

# POLICY STATEMENT

## **DRAFT**

## FRAUD CONTROL POLICY

### AUTHORISATION

<b>POLICY TYPE:</b> <i>(Council or Operational)</i>	Council
<b>POLICY LOCATION:</b> <i>(eg. Corporate, Engineering, etc.)</i>	Governance & Risk
<b>RESPONSIBLE OFFICER:</b> <i>(by position title)</i>	Director Corporate and Community Services
<b>AUTHORISED BY:</b> <i>(GM or Director Title)</i>	Manex
<b>DATE ADOPTED:</b>	
<b>ADOPTED BY:</b> <i>(Manex or Council)</i>	Council
<b>MINUTE NO:</b> <i>(If required)</i>	
<b>REVIEW DUE DATE:</b> <i>(Four years unless statutorily required sooner)</i>	December 2026
<b>REVISION NUMBER:</b>	4
<b>RELATIONSHIP TO THE COMMUNITY STRATEGIC PLAN</b>	This Policy supports Council's Delivery Program Strategy 13.2 Develop, implement and promote best practice governance policies and procedures.

### DOCUMENT HISTORY

<b>VERSION NO.</b>	<b>DATE</b>	<b>DESCRIPTION OF AMENDMENTS</b> <i>Include names of former policies that this policy will replace if applicable</i>	<b>AMENDED BY</b> <i>(Where required)</i>
4	August 2024	Updated information in line with legislative and Australian Standards change	Director Corporate and Community
3	July 2022	Reformat and updated information	Governance & IP&R Officer
2	16 June 2020		
1	16 May 2018		
0	24 August 2010		

### REVIEW OF THIS POLICY

This Policy will be reviewed within two (2) years from the date of adoption or as required in the event of legislative changes. The Policy may also be changed as a result of other

amendment that are to the advantage that Council and in the spirit of this Policy. Any amendment to the Policy must be by way of a Council Resolution.

## **1. Policy Statement:**

Fraud prevention is about working and managing better to ensure honesty, professionalism and fairness in all our dealings. Fraud control is the responsibility of all staff; staff play an essential part in managing our potential exposure to fraudulent activity by ensuring that they behave in an ethical way consistent with the Code of Conduct and reporting any incidents of suspected fraud.

The 2024 Bland Shire Council Fraud Control Plan contains a risk assessment of its identified fraud risks and outlines the activities that the Council is undertaking to ensure fraudulent activity is minimised.

Council has followed the Audit Office's Fraud Control Framework from its Fraud Control Improvement Kit in developing its approach to ensure that its commitment to managing fraud risks is embedded in the organisation's culture and is integrated within the core business of Council.

The fraud control framework has ten key attributes, being:

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

In accordance with the *Public Interest Disclosures Act 2022*, any person who reports a suspected incident of fraud can be assured that any information that they provide will be treated confidentially and followed up diligently. Further information is available in Council's Public Interest Disclosure Policy.

The act of committing fraud within Bland Shire Council is a very serious matter. Any such acts will be dealt with thoroughly within existing legislative arrangements. This includes reporting cases of fraud to the NSW Police and ICAC for investigation and prosecution under State legislation as appropriate.

All Staff must ensure that incidences of fraud in Council are prevented. All instances of suspected fraud should be reported to the General Manager without delay.

## **2. Background:**

Council is committed to a work environment that is resistant to fraud and is dedicated to implementing effective measures to minimise fraud risks. The Council does not tolerate fraudulent behaviour and will take appropriate action against those who have participated in such behaviour and those who allowed it to occur.

## **3. Objectives:**

The main objectives of this document are:

1. To demonstrate the commitment of the Councillors, General Manager, Directors and all staff to combat fraud.
2. To establish the responsibilities for managers and staff in relation to fraud control.
3. To ensure existing policies and procedures aimed at encouraging ethical behaviour and combating fraud are integrated in an holistic framework.

## **4. Definitions:**

### **4.1 Fraud**

The Australian Standard AS8001-2021 definition of fraud is:

*“Dishonest activity causing actual or potential loss to any person or organisation including theft of moneys or other property by persons internal and/or external to the organisation and/or where deception is used at the time, immediately before or immediately following the activity.”*

This also includes the intellectual property and other intangibles, such as information, 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.

