BLUE CRANE ROUTE LOCAL MUNICIPALITY
OFFICE OF THE MUNICIPAL MANAGER

TOLERANCE, TRUST, TENACITY

FRAUD PREVENTION PLAN 2021/22

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TERMS AND ABBREVIATIONS

Throughout this document, unless otherwise stated, the words in the first column below have the meanings stated opposite them in the second column (and cognate expressions shall bear corresponding meanings):

BCRM	: Blue Crane Route Municipality
Constitution	: Constitution of the Republic of South Africa Act 108 of 1996
Demarcation Act	: Local Government: Municipal Demarcation Act 27 of 1998
COGTA	: Provincial Department of Co-operative Governance and Traditional Affairs
LGAS	: Local Government Anti-Corruption Strategy
MFMA	: Municipal Finance Management Act 56 of 2003
Municipal Manager	: A person appointed in terms of section 82(1) of the Municipal Structures Act
PLAN	: Fraud Prevention Plan for Blue Crane Route Local Municipality
RSA	: Republic of South Africa
SALGA	: South African Local Government Association
SARS	: South African Revenue Services
Structures Act	: Municipal Structures Act 117 of 1998
Systems Act	: Local Government: Municipal Systems Act 32 of 2000

Fraud and Corruption

Includes but is not limited to the following:

- 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:
  o Illegal, dishonest, unauthorised, incomplete, or biased;
  o Misuse or selling of information or material acquired;
  o Abuse of position of authority;
  o Breach of trust;
  o Designed to achieve an unjustified result; and
  o Any other unauthorised or improper inducement to do or not to do anything;

- Corrupt activities in relation to:
  o Unauthorised gratification received or offered by or to a party with an employment relationship;
  o Witnesses and evidential material during certain proceedings;
  o Contracts;
  o Procuring and withdrawal of tenders;
  o Conflicts of interests and other unacceptable conduct, e.g. Acquisition of private interests in contract, agreement in or
  o Unacceptable conduct relating to witnesses.

- Intentional interference
  o with, hindering or obstruction of investigation of offence;

- Other offences relating to corrupt activities:
  o Accessory to or after an offence;
  o Attempt, conspiracy and inducing another person to commit an offence; and
  o 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.:
- HR Employment Practices:
o Inadequate vetting of employees;
o Inadequate application of discipline;
o Fraudulent qualifications submitted with job applications;
o Abuse / misuse of leave;
o Fraudulent overtime applications;

- *Procurement:*
o Non-compliance to tender procedures;
o Procurement fraud, e.g. collusion between employees and suppliers;
o Fraudulent information submitted by suppliers when tendering for work;

- *Financial Systems and Control:*
o Theft of blank cheques;
o Deliberate non-compliance to policies and procedures;
o Abuse of the system of overtime;
o Abuse of the system of travel claims;
o Irregular processing of journals;
o Fraudulent payment certificates submitted for payment;
o Non-compliance to delegated authority limits;

Financial issues: i.e. where individuals or entities have fraudulently obtained money from BCRM, e.g.:

- *HR – Employment Practices:*
o Ghost employees;
o Irregular appointment of staff for undue benefits;
o Fraudulent calculation of salary increases due;
o Fraudulent Subsistence and Travelling claims;

- *Procurement:*
o Suppliers invoicing for work not done;
o Service providers double invoicing
o Irregular changes to the master file information;
o Contractor's "fronting".

- *Financial Systems and Control:*
o Theft, e.g. petty cash, etc;
o Fraudulent travel claims by employees;

Equipment and resource issues: i.e. where BCRM equipment is utilised for personal benefit or stolen, e.g.:

- *Financial Systems and Control*:
  o Theft of assets;
  o Abuse of assets;
  o Deliberate destruction of property; and use of BCRM resources and equipment for private gain.

Other issues: i.e. activities undertaken by employees of BCRM, which may be against policies or fall below established ethical standards, e.g.:
  o Conflict of interest, e.g. members of the bid committee;
  o Leaking of confidential or proprietary information;
  o Favouritism; and
  o Non-disclosure of private work

1. Blue Crane Route Local Municipality subscribes to the principles of good corporate governance which require that business be conducted in an honest, ethical and transparent manner.

2. Consequently, Blue Crane Route Local Municipality is committed to fighting fraudulent behaviour at all levels within the organisation.

3. The plan is premised on the organisation's core ethical values driving the business of Blue Crane Route Local Municipality, the development of its systems, policies and procedures, interactions with ratepayers, the public and other stakeholders, and even decision-making by individual managers representing the organization and is an update on the existing Fraud Prevention Plan and Fraud Response Plan. This means that in practice all departments and other business units of Blue Crane Route Local Municipality and even external stakeholders must be guided by the plan as the point of reference for their conduct in relation to Blue Crane Route Local Municipality.

4. In addition to promoting ethical conduct within Blue Crane Route Local Municipality, the Plan is also intended to assist in preventing, detecting, investigating and sanctioning fraud and corruption.

5. This dynamic document details the steps, which have been, and will continually be taken by Blue Crane Route Local Municipality to promote ethical conduct and address fraud and corruption.

Policy Stance

6. The policy of Blue Crane Route Local Municipality is zero tolerance to fraud and corruption. In addition, all fraud and corruption will be investigated and followed up by the application of all remedies available within the full extent of the law and the implementation of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of Blue Crane Route Local Municipality.

7. The efficient application of instructions contained in the policies and procedures of Blue Crane Route Local Municipality, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

What should an employee do if he/she suspects fraud and corruption?

8. It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption to their immediate manager. Should an employee be concerned that the manager is involved; the report can be made to any other member of management, the Municipal Manager and / or the Chairperson of the Audit Committee.

9. All managers are responsible for the detection, prevention and investigation of fraud and corruption and must report all incidents and allegations of fraud and corruption to the Municipal Manager. The Municipal Manager will initiate an investigation into the matter.

10. Should employees wish to report allegations of fraud and corruption anonymously, they can contact any member of management, the Municipal Manager, the Chairperson of the Audit Committee, Mayor and/or the National Hotline.

National Anti-Corruption and Fraud Hotline: *0800 701701*

What should a member of the public or providers of goods and/or services do if they suspect fraud and corruption?

11. Blue Crane Route Local Municipality encourages members of the public or providers of goods and/or services who suspect fraud and corruption to contact any member of management, the Municipal Manager and/or the Mayor.

How will allegations of fraud and corruption be dealt with?

12. For issues raised by employees, ratepayers, members of the public or providers of goods and/or services, the action taken will depend on the nature of the concern. The matters raised will be screened and evaluated and may subsequently:
   o Be investigated internally; or
   o Be referred to another law enforcement agency.

13. Any fraud and corruption committed by an employee or any other person will be pursued by thorough investigation and to the full extent of the law, including (where appropriate) consideration of:
   a. In case of employees, taking disciplinary action within a reasonable period after the incident;
   b. Instituting civil action to recover losses;
   c. Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency; and
   d. Any other appropriate and legal remedy available.

Recovery of Losses

14. The Municipal Manager is required to ensure that losses or damages suffered by Blue Crane Route Local Municipality as a result of all reported acts committed or omitted by an employee, ratepayer or any other person are recovered from such an employee, ratepayer or other person if he or she is found to be liable for such losses.

Feedback to reporters of fraud

15. The Municipal Manager will, upon receiving a report of fraud from an external person, write to the person making the report:
   o Acknowledging that the concern has been received;
   o Indicating how he proposes to deal with the matter and whether any initial enquiries have been made;
   o Giving an estimate of how long it will take to provide a final response; and
   o Informing them whether any further investigations will take place, and if not, why not.

Confidentiality

16. All information relating to fraud and corruption that is received and investigated will be treated confidentially. The progression of investigations will be handled in a confidential manner and will not be disclosed or discussed with any 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.

Media

17. No person is authorised to supply any information with regard to allegations or Incidents of fraud and corruption to the media without the express permission of the Municipal Manager.

Protection of Whistle Blowers

18. An employee who reports suspected fraud and/or corruption may remain anonymous should he/she so desire. Concerns expressed anonymously are difficult to investigate; nevertheless, they will be followed up at the discretion of Blue Crane Route Local Municipality. This discretion will be applied by taking into account the following:

o   the seriousness of the issue raised;
o   the credibility of the concern; and
o   the likelihood of confirming the allegation.

19. No person will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud and corruption which occurred within Blue Crane Route Local Municipality.

