

Policy

Fraud and Corruption Control Policy

Responsible Manager (Title)	General Manager		
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Community Plan Linkage	Leadership – We will have a strong, accountable and representative government		

1 Purpose

The purposes of this policy are to ensure that Council will:

- take a risk management approach to the prevention, detection, and investigation of fraudulent and corrupt conduct, in accordance with the ten attributes of an effective fraud control system, as identified in the Audit Office of NSW 2015 Fraud Control Improvement Kit
- reduce or remove the potential for fraudulent or corrupt conduct on the part of its employees, contractors, clients and suppliers
- detect fraudulent or corrupt conduct through the systematic processes articulated in Council’s Fraud and Corruption Control Strategy
- investigate or otherwise formally enquire into all instances of suspected fraudulent or corrupt conduct exposed as a result of Council’s detection processes, or as a result of receiving an allegation of fraudulent or corrupt activities
- manage, discipline or facilitate the prosecution of those responsible for incidents of fraud and corruption as appropriate and
- ensure the continuing organisational integrity and transparency of its operations.

2 Scope

This policy applies to all staff, including permanent, temporary, part time, contractors/ consultants of Council, councillors, community members and to any person or organisation that acts for or represents Council.

3 Definitions

Fraud:

Fraud is also corrupt conduct under section 8(2) of the Independent Commission Against Corruption Act (ICCA) 1988. Fraud is defined in Australian Standards AS 8001-2008 as:

Dishonest activity causing actual or potential financial loss to any person or Council, including theft of moneys or other property or misuse of property/assets by employees or persons external to Council and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.

Fraud Examples

- Theft of plant, equipment or inventory by employees
- False invoicing (involving a staff member of Council or a person external to Council creating a fictitious invoice claiming payment for goods or services not delivered or exaggerating the value of goods delivered or services provided)
- Theft of cash or funds other than by way of false invoicing
- Accounts receivable fraud (misappropriation or misdirection of remittances received by Council from a debtor)
- Credit card fraud involving the unauthorized use of a credit card or credit card number issued to another person or the use of stolen or fraudulently generated credit card numbers by merchants
- Theft of intellectual property or other confidential information
- Misuse of data for personal gain, including but not limited to private projects/secondary employment activities

Corruption:

The Independent Commission Against Corruption Act 1988 (NSW) provides a definition of corruption which includes but is not limited to:

- any conduct of any person (whether or not a public official) that adversely affects, or could adversely affect, either directly or indirectly, the honest or impartial exercise of official functions by any public official, any group or body of public officials or any public authority; or,
- any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions; or,

- any conduct of a public official or former public official that constitutes or involves a breach of public trust; or,
- any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or for the benefit of any other person

Corruption Examples

- Payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the receiver (e.g. building projects completed at an employee's private residence) and may relate to a specific decision or action by the receiver or generally
- Release of confidential information for other than a proper business purpose in exchange for some form of financial benefit or advantage accruing to the employee releasing the information. • Collusive tendering (the act of multiple tenderers for a particular contract colluding in preparation of their bids).
- Payment or solicitation of donations for an improper political purpose.
- Serious conflict of interest involving a Councillor, Director, Manager or employee acting in his or her own self-interest rather than the interests of the entity to which he or she has been appointed.
- Nepotism and cronyism where the appointee is inadequately qualified to perform the role to which he or she has been appointed.

4 Background/legislative requirements

- Local Government Act 1993 (NSW)
- Local Government Regulation 2005
- Crimes Act 1900 NSW
- Australian Standard AS8001-2008: Fraud and Corruption Control
- Public Interest Disclosures Act 1994
- Independent Commission Against Corruption Act 1988

5 Policy statement

Council is committed to fostering an environment that discourages fraud and encourages fraud prevention. Fraud prevention is concerned ultimately with the effective utilisation of resources and the minimization of waste, mismanagement, and fraud. Council is committed to preventing fraud at its origin. Fraud flourishes in an environment where there are insufficient controls to prevent waste, abuse and mismanagement. Council believes that an emphasis on fraud prevention rather than fraud investigation will lead to a reduction of these opportunities for waste, abuse and mismanagement.

To this end, Council is committed to the following strategy:

- (a) visible and unambiguous decision making by Council and staff,
- (b) the promotion of its fraud prevention principles in the community to ensure that there is awareness that Council will not tolerate fraudulent acts against Council by contractors,

- suppliers or members of the public,
- (c) the General Manager developing and implementing fraud management strategies to cultivate a culture of fraud prevention among staff within Council,
 - (d) encouraging the reporting of instances of fraud and corruption within Council, including the adoption and dissemination of an Internal Reporting Policy, and
 - (e) maintaining policies that promote ethical conduct by Councillors, staff and those who deal with Council.

