

POLICY NUMBER:	45 (C)
NAME OF POLICY:	FRAUD PREVENTION POLICY 2021
DATE OF NEXT REVIEW:	Within 4 years of date approved
DATE APPROVED:	21 September 2021
RESPONSIBLE OFFICER:	Manager People and Governance
REFERENCES:	<i>Local Government Act 2020</i> <i>Public Interest Disclosure Act 2012</i> <i>Independent Broad-based Anti-corruption Commission Act 2011</i> Public Interest Disclosure Procedures for Hepburn Shire Council 2020 Risk Management Policy 24 (C) Councillor Code of Conduct Policy 47 (C) Employee Code of Conduct Policy 57 (O)

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1. INTRODUCTION

Accountability, probity and transparency are the three Core Values enshrined in Council's Governing Policy. They form the foundation on which Council will conduct itself and upon which the activities of the organisation will be based.

The Fraud Prevention Policy has been influenced by –

- Existing legislation and codes of conduct expected of Councillors and Council personnel.
- Council's Policies, which demonstrate Council's commitment to be organisation that aspires to high standards of integrity.

Therefore, it will help to foster an organisational culture based on honesty for the collective benefit of Council, its citizens and ratepayers.

In harmony with this, Council encourages and supports the disclosure of suspected fraudulent activity as part of its commitment to an organisation free from fraud.

It is noted that fraud can take many forms including corruption and therefore this document does not attempt to include or describe all the different aspects and dimensions of fraud.

2. POLICY STATEMENT

Council will not tolerate any form of fraud or corruption and Council is committed to preventing, detecting and responding to fraud and corruption.

As it develops and implements a robust approach to controlling fraud and corruption, Council will be mindful of (a) the *Standards Australia AS 8001–2008 Fraud and Corruption Control* and (b) the *International Organisation for Standardisation ISO 31000 – 2018 Risk Management*. These Standards are expected to guide the development of strategies to control fraud and corruption, such as –

- Prevention – proactive measures designed to help reduce the risk of fraud and corruption occurring in the first place.
- Detection – measures designed to uncover incidents of fraud and corruption when they occur.
- Response – measures designed to take corrective action.

3. SCOPE

This policy applies to Councillors, whilst they are Councillors and to Council personnel whilst they are engaged by Council.

This policy applies to all assets, works, services, activities and workplaces of Council.

This policy applies to the management of Council's contractors, consultants and agents.

The policy applies to all incidents of fraud, whether suspected, alleged or proven, that are either –

- committed against Council by any person (legal or natural); or
- committed by Councillors or Council personnel against a third party.

4. PURPOSE

The purpose of this Policy is to –

- State Council's position in preventing fraud and corruption.
- Protect Council's assets, services, and reputation by preventing, detecting and responding to fraud and corruption.
- Promote and foster a culture of honesty and integrity.
- Prevent fraud and corruption by applying the elements of Risk Management.
- Raise awareness within the community and at all levels within Council.
- Encourage and support the disclosure of fraudulent and corrupt activity.
- Define Accountabilities.

5. DEFINITIONS AND BRIEF EXPLANATIONS

Assets include money, property (land and buildings), materials, stock, vehicles, plant, equipment, furniture, chattels and all other similar possessions and items. Assets also include information and records including transactional records.

Corruption means "*dishonest activity involving the breach of public trust in the performance of official duties, usually to obtain a benefit or advantage or to cause loss or disadvantage.*"

Corrupt conduct can take many forms including; dishonestly using influence, authority or position; having conflicts of interest; taking or offering bribes (and other unlawful or dishonest payments); blackmail; nepotism and favouritism. Corruption does not include mistakes or unintentional acts.

Councillor means a person who holds the office of an elected representative of Hepburn Shire Council.

Council personnel means the Chief Executive Officer, members of Council staff, (permanent, temporary, agency, casual, full and part time), volunteers, trainees, students, Audit and Risk Committee members, Delegated Committee members and Community Asset Committee members.

