Fraud and Corruption Control Policy

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Stakeholder Engagement:
Audit and Risk Committee
Councillors
Chief Executive Officer
Financial Services Coordinator
Governance and Risk Lead

Fraud and Corruption Control Policy

1   INTENT

Ararat Rural City Council (Council) is committed to establishing and maintaining an environment in which fraud and corruption is not tolerated. Stakeholders, including staff, contractors and volunteers are encouraged to actively protect Council's assets, reputation and ethical standing.

The purpose of the Fraud and Corruption Control Policy (the Policy) is to set out how Council will prevent and deter fraud and corruption from occurring and how any incidence of fraud or corruption will be detected, investigated and dealt with.

Fraud and corruption can lead to financial loss, and loss of public confidence in the way that public money and other resources are being used. It is therefore important that Council have robust systems and procedures in place to ensure that the risk of impropriety is minimised, as far as possible, and that where instances do occur, there is a prompt and effective response to them.

2   SCOPE OF POLICY

This policy applies to all Councillors, staff, volunteers, contractors, sub-contractors and volunteers of Council.

3   POLICY STATEMENT

Fraud and corruption is a risk to the organisation and can have a similar impact on Council as other types of enterprise risk in terms of:

- Financial loss;
- Reputational impact;
- Diversion of management energy;
- Organisational morale;
- Organisational disruption;
- Loss of employment;
- Reduced performance; and
- Diminished safety.

As such Council is committed to managing this risk as part of its overall risk management approach. This policy is part of that approach and covers the following main areas:

a) Roles and responsibilities of Councillors, officers, auditors and the Audit and Risk committee;

b) Response to allegations and concerns raised internally and externally; and

c) Actions to be taken when fraud is discovered.

4   ROLES AND RESPONSIBILITIES

4.1   Councillors

Councillors have a duty to ensure that Council property is safeguarded from fraud and corruption 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.

These issues need to be borne in mind when considering reports, making decisions and scrutinising Councils activities.

Councillors should endorse and support all policies and measures taken to prevent, deter, detect and resolve instances, or suspected instances, of fraud and corruption throughout Council.

4.2   Chief Executive Officer

The Chief Executive Officer (CEO) has primary responsibility for the management of Council resources and the development and implementation of systems and practices to minimise the risk of fraud and corruption.

The Chief Executive Officer, as principal officer, must under section 57 of the Independent Broad-based Anti-corruption Commission Act 2011 notify the IBAC of any matters which the person suspects on reasonable grounds involves corrupt conduct occurring or having occurred.

The Chief Executive Officer will report regularly on any fraudulent activity.

4.3   Officers, Coordinators, Team Leaders and Supervisors

Officers are responsible for ensuring there are adequate measures to prevent and detect fraud and corruption within the areas under their control by:

a) Identifying risk exposures to corrupt and fraudulent activities within their areas;

b) Establishing controls and procedures for prevention and detection of such activities;

c) Complying with legislation and Council policies and procedures;

d) Ensuring staff understand their responsibilities through adequate supervision, acting within their delegated powers, written procedures and position descriptions;

e) Responding positively to matters raised and advice given by internal and external audit.

4.4   Staff, Volunteers and Contractors

Staff, volunteers and contractors have a duty to make management aware of any concerns they have about the conduct of Council affairs or the use of Council property or resources. Any matters raised by them should be taken seriously and properly investigated.

Council has policy and procedures to follow under the Public Interest Disclosure Act 2012 which protects people from unjust recrimination where they have an honest and reasonable suspicion of fraud or corruption and they act on it.

Council, in the interests of probity and good practice, encourage all staff to raise concerns so they can be properly investigated.

4.5 **Internal Audit**

While primary responsibility for the identification of fraud and corruption rests with management, Council recognise that internal auditing can be, in the context of addressing all business risks, an effective part of the overall control environment to identify the indicators of fraud and corruption.

Internal Audit therefore has an important role in assisting management in the prevention and detection of fraud and corruption by:

a) Independently reviewing systems, procedures and controls to ensure that there are adequate safeguards to prevent, deter and detect fraud and corruption; with particular attention paid to areas where there is a greater risk;

b) Through specific audits and testing of systems, identifying areas of concern;

c) Responding to requests for advice from managers on controls to put in systems;

d) Independently investigating suspected frauds and irregularities and reporting the conclusions to the Audit and Risk Committee and management;

e) Producing and advising on the production of rules, regulations and policies which deter fraud and corruption.

4.6 **External Auditors**

External Auditors certify that Council's accounts represent a true and fair view of Council's financial position. They have limited time and resources to carry out this work and consequently there needs to be a high level of cooperation with Council's Internal Auditors who can examine Council's activities in more detail.

Senior management and the Audit and Risk Committee will undertake discussions with the external auditor in terms of the audit strategy and procedures that will be carried out during the audit. These are aimed at detecting material misstatements in Council's financial statements due to fraud or error.

