Fraud and Corruption Control Policy

AUTHORISATION & VERSION CONTROL

Policy Number	*POL-012*
Policy Owner	*Group Manager, Corporate and Customer*
Date Adopted	
Version No	*2.0*
TRIM Number	*RM0138502/2018*
Review Date	*January 2021*

FOREWORD

I am pleased to introduce to you Cumberland Council's reviewed *Fraud and Corruption Control Policy*. The executive and leadership group of Council are strongly committed to driving a high performing organisation underpinned by robust governance practices and ethics principles. We are continually focused on proactively driving a fraud-free culture through the delivery of all our policies, processes, and projects throughout all levels of our organisation.

Hamish McNulty
GENERAL MANAGER

PURPOSE

This Policy outlines Cumberland Council's commitment to the prevention, deterrence, detection and investigation of all forms of fraud and corrupt conduct. It ensures that appropriate mechanisms are in place to protect the integrity, security and reputation of Council.
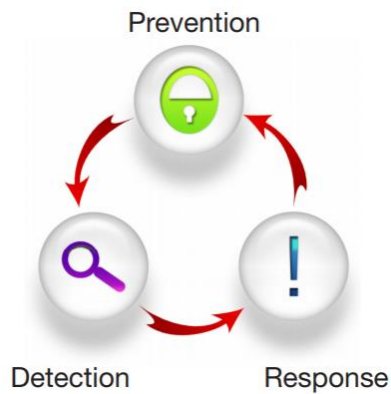
SCOPE

This Policy applies to all Council staff, Councillors, committee members, contractors, consultants, and other persons who perform functions on behalf of Council such as volunteers and external parties.
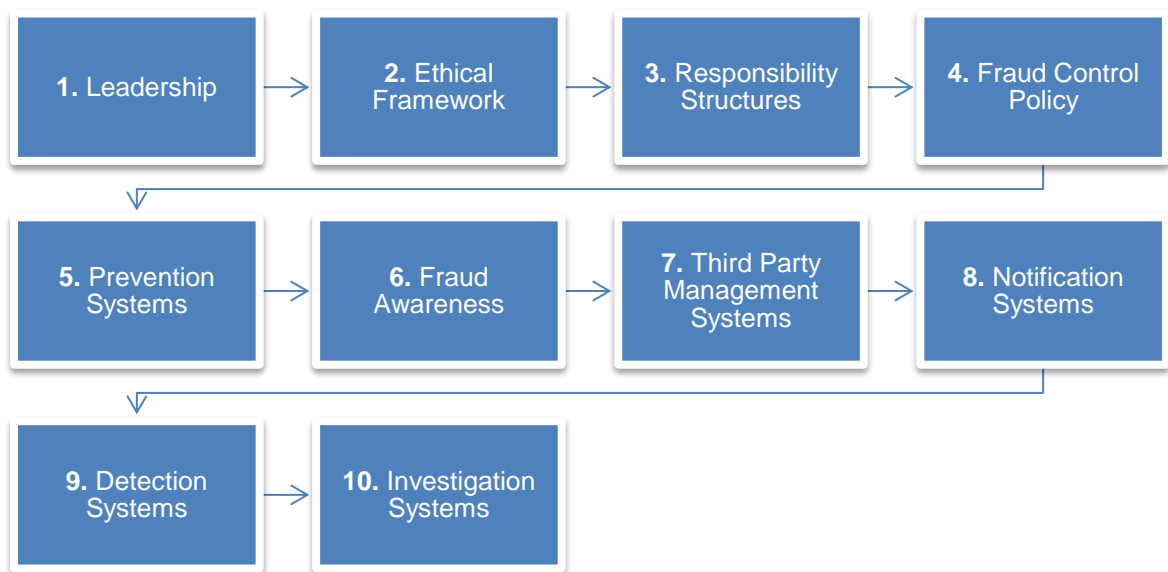
DEFINITIONS

- **Fraud:** Fraud can be defined as a deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority. The type of events include: acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other acts of deception.
- **Corruption:** The deliberate, dishonest or preferential use of power or position, a breach of public trust or the misuse of information, or material acquired in the course of official functions. The *Independent Commission Against Corruption Act 1988* further defines corruption.
- **Corrupt conduct:** Corrupt conduct, as defined in the *Independent Commission Against Corruption Act 1988* ("the ICAC Act"), is deliberate or intentional wrongdoing, not negligence or a mistake. It has to involve or affect a NSW public official or public sector organisation.
- **Council official:** For the purpose of this Policy, Councillors, staff, members of Council committees and delegates of Council are Council officials.

