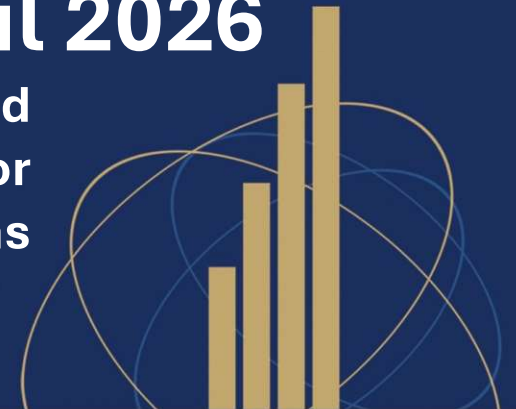




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**The Duty to Prevent Fraud and
Corruption: Practical Steps for
Organizations**



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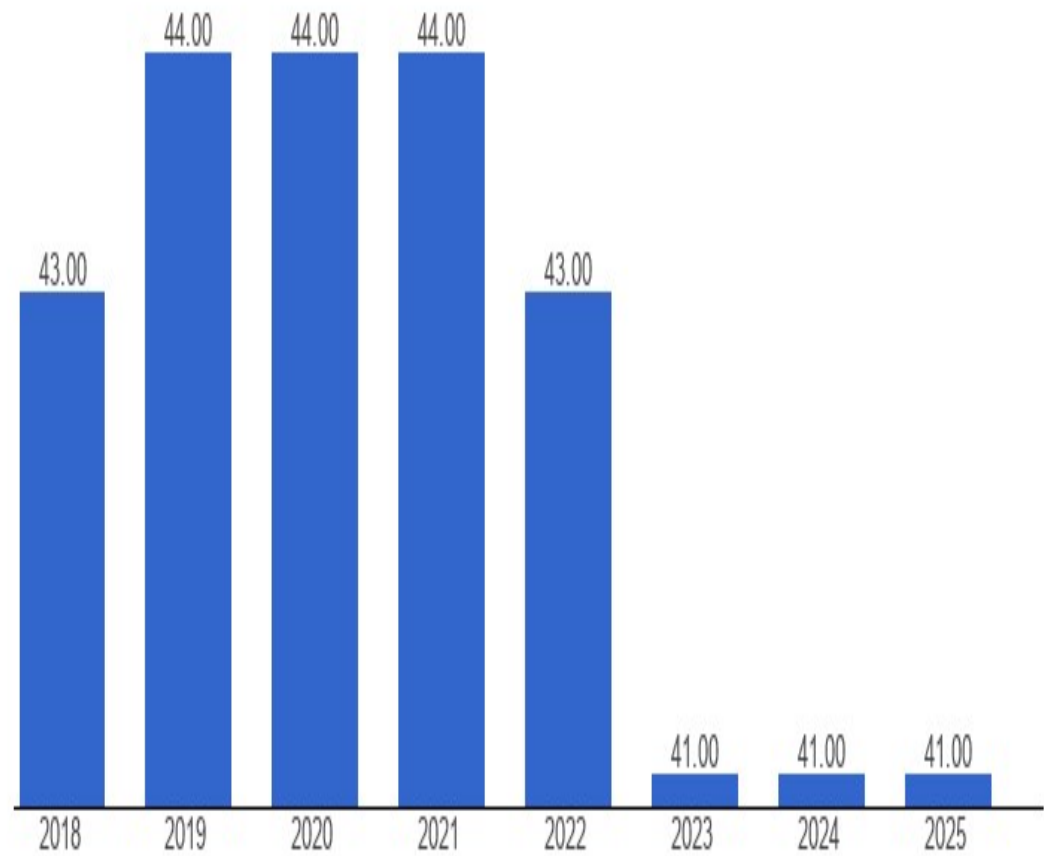
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Outline

- Introduction
- Chapter 9 and 10 Institutions of the constitution of South Africa
- Corruption Headline
- Key Drivers
- Fraud and Corruption in Local Government
- Roles of the Oversight Structures in preventing Fraud and Corruption
- Roles of Management in preventing Fraud and Corruption

Introduction

- South Africa's Corruption Perceptions Index is 41/100.
- It has been declining over the years



Chapter 9 and 10 Institutions

Office of the
Auditor
General

Office of the
Public
Protector

Public
Services
Commission



Corruption Headlines

- State Capture
- Covid 19 Corruption
- VBS Mutual Bank looting
- Blue Capture



Key Drivers

- Weak Governance and Oversight
- Procurement Irregularities in the Public Sector
- Lack of Consequence Management



Fraud and Corruption in Local Government

- Local Government is perceived as the most corrupt sphere of government driven by
- Lack of accountability
- Billions in irregular expenditure
- Direct impact to the citizens



