the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

Promoting Good Governance and Accountability

Local Government Anti-Corruption Strategy

FOREWORD

The initiative to promote good governance and accountability is premised on the principle that serving the public is fundamentally a privilege.

This means that the discipline and integrity required of those who serve the public as elected representatives or appointed administrators, is higher than that expected of other sectors in our society. The obligations of public office need honest and ingenuous accounting, but also require a commitment to democratic process. We who are entrusted with this privilege, should possess a strong sense of responsibility to act with efficiency and competence, and to discipline personal desires to the standards of law and democratic expectation. We have a duty to frame judgements within the context of our constitutional values, yet shape them in response to legitimate public demands. We a have further obligation to seek outcomes that are respectful of the public, within the demands of the law, particularly since we are trustees of the public good in an environment dominated by private interests.

As custodians of public institutions, we should attend to the long-term legitimacy of these institutions – a legitimacy that is prone to erosion with every report of corruption or perception thereof.

The strategy contained in this publication, seeks to reinforce our cognisance by providing practical guidance on the parameters that should be considered when executing the public's business – with the express intent to promote good governance and accountability. Such practical guidance should eliminate the so-called grey area that falls in between corruption and the perception of corruption.

FOREWORD

I remain confident that this strategy and the guidelines contained herein, will serve as a useful tool for enhancing the public's confidence in our system of governance, and accord development and transformation a better chance for success.

F S MUFAMADI
MINISTER FOR PROVINCIAL AND LOCAL GOVERNMENT

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TERMS AND ABBREVIATIONS

ACCC	Anti-Corruption Coordinating Committee
Constitution	The Constitution of the Republic of South Africa, 1996
dplg	Department of Provincial and Local Government
LGACS	Local Government Anti-Corruption Strategy
LGMDA	Local Government: Municipal Demarcation Act, (Act No 27 of 1998)
LGTA	Local Government Transition Act, (Act No 209 of 1993)
Local Government	Includes category A, B, and C municipalities and municipal entities
MFMA	Municipal Finance Management Act, (Act No 56 of 2003)
Structures Act	Local Government: Municipal Structures Act, (Act No 117 of 1998)
Systems Act	Local Government: Municipal Systems Act, (Act No 32 of 2000)
SALGA	South African Local Government Association
Unethical conduct, fraud and corruption	Includes, but is not limited to, the following legal definitions:

- Fraud, i.e. the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another;
- Theft, i.e. the unlawful and intentional misappropriation of another's property or property which is in his/her lawful possession, with the intention to deprive the owner of its rights permanently;
- Offences in respect of *corrupt activities* as defined in the Prevention and Combating of Corrupt Activities Act, 2004, i.e.:

- o The general offence of corruption which could be summarised as directly or indirectly accepting or agreeing to accept any gratification from another person; giving or agreeing to give any other person any gratification in order to influence that person directly or indirectly to exercise his powers, duties or legal obligations in a manner which is/amounts to:
- o Illegal, dishonest, unauthorised, incomplete, or biased;
- o Misuse or selling of information or material acquired;
- o Abuse of position of authority;
- o Breach of trust;
- o Violation of a legal duty or set of rules;
- o Designed to achieve an unjustified result; and
- o Any other unauthorised or improper inducement to do or not to do anything.
- o Corrupt activities in relation to:
    - Public officials;
    - Foreign public officials;
    - Agents;
    - Judicial officers;
    - Members of the prosecuting authority;
    - Unauthorised gratification received or offered by or to a party in an employment relationship;
    - Witnesses and evidential material during certain proceedings;
    - Contracts;
    - Procuring and withdrawal of tenders;
    - Auctions;
    - Sporting events; and
    - Gambling games or games of chance.
- o Conflicts of interests and other unacceptable conduct, e.g.:
    - Acquisition of private interests in contract, agreement in or investment in public body;
    - Unacceptable conduct relating to witnesses; and
    - Intentional interference with, hindering or obstruction of investigation of offence.

- o Other offences relating to corrupt activities, viz:
  - Accessory to or after an offence;
  - Attempt, conspiracy and inducing another person to commit an offence; and
  - Failure to report corrupt transactions.
- o Irregularities relating to the following:
- o *Systems issues*: where a process/system exists which is prone to abuse by employees, the public or other stakeholders, e.g.:
  - Procurement fraud, e.g. irregular collusion in the awarding of tenders or orders for goods and/or services;
  - Deliberate non-compliance with delegation of authority limits;
  - Collusion in contracts management; and
  - Disclosing confidential or proprietary information to outside parties.
- o *Financial issues*: i.e. where individuals or companies have fraudulently obtained money from Local Government, e.g.:
  - Creditors fraud, e.g. diverting payments to incorrect creditors;
  - Suppliers submitting invalid invoices or invoicing for work not done;
  - Revenue fraud, e.g. irregular interception of payments received;
  - Payroll fraud, e.g. creation of "ghost employees"; and
  - Theft of funds.
- o *Equipment and resource issues*: i.e. where Local Government's equipment is utilised for personal benefit or stolen, e.g.:
  - Theft of assets, e.g. computers, face value forms, etc;
  - Personal use of resources, e.g. telephones, internet, e-mail; and
  - Irregular destruction, removal, or abuse of records (including intellectual property).

