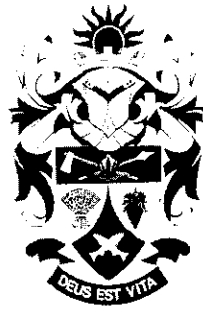


BERGRIVIER MUNISIPALITEIT



ANTI-FRAUD AND CORRUPTION POLICY

GOEDGEKEUR DEUR RB 876 VAN 29 JULIE 2010

Contents

TERMS AND ABBREVIATIONS	3-5
SECTION I : INTRODUCTION	6-8
SECTION II : COMPONENTS OF THE PLAN	8-9
SECTION III : APPROACH TO FRAUD PREVENTION	9
FOCUS ON THE ORGANISATION	9
<i>Codes of Conduct for Municipal Employees and Councillors</i>	9-10
<i>Systems, policies and procedures</i>	10
<i>Human Resources – Employment Practices</i>	11
<i>Discipline</i>	12
<i>Financial Systems and Control</i>	12-13
<i>Procurement</i>	13-14
<i>Housing</i>	14-16
<i>Risk Management and Assessment</i>	17
<i>Fraud Detection Reviews</i>	17
<i>Internal and External Audit</i>	17-18
<i>Physical and Information Security</i>	18
<i>Physical Security</i>	18
<i>Information Security</i>	18
FOCUS ON EMPLOYEES	19
FOCUS ON OTHER STAKEHOLDERS	19
<i>Trading Partners</i>	19
<i>Employee representative organisations</i>	20
<i>Department of Provincial and Local Government</i>	20
SALGA	20
<i>The general public</i>	20
ENFORCEMENT	20
<i>Reporting and Monitoring of fraud and corruption</i>	20
<i>Reporting Channels</i>	20-21
IMPLEMENTATION AND AWARENESS	21
<i>Monitoring</i>	21
<i>Creating awareness</i>	21
<i>Education</i>	22
<i>Communication</i>	22
<i>Implementation structure</i>	22

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):

Bergrivier Constitution	Bergrivier Local Municipality Constitution of the Republic of South Africa, Act 106 of 1996, As adopted on 08 May 1996 and amended on 11 October 1996 by the Constitutional Assembly
Demarcation Act DPLG	Local Government Municipal Demarcation Act, No 27 of 1998 Department of Provincial and Local Government
Fraud and Corruption	Includes, but is not limited to, the following: The following legal definitions: <ul style="list-style-type: none">• 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 <i>corrupt activities</i> as defined in the Prevention and Combating of Corrupt Activities Act, 2004, i.e.:<ul style="list-style-type: none">○ 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:<ul style="list-style-type: none">▪ Illegal, dishonest, unauthorised, incomplete, or biased;▪ Misuse or selling of information or material acquired;▪ Abuse of position of authority;▪ Breach of trust;▪ Violation of a legal duty or set of rules;▪ Designed to achieve an unjustified result; and▪ Any other unauthorised or improper inducement to do or not to do anything;○ Corrupt activities in relation to:<ul style="list-style-type: none">▪ Public officials;▪ Foreign public officials;▪ Agents;▪ Judicial officers;▪ Members of the prosecuting authority;▪ Unauthorised gratification received or offered by or to a party with an employment relationship;▪ Witnesses and evidential material during certain proceedings;▪ Contracts;▪ Procuring and withdrawal of tenders;▪ Auctions;▪ Sporting events; and▪ Gambling games or games of chance;○ Conflicts of interests and other unacceptable conduct, e.g.:

- Acquisition of private interests in contract, agreement in or investment in public body;
- Unacceptable conduct relating to witnesses; and
- Intentional interference with, hindering or obstruction of investigation of offence;
- Other offences relating to corrupt activities, viz:
 - Accessory to or after an offence;
 - Attempt, conspiracy and inducing another person to commit offence; and
 - 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:**
 - Inadequate vetting of employees;
 - **Procurement:**
 - Non-compliance to tender procedures;
 - Procurement fraud, e.g. collusion between employees and suppliers;
 - Fraudulent information submitted by suppliers when tendering for work;
 - **Housing:**
 - Manipulation of the beneficiary waiting list;
 - Irregular allocation of a housing subsidy;
 - **Financial Systems and Control:**
 - Theft of blank cheques;
 - Deliberate non-compliance to policies and procedures;
 - Abuse of the system of overtime;
 - Abuse of the system of travel claims;
 - Fraudulent payment certificates submitted for payment;
 - Non-compliance to delegated authority limits;
- **Financial issues:** i.e. where individuals or entities have fraudulently obtained money from Berggrivier, e.g.:
 - **HR – Employment Practices:**
 - Ghost employees;
 - Irregular appointment of staff for undue benefits;
 - **Procurement:**
 - Suppliers invoicing for work not done;
 - Service providers double invoicing;
 - Contractors “fronting”.
 - **Housing:**
 - Diversion of rental payments on rental stock;
 - **Financial Systems and Control:**
 - Theft, e.g. petty cash, etc;
 - Fraudulent cashing of cheques;
 - Fraudulent travel claims by employees;
- **Equipment and resource issues:** i.e. where Berggrivier's equipment is utilised for personal benefit or stolen, e.g.:
 - **Financial Systems and Control:**
 - Theft of assets;
 - Abuse of assets;
 - Deliberate destruction of property; and
 - Use of Berggrivier resources and equipment for private

gain.

- *Other issues:* i.e. activities undertaken by employees of Bergrivier, which may be against policies or fall below established ethical standards, e.g.:
 - Conflict of interest ;
 - Favouritism; and
 - Non-disclosure of private work

LGAS
MFMA
Municipal Manager
Plan

Local Government Anti-Corruption Strategy
Municipal Finance Management Act, No.56 of 2003
A person appointed in terms of section 82 (1) of the Structures Act
Fraud Prevention Plan for Bergrivier Local Municipality
("Bergrivier"), dated May 2008

R.S.A
SALGA
SARS
Structures Act
Systems Act

Republic of South Africa
South African Local Government Association
South African Revenue Services
Municipal Structures Act, No 17 of 1998
Municipal Systems Act 32, No of 2000

SECTION I: INTRODUCTION

- 1.1 Bergrivier subscribes to the principles of good corporate governance, which requires the conducting business in an honest and transparent fashion.
- 1.2 Consequently Bergrivier is committed to fighting fraudulent behaviour at all levels within the organisation.
- 1.3 The Plan is premised on the organisations core ethical values driving the business of Bergrivier, 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 organisation. This means that in practice all municipalities, departments and other business units of Bergrivier and even external stakeholders must be guided by the Plan as the point of reference for their conduct in relation to Bergrivier.
- 1.4 In addition to promoting ethical conduct within Bergrivier, the Plan is also intended to assist in preventing, detecting, investigating and sanctioning fraud and corruption.
- 1.5 This dynamic document details the steps, which have been, and will continually be taken by Bergrivier to promote ethical conduct and address fraud and corruption.

2. *Policy Stance*

- 2.1 The policy of Bergrivier 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 Bergrivier.
- 2.2 The efficient application of instructions contained in the policies and procedures of Bergrivier, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

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

- 3.1 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.
- 3.2 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.
- 3.3 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 Internal Auditor.

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

Bergrivier 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 the Mayor and/or the Internal Auditor.

5. *How will allegations of fraud and corruption be dealt with?*

5.1 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:

- Be investigated internally; or
- Be referred to another law enforcement agency.

5.2 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 of time 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.

6. *Recovery of Losses*

Managers are required to ensure that losses or damages suffered by Bergrivier 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.

7. *Feedback to reporters of fraud*

The Municipal Manager will, upon receiving a report of fraud from an external person, write to the person making the report:

- Acknowledging that the concern has been received;
- Indicating how he proposes to deal with the matter and whether any initial enquiries have been made;
- Giving an estimate of how long it will take to provide a final response; and
- Informing them whether any further investigations will take place, and if not, why not.

8. *Confidentiality*

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.

9. **Media**

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.

10. **Protection of Whistle Blowers**

10.1 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 Bergrivier. This discretion will be applied by taking into account the following:

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

10.2 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 Bergrivier. This may include:

- *Harassment or victimisation:* Bergrivier 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. Bergrivier 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:* Bergrivier 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.

10.3 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.