This may include:

Harassment or victimisation:

20. Blue Crane Route Municipality acknowledges the fact that the decision to report a concern can be a difficult one to make, not least because of fear of reprisal from those responsible for the irregularity. Blue Crane Route Local Municipality will not tolerate harassment or victimisation and will take action to protect employees when they raise a concern in good faith. This does not mean that if an employee is already the subject of disciplinary or other action, that action will be halted as a result of their whistle blowing.

Confidentiality:

21. Blue Crane Route Municipality will do its best to protect an individual's identity when he/she raises a concern and does not want their identity to be disclosed. It must be appreciated, however, that the investigation process may reveal the source of the information and a statement by the employee may be required as part of the evidence.

22. All managers should discourage employees or other persons from making allegations, which are false and made with malicious intentions. Where such allegations are discovered, the person who made the allegations must be subjected to firm disciplinary, or other appropriate action.

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1. The **main principles** upon which this Plan of Blue Crane Route Local Municipality is based on and aligned to the LGAS includes the following:

   o Creating a culture which is ethical and intolerant to fraud and corruption;
   o Strengthening community participation in the fight against corruption in the municipality
   o 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 municipality.
   o Deterrence of unethical conduct fraud and corruption.
   o Preventing unethical conduct, fraud and corruption which cannot be deterred;
   o Detection of unethical conduct, fraud and corruption;
   o Investigating detected unethical conduct, fraud and corruption;
   o Taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution, etcetera; and
   o Applying sanctions, which include redress in respect of financial losses.

2. The above is not intended to detract from the premise that all the components are equally essential for the successful implementation of the Plan. The components of the Plan are the following:

   o Focus on the Organisation
   o Focus on Employees
   o Focus on other stakeholders
   o Enforcement
   o Implementation

The approach to fraud prevention can be summarised as follows:

Organisational Focus

Focus on Employees including management

Focus on other Stakeholders

Enforcement
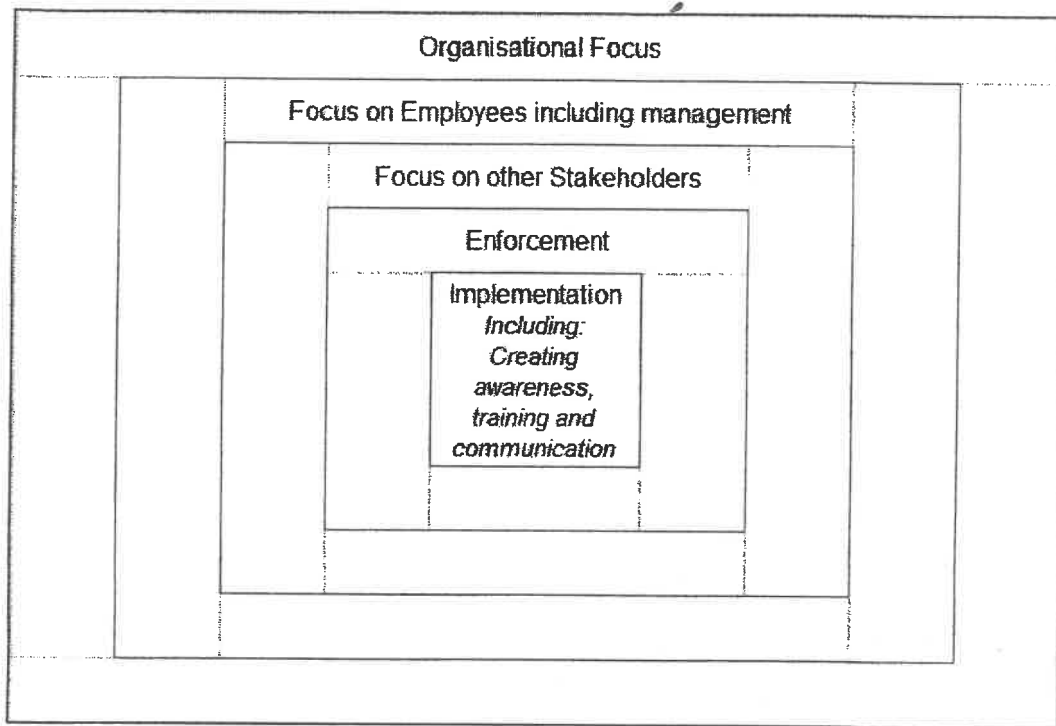
Implementation
Including:
Creating
awareness,
training and
communication

