Judicial officials; ▪ Members of the prosecuting authority; ▪ Unauthorized gratification received or offered by or to a party with an employment relationship; ▪ Witnesses and evidential material during certain proceedings; ▪ Contracts; ▪ Procuring and withdrawal of tenders; ▪ Auction; ▪ Sporting events; and ▪ Gambling games of chance o Conflict of interest and other unacceptable conduct, e.g.:

- Acquisition of private interests in contract, agreement in or investment in public body;
- Unacceptable conduct relating to witnesses; and
- Intentional interference with, hindering or obstruction of investigation of an offence;

- Other offences relating to corrupt activities, viz:
  - Accessory to or after an offence;
  - Attempt, conspiracy and inducing another person to commit offence; and
  - Failure to report corrupt transactions;

- Irregularities relating to the following:
- *Systems issues* where a process/ system exists which is prone to abuse by employees, the public or other stakeholders, e.g.:
  - HR- Employment Practices:
    - Inadequate vetting of employees;
  - Procurement:
    - Non-compliance to tender procedures;
    - Procurement fraud e.g. collusion between employees and suppliers ;
    - Fraudulent information submitted by suppliers when tendering for work;
  - Housing:
    - Manipulation of the beneficiary waiting list;
    - Irregular allocation of housing subsidy;
  - Financial systems and control:
    - Theft of blank cheques;
    - Deliberate non- compliance to policies and procedures;
    - Abuse of system of travel claim;
    - Abuse of system of overtime;
    - Fraudulent payments certificates submitted for payment;
    - Non-compliance to delegated authority limits;
- Financial issues: where individuals or entities have fraudulently obtained money from the municipality e.g.:
  - HR-Employment Practices;
    - Ghost employees;
    - Irregular appointment of staff for undue benefits;
  - Procurement :
    - Suppliers invoicing for work not done;
    - Service providers double invoicing;
    - Contractor "fronting"
  - Housing:
    - Diversion of rental payments on rental stock;
  - Financial Systems and Control:
    - Theft, e.g. petty cash, etc.
    - Fraudulent cashing of cheques;
    - Fraudulent travel claims by employees

	▪ Equipment and resource issues: where the Municipality's equipment is utilised for personal benefit or stolen, e.g. : o Financial Systems and Control: - Theft of assets; - Abuse of assets; - Deliberate destruction of property; and - Use of the municipality's resources and equipment for private gain. ▪ Other issues: i.e. activities undertaken by employees of the municipality which may be against policies or fall below established ethical standards, e.g.: o Conflict of interest: - Favouritism, and - Non-disclosure of private work
"LGAS"	Local Government Anti-Corruption Strategy
"MFMA"	Municipality Finance Management Act (Act No. 56 of 2003);
"Municipality"	The Matatiele Local Municipality
"Plan"	The Fraud Prevention Plan of the Matatiele Local Municipality
"R.S.A"	Republic of South Africa
"SALGA"	South African Local Government Association
"SARS"	South African Revenue Services
"Structure Act"	The Local Government: Municipality Structures Act (Act No. 17 of 1998)
"System Act"	The Local Government: Municipal Systems Act (Act No.32 of 2000)

SECTION I: PURPOSE

The purpose of this document is to ensuring that the Matatiele Local Municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control.

SECTION II: INTRODUCTION

The Matatiele Local Municipality subscribes to the principles of good corporate governance, which require conducting business in an honest and transparent fashion.

Consequently the municipality is committed to fighting fraudulent behaviour at all levels within organization.

The Plan is premised on the organisation core ethical values driving the business of the Municipality, the development of its systems , policies and procedures, interactions with ratepayers , the public and other stakeholders, and even decision-making by individuals managers representing the organization. This means that in practice all departments and other businesses units of the Municipality and even external stakeholders must be guided by the Plan as the point of reference fur their conduct and in relation to the Municipality.

In addition to promoting ethical conduct within the Municipality, the Plan is also intended to assist in preventing, detecting, investigating and sanctioning fraud and corruption.

This dynamic document details the steps which have been, and will continually be taken by the Municipality to promote ethical conduct and address fraud and corruption.

Policy Stance

The policy of the Municipality is zero tolerance to fraud and corruption. In addition, all fraud and corruption will be investigated and followed up by the application of all remedies available within the full extent of the law and implementation 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 and procedures of the Municipality.

The efficient application of instructions contained in the policies and procedures of the Municipality, is one of the most important duties to be applied by every employee in execution of their daily tasks.

What should an employee do if he/she suspects fraud and corruption?

It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption to their manager(s). Should an employee be concerned that the manager is involved; the report can be made to any other member of management, the Municipal Manager, the Speaker, the Executive Mayor and /or the Chairperson of the Audit Committee.

All managers are responsible for the detection, prevention and investigation of fraud and corruption and must report all incidents and allegations of fraud and corruption the Municipal Manager. The Municipal Manager will initiate an investigation into the matter.

Should employees wish to report allegations of fraud and corruption anonymously, they can contact any member of management, the Municipal Manager, the Speaker, the Executive Mayor and / or Chairperson of the Audit Committee at: Cell no: 082 776 3148 or Tel no: 039 7373 389, or to the following institutions should you have exhausted these internal mechanisms or where you have substantial reason to believe that there would be a cover-up that evidence will be destroyed or that the matter might not be handled properly, you may raise the matter in good faith.

