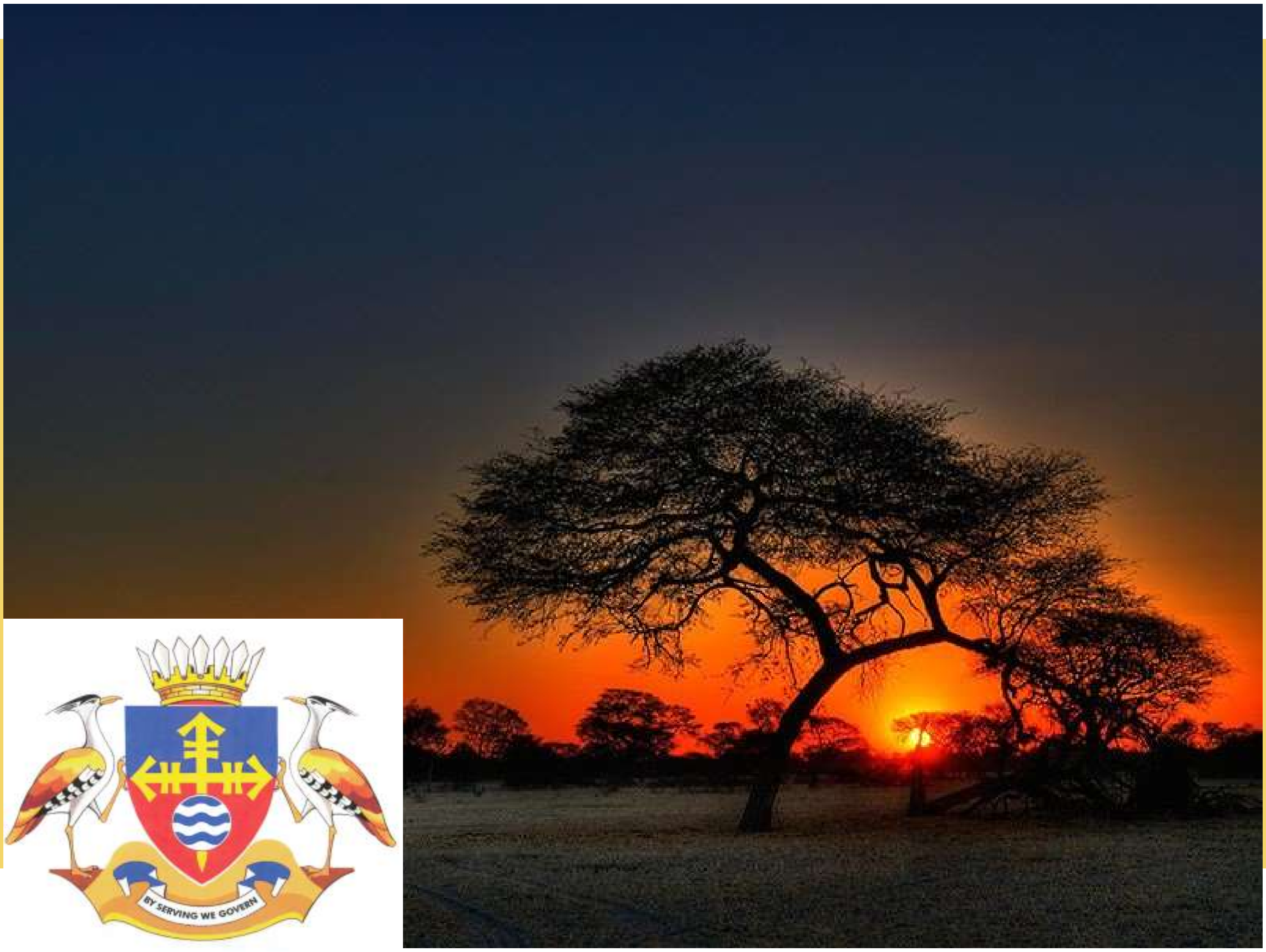

Ethics, Fraud & Prevention Management Plan 2025/2026

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1. TERMS AND ABBREVIATIONS

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

Constitution	Constitution of the Republic of South Africa, Act 106 of 1996
Demarcation Act	Local Government Municipal Demarcation Act, No 27 of 1998
DPLG	Department of Provincial and Local Government
LGACS	Local Government Anti-Corruption Strategy, 2006
MFMA	Municipal Finance Management Act, No. 56 of 2003
Plan	Ethics Management Policy & Plan
Protected Disclosures Act	Protected Disclosures Act, Act 26 of 2000 plus amendments (Regulations relating to Protected Disclosures, 2018)
RSA	Republic of South Africa
SALGA	South African Local Government Association
SARS	South African Revenue Services
Structures Act	Local Government: Municipal Structures Act, Act 17 of 1998 and Regulations
Systems Act	Local Government: Municipal Systems Act 32, Act 32 of 2000 and Regulations
PAM	Public Administration Management Act, Act 11 of 2014, effective as from 1 Apr 2019
JTGDM	John Taolo Gaetsewe District Municipality
Municipal Manager/ Accounting Officer	A person appointed in terms of Section 82(1) of the Structures Act, Act 17 of 1998
Employee	A person appointed in the public administration, but excludes a person appointed as a special adviser in terms of Section 12A of the Public Service Act and a person performing similar functions in a municipality
Municipality	A municipality as defined in Section 1 of the Local Government: Municipal Structures Act, Act 117 of 1998
Public Administration	The public service, municipalities and their employees
Disciplinary Regulations	Local Government: Disciplinary Regulations for Senior Managers, 2010
Disciplinary Procedure	Disciplinary Procedure Collective Agreement, 2018
Financial Misconduct	Financial Misconduct Procedures & Regulations, 2014
King III & IV	King Report on Corporate Governance

Fraud and Corruption Includes, but is not limited to, the following:

<u>Legal definitions</u>:

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;

Extortion, i.e. involves coercing a person or entity to provide a benefit to an official, another person or an entity in exchange for acting (or failing to act) in a particular manner

Nepotism, i.e. involves ensuring that family members are irregularly appointed or that family member(s) irregularly receive contracts

Offences in respect of corrupt activities as defined in the Prevention and Combating of Corrupt Activities Act, 2004, i.e:

The general offence of corruption could be summarized as directly or indirectly accepting or agreeing to accept any gratification from another person; giving or agreeing to give any other person any gratification to influence that person directly or indirectly to exercise his powers, duties or legal obligations in a manner which is/amounts to:

1. Illegal, dishonest, unauthorized, incomplete, or biased;
2. Misuse or selling of information or material acquired;
3. Abuse of position of authority;
4. Breach of trust;
5. Violation of a legal duty or set of rules;
6. Designed to achieve an unjustified result; and
7. Any other unauthorized or improper inducement to do or not to do anything.

Corrupt activities concerning:

1. Public officials & Foreign Public Officials;
2. Agents & Judicial Officers;
3. Members of the prosecuting authority;
4. Unauthorized gratification received or offered by or to a party with an employment relationship;
5. Witnesses and evidential material during certain proceedings;
6. Contracts;
7. Procuring and withdrawal of tenders;
8. Auctions;
9. Sporting events; and
10. Gambling games or games of chance.

Conflicts of interests and other unacceptable conduct, e.g.:

1. Acquisition of private interests in contracts, agreements in or investment in public body;

2. Unacceptable conduct relating to witnesses;

3. Intentional interference with, hindering or obstruction of investigation of offence.

What is conflict of interest?

When I am influenced by my personal interests, and cannot objectively apply my mind in the best interest of JTGDM.

Other offences relating to corrupt activities, viz:

1. Accessory to or after an offence;
2. Attempt, conspiracy and inducing another person to commit an offence; and
3. Failure to report corrupt transactions/actions.

Declare and recuse whenever you are conflicted in a:

1. Bid committee;
2. Recruitment and selection process;
3. Investigation;
4. Labour matter;
5. Others (prohibited by relevant legislation).

Irregularities relating to the following:

1. Systems issues: where a process/system exists which is prone to abuse by employees, the public or other stakeholders, e.g.:

    - **Employment Practices**

        1. Inadequate vetting of employees;

    - **Procurement**

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

    - **Financial Systems and Control**

        1. Theft of blank cheques;

2. Unauthorized journal entries;
3. Deliberate non-compliance to policies and procedures;
4. Abuse of the system of overtime;
5. Abuse of the system of travel claims;
6. Fraudulent payment certificates submitted for payment;
7. Non-compliance to delegated authority limits.

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

- **Employment Practices**

  1. Ghost employees;
  2. Irregular appointment of staff for undue benefits.

- **Procurement**

  1. Suppliers invoicing for work not done;
  2. Service providers double invoicing;
  3. Contractors “fronting”.

- **Financial Systems and Control**

  1. Theft, e.g. petty cash, etc;
  2. Fraudulent cashing of cheques;
  3. Fraudulent travel claims by employees.

3. Equipment and resource issues: i.e. where John Taolo Gaetsewe District Municipality's equipment/resources/vehicles are utilized for personal benefit or stolen, e.g.:

- Theft of assets;
- Abuse of assets;
- Misappropriation of assets;
- Deliberate destruction of property;
- Use of JTGDM resources and equipment for private gain.

4. Other issues: i.e. activities undertaken by employees of JTGDM, which may be against policies or fall below established ethical standards, e.g.:

- Conflict of interest;
- Favouritism;
- Non-disclosure of private work.

2. INTRODUCTION & VALUES

JTGDM upholds the fundamental principles of good corporate governance, ensuring that all its operations are conducted with integrity, accountability, and transparency. This commitment extends to fostering an ethical organizational culture where honesty and responsible conduct guide decision-making processes at every level.

As part of this dedication to sound governance, the municipality actively combats fraudulent activities and unethical behavior within its structures. Recognizing the risks that fraud poses to public trust and service delivery, the municipality has adopted stringent measures to detect, prevent, and address any form of misconduct. These efforts reinforce its unwavering stance against corruption and its commitment to upholding the highest standards of professionalism and accountability in serving the community.

JTGDM cherishes the following values:

1. **Loyalty;**
2. **Professionalism;**
3. **Absolute integrity;**
4. **A culture of honesty;**
5. **A positive public image;**
6. **Confidence from the public;**
7. **High standards of service delivery;**
8. **Striving for and maintaining credibility;**
9. **A sense of pride in belonging to JTGDM;**
10. **Acceptance of responsibility and accountability;**
11. **Sanctioning bad and rewarding good behaviour; and**
12. **All other positive attributes contributing towards sound ethical standards.**

The Plan is rooted in the core ethical values that define and drive the operations of JTGDM. These values shape the municipality's governance framework, influencing the development of its systems, policies, and procedures while guiding interactions with ratepayers, the public, and various stakeholders. Additionally, they serve as a foundation for decision-making at all levels, ensuring that individual managers act in a manner that aligns with the municipality's commitment to ethical leadership and integrity.

In practical terms, this means that every department and operational unit within JTGDM, as well as external stakeholders engaging with the municipality, must refer to the plan as a guiding document for ethical conduct. It establishes a clear reference point, reinforcing the importance of accountability and responsible behavior in all interactions related to the municipality.

The Plan is designed not only as a governance tool but also as an enhancement of the existing Fraud and Anti-Corruption response currently in place. It is a comprehensive plan to further strengthen the municipality's fight against fraud and corruption.