While conduct must be dishonest for it to meet the definition of “fraud” the conduct need not necessarily represent a breach of the criminal law.

The concept of fraud can involve fraudulent conduct by internal and/or external parties targeting the organisation or fraudulent or corrupt conduct by the organisation itself targeting external parties.

### **4.2 Council officer**

Where used in this document, the term “council officer” refers to:

- Councillors;
- Council staff;
- Individuals who are engaged as contractors working for the Council; and
- Other people who perform public official functions for the council such as volunteers.

## **5. Framework for Fraud Control:**

The fraud control framework has ten key attributes which sit within the themes of prevention, detection and response.

Details of these attributes and Council’s strategy for implementing this framework to counter the identified fraud risks at Bland Shire Council are set out below.

### **A. Leadership**

A successful fraud control framework is led by a committed and accountable leadership team to provide the organisation with a model to follow.

The General Manager and Directors at Bland Shire Council are both demonstratively committed to the organisation’s fraud control activities and are directly accountable and responsible for fraud control.

### **B. Ethical Framework**

An organisation's fraud control framework is part of a much bigger ethical framework that guides the values of the organisation and provides standards of behaviour and decision making.

Council's Code of Conduct guides Councillors, employees, contractors and volunteers in what is accepted practice and behaviour and sets our ethical standards at a level above the law.

Council's values also reinforce ethical behaviour.

Council officers will always:

- Act with fairness;
- Act with honesty and integrity;
- Act openly.

Council recognises that fraud prevention requires the maintenance of an ethical climate which encourages all staff to be active in protecting Council's funds and assets, and in reporting any breaches of accepted standards.

Managers must be mindful of their responsibility to foster and develop in their areas the highest standards of ethical behaviour and commitment to a highly ethical workforce culture.

### **C. Responsibility Structures**

Council has introduced a structure that ensures that there is clear accountability and responsibility for the implementation and monitoring of the Fraud Control Plan, as well as all supporting policies, procedures and initiatives. It is also important that all staff know this accountability and that there is a common understanding that everyone in the Council has a key role to play in effective fraud control management.

The **General Manager** is responsible for the corporate governance of Council and has overall responsibility for fraud control. The General Manager is the Fraud Control Officer.

The **Audit Risk and Improvement Committee** is responsible for the ongoing monitoring and review of the fraud control framework, including the actions agreed to in this Fraud Control Plan.

**Management** must exhibit to staff and clients a genuine and strong commitment to fraud control, and to good practices. They are responsible for identifying and managing individual fraud risks across the organisation, and for implementing the treatments identified in this Fraud Control Plan.

Management must also adopt a firm approach to dealing with fraudulent activity and penalising unacceptable behaviours, to retain the commitment of honest staff and to deter those who may be tempted to commit fraud. With the risk of detection, the severity of punishment must be seen to outweigh the possible gains from fraud.

The Council's **Corporate Services Team** is responsible for ensuring that the appropriate processes are in place to ensure that the risk of fraud in Council is well managed.

**All Employees** have the responsibility of reporting any fraudulent activity within Council that they become aware of or suspect. Reporting can be done through line management or the Fraud Control Officer. All employees are encouraged to become familiar with the Fraud Control Plan and contribute to its effective implementation, thereby assisting in minimising the incidence of fraud against Council.

Fraud risk management will form part of the business planning at Bland Shire and will contribute to business performance through minimisation of Council risks. It provides senior management and the Audit Risk and Improvement Committee with solid evidence that fraud risk management is occurring within Council.

**D. Fraud Control Policy**

The Council's fraud control policy is the overarching document setting the framework for the Fraud Control Plan and is supplemented by the Council's Code of Conduct, Procurement Policy and Public Interest Disclosures Policy.

**E. Prevention Systems**

Council undertakes a Fraud Risk Assessment which will quantify the level, nature and form of the risks to be managed and leads to the identification of actions to mitigate the risks identified. These fraud risk assessments will be undertaken at least once every two years.

