

COUNCIL POLICY

Council Policy Title:	Fraud Prevention & Control Policy
Council Policy ref. no:	16.2
Responsible Department:	Corporate Services
Date of adoption/review:	30 January 2019

1. INTRODUCTION

Colac Otway Shire is committed to the prevention, deterrence and detection of fraudulent and corrupt behaviour in the performance of the business activities of Council.

The Council is committed to ensuring a corporate culture of honesty and integrity in which staff, volunteers and contractors know that fraud, corruption, dishonest acts and conflicts of interest will be detected and investigated. Fraud in any form will not be tolerated and Council will take all necessary measures to ensure any persons reporting suspected fraud are protected within the provisions of the Protected Disclosure Act 2012.

The Colac Otway Shire expects its Councillors and staff to maintain a high standard of ethical conduct in all activities, in particular with respect to resources, information and authority. The community rightly expects the Colac Otway Shire to conduct its business in a fair and honest manner.

2. POLICY OBJECTIVES

To ensure that Councillors, members of committees, staff, volunteers and contractors are aware what constitutes appropriate ethical conduct and responsibilities in dealing with instances of potential fraudulent activities and corrupt behaviour that may come to their attention.

Management of the risk of exposure is an important area to monitor and the Council needs to be assured that appropriate and transparent procedures are in place. This document is linked to the Councillors and Employees Codes of Conduct which Councillors and employees are required to abide by.

The purpose of this policy is to:

- Promote and guide the conduct of all Councillors, employees and external parties associated with Colac Otway Shire Council, with a view to the avoidance of fraud and management of situations, which may be regarded as unethical conduct or behaviour.
- To demonstrate that Council is committed to the detection and investigation of any such occurrences.

- Encourage and facilitate the notification of matters that will assist in the avoidance of fraud and corruption.
- Ensure that notifications are treated in strict confidence and investigated fully.
- Protect those people making notifications from retribution.

3. DEFINITIONS

In this Policy:

3.1 Corruption

Corruption includes dishonest or improper use of a position and is defined as including any conduct of:

- any person that could adversely affect the honest or impartial exercise of official functions; or
- a Shire Officer or Councillor that involves the dishonest or partial exercise of any of his or her official functions; or
- a Shire Officer or former Shire Officer or Councillor that involves a breach of public trust; or
- a Shire Officer or former Shire Officer or Councillor 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; or
- any person that could adversely affect the exercise of official functions and which could involve a number of specific offences such as: official misconduct, breach of trust, malfeasance, oppression, fraud and perverting the course of justice.

It is not corrupt conduct unless it involves:

- a criminal offence;
- a disciplinary offence;
- breach of policy or statute; or
- reasonable grounds for terminating the services of a Shire Officer.

3.2 Employee

Includes Shire employees (Including full-time; part-time temporary and casual), Contractors, Volunteers or the employees of any Body providing goods or services on the Shire's behalf.

3.3 Fraud

Fraud is characterised as dishonest conduct or misuse of position or authority in order to obtain unjust advantage, the theft of funds, assets or information, or the unauthorized use of Shire assets for personal gain. Persons inside or outside the Shire's organization, or both, can perpetrate fraud.

3.4 Prevention

Prevention is the process by which the Shire, its management and employees manage risks to prevent fraud and includes:

- Adoption of appropriate internal controls in response to fraud and corruption risk assessments;
- Adherence to a Code of Conduct, a commitment to ethical practices and disciplinary standards;
- Deterrence through commitment to imposing sanctions (e.g. disciplinary action and/or forwarding evidence and/or information to other agencies);
- Publicising outcomes of investigations where fraud and/or corruption is found to have occurred;
- Internal and external awareness of fraud and corruption and how Shire will deal with it; and
- Education programs to raise and maintain awareness of employees, contractors, consultants, customers and the community.

4. RESPONSIBILITY FOR FRAUD PREVENTION

For fraud prevention controls to be effective the ownership of the policy must not be one staff member or a group of staff members, but must include all levels within Council.

A prerequisite for everyone is that they are expected to develop, encourage, insist upon and implement sound financial, legal and ethical decision making within their responsibility levels. Measures to prevent fraud will be continually monitored, reviewed and developed.

Specific Responsibilities include:

4.1 The Council

As the body responsible for the good governance of the Shire the Council is responsible for developing and cultivating a culture of honesty and integrity in the management of the organisation.

