

OVERBERG DISTRICT MUNICIPALITY



ANTI- CORRUPTION, FRAUD AND FINANCIAL MISCONDUCT POLICY

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Annexure A

1. BACKGROUND

Overberg subscribes to the principles of good corporate governance, which requires the conducting of business in an honest and transparent fashion.

As a consequence, Overberg is committed to fighting fraudulent and corruptive behaviour at all levels within the organisation.

2. PURPOSE

The purpose of this policy is to establish boundaries for acceptable behaviour and guidelines for the application of the Anti-corruption and fraud prevention plan.

3. DEFINITIONS

“Accounting Officer” means the Municipal Manager appointed in terms of Section 54A of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000) as amended

“Disciplinary board” means a disciplinary board established in terms of regulation 4(1) or a disciplinary board of a district municipality or provincial structure referred to in regulation 4(8)

“Fraud and corruption” includes, but is not limited to the following legal definitions:

- **Fraud**, i.e. the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another;
- **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;
- **Offences in respect of corrupt activities** as defined in the Prevention and Combating of Corrupt Activities Act, 2004, i.e.:
 - 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:

- Illegal, dishonest, unauthorised, incomplete, or biased;
- Misuse or selling of information or material acquired;
- Abuse of position of authority;
- Breach of trust;
- Violation of a legal duty or set of rules;
- Designed to achieve an unjustified result; and
- Any other unauthorised or improper inducement 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.:
 - Human Resources – Employment Practices:
 - Inadequate vetting of employees;
 - Procurement:
 - Non-compliance to tender procedures;
 - Procurement fraud, e.g. collusion between employees and suppliers;
 - Fraudulent information submitted by suppliers when tendering for work;
 - Financial Systems and Control:
 - Deliberate non-compliance to policies and procedures;
 - Abuse of the system of overtime;
 - Abuse of the system of travel claims;
 - Fraudulent payment certificates submitted for payment;
 - Non-compliance to delegated authority limits;
 - Financial issues: i.e. where individuals or entities have fraudulently obtained money from the Municipality, e.g.:
 - Human Resources – Employment Practices:
 - Ghost employees;
 - Irregular appointment of staff for undue benefits;
 - Procurement:
 - Suppliers invoicing for work not done;
 - Contractors “fronting”.
 - Financial Systems and Control:
 - Theft, e.g. petty cash amongst others;
 -
 - Fraudulent travel claims by employees and Councillors;
 - Equipment and resource issues: i.e. where the Municipality's equipment is utilised for personal benefit or stolen, e.g.:
 - Financial Systems and Control:
 - Theft of assets;
 - Abuse of assets;

- Deliberate destruction of property; and
 - Use of the Municipality resources and equipment for private gain.
- Other issues: i.e. activities undertaken by employees of Overberg , which may be against policies or fall below established ethical standards, e.g.:
- Conflict of interest ;
 - Favouritism; and
 - Non-disclosure of private work

“Municipality” refers to the Overberg District Municipality.

“Manager” shall mean all the middle management (Line managers) of the various directorates not directly reporting to the municipal manager.

4. LEGISLATIVE CONTEXT OF THE POLICY

The policy aims to give effect to the requirements and stipulations of –

- The Municipal Finance Management Act 56 of 2003 (MFMA);
- Treasury regulations issued in terms of the MFMA;
- Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, (No. 37682 of 2014)
- Protected Disclosures Act 26 of 2000.

5. SCOPE OF THE POLICY

This policy applies to all corruption, fraud, theft, financial misconduct and maladministration or suspected irregularities of this nature involving the following persons or entities:

- 5.1 all members of the Council of the Municipality;
- 5.2 all employees of the Municipality; and
- 5.3 consultants, suppliers, contractors and other providers of goods or services to the Municipality.

6. THE POLICY

It is the policy of the Municipality that:

- 6.1 corruption, fraud, theft, maladministration or any other dishonest activities of a similar nature will not be tolerated;
- 6.2 such activities will be investigated and followed up by the application of all remedies available within the full extent of the law;
- 6.3 all managers are responsible for the detection, prevention and investigation of all corruption, fraud, theft and maladministration;
- 6.4 all employees are responsible for reporting suspected fraudulent and corruptive activities;
- 6.5 appropriate prevention (e.g. separation of duties) and detection controls (e.g. physical inventory checks) will be rigorously applied, and to that end, the provisions of the Municipal Finance Management Act and regulations issued there under will be strictly observed;
- 6.6 the Municipality will take appropriate legal action to recover losses or damages arising from fraud, corruption, theft or maladministration.

7. ACTIONS CONSTITUTING CORRUPTION, FRAUD, THEFT AND MALADMINISTRATION

Offences constituting corruption, fraud, theft and maladministration collectively refer to, but are not limited to:

- 7.1 any dishonest, fraudulent or corrupt act;
- 7.2 theft of funds, supplies, or other assets;
- 7.3 maladministration or financial misconduct in handling or reporting of money, financial transactions or other assets;
- 7.4 making a profit from insider knowledge (e.g. tips from insiders);
- 7.5 disclosing confidential or proprietary information to outside parties;
- 7.6 irregularly accepting, requesting, offering or giving anything of material value to or from contractors, suppliers or other persons providing services/goods to the Municipality;
- 7.7 irregular destruction, removal or abuse of records, furniture and equipment;
- 7.8 use of the municipality's assets for personal gain;
- 7.9 any similar or related irregularity; and

7.10 deliberately omitting or refusing to report or act upon reports of any such irregular or dishonest conduct.

8. PROTECTION OF WHISTLE BLOWERS

8.1 The Protected Disclosures Act, 2000, protects whistle blowers. No employee will be subjected to any occupational detriment by the municipality on account, or partly on account of having made a protected disclosure.

8.2 An employee or councilor who suspects or reports suspected dishonest activity or any such activity that he or she has witnessed or of which he or she has knowledge, may remain anonymous should he or she so require, subject, however, to the laws and procedures relating to the investigation of offences by the SA Police Service and the giving of evidence.

8.3 The malicious making of any false allegations by any employee or councilor shall constitute a serious disciplinary infraction.

9. RESPONSIBILITY FOR CONDUCTING INVESTIGATIONS

9.1 The responsibility for conducting investigations relating to corruption lies with the Accounting Officer, who may delegate such responsibility, whether generally or in specific cases, to such manager or managers of the municipality as he may consider appropriate.

9.2 The assistance of the following may be sought for purposes of carrying out any such investigation:

9.2.1 External and internal Audit Services;

9.2.2 External investigating agencies, for example the South African Police Services, where matters fall within their mandate;

9.2.3 External consultants, for example Forensic Accounting consultants;

9.2.4 Office of the National Director of Public Prosecutions;

9.2.5 Special Investigating Units established under any law;

9.2.6 The Public Protector

9.2.7 Any other authority as determined by Council

9.3 The municipality will make all evidence collected during the course of an investigation available to law enforcement agencies and will pursue the prosecution of all parties involved in criminal activities.

9.4 **Investigation Bodies**

The Disciplinary Board consist of-

- Head Internal Audit;
- Chairperson of the Audit and Performance Audit Committee;
- Senior official responsible for legal;
- A representative of the Provincial Treasury and/or National Treasury; and
- Chairperson of the Fraud and Risk Management Committee.

A disciplinary board is an independent advisory body that assist with the investigation or allegations of financial misconduct and provide recommendations on further steps to be taken regarding disciplinary proceedings, or any relevant steps to be taken.

10. REPORTING PROCEDURES AND RESOLUTION OF REPORTED INCIDENTS

10.1 It is the responsibility of all persons mentioned in paragraph 5 above to report all incidents of corruption, fraud, theft and maladministration. Whilst verbal reports are acceptable, written reports should be encouraged.

10.2 In the case of an employee, such employee must report any such incident to his or her manager; provide that if such employee is not comfortable reporting such matters to his or her manager, the matter should be reported to such manager's superior, with final recourse to the Accounting Officer.

In the case of a councilor, the councilor must be report the matter directly to the Accounting officer.

10.3 It is the responsibility of the Managers to report and/or escalate all incidents of fraud, corruption, theft, maladministration and other suspected irregularities of this nature to the Accounting Officer.

Such reporting by managers must be made as follows:

- Verbally, immediately after discovery of the incident in question.
- Such verbal report must be followed by a detailed written report to be submitted within 24 hours of the discovery of such an incident.

10.4 It is the responsibility of the Accounting Officer or the Mayor in case the Accounting Officer, to immediately report all incidents of fraud, corruption, theft, maladministration and other suspected irregularities of this nature to the Provincial Treasury and National Treasury. This reporting must take place as follows:

- Telephonically within twenty four (24) hours of receiving the report from the Manager regarding an incident;
- This telephonic report must be followed by a detailed written report to be submitted within seven days after discovery of such an incident.