6 Implementation

6.1 Approach

Council's approach to fraud and corruption control is adapted from the ten attributes of fraud control provided by the NSW Audit Office Fraud Control Improvement Kit. These are summarised in the following table:

Item	Attribute	Theme
1	Leadership	Prevention
2	Ethical Framework	Prevention, Detection, Response
3	Responsibility structures	Prevention, Detection, Response
4	Policy	Prevention
5	Prevention systems	Prevention
6	Fraud and corruption awareness	Prevention, Detection
7	Third party management systems	Prevention, Detection
8	Notification systems	Detection, Response
9	Detection systems	Detection
10	Investigation systems	Response

6.1.1 Attribute one: Leadership

A successful fraud and corruption control framework is led by a committed and accountable Executive. The General Manager, supported by the Councillors and the Executive Leadership team, is responsible for the strategic oversight of fraud and corruption control at Council.

The Executive Leadership team and managers are accountable for implementing and monitoring Council's fraud and corruption control framework, with the assistance of the Corporate & Governance team.

6.1.2 Attribute two: Ethical Framework

Council has clear policies establishing acceptable standards of ethical behaviour and these are available to all Council staff on Council's intranet and are included in the induction process.

They are also published on Council's intranet and website. These include:

- Code of Conduct
- Conflict of Interest
- Complaints Management
- Credit Card Use
- Private Use of Council resources.
- Statement of Business Ethics
- Governance Framework

6.1.3 Attribute three:

Responsibilities for implementing this Policy are shared as follows:

General Manager

- Accountable to lead the implementation of the fraud control framework
- Demonstrate their commitment to mitigate fraud risks
- Responsible to allocate council resources to the development and implementation of systems and practices to minimise the risk of fraud and corruption.
- Oversee any investigations that are carried out by an external party
- Ensure that the investigation of suspected fraud and corruption aligns to Council policies, and where appropriate is reported to the ICAC in accordance with the ICAC Act.

Executive/ Councillors

- Demonstrate their commitment to mitigate fraud risks
- Accountable and responsible for implementing the fraud control framework
- Overseeing and driving fraud control processes
- Lead Council staff and external service providers in their understanding of and compliance with this Policy and related Council policies

Managers

- Ensure there are adequate measures to prevent, detect and respond to fraud and corruption within the respective business areas under their control, in accordance with Council's fraud and corruption control framework.
- Lead team members in their understanding of and compliance with this policy and related council policies

Corporate & Governance Team

- Support Executives and Managers to implement and monitor council's fraud and corruption control framework.
- Provide advice and assistance to staff and community in relation to this Policy and the plan
- Support Executives and Managers with the strategic management of Council's risk framework

Internal and External Audit

- Examine and evaluate the adequacy and effectiveness of internal controls and provide advice and recommendations.

Audit, Risk and Improvement Advisory Committee (ARIC)

- Review and advise the adequacy and effectiveness of the council's fraud and corruption framework and activities.
- Overseeing and monitoring the adequacy of fraud control plan and the processes and systems in place to capture and effectively investigate fraud related information.

Council Staff

- Read, understand, and comply with the fraud and control policy, plan and related policies.
- Report known or suspected fraud or corruption as soon as possible after becoming aware of it, in accordance with the processes outlined in the Public Interest Disclosures Policy and Procedure

Community members, contractors/ consultants, councillors

Members of the public are encouraged to familiarise themselves with this Policy and to:

- Refrain from engaging in fraud and corruption behaviours in their dealings with Council.
- Report known or suspected fraud or corruption in accordance with the processes outlined in the Public Interest Disclosures Policy.

6.1.4 Attribute four: Policy

The Fraud and corruption policy , together with Council's Fraud and Corruption Control Plan, Fraud Control Strategies sets out Council's framework for fraud and corruption control.

Council's framework for fraud and corruption control establishes the responsibilities for managing fraud and corruption control at Council consistent with the Australian Standard 8001-2008: Fraud and corruption control.

The Fraud and Corruption Control Policy has strong links with other council policies, internal policies, and procedures, including (but not limited to):

- Fraud and corruption control plan
- Donations policy
- Sustainable procurement policy
- Enterprise Risk management policy
- Information management policy
- Code of conduct
- Conflict of Interest
- Secondary employment procedure
- EEO & Anti-Discrimination policy
- Complaint management policy
 - Disclosure of Interests- Reporting Responsibilities procedure
 - Grievance, dispute and workplace bullying resolution

The Fraud and Corruption Control Policy is responsive to changes in the operational environment and it is to be reviewed every two years.

