



**CHRIS HANI**  
**DISTRICT MUNICIPALITY**  
**SUSTAINING GROWTH**  
**THROUGH OUR PEOPLE**

**FRAUD PREVENTION POLICY**

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# **FRAUD PREVENTION POLICY**

## **1 PURPOSE**

The purpose of this Policy is to articulate the Chris Hani District Municipality 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)(c)(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 systems of financial and risk management and internal control.

**Furthermore, sections 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 Institution will not tolerate fraudulent or corrupt activities, whether internal or external to the Institution, and will vigorously pursue and prosecute any parties, by all means available, which engage in such practices or attempt to do so.

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

Fraud prevention is a process that is adopted by the Institution, in putting mechanisms in place, to manage Institution's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

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

## **5.1 INVESTIGATION PROCEDURES**

The **Chris Hani District Municipality** has developed investigation policy to ensure uniformity in the reporting and investigation of incidents of fraud and corruption.

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

## **5.2 ANTI-FRAUD PROGRAMMES**

The Chris Hani District Municipality has developed the following programmes to address the threat of fraud and corruption:

- Recruitment and selection policy.
- Accounting and operational policies.
- Fraud awareness training.
- Fraud risk assessment.
- Code of conduct for councillors and employees.
- Investigation policy; and
- Private work and Declaration of interest policy
- National anti-fraud and corruption whistle blowing hotline 0800 701 701
- Fraud response plans.

## **6 ROLE PLAYERS**

The municipality has taken a stance that management of fraud and corruption threat like any other risks is the responsibility of everyone in the organisation.

The Accounting Officer has delegated the ownership and communication of fraud risk management to Business Unit Managers / Line managers / Division managers / Employee in specific areas of the Institution.

## **6.1 FRAUD RISK MANAGEMENT OVERSIGHT**

### **6.1.1 Council**

The council takes an interest in fraud risk management to the extent necessary to obtain comfort that properly established and functioning systems of fraud risk management are in place to protect the municipality against significant fraud risks.

### **6.1.2 Anti-Fraud and Risk Management Committee**

The Anti-Fraud and Risk Management Committee is appointed by the Municipal Manager to assist the organization to discharge its 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 facing the municipality, and the responses to address these key fraud risks

### **6.1.3 Audit Committee**

The Audit Committee is an independent committee responsible for oversight of the municipality's control, governance, and risk management. The responsibilities of the Audit Committee regarding fraud risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the municipality's fraud risk management effectiveness.

## **6.2 FRAUD RISK MANAGEMENT IMPLEMENTERS**

### **6.2.1 Municipal Manager**

The Accounting Officer is accountable for the municipal'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.

### **6.2.2 Management**

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

### **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.

## **6.3 FRAUD RISK MANAGEMENT SUPPORT**

### **6.3.1 Risk Management Unit**

The Chief Risk Officer is the custodian of the Fraud Prevention Plan, and coordinator of fraud risk management activities throughout the municipality. The primary responsibility of the chief risk officer is to bring to bear specialist expertise to assist the municipality to embed fraud risk management and leverage its benefits to enhance performance.

### **6.3.2 Risk Champion**

The Risk Champion's responsibility involves intervening in instances where the fraud risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of departmental skills and expertise.

## **6.4 RISK MANAGEMENT ASSURANCE PROVIDERS**

### **6.4.1 Internal Audit**

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

### **6.4.2 External Audit**

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

## **7 POLICY REVIEW**

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

## 8. EFFECTIVE DATE

The effective date of this policy, or any amendments thereto, shall be the date of its adoption by Council.

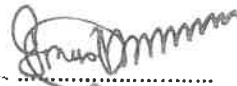
This policy takes effect on the 14 of December 2022.

Policy adopted on the Chris Hani Municipality council meeting, dated 14 December 2022.

Council Resolution no. C1182

Signed by Municipal Manager:

Mr. G. Mashiyi

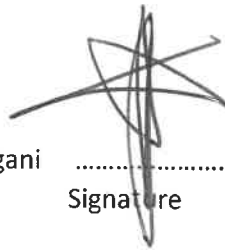


Signature

Date

Signed Council Speaker:

CLLr J. Cengani



Signature

Date