

Fraud Control Policy

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POLICY

The Central Coast 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.

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

DEFINITIONS

Fraud is defined in the Australian Standard AS 8001-2008 Fraud and corruption control 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. 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’ for the purposes of this Standard.”

Some examples of fraud include:

- . Unauthorised use of the Council's plant, furniture and equipment;
- . Any misappropriation of funds or Council property;
- . Accepting gifts from contractors, consultants and customers in return for services rendered or influencing the outcome of a decision;
- . Any computer-related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Council owned software;
- . Falsification of expense claims;
- . Inappropriate use of position to obtain goods and services.

A number of these issues are specifically covered in both the Code of Conduct of Councillors and Employees Code of Conduct, which have been issued to all Councillors and employees as part of their induction.

ELEMENTS OF THE POLICY

- 1 Applicability
- 2 Education and Awareness
- 3 Roles and Responsibilities
- 4 Procedures
- 5 Disciplinary Action
- 6 Risk Management
- 7 Fraud Control Program
- 8 Legislated and Related Documentation

1 APPLICABILITY

This Policy applies to all Councillors, Committee Members, employees, contractors, consultants and volunteers of the Central Coast Council.

2 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, and volunteers to set an example through ethical and prudent use of Council assets and resources. Employees 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 employees and will be included in the induction program.

Employees 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.

3 ROLES AND RESPONSIBILITIES

(a) Councillors/Committee Members

Councillors and Committee Members have a responsibility to abide by their Code of Conduct. Councillors and Committee Members need to keep in mind the Code of Conduct when considering reports, making decisions and scrutinising the Council's activities.

The Council will support all policies and measures taken to prevent, deter, detect and resolve suspected instances of fraud.

(b) Senior Leadership Team

The Senior Leadership Team is 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 their Code of Conduct;
- . Ensuring employees are aware of their responsibilities through adequate induction, training, supervision and written procedures;
- . 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 (attached).

Should the suspected case of fraud relate to the General Manager then it should be reported to the Mayor.

(c) 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.

4 PROCEDURES

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

5 DISCIPLINARY ACTION

If an investigation report concludes there has been a breach of the Central Coast Council's Employees Code of Conduct, or any other applicable procedure, action taken will be in line with the disciplinary procedure as documented in the Human Resource Disciplinary Action Policy.

6 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 risk assessments of the organisation's activities. The frequency of these assessments depends on the degree of exposure to the incidence of fraud. 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:

- 1 Accountability of Directors and Group Leaders to the Operational Leadership Group 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 Director.
- 2 An integrated risk management system that is overseen by the Risk Management Committee. Periodic review of Council operations and an assessment of the Council's exposure to the risk of fraud.
- 3 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.
- 4 External audit review and oversight by the Audit Panel with the focus on accountability of financial systems and reporting processes.
- 5 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 financial transactions of any kind, and the promotion of this policy to all new Council employees.
- 6 All assets are properly recorded and regular checks are performed to ensure that significant items are present. This includes maintaining a Small Assets Register for items that are not capitalised.
- 7 Employee leave records are reviewed to ensure staff are taking annual leave.
- 8 Ensure that employee responsibilities under the Gifts and Benefits Policy are adhered to.
- 9 Set a standard of conduct for suppliers and contractors.
- 10 Review work practices open to collusion or manipulation.
- 11 There are penalties in place should an employee be found guilty of fraud.
- 12 Ensure that Council management have been trained in identifying indicators of fraud.

7 *EARLY WARNING SIGNS*

The following are some behavioural warning signs all employees and Directors 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.
- . Drug or alcohol abuse.

- . A Director/employee who overrides internal controls.
- . Persistent anomalies in work practices.
- . Obvious lifestyle changes that are in conflict with an employee's normal financial position.

8 *FRAUD CONTROL PROGRAM*

The Fraud Control Program is overseen by the Risk Management Committee.

The Program includes:

- . Inducting new employees on Council policy relating to fraud;
- . Training employees in fraud prevention and awareness;
- . Documenting the the Council's policy and procedure relating to fraud control investigation, fraud prevention, fraud detection and risk management;
- . Internal Audit Annual Work Plan; and
- . Audit Panel Annual Work Plan.

9 *LEGISLATION AND RELATED DOCUMENTATION*

- . *Local Government Act 1993*
- . *Public Interest Disclosures Act 2002*
- . Employees Code of Conduct
- . Human Resource Disciplinary Action Policy
- . Code of Conduct of Councillors
- . Fraud Control Investigation Procedure
- . Fraud Prevention Strategy
- . Fraud Detection and Risk Management Strategy
- . Customer Service Charter
- . Public Interest Disclosures Act Procedures
- . Code for Tenders and Contracts

10 *REVIEW OF POLICY*

The Fraud Control Policy will be reviewed every two years.

ATTACHMENTS

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

Date of approval:/...../.....

