Fraud and Corruption FS-CP-101
(PUBLIC POLICY)

1 Policy History

Revision No.	Council Meeting Date	Minute No.	Adoption Date
1	14/02/2012	0036	14/02/2012
2	27/01/2015	15/005	27/01/2015
3	22/08/2017	17/206	29/09/2017
4	14/06/2022	22/151	15/07/2022

2 Policy Introduction and Overview

This document outlines the policy and processes used by Griffith City Council (Council) to detect, prevent, and control the risk and potential incidences of fraud and corruption within the organisation.

This policy draws upon the *Audit Office of NSW Fraud Control Improvement Kit 2015*.

Council's obligations to control the risk of fraud and corruption are drawn from three key pieces of legislation:

- the *Public Finance and Audit Act 2002.*

  Section 11 of the Act requires the head of an authority to ensure that there is an effective system of internal control over financial and related operations.

- the *Independent Commission Against Corruption (ICAC) Act 1988.*

  Section 11 outlines the duty of a principal officer to notify the ICAC Commissioner.

- the *Crimes Act 1900.*

  Establishes and defines the criminal offence of fraud and related offences (Part 4AA), and corruptly receiving commissions and other corrupt practices (Part 4A), and false and misleading information (Part 5A).

The policy also provides an overview of what is required in relation to fraud and corruption control and is supported by other Council policies and processes.

- Acts of fraud and corruption by staff and others that are connected to Council have the potential to waste scarce resources, impair organisational performance, damage staff morale and productivity, and tarnish Council's reputation.

- This policy supports Council's commitment to fostering an organisational culture that does not tolerate fraud and corruption, but strengthens accountability.

- A systematic approach to the planning, prevention, detection, reporting and response to fraud and corruption is the key strategy to minimise the risk of such activities occurring.

3 Policy Objective

It is the purpose of this policy to give effect to Griffith City Council's commitment to the prevention and control of fraud and corruption. Council recognises that fraud and corruption management is an integral part of good governance and management practice and is consistent with the Council's Code of Conduct and relevant legislation and standards.

The Policy objectives are best summarised in the following points;

- define fraud and corrupt conduct;
- emphasise Council's zero tolerance to fraud and corruption;
- establish processes to control the risk of fraud and corruption;
- describe the actions that staff must undertake if they suspect fraud or corruption is occurring;
- allocate specific responsibilities to senior management staff and Departmental functions (such as the Internal Audit, Risk & Improvement Committee) to control fraud and corruption; and
- support the framework for ethical behaviour in conjunction with the Code of Conduct policy.

The objectives of this policy are to ensure the Council:

- develops and maintains an organisational culture of honesty and integrity,
- puts in place processes that ensure effective prevention, detection and management of fraud and corruption, based on the *Audit Office of NSW Fraud Control Improvement Kit 2015*, and
- encourages, supports and protects persons who report suspected fraud and corruption.

4 Policy Statement, Scope & Application

Griffith City Council has a zero tolerance stance on fraud and corruption and is committed to minimising the risks of such behaviour and ensuring continuing organisational integrity and transparency in all Council activities consistent with its Code of Conduct and the law.

This policy applies to all Councillors, Council staff (permanent, temporary, casual or contract basis), delegates, volunteers, contractors, consultants, committee members, suppliers and customers.

Senior management is responsible for ensuring that upon engagement, all staff are aware of, have access to, and comply with this policy.

5   Definitions

Terms and definitions identified below are specific to this policy and are critical to the effectiveness of it.

Accounts receivable fraud	The misappropriation or misdirection of money received by Council.
Chief Audit Executive	Heads the internal audit function in Council and is responsible for providing strategic leadership and managing the internal audit function within Council.
	This role is carried out by the Director of Economic and Organisational Development.
Corruption or corrupt conduct	Has the same meaning as in the *Independent Commission Against Corruption Act 1988* and may involve:
	any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly, the honest or impartial exercise of official functions by any public official, any group or body of public officials, or any public authority.
	It could include any of the following matters: official misconduct, bribery, blackmail, theft, obtaining or offering secret commissions, embezzlement, or forgery.
	Conduct does not amount to corrupt conduct unless it could constitute or involve: a criminal offence, a disciplinary offence, reasonable grounds for dismissing, dispensing with the service of, or otherwise terminating the services of a public official.
False invoicing	The creation of a fictitious invoice claiming payment for goods or services not delivered, or exaggerating the value of goods delivered or services provided, by a staff member or a person external to Council.
Fraud	Any practice involving the use of deceit to confer some form of benefit upon the perpetrator or another person (either directly or indirectly) and which results in material loss to the defrauded organisation.
	It may be committed either externally (by someone outside the organisation) or internally (by a member of staff).
Internal audit	An independent, objective assurance and consulting activity designed to add value and improve Council's operations.
	It assists Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the

