

 GLAMORGAN SPRING BAY COUNCIL	<b>POLICY – FRAUD CONTROL</b>	<b>Policy 3.12</b>	
		Version 1 <b>Version 2</b>	Aug 2015 <b>April 2020</b>
<b>Minutes Date:</b> <b>28/04/20</b>	<b>Approved By: Council</b>  <b>Decision No.: 131/20</b>	<b>Review Date</b> <b>As required but no later than April 2022</b>	

**PLEASE NOTE: ANY COUNCILLOR, STAFF MEMBER OR MEMBER OF THE COMMUNITY WHO HAS REASON TO SUSPECT THAT A FRAUD HAS OCCURRED SHOULD IMMEDIATELY NOTIFY THE GENERAL MANAGER. IN THE CASE OF THE GENERAL MANAGER, THE MATTER SHOULD BE REPORTED TO THE MAYOR AND THE CHAIR OF THE AUDIT PANEL.**

## **1. PURPOSE**

To set a framework for deterring, preventing and investigating any fraudulent acts in relation to any employee, contractor or elected member of the Glamorgan Spring Bay Council.

## **2. OBJECTIVE**

Glamorgan Spring Bay Council is committed to the deterrence, prevention and investigation of all forms of fraud. Fraud can be damaging to the Council through financial loss, bad publicity and loss in public confidence.

The objective of the policy is to:

- Protect Council's assets and reputation;
- Ensure a sound ethical culture of the Council;
- Ensure all staff are committed to identifying risk exposures to fraud and for establishing procedures for prevention and detection; and
- Ensure Councillors and staff are aware of the responsibilities in relation to ethical conduct through the Code of Conduct.

## **3. SCOPE**

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 effective mitigating controls are in place to reduce the opportunity to commit fraud and detect its occurrence should preventative controls not operate effectively.

Glamorgan Spring Bay Council has a zero tolerance of fraud and corruption. Individuals must, at all times, conduct themselves in a manner consistent with the Law and Glamorgan Spring Bay Council regulations, policies and procedures.

## **4. DEFINITIONS**

Fraud is defined as "inducing a course of action by deceit or other dishonest conduct, involving acts or omissions or the making of false statements, orally or in writing, with the object of obtaining money or other benefit from, or evading a liability to, the Council".

Some examples of fraud include:

- Unauthorised use of Council's plant, furniture and equipment;
- Any misappropriation of funds;
- Accepting gifts from contractors, consultants and customers;
- Falsification of expense claims; and
- Inappropriate use of position to obtain goods and services.

A number of these issues are specifically covered in the "Glamorgan Spring Bay Council – Councillor Code of Conduct", which has been issued to all Councillors. A staff Code of Conduct is available within the Workplace Behaviour Toolkit.

Corruption is defined as a "dishonest activity in which a director, executive, manager, employee or contractor for an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. The concept of 'corruption' within this standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interest of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly".

## **5. POLICY**

- a. Applicability
- b. Education and Awareness
- c. Roles and Responsibilities
- d. Procedures
- e. Prevention
- f. Disciplinary Action
- g. Fraud Control Program
- h. Internal Control Review
- i. Maintaining and Monitoring Adequacy of Insurance

### **A. Applicability**

This policy applies to all Councillors, Committee Members, Employees, Contractors, Consultants and Volunteers of the Glamorgan Spring Bay Council.

### **B. 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, consultants and volunteers to set an example through ethical and prudent use of Council assets and resources. Staff 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 staff. Staff with particular responsibilities such as cash handling, purchasing authority and account payment, will be given specific training in approved procedures for transactions in accordance with current policies of Council.

It is recommended to engage the Integrity Commission to conduct regular information sessions in relation to fraud control.

## **C. Roles and Responsibilities**

The General Manager has primary responsibility for ensuring this Policy is complied with. The General Manager may appoint a dedicated Fraud Control Officer to assist in this responsibility.

### **C.1 Councillors / Committee Members**

Councillors and Committee Members shall be aware of requirements to comply with this Policy. Councillors must be aware of and adhere to the provisions of the *Local Government Act 1993* and Code of Conduct. Council will support policies and measures taken to prevent, detect and resolve suspected instances of fraud.

### **C.2 Audit Panel**

The role of the Audit Panel is to assist Council in providing a transparent and independent process in its financial and risk management practices to ensure accountability to the community in the governance, management and allocation of resources.

The Audit Panel will review the risk management framework and ensure that procedures exist for the effective identification and management of Council's financial, governance, business and environmental risks, including fraud and corruption.

### **C.3 Senior Staff**

Senior Management and any other person supervising employees or contractors carry a shared responsibility and accountability to actively support and implement the Policy.

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 the 'Glamorgan Spring Bay Council – Code of Conduct';
- Ensuring staff 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 (**Annexure A**).

### **C.4 Employees / Contractors / Consultants / Volunteers**

Employees and others engaged to work for Council have a responsibility to demonstrate fairness, integrity and sound professional and ethical practice at all times in every aspect of their engagement.

Employees have a responsibility to understand and comply with Council's Code of Conduct and related policies and procedures.

Council employees are encouraged to report all incidents of suspected fraudulent or corrupt conduct, serious mismanagement or substantial waste of public resources.

### **C.5 Fraud Control Officer**

The Fraud Control Officer (if appointed) has responsibility for the development and review of Council's Fraud Control Investigation Procedure, Fraud Prevention Strategy and the Fraud Prevention and Risk Management Strategy and ensure that the requirements are implemented and functioning at Council.

## **D. Procedures**

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

## **E. Prevention**

The most effective way to prevent the occurrence of fraud and corruption is to promote an ethical environment fully supported and demonstrated by management and in which strong and effective internal controls have been implemented.

