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ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY


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Table of Contents

1.	INTRODUCTION	5
1.2.	Principles of the strategy.....	5
1.3.	Statement of attitude to fraud.....	6
2.	Regulatory legislation.	6
2.2	The Local Government Anti-Corruption Strategy.	6
2.3	Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA).....	6
2.4	Prevent of Organized Crime Act 121 of 1998 (POCA).....	6
2.5	Protection Disclosure Act 20 of 2000 (PDA).....	6
2.6	Entity Finance Management Act (MFMA)	7
2.7	Entity System Act 32 of 2000 (MSA).....	7
2.8	Harry Gwala Development Agency anti-fraud and corruption strategy.	7
3.	Definition of fraud and corruption	7
3.1.	Forms of corruption	8
1.	Bribery.....	8
2.	Embezzlement.....	8
3.	Fraud	8
4.	Extortion.....	8
5.	Abuse of power.....	8
6.	Conflict of interest.....	8
7.	Abuse of privileged information.....	9
8.	Favouritism	Error! Bookmark not defined.
9.	Nepotism	9
4.	Policy on fraud and corruption.....	9

1. Background	9
2. Scope of the policy	10
3. Policy	10
4.Actions constituting fraud and corruption.....	10
5. Fraud and corruption control strategy	11
5.1.Structural Strategies	11
1. Chief Executive Officer	11
2. Risk Management Committee	11
3. An ethical culture	12
4. Senior management commitment.....	12
5. Assessment of fraud and corruption risk	13
6. Employee awareness	13
7. Operational structures	Error! Bookmark not defined.
8. Internal controls	13
5.2.Prevention strategies	14
a) Employee awareness	14
b) Pre-employment screening	14
c) Recruitment process.....	15
d) Risk assessment	15
e) Internal Audit	15
f) Disclosure of interest.....	16
1. Detection strategies	16
a) Internal Audit	16
b) External Audit.....	16
1. Response strategy	17

b) Investigating fraud and corruption.....	17
2.Disciplinary proceedings.....	18
5.3.Maintenance strategies.....	20
1. Review and updating the Anti-Fraud and Corruption strategy.....	20
6. Procedure for investigation.....	20
6.1.Handling a fraud allegation.....	21
6.2.Documentation of the results of the investigation.....	21
6.3.Other matters.....	21
6.4.Reporting fraud to police and / or external parties.....	21
6.5.Recovery and other remedies.....	22
7. Fraud and Corruption Prevention plan.....	22
SUSPECTED FRAUD, CORRUPTION OR IRREGULARITY INVESTIGATION PROCURERS.....	24

ANNEXURES

Appendix A: Investigation Procedure

Appendix B: Fraud and Corruption Risk Management Responsibility Matrix

Appendix C: Gift disclosure

1. INTRODUCTION

1.1. Purpose

The primary objective of this strategy is:

- To prevent fraudulent conduct before it occurs by encouraging a culture within the Entity where all employees, members of the public and other stakeholders continuously behave with and promote integrity in their dealings with, or on behalf of Entity.
- 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 Agency.
- To improving accountability, efficiency and effective administration within the Agency, including decision-making and management conduct which promote integrity.

1.2. Principles of the strategy

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

- a) Creating a culture within the Entity which is intolerant to unethical conduct, fraud and corruption;
- b) Strengthening community participation in the fight against corruption in the Agency;
- c) Strengthening relationships with key stakeholders, e.g., SALGA, SAPS, Employee representative unions and Communities, that are necessary to support the actions required to fight corruption in the Agency;
- d) Deterrence of unethical conduct, fraud and corruption;
- e) Detection of unethical conduct, fraud and corruption;
- f) Investigating detected unethical conduct, fraud and corruption;
- g) Taking appropriate action in the event of such irregularities, e.g., disciplinary action, recovery of losses, prosecution, etc.;
- h) Applying sanctions, which include redress in respect of financial losses.
- i) Improving the application of systems, policies, procedures and regulations;
- j) Changing processes of the Entity that facilitate corruption/fraud and allow it to go unnoticed or unreported.

