

# OVERSTRAND MUNICIPALITY



## FRAUD PREVENTION AND ANTI-CORRUPTION STRATEGY

*Approved by Council*

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## **1. INTRODUCTION**

Overstrand Municipality subscribes to the principles of good corporate governance, which requires conducting business in an honest, ethical and transparent manner.

Consequently Overstrand Municipality is committed to fighting corrupt and fraudulent activities and behaviour at all levels within the municipality.

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

## **2. MISSION OF FRAUD PREVENTION AND ANTI-CORRUPTION**

To ensure that the strategic objectives are achieved and without compromising our stakeholders' trust and quality of our service, an effective approach to combatting fraud and corruption must be taken to minimise losses and to prevent, detect, investigate and sanction fraud and corruption.

## **3. OBJECTIVES OF FRAUD PREVENTION AND ANTI-CORRUPTION**

The objectives of a fraud prevention and anti-corruption framework are to:

- Align strategic objectives with fraud prevention and anti-corruption activities;
- Drive specific fraud prevention and anti-corruption processes to respond to the potential threats;
- Embed instinctive and consistent consideration of fraud and corruption in the day-to-day planning and achievement of objectives;
- Provide clarity on the Municipality's stance on fraud and corruption;
- Develop fraud prevention and anti-corruption capacity within the Municipality;
- Improve the application of systems, policies, procedures, rules and regulations dealing with fraud and corruption;
- Deter, prevent and detect unethical conduct, fraud and corruption;
- Investigate incidents of unethical conduct, fraud and corruption;
- Take appropriate action and apply sanctions in cases of unethical conduct, fraud and corruption.

## **4. PRINCIPLES OF FRAUD PREVENTION AND ANTI-CORRUPTION**

- Encouraging a culture within the Municipality where all municipal officials, members of the public and other stakeholders continuously behave with and promote integrity in their dealings with or on behalf of the Municipality;

- Creating a culture within the Municipality which is intolerant of unethical conduct, fraud and corruption;
- Strengthening community participation in the fight against fraud and corruption in the Municipality;
- Strengthening relationships with key stakeholders that are necessary to support the actions required to combat fraud and corruption in the Municipality;

## **5. FRAUD AND CORRUPTION AWARE CULTURE**

The municipality's no tolerance stance on fraud and corruption must be clear. The values of integrity, honesty and objectivity must be institutionalised throughout the municipality.

Municipal officials must be aware of their duty to report incidents of fraud and/or corruption. Fraud prevention and anti-corruption responsibilities must be assigned throughout the municipality.

## **6. FRAUD AND CORRUPTION RISK MANAGEMENT**

The management of fraud and corruption risks form part of the enterprise risk management of the municipality. Fraud and corruption risk identification, assessments, management, monitoring, reporting and oversight take place during the course of enterprise risk management activities.

This strategy should therefore be read in conjunction with the Risk Management Strategy.

## **7. ETHICS IN FRAUD PREVENTION AND ANTI-CORRUPTION**

Fraud and corruption occur due to a lack of ethics. Effectively managing ethics can prevent fraud and corruption and increase the reporting of corrupt and/or fraudulent activities, due to the ethical behaviour of the municipal staff.

## **8. CONFIDENTIALITY**

All information relating to fraud and corruption that is received and investigated will be treated confidentially. The progress of investigations will be handled in a confidential manner and will not be disclosed or discussed with any persons other than those who have a legitimate right to such information.

Although there should be transparency in dealing with fraud and corruption, confidentiality during investigations is essential in order to:

- avoid harming the reputation of accused persons who are subsequently found not guilty;
- prevent implicated persons from having knowledge of the investigation and the investigator's plans, to prevent them from destroying or altering evidence before the investigator is able to obtain it;
- prevent implicated persons from gaining access to evidence against them, to prevent them from preparing versions to suit the evidence before they are questioned by the investigator;
- protect the identity of the source who reported the fraud and/or corruption;
- protect the identity of people who co-operate with the investigator to prevent witness tampering or victimisation.

