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Strathbogie  
Shire Council  
Fraud and  
Corruption Policy  
and Control System  
Procedures

September 2023



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# Fraud and Corruption Policy and Control System Procedures

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## **PART 1 POLICY**

### **1. PURPOSE**

The purpose of the Fraud and Corruption Policy (the Fraud Policy) is to clearly articulate Council's commitment to a comprehensive and systematic approach to preventing, detecting and responding to fraud or corruption.

Fraud and corruption are criminal offences and are not tolerated at Council. An essential part of this commitment is the maintenance and monitoring of this policy that sets out the Council's position on suspected, alleged or detected fraud and corruption and on any attempt to gain financial or other benefits by deceit or dishonest conduct.

The Fraud Policy leads and complements Council's Fraud and Corruption Control System which outlines the Council's activities, structures and reporting requirements to prevent, detect and respond to fraud and corruption, and was prepared in the context of AS 8001:2021.

### **2. POLICY STATEMENT**

Council has a zero tolerance towards any type of fraud and corruption. Instances of fraud or corruption significantly impact the Council by causing financial loss, reputational damage, and eroding the Council's ability to deliver its strategic vision. The Council requires all Councillors, employees, volunteers, agents and contractors to act honestly, with integrity and to safeguard the public resources for which the Council is responsible.

Council is committed to implementing and maintaining an effective Fraud and Corruption Control Policy (Fraud Policy) to set out the approach, structures and processes to prevent, detect and respond to fraud and corruption, and to ensure compliance with all legislative requirements.

Council is committed to ensuring employees feel confident to speak up about suspected fraud and corruption and maintains a Protected Interest Disclosure Coordinator to assist employees. The Council does not tolerate detrimental action being taken in reprisal against employees who speak up about their concerns.

The Fraud Policy is framed in accordance with the *Financial Management Act 1994* Standing Directions Incorporating revisions to 13 December 2019, Section 3.5.1 Fraud, Corruption and Other Losses policy that requires the Responsible Body to:

- (a) take all reasonable steps to minimise and manage the risk of Fraud, Corruption and Other Losses; and
- (b) establish a Fraud, Corruption and Other Losses prevention and management policy that is implemented across the Agency.

The Fraud Policy has also considered *Integrity and Accountability Legislation Amendment (Public Interest Disclosures, Oversight and Independence) Act 2019* and Independent Broad-Based Anti-Corruption Commission (IBAC) guidelines.

### **3. APPLICATION OF THIS POLICY**

The Fraud and Corruption Policy applies to all Councillors, employees, council appointed Committee members, contractors, volunteers and any agents and contractors either engaged by Council or by an authorised contractor of Council undertaking activity for or on behalf of the Council. Councillors are also obliged to maintain standards as mandated by the *Local Government Act 2020*, Part 6 Division 5, Councillor Conduct.

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

The Fraud Policy does not cover general misconduct involving either a Councillor or employee. These matters are dealt with in accordance with relevant legislation and Council's Codes of Conduct and associated disciplinary policies and procedures.

#### 4. ACCOUNTABILITY AND RESPONSIBILITIES

Role	Responsibilities
Council	<ul style="list-style-type: none"> <li>• Approves the Fraud and Corruption Control Policy</li> <li>• Fosters and maintains the highest standards of ethical behaviour</li> <li>• Councillors must be conversant and comply with this Policy, including immediately reporting any suspected fraud or corruption to the Director People and Governance. Councillors must also be aware of, and adhere to, the provisions of the <i>Local Government Act 2020</i>.</li> </ul>
CEO	<ul style="list-style-type: none"> <li>• Establishes and maintains a culture of risk awareness and management</li> <li>• Implements the requirements of the <i>Financial Management Act</i> and the Standing Directions</li> <li>• Notifies IBAC of corrupt conduct in accordance with the mandatory notification provisions of the <i>Independent Broad-based Anticorruption Commission Act 2011</i></li> <li>• Oversees the Council's prevention, detection and investigation activities with respect to fraud and corruption</li> <li>• Provides input to Council in relation to approval of:                             <ul style="list-style-type: none"> <li>• actions required to mitigate significant organisational risks</li> <li>• all matters identified as high or critical risks in Group risk registers.</li> </ul> </li> <li>• Responsible for ensuring council appoints an Audit and Risk Committee under section 53 of the <i>Local Government Act 2020</i></li> </ul>
Audit and Risk Committee	<ul style="list-style-type: none"> <li>• Members of the Audit &amp; Risk Committee must understand their obligations of appointment under section 54 of the <i>Local Government Act 2020</i></li> <li>• The Audit &amp; Risk Committee is designed to undertake independent reviews of various auditing activities undertaken by Council, including oversight of the Independent Audit program</li> <li>• The Audit &amp; Risk Committee is a key risk management control tool in relation to the mitigation of fraud and corruption.</li> </ul>
Director People and Governance	<ul style="list-style-type: none"> <li>• Responsible for review and maintenance of the policy</li> <li>• Ensures the Risk Officer is discharging their duties in relation to fraud and corruption control, including the completion of annual risk assessments for high risk areas</li> </ul>