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;
- Expressed in terms of measurable and time-bound implementation plans.

1.3. Statement of attitude to fraud

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

2. Regulatory legislation.

2.1 The Public Service Anti-Corruption Strategy.

During 1997, Government initiated a national anti-corruption campaign. This campaign progressed to a National Anti-corruption Summit held in April 1999 at which all sectors of society (public and private) committed themselves to establishing sectoral anti-corruption strategies. At the same time, they also committed to the co-responsibility for fighting corruption through the coordination of these sectoral strategies.

2.2 The Local Government Anti-Corruption Strategy.

Local Government developed the Local Government Anti-Corruption Strategy (LGACS), which is modelled around the Public Service Anti-Corruption Strategy.

2.3 Prevention and Combating of Corrupt Activities Act, 12 of 2004(PRECCA)

Aimed at the strengthening of measurement to prevent and combat corrupt activities.

2.4 Prevent of Organized Crime Act 121 of 1998 (POCA)

As amended contained provisions that are aimed at combating of organized crime, money laundering and criminal gang activities.

2.5 Protection Disclosure Act 20 of 2000 (PDA)

The act was promulgated to facilitate reporting by employees (whistle blowers) of fraud, corrupt or other unlawful or irregular action by other employers(s) or co-employers

without fear of any discrimination or reprisal by their employers or co-employees.

2.6 Municipal Finance Management Act (MFMA)

The act was promulgated to facilitate the formal management of entity finances and associated activities. Certain aspects of the Act refer specially to activities which might be regarded as being corrupt or fraudulent in nature, e.g., Unauthorized, irregular and fruitless and wasteful expenditure.

2.7 Municipal System Act 32 of 2000 (MSA)

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

2.8 Harry Gwala Development Agency anti-fraud and corruption strategy.

This Anti-Corruption Strategy has been developed as a result of the expressed commitment of Government to fight corruption. It is also an important contribution to the National Anti-Corruption Strategy of the country and supplements both the Public Service Anti-Corruption Strategy and the Local Government Anti-Corruption Strategy.

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 actual and or potential prejudice to another”. The term “fraud” is also used in a wider sense by the general public.

In this regard, 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. In other words, fraud can be described as any conduct or behavior of which a dishonest representation and/or appropriation forms an element.

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 a manner that amounts to:

- a) The illegal or unauthorized performance of such other person’s powers, duties or functions;
- b) An abuse of authority, a breach of trust, or the violation of a legal duty or a set of rules

- c) The achievement of an unjustified result; or
- d) Any other unauthorized or improper inducement to do or not to do anything is guilty of the offence of Corruption.

Corruption in its wider meaning, and as referred to in this document, includes any conduct or behavior 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 behavior also includes the misuse of material or information, abuse of a position of authority or a breach of trust or violation of duty.

3.1. Forms of corruption

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

1. Bribery

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of public servants.

2. Embezzlement

This involves theft of resources by persons who control such resources

3. Fraud

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

4. Extortion

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

5. Abuse of power

The use by a public servant of his or her vested authority to improperly benefit another public servant, person or entity (or using vested authority to improperly discriminate against another public servant, person or entity).

6. Conflict of interest

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

7. Abuse of privileged information

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

8. Favoritism

The provision of services or resources according to personal affiliation (for example cultural or religious) of a public servant.

9. Nepotism

A public servant ensuring that family members are appointed to public service positions or that family members receive contracts from the state, 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.

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. This policy is also established to give effect to the various legislative instruments as described in the previous section.

4.2. Scope of the policy

This policy applies to all employees, stakeholders, contractors, vendors / suppliers and any other party doing business with the Entity.

4.3. Policy

It is the policy of the Entity that fraud, corruption, maladministration or any other dishonest activities of a similar nature will not be tolerated. Such activities will be investigated and actions instituted against those found responsible. Such actions may include the laying of criminal charges, civil and administrative actions and the Entity of recoveries where applicable.

