

Document Name	Document Version Number	Review Date
Fraud Control Policy	1.0.2	December 2017
Date Adopted	Minute Number	Status
17 February 2016	4299	Revised

Purpose

Fraud is the crime of dishonestly obtaining a financial or another benefit by deception or other means. The potential impact of fraud on Council and the community can be significant. It can disrupt business continuity, reduce the quality and effectiveness of critical services, and threaten the financial stability of Council. It can also damage Council's public image and reputation.

This policy is designed to protect public funds and assets, protect the integrity, security and reputation of the Council and its staff and maintain a high level of services to the community.

The two (2) elements of Council's policy are:

1. Prevention of losses through fraud by the implementation of fraud prevention procedures; and
2. A commitment to a culture of detection, investigation and prosecution of individual cases of fraud.

Scope

This policy applies to all Councillors, Council employees and agents of Council.

Agents of Council extend to include contractors working in-house, staff on exchange, members of Section 355 Committees, members of Advisory Committees, volunteers, work experience students or graduate placements who perform work for Council as well as external suppliers and other contractors and subcontractors.

Definitions

The Australian Standard AS 8001-2008 Fraud and Corruption Control defines fraud as: 'Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity 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'.

The risk of fraud can come from inside Council, that is, from employees or contractors, or from outside Council, that is, external parties such as clients, consultants, service providers or other members of the public. Council must be alert to the risk of fraud through collusion between employees and external parties.

A basic test for fraud could include the following questions:

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

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;
- (f) Obtaining benefits by use of a false identity or false qualifications.

Policy Content

INTRODUCTION

The purpose of this policy is to ensure that Councillors, Council employees and agents of Council understand what fraud is, know Council's attitude to fraud, recognise what to do if they suspect fraud is being perpetrated and appreciate the consequences of engaging in fraudulent conduct.

The policy also outlines Council's approach to managing the risks of fraud through a whole of organisation fraud control framework. A key strategic objective of Council is to ensure that business operations are compliant. In this regard the *Local Government Act 1993* requires Council to develop and maintain adequate internal control systems. An effective fraud control framework is widely recognised as a critical element of such systems. The Australian Standard AS8001–2008 on fraud and corruption control and other related good practice guides identify the key elements of an effective fraud control framework.

COUNCIL'S ATTITUDE TOWARDS FRAUD

Council is committed to protecting its revenue, expenditure and property from fraudulent activity by taking a systematic approach to the management of fraud across the organisation.

Council will not tolerate fraudulent acts and will ensure that all allegations of fraud are investigated confidentially, promptly and thoroughly.

RESPONSIBILITIES

Setting the right management approach is critical to fraud control. An organisational culture based on sound ethics and integrity is an essential ingredient that underpins effective fraud control. The *Local Government Act 1993* requires the General Manager to develop and implement a code of conduct for council staff. Senior management must reinforce the intent of the Code of Conduct through active management strategies. It is a requirement that Council employees and agents of Council at all times behave in a way that complies with the Code of Conduct and promotes the integrity and good reputation of Council.

Managers/Supervisors are expected to lead by example and to demonstrate integrity and fairness in decision making and be open and honest in their dealings with others. Managers must ensure that the following fraud prevention elements are evident in the workplace:

- a) Positive attitude of management towards internal control. Expressed through interest, involvement, policies and procedures;
- b) The selection and development of quality staff whose practices demonstrate high ethical standards.
- c) The appropriate application of leadership and training to all staff will enhance the quality of performance and therefore control; and
- d) The monitoring of systems, whether informal information gathering, active supervision or formal information systems.

Managers/Supervisors are required to promptly advise the General Manager, Director, Department Manager and/or Public Officer of instances of suspect or actual fraud. When fraud is detected, managers must take prompt action both to stop fraudulent behaviour and to discourage others who may be inclined to commit similar conduct. Councillors, Council employees and agents of Council are required to comply with this policy and associated procedures and fraud control strategies, as well as any related policies and procedures.

REPORTING FRAUD

Allegations made by employees, contractors, and members of the public can often lead to the uncovering of fraud. Council encourages employees, contractors, service providers and, where relevant, members of the public to report their suspicions of fraud.

Council's Protected Disclosure Policy and Procedures provide easily accessed guidance material to support employees to readily identify what incidents should be reported and to whom.

FRAUD PREVENTION

Organisational Integrity and Leadership

Council recognises that the most effective form of fraud prevention is the establishment of an organisational culture that rejects fraudulent conduct. Commitment from Councillors and managers is essential in establishing a behaviour model for all staff and volunteers.

Council will establish and maintain a fraud-resistant culture by:

- (a) employing managers and supervisors who provide positive role models of ethical behaviour;
- (b) adopting and enforcing policies that emphasise ethical behaviour;
- (c) issuing clear standards and procedures to encourage the minimisation and deterrence of fraud;
- (d) ensuring managers and supervisors are accountable not only for their own actions but also for the actions of those they supervise.

