



Fraud and Corruption Control Policy

June 2017

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Fraud and Corruption Control Policy



1. PURPOSE

This Policy outlines Council's commitment to fraud and corruption control and outlines its approach to preventing, detecting and reporting instances of fraud and corruption.

2. GUIDING PRINCIPLES

This policy is based on the following key principles:

- 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 will be taken against any staff member involved in fraudulent or corrupt conduct.
- Council will ensure that it has in place effective operational controls and procedures for the prevention and detection of fraudulent and corrupt conduct.

3. SCOPE

This Policy applies to all Councillors, Council employees, contractors and volunteers.

4. DEFINITIONS

4.1 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

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- 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

4.2 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

5. FRAUD AND CORRUPTION PREVENTION

5.1 Fostering an Organisational Culture of Ethical 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.

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Service and Business Improvement will evaluate the adequacy and effectiveness of internal controls for managing fraud and corruption risk through regular risk assessment as well as internal and external audit and compliance monitoring.

The Finance, Culture and Capability and Governance departments are key control owners and have a role in ongoing compliance monitoring as well as supporting the training and awareness programs.

5.2 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 register. The risk management process involves:

- assessing Council's overall vulnerability to fraud and corruption and areas most vulnerable to the risks
- assigning ownership to manage the risks
- evaluating the consequence and likelihood of the risks
- providing mechanisms to respond to the risks
- ensuring that all risks identified are mitigated as far as practical by implementation of relevant control.
- monitoring and reporting on compliance and the ongoing effectiveness of controls

The fraud and corruption risk assessment will occur at least annually and be used as the basis for developing an annual Fraud and Corruption Control Plan.

Both the risk assessment and control plan will be reported to the Executive Leadership Team and Audit and Risk Committee on an annual basis and control activities will be integrated with Council's Compliance Monitoring activities.

5.3 Internal Controls

Council must maintain effective internal controls designed to prevent and detect fraud and corruption. Controls must be outlined in a Fraud and Corruption Control Plan and are subject to annual review by the Executive Leadership Team 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. Specialist training should also be provided for staff working in these areas.

Induction training is to be provided to foster awareness of the significance of fraud and corruption, how to manage conflicts of interest (including gifts and hospitality) and appropriate actions when faced with unethical behaviour.

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Training should be provided within 3 months of commencement and every two years after that.

5.4 Reporting of Breaches, Disclosures and Allegations

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 Manager or member of the Executive Leadership Team
- Any member of the Fraud and Corruption Control Reference Group
- 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 Fraud and Corruption Incident Register is maintained by the Executive Manager Service and Business Improvement and is used to record suspected or actual incidents of fraud and corruption. Reporting can be completed anonymously and sent through to the Executive Manager Service and Business Improvement either electronically or via Internal Mail.

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

5.5 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 as well as the Executive Manager Service and Business Improvement 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.

The CEO must immediately notify IBAC of any matter they suspect, on reasonable grounds, to involve corrupt conduct occurring or having occurred. The CEO may obtain legal advice to assist in determining whether the matter should be notified and the timing of notification to IBAC.

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The CEO may also conduct a preliminary investigation by appropriately skilled and experienced internal or external personnel who are independent of the business unit in which the alleged corrupt conduct occurred to determine whether reasonable grounds exist for reporting to IBAC. However, once the CEO suspects on reasonable grounds that corrupt conduct has occurred or is occurring, further action should be taken by the CEO until IBAC has assessed the matter and provided further advice except where that action is:

- necessary to lessen or prevent a threat to the life, health, safety or welfare of an individual or to public health or safety
- taken to comply with another legal obligation, such as a duty to report the matter under other legislation or to take immediate action
- reporting the matter to Victoria Police.
- in relation to a potential breach of the Local Government Act 1989 in which case the Local Government Investigations and Compliance Inspectorate (LGICI) should be notified.

Any person contacted by an investigator regarding an investigation must cooperate with the process.

