



**DATE ADOPTED: 28 March 2017**

**VERSION: 4.0**

## **POLICY OBJECTIVES**

The objectives of this policy are to:

- Demonstrate Maitland City Council's commitment to the prevention, detection and investigation of fraud and corrupt conduct.
- Establish principles for fraud and corruption prevention and to promote awareness that fraudulent acts against Maitland City Council will not be tolerated.
- Create an awareness about ethical conduct and establish effective internal controls to detect and prevent fraud and corruption.

## **POLICY SCOPE**

This policy applies to the Mayor, Councillors, General Manager, all staff, volunteers, contractors and citizens.

## **POLICY STATEMENT**

### **1. WHAT IS FRAUD AND CORRUPTION**

#### **1.1. Fraud**

The Australian Standard the AS 8001:2008 – Fraud and Corruption Control defines fraud as:

*Dishonest activity causing actual or potential financial loss to any person or entity including theft of money 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 of documentation or the improper use of information or position for personal financial benefit.*

#### **1.2. Corruption**

Corrupt conduct is defined under Section 8 of the Independent Commission Against Corruption Act 1988, as:

*Conduct that adversely affects the honest or impartial exercise of official functions, constitutes a breach of public trust or misuse of information or materials. Examples provided include bribery, blackmail, fraud, theft, embezzlement, election fraud and collusive tendering.*

Furthermore the AS 8001:2008 defines fraud as *dishonest activity in which a person acts contrary to the interests of the entity and abuses their position of trust in order to achieve some personal gain or advantage for themselves or another entity.*

## 2. PRINCIPLES

Maitland City Council maintains a zero tolerance of fraud and corruption and is committed to preventing fraud at its origin.

Council is committed to ensuring citizens, Councillors, staff, contractors and volunteers understand that fraudulent and corrupt acts against council are unacceptable and may constitute a criminal offence that could lead to prosecution. To ensure the timely detection of fraudulent or corrupt conduct Council encourages the reporting of any suspected fraudulent or corrupt conduct.

This policy is designed to protect public funds and assets; protect the integrity, security and reputation of council and its staff; and maintain a high level of service and accountability to the community.

There are three (3) elements to Council's fraud and corruption prevention strategy:

1. **Prevention** – Initiatives to deter and minimise opportunities for fraud and corruption within the organisation.
2. **Detection** – Initiatives focused on detecting and reporting instances of fraud and corruption including fostering a culture that encourages the reporting of suspected fraud and corruption.
3. **Response** – Methods for responding to, investigating and prosecuting instances of fraud and corruption.

## 3. FRAUD AND CORRUPTION PREVENTION

### 3.1. Organisational culture

Council recognises that the most effective form of fraud prevention is the establishment of an organisational culture that rejects fraudulent and corrupt conduct.

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

- Employing managers and supervisors who are positive role models and display ethical behaviour.
- Adopting and enforcing policies that emphasise ethical behaviour.
- Issuing clear standards and procedures to encourage the deterrence of fraud.
- Ensuring managers and supervisors are accountable not only for their own actions but also for the actions of those they supervise.
- Including relevant clauses in employment contracts and performance agreements.
- Including relevant elements in Council's core competencies.
- Providing an environment where staff feel comfortable to report any fraudulent or corrupt conduct.
- Assigning clear responsibilities for fraud and corruption prevention.
- Providing staff with appropriate delegations and authorisations to undertake their roles.



### 3.2. Responsibilities

<b>COUNCIL STAFF FRAUD AND CORRUPTION RESPONSIBILITY STRUCTURE</b>			
<b>MAYOR + COUNCILLORS + GENERAL MANAGER</b>	<ul style="list-style-type: none"> <li>• Culture</li> <li>• Policy and strategy</li> <li>• Business risk</li> <li>• Corporate governance</li> <li>• Compliance (legislative, regulatory, community)</li> <li>• Stakeholder value</li> <li>• Image</li> <li>• Receive reports of suspected fraud and corruption (Mayor &amp; General Manager)</li> </ul>		
	<ul style="list-style-type: none"> <li>• Lead by example</li> <li>• Develop and implement fraud and corruption prevention strategies for department</li> <li>• Identify and mitigate actual and potential corruption risks in the workplace</li> <li>• Monitor and review the effectiveness of mechanisms implemented to minimise and detect corruption</li> <li>• Demonstrate ethical conduct in all business dealings</li> <li>• Promote awareness of fraud and corruption prevention and ethical conduct in the workplace</li> </ul>		
	<b>EXECUTIVE MANAGERS + MANAGERS</b>	<ul style="list-style-type: none"> <li>• Promote awareness of ethical conduct and mechanisms to prevent corruption</li> <li>• Provide input to policies, procedures and instructions that relate to areas of risk</li> <li>• Drive the fraud and corruption prevention strategy</li> <li>• Provide ethical advice and support to staff</li> <li>• Monitor integrity of fraud and corruption prevention strategy</li> </ul>	
	<b>COORDINATORS + TEAM LEADERS</b>	<b>EMPLOYEES, CONTRACTORS VOLUNTEERS</b>	<ul style="list-style-type: none"> <li>• Maintain ethical and lawful behaviour</li> <li>• Compliance with Council's Code of Conduct, policies, protocols and procedures</li> <li>• Report suspected incidents of fraud and corruption</li> <li>• Compliance with fraud and corruption prevention controls, including the Fraud Control Policy</li> </ul>

### 3.3. Awareness

#### Employees

Employees will be made aware of Council's policy and ethical conduct expectations through:

- a) Council's induction training for new employees
- b) Periodic refresher training for all employees
- c) The inclusion of ethical conduct principles in Council's staff handbook

## Community

Community awareness of fraud prevention and detection will be promoted by inclusion of policies and publications on Council's website and providing feedback to all persons who report suspected fraud or corruption.

