



# VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

<b>FRAUD PREVENTION POLICY 2017/18</b>
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## **1. PURPOSE**

The purpose of this Policy is to articulate Victor Khanye Local Municipality's philosophy on fraud prevention plan. The Municipality adopts a comprehensive approach to the management of fraud risk.

## **2. BACKGROUND**

The provisions of Section 62 (1) (a) (i) of the Municipal Finance Management Act stipulates that the Accounting Officer is responsible for ensuring that the Municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control.

Furthermore, Section 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 Municipality.

## **3. SCOPE OF THE POLICY**

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

## **4. POLICY STATEMENT**

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

## **5. THE CONCEPT OF FRAUD PREVENTION**

Fraud prevention is a process that is adopted in putting mechanism in place, to manage the Victor Khanye Local Municipality's vulnerability to fraud.

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

### **5.1 INVESTIGATION PROCEDURES**

Victor Khanye Local Municipality has developed investigation procedures to ensure uniformity in the reporting and investigation of incidents of fraud and corruption.

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

## **5.2 ANTI-FRAUD PROGRAMMES**

Victor Khanye Local Municipality has developed the following programmes to address the threat of fraud and corruption:

- i. Recruitment policy;
- ii. Accounting and operational policies;
- iii. Fraud awareness training (indicators of fraud);
- iv. Fraud risk assessment;
- v. Code of ethics and conduct;
- vi. Investigation procedure; and
- vii. Fraud response strategies.

## **6. ROLE PLAYERS**

Victor Khanye Local Municipality has taken a stance that management of fraud and corruptions threat like any other risks is the responsibility of everyone in the Municipality.

### **6.1 RISK MANAGEMENT OVERSIGHT**

#### **6.1.1 COUNCIL**

Victor Khanye Local Municipality Council 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.

Council shall:

- i. Obtain assurance from management that the municipality's strategies were based on a rigorous assessment of fraud risks;
- ii. Obtain assurance that key fraud risks inherent in the institution's strategies were identified and assessed, and that they are properly managed;
- iii. Assist the Accounting Officer to deal with fiscal, intergovernmental, political and other fraud risks beyond his/her direct control and influence;
- iv. Approve the fraud and anti-Corruption risk management policy, strategy, and other risk management enabling documents.
- v. Implement the audit findings and recommendations of the internal and external auditors on issues of fraud and corruption.
- vi. Implement any recommendations from the audit committee any other oversight committee such as MPAC (Municipal Public Accounts Committee)

#### **6.1.2 AUDIT COMMITTEE**

It is an independent committee responsible for oversight of the Municipality's control, governance and fraud risk management. The responsibility of the Audit Committee should include the following;

- i. Reviewing and recommending disclosure on matters of risk in the annual financial statements;
- ii. Reviewing and recommending disclosures on matters of risk and risk management in the annual report;
- iii. Providing regular feedback to the Accounting Officer / Council on the adequacy and effectiveness of fraud risk management in the Municipality, including recommendations for improvement;
- iv. Ensuring that the internal and external audit plans are aligned to the fraud risk profile of the Municipality;

- v. Satisfying itself that it has appropriately addressed the following areas;
  - Financial reporting risks, including the risk of fraud;
  - Internal financial controls; and
  - IT fraud risk as they relate to financial reporting;
- vi. Evaluate the effectiveness of Internal Audit in its responsibilities for fraud risk management.

### **6.1.3 RISK MANAGEMENT COMMITTEE**

The Risk Management Committee is appointed by the Accounting Officer/ Authority to assist them to discharge their 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 and responses to address these fraud risks.

## **6.2. RISK MANAGEMENT IMPLEMENTERS**

### **6.2.1 Accounting Officer**

The Accounting Officer is responsible for the Council'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.

### **6.2.1 Management**

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

Management shall;

- i. Set tone at the tone for officials;
- ii. Report to Council on what actions have been taken to manage fraud risks and regularly report on the effectiveness of fraud risk management programmes;
- iii. Be responsible for the prevention and detection of fraud and corruption and must report all incidents and allegations to the Accounting Officer.
- iv. Ensure that assessments are conducted annually in their department/units and that agreed risk management plans are implemented;
- v. Ensure that all employees attend fraud and corruption related awareness workshop or training and that all information is communicated to all employees for compliance and implementation.

### **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.

Other Officials, including management shall:

- i. Have a basic understanding of fraud and be aware of the red flags;
- ii. Understand how their job procedures are designed to manage fraud risks and when non-compliance may create an opportunity for fraud to occur or go undetected; and
- iii. Read and understand policies and procedures (e.g. fraud policy, code of conduct and whistle blowing policy), as well as other operational policies and procedures, such as procedure manuals.

## **6.3 RISK MANAGEMENT SUPPORT**

### **6.3.1 Risk Officer**

The Risk Officer is the custodian of the Fraud Prevention Strategy, facilitator and coordinator of fraud risk management activities throughout the Council. The primary responsibility of the Risk Officer is to bring to bear his/her expertise to assist the Council to embed risk management and leverage benefits to enhance performance.

### **6.3.2 Risk Champions**

Risk Champion's responsibility involves coordinating fraud risk mitigations in their respective department. Risk Champions should not assume the role of risk owner for fraud risk management.

## **6.4 RISK MANAGEMENT ASSURANCE PROVIDERS**

### **6.4.1 Internal Audit**

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

Internal Audit shall:

- i. Monitor the implementation of recommended control to minimise fraud and corruption;
- ii. Evaluate the effectiveness of fraud and corruption control measures;
- iii. Advise management on the integrity of information;
- iv. Design additional steps in the audit programs to assist in detecting, addressing and preventing re-occurrence of similar incidents;
- v. Monitor implementation of recommended actions resulting from conclusions of fraud investigations;
- vi. Highlight legislation, policies and procedures that might have been violated as a result of the outcome of an investigations, and
- vii. Report all identified and suspected fraud and corruption matters.

### **6.4.2 External Audit**

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

## **7. POLICY REVIEW**

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

