

POLICY NUMBER:	45
NAME OF POLICY:	FRAUD PREVENTION POLICY
DATE AMENDED:	August 2014
DATE OF NEXT REVIEW:	August 2018
DATE APPROVED:	19 August 2014
RESPONSIBLE OFFICER:	Manager Finance & Information Technology
REFERENCES:	Employee Code Of Conduct Policy (57 O) Protected Disclosure Policy (74 C) Privacy Policy (30 C) Risk Management Policy (24 C) Councillor Staff Relationship Policy (37 C) Employee Discipline Policy (69 O)

Best Value Principles

Hepburn Shire Council has the responsibility to provide its ratepayers with best value, with all services provided by Council meeting the expectations in terms of quality and cost. In providing this, all services need to be accessible, responsive to the needs of the community, considerate of the natural environment and subject to continuous improvement.

To achieve the best over life outcome for Council's expenditures, which meets quality and service expectations, there will be periodic review of services against best on offer in both the public and private sectors.

All Council staff members are responsible for supporting best value principles in their normal day to day actions to ensure services are recognised by the community as delivering best value.

INTRODUCTION

This Fraud Prevention Policy aims to ensure compliance with relevant legislation and will assist in promoting an ethical and honest workplace for the benefit of all stakeholders, including citizens, ratepayers, Councillors and staff.

Fraud falls into three main categories -

- Fraud involving the misappropriation of assets;
- Fraud involving the manipulation of internal or external financial reporting; and
- Corruption involving abuse of position for personal gain.

SCOPE

This policy applies to all employees, Councillors and volunteers engaged directly by the Hepburn Shire Council as well as all agents and contractors either engaged by the Council or by an authorised contractor of the Council.

PURPOSE

The objectives of the Hepburn Shire Council Fraud Prevention Policy are to:

- Identify areas of risk in relation to fraud within the organisation.
- Protect the revenue, expenditure and property of the organisation.
- Implement fraud prevention and detection controls within the organisation to minimise losses through fraud.
- Maintain an ethical climate within the organisation which encourages all staff and Councillors to be active in protecting public money and property.
- Monitor and review fraud risk areas and controls on an ongoing basis.
- Enable prosecution of offenders following appropriate investigation.

DEFINITIONS

Fraud - “a deliberate act of deception, misrepresentation or omission committed with the intention of gaining an unjust advantage or to cause an unjust loss or disadvantage.”

Examples include:

- Any theft of cash, plant and equipment, inventory, intellectual property or any other asset.
- Forgery, alteration or destruction of cheques, invoices, computer records and other documents.
- Unauthorised use or misuse of Council property, equipment, materials or records, including credit cards, fuel purchase cards and store purchase cards.
- Any purchases or claim for reimbursement of expenses that are not made for the exclusive benefit of Council.
- Falsification of time records, or payments to fictitious employees or suppliers.
- Collusion with existing or potential suppliers.

Corruption – “dishonest activity in which someone acts contrary to the interests of the Council and abuses his or her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or company”.

Internal controls – processes, policies, devices, practices or other actions that act to minimise negative risk (e.g. fraud) or enhance positive opportunities.

POLICY

This policy applies across all work areas and operations of the Hepburn Shire Council.

The following documents will provide the basis of the ethical standards and conduct expected of Council Staff and Councillors and should be read in conjunction with this policy:

- Employee Code of Conduct (57 O)
- Protected Disclosure Policy (72 C)
- Privacy Policy (30 C)
- Risk Management Policy (24 C)
- Councillor Staff relationship (37 C)
- Employee Discipline Policy (69 O)
- Procurement Policy (46 C)
- Position Description/Employment Agreement/Contract.

1. FRAUD PREVENTION FRAMEWORK

This policy is based on core structural elements of the Council's efforts in fraud and corruption prevention, detection and investigation.

CULTURE

The Council's Employee Code of Conduct (57 O) sets the standards of ethical behaviour expected of its staff.

The Code of Conduct is provided to all staff who must read and understand the Code and apply its principles in the performance of all their duties. A signed acknowledgement of the Code of Conduct is obtained from all staff members and is kept on their personnel files.

Section 4 of the Code of Conduct specifically addresses Fraud and Conflict of Interests.

RISK ASSESSMENT

At least annually, comprehensive fraud and corruption risk assessments will be conducted throughout the Shire in accordance with the Council's Risk Management Policy (24 C).

FRAUD AND CORRUPTION CONTROL PLANNING

In conjunction with Council's Audit and Risk Advisory Committee and Council's Internal Auditors, Management will annually identify key fraud risks and develop prevention measures to assist in avoiding or minimising the likelihood of fraudulent and improper conduct within the Council.

The risk register will be tested for reasonableness by the Executive Team, Audit and Risk Advisory Committee, Council and the External Auditors, in order to test that all expected exposures are included and addressed by justifiable rankings and effective controls.

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

AWARENESS: PUBLIC OFFICERS, CITIZENS, RATEPAYERS AND OTHER PARTIES

Management will ensure the Council's policy on fraud is communicated to all parties and the highest possible level of awareness is maintained amongst all officers, citizens and ratepayers.

