

**COMPLIANCE MANAGEMENT FRAMEWORK  
2021/2022**



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**1. DEFINITIONS**

<b>Word</b>	<b>Meaning</b>
Compliance	Adhering to the requirements of legislation and organisational standards and codes, principles of good governance and accepted community ethical standards.
ULM	Umzimvubu Local Municipality
MFMA	Municipal Finance Management Act
External Stakeholders	Service Providers and Community Members
Compliance Culture	The values, ethics and beliefs that exist throughout ULM which interact with ULM `s structures and control systems to produce norms that are conducive to compliance outcomes.
Compliance Management Framework	a mechanism through which ULM can monitor, review and comply with legislation, regulations, statutes, codes, standards, policies and procedures.
Compliance breach or failure	An act or omission whereby ULM has not met its compliance obligations, processes or behavioural obligations.
Senior Management or Management	ULM staff at a management level who are normally heading different departments and are responsible for the facilitation, monitoring, coordination and communication to staff within their departments on compliance matters.
Obligations	Legislation, regulations, statutes, codes, policies, procedures and service standards to which ULM must comply.
M: OMM	Manager in the Office of the Municipal Manager

## **2. INTRODUCTION**

- 2.1. Compliance means that ULM is meeting its obligations in adhering to the requirements of relevant legislation, rules and regulations, service standards, codes of practice, ULM policies and procedures of good governance and accepted community ethical standards.
- 2.2. Policies and procedures to achieve compliance should be integrated into all aspects of how ULM operates with financial, risk, quality, environmental, administrative, planning and strategic management systems and its operational requirements and procedures. Compliance should not be seen as a standalone activity, but should be aligned with ULM `s overall strategic objectives.
- 2.3. Effective compliance processes within ULM will enable the institution to demonstrate its commitment to overall compliance. Failure to support these values at all levels exposes ULM to the risk of compliance failure and subsequent risks.

## **3. PURPOSE**

The purpose of this framework is to:

- 3.1. Outline ULM's position on and approach to the management of compliance and verification;
- 3.2. To outline roles and responsibilities of key role players and stakeholders;
- 3.3. To facilitate the detection and prevention of non-compliance to regulatory requirements;
- 3.4. To provide for processes and systems that facilitates the management of compliance and enhances regulatory compliance assurance.

## **4. OBJECTIVES OF THE FRAMEWORK**

The objectives of the framework are:

- 4.1. To shift from rules-based to outcomes-based compliance, identify and manage Compliance Risks effectively.
- 4.2. To implement controls to ensure the compliance outcomes are achieved.

- 4.3. To ensure that all staff members subscribe to this approach with the aim to comply with laws, rules, codes and standards, including the desired standard of conduct and the desired culture.

## **5. MANDATE OF COMPLIANCE FUNCTION**

MFMA Sec 78(1) Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure-

- (a) That the system of financial management and internal control established for the municipality is carried out diligently;
- (c) That any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented;
- (f) That all information required by the accounting officer for compliance with the provision of this Act is timeously submitted to the accounting officer and
- (g) of the MFMA – that the provisions of this act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.

The King IV Code Report on Corporate Governance recommends that the Council should take overall responsibility for compliance within the municipality, to delegate to management the implementation of an effective compliance process and to ensure that an approved compliance framework has been implemented by management.

## **6. SCOPE OF APPLICATION**

- 6.1 This framework shall apply throughout the municipality as far as compliance management is concerned.
- 6.2 External stakeholders should comply with legislative framework of the Municipality.

## **7. COMPLIANCE STATEMENT**

- 7.1. ULM will conduct its business in accordance with the applicable regulatory requirements and to ensure that ULM implements appropriate processes to promote a culture of compliance within the institution. The municipality will do so with integrity, and maintain the highest ethical standards and commitment to the Batho-Pele principles.
- 7.2. Umzimvubu Local Municipality (ULM) is committed to integrity based performance that protects and enhances its stakeholder value and reputation.
- 7.3. ULM recognises the essential role that compliance, with applicable regulatory requirements play in the governance and sustainability of its business.
- 7.4. ULM subscribe to the fundamental principles that all resources will be applied economically to ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.
- 7.5. All instances of non-compliance shall be reported and employees have the option to report such non-compliance or potential non-compliance to Manager in the Office of the Municipal Manager, who in this case will serve as compliance officer.

