

FRAUD CONTROL POLICY

Policy Number:	2.4.2
Approved by	Chief Executive Officer
Date Approved/Effective:	17 December 2019
Date of Next Review:	1 October 2020
Related Policies:	Procurement Risk Management Credit Card Fuel Card Mandatory Notification Public Interest Disclosure
Applicable to Unit(s):	Whole Organisation (Staff and Councillors)
Responsible Officer:	General Manager Corporate Services
Statutory Reference:	<i>Public Interest Disclosure Act 2012;</i> <i>Local Government Act 1989;</i> <i>Crimes Act 1958</i> <i>AS 8001-2008 Fraud and Corruption Control</i> <i>Independent Broad-based Anti-Corruption Commission</i>

PURPOSE

To provide a framework for the prevention, detection and reporting of fraudulent activity at Wellington Shire Council.

OVERVIEW

Council has a zero tolerance approach to fraud and corruption and will refer any fraudulent or corrupt activity to the appropriate law enforcement or regulatory body for independent investigation.

Council's fraud policy is established to facilitate the development of controls which will aid in the prevention and detection of fraud and corruption against Wellington Shire Council. It is the intent of Council to promote consistent organisational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

The potential impact of fraud and corruption on Council and the community can be significant. It can disrupt business continuity, reduce the quality and effectiveness of critical services, results in costly litigation, and threaten the financial stability of Council. It can also damage Council's organisational culture, public image and reputation.

THE POLICY

This policy forms an integral part of Council's risk management strategy and will contribute to a culture of awareness which encourages staff and Councillor responsibility and workplace protection against fraud and corruption.

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

Definition of Fraud

Fraud is defined as dishonestly obtaining a benefit by deception or other means and is criminal activity as outlined in the *Crimes Act 1958*.

The risk of fraud may be:

- **internal** (performed by an employee or contractor of an organisation), *or*
- **external** (performed by a customer or an external service provider or third party).

Fraud can relate to theft, false representations, concealment, destruction and unauthorised use of information. In complex fraudulent activity, there may be collaboration between employees, contractors and/or external service providers.

Internal fraud examples include but are not limited to:

- using work resources for commercial purposes;
- using departmental information to gain a personal advantage;
- using personal relationships to gain an advantage in recruitment / procurement processes;
- claiming benefits where the individual or entity is not entitled (this includes misuse of leave and / or work time and unentitled accruing, and use, of flex-time);
- falsely recording work time to gain additional flexi-time or over-payment of wages;
- misuse of organisations credit cards and fuel cards;
- disclosing confidential and proprietary information to outside parties;
- disclosing to other persons confidential activities proposed to be engaged in by parties which require the approval of Council;
- misuse of powers granted under an Instrument of Delegation;
- accepting or seeking anything of material value from contractors, vendors or persons providing goods and services to the Council;
- destruction, removal or inappropriate use of records, computers, furniture, fixtures or equipment of Council;
- unauthorised use of Council's vehicles, plant, computers, telephones and other property or services;
- theft of plant, equipment, stock, cash, intellectual property, or other confidential information;
- forgery or alteration of any document, cheque, bank order or any other financial document;
- misappropriation of funds, securities, supplies or other assets;
- impropriety in the handling or reporting of money or financial transactions; or
- profiteering as a result of insider knowledge of Council activities.

External fraud examples include but are not limited to:

- customers deliberately claiming benefits from government programs that they are knowingly not eligible for;
- customers obtaining false identities or licenses;
- individuals making false declarations or fraudulently completing forms (i.e. court forms, statutory declarations);
- an existing external Council client knowingly providing a false invoice for payment;
- individuals creating a false vendor in order to request payment from Council for goods and / or services that were not provided;
- misuse of grant or community funding; or
- false application for grant or community funding.

Corruption is dishonest activity by an official, employee or contactor which is contrary to the interest of the organisation or its clients. An incident of corruption may include an element of fraud or deception. Accepting benefits which may be perceived to conflict with public duties, or using information obtained from work for personal benefit is corruption. For example, if an official abused their position of trust to gain advantage or avoid disadvantage to the detriment of the organisation and/or its clients, this would be corruption.

Fraud Awareness and Responsibility (refer also to Appendix A)

The responsibility for managing the risk of fraud in the Wellington Shire Council rests with both the Council and Council management. Wellington Shire Council does not tolerate or condone fraudulent conduct. Management is responsible to demonstrate a genuine and strong commitment to fraud control to Council staff and clients.

