Fraud Control Policy

Application	All staff, Counsellors. Contractors, volunteers & customers
Responsible Officer	HR/WHS/Risk Coordinator
File No	CM:POL:CWP
Authorised by	Council
Effective Date	0151 / 17.05.2022
Distribution	Internet / Intranet / Public Display

Purpose

The purpose of this policy is to outline Council's commitment to the prevention, deterrence, detection, and investigation of all forms of fraud and corrupt conduct. It ensures that appropriate mechanisms are in place to protect the integrity, security, and reputation of Council.

Definitions

Fraud   is defined as dishonestly obtaining a financial or other benefit (either directly or indirectly) by deception. Fraud includes deliberate and premeditated deception to gain advantage from a position of trust and authority. This includes acts of omission, theft, making false statements, evasion, manipulation of information and numerous other acts of deception.

Some examples of fraud include:
1. Unauthorised use of Council plant and equipment;
2. Theft of money or goods from Council or its customers;
3. Claiming unworked overtime on timesheets;
4. Providing confidential Council information to unauthorised people or organisations;
5. Allowing contractors to not fully meet contract requirements;
6. Obtaining benefits by use of a false identity or false qualifications

Fraud Risk   Chance of a perpetrator or (perpetrators) using a method of fraud which has an impact on the organisation – impact can be both positive and negative.

Internal Reporting   Internal reporting is the situation where a Councillor, employee or volunteer reports an instance of fraud or corruption, as covered under Council's Protected Disclosures Policy.

External Complaints   An external complaint is where a person who is not a Councillor, employee or volunteer of Council reports an instance of fraud or corruption, as covered under Council's Internal Reporting Policy.

Reference

This policy complements other legislation and where it is silent on matters referred to in the following legislation such matters must be followed in accordance with the legislation.

Policy statements

Fraud wastes scarce funds and resources. It causes embarrassment to the organisation and can damage its reputation and competitiveness. Council is committed to preventing fraud at its origin. Council believes that an emphasis on prevention and detection is the best way to deal with fraud.

This Policy is supported by Council's Fraud and Corruption Prevention Strategy, which details the key initiatives Council is undertaking to ensure staff are appropriately informed, educated and

empowered to drive a workplace culture free of fraud and corruption. Council's Fraud Control Policy is based on the fraud control framework identified by the NSW Audit Office. The fraud control framework has ten key attributes, which sit within the themes of prevention, detection, and response.
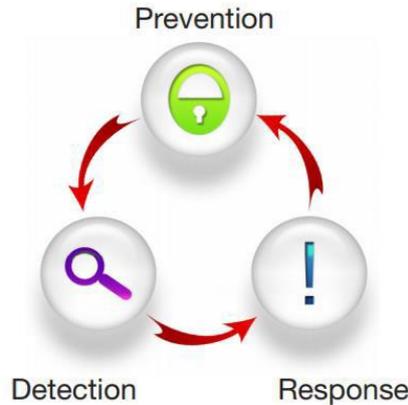
This model has ten attributes:
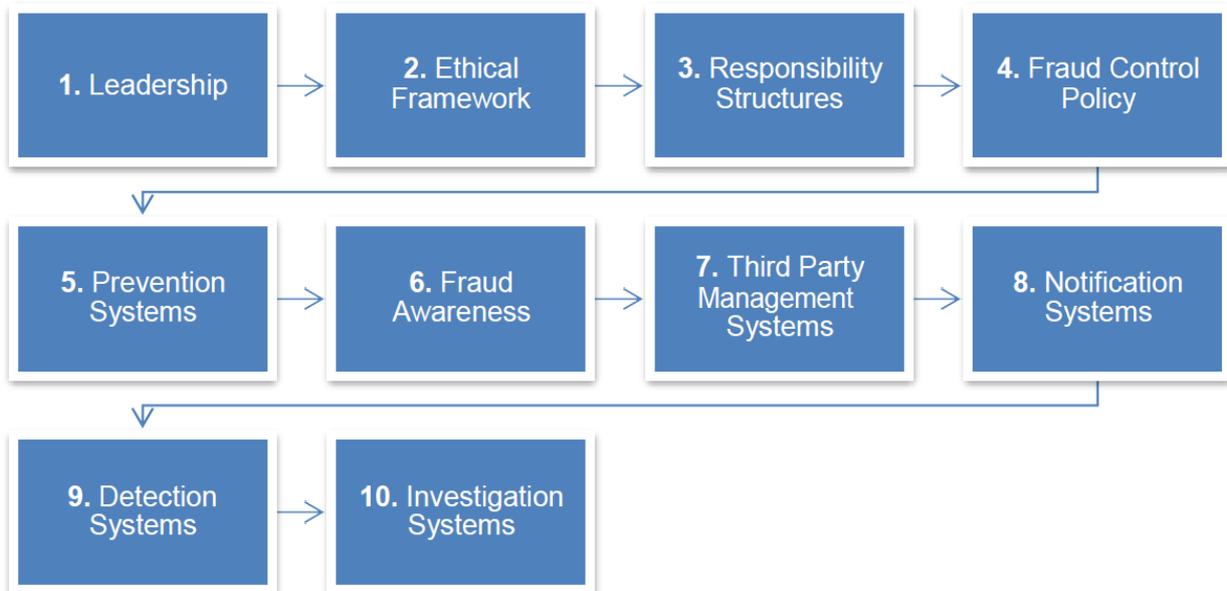
The implementation of the 10 key attributes are detailed further in Council's *Fraud and Corruption Prevention Strategy*.