5 **RESPONSE TO ALLEGATIONS AND CONCERNS**

a) Allegations and concerns about fraudulent or corrupt activity may come from different sources e.g.:

- Members of the public, sometimes anonymously;
- Other local authorities;
- Councillors;
- Staff; and
- Resulting from internal or external audit reviews.

b) Wherever these concerns come from they must be treated seriously, and confidentiality must be respected as far as possible. A thorough investigation will be made of all concerns, but the level of resources applied will be dependent on the nature of the concern e.g. sums or resources involved, sensitivity of the area, source of concern, evidence provided or available, inherent risk to the area.

c) For cases of internal fraud and data breaches investigations should be closely managed and documented in accordance with Council procedures.

d) At all times confidentiality must be maintained and information disclosed only to those who need to know it, in order not to prejudice any disciplinary or criminal action.

6   ACTIONS TO BE TAKEN

a) Where there is sufficient evidence of fraud, or there is strong suspicion, but internal investigations are unable to obtain further evidence required, the Police should be involved, where it is in the Council's/Public's best interests.

b) Determination of the "Council's/Public's best interest" include factors such as the sums or resources involved, the strength of the evidence obtained or available, the potential cost to the Council in pursuing the matter and the sensitivity of the area concerned. Referral to the Police will be the normal course of action unless there is a strong case not to do so.

c) Where involvement of the Police is not appropriate, the strongest action possible should be taken. This may involve disciplinary action including dismissal and the recovery of any sums of money or resources misappropriated.

d) At the conclusion of any fraud or corruption investigation, systems and procedures will be reviewed to ensure that any lessons learned will be used to improve the systems and processes against future risk.

7   PUBLIC INTEREST DISCLOSURES

All staff, volunteers and contractors have the option to report a suspected fraud and/or corrupt behaviour via Council's Public Interest Disclosure Policy which is available on Council's website.

8   ADMINISTRATIVE UPDATES

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this document, such a change may be made administratively, Examples include a change to the name of a Council department, a change to the name of a Federal or State department, and a minor update to legislation which does not have a material impact. However, any change or update which materially alters this document must be by resolution of Council.

9   DEFINITIONS

TERM	DEFINITION
Corruption	dishonest activity in which a Councillor, staff, contractor or Council Volunteer acts contrary to the interests of the organisation and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or entity. Corruption is any conduct that is improper, immoral and fraudulent. Corrupt behaviours include but are not limited to; • Acceptance or offer of bribes, gifts or benefits; • Nepotism, favouritism, or other abuses of decision-making authority; • Misrepresentation or misuse of Council information • Release of confidential information for other than a proper business purpose in exchange for some form of non-financial benefit or advantage accruing to the staff releasing the information; or • Collusive tendering (the act of multiple tenderers for a particular contract colluding in preparation of their bids).

Fraud	dishonest activity causing actual or potential loss to the Council (including theft of money or other property) and where deception is used at the time, immediately before or following the activity. This also includes the deliberate falsification, concealment, destruction, or use of (or intention to use) falsified documentation and the improper use of information or position for personal financial benefit. Examples of fraud and corruption include: • unauthorised use of a credit card; • theft or unauthorised use of plant and equipment or inventory; • theft of fuel; • theft of funds or cash (usually involving some form of concealment); • fraudulent financial or performance reporting; • creating a fictitious invoice claiming payment for goods and services not delivered or exaggerating the value of goods delivered or services provided; • obtaining 'kickbacks' or bribes from suppliers or contractors; • theft of intellectual property or other confidential information; • misappropriation or misdirection of Council's remittances received from a customer; • any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Council-owned software; • any claim for reimbursement of expenses that is not made for the exclusive benefit of the Council; • omitting to submit leave forms when taking leave; • falsifying academic or training credentials in an employment application; • inappropriately providing benefits/making decisions or issuing permits or licenses; or • acting in self-interest rather than the public interest.
Relevant Officer	A member of Council staff who oversees their designated department and supervises the staff allocated to that department.
Staff	For the purpose of this policy includes all staff, Contractors, Consultants, Work Experience Students, Volunteers or the employee of anybody providing services on the Council's behalf.

10   COUNCIL POLICIES

• Complaints Handling Policy
• Councillor Code of Conduct
• Councillor Gifts Policy
• Equal Employment Opportunity Policy
• Fraud & Corruption Control Policy
• Performance Management Employee Discipline Policy and Procedure
• Procurement Policy
• Public Interest Disclosure Procedure
• Risk Management Policy
• Risk Management Framework
• Staff Code of Conduct
• Staff Gifts Policy

- Workplace Anti-discrimination & Harassment Policy

11   REFERENCES

- Strategic Risk Register
- Declaration of Outside Employment Form
- Local Government Act 2020
- Public Interest Disclosure Act 2012
- Australian Standard AS 8001-2021 Fraud and Corruption Control

11   APPENDICES
Nil.