MAKHADO LOCAL MUNICIPALITY

FRAUD MANAGEMENT POLICY, 2014

(Council Resolution A.145.14.10.14)

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1. Background

This policy is intended to strengthen Makhado Local Municipality(MLM)'s core values of honesty, transparency and zero tolerance to fraud, theft and corruption and to reinforce MLM's existing systems, policies and procedures aimed at preventing, detecting, reacting to and reducing the impact of fraud, theft and corruption.

Furthermore, the purpose of this document is to confirm that MLM supports and fosters a culture of honesty and integrity by demonstrating a zero tolerance to fraud, theft and corruption in all its activities.

2. Scope of the policy

MLM requires all employees, councilors, community members, suppliers and all other relevant stakeholders at all times, to act honestly and with integrity, and to safeguard the public resources for which they are responsible.

Fraud is an ever-present threat to these resources and must be a concern to all members of employees. MLM will not tolerate any level of fraud, theft or corruption; consequently, MLM policy is to thoroughly investigate all suspected frauds and allegations (anonymous or otherwise) and where appropriate, refer to the police at the earliest juncture. MLM is also committed to ensuring that opportunities for fraud, theft and corruption are reduced to the lowest possible level of risk.

This policy applies to all allegations, attempts and incidents of fraud, theft and corruption impacting, or having the potential to impact, on the reputation and operations of the MLM.

All MLM employees, councilors, community members, suppliers and all other relevant stakeholders must comply with the spirit and content of the policy.

3. Definitions
The below definitions constitute a broad overview of the definitions of fraud, theft and corruption.

3.1 Fraud
Fraud constitutes the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another.

3.2 Theft
Theft constitutes 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 their rights permanently.

3.3 Corruption
Offences defined in the Prevention and Combating of Corrupt Activities Act, 2004, including the general offence of corruption, such as directly or indirectly accepting or agreeing to accept any gratification from another person; giving or agreeing to give any other person any gratification in order to influence that person directly or indirectly to exercise his powers, duties or legal obligations in an illegal manner.

Corruption can also be simply defined as dishonest activity in which a person entrusted with authority of an entity (a corporation, government agency or any other entity engaged in business activity or transacting with other entities in a businesslike setting) acts contrary to the interest of the entity and abuses his/her position of trust in order to achieve some personal gain for himself or herself or for another person or entity.

4. Policy Statement on fraud and corruption

Fraud and corruption represent a significant potential risk to the assets and reputation of MLM

MLM has zero tolerance to fraud and corruption. In addition, all fraud and corruption will be investigated and followed up by the application of the remedies available within the full extent of the law and the implementation of appropriate prevention and detection controls. These preventative controls include the existing financial and other control and checking mechanisms, as contained in the systems, policies and procedures of Makhado Local Municipality.

This Fraud Policy has been developed as a result of the expressed commitment of MLM to combat fraud and corruption.

The application and adherence to instructions and requirements contained in MLM's regulations and in the policies and procedures, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

This Fraud Policy must be read together with the provisions of schedule 1 and schedule 2 for Code of Conduct for Councilors and Code of Conduct for Municipal Staff Members respectively.

5. Reporting procedures and resolution of reported incidents

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

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

All managers are responsible for the prevention, detection and investigation of fraud and corruption and must report all incidents and allegations of fraud and corruption to 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, Internal Audit Unit or the Chairperson of the Audit Committee.

Further, employees can also report allegations of fraud and corruption to the Limpopo Provincial Government 24-hour anti-fraud hotline on 0800 204 647, send an email to limpopoleg@tip-offs.com Limpopo Premier's Office Hotline on 0800 864 729 or Presidential hotline on 17737.

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

Makhado Local Municipality encourages members of the public or providers of goods and/or services who suspect fraud and corruption involving Makhado Local Municipality employees, to contact any member of management and/or the Municipal Manager.

Further, councilors, community members, suppliers and all other external stakeholders can also report allegations of fraud and corruption to the Limpopo Provincial Government 24-hour anti-fraud hotline on 0800 204 647, send an email to limpopoleg@tip-offs.com , Limpopo Premier's Office Hotline on 0800 864 729 or Presidential hotline on 17737.

5.3 How will allegations of fraud and corruption be dealt with?

Actions to be taken for issues raised by employees, councilors, community members, suppliers, and all other stakeholders , will depend on the nature of the matter. The matters raised will be screened and evaluated and may subsequently be:
  o   Investigated internally; or
  o   Referred to another law enforcement agency.

Any fraud and corruption committed by an employee or any other person will be pursued by means of a thorough investigation and to the full extent of the law, including (where appropriate) consideration of:
  o   In case of employees being involved, taking disciplinary action within a reasonable period of time after the discovery of the incident;
  o   Instituting civil action to recover losses;
  o   Initiating criminal prosecution by reporting the matter to SAPS, or other relevant law enforcement agency; and
  o   Any other appropriate and legal remedies available.

Managers are required to ensure that losses or damages suffered by MLM as a result of all reported acts committed or omitted by an employee, councilor, community member, supplier, and any other stakeholder are recovered from such a person if he or she is found to be liable for such losses.