Prevention, detection, response and investigative strategies will be designed and implemented. These will include any existing controls (system controls and manual internal controls) and those currently prescribed in existing policies, procedures and other relevant prescripts to the activities of the Entity.

It is the responsibility of all employees to report all incidents of fraud and corruption that may come to his / her attention to his / her supervisor. Alternatively, such reports can be made by way of submitting a report through the prescribed whistle blowing mechanism.

All reports received will be treated with the requisite confidentiality and will not be disclosed or discussed with parties other than those charged with investigation into such reports.

All Managers are responsible for the detection, prevention and investigation of fraud and corruption, within their areas of responsibility.

4.4. Actions constituting fraud and corruption

Fraud and corruption manifests in a number of ways and varying degrees of intensity. These include, but are not limited to:

- Unauthorised private use of the Institution's assets, including vehicles;
- Falsifying travel and subsistence claims;
- Conspiring unfairly with others to obtain a tender;
- Disclosing proprietary information relating to a tender to outside parties;
- Accepting inappropriate gifts from suppliers;
- Employing family members or close friends;
- Operating a private business in working hours;

- Stealing equipment or supplies from work;
- Accepting bribes or favours to process requests;
- Accepting bribes or favours for turning a blind eye to a service provider who does not provide an appropriate service;
- Submitting or processing false invoices from contractors or other service providers; and
- Misappropriating fees received from customers, and avoiding detection by not issuing receipts to those customers.

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

Structural Strategies represent the actions to be undertaken in order to address fraud and corruption at the Structural level. The following section outlines the fraud and corruption responsibilities associated with different roles within the Entity:

1. Chief Executive Officer

The Chief Executive Officer bears the ultimate responsibility for fraud and corruption risk management within the Institution. This includes the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, and facilitation for the reporting of such instances.

2. Risk Management Committee

The Risk Management Committee

will oversee the Entity'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 the Risk Management Committee Charter to discuss the following issues:

- Progress made in respect of implementing the Anti-Fraud and Corruption Strategies;
- Reports received by the Institution regarding fraud and corruption incidents with the view to making any recommendations to the Accounting Officer and Chairman of the Audit

Committee;

- Reports on all investigations initiated and concluded; and
- All allegations received via the hotline.

3. An ethical culture

The Agency is required to conduct itself in an ethical and moral way. Ethics are concerned with human character and conduct and deal with questions of right and wrong, appropriate and inappropriate behavior and what constitutes good or evil. Ethical conduct is based on a set of principles referred to as values or norms. The collective ethical conduct of all the individual employees of an Institution reflects the Agencies ethical conduct. In this regard, the highest standards of ethics are required by employees when fulfilling their duties.

Good governance indicates that Entity should develop codes of conduct (ethics) as part of their corporate governance frameworks. All employees are expected to abide by the Code of Conduct for the Entity. The code of conduct for Entity staff is in **appendix A and Appendix B** Code of conduct for Board members.

4. Senior management commitment

Senior management is to be committed to eradicating fraud and corruption and ensuring that the Institution strives to be perceived as ethical in all its dealings with the public and other interested parties. In this regard, senior management, under the guidance of the Chief Executive Officer, will ensure that it does not become complacent in dealing with fraud and corruption and that it will ensure the Institution's overall fraud and corruption strategy is reviewed and updated regularly. Furthermore, senior management will ensure that all employees and stakeholders are made aware of its overall anti-fraud and corruption strategies through various initiatives of awareness and training.

5. Assessment of fraud and corruption risk

The Entity, under the guidance of the Chief Executive Officer, will conduct annual fraud and corruption risk assessments to identify potential fraud and corruption risk exposures to the Institution. This process will ensure that actions 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 Entity Risk Management Strategy.

6. Employee awareness

The main purpose of fraud and corruption awareness workshops / 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 on the following:

- Anti-Fraud and Corruption strategy;
- Code of Conduct for employees;
- Whistle blowing policy;
- How to respond to fraud and corruption; and
- Manifestations of fraud and corruption in the workplace.

