



EDEN

DISTRICT MUNICIPALITY
UMASIPALA WESITHILI
DISTRKSMUNISIPALITEIT

ANTI FRAUD & CORRUPTION POLICY

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1. INTRODUCTION AND PUBLIC COMMITMENT

- 1.1. The Eden District Municipality is an authority established under the South African Constitution and other laws applicable to local government.

There is a continuing need to raise staff & awareness of their responsibility to safeguard public resources against the risk of fraud.

The overall purpose of this statement, the Fraud and Corruption Prevention Policy, is to detail responsibilities regarding the prevention of fraud.

The procedures to be followed in the event of a corporate crime being detected or suspected are detailed in the Anti Fraud and Corruption Response Plan. Both documents relate to fraud and loss within the Eden District Municipality (the Municipality) and the Eden region.

- 1.2 Against the background of its statutory framework and as part of its vision for a credible Municipality, it is committed to introducing good governance practices that bring Municipality government closer to the people, empower communities, enhance integrity and ruthlessly deal with any form of fraud, corruption or maladministration, unethical practices in the Municipality (collectively referred to as "corporate crime"). This means managing the risk which corporate crime poses to the Municipality and minimising the losses and potential losses from such crime as effectively as possible.
- 1.3 Corporate crime includes fraud, corruption, theft, maladministration, negligence and other criminal and unethical behaviour, which, if allowed to continue unchecked, would or may have a significant effect on the Municipality's risk profile.
- 1.4 The Municipality requires all staff, at all times, to act honestly and with integrity, and to safeguard the public resources for which they are responsible. Corporate Crime is an ever-present threat to these resources and must be a concern to all members of staff. The Municipality will not tolerate any level of fraud, theft, corruption or maladministration consequently; Municipality policy is to thoroughly investigate all suspected frauds and allegations (anonymous or otherwise) and where appropriate, refer to the South African Police Service. The Municipality is also committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.
- 1.5 Appropriate action will be taken against any person in its employ that is involved in, or assists with committing fraud, theft, corruption, or associated

internal irregularities, and the Municipality will actively seek legal recourse against all employees and staff (including temporary staff, independent contractors, employees of contracted service providers and applicable Municipal entities) involved in such acts. Failure by any employee of the Municipality to comply with this policy could result in disciplinary action being taken against that individual.

2. REGULATORY FRAMEWORK:

The Municipal Finance Management Act, Act no 56 of 2003 (“MFMA”)

The MFMA regulates financial affairs of municipalities and municipal entities and aims to secure sound and sustainable management of the financial affairs of municipalities. The MFMA contains the duties and responsibilities with regard to financial administration, decisions and transactions of political office bearers in municipalities, as well as the Municipal Manager, Chief Financial Officer and all municipal officials who are entrusted with responsibilities in this area.

The Promotion of Administrative Justice Act, Act no 3 of 2000 (“PAJA”)

This Act promotes transparency, which is a cornerstone of good governance, by giving effect to the Constitutional right to administrative action that is lawful, reasonable and procedurally fair.

The Municipal Systems Act, Act no 32 of 2000 (“MSA”)

The MSA must be read together with the MFMA. It allows municipalities to provide municipal services via service delivery agreements on the condition that specified selection and prequalification processes are observed. The MSA also contains the disciplinary procedures and various Codes of Conduct for the different categories of role-players on municipal level.

Protected Disclosures Act, Act no 26 of 2000 (“PDA”)

The Act is binding to both public and private sector and designed to empower, enable and encourage employees to disclose information regarding unlawful or irregular behaviour occurring in the workplace. This Act protects the whistleblower.

The Act’s preamble states the following:

Every employee has the responsibility to disclose criminal and any other irregular conduct in the workplace.

Every Employer has a responsibility to take all necessary steps to ensure that employees who disclose such information are protected from any reprisals as a result of such disclosure.

