

FRAUD & CORRUPTION PREVENTION POLICY

Policy Number: POL16/224 • **Adopted:** May 1995 • **Revised:** April 2003, July 2005, 14/08/ 2007, 10/11/2009, 23/11/2012, 27/10/2015, 1/12/2016 (SSCM Committee) • **Minute Number:** MIN07.1157, MIN09.1581, MIN12.1249, MIN15.656 • **File:** 9192E • **Produced By:** General Managers Group • **Review Date:** 1/12/2020

1. PURPOSE

To clearly specify Council's attitude and approach to confronting and reducing the risks of fraud and corruption affecting Council's staff, operations and services.

To clearly demonstrate that Council does not and will not tolerate fraudulent and corrupt practices either by its own staff, contractors or others working for Council and will not tolerate others using fraudulent or corrupt practices against Council, its staff or the functions it undertakes and services it provides.

2. STATEMENT

2.1. Scope

This Policy applies to all Council officers including permanent, fixed-term, temporary, casual, Councillors, contractors to Council and management committee members and other volunteers.

2.2. Relationship to Other Documents

This Policy is to be read in conjunction with Council's Internal Reporting Policy, Code of Conduct, and related party disclosures required for key management personnel under AASB 124.

2.3. Definitions

Fraud is defined in Australian Standard 8001-2003 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 whether or not 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 Standard.

Examples of fraud which fall within the intended scope of this Policy, include but are not limited to:

- Theft of plant and equipment by employees;
- Theft of stock or inventory by employees;
- False timesheet entries and/ or TRS entries;

- Providing false statutory declarations or statements in order to receive payments for contracted works;
- False invoicing (involving a staff member of the entity or a person external to the entity creating a fictitious invoice claiming payment for goods and services not delivered or exaggerating the value of goods delivered or services provided);
- Theft of funds other than by way of false invoicing;
- Theft of cash;
- Theft of intellectual property or other confidential information; and
- Misuse of position by Councillors, Directors, Senior Managers or other staff in order to gain some form of financial advantage.

Corruption is defined in AS8001-2008 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. The concept of ‘corruption’ within this standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of an in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly.

Examples of corrupt conduct which fall within the intended scope of this Policy, include but are not limited to:

- Payment or receipt of secret commissions (bribes), which may be paid in money or some other form of value to the receiver and may relate to a specific decision or action by the receiver or generally;
- Release of confidential information for other than a proper business purpose in exchange for some form of non-financial benefit or advantage accruing to person releasing the information;
- Collusive tendering (the act of multiple tenderers for a particular contract colluding in preparation for their bids);
- Payment or solicitation of donations for an improper political purpose.

Fraud Control – these are the actions taken to stop or at least reduce the risk of fraud occurring, and are designed to provide reasonable assurance that fraud risks are managed in such a manner as to ensure that the achievement of council’s objectives will not be adversely affected by fraudulent practices.

3. PROVISIONS

- 3.1 Shoalhaven City Council is committed to protecting its revenue, expenditure, property, intellectual capital and reputation from any attempt, either by members of the public, contractors, sub-contractors, agents, intermediaries, councillors or its own employees to gain by deceit, any financial or other benefits.
- 3.2 The principal elements of Council’s Fraud & Corruption Prevention Policy are:
- 3.2.1 The prevention of fraud and corruption at its origin. In particular, the implementation of effective control structures and procedures which aim to eliminate the prospect of fraud occurring;
 - 3.2.2 All Councillors, managers, staff, contractors, delegates and volunteers be made aware of their obligation to act ethically and to follow Council’s Code of Conduct;
 - 3.2.3 All contractors and those dealing with Council be made aware of the ethical standards expected of others in their dealings with Council;
 - 3.2.4 A commitment to a policy of detection, investigation and prosecution of individual cases of fraud;
 - 3.2.5 A commitment by Council that the utmost protection will be given to those making public interest disclosures (“whistleblowers”); and

