



on the Go for Growth

FRAUD PREVENTION PLAN FOR

2022/2023 FY

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1. Glossary of Terms

Throughout this document, unless otherwise stated, the words in the first column below have the meanings stated opposite them in the second column (and cognate expressions shall bear corresponding meanings):

Terms	Definition of terms
Fraud and Corruption	- Includes, but is not limited to the following: • Fraud, i.e. the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another • Theft, i.e. 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 • Offences defined in the Prevention and Combating of Corrupt Activities Act, 2004. ○ The general offence of corruption, i.e. 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 a manner which is/amounts to: ▪ Illegal, dishonest, unauthorized, incomplete, or biased ▪ Misuse or selling of information or material

	acquired ▪ Abuse of position of authority ▪ Breach of trust ▪ Violation of a legal duty or set of rules ▪ Designed to achieve an unjustified result ▪ Any other unauthorized or improper inducement to do or not to do anything. ○ Corrupt activities in relation to: ▪ Public officials ▪ Foreign public officials ▪ Agents ▪ Judicial officers ▪ Members of the prosecuting authority ▪ Unauthorized gratification received or offered by or to a party with an ▪ employment relationship ▪ Witnesses and evidential material during certain proceedings ▪ Contracts ▪ Procuring and withdrawal of tenders ▪ Auctions ○ Conflicts of interests and other unacceptable conduct, e.g.: acquisition of private interests in contract, agreement in or investment in public body ▪ Unacceptable conduct relating to witnesses ▪ Intentional interference with, hindering or obstruction of investigation of offence ▪ Accessory to or after an offence ▪ Attempt, conspiracy and inducing another person to commit offence
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	▪ Failure to report corrupt transactions ○ Frauds manifest themselves in the following areas, amongst others: <i>System Issues:</i> where a process/system exists which is prone to abuse by employees, the public or other stakeholders, e.g. ▪ Procurement fraud, e.g. collusion between employees and suppliers ▪ Contracts management fraud such as suppliers falsifying evidence of project deliverables ▪ Fraudulent registration of beneficiaries in the Indigents register ▪ Employees allowing scope creep on contracts in return for undue benefits ▪ Deliberate failure, in project management, to exercise due care in evaluating and supervising work carried out by suppliers, consultants and other parties ▪ Abuse of the time management process by submission of false/inflated time sheets ▪ Non-compliance to tender procedures ▪ Inadequate vetting of employees ▪ Abuse of leave ▪ Abuse of the system of overtime ▪ Abuse of the system of travel claims ▪ Fraudulent information submitted by suppliers when tendering for work ▪ Fraudulent payment certificates submitted for payment ▪ Non-compliance to delegated authority
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	limitations ○ Equipment and Resource Issues: where the Municipality's equipment and resources are utilized for personal benefit or stolen, e.g.: ▪ Abuse of intellectual property ▪ Leaking of confidential information and insider knowledge ▪ Theft of assets ▪ Abuse of company resources such as time, equipment, vehicles, internet, facilities, telephones ▪ Deliberate destruction of property ▪ Use of Municipal resources and equipment for private gain. ○ Financial issues: where individuals or entities have fraudulently obtained money from the Municipality, e.g.: ▪ Creditors fraud such as false/fictitious invoicing by suppliers, consultants, contractors and other parties ▪ Electronic Funds Transfer fraud such as diversion of payments to undue beneficiaries ▪ Deliberate movement of funds between projects to cover up project over-runs ▪ Theft, e.g. petty cash, etc. ▪ Fraud related to fiscal dumping ▪ Suppliers invoicing for work not done ▪ Fraudulent travel claims by employees ▪ Abuse of petrol cards ▪ Insurance fraud, e.g. collusion between employees and public with respect to fraudulent
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	insurance claims ▪ Service providers double invoicing ▪ Contractors "fronting". ○ Other issues: activities undertaken by employees of the Municipality and external parties, which may be against relevant legislation, policies, or fall below established ethical standards, e.g.: ▪ Conflicts of interest ▪ Undeclared private work interests ▪ Irregular acceptance and offering of business courtesies such as gifts ▪ Violation of the MFMA provisions leading to irregular, unauthorized, fruitless and wasteful expenditure ▪ Deliberate disclosure of confidential information
WDM	Refers to Waterberg District Municipality
MFMA	Municipal Finance Management Act, No 56 of 2003
Accounting Officer	Refers to the Municipal Manager in terms of section 54A of the Municipal Systems Act. 32 of 2000
SAPS	South African Police Services
SALGA	South African Local Government Association
Systems Act	Municipal Systems Act, No 32 of 2000
Constitution	Constitution of the Republic of South Africa, Act 108 of 1996,
Demarcation Act	Local Government Municipal Demarcation Act, No.27 of 1998.

2. INTRODUCTION

2.1. This plan is intended to set down the stance of WDM to fraud Prevention and to reinforce existing systems, policies and procedures of WDM aimed at deterring, preventing, detecting, reacting to and reducing the impact of fraud and corruption.

1.2. The purpose of this document is to confirm that WDM supports and fosters a culture of zero tolerance to fraud and corruption in all its activities.

2. SCOPE OF THE POLICY

2.1 This Policy applies to all allegations, attempts and incidents of fraud and corruption impacting or having the potential to impact WDM.

2.2 All employees and management of the WDM must comply with the spirit and content of the plan.

. 3. COMPONENTS OF THE PLAN

3.1 The main principles upon which the Plan of the Waterberg District Municipality is based are the following:

- Creating a culture which is ethical and intolerant to fraud and corruption.
- Deterrence of fraud and corruption.
- Preventing fraud and corruption which cannot be deterred.
- Detection of fraud and corruption.
- Investigating detected fraud and corruption.
- Taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution, etcetera; and

3.2 The objectives of the Plan could be summarized as follows:

- Building an image of the District Municipality that has the confidence and trust of employees, ratepayers, the public and other stakeholders.

- Encouraging a culture within the Municipality where all employees, ratepayers, the public and other stakeholders continuously behave ethically, and promote professional ethics in their dealings with, or on behalf of the Municipality;
- Improving accountability, efficiency and effective administration within the Municipality including in decision making and management conduct.
- Improving the application of systems, policies and procedures.
- Changing different aspects of the Municipality that encourages fraud and corruption and allow these unethical acts to go unnoticed or unreported.

3.3 The Components of the Plan for the Waterberg District Municipality are the following:

3.3.1 Focus on the Organization

- Code of Conduct for Employees;
- The Code of Conduct for Councilors;
- The Municipality's systems, policies and procedures;
- Human Resources;
- Disciplinary Code and Procedures;
- Finance Policies and Procedures;
- Sound Internal Controls to prevent and detect fraud and corruption.
- Ongoing risk assessment and management, which includes systems for fraud and corruption detection; Fraud Detection Reviews; Internal and External Audit; and Physical and information security management.

3.3.2 Focus on other Stakeholders

- Trading Partners
- Employee Representative Organizations
- Coghsta
- SALGA
- The General Public
- National and Provincial Treasury

3.3.3 Enforcement

- Whistle blowing which is intended to provide assurance to employees that the District Municipality is committed to protecting employees, who report fraud and corruption in good faith, from victimization or other forms of intimidation.

3.3.4 Implementation

- On-going maintenance and review of the Plan to ensure effective project management of its further implementation and maintenance.

4. REPORTING PROCEDURES AND RESOLUTION OF REPORTED INCIDENTS

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

- 4.1 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?
- 4.2 All managers are responsible for the detection, prevention 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.
- 4.3 Should employees wish to report allegations of fraud and corruption anonymously, they can contact the fraud hotline (0800 601 011), any member of management, the Municipal Manager or the Chairperson of the Audit Committee.

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

- 4.4 WDM encourages members of the public or providers of goods and/or services who suspect fraud and corruption to contact any member of management and / or the Municipal Manager.

How will allegations of fraud and corruption be dealt with?

- 4.5 For issues raised by employees, ratepayers, members of the public or providers of goods and/or services, the action taken will depend on the nature of the concern. The matters raised will be screened and evaluated and may subsequently:
- Be investigated internally; or
 - Be referred to another law enforcement agency.
- 4.6 Any fraud and corruption committed by an employee or any other person will be pursued through investigation and to the full extent of the law, including (where appropriate) consideration of:
- In case of employees, taking disciplinary action within a reasonable period of time after the incident;
 - Instituting civil action to recover losses;
 - Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency; and
 - Any other appropriate and legal remedy available.
- 4.7 Managers are required to ensure that losses or damages suffered by WDM as a result of all reported acts committed or omitted by an employee, ratepayer or any other person are recovered from such an employee, ratepayer or other person if he or she is found to be liable for such losses.

4.8 The Municipal Manager will, upon receiving a report of fraud from an external person, write to the person making the report:

- Acknowledging that the concern has been received.
- Indicating how he proposes to deal with the matter and whether any initial enquiries have been made.
- Giving an estimate of how long it will take to provide a final response and.
- Informing them whether any further investigations will take place, and if not, why not.

4.9 WDM accepts that those people, 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 outcomes of any investigation will be disseminated on a "need to know" basis.