REQUIREMENTS

Attribute One: Leadership
The General Manager and leadership team are firmly committed to managing fraud and corruption risks within Council. Council requires new staff being onboarded into the organisation to complete an induction are delivered a presentation on their *Code of Conduct*, fraud and corruption prevention, and risk management responsibilities
The leadership group are responsible for implementing the fraud and corruption control framework. Where appropriate, responsibility for driving fraud control processes are contained within the position descriptions and work plans of senior staff and relevant checks are made in the pre-employment screening process for high-risk roles.

Attribute Two: Ethical Framework
Council has clear policies and procedures which set out acceptable standards of ethical behaviour. These policies include the *Code of Conduct* and *Secondary Employment Policy*. Council also has a *Gifts and Benefits Procedure* and a firm stance on the management of conflicts of interest which is embedded throughout key organisational processes. Council also requires designated persons and key management staff to complete annual disclosure of interest returns and related party disclosure declarations. Council also has a *Statement of Business Ethics* which is required to be complied with by all doing business with Council.

Attribute Three: Responsibility Structures
There is a clear accountability and responsibility structure for the implementation and monitoring of corruption prevention strategies. The structure is made known to staff across Council and is detailed below:

General Manager: The General Manager has ultimate responsibility for managing fraud and corruption risks within Council. In accordance with the *Independent Commission Against Corruption Act 1988* and Council's *Code of Conduct*, the General Manager is obliged to report any matter to the Independent Commission Against Corruption (ICAC) or relevant external agencies such as the Office of Local Government, the NSW Ombudsman, or the Police, that they suspect on reasonable grounds, or may concern, corrupt conduct whether on the part of Council officials or any party with whom Council conducts business. In cases of complaints against the General Manager, the Mayor or Administrator assumes the aforementioned responsibilities.

Leadership Group & Managers: The responsibility for the prevention of fraud and corruption rests with the leadership group. The responsibilities of management include creating an environment where fraud and corruption is not tolerated, identifying risks of fraud and corruption, supporting organisation wide initiatives and taking appropriate action to ensure that controls are in place to prevent and detect fraud.

