MAQUASSI HILLS

LOCAL

MUNICIPALITY

ADOPTED 29 SEPT 2015
LC RESOLOLUTION 41/2015

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1 INTRODUCTION

The Municipal Council employs a number of staff and spends a large percentage of its budget on service delivery and personnel costs.

The aim of the Municipality is to:

- Implement the internal rules and regulations and to guard its assets and interests against loss or damage as a result of fraud and corruption.
- Provide community leadership and quality services to the society that it serves.

In delivering its objectives, the Municipal Council is set against fraud and corruption whether it is attempted from the outside (the public, clients, or contractors) or the inside (members and employees) and is committed to an effective Anti-Fraud and Anti-Corruption Strategy which:

- Encourages prevention;
- Promotes detection; and
- Identifies a clear pathway for investigation.

Compliance is therefore regarded as a basic prerequisite in the Municipal anti-fraud and corruption strategy. In order to remain effective, these rules will be regularly reviewed and updated where necessary.

The Municipality will ensure that proper arrangements exist for the prevention and detection of theft, fraud and corruption. The following activities are undertaken:

- The circulation of this framework
- The provision of an adequate and effective internal audit service to carry out an on-going review of financial and other systems in use and to test those systems for weaknesses in internal controls. In carrying out this work internal audit will have regard to the relative risk associated with particular systems as agreed with the Municipal external auditors.
- The regular review of the content and application of the Financial Regulations.
- The issuing of comprehensive Codes of Conduct to all employees and Members of the Council and, where appropriate, to contractors employed by or on behalf of the Municipality.
- The provision of theft, fraud and corruption training to officers and Members where appropriate.
    - The adherence of a fraud prevention plan and related reporting procedures so that proper arrangements exist to ensure that there is no obstacle to reporting theft, fraud, or corruption.

- The maintenance of a theft, fraud and corruption response plan to ensure that if any allegation is made regarding theft, fraud or corruption, the appropriate investigation takes place and the appropriate steps taken to recover any loss incurred.
- The prosecution of offenders where this is considered to be in the interests of the Municipality.
- Full co-operation with any work undertaken or information requested by the Council's external auditors relating to matters of theft, fraud and corruption.
- Appointing one of the Municipal officers as a Compliance Officer for anti-fraud, anti-theft and anti-corruption issues to ensure that there is a clear point of contact for anyone wishing to report theft, fraud or corruption.

2 CONDUCT AND ACCOUNTABILITY

The Municipality expects all people and organizations associated with it to be honest and fair in their dealings with the institution and its clients and customers:

- Councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices, also that individuals and organizations, e.g. suppliers, contractors and service providers, with whom it deals with will act towards with integrity and without thought or actions involving fraud and corruption.
- Councillors have a duty to act only in the best interest of the public and do whatever they can to ensure that the Council uses its resources in accordance with the Municipal Finance Management Act, No. 56 of 2003. This is achieved through members operating within this Act and the Municipal Code of Conduct.
- Councillors are required to operate within the requirements of the rules and regulations as are set out in Schedule 5 of the Municipal Structures Act No. 117 of 1998.
- These include the requirement to declare at meetings potential areas of conflict between their municipal duties and responsibilities and other areas of their personal and professional lives.
- The municipality has a Corporate Governance policy, which places an obligation on employees to act in accordance with best practices when dealing with municipal affairs.
- Similarly, the employees are to ensure that they are familiar with the :
  - ✓ Financial Regulations;
  - ✓ Procedural Manuals relevant to their duties; and
  - ✓ The Municipal Code of Conduct.

- Managers at all levels are responsible for the communication and implementation of this strategy in their departments/sections. They are also responsible for ensuring that their employees are aware and complying with the policies in their everyday business activities.
- Managers are expected to create an environment in which their staff are able to approach them with any concerns that they may have about suspected irregularities.
- Employees must be appointed in accordance with the recruitment and selection policy procedures. Written references should be obtained and should include information regarding the honesty and integrity of potential staff. Actual evidence of key qualifications claimed by prospective employees and work permits (where appropriate) should also be obtained and checked.
- The recruitment of temporary and permanent employees should be treated in a similar manner.
- The Code of Conduct forms part of each employee's contract of employment.
- A key measure in the prevention of fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity.
- Written references should be sought regarding honesty and integrity of potential employees and independent confirmation of professional qualifications should be obtained before offers of employment are made.
- Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the municipality.
- All officials employed by the Municipality are annually required to submit written declaration of any pecuniary interests and /or in a contract such as membership of contracting business that have been, or are proposed to be entered into with the municipality.
- The Officials are not to accept significant personal gifts or hospitality in exchange for preferential treatment. Any gifts or hospitality accepted or declined must be recorded in the Register that is held by the Head: Internal Audit Chief Executive. It is recommended that any item exceeding the value of R350, as used by National and Provincial Government Institutions, be disclosed.
- Failure to disclose an interest or the acceptance of an inappropriate reward /gift may result in disciplinary action or criminal liability. An inappropriate reward/ gift is an item which is given with the intention to influence a decision in favour of that party, for example, a gift is received at the time the evaluation of a bid is being conducted and the donor is one of the bidders.
- It is the responsibility of all staff to ensure that any password issued to them for use on any computer system is kept secure and confidential.
- It is the responsibility of the relevant systems administrator to ensure that :
  - ✓ Passwords are set to the relevant level for the person involved;