(a) National Hotline on 0800 701 701;
(b) Corruption Watch: Tel 011 447 1472 or you can also send us a short-code SMS, which costs R1 per message. Contact us on 45142 (sms line);
(c) Open Democracy Advice Centre ("ODAC") at 0800 525 352 or via SMS: HELP to 073 786 0459, will be able to advise you on such an option and on the circumstances in which you may be able to contact an outside body safely;
(d) You may contact the Public Protector on 0800 11 2040; and
(e) The presidential hotline 17737(free from all phones) may also be contacted.

What should a member of the public or providers of goods and/or service do if they suspect fraud and corruption?

The Municipality encourages the members of the public or providers of goods and/or services who suspect fraud and corruption to contact any member of management, the Municipal Manager, the Speaker, the Executive Mayor and/or the chairperson of the Audit Committee.

How to raise a concern externally

While we hope this plan gives you the reassurance you need to raise matters internally, we recognize that there may be circumstances where you can properly report matters to outside bodies, such as regulators or planners etc:

(a) Office of the Auditor General of South Africa: Tel no. 012 426 800 of Fax to 012 426 8257
(b) National Anti-Corruption Forum: Tel no. 0800 701 701
(c) Corruption Watch: Tel 011 447 1472 or you can also send us a short-code SMS, which costs R1 per message. Contact us on 45142 (sms line)

(d) Open Democracy Advice Centre ("**ODAC**") at 0800 525 352 or via SMS: HELP to 073 786 0459, will be able to advise you on such an option and on the circumstances in which you may be able to contact an outside body safely.
(e) You may contact the Public Protector on 0800 11 2040.
(f) The presidential hotline 17737(free from all phones) may also be contacted.

How will allegations of fraud and corruption be dealt with?

For issues raised by employees, ratepayers, members of the public or providers of goods and/or services, the action taken will depend on the nature of the allegation. The matters raised will be screened and evaluated and may be subsequently:

a) be investigated internally; or
b) be referred to another law enforcement agency

Any fraud and corruption committed by any employee or any other person will be pursued by a thorough investigation and to the full extent of the law, consider the following:

a) In case of employees, taking disciplinary action within a reasonable period of time after the incident.
b) Instituting civil action to recover losses;
c) Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency; and
d) Any other appropriate and legal remedy available.

Recovery of losses

Managers are required to ensure that losses or damages suffered by the Municipality as a result of all reported acts committed by an employee, ratepayer or any other person are recovered from such employee, ratepayer or other person if he or she is found to be liable for such losses.

Feedback to reporters of fraud

The Municipal Manager will, upon receiving a report of fraud from an external person, write to the person making the report:

a) Acknowledging that the report has been received;

b) Indicating how he proposes to deal with matter and whether any initial enquiries have been made;

c) Giving an estimate of how long it will take to provide a final response; and

d) Informing them whether any further investigation will take place, and if not, why not.

Confidentiality

All information relating to fraud and corruption that is received and investigated will be treated with confidentiality. 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 in order to avoid harming the reputations of suspected persons who are subsequently found innocent of wrongful conduct.

Media

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

Protection of Whistle Blowers

An employee who reports suspected fraud and/or corruption may remain anonymous should he/she so desire. Concerns expressed anonymously are difficult to investigate; nevertheless they will be followed up at the discretion of the Municipality. This discretion will be applied by taking into account the following:

a) The seriousness of the issue raised

b) The credibility of the concern; and

c) The likelihood of confirming the allegation.

No person will suffer any penalty or retribution, for report in good faith any suspected or actual incident of fraud and corruption which occurred within the Municipality. This may include:

- **Harassment or victimization:** The Municipality acknowledges the fact that the decision to report a concern can be a difficult one to make, not least because of fear of reprisal from those responsible for the irregularity. The Municipality will not tolerate harassment and victimization and will take action to protect employees when they raise a concern in good faith.

- This does not mean if an employee is already the subject of disciplinary or other action, that action will be halted as a result of their whistle blowing.

- **Confidentiality**: the Municipality will do its best to protect an individual's identity when he /she raises a concern and does not want his/her identity to be disclosed. It must be appreciated, however, that the investigation process may reveal the source of the information and a statement by the employee may be required as part of the evidence.

All managers should discourage employee or other persons from making allegations that are false and made with malicious intentions. Where such allegations are discovered, the person who made the allegations must be subjected to firm disciplinary, or other appropriate action.

Objectives

- To develop a strategic measure to counter the impact of each fraud risk in light of the individual risk rating
- Ensure vigilance in the management of fraud
- To identify a specific fraud risk that may be present within each operational management unit.
- To identify fraud-prone environment and review underlying root cause in order to detect fraud
- To minimise the implications of fraud, corruption, theft and maladministration on Matatiele Local Municipality's employees, stakeholders, assets and reputation.

Fraud and Corruption definition

Is commonly defined as the unlawful and intentional making of a misrepresentation which causes actual prejudice or which is potentially prejudicial to another

General offence of Corruption

Any person who, directly or indirectly:-

- Accepts or agrees or Offers to accept any gratification from any other person. Whether for the benefit of himself or for the benefit other person.

- Give or Agree or Offers to give any other person any gratification for the benefit of that other person or for benefit of other person is guilty of the offence of corruption.

"Gratification", includes:-

- Money, whether in cash or otherwise

- Any donation, gift, loan, reward, valuable security, property or interest in property of any description, whether movable or immovable, or any other similar advantage.