- o *Other issues*: i.e. activities undertaken by employees of Local Government, which may be against policies or fall below established ethical standards, e.g.:
    - Soliciting gifts or favours from consultants or other suppliers, e.g. acceptance of "kick-backs";
    - Conflicts of interest;
    - Nepotism;
    - Favouritism; and
    - Deliberately omitting or refusing to report or act upon reports of any unethical conduct, fraud and corruption.

INTRODUCTION

1.   INTRODUCTION

1.1   Overview

Local Government is established as a sphere of government in terms of the Constitution of the Republic of South Africa. During the period of transition, which was launched by the promulgation of the Local Government Transition Act (Act No 209 of 1993) LGTA, Local Government has undergone a radical transformation. From a large number of inequitable and unsustainable institutions, 283 local authorities now exist as a result of the demarcation process and the Local Government elections of 5 December 2000.

A comprehensive policy and regulatory framework is now in place, the parameters of which are well described in the *White Paper on Local Government (1998)*, supported by legislation, primarily in the form of the Local Government: Municipal Structures Act, (Act No 117 of 1998); Local Government: Municipal Systems Act, (Act No 32 of 2000); Local Government: Municipal Demarcation Act, (Act No 27 of 1998); Municipal Finance Management Act, (Act No 56 of 2003).

A number of national and provincial bodies have been established to support Local Government in the transformation and governance process. These include the representative body, the South African Local Government Association (SALGA) and its provincial affiliates, the Demarcation Board, the Local Government Sector Education and Training Authority and the South African Local Government Bargaining Council.

While the policy framework, and to a large extent the institutional arrangements for good governance, are now in place, there is still a question about whether a sector-wide approach is actually being applied within Local Government. The process of decentralising powers and functions to Local Government is a complex and multi-faceted one, which

requires that thought be given to the phasing and timing of implementation, as well as the capacity-building requirements that must be addressed in parallel.

The Local Government Anti-Corruption Strategy (LGACS) developed by the **dplg** is modelled around the Public Service Anti-Corruption Strategy but tailored to be applicable in Local Government. The LGACS will undergo a process of refinement and integration with other existing initiatives during the implementation phase.

1.2 Lessons learned during the past five years

Project Consolidate was initiated to assist identified municipalities in delivering on their mandate. Included in Project Consolidate is Local Government Anti-Corruption.

The **dplg** has in the past year rolled out the Local Government Anti-Corruption Programme in five provinces, each represented by a sample of municipalities. The municipalities targeted by the programme are all designated Project Consolidate municipalities.

There were a number of lessons learnt with regard to the readiness of municipalities to develop and implement anti-corruption measures. Most notable was that although some municipalities, especially the district municipalities and metropolitan municipalities, have anti-corruption and fraud policies and structures in place, those have proven to be inadequate to effectively fight corruption. On the contrary, municipalities that service rural or economically under-developed areas do not have the required resources to establish anti-corruption structures and they respond to corruption and fraud matters on an *ad hoc* basis.

The areas commonly identified or perceived as areas of great risk during the implementation of the programme, were the procurement process for building and allocation of RDP houses, overall lack of transparent

procurement processes, nepotism in employment of staff, inadequate financial controls and abuse of municipal assets. These common areas of concern have largely influenced the LGACS.

1.3   Principles of the LGACS

The **main principles** upon which the LGACS is based are the following:

- Creating a culture within municipalities which is intolerant to unethical conduct, fraud and corruption;
- Strengthening community participation in the fight against corruption in municipalities;
- Strengthening relationships with key stakeholders, e.g. SALGA, employee representative unions and communities, that are necessary to support the actions required to fight corruption in municipalities;
- Deterrence of unethical conduct, fraud and corruption;
- Preventing unethical conduct, fraud and corruption which cannot be deterred;
- Detection of unethical conduct, fraud and corruption;
- Investigating detected unethical conduct, fraud and corruption;
- Taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution, etc; and
- Applying sanctions, which include redress in respect of financial losses.

All aspects of the LGACS will be:
- Supported by comprehensive education, training and awareness campaigns;
- Coordinated within the spheres of government;
- Subjected to continuous fraud risk assessments; and
- Expressed in terms of measurable and time-bound implementation plans.

The **objectives of the** LGACS could be summarised as follows:
- Encouraging a culture within the local sphere of government where all employees, members of the public and other stakeholders continuously

behave with and promote integrity in their dealings with, or on behalf of municipalities;
- Improving accountability, efficiency and effective administration within municipalities, including decision-making and management conduct which promotes integrity;
- Development of anti-corruption capacity within municipalities;
- Improving the application of systems, policies, procedures, rules and regulations within municipalities;
- Changing aspects within municipalities that undermine institutional integrity and facilitate unethical conduct, fraud and corruption and allow these to go unnoticed or unreported; and
- Encouraging all employees and other stakeholders to strive toward the promotion of integrity and the prevention and detection of unethical conduct, fraud and corruption impacting or having the potential to impact on the local sphere of government.