## 9. PROTECTION OF WHISTLE BLOWERS

No person will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud and corruption involving the Municipality.

Overstrand Municipality will not tolerate harassment or victimisation of whistle blowers and will take action to protect whistle blowers when they raise a concern in good faith. This does not mean that if the person is already the subject of disciplinary or legal proceedings, those proceedings will be halted as a result of their whistle blowing.

A person who reports suspected fraud and/or corruption may remain anonymous should he/she so desire. The Municipality will do all that is reasonable under the prevailing circumstances to protect the person's identity when he/she raises a concern and chooses to remain anonymous. It must be kept in mind though that the investigation might reveal the source of the information.

## 10. ROLES AND RESPONSIBILITIES

Various statutes, regulations, by-laws, policies and contracts regulate the roles and responsibilities of the role players involved in fraud prevention and anti-corruption.

### 10.1. MUNICIPAL COUNCIL

#### 10.1.1. Legal Mandate

The following Schedule provides a legal basis for the Municipal Council's responsibility for fraud prevention and anti-corruption:

- **Schedule 1 of the Municipal Systems Act No. 32 of 2000: Code of Conduct for Councillors**

### 10.1.2. Role and Responsibilities

The Municipal Council is responsible for oversight of the municipal administration, which includes holding the Municipal Manager accountable for instituting fraud prevention and anti-corruption measures.

**The main responsibilities of the Municipal Council with regard to fraud prevention and anti-corruption are:**

- Provide oversight and direction to the Municipal Manager on the fraud prevention and anti-corruption strategy and related policies;
- Having knowledge of the extent to which the Municipal Manager and management have established effective fraud prevention and anti-corruption measures in their respective departments;
- Hold the Municipal Manager accountable for fraud prevention and anti-corruption within the Municipality;
- Insist that the Municipal Manager, Directors and Management institute disciplinary proceedings against municipal officials involved in fraud and/or corruption and institute legal proceedings to recover damages suffered by the Municipality as a result of the corrupt and/or fraudulent acts.
- Comply with the Code of Conduct for Councillors.
- Deal with allegations against Councillors in accordance with the *Procedure for investigation regarding any allegation of misconduct against a member of a Municipal Council*.

## 10.2. MUNICIPAL MANAGER

### 10.2.1. Legal Mandate

The following statutory provisions provides a legal basis for the Municipal Manager's responsibility for fraud prevention and anti-corruption:

- **Sections 61 and 62(1)(a),(b),(c),(d), and (e) of the Municipal Finance Management Act No. 56 of 2003**
- **Sections 55 (1)(g) and (2) of the Municipal Systems Act No. 32 of 2000**
- **Schedule 2 of the Municipal Systems Act: Code of Conduct for Municipal Staff Members**
- **Sections 34(1); 34(4)(b) and (j) of the Prevention and Combating of Corrupt Activities Act No. 12 of 2004**

### 10.2.2. Role and Responsibilities

The Municipal Manager is ultimately accountable for the fraud prevention and anti-corruption within the municipality. The Municipal Manager must set an example at the top and promote ethical behaviour within municipality.

**The main responsibilities of the Municipal Manger with regard to fraud prevention and anti-corruption are:**

- Set an example at the top by acting with integrity;
- Establish the necessary structures and reporting lines within the municipality to support whistleblowing;
- Endorsing the Code of Conduct and Code of Ethics for Municipal Staff Members and holding officials accountable for non-adherence;
- Comply with Section 34 of the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004);
- Hold the Directors accountable for fraud prevention and anti-corruption in their directorates;
- Leverage the Joint Audit and Performance Audit Committee, Fraud and Risk Management Committee, Internal Audit Services and other appropriate structures for assurance on the effectiveness of fraud and corruption risk management;
- Consider and act on recommendations made by the Joint Audit and Performance Audit Committee, Internal Audit Services, Fraud and Risk Management Committee and other appropriate structures regarding weaknesses in the control environment or identified incidents of fraud and/or corruption;
- Institute disciplinary proceedings against Directors implicated in fraud and/or corruption and institute legal proceedings for the recovery of damages suffered by the Municipality as a result of the corrupt and/or fraudulent act;
- Comply with the Code of Conduct and Code of Ethics for Municipal Staff Members.

