# POLICY REGISTER

# FRAUD AND CORRUPTION POLICY

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## DOCUMENT CONTROL

| Issue | Prepared/Revised By and Date | Action/Amendment Description | Approved By and Date |
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| 1.0 | | First Edition | Council Minute No. 214.9.18 (27th September 2018) |
| 2.0 | Gary Woodman General Manager April 2024 | Review undertaken to align the Policy with the Audit Office of NSW : *"Fraud Control Improvement Kit: Managing Your Fraud Control Obligations"*. | Council Minute No. 86.4.24 (24th April 2024) |

## 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.

## DEFINITIONS

**Corruption** Is defined in accordance with section 8 of the Independent Commission Against Corruption Act 1988 as:

a) any conduct of any person (whether or not a public official) that adversely affects, or that could adversely 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

b) any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or

c) any conduct of a public official or former public official that constitutes or involves a breach of public trust, or

d) 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 for the benefit of any other person.

**Fraud** Is a crime involving the dishonest obtaining of a financial or other benefit by deception. The benefit might be of direct value (e.g. money or easy access to money or other assets). The benefit might be indirect (e.g. obtaining information by deception and trading that information to obtain more tangible benefits).

**Council Official**

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

## 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; and
- 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;
- "Left-over" materials being taken by Council officers;
- Plant being used by staff for private use without authorisation or payment; and
- Use of Councils tools and equipment for private use.

### 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 Code of Conduct. 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; and
- 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); and
- 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; and
- 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; and
- Claiming unworked overtime on timesheets.

**Information Technology**

- Unauthorised electronic transfer of funds;
- Unauthorised alteration of input data;
- Alteration or misuse of software; and
- Unauthorised sale or provision of information to 3rd parties.

**FRAMEWORK**

The administration of this policy is based around a holistic approach to fraud, and involves actions on the following fronts:

- Prevention – to establish and maintain a good governance framework through well established procedures that reduce the chances of fraud;
- Detection – sound auditing and checking procedures to deal with any transactions or activities that do not align with the expected procedures; and
- Response – detailed reporting and investigation procedures to deal with any potential fraud. A sound response system includes appropriate action to deal with any fraudulent activity.

The Audit Office has established a ten attribute framework to deal with fraud. The ten attributes are:

- Leadership;
- Ethical Framework;
- Responsibility structures;
- Fraud control policy;
- Prevention systems;
- Fraud awareness;
- Third party management systems;
- Notification systems;
- Detection systems; and
- Investigation systems.

The Council's fraud framework is built around the above ten attributes, as detailed in the Fraud Control Improvement Kit.

**Leadership**

A successful fraud control framework is led by a visibly committed and accountable General Manager and Management Executive (Manex) Team. The General Manager, Divisional Managers and Managers will lead the organisation in the development of the Fraud framework.

**Ethical Framework**

The Council has adopted and established the following documents to guide the ethical behavior for Council Officials:

- The Code of Conduct as developed by the Office of Local Government;
- The Council has established a set of Values and Behaviours.
- Staff understand that fraud is not tolerated and there are significant consequences to those committing fraud.

**Responsibility Structure**

The General Manager, Divisional Managers and Managers are authorised to receive reports of fraud. If the suspected fraud relates to the General Manager, then the matter can be reported to the Mayor, as per the reporting regime for Code of Conduct complaints.

Reports regarding suspicious and / or illegal activities can also be reported to external agencies including:

- NSW Police Force
- Office of Local Government
- The NSW Independent Commission Against Corruption (ICAC)
- The NSW Ombudsman.

All staff are expected to report known or suspected fraud to the General Manager, Divisional Managers or Managers as soon as possible. Staff are made aware of the responsibility structure in the organisation.

**Fraud Control Policy**

This policy sets out the Warren Shire Council's system of fraud control and covers the responsibilities for managing fraud within Warren Shire Council. The policy is linked to other policies including code of conduct, internal reporting and business ethics.

