**MOHOKARE LOCAL MUNICIPALITY**

**FRAUD AND CORRUPTION POLICY**

**1.1 BACKGROUND**

The fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against Mohokare Local Municipality. It is the intent of Mohokare Local Municipality to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

**1.2 SCOPE OF POLICY**

This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, suppliers, contractors and/ or any other organisation with a business relationship with Mohokare Local Municipality. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the municipality.

**1.3 POLICY**

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

*Fraud* is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury.

Each member of the management will be familiar with the types of fraud or corruption that might occur within his or her area of responsibility and be alert for any indication of irregularity. Any irregularity that is detected or suspected must be reported immediately to the Chief Risk Officer, who coordinates all investigations with the Human resources and other affected areas, both internal and external.

**1.4 ACTIONS CONSTITUTING FRAUD**
The terms *fraud, corruption, misappropriation,* and *other fiscal irregularities* refer to, but are not limited to:
• Any dishonest or fraudulent act.
• Misappropriation of funds, supplies, or other assets.
• Impropriety in the handling or reporting of money or financial transactions.
• Profiteering as a result of insider knowledge of company activities.
• Disclosing confidential and proprietary information to outside parties.
• Accepting or seeking anything of material value from contractors, vendors, or persons providing goods/services to the municipality. Exception: Gifts less than R350 in value.
• Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment.
• Any similar or related irregularity.

## 1.5 OTHER IRREGULARITIES

Irregularities concerning an employee's moral, ethical, or behavioral conduct should by resolved by departmental management and the Employee Relations Unit of Human Resources rather than the Risk Management and Security Management Unit. If there is any question as to whether an action constitutes fraud, contact the Chief Risk Officer or Security Manager for guidance.

## 1.6 INVESTIGATION RESPONSIBILITIES

The Risk Management Unit has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Risk Management and Security Management Unit will issue reports to appropriate designated personnel and, if appropriate, to the Council through the Audit Committee. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies (Special Investigative Unit and National Prosecuting Authority) for independent investigation will be made in conjunction with legal counsel and senior management, as will final decisions on disposition of the case. Some cases that need expert in the certain fields will be outsourced e.g. Forensic evidence that requires IT specialist and hand writing experts.

## 1.7 ROLES AND ACCOUNTABILITIES

## 1.7.1 COUNCIL

- Understand fraud risks.
- Maintain oversight of the fraud risk assessment by ensuring that fraud risk has been considered as part of the municipality's risk assessment and strategic plans. This responsibility should be addressed under a periodic agenda item at council meetings when general risks to the municipality are considered.
- Monitor management's reports on fraud risks, policies, and control activities, which include obtaining assurance that the controls are effective. The council also should establish mechanisms to ensure it is receiving accurate and timely information from management, employees, internal and external auditors, and other stakeholders regarding potential fraud occurrences.
- Oversee the internal controls established by management.
- Set the appropriate tone at the top through the Municipal manager's job description, hiring, evaluation, and succession-planning processes.
- Have the ability to retain and pay outside experts where needed.

## 1.7.2 MANAGEMENT

- Setting the tone at the top for the rest of the organization. As mentioned, an organization's culture plays an important role in preventing, detecting, and deterring fraud.

- Reporting to the council on what actions have been taken to manage fraud risks and regularly reporting on the effectiveness of the fraud risk management program.
- Managers are responsible for the prevention and detection of fraud and corruption and must report all incidents and allegations to the Chief Risk Officer. The CRO will initiate an investigation into the matter, in consultation with senior management. When Management refers cases for investigation, they must do it in writing, including all relevant information. Where applicable, they must also include relevant documents which may support the allegation.
- Managers must ensure that risk assessments are conducted annually in their units and that agreed risk management plans are implemented.
- Managers are responsible to ensure the implementation of the approved recommendations made by auditors and CRO, which includes disciplinary actions, criminal and civil actions.
  - In respect of all reported incidents of fraud and corruption, management is required to immediately review, and where possible, improve the effectiveness of the controls, which have been breached in order to prevent similar irregularities from taking place in future.
  - Managers shall ensure that all employees attend fraud & corruption related training and that information is communicated to all employees for compliance and implementation.