3.2.6 Respect of the civil rights of employees and citizens and a commitment to natural justice.

4. IMPLEMENTATION

- 4.1 All Councillors, Group Directors & managers and staff of Council, including casual staff and volunteers have a general responsibility for fraud and corruption prevention. The role of the Risk & Audit Committee in respect to fraud is to review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- 4.2 Directors and Managers are responsible for the prevention and detection of fraud and corruption in areas under their control.
- 4.3 Directors and Managers are responsible for development and implementation of effective policies and procedures to prevent, detect, report, and control fraud and corruption, based on a risk management approach.
- 4.4 Internal Audit Program Coordinator is responsible for reviewing of the robustness of internal controls, monitoring and reviewing processes in place through risk based internal audit programs addressing the corporate risks.
- 4.5 In addition, the General Manager has particular responsibilities in relation to the prevention of financial fraud.
- 4.6 Councillors and Risk & Audit Committee members are responsible for providing an oversight role.

Fraud and Corruption Prevention 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
	Directors + Managers	<ul style="list-style-type: none"> ▪ Lead by example ▪ Develop and implement fraud and corruption prevention strategies for Department ▪ 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
	Supervisors +	<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 Fraud and Corruption Prevention Strategy ▪ Provide ethical advice and support to staff ▪ Monitor integrity of Fraud and Corruption Prevention Strategy

			Employees	<ul style="list-style-type: none"> ▪ Ethical behaviour ▪ Report suspected incidents of fraud and corruption ▪ Compliance with fraud and corruption prevention controls including the Fraud Control Policy
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5. REPORTING

- 5.1 The council official must report as soon as possible any suspected fraudulent or corrupt behaviour.
- 5.2 Within Council, reports can be made to the General Manager, Group Directors, Governance Unit Manager/ Public Officer, Internal Audit Program Coordinator and Rangers Unit Leader. Report can be made to the Mayor for any suspected fraudulent and corrupt practices by the General Manager.
- 5.3 All reports should be subsequently reported to the General Manager (or the Mayor in case of suspected fraud and corrupt practices by the General Manager) who will determine whether the matter requires reporting to Independent Commission Against Corruption.
- 5.4 The person reporting may be afforded protection by Council under the provisions of the Internal Reporting Policy.

6. INVESTIGATIONS

- 6.1 The General Manager will decide whether an investigation will be taken and its nature and scope. The General Manager will decide who will conduct the investigation; internally or externally.
- 6.2 The Mayor will decide on investigation on any allegation against the General Manager.
- 6.3 ICAC’s publication “A Guide to Conducting Internal Investigations” may be used as a resource when conducting internal investigations.
- 6.4 The objectives of any investigation will be to:
 - 6.4.1 Identify fraud and corruption vulnerabilities in business processes and instigate remedial action,
 - 6.4.2 Determine and if appropriate instigate any applicable insurance coverage aspects.
 - 6.4.3 Identify offenders and refer them for prosecution,
 - 6.4.4 Where practical, instigate recovery action through insurances or through the criminal courts on behalf of Council, and
 - 6.4.5 Determine and if warranted refer the outcome of the investigation to Human Resources for appropriate disciplinary action.
- 6.5 The outcome of any investigation shall be communicated to the Executive Management team with an indicated timeframe to implement controls. Relevant Group Director shall be responsible for providing update on the implementation plan to the General Manager and the Executive Management team.

7. EXTERNAL NOTIFICATIONS

- 7.1 The Independent Commission Against Corruption Act 1988 requires the General Manager to report suspected instances of corrupt conduct, including fraud, to the Independent Commission Against Corruption.

- 7.2 In accordance to the Internal Reporting Policy, the General Manager may decide on reporting the fraud cases to the Police.

8. REVIEW

This Policy will be reviewed every two years, or earlier should circumstances arise to warrant revision, to ensure that it meets the objects of relevant legislation, and facilitates the making of disclosures under the Public Interest Disclosures Act, or earlier should circumstances arise to warrant revision.

9. APPLICATION OF ESD PRINCIPLES

Not Applicable