Codes of Conduct for Councillors and Municipal Employees

1. In terms of Section 1 of the Systems Act, the Code of Conduct for Councilors contains the following categories:
   o General conduct of Councilors (cross reference to section of Act);
   o Attendance at meetings;
   o Disclosure of interests;
   o Personal gain;
   o Declaration of interests;
   o Full-time Councilors;
   o Rewards, gifts and favors;
   o Unauthorised disclosure of information;
   o Intervention in administration;
   o Council property;
   o Duty of chairpersons of municipal Council and
   o Breaches of Code;

2. In terms of Section 2 of, the Code of Conduct for Municipal employees contains specific conduct standards categorised as follows:
   o General Conduct;
   o Commitment to serving the public interest;
   o Personal gain;
   o Disclosure of benefits;
   o Unauthorised disclosure of information;
   o Undue influence;
   o Rewards, gifts and favours;
   o Council property;
   o Payment of arrears;
   o Participation in elections;
   o Sexual harassment;
   o Reporting duty of staff members; and
   o Breaches of Code.

3. A gifts policy should be implemented in order to ensure that both the acceptance and offering of business courtesies, including gifts, by all employees of the Municipality occurs only within the ethical standards as prescribed by the Municipality.

4. The development of a robust system for the declaration of private business interests and actual or potential conflicts of interest by all employees and keeping of a centralised record thereof must be developed.

Systems, policies and procedures

5. The Municipality has a number of systems, policies and procedures designed to ensure compliance with specific laws and regulations and basic internal control. BCRM Fraud Prevention Policy should be implemented and reviewed periodically to maintain relevancy and consistency.

6. All employees and other stakeholders are expected to comply with the applicable policies and procedures. A fundamental risk in this area is the lack of knowledge, awareness, effective communication and training relating to prevailing systems, policies and procedures.

7. Non-compliance with policies and procedures is a risk with the potential to seriously impact the success of the Fraud Prevention Plan of BCRM. This will be addressed by developing clearly defined communication and training strategies to create awareness of all policies and procedures in order to ensure that all employees are made aware of, and adequately trained in the implementation of policies and procedures relevant to their duties and responsibilities, e.g. provisions for all employees to acknowledge, in writing, that they have read the policies and procedures applicable to their duties, have undergone relevant training and/or are aware of these policies and procedures, etc.

8. A structured monitoring mechanism will be developed for the keeping of proper records of the policies and procedures that are being updated, and of new policies and procedures that are being developed in order to set clear targets and monitor progress.

Human Resources – Employment Practices

9. BCRM is committed to developing human resources systems, policies and procedures, which incorporate fraud and corruption prevention practices. There is a risk of poor implementation of human resource systems, policies and procedures and BCRM undertakes testing thereof during internal audits in which control shortcomings are subsequently addressed.

10. Employee focussed anti-fraud and anti-corruption measures should be visible from the point of advertising a vacant post, recruitment, specific employment conditions, maintaining high employee morale, performance management and even exit procedures upon resignation or retirement. The approaches indicated below are key to BCRM efforts in this regard.

- **Advertising posts**

The inclusion of specific provisions when advertising posts is to provide an indication to applicants that only people with the highest levels of personal integrity will be considered and that submission to appropriate pre-employment screening processes are obligatory for consideration in any post.

- **Pre – employment screening**

BCRM intends ensuring that pre-employment screening procedures are applicable to all employees, regardless of level, including employees acting in specific positions, seconded employees and temporary and contract workers. Relevant probity will be included in all employee screening processes. BCRM will perform this process by ensuring compliance with the approved Council Human Resources Policy Manual.

- **Probation:**

Compulsory probationary periods should be applicable to all full-time employees. This provision will be extended to include seconded employees and temporary and contract workers. Relevant vetting will again be considered for employees on probation, during probation and prior to their final appointment in view of the long duration of the probationary period.

- **Ongoing financial disclosure and lifestyle audits:**

Senior managers will be obliged to declare specific personal assets and private business interests.

- **Employee induction programmes:**

Employee induction is an opportunity to introduce employees to the culture and ethics of BCRM. Efforts will be made to ensure that organisational strategy, business ethics and conduct standards are included in employee induction. Specific steps will also be developed to include seconded employees, interns and temporary and contract workers in relevant aspects of induction programmes.