POLICY STATEMENT

Council will not tolerate misconduct, fraudulent or corrupt conduct by any Council official. Council is committed to proactively maintaining an organisation underpinned by ethics and integrity, free of fraud and corruption. This Policy is supported by Council's *Fraud and Corruption Control Plan*, which details the key initiatives Council is undertaking to ensure staff are appropriately informed, educated and empowered to drive a workplace culture free of fraud and corruption. Council's *Fraud and Corruption Control Policy* is based on the fraud control framework identified by the NSW Audit Office. The fraud control framework has ten key attributes, which sit within the themes of prevention, detection and response.

Prevention

Detection   Response

This model has ten attributes:

1. Leadership	**2.** Ethical Framework	**3.** Responsibility Structures	**4.** Fraud Control Policy
5. Prevention Systems	**6.** Fraud Awareness	**7.** Third Party Management Systems	**8.** Notification Systems
9. Detection Systems	**10.** Investigation Systems		

The implementation of the 10 key attributes are detailed further in Council's *Fraud and Corruption Control Plan*.

REQUIREMENTS

Attribute One: Leadership

The General Manager and leadership team are firmly committed to managing fraud and corruption risks within Council. Council requires new staff being onboarded into the organisation to complete a Code of Conduct and Fraud and Corruption Prevention eLearning module, which is also available to all staff. In addition, all new staff attending corporate induction are delivered a presentation on their *Code of Conduct*, fraud and corruption prevention, and risk management responsibilities.

The leadership group and managers are responsible for implementing the fraud and corruption control framework. Where appropriate, responsibility for driving fraud control processes are contained within the position descriptions and work plans of senior staff and relevant checks are made in the pre-employment screening process for high-risk roles.

Attribute Two: Ethical Framework

Council has clear policies and procedures which set out acceptable standards of ethical behaviour. These policies include the *Code of Conduct* and *Secondary Employment Policy*. Council also has a *Gifts and Benefits Procedure* and a firm stance on the management of conflicts of interest which is embedded throughout key organisational processes. Council also requires designated persons and key management staff to complete annual disclosure of interest returns and related party disclosure declarations. Council also has a *Statement of Business Ethics* which is required to be complied with by all doing business with Council.

Attribute Three: Responsibility Structures

There is a clear accountability and responsibility structure for the implementation and monitoring of corruption prevention strategies. The structure is made known to staff across Council and is detailed below:

General Manager: The General Manager has ultimate responsibility for managing fraud and corruption risks within Council. In accordance with the *Independent Commission Against Corruption Act 1988* and Council's *Code of Conduct*, the General Manager is obliged to report any matter to the Independent Commission Against Corruption (ICAC) or relevant external agencies such as the Office of Local Government, the NSW Ombudsman or the Police, that they suspect on reasonable grounds, or may concern, corrupt conduct whether on the part of Council officials or any party with whom Council conducts business. In cases of complaints against the General Manager, the Mayor or Administrator assumes the aforementioned responsibilities.

Leadership Group & Managers: The responsibility for the prevention of fraud and corruption rests with the leadership group and managers. The responsibilities of management include: creating an environment where fraud and corruption is not tolerated, identifying risks of fraud and corruption, supporting organise wide initiatives and taking appropriate action to ensure that controls are in place to prevent and detect fraud.