5.2. The Institution has identified the individual that would be responsible for employee awareness and that will arrange and schedule awareness sessions.

1. Internal controls

Internal controls are the first line of defense against fraud and corruption. While internal controls may not fully protect the Entity against fraud and corruption, they are essential elements in the overall Anti-Fraud and Corruption Strategy. All areas of operations require internal controls, for example:

- Physical controls (securing of assets);

- Authorisation controls (approval of expenditure);
- Supervisory controls (supervising day-to-day issues);
- Analysis of data;
- Monthly and annual financial statements;
- Reconciliation of bank statements, monthly;
- Reconciliation of vote accounts, monthly.
- Procurement process

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

2. Prevention strategies

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

a) Employee awareness

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

Pre-employment screening

Pre-employment screening will be carried out for all appointments, and evidence of such screening will be maintained by the HR Department. Consideration should be given to the following pre-employment screening:

- i. Verification of identity.
- ii. Police criminal history.
- iii. Reference checks with the two most recent employers – this will normally require telephone contact
- iv. A consideration of any gaps in employment history and the reasons for those gaps.
- v. Verification of formal qualifications claimed.

The screening will be performed by a person / people nominated by the Human Resources Department in conjunction with the Chief Executive Officer to ensure that screening is consistent and appropriately resourced throughout all Departments. Screening will be conducted in accordance with the classification of the employee or the

levels of screening outlined below.

Where an employee is promoted into a management position and has not been screened during the course of the previous three years, the applicant will be rescreened. The levels of screening include:

- Level 1 – All employees (including those with administrative functions or computer access)
 - I. Verification of claimed educational qualifications;
 - II. An independent reference check directly with two referees nominated by the applicant or previous employers; and
 - III. Criminal history checks (after authorisation has been obtained from the prospective employee).
- Level 2 – All Managers and above, IT and Finance staff
 - i. All Level 1 checks;
 - ii. Employment history checks;
 - iii. Directorship and membership searches; and
 - iv. Insolvency/credit search.

b) Recruitment process

Recruitment will be conducted in accordance with the Entity recruitment procedure. It will be a transparent process and all appointments will be confirmed only after due recommendation. Any person, involved in any decision-making process, who may have a conflict of interest, must declare such a conflict in writing to the HR Department and withdraw from any further procedures.

c) Risk assessment

Fraud and Corruption Risk Assessment should be conducted at a strategic and operational level to prevent irregularities by mitigating the probability that it can occur. Fraud and Corruption Risk Assessment shall be done in line with the guidelines as set in Harry Gwala Development Agency Risk Management Strategy.

d) Internal Audit

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

e) Disclosure of interest

All Executive Managers, Managers and Board members of the Entity will be required to disclose their business interests on an annual basis. This register will be kept with Internal Audit.

3. Detection strategies

Detection of fraud and corruption may occur through:

- Vigilance on the part of employees, including line management;
- The Internal Audit function;
- Ad hoc management reviews;
- Anonymous reports; and
- The application of detection techniques.

Internal Audit will be responsible for developing detection strategies, and will work closely with line management for this purpose. The Institution will embark on a number of initiatives to detect fraud and corruption in the workplace.

a) Internal Audit

As part of the prevention strategy, internal audit will examine and evaluate the adequacy and effectiveness of the system of internal control according to the plan, commensurate with the extent of the potential exposure/risk in the various segments of the Entity's operations. In carrying out these responsibilities, internal audit will determine whether:

- i.** The organisational environment fosters control consciousness
- ii.** Realistic organisational goals and objectives are set
- iii.** Written policies (e.g. Code of conduct) exist that describe prohibited activities and the action required whenever violations are discovered
- iv.** Appropriate authorisation policies for transactions are established and maintained
- v.** Policies, practices, procedures, reports, and other mechanisms are developed to monitor activities and safeguard assets, particularly in high risk areas
- vi.** Communication channels provide management with adequate and reliable information
- vii.** Recommendations need to be made for the establishment or enhancement of cost-effective controls to help detect fraud.

b) External Audit

The Entity recognises that the external audit function is an important control in the

detection of fraud. The Chief Finance Officer will need to hold discussions with all engaged external auditors to ensure that due consideration is given, by the auditors, to ISA 240 "*The Auditors' Responsibility to Consider Fraud in the Audit of a Financial Statement*".

