

SWELLENDAM MUNICIPALITY



ANTI-CORRUPTION AND FRAUD PREVENTION PLAN

2023/2024

APPROVED BY COUNCIL PER ITEM XXX ON XXX

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1. INTRODUCTION

Despite the best efforts of those responsible for preventing fraud and corruption that one inevitable reality remains: "it happens." Because fraud and corruption can occur at various levels in any Municipality, it is essential that appropriate preventive and detective techniques are in place.

2. ANTI-CORRUPTION AND FRAUD PREVENTION PLAN

- (a) To ensure that Swellendam Municipality is in compliance with the Municipal Systems Act, Act No. 32 of 2000 which requires the Municipality, amongst other things to develop and adopt appropriate systems and procedures that contribute to effective and efficient management of the Municipality and its resources;

<u>What and how</u>	<u>By Whom</u>	<u>Timeframe</u>
Developing standard operating procedures (SOP) for all processes and services involving the receiving or payments of money, and for the monthly IT control processes that can be followed by staff, for new appointments and internal audit to understand the processes.	Management	Continuously
Ensuring that job descriptions are completed for all positions. Ensuring segregation of duties.	Municipal Manager and All Directors within their area of responsibility. Assistance from the Human Resource (HR) Department	Continuously
Keeping evidence of interviews with staff.	HR	Continuously
Keeping a formal system of delegations and keep a record of all decisions taken in terms thereof.	Municipal Manager and All Directors within their area of responsibility as well as other delegates	Continuously
Keeping evidence of vetting of staff for appointments. Pre-employment screening should be carried out for all appointments, and evidence of such screening will be maintained by HR. Consideration must be given to the following pre-employment screening: <ul style="list-style-type: none"> • Verification of identity. • Police criminal history. 	HR	Continuously

<ul style="list-style-type: none"> • Reference checks with the two most recent employers. • A consideration of any gaps in employment history and the reasons for those gaps. • Verification of formal qualifications claimed. • Categories of Misconduct in terms of schedule 2 of the Local Government: Regulations on appointment and conditions of employment of senior managers - 2014. 		
Reassess, after an incident, the adequacy of the current internal controls (particularly those directly impacting on the fraud incident) for improvements.	Municipal Manager, Directors, Line Managers, Supervisors and Internal Audit	When necessary
Keeping evidence of the IT section securing the municipal information systems from intruders gaining access to systems and data (hacking).	Manager Information Technology	Continuously
Keeping evidence of the debtors, creditor clerks and cashiers trained on fraudulent checks and banknotes.	HR	On appointment and when needed

- (b) To ensure compliance section 112 (m) and 115 (b) of the Municipal Finance Management Act No. 56 of 2003 which requires the Municipality to implement measures for combating fraud, corruption, favouritism and unfair and irregular practices and promoting ethics of officials and other role players involved in the SCM and other matters of the Municipality;

How	By whom	When
Ensuring compliance with paragraph 414 of the SCM policy by keeping an updated register of gifts over the value of R350-00 and requiring that all gifts from suppliers or clients up to the value of R350.00 be declared by all staff.	Manager SCM	Monthly report from all departments to SCM – even a zero report
Ensuring compliance with paragraph 414 of the SCM policy by alerting employees on the risks involved to accept gifts and to create a culture	Manager SCM	Quarterly newsletter item for internal newsletter

of cautiousness in respect of gifts and favours.	MM and directors	Standing item on monthly agendas of meetings
Ensuring compliance with paragraph 414 of the SCM policy by officials of the stipulation not to accept gifts over R350-00 without prior approval of the AO.	Manager SCM	Quarterly newsletter item for internal newsletter
Keeping evidence of Staff serving on the BAC, BSC and BEC to disclose their private business interests regularly.	Manager SCM	Every meeting
Review of SCM policy.	Manager SCM	Annually
Review of IT Policies and Procedures.	Manager IT	Annually
Review of Risk Management Policies and Procedures	Municipal Manager	Annually
Keep staff informed on ethics policy and amendments to code of conduct.	Municipal Manager	Annually
Keeping evidence of creating an appreciative work environment and acknowledge good work.	Municipal Manager, Directors, Line Managers and Supervisors.	Annual performance review
Keeping evidence of suppliers declaring their relationships (friends, family or acquaintances), if any or none, with officials and/or councillors as well as the previous completed contracts with the municipality.	Manager SCM	Annually

- (c) To commit the Municipality to ensure a zero-tolerance policy that results in the detection, investigation and sanctioning, including prosecution, of individuals who are alleged to be involved in acts of fraud, corruption and theft within Swellendam Municipality;

