Policy Statement

Council's is committed to protecting its revenue, expenditure and assets and will develop processes for the prevention, deterrence, detection and investigation of all forms of fraud and corrupt conduct. This will aid in the prevention of fraud and corrupt conduct by:

- Ensuring a systematic review to identify how a fraudulent or corrupt behaviour could occur within our system
- To document and manage these as risks.
- Establishing controls to discourage fraudulent or corrupt behaviour, avoid conflict of interest and through auditing, will deter and/or identify fraudulent or corrupt activities.
- To encourage a culture where fraud and corruption are noticed, investigated and mitigated
- Respond to any suspected incident of fraudulent or corrupt conduct.
- To ensure affected parties act in accordance with applicable Codes of Conduct and in the spirit of ethical standards.

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, except where it has been reported as a disclosure pursuant to the *Protected Disclosure Act 2012* which is 'protected' under that Act,

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.

All fraudulent or corrupt behaviour will be responded to equally regardless of impact or parties involved.

1 Purpose

To prevent fraud or corruption by members of the public, contractors, agents, intermediaries, volunteers, Councillors or its own employees whereby they would gain financial or other benefits by deceit, bias, dishonest or otherwise corrupt conduct.

This will be systematically:

- Identified through review and auditing
- Documented as a risk in the Risk Register
- Mitigated and controlled as practicable
- Investigated where an incident is brought to the attention of Council
- Reported to the relevant authorities within the guidelines of relevant legislation

2 Scope

This Policy applies to all employees, 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.

3 Definitions

Definitions and abbreviations are available in OHS001 - Definitions and Abbreviations

Fraud defined in 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."

Examples of fraud include:
- Theft and/or misappropriation of Council revenue (i.e. cash, cheques, money order, electronic funds transfer or another negotiable instrument).
- Unauthorised removal of equipment, parts, software or office supplies from Council premises.
- Use of equipment, materials or services 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 material gain.
- Failure to disclose a conflict of interest in the performance of duties as a Councillor, employee or contractor of Council.
- Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Council-owned software.

Corruption   defined in AS8001-2008: Fraud and Corruption Control, as:
"<u>Dishonest activity</u> in which a Director, Executive, Manager, employee or contractor of an entity acts <u>contrary to the interests of the entity</u> and <u>abuses his/her position of trust</u> in order to achieve some <u>personal gain or advantage</u> for him or herself or for another person or entity."

Conflict of Interest: The expression 'conflict of interest' may be more fully expressed as a 'conflict between personal interest and public duty'. The fundamental ethical rule is that a public official should not allow a conflict to exist between personal interest and public duty. The *Local Government Act 1989* (LGA) sets down particular obligations and prohibitions that apply to Councillors and others in relation to 'interests' and 'conflicts of interest'. These obligations and prohibitions must be understood within the specific terms of the LGA.

Further Ethical Rules: the general rule on conflict of interest gives rise to some further ethical rules:
- A public official must use the power of office solely for the purpose laid down by law.
- A public official must not use information gained from their office to benefit themselves or any other person, or to cause detriment to the public interest or to any other person.
- A person who holds more than one position must not allow a conflict between the duties of those positions (a conflict of duty).

4   Procedure

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. The assessment of risk will be done using the Risk Framework which classifies risks as low, medium, high and very high. Monitoring risks identified for fraud and corruption will be regularly monitored in the Risk Register.

Appendix 1 identifies potential mechanisms for fraud and corruption that should be considered when reviewing the risks to the Council.

4.1 Supplier/Contractor Vetting

To help reduce the risk of fraud and corruption in its procurement and contracting processes, Council will:
- Require respondents to tender invitations to declare any conflict of interest they may have in relation to the procurement activity.
- Conduct vetting of suppliers and contractors.
- Review vendor records regularly to maintain accuracy and currency.
- Maintain a register of all contractors and contracts
- ABN checks on suppliers prior to setting up in TechOne
- Major contract ASIC documentation required

4.2 Pre-employment Screening

The recruitment procedure includes:
- Mandatory policy checks for all employees
- Reference checking of at a minimum one pervious supervisor at last place of employment

- Other checks and screening as required to ensure adherence to other policies (E.g. WWCC, Bankruptcy for Executives)
- Evidence of qualifications to council

4.3 Reporting Fraud and Corruption

Where a person suspects that fraudulent or corrupt conduct is occurring, or has occurred, the employee should report those suspicions to their Manager, the project, contract or service manager, or to the Director, Governance and Corporate Performance.