4.10 WDM will ensure that a fraud and corruption information system is developed for the following purposes:

- Recording all allegations;
- Tracking progress with the management of allegations;
- To facilitate the early identification of systemic weaknesses and recurring risks, and inform managers and employees of systemic weaknesses/risks; and
- Provide feedback to employees and other whistle blowers on the management of allegations.

5. CONFIDENTIALITY

5.1 All information relating to fraud and corruption that is received and investigated will be treated confidentially. The progression 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 avoid harming the reputations of suspected persons who are subsequently found innocent of wrongful conduct.

- 5.2 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.

6. PROTECTION OF WHISTLE BLOWERS

- 6.1 An employee who reports suspected fraud and/or corruption may remain anonymous should he/she so desire.

- 6.2 In line with the Whistle Blowing Policy, no person will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud and corruption which occurred within WDM.

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

7. PREVENTION CONTROLS AND DETECTION MECHANISMS

- 7.1 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.

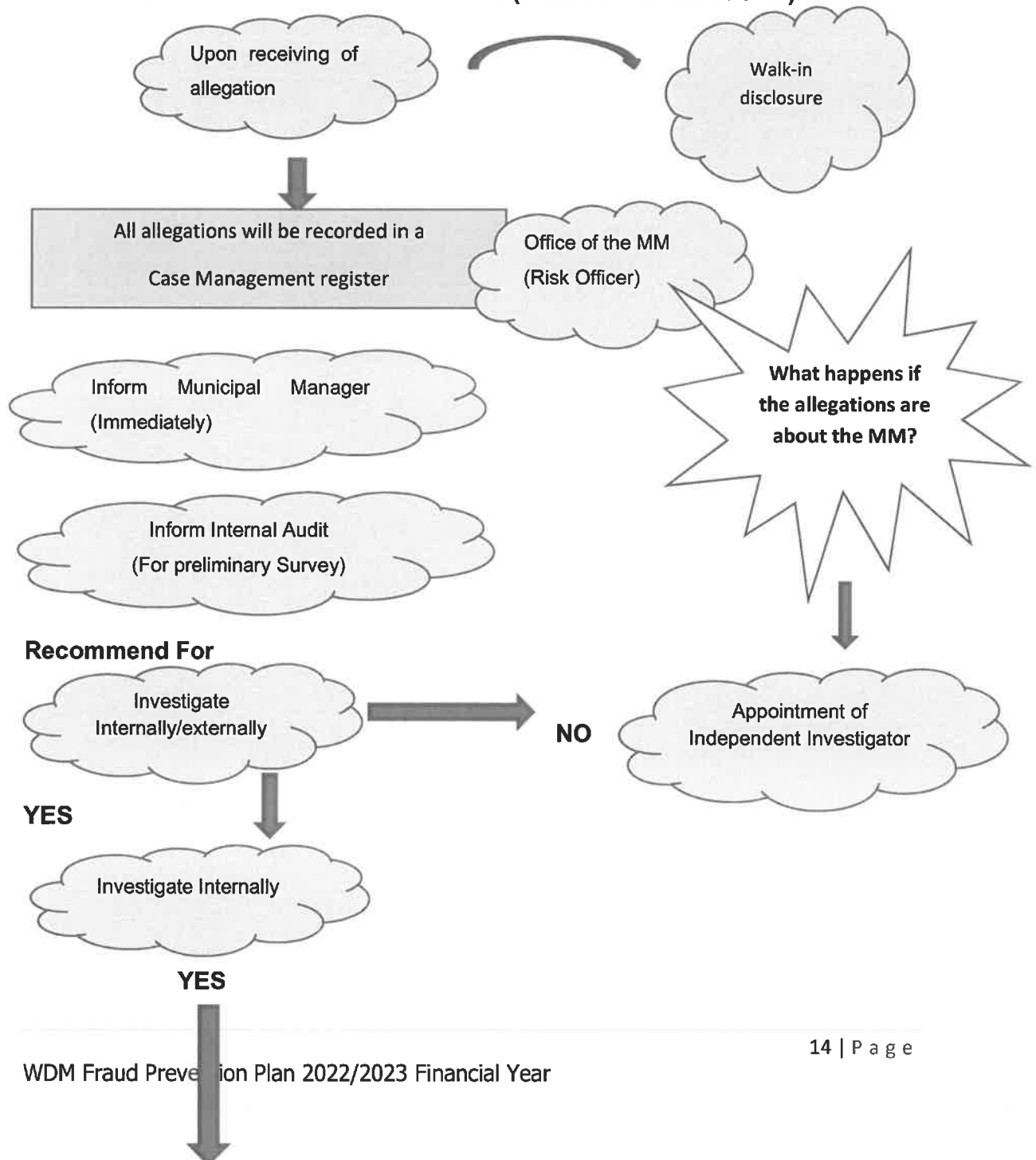
8. PUBLICATION OF SANCTIONS

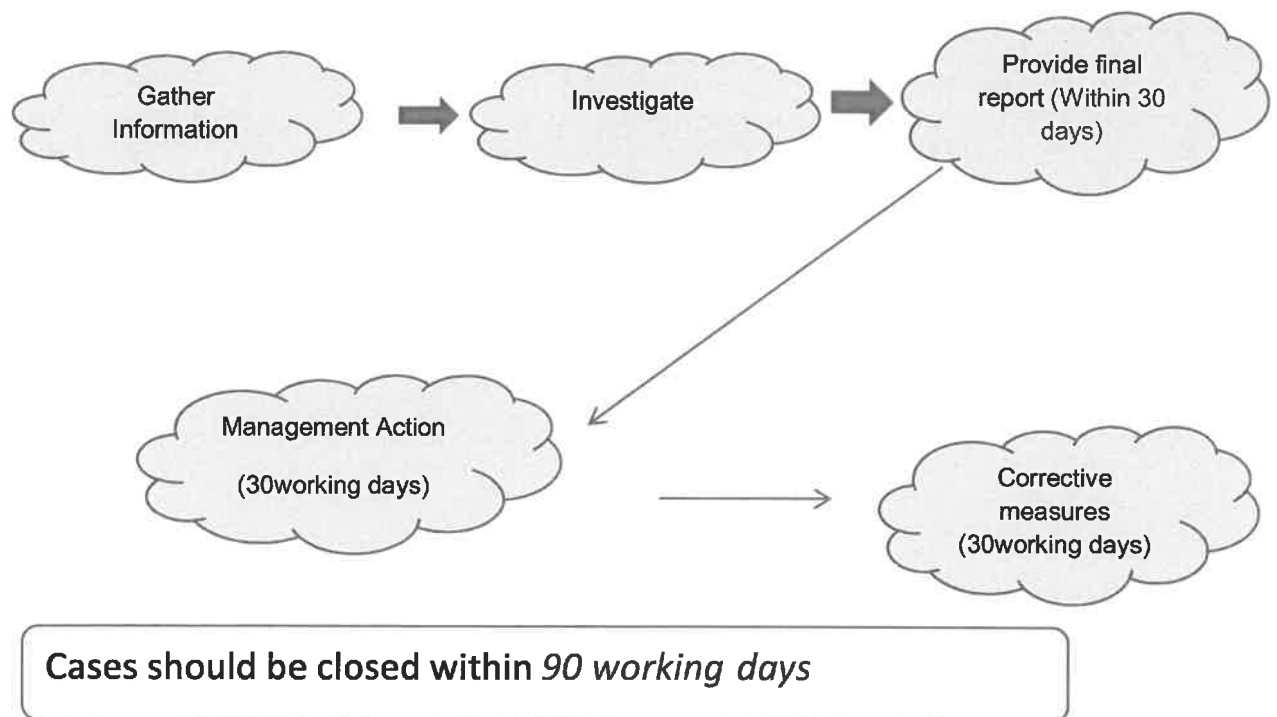
