

1.7 Fraud Control

POLICY TITLE: FRAUD CONTROL

FILE REF: SC67

REVIEW DATE: SEPTEMBER 2025

1. PRINCIPLES

This policy is applicable to Councillors, staff and delegates. It is designed to protect public funds and assets, protect the integrity, security and reputation of the Council and its staff, and maintain a high level of services to the community.

There are four (4) elements to Council's Policy namely:

- i. Prevention
- ii. Detection
- iii. Reporting and
- iv. Investigation

Fraud control is the protection of Council's assets from fraudulent exploitation. The desired outcome of this fraud control policy is elimination of cases of fraud involving staff and elimination, by all possible efforts, of fraud against Council generally.

2. DEFINITIONS

For the purpose of this Policy, the Australian Standard 8001-2008 on fraud and corruption control's definition of fraud has been adopted. Specifically, fraud is defined as:

"Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity."

Some examples of fraud include:

- Unauthorised use of Council plant and equipment or other Council resources;
- Private use of Council's inventory and stores;
- Claiming unworked overtime on time sheets;
- Providing confidential Council information to unauthorised persons or bodies;
- Allowing contractors to not fully meet contract requirements
- Improper use of information for personal benefit;
- Deliberate falsification, concealment or use of falsified documentation.

"Corrupt conduct" is defined by Section 8 of the Independent Commission Against Corruption (ICAC) 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."

3. RESPONSIBILITY

All Councillors and Management personnel are responsible for fostering an environment, within their areas of control, which makes active fraud control a responsibility of all staff and for issuing clear standards and procedures to encourage the minimisation and deterrence of fraud. More specifically the division of responsibility is as follows:

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- a) Council – responsible for ensuring appropriate policies are in place and reviewed regularly including:
 - Fraud Control Policy
 - Code of Conduct
 - Statement of Business Ethics
 - Public Interest Disclosure and Reporting Policy
 - Reporting on fraud control activities in the Annual Report
- b) General Manager – responsible for:
 - Ensuring a Fraud Risk Assessment is undertaken
 - Developing a Fraud Control Action Plan
 - Arrange fraud awareness training for all staff at regular intervals
 - Authorising internal investigations of suspected fraud
 - Keeping the Mayor informed of any internal fraud investigations.
- c) Directors – responsible for:
 - Advising the General Manager of any reports of suspected fraud or corruption
 - Promoting an ethical climate and maintaining awareness amongst staff of their obligation to always act honestly, in accordance with Council's Codes and Policies and in compliance with the law.
- d) All staff – responsible for:
 - Acting ethically, in accordance with Council's Codes and Policies and in compliance with the law;
 - Reporting any suspicions of fraud or corrupt conduct to their Director.
 - Participating in fraud awareness training arranged by Council.
 - "Signing-off" on the Code of conduct on an annual basis.

4. PREVENTION

Council is committed to preventing fraud at its origin. Fraud flourishes in an environment where there are insufficient controls to prevent waste, abuse and mismanagement. Council believes that an emphasis on fraud prevention, rather than fraud investigation, will lead to a reduction of these opportunities for waste, abuse and mismanagement.

In this regard a Fraud Risk Assessment will be undertaken with mitigation measures identified and implemented to minimise the risk of fraud and increase the likelihood of detection.

Council recognises that fraud prevention requires the maintenance of an ethical climate, which encourages all staff to be active in protecting Council's funds and assets, and in reporting any breaches of accepted standards. Directors and managers must be mindful of their responsibility to foster and develop in their areas the highest standards of ethical behaviour and commitment to a highly ethical workforce culture.

Awareness and education is also important for the prevention of fraud. In this regard Council's Information for New Employees Handbook and induction procedures will contain information regarding Council's Values, Business Ethics, Code of Conduct, Fraud Control Policy and Public Interest Disclosures and Reporting Policy.

5. DETECTION

Detection relies on having appropriate internal controls and reporting mechanisms in place including the following:

- A Fraud Risk Assessment identifying mitigation measures to minimise the risk of fraud and increase the likelihood of detection.
- An independent check by Council's Internal Auditor that the mitigation measures identified in the Fraud Risk Assessment are in place and working effectively.
- A strategic and tactical Internal Audit Plan with Internal Audit reviews focusing on selected areas of activity.
- A system for reporting suspected fraud or corrupt conduct and making protected disclosures.

6. REPORTING

Internal Reporting

Any suspected instances of fraud or corruption from either internal or external sources should be reported by staff to their Director.

Any suspicions of fraud or corrupt conduct involving a Director should be reported to the General Manager.

Any suspicions of fraud or corrupt conduct involving the General Manager should be reported to the Mayor.

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The information provided in each case should include wherever possible:

- Details of and relating to the suspected offence; and
- Details of the suspected offender(s) where known.

For a report of any wrong-doing to be a protected disclosure in accordance with the Public Interest Disclosures Act, the report has to be made to a person or position prescribed in Policy 1.18 - Public Interest Disclosures and Reporting System.

Management recognises that the reporting of fraud is a sensitive issue (especially against work colleagues). To affirm the integrity of this function, therefore, management will ensure the confidentiality of information passed to any member of the Management Executive. It will achieve this by maintaining the confidentiality of both the complainant and suspect, and by avoiding rumours, morale problems and the possibility of willful destruction of evidence.

External Reporting

In determining whether a particular matter, fraudulent or otherwise, is of sufficient seriousness that it should be referred to an external agency for investigation, a preliminary assessment/investigation of the alleged case of fraud will be undertaken to ensure that sufficient facts have been disclosed from which there is a reasonable cause to believe an offence has been committed, or attempted to be committed, and the matter is of a fraudulent nature within the terms of the definition of fraud given in Section 2;

In the event that there is a reasonable suspicion that, in a particular matter, an offence has occurred, and that the matter may have implications for another organisation, then a report on that matter, excluding personal information unless prima facie evidence exists, will be provided to the relevant organisation at the earliest opportunity.

External agencies to which wrong doing can be reported include:

- NSW Independent Commission Against Corruption - for corrupt conduct
- NSW Ombudsman – for maladministration
- NSW Office of Local Government – for serious and substantial waste in local government
- NSW Information Commissioner for disclosures about a government information contravention
- NSW Police – for criminal matters.

Annual Reporting

The Council will report on its fraud control activities in its Annual Report prepared pursuant to Section 428 (1) of the Local Government Act, 1993.

7. INVESTIGATION

The General Manager is responsible for authorising internal investigations and informing external persons or bodies are appropriately notified.

Where the initial investigation discloses a serious or complex situation beyond the Council's resources and investigative capabilities, the General Manager may, in consultation with the Mayor, engage external assistance to undertake the investigation.

In the case of any instance of alleged fraud, any such accusations shall be brought to the attention of the person against which such allegations are made at the earliest opportunity and any such person shall, in a case of an investigation in to any such alleged conduct, be entitled to obtain independent Union and/or legal advice regarding such matters.

Council recognises that in such circumstances where the allegation of fraud carries the imputation of criminal conduct, then such employees' right to silence shall be recognised.

8. RELATED DOCUMENTS

Policy 1.4 - Code of Conduct

Policy 1.6 - Statement of Business Ethics

Policy 1.18 - Public Interest Disclosures and Reporting System

Adopted by Council on 19 September 2022
Refer Minute No. 198/22

Adopted by Council 17 August 2009
Refer Minute No. 283/09

Adopted by Council on 16 September 2019
Refer Minute No. 268/19

Adopted by Council – 21 August 2006
Refer Minute No. 268/0

Adopted by Council on 19 June 2017
Refer Minute No. 147/17