FRAUD MANAGEMENT POLICY

2022/23

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Department	Risk Management
Document Owner	Chief Risk Officer

1. BACKGROUND

1.1. Purpose and Application

The purpose of this Fraud Prevention Policy is to ensure that Moqhaka Local municipality communicate its stance with regard to anti-fraud and anti – corruption activities and develop appropriate strategies and procedures to prevent, detect and corrective measures

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

1.1.1 All full time, part-time and temporary employees of the Municipality;
1.1.2 Political Office Bearers;
1.1.3 Councilors;
1.1.4 Consultants, suppliers, contractors and other providers of goods and services to the Municipality

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

1.2 POLICY OBJECTIVES

1.2.1. To explain Municipality's approach to fraud management and ensure that it has a consistent and effective approach to fraud management;
1.2.2. To ensure that the Municipality's culture and processes encourage the prevention measures and where it may be incurring / incurred, a culture of detection and corrective measures of fraud;
1.2.3. To explain key aspects of fraud management;
1.2.4. To clearly indicate the anti-fraud and anti-corruption reporting procedures;
1.2.5. To hold executive, management and officials accountable for the implementation of fraud prevention strategy in their areas of responsibility;
1.2.6. To create an enabling environment where all the Municipality's employees take responsibility for managing anti-fraud and anti-corruption activities;
1.2.7. To improve corporate governance and compliance with relevant legislation;
1.2.8. The implementation of this policy will provide the Municipality with a basis and a framework for:
    2.8.1 More confident and rigorous decision-making and planning;
    2.8.2 Better identification of opportunities and threats;
    2.8.3 Pro-active rather re-active management;
    2.8.4 Improved management and reduction in loss and cost of fraud risk;
    2.8.5 Improved stakeholder confidence and trust;
    2.8.6 A clear understanding by all staff of their roles, responsibilities and authorities for managing fraud risk.

1.5.7 Establishing a sound internal control system.

The above mentioned steps will be performed in line with the Risk Management Implementation Plan after been review by RMC Committee.

1.6 Definition of Fraud

Fraud is the unlawful and intentional making of a misrepresentation which causes actual prejudice or which is potentially prejudicial to another. ("a course of an action by deceit or other dishonest conduct, involving acts or omissions of the making of false statements, orally or in writing, with the object of obtaining money or other benefit from, or of evading a liability for personal gain or to damage with the knowledge that the deception could result in some unauthorized benefit to himself or some other person.") The term fraud is used to describe offences such as but not limited to the following:

1.6.1 Bribery

Any person who, directly or indirectly-

(a) accepts or agrees or offers to accept any gratification from any other person, whether for the benefit of himself or herself or for the benefit of another person; or

(b) gives or agrees or offers to give to any other person any gratification, whether for the benefit of that other person or for the benefit of another person, in order to act personally or by influencing another person to act illegally, dishonestly, unauthorized, or biased.

1.6.1. Embezzlement

This involves theft of resources by persons entrusted with the authority and control of such resources. This involves coercing a person or entity to provide a benefit to an employee, Councilor or another person or an entity in exchange for acting (or failing to act) in a particular manner.

1.6.2. Abuse of power

This involves an employee or Councilor using his or her vested authority to improperly benefit another employee or Councilors, person or entity or using vested authority to improperly discriminate against an employee or Councilor, another person or entity.

1.6.3. Conflict of interest

This involves an employee or Councilor acting or failing to act on a matter where the employee or Councilor has an interest or another person or entity that stands in a relationship with the employee or Councilor has an interest.

1.6.4. Abuse of privileged information

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

2. FRAUD RESPONSE

2.1 Reporting Responsibility

Every employee within the Municipality has the responsibility as well as obligation to report any reasonably suspected fraud and corruption activities. Employees must be discouraged from making allegations frivolously, in bad faith, maliciously, for personal gain, or for revenge. Such behavior will be dealt with accordingly.

2.2. False allegations

Employees or councilors must understand the implications (resources and costs) of undertaking investigations and should therefore guard against making allegations, which are false and made with malicious intent. If in the course of the investigation it should be found that the allegations were made with malicious intent, such allegations shall be treated in a very serious light. The employee concerned must be subjected to a disciplinary enquiry. Should a Councilor be involved, the Code of Conduct for Councilors is applied?

2.3. Confidentiality

All information must be forwarded to the Managers: Security Services and Legal Advisor regarding suspected fraud must be treated confidentially.

2.4. Reporting Process

Employees must report the suspected fraud and corruption activities through one of the following:

2.4.1. Non-Anonymous Reporting

2.4.1.1. Report in writing, verbally or telephonically to the line Manager;
2.4.1.2. Report in writing, verbally or telephonically to the Manager: Security Services; and
2.4.1.3. Report in writing to the Municipal Manager.
2.4.1.4. Internal Audit
2.4.1.5. Risk Management Unit
2.4.1.6. MPAC(Municipal Public Accounts Committee)

2.4.2. Anonymous Reporting

2.4.2.1. The confidential National Fraud Hotline: **0800 701 701.**
2.4.2.2. Anonymous Letter to the Manager: Security Services

2.5 Fraud Investigation responsibilties

Manager: Security Services will maintain a register for the reported fraud incidents and disclose such information to the Municipal Manager. The Municipal Manager will, in

3. POLICY ADMINISTRATION

3.1 Policy Review

The custodian of this Policy is the Moqhaka Municipal Risk Management unit. The policy will be reviewed annually and submitted for approval to the council.

3.2 Approval

As **approved**/ adopted by means of council resolution no **66** in an **ordinary/special** council, held at **Kroonstad** on the **22 November 2022**

Compiled by:

R Shuping

DR Shuping
Chief Risk Officer

09 | January | 2023
Date

Recommended for approval by:

C Mahlaba
Risk Committee Chairperson

09 | January | 2023
Date

Approved by:

M. M

Adv: Mofokeng
Acting Municipal Manager

09 | January | 2023
Date