Beyond promoting ethical conduct within the organization, the plan provides a structured approach to preventing, detecting, investigating, and addressing fraudulent and corrupt activities. As a dynamic document, it outlines both the measures already implemented and the ongoing steps that will be taken to ensure a proactive stance against unethical practices. This continuous evolution reflects the municipality's commitment to maintaining the highest standards of integrity, safeguarding public resources, and reinforcing public confidence in its governance.

3. POLICY STANCE

JTGDM maintains a zero-tolerance approach to fraud and corruption, ensuring that all incidents are thoroughly investigated and addressed in accordance with the full extent of the law. Any fraudulent or corrupt activities detected within the municipality will be met with decisive action, utilizing all legal remedies and enforcement mechanisms available. This commitment reinforces the municipality's stance on accountability and ensures that unethical behavior does not go unchecked.

To further safeguard the municipality from fraudulent practices, a comprehensive system of prevention and detection controls has been implemented. These controls are embedded within the municipality's financial management framework and operational policies, ensuring robust oversight mechanisms that enhance transparency and accountability. Regular checks and balances, aligned with JTGDM's established systems, policies, and procedures, serve as critical deterrents against misconduct.

A key element in the municipality's approach against fraud and corruption is the diligent application of its policies and procedures. Every employee plays an essential role in maintaining integrity within the organization by strictly adhering to the prescribed guidelines in the execution of their daily tasks. By ensuring compliance with these directives, employees contribute to an ethical work environment, uphold service delivery standards, and support the municipality's broader mission of good governance and public trust.

4. WHAT SHOULD AN EMPLOYEE DO IF HE/SHE SUSPECTS FRAUD AND CORRUPTION

JTGDM places a strong emphasis on accountability and encourages all employees to play an active role in identifying and addressing fraud and corruption. It is the duty of every staff member to report any allegations or incidents of fraudulent or corrupt behavior immediately. These reports should be directed to their immediate manager and the Ethics Hotline, ensuring that all concerns are promptly addressed.

In cases where an employee suspects that their manager may be involved in unethical activities, alternative reporting channels are available. Reports can be made to any other member of management, the Municipal Manager, the Chairperson of the Performance & Audit Committee, or directly through the Ethics Hotline. This ensures that employees have multiple avenues to report misconduct without fear of intimidation or reprisal.

All managers within JTGDM bear the responsibility of detecting, preventing, and investigating fraudulent activities within their respective departments. They must remain vigilant and ensure that any suspected incidents of fraud or corruption are reported without delay. These reports should be escalated to the Municipal Manager through the Ethics Hotline, whether via internal mechanisms or external reporting channels.

Upon receiving a report of alleged fraud or corruption, the Municipal Manager will initiate a thorough investigation into the matter. This process will be conducted in a fair and impartial manner, ensuring that all allegations are properly examined and appropriate action is taken. By enforcing these procedures, the municipality strengthens its commitment to ethical governance and reinforces its zero-tolerance stance against fraud and corruption.

5. <u>WHAT SHOULD A MEMBER OF THE PUBLIC OR PROVIDERS OF GOODS AND/OR SERVICES DO IF THEY SUSPECT FRAUD AND CORRUPTION</u>

JTGDM 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 Chairperson of the Audit, Performance and Risk Committee, the Executive Mayor, the local independently managed Ethics Hotline on 0537128700 and the National Hotline on 0800701701without any delay.

6. <u>HOW WILL ALLEGATIONS OF FRAUD AND CORRUPTION BE DEALT WITH</u>

6.1 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:

1. Be investigated internally;
2. Be referred to another law enforcement agency;
3. Be referred to the Financial Disciplinary Board;
4. Be dealt with in terms of the Local Government: Disciplinary Regulations for

Senior Managers, 2010.

6.2 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:

6.2.1 In case of employees, taking disciplinary action within a reasonable period of time after the incident has been reported;
6.2.2 Instituting civil action to recover losses;
6.2.3 Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency;
6.2.4 Any other appropriate and legal remedy available and applicable.

7. RECOVERY OF LOSSES

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

8. 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:

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

9. CONFIDENTIALITY

JTGDM is committed to handling all reports and investigations related to fraud and corruption with the utmost confidentiality. Any information received or uncovered during an investigation will be safeguarded and shared only with individuals who have a legitimate right to access it.

Maintaining confidentiality throughout the investigative process is essential to ensuring fairness and protecting the integrity of all parties involved. The municipality recognizes the potential harm that unwarranted allegations can cause to individuals' reputations, particularly in cases where suspicions prove to be unfounded. Therefore, no details of ongoing investigations will be disclosed or discussed outside of the necessary channels, reinforcing a professional and impartial approach to handling such matters.

This commitment to discretion not only upholds the municipality's ethical standards but also ensures that all investigations are conducted in a manner that is just, objective, and free from undue influence.

10. MEDIA

To ensure the integrity of investigations and the accuracy of information shared with the public, no individual is permitted to disclose any details regarding allegations or incidents of fraud and corruption to the media without the explicit authorization of the Municipal Manager.

This measure is in place to prevent the spread of misinformation, protect the rights of individuals involved, and safeguard the credibility of the municipality's investigative processes. Unauthorized disclosure could compromise ongoing investigations and potentially undermine efforts to address fraudulent activities effectively.

By centralizing media communication through the Municipal Manager, the municipality ensures that all public statements are accurate, responsible, and aligned with legal and ethical standards. This approach reinforces transparency while maintaining the necessary level of confidentiality in handling sensitive matters.

11. PROTECTION OF WHISTLE BLOWERS

The Protected Disclosures Act, Act 26 of 2000, provides a legal framework for employees in both the private and public sectors to disclose information regarding unlawful or irregular conduct by their employers or colleagues. The Act ensures that employees who make such disclosures are protected from any form of retaliation or occupational detriment as a result of reporting wrongdoing in good faith.