3. DEFINITIONS OF TERMS REFERRED TO IN THE ANTI FRAUD AND CORRUPTION PREVENTION POLICY:

- 3.1 **Code of Conduct for Councillors:** means the Code of Conduct for Councillors contained in Schedule 1 of the Local Government Municipal Systems Act 32 of 2000.
- 3.2 **Code of Conduct for Municipal Staff Members:** means the Code of conduct for employees contained in Schedule 2 of the Local Government Municipal Systems Act No 32 of 2000.
- 3.3 **Constitution:** means the Constitution of the Republic of South Africa, 1996.
- 3.4 **Corporate Governance:** in the context of the Municipality, means aligning, as nearly as possible and in a fair, transparent, accountable manner, the interests of the political structures and administration of the Municipality with those of the community (residents and the various other groups involved in Municipality affairs).
- 3.5 **Community:** Individuals residing within the Eden region (i.e within the following municipalities including George, Bitou, Knysna, Hessequa, Mossel Bay, Kannaland, Oudtshoorn)
- 3.6 **Councillor:** means a Councillor of the municipal council of the Municipality.
- 3.7 **Corruption:** is defined according to the Prevention and Combating of Corrupt Activities, Act No 12 of 2004 of South Africa:

Any person who, directly or indirectly -

(a) accepts or agrees or offers to accept any gratification (see definition of gratification below) from any other person, whether for the benefit of himself or herself or for the benefit of another person; or

(b) gives or agrees or offers to give to any other person any Gratification, whether for the benefit of that other person or for the Benefit of another person, in order to act, personally or by Influencing another person so to act. in a manner-

(i) that amounts to the

(aa) illegal, dishonest, unauthorised, incomplete, or biased; or

(bb) misuse or selling of information or material acquired in the Course of the, exercise, carrying out or performance of any Powers, duties or functions arising out of a constitutional Statutory, contractual or any other legal obligation;

(ii) that amounts to

- (aa) the abuse of a position of authority;
- (bb) a breach of trust; or
- (cc) the violation of a legal duty or a set of rules;
- (iii) designed to achieve an unjustified result; or
- (iv) that amounts to any other unauthorised or improper inducement to do or not to do anything, is guilty of the offence of corruption.

Gratification includes-

- (a) money, whether in cash or otherwise;
- (b) any donation, gift, loan, fee, reward, valuable security, property or interest in property of any description, whether movable or immovable, or any other similar advantage;
- (c) the avoidance of a loss, liability, penalty, forfeiture, punishment or other disadvantage;
- (d) any office, status, honour, employment, contract of employment or services, any agreement to give employment or render services in any capacity and residential or holiday accommodation;
- (e) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;
- (f) any forbearance to demand any money or money's worth or valuable thing;
- (g) any other service or favour or advantage of any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted, and includes the exercise or the forbearance from the exercise of any right or any official power or duty;
- (h) any right or privilege;
- (i) any real or pretended aid, vote, consent, influence or abstention from voting; or
- j) any valuable consideration or benefit of any kind, including any discount, commission, rebate, bonus deduction or percentage;

3.8 **Eden District Municipality:** means the Municipality established in terms of the Local Government Municipal Structures Act 117 of 1998 (hereinafter referred to as (“the Municipality”) and includes councillors, managers and staff.

- 3.9. **Fraud:** is defined according to the common law of South Africa, and is summarised for ease of reference as:

Any unlawful act or omission by which a misrepresentation is made with the intention to defraud which causes actual prejudice or which is potentially prejudicial to another, whether or not there is personal benefit to the perpetrator

- 3.10 **Mala fide:** means malicious
- 3.11 **Mayoral Committee:** means the Committee appointed by the Mayor to assist her/him in managing the Municipality's affairs on a day-to-day basis.
- 3.12. **Outside Parties:** means any person or entity with whom the Municipality interacts including contractors and suppliers, consultants and members of the public.
- 3.13. **Policy:** means the Anti Fraud and Corruption Prevention Policy.
- 3.14. **Protected Disclosure:** means a protected disclosure as defined in the Protected Disclosures Act 26 of 2000.
- 3.15. **Staff:** means the employees of the Municipality including the Accounting Officer.
- 3.16. **Theft:** is defined according to the common law of South Africa, and is summarized for ease of reference as:
- "The unlawful misappropriation of movable property or money with the intention to steal"
- 3.17. **Top Management:** means the Accounting Officer and those Executive Managers who serves on the management committee of the Municipality's administration.
- 3.18. **Line Management:** means any staff member in middle management that has a supervisory role over one or more subordinates.