The above is not intended to detract from the premise that all the components are equally essential for the successful realisation of the LGACS. The components of the LGACS are the following:

- **Focus on the Organisation**

    o Effective implementation of the Code of Conduct for employees as prescribed in the Municipal Systems Act and the Municipal Structures Act to which all municipal staff are expected to abide by;
    o Effective implementation of the Code of Conduct for Councillors as prescribed in the Municipal Systems Act, the Municipal Structures Act, and the Municipal Finance Management Act to which all councillors are expected to abide by;
    o The systems, policies and procedures applicable to the local sphere of government;
    o Human Resources Policies and Procedures applicable to the local sphere of government;

- o Finance Policies and Procedures applicable to the local sphere of government;
- o Sound internal controls to prevent and detect unethical conduct, fraud and corruption;
- o Ongoing risk assessment and management, which includes systems relating to unethical conduct, fraud and corruption detection;
- o Internal and External Audit; and
- o Physical and information security management.

- **Focus on Employees**

  - o Vetting
  - o Employee Induction Programmes
  - o Obligatory Leave Periods
  - o Exit Procedures for Employees and Control over Assets

- **Focus on other Stakeholders**

  - o The councillors;
  - o The community;
  - o Trading partners;
  - o Employee representative organisations; and
  - o SALGA.

- **Enforcement**

  - o Reporting and monitoring of allegations of unethical conduct, fraud and corruption;
  - o Whistle-blowing which is intended to provide assurance to employees that Local Government is committed to protecting employees who report unethical conduct, fraud and corruption in good faith, from victimisation or other forms of intimidation; and

o Feedback to be given to whistle-blowers to provide assurance to whistle-blowers that all allegations of unethical conduct, fraud and corruption will be investigated.

- **Implementation**

  o Ongoing maintenance and review of the LGACS to ensure effective project management of its further implementation and maintenance;
  o Ensuring a coordinated implementation effort between the spheres of government, i.e. **dplg**, provincial government and local sphere of government; and
  o Raising awareness on good governance that includes communication on the anti-corruption work being performed within the local sphere of government and highlighting the role of the community in the fight against unethical conduct, fraud and corruption.

The main components of the LGACS are illustrated as follows:

| **Organisational focus** |
| **Focus on the employees** |
| **Focus on other stakeholders** |
| **Enforcement** |
| **Implementation** *Including: Creating awareness, training communication and technical support* |
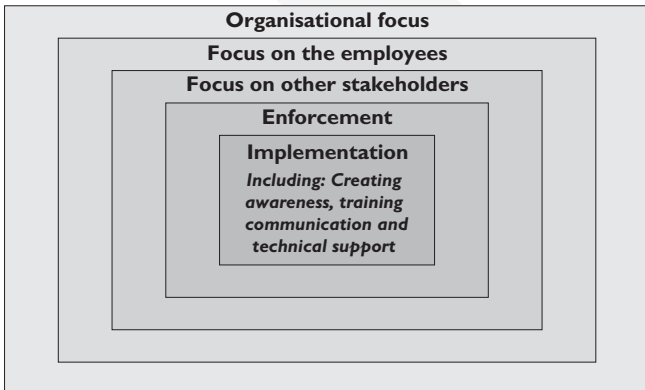
2. FOCUS ON THE ORGANISATION

2.1 Codes of Conduct for Councillors and Municipal Employees

The term "ethics" refers to standards of conduct, which indicate how a person should behave based on moral duties and virtues arising from the principles of right and wrong. Ethics therefore involve two aspects:
- The ability to distinguish right from wrong; and
- The commitment to do what is right.

Individual Ethical Conduct

Ethical behaviour refers to individual actions by employees, which are intended to further the common good of the organisation, as determined by its policies, procedures and business objectives with which employees are required to comply. If a person is conscious that his/her conduct is against the common good of the organisation or other employees, such conduct is unethical.

Collective Ethical Conduct

Ethical behaviour can also be regarded as a collective behaviour, because external stakeholders such as suppliers and the community, in general, develop their perceptions about Local Government's commitment to the common good on the basis of the actions and the conduct of Local Government employees they deal with. In this way, excellent ethical business conduct by employees of Local Government leads to the collective perception of Local Government as being ethical.

Ethical Behaviour and Business Conduct

The integrity of the employees acting on its behalf underlies all the Local Government relationships, including those with customers, suppliers and

communities, as well as those between employees. The highest standards of ethical business conduct are required of employees of Local Government in fulfilling their responsibilities.

Employees may not engage in any activity that could raise questions as to Local Government's integrity, respect for diversity, impartiality or reputation. Ethical business conduct includes workplace relationships between employees in terms of the Constitution and requires respect for constitutional rights in employment, particularly with regard to human dignity, non-discrimination, respect for diversity, impartiality and reputation.

Furthermore, good governance indicates that organisations should develop codes of ethics as part of their corporate governance frameworks. Local Government employees are expected to abide by the Code of Conduct for Municipal Employees, whilst councillors in municipalities are expected to abide by the Code of Conduct for Councillors as per the Systems Act.