### 10.3. DIRECTORS AND MANAGEMENT

#### 10.3.1. Legal Mandate

The following statutory provision provides the legal basis for Directors' and Management's responsibility for fraud prevention and anti-corruption:

- **Section 78 of the Municipal Finance Management Act No. 56 of 2003**

Directors and Management are accountable to the Municipal Manager for designing, implementing and monitoring fraud prevention and anti-corruption controls and integrating it into the day-to-day activities of the Municipality.

**The main responsibilities of Directors and Management with regard to fraud prevention and anti-corruption are:**

- Design, implement and monitor fraud prevention and anti-corruption controls;
- Comply with the policies and procedures of the Municipality;
- Institute disciplinary proceedings against staff implicated in fraud and/or corruption and institute legal proceedings to recover damages suffered by the Municipality as a result of the corrupt and/or fraudulent act;
- Report corrupt and/or fraudulent activities and incidents to their respective Directors, in the case of Management, or the Municipal Manager, in the case of Directors;
- Comply with the Code of Conduct and Code of Ethics for Municipal Staff Members.

## 10.4. OTHER MUNICIPAL OFFICIALS

### 10.4.1. Legal Mandate

The following statutory provision provides a legal basis for other municipal officials' responsibility for fraud prevention and anti-corruption:

- **Section 78 of the Municipal Finance Management Act No. 56 of 2003**

### 10.4.2. Role and Responsibilities

Other municipal officials are accountable to their respective managers for adherence to and monitoring the process of fraud prevention and anti-corruption measures and integrating it into their day-to-day activities.

**The main responsibilities of other municipal officials with regard to fraud prevention and anti-corruption are:**

- Familiarity with the fraud prevention and anti-corruption strategy, policy and plan and acting accordingly;
- Comply with the policies and procedures applicable to their areas of operation;
- Maintain the functioning of the control environment and monitoring systems within their delegated responsibility;

- Report incidents of fraud and/or corruption to Management;
- Comply with the Code of Conduct and Code of Ethics for Municipal Staff Members.

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## 10.5. RISK MANAGEMENT UNIT

Overstrand Municipality has implemented its own risk management unit during the 2019/20 financial year

### 10.5.1. Legal Mandate

The following statutory provision provides a legal basis for the Risk Management Unit's responsibility for fraud prevention and anti-corruption:

- **Section 78 of the Municipal Finance Management Act No. 56 of 2003**

### 10.5.2. Role and Responsibilities

The primary role of the Risk Management Unit is to include fraud and corruption risks in its risk management planning and processes.

**The main responsibilities of the Risk Management Unit with regard to fraud prevention and anti-corruption are:**

- Develop, together with other role players, the fraud prevention and anti-corruption strategy, policy and plan;
- Include a focus on fraud and corruption risks during risk identification and assessments;
- Assist management in developing responses for fraud and corruption risks;
- Assist with investigations through fraud, corruption and ethics risk assessments to identify process deficiencies / weaknesses and assist management to develop controls to prevent re-occurrence;
- Report incidents of fraud and/or corruption to the immediate supervisor and the Fraud and Risk Management Committee.

### 10.6.1. Legal Mandate

The following statutory provision establishes a legal basis for Internal Audit Services' responsibility for fraud prevention and anti-corruption:

- **Section 165(2) of the Municipal Finance Management Act No. 56 of 2003**

### 10.6.2. Role and Responsibilities

Internal Audit Services acts as an assurance provider for the municipality regarding fraud prevention and anti-corruption measures.