11. **SECTION II: COMPONENTS OF THE PLAN**

11.1 The main principles upon which this Plan of Bergrivier is based on and aligned to the LGAS includes the following:

- Creating a culture which is ethical and intolerant to fraud and corruption;
- Deterrence of fraud and corruption;
- Preventing fraud and corruption which cannot be deterred;
- Detection of fraud and corruption;
- Investigating detected fraud and corruption;
- Taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution, etcetera; and

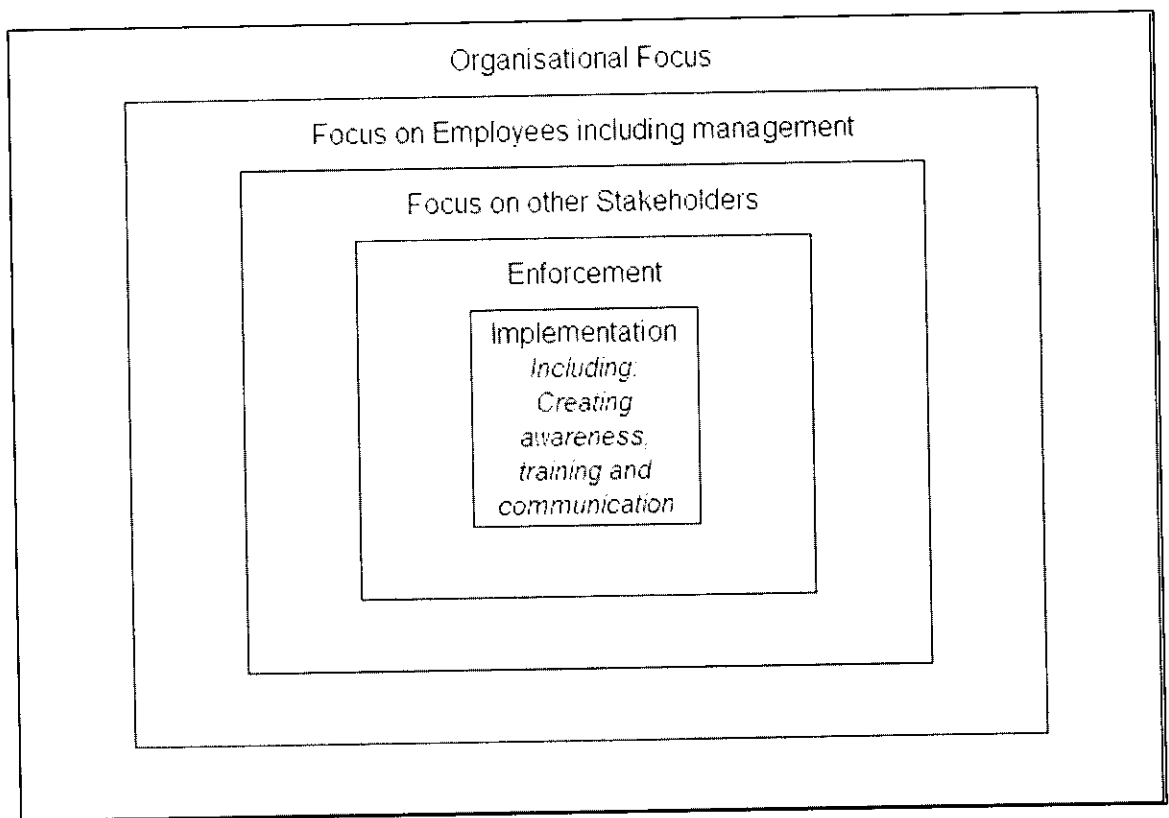
- Applying sanctions, that includes blacklisting and prohibition from further employment.

