Fraud Control
Policy & Plan

DOCUMENT CONTROL

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Contents

Introduction

Council is committed to preventing fraud at its origin and believes that an emphasis on prevention and detection is the best way to deal with fraud. The focus of Council's policy and plan on fraud control is to encourage the public and staff to understand that fraudulent acts against Council are unacceptable, may constitute a criminal offence and will be prosecuted.

This is required as Council is entrusted to manage its assets and resources in a responsible, ethical and efficient manner.

It is therefore important that all CTW Councillors, Council staff, delegates, volunteers, contractors, consultants, committee members and customers have clear direction and an understanding of the expected behaviours and actions that they must abide by.

Purpose

The purpose of this Policy is to:

- To ensure a sound ethical culture exists within Council;

- Protect the Council's assets, including public funds;

- Protect the integrity, security and reputation of the Council and its staff, and

- Maintain a high level of service to the community.

Scope

This policy applies to all Councillors, Council staff, delegates, volunteers, contractors, consultants and customers.

Policy Statement

Council is entrusted by the community to manage its assets, people and resources in a responsible, ethical and efficient manner.

The Council has an obligation to develop and maintain appropriate systems and procedures to minimise the opportunity for fraudulent activity and to develop robust systems of detection to reduce the impact of any fraudulent activity.

Definitions

The following definitions apply:

Act	The Local Government Act (LGA) 1993
Regulation	The Local Government (General) Regulation 2005
Council Official	Includes Councillors, Council staff, contractors, volunteers, Council committee members and delegates of Council
Code of Conduct	The Model Code of Conduct that is applicable to all Council officials and as required by S 440 of the LGA.

Fraud	Fraud is defined as "wrongful or criminal deception intended to result in financial or personal gain." It is where a person intends to deceive others, typically by unjustifiably claiming something that they are not, or claiming something or some right of use that is not theirs.
AS8001 – 2008	The Standards Australia Fraud and Corruption Control Standards
Fraud Control Improvement Kit	The kit that has been developed by the Audit Office of NSW to help organisations deal with fraud.

Framework

The administration of this policy is based around a holistic approach to fraud, and involves actions on the following fronts:

- Prevention – to establish and maintain a good governance framework through well established procedures that reduce the chances of fraud;

- Detection – sound auditing and checking procedures to deal with any transactions or activities that do not align with the expected procedures, and

- Response – detailed reporting and investigation procedures to deal with any potential fraud. A sound response system includes appropriate action to deal with any fraudulent activity.

The Audit Office have established a ten attribute framework to deal with fraud. The ten attributes are:

- Leadership;
- Ethical Framework;
- Responsibility structures;
- Fraud control policy;
- Prevention systems;
- Fraud awareness;
- Third party management systems;
- Notification systems;
- Detection systems; and
- Investigation systems.

The Council's fraud framework is built around the above ten attributes, as detailed in the Fraud Control Improvement Kit.

Leadership

A successful fraud control framework is led by a committed and accountable executive. The Council, General Manager and Directors will lead the organisation in the development of the fraud framework.

Ethical Framework

The Council has adopted and established the following documents in delivering the sound and ethical culture and behaviour required of Council officials in the prevention of fraud and corruption throughout the organisation:-

- The Model Code of Conduct as developed by the Office of Local Government, and
- The Council has established a set of Values.

Senior staff shall set the example in regards to exercising and demonstrating high levels of integrity in the execution of their roles and functions by regularly reminding staff of the importance of complying with Council's Code of Conduct and the Internal Reporting Policy and Procedure.

Responsibility Structure

The General Manager and Directors are authorised to receive reports of fraud. If the suspected fraud relates to the General Manager, then the matter can be reported to the Chairman, as per the reporting mechanism for the Model Code of Conduct.

Reports regarding suspicious and/or illegal activities can also be reported directly to external agencies including:

- NSW Police Force
- Office of Local Government
- The NSW Independent Commission Against Corruption (ICAC)
- The NSW Ombudsman.