    - ✓ Passwords and access is withdrawn for staff no longer in the employment of the Municipality; and
  - ✓ Access to users is limited so that confidentiality can be maintained.
- Where employees are members of professional bodies, they will be expected to comply with the standards of conduct relevant to that profession.
- The municipality values its employees and considers that they have an important role to play. They will be encouraged to report any concerns and provide information if they suspect a fraud or irregularity.
- Managers are expected to ensure that all employees have access to the Corporation's rules and regulations and to ensure that they receive suitable training. If anyone breaks these rules and regulations, the Corporation may take formal action against them.
- Managers must ensure that suitable levels of internal controls are present in working procedures, especially financial procedures. For example, it is important that duties are organized so that no one person can carry out a complete transaction without some form of checking process being built into the system, or appropriate user access and controls are monitored to ensure no unauthorised access to systems.
- The community is encouraged to raise any concerns they may have on any activity. This framework provides the means by which such concerns can be raised, irrespective of seniority, rank or status.
- The members of the public are also encouraged to report concerns through the complaints procedure.

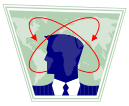
X-ample!

Concerns may include the following:

- A criminal offence;
- A failure to comply with a statutory or legal obligation;
- Improper use of public or other funds;
- An injustice;
- Misadministration, misconduct or malpractice;
- Endangering health and safety;
- Damage to the environment; and
- Deliberate concealment of any of the above.

3 INTERNAL AUDIT

Internal Audit plays a key role in the prevention of fraud and corruption by its systematic examination of the municipal systems and procedures, to achieve strong systems of internal control.



Think it through!

The decision on whether to proceed with an audit investigation will be dependent on a variety of factors i.e. the extent of the irregularity, it may be sufficient for internal audit to review the adequacy of the management actions rather than conduct a separate investigation.

All suspected fraud and corruption investigations will be investigated, coordinated or reviewed by Internal Audit to achieve a consistent approach to investigations and provide assurance that allegations of fraud and corruption are being taken seriously.
The scope of each Internal Audit review incorporates fraud awareness. Audit Checks are performed in between system reviews to test the integrity of arrangements. Internal Audit is actively involved in identifying and reducing the municipality's exposure to fraud and is always available to provide advice regarding anti-fraud and corruption initiatives.

4 DETERRENCE

Theft, fraud and corruption are serious offences against the municipality and employees will face disciplinary action if there is evidence that they have been involved in these activities. Where appropriate, cases will be referred to the South African Police Services.

The Municipal Internal Audit Unit and Communications team will optimize the publicity opportunities associated with anti-fraud and corruption activity within the authority. Where appropriate, the results of any action taken, including prosecutions, will be reported in the media to act both as a deterrent and to promote good practices.

In all cases where financial loss to the municipality has occurred, appropriate action to recover the loss is taken. Where it is appropriate, all anti-fraud and corruption activities, including updates to this framework will be made available in order to make the employees and public aware of the municipality's commitment to taking action against fraud and corruption.

5 AWARENESS AND TRAINING

Handy hint!

The success of the Anti-Fraud and Corruption Framework will depend on the effectiveness of the training. Management will ensure that induction and training for all council members and staff is carried out to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. The investigation of fraud and corruption will be dealt with by either the Municipal Internal Audit Team or a suitably appointed investigator.

6 DETECTION AND INVESTIGATION

It is the responsibility of management to maintain adequate internal control systems to prevent and detect fraud and corruption. The alertness of staff and the public to these activities assists in the detection process.

Chapter 15 of the Municipal Finance Management Act requires that all suspected financial irregularities be reported verbally or in writing by the person with whom the initial concern was raised or by a concerned party so that at an internal audit investigation of the allegations can be undertaken. This chapter also provides for the accountability of the Accounting Officer (Municipal Manager), Chief Financial Officer, Senior managers and other officials for fraud and corruption, more specifically for financial misconduct.

It is essential that:

- Suspected cases of fraud and corruption are investigated properly;
- All cases are dealt with by a standard process;
- Consistency is maintained in the treatment of information regarding fraud and corruption;
- A proper and thorough investigation by an experienced team in accordance with all appropriate legislative requirements is facilitated;
- The interests of individuals and the Municipality are safeguarded; and
- A proper implementation of an action plan after the investigation is complete.

7 PROSECUTION AND RECOVERY OF LOSES

Senior management is expected to deal swiftly and firmly with those who defraud the municipality, or those who are corrupt by:

- Always being tough in dealing with financial malpractice or those who breach statutory and legal obligations and the code of conduct;
- Pressing for the prosecution of offenders and carrying out its disciplinary procedure if and when necessary; and
- Recovering from the perpetrators any losses that it sustains as a result of fraud and corruption.

8 ADDITIONAL LAW ENFORCEMENT AUTHORITIES

The following are various law enforcement authorities that play a role in combating fraud and corruption:

- The National Prosecuting Authority
- Directorate of Special Operations (Scorpions)
- Asset Forfeiture Unit
- Public Protector
- Auditor-General
- Special Investigation Unit (SIU)
- South African Police Service
- Commercial Branch
- SAPS Anti-corruption Unit
- National Intelligence Agency,
- Independent Complaints Directorate
- South African Revenue Services
- Various committees established to conduct anti-corruption investigations.

9 CONCLUSION

Municipalities have systems and processes in place to assist in the fight against fraud and corruption. These processes will be constantly reviewed to ensure that all actions in the preventing and detecting of fraudulent or corrupt activity are maximized. It shall continuously review its rules and procedures to ensure that this anti-fraud and corruption strategy is regularly examined to maintain its effectiveness and compliance with legislation.