Ngwathe
MUNICIPALITY
The home of harmony, prosperity and growth

ANTI-FRAUD AND PREVENTION STRATEGY FINANCIAL YEAR 2025-2026

1. INTRODUCTION

1.1 Purpose of the Strategy

The primary objective of this strategy is to prevent fraudulent conduct before it occurs by encouraging a culture within the Municipality where all employees, members of the public and other stakeholders continuously behave with and promote integrity in their dealings with, or on behalf of municipality.

To encourage all employees and other stakeholders to strive towards the promotion of integrity and the prevention and detection of unethical conduct, fraud and corruption impacting or having the potential to impact on the municipality negatively

To improve accountability, efficiency and effective administration within the municipality, including decision-making and management conduct which promotes integrity.

1.2 Principles of the Strategy

The main principles upon which the strategy is based are the following:

a) Strengthening community participation in the fight against corruption in the municipality.
b) Strengthening relationship s with key stakeholder, e.g. SALGA, SAPS. Employee Representative Unions and the Stakeholders (Communities, that are necessary to support the action required to fight corruption in the municipality.
c) Creating a culture within municipality which is intolerant to unethical conduct, fraud and corruption.
d) Preventing unethical conduct, fraud and corruption in the municipality.
e) Deterrence of unethical conduct, fraud and corruption
f) Detection of unethical conduct, fraud and corruption.
g) Taking appropriate action in the event of such irregularities, eg disciplinary action, recovery of losses, prosecution.
h) Applying of sanctions, which include redress in respect of financial losses.

All aspects of the strategy will be:

- Supported by comprehensive education, training and awareness campaigns.
- Coordinated with other spheres of government and community.
- Subjected to continuous fraud risk assessments; and
- Expressed in terms of measurable and time-bound implementation plans.

The objectives of this strategy could be summarised as follows:

- The development of Anti- Corruption capacity in the municipality.
- Improving the application of systems, policies, procedures and regulation in the Municipality.
- Improving accountability, efficiency and effective administration in the municipality including decision-making and management conduct which promote integrity.
- Change aspects that undermine the municipal integrity and facilitate unethical conduct, fraud and corruption and allow those to go unnoticed or unreported.
- Encouraging a culture in the municipality where all employees, members of the public and other stakeholders continuously behave with and promote integrity in their dealings with, or on behalf of the municipality.

1.3 Statement of attitude to fraud

- Ngwathe Local Municipality requires all staff at all times to act honestly and with integrity and safeguard the municipal resources for which they are responsible. The Municipality is committed to protecting all revenue, expenditure and assets from any attempt to gain illegal financial or other benefits.

- Heads of directorate are responsible for fostering an environment within their directorates, which makes active fraud prevention a major responsibility of all staff, for articulating clear standards and procedures to encourage the minimization and deterrence of fraud, corruption, and for the detection and prosecution of offences should they occur.

- Any fraud or corruption committed against the Municipality is a major concern to the Council. Consequently, any case will be thoroughly investigated, and appropriate corrective actions will be taken against anyone who is found guilty of corrupt conduct. Note this conduct may include referral to the South Africa Police Services.

2. REGULATORY LEGISLATION

2.1 Local Government Anti- Corruption Strategy 2026

The strategy focuses mainly on the Municipal organisation and looks at implementation of employees and the council code of conduct, and improved enforcement of applicable systems, policies and procedures. It prescribes the vetting of the municipal employees, both existing and prospective, to ensure that they are not predisposed to corruption.

2.2 The Protected Disclosures Act 26 of 2000

- The purpose of this Act is to give provision for the procedures through which employees in both the public and private sectors may disclose information regarding unlawful or irregular conduct by:
  - Their employers, or
  - Other employees in the employ of their employers.
  - To provide for the protection of employees who makes a disclosure, which is protected in terms of the Act.

- **It has the following goals:**
  - to create a culture that facilitate the disclosure of information by employees about criminal or other irregular conduct in the workplace responsibly, and
  - to promote the eradication of criminal and other irregular conduct in the workplace responsibly: and
  - to promote the eradication of criminal and other irregular conduct in organs of state and private bodies.