4. THE MUNICIPALITY'S RESPONSIBILITIES

- 4.1. **The Accounting Officer** is responsible for establishing and maintaining a sound system of internal control that supports the achievement of Municipality policies, aims and objectives. The system of internal control is designed to respond to and manage the whole range of risks that the Municipality faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and

to manage them effectively. Managing fraud risk will be seen in the context of the management of this wider range of risks.

4.2 Overall responsibility of the Accounting Officer

Overall responsibility for managing the risk of fraud has been delegated to the Accounting Officer or his assignee. His/her responsibilities include:

- (a) Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
- (b) Establishing an effective anti-fraud and corruption policy and fraud response plan;
- (c) Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
- (d) Operating appropriate pre-employment screening measures;
- (e) Establishing appropriate mechanisms for:
 - Reporting fraud risk issues;
 - Reporting incidents of fraud to the Accounting Officer;
 - Reporting to the Audit Committee; and
 - Coordinating assurances about the effectiveness of antifraud policies to support the Statement on Internal Control;
- (f) Liaising with the Risk Committee;
- (g) Making sure that all staff are aware of the organisation's anti fraud and corruption policy and know what their responsibilities are in relation to combating fraud;
- (h) Ensuring fraud awareness training is provided as considered appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff;
- (i) Ensuring that vigorous and prompt investigations are carried out if fraud occurs, is attempted or is suspected, with due regard to available resources;
- (j) Ensuring, where appropriate, legal and/or disciplinary action against perpetrators of fraud is instituted;
- (k) Ensuring, where appropriate, disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;

- (l) Ensuring, where appropriate, disciplinary action against staff who fail to report fraud;
- (m) Taking appropriate action to recover assets and losses; and
- (n) Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

The Accounting Officer must ensure that all stakeholders are responsible for preventing and detecting fraud and implementing effective internal control systems.

The Accounting Officer must appoint an **Anti Fraud and Corruption Committee** in the case of Eden DM, the **Risk Committee** will act as the Anti Fraud and Corruption Committee which will consist of members of the Risk Committee, the Legal Advisor and a member of the Audit Committee and any other committed individuals (including the CRO) to monitor the compliance and implementation of the policy. This committee shall also champion and promote the implementation of fraud prevention and detection strategies in the municipality. These champions shall also report developments in their respective departments in connection with fraud prevention and detection to the Accounting Officer from time to time and shall also promote a culture of openness and constructive engagement with all stakeholders in the implementation of the anti-fraud and corruption policy under the leadership and direction of the Accounting Officer.

This can be achieved by ensuring that there are mechanisms in place within the municipality, to assess the risk of fraud regularly, to promote good ethics, ensuring that, a system of controls and checks and balances exists as envisaged in the Municipal Finance Management Act especially within the finance and accounting department and practices of the municipality and to educate employees about fraud and corruption prevention and detection.

The Accounting Officer shall encourage the managers to promote integrity, honesty, loyalty, transparency, accountability and good leadership qualities amongst the staff member, thus enhancing the image and the credibility of the municipality in the eyes of the public. The staff members have a responsibility to report acts of fraud and suspected corruption.

The Accounting Officer shall be responsible for ensuring that all staff members are familiar with their roles with regards to abiding by the code of conduct. The mayor and the councillors should be expected to also abide by their code of conduct.

4.3 Council (including the Executive Mayor)

- 4.3.1. The Council is accountable to the community and other stakeholders for the sound management of the Municipality. On a day-to-day basis, the

Municipality is, however, managed by the Executive Mayor in consultation with the Mayoral Committee and the Municipality Manager and Top Management. The Council's general oversight role includes the management of the risk to the Municipality from corporate crime. In terms of section 19 of the Structures Act, the municipal council must strive to achieve its objectives as laid out in Section 152(1) of the Constitution.