ROLES AND RESPONSIBILITIES IN PREVENTING FRAUD AND CORRUPTION



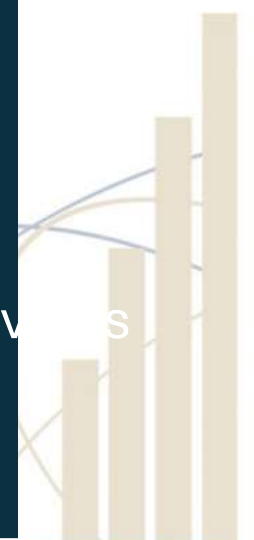
Role of the Oversight Structures

COUNCIL

- Set the tone – Adopt policies that are zero tolerant to fraud and corruption
- Build an ethical culture by ensuring that the code of ethics (or conduct) and ethics-related policies are implemented.
- Strengthen governance by fostering accountability
- Promote consequence management by approving recommendations made by the MPAC and monitor the implementation through MPAC reports
- Approves Institutional Calendar and requires reports for any deviations

Municipal Public Accounts Committee (MPAC)

- Reviews management, Internal Audit and Audit Committee reports quarterly
- When a fraudulent transaction or activity is identified, conduct investigation and make clear recommendations to Council.
- Investigates unauthorised irregular and fruitless expenditure and if the organisation has suffered any loss, MPAC recommends to Council that whoever committed such expenditure be liable. If he/she benefited from this Expenditure MPAC recommends recovery and Disciplinary (Financial Misconduct Committee).
- Should a criminal activity be identified MPAC instructs the Executive Mayor or the Accounting Officer to report to the Law Enforcement Agencies
- Monitor the implementation of the projects (conduct physical v with all stakeholders) reports and make recommendations to Council of all the findings.



Municipal Public Accounts Committee (MPAC) cont.

- Should poor workmanship be identified, the service provider should redo the work. When the service provider fails to redo the work, the retention must be withheld, and another service provider be appointed

When the organisation decided to use the internal workforce and makes savings from the project. The saving should be reinvested in that particular ward.

- Follows up the on the implementation of the recommendations approved by Council
- Follows up on the implementation of the Auditor General's Audit Action plan
- Reviews the risk management process of identifying fraud risks



Audit Committee

- Have Fraud matters as standing item in the Agenda
- Reviews management reports on fraud and advise
- Reviews Internal Audit reports on the effectiveness of risk management
- Prepare reports to Council and advise on fraud indicators
- Council on steps to follow on fraud or suspected fraud reported
- Reviews reports from the Risk Management Committee and advise on emerging risks

Risk Management Committee

- Recommends approval of Fraud and Ethics policies to Council
- Assists the council in carrying out its risk oversight responsibilities: ethics risks are also incorporated into the mandate, activities, and reporting requirements of the risk management committee.
- Approve Fraud and Ethics risk registers with Key Risk indicators
- Monitor the implementation of the fraud and ethics risk mitigating strategies on a quarterly basis and reports to the Audit Committee
- Analyse trends as per the key risk indicators and improve controls
- Monitors the reports from the Fraud Hotline
- Advise the Accounting Officer of suspected fraud from management reports and reports to the Audit Committee and Council
- Reports the implementation of the Fraud and Ethics risk mitigating strategies to Council bi-annually



Role of Management in promoting Ethics

- Implement the Governance of Ethics Management Framework
- Ensure that ethics risks and opportunities are incorporated into the risk management processes
- Conduct ethics risk assessment and develop ethics risks register
- Implement the ethics risks mitigating strategies and identify emerging risks and report to the Risk Management Committee
- Conduct Education and Awareness on the ethics management and code of conduct



Role of Management in the implementation of the preventative measures

- Adopts a pledge against fraud and corruption
- Conduct fraud risk assessment and develop fraud risk register
- Implement the fraud risk mitigating strategies and identify emerging risks and report to the Risk Management Committee
- Conduct Education and Awareness on fraud, disciplinary process and corruption
- Implement consequence management policies
- Implement MPAC recommendations
- Measure the impact of fraud prevention

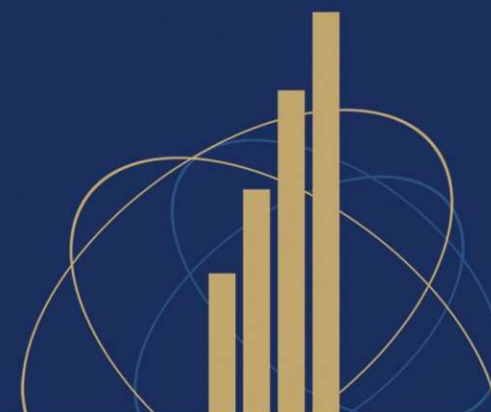
implementation of the preventative measures (Cont.)

- Implement the findings of the disciplinary process
- Include organisational pledge against fraud corruption on email signatures
- Upload the fraud and ethics hotline contact details on the organisational website
- Monitor the performance and reviews the work of the subordinates
- Ensure adherence to the Supply Chain Management processes
- Conduct Supply Chain Management awareness campaigns
- Assign SCM Champions for each department
- Head of Departments review the departments payroll listing each month and approve





Thank You!



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