

Fraud and Corruption Control Policy

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AUTHORITY	Council
CONTACT OFFICER	General Manager

1 PURPOSE

- 1.1 To support Council's governance framework for the prevention, deterrence and investigation of all forms of fraud and corruption.
- 1.2 To provide direction to Council Officials and the public as to the behaviours and actions expected of all Council Officials and identify the available mechanisms for reporting fraud and corrupt conduct.
- 1.3 To support Council's commitment to maintain an organisational culture that rejects fraudulent and corrupt conduct.
- 1.4 To protect resources and the integrity of Council's reputation.

2 SCOPE

- 2.1 This Policy applies to all Council Officials.

3 DEFINITIONS

- 3.1 For the purposes of this policy, the following definitions apply:

Term	Definition
Act	<i>Local Government Act 1993 (NSW)</i>
Council Official	Includes Councillors, members of Council staff, administrators, contractors, volunteers and consultants, Council committee members and delegates of Council
Code of Conduct	Council's Code of Conduct, as required by s. 440 of the <i>Local Government Act, 1993</i>
Conduct Review Panel	Panel comprised of independent and qualified persons with knowledge of investigation processes and understanding of local government.
Corruption	Corrupt conduct is defined in the Independent Commission Against Corruption Act 1988 NSW (ICAC Act) as: <ul style="list-style-type: none"> a. <i>any conduct of any person (whether or not a public official) that adversely affects, or that 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</i> b. <i>any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or</i> c. <i>any conduct of a public official or former public official that constitutes or involves a breach of public trust, or</i> d. <i>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.</i>
Fraud	Fraud is defined by Australian Standard AS8001 – 2008 as: <i>“Dishonest activity causing actual or potential financial loss to any person or entity including theft of monies or other property by employees or persons external</i>

to the entity and where deception is used at the time immediately before or immediately following the activity”.

Some examples of fraud include:

- (a) Unauthorised use of Council plant and equipment;
- (b) Theft of money or goods from Council or its customers;
- (c) Claiming unworked overtime on timesheets;
- (d) Providing confidential Council information to unauthorised people or organisations;
- (e) Allowing contractors to not fully meet contract requirements; and
- (f) Obtaining benefits by use of a false identity or false qualifications.

Enterprise Risk Management Framework	Council's overall risk management framework, which provides the basis for identifying fraud and corruption risks to Council and the controls to determine the inherent and residual risk ratings for each of these risks.
Fraud Control Improvement Kit	As developed by the Audit Office of NSW to assist organisations with fraud management and prevention.

4 POLICY STATEMENT

4.1 Fraud and Corruption Against Council

- 4.1.1 Incidents of fraud and corruption are a threat which affects Council across all areas of its operation.
- 4.1.2 Fraudulent and corrupt conduct against Council is a criminal offence. It has a direct impact on the community, including reducing the funds available to deliver outcomes. It also undermines the integrity of Council.

4.2 Fraud and Corruption Control Framework

- 4.2.1 Council's Fraud Control Framework is aligned with the recommendations of the Audit Office of NSW's [Fraud Control Improvement Kit: Managing your fraud control obligations \(2015\)](#).
- 4.2.2 The Fraud Control Framework has ten key attributes which sit within the themes of prevention, detection and response:
 - i. **Prevention:** establish and maintain a good governance framework which reduces the chances of fraud.
 - ii. **Detection:** auditing and checking systems and procedures to deal with activities or transactions which do not align with expected procedures.
 - iii. **Response:** procedures for the reporting and investigation of any potential fraud, and the appropriate action for dealing with fraudulent activity.

4.2.3 The ten key attributes of the Fraud Control Framework are:

- i. Leadership
- ii. Ethical framework
- iii. Responsibility structures
- iv. Fraud control policy
- v. Prevention systems
- vi. Fraud awareness
- vii. Third party management systems
- viii. Notification systems
- ix. Detection systems
- x. Investigation systems

4.2.4 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 as summarised below:

Attribute	Theme
Leadership	Prevention
Ethical framework	Prevention, Detection, Response
Responsibility structures	Prevention, Detection, Response
Policy	Prevention
Prevention systems	Prevention
Fraud and corruption awareness	Prevention, Response
Third party management systems	Prevention, Response
Notification systems	Detection, Response
Detection systems	Detection
Investigation systems	Response

4.3 Leadership

4.3.1 Council recognises that the most effective form of fraud prevention is the establishment of an organisational culture that rejects fraudulent and corrupt conduct.