The Code of Conduct for Municipal staff (**Annexure A**) contains specific conduct standards categorised as follows:
* General conduct;
* Commitment to serving the public interest;
* Personal gain;
* Disclosure of benefits;
* Unauthorised disclosure of information;
* Undue influence;
* Rewards, gifts and favours;
* Council property;
* Payment of arrears;
* Participation in elections;
* Sexual harassment;
* Reporting duty of staff members; and
* Breaches of Code.

The Code of Conduct for Councillors (**Annexure B**) contains the following categories:
- General conduct of councillors;
- Attendance at meetings;
- Disclosure of interests;
- Personal gain;
- Declaration of interests;
- Full-time councillors;
- Rewards, gifts and favours;
- Unauthorised disclosure of information;
- Intervention in administration;
- Council property;
- Duty of chairpersons of municipal councils;
- Breaches of Code; and
- Application of Code to traditional leaders.

The **dplg**, in conjunction with the provincial local government departments will develop ethics manuals for both employees and councillors which will contain the elements of the Code of Conduct for each. These ethics manuals will be used as part of the ethics training that is to be conducted in Local Government in accordance with training plans that will be developed by **dplg** in conjunction with the provincial local government departments.

2.2   Systems, Policies and Procedures

Local Government has a number of systems, policies and procedures designed to ensure compliance with specific laws and regulations and basic internal control.

All employees, councillors and other stakeholders are expected to comply with the applicable policies and procedures. A fundamental risk in this area is a lack of knowledge and awareness, effective communication and training with regard to the prevailing systems, policies and procedures.

In order to address the above weaknesses, reviews must be conducted of finance and human resources systems, policies and procedures, which are key in addressing organisational integrity.

Steps to communicate these policies and procedures, and to ensure that employees and councillors of Local Government receive adequate training must also be pursued.

Non-compliance with policies and procedures is a risk with the potential to seriously impact on the LGACS. This will be addressed by developing clearly defined communication and training strategies to create awareness of all policies and procedures in order to ensure that all employees and councillors are made aware of, and are adequately trained in the implementation of policies and procedures relevant to their duties and responsibilities, including:

- Provisions for all employees and councillors in municipalities to acknowledge, in writing, that they have read the policies and procedures applicable to their duties, have undergone relevant training and/or are aware of these policies and procedures;
- Maintaining adequate records serving as proof that employees and councillors in municipalities have been made aware of the policies and procedures relevant to their duties; and
- The development and distribution of regular communiqués outlining the importance of complying with policies and procedures and the implications for employees and councillors in municipalities, for example corrective action being taken against offenders not complying with policies and procedures.

A structured monitoring mechanism will be developed for the keeping of proper records of the policies and procedures that are being updated, and of new policies and procedures that are being developed in order to set clear targets and monitor progress for the local sphere of government.

2.3   Human Resources

The **dplg**, in conjunction with the provincial local government departments will develop human resources policy framework guidelines. These guidelines will define the human resources systems, policies and procedures that each municipality and municipal entity, at a minimum, should have in place. The human resources guidelines will be rolled out in municipalities to address the gaps that exist in the current human resources systems, policies and procedures.

Municipalities should have human resources systems, policies and procedures which incorporate the promotion of integrity, anti-fraud and anti-corruption practices detailed below:

Human Rights

Recognition and respect for the fundamental human rights of individuals as enshrined in the Constitution is expected of all employees within the local sphere of government and any person or entity with whom it engages.

Fair, Transparent Employment Conditions

A system for the payment of fair salaries enabling employees to maintain a livelihood that negates any desire for employees to justify increasing their income through unethical conduct, fraud and corruption is a constant goal for the local sphere of government.

Municipalities should constantly be pursuing transparent and merit-based hiring and promotion practices with objective standards in order to reduce the risk of nepotism and favouritism, both of which are damaging forms of corruption.

The local sphere of government should apply the resolutions of SALGA, which enables employees to address specific grievances. This step is based on the recognition that aggrieved employees may become malicious, thus increasing the risk of them committing unethical conduct, fraud and corruption.

Commitment to Competence

Municipalities acknowledge that, due to ongoing organisational and policy changes, for example employment equity policies, matching of competence to the job is extremely important. Failure to do so could lead to stress on employees and consequently result in these employees evading rules due to this being the only practical means available to them that can be applied to deliver specific outputs.

On the other hand, it is also recognised that staffing low-level jobs with over-qualified personnel may lead to lack of job satisfaction and low morale.

Discipline

Municipalities should ensure consistent and efficient application of disciplinary measures. Additional measures, which will be considered include:

- Communication of specific disciplinary standards and forbidden conduct in terms of the Disciplinary Code and Procedures;
- Introducing a system where the application of disciplinary measures is applied consistently;
- Steps for ongoing training of managers in the application of disciplinary measures;
- Where managers are found to be inconsistent and/or inefficient in the application of discipline, the municipality or municipal entity concerned will consider firm action; and
- Publication (within the permissible legal framework) of the outcomes

and sanctions of disciplinary and criminal/civil matters, including lessons learned. The successful achievement of these initiatives, together with their communication is expected to have a deterrent effect on unethical conduct, fraud and corruption.