Strict confidentiality and the principles of natural justice will be observed at all times.

Where the matter involves a Council employee, the CEO will seek the advice of the Manager Culture and Capability to ensure adherence to the provisions of Council's disciplinary procedures and relevant industrial relations laws.

5.6 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 Culture and Capability and Executive Manager Service and Business Improvement which may include:

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

The Executive Manager Service & Business Improvement shall work with relevant Managers to ensure appropriate controls are introduced to prevent a reoccurrence of the issue.

5.7 Review and Audit

This policy will be reviewed every two years.

The Fraud and Corruption Risk Assessment and Control Plan should be reviewed at least annually by the Executive Leadership Team and the Audit and Risk Committee.

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6. ROLES AND RESPONSIBILITIES

6.1 Councillors

- Approve and understand the Fraud and Corruption Policy
- Displaying and promoting ethical behaviour.

6.2 CEO

- 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.
- Expeditiously reporting to IBAC, relevant agencies and the Audit and Risk Committee in accordance with this policy.

6.3 Executive Leadership Team

- Ensuring Fraud and Corruption Control is embedded into enterprise risk management.
- Monitoring the implementation of this policy.
- Displaying and promoting ethical behaviour.
- Assisting with the handling of any incidents as appropriate.

6.4 Audit and Risk Committee (ARCO)

- Reviewing and endorsing this Policy and reviewing the mechanisms in place to comply with the Policy including an annual risk assessment and control plan.
- Considering the adequacy of actions take to prevent, detect and respond to fraud and corruption.
- Receiving reports on actual incidences of fraud and corruption.
- Ensuring fraud and corruption control is adequately considered in the Internal Audit and Compliance Plan.

6.5 Fraud & Corruption Control Reference Group (FCCRG)

The FCCRG is composed of the Executive Manager Service & Business Improvement (Chair), CFO, the Coordinator Risk and Assurance, the Financial Compliance Accountant, Chief Governance Officer, Protected Disclosure Coordinator, Manager Culture & Capability.

Note: The composition of the FCCRG will change to Director CEO's Office, Executive Manager Organisational Performance, CFO, the Coordinator Risk and Assurance, the Financial Compliance Accountant, Protected Disclosure Coordinator and Manager Culture & Capability pending implementation of the organisational restructure approved in October 2017.

The role of the FCCRG includes, but is not limited to:

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- Developing and implementing this Policy, undertaking an annual risk assessment and review of the Fraud and Corruption Control Plan.
- Championing ethical behaviour and fraud and corruption control within Council.
- Coordinating the implementation of fraud and corruption training and awareness.
- Managing the Fraud and Corruption Incident Register.
- Monitoring compliance with associated codes of conduct, policies and procedures.
- Working in partnership with the Manager Culture & Capability in relation to training and awareness of fraud and corruption across the organisation.

6.6 Protected Disclosure Co-ordinator 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://intranet.portphillip.vic.gov.au/secured/protected-disclosure.htm>

6.7 Managers and coordinators

- Complying with this Policy and promoting awareness and compliance with this Policy to their staff and contractors.
- Identifying and documenting fraud and corruption risk on a regular basis
- Ensuring strong fraud and corruption controls exist, are frequently reviewed and are complied with in their area of responsibility.
- 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.

7. RELEVANT LEGISLATION AND VARIOUS ASSOCIATED POLICIES AND STANDARDS

This Policy relates to various associated policies and standards:

- AS 8001 – Fraud and Corruption Control
- Independent Broad-based Anti-corruption Commission (IBAC) Act 2011
- Employee Code of Conduct which includes Council's Gift & Hospitality Policy
- Councillor Code of Conduct which includes Council's Gift & Hospitality Policy
- Council's Business Technology, Culture & Capability, Complaints Handling and Finance Policies
- Protected Disclosure Act and Guidelines
- Local Government Act
- Crimes Act Victoria
- Privacy & Data Protection Act
- Risk Management Policy & Framework

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- Fraud and Corruption Incident Register