The Council will ensure that Management has appropriate measures in place to detect and prevent fraud.

4.2 Chief Executive and General Managers

The Chief Executive has primary responsibility for the proper management of Council resources and the development and implementation of systems and practices to minimise the risk of fraud.

The General Managers play a major role in assisting the Chief Executive in these responsibilities', by ensuring that appropriate corporate systems and procedures are put in place, properly managed and all necessary reporting and accountability provisions are in place and operating.

4.3 Managers, Coordinators, Team Leaders and Supervisors

- Establish and maintain effective management practices, systems, procedures and controls.
- Ensure that staff understand their responsibilities through adequate supervision, written procedures and awareness training.
- Be aware of, and actively monitor, key fraud indicators and symptoms.
- Respond positively to matters raised by Internal and External Audit.
- Act upon all reports of fraud in accordance with this Policy.
- Comply with the Staff Code of Conduct and all other Council policies.

4.4 Employees, Contractors and Volunteers

- Responsible for acting with propriety and integrity in undertaking their duties. Must not use their position with the Shire to gain personal advantage or to confer advantage, or disadvantage on any other person
- Responsible for the safeguard of Shire assets against theft, misuse or improper use.
- Required to report any suspicion of fraud to the Chief Executive, General Manager Corporate Services or Manager Financial Services.

4.5 Audit Committee

- Monitor the implementation of the Fraud Control Policy.
- Direct and guide the internal audit function and approve, monitor and manage the annual internal audit plan.
- Ensure appropriate internal audit coverage is given to fraud control issues.
- Liaise closely with internal and external audit and ensure issues and recommendations are appropriately actioned.

4.6 Internal Audit

The role of Internal Audit is to assist Management and Shire to achieve sound managerial review and control over all Shire activities. This process can aid fraud control, detection and improvements to the controls in place in the organisation.

Internal Audit is not involved in the day to day internal checking systems but is an independent and objective assurance and consulting activity. It assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to:

- evaluating systems
- improving the effectiveness of management and Corporate Governance.

The principal objectives of Internal Audit are to assess and report on whether:

- there are sufficient internal controls in place to protect Shire's assets and the integrity of information provided to management and Shire.
- there is adequate compliance with relevant laws/statutes and Shire's policies and procedures
- functional areas are appropriately controlled.

4.7 External Audit

External Audit is conducted to verify the Shire's annual reported financial performance. External Audit also has a role in the process of achieving fraud control by reviewing internal Policies and Procedures and testing systems via specific guidelines developed in accordance with relevant legislation; Accounting Standards and the Auditor-General's code of ethics.

5. FRAUD MINIMISATION PROCEDURES

The following is a listing of fraud minimisation strategies that may be implemented as part of this policy;

- Management is to be accountable for deviations from the Shire's approved budget and for the conduct of independent detailed reviews of significant variances to the budget.
- An annual review of Shire operations and an assessment of the Shire's exposure to risk to be undertaken.
- Fraud risks will be identified and monitored via the Corporate Risk Register.
- Management to impose financial controls which include separation of duties and regular checking of processes to minimise the opportunity for misappropriation of funds and/or assets.
- An ongoing internal audit process. Strong internal controls supported by the internal audit reviews on a regular basis will minimise the exposures to risk and prevent possible new risk areas that have not been addressed.
- External audit review and the focus on accountability of financial systems and the reporting process.
- Maintain strict recruitment practices and confirm all employee details and references are thoroughly checked, also promotion of this policy to all new Shire employees.
- Determine penalties for any fraud that has occurred, in conjunction with, but not limited to Shire's disciplinary procedure.
- Undertake Fraud Awareness and Prevention Training for all Shire employees.
- All assets are properly recorded and regular checks are performed to ensure significant items are present.
- Set a standard of conduct for suppliers and contractors.
- Have procedures in place relating to the use of Shire assets by employees.
- Shire and Management completing the appropriate disclosure of interest forms.

6. FRAUD RISK REVIEW

The General Manager Corporate Services will ensure that a structured fraud risk assessment review is conducted periodically covering all functions and operations of the Shire. The review to address both the internal and external environments, and the fraud risk associated with both. The review will establish the level, nature and form of the Shire's fraud risk exposure. A plan generated from the review will subsequently define areas where specific action may be required. Any new Fraud Risks identified will be added to the Corporate Risk Register.

