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|  | MANAGEMENT POLICY | POLICY NUMBER |
| | Fraud Control Policy | C 023 |
| | | RESPONSIBLE OFFICER |
| | | General Manager |

1.0 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.

2.0 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.

3.0 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.

4.0 ELEMENTS OF THE POLICY

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

A. Applicability

This policy applies to all Councillors, Committee Members, Employees, Contractors, Consultants and Volunteers of the Tasman Council.

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B. 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 Policy will be brought to the attention of all current and new staff and will be included in the 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.

C. Roles and Responsibilities

C.1 Councillors / Committee Members

Councillors and Committee Members 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.

C.2 Senior Staff

Senior Staff 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 and Committee Members are aware of their obligations as included in the "Tasman Council – Code of Conduct";
- 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 are to be reported to the General Manager. The General Manager will promptly investigate such cases or incidents in accordance with the Fraud Control Investigation Procedure (**Annexure A**).

C.3 Employees / Contractors / Consultants / Volunteers

Employees, contractors, consultants and volunteers 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.

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D. Procedures

The Fraud Control Investigation Procedure (**Annexure A**) must be followed for all investigations of fraud.

E. 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.

F. 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 Staff 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 or the relevant Senior Staff member.
- b) Periodic review of Council operations and an assessment of the Council’s exposure to the risk of fraud.
- 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, 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) Review work practices open to collusion or manipulation.
- i) There are penalties in place should a staff member be found guilty of fraud.
- j) Ensure that Council’s Senior Staff have been trained in identifying indicators of fraud.

G. Early Warning Signs

The following are some behavioural warning signs all Senior Staff and employees need to be aware of relating to potential fraudulent behaviour:-

- Refusing to take leave;
- Resigning suddenly or failing to attend work for no apparent reason;
- Drugs or alcohol abuse;
- Senior Staff/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.

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5.0 ROLES & RESPONSIBILITIES

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

6.0 REFERENCES

Local Government Act 1993

Staff & Councillor Code of Conduct Policies

Disciplinary Procedures Policy

7.0 REVIEW & APPROVAL PROCESS

The Fraud Control Policy will be reviewed bi-annually.

Policy Approved – June 2014

Policy Reviewed – September 2016

Policy to be reviewed – June 2018

8.0 ANNEXURES

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

This policy was approved at the ordinary Council meeting held on 28 September 2016, resolution number 21/09.2016/C.



Robert Higgins
General Manager

Disclaimer

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

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**ANNEXURE A
FRAUD CONTROL INVESTIGATION PROCEDURE**

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

Process

1. Any employee, contractor, consultant or volunteer who has reason to suspect that a fraud has occurred shall immediately notify his / her 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, consultant or volunteer shall keep this information confidential. (Note: Should the incident relate to the General Manager, the matter should be reported directly to the Mayor).
2. Any Councillor or Committee Member who has reason to suspect that a fraud has occurred shall immediately notify the General Manager. The Councillor / Committee Member shall keep this information confidential.
3. The Supervisor, when receiving notification of suspected fraud, will immediately contact the General Manager. The Supervisor will not attempt to investigate the suspected fraud and will keep the information confidential.
4. The General Manager will promptly investigate the fraud upon notification of the details.
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 a Committee Member, employee, contractor, consultant or volunteer the General Manager will prepare a record.

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 will determine what further action might be required.

Related Documents

- Fraud Control Policy
- Code of Conduct

Review of Procedure

The Fraud Control Investigation procedure will be reviewed annually.

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**ANNEXURE B
FRAUD PREVENTION STRATEGY**

Council's fraud 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 Staff and Councillors is essential in establishing a behaviour model for all staff, committee members and volunteers.

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 staff 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) Develop and implement a staff Code of Conduct.

Staff with particular 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 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.

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**ANNEXURE C
FRAUD DETECTION AND RISK MANAGEMENT**

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