2.3 Municipal Finance Management Act 56 of 2003

Section 112(1) stipulates that the Supply Chain Management Policy of a municipality must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following:

Measures for –

i. Combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management, and
ii. Promoting ethics of officials and other role players involved in municipal supply chain management.

2.4 Municipal System Amendment Act 7 of 2011

The Municipal System Act sets out procedure to be adopted by municipal management with regard to a number of aspects affecting the management of a municipality. The Act also stipulates procedures to be adopted with regard to certain aspects related to misconduct and investigation thereof.

2.5 Prevention and Combating of Corrupt

The Act provide for the strengthening of measures to prevent and combat corruption and corrupt activities; to provide for the offence of corruption and corrupt activities ; to provide for investigative measures in respect of corruption and related corruption and related corrupt activities'; to provide for the establishment and the endorsement of a register to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts , to place duty on a certain person holding a position of authority to report certain corruption.

2.6 Criminal Procedure Amendment Act 65

The Crime Procedure Amendment Act , 1977 is to provide for the postponement of certain criminal proceedings against an accused person in custody awaiting trial through audio visual link ; to further regulate the falling away of certain convictions as previous conviction after the expiry of fixed period ; to pro for the expungement of criminal records of certain persons in respect of whom certain sentences have been imposed after the compliance with certain requirements and expiry of a fixed period .

3. DEFINITION OF FRAUD AND CORRUPTION

In South Africa, the Common Law offence of FRAUD is defined as ‘the unlawful and intentional making of a misrepresentation which causes the actual and or potential prejudice to another. The term is used in this document in its widest possible meaning and is intended to include all aspects of economic crime and acts of dishonesty.

The general offence of corruption is contained in Section 3 of the Prevention and Combating of Corrupt Activities Act. This section provides that any person who gives or accepts or agrees or offers to accept/ receive any gratification from another person in order to influence such other person in manner that amounts to:

- An abuse of authority, a breach of trust, or the violation of a legal duty or a set of duties.
- The achievement of an unjustified result.
- Any other unauthorised or improper inducement to do or not to do anything is guilty of the offence of Corruption.
- The illegal or unauthorised performance of such other person’s powers duties or functions.

Corruption in its wider meaning, and as a referred to in this document, includes any conduct or behaviour where a person accepts, agrees or offers any gratification for him / her or for another person where the purpose is to act dishonestly or illegally. Such behaviour also includes the misuse of material or information, abuse of a position of authority or a breach of or violation of duty.

3.1 Forms of Corruption

Corruption takes various forms in the Municipality and elsewhere in society. The following are examples of different types of corruption:

3.1.1 Embezzlement

This involves theft of resource by person who control such resource.

3.1.2 Bribery

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decision of municipal employees.

3.1.3 Extortion

Coercion of a person or entity to provide a benefit to a municipal employee, another person or an entity, in exchange for acting (or failing to act) in a particular manner.

3.1.4 Fraud

Any conduct or behaviour of which a dishonest representation and / or appropriation forms an element.

3.1.5 Abuse of power

The use by a municipal employee of his / her vested authority to improperly benefit another person or entity (or using vested authority to improperly to discriminate against another person or entity).

3.1.6 Abuse of privileged information

This involves the use, by municipal employees of privileged information and knowledge that a municipal employee possesses as a results of his/ her office to provide unfair advantage to another person or entity to obtain a benefit.

3.1.7 Conflict of interest

The failure by a municipal employee to act or to consciously fail to act on a matter where the municipal employee has an interest or another person or entity that has some form of relationship with a municipal employee has an interest.

3.1.8 Favouritism

The provision of services or resource according to personal affiliation by a municipal employee.

3.1.9 Nepotism

An official ensuring that family members are appointed to municipal position or that family members received contracts from the municipality is regarded as nepotism.

These manifestations are by no means exhaustive as corruption appears in many forms and it is virtually impossible to list all of these.

