

# POLICY REGISTER

## FRAUD AND CORRUPTION POLICY

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## DOCUMENT CONTROL

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## **POLICY SCOPE**

This policy applies to all Council officials - Councillors, staff, volunteers and delegates.

## **POLICY OBJECTIVES**

To state Warren Shire Council's commitment to the prevention of fraud and corruption and to outline the methodology to deter and detect fraudulent behaviour and corrupt conduct.

## **POLICY STATEMENT**

Warren Shire Council will not tolerate any form of fraudulent or corrupt conduct by Councillors, staff, contractors, consultants or volunteer.

Warren Shire Council is committed to the:

- Development and maintenance of a sound ethical culture supported by appropriate policies, procedures and strategies that prevent fraudulent and corrupt behaviour.
- Regular conduct and review of fraud and corruption risk assessments to identify circumstances in which fraud and corruption could occur.
- Implementation of fraud and corruption prevention and mitigation procedures in day to day operations.
- Use of formal procedures for the investigation of allegations of corrupt and fraudulent behaviour.
- Maintenance of processes and procedures that encourage all business dealings with tenderers, suppliers, consultants and contractors are conducted in an ethical manner.
- Ongoing education and training of all Council officers and elected members in relation to their obligations in combating dishonest and fraudulent behaviour.

## **RESPONSIBILITIES**

Council officials are responsible for reporting cases of suspected fraud or corrupt conduct. Council officials have a responsibility to act honestly and to follow diligently Council's policies and procedures to prevent and mitigate fraud and corruption.

The General Manager is ultimately responsible for the prevention, detection and reporting of fraud and corruption through the implementation of appropriate and effective internal control systems. The General Manager must report "possible" corrupt conduct to the Independent Commission Against Corruption (ICAC) pursuant to the *ICAC Act 1988*.

Managers are also responsible for the prevention, detection and reporting of fraud and corrupt conduct by ensuring:

- There are mechanisms in place within their area of control to assess the risk of fraud and corrupt conduct and to manage such risks by appropriate internal controls.
- The promotion of employee awareness and training/education on the prevention of fraud and corruption.
- Compliance with all relevant policies and practices.
- Reporting of any fraud or corruption matters to the General Manager.
- That reasonable steps are undertaken to ensure that Council contractors within their area of control adhere to the provisions of this policy.

All Council officials are responsible for:

- Performing their functions and duties with diligence, honesty, integrity and impartiality.
- Complying with this policy and all legislative requirements to ensure they are not participating in corrupt or fraudulent behaviour.
- Reporting any suspicion of fraudulent or corrupt behaviour to the General Manager, the appropriate Manager or the Mayor if such behaviour concerns the General Manager, or by utilisation of Council's Internal Reporting Policy.
- Reporting any identified weaknesses in internal controls that could potentially facilitate a fraudulent or corrupt act.

Council officials should read Council's Internal Reporting Policy in relation to the protection afforded officials who report or disclose information for specified matters (such as fraud and corruption) internally or to external agencies.

### **FRAUD AND CORRUPTION RISK ASSESSMENT PROCESS**

Council's main objective is to minimise the occurrence of fraud and corruption within the Council by:

- Identifying fraud and corruption risks.
- Determining strategies to control these risks.

The Divisional Manager Finance and Administration will instigate a review of Council's fraud and corruption risk and control strategies every four years. The Divisional Manager will also ensure that periodic and comprehensive risk assessments are conducted by relevant Managers of each area of operation pursuant to Council's Enterprise Risk Management Policy. Regular internal audits will be conducted to test the fraud and corruption control framework.

### **EXAMPLES OF FRAUDULENT AND CORRUPT ACTIVITY**

#### **Theft**

- Stationery and office supplies.
- Construction and maintenance equipment and tools.
- Lap top computers.
- Mobile phones.
- Technical equipment (mobile GPS, cameras etc.).
- Cash.
- Intellectual property, including documents and data.

#### **Inappropriate or Misuse of Council Resources**

- Unauthorised use of corporate credit cards, petrol cards, Cabcharge or vouchers.
- Staff undertaking secondary paid work during work hours.
- Staff using telephones excessively for private purposes without appropriate reimbursement of costs.
- Internet service being used extensively for non-work purposes.
- "Left-over" materials being taken by Council officers.
- Plant being used by staff for private use without authorisation or payment.

### **Gifts, Benefits and Bribes**

Any gifts or benefits provided to, or any attempt to give a gift or benefit to a Council officer, is managed by Council's Gifts and Benefits Policy. The Policy prescribes when a gift may or not be accepted and relevant processes for dealing with such matters.

Bribes are given to influence the way a recipient carries out their official functions. For example, not respond to or report an illegal or unauthorised activity or procure goods and services from a specific person or company.