The Municipal Manager will, upon receiving a report of fraud from an external person, write to the person making the report:
  o   Acknowledging that the concern has been received;
  o   Assuring the informer that confidentiality of their report will be maintained as far as reasonably possible (if requested by the informant)

Indicating how the Municipal Manager proposes to deal with the matter and whether any initial enquiries have been made;
  o   Giving an estimate of how long it will take to provide a final response; and
  o   Informing them if any further investigations will take place, and if not, provide reasons to explain the decision.

MLM accepts that those parties, including employees who reported the alleged fraud and corruption need to be assured that the matter has been properly addressed.
Thus, subject to legal constraints, information about the outcome of any investigation will be disseminated on a "*need to know*" basis, which will be decided by the Municipal Manager.

Makhado Local Municipality will ensure that a fraud and corruption database/information system is developed for the following purposes:
- o Recording all allegations;
- o Tracking progress with the investigation of allegations;
- o To facilitate the early identification of systemic weaknesses and recurring risks, and inform managers and employees of systemic weaknesses/risks; and
- o Provide feedback, as applicable, to employees and other whistleblowers on the progress/results of allegations investigated.

6. Confidentiality

All information relating to fraud and corruption that is received and investigated will be treated as strictly confidential. The progress 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 protect the integrity of the investigation and to avoid harming the reputation of suspected persons who are subsequently found innocent of wrongful conduct. 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.

Any unauthorized person found to disclose confidential information relating to an investigation or informant will be subject to disciplinary conduct.

7. Public sanctions

The Municipal Manager will decide if any information relating to corrective actions taken or sanctions imposed, regarding incidents of fraud and corruption, should be brought to the direct attention of any person or made public through any other means.

8. Protection of whistle-blowers

Any person who reports suspected fraud and/or corruption may remain anonymous should he/she so desire. In line with the Whistle-blowing Policy, no person will suffer any penalty or retribution for reporting of any suspected or actual incident of fraud, theft and corruption in good faith which occurred within MLM.

All managers should discourage employees or other persons from making allegations, which are false and made with malicious intentions. Where allegations are made with the intention to malign another, the person who made the allegations must be subjected to firm disciplinary, or other appropriate action.

9. Application of preventative controls and detection mechanisms

Management is required to apply the following preventative and detection mechanisms to reduce the level of fraud and corruption risk:

9.1 Induction Training
All new employees and interns should receive a copy of this policy on signing their employment contract and receive fraud prevention training shortly after appointment in their positions.

9.2 Job Rotation
Job rotation should be done regularly if possible to prevent individuals hiding illegal actions and to ensure broad experience for promotional purposes.

9.3 Surprise Auditing
The Division: Internal Audit should do regular surprise audits to check on Managers and their staff are complying with accepted procedures, as well as confirming the correctness of money (e.g. floats) and/or assets.

9.4 Systems and Procedures
Departmental Heads are accountable to ensure that all systems and procedures contain the necessary cost-effective control measures in order to facilitate the realising of goals and objectives.

They are also responsible to ensure that all staff under their control receives adequate training on appropriate systems and procedures and that they comply with agreed procedures.

9.5 Operating and Procedure Manuals
Every department must describe their operations and procedures in manuals approved by Council. These manuals should be used for training new employees, setting the standards and to evaluate if operations are executed accordingly. Manuals are designed to specify operating standards rather than individual procedures and should be evaluated by Managers at least annually for operational efficiency and accuracy.

9.6 Hotline for Reporting Fraud
The Makhado Local Municipal Manager is responsible for implementing an effective channel through which employees, councillors, community members, suppliers and all other external stakeholders can report irregular activities, free from victimisation or repercussions.

In respect of all reported incidents of fraud and corruption, management is required to immediately review the root cause of the fraud, and where possible, improve the effectiveness of the controls, which have been breached in order to prevent similar irregularities from taking place in future.

The Makhado Local Municipal Manager is responsible for implementing an Awareness of the hotline and its effectiveness is to be tested annually.

10. Creating awareness

It is the responsibility of all managers to ensure that all employees are made aware of, and receive appropriate training and education with regard to this policy.

This policy should also be publicised following the process that is being followed by the municipality to ensure that councillors, community members, suppliers and all the other external stakeholders are aware of it so that they can use it.

All documentation issued by the Makhado Local Municipality (letterheads, accounts, business cards, traffic fines, etc.) should contain the hotline contact details.

11. Administration

The custodian of this policy is the Municipal Manager, who is supported in its implementation by all managers, and the all the staff of Makhado Local Municipality. The Municipal Manager is responsible for the administration, revision and interpretation of this policy.

This policy will be reviewed annually by the Risk Management and Anti-Fraud and Corruption Committee, Audit and Performance Audit Committee and Council and appropriate changes applied should these be required.

12. Approval of the Policy

The approval of this Policy rest with the municipal council with recommendation of the Accounting Officer and Risk Management Committee

13. Policy Review

This Fraud Management Policy will be reviewed annually/as and when need arise and submitted to the Council for approval.

Recommended by the Risk Management Committee Chairperson:

Name: _____

Signature: _____

Date: _____

Approved by the Accounting Officer:

Name: _____

Signature: _____

Date: _____