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	<ul style="list-style-type: none"> <li>• Ensures the Risk Officer implements this policy and its procedures on a day to day basis.</li> </ul>
Executive Leadership Team (ELT)	<ul style="list-style-type: none"> <li>• Provides assurance that the Council has a robust framework for managing integrity risks and lifting integrity performance. The ELT does this by overseeing the development and delivery of integrity reforms which strengthen the organisation's three lines of defence for risk management</li> <li>• Provides leadership and oversight to the development and review of the Fraud and Corruption Control Policy</li> <li>• Approves the Fraud and Corruption Control System</li> </ul>
Public Interest Disclosure Coordinator	<ul style="list-style-type: none"> <li>• Provides advice and guidance to areas of the Council and statutory authorities where required</li> <li>• Oversees statutory reporting of fraud, corruption and other losses in accordance with the <i>Public Interest Disclosures Act 2012</i>, <i>Independent Broad-based Anti-corruption Commission Act 2011</i> and the Standing Directions</li> <li>• Receives, assesses and refers potential public interest disclosures Collects and Oversees the provision of information in relation to fraud or corruption matters to IBAC and the Ombudsman</li> </ul>
Directors and Executive Manager	<ul style="list-style-type: none"> <li>• Oversee the implementation of the Fraud and Corruption Control Policy in their business area(s)</li> <li>• Establish and maintain a culture of integrity</li> <li>• Ensure fraud, corruption and other loss risks within their business area are identified and managed</li> <li>• Ensure appropriate second-line monitoring of policy compliance is undertaken</li> <li>• Ensure policies are kept up to date, are accessible, and changes to policies are communicated to staff appropriately</li> </ul>
Managers and Coordinators	<ul style="list-style-type: none"> <li>• Ensure staff know about and comply with departmental policies, procedures and guidelines, including the Fraud Policy</li> <li>• Ensure internal controls are established and are operating effectively to mitigate fraud and corruption risks</li> <li>• Maintain systems, procedures and an enabling culture that supports employees to confidentially report concerns</li> <li>• Receive and act on reports of fraud or corruption by notifying the Public Interest Disclosure Coordinator and otherwise maintain confidentiality regarding the report</li> <li>• Facilitate and support regular workplace conversations in relation to the Council's integrity at work</li> <li>• Notify The Director People and Governance of any suspected incidence of fraud, corruption or other losses as soon as practicable</li> <li>• Fraud and Corruption Control to be standing items on agendas of Executive Leadership Team and ELT Management Group Team meeting</li> </ul>

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<p>Manager People and Culture</p>	<p>is responsible for providing advice on matters that require investigation pursuant to the Council's Disciplinary Procedure. These responsibilities include:</p> <ul style="list-style-type: none"> <li>• providing advice on the application of the Disciplinary CEO Directive</li> <li>• incorporating fraud and corruption prevention education into the Council's staff training and development program</li> <li>• ensuring that fraud and corruption prevention responsibilities are specified in the position descriptions of all senior staff, managers, team leaders and officers in high risk roles (eg where responsibilities relate to money handling or financial transactions)</li> </ul>
<p>Risk Officer</p>	<p>is responsible for assisting the Director People and Governance in the implementation of this Policy. In particular, the Officer will:</p> <ul style="list-style-type: none"> <li>• assist the Director People and Governance with benchmarking the policies that comprise the Council's Fraud and Corruption Control Framework with other like organisations to ensure we adopt best practice</li> <li>• assist the Director People and Governance with the development and assessment of fraud and corruption awareness training</li> <li>• develop and make available risk assessment tools on fraud and corruption</li> <li>• act as the conduit between the organisation, the insurers and the investigators where a fraud is suspected to have occurred</li> <li>• develop and implement a process to store, record and preserve any evidence discovered during an investigation</li> <li>• collate the outputs of fraud and corruption risk assessment exercises for review by the Director People and Governance</li> <li>• ensure that all high risk activities are subject to an annual risk analysis</li> <li>• assist Managers and members of the Executive Leadership Team in the conduct of regular internal assessments of high-risk functions and oversee the completion of a fraud and corruption risk assessment for all other teams every two years</li> <li>• record and audit the implementation of action plans developed by individual departments to mitigate fraud and corruption as identified through detailed risk assessments</li> <li>• retain copies of completed departmental risk assessments for audit purposes</li> <li>• assist the Director People and Governance , in reviewing this Policy every two years or in the case of major change to Council's business and/or operations or legislation.</li> </ul>
<p>Procurement and Tender Officer</p>	<p>Is responsible for:</p> <ul style="list-style-type: none"> <li>• ensuring that all tender and contract documentation contains reference to, and requirements to read and abide by, this policy and its procedures</li> </ul>

	<ul style="list-style-type: none"> <li>• where advised by the Risk Officer, complete a risk management analyses for fraud and corruption prior to seeking quotes or tender submissions</li> <li>• ensuring that procurement, quotation and tender processes meet the highest standard of integrity and incorporate fraud and corruption risk mitigation measures</li> <li>• ensuring that the Contractors' employees have access to and are made aware of their responsibilities and acceptable behaviours under this policy</li> <li>• proactively supervising Contractors to ensure fraud and risk corruption mitigation systems are implemented during the life of the contract.</li> </ul>
Internal and External Auditors	Council's appointed Internal Auditors are responsible for the testing and identification of weaknesses in Council's systems and processes. Internal Audit activity is a key part of the overall control environment to identify the indicators of and the potential for fraud and corruption.
Employees and others	<ul style="list-style-type: none"> <li>• Uphold the Code of Conduct by demonstrating the Council's values at all times in the workplace</li> <li>• Understand and comply with all Council policies, procedures and guidelines</li> <li>• Identify, manage and mitigate fraud, corruption and other losses risks Report suspicions of fraud, corruption and other losses to an appropriate manager, the Public Interest Disclosure Coordinator, the Council, or IBAC</li> <li>• Support and apply fraud and corruption prevention initiatives</li> <li>• Undertake all mandatory induction and training</li> <li>• Maintain the security of the Council's assets, including physical assets, data and intellectual property</li> </ul>

