

FRAUD CONTROL POLICY

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Approved by:	Council
Date Approved:	December 2023
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Applicable to Unit(s):	Whole Organisation and Councillors
Responsible Officer:	Manager Organisational Performance and Governance
Related Policies:	Procurement Policy Risk Management Policy Corporate Credit Card Policy Mandatory Notification Policy Public Interest Disclosures Policy
Related Documents:	Fraud Incident Analysis Procedure Public Interest Disclosure Procedure Human Rights Charter Employee Code of Conduct Councillor Code of Conduct
Statutory Reference:	<i>Public Interest Disclosures Act 2012</i> <i>Local Government Act 2020</i> <i>Crimes Act 1958</i> <i>AS 8001-2008 Fraud and Corruption Control</i> <i>Independent Broad-based Anti-Corruption Commission Act 2011</i>

PURPOSE

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

OVERVIEW

Council promotes a culture of awareness by providing a comprehensive policy and procedure and assigning responsibility for the development of controls and conduct of investigations. 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 is committed to ensuring robust governance and the ethical conduct of all Councillors and employees by preventing, detecting and investigating all forms of fraud and corruption that may occur. It is also the responsibility of all Councillors, employees and contractors to report all suspected cases of fraud or corruption.

This Policy identifies the minimum requirements and responsibilities for the governance, prevention, detection, reporting and the response to suspected fraud and corruption within Council and:

- ensures that our workforce and Councillors act legally, ethically and in the public interest
- enables Councillors and employees to understand their obligations and implement practices to stop fraud and corruption occurring.

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, result 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 supports Council's Risk Management Framework and seeks to foster an environment where everyone within Wellington Shire Council has a responsibility to protect the workplace from 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 Delegated 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 flexi-time);
- falsely recording work time to gain additional flexi-time or over-payment of wages;
- misuse of organisation credit cards and fuel cards;
- disclosing confidential and proprietary information to outside parties;
- disclosing proposed confidential activities 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);
- a service provider 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.
- cyber fraud, phishing and vishing

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. A Councillor voting in favour of a development in which they have an undisclosed financial interest is an example of 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 Management. Wellington Shire Council does not tolerate or condone fraudulent conduct. Management is responsible for demonstrating a genuine and strong commitment of fraud control to Council staff employees and clients.

Information and training on fraud control and reporting is provided through Council's induction process, along with annual refresher training. Training includes information on the current trends, such as for organised crime groups seeking to cultivate public sector employees. Employees, Councillors and contractors have a duty to report 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 Management to ensure there are mechanisms in place within their area of control to assess the risk of fraud and promote employee awareness of ethics and Council's Employee and Councillor Codes of Conduct. To do this, Management must create an environment in which employees 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 employees understand that the internal controls are designed and intended to prevent and detect fraud;
- encourage employees 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.

Framework and Processes

To minimise the occurrence and impact of fraud, Council has a standardised approach to prevent, detect and respond to fraud. The framework is designed to ensure fraud control is an integral part of decision making and consists of the following key elements:

ELEMENT	METHOD FOR ADDRESSING ELEMENT
Communicating intent	Fraud Control Policy and Codes of Conduct The Fraud Control Policy documents Council's intended action in implementing and monitoring Council's fraud prevention, detection and response initiatives. The Codes of Conduct promote high standards of ethical behaviour expected of Councillors and employees.
Identifying risks	Fraud Risk Assessment Council's Risk Register contains Council's fraud risk assessment at strategic and operational levels and includes mitigation plans and actions. The Risk Register forms part of Council's overall risk management framework.
Limiting opportunities	Internal Controls 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. 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.
Raising awareness	Fraud training Fraud awareness training is an effective method of ensuring all employees are aware of their responsibilities in fraud control and sets the expectation for ethical behaviour in the workplace. This training is conducted online for all employees and is undertaken annually and may also be supplemented with face to face training.
Monitoring	Audit & Risk Committee and Internal Audit Audit & Risk Committee and Internal Audit regularly review Council's internal controls, risk management processes and fraud control strategies.

<p>Reporting</p>	<p style="text-align: center;">Fraud, Corruption Reporting</p> <p>Council is committed to encouraging employees, customers or community to report suspicious activity at the first available opportunity, to an appropriate reporting point within the Council or where necessary to an outside authority.</p> <p>Reports may alternatively be made directly to the Local Government Inspectorate or Independent Broad-based Anti-Corruption Commission (IBAC).</p> <p>Refer to the following websites for further information:</p> <ul style="list-style-type: none"> • IBAC www.ibac.vic.gov.au • Local Government Inspectorate www.lgi.vic.gov.au
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Pre-employment Screening

As a part of the pre-employment process, applicants 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. This may give rise to a perception in the mind of an impartial, fair-minded person that if successful in the recruitment process, the applicant is not upholding or may not uphold their obligation as a Council employee, and may reflect adversely on the reputation of both applicant and Council within the eyes of the community. Refer to Policy 2.4.4 Declarable Associations for further details.

Codes of Conduct

Council's Codes of Conduct clearly outline expected behaviours of employees and Councillors and the need for employees 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 & Risk Committee supports the Council 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. Business 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 employee 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 employees take regular annual leave;
- appropriate Councillor and employee induction and training; and
- thorough pre-employment checks.

ALL employees and Councillors are responsible for the safeguarding of Council assets against theft or improper use.

Fraud Detection

Managers should ensure that through their own participation in employee 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;
- employees who avoid using councils financial management system with excessive purchasing using corporate credit card and petty cash.
- 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).

