

FRAUD PREVENTION POLICY
AND
FRAUD RESPONSE PLAN

APPROVED BY COUNCIL:
29 OCTOBER 2008



Annexure A:

Fraud Prevention Policy



CITY OF CAPE TOWN FRAUD PREVENTION POLICY

Introduction and Public Commitment

1. The City of Cape Town is a metropolitan authority established under the South African Constitution and other laws applicable to local government.

There is a continuing need to raise staff awareness of their responsibility to safeguard public resources against the risk of fraud. The overall purpose of this statement, the Fraud Prevention Policy, is to detail responsibilities regarding the prevention of fraud. The procedures to be followed in the event of a corporate crime being detected or suspected are detailed in the Fraud Response Plan. Both documents relate to fraud and loss within the City Of Cape Town (the City).

2. Against the background of its statutory framework and as part of its vision for a credible City, it is committed to introducing good governance practices that bring City government closer to the people, empower communities, enhance integrity and ruthlessly deal with any form of fraud, corruption or maladministration (collectively referred to as "corporate crime") This means managing the risk which corporate crime poses to the City and minimising the losses and potential losses from such crime as effectively as possible.
3. Corporate crime includes fraud, corruption, theft, maladministration, negligence and other unethical behaviour, which, if allowed to continue unchecked, would or may have a significant effect on the City's risk profile.
4. The City requires all staff, at all times, to act honestly and with integrity, and to safeguard the public resources for which they are responsible. Corporate Crime is an ever-present threat to these resources and must be a concern to all members of staff. The City will not tolerate any level

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of fraud, theft, corruption or misadministration consequently, City policy is to thoroughly investigate all suspected frauds and allegations (anonymous or otherwise) and where appropriate, refer to the South African Police Service. The City is also committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.

5. Appropriate action will be taken against any person in its employ that is involved in, or assists with committing fraud, theft, corruption, or associated internal irregularities, and the City will actively seek legal recourse against all employees and staff (including temporary staff, independent contractors, employees of contracted service providers and applicable Municipal entities) involved in such acts. Failure by any employee of the City to comply with this policy could result in disciplinary action being taken against that individual.

DEFINITIONS OF TERMS REFERRED TO IN FRAUD PREVENTION POLICY

6. **City of Cape Town:** means the City of Cape Town established in terms of the Local Government Municipal Structures Act 117 of 1998 and includes councillors, managers and staff.
7. **Code of Conduct for Councillors:** means the Code of Conduct for Councillors contained in Schedule 1 of the Local Government Municipal Systems Act 32 of 2000
8. **Code of Conduct for Municipal Staff Members:** means the Code of conduct for employees contained in Schedule 2 of the Local Government Municipal Systems Act No 32 of 2000.
9. **Constitution:** means the Constitution of the Republic of South Africa 108 of 1996.

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10. **Corporate Governance:** in the context of the City of Cape Town, means aligning, as nearly as possible and in a fair, transparent, accountable manner, the interests of the political structures and administration of the City with those of the community (residents, ratepayers and the various other groups involved in City affairs).
11. **Councillor:** means a Councillor of the municipal council of the City of Cape Town.
12. **Corruption:** is defined according to the Prevention and Combating of Corrupt Activities, Act No 12 of 2004 of South Africa:

Any person who, directly or indirectly-

- (a) accepts or agrees or offers to accept any gratification (see definition of gratification below) from any other person, whether for the benefit of himself or herself or for the benefit of another person; or
- (b) gives or agrees or offers to give to any other person any Gratification, whether for the benefit of that other person or for the Benefit of another person, in order to act, personally or by Influencing another person so to act, in a manner –
 - (i) that amounts to the –
 - (aa) illegal, dishonest, unauthorised, incomplete, or biased; or
 - (bb) misuse or selling of information or material acquired in the Course of the, exercise, carrying out or performance of any Powers, duties or functions arising out of a constitutional Statutory, contractual or any other legal obligation;
 - (ii) that amounts to –
 - (aa) the abuse of a position of authority;
 - (bb) a breach of trust; or
 - (cc) the violation of a legal duty or a set of rules;
 - (iii) designed to achieve an unjustified result; or
 - (iv) that amounts to any other unauthorised or improper inducement to do or not to do anything,

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is guilty of the offence of corruption.