- 8.1 The Municipal Manager will decide whether any information relating to corrective actions taken or sanctions imposed, regarding incidents of fraud and corruption should be brought to the direct attention of any person or made public through any other means.

9. INVESTIGATION PROCESSES (FLOW CHART)

9.1 The Municipality initiated different ways of reporting fraud and corruption that will be alleged to be occurring within the Municipality and as a result there will be a method of treating allegations reported through the Hotlines and also a method of treating Walk-in disclosure reported directly to the Municipality. **Flow chart**

FRAUD INVESTIGATION PROCESS FLOW (WALK-IN DISCLOSURE)





10. CREATING AWARENESS

10.1 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 how they can deal with elements of fraud and Corruption.

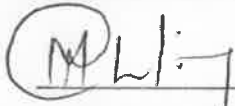
11. REVIEW AND IMPLEMENTATION

11.1 The Plan will be reviewed on an annual basis, whilst progress with the implementation of the various components will be reviewed on a quarterly basis. In the latter regard, specific priorities stemming from the Plan, actions to be taken, responsible persons and feedback dates relating to progress made will also be set.

12. APPROVAL AND EFFECTIVE OF THE PLAN

12.1 The Policy shall come into effect immediately upon approval by the Council of Waterberg District Municipality

Recommended by


Chairperson Risk Management Committee:

29/09/2022

Date

Approved by:


P. R. PUTSOA
Municipal Manager

29/09/2022

Date

Adopted by Council at its meeting held on the 29 September 2022

Signed at Modimolle Resolution No: A068/2022