Council will provide information and training on fraud control and reporting through Council's induction process and will support this with annual refresher training to all Councillors and staff. This will include information on the trend for organised crime groups to cultivate public sector employees. Staff, Councillors, contractors and consultants have a duty to make management aware of any concerns they have about the conduct of Council affairs and/or the use of Council assets and resources.

It is the responsibility of all Managers to ensure there are mechanisms in place within their area of control to assess the risk of fraud and promote staff awareness of ethics and Council's Staff and Councillor Codes of Conduct. To do this, management must create an environment in which staff believe that dishonest acts will be detected and investigated should they occur. Management must:

- participate in training programs covering the range of dishonest and fraudulent activities that can occur, and what indicators might exist;
- ensure that staff understand that the internal controls are designed and intended to prevent and detect fraud;
- encourage staff to report suspected fraud directly to those responsible for investigation without fear of disclosure or retribution; and
- abide by Council Policies and Procedures and avoid any conflicts of interest.

Reporting Suspected Fraud and Corruption

Under the *Public Interest Disclosure Act 2012*, the obligation to report suspected corrupt conduct rests with the relevant principle officer (Chief Executive Officer) and cannot be delegated. The relevant principle officer must notify the Independent Broad-based Anti-Corruption Commission

(IBAC) of all instances of suspected corrupt conduct occurring in their own organisation, and suspected corrupt conduct occurring in other organisations where it is connected with the relevant principal officer's duties, functions and exercise of powers. Refer to Policy 2.4.5 Mandatory Notification (Suspected Corruption) for further details.

As a part of the pre-employment process, Council employees are required to disclose known declarable associations, or associations they reasonably suspect to be declarable. A declarable association means any current association with a group or individual that is incompatible with the role of Council or the ability to uphold the function of council and may give rise to a perception in the mind of a reasonable person that a council employee is not adversely on the reputation of both employee and Council within the eyes of the community. Refer to Policy 2.4.4 Declarable Associations for further details.

Fraud Control Framework and Planning

To minimise the occurrence and impact of fraud, Council has a Fraud Control Plan to prevent, detect and respond to fraud. The key elements of the fraud control plan are:

ELEMENT	METHOD FOR ADDRESSING ELEMENT
Communicating intent	<p align="center">Fraud Control Policy and Codes of Conduct</p> <p>The Fraud Control Policy documents Council's intended action in implementing and monitoring Council's fraud prevention, detection and response initiatives.</p> <p>The Codes of Conduct promotes high standards of ethical behaviour expected of councilors and staff.</p>
Identifying risks	<p align="center">Fraud Risk Assessment</p> <p>Council's Risk Register contains Council's fraud risk assessment at the corporate and operational levels and includes mitigation plans and actions.</p> <p>The Risk Register forms part of Council's overall risk management strategy.</p>
Limiting opportunities	<p align="center">Internal Controls</p> <p>Council has implemented internal controls – systems, processes and procedures – to minimise risks identified as part of the fraud risk assessment i.e. role delegations for approvals and sign offs and spot audits.</p> <p>Monthly reporting of high risk procurement tools such as credit card and fuel card expenditure with a quarterly review by the Manager Corporate Finance and a half yearly presentation to the Corporate Management Team. All anomalies will be presented to the General Manager Corporate Services for further audit and investigation.</p>
Raising awareness	<p align="center">Fraud training</p> <p>Fraud awareness training is an effective method of ensuring all employees are aware of their responsibilities in fraud control and of expectation for ethical behaviour in the workplace.</p> <p>This training conduct on-line for all staff and is undertaken annually</p>

	and may also be supplemented with face to face training.
Monitoring	<p style="text-align: center;">Audit and Risk Committee and Internal Audit</p> <p>Audit & Risk Committee and Internal Audit regularly review Council's internal controls, risk management processes and fraud control strategies.</p>

These elements are also shown diagrammatically below:



Codes of Conduct

Council's Codes of Conduct clearly outline expected behaviours of staff and Councillors and the need for staff and Councillors to be fully aware of their responsibility to foster and develop the highest standards of integrity and promote an ethical workplace culture.

Fraud Prevention

The Chief Executive Officer has ultimate responsibility for the prevention and detection of fraud and is responsible for ensuring that appropriate and effective internal control systems are in place.

The Audit Committee supports the Chief Executive Officer in ensuring appropriate and effective internal control systems are operating.

Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indication of irregularity. Unit risk registers must include details of fraud risks and controls.

To minimise exposure to fraud, management must ensure internal controls are in place to prevent and reduce the opportunity for fraud, including but not limited to:

- adherence to all organisational procedures, especially those concerning documentation and authorisation of transactions;
- segregation of duties (to the extent possible) such that no one staff member is responsible for a transaction from start to finish;
- proactive application of internal checks and audits especially in identified high risk areas, which may include independent review and monitoring of tasks;
- security (both physical and electronic) such as locking doors and restricting access to certain areas;
- approvals within delegated authority;
- budget controls;
- quality assurance;
- declarations of Conflict of Interest as appropriate;
- ensuring that staff take regular annual leave;
- appropriate staff induction and training; and
- thorough pre-employment checks.

ALL staff are responsible for the safeguarding of Council assets against theft or improper use.

Fraud Detection

Managers should ensure that through their own participation in staff training programs and other awareness processes, they are aware of common indicators of fraud and that they respond to those indicators as appropriate.

Awareness of warning signs (red flags) for possible fraud or corruption is a useful method of detection. Often fraud indicators are inter-related and, in some situations, evidence of one indicator may imply a potential risk but may not constitute fraud or corruption. The more inter-related indicators identified, the higher the risk of potential fraud or corruption.

Examples of common fraud indicators, include but are not limited to:

Internal fraud indicators:

- unexplained and/or sudden sources of wealth;
- excessive secrecy in relation to work;
- employees who are aggressive or defensive when challenged, and/or controlling of certain colleagues;
- poorly reconciled cash expenses or customer accounts;
- employees known to be under external financial pressure;
- employees who delay providing information or who provide different answers to different

people;

- employees under apparent stress without identifiable pressure;
- employees making procedural or computer enquiries inconsistent or not related to their normal duties;
- managers who avoid using the Procurement Unit (i.e. excessive use of petty cash or credit cards to purchase items outside the procurement framework);
- employees who appear to make a large number of mistakes, especially those leading to financial loss;
- employees with competing or undeclared external business interests;
- employees (especially managers) with too much hands-on control;
- employees refusing to take leave;
- an unusual number of customer complaints; or
- customers or suppliers insisting on dealing with just one individual.

External fraud indicators:

- client applications for government assistance with inconsistent signatures, mismatched fonts or handwriting on different pages of the same document;
- invoices which look different to previous invoices issued by the same provider;
- lack of supporting evidence, or falsified supporting evidence, that eligibility criteria for grant or community funding has been met;
- expenditure has exceeded approved budgets for grant funding but there is not adequate information to explain the variance;
- a high volume of transactions from one service provider, such as a registered training organisation, used to support a license, community or grant funding application, may indicate collusion between applicants and the provider; or
- attempts to obtain sensitive information such as usernames, passwords and credit card details (i.e. phishing emails, whaling attacks).

An employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that fraud has occurred, shall immediately notify their Manager. If the employee has reason to believe that the employee's Manager may be involved, the employee shall immediately notify their General Manager.

The avenue for reporting suspicious or known incidents of fraud which may lead to a preliminary investigation. In the event of an investigation, employees shall maintain a high degree of confidentiality and not discuss the matter with anyone other than their Manager, General Manager or Council's Protected Disclosures Officer.

Employees who knowingly make false allegations will be subject to discipline up to and including dismissal.

Reporting Suspected 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.

Any irregularity that is detected or suspected must be reported immediately to the General Manager Corporate Services who will co-ordinate all investigations, whether by Council's own staff, the

Internal Auditors or other independent experts.

A staff member who discovers or suspects fraudulent activity will report the matter to their immediate supervisor or Business Unit Manager who will contact the General Manager Corporate Services immediately.

If the staff member suspects that their General Manager may be responsible, then they should contact the Chief Executive Officer.

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is underway.

The staff member or any other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual or legal representative should be directed to the General Manager Corporate Services. No information concerning the status of an investigation should be given out.

The protections set out in the *Public Interest Disclosure Act 2012* will apply. Refer to Policy 2.1.9 Public Interest Disclosures for further details.

The reporting individual should be informed of the following:

- do not contact the suspected individual in an effort to determine facts or demand restitution; and
- do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Coordinator Human Resources.

The General Manager Corporate Services will treat all information received confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct.

Public Interest Disclosures

No employer or person acting on behalf of the Council shall:

- victimise an employee;
- dismiss or threaten to dismiss an employee;
- discipline or suspend or threaten to discipline or suspend an employee;
- impose any penalty upon an employee; and
- intimidate or coerce an employee;

because the employee has acted in accordance with the requirements of the policy.

The violation of this section will result in discipline up to and including dismissal.

The General Manager Corporate Services is the designated Public Interest Disclosures Coordinator at Wellington Shire Council.

Handling Fraud – Investigation Practices and Protocols

The Corporate Services Division has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy.