Fraud means "*dishonest activity to obtain a benefit or advantage or to cause a loss or disadvantage.*"

Fraud can involve many different activities. Fraud is normally characterised by deliberate deception to facilitate or conceal dishonest conduct. It will often cause actual or potential loss including financial loss. It may include the deliberate falsification, concealment, destruction or improper use of information for personal benefit.

Risk Management Framework is the combination of the policy and procedures that are implemented to undertake risk assessments (identify, analyse, evaluate and treat) and monitor risks. Risks are recorded in the Risk Register and a Risk Control Plan is established to treat the risks by defining actions to be taken, assigning responsibilities and establishing timeframes (what will be done, by whom and when).

6. FOSTERING AN HONEST CULTURE

Council is aware that if fraud has occurred or is alleged to have occurred, it will have a negative effect on Council including Councillors and Council personnel. For example, it may result in reputational damage, financial loss, a decline in public trust and confidence, as well personal consequences. Council is also aware that the impact of fraud will be difficult to reverse.

Therefore, Council's goal is for a workplace culture, based on honesty and integrity, practiced by people acting in professional and accountable ways, where fraud and corruption will not be tolerated.

To achieve that goal, this Policy is led by and aligned with Council's existing Governing Policies for Values, Culture and Behaviour, and Risk Management.

Furthermore, and importantly, the following Codes and Policies have already established the standards of conduct and integrity expected of Councillors and Council personnel –

- Privacy Policy 30 (C)
- Councillor Staff Relationship Policy 37 (C)
- Procurement Policy 46 (C)
- Councillor Code of Conduct Policy 47 (C)
- Councillor Expenses and Resources Policy 80 (C)
- Councillor Gifts, Benefits and Hospitality Policy 84 (C)
- Employee Code of Conduct Policy 57 (O)
- Employee Performance Management and Disciplinary Action Policy 69 (O)
- Position Descriptions and Employment Agreements

7. RISK MANAGEMENT

The negative consequences of fraud and corruption highlight the importance of implementing effective risk management.

There are different levels of risk across the organisation and its services. In determining the best approach to managing these risks, the allocation and use of resources to manage the risk should be proportionate to the risk profile and the likelihood and consequence of the risk occurring.

Managing the risks of fraud and corruption involves a proactive approach to mitigate the risks posed by fraud and corruption before they occur.

Managing the risks of fraud and corruption will be in accordance with Council's existing whole-of-organisation Risk Management Framework, which includes the following elements –

- Policies and Procedures.
- Risk Assessments.
- Risk Register.
- Risk Control Plan.
- Risk Measures in Position Descriptions and Performance Evaluations.

On an on-going basis, Risk Assessments will be undertaken by Managers within their area of responsibility.

The Risk Assessments will identify, analyse and evaluate risks. They will be recorded in the Risk Register and a Risk Control Plan will be established to treat the risks by defining actions to be taken, assigning responsibilities and establishing timeframes (In other words, what will be done, by whom and when).

The Risk Register and Risk Control Plans will be monitored by the Executive Team to ensure all expected risks are included and addressed by justifiable rankings and effective controls.

The Internal Auditors will conduct independent reviews to assess the adequacy of risk controls and the extent of compliance with those controls.

The Executive Team will ensure there is regular reporting to the Audit and Risk Committee and Council.

8. RAISING AWARENESS

Council will ensure that its citizens and ratepayers have access to the avenues for reporting fraud and corruption by promoting relevant legislation, independent organisations and disclosure processes on its website.

Council encourages open discussion by Council personnel on the importance of integrity, within the context of the type of work being undertaken and the type of services being delivered in the various areas of operation.

Council will ensure that Councillors and Council personnel are made aware of the importance of preventing and disclosing fraud and corruption by the following methods –

- Councillor induction program and ongoing training and development.
- Staff induction program.
- Staff training* focussed on prevention, detection and disclosure.
- Training for Supervisors in understanding delegated responsibilities including responsibilities to educate and supervise staff.
- Internal communication including mandatory reporting.

*Council has a comprehensive Staff Training Program, which encompasses many subjects including the Employee Code of Conduct Policy 57 (O). After the adoption of this Policy, the Staff Training Program will be extended to include designated training on the prevention, detection and disclosure of fraud and corruption.