Where the person does not feel comfortable reporting their suspicions to this Manager or Director they should report such matters to another Director or the CEO. If neither of the above options is appropriate, then the employee should report such matters to the Manager, People and Culture or Deputy Protected Disclosure Officer.

It is important that appropriate notes are taken of all conversations or correspondence including times and dates or any meetings or discussions.

4.3.1 Anonymous Reports

Anonymous reports may be directed to the CEO or to the Protected Disclosure Coordinator or in his or her absence the Deputy Protected Disclosure Officer (refer Protected Disclosure Procedure). Adequate supporting information to enable an investigation to be undertaken must be provided.

4.3.2 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.

4.3.3 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.

All reports received will be fully investigated and appropriate action taken. Councillors and employees must be aware of Council's intention to suspend or dismiss employees, report internal and/or external fraudulent and/or corrupt activity to Victoria Police, the Local Government Inspectorate, the Victorian Ombudsman or IBAC and prosecute, where appropriate, Councillors or employees and any other parties to the matter, found to be involved in fraudulent or corrupt activities. Council will pursue recovery of any financial loss through civil proceedings.

4.4 Investigations

The Incident and investigation Procedure will be used to manage fraud and corruption procedures.

4.4.1 Preliminary Investigation

Where information received by the CEO is assessed to warrant investigation, arrangements for such an investigation will be made with the relevant Director. This arrangement will include securing all related documentation and may include suspension of employee(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, if there is no evidence of malice per the Protected Disclosure Procedure

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

4.4.2 Investigation

Depending on the nature of the allegations, investigations will be undertaken in accordance with sound investigative practices. This includes any allegations or investigations made in relation to the Chief Executive Officer. All potential instances of fraud or corrupt conduct or 'protected' disclosures will be referred to an independent third party for investigation.

Where external investigation is required, for example, Victoria Police or other independent investigators, they will oversee such investigation.

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

Where the issue may involve disciplinary action against an employee, the Manager People and Culture must be advised.

Councillor processes are outlined in the Councillors Code of Conduct.

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

4.5 Media

Council's media process will always be observed, and employees, Councillors or other people associated with Council, will only make public comment in relation to any suspected fraud or corrupt conduct, whether proven or otherwise if approved by the CEO. All communication will be via the Communications Unit.

4.6 Training

Councillors and employees 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. Training on the conduct of risk assessments will also be provided as part of Councillor and employee induction by the Risk Team.

4.7 Procedure Review

Fraud and corruption risks will be reassessed every 4 years in line with this procedure, and identified risks monitored by the relevant manager or coordinator in the risk register. This procedure will be endorsed by ELT.

5 Roles & Responsibilities

Position	Responsibilities
Chief Executive Officer	• Must notify IBAC of all instances of suspected corrupt conduct occurring in their own organisation, and suspected corrupt conduct occurring in other organisations where it relates to the relevant principal officer's duties, functions and exercise of powers. Note