- The avoidance of a loss, liability, penalty, forfeiture punishment or other disadvantages

- Any forbearance to demand any money or money's worth or valuable thing

- Any real or pretended aid, vote, consent influence or abstention from voting

- Any right or privilege

- Any office status, honour, employment, contract of employment or services , any agreement to give employment or render services in any capacity and residential or holiday accommodation

- Any payment release , discharge or liquidation of any loan, obligation or other liability whether in whole or in part

- Any valuable consideration or benefit of any kind, including any discount, commission, rebate, bonus, deduction or percentage

- Any other services or favour or advantage of any description , including any protection from any penalty or disability incurred or apprehended or any action or proceeding of a disciplinary, civil or criminal nature, whether or not already institute and include the exercise or forbearance from the exercise of any right or any official power or duty.

SECTION III: COMPONENTS OF THE PLAN

The main principles of this plan are based on and aligned to the LGAS including the following

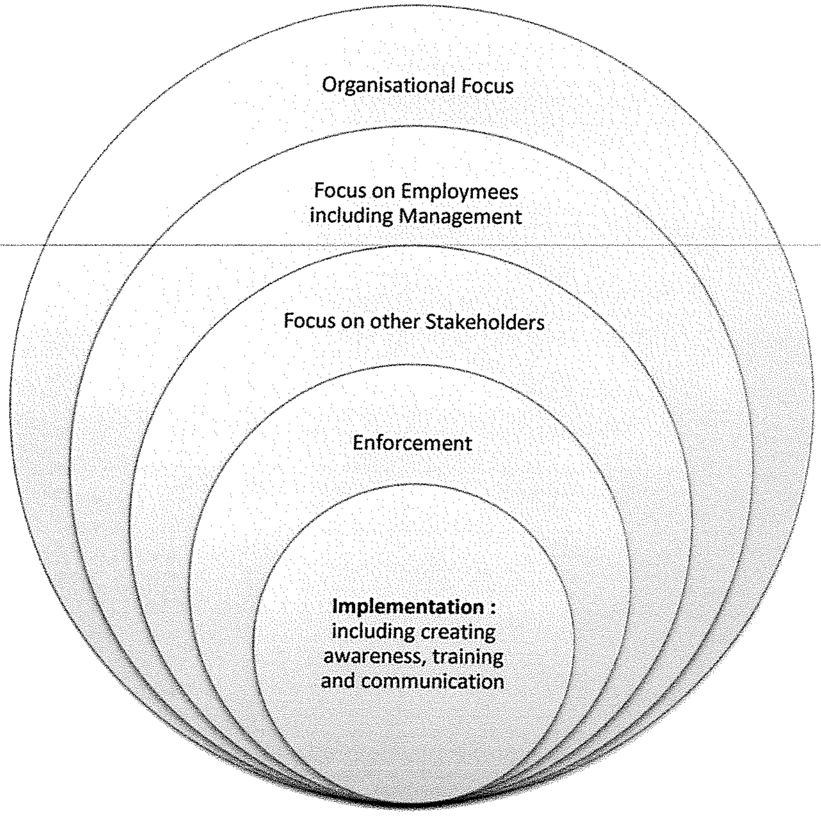
- Creating a culture which is ethical and intolerant to fraud and corruption:
- Deterrence of fraud and corruption;
- Prevention of fraud and corruption which cannot be deterred;
- Detection of fraud and corruption;
- Investigating detected fraud and corruption;
- Taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution, etc and
- Applying sanctions that include blacklisting and prohibition from further employment.

The above is not intended to detract the premise that all the components are equally essential for the successful implementation of the Plan. The components of the Municipality's Plan are as follows:

- Focus on the organisation
- Focus on employees
- Focus on the stakeholders
- Enforcement
- Implementation

SECTION IV: APPROACH TO FRAUD PREVENTION

The Matatiele Local Municipality's approach to Fraud Prevention:



FOCUS ON THE ORGANISATION

Codes of conduct for Municipal Employees and Councillors

In terms of schedule 2 of the System Act, the Code of Conduct for municipal Employee contains specific conduct standards categorized as follows:

- General conduct;
- Commitment to serving the public interest;
- Personal gain;
- Disclosure of benefits;
- Unauthorized of disclosure of information;
- Undue influence;
- Rewards, gifts and favours;
- Council property;
- Payment of arrears ;
- Participation in elections ;
- Sexual harassment;
- Reporting duty of staff members; and
- Breaches of code.

In terms of schedule 1 of System Act, the Code of Conduct for Councillors contains the following categories:

- General conduct of councillors;
- Attendance at meetings;
- Disclosure of interests;
- Personal gain;
- Declaration of interest;
- Full-time councillors;
- Rewards; gift and favours;
- Unauthorised disclosure of information ;
- Intervention in administration;
- Council property;
- Duty of chairperson of municipal of councils;
- Breaches of Code; and
- Application of Code to traditional leaders

A gift policy should be implemented in order to ensure that both the acceptance and offering of business courtesies, including gifts, by all employees of the Municipality occurs only within the ethical standards as prescribed by the Municipality.

The development of robust system for the declaration of private business interests and actual or potential conflicts of interest by all employees and keeping of a centralized record thereof be developed.

Systems, Policies and Procedures

The Municipality has a number of systems, policies and procedures design to ensure compliance with specific laws and regulations and basic internal control.

All employees and other stakeholders are expected to comply with the applicable policies and procedures. A fundamental risk in this area is the lack of knowledge, awareness, effective communication and training relating to prevailing systems, policies and procedures.