The risk ratings are in accordance with Council's Enterprise Risk Management Policy and associated procedures,

Key controls must be listed against each individual risk. The list of controls is not intended to be an exhaustive list of the controls in place. The controls listed represent those controls which together form the framework for controlling the sources of each individual risk.

Assessments regarding the effectiveness of each control in mitigating the risks have been determined based on the views of key staff and our experience with similar environments. Overall risk ratings have also been determined in this way.

Council will be constantly improve on its fraud control activities including the regular review of both this Plan and the associated Risk Assessment as well as facilitating the employment of staff who possess values similar to those of the organisation and the means to ensure protection of its information technology.

**6. Fraud awareness**

Council aims to ensure that all employees understand the ethical behaviour required of them in the workplace and that adequate training programs are in place and briefings are conducted covering ethical behaviour and fraud and corruption risks. The extent of training may relate to the duties performed by individual staff. Those in senior positions of operating areas considered more susceptible to fraud and corruption may receive training that is more involved.

The types of training and briefings would include:

- Code of Conduct training and briefings to be included in Council induction programs for new staff, temporary staff, contractors etc.
- Public interest disclosures training

- Emails from the General Manager highlighting relevant policy changes
- Fraud prevention training for key staff in high risk areas.

Additionally, Council will also ensure that its customers, the community and its contractors understand that Council will not tolerate fraudulent or corrupt behaviour in its dealings with them and that they are aware of the consequences of such behaviour. In this regard, Council's Fraud Control Policy and Procurement Policy are available on Council's website to reinforce its message.

## **7. Third party management systems**

Where services are being provided by third parties, Council must ensure that there are clear lines of accountability to those with responsibility for managing fraud as well as raising awareness of fraud committed by and against third parties.

Council will therefore, on a risk basis:

- Provide specific training for those staff responsible for dealing with contractors and third parties;
- Ensure that the contractors and third parties with which the Council conducts business, have the highest levels of fraud awareness including structured checking of third party processes; and
- Communicate to contractors and third parties that Council will not tolerate fraudulent activities, including use and promotion of its Procurement Policy.

## **8. Notification Systems**

Employees and those outside of the Council are encouraged to report any incidents of unethical behaviour including fraud.

Council will ensure that policies and procedures are in place to encourage the reporting of suspect behaviours and those employees who do so can have their identity protected and are protected from reprisals. This protection is legislated in the *Public Interest Disclosures Act 2022*. Such disclosures can also be made externally to investigating authorities, the details of which are contained in the Council's Public Interest Disclosures Policy.

## **9. Detection systems**

Council will implement adequate detection systems to monitor data and identify irregularities and warning signals. In addition to management's own monitoring and review, the Council has established a plan of risk based internal audits to provide assurance on the effectiveness of internal controls established by management including those to prevent and detect fraud.

As part of this process:

- Available data will be thoroughly monitored and reviewed to ensure that irregularities and warning signals are picked up at a very early stage and flagged for further detailed review.
- Audits regularly examine samples of medium and high-risk financial decision making across the organisation; and
- Outcomes of audits are reported to executive management on a regular basis.

## **10. Investigation systems**

Council will appoint internal resources for the initial investigation of reported or detected instances of fraud against it, except where it must be referred to another agency. The internal fraud investigator will provide a report recommending further actions.

For the purposes of this policy, the internal fraud investigator is Council's Director Corporate and Community Services or their delegate.

Where the initial investigation discloses a complex situation beyond Council's capability to investigate, the matter will be referred to the Police and/or ICAC for further investigation. In this instance Council will have little control of the investigation process (including timing and resources) once the investigation has been handed over.

The Internal Fraud Investigator will be the operational liaison point with the relevant authority.

#### **F. Legislation and Supporting Documents:**

- Access to Information Policy
- Code of Conduct
- Complaints Handling Policy
- Enforcement Policy
- Fraud Control Plan
- Gathering Information Policy
- Public Interest Disclosure Policy
- Procurement Policy
- Delegations Register
- Tenders and Contract Management Procedure
- Payment of Expenses and Provision of Facilities to Councillors Policy
- Risk Management Policy

#### **G. Attachments:**

Nil.