	effectiveness of risk management, control and governance processes.
Internal auditors	External parties appointed to carry out the internal audit function of Council.
Public official	This term includes: • the head of a Public Service agency, • a person employed in the Public Service of New South Wales, the Transport Service of New South Wales, or any other service of the Crown or other public authority, • an individual who is engaged under a contract to provide services to or on behalf of the Public Service of New South Wales, the Transport Service of New South Wales, or any other service of the Crown or other public authority, or • a member (however expressed) of, or of the governing body of, a statutory body.
Public authority	This term includes an agency or department of the NSW Government or a statutory body representing the Crown.
Senior executive	General Manager and directors.
Staff/staff member	Any individual employed, appointed, or otherwise attached to Council, on an ongoing, temporary, casual, or voluntary basis, including secondees from other agencies or employees of any firm or company contracted to perform work on behalf of Council. This includes senior executives.

6 Types of Fraud and Corruption

6.1 Fraud

As defined above, fraud includes any practice where deceit is used for the benefit of a perpetrator or another person (whether within or outside the organisation), resulting in material loss to the defrauded organisation.

Typical acts of fraud may include:

- acts of omission;
- theft of plant, equipment and inventory by staff;
- the making of false statements;
- the misuse of credit cards, such as the unauthorised use of a credit card;
- false invoicing;
- accounts receivable fraud;
- theft of intellectual property or other confidential information; and
- any other acts of deception, including the falsification, concealment, destruction, or misuse of documentation used for normal business purposes.

6.2 Corruption

As defined above, corrupt conduct is generally deliberate or intentional wrongdoing, rather than negligence or a mistake, involving public officials or authorities.

Corrupt conduct could also constitute, or involve:

- a criminal offence,
- a disciplinary offence, or
- reasonable grounds for dismissing, dispensing with the services of, or otherwise terminating the services of a public official.

There are many forms of corruption which include, but are not limited to:

- official misconduct;
- bribery;
- blackmail;
- obtaining or offering secret commissions; and
- perverting the course of justice.

Examples of corrupt conduct include:

- the payment or receipt of secret commissions (bribes), whether in money or in some other form of value to the receiver, which relates to the role performed by the recipient;
- the improper use of, or attempt to use improperly, the knowledge, power, or resources of a public official's position for their own personal gain or the advantage of others;
- dishonest or unfair actions, or breaches of public trust, by a public official;
- the influencing of, or attempt to influence, a public official by a member of the public to use his or her position in a way that is dishonest, biased, or breaches public trust;
- collusive tendering; or
- manipulation of the procurement process by favouring one tenderer over others or by selectively providing information to some tenderers.

7 Council's Approach

Griffith City Council has a zero tolerance approach to any form of fraud or corruption.

Council has implemented a series of processes that cover the **planning**, **prevention**, **detection**, and **response** aspects of fraud and corruption control.

These are supported by communications and training strategies, to ensure that staff are aware of their responsibilities to Council, various NSW Government departments, such as the Audit Office and the wider community.

7.1 Planning

Proper planning and coordinated resourcing are key elements in any effective anti-fraud/anti-corruption program, as they allow mechanisms to be created to help Council manage such risks.

Council has developed a Fraud and Corruption Control Framework based on risk assessments of the organisation and its operations.

Components of the plan include strategies for:

- communicating with staff, including:
- the circulation of policy documents; and
- the placement of fraud and corruption control discussions onto team meeting agendas.

Awareness initiatives might need to be targeted at particular groups, such as new staff, directors/managers, or high risk operations; and

- increasing community awareness, by:
- providing information for tendering organisations and external parties on Council's website; and
- establishing transparent reporting mechanisms.

7.2 Prevention

Prevention is the second line of defence, encompassing the definition of roles and responsibilities for fraud and corruption control, risk management strategies, staff awareness initiatives, and the management of a database.

7.2.1 Roles and Responsibilities

All staff have a role to play in fraud and corruption control however, primary responsibility for the prevention and detection of fraud rests with the senior executive, and the governance and administration section of Council.