10.5 If the Accounting Officer is of the opinion that the matter might lead to the laying of criminal charges, the Accounting Officer will report such incident within 24 hours of receiving the report from the manager concerned to the South African Police Service.

10.6 Where a staff member is alleged to have committed an act of fraud, corruption, theft, or maladministration the Manager must institute disciplinary proceedings, within a reasonable period, in terms of the disciplinary code and procedure of the Municipality.

10.7 As soon as a disciplinary hearing on a charge concerning any matter contemplated in par 7 is completed, the outcome must be reported to the Accounting Officer. Such report shall deal with the following:

- 10.7.1 The name and position of the staff member against whom proceedings are instituted;
- 10.7.2 The disciplinary charges, indicating the misconduct the staff member is alleged to have committed;
- 10.7.3 The findings of the disciplinary hearing;
- 10.7.4 Any sanction imposed on the staff member; and
- 10.7.5 Any further action to be taken against the staff member, including criminal charges or civil proceedings.

10.8 The Accounting Officer is also required to ensure that losses or damages suffered by the municipality as a result of an act committed or omitted by a staff member must be recovered from such a staff member if he is liable in law. The Accounting Officer must determine the amount of the loss or damage and, in writing request that staff member to pay the amount within 30 days or in reasonable installments. If the staff member fails to comply with the request, the legal process will then be initiated by the Accounting Officer.

10.9 Decision Tree Annexure A to the Policy set-out the process flow to be followed when incidents of corruption, fraud, theft and maladministration are reported.

11. HARASSMENT OR VICTIMISATION

The Municipality will not tolerate harassment or victimisation of any person who reports any incident of fraud, corruption theft or mal-administration.and will take action to protect staff when they report incidents in good faith. Any act of harassment or victimisation should be reported to the Head of Department. The Head of Department should escalate the matter to the Accounting Officer.

12. CONFIDENTIALITY

12.1 All information relating to irregularities that is received and investigated by Managers will be treated confidentially. Investigations will be handled in a confidential manner and will not be disclosed or discussed with any other 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.

12.2 No person is authorized to supply any information with regard to the issues covered within this policy to the media without the express permission of the Accounting Officer.

13. ANONYMOUS ALLEGATIONS

- 13.1 The Municipality encourages staff to put their names to allegations. Concerns expressed anonymously are difficult to investigate; nevertheless they will be followed up at the discretion of the municipality. This discretion will be applied by taking into account the following:
- seriousness of the issue raised;
 - credibility of the concern; and
 - likelihood of confirming the allegation.

14. APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS

14.1 In all instances where incidents of fraud, corruption, theft, maladministration and other similar irregularities of this nature take place, all Managers are required to immediately review the controls which have been breached in order to prevent similar irregularities from taking place in future, within a period of 48 hours after the occurrence of the initial incident.

14.2 Anti-corruption and Fraud Prevention Plans implemented by all heads of department.

15. TRAINING, EDUCATION AND AWARENESS

15.1 In order for the Policy to be sustainable, it must be supported by a structured education, communication and awareness programme.

15.2 It is the responsibility of all heads of department and managers to ensure that all staff, are made aware of, and receive appropriate training and education with regard to this Policy.

16. ADMINISTRATION

16.1 The custodian of this policy is the Accounting Officer who is supported in its implementation by the all Heads of Department.

16.2 The Accounting Officer is responsible for the administration, revision, interpretation, and application of this policy. It will be reviewed annually, and revised as required.

17. RELATED POLICIES

The following documents are related to this policy:

17.1 Anti-corruption and Fraud prevention plan for Overberg District Municipality

18. REVIEW

18.1 This policy will be reviewed at least annually and updated if needed.

19. EFFECTIVE DATE

This policy came into effect on 1 July 2016

Date of last approval

Approved 25 April 2016, Item A376


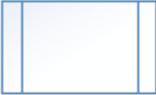



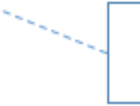
Reviewed 30 March 2017, Item A69

Reviewed 28 May 2018, Item A230

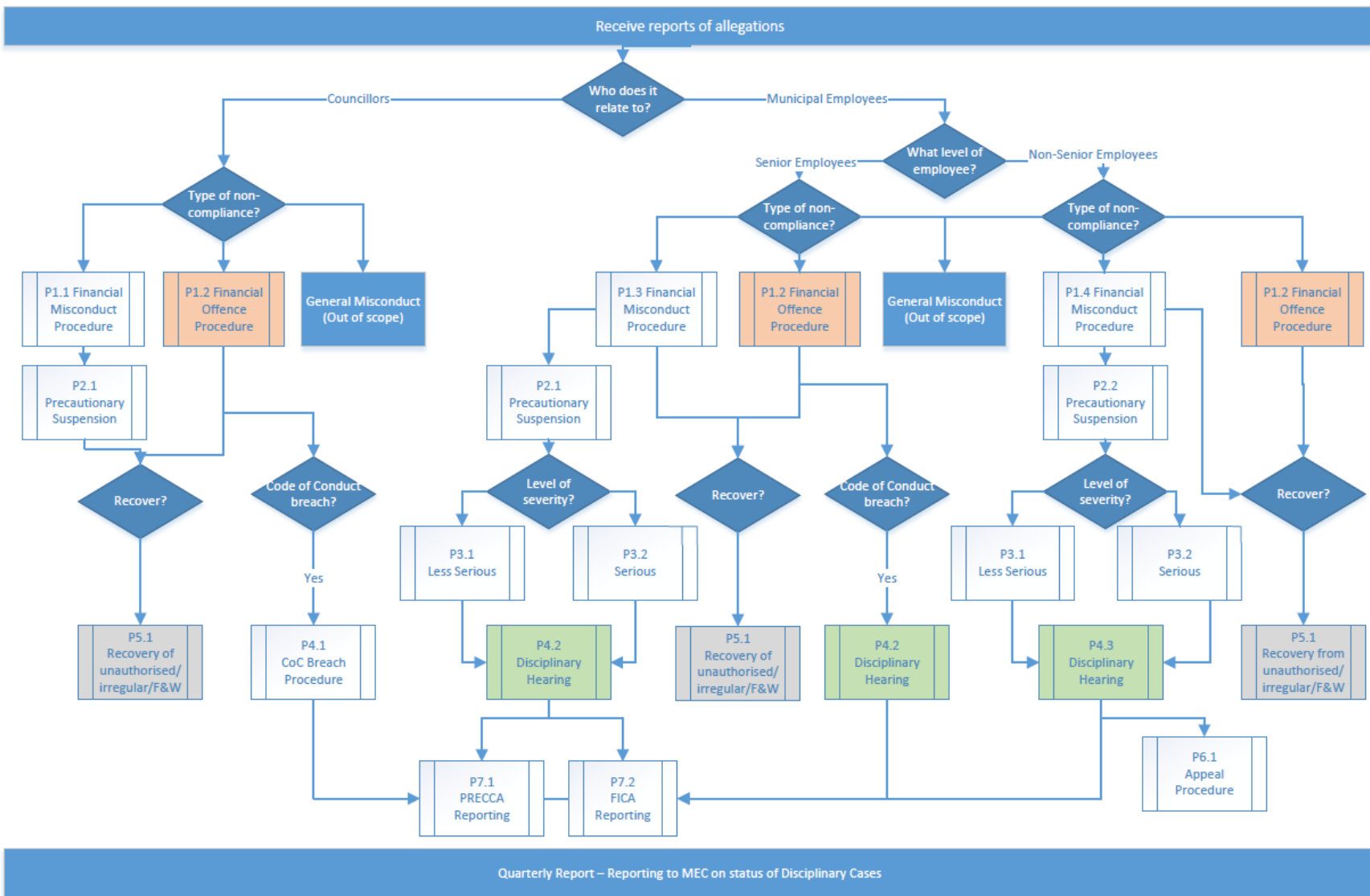
Reviewed 22 August 2022, Item A8

National Hotline 0800 701 701 (Toll-free) Provincial Forensic Services on 021 483 0931