There are a number of indicators that exist for identifying possible frauds.

Some indicators of fraud that should be reviewed as part of the review process are as follows:

- Theft, embezzlement or other misapplication of funds or assets
- Bribery or kick-backs
- Misuse of Shire credit cards and petty cash
- Misuse or unauthorised selling Shire's intellectual property
- False claims for reimbursement
- Misappropriation of cash, credit cards or other Council assets
- Forgery or alteration of documents
- Destruction or concealment of records or assets
- Collusive tendering or rigging of tenders
- Tendering inducements
- Unauthorised use of assets or equipment
- Electronic fraud
- Payroll fraud

7. FRAUD AND CORRUPTION AWARENESS TRAINING

This Strategy requires that an ongoing awareness program be implemented to identify issues of fraud prevention, detection and reporting, and bring them to the attention of employees.

Fraud awareness or prevention provisions should be included in employee contracts, employee orientation, contract documentation, Shire agreements and any other process where employee conduct is involved.

The program will need to promote a confidential process whereby employees can feel comfortable to identify any suspicion of Fraud and where such employees can be protected from possible victimisation or discrimination.

There is a need to promote community awareness that fraud committed against the Shire is not acceptable and perpetrators will be prosecuted. The Shire should also promote an honest, ethical and businesslike approach to dealings with Shire by the adherence to good governance practices and protocols.

8. REPORTING OF FRAUD

All Shire employees, volunteers or contractors who suspect fraud have an obligation to report it by notifying the Chief Executive, General Manager Corporate Services or Manager Financial Services in person, by telephone, in writing or via email.

Initial response when a fraud is discovered

When a fraud is discovered the employee, volunteer or contractor who discovered the fraud must weigh up carefully how to react.

They must notify the Shire's General Manager Corporate Services or Manager Financial Services as appropriate in the circumstances who in turn must notify the Chief Executive unless the issue of fraudulent behaviour involves either party.

Fraud Investigation Process

When a fraud investigation takes place, it must be undertaken in a methodical and comprehensive manner.

Purpose of the Fraud Investigation

- a) To determine if a fraud has been committed.
- b) Identify the person(s) responsible for the fraud.
- c) Discover the extent of the fraud and determine the action to be taken.
- d) Identify how long the fraud has been occurring and thereby the extent of the breakdown of internal controls.

The Chief Executive in consultation with the appropriate General Manager will determine how and by whom the investigation will be conducted and whether the police or any external assistance will be employed.

Any investigation should be conducted using the principles of investigation and being mindful of the legalities involved. The Audit Committee should be advised of the situation at the earliest practicable time.

In all cases the principles of confidentiality, natural justice and human rights will be maintained.

9. EXTERNAL NOTIFICATION

Council is committed to ensuring that all allegations, breaches of the Code of Conduct or this policy which are considered to be prima facie cases supported by evidence of fraudulent or corrupt activity are notified to the appropriate law enforcement or regulatory agency for investigation and/or prosecution. Where any successful prosecution of a matter results, employment ramifications will be considered on a case by case basis in accordance with Council Human Resources policies.

Independent Broad-based Anti-corruption Commission (IBAC)

Where required, appropriate notification will be provided to IBAC of any improper conduct under the *Protected Disclosure Act 2012*.

10. DOCUMENTATION

The following documents will provide the basis of the ethical standards and conduct expected of Council staff, Councillors, volunteers and Council contractors:

- Code of Conduct – Councillors and Staff
- Employee Manual
- Disciplinary Procedure
- Information System and IBAC Guidelines Security Policy

- Protected Disclosure Act 2012 - Procedures
- Information Privacy Policy
- Risk Management Policy
- Position Description/Employment Agreement/Contract
- Procurement Policy

11. RELATED LEGISLATION

- Local Government Act 1989
- Protected Disclosure Act 2012

12. REVIEW OF POLICY

The Fraud Prevention and Control Policy will be reviewed as part of the Council's annual audit program. At the time of the review, additionally, a report will be prepared which will detail procedures and processes undertaken during the past year which will confirm that an appropriate program of fraud awareness and control is in place.

Policy Review Date	Reason for Amendment
28 March 2007	Adoption by Council
28 October 2010	Review
30 March 2011	Review
24 April 2013	Review
23 April 2014	Review
22 April 2015	Review
30 January 2019	Review