All staff are expected to report known or suspected fraud to the Council, General Manager or Directors as soon as possible.

Fraud Control Policy

This policy sets out the Council's system of fraud control and covers the responsibilities for managing fraud within Central Tablelands Water.

Audit, Risk and Improvement Committee

The Audit, Risk and Improvement Committee (ARIC) has been established and assists in reviewing the effectiveness of Council's fraud and corruption control strategies and plan.

Prevention Systems

The Council's prevention system consists of the following features:-

- Fraud Risk Assessments – as detailed in the Risk Framework;
- Fraud Control Plan – to be developed;
- Fraud Database – to be established to record all incidents;
- Ethical workforce – pre-employment screening to ensure staff employed are of the highest ethical behaviour;
- Separation of duties – to ensure no one staff member controls a process entirely;

- Delegations of authority – to ensure measures are in place to control activities;
- Position descriptions, Charters for Committees – limit the level of activity Council Officials can undertake;

Third Party Management Systems

The Council establishes appropriate controls, segregation of duties and delegations of authority to deal with third parties.

The Council will establish a Statement of Business Ethics Policy to reinforce the expected standards of behaviour for Council Officials.

Reporting

Although audits and reviews may be undertaken to detect incidence of fraud and corruption, most incidences are identified by staff members or the public. All staff are encouraged to promptly report any suspicions of fraud and corruption that they become aware of.

Consistent with its strong commitment to ensuring an ethical workplace, Council has developed an *Internal Reporting Policy*, *in accordance with the Protected Disclosures Act 1994*, which facilitates the reporting of suspicions of corrupt conduct, maladministration, or serious and substantial waste of public money. This guidance material helps staff and the public make protected disclosures and complements existing communication channels between supervisors and staff.

Staff and members of the public can make a Public Interest Disclosure and protect their identity, if they so desire.

Reporting directly to Council is an option for staff and the community. Reporting to an external entity as detailed under the "Responsibility Structure" is also available.

Detection Systems

Various internal control measures have been established to help detect fraud and these include:

- segregation of duties
- approvals and authorisation
- verification
- reconciliations
- management reviews
- risk assessments
- physical security
- job rotation
- internal and external audits.

Investigation Systems

When an allegation of fraud is made against an employee, the General Manager and / or Director(s), will discuss the matter with the person making the allegation. This person may be asked to make a written statement regarding the allegations.

The staff member alleged to have committed the fraud may be interviewed during this preliminary stage. Staff members can be accompanied during the interview by their manager or other nominated member of staff.

The applicable Director will organise a preliminary assessment of the allegation and provide details to the General Manager on the findings.

If the allegation is serious enough and / or the evidence is compelling, then the matter may warrant a full investigation.

If a full investigation is to be followed, the General Manager will need to determine whether the matter is referred to an external agency such as the NSW Police, ICAC or the Ombudsman. The General Manager may wish to refer it to the Code of Conduct Complaints Coordinator and have the matter referred to using the Code of Conduct Investigation procedures.

Disciplinary Procedures

The determination of an investigation whether it be a preliminary or full investigation, will be referred to the General Manager if it is a staffing matter.

For Councillors the matter will follow the Code of Conduct procedures.

Any matter may still be referred to or dealt with by an outside agency, in addition to a matter considered by the above two matters. For instance a staff matter, dealt with by the General Manager may still be referred to the NSW Police for further action.

Privacy and Access to Information

Information provided through any allegation and subsequent investigation will be handled confidentially. This is designed to help prevent any action being taken against staff for reporting suspected fraud. However, there may be situations where confidentiality may not be possible or appropriate. This will be discussed with the staff member making the report.

While anonymous reports are not encouraged, there may be situations where someone may not want to identify themselves. The Council will accept anonymous reports; however anonymity may limit the Council's ability to seek further information to assess the report adequately. When the identity of the person making the allegation is known, Council is able to obtain any further necessary information, provide the person with protection and support and give feedback about the outcome of any investigation into the allegations.

