FRAUD AND CORRUPTION PREVENTION POLICY

ST088   **F22**

STRATEGIC POLICY

OBJECTIVES
To provide a framework for the prevention, detection, investigation and correction of corrupt and fraudulent activity.

APPLICABILITY
This policy applies to all Council delegates - Councillors, Council employees (including temporary work experience placements), contractors, consultants, suppliers, volunteers, committee members and other delegates.

GENERAL
Council promotes an organisational culture that will not tolerate any actual or attempted act of fraud or corruption. The associated Fraud and Corruption Prevention Plan is designed to put this principle into practice.

Fraud and corruption can be distinguished from other forms of unethical behaviour. Council applies the following definitions which are based on those contained in the Australian Standard for Fraud and Corruption Control (AS 8001-2008).

Corruption – dishonest activity where a Council delegate acts contrary to the interests of Council and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. The concept 'corruption' within the standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interest of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly.

Fraud – dishonest activity, by a Council delegate or external person, causing actual or potential financial loss to Council, including the theft of money or other property. This includes the deliberate falsification, concealment, destruction or improper use of documentation used or intended for use for normal business purposes or the improper use of other information or position for personal financial benefit.

PROCEDURE
Council has developed and published policies and processes to facilitate the reporting of suspicions of corrupt conduct, mal-administration, or serious and substantial waste of public money. This guidance material, including the Public Interest Disclosures & Internal Reporting Policy (ST059), helps staff make protected disclosures in accordance with the Public Interest Disclosures Act 2012 and sets out procedures for making disclosures to Council and disclosures to appropriate external agencies including provisions for disclosures to be properly investigated and dealt with.

Council's Fraud and Corruption Prevention Plan outlines the process for dealing with fraud and corruption risks.

RELATED POLICIES/DOCUMENTS

Code of Conduct – ST010
Customer Service Obligation Policy – ST021
Enterprise Risk Management Program – ST056
Gifts & Benefits Policy – ST039
Public Interest Disclosures & Internal Reporting Policy – ST059
Purchasing Policy – ST109
Statement of Business Ethics
Complaint Management - ST016
Public Interest Disclosures Act 1994
Independent Commission Against Corruption Act 1998 – Part 3
Local Government Act 1993
Crimes Act 1900 – section 156 & 157
State Records Act 1998
Australian Standard AS8001:2008
Audit Office of NSW – Fraud Control Improvement Kit 2015

Responsible Area – Corporate and Commercial Services

REVISION					
	DATE	**RESOLUTION**		**DATE**	**RESOLUTION**
1	January 2009	09/453	**6**		
2	3 Dec 2013	13/649	**7**		
3	Dec 2014	15/024	**8**		
4	7 August 2018	18/354	**9**		
5					
All policies can be reviewed or revoked by resolution of Council, at any time.					

SUMMARY OF AMENDMENTS

Amendment Date	Section/Reference and Amendment
May 2018	Amended objective. Applicability of Policy extended to consultants and suppliers. Expansion of definition of corruption. Updated related policies and documents. Update References.
December 2014	Clarification of "Council delegate" to include work experience participants. Updates to Public Interest Disclosures information. Removal of information relating to conflicts of interest as these considerations are set in the Code of Conduct.
October 2013	Inclusion of reference to the Australian Standard AS8001-2008 Fraud and Corruption Control, and to the ICAC "Corruption Prevention Strategy" May 2013. Inclusion of Enterprise Risk Management risk assessment process. Inclusion of reference to Public Interest Disclosure Contact Officers.

Strategic Policy

Fraud and Corruption Prevention Plan

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INTRODUCTION

Overview
This Fraud and Corruption Prevention Plan sets out the fraud and corruption prevention policies and procedures followed by Orange City Council. It details Council's approach to the prevention, detection, reporting and investigation of fraud and corruption. The Plan is based on the standards, principles and strategies set out in Australian Standard *AS 8001-2008 – Fraud and Corruption Control* and guidance from the Independent Commission Against Corruption publications.

Effective implementation of this strategy will help ensure that public confidence in the integrity of Council is maintained and Council's ability to achieve the best possible outcomes for the community will be enhanced.

Principles
Council promotes an organisational culture that does not and will not tolerate any actual or attempted act of fraud or corruption by Councillors, Council employees, contractors, volunteers, stakeholders, customers, committee members, and other delegates. This Fraud and Corruption Prevention Plan is designed to put this principle into practice.

Council is committed to:
- Minimising opportunities for corrupt conduct
- Detecting, investigating and disciplining corrupt conduct
- Reporting corrupt conduct to ICAC and where appropriate NSW Police
- Taking a risk management approach to the identification and management of corruption risk.

All Council delegates - Councillors, Council employees, contractors, consultants, suppliers, volunteers, stakeholders, customers and committee members, and other delegates must be above fraud and corruption, and further, conduct themselves in a manner so as not to be perceived to be involved in such activities.

Council will deal fairly with all parties in the course of investigating allegations of fraud or corruption. However, if fraud or corruption is proven, Council will apply appropriate sanctions in accordance with the Code of Conduct or Disciplinary Policy (relating to staff). Matters referred to the Independent Commission Against Corruption (ICAC) or NSW Police may lead to criminal proceedings.