### 3.4. Contractor verification and management

All contractors and suppliers will be made aware of the ethical standards expected when interacting with Council and the following will be implemented to mitigate the risk of fraud and corruption:

- Inclusion of Council's Code of Conduct in tendering documentation.
- Ongoing review of contractor performance and adherence with Council's policies and procedures.
- Vetting of prospective suppliers through ABN verification and reference checks.
- Implementation of procurement policy and procedures.

### 3.5. Risk assessment

As a prevention mechanism, Council will regularly assess the risk of fraudulent and corrupt conduct. A key component of this assessment will be the annual internal audit plan. This plan will outline the objectives and internal audit reviews proposed to be undertaken each year.

### 3.6. Ongoing review of policies and procedures

Council will ensure regular review of policies, protocols and procedures to ensure their accuracy and relevance. Changes to policies, protocols and procedures will be communicated to staff and regular refresher training provided.

### 3.7. Security

One of the major strategies in fraud prevention is to limit the opportunities for fraud. In this respect, there will be periodic reviews of cash handling, collection of cash, securing of cash and valuable equipment conducted by council's internal auditor, in conjunction with the Finance department.

## 4. FRAUD AND CORRUPTION DETECTION

Detecting fraud depends upon the establishment of effective internal controls, constant monitoring of operations and the encouragement of reporting by employees and the public. The following strategies will be utilised:

### 4.1. Encouraging disclosures

Under the Code of Conduct there is an obligation for all Council Officials to report any improper conduct which includes suspected fraudulent or corrupt conduct. Council will ensure that Council officials are aware of the fraud and corruption reporting procedures and are actively encouraged to report suspected fraud and corruption through:

- a) The inclusion of reporting processes and public interest disclosures in new staff induction training.
- b) Publication of Council's Code of Conduct, Fraud and Corruption Prevention Policy, Complaint Management Policy on Council's website.
- c) The Public Officer providing feedback to people who report suspected fraud on the action that has been taken.

### 4.2. Internal Audit Committee

The objective of Council's Internal Audit Committee is to provide independent assurance and assistance to Council on the adequacy and effectiveness of the Council's system of internal controls.



The internal audit committee will:

- a) Periodically review the implementation and operation of fraud and corruption prevention measures and any recommendations from internal and external auditors.
- b) Report to Council annually on any issues raised and actions taken during the preceding year.

## **5. FRAUD AND CORRUPTION RESPONSE**

### **5.1. Investigation**

All reports of suspected fraud or corruption will be promptly and confidentially investigated by an appropriately skilled person to establish whether or not a basis exists for further action. When investigating reports Council will follow the procedures outlined in the Code of Conduct and Public Interest Disclosures Internal Reporting Policy.

The Mayor, General Manager or nominated officer will authorise and coordinate any investigations and depending on the circumstances, determine that the investigation be undertaken internally by Council or the matter referred to an external body such as the NSW Police, ICAC or the NSW Ombudsman.

Council will document all investigations and actions relating to suspected fraud and corruption. All information received or created during an investigation will be stored having regard to privacy, confidentiality and legislative requirements.

### **5.2. Action**

Where a fraudulent act has been identified and investigated, strategies will be implemented to mitigate against the act being repeated. This may include:

- Review and alteration of operating procedures
- Additional training for employees or volunteers
- Improvements in the physical security of assets

## **6. NON COMPLIANCE WITH THIS POLICY**

Failure to comply with the terms of this policy may result in disciplinary procedures, and/or dismissal for employees and volunteers, suspension of councillors and termination of contractors.



## DEFINITIONS

Corruption	As per section 1.2
Fraud	As per section 1.1
ICAC	The Independent Commission Against Corruption
Public interest Disclosure	means a disclosure made under the Public Interest Disclosures Act 1994 and in accordance with Council's Public Interest Disclosure Internal Reporting Policy.

## POLICY ADMINISTRATION

BUSINESS GROUP:	ADMINISTRATION & GOVERNANCE
RESPONSIBLE OFFICER:	GROUP MANAGER ADMINISTRATION & GOVERNANCE
COUNCIL REFERENCE:	Council meeting – 28 March 2017 – Item 11.1.
POLICY REVIEW DATE:	Three (3) years from date of adoption
FILE NUMBER:	35/38 & 35/1
RELEVANT LEGISLATION:	<ul style="list-style-type: none"> <li>• Australian Standard 8001-2008 – Fraud and Corruption Control</li> <li>• Independent Commission Against Corruption Act 1988</li> <li>• NSW Local Government Act 1993</li> <li>• Public interest Disclosures Act 1994</li> </ul>
RELATED POLICIES / PROCEDURES / PROTOCOLS	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Complaint Management Policy</li> <li>• Public Interest Disclosures Internal Reporting Policy</li> <li>• Procurement Policy</li> <li>• Risk Management Policy</li> </ul>

## POLICY HISTORY

VERSION	DATE APPROVED	DESCRIPTION OF CHANGES
1.0	27 June 2006	New policy adopted
2.0	27 June 2008	Policy reviewed
3.0	22 October 2013	Policy reviewed
4.0	28 March 2017	Policy reviewed – renamed & minor wording changes.