4.3.2 Council's fraud-resistant organisational culture is led by an accountable and committed executive and is established and maintained by:

- i. ensuring appropriate resourcing is available to take pro-active action to prevent fraudulent and corrupt conduct;
- ii. employing managers and supervisors who model ethical behaviour and demonstrate their commitment to mitigating fraud and corruption risks and are accountable not only for their own actions but for those they supervise;
- iii. adopting and enforcing policies that emphasise ethical behaviour; and
- iv. issuing clear standards and procedures to encourage the minimisation and deterrence of fraud and corruption.

4.4 Ethical framework

4.4.1 Council's ethical framework is informed by policies establishing acceptable standards of ethical behaviour. These policies include: Code of Conduct, Code of Meeting Practice, Gifts and Benefits Policy, Multiple and Secondary Employment Policy, Public Interest Disclosure and Internal Reporting Policy, Enterprise Risk Management Policy and Information Communications Technology Policy Suite.

4.5 Responsibility structures

4.5.1 The key responsibilities under Council's Fraud and Corruption Control framework are as follows:

Role	Responsibility
General Manager	to receive reports of fraud.
Mayor	to receive reports of fraud relating to the General Manager, as per the reporting regime for the Code of Conduct.
Directors and Senior Management	to receive reports of fraud.
Audit, Risk and Improvement Committee	to review Council's operation in terms of compliance, risk management, fraud control, financial management, governance, implementation of strategic plan, delivery program and strategies, service reviews, collection of performance measurement data and other matters prescribed by the regulations.
Disclosure Coordinator - Manager Corporate Business	to oversee an internal investigation of reported fraud, or refer reports to an external agency, if applicable.
Disclosure Officer	to undertake an internal investigation of reported fraud and report findings to the Disclosure Coordinator for determination.
Council Officials	to report suspected fraudulent or corrupt conduct in accordance with the <i>Public Interest Disclosure and Reporting Policy</i> .

4.6 Fraud and Corruption Control Policy

4.6.1 This Policy details Council's system of fraud and corruption control and identifies the responsibilities for management of the framework.

4.7 Prevention Systems

4.7.1 Council is committed to limiting the opportunity for fraudulent activity. Council's prevention systems consist of a number of components including:

4.7.2 Fraud and Corruption Risk Assessment: a fraud and corruption risk assessment is a proactive effort to identify areas where fraud and corruption risks exist, to evaluate how effective controls are to mitigate those risks, and to determine actions necessary to eliminate any gaps. Council's fraud and corruption risk assessment is carried out every two years and is reported to the Executive and the Audit, Risk and Improvement Committee. The results are also benchmarked against the results for comparable NSW councils where available.

- 4.7.3 Fraud and Corruption Control Plan: this plan 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 contains details of the risks requiring treatment.
- 4.7.4 Internal Controls: robust internal controls are an effective way to prevent fraud and corruption. Council's internal controls are risk-focused to proactively minimise opportunities for fraud and corruption. Examples of appropriate controls employed by Council include: segregation of duties; account reconciliation; employment delegations; risk assessments; physical security; and internal and external audit reports.
- 4.7.5 Ethical Workforce: Council is committed to employing staff that support its ethical values. Council conducts pre-employment screening including reference checks as well as additional checks as appropriate for high risk positions.

4.8 Fraud and Corruption Awareness

- 4.8.1 A key 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. Key elements of raising awareness include:
- 4.8.2 Staff training: Council is committed to facilitating training opportunities relevant to fraud and corruption control for its staff through external sessions with relevant Government agencies and internal self-learning modules through Council's learning and development system (ELMO). Other awareness raising initiatives include email and poster reminders relevant to Council's fraud and corruption control framework.
- 4.8.3 Induction: Council new employee induction program addresses key policies relevant to Council's fraud and corruption control framework, including the Code of Conduct.
- 4.8.4 Ethical behaviour policies: Council has a range of ethical behaviour policies available on its internet and intranet.
- 4.8.5 Awareness raising: Council's Director Corporate Services will coordinate a fraud and corruption risk assessment and a fraud and corruption control health check every two years. Staff are asked to participate, especially with respect to the health check to provide their views on how Council is managing fraud. The results of the risk assessment and health check are published on the intranet and promoted to all staff.
- 4.8.6 Customer and community awareness: Council is committed to ensuring that its customers and suppliers 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. This information is also provided to Council's advisory committee members.