3.2 Action constituting fraud and corruption

Fraud and Corruption manifests in several of ways and varying degrees of intensity. These include, but are not limited to:

- Unauthorised private use of the Institution's assets, including vehicles,
- Conspiring unfairly with others to obtain a tender,
- Falsifying travel and subsistence claims,
- Disclosing proprietary information relating to a tender to outside parties,
- Operating a private business in working hours,
- Employing family members or close friends,
- Stealing equipment or supplies from work,
- Accepting bribes or favours to process requests,
- Submitting or processing false invoice from contractors or other service providers and,

- Misappropriating fees received from customers, and avoiding detention by not issuing receipts to those customers.

4. POLICY ON FRAUD AND CORRUPTION

4.1 Background

This policy is established to facilitate the development of controls which will assist in the prevention and detection of fraud and corruption, as well as provide guidelines as to how to respond should instances of fraud and corruption be identified. The Anti-Fraud and Corruption Strategy is also established to give effects to the various legislative instruments.

4.2 Anti- Fraud and Corruption Policy

In the implementation of Anti- Fraud Strategy, Ngwathe Local Municipality must adopt and publish an Anti-Fraud and Corruption Policy statement along the following:

Ngwathe Local Municipality requires all staff members to always act honestly and with integrity and to safeguard the resources for which they are either directly or indirectly responsible.

Ngwathe Local Municipality recognises the existence of fraud and corruption in its operations. As such it is the policy and missions of the municipality to strive for protection of its employees and its other stakeholders through the implementation of an effective and efficient fraud prevention strategy.

Fraud is seen as an ever present threat to profitability and must be the concern and responsibility of all staff in all areas of the municipality. There is also a wider responsibility on every staff member to prevent fraud and the adverse consequences in has for Ngwathe Local Municipality.

Therefore, Ngwathe Local Municipal’s on Fraud and Corruption is one of zero tolerance and as a such we are committee to:

- The prosecution of all offenders criminally and where necessary, the institution of civil and disciplinary action against them.
- Aggressively detecting incidents of fraud and corruption.
- The investigation of all allegations of misconduct by employees, clients and suppliers, said to be occasioned by fraud and corruption.

The Anti- Fraud and Corruption Strategy / Policy publication needs to demonstrate in no uncertain terms that the policy is underwritten by the Municipal Council and the Municipal Manager of Ngwathe Local Municipality.

5. FRAUD AND CORRUPTION CONTROL STRATEGY

The approach in controlling fraud and corruption is focused into 3 areas, namely:

- Structural Strategies
- Operational Strategies; and
- Maintenance Strategies

5.1 Structural Strategies

The strategies represent the action to be undertaken in order to address fraud and corruption at the Structural Level. This section outlines the fraud and corruption responsibilities associated with different roles within the Municipality.

5.1.1 Municipal Manager

The Municipal Manager bears the ultimate responsibility of fraud and corruption risk management within in Institution. This includes the coordination of risk management within the institution. This also includes the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, and facilitation for the reporting of such instances.

5.1.2 Risk Management Committee

Ngwathe Local Municipality's Risk Management Committee will oversee the Municipality's approach to fraud prevention, fraud detection strategies and response to fraud and corruption incidents reported by employees or other external parties.

The Risk Management Committee shall meet at least once a quarter as per Risk Management Committee Charter discuss to the following issues:

- Progress made in respect of implementing the Anti-Fraud and Corruption Strategies;
- Reports on all investigations initiated and concluded; and
- All allegations received via the Hotline.
- Reports received by the Institution regarding fraud and corruption incidents with the view to making any recommendations to the Accounting Officer and Chairperson of the Audit & Performance Committee.

5.1.3 An ethical culture

Ethics are concerned with human character and conduct and deal with questions of right and wrong, appropriate and inappropriate behaviour and what constitute good or evil. Ethical conduct is based on a set of principles referred as values or norms. The collective ethical conduct of all the individual employees within the institution reflects the Municipal's ethical conduct. The highest standards of ethics are required by employees when fulfilling their duties.

