



Harry Gwala District Municipality

HGDM Anti-Fraud Management Policy 2019/2020





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1. INTRODUCTION

- 1.1 The Harry Gwala District Municipality recognizes that crimes of dishonesty, such as fraud and corruption, and unethical practices are a threat to the limited resources at the Municipality's disposal and are therefore a threat to the Municipality's service delivery objectives. The Municipality further recognizes that this threat may occur internally or externally and may be perpetrated by, employees, members of the public, service providers, or development partners, individually or in collusion with others.
- 1.2 The Harry Gwala District Municipality has both a legal and moral duty to protect public funds under its control against fraud and corruption from both within the Municipality and from external sources. This Policy forms an integral part of the Municipality's Anti-Fraud Management Strategy, and confirms the Municipality's commitment to sound corporate governance.
- 1.3 The Harry Gwala District Municipality expects all councillors and officials to lead by example in the achievement of probity and accountability by ensuring adherence to legal requirements, policies and procedures.
- 1.5 The Harry Gwala District Municipality also expects that external stakeholders, such as suppliers, service providers, and partners, with whom it comes into contact, will act with integrity and honesty in all their dealings with the Municipality.

2. PURPOSE

The purpose of this Policy is to provide the cornerstone for the building of an environment at the Harry Gwala District Municipality where crimes of dishonesty, such as fraud and corruption, and other unethical practices are efficiently, economically and effectively, prevented, detected, investigated and reported.

3. DEFINITION OF FRAUD/CORRUPTION

Whilst crimes of dishonesty, such as fraud, corruption and theft, have specific legal definitions, a common thread that runs through these definitions, is the obtaining of a benefit through *deceit* or *dishonest* means.

For the purpose of the Anti-Fraud Management Strategy, it is desirable that the term fraud is used in a broader sense than the strict legal definition, so as to encompass as wide a range of unethical behaviour as possible, having a negative impact on the Municipality.

As such, the term fraud as used in this Policy is defined as:



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“Any practice that involves acts of deceit or dishonesty by which a benefit is obtained from the Municipality, or where a benefit is obtained by virtue of one’s duties or functions within the Municipality”.

Accordingly, fraud as defined above, covers such acts as bribery, forgery, theft, corruption, conspiracy, misappropriation, false representation, concealment of material facts, and collusion. It also covers instances where non-monetary benefits are obtained, such as the misuse of time, or municipal assets.

4. POLICY STATEMENT

- 4.1 The Harry Gwala District Municipality firmly commits itself to applying a ‘zero tolerance’ approach to fraud and to deal equally with officials, councillors and persons from outside of the Municipality, found to be engaged in fraudulent activities.
- 4.2 In giving effect to this approach, the Harry Gwala District Municipality further commits itself to the development of an integrated anti-fraud management strategy, encompassing the development and implementation of prevention, detection and response plans and specific anti-fraud intervention measures.

5 POLICY OBJECTIVES

It is the Municipality’s intention to attain the following objectives considered critical to the effective management of fraud within the institution:

- 5.1 To develop an anti-fraud culture amongst councillors and officials at the Municipality.
- 5.2 To ensure that policies, procedures and systems used by the Municipality, are anti-fraud in orientation.
- 5.3 To develop a highly skilled in-house anti-fraud capability.
- 5.4 To ensure that management understands its responsibility to both establish controls to prevent fraudulent activity, and to expose fraudulent activity once detected, without fear or favour.
- 5.5 To provide guidance to councillors, officials and members of the public alike, as to what steps to take when fraudulent activity is discovered or suspected.
- 5.6 To provide a clear and unambiguous statement to councillors, officials or any stakeholder of the Municipality, that fraud will not be tolerated.



- 5.7 To provide clear guidance regarding the detection and investigation of fraudulent activities.
- 5.8 To provide assurance that any reasonable suspicion of fraud will be swiftly and fully investigated;
- 5.9 To provide adequate protection and guidance to officials to guard against their victimization as a result of reporting or being a witness to fraudulent activities.

6 SCOPE OF THE POLICY

- 6.1 This Policy applies to all councilors and officials of the Municipality and prohibits all acts of fraud, as defined under paragraph 3.
- 6.2 Any investigation or intervention required shall be conducted in accordance with the key principles listed under paragraph 7 below, and without regard to a suspected wrongdoer's length of services, position or title, or relationship to the Municipality.