Council Staff/Officials: All Council officials have a role to play in the prevention, detection and reporting of fraud. All Council officials are bound by Council's *Code of Conduct*. Council officials have an obligation to report cases of suspected fraud or corrupt conduct either through Council's internal reporting procedure, in accordance with Council's *Public Interest Disclosures Policy*, or directly to the ICAC or relevant external agency. Managing fraud risks is also now included in business unit planning processes to demonstrate fraud and corruption prevention is integrated within all levels of Council.

Internal Audit: Whilst the primary responsibility for the identification of fraud and corruption rests with the leadership group and managers, the internal audit function examines the adequacy of internal controls over high-risk processes and evaluates the potential for fraud to occur. The Internal Audit Assistant investigates low to medium-risk processes not subject to the Internal Audit Program, evaluates the potential for fraud to occur and recommends improvements to Council's processes, ensuring relevant controls are in place.

Governance and Risk Unit: The *Fraud and Corruption Control Policy* sits within the responsibility of the Governance and Risk unit of Council. The Group Manager Corporate and Customer is the Chief Risk Officer of the organisation, and is responsible for the provision of fraud and corruption control initiatives and the overall implementation of the *Fraud and Corruption Control Plan*.

<u>Mayor and Councillors:</u> The Mayor and Councillors are responsible for ensuring that management is carrying out the tasks assigned to them in relation to fraud risk and corruption prevention, as well as understanding the environment to determine if management can override or influence the controls in place.

<u>Internal Ombudsman:</u> The Internal Ombudsman is Council's nominated Public Interest Disclosures Coordinator and Complaints Coordinator. The General Manager may also refer a serious complaint to the Internal Ombudsman Shared Service for appropriate investigation and action.

In accordance with the *Public Interest Disclosures Act 1994*, such reports must be made to an investigating authority including:

- The Independent Commission Against Corruption (ICAC) – for corrupt conduct
- The NSW Ombudsman – for maladministration
- The Law Enforcement Conduct Commission (LECC) – for law enforcement misconduct
- The Inspector of the LECC – for disclosures about the LECC or its staff
- The Office of Local Government, Department of Premier and Cabinet – for serious and substantial waste in local government
- The ICAC Inspector – for disclosures about the ICAC or its staff
- The Information Commissioner – for disclosures about a government information contravention.

<u>Audit, Risk and Improvement Committee:</u> An established Audit, Risk and Improvement Committee meets regularly throughout the year and play a pivotal role in the oversight of Council's Governance, Risk and Audit functions. The Committee is responsible for the regular review and oversight of Council's operations.

<u>Contractors/Consultants/Volunteers:</u> Contractors, consultants, volunteers and any other persons who perform public official functions on behalf of Council, are encouraged to support Council's commitment to preventing fraud and corruption through reporting suspicious behaviour in accordance with the *Code of Conduct*. All external parties who engage in business with Council are expected to observe Council's *Statement of Business Ethics*, comply with Council policies and refrain from engaging in fraudulent and corrupt conduct.

Attribute Four: Fraud Control Policy

Council has implemented a *Fraud and Corruption Control Policy* as well as a *Fraud and Corruption Control Plan*, detailing key initiatives regularly being undertaken to ensure corruption prevention strategies, policies, procedures and systems are in place. These policies, procedures and systems respond to the corruption risks faced by Council. The *Fraud and Corruption Control Policy* incorporates the ten attributes of fraud control contained in the NSW Audit Office's *Fraud Control Improvement Kit* (February 2015). The *Fraud and Corruption Control Policy* does not operate in isolation and has strong links to other ethical behaviour policies such as the *Code of Conduct*. All levels of management within Council are responsible for monitoring and evaluating the operation of the policy within their area of responsibility.

Attribute Five: Prevention Systems

Council's leadership group is committed to controlling fraud and corruption risks. Fraud and corruption risk assessments are undertaken in accordance with industry standards and quantify the level, nature and form of the risks to be managed. Improvements to internal control systems are made to mitigate risks identified in fraud and corruption risk assessments, and are monitored for effectiveness over time. Education initiatives are driven regularly. The *Fraud and*

Corruption Control Plan outlines Council's actions in implementing and monitoring fraud and corruption prevention initiatives. Detection and response initiatives are updated regularly and reported to the Audit, Risk and Improvement Committee.

Attribute Six: Fraud Awareness

Every staff member has a responsibility to contribute to eliminating fraud and corruption. Council's *Code of Conduct* and Governance training plan are provided to assist staff in understanding the expected standards of ethical conduct. Staff are provided with Code of Conduct and Fraud & Corruption Prevention eLearning modules to educate on the identification of fraud and corruption risks, the fraud and corruption control accountabilities of management, and how to respond if fraud or corruption is suspected. Council also periodically runs staff surveys on fraud awareness.

Attribute Seven: Third Party Management Systems

The incidence of fraud and corruption can be minimised through the education of customers, suppliers and the community about acceptable standards of behaviour expected of Council staff, customers, suppliers and community members that interact with Council. As expectations about standards of behaviour can differ, it is important that Council outlines its expectations to external parties with whom it interacts. Resources such as the *Procurement Governance Manual* and new supplier form explain how staff and organisations dealing with Council are to conduct procurement activities for goods, services and construction, ensuring that Council deploys consistent procurement processes that are aligned with the *Local Government Act* and *Local Government General Regulation*.

Council also has a *Statement of Business Ethics* which is provided to customers, suppliers and the community. This document sets out the expected standards of behaviour of Council staff when conducting business with customers, suppliers and community members.

All staff can develop understanding through training and the inclusion of fraud and corruption prevention information in letters, invoices, purchase orders, contracts, tenders, and on Council's website and intranet. These resources ensure that staff and external parties remain aware of the fraud risk and complexities for procurement services.

Attribute Eight: Notification Systems

Policies, systems and procedures are in place to enable the reporting of suspected fraud or corrupt conduct. Fraud and corruption notification systems give the complainant the opportunity to report the suspected fraud or corrupt conduct anonymously to Council's Internal Ombudsman Shared Service. Any employee who makes a report of suspected fraud or corrupt conduct is protected from reprisal under the *Code of Conduct* and *Public Interest Disclosures Policy*, under the *Public Interest Disclosure Act 1994* and *Public Interest Disclosure Act 2013*.

Policies, systems and procedures give equal opportunities to Councillors, managers, staff, contractors, consultants, customers and suppliers to notify Council of suspected fraud or corrupt conduct. Council policies outline the rights of all Council officials to externally report suspected fraud and corruption, whilst also identifying the nature of suspected fraud and corruption which require reporting to the NSW Police, the ICAC, the Audit Office of New South Wales, and to other external agencies. Council has an Internal Ombudsman Shared Service where anyone can independently seek advice or report instances of fraud, corruption or serious wrongdoing. External notification takes place as required in light of the above legal and policy requirements, and the responsibility to report these matters rests with the General Manager.

Attribute Nine: Detection systems

Available data is analysed and reviewed to ensure that irregularities and warning signals are identified at an early stage and flagged for further review. Council's leadership group is responsible for implementing control mechanisms that minimise the risk of fraudulent transactions and corrupt behaviour. Internal audits/ service reviews regularly examine samples of medium and high-risk processes across Council to detect any patterns of irregularities. Outcomes of audits/reviews are reported to the Group Manager Corporate & Customer and the Audit, Risk & Improvement Committee on a regular basis.

Attribute Ten: Investigation Systems

Reports of alleged fraud and corrupt conduct by Council staff is investigated by the Internal Ombudsman Shared Service and/or senior management on the direction of the General Manager, in accordance with widely used and recognised investigation standards.

RELATED LEGISLATION

- *Independent Commission Against Corruption Act 1988*
- *Local Government Act 1993 and General Regulation 2005*
- *Public Interest Disclosures Act 1994*

RELATED DOCUMENTS AND COUNCIL POLICY

- Code of Conduct
- Fraud and Corruption Control Plan
- Compliments and Complaints Management Policy
- Public Interest Disclosures Policy
- Statement of Business Ethics