DECISION TREE

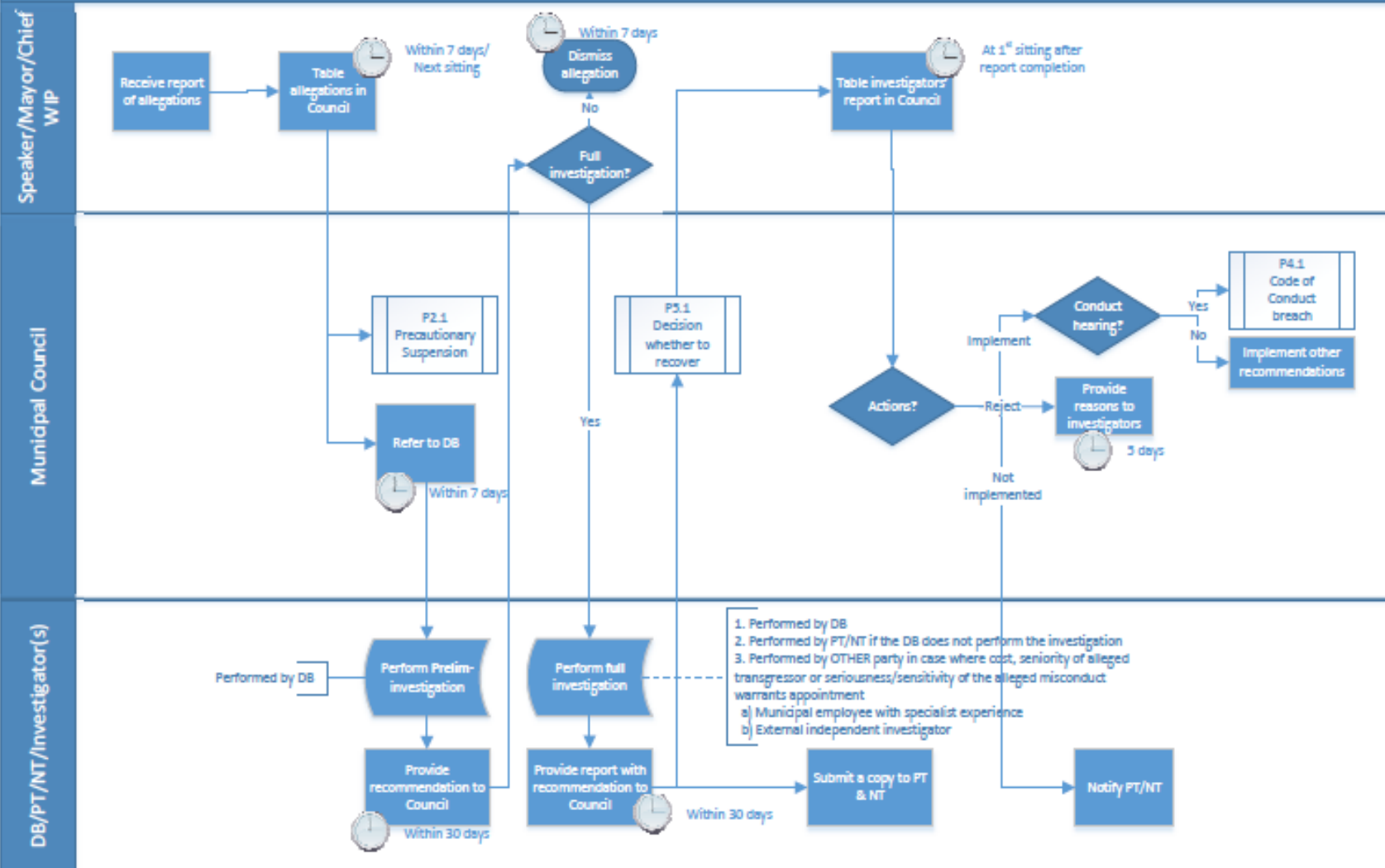
Shape	Description
	Process step
	Sub-process
	Decision/Options
	External step
	Timing
	Note – to provide additional detail