4. Response strategy

a) Reporting fraud and corruption – a Whistle blowing policy

One of the key obstacles to fighting fraud and corruption is the fear by employees of being intimidated to identify or "blow the whistle" on fraudulent, corrupt or unethical practices witnessed in the work place. Those who often do "blow the whistle" end up being victimised and intimidated. For this reason, the Entity will adopt a Whistle Blowing Policy setting out the detailed procedure which must be followed in order to report any incidents of fraud and / or corruption. This policy will be designed to comply with the provisions of the Protected Disclosures Act.

Any suspicion of fraud and corruption will be treated seriously and will be reviewed, analysed, and if warranted, investigated. If an employee becomes aware of a suspected fraud, corruption or any irregularity or unethical behavior, such issues should be reported in terms of a Whistle Blowing Policy.

b) Investigating fraud and corruption.

Dealing with suspected fraud and corruption

In the event that fraud or corruption is detected or suspected, investigations will be initiated, and if warranted, disciplinary proceedings, prosecution or action aimed at the recovery of losses will be initiated.

Investigations

Any reports of incidents of fraud and / or 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.

Investigations will be undertaken by Internal Audit or any appropriately qualified and experienced persons who are independent of the department/section where investigations are required. This may be a senior manager within the Institution itself, an external consultant or a law enforcement agency.

All investigations performed and evidence obtained will be in accordance with acceptable practices and legal requirements. Independence and objectivity of investigations are paramount.

Any investigation initiated must be concluded by the issue of a report by the person/s appointed to conduct such investigations. Such reports will only be disseminated to those persons required to have access there to in order to implement whatever action is deemed appropriate as a result of the investigation.

Investigations may involve one or more of the following activities:

- i. Interviewing of relevant witnesses, internal and external, including obtaining statements where appropriate;
- ii. Reviewing and collating documentary evidence;
- iii. Forensic examination of computer systems;
- iv. Examination of telephone records;
- v. Enquiries from banks and other financial institutions (subject to the granting of appropriate approval/Court orders);
- vi. Enquiries with other third parties;
- vii. Data search and seizure;
- viii. Expert witness and specialist testimony;
- ix. Tracing funds / assets / goods;
- x. Liaison with the police or other law enforcement or regulatory agencies;
- xi. Interviewing persons suspected of involvement in fraud and corruption; and
- xii. Report preparation.

Any investigation into improper conduct within the Entity will be subject to an appropriate level of supervision by a responsible committee, having regard to the seriousness of the matter under investigation.

5. Disciplinary proceedings

The ultimate outcome of disciplinary proceedings may involve a person/s receiving 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.

Prosecution

Should investigations uncover evidence of fraud or corruption in respect of an allegation or series of allegations, the Entity will review the facts at hand to determine whether the

matter is one that ought to be reported to the relevant law enforcement agency for investigation and possible prosecution. Such reports must be submitted to the South African Police Service in accordance with the requirements of all applicable acts. The Entity will give its full co-operation to any such law enforcement agency including the provision of reports compiled in respect of investigations conducted.

Recovery action

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

In respect of civil recoveries, costs involved will be determined to ensure that the cost of recovery is financially beneficial.

Internal control review after discovery of fraud

In each instance where fraud is detected, Line Management will reassess the adequacy of the current internal control environment (particularly those controls directly impacting on the fraud incident) 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 this assessment are implemented will lie with Line Management of the department / section concerned.