**The main responsibilities of Internal Audit Services with regard to fraud prevention and anti-corruption are:**

- Provide independent assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems;
- Provide independent assurance over the municipality's fraud and corruption risk identification and assessment processes;
- Provide independent assurance as to whether the fraud prevention and anti-corruption strategy, policy and plan have been effectively implemented within the municipality;
- Report incidents of fraud and/or corruption to the Municipal Manager;

## 10.7. JOINT AUDIT AND PERFORMANCE AUDIT COMMITTEE

### 10.7.1. Legal Mandate

The following statutory provision establishes a legal basis for the Joint Audit and Performance Audit Committee's responsibility for fraud prevention and anti-corruption:

- **Sections 166(2)(a)(i),(ii),(iv),(vi),(vii),(b) and (d) of the Municipal Finance Management Act No. 56 of 2003**

### 10.7.2. Role and Responsibilities

The Joint Audit and Performance Audit Committee is responsible for providing the Municipal Manager and Council with independent counsel, advice and direction in respect of fraud prevention and anti-corruption measures.

**The main responsibilities of the Joint Audit and Performance Audit Committee with regard to fraud prevention and anti-corruption are:**

- Gain a thorough understanding of the fraud prevention and anti-corruption strategy, policy and plan of the municipality to enable the Committee to add value to the fraud prevention and anti-corruption process when making recommendations for improvement of the process;
- Review the report of the Fraud and Risk Management Committee on the progress made with the implementation of the fraud prevention and anti-corruption strategy of the municipality;
- Report incidents of fraud and/or corruption to the Municipal Manager.

## **10.8. FRAUD AND RISK MANAGEMENT COMMITTEE**

### **10.8.1. Legal Mandate**

The following internal document approved by the Overstrand Municipal Council establishes a legal basis for the Fraud and Risk Management Committee's responsibility for fraud prevention and anti-corruption:

- **Fraud and Risk Management Committee Terms of Reference**

### **10.8.2. Role and Responsibilities**

The Fraud and Risk Management Committee is responsible for assisting the Municipal Manager with his/ her oversight responsibilities and evaluating and monitoring the municipality's performance with regards to fraud and corruption risk management.

**The main responsibilities of the Fraud and Risk Management Committee with regard to fraud prevention and anti-corruption are:**

- Review the fraud prevention and anti-corruption strategy, policy and plan and recommend for approval by Council;
- Review the progress made with the implementation of the fraud prevention and anti-corruption strategy of the municipality;
- Review the municipality's risk identification and assessment methodologies in order to obtain reasonable assurance that all possible fraud and corruption risks have been identified during the risk assessment process, including an awareness of emerging risks;
- Review the effectiveness of the preventative, detective and corrective controls pertaining to fraud, corruption and unethical behaviour implemented by management;

- Review the effectiveness of the municipality's fraud, corruption and unethical behaviour reporting mechanisms;
- Ensure that appropriate actions (investigations, disciplinary procedures, loss recovery, reporting to authorities, etc.) are implemented to address instances of fraud, corruption and unethical behaviour, i.e. consequence management;
- Report any identified incidents of fraud and/or corruption to the Municipal Manager.

## 11. OVERSIGHT

Progress with the implementation by management of the fraud prevention and anti-corruption strategy, policy and plan must be communicated to the Risk Management Unit, Directors, Municipal Manager, Joint Audit and Performance Audit Committee and Fraud and Risk Management Committee.

Progress with the implementation of action plans to mitigate fraud and corruption risks will be reported on as part of the progress reports on risk actions.

## 12. REVIEW

The Fraud Prevention and Anti-Corruption Strategy will be reviewed periodically and/or as and when necessary, by FARMCO and approved by the Municipal Council.

Review history:

Policy Section	Risk Management Unit
Current update	24 June 2020
Previous review	31 October 2018
Approved by Council	28 March 2018