Decision Tree



P1.1 Financial Misconduct Procedure– Councillor

Phase

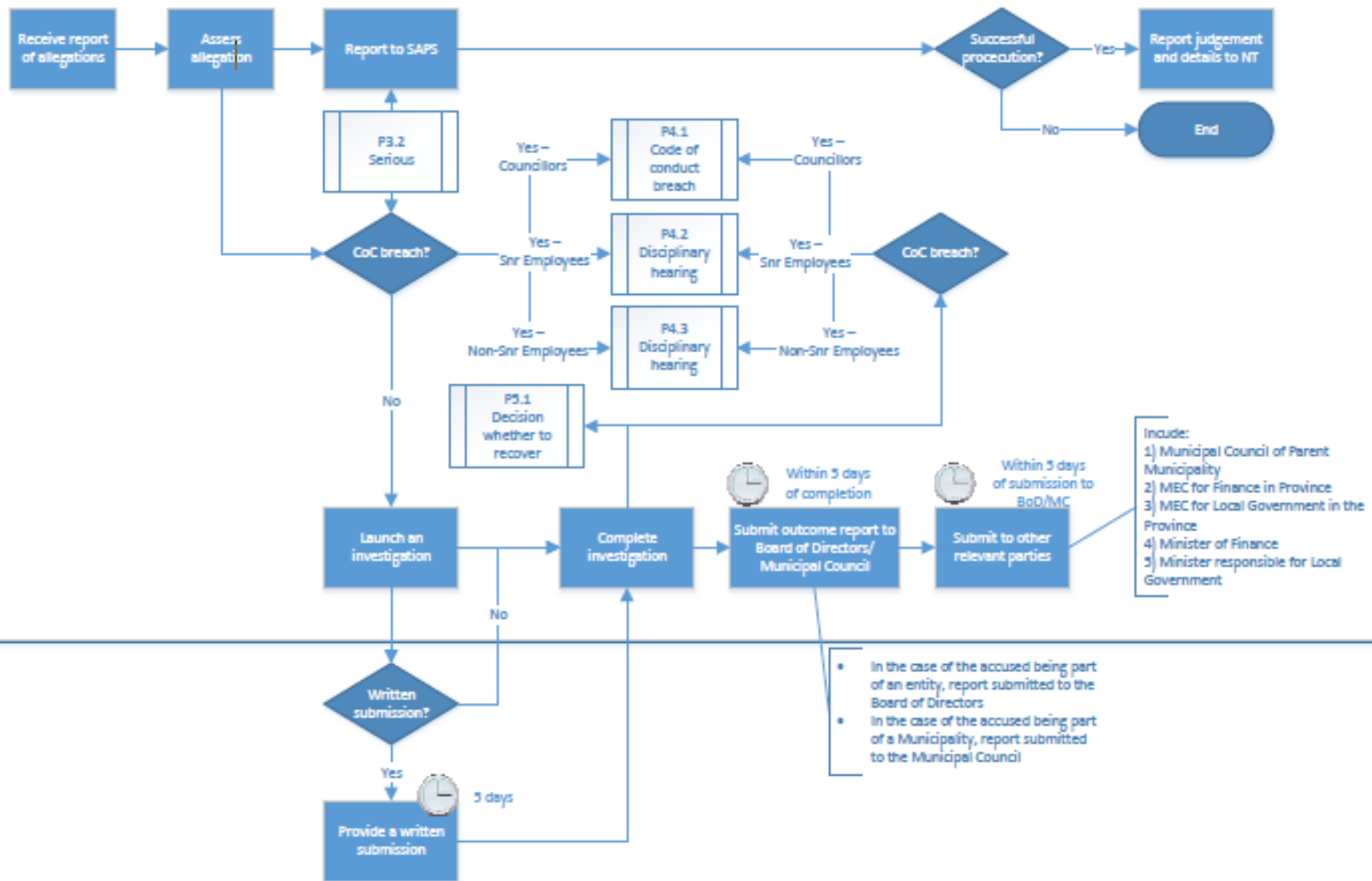


P1.2 Financial Offences Procedure – Councillors/Employees

Phase

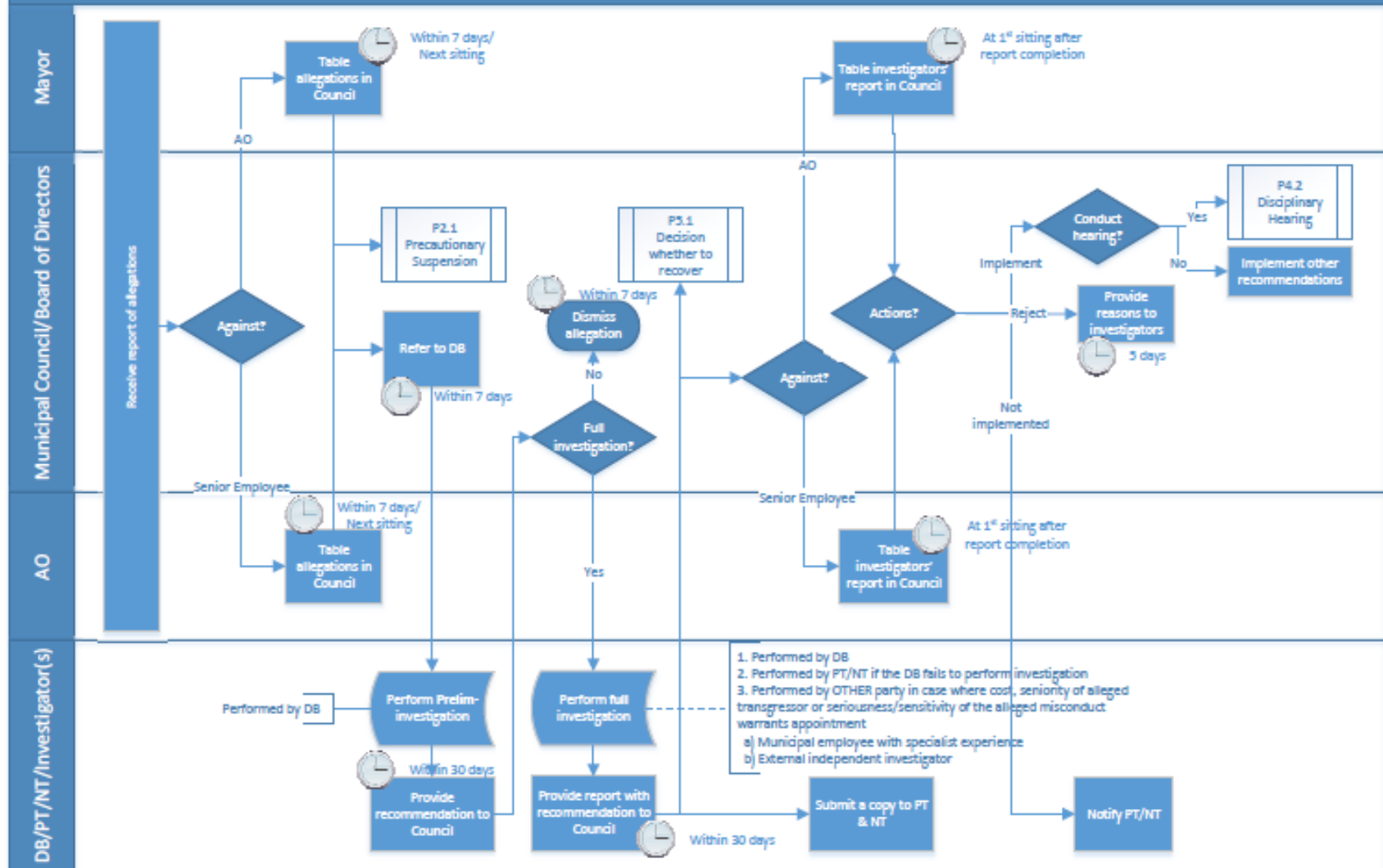
Designated Official/Delegated Authority

Accused Official



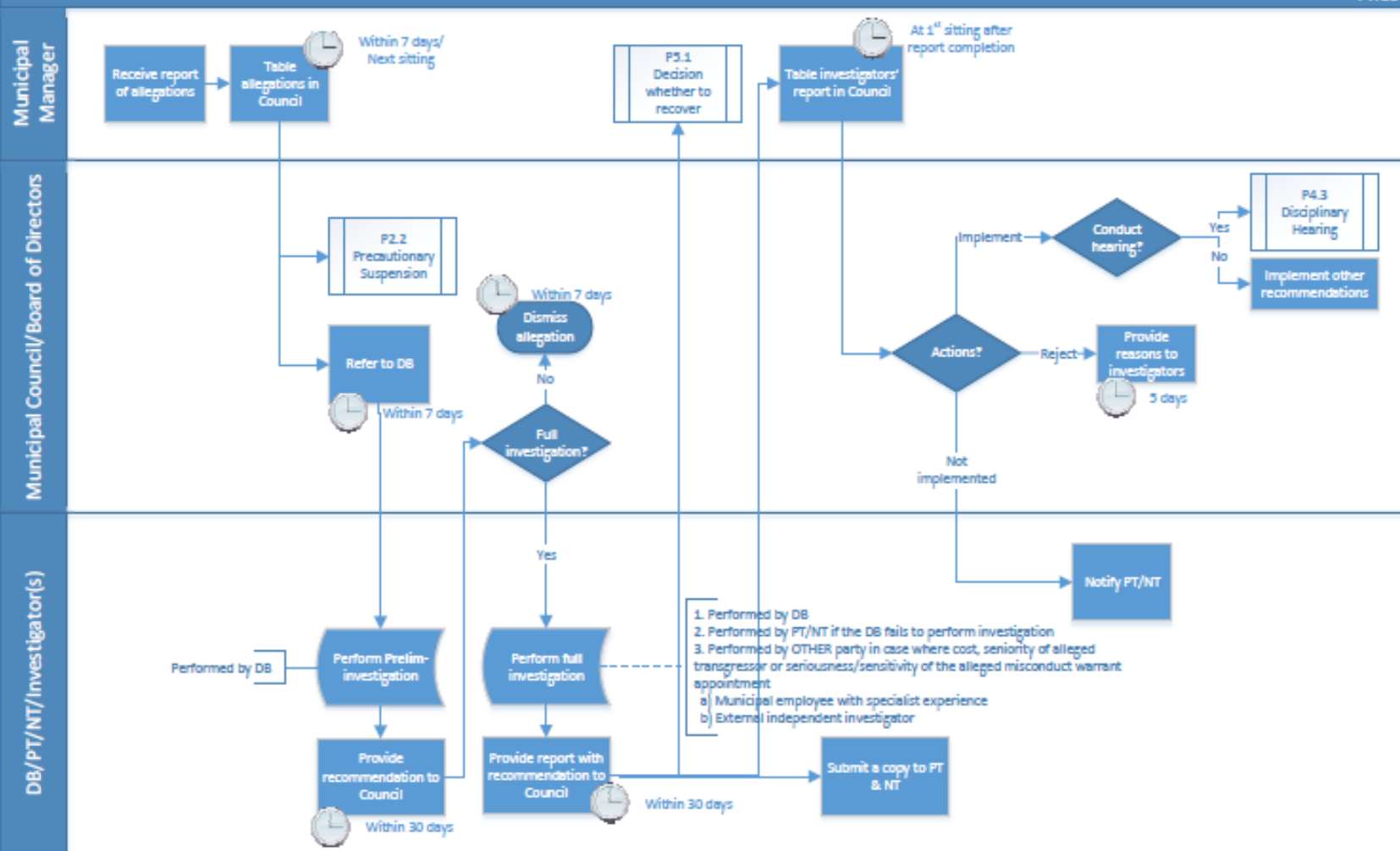
P1.3 Financial Misconduct Procedure– Senior Employees

Phase



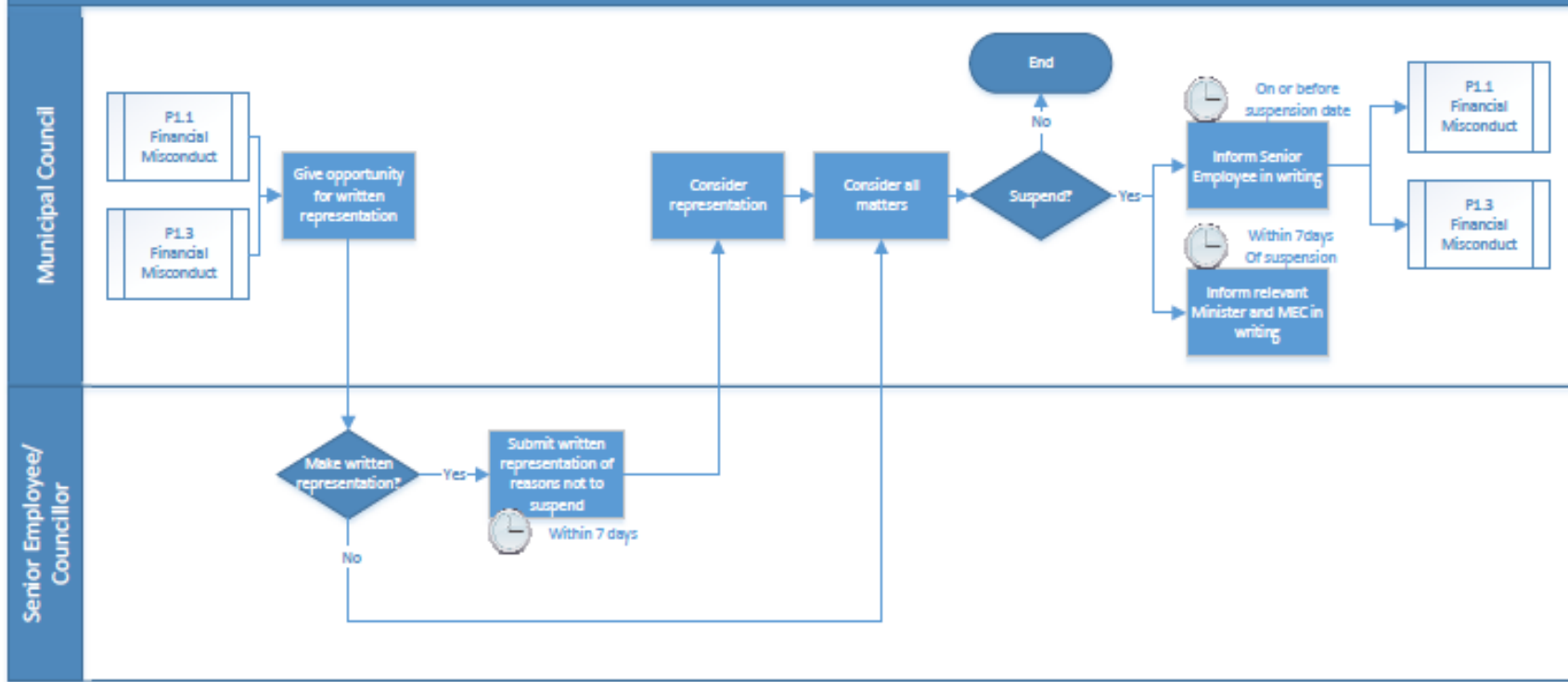
P1.4 Financial Misconduct Procedure– Non-Senior Employees

