



FRAUD CONTROL POLICY

Responsible Officer: Manager Business & Governance	Adoption Date:	17 June 2014
	Approved By:	Council
Authorising Officer: Director Corporate Services	Review Date:	2017
	Policy Type	Council

INTRODUCTION

Fraud is the crime of dishonestly obtaining a financial or another benefit by deception or other means. The potential impact of fraud on Council and the community can be significant. It can disrupt business continuity, reduce the quality and effectiveness of critical services, and threaten the financial stability of Council. It can also damage Council's public image and reputation.

CONTEXT

A key strategic objective of Council is to ensure that business operations are compliant. In this regard the *Local Government Act 1989* requires Council to develop and maintain adequate internal control systems. An effective fraud control framework is widely recognised as a critical element of such systems. The Australian Standard AS8001–2008 on fraud and corruption control and other related good practice guides identify the key elements of an effective fraud control framework.

SCOPE

This policy applies to all Councillors, Council employees and agents of Council.

Agents of Council extend to include contractors working in-house, staff on exchange, members of Special Committees, members of Advisory Committees, volunteers, work experience students or graduate placements who perform work for Council as well as external suppliers and other contractors and subcontractors.

PURPOSE

The purpose of this policy is to ensure that Councillors, Council employees and agents of Council understand what fraud is, know Council's attitude to fraud, recognise what to do if they suspect fraud is being perpetrated and appreciate the consequences of engaging in fraudulent conduct.

The policy also outlines Council's approach to managing the risks of fraud through a whole of organisation fraud control framework.

POLICY

DEFINITION OF FRAUD

The Australian Standard AS 8001-2008 Fraud and Corruption Control defines fraud as:

‘Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where 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 or the improper use of information or position for personal financial benefit’.

The risk of fraud can come from inside Council, that is, from employees or contractors, or from outside Council, that is, external parties such as clients, consultants, service providers or other members of the public. Council must be alert to the risk of fraud through collusion between employees and external parties.

COUNCIL’S ATTITUDE TOWARDS FRAUD

Council is committed to protecting its revenue, expenditure and property from fraudulent activity by taking a systematic approach to the management of fraud across the organisation.

Council will not tolerate fraudulent acts and will ensure that all allegations of fraud are investigated confidentially, promptly and thoroughly.

RESPONSIBILITIES

Setting the right management approach is critical to fraud control. An organisational culture based on sound ethics and integrity is an essential ingredient that underpins effective fraud control. The *Local Government Act 1989* requires the Chief Executive Officer to develop and implement a code of conduct for council staff. Senior management must reinforce the intent of the Code of Conduct through active management strategies. It is a requirement that Council employees and agents of Council at all times behave in a way that complies with the Code of Conduct and promotes the integrity and good reputation of Council.

Councillors, Council employees and agents of Council are required to comply with this policy and associated procedures and fraud control strategies, as well as any related policies and procedures.

REPORTING FRAUD

Allegations made by employees, contractors, and members of the public can often lead to the uncovering of fraud. Council encourages employees, contractors, service providers and, where relevant, members of the public to report their suspicions of fraud.

Council’s Protected Disclosure Policy and Procedures provide easily accessed guidance material to support employees to readily identify what incidents should be reported and to whom.

Information on making protected disclosures is provided on Council’s website and in the annual report to assist people other than Council employees to report allegations of fraud.

CONSEQUENCES OF ENGAGING IN FRAUDULENT CONDUCT

Where fraud allegations are substantiated, Council will take appropriate action to punish perpetrators and accessories, deter others and recover defrauded funds, losses or damages, including but not limited to criminal prosecution, civil recovery action and internal disciplinary processes.

FRAUD CONTROL FRAMEWORK

To minimise the occurrence and impact of fraud, Council has a robust fraud control framework to prevent, detect and respond to fraud. Fraud control refers to the integrated set of activities to prevent, detect, respond and monitor fraud and related supporting processes.

The key elements of Council's fraud control framework include:

- Fraud Prevention
 - Fraud Control Policy
 - Code of Conduct
 - Culture and leadership
 - Training
 - Fraud risk management
 - Fraud control plan
 - Internal controls
 - Governance & Responsibilities
- Fraud Detection
 - Passive detection measures
 - Active detection measures
- Fraud Response
- Fraud Monitoring & Evaluation

REFERENCES

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Australian National Audit Office 2010, *Auditor-General Audit Report, Fraud Control in Australian Government Agencies*, Audit Report No.42 2009–10, ANAO, Canberra, May 2010

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Crime and Misconduct Commission Queensland 2005, *Fraud and corruption control: guidelines for best practice*, CMC, Brisbane, 2005

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Department of Planning & Community Development Victoria 2011, *Conflict of Interest - A Guide for Council staff*, DPCD, Melbourne, October 2011

KPMG 2013, *Survey of fraud, bribery and corruption in Australia and New Zealand 2012*, KPMG Forensic, February 2013

Local Government Act 1989 (Vic)

PricewaterhouseCoopers' 2008, *Fraud, A guide to its prevention, detection and investigation*, PricewaterhouseCoopers' Forensic Services Practice, February 2008

Protected Disclosure Act 2012 (Vic)

Rural City of Wangaratta 2013, *Protected Disclosure Policy*, RCoW, Wangaratta, 2013

Rural City of Wangaratta 2014, *Employee Code of Conduct*, RCoW, Wangaratta, 2014

Rural City of Wangaratta 2014, *Risk Management Policy*, RCoW, Wangaratta, 2014

SAI Global 2008, *Australian Standard AS 8001-2008 Fraud and Corruption Control*, SAI Global, March 2008

Victorian Auditor-General's Office 2012, *Victorian Auditor-General's Report, Fraud Prevention Strategies in Local Government*, VAGO, Melbourne, June 2012, 2011-12:32

REVIEW

Any change or update which materially impacts and alters this policy must be by resolution of Council on the advice of the CEO following review by the Audit Advisory Committee. Otherwise, this policy will be reviewed annually by the Audit Advisory Committee at a basic level and once every three years at a detailed level. The annual review must be included in the Committee's calendar in conjunction with a scheduled Committee meeting. Following the detailed review, recommendations will be made via the CEO to Council.