

**FRAUD & CORRUPTION PREVENTION POLICY**

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<b>RESPONSIBLE OFFICER</b>	General Manager		

# **PART 1: INTRODUCTION**

Council is committed to preventing fraud at its origin and believes that an emphasis on prevention and detection is the best way to deal with fraud.

The underlining thrust of Council's policy on fraud prevention is to encourage the public and staff to understand that fraudulent acts against Council are unacceptable, may constitute a criminal offence and will be prosecuted.

## **1.1 Policy Objectives**

- To ensure a sound ethical culture exists within Council
- To protect public funds and assets
- To protect the integrity, security and reputation of the Council and its staff

## **1.2 Scope of Policy**

This policy applies to all Councillors, Council staff, delegates, volunteers, contractors, consultants and customers.

## **1.3 Definitions**

### Fraud

Fraud is a crime involving the dishonest obtaining of a financial benefit by deception.

A basic test for fraud could include the following questions:

- Was deceit employed?
- Was the action unlawful?
- Did it result in money/benefits being received to which a person was not entitled?

Some examples of fraud include:

- Unauthorised use of Council plant and equipment;
- Private use of Council's inventory and stores.
- Misuse of a Council issued credit card or taxi travel voucher

- Claiming incorrect travel expenses to attend a meeting of Council.
- Theft of money or goods from Council or its customers;
- Claiming unworked overtime on timesheets;
- Providing confidential Council information to unauthorised people or organisations;
- Allowing contractors to not fully meet contract requirements;
- Obtaining benefits by use of a false identity or false qualifications.

### Corruption

Corruption involves breaching public trust. Corruption leads to wasted resources and wasted public money.

Corrupt conduct is broadly defined in section 8 of the Independent Commission Against Corruption Act, 1988. The key notion is the misuse of public office. Commonly it involves the dishonest or biased use of power.

Corrupt conduct is also any conduct of any person (whether or not public official) that adversely affects or that could adversely affect, either directly or indirectly, the exercise of official functions by any public official, any group or body of public officials or any public authority.

### Internal Reporting

Internal reporting is the situation where a Councillor or staff member reports an instance of fraud or corruption. The procedure in this circumstance is outlined in Council's Protected Disclosures Policy under the provisions of the Public Interest Disclosures Act 1994 (Policy Number 1.11)

## **1.4 Legislative Context**

In Circular No. 06-46, dated 26 July 2006, the NSW Department of Local Government advised councils that they were required under Auditing Standard AUS210, "the Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report" to provide a written representation to its external auditors that it has systems to deal effectively with fraud risks.

## **1.5 Related Documents**

Local Government Act 1993

Local Government (General) Regulation 2005

Fraud and Corruption Prevention Plan

Protected Disclosures Policy

Complaints Management Policy

Council Code of Conduct

Independent Commission Against Corruption Act 1988

Australian Standard AS 8001-2008 Fraud and Corruption Control

## **PART 2: POLICY CONTENT**

### **2.1 General Principles**

1. Council believes that fraudulent acts are unacceptable, may constitute a criminal offence and will be prosecuted.
2. Council is committed to preventing fraud at its origin. Council believes that an emphasis on fraud prevention rather than fraud investigation will lead to a reduction of opportunities for waste, abuse and mismanagement.
3. All Councillors and Council managers are responsible for fostering an environment that makes active fraud control a responsibility of all staff and for issuing clear standards and procedures to encourage the minimisation and deterrence of fraud.
4. Council recognises that fraud prevention requires the maintenance of an ethical climate that encourages all staff to be active in protecting Council's funds and assets, and in reporting any breaches of accepted standards.
5. Measures to prevent fraud shall be continually monitored, reviewed, developed and reported.
6. Council will investigate all reported instances of fraud as thoroughly as possible. Depending upon the circumstances of the fraud, an internal investigation may be undertaken or the matter may be referred to an external body such as the NSW Police, the ICAC or the Ombudsman.
7. Any employee found guilty of fraud will be subject to disciplinary procedures that may involve admonition, termination, demotion or redeployment.
8. Council will make every effort to recover losses due to fraud where the likely benefits of such recovery will exceed the funds and resources invested in the recovery action.

### **2.2 Elements of Council's Fraud Control Policy**

Council's fraud prevention strategy involves:-

#### **Organisational Integrity and Leadership**

As earlier stated the most effective form of fraud prevention is the establishment of an organisational culture that rejects fraudulent and corrupt practices. Commitment from elected members and senior management is essential in establishing a behaviour model for individual members of staff, contractors, volunteers or other individuals or entities working on behalf of Council including committee members.

## **Maintaining a fraud-resistant culture**

- (a) Continue to employ managers and supervisors who will be positive role models for ethical behaviour;
- (b) Adopting and enforcing policies that emphasise the importance of ethical behaviour;
- (c) Issue clear standards and procedures to minimise opportunities for fraudulent and corrupt behaviour, and enhance detection mechanisms;
- (d) Advise elected members, staff and all other individuals or entities that they are accountable for their own actions.