2.4   Finance Systems, Policies and Procedures

Appropriate finance policies and procedures within the local sphere of government are also necessary to ensure appropriate internal control over finance management in municipalities in line with the MFMA.

Specific finance policies should be in place within the local sphere of government that address issues around:
- Procurement of goods and services;
- Cash management and treasury;
- Asset management;
- Revenue collection; and
- Budgeting and expenditure.

The **dplg**, in conjunction with the provincial local government department, will develop finance policy framework guidelines. These guidelines will define the finance systems, policies and procedures that each municipality and municipal entity, at a minimum, should have in place. The finance policy guidelines will be rolled out in municipalities to address the gaps that exist in the current finance systems, policies and procedures.

2.5   Internal Controls

This section of the LGACS relates to basic internal controls to prevent and detect unethical conduct, fraud and corruption and the training of municipal employees in internal control and the conducting of their day-to-day duties.

The policies and procedures, including those related to human resources and finance, of the local sphere of government prescribe various controls, which, if effectively implemented, would limit fraud and corruption in municipalities. These controls may be categorised as follows, it being recognised that the categories contain overlapping elements:

(a) Prevention controls, which are further subdivided into:
   i. Authorisation Controls which require that all transactions must be authorised or approved by an appropriate responsible person within Local Government and that the limits for these authorisations are specified in the delegations of authority.
   ii. Physical Controls, which 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 of a municipality.

(b) Detection controls, which are further subdivided into:
   i. Arithmetic and accounting controls, which are basic controls within the recording function which ensure that transactions to be recorded and processed have been authorised, are complete, are correctly recorded, and accurately processed. Such controls include checking arithmetical accuracy of records, the maintenance and checking of totals, reconciliation, controls accounts, and accounting for documents.
   ii. Physical controls, which relate to the security of records and are similar to preventative controls in that they are also designed to limit access.
   iii. Supervision, which relates to supervision by responsible officials of day-to-day transactions and the recording thereof.
   iv. Management information, which relates to the review of management accounts and budgetary controls. Management outside the day-to-day routine of the system normally exercises these controls.

(c) Segregation of duties:
  i.   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 unethical conduct, fraud and corruption.
  ii. Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.
  iii. Functions that should be separated include those of authorisation, execution, custody, recording, and, in the case of computer-based accounting systems, systems development and daily operations.
  iv. Placed in context with fraud and corruption prevention, segregation of duties lies in separating either the authorisation or the custodial function from the checking function.

The **dplg**, in conjunction with the provincial local government departments and municipalities, will continue to initiate steps to address the problem of a lack of training, expertise and knowledge of systems, policies and procedures to improve internal control. Areas of weakness will be identified during audits and risk assessments.

Furthermore, the **dplg** together with the provincial local government department and the management in municipalities will also continue to re-emphasise to all supervisors that consistent compliance by municipal employees with internal control measures is one of the fundamental controls in place to prevent fraud and corruption. Managers will be encouraged to recognise that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.

The **dplg,** in conjunction with the provincial local government department and management of municipalities, will develop a formal system by which the performance of managers in municipalities is appraised by taking into account the number of audit queries raised and the level of seriousness of the consequent risk to municipalities as a result of the internal control deficiency identified. This is intended to raise the level of manager accountability for internal control.

2.6   Risk Management and Assessment

According to the MFMA, the accounting officer of a municipality and municipal entity is responsible for ensuring that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

In order to assist Local Government in complying with this legislative requirement, the **dplg** will develop a risk assessment framework for use within Local Government, and where necessary, advise in its roll-out. Included in these risk assessment frameworks will be guidelines for the development of fraud risk management plans.

2.7   Internal and External Audit

The MFMA stipulates that a municipal entity must maintain a system of internal audit under the control and direction of an audit committee.

Furthermore, the internal audit function of the respective municipalities is required to report on matters relating to:
• Internal control;
• Accounting procedures and practices;
• Risk and risk management;
• Loss control; and
• Compliance with applicable legislation.

Municipalities are also the subject of annual external audits by the Office of the Auditor-General who must report on the accounts, financial statements and financial management of municipalities. It is the responsibility of the respective municipalities and municipal entities to follow up on External Audit queries that have identified high risk areas and areas for improvement. Additionally, each municipality and municipal entity should develop appropriate plans where External Audit reports are qualified or otherwise identify material weaknesses.

The **dplg**, in conjunction with the provincial local government department, will assess the internal audit capacity within municipalities, with specific focus on anti-corruption capacity. Where significant areas of concern are identified during this capacity assessment, plans will be developed to address internal audit capacity within the municipalities.

2.8   Physical and Information Security

Control over physical and information security is central to the LGACS. In addition, municipalities are often the custodians of sensitive information belonging to the communities that they serve. The implications of poor control over this information could seriously undermine the LGACS.

Municipalities, in consultation with **dplg**, will continue to pursue steps to ensure adequate security over its people, confidential information and information systems.