Employee Awareness

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

- (a) the prominent display of Council's Code of Conduct in all workplaces;
- (b) the inclusion of ethical conduct requirements in information packages for potential job applicants and in all job descriptions;
- (c) the inclusion of awareness training in Council's Statement of Ethical Principles, Code of Conduct, and Protected Disclosures Policy Procedures and induction procedures for new employees;
- (d) the inclusion of awareness training in Council's Statement of Ethical Principles, Code of Conduct, and Protected Disclosures Policy in annual refresher training for all employees;

Employees will also be made aware of potential fraudulent behaviour through:

- (a) training in cash handling and approved purchasing procedures;
- (b) training in identifying fraud.

Further information on specific fraud management responsibilities can be found in the *Fraud Control Improvement Kit* issued by the NSW Audit Office at:

http://www.audit.nsw.gov.au/ArticleDocuments/197/Fraud_Control_Improvement_Kit_February_2015_2.pdf.aspx?Embed=Y or by contacting the Director Corporate & Community Services

Customer and Community Awareness

Fraud is often uncovered as a result of complaints from consumers or members of the public. As such, it is important that the community knows about corruption, and why it is important that it be exposed. In order to increase community awareness and encourage the reporting of corrupt conduct, the following actions will be taken:

- (a) the inclusion of Council's *Code of Conduct* and *Complaints Against Staff Policy* on Council's website;
- (b) the distribution of Plain English brochures explaining what customers' rights are and how to make a complaint;
- (c) the prominent display of Council's *Code of Conduct* in all Council service centres;
- (d) the inclusion of the *Code of Conduct* in Council's Management Plan and Annual Report;
- (e) provide feedback to all persons who report suspected corrupt conduct on the action that has been taken.

Risk Assessment

Assessing the risk of fraudulent conduct is a major step towards preventing its occurrence. Accordingly, the following activities will be undertaken:

- (a) an annual risk assessment review will be conducted by the Director Corporate & Community Services, and a report will be submitted to the General Manager and Council for action;
- (b) a report on corruption prevention activities, including fraud prevention, will be made in Council's Annual Report each year.

Ongoing Review of Policies and Procedures

Apart from continuing to develop policies to address unforeseen ethical or corruption problems that may arise, there will be an ongoing program of reviewing all policies. In particular, the following policies and procedures will be reviewed annually:

- *Code of Conduct*;
- *Fraud Control Policy*;
- *Protected Disclosures Policy*; and
- *Employment Procedures*

Security

One of the major strategies in fraud prevention is to limit the opportunities for fraud.

- (a) there will be an annual review of cash handling, collection of cash, securing of cash and valuable equipment conducted by the Corporate Services Manager, in conjunction with the Director Corporate & Community Services;
- (b) there will be an annual review of the physical security of Council places of work, including the Jindera, Culcairn and Holbrook Works Depots, the Culcairn, Holbrook and Henty Branch Libraries and other external sites.

FRAUD DETECTION

Detecting fraud depends upon constant monitoring of operations and the encouragement of reporting by employees and the public. The following strategies will be utilised:

Encouraging Disclosures

Council recognises that most fraud is detected by employees of Council, and to a lesser extent, by members of the public. Council will encourage the reporting of fraudulent conduct by:

- (a) the inclusion of fraud detection and internal reporting training in induction procedures for new employees;
- (b) the inclusion of fraud detection and internal reporting training in annual refresher training for all employees;

- (c) advertising on its website 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.

Audit Committee

The Audit Committee will:

- (a) have the responsibility to oversee Council's fraud prevention measures,
- (b) meet regularly to review progress on the implementation and operation of fraud prevention procedures;
- (c) monitor the implementation of recommendations from Council's Internal audit process and External Auditors;
- (d) report to Council annually on issues raised and actions taken during the preceding year.

Internal Auditing

Council will develop an internal audit program to identify risk areas and to detect any problems with Council procedures that may lead to fraud occurring.

External Auditing

Council is required under 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 the public.

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 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, ICAC or the Ombudsman.

Internal Reporting

This situation is covered by Council's Internal Reporting Policy. In general, the process of reporting fraud is the same as for other corrupt conduct, Investigations will be conducted as per the guidelines in the Internal Reporting Policy.

External Complaint

Complaints regarding corrupt conduct received from the general public should be referred to the General Manager. Should the complaint concern the General Manager, then it should be referred to the Mayor. Investigations will be conducted as per guidelines in the *Protected Disclosures Policy*.

FRAUD CORRECTION

Where fraud allegations are substantiated, Council will take appropriate action to punish perpetrators and accessories, deter others and recover defrauded funds, losses or damages, including but not limited to criminal prosecution, civil recovery action and internal disciplinary processes.

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

- (a) disciplinary action and/or dismissal of employees or volunteers involved in fraudulent conduct;
- (b) review and alteration of operating procedures;
- (c) additional training for employees or volunteers;

- (d) making other employees aware of the situation in general terms in order to discourage similar conduct in the future;
- (e) improvements in physical security.

NONCOMPLIANCE WITH THIS POLICY

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

Links to Policy

Code of Conduct

Complaints Against Staff Policy

Gathering Information Policy

Internal Reporting (Public Interest) Disclosures Policy

Links to Procedure

Nil

Links to Forms

Nil

References

Nil

Responsibility

Director Corporate & Community Services

Document Author

Director Corporate & Community Services

Relevant Legislation

Section 356, Local Government Act 1993

Clause 209, Local Government (General) Regulation 2005

Associated Records

Nil