

# Fraud and Corruption Policy and Procedure

<b>Date first adopted:</b> 23 February 2010  <b>Amended and adopted</b> 23 November 2010 8 April 2015 26 September 2017	<b>Version: 4</b>  <b>Next review date:</b> Ongoing	<b>Status: Reviewed</b>
<b>Position Title of Responsible Business Unit Manager/or other:</b>	<b>Chief Financial Officer &amp; Risk Management Co-ordinator</b>	

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## **1. TITLE**

Fraud and Corruption Policy and Procedure

## **2. PURPOSE**

To demonstrate Council's commitment to the prevention, deterrence, detection and investigation of all forms of fraud and corrupt conduct and to establish processes to prevent fraud and corrupt conduct.

## **3. POLICY**

- 3.1 Council will establish an environment in which fraud and corrupt conduct is not tolerated and in which Councillors and staff are naturally reluctant to act dishonestly. This environment will promote a culture where all fraudulent activities and corrupt conduct once noticed or legitimately suspected are reported, investigated and resolved in a timely and fair manner.
- 3.2 Council will endeavour to protect its revenue, expenditure and assets from any attempt by members of the public, contractors, agents, intermediaries, volunteers, Councillors or its own staff to gain financial or other benefits by deceit, bias, dishonest or otherwise corrupt conduct.
- 3.3 Council will ensure that fraudulent or corrupt activity is discouraged, conflicts of interest are avoided, and auditing systems are in place to deter and/or identify fraudulent or corrupt activities.
- 3.4 In accepting its responsibility for good governance of the municipality, Council will set the example for honesty and integrity in the provision of services to the community and the management of the Council organisation.

## **4. SCOPE**

- 4.1 This policy applies to all staff, Councillors, and volunteers engaged directly by Council as well as all agents and contractors either engaged by Council or by an authorised contractor of Council.
- 4.2 All reports of suspected fraudulent or corrupt activity received will be fully investigated and appropriate action taken.
- 4.3 Councillors and staff must be aware of Council's intention to suspend or dismiss staff, report internal and/or external fraudulent and/or corrupt activity to Victoria Police and prosecute, where appropriate, Councillors or staff and any other parties to the matter, found to be involved in fraudulent or corrupt activities. Council may also pursue recovery of any financial loss through civil proceedings.

## **5. DEFINITION OF FRAUD**

- 5.1 Fraud is defined in Australian Standard AS8001-2008: Fraud and Corruption Control, 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 theft of property belonging to an entity by a person or persons internal to the entity but where deception is not used is also considered “fraud” for the purposes of this [definition].”

## 5.2 Examples of fraud are:

- Theft and/or misappropriation of Council revenue;
- Unauthorised removal of equipment, parts, software, and office supplies from Council premises;
- Deliberate over-ordering of materials or services to allow a proportion to be used for personal purposes;
- Submission of sham taxation arrangements for an employee or contractor to circumvent Council’s procedures for engagement of employees and contractors;
- Submission of fraudulent applications for reimbursement;
- Payment of fictitious employees or suppliers;
- Falsification of time records;
- Damage, destruction or falsification of documents for the purpose of material gain;
- Failure to disclose a conflict of interest in the performance of duties as a Councillor, employee or contractor of Council; and
- Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Council-owned software.

## 6. DEFINITION OF CORRUPTION

Corruption is defined in Australian Standard AS8001-2008: Fraud and Corruption Control, as:

“Dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.”

This definition is to be read in conjunction with the definition of “Corrupt Conduct” contained within the *Protected Disclosure Act 2012* Policy and Procedures.

## 7. ROLES AND RESPONSIBILITIES

**7.1** Responsibility for fraud and corrupt conduct prevention rests with all levels of management, Councillors, staff, volunteers and agency or contract staff who represent Council and who collectively must accept ownership of the controls relative to this policy. All parties must comply with the policy.

**7.2** The Risk Management Co-ordinator is responsible for the management of fraud and corruption control at Council and reports to the Chief Financial Officer.

### 7.3 Executive

Executive has principal responsibility for fraud and corrupt conduct control to ensure compliance with the relevant Australian Standards and appropriate governance structures are in place.

## **7.4 Senior Managers**

Senior managers have a responsibility to:

- Identify risk exposures to corrupt and fraudulent activities within their Units;
- Establish controls and procedures for prevention and detection of such activities;
- Provide guidance and instruction to all staff relative to responsibilities and fraud and corrupt conduct reporting requirements;
- Maintain effective auditing and reporting on key financial systems;
- Undertake a risk assessment on fraud and corrupt conduct control every two years or when a major change occurs;
- Implement action plans identified in the risk assessments to eliminate or reduce the risk of fraud and corrupt conduct; and
- Monitor and actively manage excessive outstanding leave of staff in risk exposure areas.

Senior managers will ensure that all contractors working for their Unit are aware of Council's Fraud and Corruption Policy and Procedure, that it is incorporated into the relevant contract and that contractors' staff are made aware of their responsibilities and unacceptable behaviours.

## **7.5 Staff/Contractors/Volunteers**

Staff/contractors/volunteers will assist in the identification of risk exposures to corrupt or fraudulent activities in the workplace and should immediately report suspected fraudulent or corrupt activities in accordance with Part 9.

## **7.6 Councillors**

Councillors will be made aware of this policy.

## **7.7 Training**

Councillors and staff members will be informed of this policy and the consequences arising from fraud and corrupt conduct, and who to speak to if they suspect fraud and/or corrupt conduct is occurring. All staff will undertake compulsory online training in fraud awareness. The Risk Management Co-ordinator will also provide Managers/Co-ordinators with specific training on the assessment of risks relevant to their Business Units as part of the annual review of their Risk Registers.

## **8. FRAUD RISK ASSESSMENT**

Council's commitment to fraud and corrupt conduct control will be met by identifying opportunities for fraud and corrupt conduct, and implementing risk avoidance, prevention, minimisation procedures in day to day operations and showing coverage in Council's risk register.

## **9. PROCEDURES FOR REPORTING FRAUD AND CORRUPTION**

The following procedure will be used to report suspected fraudulent or corrupt conduct.

### **9.1 Staff**

Where a staff member suspects that fraudulent or corrupt conduct is occurring, or has occurred, unless the staff member wishes to make a Protected Disclosure (in which case the *Protected*

*Disclosure Act 2012* Policy and Procedures should be followed), the staff member should report those suspicions to their manager.

Where the staff member does not feel comfortable reporting their suspicions to their manager they should report such matters to the relevant director or Director Corporate Services. If none of the above options are appropriate, then the staff member should report such matters to the Manager People and Culture or Corporate Counsel.

## **9.2 Director or Manager**

On receiving a report of suspected fraud or corrupt conduct the director or manager must record details of the report, including the time and date the report is made and details of matters raised. Where the issue may involve disciplinary action against a staff member, the Manager People and Culture must be advised.

## **9.3 Notifying the Chief Executive Officer (CEO)**

Except where it has been reported as a disclosure *pursuant to the Protected Disclosure Act 2012* which is protected under that Act, all reported incidents of suspected fraud or corrupt conduct must be immediately reported to the CEO by the director or manager prior to any investigation of such allegations being undertaken.

## **9.4 Anonymous Reports**

Anonymous reports may be directed to the CEO. Adequate supporting information to enable an investigation to be undertaken must be provided.

## **9.5 Contractors**

Contractors or other people involved in the contracting process may become aware of, or have information indicating, fraudulent or unfair activity in relation to the tender processes or service provision. Contractors may feel reluctant to report suspected fraud or corrupt conduct or other behaviour that is intimidatory or grossly unfair, for fear of repercussions affecting their future business dealings with Council. If these circumstances arise, contractors are requested to contact Council's Chief Financial Officer, CEO or relevant director.

# **10. EMPLOYMENT CONDITIONS**

## **Pre-employment screening**

Pre-employment screening is considered by Council to be an important first step in reducing the likelihood of fraud or corrupt conduct occurring by ensuring Council employs honest and trustworthy people. As part of Council's pre-employment screening process, criminal history checks may be requested.

# **11. PROCEDURES FOR FRAUD INVESTIGATION**

## **11.1 Preliminary Investigation**

Where information received is assessed to warrant investigation, arrangements for such an investigation will be made in accordance with Council's Fraud Control Plan. This process will

include securing all related documentation and may include suspension of staff member(s) being investigated.

Reports will be received in confidence and the person reporting the suspected fraud or corrupt conduct will be protected from any adverse repercussions, provided that there is no evidence of malice.

Any person contacted by an investigator should cooperate with the process.

## **11.2 Investigation**

Depending on the nature of the allegations, investigations will be undertaken in accordance with sound investigative practices. Potential instances of fraud or corrupt conduct or protected disclosures may be referred to an independent third party for investigation.

Where external investigation is required, for example, Victoria Police or other independent investigators, they will be in charge of such investigation.

Where the allegation has arisen through a 'protected' disclosure, the investigation will be conducted in accordance with the *Protected Disclosure Act 2012* Policy and Procedures.

In all cases confidentiality will be maintained and the principles of natural justice adhered to.

## **11.3 Media**

Council's media process will be observed at all times, and no staff member, Councillor or other person associated with Council, will make any public comment in relation to any suspected fraud or corrupt conduct, whether proven or otherwise.

## **11.4 Audit Committee (External Reporting)**

All incidences of proven fraud and/or corrupt conduct will be reported to the Chair of the Audit Committee in a timely fashion.

## **12. HUMAN RIGHTS CHARTER COMPATIBILITY**

This Policy has been assessed as being compatible with the *Charter of Human Rights and Responsibilities Act 2006*.

## **13. ASSOCIATED DOCUMENTS**

Corporate Data Ownership Policy  
Councillors' Code of Conduct  
Credit Card Security Incident Response Plan;  
Fraud Control Plan  
Internet and Email Policy  
Payment Card Policy (PCI)  
*Protected Disclosure Act 2012* Policy and Procedures (Executive)  
Risk Management Policy  
Security and Use of Council Computer Equipment Policy  
Staff Code of Conduct

#### **14. REFERENCES/RESOURCES**

*AS 8001-2008 Fraud and Corruption Control*  
*AS/NZ ISO 31000:2009 Risk Management;*  
*Charter of Human Rights and Responsibilities Act 2006*  
*Independent Broad-Based Anti-Corruption Commission Act 2011*  
*Local Government Act 1989*  
*Protected Disclosures Act 2012*  
*Protected Disclosures Regulations 2013*



# Appendix A