Councillors are legally bound by the Code of Conduct for Councillors and must comply with and actively promote this Policy. Councillors must contribute to developing and sustaining a culture of zero tolerance of corporate crime in or against the Municipality

4.4 Line Manager's Responsibilities

- 4.4.1. Line managers must promote and develop a culture in the organisation of zero tolerance of corporate crime and lead by example. They must ensure that all cases of corporate crime or alleged corporate crime are reported promptly to the KPMG. Furthermore, line management must support and actively assist in any investigations undertaken by the Anti Fraud and Corruption committee after a report was issued by KPMG to the Accounting Officer. In instances where the Accounting Officer is suspected of an alleged corporate crime, the relevant report will be submitted to a person appointed by the audit committee or to the MEC for Local Government.
- 4.4.2. Line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively. The responsibility for the prevention and detection of fraud therefore rests primarily with managers.
- 4.4.3. A major element of good corporate governance is a sound assessment of the organisation's business risks. Managers need to ensure that:
 - (a) Fraud risks have been identified within Risk and Control Frameworks encompassing all operations for which they are responsible;
 - (b) Each risk has been assessed for likelihood and potential impact;
 - (c) Adequate and effective controls have been identified for each risk;
 - (d) Controls are being complied with, through regular review and testing of control systems;
 - (e) Risks are reassessed as a result of the introduction of new systems or amendments to existing systems;
 - (f) Where a fraud has occurred, or has been attempted, controls are reviewed and new controls implemented, as necessary, to reduce the risk of fraud recurring; and

- (g) Fraud occurrences are quantified on an annual basis and Risk Registers/Risk and Control Frameworks updated to reflect the quantum of fraud within the Business Area. Where appropriate, strategies should be devised to combat recurrence of fraud and targets set to reduce the level of fraud.

4.4.5. As fraud prevention is the ultimate aim, anti-fraud measures should be considered and incorporated in every system and programme at the design stage, e.g. the design of application forms, the statement of accountability in respect of the content in completed applications, regular monitoring of expenditure etc. Internal Audit is available to offer advice to managers on risk and control issues in respect of existing and developing systems/programmes.

4.5 Internal Audit

4.5.1 Internal Audit is responsible for the provision of an independent and objective opinion to the Accounting Officer on risk management, control and governance. The adequacy of arrangements for managing the risk of fraud and ensuring the Municipality promotes an anti-fraud culture is a fundamental element in arriving at an overall opinion.

4.5.2. Internal auditors are alert in all their work to risks and exposures that could allow fraud. Individual audit assignments, therefore, are planned and prioritised to assist in deterring and preventing fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk. Risk and Control Frameworks are also reviewed as a constituent part of each audit assignment to ensure that management have reviewed their risk exposures and, where appropriate, identified the possibility of fraud as a business risk.

4.6 Staff Responsibilities

4.6.1 Municipality staff members are bound by the South African law (both statute and common law), the terms and conditions of their employment and also the Code of Conduct for Municipal Staff Members, Municipality policies and instructions issued by management from time to time.

4.6.2. Every member of staff has a duty to ensure that public funds are safeguarded and therefore, everyone is responsible for:

- (a) Acting with propriety in the use of official resources and the handling and use of public funds in all instances. This includes cash and/or payment systems, receipts and dealing with suppliers;
- (b) Aspiring to the following core principles, selflessness, integrity, objectivity, accountability, openness, honesty and leadership; and

- (c) Being vigilant to the possibility that unusual events or transactions could be indicators of fraud. In such an event there will be **two reporting methods**:-
- i) **Alerting their line manager** verbally or in writing (or where the relevant line manager is under suspicion, then to the HOD of the relevant department or the Accounting Officer) where they believe the opportunity for fraud exists (The relevant manager will be responsible to report the matter to subsection ii; and/ or
 - ii) **Reporting it to KPMG Ethics Line**, this is Eden District Municipality's hotline facility.
- (d) With reference to c (i) & (ii) please revert to the following appendixes:
- Appendix I: Provides examples of Fraud Indicators.
 - Appendix II: Common methods and types of Fraud Examples of Good
 - Appendix III: Management Practices Which May assist in Combating Fraud.

4.6.3. In addition, it is the responsibility of every member of staff to report corporate crime immediately to their line manager and/ or KPMG Ethics Line if they suspect that same has been attempted or committed, or see any suspicious acts or events.

4.6.4. An Ethical hotline facility is available on **0800 21 47 64** to report fraud or unethical behaviour. The said number is toll free from a Telkom line only.