## 5. INTEGRITY FRAMEWORK

### 5.1 Management and the Fraud and Corruption Control System

The Council's integrity framework recognises that its strength comes from our leaders consistently demonstrating the Council's values and fostering an ethical culture. The Council's risk management framework's 'the three lines of defence model' sets out a framework for controlling behaviours, internally prescribing and monitoring behaviour and externally monitoring behaviours to prevent, detect and respond to fraud and corruption, including allocation of ownership, accountabilities, resources and governance responsibilities. The Fraud Control System outlines in more detail the three lines of defence:

1. The first line of defence is employees managing risk in their area of responsibility as part of their everyday work.
2. The second line supports the Council in its compliance obligations and mitigate risks through policies, advice and systems, and by monitoring the adequacy and effectiveness of controls.
3. The third line provides independent assurance that the risk management and internal control framework is working as designed.



External oversight bodies, including the Independent Broad-based Anti-corruption Commission (IBAC), the Victorian Ombudsman (Ombudsman), the Victorian Auditor-General's Office (VAGO) and the Victorian Local Government Inspectorate hold the Council to account for its performance and investigate allegations of fraud or corruption where appropriate. These oversight bodies also provide insights for continuous improvement of controls and strategies to prevent fraud and corruption.

## 6. REPORTING OBLIGATIONS

### Public Interest Disclosure

Under the *Public Interest Disclosures Act 2012*, the Council has established procedures to facilitate making and handling disclosures. Under those procedures, the Council Public Interest Disclosure Coordinator (PDC) must assess reports of suspected fraud and corruption to determine whether they may be public interest disclosures. Matters that the PDC considers may be public interest disclosures must be referred to IBAC.

The Public Interest Disclosures system provides whistleblowers with protections from reprisals and requires strict confidentiality of these reports be maintained.

### Mandatory Notifications

Under the *Independent Broad-based Anti-corruption Commission Act 2011*, the relevant principal officer must notify IBAC of any matter which they suspect on reasonable grounds involves corrupt conduct occurring or having occurred, irrespective of whether the incident is considered serious or systemic.

The CEO is the relevant principal officer of the Council. The CEO's obligation to notify IBAC of suspected corrupt conduct is pursuant to section 57(1) of the IBAC Act.

### Criminal Offences

Internal and external fraud, theft or other criminal offences that are perpetrated against the Council that result in financial loss must be reported to Victoria Police. In relation to external fraud, the Director of the business area that sustained the loss is responsible for ensuring the matter is reported to Victoria Police. The Director People and Governance can provide support to business areas if required.

In relation to fraud and corruption perpetrated by a Councillor, employee, council appointed committee member, volunteer, contractor and agent, the CEO in consultation with the Director People and Governance is responsible for notifying the Victoria Police.

### Recording Reports Of Fraud And Corruption

Other than for matters reported to the PDC, all reports of suspected fraud or corruption by employees will be copied to The Director People and Governance to be recorded in the Fraud and Corruption Control Case Register for the purpose of monitoring and reporting. This information will be kept securely and limited to staff within the Governance and Records Management area.

### Consequences and Recovery

**Investigation:** The Council treats all complaints about, and instances of, fraud and corruption seriously. Other than matters referred through the PDC, The Director People and Governance and the Manager People and Culture will assess all allegations of fraud or corruption that are referred to The Director People and Governance and make a determination as to the investigation required.

In some circumstances this may lead to an internal investigation by a senior executive, or by an appointed external specialist. The Council may be prevented from taking action as a result



of matters being subject to assessment or investigation by IBAC, VAGO, the Ombudsman or Victoria Police.

Where an internal investigation has concluded with adverse findings, those findings will be referred to the PDC, Director People and Governance and the Director or Manager of the employee to whom the allegations relate and may lead to the commencement of disciplinary action in accordance with the Council's Code of Conduct.

**Recovery:** The Council will take action to recover losses caused by fraud or corruption (where avenues for recovery exist), where there is clear evidence of who is responsible for the loss and taking into account whether the likely benefit of such action will exceed the resources required for that action.

**Register:** A register will be maintained to ensure any Councillor, employee, council appointed committee member, volunteer, agent or contractor who is found guilty of undertaking in improper conduct in relation to fraud and corruption cannot be reengaged or employed by Council.

## 7. COMMUNICATION

This policy will be available on Council's website along with the guidelines for making and handling Public Interest Disclosures. Council maintains internal controls to provide for the security and accountability of Council's resources and to prevent or reduce the opportunity for fraud. Council's fraud awareness program will include the following:

- A fraud awareness training program for all new employees as part of their mandatory compliance and refresher training every two years, or as deemed necessary.
- Provide updates to staff on reviewed fraud systems and policies through learning seat.
- Communicate Council's Protected Disclosure Policy to all staff through learning seat.
- Brief the Audit and Risk Committee each quarter on any suspected or alleged fraud.
- Monitor fraud control actions quarterly through the Executive Leadership Team.
- Review and assessment of Council's fraud risk annually.