Non- compliance with policies and procedures is a risk with the potential to seriously impact the success of the Plan of the Municipality. This will be address by developing clearly defined communication and training strategies to create awareness of all policies procedure in order to ensure that all employees are made aware of, and adequately trained in the implementation of policies and procedures relevant to their duties and responsibilities. And that they:

- Acknowledge, in writing, that they have read the policies and procedures applicable to their duties,
- Have undergone relevant training and /or are aware of these policies and procedures, etc.

A structured monitoring mechanism will be developed for the keeping of proper records of the policies and procedure that are being updated, and of new policies and procedures that are being developed in order to set clear targets and monitor progress.

Human Resources-Employment Practices

The Municipality is committed to developing human resources systems, policies and procedures, which incorporated fraud and corruption prevention practises. There is a risk of poor implementation of its human resource system, policies and procedures; the Municipality undertakes testing thereof during internal audits in which control shortcomings are subsequently addressed.

Employees focused anti-fraud and anti-corruption measures should be visible from the point of advertising a vacant post, recruitment, specific employment conditions, maintaining high employee morale, performance management and even exist procedure upon resignation or retirement. The approaches indicated below are key to the Municipality's efforts in this regard.

- **Advertising posts:** The inclusion of specific provisions when advertising post to provide an indication to applicant that only people with the highest levels of personal integrity will be considered and that submission to appropriate pre-employment screening processes are obligatory for consideration in any post

- **Pre-employment screening:** the Municipality intends ensuring that pre-employment screening procedure are applicable to all employees, regardless of level, including employees acting in specific positions, seconded employees and temporary and contract workers. Due diligence will be applied to ensure only candidates with utmost integrity are selected during the screening process.

- **Probation:** compulsory probationary periods should be applicable to all full-time employees. This provision will be extended to include seconded employees and temporary and contract workers. Relevant vetting will be considered for employees on probation, during probation and prior to their final appointment in view of the long duration of the probationary period.

- **Ongoing financial disclosure:** all employees will be obliged to declare specific personal assets and private business interests. The Municipal Manager may undertake further investigations as may be necessary, consistent with such financial disclosures.

- **Employee induction programme:** employee induction is an opportunity to introduce employees to the culture and ethos of the organisation. Efforts will be made to ensure that organizational strategy, business ethnics and conduct standards are included in employee induction. Specific steps will also be developed to include seconded employees, interns and temporary and contract workers in relevant aspects of induction programmes.

- **Obligatory leave periods**: in order to limit the risk of over-worked employees who could become lackadaisical leading to non-compliance to internal control and to further limit the risk of fraud and corruption , the Municipality will compel all employees to take annual leave. This control also limits the risk of unethical individuals monopolising specific tasks.

- Managers will be encouraged ensuring that appropriate control, e.g. appropriate scrutiny and supervision, are put in place in instances where employees do not take leave for extended periods of time due to work commitments.

- **Exist procedures for employees and control over assts:** the exit procedure for employees leaving the Municipality usually requires the return of assets and an exit interview. Step will be taken to ensure that specific follow-up time frames are set to encourage managers to apply the requirement related to the return of assets more promptly.

- The Municipality will ensure that **an exit interview process** is in place which includes the assessment of the perceptions of the business ethics and conduct standards within the Municipality. This will assist in identifying areas for improvement.

Discipline

The Municipality will be consistent and efficient in its application of disciplinary measures. Additional measures, which will be considered include:

- Communication of specific disciplinary standards and forbidden conduct;
- Introducing a system where the application of disciplinary measure is applied consistently;
- Steps for ongoing training of managers in the application of disciplinary measures;
- Where managers are found to be inconsistence and/ or inefficient in the application of discipline, the Municipality will consider firm action;
- Publicise (within the permissible legal frame work) the outcomes and sanction of disciplinary action as a deterrent effect to others.

Financial Systems and Control

Appropriate finance policies and procedures are also necessary to ensure appropriate internal control over finance management and to limit fraud and corruption risks. The effectiveness of the existing finance policies and procedures will also be tested during the course of internal audits and shortcomings are addressed.

The Council must approve an annual budget for the Municipality before the start of the financial year. The Municipality may only incur expenditure in terms of an approved budget and within limits of the amount appropriate for the difference votes in an approve budget.

The Municipal Manager is regarded as the accounting officer of the Municipality. Thereof the Municipal Manager should ensure that the financial systems and controls that are in place in the Municipality address the following:

- Effective, efficient and economic use of resources;
- Proper record keeping of the financial affairs of the Municipality;
- Effective, efficient and transparent systems of financial and risk management and internal control;
- Effective, efficient and transparent systems of internal audit;
- Prevention of irregular or fruitless and wasteful expenditure; and
- Institution of disciplinary or, when appropriate, criminal proceedings against the employees who have committed an act of financial misconduct or other offence, including fraud and corruption.

Furthermore, the Municipal Manager must ensure that an effective system of expenditure control is in place. According to the MFMA, the accounting officer of the Municipality must report to the South African Police Service all cases of alleged theft and fraud that occurred in the Municipality.

Top management and other officials of the Municipality must assist the Municipal Manager in coordinating the financial systems and controls within the Municipality.

The finance policies, procedures and other prescripts of the Municipality prescribe various controls, which, if effectively implemented, would limit fraud and corruption within the Municipality. These controls, may be categorize as follows, it being recognized that the categories contain overlapping elements:

(a) Prevention controls, which are further subdivided into:

i. Authorization controls which require that all transactions must be authorized or approved by an appropriate responsible person and that the limits for these authorization are specified in the delegations of authority of the Municipality.

ii. Physical controls which are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorize personnel.