**Prevention Systems**

The Council's prevention system consists of the following features:

- Risk Assessments – as detailed in the Risk Framework;
- Fraud and Corruption risk register;
- Fraud Database – to be established to record all incidents;
- Ethical workforce – pre-employment screening to ensure staff employed are of the highest ethical behaviour;
- Separation of duties – to ensure no one staff member controls a process entirely;
- I.T security strategy;
- Delegations of authority – to ensure measures are in place to control activities; and
- Position descriptions, Charters for Committees – limit the level of activity Council Officials can undertake.

**Fraud Awareness**

All Council officials are to be trained in fraud awareness, prevention responsibility and management, the message is continually repeated and reinforced using a variety of communication methods. Customers and the community are encouraged to report suspicions of fraud and can do this by a range of channels.

**Third Party Management Systems**

The Council establishes appropriate controls, segregation of duties and delegations of authority to deal with third parties. Council will carry out due diligence before engaging contractors or third parties. Records of conflict of interest and secondary employment are reviewed and kept up to date.

The Council will maintain a Business Ethics Policy to reinforce the expected standards of behaviour for Council Officials.

**Notification Systems**

All staff are required to report suspected fraudulent activity and will be provided with the appropriate support and protection. Members of the public are encouraged to report suspected fraudulent activity.

Staff and members of the public can report fraud a number of ways including making a Public Interest Disclosure, reporting directly to Council or to external bodies. Serious Breaches are to be reported to the Council as soon as possible.

**Detection Systems**

Various internal control measures have been established to help detect fraud and these include:

- Segregation of duties;
- Approvals and authorisation;
- Verification;
- Reconciliations;
- Management reviews;
- Risk assessments;
- Physical security;
- Job rotation;
- Data checks; and
- Internal and external audits.

**Investigation Systems**

When an allegation of fraud is made against an employee, the General Manager and/or Divisional Manager(s)/Manager(s), will discuss the matter with the person making the allegation. This person may be asked to make a written statement regarding the allegations.

The staff member alleged to have committed the fraud may be interviewed during this preliminary stage. Staff members can be accompanied during the interview by their manager or other nominated member of staff.

The applicable Divisional Manager or Manager will organise a preliminary assessment of the allegation and provide details to the General Manager on the findings. If the matter concerns the General Manager than it shall be reported to be public officer who will deal with the matter in accordance with the code of conduct complaints handling procedures.
If the allegation is serious enough and / or the evidence is compelling, then the matter may warrant a full investigation.

If a full investigation is to be followed, the General Manager/independent investigator will need to determine whether the matter is referred to an external agency such as the Police, ICAC or the Ombudsman. The General Manager/independent investigator may wish to refer it

to the Code of Conduct Complaints Coordinator and have the matter referred to using the Code of Conduct Investigation procedures.

Council is committed to taking action against the perpetrators of fraud.

## DISCIPLINARY PROCEDURES

The determination of an investigation whether it be a preliminary or full investigation, will be referred to the General Manager if it is a staffing matter.

For Councillors the matter will follow the Code of Conduct procedures.

Any matter may still be referred to or dealt with by an outside agency, in addition to a matter considered by the above two matters. For instance a staff matter, dealt with by the General Manager may still be referred to the Police for further action.

## PRIVACY AND ACCESS TO INFORMATION

Information provided through any allegation and subsequent investigation will be handled confidentially. This is designed to help prevent any action being taken against staff for reporting suspected fraud. However, there may be situations where confidentiality may not be possible or appropriate. This will be discussed with the staff member making the report.

While anonymous reports are not encouraged, there may be situations where someone may not want to identify themselves. The Council will accept anonymous reports; however anonymity may limit the Council's ability to seek further information to assess the report adequately. When the identity of the person making the allegation is known, the Audit Office is able to obtain any further necessary information, provide the person with protection and support and give feedback about the outcome of any investigation into the allegations.

## BREACH OF THIS POLICY

A breach of this policy may lead to disciplinary action being taken. This will depend on the severity of the incident. A breach of this policy could also lead to criminal action.

Any report that turns out to be vexatious, frivolous or misleading will result in disciplinary action against the staff member making the allegation.