In line with the spirit of the Act, no employee may suffer adverse consequences from their employer for making a protected disclosure. The municipality fully supports this legal safeguard, reinforcing a work environment where ethical conduct is encouraged, and individuals feel safe to report misconduct without fear of victimization.

A disclosure qualifies for protection under Section 6(1)(a) of the Act if it is made in good faith and follows the prescribed procedures established by the employer. Where no specific procedure is in place, the disclosure must be made to the employer in a manner that aligns with the principles of the Act. Furthermore, if an employee follows an employer-authorized reporting channel that involves disclosing information to a person other than their direct employer, the Act deems such disclosure as having been made to the employer itself.

A general protected disclosure applies when an employee reasonably believes that the information they are reporting is substantially true and is not making the disclosure for personal gain, except for any lawful reward offered. The disclosure must also meet one or more of the conditions outlined in Sub-section (2) of the Act, and under the circumstances, it must be reasonable to make such a report.

In compliance with the Protected Disclosures Act, employees reporting suspected fraud or corruption have the right to remain anonymous if they so choose. The municipality acknowledges that some employees may fear retaliation and, therefore, offers confidential reporting mechanisms to encourage openness in exposing unethical conduct.

However, anonymous reports can present challenges in conducting thorough investigations due to the lack of follow-up information. While such reports will still be taken seriously, JTGDM reserves the discretion to determine the extent to which an anonymous disclosure can be investigated. Nonetheless, every effort will be made to address concerns brought forward, ensuring that all allegations are handled with fairness, professionalism, and strict confidentiality.

This discretion will be applied by taking into account:

1. the seriousness of the issue raised;
2. the credibility of the concern;
3. the likelihood of confirming the allegation.

No employee will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud and corruption which occurred within JTGDM.

Any person making it its business to find out who made the report is chargeable with a dismissible offence.

This may include:

11.1 Harassment or victimization

JTGDM 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. JTGDM 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.

11.2 Confidentiality

JTGDM 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.

All managers should discourage employees or other persons from making allegations, which are false or made with malicious intentions.

Where such allegations are discovered, the person who made the allegations must be subjected to firm disciplinary, or other appropriate relevant action.

12. COMPONENTS OF THE PLAN

The main principle upon which this Plan of JTGDM is based on and aligned to the Local Government Anti-Corruption Strategy (LGACS) includes the following:

1. Creating a culture that is ethical and intolerant of fraud and corruption;
2. Deterrence of fraud and corruption;
3. Preventing fraud and corruption which cannot be deterred;
4. Detection of fraud and corruption;
5. Investigating detected fraud and corruption;
6. Taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution; and
7. Applying sanctions, which include blacklisting and prohibition from further employment.

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

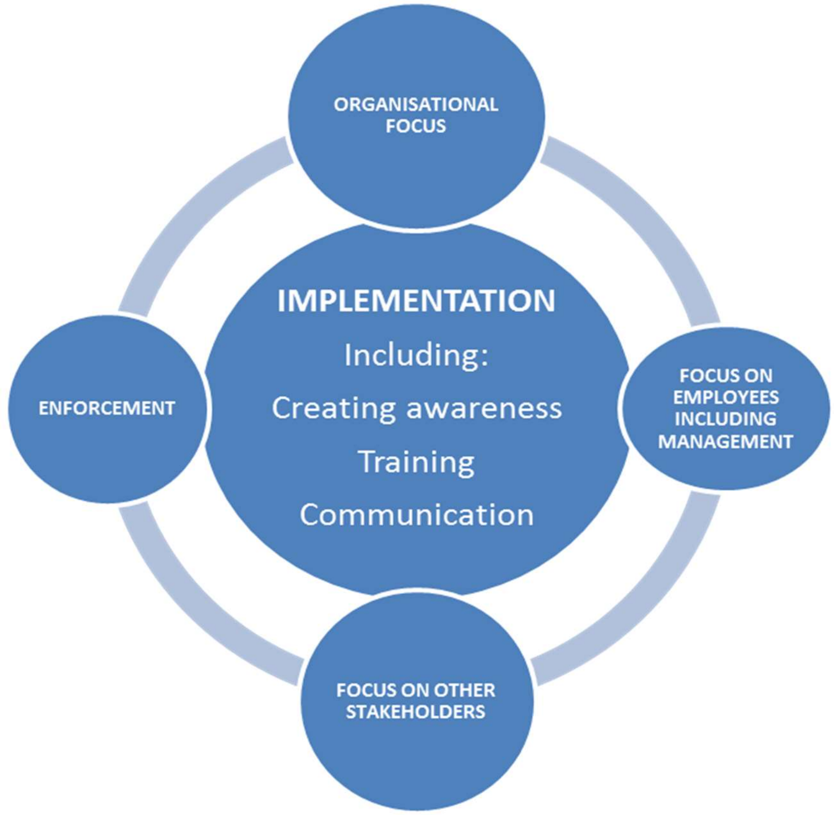
The components of the Plan for JTGDM are the following:

1. Focus on the Orgnization;
2. Focus on Employees;
3. Focus on other stakeholders;
4. Enforcement;
5. Implementation.

13. APPROACH TO FRAUD

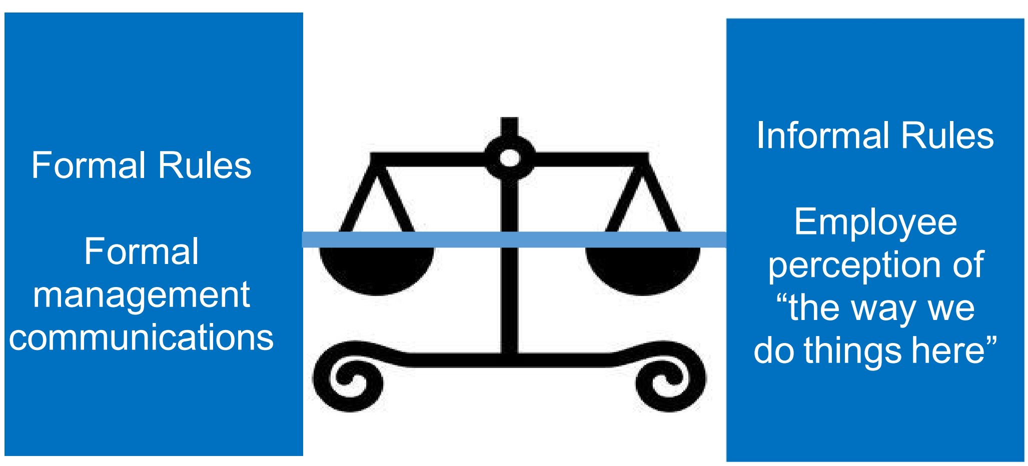
Prevention

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



The Plan is aligned with the Ethics Framework to enhance governance in the management of sound ethical conduct underpinned by management's influence on a sound and good corporate culture. Management is ultimately responsible for the culture within the organization.

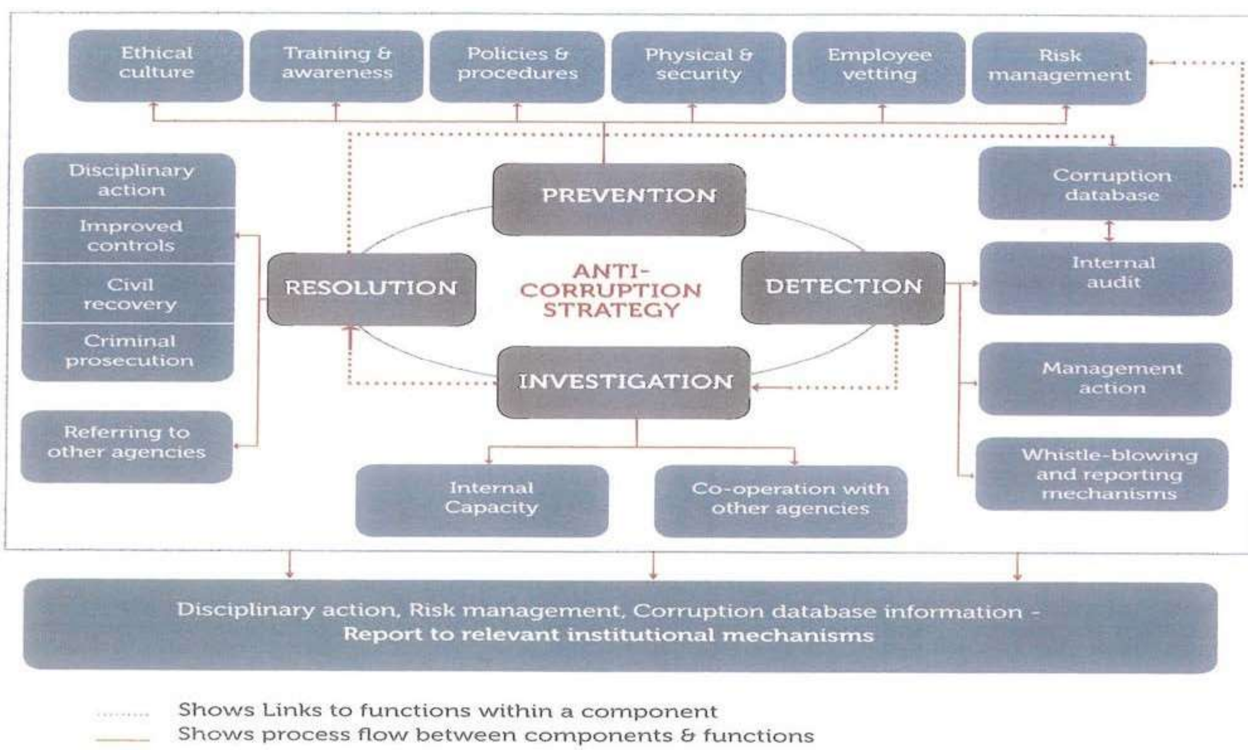
Formal versus Informal Culture



Council's approach to ethics management is guided by the following framework:

Governance of ethics framework

The backbone of this Ethics Plan is informed by the pillars guided by the Gauteng Minimum Anti-Corruption Strategic Framework, illustrated below:



13.1 FOCUS ON THE ORGNIZATION

Codes of Conduct for Municipal Employees and Councillors

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

- General Conduct;
- Commitment to serving the public interest;
- Personal gain;
- Disclosure of benefits;
- Unauthorized 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.

In terms of Section 1 of the Systems Act, the Code of Conduct for Councillors contains the following categories:

- General conduct of councillors;
- Attendance at meetings;
- Disclosure of interests;
- Personal gain;
- Declaration of interests;
- Full-time councillors;
- Rewards, gifts and favours;
- Unauthorized disclosure of information;
- Intervention in administration;
- Council property;
- Duty of chairpersons of municipal councils;
- Breaches of Code; and
- Application of Code to traditional leaders.

Municipal employees are expected to comply with every respect with the conditions of employment and collective agreements and any related regulation, order, policy, and practice and to refrain from any conduct which would give just cause for discipline.