(b) Detection controls, which are further subdivided into:

i. Arithmetic and accounting controls, which are basic controls within the recording function which ensure that transactions to be recorded and processed have been authorized, are complete, are correctly recorded and accurately processed. Such controls include checking of totals, reconciliation, control accounts, and accounting for documents.

ii. Physical controls, which relate to the security of records and are similar to preventive controls in that they are also designed to limit access.

iii. Supervision, which relates to supervision by responsible officials of day-to-day transactions and the recording thereof.

iv. Management Information which relates to the review of management accounts and budgetary controls. These controls are normally exercised by management outside the day-to-day routine of the system.

(c) Segregation of duties

i. One of the primary means of control is the separation of those responsibilities or 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.

ii. Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.

iii. Functions that should be separated include those of authorization, execution, custody, and recording and in case of computer –based accounting systems, systems development and daily operations.

iv. Placed in context with fraud and corruption prevention, segregation of duties lies in separating either the authorization or the custodial function from the checking function.

Despite the existence of policies and procedures to address internal control, deficiencies such as ineffective application of policies and procedures resulting from lack of training, expertise, knowledge and capacity has the potential to lead to increased incidence of fraud and corruption.

The Municipality will continue to initiate steps to address the problem of lack of training, expertise and knowledge in systems, policies and procedures to improve internal control. Areas of weakness will be identified during audits and risk assessments.

Furthermore, the Municipality will also continue to re-emphasize to all supervisors that consistent compliance by all employees with internal control is one of the fundamental requirements to prevent fraud and corruption. Managers will be encouraged to recognize that 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 cause of these internal control weaknesses, in addition to addressing the control weaknesses.

Where managers do not comply with basic internal controls, (e.g.) Non-adherence to the delegation of authority limits, firm action (s) will be considered.

Procurement

The MFMA requires every Municipality to have a procurement policy that is fair, equitable, transparent, competitive and cost effective.

Further, the MFMA stipulate that the procurement policy of the Municipality must at least address the following aspects:

- The barring of persons from participating in tendering or other bidding processes who have:
  - Been convicted of fraud or corruption during the five years;
  - Wilfully neglected, reneged on or failed to comply with government contracts during the five years; and
  - Whose tax matters are not cleared by SARS.

The Municipal Manager must implement the procurement policy and take all the responsible steps to ensure proper mechanism and separate of duties in the procurement system are in place to minimise the risk of fraud, corruption, favouritisms and unfair and irregular practices.

At a minimum, the procurement policy of the Municipality should contain the following anti-fraud and anti-corruption provisions:

- The range of supply chain management process that Municipality may use e.g. tenders, quotations, etc.
- When a particular process must be used;
- Procedures for each type of process;
- Open and transport pre-qualification processes for tenders and other bids;
- Competitive bidding processes;
- Bid documentation, advertising of invitations for contracts;
- Procedure for:
  - the opening , registering and recording of bids in the presence of interested parties;
  - the evaluation of bids;
  - negotiating the final terms of the contracts; and
  - the approval of bids;
- screening of processes and security clearances for prospective contactors on tenders or other bids above a prescribed value;
- Compulsory disclosure of conflicts of interests;
- The barring of persons from participating in tendering or other bidding processes who have:
  - Been convicted of fraud or corruption during the past five years;
  - Wilfully neglected, reneged on or failed to comply with a government contract during the five years; and
  - Tax matters are not cleared with SARS.
- Any additional measure for:
  - Combating fraud, corruption, favouritism and unfair and irregular practise in the Municipality's supply chain management.

Housing

In order to fulfil its housing role, the Municipality must carry the following functions:

- **Health and Safety**: ensure that conditions not conductive to health and safety of the inhabitants of its areas of jurisdiction are prevented or removed;
- **Efficient services**: ensure that services in respect of water, sanitation, electricity, roads, storm water drainage and transport are provided in a manner that is economically efficient;
- **Housing Delivery Goals**: set housing delivery goal in respect of its area of jurisdiction;
- **Land for Hosing**: identity and designate land for housing development;
- **Public Environment** : create and maintain a public environment conducive to housing development which is financially and socially viable;
- **Conflict Resolution**: promote the resolution of conflicts arising in the housing development process;
- **Bulk and Revenue Generating services**: provide bulk engineering services, and revenue generation services in so far as specialist utility suppliers do not provide such services;
- **Land use**: plan and manage land use and development , and

- **Housing Development:** initiate, plan, co-ordinate, facilitate, promote and enable appropriate housing development in its area of jurisdiction.

Housing Subsidy

A housing subsidy is a grant by government offered to qualifying beneficiaries for housing purposes. The grant is not paid in cash to the beneficiaries. The grant is paid a seller or may be used to construct a house, which is then transferred to a beneficiary.

Application for a housing subsidy must satisfy the following criteria:

- An applicant must be married or be living together with any other person.
- A single person with proven financial dependents (such as children or family members) may also apply;
- An applicant must be a citizen of the Republic of South Africa, or be in possession of a permanent resident permit.
- An applicant must be legally competent to contract (i.e. over 21 years of age, or married or divorced) and of sound mind;
- An applicant's gross monthly income must not exceed R3500. Adequate proof of income must be submitted ;
- An applicant or anyone else in the household must not have received previous housing benefits from the government

Except in the following:

- An applicant that qualifies for a consolidation subsidy; or
    - Disabled persons;
    - Person who:
        - Own a vacant stand that was obtained through the land restitution programme;
        - Have acquired residential property for the first time without Government assistance and the house/ dwelling on the property, if any, does not comply with the Norms and Standards in respect of Permanent Residential Structures. The property must be in possession and registered in the name of the applicant; and
        - Qualify for a consolidation subsidy.

