ANTI-CORRUPTION AND FRAUD PREVENTION STRATEGY

Kaap Agulhas Munisipaliteit
Cape Agulhas Municipality
U Masipala Wase Cape Agulhas

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# TABLE OF CONTENTS

1. INTRODUCTION ......................................................................................................................... 3
2. MISSION OF ANTI-CORRUPTION AND FRAUD PREVENTION .................................................. 3
3. OBJECTIVES OF ANTI-CORRUPTION AND FRAUD PREVENTION ........................................... 3
4. PRINCIPLES OF ANTI-CORRUPTION AND FRAUD PREVENTION ........................................... 3
5. CORRUPTION AND FRAUD AWARE CULTURE ........................................................................... 4
6. CORRUPTION AND FRAUD RISK MANAGEMENT ................................................................. 4
7. ETHICS IN ANTI-CORRUPTION AND FRAUD PREVENTION ................................................... 4
8. APPROACH TO ANTI-CORRUPTION AND FRAUD PREVENTION ........................................... 4
9. CONFIDENTIALITY ..................................................................................................................... 5
10. PROTECTION OF WHISTLE BLOWERS .................................................................................... 5
11. ROLES AND RESPONSIBILITIES ............................................................................................... 6
   11.1. MUNICIPAL COUNCIL ........................................................................................................ 6
   11.2. MUNICIPAL MANAGER ..................................................................................................... 6
   11.3. MANAGEMENT (DIRECTORS AND MIDDLE MANAGEMENT) ............................................ 7
   11.4. OTHER MUNICIPAL OFFICIALS ....................................................................................... 8
   11.5. RISK MANAGEMENT UNIT ............................................................................................. 9
   11.6. INTERNAL AUDIT SERVICES .......................................................................................... 9
   11.7. AUDIT AND PERFORMANCE AUDIT COMMITTEE ......................................................... 10
   11.8. FRAUD AND RISK MANAGEMENT COMMITTEE .......................................................... 11
12. REPORTING REQUIREMENTS ................................................................................................... 11
13. REVIEW .................................................................................................................................... 11
1. **INTRODUCTION**

Cape Agulhas Municipality subscribes to the principles of good corporate governance, which require that business be conducted in an honest, ethical and transparent fashion.

Consequently, the Municipality is committed to fighting corrupt and fraudulent behaviour at all levels within the Municipality.

In addition to promoting ethical conduct within the Municipality, the strategy is also intended to assist in preventing, detecting, investigating and sanctioning corruption and fraud.

2. **MISSION OF ANTI-CORRUPTION AND FRAUD PREVENTION**

To ensure that the strategic objectives are achieved and without compromising our stakeholders’ trust and quality of our service, an effective approach to combating corruption and fraud must be taken to minimise losses, prevent, detect, investigate and sanction corruption and fraud. It must also inform and assist the executive and personnel on their roles and responsibilities to guarantee that the risks relating to corruption and fraud are managed to ensure that the best outcome is achieved.

3. **OBJECTIVES OF ANTI-CORRUPTION AND FRAUD PREVENTION**

The objectives of the anti-corruption and fraud prevention strategy are to:

- Align strategic objectives with anti-corruption and fraud prevention activities.
- Drive specific anti-corruption and fraud prevention processes to respond to the potential threats;
- Embed instinctive and consistent consideration of corruption and fraud in the day-to-day planning and achievement of objectives;
- Provide clarity on the Municipality’s stance on corruption and fraud;
- Development of anti-corruption and anti-fraud capacity within the Municipality;
- Improve the application of systems, policies, procedures, rules and regulations dealing with corruption and fraud;
- Deterrence, prevention and detection of unethical conduct, corruption and fraud;
- Investigating detected incidents of unethical conduct, corruption and fraud;
- Taking appropriate action and applying sanctions in cases of unethical conduct, corruption and fraud.

4. **PRINCIPLES OF ANTI-CORRUPTION AND FRAUD PREVENTION**

- Encourage a culture within the Municipality where all municipal officials, members of the public and other stakeholders continuously behave with and promote integrity in their dealings with or on behalf of the Municipality;
- Creating a culture within the Municipality which is intolerant to unethical conduct, corruption and fraud;
- Strengthening community participation in the fight against corruption and fraud in the Municipality;
Strengthening relationships with key stakeholders that are necessary to support the actions required to combat corruption and fraud in the Municipality;

5. **CORRUPTION AND FRAUD AWARENESS CULTURE**

- The Municipality’s no tolerance stance on corruption and fraud must be clear.
- The values of integrity, honesty and objectivity must be institutionalised throughout the Municipality.
- Municipal officials must be aware of their duty to report incidents of corruption or fraud and willing to report.
- Anti-corruption and fraud prevention responsibilities must be assigned throughout the Municipality. It should support accountability, performance measurement and reward the minimising of corruption and fraud at all levels.

