



FRAUD CONTROL & CORRUPTION PREVENTION POLICY

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Responsible Officer	General Manager
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Policy Statement

Tasman Council is committed to the prevention, deterrence and investigation of all forms of fraud. Fraud can be damaging to the Council through financial loss, bad publicity and loss in public confidence.

Council will not tolerate fraudulent or corrupt conduct from its employees, contractors, elected members or others working for Council. The risk of fraud or corruption can come from within the Council and from external parties.

Elected members and employees will at all times act with integrity and must not engage or collude in any activities including fraudulent or corrupt conduct which damages the Council's good standing in the community. This also includes fraudulent or corrupt activities which may benefit the Council.

Elected member and employees have a responsibility to report suspected fraud and/or corrupt conduct. Elected member and employees are encouraged to be constantly vigilant and report in confidence, without fear or reprisal, any matter that they regard as suspicious.

All suspicious instances of fraud or corrupt conduct will be reported and investigated. The Council does not condone fraudulent or corrupt conduct and will institute disciplinary procedures in respect of any employee involved in such activities. Prosecution in the civil court will be taken against any person found to be involved in significant fraud or corrupt conduct to recover losses incurred by the Council where this is appropriate.

In the event that an investigation indicates that a criminal offence may have been committed, any information obtained by Council will be referred to the Police.

False allegations of suspected fraud or corrupt conduct by employees with the intent to disrupt or cause harm to another may be subject to disciplinary action in accordance with the provisions in Council's Employee Code of Conduct.

Purpose

This policy covers guidelines and responsibilities regarding appropriate actions that must be followed to increase the awareness of, and, for the investigation of fraud. Management of the risk of exposure is an important area to monitor and the Council needs to be assured that appropriate and transparent procedures are in place.

The objective of the policy is to:

- Protect Council's assets and reputation;
- Ensure a sound ethical culture of the Council;
- Ensure Senior Staff commitment to identifying risk exposures to fraud and for establishing procedures for prevention and detection; and
- Ensure Councillors and staff are aware of the responsibilities in relation to ethical conduct.

Scope

This policy applies to all Councillors, special committee members, employees, contractors and consultants of the Council.

Definitions

Fraud is defined as “inducing a course of action by deceit or other dishonest conduct, involving acts or omissions or the making of false statements, orally or in writing, with the object of obtaining money or other benefit from, or evading a liability to, the Council”.

Some examples of fraud include:-

- Unauthorised use of Council’s plant, furniture and equipment;
- Any misappropriation of funds;
- Accepting gifts from contractors, consultants and customers;
- Falsification of expense claims; and
- Inappropriate use of position to obtain goods and services.

Corruption is defined as “dishonest activity in which a person associated with an organisation (e.g. director, executive, manager, employee or contractor) acts contrary to the interest of the organisation and abuses their position of trust in order to achieve personal advantage, or advantage for another organisation or person. This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of and in the interest of the organisation, in order to secure some form of improper advantage for the organisation either directly or indirectly”.

Elements of the Policy

- a. Leadership
- b. Education and Awareness
- c. Roles and Responsibilities
- d. Procedures
- e. Disciplinary Action
- f. Evaluation
- g. Risk Management
- h. Fraud Control Program
- i. Linked Documentation

Leadership

Strong leadership by councillors and senior management is critical to effective fraud control and corruption prevention. Councillors and management must contribute to the creation and maintenance of an ethical culture where employees and others feel prepared to report suspected fraud or corrupt conduct and are supported when they do so.

Education and Awareness

The likelihood and impact of fraudulent behaviour will be minimised by promoting a sound ethical environment. This approach reduces the risk of fraud, and allows greater reliance of the integrity of employees rather than on direct measures.

It is the responsibility of all employees, Councillors, Committee Members, contractors, consultants and volunteers to set an example through ethical and prudent use of Council assets and resources. Staff and Councillors have a duty to advise management of any concerns they have about the conduct of Council affairs or the use of Council assets and resources.

The Fraud Control and Corruption Prevention Policy will be brought to the attention of all current and new staff and will be included in the HR Handbook/Induction Manual. Staff with particular responsibilities such as cash handling, purchasing authority and account payment, will be given specific training in approved cash handling, purchasing and accounts payment procedures.

Roles and Responsibilities

Councillors

Councillors have a responsibility to abide by its Code of Conduct. Councillors and Committee Members need to keep in mind the Code of Conduct when considering reports, making decisions and scrutinising Council's activities. Council will support all policies and measures taken to prevent, deter, detect and resolve suspected instances of fraud or corruption.

Audit Panel

The role of the Audit Panel is to assist Council in providing a transparent and independent process in its financial and risk management practices to ensure accountability to the community in the governance, management and allocation of resources.

The Audit Panel will review the risk management framework and ensure that procedures exist for the effective identification and management of Council's financial, governance, business and environmental risks, including fraud and corruption.

Management

Managers are responsible for ensuring there are adequate internal controls to provide reasonable assurance for the prevention and detection of fraud and corruption.

Achievement of this is assisted by:

- Compliance with Council policies, rules and regulations;
- Ensuring Councillors are aware of their obligations as included in the "Tasman Council – Code of Conduct" for Councillors;
- Ensuring staff are aware of their responsibilities through adequate induction, training, supervision and written procedures; and
- Responding to issues raised by both the internal and external auditors.

All suspected cases or incidents of fraud or corruption are to be reported to the General Manager. The General Manager will promptly investigate such cases or incidents in accordance with the Fraud and Corruption Control Investigation Procedure (**Annexure A**).

Any allegations of fraud or corrupt conduct relating to the General Manager are to be reported to the mayor.

Employees / Contractors / Consultants

Employees, contractors and consultants have a duty to make management aware of any concerns they have about the conduct of Council affairs or the use of Council assets and resources. Any issues raised by them should be promptly investigated. Confidentiality of issues raised must also be maintained.

Procedures

The Fraud and Corruption Control Investigation Procedure (**Annexure A**) must be followed for all investigations of fraud or corrupt conduct.

Disciplinary Action

If an investigation report concludes there has been a breach of the 'Tasman Council - Code of Conduct', or any other applicable procedure, action taken will be in line with the disciplinary procedures.

Any situation where it has been established that an employee has committed a fraudulent or corrupt act will result in action under Council's Employee Disciplinary Policy.

Where it is established that it is likely that a serious fraudulent or corrupt act has been committed the matter is to be referred to the Tasmanian Police for investigation and/or prosecution.

Council will take appropriate action to recover any losses as a result of such fraudulent or corrupt activities.

Evaluation

Any incidences of proven fraud or corrupt conduct to be evaluated with the purpose of quantifying the loss; determining whether or not any controls or measures have failed; developing a communication strategy and assessing the responsiveness of the Council to mitigate the loss.

A report on this evaluation will be provided to the Audit Panel.

Risk Management

The measures required to satisfactorily address the risk of fraud depend on the nature and extent of risks faced. It is therefore necessary to undertake a risk assessment on an annual basis of the organisation's activities. The outcome of these assessments will then be used to formulate appropriate controls to mitigate any identified risks.

The following fraud minimisation procedures are to be followed:

- a) Accountability of senior managers for the results and deviations from budget in the monthly management reporting for departments. Further independent detailed reviews of significant variances that may arise will be arranged by the General Manager.
- b) Periodic review of Council operations and an assessment of the Council's exposure to the risk of fraud and corruption.
- c) An ongoing internal audit process. Internal controls supported by internal audit reviews on a regular basis will minimise the exposure to fraud risk and minimise the occurrence of new frauds arising.
- d) External audit review with the focus on accountability of financial systems and reporting processes.
- e) Maintain strict recruitment practices, including the confirmation of all relevant employees' details and thorough checking of references, in addition including police checks on applicants successfully applying for senior positions or positions involving an identified risk such as cash handling, contract management, compliance or procurement activities, and the promotion of this policy to all new Council employees.
- f) All assets are properly recorded and regular checks are performed to ensure that significant items are present.
- g) Set a standard of conduct for suppliers and contractors.
- h) Regularly review work practices open to collusion or manipulation.
- i) Ensure there are penalties in place should an employee be found guilty of fraud or corruption.
- j) Ensure that Council management have been trained in identifying indicators of fraud or corruption.

Early Warning Signs

The following are some behavioural warning signs that all employees and managers should be aware of relating to potential fraudulent or corrupt behaviour:

- Refusing to take leave;
- Regularly working late without supervision;
- Resigning suddenly or failing to attend work for no apparent reason;
- Drugs or alcohol abuse;
- A senior manager or employee who over rides internal controls;

- Persistent anomalies in work practices; and
- Obvious lifestyle changes that are in conflict with employee's normal financial position.

Role & Responsibilities

It is the responsibility of all Staff, Councillors, Contractors and Consultants to ensure that this policy is adhered to at all times.

References

Local Government Act 1993

Staff & Councillor Code of Conduct Policies

Disciplinary Procedures Policy

Annexures

- A. Fraud and Corruption Control Investigation Procedure
- B. Fraud and Corruption Prevention Strategy
- C. Fraud and Corruption Detection and Risk Management Strategy

This policy was approved at the ordinary Council meeting held on 26 June 2024, resolution number 15/06.2024/C.

Blake Repine
General Manager

Disclaimer

That this policy be read in conjunction with any or all other Council and/or Management Policies

ANNEXURE A

FRAUD AND CORRUPTION CONTROL INVESTIGATION PROCEDURE

This procedure covers appropriate actions and responsibilities that must be followed for the investigation of fraud and/or corrupt conduct.

Process

1. Any employee, contractor or consultant who has reason to suspect that fraud or corrupt conduct has occurred shall immediately notify their supervisor. If the employee has reason to believe that the employee's supervisor may be involved, the employee is to immediately notify the General Manager. The employee, contractor or consultant shall keep this information confidential. Should the incident relate to the General Manager, the matter should be reported directly to the Mayor.
2. Any Councillor who has reason to suspect that a fraud or corrupt conduct has occurred shall immediately notify the General Manager. The Councillor shall keep this information confidential.
3. The Supervisor, when receiving notification of suspected fraud or corrupt conduct, will immediately contact the General Manager. The Supervisor will not attempt to investigate the suspected fraud or corrupt conduct and will keep the information confidential.
4. The General Manager will promptly investigate the fraud or corrupt conduct upon notification of the details. The Mayor will promptly investigate any fraud or conduct allegation involving the General Manager.
5. At the conclusion of the initial investigation of a Councillor, the General Manager will determine whether the matter should be referred to the Code of Conduct Panel.
6. At the conclusion of an investigation of an employee, contractor or consultant the General Manager will prepare a record.
7. At the conclusion of an investigation of the General Manager, the Mayor will prepare a record.
8. The Audit Panel Chair will be advised by the General Manager or Mayor at the following time points when a suspected fraudulent or corrupt event has occurred:
 - (a) at the time of reporting;
 - (b) at the conclusion of the initial investigation; and
 - (c) at the conclusion of the entire process.

The record will contain:

- The allegation/s;
- An account of all relevant information received, and, if the General Manager has rejected the evidence as being unreliable, the reasons for this opinion being formed;
- The conclusions reached and the basis for them; and
- Any recommendation arising from the conclusions.

Following the completion of the record the General Manager (or Mayor if involving the General Manager) will determine what further action might be required.

Related Documents

- Fraud Control & Corruption Prevention Policy
- Code of Conduct (employees)
- Councillors – Model Code of Conduct

Review of Procedure

The Fraud and Corruption Control Investigation procedure will be reviewed in conjunction with the Fraud Control and Corruption Prevention Policy.

ANNEXURE B

FRAUD AND CORRUPTION PREVENTION STRATEGY

Council's fraud and corruption prevention strategy involves the following:

Organisational Integrity and Leadership

The most effective form of fraud prevention is the establishment of an organisational culture that rejects fraudulent and corrupt practices. Commitment from senior management and councillors is essential in establishing a behaviour model for all employees, councillors, contractors and consultants.

Council will establish and maintain a fraud-resistant culture by:

- a. Employing managers and supervisors who will be positive role models for ethical behaviour;
- b. Adopting and enforcing policies that emphasise the importance of ethical behaviour;
- c. Issuing clear standards and procedures to minimise opportunities for fraudulent and corrupt behaviour, and enhance detection mechanisms; and
- d. Ensuring all employees, contractors and consultants are accountable for their own actions.

Employee Education and Awareness

Employees will be made aware of Council's ethical conduct expectations by:

- a. The inclusion of ethical conduct requirements within the Induction Manual for new employees;
- b. An ongoing program of inclusion of ethical behaviour expectations within all position descriptions for new and existing positions; and
- c. Maintain an employee Code of Conduct.

Employees with responsibilities, such as cash handling and purchasing authority, will be given specific training in approved cash handling and purchasing procedures.

Customer and Community Awareness

Fraudulent activity may be detected as a result of complaints from Council customers or other members of the public. It is essential that the community understands the impact of fraudulent and corrupt activity and the importance of exposing such behaviour. In order to increase community awareness and encourage the reporting of fraudulent and corrupt conduct, Council will:

- a. Publish the Code of Conduct for councillors and employees on Council's website; and
- b. Provide feedback to all persons who report suspected corrupt or fraudulent conduct.

Regular Review of Policies and Procedures

In addition to ongoing policy development directed at emphasising ethical behaviour and fraud prevention and detection, Council is committed to the ongoing review of existing policies and procedures.

ANNEXURE C

FRAUD AND CORRUPTION DETECTION AND RISK MANAGEMENT

Council's fraud and corruption detection strategy involves the following:

Encouraging Disclosure

It is recognised that most fraudulent activity is detected by employees of Council, and to a lesser extent, by members of the public. Council will encourage the reporting of fraudulent conduct by:

- a) The inclusion of training on fraud awareness and reporting procedures in induction of new employees;
- b) Awareness training for all staff on Council's Code of Conduct and reporting of fraudulent and corrupt activity on an annual basis;
- c) Advertising on Council's website of the various methods by which members of the public can report instances of fraudulent conduct that they may become aware of; and
- d) Providing feedback to people who report suspected fraud.

Internal Auditing

Council will minimise opportunities for undetected fraudulent activity via a robust internal audit program. The General Manager shall establish and implement a detailed strategy and procedures, incorporating internal audit guidelines in order to give this policy effect. Such a program shall include:

- a) Annual audits of financial system security;
- b) Annual audits of cash float and petty cash balances;
- c) Annual stock takes of Council inventory;
- d) Annual reviews of physical asset security;
- e) Appropriate separation of duties identified;
- f) Annual audits of compliance with adopted cash handling procedures; and
- g) Implementation and monitoring of recommendations by Council's external auditors.