- The Hotline operates 24 hours a day, 365 days a year and all information received is treated in the strictest confidence. It enables a concerned employee, as well as third parties to anonymously and at no cost to them, to disclose fraudulent, corrupt and unethical practices in the workplace.
- Alternatively fraud or unethical behaviour may be reported via the following mediums:

- KPMG Hot fax- **0800200796**
- KPMG Hot mail- **fraud@kpmg.co.za**
- KPMG Hot post- **BNT 371; PO Box 14671; Sinoville 0129**
- KPMG Hot web- **http://www.thornhill.co.za/kpmgethicslinereport**
- Eden DM employees can dial **117** from office landlines, to get direct access to KPMG, the call is untraceable.
- The code is available to the Eden DM and Oudtshoorn Office employees.

4.6.5 Staff must assist any investigations by making available all relevant information, by co-operating in interviews and where appropriate providing a witness statement.

- 4.6.6 As stewards of public funds, Municipality Officials must have, and be seen to have, high standards of personal integrity. Staff should not accept gifts, hospitality or benefits of any kind from a third party, which might be seen to compromise their integrity (the Municipality's Gifts Policy refers).
- 4.6.7 It is also essential that staff understand and adhere to laid down systems and procedures including those of a personnel/management nature such as submission of expenses claims and records of absence, flexi and annual leave.
- 4.6.8 Mala fide reporting to line management and/or KPMG Ethics line, with the knowledge that such transmittal of information is false or with wilful disregard of the truth shall constitute misconduct, for which disciplinary measures may be imposed.

5. SUPPLIERS, CONTRACTORS, CONSULTANTS AND THE COMMUNITY RESPONSIBILITIES

- 5.1 Suppliers, contractors and consultants are expected to act honestly and fairly in all their dealings with the Municipality and failure to do so may result in the cancellation or suspension of any tenders awarded to them and/or their being deregistered by the Municipality and/or being reported to the South African Police Services.
- 5.2 The community is encouraged to make use of the Municipality's Ethical Hotline or alternative mediums set out in clause 4.6.4 to report instances of fraud, corporate crime or unethical behaviour instances or allegations thereof involving the Municipality, regardless of where in the Eden District, the Municipality's offices is situated.

6. TECHNOLOGY TO IDENTIFY POSSIBLE AREAS OF CORRUPTION

Eden District Municipality is in the process of acquiring appropriate systems to assist the municipality to identify potential areas of corruption. Due to the large number of transactions and high values involved, a streamlined approach is needed to extract red flags from data that could point towards possible irregularities, some examples include: Employees with false ID numbers; Employees that are linked to companies; Employees that are linked to suppliers; Suppliers with shared information; payments made over weekends and public holidays etc.

7. DISCIPLINARY ACTION

- 7.1 After full investigation the Municipality will take legal and/or disciplinary action in all cases where it is considered appropriate. Any member of staff found

guilty of a criminal act or misconduct of which dishonesty is an element will be considered to have committed a serious disciplinary offence and is likely to be dismissed from the Municipality on the grounds of gross misconduct.

- 7.2 Where supervisory negligence is found to be a contributory factor, disciplinary action may also be initiated against those managers/supervisors responsible.
- 7.3. It is Municipality policy that in all cases of fraud, theft and/or corruption, whether perpetrated or attempted by a member of staff or by external organisations or persons, the case will be referred to the police.
- 7.4. Losses resulting from fraud should be recovered, subject to legal opinion vis-à-vis any potential write-offs.

8. CONCLUSION

- 8.1 It is appreciated that the circumstances of individual frauds will vary.