Applications for a housing subsidy may be made at either the relevant provincial Housing Department or at the offices of the Municipality.

Where applications are received by the Municipality, receipt of the following documents should be ensured in order to mitigate the risk of beneficiaries irregularly receiving a housing subsidy:

- A certified copy of the following:

- the page of the bar-code of the R.S.A identity document containing the photograph of the applicant and that of his or her spouse;
- the page bar-code permanent residence permits containing the photograph of the applicant of his or her spouse where the applicant is not a South African resident;
- a marriage certificate (if applicable);
- a spouse death certificate;
- a divorce decree certificate (if applicable);
- a birth certificate of all dependents (if applicable); and
- most recent pay slip (applicant and spouse)

- Agreement of sale;
- Building contract and approve building plan;
- Sale of land and house building support agreement in respect of people's housing process (PHP) (if applicable)
- Proof of disability (if applicable)
- Proof of loan granted by lender (if applicable)
- Application for exemption for capital contribution (if applicable)

Housing allocation

The Municipality facilitates the allocation of houses built by provincial and national government. Furthermore, the Municipality facilitate communication with communities through the different structures, e.g. ward committees etc. and facilitates the capturing of beneficiaries on the waiting list. A fundamental risk in the allocation of houses is that housing may be irregularly allocated of beneficiaries, e.g. beneficiaries may be moved up the waiting list in exchange for undue benefits.

The Municipality will develop a housing policy that, at a minimum, will address the anti-fraud and anti-corruption provisions referred to in paragraphs above.

Risk Management and assessment

In order to identify and address risk facing the Municipality, a risk assessment will be performed on an annual basis. This process will be compliment by the specific identification of existing controls to mitigate risks identified. Additional actions to further mitigate these risks will culminate in risk management plan.

Presentations to employees of the Municipality will be conducted in order to ensure that they have a more detailed understanding of the fraud and corruption risks facing the Municipality and the areas wherein these risks exist, thus enhancing the prospect of detecting irregularities earlier.

Fraud Detection Reviews

The Municipality will perform specific detection reviews in areas, which are at high risk of unethical conduct, fraud and corruption on a regular basis. This will include the conducting of presentations to employees, including managers, to ensure that they have a more detailed understanding of the risk associated with these areas, thus also enhancing the prospect of detecting irregularities earlier. These include:

- Recruitment of staff;
- Procurement, e.g. emergency Procurement, sole supplier etc.;
- Housing, e.g. allocation, administration of housing waiting lists, etc; and
- Financial systems and control, e.g. payment of suppliers, receipt and banking of revenue received.

Internal and External Audit

The MFMA stipulate that a Municipality must maintain a system of internal control audit under the control and direction of an audit committee. Furthermore the internal audit function of the Municipality is required to report on matters relating to:

- Internal control;
- Accounting procedures and practices;
- Risk and risk management;
- Loss control; and
- Compliance with applicable legislation.

The Municipality will maintain an Internal Audit Unit, which will include anti-corruption capacity under the guidance of the Audit Committee. In terms of its Charter, the primary role of Audit Committee will be to:

- Evaluate the performance of the Internal Audit;
- Review Internal Audit functions' compliance with its mandate as approved by the Audit Committee;
- Review and approve the internal audit plans and the Internal audit's conclusion with regard to internal controls;
- Review significant differences of opinion between management and Internal Audit function;
- Evaluate the independence and effectiveness of internal auditors, and
- Review the co-operation and co-ordination between the internal and external audit function and co-ordinating the formal internal audit work plans with external auditors to avoid duplication of work.

The anti-corruption function within the Municipality will be responsible for the investigation of allegations of fraud and corruption that are brought to its attention. Additionally, it will support risk management procedure from a fraud risk identification perspective.

The Municipality recognizes the fact that the positive support by all its mangers for internal audits and its functions, speedy response to, and the addressing of queries raised by Internal Audit is vital to the success of the plan. Where Managers are found to be slow in addressing internal control and shortcomings raised by Internal Audit, firm action will be considered.

Awareness strategies will also be developed to enhance mangers' understanding of the role of internal audits.

The Municipality is also the subject of annual external audits. These audits include the following tasks:

- Examining evidence supporting the amounts and disclosures in the financial statements;
- Assessing accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

Physical and information security

Physical security

The Municipality's main physical security threat arises in the area of control over its physical assets, facilities and employees. Security personnel and access system are deployed to mitigate this threat. However, control over security personnel and access systems should be reviewed for adequacy.

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

Furthermore, the Municipality will continue to pursue steps to ensure adequate security over its people and confidential information systems.

Information Security

The Municipality will ensure that all employees are sensitized on a regular basis to the fraud and corruption risks associated with information security and the utilization of computer resources, in particular access control, and ensure that systems are developed to limit the risk of manipulation of computerized data.

Communiqués will be forwarded to employees on the management of intellectual property and confidential information to limit the risk of manipulation of information.

Regular communiqués will be forwarded to employees pointing out security policies, with 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 review of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed.