## **Employee Education and Awareness**

Employees will be made aware of Council's ethical conduct expectations by:

- (a) The inclusion of ethical conduct requirements in information packages for new employees;
- (b) An ongoing program of inclusion of ethical behaviour expectations within all position descriptions for new and existing positions;
- (c) Awareness training for all staff on Council's Code of Conduct on a regular basis;
- (c) Staff with particular responsibilities, such as cash handling and purchasing authority, will be given specific training in approved cash handling and purchasing procedures.

## **Customer and Community Awareness**

Fraudulent activity may be detected as a result of complaints from Council, customers or other members of the public. It is essential that the community understands the impact of fraudulent and corrupt activity and the importance of exposing such behaviour. In order to increase community awareness and encourage the reporting of fraudulent and corrupt conduct, Council will:

- (a) Publish the Code of Conduct, Business Ethics Statement, and Complaints Handling Policy on Council's website;
- (b) Provide feedback to all persons who report suspected corrupt or fraudulent conduct on any action that has been taken.

## **Regular Review of Policies and Procedures**

In addition to ongoing policy development directed at emphasising ethical behaviour and fraud prevention and detection, Council is committed to the ongoing review of existing policies and procedures.

## Fraud Detection and Risk Management

Council's fraud detection strategy involves:

- (a) Encouraging disclosure;
- (b) The inclusion of training on fraud awareness and reporting procedures during the induction of newly elected members, employees, contractors, volunteers or other individuals or entities working on behalf of Council including committee members;
- (c) Refresher awareness training for elected members, members of staff, contractors, volunteers or other individuals or entities working on behalf of Council including committee members on a regular basis;
- (d) Advertising on Council's website of the various methods by which members of the public can report instances of fraudulent conduct that they may become aware of;
- (d) Providing feedback to people who report suspected fraud on the action that has been taken;
- (e) Internal Auditing by minimising opportunities for undetected fraudulent activity via a robust internal audit program. The General Manager shall establish and implement a detailed strategy and procedures, incorporating internal audit guidelines in order to give this policy effect;
- (g) External Auditing by complying with Section 415 of the Local Government Act 1993 to have its financial reports audited and to present those audited financial reports to the Director General of the Department of Local Government, the Australian Bureau of Statistics and members of the community.

## Fraud Investigation

Council recognises that it will not always be successful in its efforts to prevent fraud. It will therefore investigate all reported instances of fraud and corrupt conduct as thoroughly as possible. Depending upon the circumstances of the alleged fraud, an internal investigation may be undertaken or the matter referred to an external body such as NSW Police, ICAC or the Ombudsman.

The following table indicates the line of responsibility in receiving and investigating complaints:

Complaint Regarding	Responsible Officer
Elected Member	Chairperson (where applicable), in conjunction with the General Manager
General Manager	Chairperson.
Employee or other persons / entities	General Manager

The ICAC publication 'A Guide To Conducting Internal Investigations' should be referenced and used in conjunction with this policy.

## **Fraud Correction**

Once a fraudulent act has been identified and investigated, strategies and procedures will be implemented to ensure that the act will not be repeated. This may include:

- (a) Disciplinary action and/or dismissal of employees, committee members, volunteers or contractors involved in fraudulent conduct;
- (b) Review and alteration of operating procedures;
- (b) Additional training for employees, committee members, volunteers or contractors;
- (d) Making other employees aware of the situation in general terms in order to discourage similar conduct in the future;
- (e) Improvements in the physical security of assets.

## **Non Compliance**

Non-compliance with this policy may result in disciplinary action and/or dismissal.

## **Rights of the Individual**

Council recognises that in such circumstances where an allegation of fraud may carry the imputation of criminal conduct, then, by law, the individual's right to silence shall be recognised. Additionally, Council recognises the employee's right to due process, independent Union representation and legal advice.

Council takes the view that any suspected fraud will be taken seriously and appropriate investigations and appropriate referrals may occur. Subject to any legal obligations, Council reserves the right to determine who will be informed of allegations and when. In particular, Council may investigate an allegation without informing the individual(s) to whom the allegation relates. Council may also keep allegations confidential while other agencies are reviewing or investigating the matter. Where disciplinary action is being considered, the suspected officer will be given an opportunity to explain the events at an appropriate time.

## **False Disclosure**

Any persons found to make an accusation of fraud or corruption that is false in nature and knowing that the accusation is false in nature is guilty of an offence pursuant to the laws of New South Wales. Any persons found of such conduct may be prosecuted by Council;

Any persons who makes a disclosure or accusation of false public interest information knowing it to be false, or being reckless about whether it is false, in addition to being guilty of an offence may face disciplinary action.

Any elected members and / or members of a committee of Council may, in addition to being guilty of an offence under the Local Government Act, 1993 face action pursuant to Councils Code of Conduct for making false or reckless disclosures.

## **PART 3: POLICY IMPLEMENTATION GUIDELINES**

The principles set out in this policy will be implemented and assessed through the provisions of Council's *Fraud & Corruption Prevention Plan*.