11.2 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 for Bergrivier are the following:

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

12. SECTION III: APPROACH TO FRAUD PREVENTION

The approach to fraud prevention in Bergrivier can be summarised as follows:



13. FOCUS ON THE ORGANISATION

13.1 Codes of Conduct for Municipal Employees and Councillors

13.1.1 In terms of Section 2 of the Systems Act, the Code of Conduct for Municipal employees contains specific conduct standards categorised as follows:

- General Conduct;
- Commitment to serving the public interest;
- Personal gain;
- Disclosure of benefits;
- Unauthorised disclosure of information;
- Undue influence;

- Rewards, gifts and favours;
 - Council property;
 - Payment of arrears;
 - Participation in elections;
 - Sexual harassment;
 - Reporting duty of staff members; and
 - Breaches of Code.
- 13.1.2 In terms of Section 1 of the Systems Act, the Code of Conduct for Councillors contains the following categories:
- General conduct of councillors (Cross reference to section of Act);
 - Attendance at meetings;
 - Disclosure of interests;
 - Personal gain;
 - Declaration of interests;
 - Full-time councillors;
 - Rewards, gifts and favours;
 - Unauthorised disclosure of information;
 - Intervention in administration;
 - Council property;
 - Duty of chairpersons of municipal councils;
 - Breaches of Code; and
 - Application of Code to traditional leaders.
- 13.1.3 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 Bergrivier occurs only within the ethical standards as prescribed by Bergrivier.
- 13.1.4 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.

13.2 Systems, policies and procedures

- 13.2.1 Bergrivier has a number of systems, policies and procedures designed to ensure compliance with specific laws and regulations and basic internal control.
- 13.2.2 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. – Link to Municipality
- 13.2.3 Non-compliance with policies and procedures is a risk with the potential to seriously impact the success of the Plan of Bergrivier. 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.
- 13.2.4 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.

13.3 Human Resources – Employment Practices

13.3.1 Bergrivier 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 its human resource systems, policies and procedures and Bergrivier undertakes testing thereof during internal audits in which control shortcomings are subsequently addressed.

13.3.2 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 Bergrivier's efforts in this regard.

- *Advertising posts:* The inclusion of specific provisions when advertising posts 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 and probity:* Bergrivier 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.
- *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 ethos of the organisation. 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:* In order to limit the risk of over-worked employees who could become lackadaisical leading to non-compliance to internal control and to further limit the risk of fraud and corruption Bergrivier will compel all employees to take annual leave. This control also limits the risk of unethical individuals monopolising specific tasks.
- Managers 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:* The exit procedures for employees leaving Bergrivier usually require the return of assets and an exit interview. Steps will be taken to ensure that specific follow-up time frames

are set to encourage managers to apply the requirement related to the return of assets more promptly.

- Bergrivier 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.

13.4 Discipline

13.4.1 Bergrivier 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 managers in the application of disciplinary measures;
- Where managers are found to be inconsistent and/or inefficient in the application of discipline, Bergrivier 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.

13.5 Financial Systems and Control

13.5.1 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.

13.5.2 The Council of Bergrivier must approve an annual budget for Bergrivier before the start of the financial year. Bergrivier 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.

13.5.3 The Municipal Manager of Bergrivier is regarded as the accounting officer for Bergrivier. Therefore the Municipal Manager should ensure that the financial systems and controls that are in place in Bergrivier address the following:

- Effective, efficient and economic use of resources;
- Proper record keeping of the financial affairs of Bergrivier;
- 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.

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

13.5.5 Top management, senior management and other officials of Bergrivier must assist the Municipal Manager in coordinating the financial systems and controls within Bergrivier.

13.5.6 The finance policies, procedures and other prescripts of Bergrivier prescribe various controls, which, if effectively implemented, would limit fraud and corruption within Bergrivier. 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 Bergrivier.
- 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.

13.5.7 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.

13.5.8 Bergrivier 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.

13.5.9 Furthermore, Bergrivier 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.

13.5.10 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.

13.6 Procurement

13.6.1 The MFMA requires every municipality to have a procurement policy that is fair, equitable, transparent, competitive and cost effective.

13.6.2 Further, the MFMA stipulates that the procurement policy of Bergrivier must at least address the following aspects:

- The barring of persons from participating in tendering or other bidding processes that have:
 - Been convicted of fraud or corruption during the past five years;
 - Wilfully neglected, reneged on or failed to comply with government contract during the past five years; and
 - Whose tax matters are not cleared by SARS

13.6.3 The Municipal Manager of Bergrivier must implement the procurement policy and take 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.

