

COONAMBLE FRAUD AND CORRUPTION SHIRE COUNCIL CONTROL POLICY

1. BACKGROUND

Coonamble Shire Council recognises the need to have a Fraud and Corruption Control Policy. This Fraud and Corruption Prevention Policy sets out the fraud and corruption prevention strategies followed by Coonamble Shire Council and details its approach.

Effective implementation of this policy will help ensure that public confidence in the integrity of Council is maintained and Council's ability to achieve the best possible outcomes for the community is enhanced.

2. PURPOSE

Coonamble Shire Council is committed to Best Practice Governance, and prides itself on the values of respect, integrity, honesty, and transparency.

A vital aspect of best practice governance is the development of an effective fraud control framework and corruption prevention strategy, because the public and all stakeholders have an expectation that Council will have in place appropriate systems to reduce the risk of fraud and corrupt conduct against Council.

It is therefore the responsibility of Councillors, the General Manager, Executive Leaders and all Council staff and others including permanent, temporary, part time contractors and consultants, to prevent fraud and corruption.

The Fraud Control Policy is part of this wider ethical framework which includes ten attributes which sit within the themes of prevention, detection, and response (see Figure 1: The Fraud Control Framework), and of which this policy is one of the attributes.

The 10 attributes can be more closely examined in the attached Fraud Control Improvement Kit (Kit) as provided by the Audit Office of New South Wales and aligns with the Standards Australia Fraud and Corruption control Standard AS8001-2008.

The Kit contains practical resources which will enable Council to implement, review and monitor of the framework. Refer to the Appendix of the attached Kit.



Figure 1: The Fraud Control Framework

(Source: Audit Office of New South Wales – Fraud Control Improvement Kit – February 2015)

3. POLICY OBJECTIVE

- To minimise the risk of fraud and corruption;
- To implement the Fraud and Corruption Prevention Strategy within this policy;
- For Councillors, the General Manager, Executive Leaders and all Council staff to embrace the values of integrity, honesty and transparency, in all actions pertaining to the prevention, detection and response to fraud and corruption.

4. LEGISLATION

- *Independent Commission Against Corruption Act 1988;*
- *Local Government Act 1993 – Code of Conduct;*
- *Crimes Act 1900 (NSW);*
- *Protected Disclosures Act 1994;*
- *Public Finance and Audit Act 1983 (PF&A Act);*
- *Local Government Amendment (Governance and Planning) Act 2016;*
- *Australian Standard: AS 8001-2003/AMDT 1-2-004 Corporate Governance – Fraud and Corruption Control.*

5. APPLICATION/SCOPE

Council is committed to the highest standards of legal, ethical and moral behaviour, and to establishing an organisational culture that will ensure that effective corruption and fraud prevention is a vital element in all Council business responsibilities.

All Council officials are expected to share this commitment. Embedding corruption and fraud control management will help to safeguard Council's reputation as a potential result of misconduct by staff and others.

In line with the themes of prevention, detection and response, and in accordance with the attributes and 38 high level process and behaviours, the goal of the Fraud and Corruption Prevention Strategy is to:

1. Ensure management's commitment to its responsibility for identifying risk exposures to corrupt and fraudulent activities, and for establishing controls and procedures for prevention and detection of such activities. See Resource One in the Appendix of the Kit: Fraud Control Checklist.
2. Reinforce the requirement for all staff to refrain from corruption conduct, fraudulent activities, and maladministration, and encourage the reporting of any instance of fraud, corrupt conduct or maladministration.
3. Ensure that all staff are aware of their responsibilities in relation to the ethical conduct of themselves and their staff (if any) through providing a copy of Council's Code of Conduct at commencement of employment, awareness at induction, and through fact sheet reminders.
4. Conduct regular assessments of the risks of corruption and fraud and ensure that all suspected corrupt and fraudulent activity is dealt with in a timely and appropriate manner. See Resource Two in the Appendix of the Kit: Risk Assessment.
5. Utilise the Fraud Control Health Check to determine staff awareness of Fraud and Corruption. See Resource Three in the Appendix of the Kit: Fraud Control Health Check.
6. Communicate that all staff are responsible for the implementation of this policy and strategy, through appropriate fraud and corruption control measures and effective internal control structures.
7. Applicable internal controls include:
 - 7.1 Strict recruitment and thorough induction procedures;
 - 7.2 Clear segregation of delegated duties;
 - 7.3 Security (physical and information systems);
 - 7.4 Supervision and internal checks by supervisors/Managers/Executive Leaders;
 - 7.5 Approvals within delegated authority;
 - 7.6 Cash handling control procedures;
 - 7.7 Procurement Policy and Guidelines;
 - 7.8 Reconciliations;
 - 7.9 Budget control; and
 - 7.10 Clear reporting lines.
8. Each member of staff is required to identify items of risk area of responsibility, and devise and implement controls to minimise the threat of fraud and corruption and report such measures to their direct Supervisor/Manager. If staff members are not confident in devising and implementing controls in response to identified risks, they need to speak with their Manager or the Public Officer.
9. Each Manager should report identified risks and control measures to their Executive Leader, and each Executive Leader should report identified risks and control measures to MANEX.

