

2011



## **XHARIEP DISTRICT MUNICIPALITY**

DOCUMENT NO.	RMFC001
DOCUMENT	FRAUD AND CORRUPTION POLICY
RESPONSIBLE DEPARTMENT	RISK MANAGEMENT
NEXT REVIEW DATE	MAY/JUNE 2012

## **FRAUD AND CORRUPTION POLICY**

### **1. BACKGROUND**

The Fraud and Corruption Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud and corruption against Xhariep District Municipality. It is the intent of Xhariep District Municipality to promote consistent organizational behavior by providing guidelines and assigning responsibilities for the development of controls and conduct of investigations.

### **2. SCOPE OF POLICY**

This policy applies to any fraudulent activities, or suspected irregularity, involving employees as well as consultants, suppliers, contractors and/ or any other organisation with a business relationship with Xhariep District Municipality. Any investigative activity required will be conducted without regard to the suspected perpetrator's length of service, position/title, or relationship to the municipality.

### **3. POLICY**

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

*Fraud* is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury.

Each member of the management will be familiar with the types of fraud or corruption that might occur within his or her area of responsibility and be alert for any indication of irregularity. Any irregularity that is detected or suspected must be reported immediately to the Chief Risk Officer, who coordinates all investigations with the Corporate Services and other affected areas, both internal and external (including South African Police Services).

### **4. ACTIONS CONSTITUTING FRAUD**

The terms *fraud*, *corruption*, *misappropriation*, and *other fiscal irregularities* refer to, but are not limited to:

- Any dishonest or fraudulent act.
- Misappropriation of funds, supplies, or other assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Profiteering as a result of insider knowledge of company activities.
- Disclosing confidential and proprietary information to outside parties.
- Accepting or seeking anything of material value from contractors, vendors, or persons providing goods/services to the municipality. Exception: Gifts less than R350 in value (the aggregate of gifts received in a year).
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment.
- Any similar or related irregularity.

## **5. OTHER IRREGULARITIES**

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and the Human Resources rather than the Risk Management Unit. If there is any question as to whether an action constitutes fraud, contact the Chief Risk Officer for guidance.

## **6. INVESTIGATION RESPONSIBILITIES**

The Risk Management Unit has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Risk Management Unit will issue reports to Municipal Manager, affected supervisor and to the Council where applicable. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies (Special Investigative Unit and National Prosecuting Authority) for independent investigation will be made in conjunction with senior management, as will final decisions on disposing the case. Some cases that need expert in the certain fields will be outsourced e.g. Forensic evidence that requires IT specialist and hand writing experts.

## **7. CONFIDENTIALITY**

The Risk Management Unit treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Risk Management Unit immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the municipality from potential civil liability.

## **8. AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD**

Members of the Risk Management Unit will have:

- Free and unrestricted access to all municipality records and premises, whether owned or rented.
- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

## **9. REPORTING PROCEDURES**

Great care must be taken in the investigation of suspected fraudulent activities or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. An employee who discovers or suspects fraudulent activity will contact the Risk Management Unit immediately:

- Telephone: 073 620 5007
- Email: [tshofelam@xhariep.gov.za](mailto:tshofelam@xhariep.gov.za)
- Fax: 086 623 8309 or personally meet with Chief Risk Officer

The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Corporate Services. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Corporate Services Department.

### **10. TERMINATION**

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated representatives from Corporate Services Department, if necessary, by outside counsel, before any such action is taken. The Risk Management Unit does not have the authority to terminate an employee. The decision to terminate an employee is made by the employee's management. Should the Risk Management Unit believe the management decision inappropriate for the facts presented, the facts will be presented to Council or AGSA and other sector departments for a decision.

### **11. ADMINISTRATION**

The Chief Risk Officer is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed and revised annually.

#### **PREPARE BY:**

\_\_\_\_\_  
Chief Risk Officer

\_\_\_\_\_  
Date

#### **APPROVED BY:**

\_\_\_\_\_  
Municipal Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Council

\_\_\_\_\_  
Date