It is important that a strong emphasis is placed on fraud prevention, in order to:

- reduce opportunities for fraud to take place;
- enable fraud deterrence; and
- provide a compelling disincentive against committing fraud, due to the likelihood of detection and punishment.

Specific responsibilities of staff are outlined below:

Delegation of Function (Authorities, Roles & Responsibilities)

Activity (refer to procedures for further detail)	Council Officer/ Entity

General Manager & Directors must:
 	
• maintain a strong focus on, and culture of, fraud and corruption prevention, aligned with risk assessments;
• understand the current and any emerging fraud and corruption risks within their area of responsibility;
• control the potential for fraud and corruption within their area of responsibility by:
  o identifying risks; and
  o developing or modifying procedures or controls to reduce risk;
• follow organisational procedures, including reporting, as outlined in this policy;
• monitor the continued operation of controls; and
• manage conflicts of interest;
• maintain policies and procedures and records in relation to fraud and corruption control;
• ensure prompt and positive responses to allegations or indications of fraudulent and corrupt acts
• ensure adequate reporting on compliance from Internal Audit, Risk & Improvement Committee.
	General Manager & Senior Management Team

All Staff, Consultants and Contractors must: • act lawfully and in accordance with the *Code of Conduct;* • act within their delegated authority; • report instances of suspected fraud and corruption; • provide assistance in any investigations.	All Council staff
The Internal Audit, Risk & Improvement Committee must: • approve Policy; • provide independent assistance to the General Manager by overseeing and monitoring governance, risk and control frameworks, and external accountability requirements); • identify whether management has in place a current and appropriate 'enterprise risk management' process, and associated procedures for the effective identification and management of financial and business risks, including fraud and corruption;	Internal Audit, Risk & Improvement Committee

• review Council's Fraud and Corruption Control Framework and satisfy itself that there are appropriate processes and systems in place to capture and effectively investigate fraud related information; • determine whether management has taken adequate steps to embed a culture which is committed to ethical and lawful behaviour.	
The Internal Auditor(s) must: • evaluate the potential for the occurrence of fraud and how the organisation manages fraud risks; • assist management with fraud investigation; • identify the risks of fraud; and • develop fraud prevention and monitoring strategies. Internal Audit is a key component of Council's governance framework, reporting to the General Manager.	Internal Auditor

7.2.2 Risk Management Process

The risk of fraud and corruption must be managed according to the process outlined in Council's enterprise risk management processes (ERM).

This policy provides a structured method for establishing the risk context, and for assessing (identifying, analysing and evaluating), treating, monitoring, and reviewing risks.

Risk management will be applied in line with the ERM as follows:

• Council's risk assessment process will consider fraud and corruption risk at a strategic level;
• this assessment will periodically be updated, reviewed, and monitored by the Internal Audit, Risk & Improvement Committee and senior management; and
• periodic assurance testing of fraud and corruption risk will be carried out through the use of internal audit reviews.

7.2.3 Controls

The Independent Commission Against Corruption (ICAC) advises that corruption can occur in many situations, particularly where any of the following weaknesses exist:

• policies and procedures are absent, unclear, or not adequately enforced;
• staff training is inadequate;
• checks such as audits are lacking;

- communication and reporting lines are unclear;
- staff supervision and performance management are inadequate;
- staff have high levels of discretion in their decision-making;
- staff develop close relationships with external stakeholders;
- accepted ethical standards are lacking, or
- the corporate culture condones rule breaking and short cuts.

Controls must be effective and proportionate to the identified risks. Council will implement the following types of controls:

- **Preventative Controls** – limit the possibility of an undesirable outcome and are likely to be readily identifiable (for example, delegations, security measures).
- **Detective Controls** – established to spot errors, omissions, and fraud/corruption after the events have taken place, (for example, process controls, reconciliations, independent reviews, stock checks, anonymous reporting channels and audits).
- **Directive Controls** – ensure that a particular outcome is achieved (for example, the principal officer has a duty to report suspected corrupt conduct to the ICAC).
- **Corrective Controls** – correct undesirable outcomes that have been realised (for example, the requirement that processes surrounding a detected or suspected fraud or corruption event are reviewed).

Examples of controls include:

- physical security of assets (such as communication and information technology systems);
- internal organisation (clear reporting lines, span of control, separation of duties);
- supervision and checking;
- audit trails;
- monitoring;
- evaluation;
- staffing
- asset accounting;
- budgetary or other financial controls; and
- systems development.

Documentation of controls is part of the risk assessment process and should include details of:

- what the control is designed to do;
- who is to perform it; and
- how effectiveness will be assessed and monitored.

