



# **THABA CHWEU LOCAL MUNICIPALITY**

## **FRAUD PREVENTION POLICY**

**2022/2023 FINANCIAL YEAR**

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## **1 PURPOSE**

The purpose of this Policy is to articulate the Thaba Chweu Local Municipality's philosophy on Fraud Prevention plan and Strategy. The Thaba Chweu Local Municipality adopts a comprehensive approach to the management of Fraud risk, which supports and fosters a culture of zero tolerance to fraud in all its activities.

## **2 BACKGROUND**

The provisions of **Section 62(1)(c)(i) of the Municipal Finance Management Act** stipulates that "The Municipal Manager of a municipality is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective 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 be conducted on a regular basis and a Risk Management Strategy, which includes a **Fraud Prevention plan**, be used to direct Internal Audit effort. The Plan and 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 Risk Management is concerned.

## **4 POLICY STATEMENT**

Fraud represents a significant potential risk to the **Thaba Chweu Local Municipality's** assets, service delivery efficiency and reputation. Thaba Chweu Local Municipality will not tolerate fraudulent or corrupt activities, whether internal or external to the Thaba Chweu Local Municipality, and will vigorously pursue and prosecute any parties, by all legal 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 Thaba Chweu Local Municipality, in putting mechanisms in place, to manage Thaba Chweu Local Municipality'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 Municipal Manager to establish structures to address the threat of fraud.

### **5.1 INVESTIGATION PROCEDURES**

**Thaba Chweu Local Municipality** has developed investigation procedures 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 Thaba Chweu Local Municipality should have the following programmes in place to address the threat of Fraud and Corruption:

- Recruitment policy;
- Accounting and operational policies;
- Fraud awareness training (indicators of fraud);
- Dysfunctional environment assessment;
- Fraud awareness audit and Fraud risk assessment;
- Automated alerts;
- Code of ethics and conduct;
- Investigation policy / procedure; and
- Fraud response plans.

## **6 ROLE PLAYERS**

**The Thaba Chweu Local Municipality** has taken a stance that management of Fraud and Corruption threat like any other risks is the responsibility of everyone in the Municipality.

The Municipal Manager has delegated the ownership and communication of Fraud Risk Management to Senior Managers / Unit Managers / Employees in specific areas of the Municipality.

### **6.1 RISK MANAGEMENT OVERSIGHT**

#### **6.1.1 Council**

The Council of Thaba Chweu Local Municipality 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.

#### **6.1.2 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 with regard to 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.

#### **6.1.3 Risk Management and Fraud Prevention Committee**

The Risk Management and Fraud Prevention Committee is appointed by the Municipal Manager to assist her/him to discharge her/his responsibilities for Fraud and Risk Management. The Committee's role is to review the Fraud and Risk Management progress of the Municipality, the effectiveness of Fraud and Risk Management activities, the key Fraud risks facing the Municipality, and the responses to address these key Fraud risks.

## **6.2 RISK MANAGEMENT IMPLEMENTERS**

### **6.2.1 Municipal Manager**

The Municipal Manager is accountable for the Municipality's overall governance of Fraud risk. By setting the tone at the top, the Municipal Manager 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 Risk Management policy and response 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 RISK MANAGEMENT SUPPORT**

### **6.3.1 Chief Risk Officer**

The Chief Risk Officer is the custodian of the Fraud Prevention Response Plan, and coordinator of Fraud Risk Management activities throughout the Municipality. The primary responsibility of the Chief Risk Officer is to bring to bear her/his specialist expertise to assist the Municipality to embed 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.

## 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

The Fraud Prevention Policy shall be reviewed annually to reflect the current stance on Risk Management.

1. **Compiled by**

  
RISK MANAGEMENT UNIT

11/04/2022  
Date

2. **Recommended by**

  
CHAIRPERSON: RMFPC

21/04/2022  
Date

3. **Approved by**

  
MUNICIPAL MANAGER

21/04/2022  
Date