All staff members are required to act ethically and professionally in accordance with Council's *Code of Conduct* and *Statement of Business Ethics*. The *Code of Conduct* is published on Council's website at www.orange.nsw.gov.au

Relationship with other Council Policies and Plans
In addition to the Code of Conduct, this strategy has a close relationship with the following policies, plans and documents:
- Customer Service Obligation Policy
- Enterprise Risk Management Plan
- Gifts & Benefits Policy
- Public Interest & Internal Reporting Policy
- Purchasing Policy
- Statement of Business Ethics

DEFINITIONS OF FRAUD AND CORRUPTION

Council applies the following definitions, as defined by the Australian Standard for Fraud and Corruption Control (AS 8001-2008).

Corruption

Dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. The concept of 'corruption' within this standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly

Fraud

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. 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 for personal financial benefit. The theft of property belonging to an entity by a person or persons internal to the entity but where deception is not used is also considered 'fraud'.

AREAS WITHIN COUNCIL WHERE FRAUD AND CORRUPTION MAY OCCUR

Fraud may be categorised as 'internal' or 'external' fraud. Internal fraud, sometimes called 'workplace fraud', refers to fraud that is committed by Council delegates in the workplace. External fraud refers to fraud against Council by non-delegates, such as customers, suppliers etc.

Areas identified as having high risk ratings for fraud and corruption in the public sector include:

- **Managing people** – delegations, recruitment, supervision of staff, secondary employment.

- **Managing external relationships** – conflicts of interest, procurement, commercial activities, joint ventures, sponsorship.

- **Managing services and products** – client relationships, community affiliations, regulatory functions, resource allocation.

- **Managing money** – accounts management, cash handling, credit cards, grants and program funding, payroll, ticket vending.

- **Managing information** – confidential information, electronic transactions, IT systems.

- **Managing assets** – disposal of goods and property, intellectual property, management of resources, use of resources.

Some examples of fraud and corruption include:

- **Theft** (from Council or its customers) of assets, such as equipment, consumables, supplies, cash, information.

- **Unauthorised or illegal use of assets, information or services for private purposes** including: vehicles, human resource support, computers (including email and internet), confidential information, equipment (including photocopiers, telephones, fax), Council logo or stationary.

- **Abuse of position and power for personal gain** for example obtaining gifts or benefits in exchange for favourable treatment, nepotism in staff appointments, non-compliance with procurement processes by favouring one tenderer over another.

- **Manipulation or misuse of accounting**, such as ordering equipment for personal use, over-ordering for private use, favouring suppliers whose costs are not as competitive as other suppliers, deliberate miscoding or transfer of financial transactions to achieve favourable reported budget outcomes.

- **Falsification of records or services**, including timesheets, travel claims, purchase orders, petty cash vouchers, allowing contractors to under-deliver on goods or services below their contracted arrangements.

- **Conflict of interest** eg: where a councillor or employee acts in their own self-interest rather than the interests of Council.

ROLES AND RESPONSIBILITIES

Council

Council considers and approves the Strategic Policy.

General Manager

The General Manager considers all policies and procedures relating to the control and investigation of fraud and corruption. The General Manager is responsible for:

- reporting to the Independent Commission Against Corruption (ICAC) any matter that he/she suspects on reasonable grounds involves or may involve corrupt conduct
- assigning responsibilities in relation to fraud and corruption risk management
- ensuring managers and staff receive support, training and resources to fulfil their responsibilities.

Corporate and Commercial Services Division

The Director Corporate and Commercial Services is responsible for:

- producing fraud and corruption policies, procedures and training programs
- liaising with internal and external investigators
- assuring the quality of investigation processes and reports
- providing advice to staff affected by internal investigations.

Public Interest Disclosures Coordinator

All reasonable suspicions of fraud or corruption are reported to the Public Interest Disclosures Coordinator who decides what action should be initiated to assess the concerns raised. All fraud and corruption investigation reports are referred back to the General Manager to determine what action is to be taken to address the investigation findings.

The Manager Administration and Governance is Council's nominated Public Interest Disclosures Coordinator.

Public Interest Disclosure Officers

The General Manager has appointed the following staff as Public Interest Disclosure Officers:

- Mark Burdack – Director Corporate and Commercial Services
- Vacant – Manager Corporate Governance
- Louise Geaghan – Manager Community Services
- Tim Mooney – Manager Plant and Depot
- Paul Johnston – Manager Development Assessments
- Wayne Penrose – Safety Education and Liaison Officer

Audit and Risk Management Committee

The Audit and Risk Management Committee has been established and assists in reviewing the effectiveness of Council's fraud and corruption control strategies and plans.

Directors

Directors must ensure that the Fraud and Corruption Prevention Plan and related Council Policies and Plans are fully and effectively implemented in their Divisions.

