# Fraud and Corruption Awareness and Prevention Policy

Version 1.3, May 2020

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# Policy governance

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| **Responsible Service/Department:** | |
| Organisational Performance | |
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| Leadership Network / SRIA / ARCO | |
| **Relevant Legislation:** | |
| Local Government Act | |
| Crimes Act Victoria | |
| Australian Standard AS8001-2008 – Fraud and Corruption Control | |

Protected Disclosure Act and Guidelines

Independent Broad-based Anti-Corruption Commission (IBAC) Act 2011

Ombudsman Act 1973

Audit Act 1994

Privacy and Data Protection Act

**Associated Strategic Direction #:**

Associated to Strategic Direction 6: Our Commitment to You

**Associated Artefacts:**

City of Port Phillip Fraud and Corruption Control Plan

Employee Code of Conduct (including Council's Gift & Hospitality Policy)

Councillor Code of Conduct (including Council's Gift & Hospitality Policy)

Procurement Policy

Corporate Credit Card Policy

For a full list of supporting artefacts, please refer to Relevant policy, regulations or legislation section below.

**Supersedes:**

Fraud and Corruption Control Policy 2017

**Review History:**

| Name | Content Manager File Reference | Date | Description of Edits |
|---|---|---|---|
| Fraud and Corruption Control Policy | 16/11/17 | June 2017 | **Ver 1.2 - Update reflects Council's current operating environment.** |
| **Fraud and Corruption Awareness & Prevention Policy** | 98/01/37 | May 2020 | **Ver 1.3 - Update reflects Council's current operating environment, includes feedback from Fraud Internal Audit Nov 2018 and better aligns with the Fraud and Corruption Control standard AS8001-2008.** |

# Contents

# Mayor's Message

As employees and representatives of the City of Port Phillip, we are trusted by our community and our colleagues to do the right thing.

This trust is at the heart of everything we do at Council. To be worthy of this trust, we must hold ourselves to the highest standard of integrity and protect our organisation from fraud and corruption.
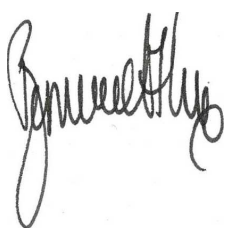
Fraudulent and corrupt activity not only damages community trust, it ruins relationships, reputations and lives and wastes valuable public money and resources and no industry is immune from it.

The most effective weapon against fraud and corruption is a well-informed workforce, one that is prepared and supported to report corrupt behaviour irrespective of the persons position or status.

Council has developed the Fraud and Corruption Awareness and Prevention Policy to empower all of us at City of Port Phillip to prevent, detect and respond to fraud and corruption.

This policy applies to all of us – Councillors, Council employees, contractors and volunteers, agents and contractors either engaged by Council or by an authorised contractor. Each of us has a duty to be aware of the potential for fraud and corruption and to report anything that we feel is not right. Having this policy in place underscores our commitment to integrity, objectivity and visibility.

In committing to the Fraud and Corruption Awareness and Prevention Policy, we can uphold a culture of accountability and trust for our City of Port Phillip community and colleagues.

**Cr Bernadene Voss**

**Mayor**

# Purpose

Fraud and corruption is not tolerated at City of Port Phillip. Council is committed to protecting its reputation and assets from any attempt by employees or others to gain financial or other benefits by deceit or dishonest conduct.

The purpose of this policy is to help minimise the opportunity for fraudulent and corrupt activity to occur by ensuring all members of the organisation understand what it is, that it will not be tolerated and what their legal obligations are in response to it.

The Policy outlines Council's commitment to fraud and corruption control and outlines its approach to preventing, detecting and investigating all instances of fraud and corrupt conduct.

# Outcomes

- Council has zero tolerance for fraud and corruption and is committed to protecting its reputation and assets from any attempt by employees or others to gain financial or other benefits by deceit or dishonest conduct.

- Council has established an organisational culture where transparency, accountability, integrity and stewardship are embraced. Council will ensure all staff and councillors have an awareness of expectations in relation to fraud and corruption and the process for reporting incidents.