FOCUS ON EMPLOYEES

Key ambassadors for the successful implementation of the plan for the Municipality are its employees. In essence, this means that their conduct often forms the base upon which the Municipality as an institution is judged. The Municipality's employees have to therefore demonstrate behaviour beyond reproach in the execution of the duties.

Anti-Fraud and anti-corruption measures to address employees will be implemented by the Municipality.

FOCUS ON OTHER STAKEHOLDERS

The Municipality has several other stakeholders with whom it interacts. These are indicated below:

- Trading partners e.g. suppliers, contractors, consultants;
- Employee representative organisations;
- DPLG;
- SALGA; and
- The general public.

All stakeholders, with whom the Municipality interacts with, are expected to abide by the principle contained in the plan. Although the Municipality has limited legal rights to enforce these principles on external stakeholders, it can exercise moral persuasion to gain compliance to the principles contained in the plan or choose not enter into relationship with stakeholders who do not comply.

Trading Partners

It is common perception that employees face the greatest challenge to their integrity in the form of enticement to accept bribes from unethical suppliers, contractors and consultants. Furthermore, these trading partners are also often viewed as untrustworthy in delivery of goods and/ or services.

Approaches to address the risk of fraud and corruption relating to trading partners are as follows:

- Appropriate terms and conditions in invitations to propose for services relating to the standards of business ethics expected by the Municipality;
- Appropriate pre-award screening of credentials supplied by contractors;
- Provisions for the compulsory declaration of actual and/ or potential conflicts of interest both by suppliers and employees of the Municipality dealing with these suppliers;
- Appropriate contract terms and conditions indicating the conduct expected by the Municipality;
- Sound project management;
- Ongoing communication of these standards;
- Monitoring and evaluation of breaches such as:
    - Prosecution
    - Loss of recovery; and
    - Placing of appropriate prohibitions on future contracts and cancellation of existing contracts.

Employee representative organisations

The Municipality is committed to comply with the resolutions of recognition agreements with trade unions. Nonetheless, it is also expected of trade unions representatives to comply with the principles of the Municipality's Plan.

Department of Co-operative Governance and Traditional Affairs

COGTA is national department and its primary function is to develop policies and legislation with regard to provinces and local government, and to monitor the implementation of the Structures Act, Municipal Demarcation Act, System Act as well as the MFMA. Efforts will be made to ensure that this stakeholder is also made aware of the principles contained in the Plan and the conduct encouraged by the Municipality.

Parallel to the above enforcement approaches, is the task of fixing of control to limit future recurrence of fraud and corruption in the event of breaches. The resolution mechanisms, which can be pursued in enforcement, are illustrated below.

SALGA

SALGA is an organisation mandate by the South African constitution to assist in the transformation of Local Government in South Africa. SALGA plays a core role in areas related to local government transformation and as a national representative of the local government sector and its employees. The Municipality will also ensure that SALGA is made aware of the Plan and appropriately complements it when dealing with the Municipality.

The general public

Members of the general public will also be made aware of the Municipality's commitment to fraud prevention and encouraged, through awareness programmes, to report irregularities affecting the Municipality.

ENFORCEMENT

No Fraud Prevention Plan would be complete without enforcement forming an integral component for instances where fraud and corruption occur.

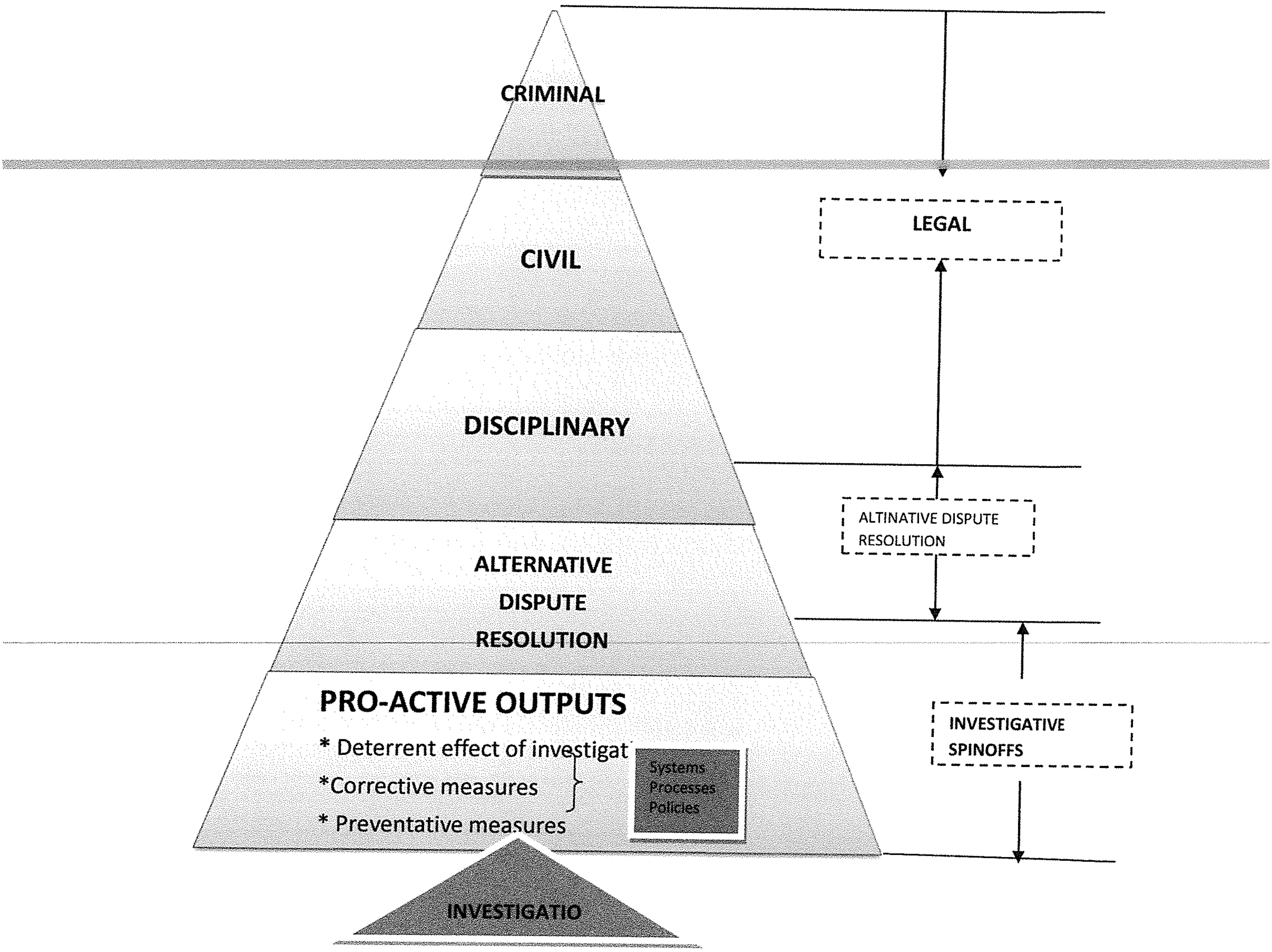
Reporting and monitoring of fraud and corruption