5.3. Maintenance strategies

1. Review of the effectiveness of the Anti-Fraud and Corruption strategy.

The Entity will conduct a review of the Anti-Fraud and Corruption Strategy and Prevention annually to determine the effectiveness thereof. The Chief Executive Officer is ultimately accountable for this review and may appoint a person to take responsibility for this.

2. Review and updating the Anti-Fraud and Corruption strategy.

Internal Audit is the central part of the fraud and corruption control and should involve an ongoing review of fraud and corruption risk exposures. Fraud and Corruption risk assessments will also be conducted annually at the same time as the review of the Anti-Fraud and Corruption Strategy and Prevention Plan. As with the review, the Chief Executive Officer is ultimately accountable for this and may delegate a person to take responsibility.

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

6. Procedure for investigation.

The Entity has adopted a policy of investigating all reports of fraud and corruption, or other improper conduct. The investigation of fraud and corruption can be a complex and, at times, technical process and employees should be aware of the consequences of a poorly conducted investigation, including:

- Denial of natural justice;
- Defamation;
- Action against an employer for wrongful dismissal;
- Inadmissible or poor control over the collection of evidence; and
- Destruction of physical evidence

To ensure that there is reasonable assurance that investigations are performed and reported properly, and recognising the limited resources within the Entity, external consultants (e.g. external auditors or forensic accountants) may be used to provide assistance to the Institution when a fraud is reported. The external consultant may be assisted by experienced personnel within the Entity who are sufficiently independent of the area or the matter under investigation. The Entity within his / her delegated authority, will have the discretion to determine the appropriate external consultants and / or the Entity

personnel to conduct investigations.

6.1. Handling a fraud allegation

Should a Line Manager receive an allegation of fraudulent or corrupt activity, he or she will ensure that the Chief Executive Officer is advised at the earliest opportunity.

The Chief Executive Officer will appoint an appropriate manager (usually within the Department / Section in which the alleged fraud or corruption has been identified) to conduct or co-ordinate an investigation into the allegations. The manager appointed to conduct or co-ordinate the investigation of an allegation of fraud may consult the Chairman of the Internal Audit on technical aspects of the investigation.

Upon receipt of an allegation of a suspected fraud, the immediate concern of the manager or investigating officer should be the preservation of evidence and the containment of loss.

6.2. Documentation of the results of the investigation

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

6.3. Other matters

The Chief Executive Officer, will provide the details of fraud / corruption or possible fraud / corruption to the Audit Committee. In each instance where fraud is detected, the Entity will reassess the adequacy of the internal control environment (particularly those controls directly impacting on the fraud incident) and consider the need for improvements. Where improvements are required, they should be implemented as soon as practicable.

6.4. Reporting fraud to police and / or external parties

The Chief Executive Officer will be responsible for reporting to the police, in circumstances in which there is evidence of fraud:

- a) An employee/volunteer of the Entity;
- b) A client of the Entity;
- c) A research grant recipient of the Entity; or
- d) A supplier to the Entity.

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

Any decision not to refer an allegation of fraud to the police for investigation (where there

is sufficient evidence to justify making such a report) will be referred to the Audit Committee, together with the reasons for the decision.

Responsibility for complainant statements lodged with Police will be assigned on case-by-case basis by the Chief Executive Officer in consultation with the investigator.

6.5. Recovery and other remedies

The Entity has adopted a policy wherein it 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 from such action. Where it is considered appropriate that the matter is not 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 interviews and exit checklist procedures will be performed in the event of dismissal from the Entity 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 Prevention plan.

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

- a) Human Recourses employment practices.
- b) Supply Chain process
- c) Citizens Complains Resolution
- d) Financial Systems and Controls
- e) Project Management

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

- Components of Risk under each focus area as well as manifestations(Materialization) of frauds/corruption of each component; and
- The fraud and corruption risk register containing all the risk manifestations and recommendation to address each manifestation.

As indicated under the section dealing with Maintenance Strategies, Fraud and Corruption Risk Assessments need to be conducted at least on annual basis.