- Any fraud or corruption event committed or attempted against the Council will be thoroughly investigated irrespective of the suspected wrongdoer's position, length of service or relationship to Council.

- Appropriate disciplinary action, including legal action, will be taken against any staff member involved in fraudulent or corrupt conduct and those other than staff will be prosecuted to the fullest extent of the law.

- Council will ensure that it has in place effective operational controls and procedures for the prevention and detection of fraudulent and corrupt conduct.

# Definitions

| Term | Definition |
|---|---|
| **Fraud** | The Australian Standard for fraud and corruption control defines fraud 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.

Examples of acts of fraud include (but are not limited to):

- theft of plant and equipment

- theft of inventory

- false invoicing (creating a fictitious invoice claiming payment for goods or services not delivered or exaggerating the value of goods delivered or services provided)

- theft of funds or cash (usually involving some form of concealment)

- accounts receivable fraud (misappropriation or misdirection of remittances received by an entity from a debtor)

- credit card fraud involving the unauthorised use of a credit card, credit card number issued to another person or the use of stolen or fraudulently generated credit card numbers by merchants

- theft of intellectual property or other confidential information

- release or use of misleading or inaccurate information for the purposes of deceiving, misleading or to hide wrongdoing

- misuse of position in order to gain some form of financial advantage.

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| **Corruption** | Corruption is the misuse of public power or position including: |

- taking or offering bribes

- dishonestly using influence

- committing fraud, theft or embezzlement

- misusing information or material acquired at work (to confer an improper advantage or disadvantage on a person)

- conspiring or attempting to engage in the above corrupt activity.

Corruption can occur through:

- improper or unlawful actions or inactions

- actions of private individuals who try to improperly influence council functions or decisions.

Examples of acts of corruption include (but are not limited to) the following:

- disclosing tender bids to competing tenderers before a tender closes
- accepting payments to make planning decisions in a particular way
- providing family and close friends with preference.

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| **Investigation** | Investigation means a search for evidence connecting or tending to connect a person (either a natural person or a body corporate) with conduct that infringes the criminal law or the policies and standards set by the Council. |

# Responsibilities

Responsibility for the prevention and detection of fraud and corruption and for the implementation and operation of controls that minimise fraudulent and corrupt activity within their areas of responsibility rests with all levels of management, Councillors, staff, volunteers and agency or contract staff who represent Council.

| Role | Responsibility |
|---|---|
| **Councillors** | As part of their sworn oath (or affirmation) as elected representatives, Councillors have a duty to ensure that Council assets and resources are safeguarded from fraudulent and corrupt conduct, and to ensure that Council's powers, duties and responsibilities are exercised in an open, fair and proper manner to the highest standards of probity.<br><br>Councillors must lead by example and genuinely commit to fraud and corruption control by raising awareness and ensuring that associated risks are considered in their dealings with the CEO, Council officers and members of the public.<br><br>Reviewing and endorsing this Policy. |
| **Chief Executive Officer** | The CEO has ultimate accountability for fraud and corruption control within Council and ensuring policies and procedures are followed and that appropriate governance structures are in place and are effective.<br><br>Expeditiously reporting to IBAC, relevant agencies and the Audit and Risk Committee in accordance with this policy. |

