Fraud Control and Prevention Policy

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| **Document Control** |
| **Version 1:** | Final Draft | **Date:** | 1/3/2014 |
| **Approved** | Audit Committee |  | 28/3/2014 |
|  | SLT |  | 8/4/2014 |
| **Author:** | Doug Evans | **Review Date:** | 1/12/2016 |

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| **Reviews** |
| **Date** | **Version** | **Officer** | **Amendments** |
| 9/12/2016 |  | JLT Consulting | Policy Reviewed with recommendations |
| 3/7/2017 | V02 | Doug Evans | Amendments as suggested by JLT included |
| 12/12/2019 | V03 | Audit Committee | Links to other relevant policies included refer Clause 3 |

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## Purpose

The purpose of this policy is to demonstrate Cardinia Shire Council’s commitment to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

Council is committed to protecting its revenue, expenditure and assets from any attempt by members of the public, contractors, agents, intermediaries or its own employees to gain financial or other benefits by deceit or dishonest conduct.

It is important that Council establishes an environment in which fraud is not tolerated and in which Councillors and staff are naturally reluctant to act dishonestly. This environment will promote a culture where all fraudulent activities, once noticed or legitimately suspected, are reported, investigated and resolved in a timely and fair manner,

This policy is designed to protect public money and assets, and to protect the integrity, security, image and reputation of the Council, its officers and the services it provides to the community.

## Definitions

**“Corruption”** as defined by the Australian Standard AS 8001-2008 Fraud and Corruption Control is:

*“dishonest activity in which a General Manager, 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.*

Corruption is any conduct that is improper, immoral and fraudulent”. It is not corrupt conduct unless it involves:

* a criminal offence;
* a disciplinary offence;
* Breach of Policy; or
* reasonable grounds for terminating the services of a Council Officer.

**“Fraud”** as defined by the Australian Standard AS 8001-2008 Fraud and Corruption Control is:

*“dishonest activity causing actual or potential financial loss to any person or entity including theft of monies or other property by Council officers 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 for personal financial benefit.”*

## Scope

This policy applies to Councillors, Council officers, volunteers, contractors and anyone undertaking business with the Shire of Cardinia.

The Policy is to be read in conjunction with:

* Employees’ Code of Conduct refer INT1671889
* Councillors’ Code of Conduct refer INT176326
* Australian standard – AS 8001- – Fraud and Corruption Control
* Procedure for handling disclosures under the Protected Disclosure Act refer INT1343906
* Cardinia Shire Council Risk Management Policy refer INT1778311
* Cardinia Shire Council Risk Management Framework refer INT1628909

## Responsibility for Fraud control and prevention

Responsibility for fraud prevention rests with all levels of management, Councillors, staff (including officers), volunteers and agency or contract staff that represents the Council and who collectively must accept ownership of the controls relative to this policy. All parties must comply with the policy.

**Council**

As the body responsible for the good governance of the municipality the Council is responsible for developing and cultivating a culture of honesty and integrity in the management of the organisation. Council will ensure that Management has appropriate measures in place to detect and prevent fraud.

**Audit Committee**

The Audit Committee is a sub-committee of Council and its role is to ensure that Council has appropriate policies and processes in place to minimise the risk of fraud occurring.

**Management**

Management is responsible for the coordination, monitoring, ongoing review and communication of the Council’s fraud prevention strategy and ensuring that a culture of honesty and integrity is present in the provision of services to the community and the conduct of Council operations.

Managers at all levels are responsible for exercising due diligence and control to prevent, detect and report acts of fraud.

Managers must set an example and advise employees of the acceptability or otherwise of their conduct. Managers have a responsibility to:

* identify risk exposures to corrupt and fraudulent activities within their Division/Units;
* establish controls and procedures for prevention and detection of such activities;
* provide guidance and instruction to all staff relative to responsibilities and fraud reporting requirements;
* maintain effective auditing and reporting on key financial systems;
* review fraud risk controls annually or when a major change occurs;
* implement action plans identified in risk assessment to eliminate or reduce the fraud risk;
* conduct a fraud incident analysis after any fraudulent event aimed at minimising recurrence of the loss;
* monitor and actively manage excessive outstanding leave of staff in risk exposure areas.

**Employees**

Employees are responsible for acting with propriety and integrity in undertaking their duties as Council Officers. Employees must not use their position with the council to gain personal advantage or to confer advantage, or disadvantage on any other person.