The Fraud and Corruption Control Framework identifies the appropriate controls for Council.

Examples of these controls include:

- the *Delegation of Authority Listing* – which specifies the staff who are authorised to make financial and other decisions;
- governance and human resources policies, which detail how staff members must behave and how Council should manage risk;
- training programs, which ensure that all staff members understand their obligations to Council and to the community; and
- compliance registers i.e. Pecuniary Interest and Gifts & Benefits Register, which enable Council to monitor its performance and monitor specific areas of risk.

All staff must comply with Council's *Code of Conduct* and must commit to the Code annually.

7.3 Detection

Detection focuses on activities that recognise whether events have occurred or are occurring.

Although these activities are not designed for the purpose of prevention, detective controls may act as a strong fraud deterrent.

Detection methods used by Council may include:

- management review;
- internal audit;
- account reconciliation;
- document examination; and
- external audit.

7.3.1 Reporting of Suspected Fraud and Corruption

All instances of suspected or detected fraud and/or corruption must be reported.

Staff must report all allegations and matters of concern regarding alleged fraud and/or corruption to one or more of the following position holders:

- The General Manager, their immediate manager/director; and/or
- an external reporting body such as:
  o the ICAC (for suspicions of corrupt conduct);
  o the Audit Office of NSW (for suspicions of serious and substantial waste); or
  o the NSW Ombudsman (for suspicions of maladministration).

Reports may be made in writing or orally, but in the latter case a record should be created of the conversation.

Anonymous reports will be accepted and these can be made to any of the position holders or agencies listed above.

When they make a report, staff should also be made aware of Council's Internal Reporting Policy and the protections available to them under that policy and the Public Interest Disclosures Act.

7.4 Responses to Suspected Fraud or Corruption

Council will respond to all allegations of fraud or corruption through:

- preliminary inquiry;
- investigation;
- disciplinary procedures;
- recovery action; or
- mandatory external reporting.

A formal report will be provided at the conclusion of the process (whether a preliminary inquiry or investigation) and any systemic issues identified will be reported to the Audit, Risk and Improvement Committee together with proposed or actual mitigation steps.

Complainants should be advised of any courses of action taken and the outcomes of those activities.

An automatic review of relevant procedures and internal controls may take place when a fraud and corruption incident has been reported and confirmed.

Confidentiality must be maintained throughout any investigative process.

7.5 Recording Allegations of Fraud or Corruption

The Director of Economic and Organisational Development will maintain a confidential database of reported and suspected fraud and corruption events for strategic information purposes on behalf of Council, as recommended by the Audit Office of NSW.

The database will be used to:

- assess the level of risk and the adequacy of resources;
- identify patterns indicating systemic weaknesses; and
- review action taken on individual matters.

Reports in the database should include the following information:

- identifying number;
- matter/nature/focus;
- status (open/closed);

- relevant date/s or period during which the event occurred;
- estimate of financial value/impact;
- physical/geographical location;
- the means or method used by the perpetrators;
- investigation action taken;
- action (disciplinary/restitution/prosecution);
- estimated costs to investigate and resolve; and
- corrective actions taken to prevent recurrence.

All reports must comply with the requirements of the *State Records Act 2009*.

The database will be maintained, periodically reviewed, and subject to internal audit to examine the incidence of reported and suspected fraud and/or corruption events.

7.6   Promoting Council's Fraud and Corruption Control policy

7.6.1   Communication to Staff and External Parties

This policy is to be communicated to all staff via the intranet and be made available to external parties through Council's website.

The policy will be a mandatory part of the induction process for new staff, and fraud control expectations must be included in the induction process.

7.6.2   Training

All nominated staff of Council will undergo training to gain a good understanding and appreciation of:

- what fraud and corruption are;
- their responsibilities for preventing, detecting and reporting fraud and corruption; and
- how they can act to address the risk of fraud.

8   Exceptions

None

9   Legislation

Local Government Act 1993
Independent Commission Against Corruption Act, 1988
Local Government (General) Regulation 2005
Australian Standard – AS 8001-2008 Fraud and Corruption Act 1988
Public Interest Disclosures Act 1994
Crimes Act 1990
Code of Conduct for Elected Members

Code of Conduct for Employees
Audit Office of NSW Fraud Control Improvement Kit 2015
Ombudsman Act 1974
Public Finance and Audit Act 2002

10   Related Documents

Fraud and Corruption Control Framework

11   Directorate

Business Cultural and Financial Services