13.6.4 At a minimum, the procurement policy of Bergrivier should contain the following anti-fraud and anti-corruption provisions:

- The range of supply chain management processes that Bergrivier 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;
- The barring of persons from participating in tendering or other bidding processes who have:
 - been convicted of fraud or corruption during the past five years;
 - wilfully neglected, reneged on or failed to comply with a government contract during the past five years; and

- tax matters that are not cleared with SARS;
- Any additional measures for:
 - combating fraud, corruption, favouritism and unfair and irregular practices in Bergrivier's supply chain management; and
 - promoting ethics of officials and other role players involved in Bergrivier's supply chain management.

13.7 Housing

In order to fulfil its housing role, Bergrivier must carry out the following functions:

- **Health and Safety:** ensure that conditions not conducive to health and safety of the inhabitants of its areas of jurisdiction are prevented or removed;
- **Efficient Services:** ensure that services in respect of water, sanitation, electricity, roads, stormwater drainage and transport are provided in a manner that is economically efficient;
- **Housing Delivery Goals:** set housing delivery goals in respect of its area of jurisdiction;
- **Land for Housing:** identify and designate land for housing development;
- **Public Environment:** create and maintain a public environment conducive to housing development which is financially and socially viable;
- **Conflict Resolution:** promote the resolution of conflicts arising in the housing development process;
- **Bulk and Revenue Generating Services:** provide bulk engineering services, and revenue generating services in so far as specialist utility suppliers do not provide such services;
- **Land Use:** plan and manage land use and development; and
- **Housing Development:** initiate, plan, co-ordinate, facilitate, promote and enable appropriate housing development in its area of jurisdiction.

13.7.1 Housing Subsidy

13.7.1.1 A housing subsidy is a grant by Government offered to qualifying beneficiaries for housing purposes. The grant is not paid in cash to the beneficiaries. The grant is paid to a seller or may be used to construct a house, which is then transferred to a beneficiary.

13.7.1.2 Applications for a housing subsidy must satisfy the following criteria:

- An applicant must be married or be living together with any other person. A single person with proven financial dependants (such as children or family members) may also apply;
- An applicant must be a citizen of the Republic of South Africa, or be in the possession of a permanent resident permit;
- An applicant must be legally competent to contract (i.e. over 21 years of age, or married or divorced) and of sound mind;
- An applicant's gross monthly household income must not exceed R3 500. Adequate proof of income must be submitted;
- An applicant or anyone else in the household must not have received previous housing benefits from the Government. Except in the following:
 - An applicant that qualifies for a Consolidation Subsidy; or
 - Disabled persons;
- An applicant may not own or has owned a house previously, except for the following:

- Disabled persons
 - Persons who:
 - own a vacant stand that was obtained through the Land Restitution Programme;
 - have acquired a residential property for the first time without Government assistance and the house/dwelling on the property, if any, does not comply with the Norms and Standards in respect of Permanent Residential Structures. The property must be in possession and registered in the name of the applicant; and
 - qualify for a consolidation subsidy
- 13.7.1.3 Applications for a housing subsidy may be made at either the relevant Provincial Housing Department or at the offices of Bergrivier.
- 13.7.1.4 Where applications are received by Bergrivier, receipt of the following documents should be ensured in order to mitigate the risk of beneficiaries irregularly a housing subsidy:
- A certified copy of the following:
 - the page of the bar-coded R.S.A. identity document containing photograph of applicant and that of his/her spouse;
 - the page of the bar-coded Permanent Residence Permit containing the photograph of the applicant and that of his/her spouse where the applicant is not a South African Resident;
 - a marriage certificate (if applicable);
 - a spouse's death certificate (if applicable);
 - a divorce decree (if applicable);
 - birth certificates of all dependants (if applicable); and
 - most recent pay slip (applicant and spouse);
 - Agreement of Sale;
 - Building Contract and Approved Building Plan;
 - Sale of Land and House Building Support agreement in respect of People's Housing Process (PHP) (if applicable);
 - Proof of Disability (where applicable);
 - Proof of loan granted by lender (if applicable); and
 - Application for exemption for capital contribution (if applicable).

