POLICY NAME: FRAUD CONTROL & CORRUPTION   POLICY No: 1.8

POLICY:

1.   POLICY STATEMENT:

Council aims to act in the best interests of the community by aligning with its core value of integrity. Council is committed to the prevention, deterrence and detection of fraud and corruption by raising awareness and having effective processes and procedures in place to report and investigate incidents that may arise. By putting in place measures that protect those who report the suspected fraud, fraud can be uncovered early with help from others.

2.   SCOPE:

This policy applies to all employees, Councillors, Committee members, Contractors, Consultants and Volunteers who perform functions on behalf of Council.

3.   PURPOSE:

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 appropriate and transparent procedures are in place.

4.   DEFINITIONS:

"Fraud" is defined as 'dishonest activity causing actual or potential gain or loss to any person or organisation including theft of moneys or other property by persons internal and/or external to the Council and/or where deception is used at the time immediately before or immediately following the activity'.

"Corruption" is defined as 'dishonest activity in which a person associated with Council act contrary to the interests of Council and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation'. This can also involve corrupt conduct by Council or a person purporting to act on behalf of and in the interest of the Council, in order to secure some form of improper advantage for Council either directly or indirectly.

5.   RESPONSIBILITIES:

5.1   Councillors / Committee Members

Collectively as the decision making body, Councillors are responsible for ensuring that Council:

- Acknowledges fraud and corruption as a serious risk and has an awareness of Council's fraud and corruption exposures;

- Provides adequate security for the prevention of fraud and corruption. This includes the provision of secure facilities for storage of assets, and procedures to deter fraudulent or corrupt activity from occurring;

- Provides mechanisms for receiving allegations of fraud or corruption and ensures that where appropriate, proper investigations are conducted;

- Ensures that all employees are aware of their responsibilities in relation to fraud and corruption through the provision of regular training;

- Have a responsibility to abide by its Code of Conduct especially when considering reports, making decisions and scrutinising Council's activities.

- Promotes a culture and environment in which fraud and corruption is actively discouraged and is readily reported should it occur and support all policies and measures taken to prevent, deter, detect and resolve suspected instances of fraud.

5.2   Senior Management Team

The Senior Management Team and any other person supervising employees or contractors have a shared responsibility and accountability to actively support and implement this policy by:

- Understanding and supporting the Fraud Control Policy, and providing employees within their department the necessary information to implement this plan;

- Identify and understand the risks of fraud and corruption within their departments;

- Undertake a fraud risk assessment on a regular basis;

- Implement and maintain appropriate internal controls to reduce the risks to an acceptable level that will provide for the security and accountability of the resources under their control;

- Promote the importance of ethical conduct and compliance and set and enforce acceptable standards of behaviour;

- Support individuals who have made reports in accordance with this policy . Protect and maintain confidentiality of the individual and ensure they are protected from detrimental action;

- Formally consider ongoing commercial relationships with contractors or third parties when it is deemed that there is a heightened risk of fraud or corruption in continuing to deal with that party;

- Ensuring that new employees for whom they are responsible for are aware of their responsibilities in relation to fraud and corruption;

- Providing leadership in setting the appropriate tone of intolerance for fraudulent and corrupt acts by displaying the proper attitude toward compliance with laws, rules, regulations and policies.

5.3   Employees, Volunteers and Contractors

Employees and others engaged to work for Council are expected to act in a professional and ethical manner, and practice fairness, integrity and sound professionalism at all times.

Employees and volunteers have a responsibility to understand, observe and comply with Council's Code of Conduct and related policies and procedures which reflect expected standards of ethical behaviour, including the obligations to identify and report unethical or improper behaviour and any suspected fraud or corruption.

Employees should:

- be vigilant in their work to detect any suspected fraudulent activity.

- promote an ethical culture and a work environment where fraudulent behaviours, or other forms of corrupt conduct are not allowed.

- Assist in any investigations of fraud and corruption as required.

