



By 2030 eThekweni will be Africa's most caring and liveable city



Fraud Awareness Week

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Definition of Corruption



- Corruption is the use of public office for private gain, where a public official entrusted with carrying out the task by the public, engages in unethical conduct for private enrichment, which in most cases is difficult to be detected and/or monitored by the public .
- Prof Daniel Kaufmann, Harvard Business School, says Corruption also refers to the deeds of the private sector, where private firms engage in undue influence to shape state policies, laws and regulations, for their own benefit, which includes making campaign contributions, which may in fact be legal, but which unduly influence the rules of the game.



Classes of Corruption



- Small scale corruption: resources generated are used to complement the income of one or few individuals and tends to be controlled by the victim organizations.
- Large or grand scale corruption: set of corrupt individuals are linked and support each other through networks.

Corruption phenomena

- An organisation of corrupt individuals (OCI) in which a significant proportion of an organisation's members act in a corrupt manner primarily for their personal benefit.
- A corrupt organisation (CO), in which a group collectively acts in a corrupt manner for the benefit of the organisation. This is a top-down phenomenon in which a group of organisation's top management undertake directly or through their subordinates, collective and coordinated corrupt actions that primarily benefit the organisation.



Forms of Corruption



- Patronage = appointment on the basis of ties and networks
- Nepotism = appointment of friends or relatives,
- Bribery = paying someone in return for a favour,
- Ghost employees = salaries for non-existent staff,
- Kickbacks = illicit private payment to public officials to secure tenders,
- Front companies / offshore financial havens = shifting of profits offshore in an attempt to reduce tax . Delia Ferreira, Chair of Transparency International said the ff with respect to the Paradise Papers scandal “ The high-profile list of people and corporations in this latest scandal is shocking. Clearly financial oversight authorities and lawmakers must realise that the system is broken. Complex cross-border structures are being used to facilitate a wide range of secret activity, which could include corruption, fraud and abusive tax schemes”.
- State capture = undue influence by powerful private firms to shape state policies and laws for their benefit,
- Conflict of interest = failure to declare business / financial interest.



Consequences of Corruption



- Corruption has much the same effect on the development of a nation that cancer has on the life of a human being.
- Corruption is harmful to economic development since it increases the risk and uncertainty faced by potential investors.
- Corruption has distortionary effects as monies paid for bribes are inefficiently allocated resources and have to be kept secret – and there is a cost to this secrecy.
- Corruption is a loss to tax revenues.
- Corrupt economy does not provide open and equal market access to all competitors, and this can be a major disincentive for investors.