Employees are responsible for the safeguard of council assets against theft, mis-use or improper use.

Employees are required to report any suspicion of fraud in accordance with this Policy.

**Internal Audit**

The role of Internal Audit is to assist Management and Council to achieve sound managerial review and control over all Council activities.

The principal objectives of Internal Audit are to assess and report on whether:

* there are sufficient internal controls in place to protect Council’s assets and the integrity of information provided to management and Council;
* there is adequate compliance with relevant laws/statutes and Council’s policies and procedures;
* functional areas are appropriately controlled.

## Commitment to Fraud Control

The Council’s commitment to fraud control will be met by:

* identifying opportunities for fraud;
* implementing risk avoidance, prevention and minimisation procedures in day to day operations;
* including fraud risks in Council’s risk register;
* fraud incidence analysis; and
* fraud awareness training.

## Procedures for reporting Fraud and Corruption

The following procedure shall be used for reporting of suspected fraudulent conduct.

**Staff**

Where a staff member suspects that an act of fraud or fraudulent conduct is occurring or has occurred, that staff member should report such suspicions to their Manager.

Where the staff member does not feel comfortable reporting their suspicions to their Manager they should report such matters to the respective General Manager. If neither of the above options is appropriate, then the staff member should report such matters to the Manager Organisation Development.

**General Manager or Manager**

On receiving a report of suspected fraud or corrupt conduct the General Manager or Manager must record details of the report, including the time and date the report is made and details of matters raised. Where the issue may involve disciplinary action against a staff member, the Manager Organisation Development must be advised.

**Notifying the Chief Executive Officer (CEO)**

Except where it is has been reported as a Protected Disclosure all reported incidents of suspected fraud or fraudulent conduct must be reported to the CEO by the General Manager or Manager immediately and prior to any investigation of such allegations being undertaken.

**Protected Disclosure**

Reports of behaviour involving possible fraud or corruption can be made by making a protected disclosure under the Protected Disclosure Act. Further details can be obtained by contacting the Manager Governance; Council’s protected disclosure coordinator, or by consulting Council’s Process and Procedure for Handling Complaints lodged under the Act.

**Contractors**

Contractors or other people involved in the contracting process may become aware of, or have information indicating fraudulent or unfair activity in relation to the tender processes or service provision. Contractors may feel reluctant to report suspected fraud or behaviour that is intimidatory or grossly unfair, for fear of repercussions affecting their future business dealings with Council.

If these circumstances arise, Contractors are requested to contact Council’s General Manager Corporate Services or Chief Executive Officer.

## Fraud Investigation

**Preliminary Investigation**

Where information received by the CEO is assessed to warrant investigation, arrangements for such an investigation will be made with the relevant General Manager. This arrangement will include securing all related documentation and may include suspension of staff member(s) being investigated.

Reports will be received in confidence and the person reporting the event will be protected from any adverse repercussions, provided that there is no evidence of malice.

Any person contacted by an investigator should co-operate with the process.

**Investigation**

Depending on the nature of the allegations investigations will be undertaken in accordance with sound investigative practices. All potential instances of fraud will be referred to an independent third party for investigation.

Where external investigation is required, for example the Victoria Police or other independent investigators, they will be in charge of such investigation.

Where the allegation has arisen through a protected disclosure, then the investigation will be in accordance with Council’s Protected Disclosure Guidelines and Procedures.

In all cases confidentiality and the principles of natural justice will be maintained.

## Training

An ongoing awareness program will be implemented to identify issues of fraud prevention, detection and reporting, and bring them to the attention of employees.

This Policy will be drawn to the attention of all Councillors and staff so that they are aware of the requirements and process associated with the detection and minimisation of fraud.

Training of the conduct of fraud risk assessments will be provided by the Governance Unit. This will be done on a regular basis and at least annually.

The Policy will be included in the induction program for new staff members and refresher training will be provided as and when required.

## Prosecution of Offenders

The Council does not condone fraudulent behaviour and will institute disciplinary procedures in respect of any employee involved in fraudulent activities. In this instance the provisions of the Councils Disciplinary Policy will apply. Civil proceedings through the courts will be commenced against employees or other individuals involved to recover losses incurred by the Council where this is appropriate. Any matters that involve criminal action will be referred to the appropriate authorities for prosecution.