4.9 Third Party Management Systems

- 4.9.1 Council engages third parties to undertake many and varied works on its behalf. It is important that third party management controls are robust to prevent instances of fraud.
- 4.9.2 Council ensures that appropriate controls, such as the segregation of duties, are in place to manage its dealings with third parties. 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.

4.9.3 Third parties are encouraged to report suspected fraud and corruption to Council in accordance with the processes outlined in Council's *Public Interest Disclosure and Internal Reporting Policy*.

4.9.4 Third party contracts of Council are subject to internal auditing and monitoring processes.

4.10 Notification Systems

4.10.1 Council is committed to protecting reporters from reprisals and maintaining the confidentiality of reports and reporters. Council requires its officials and encourages third parties and members of the public to report known or suspected fraud or corruption.

4.10.2 Council operates two mechanisms for internal reporting of fraud or corruption:

- i. notification to Responsible Officer in accordance with cl. 4.5.1; or
- ii. in accordance with Council's *Public Interest Disclosure and Internal Reporting Policy*.

4.10.2 Whilst Council encourages the internal reporting of wrongdoing within Council, in accordance with Council's *Public Interest Disclosure and Internal Reporting Policy* reporting may also be made to externally to:

- i. An investigating authority, being:
 - Independent Commission Against Corruption (ICAC) – for corrupt conduct;
 - NSW Ombudsman – for maladministration;
 - Information Commissioner – for disclosures breach of the GIPA Act; and
 - NSW Office of Local Government – for disclosures about local councils.
- ii. A Member of Parliament or journalist, but only in the limited circumstances.

4.10.3 The Public Interest Disclosures Act 1994 (PID Act) provides protection to public officials (as defined by the PID Act) 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. Refer to Council's *Public Interest Disclosure and Internal Reporting Policy*.

4.11 Detection Systems

4.11.1 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.

4.11.2 Internal controls are also applied to detect 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.

4.11.3 Council's audit program is risk-based and regularly reviewed by senior management and the Audit, Risk and Improvement Committee. 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 the Audit, Risk and Improvement Advisory Committee.

4.12 Investigation Systems

- 4.12.1 All reports of fraud and corrupt conduct will be investigated. 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 Disclosure and Internal Reporting Policy* reporting, *Code of Conduct Procedures* and *People Management Policy*.
- 4.12.2 Reported incidents of fraud may be investigated by Council's Disclosure Officer and Disclosure Coordinator, or referred to Conduct Reviewers. Incidents may also be reported to external agencies for investigation such as ICAC or the NSW Ombudsman. There is also the possibility of an investigation by the NSW Police if the reported behaviour constitutes criminal conduct.
- 4.12.3 Incidents of fraud and corruption are criminal offences under relevant state and federal legislation. They may attract a range of civil, criminal, administrative and disciplinary penalties.

5 VARIATION

- 5.1 Council reserves the right to vary the terms and conditions of this policy subject to a report Council.

Revision History

Version	Adoption Date	Authorised by	Approved by	Revision Date
1	21 June 2007	General Manager	Council	21 June 2009
2	Xxxx 2022	General Manager	Council	

Change History

Version	Change Details
1	Initial Policy
2	Amended format of content to align with Audit Office of NSW's Fraud Control Improvement Kit and the ten key attributes of the Fraud Control Framework.

Related Documents

Title

Independent Commission Against Corruption Act
Local Government Act 1993
Local Government (General) Regulation 2021
Public Interest Disclosures Act 1994
Code of Conduct
Fraud and Corruption Control Plan
Gifts and Benefits Policy
People Management Policy
Public Interest Disclosure and Internal Reporting Policy
Statement of Business Ethics