

**FRAUD RESPONSE PLAN POLICY
UTHUKELA ECONOMIC DEVELOPMENT AGENCY
2025/2026 FINANCIAL YEAR**

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| POLICY TITLE | FRAUD RESPONSE PLAN POLICY |
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1. DEFINITIONS

Corruption: is defined as dishonest or fraudulent conduct by those in power, typically involving bribery

Fraud: means a false representation of fact that deceives and is intended to deceive another so that he or she will act upon the false representation to his or her disadvantage

Internal Control: means the process that is effected by the Board to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

2. PURPOSE

- 2.1. UThukela Economic Development Agency has prepared this fraud response plan to act as a procedural guide and provide checklist of required actions, which must be followed in the event of fraud, or attempted fraud being suspected or reported.
- 2.2. Adherence to this plan will ensure timely and effective action is taken to prevent further losses, maximize recovery and minimize losses and recurrence thereof, identify the fraudsters and ensure success if any disciplinary or legal steps are taken.
- 2.3. The theme of this plan is "No incident is minor" This applies to all incidents reported.
- 2.4. In the event of fraud, attempted fraud or illegal act being suspected, official must immediately report the matter to their line manager /head of department. If there is a concern that the said manager may be involved, the matter may be reported to the accounting officer or the Chief Audit Executive. The district fraud hotline may also be used, should the official wish to remain anonymous.

- 2.5. The Agency will treat all disclosures in a confidential and sensitive manner. In rare instances the identity may be disclosed e.g. where the official /individual is requested to give evidence in a formal hearing.
- 2.6. In making a disclosure, the official should take care to ensure accuracy of the information. Concerns which are found to have been maliciously or for personal gains may result in disciplinary actions being taken against the informant.
- 2.7. The preliminary enquiry should be undertaken within 72 hours.
- 2.8. The purpose of this enquiry is to determine factors that gave rise to the suspicion and if there are reasonable grounds that fraud has occurred. This may involve discreet enquiries from staff and the review of documents.
- 2.9. If the preliminary enquiry confirms that fraud has neither been attempted nor perpetrated, however internal controls are deficient, management should review the internal controls to ensure efficiency and effectiveness.

3. LEGISLATIVE FRAMEWORK

- 3.1. Municipal Finance Management Act, no 56 of 2003 [MFMA];
- 3.2. Prevention and Combating of Corrupt Activities Act, no 12 of 2004;

4. SCOPE OF THE POLICY

- Creating a culture, which is intolerant to fraud and corruption
- Investigating detected fraud and corruption; taking appropriate action against fraudsters and corrupt individuals

4.1 FORMAL REPORTING STAGE

- 4.1.1 If the preliminary enquiry confirms the suspicion that fraud has been attempted or perpetrated, management must ensure that all original documentation is kept in a safe place for further investigation. This is to prevent the loss of essential evidence.

- 4.1.2 To remove any threat of further fraud or loss, management should immediately change or strengthen procedure and if appropriate, suspend any further transactions pending the outcome of the investigation.
- 4.1.3 The Chief Audit Executive may recommend either to the Mayor or the CEO (depending on the delegated authority required under circumstances) the appropriate course of action, which may include formal investigation or disciplinary action / legal action.
- 4.1.4 The scope of the investigation should be determined by the relevant parties in line with the Municipal Systems of delegations.

4.2 INTERNAL CONTROLS

This section of the Policy relates to basic internal controls to prevent and detect fraud and corruption internal control and the conducting of their day-to-day duties, which if effectively implemented, would limit the risk of fraud and corruption. These controls may be categorised as follows, it being recognised that the categories contain overlapping elements:

- 4.2.1 **Prevention controls** - These are divided into two sub- categories, namely, Authorisation and Physical;
- 4.2.2 **Segregation of duties**
- 4.2.3 **Prevention Controls**
- 4.2.4 **Authorisation:**

All transactions require authorisation or approval by an appropriate responsible person.

The limits for these authorisations are specified in the delegations of authority of the entity as well as in various government prescripts.

4.2.1.1 Physical

These 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 authorised personnel.

4.2.1.2 SEGREGATION OF DUTIES

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.

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

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

4.3 RESPONDING EFFECTIVELY TO FRAUD WHEN IT OCCURS

4.3.1 Depending on the significance of the fraud, the investigation process involves some or all of the following:

4.2.4.1 Establishing a clear terms of reference for the investigation.

4.2.4.2 Assessment of the internal resources and their formal appointment or appointment of an expert or independent investigator.

4.2.4.3 Setting up a mechanism to report on progress of the investigation to the appropriate level.

4.2.4.4 Directing the investigation to ensure that it meets the objectives

4.2.5 The overall investigation process involves

4.2.5.1 Maintaining confidentiality

4.2.5.2 Recovering assets

- 4.2.5.3 Protection of evidence
- 4.2.5.4 Interviewing witness
- 4.2.5.5 Controlling the involvement of SAPS
- 4.2.5.6 Managing civil proceeding
- 4.2.5.7 Liaising with the experts and/or regulators
- 4.2.5.8 Media statements an
- 4.2.5.9 Reporting progress relevant parties
- 4.2.6 Ensuring that effective controls are in place to safeguard evidence. This is important if the implicated individual is to be prosecuted successfully as evidence must be legally admissible in court.
- 4.2.7 Adhering to a "fair and reasonable" approach at all times
- 4.2.8 Setting up adequate measures to protect the municipality throughout the investigation process

4.4 LIAISON WITH THE SOUTH AFRICAN POLICE SERVICES

The CEO should ensure that legal assistance and police assistance is sought where necessary.

4.5 POST EVENT ACTION

Where fraud, attempted fraud has occurred, CEO must make necessary changes to the systems and procedures to ensure similar fraud or attempted fraud will not recur.

4.6 COMMUNICATION

The following communication may be observed:

- 4.6.1 The investigators / regulators may communicate directly with the CEO, Legal Manager, Chief Audit Executive and the Mayor (depending on the nature of allegations).


4.6.2 The Fraud response plan should be reviewed annually and changes should be circulated to all the officials and political office bearers.

5. Reporting Arrangements

5.1 The Audit & Performance Audit Committee, Risk Management Committee and the Municipal Public Accounts Committee should be kept informed on quarterly basis of the developments of the prioritised investigations.

5.2 All instances of fraud, corruption and/or criminal conduct should be reported to the Agency Board.

6. Approved by:

| NAME | SIGNATURE | DESIGNATION | DATE |
|--------------|---|--------------------------------|------------|
| MR SB SIBISI |  | ACTING CHIEF EXECUTIVE OFFICER | 11/07/2025 |