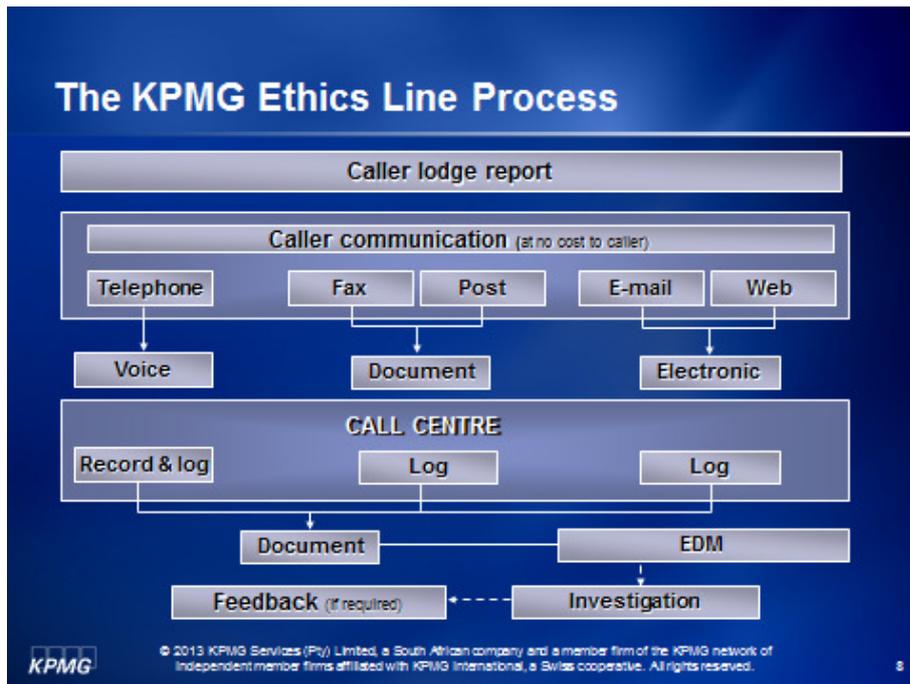
The Municipality takes fraud very seriously and will ensure that all cases of actual or suspected fraud, including attempted fraud, are investigated and that appropriate remedial action is taken. Managers should be fully aware of their responsibility to protect public funds and as such, should always be alert to the potential for fraud.

- 8.2. Any queries in connection with this policy document should be directed to the Accounting Officer.
- 8.3. Internal Audit is available to offer advice and assistance on internal control issues.

9. EDEN DISTRICT MUNICIPALITY'S ANTI FRAUD & CORRUPTION PREVENTION IMPLEMENTATION PLAN

- 9.1 Report and Investigation

The KPMG Ethics Line Process



9.1.1 Reporting:

3 easy steps to report fraud or unethical behaviour

- **Step 1:** Dial **0800 21 47 64** toll-free from any Telkom landline phone
- **Step 2:** Provide full details in respect to the violation. Such details should include:
 - Who is involved or doing what?
 - What has happened?
 - How was it done and how often?
 - Where is it done?
 - When was the incident observed?
 - Values involved – monetary value
- **Step 3:** You will be given a secret reference number by the operator – keep this number confidential as you will need this number if you want to make a follow-up call (call at a later date to add to the report) or feedback call (call at a later date to obtain feedback)

9.1.2 Checklist before you call:

- In which division/department did the incident take place?
- Where specifically did it happen?

- What is the nature of the incident?
- Date and time the incident took place?
- How long has this been going on?
- How often does this happen?
- Number of people involved and names?
- Does anybody else know about it?
- Do you have any proof?
- Are there any witnesses?

9.1.3 What to report:



9.1.4 What not to report:

- Employment grievances
- Employment complaints
- Petty arguments amongst staff
- Personality clashes
- General complaints (i.e. directions, contact details, accommodation etc.)

9.1.5 Eden DM's Internal Reporting Procedure

The report generated by KPMG is sent to the Municipal Manager and simultaneously to the members of the Audit Committee within 24 hours.

The Audit Committee to submit report to Risk Management Committee for discussion

The Risk Committee to decide on appropriate action and report to the Audit committee.

If allegations were made against the Accounting Officer, Executive Managers or Members of the Audit Committee, the report can then on request be sent to the MEC for Local Government.