Good governance indicates that the municipality should develop a code of conduct (ethics) as part of their corporate governance frameworks. All employees are expected to abide by the Code of Conduct of the Municipality.

5.1.4 Senior Management

The Senior Management must be committed to eradicating fraud and corruption and ensuring that the Municipality strives to be perceived as ethical in all its dealings with the public and other interest parties.

Senior Management under the guidance of the Municipal Manager, will ensure that it does not become complacent in dealing with fraud and corruption and that it will ensure the institution's overall anti-fraud and corruption strategy is reviewed and updated regularly.

Senior Management will ensure that all employees and stakeholders are made aware of its overall anti-fraud and corruption strategies through various initiative of awareness and training.

5.1.5 Assessment of Fraud and Corruption Risk

The Municipality, under the guidance of the Municipal Manager, will conduct annual fraud and corruption risk assessments to identify potential fraud and corruption risk exposure to the municipality. This process will ensure that action to address the identified fraud and corruption risk exposures will be implemented to mitigate these exposures.

The above will be formulated into 'Fraud Risk Assessment' and which will provide an indication of how fraud and corruption risks are manifested and a 'Fraud and Corruption Risk Register' which will prioritise the fraud and corruption risks and indicate actions to mitigate these risks.

The fraud and corruption risk assessment shall be done as per the process as set out in the Risk Management Strategy.

5.1.6 Employee Awareness

The main purpose of the Anti- Fraud and Corruption awareness workshop/ training is to assist in the prevention, detection and reporting of fraud and corruption by raising the level of awareness as to how fraud and corruption is manifested in the workplace. In this regard, all employees will receive training in the following:

- The Risk and Compliance Manager will be responsible for employee's awareness and that will arrange and schedule awareness sessions throughout the year.
- Anti- Fraud and Corruption Strategy.
- The Human Resource Manager will be responsible for training on Code of Conduct for employees.
- How to respond to fraud and corruption.
- Manifestations of fraud and corruption in the workplace.

5.2 Operational Strategy

5.2.1 Internal Controls

Internal Controls are the first line of defence against fraud and corruption. Internal Controls may not fully protect the Municipality against fraud and corruption; they are essential elements in the overall Anti-Fraud and Corruption Strategy.

All areas of the strategy require internal controls; for

- Authorization Controls (Approval of Expenditure)
- Physical Control (Security of Assets)
- Supervisory Controls (supervising day-to-day issues)
- Analysis of Data
- Monthly and annual financial statements
- Reconciliation of Bank Statements, monthly
- Reconciliation of vote number accounts, monthly
- Procurement process
- Segregation of duties, (it reduces the risk of intentional manipulating or error and increase the element of checking

The internal Audit will be responsible for implementing an internal audit program which will incorporate steps to evaluate adherence to internal controls.

5.2.2 Prevention Strategies

A number of combined initiatives result in an overall preventative environment in respect of fraud and corruption. it will include the following:

- **Employment awareness**

  Employee awareness of the municipality's Anti- Fraud and Corruption Strategy. Code of Conduct and the manifestation of fraud and corruption in the workplace all assist in creating of an environment which may be considered be hostile to a would be transgressor

- **Pre- employment screening**

  Pre –employment screening will be carried out for all appointments, and evidence of such will be maintained by the HR Department and consideration should be given to the for following;

  - Verification of Identity
  - Policy Criminal History
  - Reference Check
  - A consideration of any gaps in employment history and the reason for those gaps
  - Verification of formal qualifications claimed

The screening will be performed by the official nominated by HR Department in conjunction with the Municipal Manager to ensure that the screening process is consistent and appropriately resourced in all Departments.

5.2.3 Recruitment process

The recruitment process will be conducted in accordance with the approved municipal recruitment policy and procedure. It will be a transparent process, and all appointments will be confirmed only after recommendation. Any official in this process who may have a conflict of interest must declare such in writing to the HR Department.