## 8. DEFINITIONS

A full and detailed list of definitions is set out below. The Council has adopted the following definitions of fraud and corruption as set out in Australian Standard: Fraud and Corruption Control AS 8001:2021

**Fraud** is defined as *dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by persons internal or external to the organisation 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.*

**Corruption** is defined as *dishonest activity in which a person associated with an organisation (e.g. director, councillor, executive manager, manager, or employee or contractor) acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation. This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of and in the interests of the organisation in order to secure some form of improper advantage for the organisation either directly or indirectly*

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<b>Term</b>	<b>Meaning</b>
Bribe	means the act of paying a secret commission to another individual and the payment itself
Control	means a process, policy, device, practice or other such action that minimises negative risks or enhances positive outcomes.
Council	means Strathbogie Shire Council
Councillors	means the individuals holding the office of a member of Strathbogie Shire Council
Council Employee	means all Council staff, contractors and Council registered volunteers.
Corruption	means dishonest activity of a staff member, manager, member of the Executive Leadership Team, Councillor, contractor, council registered volunteer or appointed member of a council committee that acts contract to the interests of Strathbogie Shire Council and its community and abused a position of trust in order to achieve some personal gain or advantage for themselves or another person or entity.
Corrupt Conduct	includes asking for, or receiving a benefit of any kind, the acceptance of a bribe, in any form, which is punishable under law by the Victorian common law offence of 'Bribery of a Public Official' and offences under the <i>Local Government Act 2020</i> (Vic). Section 4 (1) of the <i>Independent Broad-Based Anti-corruption Commission Act 2011</i> defines corrupt conduct as any conduct: a) of any person that adversely affects the honest performance by a public officer or public body of his or her or its functions as a public officer or public body; or b) of a public officer or public body that constitutes or involves the dishonest performance of his or her or its functions as a public officer or public body; or c) of a public officer or public body that constitutes or involves knowingly or recklessly breaching public trust; or d) of a public officer or a public body that involves the misuse of information or material acquired in the course of the performance of his or her or its functions as a public officer or public body, whether or not for the benefit of the public officer or public body or any other person
Councillor Code of Conduct	means the Strathbogie Shire Councillor Code of Conduct and any future versions of this document.
Employee Code of Conduct	means the Strathbogie Shire Staff Code of Conduct, CEO Directive and any future versions of this document.
Effective Control	means a control that is considered to prevent or detect fraud or corruption.
Evidence	means oral testimony either given in legal proceedings or which a witness indicates that they are prepared to give under oath or affirmation in legal proceedings, along

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	with documents of any description that can be legally admitted as evidence in a Court of Law.
Fraud	For the purpose of this policy: fraud means an “dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by persons internal or external to the organisation 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 theft of property belonging to Council where deception is not used is also considered ‘fraud’ for the purposes of this policy. (Australian Standards AS8001-2021: Fraud and Corruption Control). Fraud, is not restricted to tangible benefits only and includes intangibles such as information. A fraudulent act can also be committed by an act of omission, dishonesty or deceitful and misleading behaviour
Improper Conduct	<p><i>The Public Interest Disclosures Act 2012</i> captures fraudulent and corrupt behaviour and specifically the following conduct by a public officer or public body in their capacity as a public officer or public body:</p> <ul style="list-style-type: none"> <li>• Corrupt conduct and/or</li> <li>• Any of the following conduct by a public officer or public body in their capacity as a public officer or public body: <ul style="list-style-type: none"> <li>• A criminal offence</li> <li>• Serious professional misconduct* - Dishonest performance of public functions</li> <li>• An intentional breach or reckless breach of public trust</li> <li>• An intentional or reckless misuse of public trust</li> <li>• An intentional or reckless misuse of information or material acquired in the course of the performance of public functions</li> <li>• A substantial mismanagement of public resources</li> <li>• A substantial risk to the health or safety of one or more persons</li> <li>• A substantial risk to the environment.</li> </ul> </li> </ul> <p>* The Act does not define serious professional misconduct.</p>
IBAC	means the Independent Broad-based Anti-corruption Commission
Integrity Framework	Council brings together in an integrity framework the policies, processes, structures and conditions necessary to foster integrity and prevent corruption. Our Integrity framework includes elements of risk management, governance, leadership commitment, deterrent and

	prevention measures, detection measures, and staff education and training.
Investigation	means a search for evidence connecting or tending to connect a person (either a natural person or a body corporate) with conduct that infringes the criminal law or the policies and standards set by the Council
Public Interest Disclosures Coordinator (PDC)	As of the current date of this Policy the PDC is the Director People and Governance, unless the disclosure relates to the incumbent PDC then the disclosure shall be made to the Chief Executive Officer.
the Act	means the <i>Local Government Act 2020</i> and any future versions of this document.
Ombudsman	means the Victorian Ombudsman
VAGO	means Victorian Auditor-General's Office

## 9. RELATED POLICIES AND LEGISLATION

The Fraud and Corruption Control Policy has been developed in accordance with the following legislative requirements:

### Legislation

- *Financial Management Act 1994* (Financial Management Act)
- Financial Management Regulations 2004
- Standing Directions 2018 under the Financial Management Act (Standing Directions)
- *Local Government Act 2020*
- *Public Administration Act 2004* and the Code of Conduct for Public Sector Employees (Code of Conduct)
- *Independent Broad-based Anti-corruption Commission Act 2011*
- *Public Interest Disclosures Act 2012*
- *Audit Act 1994.*
- *Crimes Act 1958 (Vic)*
- *Ombudsman Act 1973*

### Related Council Documents

- Council's suite of instruments of delegation and authorisation, particularly the financial delegations instrument
- Councillor Code of Conduct
- Councillor Expenses Policy
- Privacy and Data Protection Policy
- Procurement Policy and Procurement Procedures
- Public Interest Disclosure Policy
- Purchasing Card Policy
- Risk Management Policy and Risk Management Framework
- Staff Code of Conduct CEO Directive

**10. POLICY REVIEW**

Council may review this policy at any time and at least two years from the date of adoption.

Minor amendments to the policy may be authorised by the CEO at any time where such changes do not alter the substance of the policy (eg a change to the name of a related document, or a change in legislation).

## PART 2

### 11. PROCEDURES

#### 11.1 Fraud and Corruption Control Documents

*The Local Government Act 2020* requires Council to maintain adequate internal control systems, and to establish codes of conduct and an Audit and Risk Committee. The *Public Interest Disclosures Act 2012* requires Council to establish written procedures for handling of any public interest disclosures. Offences of fraud may be prosecuted under a number of different Victorian laws. The offences are covered under the *Crimes Act 1958 (Vic)*. This System was prepared with reference to:

- Cash Handling and Receipting CEO Directive
- Contract Management and Control Policy
- Councillor Code of Conduct
- Councillor Expenses Policy
- Disciplinary CEO Directive
- Disposal or Sale of Council Assets Policy
- Election (Caretaker) Period Policy
- Gifts, Benefits and Hospitality Policy
- Information Security Policy
- Procurement Policy
- Privacy and Data Protection Policy
- Public Interest Disclosure Policy
- Purchasing Card Policy
- Records Management CEO Directive
- Recruitment, Selection and Appointment CEO Directive
- Risk Management Policy and Risk Management Framework
- Security Check CEO Directive
- Staff Code of Conduct CEO Directive
- Council's suite of instruments of delegation, particularly the financial delegations instrument

The Council has a program of continual improvement, and all of the documents that comprise the Fraud and Corruption Control Framework will be regularly reviewed, as specified in the policy or procedure itself, and benchmarked against industry and other Local Government organisations to ensure we adopt best practice wherever possible.

All Council employees, contract employees, and Councillors will, on commencement of employment, engagement or election, be provided with directions on how to find the policies that comprise the Council's Fraud and Corruption Control Framework and be required to review these policies through Council's Learning Seat Training module.

Induction programs for new Councillors, Council's employees and contractors will include information around fraud and corruption policies and definitions within the local government context.

## 11.2 Risk Assessments

Fraud and corruption risk assessments are to be undertaken by all business areas of the Council every two years and on an annual basis for identified high risk teams or functions.

The Risk Officer will assist departments to perform these risk assessments as required. All risk assessments are to be undertaken in line with the Council's Risk Management Policy and AS/NZ ISO 31000-2009 Risk Management – Principles and Guidelines.

The results of the fraud and corruption risk assessments undertaken are to be submitted to the Director People and Governance by the Risk Officer.

Areas of weakness identified as part of the risk assessment process are to be mitigated with the implementation of appropriate controls and will be reflected in the Strategic Risk Register.

The outcomes of the fraud and corruption risk assessments will also be provided to Internal Audit for consideration in the Strategic Audit Plan and will be forwarded to the Audit Committee for review.

## 11.3 Mitigating the Risk of Corruption

In addition to the Policies that comprise the Fraud and Corruption Control Framework and the completion of regular risk assessments, our organisation uses the following fraud and corruption prevention mechanisms:

- creating a culture where the reporting of suspected fraud and corruption is encouraged and systems to receive reports are simple but robust
- personnel in 'at risk' positions are proactively managed to ensure that improper relationships are less likely to develop
- high risk providers are subjected to random internal audits at the discretion of the Chief Executive Officer, Council and the Audit Committee
- separation of tasks in relation to financial, procurement and tendering functions
- maintenance of detailed records such as asset registers
- discussion of ethical behaviours in annual performance reviews
- completion of regular fraud and corruption risk assessments
- monitoring of various discrete behaviours which may indicate impropriety
- internal audit reviews
- discrete preliminary investigation into any incidents of concern.

## 11.4 Conflict of Interest

Conflict of Interest - can be actual, potential or perceived:

- An actual conflict of interest occurs when a public officer's duties actually do conflict with their private interests.
- A potential conflict arises when a public officer's duties could conflict with their private interests. A public officer can anticipate potential conflicts by thinking about how their private interests and associations might influence their public duties.
- A perceived conflict stem from the reasonable view of the public or a third party that a public officer's private interests could improperly influence their decisions or actions,



or the actions or decisions of their organisation. The perception is that a public officer may not be objective in their dealings as a result of the conflict.

Conflict of Interest is addressed specifically in the Councillor Code of Conduct and the Staff Code of Conduct CEO Directive. Gifts and hospitality are also addressed specifically in these documents and the Gifts, Benefits and Hospitality Policy and Procedure.

### **11.5 Internal Audit Activity**

Internal audit supports fraud prevention by ensuring employees conform to internal controls, and by deterring potential perpetrators with the increased prospect of being caught. It has a key role in detection of fraud and provides necessary inputs into the Council's responses to fraud.

The Director People and Governance and under the oversight of the Audit and Risk Committee, will ensure that internal audit schedules or plans adequately address Council's fraud risk exposures and adequately test Council's fraud risk controls. If deemed necessary the Council may utilise the role of the internal auditor in the investigation and reporting of any suspected fraud or corrupt activity.

### **11.6 External Audit**

External audit can detect material misstatements in Council's financial statements due to fraud or error. The Council's external auditors meet with the Audit and Risk Committee:

- Prior to conducting audits, where they present the audit methodology
- After conducting the audit, where they present a closing report. The Director People and Governance will ensure that the external auditors are briefed about the Council's expectations on external audit to detect fraud, and appropriately supported by Council staff to enable this.

### **11.7 Monitoring**

The Audit and Risk Committee provides a key role in monitoring the Council's fraud control processes. Any incident of fraud will be reported to the Committee as part of the regular risk review report at the quarterly meeting of the Audit and Risk Committee.

The Audit and Risk Committee reviews whole of organisation risk and determines the Annual Internal Audit Plan delivered by the Internal Auditor. Included in this review is a scan of the relevant external environment.

Internal review of controls (systems, processes and procedures) will be undertaken by Council staff as identified in the fraud risk assessment, and/or may be selected by the Audit and Risk Committee for internal audit as part of the Annual Internal Audit Plan.

Where a suspected fraud or corrupt behaviour is reported or detected and it is assessed by the CEO as likely to have an impact on Council's reputation or operations, the CEO will inform the Chair of the Audit and Risk Committee as soon as practicable within five (5) working days of the incident subject to the limitations on disclosure that may be imposed by external integrity bodies.

### **11.8 Training**

Councillors and Employees will be informed of Council's Policy, the consequences arising from fraud and corruption, and who to speak to if they suspect fraud and/or corrupt conduct is occurring.

Training and support on the conduct of risk assessments will also be provided by the Risk Officer and conducted at regular intervals.

Fraud and corruption awareness training will be provided to all employees through our online Learning Seat module on an annual basis.

Additional training will be part of a broader good governance training program for Council Employees and Councillors relating to management of conflicts of interests, ethical behaviour, codes of conduct and other key policies that mitigate fraud and corruption.

Fraud and corruption awareness and discussions about Council's Fraud and Corruption Framework will also form part of the induction process for newly elected councillors.

### **11.9 Employment Screening**

Screening of new employees is an effective fraud and corruption prevention mechanism. The Recruitment, Selection and Appointment CEO Directive outlines provisions for the screening of prospective employees, including Police checks and psychometric testing as well as detailed reference checks to confirm the veracity of the applicant's integrity, identity and credentials.

The following screening shall be undertaken with the express consent of the individual concerned for all prospective employees:

- Verification of identity requiring at least two forms of identity (passport, birth certificate, drivers' licence, rate certificate, at least one must include photo identification)
- Police criminal history check
- Working with children check – relevant identified positions
- Reference checks with two most recent employers
- Consideration of any gaps on employment history and the reasons for the gaps
- Verification of formal qualifications claimed.

### **11.10 Customer and Supplier Vetting**

The Council will continue to undertake supplier vetting for new and ongoing suppliers in accordance with the Procurement Policy and practices.

Financial and/or Performance assessments will be undertaken where the contract poses a key financial risk to Council or where it is a new supplier that has never been used by Council before and the risk of poor performance or financial collapse is likely to adversely affect Council.

Financial and Performance assessment checks may also be undertaken where Council wishes to understand the financial and previous contract performance of the supplier or if no security is in place. For effective prevention, active management and ownership is required by the Managers responsible for the above strategies within Council. Executive oversight through sound governance arrangements will ensure that each strategy does not operate in isolation, and that interdependency is effectively identified and managed appropriately.

### **11.12 Preventing Technology Based Fraud**

Information security is a duty of all Council employees. Given the size and resources of Council a dedicated Information Security Management System Officer (as per AS 8001:2021) has not been appointed. The responsibility for Information Security is shared within the Digital Innovation and Technology Department.

Council protects its data and systems on its managed network through firewalls. The firewalls are intrusion tested regularly. The data on portable items (laptops) is protected by passwords, as is the data on personal computers. IT equipment is included on the asset register and physical security of IT equipment is achieved through building security.

All staff are trained in cyber security awareness through an on-line training module.

## **12. DETECTION AND REPORTING**

Any matter relating to suspected fraudulent or corrupt behaviour can be reported as a public interest disclosure. This provides legal protections for the complainant against any repercussions of reporting the alleged behaviour and so is an option worthwhile considering by anyone thinking of supporting such conduct.

Council’s Public Interest Disclosures Policy provides clear guidance around making and processing allegations and also includes a form complainants can use to report suspected fraudulent or corrupt behaviour.

This section outlines the procedures for the reporting of suspected fraudulent and/or corrupt behaviour, which is summarised in the table below.

<b>PERSON SUSPECTED OF FRAUDULENT OR CORRUPT BEHAVIOUR</b>	<b>FIRST REPORT</b>	<b>SECOND REPORT</b>
Employee	Manager or Group Manager	Council’s Public Interest Disclosures Officer
Contract Manager	Manager or General Manager	Director People and Governance
Manager	Group Manager	Director People and Governance or Manager People and Culture
Contractor	Manager of the department overseeing the contract	Director People and Governance
Group Manager	Director People and Governance	Chief Executive Officer
Directors	Chief Executive Officer	Manager People and Culture
Chief Executive Officer	Director People and Governance	Public Interest Disclosures Officer
Councillors	Chief Executive Officer	Director People and Governance
Members of the Public	Manager and Divisional Group Manager	Director People and Governance

### **12.1 Employees**

Where an employee suspects that an act of fraud or corrupt conduct is occurring or has occurred, that employee must immediately report their suspicions to their direct Manager or Group Manager.

Where the employee does not feel comfortable reporting their suspicions to their Manager, they should report such matters Council’s Public Interest Disclosures Officer.