## **8. ROLES AND RESPONSIBILITIES**

### **Council**

The Council is responsible for:

- 8.1.1 Actively demonstrating commitment to inculcate compliance culture within ULM.
- 8.1.2 Providing oversight responsibility for compliance management.
- 8.1.3 Adopting the compliance framework.
- 8.1.4 Monitoring municipality's compliance with obligations governing ULM's operations.

### **Municipal Manager**

The Municipal Manager (Accounting Officer) is responsible for:-

- 8.3.1 Ensuring that Council receives adequate reporting on compliance.
- 8.3.2 Fostering and encouraging a compliance culture within ULM.

- 8.3.3 Ensuring that compliance issues escalated for his attention are considered and actioned accordingly.

### **Management**

- 8.4.1 All Senior Managers and Managers are responsible for: -
- 8.4.2 Fostering and encouraging a compliance culture within ULM and integrating compliance processes into normal business practices.
- 8.4.3 Keep abreast of compliance obligations within their respective departments.
- 8.4.4 Cooperating with and supporting the M: OMM and encouraging all staff to do the same in relation to the implementation of a compliance management framework.
- 8.4.5 Identifying, documenting and communicating compliance obligations within their areas of responsibility/departments, and developing relevant processes to meet those obligations.
- 8.4.5 Continuously review policies to ensure alignment with full compliance with relevant regulations and laws.
- 8.4.6 Actively participating in the management and resolution of compliance related complaints, incidents and issues.
- 8.5.1 Reporting of all compliance-related complaints and compliance failures within their areas of control, to the Office of the Municipal Manager.
- 8.4.8 Investigate all instances of non-compliance and to take the appropriate steps to mitigate the consequences of non-compliance.

### **Staff**

All staff members are responsible for:-

- 8.5.1 Adherence to the compliance requirements relevant to their position.
- 8.5.2 Reporting and escalating compliance concerns, issues, complaints and failures to line managers.
- 8.5.3 Performing their duties in an ethical, lawful and safe manner.

**Manager Office of the Municipal Manager (Compliance Officer)**

Manager in the Office of the Municipal Manager is responsible for:-

- 8.6.1 Developing, implementing and continuously improving a compliance management framework.
- 8.6.2 Identifying compliance obligations and risks with the support of relevant Managers, Staff and ULM `s legal services and developing control or minimisation strategies/actions.
- 8.6.3 Integrating compliance obligations into existing practices and procedures.
- 8.6.4 Developing and implementing a compliance reporting and documenting system.
- 8.6.5 Monitoring and measuring compliance performance and analysing performance to identify the need for corrective action.
- 8.6.7 Reporting of compliance concerns, issues, complaints and failures on regular basis.
- 8.6.8 Ensuring that all municipal activities comply with legislation, rules and regulations applicable to Local Government.
- 8.6.9 Ensuring compliance to Batho Pele principles.
- 8.6.10 Providing compliance reports on regular basis and as directed or requested.
- 8.6.11 Providing guidance to Senior Management on matters relating to compliance.

**Internal Audit**

Internal Audit is responsible for:-

- 8.7.1 Providing risk -based internal audit services functions.
- 8.7.2 Providing assurance on to whether the municipality is in full compliance with applicable laws and regulations.

**Other Stakeholders**

Other Stakeholders are responsible for:

- 8.8.1 All other stakeholders should comply with all the legislative requirements of compliance.