In particular, employees should adhere to the following Code of Ethics:

1. Attend work regularly and punctually;
2. Conform to the reasonable dress and uniform requirements of the employer;
3. Perform their tasks and job responsibilities diligently, carefully and to the best of their ability;
4. Obey all lawful and reasonable instructions given by a person having the authority to do so;
5. Conduct themselves with honesty and integrity;
6. Request permission in advance for any leave of absence whenever possible;
7. Refrain from being absent from duty without leave or permission, except on good cause;
8. Refrain from performing any other remunerative work outside of normal working hours without the prior written permission of the departmental head & Municipal Manager;
9. Refrain from any rude, abusive, insolent, provocative, intimidatory, or aggressive behaviour to a fellow employee or member of the public;
10. Refrain from willful or negligent behaviour, which may result in the damage of property;
11. Refrain from participating, either individually or with others, in any form of action, which will have the effect of disrupting the operations of the employer, other than actions contemplated by the Labour Relations Act;
12. Refrain from wrongfully disclosing privileged information; and
13. Refrain from consuming alcohol or using intoxicating drugs whilst on duty.

13.1.1 Gifts Policy

The minimum principle should be adhered to that no gifts or courtesies above the value of R350.00, per financial year (1 Jul – 30 Jun), may be accepted.

In any event, the acceptance of any gift or courtesy may not create a conflict of interest or compromise the exercise of any discretion or inhibit the performance of any function or duty.

All rewards, gifts, hospitalities or other benefits directly or indirectly offered to employees must be declared in the departmental Gifts Register. The departmental Gifts Register must be available at the Office of the Departmental Secretary and be verified by the relevant Head of the Department quarterly.

The annual Gifts Register must also be submitted to internal audit on 30 June, annually for auditing purposes.

This clause must be read in conjunction with Council's Policy on the Acceptance of Grants, Gifts, Donations and Sponsorships.

13.1.2 Declaration of Private Business Interests (Declaration of Interest)

All employees and councillors must declare any and all private business interests and actual or potential conflicts of interest at least annually and within 60 days of any change in the nature or detail of any such interests.

13.1.3 Systems, policies and procedures

JTGDM has a number of systems, policies and procedures designed to ensure compliance with specific laws and regulations and basic internal control.

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.

Non-compliance with policies and procedures is a risk with the potential to seriously impact the success of the Plan of JTGDM. This will be addressed by senior management 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.

A structured monitoring mechanism must be developed by senior management 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 continuously.

13.1.4 Employment Practices

JTGDM 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 JTGDM undertakes testing thereof during internal audits in which control shortcomings are subsequently addressed.

Employee focused anti-fraud and anti-corruption measures should be visible from:

1. The point of advertising a vacant post,
2. Recruitment,
3. Specific employment conditions,
4. Maintaining high employee morale,
5. Performance management; and even
6. Exit procedures upon resignation or retirement.

The approaches indicated below are key to JTGDM's efforts in this regard.

1. 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.

The Recruitment and Selection Policy of JTGDM must uphold and aim to ensure that the anti-corruption initiatives as highlighted above in relation to advertising posts, is included.

2. **Pre-employment screening and probity**

JTGDM intends to ensure 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.

3. **Probation**

Compulsory probationary periods should be applicable to all full-time employees.

In terms of this, new employees will be evaluated once a month for a period of three months. 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 before their final appointment because of the long duration of the probationary period.

4. **Ongoing financial disclosure and lifestyle audits**

All staff including senior managers will be obliged to declare specific personal assets and private business interests on an annual basis, as per the approved policy and procedure.

5. **Employee induction programmes**

Employee induction is an opportunity to introduce employees to the culture and ethos of the organization.

Efforts will be made to ensure that organizational 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.

According to the Recruitment and Selection Policy of JTGDM, induction will be conducted within seven days after the initial date of appointment, and records to be available for auditing.

6. Obligatory leave periods

In order to limit the risk of over-worked employees who could become lackadaisical leading to non-compliance to internal controls and to further limit the risk of fraud and corruption JTGDM will compel all employees to take annual leave, in terms of the Conditions of Service. This control also limits the risk of unethical individuals exploiting 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 due to work commitments.

7. Remunerated work outside normal working hours

In considering an application by an employee to conduct business outside normal working hours, the following must be taken into account:

7.1 The nature and extent of work to be undertaken;
7.2 The time required for the outside work;
7.3 The workload of the applicant;
7.4 The employee's performance record;
7.5 The possible reputational impact on the Council;
7.6 The need for rest;
7.7 The utilization of Council's property and resources;
7.8 Employees must attach such approval when submitting their financial disclosure forms;

Read with the Public Administration Management Act, Act 11 of 2014, no employee may conduct business with the State, or be a director of a public or private company conducting business with the State.

A contravention of the above, is an offence and any person found guilty of the offence is liable to a fine or imprisonment for a period not exceeding 5 years or both such fine and imprisonment and constitutes serious misconduct which may result in the termination of employment by the municipality.

8. Exit procedures for employees and control over assets

The exit procedures for employees leaving JTGDM 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 promptly.

JTGDM 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 organization. This will assist in identifying areas for improvement.

13.1.5 Discipline

JTGDM will be consistent and efficient in its application of 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, JTGDM 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.

JTGDM maintains a register of disciplinary cases which assists in the tracking of outcomes and sanctions of disciplinary cases. This register should be updated to include the lessons learned.

13.1.6 Financial Systems and Control

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 internal audits and shortcomings are addressed.

The Council of JTGDM must approve an annual budget, in terms of current legislation, for JTGDM before the beginning of each financial year. JTGDM 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.

The Municipal Manager of JTGDM, in terms of Section 60 of the MFMA, is regarded as the accounting officer for JTGDM. Therefore the Municipal Manager should ensure that the financial systems and controls that are in place in JTGDM address the following:

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

Further, the Municipal Manager must ensure that an effective system of expenditure control is in place. According to Section 32(6) of the MFMA, the accounting officer of JTGDM must report to the South African Police Service all cases of alleged theft and fraud that occurred in JTGDM.