Gratification includes –

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

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

Any unlawful act or omission by which a misrepresentation is made with the intention to defraud which causes actual prejudice or which is

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potentially prejudicial to another, whether or not there is personal benefit to the perpetrator

14. **Mayoral Committee:** means the Committee appointed by the Mayor to assist her/him in managing the City's affairs on a day-to-day basis.
15. **Outside Parties:** means any person or entity with whom the City interacts including contractors and suppliers, consultants and members of the public
16. **Policy:** means the Fraud Prevention Policy.
17. **Protected Disclosure:** means a protected disclosure as defined in the Protected Disclosures Act 26 of 2000.
18. **SCOPA:** means the City's Standing Committee on Public Accounts, a Committee established in order to ensure political accountability and legislative oversight of the City's accounts.
19. **Staff:** means the employees of the City of Cape Town including the City Manager.
20. **Theft:** is defined according to the common law of South Africa, and is summarized for ease of reference as:

"The unlawful misappropriation of movable property or money with the intention to steal".
21. **Top Management:** means the City Manager and those Executive Directors, Directors, Strategic Executives and/or other Directors, who serve together as the top management committee of the City's administration.

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22. **Line Management:** means any staff member in reporting levels 1 to 4 and includes all City staff members that exercise a management or supervisory function, including Top Management.

The City's Responsibilities

23. The Accounting Officer is responsible for establishing and maintaining a sound system of internal control that supports the achievement of City policies, aims and objectives. The system of internal control is designed to respond to and manage the whole range of risks that the City faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk will be seen in the context of the management of this wider range of risks.
24. Overall responsibility for managing the risk of fraud has been delegated to the Manager Forensic Services. His/her responsibilities include:
- (a) Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
 - (b) Establishing an effective anti-fraud policy and fraud response plan;
 - (c) Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
 - (d) Operating appropriate pre-employment screening measures;
 - (e) Establishing appropriate mechanisms for:
 - Reporting fraud risk issues;
 - Reporting incidents of fraud to the Accounting Officer;
 - Reporting to the Audit Committee; and
 - Coordinating assurances about the effectiveness of anti-fraud policies to support the Statement on Internal Control;
 - (f) Liaising with the Risk Committee;

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- (g) Making sure that all staff are aware of the organisation's anti-fraud policy and know what their responsibilities are in relation to combating fraud;
- (h) Ensuring fraud awareness training is provided as considered appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff;
- (i) Ensuring that vigorous and prompt investigations are carried out if fraud occurs, is attempted or is suspected, with due regard to available resources;
- (j) Ensuring, where appropriate, legal and/or disciplinary action against perpetrators of fraud is instituted;
- (k) Ensuring, where appropriate, disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
- (l) Ensuring, where appropriate, disciplinary action against staff who fail to report fraud;
- (m) Taking appropriate action to recover assets and losses; and
- (n) Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

Council

25. The Council is accountable to the community and other stakeholders for the sound management of the City. On a day-to-day basis the City is, however, managed by the Executive Mayor in consultation with the Mayoral Committee and the City Manager and Top Management. The Council's general oversight role includes the management of the risk to the City from corporate crime.

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**The Executive Mayor, in consultation with the Mayoral Committee,
City Manager**

26. In line with the requirements for good corporate governance outlined in the King II Report and in recognition of the way in which the City is currently structured, are jointly accountable to the Council and the community and other stakeholders for, at a strategic level:
- managing the risk to the City from corporate crime, due regard being had to international best practice;
 - preventing consequential loss to the City from such crime;
 - promoting, developing and sustaining a culture of zero tolerance to corporate crime;
 - implementing appropriate crime-prevention, detection, investigation and prosecution strategies, policies and action plans to achieve these; and
 - monitoring and evaluating the success of such strategies, policies and action plans
27. In doing so, they will also be guided by recommendations made in this regard by the City's Audit Committee and SCOPA.

Councillors

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

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Line Manager's Responsibilities

30. Line manager's must promote and develop a culture in the organisation of zero tolerance of corporate crime and lead by example. They must ensure that all cases of corporate crime or alleged corporate crime are reported promptly to the Manager: Forensic Services. Furthermore, line management must support and actively assist in any forensic investigations undertaken by Forensic Services.
31. Line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively. Responsibility for the prevention and detection of fraud, therefore, rests primarily with managers.
32. A major element of good corporate governance is a sound assessment of the organisation's business risks. Managers need to ensure that:
 - (a) Fraud risks have been identified within Risk and Control Frameworks encompassing all operations for which they are responsible;
 - (b) Each risk has been assessed for likelihood and potential impact;
 - (c) Adequate and effective controls have been identified for each risk;
 - (d) Controls are being complied with, through regular review and testing of control systems;
 - (e) Risks are reassessed as a result of the introduction of new systems or amendments to existing systems;
 - (f) Where a fraud has occurred, or has been attempted, controls are reviewed and new controls implemented, as necessary, to reduce the risk of fraud recurring; and
 - (g) Fraud occurrences are quantified on an annual basis and Risk Registers/Risk and Control Frameworks updated to reflect the quantum of fraud within the Business Area. Where appropriate,

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strategies should be devised to combat recurrence of fraud and targets set to reduce the level of fraud.