## **9. COMPLIANCE MANAGEMENT PROCESS**

### **9.1 Identification and Implementation**

- 9.1.1 Sources of compliance and obligations will include: the Constitution of the Republic of South Africa, Laws and regulations applicable to Local Government, directives, contracts and agreements with external parties.
- 9.1.2 Additional compliance obligations within ULM may include Council resolutions, Service Standards, Batho Pele principles, Guidelines and Frameworks.
- 9.1.3 Where the municipality identifies any changes, an update to our compliance register will be performed, and any policies and procedures which are necessary.
- 9.1.4 The M: OMM will, in conjunction with Senior Managers, Managers and key staff systematically identify ULM`s compliance obligations and the way in which they impact on Municipal activities and services.
- 9.1.5 The identification and assessment of compliance risks is the responsibility of all managers and the process will be incorporated to the annual risk assessment conducted by risk management unit.

### **9.2 Register of Compliance Obligations**

The Manager in the Office of the Municipal Manager shall develop and maintain a register of identified Acts, Regulations, Codes and other obligations to which ULM must be compliant, including but not limited to:-

- 9.2.1 Statutory requirements that affect ULM operations.
- 9.2.2 ULM processes that are affected by statutory obligations.
- 9.2.3 Risks associated with compliance failures by ULM processes.
- 9.2.4 Internal policies currently in place to ensure compliance and gaps where additional policies and additional resources are required.
- 9.2.5 Where requirements are linked to certain timelines or deadlines, these will be recorded in the Compliance Calendar / Checklist. The Compliance Calendar will serve as a tool whereby compliance management activities are diarised and organised throughout the year.

**9.3 Monitoring**

- 9.3.1 Monitoring of compliance shall be done on monthly basis. The plan is to detail the compliance obligations and actions required to improve compliance within the designated areas and provide a basis for future.
- 9.3.2 On-going communication between Senior Managers, Managers, and M: OMM and all staff is essential to ensure that ULM continues to adhere to all its obligations.

**9.4 Verification Processes**

The verification processes include the following but not limited to: -

- 9.4.1 Compliance check list(s) shall accompany all the tender specifications, and payments prior processing.
- 9.4.2 Section 32 tender processes; quotations from R75000 to R200 000 threshold, all tenders, deviations and variation orders shall be verified by Risk Management Officer prior approval by Municipal Manager to prevent any possible unauthorised, irregular; fruitless and wasteful expenditure.
- 9.4.3 A review of compliance obligations met for each month shall be verified by the M: OMM to ensure accuracy and credibility of information.

**9.5 Reporting**

- 9.5.1 Monthly compliance reports shall be prepared by M: OMM to Management Committee, Quarterly to EXCO and Council.
- 9.5.2 Where non-compliance has been identified remedial action shall be put in place with timelines and responsible person.

**10. NON-COMPLIANCE**

- 10.1 Each department is required to meet its compliance obligations in line with all applicable legislation.
- 10.2 Non-compliance related matters will be escalated to the Municipal Manager to implement consequence management.

**11. FEEDBACK MECHANISMS OR INDICATORS**

Processes will be developed to seek and receive feedback on ULM `s compliance, Performance from a range of sources including:

- 10.1 Staff – through feedback surveys.
- 10.2 Customers – through analysis of compliance related complaints.
- 10.3 Issues and non-compliance reported by type and departments.

## **12. TRAINING, EDUCATION AND AWARENESS**

It is the responsibility of Municipal Manager, Senior Managers and Managers to ensure that all employees receive appropriate training and education with regard to this framework.

## **13. REVIEW OF COMPLIANCE MANAGEMENT FRAMEWORK**

The Compliance Management Framework will be reviewed annually from the date of its approval or when a need arises as determined by the ULM Council.

## **14. IMPLEMENTATION OF THE COMPLIANCE MANAGEMENT FRAMEWORK**

Implementation of this Compliance Management Framework will take effect from the day of approval by Council.

## **15. ADOPTION OF THE FRAMEWORK**

Recommended by Municipal Manager:

Signature: ----- Date: -----

Speaker: ----- Date: -----

Council Resolution: