



Fraud Control Policy

POLICY OBJECTIVE

The objective of this policy is to outline Council's approach to prevention, detection and investigation of fraud and corruption in and against the Council.

LEGISLATIVE PROVISIONS

Local Government Act 1993

Independent Commission Against Corruption Act 1988

Public Interest Disclosures Act 1994

Crimes Act 1900

RELATED DOCUMENTS

This Fraud Control Policy should be read in conjunction with other relevant documents including:

Goulburn Mulwaree Council – [Code of Conduct](#)

Goulburn Mulwaree Council – [Internal Reporting Policy](#)

Goulburn Mulwaree Council – [Gifts and Benefits Policy](#)

Goulburn Mulwaree Council – [Councillor Expenses and Facilities Policy](#)

Goulburn Mulwaree Council – [Procurement Policy](#)

Goulburn Mulwaree Council – [Statement of Business Ethics](#)

Australian Standard 8001-2008 Fraud and Corruption Control

Australian Standard 31000-2009 Risk Management Standard

POLICY STATEMENT

Council is required under the *Local Government Act 1993* (LGA Act) to take all reasonable measures to prevent, detect and deal with fraud, including conducting fraud risk assessments, developing and implementing a fraud control plan, and having appropriate mechanisms for preventing, detecting, investigating, recording and reporting incidents of fraud and suspected fraud.

This policy sets out the principles behind Council's approach to managing the risk to Council from fraud and corruption.

Purpose and context of the policy

This policy applies to all Council officials including all staff (permanent, temporary and casual), Councillors, committee members, volunteers, delegates, contractors and consultants.

This policy is one of several elements that contribute to establishing a fraud control environment for Council. It is considered as part of the wider ethical framework and is linked to other Council ethical behaviour policies.

The fraud control framework is adapted from the ten attributes of fraud control provided by the NSW Audit Office Fraud Control Improvement Kit. The ten key attributes sit within the themes of prevention, detection and response. Each attribute has processes, behaviours and information that assist in establishing a successful fraud control framework.

Based on the Australian Standard AS 8001-2008: Fraud and corruption control, fraud is defined as follows:

Fraud is dishonest activity causing actual or potential financial loss to any person or Council including theft of money or other property by employees or persons external to Council 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 or position.

Some common examples of fraud include:

By Council officials

- Theft of plant and equipment by Council officials
- Theft of inventory by Council officials
- False invoicing (creating a fictitious invoice claiming payment for goods or services not delivered)
- Theft of funds or cash by Council officials
- Theft of intellectual property or other confidential information
- Accounts receivable fraud
- Unauthorised use of a credit card issued to another person
- Fraudulent tendering by Council officials and involving external parties
- Misuse of position in order to gain a financial advantage

By organisations

- Material and deliberate manipulation of financial reporting
- Overcharging for services

Attribute one: Leadership

Council is committed to the prevention, detection and investigation of all fraudulent activity. Council has zero tolerance of fraudulent or corrupt practices, either by any Council officials or external parties engaged by Council.

A successful fraud control framework is led by a committed and accountable Executive. The Chief Executive Officer, supported by the Councillors and members of the Executive is responsible for the strategic oversight of fraud control at Council.

Attribute two: Ethical framework

Council has clear policies establishing acceptable standards of ethical behaviour. These policies are available to all Council officials on Council's intranet and they are also published on Council's website. These policies and the officers responsible for their implementation include:

- [Code of Conduct](#) – Business Manager Governance
- [Gifts and Benefits Policy](#) – Business Manager Governance
- [Procurement Policy](#) – Director Corporate & Community Services
- [Statement of Business Ethics](#) – Director Corporate & Community Services
- Employee Handbook – Business Manager Human Resources

Attribute three: Responsibility structures

Responsibilities for implementing this Policy are as follows:

Chief Executive Officer

- Guide the proper management of Council resources and the development and implementation of systems and practices to minimise the risk of fraud.
- Ensure that the investigation of suspected fraud adheres to relevant Council policies, and where appropriate is reported to the relevant authorities.

Councillors

- Carry out their duties lawfully and in accordance with the relevant policies.

- Ensure that Council's powers are exercised in an open, fair and proper manner to the highest standards of probity.
- Report suspicions of fraud, including any behaviour which appears to be an inducement to engage in fraud, to the Chief Executive Officer.
- Undertake relevant training in relation to Council's Code of Conduct, legislative responsibility and the prevention and/or detection of fraud.

Executive Leadership Team

- Lead Council officials and external service providers in their understanding of and compliance with this Policy and related Council policies.
- Manage policies, procedures and control mechanisms for the prevention of fraud.
- Accountable for the prevention and detection of fraud in areas under their control and to report to the Chief Executive Officer.
- Ensure the implementation of policies and procedures to prevent, detect and control fraud.

Managers

- Accountable for the prevention and detection of fraud in the business areas under their control.
- Ensure there are adequate measures to prevent, detect and respond to fraud within the respective business areas under their control.
- Lead team members in their understanding of and compliance with this Policy and related Council policies.
- Report fraud to their Director, the Chief Executive Officer or Business Manager Governance.

Business Manager Governance

- Implement and monitor Council's fraud control framework.
- Provide advice and assistance to Council staff in relation to this Policy.
- Manage Policy Register to ensure currency of all policies.

Council Staff, Committee Members, Volunteers, Delegates, Contractors and Consultants

- Read, understand and comply with this Policy and other Council related policies.
- Report known or suspected fraud immediately after becoming aware of it, in accordance with the processes outlined in the Internal Reporting Policy.

Audit, Risk and Improvement Advisory Committee (ARIC)

Once established this committee will:

- Provide assurance and advice on the adequacy and effectiveness of Council's fraud and corruption prevention plan and activities.
- Provide assurance and advice on the adequacy and effectiveness of processes and systems in place to capture and effectively investigate fraud-related information.
- Provide an annual assurance review report to the governing body of Council which includes an overall assessment of fraud control in accordance with section 428A of the LGA Act.

Attribute four: Fraud Control Policy

This policy, together with other related policies and procedures, sets out Council's framework for fraud control and establishes the responsibilities for managing fraud control at Council, which is consistent with the Australian Standard 8001-2008: Fraud and corruption control. The other related policies and procedures, and the officers responsible for their implementation include:

- [Gifts and Benefits Policy](#) – Business Manager Governance
- [Internal Reporting Policy](#) – Business Manager Governance
- [Councillor Expenses and Facilities Policy](#) – General Manager
- [Statement of Business Ethics](#) – Director Corporate & Community Services
- [Corporate Credit Card Procedure](#) - Director Corporate & Community Services
- [Procurement Policy](#) – Director Corporate & Community Services

- Crime Insurance Cover - Business Manager Governance

Attribute five: Prevention systems

Fraud Risk Assessment

A fraud risk assessment is a proactive effort to identify areas where fraud risks exist, to evaluate how effective controls are to mitigate those risks, and to determine actions necessary to eliminate any gaps. A fraud risk assessment is to be conducted bi-annually and to be reported to the Executive and the ARIC. A fraud risk assessment will also be conducted after an incident of fraud and after any major organisational change.

Internal Controls

Robust internal controls are an effective way to prevent fraud and corruption. Council's internal controls are risk-focused, and have been established to proactively minimise opportunities for fraud. Internal controls will be reviewed periodically following the detection of fraud and corruption. Examples of appropriate controls employed by Council include:

- segregation of duties
- account reconciliation
- instruments of delegation
- risk assessments
- physical security
- sustainability check of suppliers
- cyber payment protection system

Ethical Workforce

Council is committed to employing staff that support its ethical values. Council conducts pre-employment screening including reference checks as well as additional checks as appropriate for high risk positions.