The Fraud Prevention Policy will be promoted through:

- Staff induction programs
- Staff training programs
- Internal communications
- Public availability of the policy through Council's website.

Staff training on this topic will be undertaken every three years in conjunction with the review of this Policy.

INTERNAL CONTROLS

Systems of internal control provide sound practices that ensure policy compliance and consistency of practice amongst all staff throughout the Shire. At Hepburn Shire Council internal controls are established through the development and review of comprehensive policy and procedure frameworks.

Hepburn Shire Council undertakes pre-employment screening on potential employees. The degree of screening is dependent on the seniority of the position and sensitivity of the work to be undertaken. Pre-employment screening may include the following:

- Verification of identity
- Police criminal history
- Direct contact with referees
- Verification of qualifications.

2. REPORTING AND INVESTIGATION OF FRAUD

Council's Employee Code of Conduct states the following in relation to the reporting of fraud:

Employees must report any suspected fraudulent behaviour to their General Manager in accordance with the *Protected Disclosures Act 2012* (Victoria). The staff member raising the issue should put that complaint in writing or provide sufficient detailed information to enable a comprehensive summary to be prepared. The Protected Disclosure Coordinator must investigate the matter in accordance with the "Protected Disclosure Procedure" (DOC/13/24254).

Confidentiality and protection are guaranteed for the reporting employee under the *Protected Disclosures Act 2012* (Victoria) if requested.

All incidents of alleged fraud will be subject to a Fraud Incident Analysis in accordance with the "45 (C) Fraud Prevention Policy attachment - Significant Incident Analysis Template" (DOC/12/1424).

All suspicions or complaints are to be documented or reviewed by a General Manager and/or the Chief Executive Officer. The Council will issue a letter to all staff cleared of any wrongdoing acknowledging this conclusion.

If initial investigations by Council Management, Internal Auditors, External Auditors or other consultants confirm that a significant fraud against the Council has been committed, the matter must be referred to Victoria Police. When considering if the action was significant, consideration should be given to the following:

- The potential for the perpetrator to reoffend
- Impact on Council's reputation that inaction may cause
- The quantum of the fraud
- The sophistication of the fraud
- The length of time the perpetrator has been committing the fraud
- The impact the fraud has on Council's reputation with the community, employees, potential employees, suppliers, customers and Council's bank.

The police will determine whether a criminal offence has been committed. Further, where appropriate, civil proceedings may be initiated to seek recovery of financial losses. Employees suspected of fraud will be suspended pending investigation and will be summarily dismissed following successful prosecution. Those who co-operate with proven offenders will also face disciplinary action.

Management will report any incidents of actual or suspected fraud and any material error in any financial statements to the Audit and Risk Advisory Committee immediately as it becomes known.

3. ACCOUNTABILITIES

STAFF

Have the responsibility and obligation to:

- Report known or suspected instances of improper, corrupt or fraudulent conduct to their General Manager.
- Behave in accordance with Council's Code of Conduct and other policies and procedures.
- Prevent fraudulent activity.

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 behaviour that is of the highest ethical standards.
- Identify risk exposures to corrupt and fraudulent activities.
- Establish controls and procedures for prevention and detection of such activities.
- Consider fraud as part of their risk assessments and implement action plans to eliminate or reduce the fraud risk.
- Educate employees about fraud prevention and detection.
- Monitor and actively manage excessive outstanding leave of staff.
- Identifying areas and practices where there is potential for fraud to occur and logging these on the risk register.

Managers will ensure that all volunteers and contractors working for their areas of responsibility are aware of Council's Code of Conduct and Fraud Prevention Policy and are made aware of their responsibilities and acceptable behaviours.

MANAGER FINANCE & INFORMATION TECHNOLOGY

In addition to the responsibilities of Managers, the Manager Finance & Information Technology has the responsibility and obligation to:

- Ensure internal controls surrounding financial systems and preparation of the financial statements are designed and implemented to reduce the risk of fraud and error.
- Every four years review the Fraud Prevention Policy to ensure it is operating effectively.
- Conduct risk assessments and/or liaise with the internal auditors and the risk manager in the conduct of fraud risk assessments.

COUNCILLORS

Have the responsibility and obligation to:

- Support Council initiatives and activities including risk management, internal audit and workplace relations to minimise or deter fraudulent or corrupt conduct.
- Report known or suspected instances of fraudulent, corrupt and improper conduct to the Protected Disclosure Coordinator or Protected Disclosure Officer, in accordance with the Council's Protected Disclosure Procedure if seeking protection under the Protected Disclosures Act 2012. Alternatively, if no protection is sought under the Protected Disclosures Act 2012, reports shall be made directly to the Protected Disclosure Coordinator to enable proper investigation proceedings to occur.
- Promote a work environment and culture that fosters behaviour that is of the highest ethical standards.

REFERENCE DOCUMENTS

Protected Disclosures Act 2012

Competition and Consumer Act 2010

Local Government Act 1989

Australian and New Zealand Risk Management Standard ISO 31000:2009

Australian Standard on Fraud Control and Corruption Control AS 8001:2008

Guidelines for Managing Risk in the Australian and New Zealand Public Sector HB143-19