### **12.2 Director or Manager**

On receiving a report of suspected fraud or corrupt conduct, the Executive Manager or Manager must record details of the report, including the time and date the report is made and details of matters raised. As much evidence as possible needs to be collated, along with a list

of potential witnesses and related parties that may be able to help in the investigation of the matter.

The matter must then be immediately reported to the Public Interest Disclosure Officer and the Chief Executive Officer.

Where the matter may involve disciplinary action against an employee, the Manager People and Culture must also be advised prior to any such action being undertaken.

### **12.3 Contractors**

Contractors or other people involved in the contracting processes may become aware of or have information indicating fraudulent or unfair activity in relation to the procurement/tender processes or service provision.

Where contractors feel reluctant to report suspected fraud and/or corruption, behaviour that is intimidatory or grossly unfair for fear of repercussions affecting their future business dealings with Council, they are requested to contact the Manager overseeing the department managing the contract or alternatively make a public interest disclosure.

The above advice must be included in all procurement / tender documentation to ensure all prospective contractors are aware of these provisions.

### **12.4 Reporting Avenues**

Contractors or other people involved in the contracting processes may become aware of or have information indicating fraudulent or unfair activity in relation to the procurement/tender processes or service provision.

Where contractors feel reluctant to report suspected fraud and/or corruption, behaviour that is intimidatory or grossly unfair for fear of repercussions affecting their future business dealings with Council, they are requested to contact the Manager overseeing the department managing the contract or alternatively make a public interest disclosure.

The above advice must be included in all procurement / tender documentation to ensure all prospective contractors are aware of these provisions.

### **12.5 Notifying the Chief Executive Officer (CEO)**

Except where suspected fraud or corruption reported as a Public Interest Disclosure all reported incidents of suspected fraud or corrupt conduct must be reported to the CEO immediately, and prior to, any investigation of such allegations being undertaken.

Where the allegation relates to the Chief Executive Officer, the report is to be made to the Director People and Governance or another Manager. In such cases, the Mayor is also to be informed of the allegation as well as the Independent Broad-based Anti-corruption Commission.

### **12.6 Notification of the Independent Broad-based Anti-corruption Commission (IBAC)**

The Chief Executive Officer, as a *relevant principal officer* is obliged to report any matter which they suspect on reasonable grounds involves corrupt conduct either having occurred, or that is occurring, immediately to IBAC under section 57 of the *Independent Broad-based Anti-corruption Commission Act 2011*.

### **12.7 Anonymous Reports**

Anonymous reports are not encouraged due to the difficulty in conducting a thorough investigation and keeping the complainant informed about the action being taken in response to the issues they have raised.

In the event that an anonymous complaint is made, it must be accompanied by sufficient information and detail (i.e. dates, names, times, other potential witnesses) to allow an investigation to be undertaken.

### **13 RESPONSE**

For all matters subject to mandatory reporting to IBAC, no action will be taken until IBAC has assessed the matter and informed the Chief Executive Officer of its decision. Exceptions to this only apply where the action is:

- necessary to lessen or prevent a serious threat to the life, health, safety or welfare of an individual or to public health or safety; or
- taken to comply with another legal obligation, such as a duty to report the matter under other legislation; or
- reporting the matter to Victoria Police

For all other reports of detected or suspected fraud or corruption and any matters subsequently referred back by IBAC for Council to consider, the Council will investigate first, and determine a course of action second, depending on the outcomes of the investigation.

The Chief Executive Officer will remain impartial to any investigation and not be a member of any investigation team. All suspected incidents of fraud and/or corruption detected will be investigated pursuant to these procedures. This includes incidents detected through proactive detection programmes or by a report from an employee or other person.

#### **13.1 Investigation**

All reported fraudulent or corrupt behaviour, or suspected behaviour, whether by staff, Councillors or business associates/suppliers, will be investigated either by the Council, an external investigator or Victoria Police. The purpose of an investigation is to:

- Determine if in fact fraudulent or corrupt behaviour has been committed
- Identify the person(s) responsible for the fraudulent or corrupt behaviour
- Discover the extent of the fraudulent or corrupt behaviour and determine the action to be taken
- Provide the basis of any insurance claim; and
- Identify how long the fraudulent or corrupt behaviour has been occurring and thereby the extent of the breakdown of internal controls.
- Identify any gaps or weaknesses in the controls and systems associated with the activity that is subject to the investigation.

### **14 AUDITING AND REPORTING**

Upon receipt of a report of fraudulent or corrupt behaviour, or suspected behaviour, the Director People and Governance will as soon as practicable ensure that an independent investigation is conducted into the alleged misconduct.

The Chief Executive Officer will be consulted and decide whether the Police or any external assistance will be employed. The Chief Executive Officer is responsible for the selection of the personnel to be involved in the independent investigation. This may include referring the investigation to the Internal Auditor for action.

The independent investigator(s) may be from an independent authority or agency, a manager or other senior person within the Council or an external consultant such as a specialised fraud investigator operating under the direction of the Director People and Governance. The Director People and Governance will ensure that the investigator appointed is mindful of legislative

provisions that are relevant to the investigation, including the provisions of the *Information Privacy Act 2001(Vic)* regarding the disclosure and use of personal information.

An allegation of fraud or corruption will constitute an alleged breach of the Councillor or Staff Code of Conduct. Any staff member contacted by an appointed internal investigator or external investigator is required to cooperate with any investigations into breaches of the Staff Code. In all reports of alleged fraudulent or corrupt behaviour, strict confidentiality and the principles of natural justice will be observed and maintained. Where a Council employee is the subject of an investigation, the Director People and Governance will seek the advice of the Manager People and Culture to ensure adherence to the provisions of Council's Disciplinary Procedure and relevant industrial relations laws.