All Council staff and volunteers sign a statement at induction confirming they comply with Council's Code of Conduct and other relevant policies and procedures. Staff and volunteers are required to undertake follow up mandatory training every two years.

Attribute six: Fraud awareness

A key element of Council's fraud and corruption control framework is creating awareness among all staff of the different components of the framework, what activities are considered fraudulent and how to respond if fraud is suspected.

Staff Training

Council is committed to facilitating annual training opportunities relevant to fraud control for its staff. Training will also be provided in response to specific incidents/circumstances. Staff will be required to sign attendance sheets as an acknowledgement of their training.

Ethical Behaviour Policies

Council has a range of ethical behaviour policies available on its intranet as follows:

- [Model Code of Conduct for Local Councils in NSW](#) – Business Manager Governance
- [Procurement Policy](#) – Director Corporate & Community Services
- [Gifts and Benefits Policy](#) – Business Manager Governance
- [Internal Reporting Policy](#) – Business Manager Governance
- [Councillor Expenses and Facilities Policy](#) – General Manager
- [Statement of Business Ethics](#) – Director Corporate & Community Services

Induction

Staff induction addresses key policies relevant to Council's fraud control framework, including Council's Code of Conduct and Internal Reporting Policy.

Customer and Community Awareness

Council is committed to ensuring that its customers and suppliers are aware of its commitment to ethical behaviour. Council's Statement of Business Ethics is published on its website, along with policies relevant to the fraud control framework.

Attribute seven: Third party management systems

Council ensures that appropriate controls, such as the segregation of duties, are in place to manage its dealings with third parties. Council provides a copy of its Statement of Business Ethics to contractors and suppliers so they understand the mutual obligations of all parties and the standards of behaviour expected by Council.

Third parties are encouraged to report suspected fraud to Council in accordance with the processes outlined in Council's Internal Reporting Policy.

Attribute eight: Notification systems

Council requires its officials and encourages third parties and members of the public to report known or suspected fraud in accordance with Council's Internal Reporting Policy.

The *Crimes Act 1900* provides that in certain circumstances, failure to report a serious offence (which could include fraud and/or corrupt conduct) to the NSW Police or another appropriate authority is an offence.

The *Public Interest Disclosures Act 1994* (PID Act) provides protection to public officials (as defined by the PID Act) who make a public interest disclosure by imposing penalties on anyone who takes detrimental action against another person that is substantially in reprisal for that person making a public interest disclosure.

Attribute nine: Detection systems

Council uses internal audit to assess its risk management framework and conduct periodic fraud control reviews to identify emerging opportunities for fraud and opportunities to strengthen internal controls.

Employees are encouraged to report acts that violate Council's Code of Conduct and other related policies to their respective Director, the Business Manager Governance or the Chief Executive Officer.

Council has established a protection program to facilitate the reporting of misconduct anonymously.

Council will investigate implementing automated triggers/flags for reporting suspicious transactions into all electronic systems (such as the computerised accounting system) to identify suspected fraudulent transactions.

Council will investigate the use of data analytics on a periodic basis to identify irregularities and detect fraud.

Attribute ten: Investigation systems

Guidelines for the investigation of suspected fraud and the possible disciplinary action which may result, are set out in Council's Internal Reporting Policy, Code of Conduct and associated Procedures.

Where a Council official or other relevant party is reasonably suspected of behaving corruptly, that can be reported directly to the Independent Commission Against Corruption (ICAC) or to any of the Council officials listed in Council's Internal Reporting Policy and that person may be investigated

under the ICAC Act. There is also the possibility of an investigation by the NSW Police if the reported behaviour constitutes criminal conduct.

Version	Council Meeting Date	Resolution	Adoption Date	Effective From
1	17 December 2019	2019/537	28 February 2020	2 March 2020
2	4 October 2022	2022/362	4 October 2022	1 November 2022

All policies can be reviewed or revoked by resolution of Council at anytime.

DIRECTORATE: Corporate & Community Services

BUSINESS UNIT: Governance