

CIRCULAR 06/2018

FROM : THE CHIEF EXECUTIVE OFFICER

TO : MUNICIPAL MANAGERS
MUNICIPAL CHIEF FINANCIAL OFFICERS

DATE : 14 FEBRUARY 2018

**ALERT ON THE FRAUDULENT STOP ORDER PAYMENTS GOING THROUGH
MUNICIPALITIES BANK ACCOUNTS PURPORTING TO BE FROM SALGA**

1. PURPOSE OF THIS CIRCULAR

The purpose of this circular is to:

- 1.1 Apprise member municipalities that SALGA does not utilise STOP ORDERS as a method to receive monies owed to the organisation.
- 1.2 Highlight measures that should be taken by a Municipality in the event that a STOP ORDER payment purporting to be that of SALGA is identified on the Municipalities' bank account.

2. BACKGROUND

Recently, SALGA has been inundated with calls from some municipalities trying to establish the accuracy of STOP ORDER payments that are put through on their bank accounts purporting to be payments to SALGA.

Our finance department has thus far communicated to all affected municipalities that SALGA **does not** use stop order facilities as a means to receive any monies owed from Municipalities.

Furthermore, SALGA **has maintained that such payments are in all likelihood fraudulent and should be prevented by the municipalities from occurring.**

3. PROPOSED MEASURES TO HANDLE FRAUDULENT DEBIT ORDERS

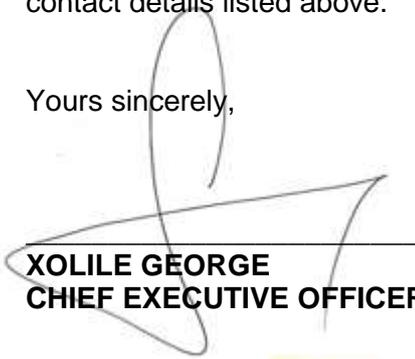
The following measures can be implemented in order to detect, prevent and correct fraudulent STOP ORDER from going through a municipality's bank account:

- Daily checking of the bank statements in order to ensure invalid stop orders are detected and their origin verified;
- Maintaining a listing of all valid STOP ORDERS and reconciling this listing against the stop order payments that go through the bank account daily, weekly and monthly;
- Completion of proper daily, weekly and monthly bank reconciliations in order to detect all invalid transactions going through the bank account including in invalid stop orders;
- Instructing the Bank to put a 'hold' on all invalid/fraudulent stop orders once identified and verifying in the following month/s that such payment are not recurring;
- Tracing the originators of all invalid/fraudulent STOP ORDERS and opening criminal cases against the perpetrators with the South African Police Services;
- Conducting regular control audits on bank accounts through Internal Audit as an additional safeguard to prevent fraud; and
- Inform SALGA in all instances where the name of the organisation is used to facilitate a fraudulent stop order.

The above processes would ensure that a municipality fulfills its obligations for sound financial management practice. It is ultimately the responsibility of the Municipality's Accounting Officer to ensure that measures are put in place to prevent fraudulent transactions and that are reported to the relevant authorities.

For any enquiries related to this circular, please do not hesitate to contact Mrs Thandi Jiyane on the contact details listed above.

Yours sincerely,



XOLILE GEORGE
CHIEF EXECUTIVE OFFICER