



Council Policy FRAUD AND CORRUPTION PREVENTION

Corporate Plan Reference:	'Excellence as a Council'
Endorsed by Council on:	20 December 2018
Policy Author:	Governance Advisor

POLICY BACKGROUND

Noosa Council is committed to ethical practices and the prevention of fraud and corruption across all levels of operation. Fraud can cause significant financial and reputational damage, affect employee morale and undermine the public's confidence in the delivery of services.¹

The purpose of this policy is to set out the organisational requirements to prevent fraud and corruption at Noosa Council.

COUNCIL POLICY

Fraud and corruption will not be tolerated at Noosa Council and Council is committed to taking all reasonable steps to actively discourage fraud and corrupt activities.

Fraud and corruption control is a shared responsibility. This policy applies to all officers, employees, elected representatives, consultants and contractors engaged by Council.

Council is committed to the prevention of fraud and corruption and seeks to promote a strong culture of governance to detect, investigate and take appropriate action in cases of suspected or proven fraud.

Council is committed to:

- A zero tolerance approach to fraud and corruption.
- Corruption and fraud control and management.
- Transparent and accountable processes consistent with sound business processes and organisational standards.
- Preventing fraud and corruption and investigating all suspected incidents and taking appropriate action.
- Establishing and maintaining an integrated Fraud and Corruption Prevention Framework to minimise the impact and reduce the risk of fraud and corruption.

¹ Queensland Audit Office, 'Fraud Risk Management' Report to Parliament 9: 2012-13

FRAUD AND CORRUPTION PLAN

Fraud and Corruption prevention and management at Council forms part of the organisation's broader governance processes and is interrelated with the following documents and associated procedures:

- Fraud and Corruption Control Plan;
- Employee Code of Conduct and associated procedures;
- Councillors Code of Conduct Policy;
- Complaints about Public Officials Policy;
- Public Interest Disclosure Policy;
- Internal Audit Policy;
- Audit and Risk Committee Charter; and
- Risk Management Framework.

The organisation's Fraud and Corruption Control Plan will outline the organisation's plan for implementing and monitoring fraud and corruption; prevention, detection and response initiatives. This Plan will be reviewed by the Audit and Risk Committee annually and an annual update will be provided to the Committee on the organisation's progress.

Risk Identification

Fraud risk assessments aligned to Council's Risk Management Framework will be utilised to identify weakness in controls and allow the organisation to identify high risk areas. The organisation will utilise these assessments to improve any identified internal control weaknesses.

Staff Awareness and Training Programs

Council acknowledges the primary role of staff in the prevention of fraud and corruption. To foster an appropriate fraud and corruption resistant culture, the organisation will implement fraud awareness training and adopt transparent and participative management practices that empower staff in their operational roles.

There will be suitable induction training to enhance fraud and corruption resistance. Awareness of the available reporting mechanisms and Public Interest Disclosure support will also be further reinforced through training programs and other means of communication such as via Council's intranet page. Training may be facilitated internally and/or via external providers.

Competent investigation processes and standards

All investigations of suspect fraud and corruption conducted by Council whether internally by appropriate Officers or via an external investigator engaged by Council, will align with the investigation approach outlined in the Crime and Misconduct Commission's document '*Corruption in focus – A guide to dealing with corrupt conduct in the Queensland Public Sector*' and Council's Public Interest Disclosure Policy.

External reporting requirements

The table below outlines Council’s external reporting requirements.

Recording and Notification Requirements
<ul style="list-style-type: none"> Written record keeping requirements prescribed by s307A of the <i>Local Government Regulation 2012</i>
<ul style="list-style-type: none"> Where applicable in accordance with s307A of <i>Local Government Regulation 2012</i> provide notification to the Minister of Local Government, the Auditor General, a Queensland Police Officer, or the Crime and Corruption Commission.
<ul style="list-style-type: none"> Pursuant to s38 of the <i>Crime and Corruption Act 2001</i>, where the CEO reasonably suspects that a complaint, or information or matter, involves, or may involve, corrupt conduct, the Crime and Corruption Commission must be notified.

ROLES AND RESPONSIBILITIES

Mayor and Councillors

The *Local Government Act 2009* provides the Mayor and Councillors with clear roles and responsibilities. Council has adopted the Councillor Request Guidelines as well as a Councillor Code of Conduct.

The Chief Executive Officer and Executive Team

The CEO and Executive Team will lead by example in a manner consistent with the values and principles detailed in Employee Code of Conduct. The CEO is required to notify the Corruption Commission if they reasonably suspect **corrupt conduct** as defined by the *Crime and Corruption Act 2001* has occurred.

The Executive Team with the support of the broader Leadership Group will assume responsibility for fraud and corruption prevention to ensure that the fraud and corruption control strategies are implemented effectively across all work areas. Consideration of fraud and corruption issues will form part of both annual and longer term operational and business planning processes.

Leadership Group

All managers and supervisors must recognise that fraud and corruption may occur in their area of responsibility. Managers are to critically examine their areas of responsibility and business processes to identify and evaluate potential fraud and corruption risk situations. They are to develop and maintain fraud and corruption resistant work practices.

As a guide, the following matters should be examined:

- The enforcement of existing financial management standards, policies and practices governing contracts and the supply of goods and services;
- The collection, storage, dealing, handling and dissemination of information;
- Segregation of functions especially in regulatory, financial accounting, procurement and cash handling areas;
- Employment screening and due diligence;
- Accuracy of timesheets submitted by employees within manager’s responsibility;
- Work activities having limited supervision or open to collusion or manipulation;
- Work practices associated with compliance and enforcement activities;

- Formal or structured reviews of accounting and administrative controls;
- The effectiveness of measures for reporting suspected fraud and corruption;
- The public interest disclosure protective measures;
- Workplace grievance practices;
- The promotion positive values and the benefits of ethical business practices; and
- Measures to ensure quick and decisive action on all suspected fraud and corruption situations.

All Council Officers

All Council Officers are responsible for the following:

- Acting appropriately when using official resources and handling and using public funds, whether they are involved with cash or payment systems, receipts or dealing with suppliers;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud or corruption;
- Reporting details immediately if they suspect that a fraudulent or corrupt act has been committed
- Co-operating fully with whoever is conducting internal checks, reviews or investigations into possible acts of fraud or corruption.

All Council officers who have any knowledge of fraudulent or corrupt activities/behaviour within Council have an obligation to report such matters to a manager/supervisor or the Chief Executive Officer.

Audit and Risk Committee

Fraud-related matters will be reported to Council's Audit and Risk Committee via the CEO to ensure that a realistic view of Council's exposure and the maturity of its systems to prevent, detect and respond to fraud are understood.

An annual update will be provided to the Committee on the organisation's progress of implementing the Fraud and Corruption Control Plan.

Internal Audit

The Internal Audit program supports Council's efforts to establish an organisational culture that embraces ethics, honesty, and integrity. Internal Audit assists Council with the evaluation of internal controls used to detect or mitigate fraud, evaluates the organisation's assessment of fraud risk.

Although Internal Audit considers fraud and corruption within its audit plans and performs audits, it is important to note that the responsibility for prevention of irregularities rests with Council and management through the implementation and continued operation of an adequate internal control system. Internal Auditors are responsible for examining and evaluating the adequacy and the effectiveness of actions taken by management to fulfil this obligation.

Governance

The Governance Advisor is responsible for the coordination of Council's Fraud and Corruption Framework and assisting areas with risk identification, staff awareness and training programs and investigations where required.

Examples of Fraud and Corruption

Fraud can occur internally within the organisation or be generated by external sources. There are a range of different types of fraud with the potential to impact negatively on Council. Outlined below are examples of fraud and corruption taken in part from AS 8001-2008 *Fraud and Corruption Control*.

Fraud

- Theft of cash or assets (including plant and equipment).
- Non-authorised use of equipment, property or services.
- Falsification of hours worked or reimbursement of expenses claimed.
- False invoicing.
- Creation of a 'ghost' employee whose wages are deposited into the fraudsters bank account.
- Failure to remove a former employee from the payroll system, whose wages are deposited into the fraudsters bank account.
- Duplication of companies or businesses in order to process fraudulent payments.
- Lodgement of a false claim against council e.g. workers compensation or public liability.
- Falsification or forgery of documents in order to receive a benefit.
- Use of Council monies or funds for private benefit.
- Running a private business during work hours.
- Credit card fraud.
- Abuse of Council facilities or assets for personal use.
- Making false statements or altering signatures or other information and materials so as to mislead or misrepresent a position or hide wrongdoing.
- Destroying or removing records without approval for personal gain or to conceal fraudulent activity.

Corruption

- Provision of false credentials, references or identification by an applicant to gain a position within Council.
- Payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the receiver and may relate to a specific decision or action by the receiver or generally.
- Release of confidential information in exchange for financial benefit or some form of non-financial benefit or advantage to the employee releasing the information.
- Collusive tendering (the act of multiple tenderers for a particular contract colluding in preparation of their bids).
- Payment or solicitation of donations for an improper political purpose.
- Serious conflict of interest involving an Officer acting in his or her own self-interest rather than the interests of Council.
- Manipulation of the procurement process by favouring one tenderer over other for personal reasons or selectively providing information to some tenderers.

DEFINITIONS

Fraud is defined 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 whether or not deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose of the improper use of information or position.²

² Australian Standard, AS 8001-2008 – *Fraud and Corruption Control*

Corruption is defined as dishonest activity in which a director, executive, manager, employee or contractor of 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.²

Corrupt Conduct is defined under section 15 of the *Crime and Corruption Act 2001* as conduct of a person, regardless of whether the person holds or held an appointment, that –

- (a) Adversely affects, or could adversely affect, directly or indirectly, the performance of functions or the exercise of powers of –
 - (i) a unit of public administration; or
 - (ii) a person holding an appointment; and
- (b) results, or could result, directly or indirectly, in the performance of functions or the exercise of powers mentioned in paragraph (a) in a way that –
 - (i) is not honest or is not impartial; or
 - (ii) involves a breach of trust placed in a person holding an appointment, either knowingly or recklessly; or
 - (iii) involves a misuse of information or material acquired in or in connection with the performance of functions or the exercise of powers of a person holding an appointment; and
- (c) is engaged for the purpose of providing a benefit to the person or another person or causing a detriment to another person; and
- (d) would, if proved, be –
 - (i) a criminal offence; or
 - (ii) a disciplinary breach providing reasonable grounds for terminating the person’s services, if the person is or were the holder of an appointment.

RELEVANT LEGISLATION

Local Government Act 2009
Local Government Regulation 2012
Public Sector Ethics Act 1994
Public Interest Disclosure Act 2010
Crime and Corruption Act 2001
Criminal Code Act 1899

RELEVANT PUBLICATIONS AND STANDARDS

Australia/New Zealand Standard AS/NZS ISO 31000:2009 - *Risk Management – Principles and Guidelines*
 Australian Standard, AS 8001-2008 – *Fraud and Corruption Control*
Queensland Audit Office Report to Parliament 9: 2012-13 – Fraud Risk Management
Queensland Audit Office Report to Parliament 19: 2014-15 Fraud Risk Management in Local Government

Crime and Corruption Commission – *Fraud and Corruption Control Best Practice Guide 2018*

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	New		Council	02/07/2015
2.0	Review	Y	Council	20/12/2018