Council Staff/Officials: All Council officials have a role to play in the prevention, detection, and reporting of fraud. All Council officials are bound by Council's *Code of Conduct*. Council officials have an obligation to report cases of suspected fraud or corrupt conduct either through Council's internal reporting procedure, in accordance with Council's *Public Interest Disclosures Policy*, or directly to the ICAC or relevant external agency. Managing fraud risks is also included in department wide processes to demonstrate fraud and corruption prevention is integrated within all levels of Council.

Internal Audit: Whilst the primary responsibility for the identification of fraud and corruption rests with the leadership group, the internal audit function examines the adequacy of internal controls over high-risk processes and evaluates the potential for fraud to occur. The WHS & Risk Officer investigates low to medium-risk processes not subject to any Internal Audit Program, evaluates the potential for fraud to occur and recommends improvements to Council's processes, ensuring relevant controls are in place.

General Manager and HR/Risk Unit: The *Fraud Control Policy* sits within the responsibility of the General Manager and HR/Risk unit of Council. The WHS & Risk Officer is responsible for the provision of fraud and corruption control initiatives and the overall implementation of the *Fraud and Corruption Prevention Strategy*.

Mayor and Councillors: The Mayor and Councillors are responsible for ensuring that management is carrying out the tasks assigned to them in relation to fraud risk and corruption prevention, as well as understanding the environment to determine if management can override or influence the controls in place.

<u>Director Corporate & Community Services:</u> The Director Corporate & Community Services is Council's nominated Public Interest Disclosures Coordinator. The General Manager may also refer a serious complaint to the appropriate agency for investigation and action.

In accordance with the *Public Interest Disclosures Act 1994*, such reports must be made to an investigating authority including:

- The Independent Commission Against Corruption (ICAC) – for corrupt conduct

- The NSW Ombudsman – for maladministration

- The Law Enforcement Conduct Commission (LECC) – for law enforcement misconduct

- The Inspector of the LECC – for disclosures about the LECC or its staff

- The Office of Local Government, Department of Premier and Cabinet – for serious and substantial waste in local government

- The ICAC Inspector – for disclosures about the ICAC or its staff

- The Information Commissioner – for disclosures about a government information contravention.

<u>Contractors/Consultants/Volunteers:</u> Contractors, consultants, volunteers, and any other persons who perform public official functions on behalf of Council, are encouraged to support Council's commitment to preventing fraud and corruption through reporting suspicious behaviour in accordance with the *Code of Conduct*. All external parties who engage in business with Council are expected to observe Council's *Statement of Business Ethics*, comply with Council policies and refrain from engaging in fraudulent and corrupt conduct.

Attribute Four: Fraud Control Policy
Council has implemented a *Fraud Control Policy* as well as a *Fraud and Corruption Prevention Strategy*, detailing key initiatives regularly being undertaken to ensure corruption prevention strategies, policies, procedures and systems are in place. These policies, procedures and systems respond to the corruption risks faced by Council. The *Fraud and Corruption Control Policy* incorporates the ten attributes of fraud control contained in the NSW Audit Office's *Fraud Control Improvement Kit* (February 2015). The *Fraud and Corruption Control Policy* does not operate in isolation and has strong links to other ethical behaviour policies such as the *Code of Conduct*. All levels of management within Council are responsible for monitoring and evaluating the operation of the policy within their area of responsibility.

Attribute Five: Prevention Systems
Council's leadership group is committed to controlling fraud and corruption risks. Fraud and corruption risk assessments are undertaken in accordance with industry standards and quantify the level, nature, and form of the risks to be managed. Improvements to internal control systems are made to mitigate risks identified in fraud and corruption risk assessments and are monitored for effectiveness over time. Education initiatives are driven regularly. The *Fraud and Corruption Prevention Strategy* outlines Council's actions in implementing and monitoring fraud and corruption prevention initiatives. Detection and response initiatives are updated regularly.