Phase



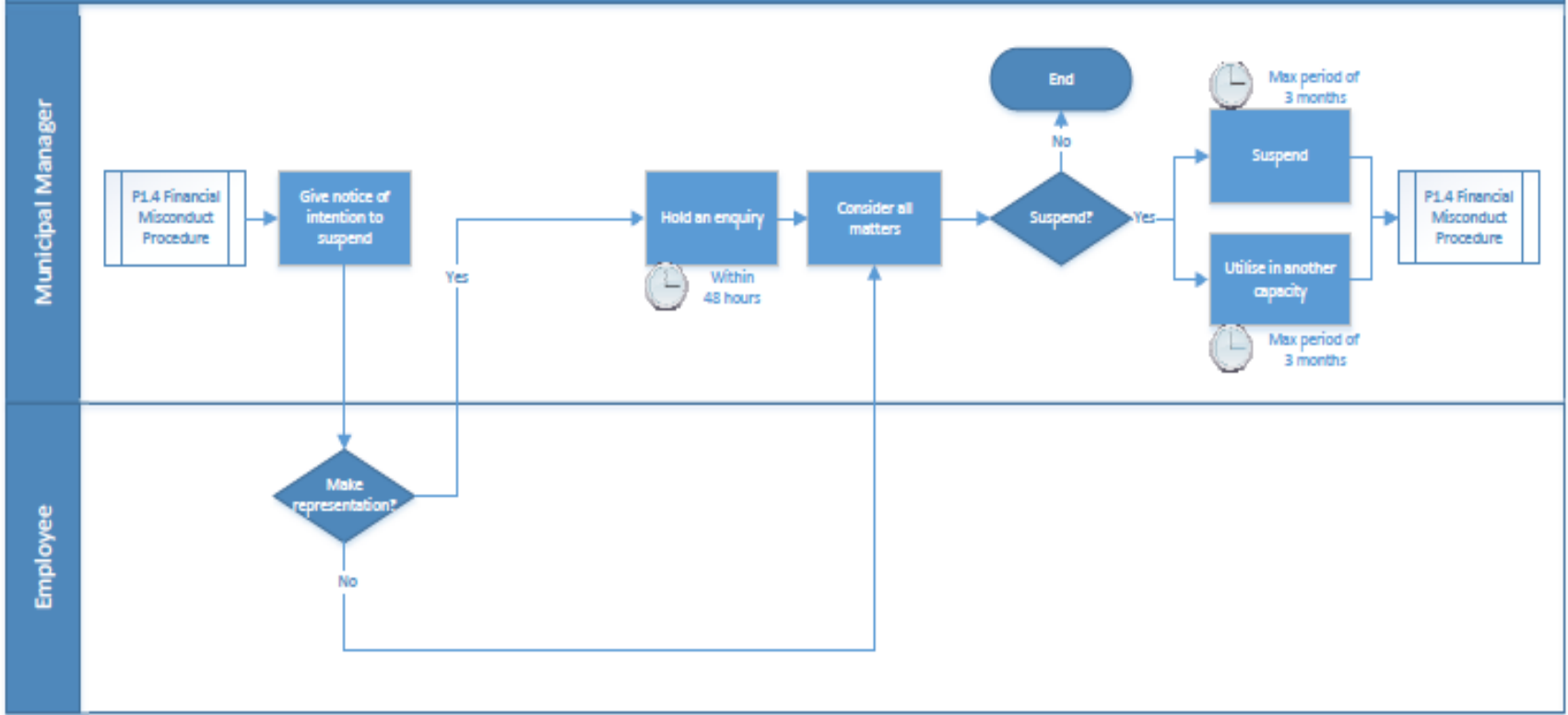
P2.1 Precautionary Suspension – Councillors/Senior Employees

Phase



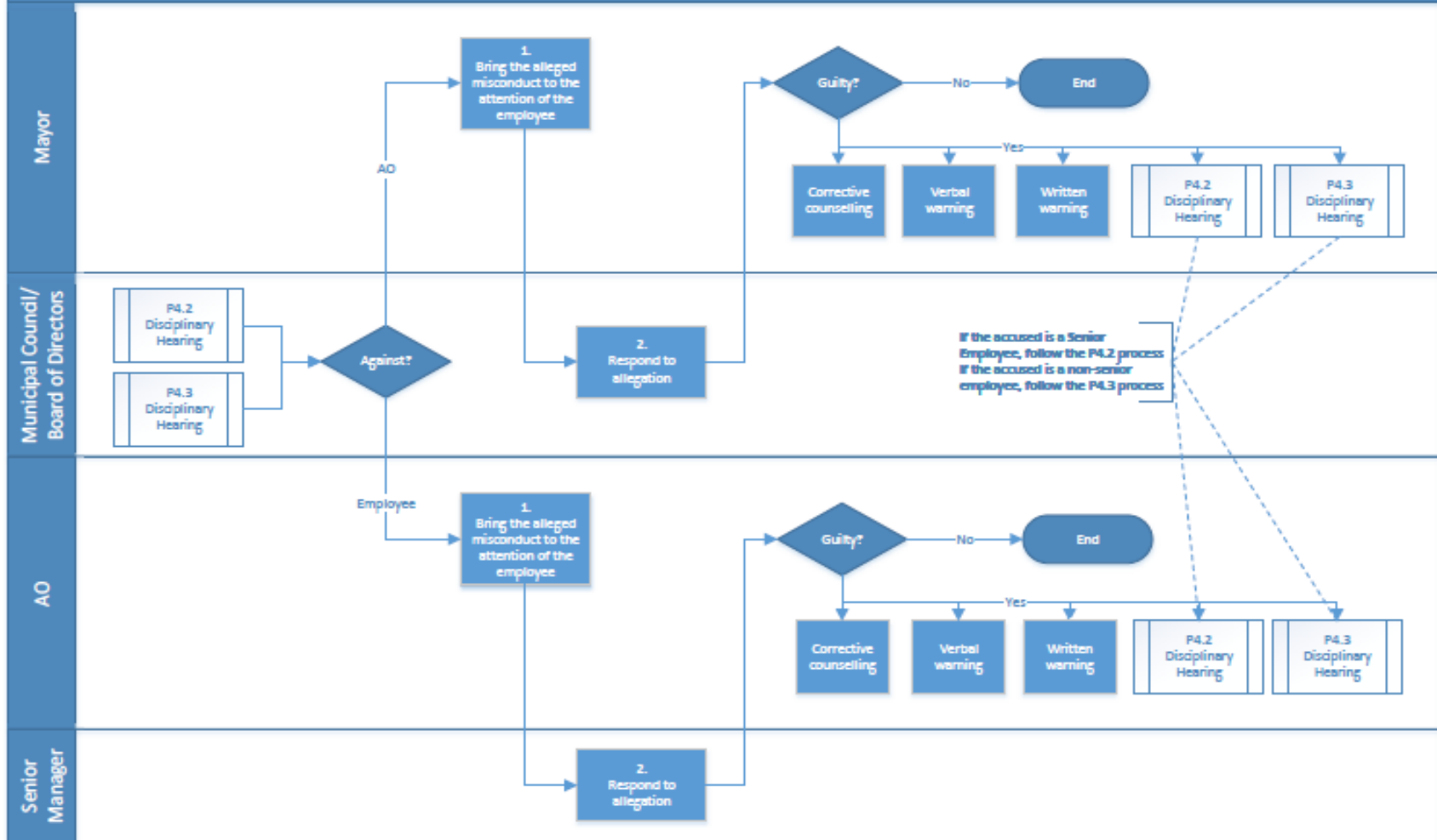
P2.2 Precautionary Suspension – Non-Senior Employees

Phase



P3.1 Less Serious misconduct – Senior Employees/Non-Senior Employees

Phase

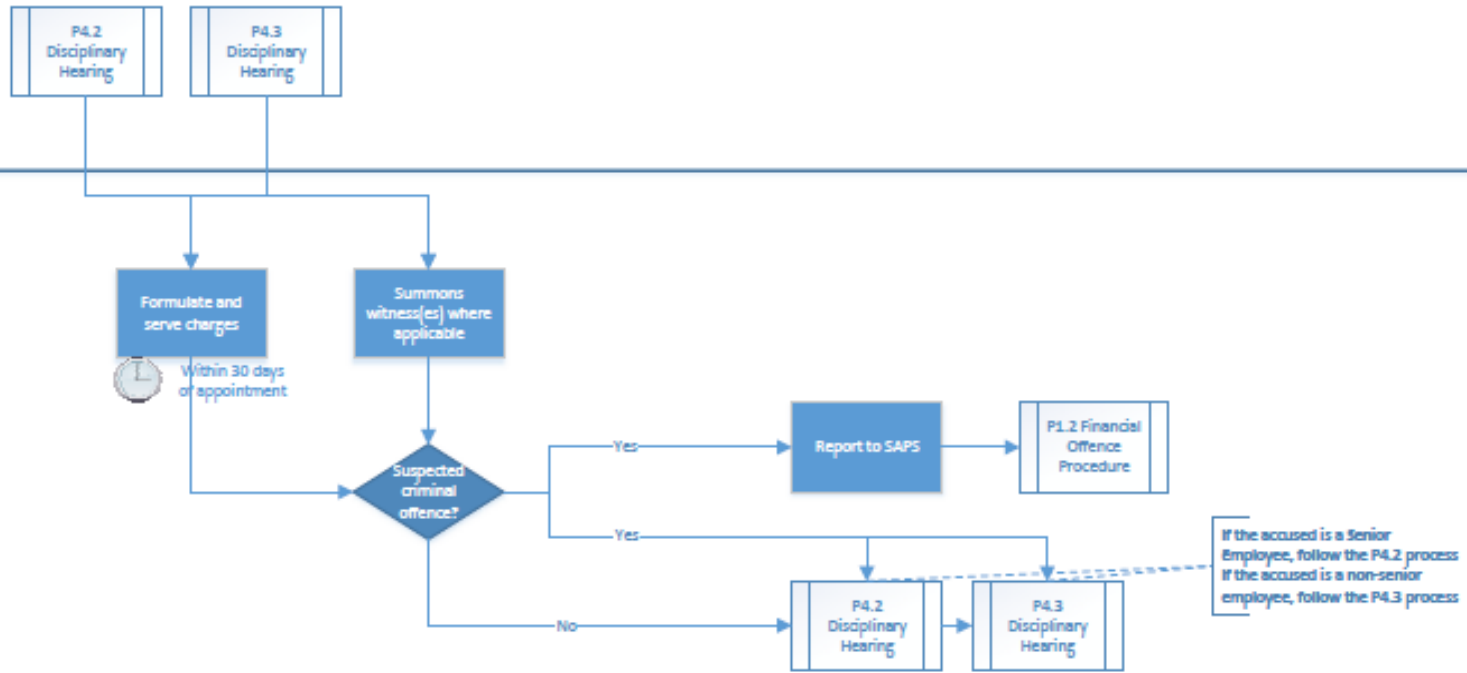


P3.2 Serious misconduct – Senior Employees/Non-Senior Employees

Phase

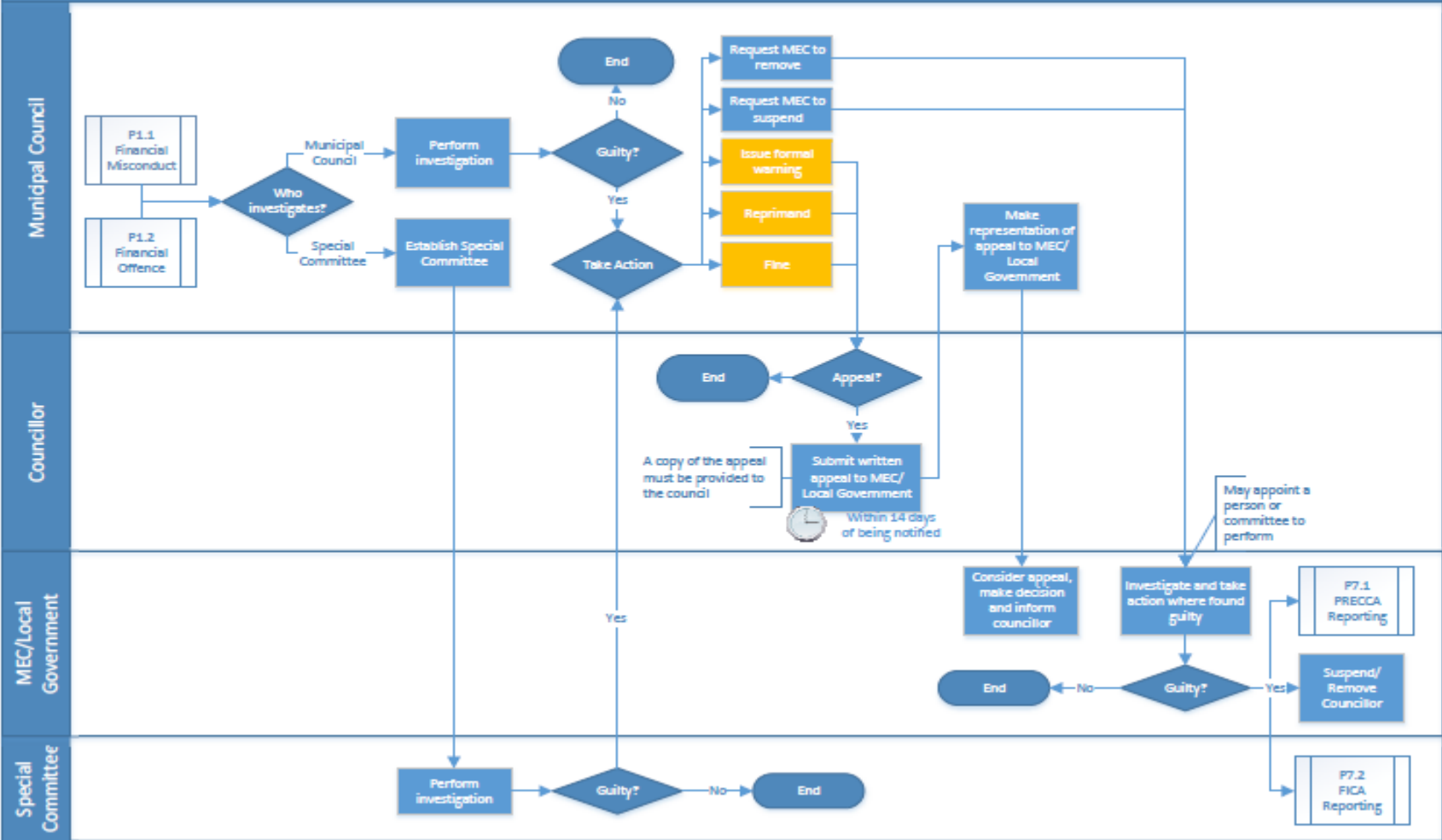
Municipal Council/
Board of Directors

Officer Leading Evidence

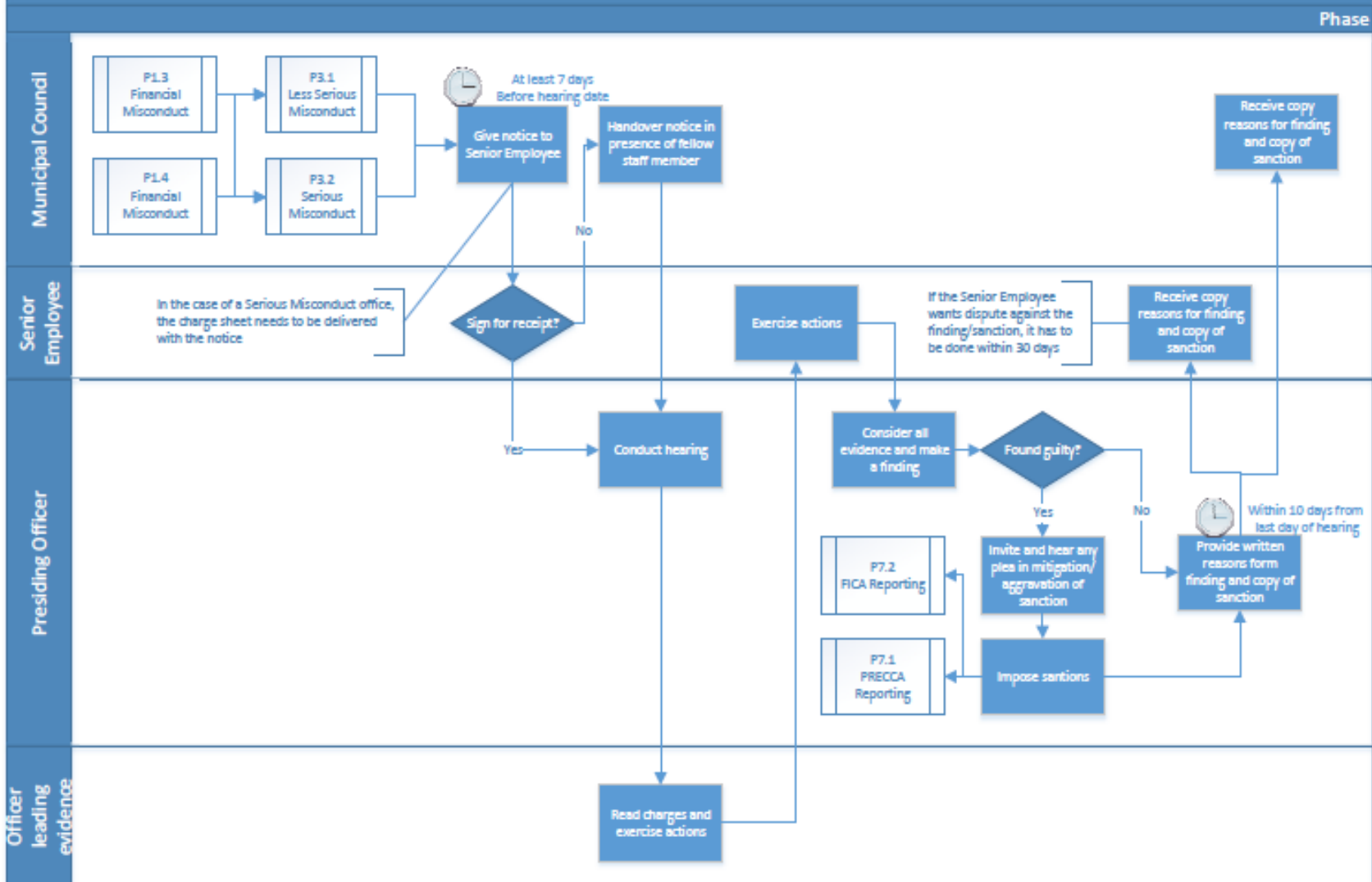


P4.1 Code of Conduct Breach – Councillors

Phase

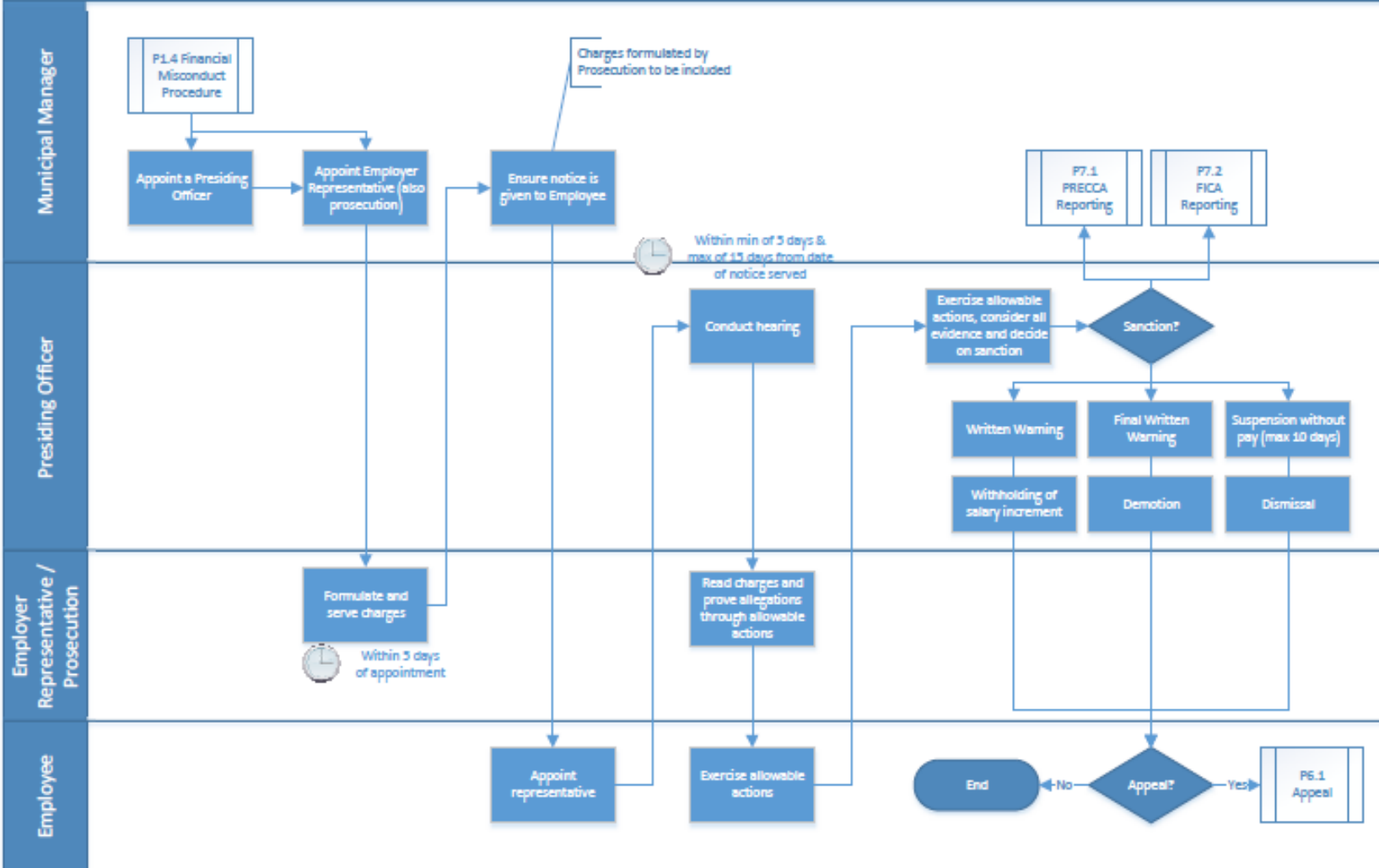


P4.2 Disciplinary Hearing – Senior Employees



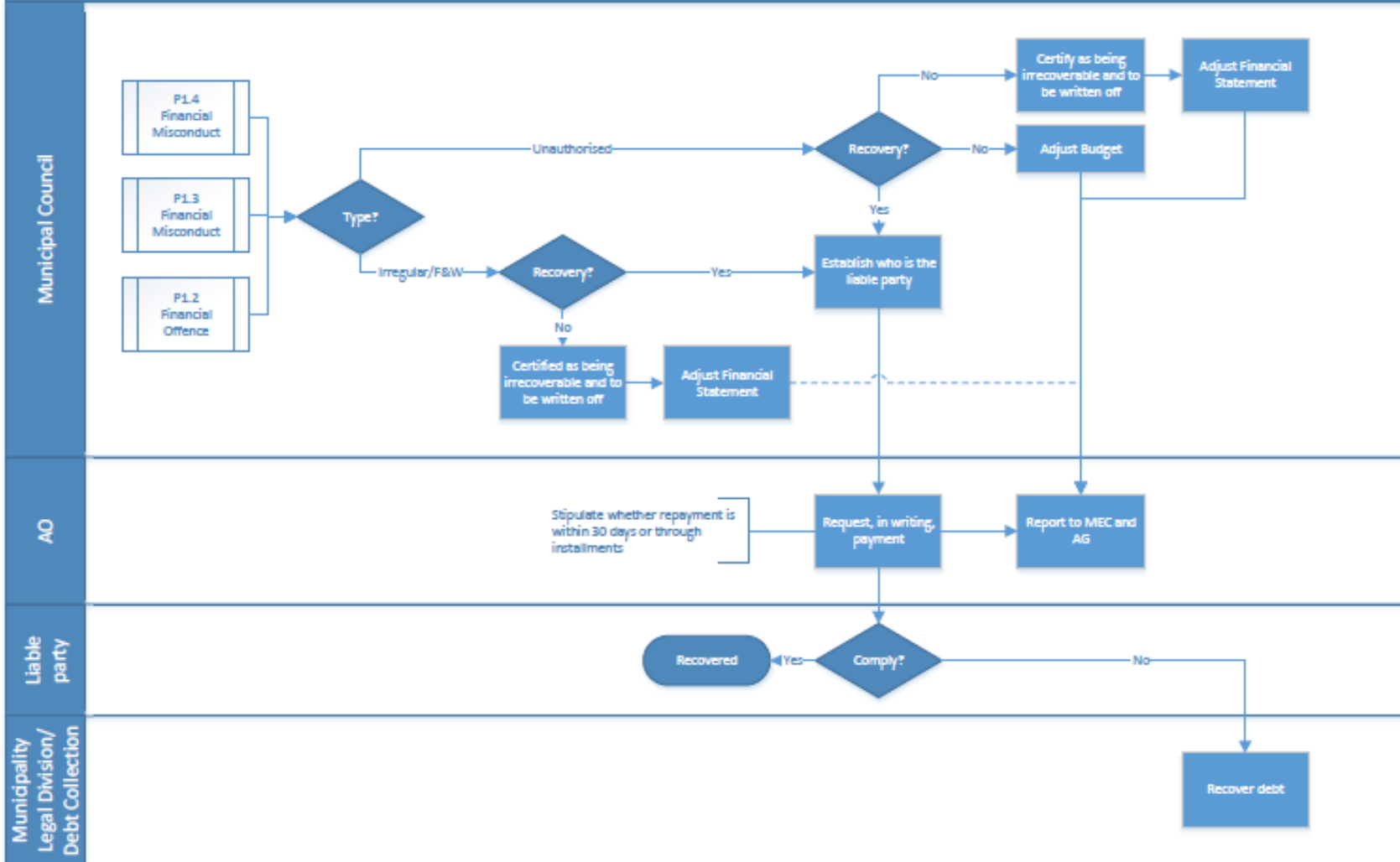
P4.3 Disciplinary Hearing – Non-Senior Employees

Phase



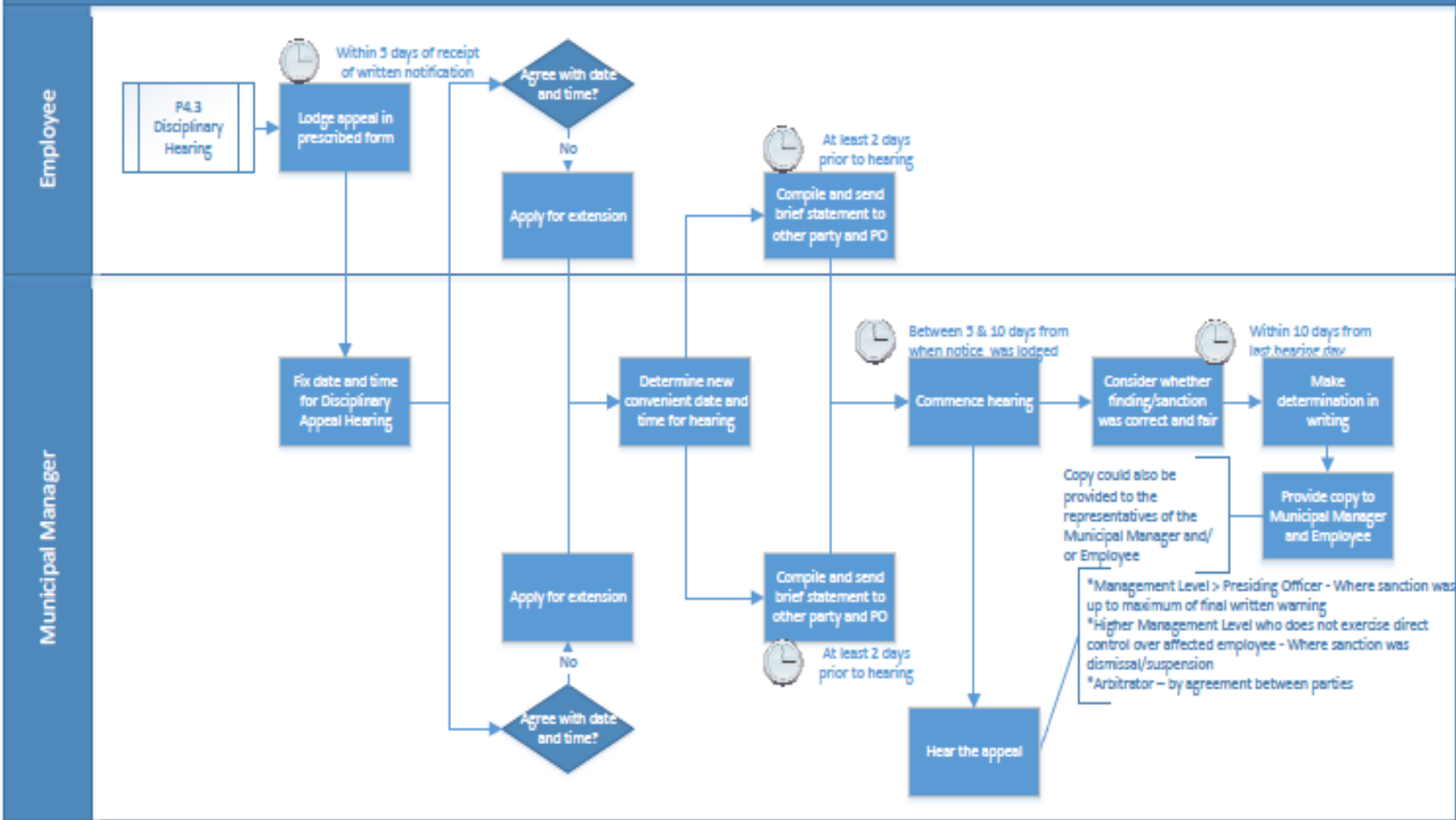
P5.1 Decision whether to Recover Unauthorised/Irregular/Fruitless & Wasteful Expenditure

Phase



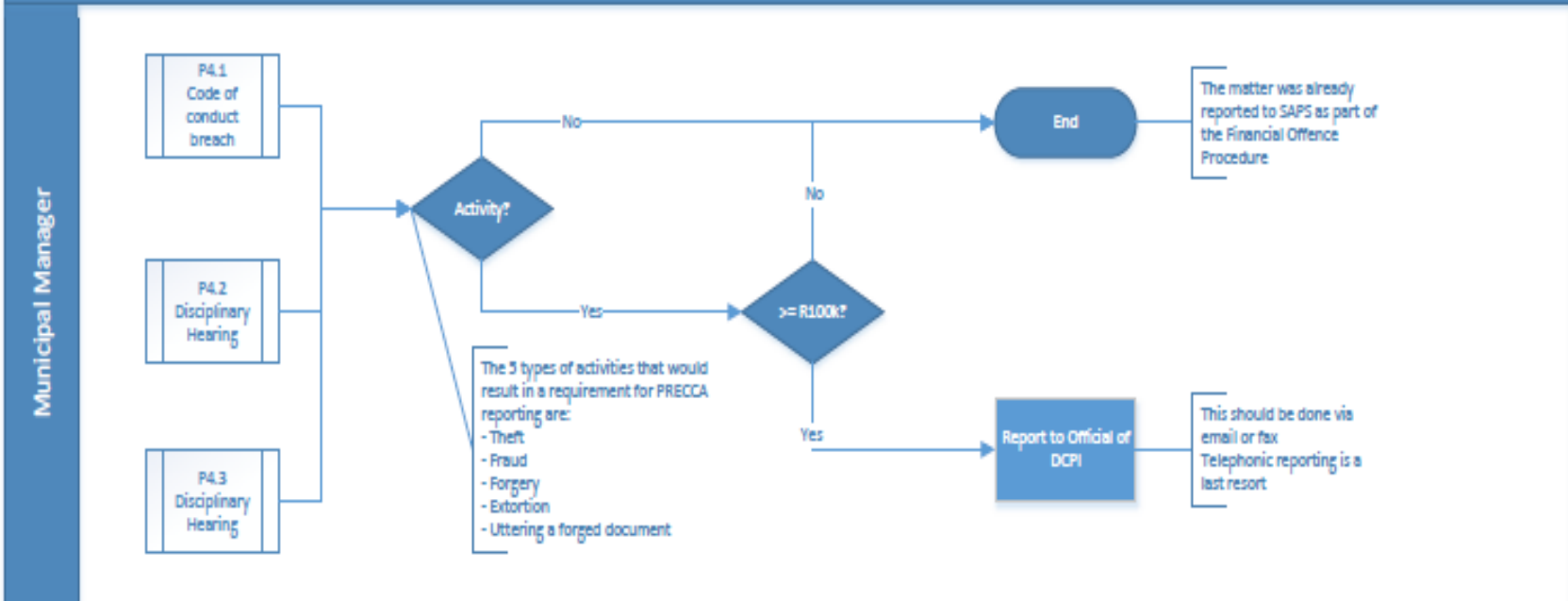
P6.1 Appeal Process – Non-Senior Employees

Phase



P7.1 PRECCA Reporting procedure

Phase



P7.2 FICA Reporting procedure

Phase