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| **Executive Leadership Team / SRIA** | Ensuring Fraud and Corruption Control is embedded into enterprise risk management.<br><br>Monitoring the implementation of this policy.<br><br>Reviewing the annual risk assessment and assisting in establishing a Fraud and Corruption Control Plan.<br><br>Championing ethical behaviour and fraud and corruption awareness within Council.<br><br>Assisting with the handling of any incidents as appropriate.<br><br>Working in partnership with the Manager People and Culture in relation to training and awareness of fraud and corruption across the organisation.<br><br>Monitoring compliance with associated codes of conduct, policies and procedures.<br><br>Receiving reports on actual incidences of fraud and corruption. |
| **Audit and Risk Committee** | Reviewing and endorsing this Policy and reviewing the mechanisms in place to comply with the Policy including an annual risk assessment and control plan.<br><br>Considering the adequacy of actions take to prevent, detect and respond to fraud and corruption.<br><br>Receiving reports on actual incidences of fraud and corruption.<br><br>Ensuring fraud and corruption control is adequately considered in the Internal Audit and Core Compliance Plan. |
| **External Auditors (VAGO) role in the detection of fraud and corruption** | The Victorian Auditor General's Office (VAGO) is the external auditor for Port Phillip City Council. VAGO has an obligation to consider the risk of fraud and corruption in performing the external audit. Council will engage with VAGO in an open and collaborative manner to assist VAGO in the discharge of its obligations including:<br><br>• Sharing findings of Council's fraud and corruption risk assessments and the results of any investigations undertaken into fraudulent or corrupt behaviour<br>• Providing VAGO with Council's Fraud and Corruption Control Plan focussing on the importance Council places on fraud and corruption prevention |

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| | Offering such assistance as the auditor may require to enable a more comprehensive understanding of Council's approach to fraud and corruption management. |
| **Protected Disclosure Coordinator and officers** | Receiving allegations of fraud and corruption (where the disclosure falls within the Protected Disclosure Act 2012). Please refer to the below link for Council's Protected Disclosure Procedures and Roles and Responsibilities: http://www.portphillip.vic.gov.au/protected-disclosure.htm |
| **Managers, Coordinators and Team Leaders** | Complying with this Policy and promoting awareness and compliance with this Policy to staff, contractors and volunteers who fall within the area of responsibility of their Department. Identifying and documenting fraud and corruption risk as business as usual and after organisational change. Ensuring strong fraud and corruption risk controls exist, are recorded on their respective departmental operational risk registers and are complied with by all staff and frequently reviewed. Educating their staff about fraud and corruption controls and procedures following the detection of fraud and corruption. Continuously promoting ethical behaviour by their actions and advice. |
| **Coordinator Risk and Assurance** | Responsible for reviewing and updating Council's Fraud and Corruption Policy. Responsible for maintaining Council's confidential Fraud and Corruption Incident Register. Support the CEO in expeditiously reporting to IBAC, relevant agencies and the Audit and Risk Committee in accordance with this policy. |
| **Council staff, contractors and volunteers** | To be aware of and understand their obligations in identifying and reporting any risks, exposures or suspected fraudulent activities. |

# Scope

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

## Fraud and Corruption prevention and detection

### Pre-employment screening

A focus on the prevention of fraud and corruption incidents perpetrated by staff commences at the beginning of the City of Port Phillip (CoPP) employment journey. When a preferred applicant is selected by an interview panel, the process for employment screening is activated. A selected panel member is required to undertake referee / security / medical checks against past employers to uncover any potential issues that may indicate that further research or questioning of the applicant may be required. Things to look for include unexplained gaps in employment history, short periods of employment or unavailability or reluctance to produce referees from past employers.

Police checks may also be undertaken and are used to determine someone's suitability for a position of trust.  Requirements are usually attached to specific positions.

### Supplier and customer vetting

In addition to employees, Council also vets prospective suppliers and contractors for both under and over $500,000 spends. The vetting process involves engaging with selected agencies who have access to directors and company information including credit ratings, any legal actions or court actions, referee checks, business profiles and provide a risk profile summary on both the directors and the business. Any reported fraud would be identified through this process.

### Fostering an organisational culture of ethical behaviour

The most effective weapon against fraud and corruption is a well-informed and aware workforce, prepared to disclose any fraudulent or corrupt behaviour.

The CEO and Executive Leadership Team is responsible for promoting an anti-fraud and corruption culture throughout the organisation. Staff must be aware that all reports of fraud and corruption will be fully investigated and appropriate action taken including possible dismissal, suspension, reporting of fraudulent or corrupt activity to Victoria Police or another regulator and potential prosecution including recovery of any financial loss suffered by Council.