Attribute Six: Fraud Awareness
Every staff member has a responsibility to contribute to eliminating fraud and corruption. Council's *Code of Conduct* and training plan are provided to assist staff in understanding the expected standards of ethical conduct. Staff are provided with Code of Conduct and Fraud & Corruption Prevention training to educate on the identification of fraud and corruption risks, the fraud and corruption control accountabilities of management, and how to respond if fraud or corruption is suspected. Council also periodically runs staff surveys on fraud awareness.

Attribute Seven: Third Party Management Systems

The incidence of fraud and corruption can be minimised through the education of customers, suppliers, and the community about acceptable standards of behaviour expected of Council staff, customers, suppliers and community members that interact with Council. As expectations about standards of behaviour can differ, it is important that Council outlines its expectations to external parties with whom it interacts. Resources such as the *Procurement & Tendering Manual* and new supplier form explain how staff and organisations dealing with Council are to conduct procurement activities for goods, services and construction, ensuring that Council deploys consistent procurement processes that are aligned with the *Local Government Act* and *Local Government General Regulation*.

Council also has a *Statement of Business Ethics* which is provided to customers, suppliers, and the community. This document sets out the expected standards of behaviour of Council staff when conducting business with customers, suppliers, and community members.

All staff can develop understanding through training and the inclusion of fraud and corruption prevention information in contracts, tenders, etc and on Council's website and intranet. These resources ensure that staff and external parties remain aware of the fraud risk and process for procurement services.

Attribute Eight: Notification Systems

Policies, systems, and procedures are in place to enable the reporting of suspected fraud or corrupt conduct. Fraud and corruption notification systems give the complainant the opportunity to report the suspected fraud or corrupt conduct anonymously to Council's Director Corporate & Community Services in his role as Council's Public Interest Disclosure Officer. Any employee who makes a report of suspected fraud or corrupt conduct is protected from reprisal under the *Code of Conduct* and *Public Interest Disclosures Policy*, under the *Public Interest Disclosure Act 1994* and *Public Interest Disclosure Act 2013*.

Policies, systems, and procedures give equal opportunities to Councillors, managers, staff, contractors, consultants, customers and suppliers to notify Council of suspected fraud or corrupt conduct. Council policies outline the rights of all Council officials to externally report suspected fraud and corruption, whilst also identifying the nature of suspected fraud and corruption which require reporting to the NSW Police, the ICAC, the Audit Office of New South Wales, and to other external agencies.

Attribute Nine: Detection systems

Available data is analysed and reviewed to ensure that irregularities and warning signals are identified at an early stage and flagged for further review. Council's leadership group is responsible for implementing control mechanisms that minimise the risk of fraudulent transactions and corrupt behaviour. Internal audits/ service reviews regularly examine samples of medium and high-risk processes across Council to detect any patterns of irregularities. Outcomes of audits/reviews are reported to the appropriate officer and the General Manager on a regular basis.

Attribute Ten: Investigation Systems

Reports of alleged fraud and corrupt conduct by Council staff is investigated by the Public Interest Disclosures Officer and/or senior management on the direction of the General Manager, in accordance with widely used and recognised investigation standards.

RELATED LEGISLATION

- *Independent Commission Against Corruption Act 1988*
- *Local Government Act 1993 and General Regulation 2005*
- *Public Interest Disclosures Act 1994*

Noncompliance with this Policy

Failure to comply with the terms of this policy may result in disciplinary procedures and/or dismissal.

Revision Table

Minute /Date	Amendment Summary	Reason or Reference
0325 / 16.11.2004		
1105 / 16.05.2006		
1411 / 16.01.2007		
1208 / 15.11.2011		Policy Amended
0602 / 18.03.2014		Reaffirmed
1172 / 20.10.2015		Policy Amended
0151 / 17.05.2022		Policy Amended

Associated Documents

- Code of Conduct
- Fraud & Corruption Prevention Strategy
- Public Interest Disclosures Policy
- Statement of Business Ethics

Review

This policy may be amended from time to time and will be reviewed within four years of its adoption (or latest amendment) with reference to any relevant legislation, best practice guides, or other factor