- 9.1.6 KPMG will compile a report within 24 hours and submit it to the Accounting Officer and simultaneously to all the members of the Audit Committee. The process will then follow the Eden DM's Internal Reporting Process as described in clause 9.1.5. After two weeks KPMG will request feedback from Eden DM regarding the progress of the reported matter.
- 9.1.7 The Anti Fraud and Corruption Committee will refer the matter for an internal investigation. Where necessary the said committee will refer the matter to KPMG for further investigation. The Legal Advisor shall compile a monthly report and submit it to the Executive Manager Support Services. In addition the Accounting Officer shall report on a monthly basis to the Audit Committee.
- 9.1.8 It is Municipality policy that there will be consistent handling of all suspected fraud cases without regard to position held or length of service.
- 9.1.9 Where the Anti Fraud and Corruption Committee referred a matter to the Forensic auditors (i.e. KPMG) for further investigations, the forensic auditors shall have free access to all staff, records and premises in order to carry out investigations.
- 9.1.10 If the investigation confirms the suspicion that a fraud has been perpetrated or attempted, the relevant Committee-
- must ensure that effective controls are in place to preserve all forms of evidence, ensure that legal and / or police assistance is sought where necessary.
 - To remove any threat of further fraud or loss,
 - management should immediately change/strengthen procedures and if appropriate,
 - suspend any further payments pending full investigation.
 - Responding Effectively to Fraud when it Occurs

APPENDIX I

INDICATORS OF FRAUD

- Missing expenditure vouchers and unavailable official records
- Crisis management coupled with a pressured business climate
- Excessive variations to budgets or contracts
- Refusals to produce files, minutes or other records
- Increased employee absences
- Borrowing from fellow employees
- An easily led personality
- Covering up inefficiencies
- Lack of management oversight
- No supervision
- Staff turnover is excessive
- Figures, trends or results which do not accord with expectations
- Bank reconciliations are not maintained or can't be balanced
- Excessive movement of cash funds
- Multiple cash collection points
- Remote locations
- Unauthorised changes to systems or work practices
- Employees with outside business interests or other jobs
- Large outstanding bad or doubtful debt
- Offices with excessively flamboyant characteristics
- Employees suffering financial hardships
- Placing undated/post-dated personal cheques in petty cash
- Employees apparently living beyond their means
- Heavy gambling debts
- Signs of drinking or drug abuse problems

- Conflicts of interest
- Lowest tenders or quotes passed over with scant explanations recorded
- Employees with an apparently excessive work situation for their position
- Managers bypassing subordinates
- Subordinates bypassing managers
- Excessive generosity
- Large sums of unclaimed money
- Large sums held in petty cash
- Lack of clear financial delegations
- Secretiveness
- Apparent personal problems
- Marked character changes
- Excessive ambition
- Apparent lack of ambition
- Poor morale
- Excessive control of all records by one officer
- Poor security checking processes over staff being hired
- Unusual working hours on a regular basis
- Refusal to comply with normal rules and practices
- Personal creditors appearing at the workplace
- Non taking of leave
- Excessive overtime
- Large backlogs in high risk areas
- Lost assets
- Unwarranted organisation structure
- Absence of controls and audit trails
- Socialising with service providers - meals, drinks, holidays

- Seeking work for clients
- Favourable treatment of clients - e.g. allocation of work
- Altering contract specifications
- Contract not completed to specification
- Contractor paid for work not done.
- Grants not used for specified purpose

APPENDIX II

COMMON METHODS AND TYPES OF FRAUD

- Payment for work not performed
- Altering amounts and details on documents
- Collusive bidding
- Overcharging
- Writing off recoverable assets or debts
- Unauthorised transactions
- Selling information
- Altering stock records
- Cheques made out to false persons
- False persons on payroll
- Unrecorded transactions
- Transactions (expenditure/receipts/deposits) recorded for incorrect sums
- Cash stolen
- Supplies not recorded at all
- False official identification used
- Damaging/destroying documentation
- Using copies of records and receipts
- Using imaging and desktop publishing technology to produce apparent original invoices
- Charging incorrect amounts
- Transferring amounts between accounts frequently
- Delayed terminations from payroll
- Bribes
- Over claiming expenses
- Skimming and rounding