## 3.	FOCUS ON EMPLOYEES

As indicated above, the ambassadors for the LGACS are essentially the municipal employees. In essence, this means that their conduct often forms the base upon which the integrity of the local sphere of government as a whole is judged. Employees within municipalities therefore have to demonstrate integrity standards beyond reproach, both in the execution of their duties and in their general personal conduct.

There should be a consistent thread aimed at maintaining and promoting integrity of, and amongst employees of municipalities. This thread should be included in all communications with municipalities and should be visible from the point of advertising a vacant post, recruitment, specific employment conditions, maintaining high employee morale, performance management and even exit procedures upon resignation or retirement. The approaches indicated below are key to the efforts of local sphere of government in this regard.

### 3.1	Vetting

Vetting is a technique which enables a municipality to ensure that it hires individuals with exemplary levels of personal integrity and ethics.

Advertising posts: The inclusion of specific provisions when advertising posts to provide an indication to applicants that only people with the highest levels of personal integrity will be considered and submission to appropriate pre-employment screening processes are obligatory for consideration in any post.

Pre-employment screening and probity: Thorough pre-employment screening will be conducted for all employees joining the employ of a municipality. Pre-employment screening procedures are applicable to all employees, regardless of level, including employees acting in specific positions, seconded employees, interns, temporary and contract workers.

Relevant probity will be included in all employee screening processes.

Probation: Compulsory probationary periods should be applicable to all full-time employees in municipalities. This provision will be extended to include seconded employees, interns and temporary and contract workers. Relevant vetting will again be considered for employees on probation, during probation and prior to their final appointment.

Ongoing financial disclosure and lifestyle audits: Senior managers and full-time councillors of municipalities will be obliged to complete a financial disclosure form wherein specific personal assets and private business interests must be declared.

3.2   Employee Induction Programmes

Employee induction is an opportunity to introduce employees to the culture and ethos of a municipality. Efforts will be made to ensure that information pertaining to the LGACS, integrity, ethics and conduct standards are included in employee induction. Specific steps will also be developed to include seconded employees, interns and temporary and contract workers in relevant aspects of induction programmes.

3.3   Obligatory Leave Periods

In order to limit the risk of over-worked employees who could become apathetic leading to non-compliance with internal control; and to further limit the risk of unethical conduct, fraud and corruption policy obliging, all employees to take annual leave will be introduced in the local sphere of government.

This control also limits the risk of unethical individuals monopolising specific tasks. The leave policy, however, should provide for flexibility, subject to approval, where workloads sometimes deprive employees of taking obligatory leave.

Managers in municipalities will be encouraged to ensure that appropriate controls, e.g. appropriate scrutiny and supervision are put in place in instances where employees do not take leave for extended periods of time due to work commitments.

3.4   Exit Procedures for Employees and Control over Assets

The exit procedures for employees leaving the employ of municipalities may require the return of assets and an exit interview. The return of assets is sometimes not addressed promptly and could lead to obvious losses. Steps will be taken to ensure that specific follow-up time frames are set to encourage managers to apply this requirement more promptly.

An exit interview process will be developed which is aimed at identification of employment condition-related weaknesses, e.g. salary structure and management style. This process will also include assessment of the perceptions of the integrity, ethics and conduct standards within the municipality. This will assist in identifying areas for improvement.

4.   FOCUS ON OTHER STAKEHOLDERS

Each municipal area has several other stakeholders with whom it interacts. These include:
- The councillors;
- The community;
- Trading partners;
- Employee representative organisations;
- Department of Provincial and Local Government; and
- SALGA.

All stakeholders with whom the municipality interacts are expected to abide by the principles contained in the LGACS. Although municipalities, including **dplg**, have limited legal rights to enforce these principles on external stakeholders, it can exercise moral persuasion to gain compliance with the principles contained in the LGACS or choose not to enter into relationships with stakeholders who do not comply.

Before finalisation of the LGACS, **dplg**, in conjunction with the provincial local department, will consult with all relevant stakeholders to ensure support for and success of the LGACS.

4.1   The Councillors

An effective governance framework and structure is absolutely crucial to the proper functioning of the local sphere of government. Good governance is a broad and multi-faceted concept that describes the processes through which municipalities set priorities, take decisions, strengthen accountability and engage with the public.

These processes are intended to enable municipalities to deliver value for money, improved quality of life and sustainable service delivery, ensure clean government, and deepen local democracy. Good governance entails a wide variety of approaches and interventions covering political governance,

institutional transformation, relationship building, consultations and participation.

Public consultation is the cornerstone of municipalities' commitment to involve citizens and stakeholders in matters concerning the municipality. Councillors will be encouraged to engage the community in Anti-Corruption and Fraud Prevention initiatives and to contribute to the success of the LGACS.

4.2   The Community

The communities that a municipality serves are also a framer of the perception of the integrity within the particular municipality. In simple business terms, this is the municipality's key customer.