7. KEY PRINCIPLES UNDERPINNING ANTI-FRAUD MANAGEMENT

The management and combating of fraud shall be carried out according to the normative factors of public administration as well as the Batho Pele principles, including the following key principles:

7.1 Public accountability

As a public institution, the Municipality is accountable to the community for its actions. As such anti-fraud management must place the best interests of the community at heart.

7.2 Reasonableness and fairness

Anti-fraud management shall be undertaken in a manner that is reasonable and fair to all parties involved and in accordance with the principles enshrined in the Constitution of South Africa, 1996.

7.3 Effectiveness and efficiency

The Municipality exists primarily to facilitate service delivery to meet the needs of the community that it serves. Community needs are generally greater than the resources available to meet these needs. Accordingly measures implemented to combat fraud must be effective to protect the resources available for service delivery, and to be efficient, so as to minimize their negative impact on such resources.

8. CHANNELS OF COMMUNICATION

The Risk manager, delegated the function of fraud prevention and anti-fraud management by the Municipal Manager, shall oversee the development, implementation and monitoring of the Anti-Fraud Management Strategy, and shall, at



the instance of the Municipal Manager, oversee the conducting of in-house investigations.

The Risk manager shall report directly to the Municipal Manager, in respect of the Anti-Fraud Management Strategy and matters incidental thereto.

The Risk manager shall report to the Municipality's Risk Committee on issues relating to fraud risk and prevention.

9. PREVENTION PLAN

A Fraud Prevention Plan shall be developed as a key component of the Municipality's Anti-Fraud Management Strategy, and shall give effect to the following strategic inputs:

- 9.1 The development of an anti-fraud culture.
- 9.2 The conducting of fraud risk analysis.
- 9.3 The implementation of prevention strategies.
- 9.4 The continuous review and development of the Prevention Plan.

10 DETECTION AND RESPONSE PLAN

A Fraud Detection and Response Plan shall be developed as a component of the Municipality's Anti-Fraud Management Strategy, and shall give effect to the following strategic inputs:

- 9.1 The development of procedures for reporting fraudulent activities consistent with the Municipality's Protection of Whistle-Blowers Policy.
- 9.2 The development of procedures for the processing of information received via the Municipality's Hotline.
- 9.2 The development of guidelines and evidential standards to be observed in the carrying out of preliminary investigations.
- 9.3 The development procedures for the opening of criminal cases with the South African Police Services.
- 9.4 The development of a system for the monitoring of disciplinary and/or criminal actions taken by the Municipality and for the recording of findings/court decisions in regard thereto.



10 CONFIDENTIALITY AND DISCRETION

- 10.1 The Municipal Manager, the Risk manager delegated the function of anti-fraud management, or members of the Municipality's Risk Committee, shall treat all information received in confidence, except where otherwise required by law.
- 10.2 In order to avoid damaging the reputations of innocent persons initially suspected of wrongdoing, the specific details of investigations will not be disclosed, other than the outcome of disciplinary and/or criminal action taken in respect of such investigations where findings of guilt have been made.

11 CONSEQUENCES FOR BREACHING THE PROVISIONS OF THE ANTI-FRAUD MANAGEMENT POLICY

A breach of any provisions of this Policy by

- 11.1 a councilor of the Municipality shall be considered as being a breach of clause 2 of the Code of Conduct for as contained in Schedule 1 of the Municipal Systems Act 32 of 2000, and shall be dealt with in accordance with the provisions of Schedule 1.
- 11.2 An official of the Municipality shall be considered as a breach of clause 2 of the Code of Conduct for Municipal Staff Members as contained in Schedule 2 of the Municipal Systems Act 32 of 2000, with dismissible consequences.

12 CONCLUSION

- 12.1 The Harry Gwala District Municipality is committed to minimizing the possibility of fraud. It pledges not only to prevent fraud but to take all action necessary to detect and investigate such fraudulent activity and to recover all losses associated with such activities.
- 12.2 Councillors and officials of the Municipality are expected to have the highest standards of conduct and to be vigilant in combating fraud.
- 12.3 The Municipality has embarked on implementing a clear network of systems and procedures to assist in the fight against fraud. The Anti-Fraud Management



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Strategy will keep pace with any future developments in both preventative and detection mechanisms required to curb fraud.

13 APPROVAL AND EFFECTIVE DATE OF THE POLICY

This policy shall come into effect immediately upon approval by Council of the Harry Gwala District Municipality.

18. APPROVAL OF ANTI-FRAUD MANAGEMENT POLICY:

Submitted by

Risk Officer :

Date :

Acknowledged by

Municipal Manager :

Date :

Approved by the Council

Chairperson :

Date :