5.2.4 Risk Assessment

Risk Assessment should be conducted at a strategic level and in all operational business level as fraud and corruption irregularities can be prevented by mitigating the risk of fraud and corruption in the municipality.

Fraud and Corruption Risk Assessment shall be done in line with the guidelines as set in Municipal Risk Management Strategy.

5.2.5 Internal Audit

The internal Audit Annual Plan will be based on the results of the risk assessment which will prioritise high risk areas including high Fraud and Corruption risks.

5.2.6 Disclosure of Interest

All Directors, Managers, Assistant Managers, Staff and Councillors of the Municipality will be required to disclose their business interest on an annual basis. This register will be kept with the Risk Management Unit.

5.2.3 Detection Strategies

Detection of Fraud and Corruption may occur through:

- Anonymous Reports
- Application of detection techniques
- Internal Audit function,
- Ad hoc management reviews,
- Vigilance on the part of employees including line management.

The Risk and Compliance Manager will be responsible for developing detection Strategies and will work closely with the Internal Audit function for this purpose. The Municipality will embark on several initiatives to detect fraud and corruption in the workplace.

- **Internal Audit**

  Part of the prevention strategy, the internal audit will examine and evaluate the adequacy and effectiveness of the system of internal control according to the plan. With the extent of the potential exposure / risk in the various segments of the municipality's operations.

- **External Audit**

  The Municipality recognises that the external audit function is to control in the detection of fraud. The Chief Financial Officer will need to hold discussion with all engaged external auditors. The Auditors responsibility to consider Fraud in the Audit of the Financial Statement.

5.2.4 Response Strategy

5.2.4.1 Investigation fraud and corruption

- Dealing with suspected fraud and corruption in the event that fraud or corruption it has been detected or suspected,
- Investigation will be initiated and if warranted, disciplinary proceedings,
- Prosecution or action aimed at the recovery of losses will be initiated.

5.2.4.2 Investigation

- Any reports of incident of fraud, corruption will be confirmed by an independent Investigation.
- Anonymous reports may warrant a preliminary investigation before any decision to implement an independent investigation is taken.
- Investigation will be done by Risk and Compliance Manager or any appropriately qualified and experienced person who are independent of the department / section where investigation is required.
- Any Investigation initiated must be concluded by issues of a report by the person appointed to conduct such investigation, the report will only be disseminated to those officials required to have access there of in order to implement whatever action deemed as a results of the Investigation

5.2.4.3 Investigation may involve one or more of the following:

- Review and collating documentary evidence
- Forensic examination of compute of system
- Examination of telephone records
- Interview of relevant witnesses internally and externally
- Data search and seizure
- Tracing funds/ assets/ goods
- Report preparation

5.2.4.4 Disciplinary proceedings

The ultimate outcome of disciplinary proceeding may involve a person/s receiving written warnings or the termination of their services. All disciplinary proceedings will take place in accordance with the procedures as set out in the disciplinary procedures.

5.2.4.5 Recovery Action

Where there is clear evidence of fraud or corruption and there has been financial loss to the municipality, recovery action, criminal, civil or administrative will be insulted to recover any such losses.

5.2.4.6 Internal control review after discovery of fraud

If fraud has been detected, Line Manager will reassess the adequacy of the Current internal control environment to consider the need for improvements The responsibility for ensuring that the internal control environment is re-assessed and for ensuring that the recommendations arising out of the assessment.

5.2.5 Reporting fraud and corruption – a Whistle Blowing Policy

Fighting Fraud and Corruption is the fear by the employees of being intimidated to identify or blow the whistle on fraudulent, corrupt or unethical practises witnessed in the workplace. The municipality will adopt the whistle blowing

policy setting out the detailed procedure which must be followed in order to report any incident of fraud and /or corruption. This policy will be designed to comply with the provisions of the Protected Disclosure Act.

If an employee becomes aware of a suspected fraud, corruption or any misconduct such issues should be reported in terms of a Whistle Blowing Policy.