10. The Public Officer is to review and report on identified risks and control measures as part of Council's Annual Report.
11. Management will conduct spot audits, use phone usage reports, computer usage reports, dry hire records and any other reports considered relevant in the process of monitoring and detecting corruption and fraudulent behaviour.
12. Fraud and Corruption Prevention will also be included in any Risk Management Strategies developed by Council.

Council employees and Councillors understand that Fraud and Corruption will not be tolerated, and appropriate disciplinary action will be taken.

Fraud Control Framework

Within the themes of prevention, detection and response, the control framework has 10 key attributes. Each of these attributes in the framework has a checklist of high-level processes and behaviours, which, together with the information provided would indicate a successful fraud control framework.

The following 10 attributes and further 38 high level processes and behaviours are described in more detail in the attached Kit:

Attribute 1: Leadership

- General Manager (GM) and senior executive management commitment to fraud control
- Clearly defined GM and senior executive management accountability and responsibility

Attribute 2: Ethical Framework

- Clear policies setting out acceptable standards of ethical behaviour
- Demonstrated compliance with ethical framework
- Employees can articulate obligations to ethical behaviour and the organisation's position on fraud

Attribute 3: Responsibility Structures

- Management and all staff have clearly defined responsibilities for managing fraud
- Fraud management is integrated with core business
- Resources are allocated for managing fraud
- Clearly defined roles for audit and risk committees and auditors
- Staff with responsibility for fraud control and staff in high risk fraud areas are provided with training

Attribute 4: Fraud Control Policy

- Risk-based policies appropriate to the organisation
- Holistic and integrated
- Regularly reviewed, current and implemented

Attribute 5: Prevention Systems

- Proactive and integrated fraud risk assessment
- Planning, follow up and accountability
- Analysis of reporting on suspected and actual frauds
- Ethical workforce
- IT security strategy

Attribute 6: Fraud Awareness

- Comprehensive staff education and awareness program
- Staff awareness of fraud control responsibilities
- Customer and community awareness

Attribute 7: Third party management systems

- Targeted training and education for key staff
- Third party due diligence and clear contractual obligations and accountabilities
- Effective third party controls
- Third party awareness and reporting
- Staff disclosure of conflict of interest and secondary employment

Attribute 8: Notification System

- Culture that supports staff reporting and management acting on those reports
- Policies, systems and procedures that support reporting
- Processes to support upward reporting
- External reporting

Attribute 9: Detection System

- Robust internal controls
- Monitoring and review
- Risk-based internal audit program

Attribute 10: Investigation Systems

- Clear, documented investigation procedures
- Investigations conducted by qualified and experienced staff
- Decision-making protocols
- Disciplinary systems
- Insurance

6. POLICY

REPORTING SUSPECTED CORRUPTION / FRAUD

All staff members and others including permanent, temporary, part time contractors and consultants have a responsibility to report suspected corrupt and/or fraudulent activity.

Staff members wishing to disclose corrupt conduct, maladministration, or serious and substantial waste, as defined in Council's Public Interest Disclosures Internal Reporting Policy, Guidelines and Procedures, should do so in accordance with the procedures set out in the Internal Reporting Policy, Guidelines and Procedures. These form part of the Fraud Control Framework.

Note that staff members who make disclosures in accordance with the Public Interest Disclosures Internal Reporting Policy are protected from reprisals under the *Protected Disclosures Act 1994* and, as such, should not feel jeopardised in any way for making such disclosures. Strictest confidentiality is required of all parties.

All other instances of suspected corrupt and/or fraudulent activity not covered by Council's Public Interest Disclosures Internal Reporting Policy should be notified to the staff member's direct supervisor or, if the suspected behaviour is carried out by the direct supervisor, to the Public Officer, or if the staff member believes that the conduct needs to be reported directly to the Public Officer. Council's Public Officer is currently the Executive Leader Corporate and Sustainability.

Staff in managerial or supervisory positions and/or the Public Officer will discuss all reports of suspected Fraud and Corruption with the General Manager before taking action.