13.7.2 Rental Stock

- 13.7.2.1 Bergrivier currently owns housing rental stock. Qualifying tenants of state financed rented family housing units may buy them at a discount to a maximum of R7 500 on the selling price. If the selling price is R7 500 or less, the discount benefit is limited to the lesser amount and the sales debtor is able to acquire the unit without making a further capital contribution. If the selling price exceeds R7 500, the purchaser will be required to pay the excess.
- 13.7.2.2 The following categories of people qualify to secure rental stock with the discount:
- Existing tenants in the housing unit as at 15 March 1994; or
 - Existing purchasers of the rental stock.
- 13.7.2.3 Applications for the discounted benefit as well as the purchase of the rental stock from Bergrivier must be made directly to Bergrivier. When reviewing and approving these applications, Bergrivier must ensure that the applicant is an existing tenant in the housing unit as at 15 March 1994 or the applicant is an existing purchaser of the rental stock. This is done in order to mitigate the risk of fraudulent allocation of the discount benefit.

13.7.3 Housing Allocation

- 13.7.3.1 Bergrivier facilitates the allocation of houses built by Provincial and National Government. Further, Bergrivier facilitates communication with communities through the different structures, e.g. ward committees ,etc. Beneficiaries on the waiting list for housing may be captured by Bergrivier or the Provincial Government. A fundamental risk in the allocation of houses is that housing may be irregularly allocated to beneficiaries, e.g. beneficiaries may be moved up the waiting list in exchange for undue benefit.
- 13.7.3.2 Bergrivier will develop a housing policy that, at a minimum, will address the anti-fraud and anti-corruption provisions referred to in paragraphs 3.1.30 and 3.1.33 above.

13.8 Risk Management and Assessment

- 13.8.1 In order to identify and address risks facing Bergrivier, a 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.
- 13.8.2 Presentations to employees of Bergrivier will be conducted in order to ensure that they have a more detailed understanding of the fraud and corruption risks facing Bergrivier and the areas wherein these risks exist, thus enhancing the prospect of detecting irregularities earlier.

13.9 Fraud Detection Reviews

Bergrivier 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 managers, 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;
- Housing, e.g. allocation, administration of housing waiting lists, etc; and
- Financial Systems and Control, e.g. payment of suppliers, receipt and banking of revenue received.

13.10 Internal and External Audit

- 13.10.1 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 Bergrivier 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.
- 13.10.2 Bergrivier have appointed an Internal Auditor, which will include 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.

13.10.3 The anti-corruption capacity within Bergrivier 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.

13.10.4 Bergrivier recognises the fact that the positive support by all its managers 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 managers are found to be slow in addressing internal control and shortcomings raised by Internal Audit, firm action will be considered.

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

13.10.6 Bergrivier 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.

13.11 Physical and Information Security

13.11.1 *Physical Security*

13.11.1.1 Bergrivier'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.

13.11.1.2 Bergrivier 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.

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

13.11.2 Information Security

- 13.11.2.1 Bergrivier 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.
- 13.11.2.2 Communiqués raining will be provided to all employees on the management of intellectual property and confidential information to limit the risk of manipulation of information.
- 13.11.2.3 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.
- 13.11.2.4 Regular reviews of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed.

14. FOCUS ON EMPLOYEES

- 14.1 Key ambassadors for the successful implementation of the Plan for Bergrivier are its employees. In essence, this means that their conduct often forms the base upon which Bergrivier as an organisation is judged. Bergrivier employees have to therefore demonstrate behaviour beyond reproach in the execution of their duties.
- 14.2 Anti-fraud and anti-corruption measures to address employees as referred to in paragraphs 3.1.1, 3.1.9, 3.1.10 and 3.1.11 above will be implemented by Bergrivier.

15. FOCUS ON OTHER STAKEHOLDERS

15.1 Stakeholders

- 15.1.1 Bergrivier has several other stakeholders with whom it interacts. These are indicated below:
- Trading partners, e.g. suppliers, contractors, consultants;
 - Employee representative organisations;
 - DPLG;
 - SALGA; and
 - The general public.
- 15.1.2 All stakeholders with whom Bergrivier interacts are expected to abide by the principles contained in the Plan. Although Bergrivier 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.

15.2 Trading Partners

- 15.2.1 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.