The appointed investigators will have:

- free and unrestricted access to all Council records and premises; and
- the authority to examine, copy and remove all or any portion of the content of files, desks, cabinets, mobile phones, computers and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation.

If the investigation substantiates that fraudulent activities have occurred, the General Manager Corporate Services, will issue reports to the Chief Executive Officer, the Audit and Risk Committee and through it, to Council.

Staff found to be involved in fraudulent activities will be dismissed from Council's service.

Any investigative activity required will be conducted impartially with due deference to the *Public Interest Disclosure Act 2012*, procedures for Wellington Shire Council and the Information Privacy Policy and Guidelines. It will also be conducted with awareness of the Councillor and Staff Codes of Conduct and Council's staff grievance procedures.

Council has established a Fraud Incident Register to ensure that all incidents are recorded (*refer to Appendix B*). The Fraud Incident Register will be maintained by the General Manager Corporate Services and will include the following information in relation to every reportable fraud incident:

- date and time of report;
- date and time that incident was detected;
- how the incident came to the attention of management (i.e. anonymous report, normal report, supplier report);
- the nature of the incident;
- value of loss to Council, if any;
- the action taken following discovery of the incident.

Post Incident Analysis

Following any investigation, a Fraud Incident Analysis will be conducted to establish any system or process failures and identify future corrective actions. This is detailed using the [Post Incident Analysis Report](#).

HUMAN RIGHTS

Wellington Shire Council is committed to upholding the Human Rights principles as outlined in the *Charter of Human Rights and Responsibilities Act 2006 (Vic)* and referred to in Council's Human Rights Policy. The Human Rights Checklist has been completed and this policy accords with Council's policy commitment to uphold human rights principles.

Related Documents

Type:	Details:
Procedure	Fraud Incident Analysis Procedure
	Public Interest Disclosure Procedure
Strategy	Human Rights Charter
	Staff Code of Conduct
	Councillor Code of Conduct

Appendix A – Fraud and Corruption Roles and Responsibilities

<p>CEO and General Managers</p>	<ul style="list-style-type: none"> • Overall responsibility for prevention and detection of fraud and corruption within Council • Legislated responsibility to exercise authority, on behalf of Council • Manage public resources of the department efficiently, responsibly and in an accountable manner. • Implement policies and priorities responsibly. • Ensure impartiality and integrity in the performance of the department's functions. • Ensure accountability and transparency in the department's operational performance. • Promote continual evaluation and improvement of department's management practices.
<p>All managers, supervisors, coordinators and team leaders</p>	<ul style="list-style-type: none"> • Display ethical leadership and high personal standards of behaviour consistent with the Code of Conduct for the Victorian Public Service. • Visibly promote the department's ethical framework and adherence by all employees. • Effectively manage risk in accordance with the department's fraud risk management framework. • Proactively manage staff conduct by taking prompt and appropriate action. • Develop strong internal controls to assist with fraud and corruption prevention. • Ensure all employees and contractors complete compulsory DJAG training and awareness sessions in addition to job-specific training. • Ensure employee compliance with relevant policies and procedures including identifying and reporting on potential fraudulent and corrupt activities. • Advise the Ethical Standards Unit regarding all reports of suspected fraud or corruption.
<p>All employees (including contractors, volunteers, temporary and casual staff)</p>	<ul style="list-style-type: none"> • Act in an ethical manner in the workplace Understand and comply with all policies and procedures including: <ul style="list-style-type: none"> ○ safeguarding assets, information and other resources under their control ○ identify and report any potential issues ○ ensuring all administration is accurate with no deliberate omissions (i.e. allowance claims, recording accurate hours of work on timesheets) Report all suspicions of fraud and corruption • Register all gifts and benefits offered, and Declare all perceived, potential and actual conflicts of interest including those of family members which may influence their official duties. • Undertake required education and training to responsibly and effectively undertake their duties.

Appendix B – Fraud Reporting Register Template

Wellington Shire Council Fraud Register						
Date and time of report	Business unit / Division	Date and time of suspected fraud	How the incident came to the attention of management (i.e. anonymous report, normal report, supplier report)	Fraud Incident description (who, what, when, where, how)	Value of loss to Council, if any	Action taken following discovery of the incident
	<i>Justice Services / VAQ</i>	<i>31/03/2017</i>	<i>XX claimed for a payment with fraudulent receipts. Payment of \$XXX was made to the applicant</i>	<i>31/03/2017 – Investigation commenced 7/04/2017 – Investigation recommendations presented 14/04/2017 – Brief to DG progressed for approval to refer to QPS</i>	<i>Ongoing</i>	<i>Referred to QPS</i>