9. DISCLOSURE

Council encourages and supports the disclosure of fraud and corruption. In September 2020, Council adopted the Public Interest Disclosure Procedures for Hepburn Shire Council. (Available via this link: [Public Interest Disclosures \(Whistleblower\) - Hepburn Shire Council](#))

The Procedures enable the disclosure of fraudulent and corrupt conduct to be made to Council's Public Interest Disclosure Coordinator, or to the *Independent Broad-based Anti-corruption Commission (IBAC)*. (Available via this link: [Independent Broad-based Anti-corruption Commission | IBAC](#))

Disclosures may be made by any person, including citizens, ratepayers, Councillors and Council personnel.

10. ACCOUNTABILITIES

Accountability is one of three Core Values enshrined in Council's Governing Policy.

Council personnel are required to be accountable for their decisions and actions, including compliance with policies and particularly, the policies referred to in Section 6 of this Policy.

Accountability helps to foster a culture where all Council personnel are encouraged to be forthcoming and honest about mistakes, in the knowledge that mistakes are part of an organisation that seeks to continuously improve.

MEMBERS OF COUNCIL STAFF

Have the responsibility and obligation to –

- Behave in accordance with the Employee Code of Conduct Policy 57 (O).
- Prevent fraudulent and corrupt activity.
- Act in the public interest and lead by example, by modelling behaviours expected of all Staff.
- Report known or suspected instances of fraudulent or corrupt conduct to Council’s Public Interest Disclosure Coordinator, or to *the Independent Broad-based Anti-corruption Commission (IBAC)*. (Available via this link: [Independent Broad-based Anti-corruption Commission | IBAC](#)).
- Report known or suspected instances of fraudulent or corrupt conduct to their Manager.

MANAGERS AND EXECUTIVE OFFICERS

In **addition** to the responsibilities of Staff, Managers and Executive Officers have the responsibility and obligation to –

- Promote a work environment and culture that fosters integrity.
- Inform members of Council staff about fraud prevention and detection.
- Monitor and actively manage excessive outstanding leave of staff.
- Undertake Risk Assessments within their area of responsibility to identify, analyse and evaluate risks.
- Record those risks in the Risk Register and establish Risk Controls to treat those risks by defining actions to be taken, assigning responsibilities and establishing timeframes (what will be done, by whom and when).
- Report known or suspected instances of fraudulent or corrupt conduct to Council’s Public Interest Disclosure Coordinator, or to the Independent Broad-based Anti-corruption Commission (IBAC).
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Managers will ensure that Council personnel who are engaged within their area of responsibility are made aware of this Policy and, when applicable, the Employee Code of Conduct Policy 57 (O).

COUNCILLORS

Have the responsibility and obligation to –

- Promote a work environment and culture that fosters integrity.

- Support Council initiatives and activities including risk management, internal audit and workplace relations to minimise or deter fraudulent and corrupt conduct.
- Report known or suspected instances of fraudulent or corrupt conduct to Council's Public Interest Disclosure Coordinator, or to *the Independent Broad-based Anti-corruption Commission (IBAC)*.
(Available via this link: [Independent Broad-based Anti-corruption Commission | IBAC](#)).

11. GOVERNANCE

OWNER

The Manager People and Governance is responsible for the Policy, including its implementation and review.

FURTHER INFORMATION

The Policy is available to the public via Council's website.

Questions about the Policy should be directed to the Manager People and Governance.

COMPLIANCE RESPONSIBILITY

- Chief Executive Officer.
- Director Organisational Services.
- Manager People and Governance.

OPERATION

The Policy is operational from the date it is adopted by Council until the date it is rescinded by Council unless its operation becomes obsolete by circumstances beyond the control of Council.

The Chief Executive Officer is authorised to make minor administrative amendments to the Policy.

REVIEW

The Policy will be reviewed every four years or sooner if required by Council or changes in legislation.

The Chief Executive Officer may cause the Policy to be reviewed if there is a significant change in organisational circumstances.