15.2.2 Approaches to address the risk of fraud and corruption 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 Bergrivier;
- 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 Bergrivier dealing with these suppliers;
- Appropriate contract terms and conditions indicating the conduct expected by Bergrivier;
- Ongoing communication of these standards;
- Sound project management;
- Monitoring and evaluation of breaches;
- Taking sound action in the event of breaches such as:
 - Prosecution;
 - Loss recovery; and
 - Placing of appropriate prohibitions on future contracts and cancellation of exiting contracts.

15.3 Employee representative organisations

Bergrivier 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 Bergrivier. Trade unions will also be consulted prior to the finalisation of the Plan.

15.4 Department of Provincial and Local Government

15.4.1 DPLG is a national department and its primary function is to develop policies and legislation with regard to provinces and local 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 Bergrivier.

15.5 SALGA

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. Bergrivier will also ensure that SALGA is made aware of the Plan and appropriately compliment it when dealing with Bergrivier.

15.6 The general public

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

16. ENFORCEMENT

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

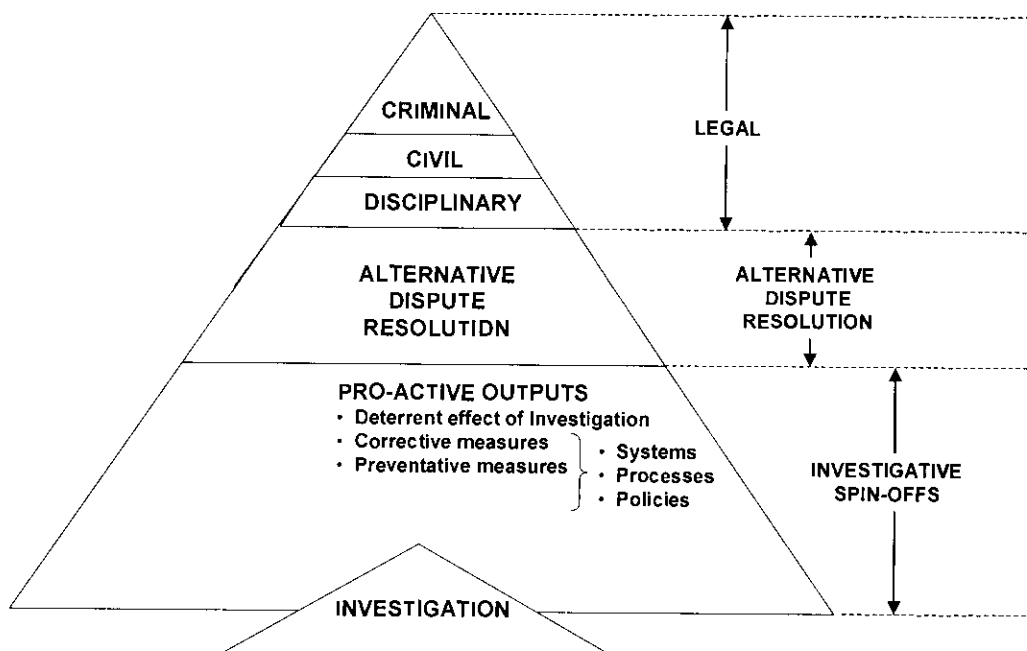
17. Reporting and Monitoring of fraud and corruption

17.1 Reporting Channels

17.1.1 The reporting channels for unethical conduct, fraud and corruption impacting Bergvriev 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 the Mayor and/or the Internal Auditor.

17.1.2 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. The resolution mechanisms, which can be pursued in enforcement, are illustrated below.



18. IMPLEMENTATION AND AWARENESS

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.

18.1 Monitoring

Bergrivier 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.

18.2 Creating awareness

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

18.3 Education

Formal awareness presentations will be conducted for employees of Bergrivier 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 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 Bergrivier may be exposed, thus enhancing the prospect of detecting irregularities earlier.

18.4 Communication

18.4.1 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 Bergrivier's prevention and detection ability.

18.4.2 Communication approaches that will be considered by Bergrivier are the following:

- An official launch for the Plan aimed at all stakeholders;

- 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 Bergrivier.

18.5 Implementation structure

18.5.1 Bergrivier will consider the establishment of a Fraud Prevention Committee whose responsibility will include the implementation of the Plan. This Committee will include champions from all faculties and other business units. The terms of reference of this team will include the following in relation to the Plan:

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