#### **14.1 External Investigation**

The Chief Executive Officer may decide that the investigation shall be conducted by an independent authority or agency or if the matter shall be referred directly to Victoria Police. Any referral direct to an independent authority or Victoria Police will be coordinated by the Director People and Governance. The Police or the authority they contact will then conduct the investigation.

Where the allegation has arisen through a Protected Disclosure, then the investigation will be in accordance with Council's Protected Disclosure Guidelines and Procedures. A report of the investigation from an external authority will be considered by the Director People and Governance in consultation with the Manager People and Culture and they will make recommendations to the Chief Executive Officer as to the most appropriate course of action as soon as practicable.

#### **14.2 Internal Investigation**

The investigation shall be conducted as quickly as practicable, including but not limited to the following steps:

- **Develop the terms of reference**, identifying:
  - Confirming who shall conduct the investigation
  - Who shall be interviewed
  - What records shall be examined
  - Who shall be kept informed, on a 'need to know' basis
- **Conduct the investigation** – ensure confidentiality and right to privacy is considered in conducting the investigation:
  - Collect witness statements
  - Examine records and collect and collate records and evidence
  - Advise the person(s) against who allegation is made that there is an investigation and invite them to be interviewed
  - Conduct interviews under a presumption of innocence basis, outlining the allegations made against the person allowing them an opportunity to respond within a reasonable timeframe
  - A person being interviewed shall be allowed a support person in the interviews, but that person may not represent them or provide comment
  - All parties must maintain confidentiality and propriety at all times
- **Compile a report**:
  - Summarise the evidence collected during the investigations, including all evidence that supports the allegation and all evidence that refutes the allegation or supports the alleged persons response



- Draw conclusions and make findings as to the likely truth or otherwise of the allegations based objectively on the evidence and statements
- Assess the seriousness of the misconduct or behaviour and its impact on Council
- Report on any detected gaps or weaknesses in the controls and systems associated with the alleged activity.
- Register the report in Records Management system using a highly restricted security classification.

The Director People and Governance will consider the report and make recommendations to the Chief Executive Officer as to the most appropriate course of action as soon as practicable.

### **14.3 Responses to Investigations**

The Chief Executive Officer, upon receipt of recommendations from the external or internal investigation, shall decide on the most appropriate course of action, and act or delegate actions accordingly, as soon as practicable. The Council's responses to investigations may include disciplinary action, reporting to Victoria Police, and/or civil action to recover losses.

- **Disciplinary action** - The Director People and Governance will coordinate disciplinary action in accordance with Council's Disciplinary Policy and Procedure.
- **Reporting to Victoria Police** - The Director People and Governance will coordinate the reporting of the investigation outcome to Victoria Police.
- **Civil action to recover losses** - The Council will pursue recovery of any losses due to fraud or corruption where there is clear evidence of fraud and corruption and where the likely benefits of such recovery will exceed the funds and resources required to be invested in the recovery action. - The Director People and Governance will coordinate any civil action taken by Council to recover losses resulting from the fraud or corruption.

### **14.4 Third Parties**

The CEO will decide whether to inform directly or indirectly impacted third parties to the fraud or corruption, including individual or multiple ratepayers, suppliers and community groups.

### **14.5 Disruption**

The Council may consider it appropriate to engage in disruption of identified fraud and corruption by any of the following methods:

- Increased audit activity
- Increased post transactional reviews
- More rigorous authorisation procedures
- Separation of duties
- Website protection
- Additional training.

### **14.6 Review of Internal Controls**

Where fraud or corruption is detected, the relevant service unit Manager, in consultation with the Director People and Governance will review the findings and assess the adequacy of the relevant internal control environment and provide a report to the Director of that service and any recommended improvements identified.

Where internal controls may be practicably improved, the relevant responsible Officer shall ensure as soon as practicable that those improvements are developed, documented and implemented, and understood by those who have roles and responsibilities in them.



#### **14.7 Record Keeping**

The Director People and Governance will maintain a record of reports of fraudulent and corrupt behaviour, or suspected behaviour, and investigation outcomes

All investigative documentation will comply with relevant legislative provisions, will remain strictly confidential and will be retained in accordance with the Council's Information Privacy Policy and Records Management system controls.

#### **14.8 Media**

The Media Policy shall be observed at all times, and no employee, Councillor or other persons associated with Council other than the CEO, unless specifically delegated to do so, shall make any public comment in relation to any suspected fraud or corruption, whether proven or otherwise.

No comment, statement or posting in relation to any suspected fraud or corruption, whether proven or otherwise is to be made by Council staff and contractors on their personal accounts that is contrary to Council's Social Media Policy and must not make any comment or post any material which might damage Council's reputation.

Where it is deemed necessary to make a statement to the media, the CEO shall consider legal and media advice prior to making the statement

### **15. CHARTER OF HUMAN RIGHTS AND RESPONSIBILITIES ACT 2006 AND THE EQUAL OPPORTUNITY ACT 2010**

The Council acknowledges the legal responsibility to comply with the Charter of *Human Rights and Responsibilities Act 2006* and the *Equal Opportunity Act 2010*. The *Charter of Human Rights and Responsibilities Act 2006* is designed to protect the fundamental rights and freedoms of citizens. The Charter gives legal protection to 20 fundamental human rights under four key values that include freedom, respect, equality and dignity.