- Protect and maintain strict confidentiality of a person they know or suspect to have made a disclosure of the fraud incidents or investigations they have knowledge of.

- Refrain from any activity that is, or could be perceived to be, victimisation of harassment of a person who makes a disclosure of reportable conduct.

5.4   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 Councils financial, governance, business and environmental risks, including fraud and corruption.

6.   FRAUD PREVENTION STRATEGIES:

The most effective form of fraud prevention is to develop and maintain a sound ethical culture which is fully demonstrated by management and has strong internal control mechanisms that have been fully implemented.

6.1   Management's commitment to controlling the risk of fraud and corruption

- Management who adheres to, promotes and maintains an ethical culture and actively develops this culture.

- Communication of Council's policies to employees on a regular basis and to new employees through the induction process which relate to behaviour and ethical standards that are required, and the possible consequences if they engage in fraudulent or corrupt conduct

- Ongoing training in the use of codes of behaviour and ethical standards and clear standards and procedures to minimise opportunities for fraudulent and corrupt behaviour and enhance detection mechanisms.

- Employees being made aware of the ways they can report allegations or concerns regarding alleged fraud or unethical conduct and a mechanism for reporting outside the normal channels of communication.

- Communication with the community regarding the importance of exposing fraudulent and corrupt behaviour by publishing the code of conduct on Council's website. Having reporting mechanisms in place which make it easy for the community to expose alleged fraudulent or corrupt activities and feedback given for this exposure.

- Ongoing reviews of existing policies and procedures.

6.2   Internal Controls

Robust internal controls are integral to the mitigation of fraud and corruption. Council will maintain a strong internal control system to ensure systems of control are appropriate to promote compliance with legislation and policies, employee safety, well-being and safeguarding of assets.

Council will endeavour to do the following in order to mitigate the risk of fraud and corruption;

- Segregation of duties

- Delegations of Authorisations

- Reconciliations

- Physical access controls

- System access controls

- Hard coded IT system controls

- Mandatory leave

6.3   Pre-employment Screening

Depending on the nature of the role, Council undertakes pre-employment screening for new employees prior to appointment of positions being considered.

The types of enquiries which may be carried out as part of the employment screening process include but are not limited to:

- Verification of identity

- National police check

- Pre-employment medical screening

- Reference checks with previous employers

Verification of formal qualifications or licences.

6.4   Managing conflict of Interest

A conflict of interest occurs when a decision an employee may be required to make, either directly or indirectly affects themselves, family or associates. Timely disclosure of an actual, perceived or potential conflict of interest is the first step to ensure that it can be managed effectively and to avoid perceptions of fraudulent, corrupt or improper behaviour arising.

6.5   Policies dealing with Annual & Long Service Leave

Reluctance to take regular leave may increase the risk of occupational injury or disease due to exhaustion or fatigue. It is also possible that a person may be concealing evidence of fraud or corruption. Where possible employees will be instructed to address any accrued leave in excess of Council leave policies.

6.6   Supplier Vetting

Managers and other appropriate employees who are responsible for purchasing goods and services on behalf of Council are to undertake all transactions in accordance with Council's approved Purchasing Guidelines whereby effective vetting of suppliers is required.

These processes have been established to ensure transactions are undertaken in an open, honest and ethical manner, promotes fair and open competition, and seek value for money for Council, whilst supporting measures aimed at controlling the risks of fraud or corruption.

7. DETECTION AND REPORTING

Council recognises that, despite strategies to combat fraud or corruption, it is possible that it may occur. Council is committed to a framework aimed at detecting fraud and corruption as soon as possible after it has occurred. Council has established systems that enable post transaction review and monitoring to identify suspicious transactions and/or instances of fraud or corruption by analysing and matching data extracted from computer systems and through review and analysis of management accounting reports.

Examples of detection strategies include, but are not limited to:

- Regular review of supplier master file;

- Regular review of capital programs' significant contractors;

- Financial accounts quarterly-end reconciliation and reporting process;

- External Audit;

- Biannual review of delegations register and authority;

- Post transaction review;

- Identification of early warning signs identified in Appendix A.

7.1 Reporting suspected fraud and corruption incidents

Any employee, volunteer, contractor, or councillor who has knowledge of fraudulent activity or incident or has reason to suspect that fraud or corruption has occurred, has an obligation to immediately report the matter through the following alternative channels:

- Their immediate Manager or Director

- The Public Interest Disclosures Officer

- Chief Executive Officer

- Councillors

- In accordance with the Public Interest Disclosure Policy

- Should the incident relate to the Chief Executive Officer, the matter should be reported directly to the Mayor.

A report of apparent fraudulent or corrupt behaviour may be made in person, by telephone or in writing.

7.2 Implementing a disclosure protection program

Council has implemented a Public Interest Disclosure Policy. This policy sets out Council's approach to the protection of disclosers and witnesses and is based on the requirements of the *Public Interest Disclosures Act 2002* and has been implemented in order to encourage prompt reporting of concerns and suspicions.

Management must ensure that all employees are made aware of this policy through training and communication programs and will promote and support Council's commitment to the policy content.

8.   RESPONDING

All allegations of suspicions of internal or external fraud or corruption raised must be reported by the notified person to the CEO or their delegates immediately. No attempt should be made by any other employee to conduct any formal investigations, or attempt should be made by any other employee to conduct any formal investigations or interviews in order to determine if fraudulent and /or corrupt behaviour has occurred or is suspected.

An investigation into apparent or suspected fraud and corruption shall be conducted by the CEO and if necessary, they may appoint an investigator for preliminary review of the incident.

The CEO will notify the Audit Panel Chair.

The responsible investigator will arrange discussions with appropriate persons relating to all facets of the alleged fraud or corruption and any other matters that may assist the preliminary review.

All communication and documentation related to the investigation will be kept confidential and in a secure location.

There will be an expectation that preliminary investigations will be given the highest importance and is finalised as soon as practicable. If there is an early expectation that there will be Tasmania Police involvement, then it is imperative the preliminary investigation is progressed expediently. Tasmania Police need to immediately begin any alleged fraud or corruption investigation, and any delay can severely impact their efforts and final report, and in turn, can adversely affect subsequent actions and resolutions.

Based on results from the preliminary review or given the nature of the alleged fraud one or more of the following actions may occur:

- The CEO may determine to undertake an investigation regarding a breach of Councils Code of Conduct by an employee.

- The CEO may report the matter to Tasmania Police for investigation where the fraud or corruption may involve an illegal activity.

- Disciplinary action may be made following the Disciplinary Procedures Policy.

- No further action is warranted in respect of the alleged fraudulent or corrupt behaviour.

- An internal systems control review is undertaken.

8.1   Internal reporting and escalation of issues

Council's Public Interest Disclosures Officer will maintain a fraud and corruption incident register which will include information in relation to all incidents.

A regular report will be provided to the management team and audit panel committee outlining any recent fraud and corruption events and the actions undertaken in respect to these events.

The CEO will report fraud and corruption events to Council.

8.2   Disciplinary Procedures

Where there is proven evidence of fraud, appropriate measures will be taken following the Disciplinary Procedures policy.

8.3   External Reporting

Where fraudulent activity has been identified as criminal, the CEO will determine the appropriate process for notifying the police and any other relevant authorities.

Unless there are exceptional circumstances, fraud or corruption that involves the committing of a crime will be reported to the police or relevant authority. If the activity is not reported, the CEO will notify the Council regarding the decision made and the reasons supporting the decision.

Council will take all reasonable steps to assist the authorities in their investigation into alleged fraudulent and/or corrupt conduct.

8.4   Recovery of fraud or corruption proceeds

Recovery of money or property will be vigorously pursued should fraud, corruption or breaches of the Code of Conduct occur. The approach to be taken will be determined by the CEO on a case-by-case basis. As necessary, advice from Tasmania Police and/or the Director of Public Prosecutions will be obtained to inform the appropriate course of action.

8.5   Review of Internal Controls

In each instance where fraud or corruption is detected, Directors of the relevant area are required to reassess the adequacy of the internal environment and consider whether improvements are required.

8.6   Maintaining and monitoring adequacy of insurance

Insurance will be obtained and maintained to safeguard against damage and ensure continuation of business processes appropriate to Council's risk appetite. Adequacy of insurance policies is to be assessed by management at least annually.

REFERENCES:

Local Government Act 1993

Code of Conduct Policy HR14

Disciplinary Procedures Policy HR28

Public Interest Disclosure Policy HR24

ANNEXURE:

A.   Investigation of Early Warnings Signs – Red Flags & Examples of Fraud & Corruption

ADMINISTRATIVE DETAILS:

The Fraud Control Policy will be reviewed bi-annually.

Policy Developed: August 2019

Policy Approved: September 2019; 17 June 2025

Policy to be reviewed: December 2025

CHIEF EXECUTIVE OFFICER

IDENTIFICATION OF EARLY WARNINGS SIGNS

RED FLAGS & EXAMPLES OF FRAUD & CORRUPTION

The following represents some signals, particularly if evident in combination that may indicate a need for further investigation to determine if fraud or corruption is occurring.

- Bragging about exploits.

- Changes to documents, e.g invoices, log books, time sheets.

- Constant association with, and entertainment by, a member of a supplier's, contractor's or consultant's staff.

- Evidence of living beyond their means (for example, buying or otherwise acquiring expensive personal items and extravagant household furnishings).

- Excessive number of duties residing with one person.

- Excessive alcohol, drug and gambling problems.

- Getting annoyed at reasonable questioning (undue secrecy, or excluding people from information).

- Inclination toward covering up inefficiencies.

- Lack of authorisation on documentation.

- Misplacement of documentation.

- Pronounced criticism of others, endeavouring to divert suspicion.

- Refusing to leave records during the day; working overtime regularly.

- Replying to questions with unreasonable explanations.

- Rewriting records under the guise of neatness in presentation.

- Unexplained employee behavioural or lifestyle changes.

- Unofficial and/or unusual changes to an individual's work practices.

Examples of Fraud and Corruption

The following list whilst not exhaustive provides examples of the types of conduct that might amount to fraud:

- Theft of assets such as inventory, cash and equipment;

- Illicit use of assets, information or services for private purposes such as:

- Unauthorised use of motor vehicles, equipment, photocopiers, ICT resources;

- Dishonest use of intellectual property;

- Releasing confidential information for other than a proper business purpose;

- Serious conflicts of interest where the action is for their own self-interest rather than the interests of the Council (e.g failing to declare an interest in an assessment or regulatory process or investigation);

- Receiving or giving kickbacks or secret commissions for preferential treatment and/or favours to or from third parties;

- Receiving payment, hospitality or gratuitous favours for influencing future decisions e.g. procurement, research activities and licence approvals;

- Misuse of entitlements such as:

  o Falsifying travel claims

  o Not submitting leave forms for periods of leave taken

  o Knowingly submitting inaccurate payroll information for payment

  o Charges to Council credit card whilst claiming reimbursement or for personal use

- Payment for goods and services not required, not received or at excessive prices

The following list whilst not exhaustive provides examples of the types of conduct that might amount to corruption:

- Bribery.

- Ransomware.

- Finance Fraud (e.g loan or credit card application in a false name).

- Acceptance of gifts, benefits or hospitality that are intended to achieve a specific or generic commercial outcome in the short or long term.

- Serious nepotism or cronyism where the appointee is inadequately qualified to perform the role they are appointed in.

- Dishonest use of computer equipment, Council vehicles or mobile phones.

- Release or use of misleading or inaccurate information for the purpose of deceiving, misleading or to hide wrongdoing.

- Dishonest use of purchase orders, corporate credit card or private fuel purchases.