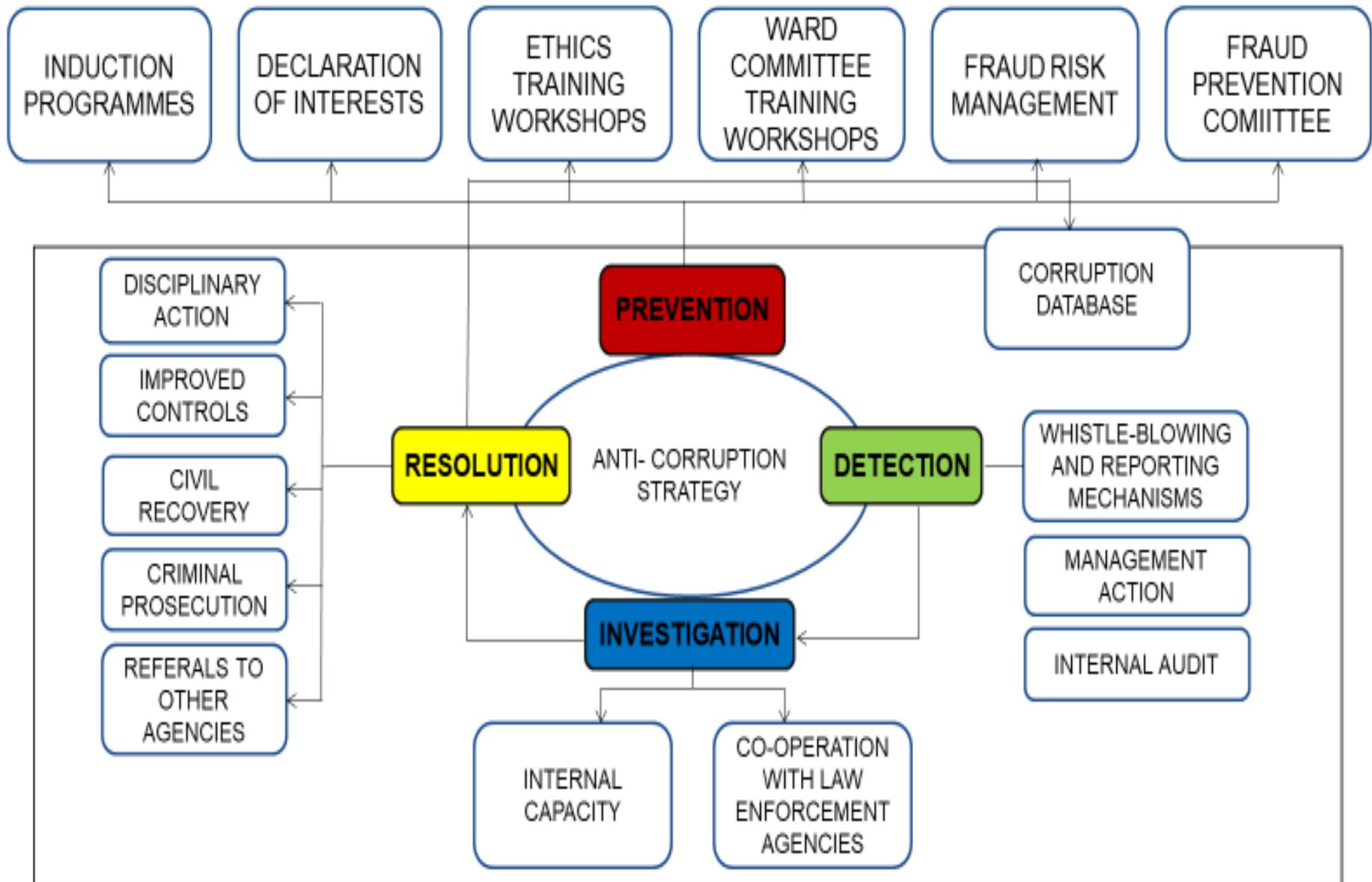
Corruption and Poverty



- The World Bank Report described the linkage of corruption to poverty as follows:
- “ The burden of corruption falls disproportionately on poor people...for those without money and connections, corruption in public health or police services can have debilitating consequences. Corruption affects the lives of poor people through many other channels as well. It biases government spending away from socially valuable goods, such as education. It diverts public resources from infrastructure investments that could benefit poor people, such as health clinics, and tends to increase public spending on capital intensive investments that offer more opportunities for kickbacks, such as defence contracts.



ANTI-CORRUPTION STRATEGY





City Integrity and Investigations Unit



- The City Integrity and Investigations Unit (CIU) is responsible for the implementation of the Anti-Fraud and Anti-Corruption strategy in the Municipality.
- CIU is the Unit with the mandate of investigating all allegations of fraud and corruption in the Municipality.
- The Unit functionally reports to the Oversight Committees i.e Audit Committee, MPAC etc, and administratively to the City Manager.
- CIU has the staff complement of seventy (70) members.
- We also outsource forensic investigation services to private firms to assist the Unit deliver on our mandate.



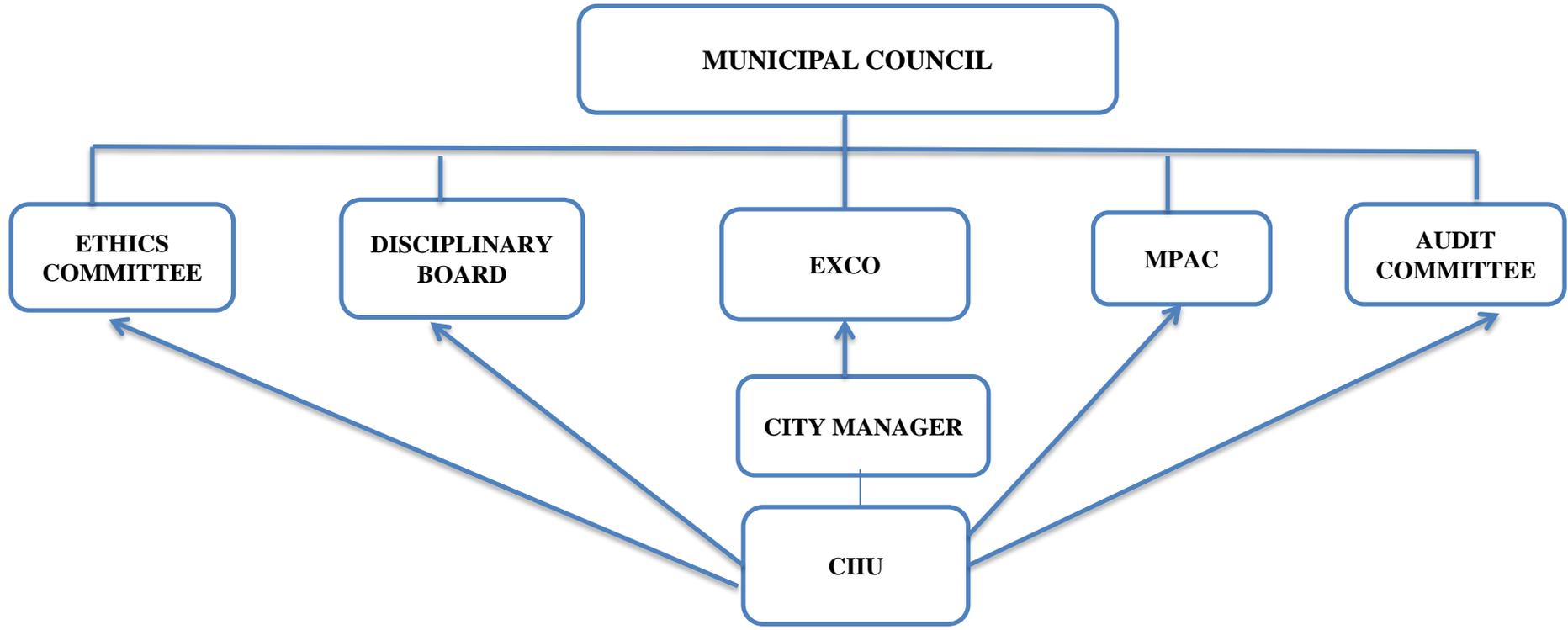
Disciplinary Board on Financial Misconduct



- Regulation 4 of the Municipal Regulations on Financial Misconduct provides that a Municipal Council must establish a disciplinary board to investigate allegations of financial misconduct in the Municipality, and to monitor the institution of disciplinary proceedings against the alleged transgressors.
- A disciplinary board is an independent advisory body that assists the Council with the investigation of allegations of financial misconduct, and provide recommendations on further steps to be taken regarding disciplinary proceedings, or any other relevant steps.
- EThekweni Municipality became the first Municipality in the country to establish the Disciplinary Board.
- Members of the Board include seasoned labour law experts and Chief Financial Officer with years of experience in the Public Sector.



Monitoring Implementation of the Anti-Fraud and Anti-Corruption Strategy





Dr. Nelson Mandela on Corruption



During the opening of Parliament of the Republic of South Africa in 1999, Dr Nelson Mandela said “Our hope for the future depends on our resolution as a nation in dealing with the scourge of corruption.

Success will require an acceptance that, in many respects, we are a sick society. It is perfectly correct to assert that all this was spawned by apartheid. No amount of self-induced amnesia will change the reality. But it is also a reality of the present that among the new cadres in various levels of government you will find individuals who are as corrupt as – if not more than – those they found in government.

When a leader in a provincial legislation siphons off resources meant to fund service by legislators to the people; when employees of a government institution set up to help empower those who were excluded by apartheid defraud it for their own enrichment, then we must admit that we have a sick society. The problem manifests itself in all areas of life”. (State of the Nation Address, Cape Town, 5 February 1999).



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CIU Hotline

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THANK

YOU!