33. In terms of establishing and maintaining effective controls, it is generally desirable that:
- (a) There is a regular rotation of staff, particularly in key posts where possible and practicable;
 - (b) Wherever possible, there is a separation of duties so that control of a key function is not vested in one individual;
 - (c) Backlogs are not allowed to accumulate;
 - (d) In designing any new system, consideration is given to building in safeguards to prevent and/or detect internal and external fraud.
34. As fraud prevention is the ultimate aim, anti-fraud measures should be considered and incorporated in every system and programme at the design stage, e.g. the design of application forms, the statement of accountability in respect of the content in completed applications, regular monitoring of expenditure etc. Internal Audit is available to offer advice to managers on risk and control issues in respect of existing and developing systems/programmes.

Internal Audit

35. Internal Audit is responsible for the provision of an independent and objective opinion to the Accounting Officer on risk management, control and governance. The adequacy of arrangements for managing the risk of fraud and ensuring the City promotes an anti-fraud culture is a fundamental element in arriving at an overall opinion.
36. Internal Audit has no responsibility for the prevention, detection or investigation of fraud. However, internal auditors are alert in all their work to risks and exposures that could allow fraud. Individual audit assignments, therefore, are planned and prioritised to assist in

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detering and preventing fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk. Risk and Control Frameworks are also reviewed as a constituent part of each audit assignment to ensure that management have reviewed their risk exposures and, where appropriate, identified the possibility of fraud as a business risk.

Staff Responsibilities

37. City staff members are bound by the South African law (both statute and common law), the terms and conditions of their employment and also the Code of Conduct for Municipal Staff Members, City policies and instructions issued by management from time to time.
38. Every member of staff has a duty to ensure that public funds are safeguarded and therefore, everyone is responsible for:
 - (a) Acting with propriety in the use of official resources and the handling and use of public funds in all instances. This includes cash and/or payment systems, receipts and dealing with suppliers;
 - (b) Aspiring to the following core principles, selflessness, integrity, objectivity, accountability, openness, honesty and leadership; and
 - (c) Being vigilant to the possibility that unusual events or transactions could be indicators of fraud and alerting their line manager where they believe the opportunity for fraud exists (Appendix I provides examples of Fraud Indicators. In addition, Common Methods and Types of Fraud are included in Appendix II, with Examples of Good Management Practices Which May Assist in Combating Fraud detailed in Appendix III).
39. In addition, it is the **responsibility** of every member of staff to report corporate crime immediately to their line manager or the Manager Forensic Services if they suspect that same has been attempted or

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committed, or see any suspicious acts or events. A Whistleblowing Policy is currently being developed and reference details will be provided in this document on finalisation.

40. An Anti-corruption hotline facility is available on 0800 32 31 30. The Hotline operates 24 hours a day and all information received is treated in the strictest confidence.
41. Staff must assist any investigations by making available all relevant information, by co-operating in interviews and where appropriate providing a witness statement.
42. As stewards of public funds, City Officials must have, and be seen to have, high standards of personal integrity. Staff should not accept gifts, hospitality or benefits of any kind from a third party, which might be seen to compromise their integrity (the City's Gifts Policy refers).
43. It is also essential that staff understand and adhere to laid down systems and procedures including those of a personnel/management nature such as submission of expenses claims and records of absence, flexi and annual leave.
44. Mala fide reporting to line management and/or the Manager Forensic Services with the knowledge that such transmittal of information is false or with wilful disregard of the truth shall constitute misconduct, for which disciplinary measures may be imposed.

Suppliers, Contractors, Consultants and the Community Responsibilities

45. Suppliers, contractors and consultants are expected to act honestly and fairly in all their dealings with the City and failure to do so may result in the cancellation or suspension of any tenders awarded to them

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and/or their being deregistered by the City and/or being reported to the South African Police Services.