Reporting Suspected Fraud

Council is committed to encouraging employees, customers or community to report suspicious activity at the first available opportunity, to an appropriate reporting point within the Council or where necessary to an outside authority, such as the Local Government Inspectorate or Independent Broad-based Anti-Corruption Commission (IBAC). 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.

The General Manager Corporate Services is the point of contact for reports of fraud and corruption. They will coordinate all investigations, whether by Council's employees, the Internal Auditors or other independent experts.

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 to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct. Employees who knowingly make false allegations will be subject to discipline up to and including dismissal.

An employee who discovers or suspects fraudulent activity has the following options for reporting:

- Report the matter to their immediate supervisor or Business Unit Manager who will contact the General Manager Corporate Services immediately;
- If the supervisor or Business Unit Manager is suspected to be involved, contact the General Manager responsible for the business unit or the Chief Executive Officer.

Members of the public who discover or suspect fraudulent activity is being undertaken by Wellington Shire Council employees may report this to the General Manager Corporate Services.

If the reporting individual suspects that the General Manager Corporate Services may be responsible, then they should contact the Chief Executive Officer. Where reasonable grounds exist to suspect that the Chief Executive Officer or Councillor is involved in fraudulent or corrupt conduct, the matter should be reported directly to the Local Government Inspectorate or Independent Broad-based Anti-Corruption Commission (IBAC).

Refer to the following websites for further information:

- IBAC www.ibac.vic.gov.au
- Local Government Inspectorate www.lgi.vic.gov.au

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

The reporting individual must remain anonymous unless they have provided written consent for their identification to be disclosed, or their identity is disclosable in accordance with the applicable legislation. 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 2.4.3 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 General Manager Corporate Services or Coordinator Human Resources.

Public Interest Disclosures

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

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.

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 & Risk Committee and through it, to Council.

Employees 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 Employee Codes of Conduct and Council's employee 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.

External Reporting

The Chief Executive Officer has a mandatory reporting obligation under s 57 of the *Independent Broad based Anti-Corruption Commission Act 2011* and must notify IBAC as soon as practicable, of any matter they suspect on reasonable grounds that involves corrupt conduct occurring or having occurred. Refer to Policy 2.4.5 Mandatory Notification for further details.

In accordance with the *Public Interest Disclosures Act 2012*, the designated Public Interest Disclosures Coordinator at Council must notify public interest disclosures to IBAC, the Victorian Inspectorate or the Integrity and Oversight Committee for further assessment.

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.

Appendix A – Fraud and Corruption Roles and Responsibilities

Councillors	<ul style="list-style-type: none"> • Ensuring an appropriate Fraud and Corruption Control Policy is adopted. • Maintaining compliance with the Conflict of Interest obligations pursuant to the <i>Local Government Act 2020</i>. • Facilitating accountability at all levels within the Council for fraud and corruption control by ensuring appropriate resources are provided to ensure suitable fraud and corruption information and reporting systems are maintained. • Maintaining awareness of this policy and its applicability to elected Councillors.
CEO and General Managers	<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.
Management - All managers, supervisors, coordinators and team leaders	<ul style="list-style-type: none"> • Display ethical leadership and high personal standards of behaviour consistent with the Employee and Councillor Codes of Conduct. • Visibly promote Council's ethical framework and adherence by all employees. • Effectively manage risk in accordance with the department's fraud risk management framework. • Proactively manage employee 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 Learning and Development System training and awareness modules 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 appropriate Manager or General Manager, or, where applicable, the Public Interest Disclosure Coordinator, regarding all reports of suspected fraud or corruption.

All employees (including contractors, volunteers, temporary and casual employees)	<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, benefits and hospitality offered, and declare all perceived, potential and actual conflicts of interest including those of family members which may influence their public duties. • Undertake required education and training to responsibly and effectively undertake their duties.
Audit & Risk Management Committee	<ul style="list-style-type: none"> • Monitor the implementation of risk management (including fraud and corruption matters) and independently recommend actions to improve management frameworks. • Review project or investigation reports on any incidents of fraud/corrupt conduct or suspected fraud/corrupt conduct. • Monitor the internal audit function to ensure audits include key fraud and corruption risks and that audits are risk-based.
Internal Audit Contractor	<ul style="list-style-type: none"> • Undertake scheduled audits, which include examining established controls to decide if they are robust enough to reduce the risks of fraud and corruption, including the identification of work practices that may lead to fraudulent and corrupt activities. • Report in writing any suspected activities of fraudulent or corrupt practices identified during an internal audit function to the CEO or General Manager Corporate Services.
Corporate Governance	<ul style="list-style-type: none"> • Undertake and advise on business and policy improvements. • Manage compliance, performance and risk in accordance with appropriate governance framework. • Report regularly on performance and compliance including complaints and fraud issues. • Manage the Gifts and Benefits register.
Information Technology Services	<ul style="list-style-type: none"> • Manage all information technology risks and ensure all IT users are acting ethically when using department software and assets. • Advise managers, employees and contractors of human resources and industrial relations matters. • Process recruitment activities in line with a recruitment and selection framework. • Manage the security of Council's information through the use of technology.
Human Resources	<ul style="list-style-type: none"> • Ensure Pre-employment screening activities are being undertaken in conjunction with the hiring manager.

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

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.

REVISION HISTORY

VERSION	DATE	MAJOR / MINOR UPDATE	SUMMARY OF CHANGES
1.0	December 2022	Minor update	Minor formatting and grammar updates made
1.1	December 2023	Minor update	Formatting and grammar updates Removal of duplicated sentences Updated examples for clarity Date of Next Review updated to: December 2024 Approved by: updated from CEO to Council