How	By whom	When
By displaying the Fraud and Corruption Policy Statement on the municipal website, and on other notice boards.	Municipal Manager, Directors, Line Managers and Supervisors	Continuously
By having a system where Fraud and Corruption can be reported unanimously.	Municipal Manager	Continuously

By having consultation and open discussions on these topics of fraud and corruption.	Municipal Manager, Directors, Line Managers and Supervisors	Monthly standing item on all agendas
By having Internal Audit to conduct surprise audits: on cash received, material in stock, as well as manual and computerised controls throughout the year.	Internal Audit	When necessary (as per the Risk-Based Internal Audit Plan)
By having Internal Audit to conduct post-transaction reviews of transactions after they have been identified.	Internal Audit	When necessary (as per the Risk-Based Internal Audit Plan)
By having Internal Audit to conduct forensic data analysis using applicable resources during internal audits, surprise audits and to research the continuous data audit techniques available to assist in detecting any possible fraud and corruption.	Internal Audit/ Service Provider	When necessary
By conducting Management accounting reviews: analysing the trends on accounting reports, focussing on; <ul style="list-style-type: none"> • Budget reports; • Reports on expenditure; and • Reports on doubtful debts. 	Management, Internal Audit/ Auditor-General of South Africa	When necessary

(d) To promote sound governance and management practices that prevent, minimise and defend the Municipality against acts of fraud and corruption;

Having regular discussions on values and ethics.	Municipal Manager, Directors, Line Managers and Supervisors	Continuously
By undertaking regular fraud risk assessments in critical areas.	Management, Internal Audit will conduct fraud and corruption risk assessments to identify potential fraud and corruption risk exposures to the Municipality.	Continuously

- (e) To promote a proactive, fraud-intolerant culture within the Municipality through increased awareness and vigilance among councillors and staff of the Municipality. Employee awareness of the Municipality's Anti-Fraud and Corruption Strategy, Code of Conduct, Whistleblowing policy and the manifestation of fraud and corruption in the workplace will assist in the creation of an environment which may be considered to be hostile to a would-be transgressor;

By empowering the staff through training on this policy, the code of conduct, and whistle blowing.	HR	Continuously.
By empowering Councillors, through training on this policy, the code of conduct, and whistle blowing.	Speaker's office.	Continuously.
The Anti-Corruption / Fraud Policy will be emailed to all staff with access to the computer network and to all councillors and be placed on the Municipal Website.	Municipal Manager	When approved and on revision.
Publicity will be given by articles in the internal newsletter.	Municipal Manager	Continuously.
Fraud & Corruption will be a standing item on all monthly agendas of all departments and units within the municipality	Senior Management.	Monthly.
By having The Anti-Corruption / Fraud Policy available to personnel.	Senior Management	Continuously.
By having The Anti-Corruption / Fraud Policy available to Councillors.	Speaker	Continuously.

- (f) To reduce the losses that the Municipality may incur due to the occurrence of fraud, corruption and theft. Internal controls are the first line of defence against fraud and corruption. While internal controls may not fully protect the Municipality against fraud and corruption, they are essential elements in the overall Anti-Fraud and Corruption Strategy;

By purchasing only what is needed and not to stock-pile the surplus.	SCM and supervisors in control of remote stores	Continuously
By having registers where staff will sign for material or tools,	Line Managers and supervisors	Continuously
By ensuring adequately and sufficient insurance coverage,	Budget office	Continuously
By ensuring the segregation of duties,	Municipal Manager and all Directors within their areas of responsibility	Continuously

- (g) To encourage councillors and staff to report suspicions of fraud and corruption to the appropriate structures charged with the responsibility investigating and resolving fraud and corruption within the Municipality;

To report finalised cases of disciplinary hearings where fraud, theft and corruption were considered to the SAPS	HR	Continuously
By encouraging a culture of reporting incidences and suspicion of fraud and corruption by quarterly reports in the newsletters.	HR	Quarterly
By assuring personnel, councillors and the public that the information and their identities will be treated as confidential when they report possible fraud and corruption by quarterly reports in the newsletters.	HR	Quarterly

- (h) To encourage the community to report suspicions of fraud and corruption to the appropriate structures charged with the responsibility investigating and resolving fraud and corruption within the Municipality;

By displaying Council's commitment to fight fraud and corruption in the newspapers and invite the community to report incidents.	Municipal Manager's office	When necessary
By offering rewards in terms of a council's policy for successful prosecution of reported cases of corruption, fraud and any other lawlessness by newsfeeds in the newspapers and the newsletters.	Municipal Manager's office	When necessary