46. The community is encouraged to make use of the City's Fraud Hotline or Fraud e-mail (fraud@capetown.gov.za) to report instances or allegations of corporate crime involving the City.

Investigation

47. Line managers should be alert to the possibility that unusual events or transactions can be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.
48. It is City policy that there will be consistent handling of all suspected fraud cases without regard to position held or length of service.
49. Forensic investigators shall have free access to all staff, records and premises in order to carry out investigations.
50. Irrespective of the source of suspicion, it is for the appropriate line management to undertake an initial examination to ascertain the facts (normally the Head of Branch) and to confirm or repudiate the suspicions, which have arisen so that, if necessary, further investigation may be instigated. After suspicion has been roused, prompt action is essential. **However, as detailed in the Fraud Response Plan, it is imperative that such enquiries should not prejudice subsequent investigations or corrupt evidence, therefore, IF IN DOUBT, ASK FOR assistance from the Manager Forensic Services.**
51. If the initial examination confirms the suspicion that a fraud has been perpetrated or attempted, management must follow the procedures

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provided in the City's Fraud Response Plan, which forms part of the City's Fraud Prevention Policy.

Disciplinary Action

52. After full investigation the City will take legal and/or disciplinary action in all cases where it is considered appropriate. Any member of staff found guilty of a criminal act or misconduct of which dishonesty is an element will be considered to have committed a serious disciplinary offence and is likely to be dismissed from the City on the grounds of gross misconduct.
53. Where supervisory negligence is found to be a contributory factor, disciplinary action may also be initiated against those managers/supervisors responsible.
54. It is City policy that in all cases of fraud, theft and/or corruption, whether perpetrated or attempted by a member of staff or by external organisations or persons, the case will be referred to the police.
55. Losses resulting from fraud should be recovered, subject to legal opinion vis-à-vis any potential write-offs.

Conclusion

56. It is appreciated that the circumstances of individual frauds will vary. The City takes fraud very seriously and will ensure that all cases of actual or suspected fraud, including attempted fraud, are investigated and that appropriate remedial action is taken. Managers should be fully aware of their responsibility to protect public funds and as such, should always be alert to the potential for fraud.
57. Any queries in connection with this policy document should be directed to the Manager Forensic Services.

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58. Internal Audit is available to offer advice and assistance on internal control issues.



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Appendix I

Indicators of Fraud

- Missing expenditure vouchers and unavailable official records
- Crisis management coupled with a pressured business climate
- Excessive variations to budgets or contracts
- Refusals to produce files, minutes or other records
- Increased employee absences
- Borrowing from fellow employees
- An easily led personality
- Covering up inefficiencies
- Lack of management oversight
- No supervision
- Staff turnover is excessive
- Figures, trends or results which do not accord with expectations
- Bank reconciliations are not maintained or can't be balanced
- Excessive movement of cash funds
- Multiple cash collection points
- Remote locations
- Unauthorised changes to systems or work practices
- Employees with outside business interests or other jobs
- Large outstanding bad or doubtful debt
- Offices with excessively flamboyant characteristics
- Employees suffering financial hardships
- Placing undated/post-dated personal cheques in petty cash
- Employees apparently living beyond their means
- Heavy gambling debts
- Signs of drinking or drug abuse problems
- Conflicts of interest
- Lowest tenders or quotes passed over with scant explanations recorded
- Employees with an apparently excessive work situation for their position
- Managers bypassing subordinates
- Subordinates bypassing managers
- Excessive generosity
- Large sums of unclaimed money
- Large sums held in petty cash
- Lack of clear financial delegations
- Secretiveness
- Apparent personal problems
- Marked character changes
- Excessive ambition
- Apparent lack of ambition
- Poor morale
- Excessive control of all records by one officer
- Poor security checking processes over staff being hired
- Unusual working hours on a regular basis
- Refusal to comply with normal rules and practices

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- Personal creditors appearing at the workplace
- Non taking of leave
- Excessive overtime
- Large backlogs in high risk areas
- Lost assets
- Unwarranted organisation structure
- Absence of controls and audit trails
- Socialising with service providers – meals, drinks, holidays
- Seeking work for clients
- Favourable treatment of clients – eg allocation of work
- Altering contract specifications
- Contract not completed to specification
- Contractor paid for work not done.
- Grants not used for specified purpose