### Training general / targeted

Council acknowledges the primary role of staff in the prevention of fraud and corruption. To foster an appropriate fraud and corruption resistant culture, the organisation will implement fraud awareness training and adopt transparent and participative management practices that empower staff in their operational roles.

There will be suitable induction training to enhance fraud and corruption resistance. Awareness of the available reporting mechanisms and Public Interest Disclosure (Whistleblower) support will also be further reinforced through training programs and other means of communication such as via Council's intranet page. Training may be facilitated internally and/or via external providers.

Targetted training may be provided for staff working in business areas where the risk of fraud is inherently high.

## Fraud and Corruption risk management and assessment Process

Fraud and corruption risk management is integrated with Council's enterprise risk management framework and operational risk registers.

A fraud and corruption risk assessment is undertaken at least annually with each manager as part of the full annual risk review process to identify weakness in controls and allow the organisation to identify high risk areas. The organisation will utilise these assessments to improve any identified internal control weaknesses.

## Internal Controls (Fraud and Corruption Control Plan)

Council must maintain effective internal controls designed to prevent and detect fraud and corruption. Controls should be outlined in a Fraud and Corruption Control Plan, subject to review by the Strategic Risk and Internal Audit Group (SRIA) and the Audit and Risk Committee to ensure they are effective and respond appropriately to the organisation's current risk profile.

Council must also maintain clearly documented procedures for its high risk activities such as tendering, accounts payable and purchasing, and management of assets.

Common examples of internal controls include:

- Segregation of duties
- Identification and declaration of conflict of interest
- Adherence to and promotion of Council policies
- Effective leadership – setting the tone at the top
- Security (physical and information systems)
- Supervision (internal reviews)
- Approvals within delegated authority
- Regular reconciliations
- Sound budget control including regular reviews
- Regular review of management reports
- Clear reporting lines

# Reporting of Breaches, Disclosures, Allegations and Investigations

Staff who come forward and report incidents of wrongdoing are helping to promote integrity, accountability and good management within Council. Staff / Contractors should report conduct which involves (or which they reasonably believe may involve) fraud, corrupt conduct, maladministration or serious and substantial waste of public money.

Where such allegations are substantiated, Council will respond by either reporting the incident to relevant authorities or undertaking disciplinary action under the Code of Conduct.

Council will take action against anyone who takes reprisal action against a Council officer / Contractor who reports suspected or known incidents, consistent with Council's Protected Disclosures Policy and Procedures.

An Employee who makes a false disclosure, in addition to being guilty of an offence, may face disciplinary action that may include dismissal.

Disclosures may be made to:

- The Protected Disclosures Coordinator or any of the Protected Disclosure Officers (as outlined in the Council's Protected Disclosure Procedures)
- Any member of the Leadership Network (Executive Leadership Team or department lead)
- The Coordinator Risk and Assurance
- Independent Broad-Based Anti-Corruption Commission (IBAC) in accordance with the Protected Disclosures Act 2014 or the Independent Broad-based Anti-corruption commission Act 2011 (IBAC Act).

A confidential Fraud and Corruption Incident Register is maintained by the Coordinator Risk and Assurance and is used to record suspected or actual incidents of fraud and corruption. Incidents of fraud and corruption will be reported as confidential items in the Risk Management Update section of the SRIA agenda.

All incidents are reported to the CEO and Audit and Risk Committee (in accordance with Protected Disclosure Act requirements, where relevant).

In the absence of the complaint being about the Chief Executive Officer, the Chief Executive Officer shall determine the resources to be engaged for the purpose of conducting an investigation.

The confidentiality of persons who raise such concerns will be preserved.

## Notification and Investigation Process

Where an incident of suspected fraudulent or corrupt conduct is reported, the officer receiving the report should:

- Make detailed notes about the circumstances of the incident.
- Unless the matter is a Protected Disclosure pursuant to the Protected Disclosures Act 2012 (Vic), report the matter immediately to the CEO and the relevant General Manager / Director as well as the Manager Organisational Performance for inclusion in the register.