- *Obligatory leave periods:*
To limit the risk of over-worked employees who could become careless leading to non-compliance to internal control and to further limit the risk of fraud and corruption, BCRM will compel all employees to take annual leave. This control also limits the risk of unethical individuals monopolising specific tasks.

Directors will be encouraged to ensure that appropriate controls, e.g. appropriate scrutiny and supervision, are put in place in instances where employees do not take leave for extended periods of time due to work commitments.

- *Exit procedures for employees and control over assets*:
BCRM will ensure that an exit interview process is in place which includes the assessment of the perceptions of the business ethics and conduct standards within the organisation. This will assist in identifying areas for improvement.

Discipline

11. BCRM will be consistent and efficient in its application of the disciplinary measures. Additional measures, which will be considered include:

- Communication of specific disciplinary standards and forbidden conduct;
  Introducing a system where the application of disciplinary measures is applied consistently;

- Steps for ongoing training of directors in the application of disciplinary measures;

- Where directors are found to be inconsistent and/or inefficient in the application of discipline, BCRM will consider firm action; and

- Publication (within the permissible legal framework) of the outcomes and sanctions of disciplinary actions, including lessons learned. The successful achievement of these initiatives, together with their communication is expected to have a deterrent effect.

Financial Systems and Control

12. Appropriate finance policies and procedures are also necessary to ensure appropriate internal control over finance management and to limit fraud and corruption risks. The effectiveness of the existing finance policies and procedures will also be tested during the course of internal audits and shortcomings are addressed.

13. The Council of BCRM must approve an annual budget for the Municipality before the start of the financial year. The Municipality may only incur expenditure in terms of an approved budget and within limits of the amounts appropriated for the different votes in an approved budget.

14. The Municipal Manager of BCRM is regarded as the Accounting Officer of the Municipality. Therefore, the Municipal Manager should ensure that the financial systems and controls that are in place in the Municipality and address the following:

- Effective, efficient and economic use of resources;

- Proper record keeping of the financial affairs of BCRM;

- Effective, efficient and transparent systems of financial and risk management and internal control;

- Effective, efficient and transparent systems of internal audit;

- Prevention of irregular or fruitless and wasteful expenditure; and

- Institution of disciplinary or, when appropriate, criminal proceedings against employees who have committed an act of financial misconduct or other offence, including fraud and corruption.

15. Further the Municipal Manager must ensure that an effective system of expenditure control is in place. According to the MFMA, the accounting officer of BCRM must report to the South African Police Service all cases of alleged theft and fraud that occurred in Municipality.

16. Senior management and other officials of BCRM must assist the Municipal Manager in coordinating the financial systems and controls within the Municipality.

17. The finance policies, procedures and other prescripts of BCRM prescribe various controls, which, if effectively implemented, would limit fraud and corruption within the Municipality. These controls may be categorised as follows, it being recognised that the categories contain overlapping elements:

a. Prevention controls, which is further subdivided into:

   i. Authorisation Controls which require that all transactions must be authorised or approved by an appropriate responsible person and that the limits for these authorisations are specified in the delegations of authority of BCRM.

   ii. Physical Controls which are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorised personnel.

b. Detection controls, which is further subdivided into:

   i. Arithmetic and accounting controls, which are basic controls within the recording function which ensure that transactions to be recorded and processed have been authorised, are complete, are correctly recorded, and accurately

processed. Such controls include checking arithmetical accuracy of records, the maintenance and checking of totals, reconciliation, control accounts, and accounting for documents.

ii. Physical controls, which relate to the security of records and are similar to preventive controls in that they are also designed to limit access.

iii. Supervision, which relates to supervision by responsible officials of day to day transactions and the recording thereof.

iv. Management Information which relates to the review of management accounts and budgetary controls. These controls are normally exercised by management outside the day-to-day routine of the system.

c. Segregation of duties

i. One of the primary means of control is the separation of those responsibilities or duties that would, if combined, enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit fraud and corruption.

ii. Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.

iii. Functions that should be separated include those of authorisation, execution, custody, recording, and, in the case of computer-based accounting systems, systems development and daily operations.

iv. Placed in context with fraud and corruption prevention, segregation of duties lies in separating either the authorisation or the custodial function from the checking function.