Reporting channels

The reporting channels for unethical conduct, fraud and corruption impacting on the Municipality are as follows:

- All allegations of fraud and corruption should be reported by employees to their immediate managers;
- If there is a concern that the immediate managers is involved, the report must be to any other member of management , the Municipal Manager, the Speaker, the Executive Mayor and / or the Chairperson of the Audit Committee.

Parallel to the above enforcement approaches, is the task of fixing of controls to limit future recurrence of fraud and corruption in the event of breaches. The resolution mechanisms, which can be pursued in enforcement, are illustrated below.



CRIMINAL
CIVIL
DISCIPLINARY
ALTERNATIVE
DISPUTE
RESOLUTION
PRO-ACTIVE OUTPUTS
* Deterrent effect of investigat
*Corrective measures
* Preventative measures
Systems
Processes
Policies
INVESTIGATIO
LEGAL
ALTINATIVE DISPUTE
RESOLUTION
INVESTIGATIVE
SPINOFFS

IMPLEMENTATION AND AWARENESS

The plan will be reviewed on an annual basis, whilst progress with the implementation of the various components will be reviewed on a quarterly basis. In the latter regard, specific priorities stemming from the Plan, actions to be taken, responsible persons and feedback dates relating to progress made will also be set.

Monitoring

The Municipality will ensure that a fraud and corruption information system is developed for the following purposes:

- Recording all allegations;
- Tracking progress with the management of allegations;
- To facilitate the early identification of systematic weaknesses and recurring risks, and inform managers and employees of systematic weaknesses/ risks; and
- Provide feedback to employees and other whistle blowers on the management of allegations.

Creating awareness

This component of the Plan comprises two areas, namely education and communication.

Education

Formal awareness presentation will be conducted for employees of the Municipality in planned workshops. The ongoing creating of awareness amongst all employees is, however, the responsibility of managers. Approaches to create awareness amongst all employees will address the following issues:

- Employee awareness and application of professional ethics in their work environment;
- Employee awareness of the current systems, policies and procedures relating to fraud and corruption and their rights should they blow the whistle;
- Encouraging employees to blow the whistle on fraud and corruption within their work environment; and
- Encourage employees to understand specific fraud and corruption related risks to which the Municipality may be exposed to, thus enhancing the prospect of detecting irregularities earlier.

Communication

The objective of communication is to further create awareness amongst employees, the public and other stakeholders, of the Plan in order to facilitate a culture where all stakeholders strive to contribute towards making it a success. This will increase the prospect ability.

Communication approaches that will be considered by the Municipality are the following:

- An official launch for the plan aimed at all stakeholders;
- Posters, newsletter and pamphlet to advertise the code of conduct for staff members and councillors, aimed at employees, the public and other stakeholders;
- A suggestion box for employees and other stakeholders to make submissions which could enhance the further development of the Plan;
- Ensure that ethics promotion is fixed agenda item in meetings ;
- Signing of declarations of commitment of all employees to the Plan;
- Endorsements of other correspondence directed at providers of goods and/ or services with pro-ethics and anti-fraud and anti-corruption messages; and
- Screensavers on computers with appropriate ethics, anti-fraud and corruption messages; and
- Publishing the Plan and successes in its implementation in the implementation in the Annual Report of the Municipality.

Implementation structure

- The Municipality will consider the establishment of a Fraud Prevention Committee whose responsibility will include the implementation of Plan. This committee will include champions from all directorates in the Municipality. The terms of reference of this committee will include the following:
    - Securing buy - in from all stakeholders;
    - Information sharing;
    - Ongoing identification of weaknesses in systems and solutions;
    - Creating awareness and ensuring adequate training and education to promote the Plan; and
    - Assessing progress and ongoing maintenance and review

Adoption and Implementation

- This Plan shall take effect on the date of Council resolution. It shall be reviewed as and when required.