3. OBJECTIVES OF THE ANTI-CORRUPTION AND FRAUD PREVENTION PLAN

- (a) To provide guidance on what should be done to prevent fraud and corruption within the Municipality;

By distributing the fraud policies and procedures for staff to use.	Municipal Manager, Directors, Line Managers and supervisors	Annually
By ensuring that adequate internal controls in terms of systems, processes, supervision and separation of duties are established.	Municipal Manager, Directors, Line Managers and supervisors	Continuously

By giving training on this policy during the induction of new employees and councillors.	HR	Continuously
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- (b) To provide guidance on how to report suspicions or acts of fraud and corruption once they occur;

By displaying the policies and procedures for staff to use openly on municipal website.	Municipal Manager, Directors, Line Managers and supervisors	Continuously
By demonstrating leadership and management's commitment for a corruption free Municipality.	Councillors, Municipal Manager, Directors, Line Managers and supervisors	Continuously

- (c) To establish procedures to direct and guide the actions of the Municipality where fraud has been detected;

By putting the response plan on the website as guidance how to handle an incident.	Municipal Manager	Continuously
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- (d) To define procedures for the efficient and effective resolution of fraud and corruption in accordance with the law and in a manner that restores or minimises the damage suffered by the Municipality;

To consider staff comments and suggestions that can assist in restoring and minimising damages.	Municipal Manager, Directors, Line Managers and supervisors	Continuously
Record all assets and tools once received on the asset or stock register.	Municipal Manager, Directors, Line Managers and supervisors in consultation with the budget and treasury office	Continuously

- (e) To provide a clear definition of the roles and responsibilities of the various stakeholders and role-players within the Municipality in respect of the prevention, detection, investigation and resolution of fraud;

Use the best practices as norm and information from National Treasury,	Senior Management	Annually
Conduct regular anti-fraud and corruption training and awareness programmes.	HR	During induction and general annual round of training and information

		sessions at all towns and sections
Promote and apply a code of conduct and ethics.	Councillors, Municipal Manager, Directors, Line Managers and supervisors	Continuously

(f) To create and enabling environment for good governance and management practice;

By visibly applying disciplinary measures and sanction against offenders.	Municipal Manager, Directors, Line Managers and supervisors	When necessary
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4. ANTI-CORRUPTION AND FRAUD RESPONSE PLAN

Flexible detection techniques should be established to meet the changing risks and to uncover corruption and fraud events when preventive measures fail or unmitigated risks are realized. Process controls specifically designed to detect corrupt activity, as well as errors, include reconciliations, independent reviews, physical inspections/counts, analyses, and audits.

In addition to detection process controls, the Municipality may be able to use data analysis, continuous auditing techniques and other technology tools effectively to detect fraudulent activity. Data analysis uses technology to identify anomalies, trends and risk indicators within large populations of transactions.

Internal Audit/ Service Providers using this data analytics might be able to continuously drill down into journal entries and other activities looking for doubtful transactions or once off occurring entries at the end of a financial year and later reversed in the next financial year.

Evidence of fraud can sometimes be found in e-mail and on the Municipal computers and laptops as well. The ability of a Municipality to capture, maintain and review the communications of any of its staff has led to the detection of numerous frauds in the past decade. This is accomplished through the use of strict and regular backup programs that capture data, not with the intent of uncovering corruption and/or fraud, but merely as a safeguard in the event that a retrospective search for evidence may be necessary.

4.1. Detecting Procedures

- (a) The Municipality will implement detection measures to ensure that high-risk areas and reported suspicions are thoroughly assessed and audited. This will include but not be restricted to the following:
- (i) Conduct forensic investigations into alleged acts of fraud and corruption;
 - (ii) Undertake regular corruption and fraud risk assessments in critical areas;
 - (iii) Compile and present monthly reports to council on incidences and suspicions reported; and
 - (iv) Management and quality assurance to ensure appropriate levels of supervision.

- (b) Implement the right of the Municipality to check on its staff members and those who do not disclose their interests whether it may be:
 - (i) Directorships or Partnerships in any business entity;
 - (ii) Share and securities in any company;
 - (iii) Membership of any close corporation;
 - (iv) Other financial interest in any business undertaking whether he / she is a silent partner or a non-executive director;
 - (v) Interest in any trust or property;
 - (vi) Gifts, sponsorship and grants from other organisations no matter how trifling the gifts, sponsorship and grant may be.

5. REVIEW

This Anti-Corruption and Fraud Prevention Plan must be reviewed in line with its Strategy and Policy and be approved by Council.