Approvals

JOB DESIGNATION	NAME	SIGNATURE	DATE
Chairperson of the Board			

APPENDIX A

INVESTIGATION PROCEDURE

SUSPECTED FRAUD, CORRUPTION OR IRREGULARITY INVESTIGATION PROCURERS

This procedure is based on and is intended to be guided by, the principles of promptness, fairness and consistency.

1. The Chief Executive Officer will appoint a manager to conduct or co-ordinate an investigation into the alleged fraudulent conduct. External consultants may be used for this purpose.
2. The Manager assigned responsibility for conducting or coordinating the investigation is to submit a written report, containing details of the circumstance and recommendations to the Chief Executive Officer, Chairperson of the Audit Committee, and the relevant line Manager within 30 days, if the investigation is not concluded within 30 days a preliminary investigation report should be submitted.
3. Once an investigation has begun, consideration needs to be to whether it would be appropriate in the circumstances to suspend the subject on full pay until the issue is resolved. Advice should be sought from the Entity Human Resource and the Legal Advisor.
4. After consideration by the Chief Executive Officer, if so resolved, the investigator or the Chief Executive Officer (or his/her delegate) will refer the matter to the nearest Police Station for further investigation.
5. Internal Audit shall maintain a register of all fraud, theft, and irregular losses reported.
6. The Chief Financial Officer (in consultation with the Chief Executive Officer) will be responsible for recovering any funds owed to the Entity as a results of court orders or private treaties with persons found to have been involved in fraudulent or corrupt conduct or negotiated settlements.
7. An officer appointed by the Entity Manger will maintain files of all reported and working papers relating to investigation of fraud, corruption or irregular practices.
8. A report prepared by the Chairperson of the Audit Committee is to be submitted to the Committee outlining details of any fraud or suspected fraud in the past period.

APPENDIX B

FRAUD AND CORRUPTION RISK MANAGEMENT RESPONSIBILITY MATRIX

No.	Responsibility	Responsible officer	Completion Time frame
1.	Overall responsibility for ensuring implementation of the Anti-Fraud and Corruption Strategy and communication of this to staff.	Chief Executive Officer. Internal Audit. Line Management.	On-going
2.	Report on the coordination of fraud prevention, detection strategies and response to fraud incidents to the Chief Executive Officer and Chairperson of the Audit Committee	Internal Audit	Quarterly
3.	Engagement of external expertise to assist in conducting investigation	Chief Executive Officer/ Chairperson of the Audit Committee/ Chairperson of the Board	As required.
4.	Remain vigilant to any suspected fraudulent or corrupt behavior and report all instances of fraud or potential fraud to line management or through such alternative channels that may be provided.	All employees	On-going
5.	Comply with the requirements of the Anti-Fraud and Corruption Strategy	All employees	On-going
6.	Understand and monitor adherence with allocated responsibilities under this Responsibility Matrix	Internal Audit	On-going

7.	Conduct a review of the Anti- Fraud and Corruption Strategy	Internal Audit assisted by line managers. Oversight by Audit Committee	Annually
8.	Ensure there is regular communication promoting compliance with the Anti-Fraud and Corruption Strategy and adherence by all employees.	Internal Audit. Oversight by Audit Committee	Quarterly
9.	Co-ordination of training including Fraud Awareness Training.	Training coordinator assisted by Internal Audit.	Annually
10.	Ensuring Fraud Risk Assessments are conducted.	Internal Audit. Oversight by Audit Committee.	Quarterly
11.	Coordinate the follow-up of the Fraud Risk Assessments to ensure that all strategies are appropriately implemented.	Manager :Risk Management assisted by line managers. Oversight by Risk Management Committee	As appropriate following each Fraud Risk Assessment
12.	Assign responsibility for pre-employment screening and background checks on all candidates offered positions within the Agency.	Chief Executive Officer/ Corporate Service Manager	On-going
13.	Development of fraud detection systems (including retrospective view of transactions, computer strategies and management accounting report analysis) with reference to most recent Fraud Risk Assessments.	Internal Audit assisted by line managers. Oversight by Audit Committee.	On- going