6. **CORRUPTION AND FRAUD RISK MANAGEMENT**

The management of corruption and fraud risks form part of the enterprise risk management of the Municipality. Corruption and fraud risk identification, assessments, management, monitoring, reporting thereon and oversight occur during the course of enterprise risk management activities.

This strategy should therefore be read in conjunction with the Cape Agulhas Municipality Risk Management Strategy 2017/2018.

7. **ETHICS IN ANTI-CORRUPTION AND FRAUD PREVENTION**

All corruption and fraud occur due to a lack of ethics. Managing ethics can prevent corruption and fraud and increase the reporting of corrupt and/or fraudulent activities due to the ethical behaviour of the Municipality’s staff.

This strategy should therefore be read in conjunction with the Cape Agulhas Municipality Code of Ethics 2017/2018.

8. **APPROACH TO ANTI-CORRUPTION AND FRAUD PREVENTION**

Cape Agulhas Municipality’s approach to anti-corruption and fraud prevention is explained in the anti-corruption and fraud prevention plan and consist of the following components:

- **Internal Focus**
  - Systems, policies, procedures and internal controls
  - Councilors
  - Human resources
  - Finance
  - Information
  - Physical Assets
  - Risk Management
  - Internal Audit
9. CONFIDENTIALITY

All information relating to corruption and fraud 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 persons other than those who have a legitimate right to such information.

Although there should be transparency in dealing with corruption and fraud, confidentiality during investigations is needed to:

- avoid harming the reputations of suspected persons who are subsequently found not guilty;
- prevent implicated persons from having knowledge of the investigation and the investigator’s plans, to prevent them from destroying or altering evidence before the investigator can obtain it;
- prevent implicated persons from having knowledge of the evidence against them, to prevent them from preparing explanations to suit the evidence before they are questioned by the investigator;
- protect the name of the source who reported the corruption and/or fraud;
- protect the names of people who co-operate with the investigator to prevent witness victimisation.

10. PROTECTION OF WHISTLE BLOWERS

No person will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of corruption and fraud which occurred within the Municipality.

Cape Agulhas Municipality will not tolerate harassment or victimisation of whistle blowers and will take action to protect whistle blowers when they raise a concern in good faith. This does not mean
that if the person is already the subject of disciplinary or legal action, that action will be halted as a result of their whistle blowing.

A person who reports suspected corruption and/or fraud may remain anonymous should he/she so desire. The Municipality will do its best to protect the person’s identity when he/she raises a concern and wants to remain anonymous. It must be kept in mind though that the investigation could reveal the source of the information.

11. **ROLES AND RESPONSIBILITIES**

Various legislation, contracts and Municipal policies determine the roles and responsibilities of the role players involved in anti-corruption and fraud prevention.

11.1. **MUNICIPAL COUNCIL**

11.1.1. **Legal Mandate**

The following legislative instruments provide the legal foundation for the Municipal Council’s responsibility for anti-corruption and fraud prevention:

- Code of Conduct for Councillors, Schedule 1 of the Municipal Systems Act (Act 32 of 2000);

11.1.2. **Role and Responsibilities**

The Municipal Council is responsible for oversight of the municipal administration, including probing for possible corruption and fraud and holding the Municipal Manager accountable for instituting anti-corruption and fraud prevention measures.

The main responsibilities of the Municipal Council in anti-corruption and fraud prevention are:

- Investigate cases of corruption and fraud involving Councillors;
- Provide oversight and direction to the Municipal Manager on the anti-corruption and fraud prevention strategy and related policies;
- Having knowledge of the extent to which the Municipal Manager and management has established effective anti-corruption and fraud prevention measures in their respective departments;
- Hold the Municipal Manager accountable for anti-corruption and fraud prevention within the Municipality;
- Insist that the Municipal Manager and management institute disciplinary action against municipal officials involved in corruption and/or fraud and institute actions to recover losses suffered by the Municipality due to the corrupt and/or fraudulent acts.
- Comply with the Code of Conduct for Councillors.

11.2. **MUNICIPAL MANAGER**
11.2.1. Legal Mandate

The following legislative instruments provide the legal foundation for the Municipal Manager’s responsibility for anti-corruption and fraud prevention:

- Sections 61 and 62 (1) (a), (b), (c), (d), (e) of the Municipal Finance Management Act (Act 56 of 2003)
- Section 55 (1)(g) and (2) of the Municipal Systems Act (Act 32 of 2000)
- Code of Conduct for Municipal Staff Members, Schedule 2 of the Municipal Systems Act (Act 32 of 2000)
- Section 34 (1) and (4) (b), (j) of the Prevention and Combating of Corrupt Activities Act (Act 12 of 2004).