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Appendix II

Common Methods and Types of Fraud

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

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Appendix III

Examples of Good Management Practices Which May Assist in Combating Fraud

- All income is promptly entered in the accounting records with the immediate endorsement of all cheques
- Regulations governing contracts and the supply of goods and services are properly enforced
- Accounting records provide a reliable basis for the preparation of financial statements
- Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information
- A strong internal audit presence
- Management encourages sound working practices
- All assets are properly recorded and provision is made known or expected losses
- Accounting instructions and financial regulations are available to all staff and are kept up to date
- Effective segregation of duties exists, particularly in financial accounting and cash/securities handling areas
- Close relatives do not work together, particularly in financial, accounting and cash/securities handling areas
- Promotion of ethical behaviour
- Act immediately on internal/external auditor's report to rectify control weaknesses
- Review, where possible, the financial risks of employees
- Issue accounts payable promptly and follow-up any non-payments
- Set standards of conduct for suppliers and contractors
- Maintain effective security of physical assets; accountable documents (such as cheque books, order books); information, payment and purchasing systems
- Review large and unusual payments
- Perpetrators should be suspended from duties pending investigation
- Proven perpetrators should be dismissed without a reference and prosecuted
- Undertake test checks and institute confirmation procedures
- Maintain good physical security of all premises
- Randomly change security locks and rotate shifts at times (if feasible and economical)
- Conduct regular staff appraisals
- Review work practices open to collusion or manipulation
- Develop and routinely review and reset data processing controls
- Regularly review accounting and administrative controls
- Set achievable targets and budgets, and stringently review results
- Ensure staff take regular leave
- Rotate staff in key risk areas
- Ensure all expenditure is authorised
- Conduct periodic analytical reviews to highlight variations to norms

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- Take swift and decisive action on all fraud situations
- Ensure staff members are fully aware of their rights and obligations in all matters concerned with fraud





The logo watermark is circular and contains the text "south african history archive" around the perimeter. In the center, there are silhouettes of two people dancing and a bull. Below the circle, the letters "SAHA" are written in a stylized font.

Annexure B:
Fraud Response
Plan

FRAUD RESPONSE PLAN

Introduction

1. The City of Cape Town has prepared this Fraud Response Plan to act as a procedural guide and provide a checklist of the required actions, which must be followed, in the event of a fraud, or attempted fraud, being suspected.
2. Adherence to this plan will ensure that timely and effective action is taken to prevent further losses, maximise the recovery and minimise recurrence of losses, identify the fraudsters and maximise the success if any disciplinary/legal action taken.
3. The overarching theme of this plan is 'IF IN DOUBT, ASK FOR ADVICE'. This applies at any point in an investigation.
4. In the event of a fraud, attempted fraud or other illegal act being suspected, officials must immediately report the matter to their line manager/Head of Branch. If there is concern that line management may be involved, the matter should be reported to the next appropriate level. Additionally, the Manager Forensic Services should be contacted. Where confidentiality is sought, staff may report their suspicions direct to the Forensic Department through the Hotline, (telephone no 0800 32 31 30 or on-line via the e-mail Fraud@capetown.gov.za.) The Hotline operates 24/7 and all information received is treated in strictest confidence.
5. The City will treat all disclosures in a confidential and sensitive manner. The identity of the individual may be kept confidential provided this does not hinder or frustrate any investigation. However, there will be occasions where the identity needs to be revealed. For example, where the individual is required to give a witness statement or give evidence

at a formal hearing, where allegations of misconduct or criminal activity are involved.

6. In making a disclosure, the individual should take care to ensure the accuracy of the information. Concerns which are found to have been raised frivolously, mischievously or maliciously or for personal gain may result in disciplinary action being taken.
7. It is for line management to undertake an initial fact-finding exercise. This discreet preliminary enquiry should be carried out as speedily as possible and certainly within 24 hours of the suspicion being raised.
8. The purpose of the initial fact-finding exercise is to determine the factors that gave rise to suspicion and to clarify whether a genuine mistake has been made or if it is likely that a fraud has been attempted or occurred. This may involve discreet enquiries with staff or the examination of documents. **It is imperative that such enquiries should not prejudice subsequent investigations or corrupt evidence, therefore, IF IN DOUBT, ASK FOR ADVICE.** The Manager Forensic Services can be contacted for advice on how to correctly proceed at the preliminary enquiry stage and on what further enquiries are necessary.
9. If the preliminary enquiry confirms that a fraud has not been attempted nor perpetrated, however, internal controls are deficient; management should review their control systems with a view to ensuring they are adequate and effective. The relevant Risk and Control Framework should be updated; Internal Audit is available to offer advice and assistance on matters relating to internal controls, if required.