14.	Maintaining an appropriate recording, reporting and analysis system to ensure that all instances of suspected fraud are satisfactorily resolved.	Internal Audit. Oversight by Audit Committee	On-going
15.	Ensuring external auditors give adequate consideration to ISA 240 ("The Auditor's responsibility to consider in the audit of the financial statements")	Chief Finance Officer	On-going
16.	Ensuring that effective whistle blowing systems are in place	Internal Audit	Quarterly
17.	Ensuring the MEC for local Government, Auditor General and other requisite persons in terms of the Municipal System Act and Finance Management Act are briefed on any allegation of suspected fraud.	Chief Executive Officer/Chairpersons of the Board	As required
18.	Preservation of evidence and containment of loss in an investigation.	Internal Audit	As required
19.	Compilation of a written report to the Chief Executive Officer outlining circumstances and recommended remedial action following the investigation.	Internal Audit	As required
20.	Providing details of the fraud or possible fraud to the Audit Committee	Chief Executive Officer	As required

21.	Determination of whether incidents of fraud will be reported to police.	Chief Executive Officer/Chairman of the Audit Committee	As required
22.	Inform the Audit Committee of decision not to report the incident to the police.	Chief Executive Officer	As required
23.	Determining who will be the complainant when an incident is reported to the police.	Chief Executive Officer in conjunction with the investigator	As required
24.	Determining the appropriate course of remedial action.	Chief Executive Officer in conjunction with Line Management	As required
25.	Conducting exit interviews and ensuring compliance with the exit checklist of procedures.	Human Resources.	As required
26.	Procuring the services of a Hotline Service Provider.	Chief Executive Officer	2 months after implementation
27.	Appointment of a spokesperson to handle media enquiries, should fraud be detected.	Chief Executive Officer	As required

APPENDIX C

ACTS OF MISCONDUCT

An employee will be guilty of misconduct if she or he, among other things (this list is not exhaustive):

- Fails to comply with, or contravenes an Act, regulation or legal obligation. Willfully or negligently mismanages the finances of the Agency.
- Without permission possesses or wrongfully uses the resources of the Agency.
- Willfully, intentionally or negligently damages and or causes loss to the Agencies property.
- Endangers the lives of self or others by disregarding safety rules or regulations.
- Misuses his or her position in the public service to promote or to prejudice the interest of any political party.
- Steals, bribes or commits fraud.
- Accepts any compensation in cash or otherwise from a member of the public or another employee for performing her or his duties without written approval from the department.
- Fails to carry out a lawful order or routine instruction without just or reasonable cause.
- Absents or repeatedly absents him/herself from work without reason or permission.
- Commits an act of sexual harassment.
- Discriminates against others on the basis of race, gender, disability, sexuality or othergrounds outlawed by the Constitution.
- Performs poorly or inadequately for reasons other than incapacity.
- Without written approval from her or his department, performs work for compensation in a private capacity for another person or organisation either during or outside working hours.
- Without authorisation, sleeps on duty.
- While on duty, is under the influence of an intoxicating, illegal, unauthorised, habit forming and/or stupefying drug, including alcohol.
- While on duty, conducts herself or himself in an improper, disgraceful and unacceptable manner.
- Contravenes any prescribed Code of Conduct for the public service.

- Assaults, or attempts or threatens to assault, another employee or person while on duty.
- Incites other personnel to unprocedural and unlawful conduct.
- Displays disrespect towards others in the workplace or demonstrates abusive or insolent behavior.
- Intimidates or victimises fellow employees.
- Prevents other employees from belonging to any trade union or body.
- Operates any money lending scheme for employees for own benefit during working hours or from the premises of the public service.
- Carries or keeps firearms or other dangerous weapons on state premises, without the written authorisation of the employer.
- Refuses to obey security regulations.
- Gives false statements or evidence in the execution of his or her duties. Falsifies records or any other documentation.
- Participates in unprocedural, unprotected and/or unlawful industrial action. Commits a common law or statutory offence while on state premises.