Line Managers

All Line Managers are responsible for:

- implementing the Code of Conduct and relevant Policies and Plans, including ensuring staff are aware of principles and procedures
- monitoring their workplaces to identify and address situations that are likely to raise ethical dilemmas (eg. by establishing good procedural guidance for decision-making, particularly the exercise of discretion)
- ensuring that staff are not placed in potentially difficult or compromising situations (eg. by working alone in the field where they may face compromising situations, or potentially being exposed to relational selling)
- being available and supportive to staff who require guidance on ethical dilemmas;
- fostering a work environment free of harassment, discrimination, victimisation, corruption, maladministration and waste
- supporting and protecting staff who report, in good faith, instances of potentially unethical or corrupt practices
- ensuring that staff are treated fairly, equitably and in accordance with legislation and policy (eg. access to training and other development possibilities).

All Council Staff

All Council staff have a duty to:

- act ethically, lawfully and in accordance with the principles contained in the Code of Conduct.
- comply with this and all other Council policies.
- report potentially unethical or corrupt practices via the established mechanisms.

CONFLICTS OF INTEREST

A conflict of interest exists when a staff member could be influenced, or perceived to be influenced, by a personal interest when carrying out their duties. Council's Code of Conduct provides detailed guidance regarding conflicts of interest.

It is corrupt behaviour to knowingly make a decision influenced by a conflict of interest.

RISK MANAGEMENT

An important part of fraud and corruption prevention is understanding where the areas of risk are in Council. With this in mind, Council aims for the risk management process to result in meaningful action that eliminates or, at least, improves mitigation of fraud and corruption risks. The complete elimination of fraud and corruption is the desired state to be achieved, and while striving to achieve this level of control, a higher level of fraud and corruption risk mitigation will be achieved.

Risk management is:

- the responsibility of all employees
- integrated into all business activities and systems
- based around the overall process of risk identification, risk analysis, risk evaluation and risk treatment.

This plan is to be cross-referenced to Council's Enterprise Risk Management Plan, in particular its risk management process. The following diagram summarises that process.
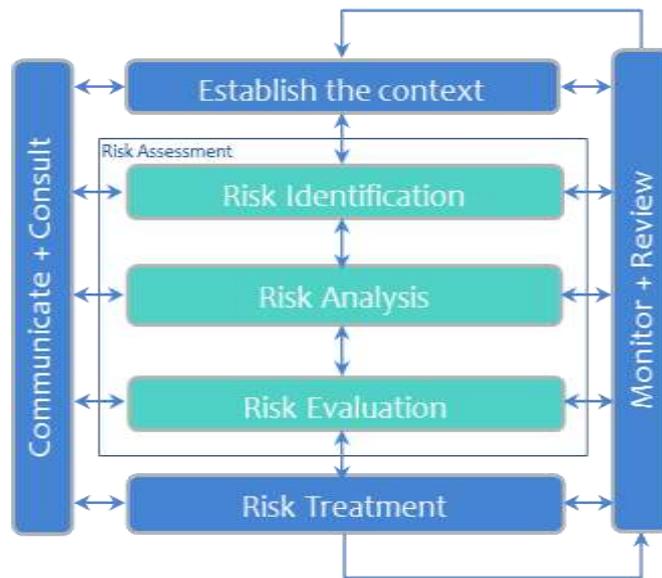
INTERNAL AUDIT STRATEGY

Council's internal audit strategy allocates significant resources to fraud and corruption prevention, in providing in-depth auditing of functions and activities considered to be of high risk, and in identifying and testing all aspects of the controls applied to address risks.

Council undertakes regular reviews of internal controls, policies and procedures and part of this Plan will include Line Managers conducting self-audits using the checklists provided by the NSW Audit Office's Better Practice Guide.

PROCEDURES FOR REPORTING FRAUD AND CORRUPTION

Council has developed the Public Interest Disclosures & Internal Report Policy (ST059) which facilitates reporting in accordance with the Public Interest Disclosures Act 1994. This policy sets out:

- procedures for making disclosures to Council;
- procedures for making disclosures to appropriate external agencies;
- procedures for dealing with anonymous reports;
- protection for people making protected disclosures from reprisals that might otherwise be inflicted on them because of their disclosures;
- provisions for disclosures to be properly investigated and dealt with.

The Public Interest Disclosures Policy and the Public Interest Disclosure Reporting System complement existing communication channels between supervisors and staff. **Staff are encouraged to continue to raise appropriate matters at any time with their managers, but as an alternative they have the option of making a public interest disclosure.**

PROCEDURES FOR FRAUD AND CORRUPTION INVESTIGATION

Internal Investigations
Council's Policy and approach for managing external complaints and allegations (Complaints Management Policy ST016) provides rigorous and detailed systems and procedures for conducting internal investigations and notifying appropriate external agencies.

Council documents all processes and findings of probity investigations. These documents are managed and stored securely to protect confidentiality.

External Investigative Resources
Council engages specialist external investigation and audit services to investigate probity allegations where appropriate, to provide an additional level of 'arm's length' independence to establish the facts.

The General Manager has a statutory duty to report to ICAC any matters that he suspects, on reasonable grounds, may involve corrupt conduct, including fraud. Council notifies NSW Police in circumstances where criminal offences are suspected.