18. Despite the existence of policies and procedures to address internal control, deficiencies such as ineffective application of policies and procedures resulting from lack of training, expertise, knowledge and capacity has the potential to lead to increased incidence of fraud and corruption.

19. BCRM will continue to initiate steps to address the problem of lack of training, expertise and knowledge in systems, policies and procedures to improve internal control. Areas of weakness will be identified during audits and risk assessments.

20. Furthermore, BCRM will also continue to re-emphasise to all supervisors that consistent compliance by all employees with internal control is one of the fundamental controls in place to prevent fraud and corruption. Managers will be encouraged to recognise that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should

strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.

21. Where managers do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm action(s) will be considered.

Procurement

22. The MFMA section 112 (1)(m) stipulates that the Supply Chain Management Policy of a municipality must be fair, equitable, transparent, competitive and cost effective and comply with the prescribed regulatory framework for supply chain management which must cover at least the following.

Measures for:

(i) Combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management; and

(ii) Promoting ethics of officials and other role players involved in municipal supply chain management.

Furthermore, the MFMA stipulates that the procurement policy must at least address the following aspects:

- The barring of persons from participating in tendering or other bidding processes that have:

(i) Been convicted of fraud or corruption during the past five years;

(ii) Wilfully neglected, reneged on or failed to comply with government contract during the past five years; and

(iii) Whose tax matters are not cleared by SARS

23. The Municipal Manager of BCRM must implement the procurement policy and make all responsible steps to ensure that proper mechanism and separation of duties in the procurement system are in place to minimise the risk of fraud, corruption, favouritism and unfair and irregular practices.

24. At a minimum, the procurement policy of BCRM should contain the following anti-fraud and anti-corruption provisions:

- The range of supply chain management processes that BCRM may use, e.g. tenders, quotations, etc;

- When a particular process must be used;

- Procedures for each type of process;

- Open and transparent pre-qualification processes for tenders and other bids;

- Competitive bidding processes;

- Bid documentation, advertising of and invitations for contracts;

Procedures for:

- the opening, registering and recording of bids in the presence of interested parties;

- the evaluation of bids;

- negotiating the final terms of the contracts; and

- the approval of bids;

- Screening processes and security clearances for prospective contractors on tenders or other bids above a prescribed value;

- Compulsory disclosure of conflicts of interests;

Any additional measures for:

- combating fraud, corruption, favouritism and unfair and irregular practices in BCRM's supply chain management; and

- promoting ethics of officials and other role players involved in BCRM supply chain management.

Risk Management and Assessment

25. In order to identify and address risks facing BCRM, fraud and corruption risk assessment will be performed on an annual basis. This process will be complimented by the specific identification of existing controls to mitigate risks identified. Additional actions to further mitigate these risks will culminate in a risk management plan.

26. Presentations to employees of BCRM will be conducted in order to ensure that they have a more detailed understanding of the fraud and corruption risks facing the Municipality and the areas wherein these risks exist, thus enhancing the prospect of detecting irregularities earlier.

Fraud Detection Reviews

27. BCRM will perform specific detection reviews in areas, which are at high risk of unethical conduct, fraud and corruption on a regular basis. This will include the conducting of presentations to employees, including directors, to ensure that they

have a more detailed understanding of the risks associated with these areas, thus also enhancing the prospect of detecting irregularities earlier. These include:

- Recruitment of staff;

- Procurement, e.g. emergency procurement, sole suppliers, etc;

- Financial Systems and Control, e.g. payment of suppliers, receipt and banking of revenue received.

Internal and External Audit

28. The MFMA stipulates that a Municipality must maintain a system of Internal Audit under the control and direction of an Audit Committee. Furthermore, the Internal Audit function of BCRM is required to report on matters relating to:

- Internal Control;

- Accounting procedures and practices;

- Risk and risk management;

- Loss control; and

- Compliance with applicable legislation.

29. BCRM has created an Internal Audit Unit which include an anti-corruption capacity under the guidance of an Audit Committee. In terms of its Charter, the primary role of the Audit Committee will be to:

- Evaluate the performance of internal audit;
- Review the internal audit function's compliance with its mandate as approved by the Audit Committee;
- Review and approve the internal audit charter, internal audit plans and internal audit's conclusions with regard to internal control;
- Review significant differences of opinion between management and Internal Audit function;
- Evaluate the independence and effectiveness of internal auditors; and
- Review the co-operation and co-ordination between the internal and external audit function and co-coordinating the formal internal audit work plans with external auditors to avoid duplication of work.