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

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

These controls may be categorized as follows, it being recognized that the categories contain over-lapping elements:

1. Preventative controls, which are further subdivided into:

   1.1 Authorization controls require that all transactions must be authorized or approved by an appropriate responsible person and that the limits for these authorizations are specified in the approved Delegations of Authority, in terms of Section 79 of the MFMA of JTGDM.

   1.2. Physical controls are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorized personnel.

2. Detection controls, which is further subdivided into:

   2.1 Arithmetic and accounting controls, which are basic controls within the recording function that ensure that transactions to be recorded and processed have been authorized, 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.

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

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

   2.4 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.

3. Segregation of duties

3.1 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.

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

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

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

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.

JTGDM 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.

Furthermore, JTGDM will also continue to re-emphasize 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 recognize that internal control shortcomings identified during 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 which do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm action(s) will be considered.

13.1.7 Procurement

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

Further, the MFMA (read in conjunction with the Municipal Supply Chain Management Regulations) stipulates that the procurement policy of JTGDM must at least address the following aspects:

1. 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 (Regulation 38(1)(g)(ii));

2. Willfully neglected, reneged on or failed to comply with government contract during the past five years (Regulation 38(1)(g)(iii));

3. Prohibition on awards to persons whose tax matters are not in order;

4. Prohibition on awards to persons in the service of the state;

5. Been blacklisted in National Treasury‘s database as a person prohibited from doing business with the public sector.

The Municipal Manager of JTGDM must implement the procurement policy and take all reasonable steps to ensure that proper mechanism and separation of duties in the procurement system are in place to minimize the risk of fraud, corruption, favoritism and unfair and irregular practices.

At a minimum, the procurement policy of JTGDM contains the following anti-fraud and anti-corruption provisions:

- The range of supply chain management processes that JTGDM 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.

13.1.8 Risk Management and Assessment

In order to identify and address risks facing JTGDM, 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.

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

13.1.9 Fraud Detection Reviews

JTGDM 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 supplier, 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.

JTGDM has identified the following indicators that indicate susceptibility to fraudulent activities:

- A department that lacks competent personnel;
- A department that does not enforce clear lines of authority and responsibility;
- A department that does not enforce proper procedures for authorization of transactions;
- A department that lacks adequate documents and records;
- No separation of responsibilities between the various duties within a business cycle;
- Inadequate disclosure of personal investment and other income;
- Operating on a crisis basis;
- Too much trust placed on key employees;
- Failure to discipline violators of policy; and
- Inadequate background and reference checking before hiring new employees.

Further, JTGDM has identified the following opportunities in which the likelihood of the occurrence of fraud is increased:

- Rapid turnover of key employees through resignation or dismissal;
- Dishonest and dominant management;
- Inadequate training programmes;
- Complex business structures;
- No effective internal audit function;
- Continuous problems with regulatory agencies; and
- Large year-end and unusual accounting transactions.

13.1.10 Internal and External Audit

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 JTGDM 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.

JTGDM outsourced its Internal Audit Unit to ensure total independence and objectivity. The Municipality will ensure that the internal audit function has anti-corruption capacity and falls under the guidance of an audit committee.

In terms of its Charter, the primary role of the Performance & Audit Committee should 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.

The anti-corruption capacity within JTGDM 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.

JTGDM recognises the fact that the positive support by all its managers for the internal audit and its functions, speedy response to, and the addressing of queries raised by the 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.

Awareness strategies will also be developed to enhance managers' understanding of the role of internal audit.

JTGDM 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;
- Evaluating the overall financial statement presentation.

According to the annual report the nature and scope of the work performed by the Auditor-General complies with the above provisions.

13.1.11 Physical and Information Security

Physical Security

JTGDM's main physical security threat arises in the area of control over its physical assets, facilities and employees. Further a risk of insufficient physical security to buildings and facilities.

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.

JTGDM 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.

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

Information Security

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

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

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 pre- vailing policy in this regard, disciplinary action will be taken.

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

13.2 FOCUS ON EMPLOYEES

Key ambassadors for the successful implementation of the Plan for JTGDM are its employees.

In essence, this means that their conduct often forms the base upon which JTGDM as an organization is judged. JTGDM employees have to therefore demonstrate behaviour beyond reproach in the execution of their duties.

Anti-fraud and anti-corruption measures to address employees as referred to in Paragraphs 3, 6 and 11 above will be implemented by JTGDM.

The following indicators and/or red flags that individuals may be susceptible to commit fraud must be noted:

1. Unusually high personal debts;
2. Living beyond one’s means;
3. Excessive gambling habits;
4. Alcohol / drug problems;
5. Undue family or peer pressure to succeed;
6. Feeling of being underpaid;
7. Feeling of insufficient recognition for job performance;
8. Close association with suppliers;
9. “Wheeler-dealer attitude”;
10. Desire to “beat the system”;
11. Criminal record;
12. Not taking vacations;
13. Not allowing someone access to area of responsibility;
14. Undisclosed conflict of interest;
15. Rationalization for conflicting behavioural patterns.

13.3 FOCUS ON OTHER STAKEHOLDERS

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

1. Trading partners, e.g. suppliers, contractors, consultants;
2. Employee representative organizations;
3. National & Provincial Government Departments;
4. South African Local Government Association; and
5. The general public.

All stakeholders with whom JTGDM interacts are expected to abide by the principles contained in the plan. Although JTGDM 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.

13.3.1 Trading Partners

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 the delivery of goods and/or services.

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 JTGDM;
- 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 JTGDM dealing with these suppliers;
- Appropriate contract terms and conditions indicating the conduct expected by JTGDM;
- 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 existing contracts.

13.3.2 Employee Representative Organizations

JTGDM 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 JTGDM.

13.3.3 National & Provincial Government Departments

DPLG, as one of the national departments, whose 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 JTGDM.

13.3.4 SALGA

SALGA is an organization 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.

JTGDM will also ensure that SALGA is made aware of the plan and appropriately complements it when dealing with JTGDM.