- Maintain confidentiality at all times around all allegations raised and the identity of any individuals involved.

- Not attempt to personally undertake an investigation

- Not contact any staff members which are the subject of the allegations.

- Not discuss the complaint with any other staff members other than as directed by an authorised investigating officer.

- Not compromise the integrity of any evidence supporting allegations raised.

## IBAC Mandatory Notification

Mandatory notifications of public sector corruption were introduced in December 2016. This obligation is set out in section 57 of the Independent Broad-based Anti-corruption Commission Act 2011 (the IBAC Act), requiring 'principal officers'*of a Public Sector body to notify IBAC on reasonable grounds of any matter they suspect is occurring or has occurred constituting corrupt conduct.

There is no legislative obligation for relevant principal officers to search out corrupt conduct, only report it when suspected. To meet the threshold for notification to IBAC, the conduct must:

1. Be corrupt conduct as defined in section 4 of the IBAC Act; and

2. Be an indictable offence or a prescribed common-law offence committed in Victoria; and

3. Lead a reasonable person to suspect that corrupt conduct has occurred or is occurring (reasonable suspicion).

The Coordinator Risk & Assurance is currently the City of Port Phillip nominated officer to report mandatory notifications to IBAC, utilizing the IBAC Mandatory notification form https://www.ibac.vic.gov.au/reporting-corruption/notifications.  All information exchanged is authorized by the CEO &/or nominated delegated officer.

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*Principal Officer is defined in s3 of the IBAC Act as 'the public sector body head within the meaning of s4(1) of the Public Administration Act

### Investigation Outcome

Once an investigation has been finalised, the CEO will determine the appropriate course of action in consultation with the relevant General Manager, Manager People and Culture and Manager Organisational Performance which may include:

- Disciplinary proceedings
- Referral to Victoria Police
- Referral to another agency for investigation
- Civil action.

The Manager Organisational Performance and the Coordinator Risk and Assurance (or other delegated officer) shall work with relevant managers to ensure appropriate controls are introduced to prevent a reoccurrence of the issue.

## Fraud and Corruption Insurance Arrangements

Council maintains an insurance policy known as the fidelity guarantee policy of insurance, which is renewed on an annual basis. This policy of insurance forms part of the suite of insurances which Council maintains. The policy is designed to respond to incidents of fraud or corruption where Council has suffered a financial loss. The policy responds to incidents including employee fraud, computer fraud, identity fraud, credit card fraud and forgery, etc.

The extent of coverage and applicable excess is reviewed each year at renewal. In order to ensure that council has notified insurers of any potential fraud activity, an annual risk and insurance attestation is forwarded to all managers to ensure disclosure of circumstances or confirmation of incidents previously reported in the financial year are appropriately recorded and reported.

# Relevant policy, regulations or legislation

The following legislation establishes Council's accountability and integrity framework and determines key requirements to ensure fraudulent and corrupt conduct is not tolerated.

Local Government Act

Crimes Act Victoria

Australian Standard AS8001-2008 – Fraud and Corruption Control

Protected Disclosure Act and Guidelines

Independent Broad-based Anti-Corruption Commission (IBAC) Act 2011

Ombudsman Act 1973

Audit Act 1994

Privacy and Data Protection Act

The Fraud and Corruption Awareness and Prevention Policy is one of a suite of policies and procedures designed to minimise the incidence of corrupt conduct in the workplace.  This Policy should be read in conjunction with other related policies and procedures, including but not limited to:

City of Port Phillip Fraud and Corruption Control Plan

Employee Code of Conduct (including Council's Gift & Hospitality Policy)

Councillor Code of Conduct (including Council's Gift & Hospitality Policy)

Procurement Policy

Corporate Credit Card Policy

Protected Disclosure Policy and Procedure

Risk Management Policy and Framework

Risk Management Principles and Guidelines AS/NZS ISO 31000-2018

Risk Registers

Fraud and Corruption Incident Register

Audit and Risk Committee Charter