The following fraud minimisation procedures are to be followed:

- Maintenance and communication of a Code of Conduct for Councillors and staff;
- Training in relation to fraud awareness and prevention for staff and managers;
- Maintenance of an effective internal control system and internal control culture;
- Development of a fraud risk assessment process;
- Assessing and documenting fraud risk as part of the Risk Register;
- Employment Screening;
- Robust IT security policies and processes;
- Effective policies relating to the use of Council assets;
- Appropriate Human Resource policies dealing with annual leave, secondary employment and conflict of interest; and
- Appropriate purchasing policies and practices.

## **F. Disciplinary Action**

If an investigation report concludes there has been a breach of the 'Glamorgan Spring Bay Council - Code of Conduct', or any other applicable procedure, action taken will be in line with the disciplinary procedures.

## **G. Early Warning Signs**

The following are some behavioural warning signs all Senior Staff and employees 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;
- Drugs or alcohol abuse;
- Senior staff/employee who over rides internal controls;
- Persistent anomalies in work practices; and
- Obvious lifestyle changes that are in conflict with employee's normal financial position.

## **H. Internal Control Review**

Following an investigation where fraud is substantiated, the General Manager and/or Fraud Control Officer will conduct a review of the relevant controls and determine the level of corrective action to be undertaken.

## **I. Maintaining and Monitoring Adequacy of Insurance**

Insurance will be obtained and maintained to safeguard against loss and ensure continuation of business processes. Adequacy of insurance policies is to be assessed by management at least annually.

## **6. RESPONSIBILITY**

It is the responsibility of all Staff, Councillors, Contractors, Consultants and Volunteers to ensure that this policy is adhered to at all times.

## **7. REFERENCES**

*Local Government Act 1993*

Staff & Councillor Code of Conduct Policies

Disciplinary Procedures Policy

Australian Standard 8001-2208 *Fraud and Corruption Control*

Public Interest Disclosures ACT 2002

## **8. REVIEW & APPROVAL PROCESS**

Policy to be reviewed in 2 years or at any time deemed necessary by Council.

## **9. ATTACHMENTS**

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

### **Disclaimer**

That this policy be read in conjunction with any or all other Council Management Policies

## **ANNEXURE A**

### **FRAUD CONTROL INVESTIGATION PROCEDURE**

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

#### **Process**

1. Any employee, contractor, consultant or volunteer who has reason to suspect that a fraud has occurred shall immediately notify his / her Supervisor. If the employee has reason to believe that the employee's Supervisor may be involved, the employee is to immediately notify the General Manager. The employee, contractor, consultant or volunteer shall keep this information confidential. (Note: Should the incident relate to the General Manager, the matter should be reported directly to the Mayor and Chair of the Audit Panel).
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. (Note: Should the incident relate to the General Manager, the matter should be reported directly to the Mayor and the Chair of Audit Panel).
3. The Supervisor, when receiving notification of suspected fraud, will immediately contact the General Manager. The Supervisor 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. At the conclusion of the initial investigation of a Councillor, the General Manager will determine whether the matter should be referred to the Local Government Division Code of Conduct Panel.
6. At the conclusion of an investigation of a Committee Member, employee, contractor, consultant or volunteer 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.

Following the completion of the record the General Manager will determine what further action might be required.

#### **Related Documents**

- Fraud Control Policy
- Code of Conduct

#### **Review of Procedure**

The Fraud Control Investigation procedure will be reviewed biennially.

## **ANNEXURE B**

### **FRAUD PREVENTION STRATEGY**

Council's fraud prevention strategy involves the following:

#### **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 Senior Staff and Councillors is essential in establishing a behaviour model for all staff, committee members and volunteers.

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

- (a) Employing managers 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 staff are accountable for their own actions.

#### **Employee Education and Awareness**

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

- (a) The inclusion of ethical conduct requirements within the Induction Manual for new employees;
- (b) An ongoing program of inclusion of ethical behaviour expectations within all position descriptions for new and existing positions; and
- (c) Ongoing review and implementation of the staff Code of Conduct.

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

#### **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, Council will:

- (a) Publish the Code of Conduct on Council's website; and
- (b) Where possible provide feedback to all persons who report suspected corrupt or fraudulent conduct.

#### **Regular Review of Policies and Procedures**

In addition to ongoing policy development directed at emphasising ethical behaviour and fraud prevention and detection, Council is committed to the ongoing review of existing policies and procedures.

## **ANNEXURE C**

### **FRAUD DETECTION AND RISK MANAGEMENT**

Council's fraud detection strategy involves the following:

#### **Encouraging Disclosure**

It is recognised that most fraudulent activity is detected by employees of Council, and to a lesser extent, by members of the public. 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 staff on all Council's Codes of Conduct and reporting of fraudulent and corrupt activity on an annual basis to the Auditor General and in the Council's Annual Report;
- (c) Advertising on Council's website of the various methods by which members of the public can report instances of fraudulent conduct that they may suspect; and
- (d) Where possible providing feedback to people who report suspected fraud.

#### **Internal Auditing**

Council will minimise opportunities for undetected fraudulent activity via a robust internal audit program. The General Manager shall establish and implement a detailed strategy and procedures, incorporating internal audit guidelines in order to give this policy effect. Such a program shall include:

- (a) Quarterly audits of purchasing and disposal transactions;
- (b) Annual audits of financial system security;
- (c) Annual audits of cash float and petty cash balances;
- (d) Annual stock takes of Council inventory;
- (e) Annual reviews of physical asset security;
- (f) Appropriate separation of duties identified;
- (g) Annual audits of compliance with adopted cash handling procedures; and
- (h) Implementation and monitoring of recommendations by Council's external auditors.
- (i) Review of all aspects of the internal audit function by the Internal Audit Committee.