### 1.7.3 EMPLOYEES

All levels of staff, including management, should:
- Have a basic understanding of fraud and be aware of the red flags.
- Understand their roles within the internal control framework. Staff members should understand how their job procedures are designed to manage fraud risks and when noncompliance may create an opportunity for fraud to occur or go undetected.
- Read and understand policies and procedures (e.g. the fraud policy, code of conduct, and whistleblower policy), as well as other operational policies and procedures, such as procurement manuals.

### 1.7.4 RISK AND SECURITY MANAGEMENT

- Analysing and monitoring fraud and corruption risk as part of the municipality's risk assessment;
- Investigating allegations of fraud and corruption with due care and in compliance with all relevant legislation.
- Recommending and supporting disciplinary actions relating to fraud and corruption against employees;
- Referring allegations of fraud and corruption to a relevant law enforcement agency or other appropriate agencies/bodies. In this regard, the municipality will pursue a formal arrangement to ensure that the support of relevant law enforcement agencies is guaranteed;

- Initiating and supporting criminal proceedings against employees, contractors and other parties involved in fraud and corruption; and
- Providing a detailed report to the management once an investigation of a matter is finalized, who will then submit the report to management?
- Keeping a database on all investigations.

## 1.7.5 ROLE OF INTERNAL AUDIT

- Monitoring implementation of recommended control to minimise fraud and corruption;
- Evaluate the effectiveness of fraud and corruption control measures;
- Advise management on the integrity of information;
- Design additional steps in the audit programs to assist in detecting, addressing and preventing re-occurrence of similar incidents;
- Monitor implementation of recommended actions resulting from conclusions of fraud investigation;
- Highlight legislation, policies and procedures, that might have been violated as a result of the outcome of an investigation; and
- The Internal Audit shall report all identify or suspected fraud & corruption matters.

## 1.7.6 SHARED AUDIT AND PERFORMANCE COMMITTEE

- The audit committee should be composed of independent members and should have at least one financial expert, preferably with an accounting background. The committee should meet frequently enough, for long enough periods, and with sufficient preparation to adequately assess and respond to the risk of fraud, especially management fraud, because such fraud typically involves override of the organization's internal controls. It is key that the audit committee receive regular reports on the status of reported or alleged fraud.
- An audit committee of the municipality should maintains an active role in the oversight of the municipality's assessment of fraud risks and uses internal auditors, or other designated personnel, to monitor fraud risks.
- Audit committee also provides the external auditors with evidence that the committee is committed to fraud risk management and will discuss with the external auditor the auditors' planned approach to fraud detection as part of the financial statement audit.
- At each audit committee meeting, the committee should meet separately from management with appropriate individuals, such as the chief internal audit executive and senior financial person.
- The audit committee should not only focus on what the auditors are doing to detect fraud, but more importantly on what management is doing to prevent fraud, where possible.
- The audit committee should also seek the advice of legal counsel whenever dealing with issues of allegations of fraud. Fraud allegations should be taken seriously since there may be a legal obligation to investigate and/or report them.

**1.8 CONFIDENTIALITY**

The Risk Management Unit treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Risk Management Unit immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see Reporting Procedures section below).Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the municipality from potential civil liability.

**1.9 AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD**

Members of the Risk Management Unit will have:
• Free and unrestricted access to all Company records and premises, whether owned or rented.
• The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

**1.10 REPORTING PROCEDURES**

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. An employee who discovers or suspects fraudulent activity will contact the Risk Management Unit immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Legal Department. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference. The reporting individual should be informed of the following:
• Do not contact the suspected individual in an effort to determine facts or demand restitution.
• Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Legal Department or Security management Unit.

**1.11 TERMINATION**

 If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated representatives from Human Resources and the Legal Department and, if necessary, by outside counsel, before any such action is taken. The Risk Management and Security management Unit does not have the authority to terminate an employee. The decision to terminate an employee is made by the employee's management. Should the Risk Management and Security management Unit believe the management decision inappropriate for the facts presented, the facts will be presented to council or AGSA and other sector departments for a decision.

**1.12 ADMINISTRATION**

The Chief Risk Officer is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed.

**Risk Management Committee reviewed the Fraud and Corruption Policy**

**APPROVAL BY:**


_____        _____
Municipal Manager                                                    Date



_____        _____
Council                                                                     Date