



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Making progress possible. Together.

Annexure A

FRAUD RESPONSE PLAN

Contents

	Page
1. INTRODUCTION	3
2. FORMAL REPORTING STAGE	5
3. RESPONDING EFFECTIVELY TO FRAUD, CORRUPTION AND OTHER CRIMINAL ACTIVITY, MALADMINISTRATION AND/OR NEGLIGENCE WHEN IT OCCURS	6
4. POST EVENT ACTION	8
5. REVIEW AND UPDATING OF THE PLAN	9
6. REPORTING ARRANGEMENTS	9
7. CONCLUSION	9

1. INTRODUCTION

- 1.1 This Fraud Response Plan is a procedural guide and provides a checklist of the required actions which must be followed in the event of fraud, corruption and other criminal activity, maladministration and/or negligence being suspected.
- 1.2 Adherence to this plan will enable timely and effective action is taken to prevent further losses and/or maximise the recovery and/or minimise losses and the recurrence thereof. Also, to aid in identifying the perpetrators and enhancing the success of the required consequence management and/or remedial action, such as disciplinary/legal action instituted.
- 1.3 The overarching theme of this plan is **'IF IN DOUBT, ASK FOR ADVICE'**. This applies at any point in an investigation.
- 1.4 In the event of fraud, corruption and other criminal activity, maladministration and/or negligence being suspected, staff and workers must immediately report the matter to their line manager/supervisor. If there is a concern that line management may be involved, the matter should be reported to the next appropriate level and the Chief: Forensic Services should be informed, alternatively the matter can be reported via the Fraud Hotline.
- 1.5 Where confidentiality is sought, staff may report their suspicions directly to Forensic Services via the Fraud Hotline. The City's Fraud Hotline is available 24 hours a day on a daily basis and all information received is treated in the strictest of confidence. The City's Fraud Hotline is independently operated by an external service provider, and contact details are as follows:

Hotline:	0800 32 31 30 Operators are available 24 hours a day, 7 days a week, 365 days a year
External E-mail	hotline@kpmg.co.za
Post:	BNT 371 PO Box 14671 Sinoville 0129

- 1.6 The City also has an electronic mailbox (email) facility for anyone, including staff members, to report suspected fraud, corruption and other criminal activity, maladministration and/or negligence. The details are as follows:

City E-mail	Fraud.hotline@capetown.gov.za
--------------------	--------------------------------------

- 1.7 All disclosures and/or complaints will be treated in a confidential and sensitive manner. The identity of the complainant may be kept confidential provided this does not hinder or frustrate any investigation. However, there will be occasions where the identity of a complainant is required to be revealed. For example, where the individual is required to give evidence at a formal hearing or in a criminal matter, where allegations of misconduct or criminal activity are involved. Note: When disclosures are made, complainants must consult the City's Whistle Blowing Policy in order to make a protected disclosure as per the Protected Disclosures Act.
- 1.8 In making a disclosure and/or lodging a complaint, the complainant should, as far as possible, 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 action being taken against the informant/complainant.

- 1.9 As per section 8.11.4 of the Fraud Prevention Policy, taking into account the complexities of the matter reported, line management must undertake an initial fact-finding exercise and conclude within 30 days.
- 1.10 The purpose of the initial fact-finding exercise is to determine whether the factors that gave rise to suspicion is warranted, and whether there is *prima facie* evidence substantiating a referral of the matter to Forensic Services. Note that such enquiries by line management should not corrupt evidence or prejudice subsequent investigations. **IF IN DOUBT, ASK FOR ADVICE.** The Chief: Forensic Services can be contacted for advice on the most optimal way forward.
- 1.11 Should the fact-finding exercise reveal that a referral of the matter to Forensic Services is not warranted but that internal controls are deficient, management should review their control systems to ensure that such controls are adequate, effective and efficient. The relevant Risks and Controls should be updated. Internal Audit is available to offer advice and assistance on matters relating to internal controls, if required. The Chief Audit Executive is to be consulted in this regard.