6.1.5 Attribute five: Prevention systems

Council's prevention systems consist of several strategies including:

- **Fraud and Corruption Control Plan**
Council has a Fraud and Corruption Control Plan which contains all the key fraud and corruption control activities of Council, including responsibilities and timeframes. It is linked to the fraud and corruption risk assessment and to the training and awareness plan. It is reviewed at least every 2 years and outcomes are reported to the Executive and the Audit, Risk and Improvement Committee (ARIC).
- **Fraud and Corruption Risk Assessment**
A fraud and corruption risk assessment are part of council's enterprise risk management process and is to be reviewed at least every two years. It identifies areas where fraud and corruption risks exist, evaluate how effective controls are to mitigate those risks, and determine actions necessary to eliminate any gaps.
- **Fraud and Corruption Register**
The Fraud and Corruption Register (Enterprise Content Management -ECM) records all incidents of fraud and corruption affecting Council and the investigation outcome and response. Council is committed to analyse reports of fraud and corruption to help identify potential weaknesses in the internal controls.
- **Ethical workforce**
Council ensure that new and existing employee's values align with the organisational values. Council conducts preemployment screening including reference checks, medical checks, working with children checks and criminal history checks as appropriate for high risk positions.
- **Council's IT security**
Council's IT Management strategy has a focus on IT security which is aligned with the organisation's business strategy.
- **Internal Controls**
Council's internal controls are an effective way to prevent fraud and corruption. Council's internal controls are risk-focused and have been established to proactively minimise opportunities for fraud and corruption.
Examples of appropriate controls employed by Council include:
 - segregation of duties
 - account reconciliation
 - employment delegations
 - referee checks on appointment of new employees
 - internal and external audit reports
 - risk assessments

6.1.6 Attribute six: Fraud and corruption awareness

An integral element of Council's fraud and corruption control framework is creating awareness among all staff of the different components of the framework, what activities are considered fraudulent or corrupt and how to respond if fraud or corruption is suspected.

- Staff training
Council is committed to facilitating regular training opportunities relevant to fraud and corruption control for its staff.
- Induction
Staff induction addresses key policies relevant to Council's fraud and corruption control framework, including the Code of Conduct.
- Staff awareness
Council is committed to providing general awareness of the fraud and corruption control policy and plan to ensure understanding of staff responsibilities for preventing, detecting and reporting fraud.
Risk assessments are internal controls to provide awareness to staff in managing fraud within council
- Customer and Community Awareness
Council is committed to ensuring that its customers, suppliers and community are aware of its commitment to ethical behaviour. Council's Statement of Business Ethics is published on its website, along with policies relevant to the fraud and corruption control framework.

6.1.7 Attribute seven: Third party management systems

Council provides a copy of its Statement of Business Ethics to contractors and suppliers, so they understand the mutual obligations of all parties and the standards of behaviour expected by Council.

Third parties are encouraged to report suspected fraud and corruption to Council in accordance with the processes outlined in Council's Public Interest Disclosures Policy.

6.1.8 Attribute eight: Notification systems

Council is committed to providing appropriate systems and policies to facilitate reporting of actual or suspected frauds by staff, consultants, contractors, customers and suppliers.

Council requires its staff and encourages third parties and members of the public to report known or suspected fraud or corruption in accordance with Council's Public Interest Disclosures Policy.

The Crimes Act 1900 provides that in certain circumstances, failure to report a serious offence (which could include corrupt conduct) to the NSW Police or another appropriate authority is an offence.

The Public Interest Disclosures Act 1994 (PID Act) provides protection to public officials who make a public interest disclosure by imposing penalties on anyone who takes detrimental action against another person that is substantially in reprisal for that person making a public interest disclosure.

6.1.9 Attribute nine: Detection systems

Council routinely undertakes checks of activities, processes, controls, and transactions. This monitoring and review process seeks to ensure that irregularities and warning signals are identified early and acted upon.

Internal controls are also applied to prevent, detect or correct any fraud and corruption. These include data analytics and both internal audit and external audit.

Auditing is a particularly significant control mechanism, as Council's audit processes aim to provide a proactive, independent, and comprehensive approach to evaluating and improving the effectiveness of fraud and corruption control. Council's audit plan is risk-based and regularly reviewed by senior management and the Audit, Risk and Improvement Committee (ARIC). Council has robust procedures for following up on audit recommendations, with responsibility assigned to individual staff and clear timetables set for response and implementation. The outcomes of audits are reported to Council's Executive and ARIC.

6.1.10 Attribute ten: Investigation systems

Guidelines for the investigation of suspected fraud or corruption, and the possible disciplinary action which may result, are set out in Council's Public Interest Disclosures procedure, Code of Conduct , and Disciplinary procedures.

However, where a Council official or other relevant party is reasonably suspected of behaving corruptly, that will be reported to the Independent Commission Against Corruption Act 1988 (ICAC) and that person may be investigated under the ICAC Act. There is also the possibility of an investigation by the NSW Police if the reported behaviour constitutes criminal conduct