Formal Reporting Stage

10. If the preliminary enquiry confirms the suspicion that a fraud has been attempted or perpetrated, management must ensure that all original

documentation is preserved in a safe place for further investigation. This is to prevent the loss of evidence, which may be essential to support subsequent disciplinary action or prosecution. The facts should be reported immediately to the Manager Forensic Services. Where there is a risk of financial loss to the City, the Chief Financial Officer should also be notified.

11. To remove any threat of further fraud or loss, management should immediately change/strengthen procedures and if appropriate, suspend any further payments pending full investigation.
12. The Manager Forensic Services will recommend to the either the Executive Mayor or the City Manager (dependant on the delegated authority required under the circumstances) the appropriate course of action, which may include a full formal investigation. The scope of the investigation should be determined by Forensic Services, in line with the System of Council Delegations. Should Forensic Services advise that further expertise is required, eg Attorneys, Forensic Accountants/Investigators, the Manager Forensic Services will engage the appropriate assistance together with the appropriate project management of same.

Responding Effectively to Fraud when it Occurs

13. Depending on the significance of the fraud, the fraud investigation process involves some or all of the following:
 - Ensuring that the actions to take if fraud is discovered are clearly described in the organisation's Fraud Response Plan.
 - The Manager Forensic Services providing the direction for any fraud investigation. This includes the decision to conduct an investigation whether in house or on a co-sourced basis.
 - Establishing clear terms of reference for the investigation.

- Appointing a Forensic Practitioner to take charge of the investigation.
- Setting up a mechanism to report on progress of the investigation to appropriate senior levels of management as and when required to do so.
- Controlling the investigation and ensuring that it (complies and) meets its objectives.
- The overall investigation process involves:
 - Maintaining confidentiality;
 - Recovering assets;
 - Forensic investigations and protection of evidence;
 - Interviewing witnesses and dealing with employees under suspicion;
 - Controlling police involvement;
 - Managing civil proceedings in conjunction and under the auspices of the Legal Department;
 - Liaising with experts and regulators;
 - Preparing media statements; and
 - Reporting progress and findings to senior management.
- Ensuring that effective controls are in place to preserve all forms of evidence. *This is a key factor if the fraudster is to be prosecuted successfully as evidence must be legally admissible in court.*
- Making recommendation at an early stage on the action to be taken with persons under suspicion and whether suspension or dismissal is necessary in consultation with the Industrial Relations Department. Arrangements for interviewing suspects must be made and if criminal proceedings are initiated the Police must be involved.
- Adhering to a "fair and reasonable" approach in interviews at all times.
- Setting up adequate measures to protect the business throughout the investigation process particularly when issuing statement to the media.

- Initiating a thorough review of all operating procedures in areas affected by the fraud. Comprehensive reports on the findings and recommendations must be presented to management on completion of the investigation.

Liaison with the South African Police Service

14. The Manager Forensic Services should ensure that legal and/or police assistance is sought where necessary.

Post Event Action

15. Where a fraud, or attempted fraud, has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds or attempted frauds will not recur.
16. Internal Audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

Communication

17. The following communications may be observed:
 - The Forensic Department may communicate in the appropriate media and/or forum, as determined by the Manager Forensic Services, the outcome of disciplinary, criminal and civil hearings resulting from a forensic investigations; and
 - This Fraud Response Plan should be reviewed annually to determine whether it needs to be updated and if so, changes should be circulated throughout the organisation.

Reporting Arrangements

18. The City's Audit Committee should be kept informed on a quarterly basis of the developments of the prioritised investigations within the Forensic Department.
19. The Manager Forensic Services will ensure that the legislative requirements and obligations of reporting criminal conduct to the South African Police Services are satisfied.
20. The Manager Forensic Services report to SCOPA and/or the sub-committees of same in relation to any forensic investigation which falls within the committee's jurisdiction.
21. That all fraud, corruption and/or criminal conduct be reported to the City Manager and/or the Executive Mayor in terms of the System of Council Delegations.

Conclusion

22. Any queries in connection with this response plan should be made to the Manager Forensic Services.
23. Advice and assistance on internal control issues can be sought from the Chief Audit Executive.
24. Advice and assistance on matters relating to risk management can be sought from the Chief Risk Officer.