2. FORMAL REPORTING STAGE

- 2.1. If there is a suspicion that fraud, corruption and other criminal activity, maladministration and/or negligence has been attempted or perpetrated, line management must ensure that all original documentation is preserved for further investigation. Appropriate

evidence is essential for the investigation and will support any disciplinary/ legal action as deemed appropriate. The facts of the initial fact-finding exercise should be reported immediately to the Chief: Forensic Services. Where there is a risk of financial loss to the City, line management must notify the Executive Director: Finance.

- 2.2. To minimise any threat of further fraud, corruption and other criminal activity, maladministration and/or negligence, line management should immediately enhance the internal controls, where warranted.
- 2.3. The Chief: Forensic Services will recommend to the relevant delegated authority the appropriate course of action, which may include a full forensic investigation, Line Management, Ethics, Speaker and Council referral. The scope of the investigation will be determined by Forensic Services as per the delegated authority. Should Forensic Services advise that further expertise is required, for example Attorneys, Forensic Accountants or Forensic Investigators, the Chief: Forensic Services will engage the appropriate assistance together with the project management of the above.

3. RESPONDING EFFECTIVELY TO FRAUD, CORRUPTION AND OTHER CRIMINAL ACTIVITY, MALADMINISTRATION AND/OR NEGLIGENCE WHEN IT OCCURS

- 3.1. All forensic investigations initiated and authorised must comply with the Council's System of Delegations.
- 3.2. Any allegations and/or complaints against a senior manager are dealt with in accordance with the Local Government: Disciplinary Regulations for Senior Managers of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

- 3.3. Allegations of financial misconduct and offences are reported in terms of the procedure as set out in The Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings made in terms of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
- 3.4. Any allegations and/or complaints against a councillor and/or breaches of the Code of Conduct are dealt with by the delegated authority and powers of the Speaker.
- 3.5. Depending on the significance of the reported fraud, corruption and other criminal activity, maladministration and/or negligence, the forensic investigation process involves some or all of the following:
- 3.5.1. The Chief: Forensic Services provides the direction for forensic investigations, this includes decisions to conduct a forensic investigation whether in-house or on a co-sourced or outsourced basis.
 - 3.5.2. Establishing terms of reference for forensic investigations.
 - 3.5.3. Assigning Forensic Services staff members to project manage the investigation.
 - 3.5.4. Managing the project so that investigative objectives are met.
 - 3.5.5. Ensuring that forensic investigations are conducted in a fair and unbiased manner.

3.5.6. Implementing a mechanism to report on progress of investigations to appropriate senior levels of management, as and when required to do so.

3.5.7. Reports on the findings and recommendations must be submitted to the relevant delegated authority.

4. POST EVENT ACTION

4.1. The recommendations per the forensic report, referred to the accountable Executive Directors by the City Manager, must be attended to and reported on as detailed in the instructions from the City Manager to the respective Executive Directors.

4.2. Forensic Services must record the recommendations and responses received from line management in this regard and report on the remedial action taken to oversight and governance structures as and when required.

4.3. Where fraud, corruption and other criminal activity, maladministration and/or negligence was attempted or has occurred, line management must make the necessary changes to systems and procedures to ensure that similar activities or attempted activities will not reoccur.

4.4. Internal Audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

5. REPORTING ARRANGEMENTS

- 5.1. The City's Audit and Performance Audit Committee (APAC) and Executive Management (EMT) should be kept informed by the Chief: Forensic Services as provided for in the Forensic Services Charter which includes: highlighted investigations, progress and control-related aspects of completed investigations, statistics and the status of implementation of recommendations/agreed management actions as well as emerging trends and risks.

6. REVIEW AND UPDATING OF THE PLAN

- 6.1. The Fraud Response Plan will be reviewed when necessary.

7. CONCLUSION

- 7.1. Any queries regarding this fraud response plan should be directed to the Chief: Forensic Services.
- 7.2. Advice and assistance on internal control issues can be sought from the Chief Audit Executive.
- 7.3. Advice and assistance on matters relating to risk management can be sought from the Chief: Risk, Ethics and Governance.