It is therefore imperative that all service delivery components of municipalities execute their functions efficiently and effectively. One of the basic objectives of municipalities is quality service delivery to communities. This indicates that municipalities must perform their functions in accordance with the *Batho Pele* principles. These principles include:

*   **Consultation:** Citizens should be consulted about the level and quality of the public services they receive and, wherever possible, should be given a choice about the services that are offered;
*   **Service standards:** Citizens should be told what level and quality of public services they will receive in order for them to be aware of what to expect;
*   **Access:** All citizens should have equal access to the services to which they are entitled;
*   **Courtesy:** Citizens should be treated with courtesy and consideration;
*   **Information:** Citizens should be given full, accurate information about the public services they are entitled to receive;
*   **Openness and transparency:** Citizens should be told how national and provincial departments are run, how much they cost, and who is in charge;

- **Redress:** If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when the complaints are made, citizens should receive a sympathetic, positive response;
- **Value for money:** Public services should be provided economically and efficiently in order to give citizens the best value for money;
- **Encouraging innovation and rewarding excellence:** Innovation can include new ways of providing better service, cutting costs, improving conditions, streamlining and generally making changes, which tie in with the spirit of *Batho Pele*. It is also about rewarding staff who "go the extra mile" in making it all happen;
- **Customer impact:** Impact implies looking at the benefits we have provided for our customers both internal and external. It points to how the nine principles link together to demonstrate how we have improved our overall service delivery and customer satisfaction. It is also about ensuring that all our customers are aware of and are exercising their rights in terms of the *Batho Pele* principles; and
- **Leadership and strategic direction:** Good leadership is one of the most critical ingredients for successful organisations. Organisations who do well in serving their customers can demonstrate that they have leaders who lead by example, who "live" the vision, and ensure that the strategy for achieving the vision is owned by all and properly deployed throughout the organisation. They take an active role in the organisation's success.

The **dplg**, in conjunction with the provincial local government department, will develop and implement a communications strategy for Anti-Corruption and Fraud Prevention initiatives that are to be communicated from municipalities to these communities.

4.3   Trading partners

It is a common perception that officials employed in municipalities face the greatest challenge to their integrity in the form of enticement to

accept bribes from unethical suppliers, contractors and consultants. Furthermore, these trading partners are also often viewed as untrustworthy in service delivery.

These negative perceptions are not unfounded. Approaches to address these are the following:

- Development and implementation of appropriate terms and conditions in invitations to propose for services relating to the integrity standards expected by municipalities;
- Development and implementation of appropriate pre-award screening procedures of credentials supplied by contractors;
- Provisions for the compulsory declaration of actual and/or potential conflicts of interest both by suppliers and employees of the municipality or municipal entity concerned dealing with these suppliers;
- Appropriate contract terms and conditions indicating the code of ethics and standards of business conduct expected by the municipalities;
- Ongoing communication of these standards by municipalities to all trading partners;
- Sound project management;
- Monitoring and evaluation of breaches;
- Development of guidelines for local sphere of government to assist with taking sound action in the event of breaches such as:
  o Prosecution;
  o Loss recovery; and
  o Enforcing appropriate prohibitions on future contracts.

4.4   Employee Representative Organisations

Employee representative organisations within the local sphere of government have been established to protect the rights and interests of the employees of municipalities. However, during the course of their normal functioning, it is still expected of these organisations to comply

with the integrity principles of the LGACS.

4.5   Department of Provincial and Local Government

The **dplg's** mandate is derived from Chapters 3 and 7 of the Constitution of the Republic of South Africa, 1996. As a national department, its function is to develop national policies and legislation with regard to provinces and Local Government. In relation to Local Government, **dplg** must monitor the implementation of the various pieces of legislation that Local Government has been mandated to implement.

The **dplg** is the champion of the LGACS and, in conjunction with provincial departments, will monitor implementation and compliance with the LGACS.

4.6   South African Local Government Association

SALGA is an organisation that is mandated to assist in the transformation of Local Government in South Africa. SALGA will also be consulted prior to the finalisation of the LGACS.

5.   ENFORCEMENT

No anti-corruption strategy would be complete without enforcement forming an integral component for instances where unethical conduct, fraud and corruption occur.

Comprehensive measures, guidelines of which will be developed by the **dplg** in consultation with the provincial local government department, to address enforcement must include the following:
- Initiation of investigations;
- Prompt disciplinary action;
- Prompt recovery of losses or civil action;
- Alternative dispute resolution, e.g. negotiation, mediation, prohibition from future contracts, restriction from employment;
- Prosecution; and
- Publication of sanctions in line with permissible legal provisions, including lessons learned.

The municipality and municipal entity will roll out these guidelines in their respective areas for implementation.