- Running a private business with official assets
- Using facsimile Signatures

APPENDIX III

EXAMPLES OF GOOD MANAGEMENT PRACTICES WHICH MAY ASSIST IN COMBATING FRAUD

- All income is promptly entered in the accounting records with the immediate endorsement of all cheques
- Regulations governing contracts and the supply of goods and services are properly enforced
- Accounting records provide a reliable basis for the preparation of financial statements
- Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information
- A strong internal audit presence
- Management encourages sound working practices
- All assets are properly recorded and provision is made known or expected losses
- Accounting instructions and financial regulations are available to all staff and are kept up to date
- Effective segregation of duties exists, particularly in financial accounting and cash/securities handling areas
- Close relatives do not work together, particularly in financial, accounting and cash/securities handling areas
- Promotion of ethical behaviour
- Act immediately on internal/external auditor's report to rectify control weaknesses
- Review, where possible, the financial risks of employees
- Issue accounts payable promptly and follow-up any non-payments
- Set standards of conduct for suppliers and contractors
- Maintain effective security of physical assets; accounting documents (such as cheque books, order books); information, payment and purchasing systems
- Review large and unusual payments
- Perpetrators should be suspended from duties pending investigation
- Proven perpetrators should be dismissed without a reference and prosecuted

- Undertake test checks and institute confirmation procedures
- Maintain good physical security of all premises
- Randomly change security locks and rotate shifts at times (if feasible and economical)
- Conduct regular staff appraisals
- Review work practices open to collusion or manipulation
- Develop and routinely review and reset data processing controls
- Regularly review accounting and administrative controls
- Set achievable targets and budgets, and stringently review results
- Ensure the employees takes regular leave
- Rotate staff in key risk areas
- Ensure all expenditure is authorised
- Conduct periodic analytical reviews to highlight variations to norms
- Take swift and decisive action on all fraud situations
- Ensure staff members are fully aware of their rights and obligations in all matters concerned with fraud

ANNEXURE “A”: VALUES OF EDEN DM

Eden is committed to promoting a set of Values consistent with human dignity and professional excellence, Values which are aimed at serving the local community of Eden region and global society of which it forms part.

These values are:

Integrity

This means behaving, even in difficult situations, in a manner that reflects Eden’s commitment to honesty, trust, transparency and ethical business operations.

Excellence

This means setting quality standards for service delivery, measurement thereof to improve productivity and the discipline to take action to address the situation.

Inspired

This means the building of commitment for and the fostering of positive attitudes towards everyone and everything that form part of the Eden home in order to demonstrate joy and happiness in what we do.

Caring

This means a total commitment to the manifestation of “ubuntu” (we are what we are through other people), health and wellness, and well-being.

Respect

This means respecting yourself and everyone and everything that form part of the Eden community. It implies valuing diversity and celebrating and learning from the differences between individuals, ideas and situations. This will promote the achievement of a more just and humane world.

Resourcefulness

This means embracing innovation in thought and creative actions that demonstrate unconventional progression towards success.

ANNEXURE “B”: BATHO PELE PRINCIPLES

Batho Pele Principle 1 - Consultation:

Citizens should be consulted about the level and quality of the public services they receive and, wherever possible, should be given a choice about the services that are offered.

Batho Pele Principle 2 - Service Standards:

Citizens should be told what level and quality of public services they will receive so that they are aware of what to expect.

Batho Pele Principle 3 - Access:

All citizens should have equal access to the services to which they are entitled.

Batho Pele Principle 4 - Courtesy:

Citizens should be treated with courtesy and consideration.

Batho Pele Principle 5 - Information:

Citizens should be given full, accurate information about the public services they are entitled to receive.

Batho Pele Principle 6 - Openness and transparency:

Citizens should be told how national and provincial departments are run, how much they cost, and who is in charge.

Batho Pele Principle 7 - Redress:

If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when the complaints are made, citizens should receive a sympathetic, positive response.

Batho Pele Principle 8 - Value for Money:

Public services should be provided economically and efficiently in order to give citizens the best possible value for money.

BROAD GUIDELINE: ETHICAL PRINCIPLES

- Perform your duties with honesty and integrity
- Treat people with respect, fairness and courtesy
- Accept accountability for your actions and decisions
- Behave in a way which is above reproach
- Comply with the rules, procedures and regulations of the company, and law of the country
- Use company information for the purpose for which it is intended
- Do not misuse assets/property of the company, its customers or suppliers
- Declare conflicts of interest or potential conflicts of interests
- Refuse any gift that could be regarded as exerting undue influence