The General Manager will sign off on all reports of suspected Fraud and Corruption and, in accordance with the *Independent Commission Against Corruption Act 1988 NO 35*, will report such matters to Council, the Independent Commission Against Corruption, and depending on the severity of the conduct, report the matter to the Police.

Risks

The key Fraud and Corruption Risk Areas for Council (as identified by the ICAC 2003) include:

- Use of confidential information;
- Procurement of goods and services;
- Use of Council resources;
- Use of Council funds;
- Staff recruitment and promotion;
- Inspection and regulatory functions; and
- Cash handling.

COUNCIL FRAUD AND CORRUPTION RESPONSIBILITY STRUCTURE			
General Manager	<ul style="list-style-type: none"> • Culture • Policy and Strategy • Business Risk • Corporate Governance • Compliance (legislative, regulatory, community) • Stakeholder value • Image 		
	Executive Leaders	<ul style="list-style-type: none"> • Lead by Example • Develop and implement fraud and corruption prevention strategies for the Directorate • Identify and mitigate actual and potential corruption risks in the workplace • Monitor and review the effectiveness of mechanisms implemented to minimise and detect corruption • Demonstrate ethical conduct in all business dealings • Promote awareness of fraud and corruption prevention and ethical conduct in the workplace 	
		Managers, Team Leaders and Coordinators	<ul style="list-style-type: none"> • Promote awareness of ethical conduct and mechanisms to prevent corruption • Provide input to policies, procedures and instructions that relate to areas of risk • Drive the Prevention of Fraud and Corrupt Conduct Strategy • Provide ethical advice and support to staff • Monitor integrity of the Fraud and Corruption Prevention Strategy
			Employees, temporary, part time, contractors and consultants

7. DEFINITION

Corruption is defined under the *Independent Commission Against Corruption Act 1988 No 35 (8)* as follows:

(1) *Corrupt conduct is:*

- a) *any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly, the honest or impartial exercise of official functions by any public official, any group or body of public officials or any public authority; or*
- b) *any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions; or*
- c) *any conduct of a public official or former public official that constitutes or involves a breach of public trust; or*
- d) *any conduct of a public official or former public official 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.*

(2) *Corrupt conduct is also any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly, the exercise of official functions by any public official, any group or body of public officials or any public authority and which could involve any of the following matters:*

- a) *Official misconduct (including breach of trust, fraud in office, nonfeasance, misfeasance, malfeasance, oppression, extortion or imposition);*
- b) *Bribery;*
- c) *Blackmail;*
- d) *Obtaining or offering secret commissions;*
- e) *Fraud;*
- f) *Theft;*
- g) *Perverting the course of justice;*
- h) *Embezzlement;*
- i) *Election bribery;*
- j) *Election funding offences;*
- k) *Election fraud;*
- l) *Treating;*
- m) *Tax evasion;*
- n) *Revenue evasion;*
- o) *Currency violations;*
- p) *Illegal drug dealings;*
- q) *Illegal gambling;*
- r) *Obtaining financial benefit by vice engaged in by others;*

- s) *Bankruptcy and company violations;*
- t) *Harbouring criminals;*
- u) *Forgery;*
- v) *Treason or other offences against the Sovereign;*
- w) *Homicide or violence;*
- x) *Matters of the same or similar nature to any listed above, and*
- y) *Any conspiracy or attempt in relation to any of the above.*

Fraud is recognised as a subset of corruption. The Australian Standard on Fraud and Corruption Control (AS8001-2008) defines Fraud as:


“Dishonest activity causing actual or potential financial loss to any person or entity including theft of monies 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 by where deception is not used is also considered ‘fraud’ for the purposes of this Standard.

Examples of Fraud could include, but are not limited to:

- *Misappropriating Council’s assets including use of Council assets for private purposes;*
- *Abuse of Council time;*
- *False invoicing, and / or invoicing for goods or services never rendered;*
- *Providing false or misleading information;*
- *Misuse of sick leave or carers leave; and*
- *Theft of cash, equipment or tools.*

Title: Fraud and Corruption Control Policy		
Department: General Manager		
Version	Date	Author
Version: 2	16 June 2021	Hein Basson
Related Documents: Code of Conduct; Procurement Policy; Privacy Policy; Internal Reporting Policy; Risk Management Policy; Audit Office of New South Wales – Fraud Control Improvement Kit – February 2015.		
This policy may be amended or revoked at any time and must be reviewed at least three (3) years since its adoption (or latest amendment). Review of this policy will incorporate relevant legislation, documentation released from relevant state agencies and best practice guidelines.		
Review Date: June 2024		
Amendments in the release:		
Section Title	Section Number	Amendment History
Annexure Attached: Fraud Control Improvement Kit		
Hein Basson General Manager		18-6-2021.