30. The anti-corruption capacity within BCRM will be responsible for the investigation of allegations of fraud and corruption that is brought to its attention. Additionally, it will support the risk management procedures from a fraud risk identification perspective.

31. BCRM recognises the fact that the positive support by all its Directors for Internal Audit and its functions, speedy response to, and the addressing of queries raised by Internal Audit is vital to the success of the Plan. Where Directors are found to be slow in addressing internal control and shortcomings raised by Internal Audit, firm action will be considered.

32. Awareness strategies will also be developed to enhance Directors' understanding of the role of Internal Audit.

33. BCRM is also the subject of annual external audits. These audits include the following tasks:

- Examining evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

Physical and Information Security

Physical Security

34. BCRM's main physical security threat arises in the area of control over its physical assets, facilities and employees. Security personnel and access systems are deployed to mitigate this threat. However, control over security personnel and access systems should continuously be reviewed for adequacy.

35. BCRM will also consider conducting a regular detailed review of the physical security arrangements at its offices and other sites and improve weaknesses identified. Specific focus areas will be physical security over infrastructure, assets and staff.

36. Furthermore, BCRM will continue to pursue steps to ensure adequate security over its people, confidential information and information systems.

Information Security

37. BCRM will ensure that all employees are sensitised on a regular basis to the fraud and corruption risks associated with information security and the utilisation of computer resources, in particular – access control, and ensure that systems are developed to limit the risk of manipulation of computerised data.

38. Communiqués will be provided to all employees on the management of intellectual property and confidential information to limit the risk of manipulation of information.

39. Regular communiqués will be forwarded to employees pointing out security policies, with a particular emphasis on e-mail and Internet usage and the implications (e.g. disciplinary action) of abusing these and other computer related facilities. Where employees are found to have infringed on prevailing policy in this regard, disciplinary action will be taken.

40. Regular reviews of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed.

Focus on Employees

41. Key ambassadors for the successful implementation of the Plan for BCRM are its employees. In essence, this means that their conduct often forms the base upon which BCRM as an organisation is judged. Municipal employees have to therefore demonstrate behaviour beyond reproach in the execution of their duties.

42. Anti-fraud and anti-corruption measures to address employees as referred to in paragraphs 1,9,10 and 11 above will be implemented by BCRM.

Focus on other Stakeholders

43. BCRM has several other stakeholders with whom it interacts. These are indicated below:

- Trading partners, e.g. suppliers, contractors, consultants;
- Employee representative organisations;
- CoGTA;
- SALGA; and
- The general public.

44. All stakeholders with whom BCRM interacts are expected to abide by the principles contained in the Plan. Although BCRM has limited legal rights to enforce these principles on external stakeholders, it can exercise moral persuasion to gain

compliance to the principles contained in the Plan or choose not to enter into relationships with stakeholders who do not comply.

Trading Partners

45. It is a common perception that employees face the greatest challenge to their integrity in the form of enticement to accept bribes from unethical suppliers, contractors and consultants. Furthermore, these trading partners are also often viewed as untrustworthy in delivery of goods and/or services.

46. Approaches to address the risk of fraud and corruptions relating to trading partners are the following:

- Appropriate terms and conditions in invitations to propose for services relating to the standards of business ethics expected by BCRM;
- Appropriate pre-award screening of credentials supplied by contractors;
- Provisions for the compulsory declaration of actual and/or potential conflicts of interest both by suppliers and employees of BCRM dealing with these suppliers;
- Appropriate contract terms and conditions indicating the conduct expected by BCRM
- Ongoing communication of these standards;
- Sound project management;
- Monitoring and evaluation of breaches;
- Taking sound action in the event of breaches such as:
  o Prosecution;
  o Loss recovery; and
  o Placing of appropriate prohibitions on future contracts and cancellation of existing contracts.

Employee representative organisations

47. BCRM is committed to complying with the resolutions of recognition agreements with trade unions. Nonetheless, it is also expected of trade union representatives to comply with the principles of the Plan of BCRM. Trade unions will also be consulted prior to the finalisation of the Plan.