Approved by:

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Sandra Ayton
GENERAL MANAGER

Activity: FRAUD CONTROL INVESTIGATION

Procedure: OS

WORK METHOD REQUIREMENTS

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

PROCESS

- 1 Any employee, contractor or consultant who has reason to suspect that a fraud has occurred shall immediately notify his/her Director. If the employee has reason to believe that the employee's Director may be involved, the employee is to immediately notify the General Manager. The employee, contractor or consultant shall keep this information confidential. (Note: Should the incident relate to the General Manager, the matter should be reported 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 Director, when receiving notification of suspected fraud, will immediately contact the General Manager. The Director 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 In accordance with section 28Y of the *Local Government Act 1993*, 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. Further reference should be made to the *Local Government Act 1993* to ensure proper process is followed.

At the conclusion of an investigation of a Committee Member, employee, contractor or consultant 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.

For investigations, other than those of a Councillor, at the completion of the record the General Manager will determine what further action might be required.

Related Documents

- . Fraud Control Policy
- . Employees Code of Conduct
- . Code of Conduct of Councillors
- . Human Resource Disciplinary Action Policy
- . *Local Government Act 1993*
- . Local Government Awards

Review of Procedure

The Fraud Control Investigation Procedure will be reviewed every two years.

Activity: *FRAUD PREVENTION STRATEGY*

Strategy: *OS*

FRAUD PREVENTION STRATEGY

The Council's Fraud Prevention Strategy involves:

1 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 the Senior Leadership Team, Group Leaders, Supervisors and Councillors is essential in establishing a behaviour model for all employees, committee members and volunteers.

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

- (a) Employing Directors, Group Leaders 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 are accountable for their own actions.

2 Employee Education and Awareness

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

- (a) The inclusion of ethical conduct requirements in information packages for new employees;
- (b) An ongoing program of inclusion of ethical behaviour expectations within all position descriptions for new and existing positions; and
- (c) Implementing regular training updates for employees on the Employees Code of Conduct.

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

3 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, the Council will:

- (a) Publish the Code of Conduct of Councillors and Customer Service Charter on the Council's website; and
- (b) Provide feedback to all persons who report suspected corrupt or fraudulent conduct.

4 Regular Review of Policies and Procedures

In addition to ongoing policy development directed at emphasising ethical behaviour and fraud prevention and detection, the Council is committed to the ongoing review of existing policies and procedures. The following Policies and Procedures are to be included in those reviewed on a two yearly basis:

- (a) Code of Conduct of Councillors;
- (b) Employees Code of Conduct;
- (c) Fraud Control Policy;
- (d) Customer Service Charter;
- (e) Public Interest Disclosures Act Procedures;
- (f) Work Health & Safety Risk Management Policy;
- (g) Purchasing and Procurement Policy;
- (h) Disposal of Assets Procedure;
- (i) Use of Council Equipment Procedure;
- (j) Cash Handling Policy;
- (k) Credit Card Policy.

Activity: *FRAUD DETECTION AND RISK MANAGEMENT STRATEGY*

Strategy: *OS*

FRAUD DETECTION AND RISK MANAGEMENT

Council's Fraud Detection Strategy involves:

1 Encouraging Disclosure

It is recognised that most fraudulent activity is detected by employees of the Council, and to a lesser extent, by members of the public. The 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 employees including training on the Fraud Control Policy, the Code of Conduct of Councillors and the Employees Code of Conduct;
- (c) Advertising on the 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.

2 Internal Auditing

The Council will minimise opportunities for undetected fraudulent activity via a robust internal audit program. The General Manager shall establish and implement an Internal Audit Policy that details strategy and procedures, incorporating internal audit manual, programs and guidelines in order to give this Policy effect. Internal Audit will as part of its annual work program perform risk assessments to establish the extent of audit work to be conducted. Internal Audit testing will assess the internal controls around and verification of transactions relating to areas of significant risk. Such a process shall include for example:

- (a) Purchasing and disposal transactions;
- (b) Financial system security;
- (c) Cash float and petty cash balances;
- (d) Council inventory;
- (e) Physical assets and their security;

- (f) Appropriate separation of duties identified;
- (g) Compliance with adopted cash handling procedures; and
- (h) Implementation and monitoring of recommendations by the Council's external auditors.

3 External Auditing

The Council is required under the *Local Government Act 1993* to have its financial reports audited and to present those audited financial reports to the public.

FRAUD INVESTIGATION

The Council recognises that it will not always be successful in its efforts to prevent fraud. The General Manager will therefore investigate all reported instances of fraud and corrupt conduct as thoroughly as possible. Depending upon the circumstances of the alleged fraud, an internal investigation may be undertaken or the matter referred to an external body such as Tasmania Police or the Ombudsman.

FRAUD CORRECTION

Once a fraudulent act has been identified and investigated, strategies and procedures will be implemented to ensure that the act will not be repeated. This may include:

- (a) Disciplinary action and/or dismissal of employees, committee members, volunteers or contractors involved in fraudulent conduct;
- (b) Review and alteration of operating procedures;
- (c) Additional training for employees, committee members, volunteers or contractors;
- (d) Making other employees aware of the situation in general terms in order to discourage similar conduct in the future; or
- (e) Improvements in the physical security of assets.

NON-COMPLIANCE

Non-compliance with this Strategy may result in disciplinary action and/or dismissal.

REVIEW

This Strategy will be reviewed every two years.