

**Fraud Policy and Response Plan  
for West Coast District Municipality**  
(Annexure A to the Fraud Prevention Plan)



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<b>CONTENTS</b>	<b>Page</b>
Glossary of terms	2
1. Background	6
2. Scope of the Policy	6
3. The Policy	6
4. Reporting procedures and resolution of reported incidents	7
5. Confidentiality	9
6. Publication of sanctions	10
7. Protection of whistle blowers	10
8. Application of prevention controls and detection mechanisms	10
9. Creating awareness	10
10. Administration	11
11. Adoption	11

## 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):

WCDM	West Coast District Municipality
Fraud and Corruption	<p>Includes, but is not limited to, the following:</p> <p>The following legal definitions:</p> <ul style="list-style-type: none"><li>• Fraud, i.e. the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another;</li><li>• 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 its rights permanently;</li><li>• Offences in respect of <i>corrupt activities</i> as defined in the Prevention and Combating of Corrupt Activities Act, 2004, i.e:<ul style="list-style-type: none"><li>○ The general offence of corruption which could be summarised as 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:<ul style="list-style-type: none"><li>▪ Illegal, dishonest, unauthorised, incomplete, or biased;</li><li>▪ Misuse or selling of information or material acquired;</li><li>▪ Abuse of position of authority;</li><li>▪ Breach of trust;</li><li>▪ Violation of a legal duty or set of rules;</li><li>▪ Designed to achieve an unjustified result; and</li><li>▪ Any other unauthorised or improper inducement</li></ul></li></ul></li></ul>

- 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;
  - Unauthorised 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;
  - Sporting events; and
  - Gambling games or games of chance;
- 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; and
  - Intentional interference with, hindering or obstruction of investigation of offence;
- Other offences relating to corrupt activities, viz:
  - Accessory to or after an offence;
  - Attempt, conspiracy and inducing another person to commit offence; and
  - Failure to report corrupt transactions;

Irregularities relating to the following:

- *Systems issues*: where a process/system exists which is prone to abuse by employees, the public or other stakeholders, e.g.:
  - Non-compliance to tender procedures;
  - Procurement fraud, e.g. collusion between

- employees and suppliers;
  - Inadequate vetting of employees;
  - Abuse of leave;
  - Theft of blank cheques;
  - Fraudulent assessment of RSC levies;
  - Abuse of the seating claim system by Councillors;
  - 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 limits;
  - Deliberate non-compliance to policies and procedures; and
  - Disclosing of confidential and/or proprietary information to outside parties.
- *Financial issues:* i.e. where individuals or entities have fraudulently obtained money from WCDM, e.g.:
    - Theft, e.g. petty cash, etc;
    - Fraud related to fiscal dumping;
    - Suppliers invoicing for work not done;
    - Fraudulent cashing of cheques;
    - Fraudulent travel claims by employees;
    - Abuse of petrol cards;
    - Insurance fraud, e.g. collusion between employees and public with respect to fraudulent insurance claims;
    - Service providers double invoicing; and
    - Contractors “fronting”.
  - *Equipment and resource issues:* i.e. where the WCDM's equipment is utilised for personal benefit or stolen, e.g.:
    - Theft of assets;
    - Abuse of assets;
    - Deliberate destruction of property; and

- Use if WCDM resources and equipment for private gain.
- *Other issues:* i.e. activities undertaken by employees of WCDM, which may be against policies or fall below established ethical standards, e.g.:

Deliberate disclosure of confidential information

- Conflict of interest ;
- Favouritism; and
- Non-disclosure of private work

Fraud Policy

Draft Fraud Policy and Response Plan, dated November 2007

Municipal Manager

A person appointed in terms of section 82 (1) of the Structures Act

## **1. BACKGROUND**

- 1.1 This policy is intended to set down the stance of WCDM to fraud and corruption and to reinforce existing systems, policies and procedures of WCDM aimed at deterring, preventing, detecting, reacting to and reducing the impact of fraud and corruption.
- 1.2 Furthermore, the purpose of this document is to confirm that WCDM 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 WCDM.
- 2.2 All employees and management of WCDM must comply with the spirit and content of the Policy.

## **3. THE POLICY**

- 3.1 The policy of WCDM is zero tolerance to fraud and corruption. In addition, all fraud and corruption will be investigated and followed up by the application of all remedies available within the full extent of the law and the implementation of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of WCDM.
- 3.2 The efficient application of instructions contained in regulations and in the policies and procedures of WCDM, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

#### **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 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 WCDM 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 by thorough investigation and to the full extent of the law, including (where appropriate) consideration of:

- a) In case of employees, taking disciplinary action within a reasonable period of time after the incident;
  - b) Instituting civil action to recover losses;
  - c) Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency; and
  - d) Any other appropriate and legal remedy available.
- 4.7 Managers are required to ensure that losses or damages suffered by WCDM 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 WCDM 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 WCDM will ensure that a fraud and corruption information system is developed for the following purposes:
- (a) Recording all allegations;
  - (b) Tracking progress with the management of allegations;
  - (c) To facilitate the early identification of systemic weaknesses and recurring risks, and inform managers and employees of systemic weaknesses/risks; and

- (d) 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. PUBLICATION OF SANCTIONS**

- 6.1 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.

## **7. PROTECTION OF WHISTLE BLOWERS**

- 7.1 An employee who reports suspected fraud and/or corruption may remain anonymous should he/she so desire.
- 7.2 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 WCDM.
- 7.3 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.

## **8. APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS**

- 8.1 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.

## **9. CREATING AWARENESS**

- 9.1 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 this policy.

## **10. ADMINISTRATION**

- 10.1 The custodian of this policy is the Municipal Manager who is supported in its implementation by all managers of WCDM.
- 10.2 The Municipal Manager is responsible for the administration, revision and interpretation of this policy. This policy will be reviewed annually and appropriate changes applied should these be required.