5.3 Maintenance Strategies

5.3.1 Review of the effectiveness of the Anti-Fraud and Corruption Strategy.

The Municipal Internal Audit Unit will conduct a review of the Anti- Fraud and Corruption Strategy and Prevention initiatives annually to determine the effectiveness thereof. The Municipal Manager is ultimately accountable for this review and may appoint a person to take responsibility of this

5.3.2 Review and updating the Anti-fraud and Corruption Strategy

Risk Management Unit is central in the fraud and corruption control programme and should involve an ongoing review of fraud and corruption risk exposures. Fraud and corruption risk assessment will also be conducted annually at the same times as the review of the Anti-Fraud and Corruption Strategy and Fraud Prevention Plan. The Municipal Manager is ultimately accountable for this and may delegate a person to take responsibility.

The Strategy will be reviewed on annual basis to incorporate changes in the legislative framework within Local Government.

6. Handling of Fraud allegations

The line manager should receive an allegation of a fraudulent or corrupt activity, he or she will ensure that the Municipal Manager is advised at the earliest opportunity. The Municipal Manager will appoint an appropriate manager (Usually within the department / section) to conduct or coordinate an investigation into the allegations, The Manager appointed to conduct or co-ordinate the investigation of an allegation of fraud may consult the Chairperson of Risk Management Committee on the technical aspects of the investigation.

6.1 Documentation of the results of the investigation

The appointed investigator is to submit a written report to the Municipal Manager detailing the circumstances and recommending appropriate remedial action following the investigation.

6.2 Other Matters

The Municipal Manager will provide the details of fraud / corruption or possible fraud / corruption to the Risk Management Committee.

When fraud has been detected, the Municipality will reassess the adequacy of the internal control environment and consider the need for improvements are required, they should be implemented as soon as practicable.

6.3 Reporting fraud to police and / or external parties

The Municipal Manager will be responsible for reporting to the police, in circumstance in which there is evidence of fraud:

- An employee/ volunteer of the municipal
- A clients of the Municipality
- A research grant recipient of the Municipality; or
- A supplier to the municipality

Reporting fraud to the police for investigation will be subject to the requirements as set out applicable acts.

Any decision not to refer an allegation of fraud to the police for investigation will be referred to the Risk Committee, together with the reasons for the decision.

Responsibility for complainant statement lodged with Police will be assigned on a case by case basis by the Municipal Manager in consultation with the Investigator.

6.4 Recovery and other remedies

The Municipality will actively pursue the recovery of any money or property lost through fraud, provided there is a strong prospect of a net benefit to the institution for such action

Where it is considered appropriate that the matter not be reported to the police the institution reserves its right to pursue a range of other remedies including appropriate disciplinary action. Any disciplinary action pursued will be done in accordance with the disciplinary procedures.

Exit interview and exist checklist procedures will be performed in the event of dismissal from the municipal for misconduct or fraud. this is necessary to ensure that factors contributing to misconduct and fraudulent activity by employees can be managed as a process to mitigate fraud risk.

7. FRAUD AND CORRUPTION PLAN

Fraud and corruption risk assessment shall be conducted in four identified focus area. Those focuses are:

- Human Resource (Employment practices and Payroll)
- Supply Chain Management processes
- Citizen Complain Resolution (National hotline)
- Financial Systems and Control

The outcome of the Fraud and Corruption Risk Assessment shall consist of the following:

- Component of Risk under each focus area as well as the manifestations of fraud /corruption of each component, and
- The fraud and corruption risk register containing all the risk manifestations and the recommendation to address each manifestation.

8. CONCLUSION

Successful fraud and corruption prevention involves creating an environment, which inhibits fraud and corruption. Taking immediate and vigorous action if fraud and corruption are detected is not only necessary to prevent future losses but also helps deter other frauds. A manager who is alert to the possibility of fraud and corruption and who acts accordingly on a day-to-day basis is a powerful deterrent against fraud.

9. APPROVAL

This strategy will be considered by the Risk Management Committee and approved by the Accounting Officer.