Training and Communication

This Policy will be communicated to staff through Council's Internal Communication methods. The issue will be discussed at staff meetings including SMT, Operations, and Administration meetings.

Breach of this Policy

A breach of this policy may lead to disciplinary action being taken. This will depend on the severity of the incident. A breach of this policy could also lead to criminal action.

Any report that turns out to be vexatious, frivolous or misleading will result in disciplinary action against the staff member making the allegation.

Fraud Control Plan

Introduction

This document sets out the strategic approach to be taken with regard to Fraud Control by Council. 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 ICAC publications.

Effective implementation of this strategy will help ensure that public confidence in the integrity of Council is maintained and instils community trust and faith in Council to deliver ethical services.

Purpose of CTW's Fraud Control Plan

The purpose of the plan is to:

- Provide clear direction and clarity to Council's approach to this important issue
- Provide an environment and organisational culture that supports the integrity, security and reputation of Council staff
- Ensure appropriate levels of oversight of Council's funds and resources to ensure they are protected
- Ensure Council continues to provide optimum service levels to the community.

Building a Fraud and Corruption Resistant Culture

Council will at all times to promote an organisational culture that demonstrates a complete intolerance of corrupt behaviour or misconduct. The foundation of these principles is to be found in the Model Code of Conduct that each member of the organisation must adhere to. The Fraud Control Plan is framed to build upon the Code of Conduct and translate the emphasis on the individual to include the organisation and the system by which it operates.

It is vital for any public organisation to maintain public confidence to ensure the organisation has the credibility to carry out its function with the authority of its stakeholders. Council must deal with any Corruption or Fraud related issue, whether perceived or realised, in the following manner to maintain such public confidence:

- Any matter is to be dealt with expediently with no undue delay

- Any matter is to be dealt with as transparently as practicable with accountabilities and responsibilities clearly defined
- Any matter must be dealt with thoroughly to ensure all possible elements of Corruption or Misconduct have been considered and examined

All levels of the organisation must remain vigilant and committed to maintenance of a resistant culture to unethical behaviour. Ultimately the General Manager and Directors are to provide leadership and direction at all times in exemplifying the principles of Council's Code of Ethics.

Fairness and Due Process

Whilst it is important to be diligent in dealing with any allegation of fraudulent or corrupt conduct by staff, it is equally important to ensure that the basic civil rights and welfare of Council staff involved are not inappropriately managed. This means that all staff must be presumed innocent until sufficient proof is found to establish otherwise. Staff under investigation will continue to be given support in particular with regard to welfare if they find themselves subject to such an investigation or inquiry. Equally however, Council will take all steps to ensure a vigorous and thorough examination is carried out within the legal and ethical parameters available.

In a similar vein, Council staff who find themselves as "Whistle Blowers" to fraudulent or corrupt behaviour and/or witnesses to such incidents will also be given every support reasonably available to them as they are entitled to under present legislation. Confidentiality for all involved parties will be protected as much as is practicable in any given circumstance by Council.

Council is a mistake tolerant organisation in that staff will have the organisations support if mistakes or omissions arise whilst the officer is acting in good faith. This plan and Council's associated policy should not be construed as a departure from this approach.

Relationship with other Council Policies

In addition to Council's Code of Conduct, the Fraud Control Plan has direct synergies with the following Council documents (It should be noted this list is not exhaustive)

- Corporate Credit Card Policy
- Gifts and Benefits Policy
- Information Technology Security and Usage Policy
- Internal Reporting Policy
- Procurement Policy

Monitoring and Review

Once fully implemented, Council's Fraud Control plan will require ongoing monitoring and review with a view to continuous improvement. The plan should be seen as a guide for the further development of documents such as a Fraud and Corruption Prevention Strategy which

will contain defined strategies and treatment in accordance with identified risk assessed areas.