Department of Cooperative Government and Traditional Affairs

48. CoGTA is a National Department and its primary function is to develop policies and legislation with regard to Provinces, Local and Traditional Government, and to monitor the implementation of the Municipal Structures Act, Municipal Demarcation Act, Systems Act as well as the MFMA. Efforts will be made to ensure that this stakeholder is also made aware of the principles contained in the Plan and the conduct encouraged by BCRM.

SALGA

49. SALGA is an organisation mandated by the South African Constitution to assist in the transformation of Local Government in South Africa. SALGA plays a core role in areas related to Local Government transformation and as a national representative of the Local Government sector and its employees. BCRM will also ensure that SALGA is made aware of the Plan and appropriately compliment it when dealing with BCRM.

The general public

50. Members of the general public will also be made aware of BCRM's commitment to fraud prevention and encouraged, through awareness programmes, to report irregularities affecting BCRM.

ENFORCEMENT

51. No Fraud Prevention Plan would be complete without enforcement forming an integral component for instances where fraud and corruption occur.

Reporting and monitoring of fraud and corruption

Reporting Channels

52. The reporting channels for unethical conduct, fraud and corruption impacting BCRM are the following:

- All allegations of fraud and corruption should be reported by employees to their immediate managers;

- If there is a concern that the immediate manager is involved, the report must be made to any other member of management, the Municipal Manager and/or the Chairperson of the Audit Committee;

- All managers should report all allegations to the Municipal Manager who will initiate an investigation; and

- Should an employee wish to make a report anonymously, such a report may be made to any member of management, the Municipal Manager, the Chairperson of the Audit Committee and / or the Mayor.

53. Parallel to the above enforcement approaches, is the task of fixing of controls to limit future recurrence of fraud and corruption in the event of breaches.

54. The Plan will be reviewed on an annual basis, whilst progress with the implementation of the various components will be reviewed on a quarterly basis. In the latter regard, specific priorities stemming from the Plan, actions to be taken, responsible persons and feedback dates relating to progress made will also be set.

Monitoring

BCRM will ensure that a fraud and corruption information system is developed for the following purposes:

a. Recording all allegations;
b. Tracking progress with the management of allegations;
c. To facilitate the early identification of systemic weaknesses and recurring risks, and inform managers and employees of systemic weaknesses/risks; and
d. Provide feedback to employees and other whistle blowers on the management of allegations.

Creating awareness

57. This component of the Plan comprises of two areas, namely education and communication.

Education

58. Formal awareness presentations will be conducted for employees of BCRM in planned workshops. The ongoing creating of awareness amongst all employees is, however, the responsibility of all managers. Approaches to create awareness amongst employees will address the following issues:

- Employee awareness and the application of professional ethics in their work environment;
- Employee awareness of the current systems, policies and procedures relating to fraud and corruption and their rights should they blow the whistle;
- Encouraging employees to blow the whistle on fraud and corruption within their work environments; and
- Encouraging employees to understand specific fraud and corruption related risks to which BCRM may be exposed, thus enhancing the prospect of detecting irregularities earlier.

Communication

59. The objective of communication is to further create awareness amongst employees, the public and other stakeholders, of the Plan in order to facilitate a culture where all stakeholders strive to contribute towards making it a success. This will increase the prospect of fraud and corruption being reported and improve BCRM's prevention and detection ability.

60. Communication approaches that will be considered by BCRM are the following:

- Posters, newsletters and pamphlets to advertise the Codes of Conduct for staff members and Councillors, aimed at employees, the public and other stakeholders;
- A suggestion box for employees and other stakeholders to make submissions which could enhance the further development of the Plan;
- Ensuring that ethics promotion is a fixed agenda item in meetings;
- Signing of declarations of commitment by all employees to the Plan;
- Endorsements of other correspondence directed at providers of goods and/or services with pro-ethics and anti-fraud and anti-corruption messages; and Screensavers on computers with appropriate pro-ethics and anti-fraud and corruption messages; and
- Publishing the Plan and successes in its implementation in the Annual Report of BCRM.

Implementation structure

61. BCRM has established the Risk Management Committee for Fraud Prevention whose responsibility will include the implementation of the Plan. This Committee includes champions from all departments. The terms of reference of this team will include the following in relation to the Plan:

o   Securing buy-in from all stakeholders;
o   Information sharing;
o   Ongoing identification of weaknesses in systems and solutions;
o   Creating awareness and ensuring adequate training and education to promote the Plan; and
o   Assessing progress and on-going maintenance and review