Higher risk areas for exposure to such behaviour includes:

- Officers who approve or can influence decisions.
- Officers who procure goods and services for Council.
- Regulatory and compliance staff.
- Staff who carry out work with the private sector.

### **Zoning and Development**

- Coercion, intimidation and harassment of Council planning staff dealing with development applications (DAs).
- Inducement from developers to modify DA conditions imposed.

### **Procurement, Tendering and Contract Management**

Activities associated with procurement, tendering and contract management have traditionally been susceptible to fraud and corruption risks. Examples of such risks include:

- Order splitting to avoid tendering provisions or quotes.
- Collusion with suppliers (dummy quotes).
- Fraudulent contract variations.
- False invoices.

### **Human Resources**

- Creation of false employees on the payroll system.
- Job applicants falsifying career background details.
- Direct recruitment of friends and relatives breaching the legislative requirement of merit-based employment.
- Claiming unworked overtime on timesheets.

### **Information Technology**

- Unauthorised electronic transfer of funds.
- Unauthorised alteration of input data.
- Alteration or misuse of software.
- Unauthorised sale or provision of information to 3<sup>rd</sup> parties.

### **DISCIPLINE AND INVESTIGATION**

Warren Shire Council has zero tolerance for corrupt or fraudulent behaviour. Council staff found guilty of such matters will face disciplinary matters pursuant to the Code of Conduct and the Local Government (State) Award. Other (non-staff) Council officers will be disciplined pursuant to Council's Code of Conduct.

Further, as stated above, all "possible" corruption matters, involving Council officers, have a mandatory statutory reporting requirement to ICAC. The ICAC or Council itself can also seek

criminal prosecutions by reporting fraud and other corruption matters to the NSW Police Service.

The General Manager must make an initial determination as to whether the matter in question concerns or may concern corrupt conduct. This may entail his or her own analysis of the circumstances surrounding the matter or utilising another staff member or an investigator to carry out preliminary enquiries on which to base the determination.

After formal notification by the General Manager, the ICAC will normally determine if they will investigate the alleged corruption matter. Alternatively, the ICAC may instruct Council to carry out their own investigation and report the findings to the ICAC. In such circumstances Council should engage an experienced and suitably qualified investigator for the process.

### **FRAUD AND CORRUPTION PREVENTION TRAINING**

Warren Shire Council acknowledges that a high level of awareness amongst all Council officers in relation to fraud and corruption issues is an essential element in identifying and combatting such behaviours. Awareness training will be implemented through the following programs:

- At induction for all new employees.
- At the induction program for all new councillors.
- Regular refreshers.
- Fraud and Corruption prevention information through meetings, memos and other internal publications.
- Follow up meetings with staff after internal and external audits where relevant.

### **FRAUD AND CORRUPTION MITIGATION PRACTICES**

Warren Shire Council recognises that appropriate policies and procedures must be implemented in certain operational areas to regulate and enable the monitoring of particular activities. These areas within Council include:

#### **Risk Management**

- Risk Assessment pursuant to the Enterprise Risk Management Plan.

#### **Finance**

- Cash Handling Procedures
- Petty Cash Handling Procedures
- Corporate Credit Card Policy

#### **Governance**

- Procurement and Disposal Policy.
- Councillors' Expenses and Facilities Policy.
- Secondary Employment Policy.
- Use of Council Resources (Corporate Practice Guide).
- Internal Reporting Policy.

#### **Ethics**

- Code of Conduct.
- Fraud and Corruption Prevention Policy.
- Statement of Business Ethics.

### **Fraud Detection**

- Fraud detection mechanisms/controls to aid in the early detection of suspicious or fraudulent behaviours. Such mechanisms may include monitoring staff and transactions and internal audit activities.
- Stock take of equipment and resources provided for staff.

### **DEFINITIONS**

#### **Fraud**

Can be defined as a deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority. The type of events includes: acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other acts of deception (Audit Office of NSW).

#### **Corruption**

The *ICAC Act 1988* at sections 7,8 and 9 defines corruption as:

- Any conduct of any person (whether or not a public official) that adversely affects, or that could 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
- Any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or
- Any conduct of a public official or former public official that constitutes or involves a breach of public trust, or
- 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 the benefit of any other person.

#### **Council official**

Council official includes Councillors, members of staff, volunteers and delegates of council.

#### **Related Legislation and Policies**

- Local Government Act 1993
- Independent Commission Against Corruption Act 1988
- Public Interest Disclosure Act 1994 NSW
- Enterprise Risk Management Policy

#### **Review**

Council reserves the right to vary, replace or terminate this policy at any time. This policy will be reviewed every 4 years or following an ordinary election of Council, or earlier if there are relevant statutory or State Government policy changes.