Parallel to the above enforcement approaches is the task of fixing of controls to limit future recurrence of unethical conduct, fraud and corruption in the event of breaches in the municipality or municipal entity concerned. A summary of resolution mechanisms, which can be pursued in enforcement are illustrated below.
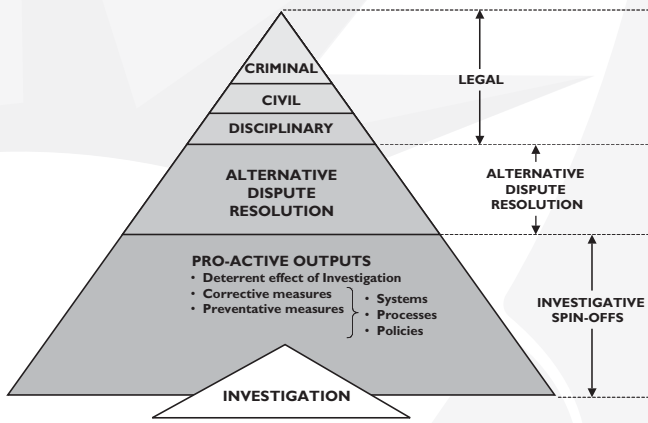
5.1 Reporting Channels for Unethical Conduct, Fraud and Corruption

Whistle-blowing

The **dplg**, in consultation with municipalities, will develop a Whistle-blowing Policy framework covering the following key issues:
- The whistle-blowing policy stance;
- Scope, including types of irregularities to be reported;
- Where and to whom to report;
- Confidentiality of reports made;
- Assurances relating to protection;
- Undertakings to investigate all reports;
- Commitment to act promptly in instances where allegations are proven;
- Publication of sanctions, including providing appropriate feedback to whistle-blowers.

Reporting Channels

The **dplg** has identified the need for the establishment of a single Anti-Corruption Hotline for Local Government. The **dplg** will therefore, in consultation with municipalities, consider the establishment of a single Anti-Corruption Hotline to enhance the reporting of unethical conduct, fraud and corruption within Local Government. They will also consider using the National Anti-Corruption Hotline established by the Office of the Public Service Commission.

In addition to the Anti-Corruption Hotline referred to above, the reporting channels in each municipality and municipal entity for unethical conduct, fraud and corruption impacting on local sphere of government are the following:

- When an employee witnesses unethical conduct, fraud and corruption it must be reported to his immediate manager;
- Should the employee not be comfortable with this for any reason, e.g. that the manager may be involved, he should report it to any other manager in the area of the municipality concerned;
- If the employee wishes to remain anonymous, the report must be made to any member of management of the municipality or municipal entity concerned and/or the Anti-Corruption Hotline, once established;
- Any matter can be reported directly to any other line manager, the management structure of the municipality or municipal entity concerned and/or directly to the **dplg**; and
- External parties wishing to report matters can do so directly to any member of management within the municipality or municipal entity concerned or directly to the **dplg**.

IMPLEMENTATION AND MAINTENANCE

6.   IMPLEMENTATION AND MAINTENANCE

6.1   Implementation structure

The **dplg** is currently facilitating the formation of a steering team to assist with the implementation of the LGACS. This team will include champions from the provincial local government department representing municipalities in that province. This team will also be responsible for the review and update of the LGACS on an annual basis. The terms of reference of this team will include the following in relation to the LGACS:
* Securing buy-in from all stakeholders;
* Information sharing;
* Ongoing identification of weaknesses in systems and solutions;
* Creating awareness and ensuring adequate training and education to promote the LGACS; and
* Assessing progress and ongoing maintenance and review.

An implementation plan to assist in progressing the implementation and maintenance of the LGACS is attached as **Annexure A**.

All stakeholders in the LGACS will have to be consulted in the finalisation of the LGACS to ensure adequate support of the LGACS.

6.2   Creating Awareness

This component of the LGACS comprises two approaches, namely education and communication.

Education

Formal awareness presentations will be conducted for all municipalities' employees and councillors in planned workshops. Approaches to create awareness amongst employees will address the following issues:

- Employee awareness and the application of professional ethics in their work environment;
- Employee awareness of the current policies, procedures and legislation relating to unethical conduct, fraud and corruption and their rights should they blow the whistle on these; the nature of the witness protection system and the roles and responsibilities of existing anti-corruption institutions;
- Encouraging employees to blow the whistle on unethical conduct, fraud and corruption within their work environments; and
- Encouraging employees to understand specific corruption-related risks to which municipalities may be exposed, thus enhancing the prospect of detecting irregularities earlier.

Communication

Communication of the LGACS is aimed at restoring public confidence in municipal service delivery. A further objective of communication is to create awareness amongst employees, the public and other stakeholders of the LGACS in order to facilitate a culture where all stakeholders strive to contribute toward making it a success, as well as maintaining a culture of integrity. This will increase the prospect of unethical conduct, fraud and corruption being reported.

Communication approaches that will be considered by the **dplg** include the following:
- An official launch for the LGACS aimed at all stakeholders;
- Posters, newsletters and pamphlets to advertise the LGACS aimed at employees, the public and other stakeholders;
- Ensuring that anti-corruption matters are a fixed agenda item in management meetings in the various municipalities;
- Signing of declarations of commitment by all employees and councillors of municipalities to the LGACS;

- Endorsements of other correspondence directed at providers of goods and/or services with pro-ethics and anti-fraud and corruption messages; and
- Publishing the LGACS and successes in its implementation in the Annual Report of the individual municipality or municipal entity.

6.3   Periodic Review of the Strategy

The LGACS will be reviewed on an annual basis. The purpose of the review is two-fold, namely:
- To assess progress with implementation; and
- To incorporate changes in the legislative framework within Local Government.

NOTES

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