11.2.2. Role and Responsibilities

The Municipal Manager is ultimately accountable for the anti-corruption and fraud prevention within the Municipality. The Municipal Manager must set an example at the top and promote ethical behaviour within Municipality.

The main responsibilities of the Municipal Manager in anti-corruption and fraud prevention are:

- Set an example at the top by acting with integrity;
- Establish the necessary structures and reporting lines within the Municipality to support whistleblowing;
- Approve the code of conduct for municipal officials and hold officials accountable for adherence;
- Endorsing the code of ethics and holding management and officials accountable for adherence;
- Comply with Section 34 of the Prevention and Combating of Corrupt Activities Act (Act 12 of 2004);
- Hold the Directors accountable for anti-corruption and fraud prevention in their directorates;
- Leverage the Audit and Performance Audit Committee, Fraud and Risk Management Committee, Internal Audit Services and other appropriate structures for assurance on the effectiveness of corruption and fraud risk management;
- Consider and act on recommendations from the Audit and Performance Audit Committee, Internal Audit Services, Fraud and Risk Management Committee and other appropriate structures regarding weaknesses in the control environment or identified cases of corruption and/or fraud;
- Institute disciplinary actions against Directors implicated in corruption and/or fraud and institute actions to recover any losses suffered by the Municipality due to the corrupt and/or fraudulent act;
- Comply with the Code of Conduct for Municipal Staff Members.

11.3. MANAGEMENT (DIRECTORS AND MIDDLE MANAGEMENT)
11.3.1. Legal Mandate

The following legislative instruments provide the legal foundation for Management’s responsibility for anti-corruption and fraud prevention:
   - Section 78 of the Municipal Finance Management Act (Act 56 of 2003)

11.3.2. Role and Responsibilities

Management is accountable to the Municipal Manager for designing, implementing and monitoring anti-corruption and fraud prevention controls and integrating it into the day-to-day activities of the Municipality.

The main responsibilities of Management in anti-corruption and fraud prevention are:
   - Design, implement and monitor anti-corruption and fraud prevention controls;
   - Comply with the policies and procedures of the Municipality;
   - Institute disciplinary actions against staff implicated in corruption and/or fraud and institute actions to recover any losses suffered by the Municipality due to the corrupt and/or fraudulent act;
   - Report corrupt or fraudulent activities to the Director (in case the reporter is Middle Management) or Municipal Manager (in case the reporter is a Director);
   - Comply with the Code of Conduct for Municipal Staff Members.

11.4. OTHER MUNICIPAL OFFICIALS

11.4.1. Legal Mandate

The following legislative instruments provide the legal foundation for other municipal officials’ responsibility for anti-corruption and fraud prevention:
   - Section 78 of the Municipal Finance Management Act (Act 56 of 2003)

11.4.2. Role and Responsibilities

Other municipal officials are accountable to their Management for adhering to and monitoring the process of anti-corruption and fraud prevention measures and integrating it into their day-to-day activities.

The main responsibilities of other municipal officials in anti-corruption and fraud prevention are:
   - Familiarity with the anti-corruption and fraud prevention strategy, policy and plan and acting accordingly;
   - Comply with the policies and procedures applicable to their areas of operation;
   - Maintain the functioning of the control environment and monitoring systems within their delegated responsibility;
   - Report incidents of corruption or fraud to Management;
   - Comply with the Code of Conduct for Municipal Staff Members.
11.5. **RISK MANAGEMENT UNIT**

Cape Agulhas Municipality has opted to implement a risk management unit jointly with other municipalities as it is not cost effective to establish a sole risk management unit. The joint risk management unit took the form of a shared services centre (SSC). The SSC acts as Cape Agulhas Municipality’s risk management unit.

11.5.1. **Legal Mandate**

The following legislative instruments provide the legal foundation for the Risk Management Unit’s responsibility for anti-corruption and fraud prevention:

- Service Level Agreement
- Section 78 of the Municipal Finance Management Act (Act 56 of 2003)

11.5.2. **Role and Responsibilities**

The primary role of the Risk Management Unit is to include corruption and fraud risks in their risk management planning and processes.

