

XYZ INSTITUTION
Fraud Prevention Policy

The XYZ Institution declares a policy of zero tolerance towards fraud, corruption, maladministration and any other acts of dishonesty. It is the policy of the institution that corruption and fraud will not be tolerated and that all allegations of corruption and fraud will be investigated. Appropriate action will be taken against all perpetrators, both internally and externally, followed by the recovery of any losses that the Institute might have incurred.

Signed at _____ on this _____ day of _____ 2021.

Mr Joe Soap
Accounting Officer

TABLE OF CONTENTS

1	PURPOSE.....	1
2	BACKGROUND.....	1
3	SCOPE OF THE POLICY.....	1
4	POLICY STATEMENT.....	1
5	THE CONCEPT OF FRAUD PREVENTION	1
5.1	THE MAIN PRINCIPLES OF FRAUD PREVENTION.....	1
5.2	INVESTIGATION PROCEDURES.....	2
5.3	ANTI-FRAUD PROGRAMMES.....	2
6	ROLE PLAYERS	2
6.1	RISK MANAGEMENT OVERSIGHT	3
6.1.1	Council \ Board of Directors.....	3
6.1.2	Audit Committee.....	3
6.1.3	Risk Management Committee	3
6.2	RISK MANAGEMENT IMPLEMENTERS	3
6.2.1	Accounting Officer	3
6.2.2	Management	3
6.2.3	Other Officials.....	3
6.3	RISK MANAGEMENT SUPPORT	3
6.3.1	Chief Risk Officer	3
6.3.2	Risk Champion	4
6.4	RISK MANAGEMENT ASSURANCE PROVIDERS	4
6.4.1	Internal Audit	4
6.4.2	External Audit	4
7	POLICY REVIEW	4

FRAUD PREVENTION POLICY

1 PURPOSE

The purpose of this Policy is to articulate the XYZ Institution's philosophy on fraud prevention plan. The XYZ Institution adopts a comprehensive approach to the management of fraud risk.

2 BACKGROUND

The provisions of **Section 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act no 56 of 2003 (MFMA)** stipulates that the Accounting Officer of a municipality or a municipal entity (institution) is responsible for ensuring that the municipality or municipal entity has and maintains effective, efficient and transparent system of financial and **risk management** and internal control.

3 SCOPE OF THE POLICY

This policy applies throughout the institution in as far as risk management is concerned.

4 POLICY STATEMENT

Fraud represents a significant potential risk to the **XYZ Institution's** assets, service delivery efficiency and reputation. The Institution will not tolerate fraudulent or corrupt activities, whether internal or external to the Institution, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

5 THE CONCEPT OF FRAUD PREVENTION

Fraud prevention is a process that is adopted by the Institution, in putting mechanisms in place, to manage Institution's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

As part of the Enterprise Risk Management (ERM), it is the responsibility of the Accounting Officer to establish structures to address the threat of fraud.

5.1 THE MAIN PRINCIPLES OF FRAUD PREVENTION

The XYZ Institution has developed the Fraud Prevention Policy to embed the following principles within the institution:

- Encouraging a culture within the institution where all employees, the public and other stakeholders continuously behave ethically in their dealings with, or on behalf of the institution;
- Improving accountability, efficiency and effective administration with the institution;
- Improving the application of systems, policies, procedures and regulations;
- Changing aspects of the institution which could facilitate fraud and corruption and allow these to go unnoticed or unreported; and

- Encouraging all employees and other stakeholders to strive toward the prevention and detection of fraud and corruption impacting or having the potential to impact on the objectives of the institution.

5.2 INVESTIGATION PROCEDURES

The XYZ Institution has developed investigation procedures to ensure uniformity in the reporting and investigation of incidents of fraud and corruption.

- Reporting of suspicious acts to relevant structures put in place by the institution,
- Preliminary investigation of incidents reported;
- Investigation procedure;
- Involvement of other law enforcements agencies;
- Procedure in taking resolutions; and
- Recovery of loss.

5.3 ANTI-FRAUD PROGRAMMES

The XYZ Institution has developed the following programmes to address the threat of fraud and corruption:

- Recruitment policy;
- Accounting and operational policies;
- Fraud awareness training (indicators of fraud);
- Dysfunctional environment assessment;
- Fraud awareness audit;
- Fraud risk assessment;
- Automated alerts;
- Code of ethics and conduct;
- Investigation policy / procedure; and
- Fraud response plans.

6 ROLE PLAYERS

The XYZ Institution has taken a stance that management of fraud and corruption threat like any other risks is the responsibility of everyone in the organisation.

The Accounting Officer has delegated the ownership and communication of fraud risk management to Business Unit Managers / Line managers / Division managers / Employee in specific areas of the Institution.

6.1 RISK MANAGEMENT OVERSIGHT

6.1.1 Council \ Board of Directors

The Council \ Board of Directors takes an interest in fraud risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the institution against significant fraud risks.

6.1.2 Audit Committee

The Audit Committee is an independent committee responsible for oversight of the institution's control, governance and risk management. The responsibilities of the Audit Committee with regard to fraud risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the institution's fraud risk management effectiveness.

6.1.3 Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer to assist them to discharge their responsibilities for fraud risk management. The Committee's role is to review the fraud risk management progress of the institution, the effectiveness of fraud risk management activities, the key fraud risks facing the institution, and the responses to address these key fraud risks

6.2 RISK MANAGEMENT IMPLEMENTERS

6.2.1 Accounting Officer

The Accounting Officer is accountable for the institution's overall governance of fraud risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

6.2.2 Management

Management is responsible for executing their responsibilities outlined in the fraud risk management strategy and for integrating risk management into the operational routines.

6.2.3 Other Officials

Other officials are responsible for integrating fraud risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

6.3 RISK MANAGEMENT SUPPORT

6.3.1 Chief Risk Officer

The Chief Risk Officer is the custodian of the Fraud Prevention Strategy, and coordinator of fraud risk management activities throughout the institution. The primary responsibility of the Chief Risk Officer

is to bring to bear his/her specialist expertise to assist the institution to embed risk management and leverage its benefits to enhance performance.

6.3.2 Risk Champion

The Risk Champion's responsibility involves intervening in instances where the fraud risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of institutional skills and expertise.

6.4 RISK MANAGEMENT ASSURANCE PROVIDERS

6.4.1 Internal Audit

The role of the Internal Auditing in fraud risk management is to provide an independent, objective assurance on the effectiveness of the institution's system of fraud risk management. Internal Auditing must evaluate the effectiveness of the entire system of fraud risk management and provide recommendations for improvement where necessary.

6.4.2 External Audit

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of fraud risk management.

7 POLICY REVIEW

This Policy shall be reviewed annually to reflect the current stance on risk management.

Recommended by the Audit and Risk Committee:

Signature:

Date:

Approved by the Council \ Board of Directors:

Signature:

Date:
