

FRAUD AND CORRUPTION CONTROL POLICY

1 Document Information

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Author	Risk Management Coordinator
Owner <i>(Relevant director)</i>	Director Finance and Corporate Services
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2 Summary

Cabonne Council is committed to protecting its revenue, expenditure and assets from any attempt by members of the public, contractors, agents, intermediaries, volunteers, Councillors or its own employees to gain financial or other benefits deceit, bias or dishonest conduct.

Cabonne Council's commitment to fraud and corruption control will be managed by ensuring that fraudulent or corrupt activity is prevented, conflicts of interest are avoided, and auditing systems are in place to deter and/or identify corrupt activities.

In accepting its responsibility for good governance of the Shire, Council will set the example for transparency and integrity in the provision of services to the community and the management of the Council organisation.

All reports received will be fully investigated and appropriate action taken. Councillors and employees must be aware of the Council's intention to suspend or dismiss employees, report internal and /or external fraudulent or corrupt activity to the relevant authorities to investigate and prosecute any Councillor or employee and any other parties to the matter, found to be involved in fraudulent and/or corrupt behaviour. Council will pursue recovery of any financial loss through civil proceedings.

Approvals

Title	Date Approved	Signature
Director Finance and Corporate Services		

4 History

This is a new Policy developed in accordance with the Risk Management Action Plan (RMAP) and Governance, Risk Management and Audit Committee recommendations.

Minute No.	Summary of Changes	New Version Date
18/02/16	Policy adopted	27 February 2018

5 Reason

The Cabonne Council is committed to protecting Council assets from any attempt by members of the public, contractors, agents, intermediaries, volunteers, Councillors or its own employees to gain financial or other benefits by deceit, bias or dishonest conduct.

6 Scope

This Policy applies to all employees, Councillors, and volunteers engaged directly by Cabonne Council as well as all agents and contractors either engaged by the Council or by an authorised contractor of Cabonne Council

Associated Legislation

Local Government Act 1993 (NSW)

Local Government (General) Regulation 2005

Civil Liability Act 2004

Work Health and Safety Act 2011

Work Health and Safety Regulation (2011)

7 Definitions

Corruption

Defined as dishonest activity in which a Councillor, Senior Management, Manager, employee, contractor or volunteer of Cabonne Council acts contrary to the interests of the organisation and abuses his/her position of trust in order to achieve some personal gain or advantage.

Fraud

Defined as the use of deception or misrepresentation to obtain an unjust advantage or to cause a disadvantage or loss to Cabonne Council, including benefiting another, and includes theft, or misappropriation of Cabonne Councils assets or finances to the detriment of its employees, residents, and ratepayers.

Fraud can also involve misuse of confidential information, abuse of discretions, facilities, and employment conditions, redirection of goods or services for personal use and inappropriate arrangements with contractors and other third parties.

Examples of fraud, for the purpose of this Policy, include but are not limited to:

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- Theft and/or misappropriation of Council revenue in the form of cash, cheques, money order, electronic funds transfer or other negotiable instrument;
- Theft 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 the Council's procedure for engagement of employees and contractors;
- Submission of fraudulent applications for reimbursement;
- Unauthorised amendment or correction to previously authorised forms;
- Payment of fictitious employees or suppliers;
- Falsification of time or attendance records;
- Damage, destruction or falsification of documents for the purpose of material gain; and
- Misrepresentation of qualifications in order to secure a position of employment.

Corrupt conduct includes asking for, or receiving a benefit of any kind, the acceptance of a bribe, in any form, which is punishable under New South Wales law, or under the Local Government Act NSW (1993).

Council employees and Councillors are to be mindful that the inappropriate acceptance of a gift or hospitality may be seen as acceptance of a bribe. Refer to the Council's Policy on Gifts and Benefits and Code of Conduct.

8 Responsibilities

Responsibility for fraud and corruption prevention rests with all levels of management, councillors, employees, volunteers and agency or contract employees who represent the Council and who collectively must accept ownership of the controls relative to this Policy.

8.1 Councillors

Councillors shall be aware of and where applicable, comply with this Policy. Councillors must also be aware of and adhere to the provisions of the Local Government Act.

8.2 General Manager

The General Manager has principal responsibility for fraud and corruption control to ensure compliance with the Standards and Guidelines and that appropriate governance structures are in place and effective.

8.3 Director of Finance and Corporate Services

The Director of Finance and Corporate Services is responsible for the day to day management of this Policy as well as fraud and corruption control within the Council.

These responsibilities included:

- Collating information on detected fraud and corruption incidents;
- Recording the response to detected fraud and corruption incidents;
- Managing the investigation of, and resources required for the investigation of, detected incidents;
- Where necessary, reporting matters to New South Wales Police, Independent Commission Against Corruption (ICAC) or other external agency as necessary;
- Managing reports made to New South Wales Police, ICAC or other external agency;
- Ensuring risk assessment tools on fraud and corruption are available for relevant employees;
- Collating the outputs of fraud and corruption risk assessment exercises conducted across the organisation;
- Liaising with the Human Resources Co-ordinator on detected fraud and corruption matters that require investigation pursuant to the Council's Disciplinary Procedure;
- Co-ordination of the provision of fraud and corruption awareness training for Councillors and employees;
- Benchmarking the policies that comprise the Council's Fraud and Corruption Control Framework with other like organisations;
- Scheduling internal assessments of high-risk Units'
- Reporting any known or suspected incidents of fraud to the General Manager and
- Reporting incidents of fraud to the Governance, Risk Management and Audit Committee with recommendations for action to avoid further such incidents

8.4 Directors and Managers

Directors and Managers will ensure that all contractors working for their Division/Department are aware of the relevant elements of Council's Fraud and Corruption Control Policy and Procedure, that it is incorporated into the Contract where applicable and to ensure that the Contractor's employees are made aware of their responsibilities and acceptable behaviours.

8.5 Risk Management Coordinator

The Risk Management Co-ordinator is responsible for assisting the Director of Finance and Corporate Services in the management of this Policy. In particular, the Risk Management Co-ordinator will:

- Assist the Director of Finance and Corporate Services with the development and assessment of fraud and corruption training;
- Develop and make available risk assessment tools on fraud and corruption;
- Act as the conduit between the organisation, the insurers and the investigators where a fraud is suspected to have occurred;
- Provide a process to store, record and preserve any evidence discovered during an investigation;
- Collate on behalf of the Director of Finance and Corporate Services, the outputs of fraud and corruption risk assessment exercises;
- Undertake on behalf of the Director of Finance and Corporate Services, benchmarking of the Policies that comprise the Fraud and Corruption Control Framework;
- In support of Departmental Managers, assist in the conduct of regular internal assessments of high-risk Units and oversee the completion of a fraud and corruption risk assessment for other Departments every two years;

- Oversee the implementation of action plans developed by Departments to mitigate fraud and corruption as identified through the questionnaire or detailed risk assessments;
- Retain copies of completed Departmental Fraud Assessment Questionnaires and detailed risk assessments for audit purposes; and
- Assist the Director of Finance and Corporate Services, in reviewing this Policy every three years or in circumstances of major change to Council's business and/or operations or legislation.

8.6 Human Resources Coordinator

The Human Resources Manager is responsible for providing advice on matters that require investigation pursuant to the Council's Procedures for the Administration of the Code of Conduct.

These responsibilities include:

- Providing advice on the application of the Council's Disciplinary Procedure;
- Incorporating fraud and corruption prevention responsibilities into the Council's staff training and induction program;
- Ensuring that fraud and corruption prevention responsibilities are specified in the position description of Council Managers; and
- Liaising with the Director of Finance and Corporate Services and the General Manager when required.

8.7 Internal Audit

Internal Audit is responsible to test and identify weaknesses in Council's systems and processes. Internal Audit activity can be, in the context of addressing all business risks, an effective part of the overall control environment to identify the indicators of and the potential for fraud and corruption.

8.8 Employees, Contractors and Volunteers

Employees/contractors/volunteers have the following responsibilities:

Be aware of the content and provision of this Policy and the Policies that comprise the Council's Fraud and Corruption Control Framework:

Assist in the identification of risk exposure to corrupt or fraudulent activities in the workplace: and

Report concerns regarding suspected fraudulent and/or corrupt conduct at the earliest opportunity.

9 Related Documents

Document Name	Document Location

10 Policy Statement

Cabonne Council recognizes that as a public authority it is exposed to a broad range of Council's commitment to fraud and corruption control will be managed by ensuring that fraudulent or corrupt activity is prevented, conflicts of interest are avoided, and auditing systems are in place to deter and/or identify corrupt activities.

In accepting its responsibility for good governance of the Shire, Council will set the example for transparency and integrity in the provision of services to the community and the management of the Council organisation.

All reports received will be fully investigated and appropriate action taken.

Councillors and employees must be aware of the Council's intention to suspend or dismiss employees, report internal and /or external fraudulent or corrupt activity to the relevant authorities to investigate any Councillor or employee and any other parties to the matter, and if found to be involved in fraudulent and/or corrupt behaviour will result in prosecution. Council will pursue recovery of any financial loss through civil proceedings.

11 Prevention

10.1 Fraud and Corruption Control Framework

The Council has a number of policies and processes that make up the Council's Fraud and Corruption Control Framework. These Policies and processes are:

- Cabonne Council Protected Disclosure Procedures
- Cabonne Council Procedures for the Administration of the Code of Conduct
- Cabonne Council Code of Conduct
- Cabonne Council Risk Management Policy
- Cabonne Council Procurement (Incorporating Local Supplier Preference) Policy
- Cabonne Council Communications and Media Policy; and
- Cabonne Council Receiving Gifts and Benefits Policy
- Cabonne Council Disposal of Minor Assets Policy
- Cabonne Council Payment of expenses and provision of facilities for Mayor and Councillors Policy
- Cabonne Council Source of Finance Policy
- Cabonne Council Cash Discrepancies Policy

Council's senior management is responsible for ensuring the fraud and corruption control initiatives covered in Council's Policies are implemented, communicated and monitored.

The Council has a program of continual improvement, and all of the Council's Policies that comprise the Fraud and Corruption Control Framework are periodically benchmarked against industry and other Local Government organisations.

All Council employees, contract employees, and Councillors will, on commencement of employment, engagement or election, be provided with directions on how to find the Policies that comprise the Council's Fraud and Corruption Control Framework in order that they may be aware of and comply with these Policies.

Council's employee induction programme for new employees will also contain a presentation regarding fraud and corruption policies and definitions within the local government context.

10.2 Risk Assessment

Regular fraud and corruption risk assessments are to be undertaken by all business areas of the Council every two years. The Risk Management Co-ordinator will assist Departments for perform these risk assessments as required. All risk assessments are to be undertaken in line with Council's Risk Management Policy and Council's Risk Management Manual which conforms to the AS/NZ ISO 31000.2009 Risk Management Principles and Guidelines.

The result of the fraud and corruption risk assessments undertaken are to be communicated to the Director of Finance and Corporate Services by the Risk Management Co-ordinator. Areas of weakness identified as part of the risk assessment process are to be mitigated with the development of tasks to be completed and implementation as documented controls and will be reflected in the Strategic Risk Register. The outcome of the fraud and corruption risk assessments will also be provided to the Governance, Risk Management and Continual Improvement Committee and for consideration in the Strategic Audit Plan.

When new major Policies are being developed, or when there is a significant change to current Policy, the risk of fraud and /or corruption must be considered by the responsible Department.

12 Mitigating the Risk of Corruption

In addition to the Policies that comprise the Fraud and Corruption control Framework and the conducting of regular risk assessments, the Council employs the following prevention mechanisms;

- Personnel in "at risk" positions are managed to ensure that improper relationships are less likely to develop;
- High risk providers are subjected to random audits at the discretion of Council;
- Separation of orders, authorisation or other controls where possible;
- Rotation of tasks where practicable;
- Maintenance of detailed records such as asset registers;
- Fraud and corruption risk assessments;
- Monitoring of various discrete behaviours which may indicate impropriety;
- Internal audit reviews; and
- Discrete preliminary investigation into any incidents of concern.

11.1 Training

Councillors and Employees will be informed of Council's Policy, the consequences arising from fraud and corruption, and who to speak to if they suspect fraud and /or corrupt conduct is occurring. Training and support on the conduct of risk assessments will also be provided by the Risk Management Co-ordinator and/or agent. This training shall be conducted at regular intervals.

Fraud and corruption awareness training will be provided to all employees, at least every two years. The Director of Finance and Corporate Services, with the support from the Risk Management Co-ordinator, is responsible for organising the provision of the relevant training sessions. The training sessions will also include information on the Employee Code of Conduct and other Policies that comprise the Council's Fraud and Corruption Control Framework.

The Director of Finance and Corporate Services, will organise for all fraud and corruption training provided, whether internally or by an external provider, to be evaluated to determine

if it has been successful and that the target group is as a result of the training, more aware of fraud and control issues and their responsibilities.

12.2 Employment Screening

Screening of new employees is an effective fraud and corruption prevention mechanism. The Council's Recruitment and Selection Policy includes the screening of prospective employees and can include Police checks and psychometric testing as well as detailed reference checks to confirm the veracity of the applicant's integrity, identity and credentials.

12.3 Customer and Supplier Vetting

Checking the bona fides of new suppliers and customers at the point of engagement can be an effective fraud and corruption prevention mechanism. The Council has procedures which cover these processes which are covered by the Council's Procurement Policy.

Financial checks are also undertaken for all service contracts.

13 Detection

13.1 Reporting Avenues

The following procedures shall be used for reporting of suspected fraudulent and/or corrupt conduct.

13.2 Employees

Where an employee suspects that an act of fraud or corrupt conduct is occurring or has occurred, that employee should report such suspicions to their Manager.

Where the employee does not feel comfortable reporting their suspicions to their Manager, they should report such matters to their respective Director. If neither of the above options are appropriate, then the employee should report such matters to the General Manager.
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 the matters raised. The matter must then be reported to the Director of Finance and Corporate Services or where inappropriate, to the General Manager. Where the issue may involve disciplinary action against an employee, the Human Resources Co-ordinator must also be advised prior to any such action being undertaken.

13.3 Notifying the General Manager (GM)

Except where it has been reported as a Protected Disclosure action (which is a specifically legislated protected action – see below), all reported incidents of suspected fraud or corrupt conduct must be reported to the GM by the Director of Finance and Corporate Services immediately and prior to, any investigation of such allegations being undertaken. Where this is inappropriate, the Director of Finance and Corporate Services is to report the matter to the Mayor.

13.4 Anonymous Reports

Although not encouraged anonymous reports may be directed to the Director of Finance and Corporate Services. Adequate supporting information to enable an investigation to be undertaken must be provided.

13.5 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 procurement/tender processes or service provision. Contractors should report any such concerns to the Appointed Officer in charge of the contract/tender. Where contractors feel reluctant to report suspected fraud and/or corruption, behaviour that is intimidating or grossly unfair for fear of repercussions affecting their future business dealings with Council, they are requested to contact Council's Director of Finance and Corporate Services.

As contractors would not normally have access to this Policy, the above advice should be included in all procurement/tender documentation.

13.6 Reporting Avenues

The following table provides the reporting avenues available for matters of fraud or corruption to be reported. The second report option is provided in the event that the first report person may be sympathetic or potentially involved with the suspect.

PERSON SUSPECTED	FIRST REPORT	SECOND REPORT
Employee	Manager	Director of Finance and Corporate Services
Contractor	Contract/Departmental Manager and Divisional Director	Director of Finance and Corporate Services

Contract Manager	Departmental Manager and Divisional Director	Director of Finance and Corporate Services
Manager	Divisional Director	Director of Finance and Corporate Services
Divisional Director	Director of Finance and Corporate Services	General Manager
Director of Finance and Corporate Services	General Manager	Mayor
General Manager	Director of Finance and Corporate Services	Mayor
Councillors	Director of Finance and Corporate Services	General Manager
Members of the Public	Manager and Divisional Director	Director of Finance and Corporate Services
Goods and Services Suppliers	Departmental Manager	Director of Finance and Corporate Services

13.7 Protected Disclosure Policy

All managers, employees and contractors have the option to report a suspected fraud and/or corrupt behaviour in line with Council's Protected Disclosure Policy which is available on Council's website.

14 Response

All suspected incidents of fraud and/or corruption detected will be investigated pursuant to these procedures. This includes incidents detected through proactive detection programmes or by a report from an employee or other person.

The Fraud Control Plan provides specific and detailed advice regarding the immediate management of a fraud event and should be consulted in concert with the Policy.

14.1 Investigation

All reported incidents of fraud and/or corruption will be assessed by the Director of Finance and Corporate Services as to whether an investigation is required. The Director of Finance and Corporate Services will advise the General Manager of the decision made whether to investigate a matter or not and where appropriate, the General Management will assist in the decision making process.

Once the decision has been made that the evidence supports further investigation, the Director of Finance and Corporate Services will immediately advise the Independent Commission Against Corruption (ICAC) of the issues and seek their guidance.

The Risk Management Co-ordinator will also advise Council's insurers under the obligation of disclosure as required by the Insurance Policy.

Should ICAC direct the Council to initiate an investigation, the Director of Finance and Corporate Services will appoint an appropriately skilled and experienced person who is independent of the business unit in which the alleged fraudulent or corrupt conduct occurred. The independent investigator may be an external law enforcement agency, a manager or other senior person with the Council or an external consultant such as a specialised fraud investigator operating under the direction of the Director of Finance and Corporate Services.

The Director of Finance and Corporate Services will ensure that the investigator appointed is mindful of legislative provisions that are relevant to the investigation, include the provisions of the Information Privacy Act 1988.

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

Any person contacted by an investigator or any other person nominated by the Director of Finance and Corporate Services regarding any investigation, must co-operate fully with the process.

Where an external investigation is required by an independent authority or agency, for example the New South Wales Police, they will be in charge of the investigation. Where the allegations have arisen through Protected Disclosure, then the investigation will be in accordance with the Council's Protected Disclosure Guidelines and Procedures.

In all cases, strict confidentiality and the principles of natural justice will be observed and maintained.

Where a Council employee is the subject of an investigation, the Director of Finance and Corporate Services will seek the advice of the Human Resources Co-ordinator to ensure adherence to the provisions of Council's Disciplinary Procedures and relevant industrial relations laws.

14.2 Investigation Outcome

Once an investigation has been finalised, the investigator will provide a report of the findings of the investigation to the Director of Finance and Corporate Services. In consultation with the Risk Management Co-ordinator, the Manager, Human Resources Co-ordinator and the General Manager, the Director of Finance and Corporate Services will make a determination as to the action required. The course of action taken could include:

- Disciplinary proceedings
- Referral to New South Wales Police for a criminal investigation
- Referral to another external agency for investigation (e.g.: Office of Local Government); and
- Civil action

14.3 Recovery of Losses

In each case where there is clear evidence of fraud or corruption, the Director of Finance and Corporate Services, in consultation with the General manager, will consider all reasonable avenues available for recovering any funds lost or compensation for other fraud losses. Due consideration will be given to the likely benefits of recovery action exceeding the funds and/or resources required for the recovery action.

14.4 Media

Cabonne Council Media Policy shall be observed at all times, and no employee, Councillor or other persons associated with Council other than the General Manager, unless specifically

delegated to do so, shall make any public comment in relation any suspected fraud or corruption, whether proven or otherwise.

14.5 Governance, Risk Management and Business Improvement Committee

All incidences of proven fraud and corruption are to be reported to the Governance, Risk Management and Business Improvement Committee in a timely manner with details of mitigation measures already taken or proposed to prevent further instances.