	there is no legislative obligation search out corrupt conduct, only to report it when suspected. • The obligation to report suspected corrupt conduct rests with the CEO and cannot be delegated. Where another person is acting as the relevant principal officer, the obligation applies to that person.
ELT	• Agencies should ensure that appropriate internal systems are in place so matters involving corrupt conduct reported by staff are forwarded to the relevant principal officer • Make the CEO aware of any suspected fraud or corrupt conduct control to ensure compliance with the relevant Australian Standards and appropriate governance structures are in place.
Councillors	• Behave with integrity as described in the Code of Conduct • Report any suspicious behaviour of others within or associated with the organisation to the appropriate officers as soon as becoming aware of such behaviour.
Managers/SLT	• Ensure all contractors are aware of Council's Fraud and Corruption Policy and Procedure and that it is incorporated into the relevant contract and will ensure that the contractor's employees are made aware of their responsibilities and unacceptable behaviours. • Identify risk exposures to corrupt and fraudulent activities within their Department/Units. • Establish controls and procedures for prevention and detection of such activities. • Provide guidance and instruction to all employees 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 as required. • Implement action plans identified in risk assessment to eliminate or reduce the risk of fraud and corrupt conduct. • Monitor and actively manage excessive outstanding leave of employees in risk exposure areas.
Protected Disclosure Coordinator/Protected Disclosure Officer	• Responsible for coordinating the Council's reporting system and for ensuring the Council carries out its responsibilities under the Act, any regulations made pursuant to the Act and any guidelines issued by IBAC. • Council's chief liaison with IBAC. • In addition, Council's Manager People and Culture and Manager Finance and Assets have been appointed as the Council's Protected Disclosure Officers. • They are responsible for receiving and assessing each

	disclosure as well as forwarding all disclosures to the Protected Disclosure Coordinator for further action in accordance with the Act.
All employees	• Behave with integrity as described in the Code of Conduct • Cooperate in any investigation on fraud and/or corruption • Assist in the identification of exposure to corrupt or fraudulent activities in the workplace and the immediate reporting of possible activities. • Report any suspicious behaviour of others within or associated with the organisation to the appropriate officers as soon as becoming aware of such behaviour.

6   Related documents (create as hyperlinks where possible)

Policies	• Councillors' Code of Conduct • Internet and Email Policy • Staff Code of Conduct • Conflict of Interest Policy • Information Privacy Policy • Security and Use of Council Computer Equipment Policy • Staff Gift & Benefit Policy
Strategies	• Risk Management Framework
Procedures	• Protected Disclosure Procedures • Incident reporting and investigation procedure • Recruitment policy and procedure

7   Relevant Legislation and Australian Standards

Acts	• Public Administration Act 2004 • Independent Broad-Based Anti-Corruption Commission Act 2011 • Local Government Act 1989 • Charter of Human Rights and Responsibilities Act 2006 • Protected Disclosures Act 2012
Regulations	• Protected Disclosures Regulations 2013
Australian Standards	• Australian Standard on Fraud Control and Corruption Control (AS 8001: 2008) • Australian Standard in Risk Management – Guidelines (AS 31000: 2018)
Other	• Protected Disclosure Guidelines 2016 • Corruption Risks associated with public regulatory bodies – IBAC July 2018 • Corruption and misconduct risks associated with employment practices in the Victorian public sector – IBAC August 2018 • Controlling fraud and corruption: a prevention checklist – IBAC

8   Appendix - Summary of aspects to consider for fraud and corruptions risks

When assessing risk, the following aspects should be considered to identify potential fraud or corruption mechanisms.

Aspects of Fraud and Corruption

Person	Process	Procedure	Environment	Influences
Age	Raise Purchase order	Cyber	Police Record	Money
Gender	Approve PO	Safes	WWCC	Time
Experience	Pay against receipt	Camera surveillance	Referees	Equipment
Qualifications	Pay prior to receipt	Cash drop at bank	Qualifications	Supplies
Absenteeism	Bill Pay	ATM		Vehicles
Conflict of Interest	Direct Debit	Cheque drop at bank		Petrol
	Cash transportation			Buildings
	Cash receipt			Information - privacy
	Bribery			Information - political
	Borrowing items			Information - conflict
	Performance Reporting			Information - deceit
	Recruitment Procedures			Credit Card
	Pre-employment Check			
	Conflict of Interest			
	Nepotism			
	Favouritism			

https://vpsc.vic.gov.au/resources/vps-executive-pre-employment-screening/
https://www.ibac.vic.gov.au/publications-and-resources/ibac-insights/edition-2/spotting-a-typical-fraudster
https://www.ibac.vic.gov.au/docs/default-source/checklist/fraud_prevention_checklist_20131108.pdf?sfvrsn=cb826775_16