The main responsibilities of the Risk Management Unit in anti-corruption and fraud prevention are:

- Develop, together with other role players, the anti-corruption and fraud prevention strategy, policy and plan;
- Include a focus on corruption and fraud risks during risk identification and assessments;
- Assist management in developing responses for corruption and fraud risks;
- Organise training for municipal officials regarding corruption and fraud;
- Report identified incidents of corruption or fraud to Management, Directors or the Municipal Manager.

11.6. **INTERNAL AUDIT SERVICES**

11.6.1. **Legal Mandate**

The following legislative instruments provide the legal foundation for Internal Audit Services’ responsibility for anti-corruption and fraud prevention:

- Section 165 (2) of the Municipal Finance Management Act (Act 56 of 2003)

11.6.2. **Role and Responsibilities**

Internal Audit Services acts as an assurance provider for the Municipality regarding anti-corruption and fraud prevention measures and as an investigator for alleged incidents of corruption and fraud.

The main responsibilities of Internal Audit Services in anti-corruption and fraud prevention are:

- Review the corruption and fraud philosophy of the Municipality. This includes the anti-corruption and fraud prevention strategy, policy, plan, reporting lines and the values that have been developed for the Municipality;
o Provide independent assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems;
o Provide independent assurance over the Municipality’s corruption and fraud risk identification and assessment processes;
o Provide independent assurance as to whether the anti-corruption and fraud prevention strategy, policy and plan have been effectively implemented within the Municipality;
o Report detected incidents of corruption or fraud to the Municipal Manager;
o Investigate alleged incidents of corruption or fraud referred to Internal Audit Services;
o Escalate investigations and reporting to the Audit and Performance Audit Committee if it is hampered by municipal officials.

11.7. **AUDIT AND PERFORMANCE AUDIT COMMITTEE**

11.7.1. **Legal Mandate**

The following legislative instruments provide the legal foundation for the Audit and Performance Audit Committee’s responsibility for anti-corruption and fraud prevention:

- Section 166 (2)(a) (i), (ii), (iv), (vi), (vii), (b), (d) of the Municipal Finance Management Act (Act 56 of 2003)

11.7.2. **Role and Responsibilities**

The Audit and Performance Audit Committee is responsible for providing the Municipal Manager and Council with independent counsel, advice and direction in respect of anti-corruption and fraud prevention measures.

The main responsibilities of the Audit and Performance Audit Committee in anti-corruption and fraud prevention are:

- Gain a thorough understanding of the anti-corruption and fraud prevention strategy, policy and plan of the Municipality to enable the Committee to add value to the anti-corruption and fraud prevention process when making recommendations for improvement of the process;
- Review the completeness of the risk assessment process implemented by the Municipality to ensure that all possible corruption and fraud risks have been identified during the risk assessment process, including an awareness of emerging risks;
- Review the progress made with the implementation of the anti-corruption and fraud prevention strategy of the Municipality;
- Review the process implemented by Management in respect of anti-corruption and fraud prevention and ensure that all corruption and fraud related incidents have been followed up appropriately;
- Report any identified incidents of corruption or fraud to the Municipal Manager.
11.8. FRAUD AND RISK MANAGEMENT COMMITTEE

11.8.1. Legal Mandate

There are no legal requirements outlining the Fraud and Risk Management Committee’s responsibilities for anti-corruption and fraud prevention. Its responsibilities are defined in the Fraud and Risk Management Committee Charter.

11.8.2. Role and Responsibilities

The Fraud and Risk Management Committee is responsible for assisting the Municipal Manager with his oversight responsibilities for corruption and fraud risk management and evaluating and monitoring the Municipality’s performance with regards to corruption and fraud risk management.

The main responsibilities of the Fraud and Risk Management Committee in anti-corruption and fraud prevention are:

- Review the anti-corruption and fraud prevention strategy, policy and plan and recommend for approval by Council;
- Review the progress made with the implementation of the anti-corruption and fraud prevention strategy of the Municipality;
- Review the Municipality’s risk identification and assessment methodologies to obtain reasonable assurance that all possible corruption and fraud risks have been identified during the risk assessment process, including an awareness of emerging risks;
- Report any identified incidents of corruption or fraud to the Municipal Manager.

12. REPORTING REQUIREMENTS

- Progress with the implementation of the anti-corruption and fraud prevention strategy, policy and plan must be communicated to the Risk Management Unit, Directors, Municipal Manager, Audit and Performance Audit Committee, and Fraud and Risk Management Committee.
- Progress with the implementation of action plans to mitigate corruption and fraud risks will be reported on as part of the progress reports on risk actions.
- The processes for the reporting of corrupt and/or fraudulent incidents must be defined and appropriate reporting structures created.

13. REVIEW

The anti-corruption and fraud prevention strategy must be reviewed and approved by the Municipal Council on an annual basis.