



# **EHLANZENI DISTRICT MUNICIPALITY**

## **FRAUD PREVENTION POLICY FOR THE 2016-2017 FINANCIAL YEAR**

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## 1 PURPOSE

The purpose of this Policy is to articulate the Ehlanzeni District Municipality's philosophy on fraud prevention plan. The Ehlanzeni District Municipality adopts a comprehensive approach to the management of fraud risk, which supports and fosters a culture of zero tolerance to fraud in all its activities.

## 2 BACKGROUND

The provisions of **Section 62(1)(c)(i) of the Municipal Finance Management Act** stipulates that "The accounting officer of a municipality is responsible for managing the financial administration of a municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective and transparent systems of financial and risk management and internal control."

**Furthermore, sections 3.2.1 and 27.2.1 of the Treasury Regulations** require that risk assessment is conducted on regular basis and a risk management strategy, which includes a **fraud prevention plan**, be used to direct internal audit effort. The strategy must be clearly communicated to all employees to ensure that risk management is incorporated into the language and culture of the department or entity.

## 3 SCOPE OF THE POLICY

This policy applies throughout the Municipality in as far as risk management is concerned.

## 4 POLICY STATEMENT

Fraud represents a significant potential risk to the **Ehlanzeni District Municipality's** assets, service delivery efficiency and reputation. The Ehlanzeni District Municipality will not tolerate fraudulent or corrupt activities, whether internal or external to the Ehlanzeni District Municipality, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

## 5 THE CONCEPT OF FRAUD PREVENTION

Fraud Prevention is a process that is adopted by the Ehlanzeni District Municipality, in putting mechanisms in place, to manage Ehlazeni District Municipality's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

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As part of the Enterprise Risk Management (ERM), it is the responsibility of the Accounting Officer to establish structures to address the threat of fraud.

## 5.1 INVESTIGATION PROCEDURES

The Ehlanzeni District Municipality has developed investigation procedures to ensure uniformity in the reporting and investigation of incidents of fraud and corruption.

- Reporting of suspicious acts;
- Preliminary investigation of incidents reported;
- Investigation procedure;
- Involvement of other law enforcements agencies;
- Procedure in taking resolutions; and
- Recovery of loss.

## 5.2 ANTI-FRAUD PROGRAMMES

The Ehlanzeni District Municipality has developed the following programmes to address the threat of fraud and corruption:

- Recruitment policy;
- Accounting and operational policies;
- Fraud awareness training (indicators of fraud);
- Dysfunctional environment assessment;
- Fraud awareness audit;
- Fraud risk assessment;
- Automated alerts;
- Code of ethics and conduct;
- Investigation policy / procedure; and
- Fraud response plans.

## 6 ROLE PLAYERS

The Ehlanzeni District Municipality has taken a stance that management of fraud and corruption threat like any other risks is the responsibility of everyone in the organisation.

The Accounting Officer has delegated the ownership and communication of fraud risk management to Senior Managers / Unit Managers / Employee in specific areas of the Municipality.

## **6.1 RISK MANAGEMENT OVERSIGHT**

### **6.1.1 Council**

The Council of Ehlanzeni District Municipality takes an interest in fraud risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the Municipality against significant fraud risks.

### **6.1.2 Audit Committee**

The Audit Committee is an independent committee responsible for oversight of the municipality's control, governance and risk management. The responsibilities of the Audit Committee with regard to fraud risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the department's fraud risk management effectiveness.

### **6.1.3 Risk Management & Fraud Prevention Committee**

The Risk Management & Fraud Prevention Committee is appointed by the Accounting Officer to assist him to discharge his responsibilities for fraud risk management. The Committee's role is to review the fraud risk management progress of the Municipality, the effectiveness of fraud risk management activities, the key fraud risks facing the Municipality, and the responses to address these key fraud risks

## **6.2 RISK MANAGEMENT IMPLEMENTERS**

### **6.2.1 Accounting Officer**

The Accounting Officer is accountable for the Municipality's overall governance of fraud risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

### **6.2.2 Management**

Management is responsible for executing their responsibilities outlined in the fraud risk management policy and response plan and for integrating risk management into the operational routines.

### **6.2.3 Other Officials**

Other officials are responsible for integrating fraud risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

### 6.3 RISK MANAGEMENT SUPPORT

#### 6.3.1 Risk Officer

The Risk Officer is the custodian of the Fraud Prevention Response Plan, and coordinator of fraud risk management activities throughout the department. The primary responsibility of the Risk Officer is to bring to bear his/her specialist expertise to assist the Municipality to embed risk management and leverage its benefits to enhance performance.

#### 6.3.2 Risk Champion

The Risk Champion's responsibility involves intervening in instances where the fraud risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of skills and expertise.

### 6.4 RISK MANAGEMENT ASSURANCE PROVIDERS

#### 6.4.1 Internal Audit

The role of the Internal Auditing in fraud risk management is to provide an independent, objective assurance on the effectiveness of the Municipality's system of fraud risk management. Internal Auditing must evaluate the effectiveness of the entire system of fraud risk management and provide recommendations for improvement where necessary.

#### 6.4.2 External Audit

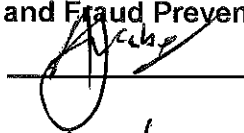
The external auditor (Auditor-General) provides an independent opinion on the effectiveness of fraud risk management.

### 7. POLICY REVIEW

This Policy shall be reviewed annually to reflect the current stance on risk management.

**Recommended by the Risk Management and Fraud Prevention Committee:**

Signature:

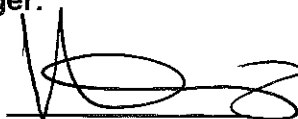


Date:

13/06/2016

**Approved by the Acting Municipal Manager:**

Signature:



Date:

13/6/16