13.3.5 The general public

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

13.4 <u>ENFORCEMENT</u>

No fraud prevention plan would be complete without enforcement forming an integral component for instances where fraud and corruption occur.

13.4.1 Reporting and monitoring of fraud and corruption

Reporting Channels

The reporting channels for unethical conduct, fraud and corruption affecting JTGDM are the following:

1. All allegations of fraud and corruption must be reported by employees to their immediate managers and the anti-fraud and corruption hotline;

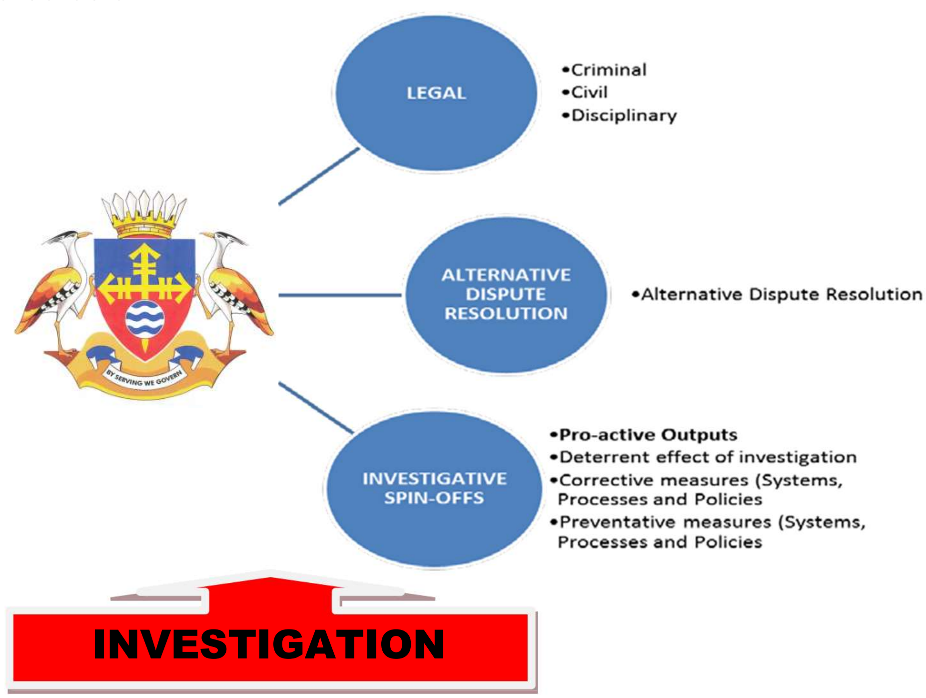
2. If there is a concern that the immediate manager is involved, the report must be made to any other member of management, the Municipal Manager, via the independently managed Ethics Hotline (0860-268-624) or the National Hotline (0800-701-701) or the Chairperson of the Performance & Audit Committee or the Executive Mayor.

3. All managers should report all allegations to the Municipal Manager, via the Ethics Hotline, who will initiate an investigation; and

4. Should an employee wish to make a report anonymously, such a report may be made to any member of management, the Municipal Manager via the independently managed Ethics Hotline, the National Hotline, the Chairperson of the Performance & Audit Committee or the Executive Mayor.

Parallel to the above enforcement approaches, is the task of fixing of controls by management, 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:



13.5 IMPLEMENTATION AND AWARENESS

The Plan will be reviewed on an annual basis, whilst progress with the implementation of the various components will be reviewed quarterly.

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.

13.5.1 Monitoring

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

1. Recording all allegations;
2. Tracking progress with the management of allegations;
3. To facilitate the early identification of systemic weaknesses and recurring risks and inform managers and employees of systemic weaknesses/risks;
4. Provide feedback to employees and other whistle-blowers on the management of allegations.

13.5.2 Creating awareness

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

13.5.3 Education

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

13.5.4 Communication

The objective of communication is to further create awareness amongst employees, the public and other stakeholders, 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 JTGDM's prevention and detection ability.

Communication approaches that will be considered by JTGDM are the following:

- Continuous communication to existing and newly appointed employees;
- Posters, newsletters and pamphlets to advertise the Codes of Conduct for staff members and Councillors, aimed at employees, the public and other stakeholders;
- 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
- Publishing the plan and successes in its implementation in the Annual Report of JTGDM.

13.5.5 Implementation structure

The following responsibilities were assigned to the Performance & Audit Committee relating to anti-fraud and corruption.

The role of the committee is to oversee the institution’s approach to fraud prevention and corruption incidents reported by employees or other external parties. This committee is a sub-committee of the independent members of the Performance & Audit Committee. The various business divisions should have representation of a compulsory member.

The committee shall meet at least quarterly to discuss the following issues:

1. Progress made in respect of implementing the Anti-Fraud & Corruption Strategies and Fraud Prevention;

2. Report received by the institution regarding fraud and corruption incidents with the view to making any recommendations to the Chairperson of Audit, Risk and Performance Committee;
3. Reports on all investigations initiated and concluded;
4. All allegations received via the hotline.

The Risk Management Committee will include champions from all faculties and other business units, which will assist in implementing this plan.

The terms of reference of this team will amongst others 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;
- Assessing progress and ongoing maintenance and review.

14. ETHICAL ADVICE / ASSISTANCE

Employees seeking advice and/or assistance regarding any ethical challenges/dilemmas can approach the Ethics Champion, Ethics Officers, or Ethics Trainers.

15. REVIEW

The policy is subjected to Annual review and/or as required.

This policy is approved by Council per item----------------------------dated ----------------of JTGDM and signed as follows:

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MR KK TEISE **MUNICIPAL MANAGER**	**MR** **CHAIRPERSON: AUDIT, RISK & PERFORMANCE COMMITTEE**