

Fraud Policy

Preamble

As fraud constitutes a significant risk to any organisation, it is appropriate that a culture of ethical conduct be developed to recognise and avoid fraud and to deal appropriately with any cases of fraud.

Policy objectives

The purpose of this policy is to set out how Council will prevent and deter fraud from occurring and how any incidence of fraud will be detected, investigated and dealt with.

Fraud can lead to financial loss, bad publicity for the Shire and loss of public confidence in the way that public money and other resources are being used. It is therefore important that the Council has robust systems and procedures in place to ensure that the risk of impropriety is minimised, as far as possible, and that where instances do occur, there is a prompt and effective response to them.

Definitions

Fraud

Fraud is defined in Australian Standard AS 8001—2008 Fraud and Corruption Control as:-

“Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity 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 an entity by a person or persons internal to the entity but where deception is not used is also considered ‘fraud’ for the purposes of this Standard.”

NOTE: The concept of fraud within the meaning of this Standard can involve fraudulent or corrupt conduct by internal or external parties targeting the entity or fraudulent or corrupt conduct by the entity itself targeting external parties.”

Internal fraud refers to fraudulent acts undertaken by Councillors or employees. Examples of such fraud would include: falsification of expenses claims, theft of cash and alteration of records to conceal any deficiency, falsification of invoices for payment, failure to account for monies collected, dealing inappropriately with benefit claims of friends or relatives.

In some instances, there can be potential for those in positions of trust within the Council to perpetrate fraud against third parties. The Council has responsibility for the integrity of staff employed in such positions of trust.

External fraud refers to fraud committed against the Council by persons outside of the organisation. Examples include false invoices or statements in applications for Council programs and applications for grants.

Fraud and other similar irregularities include, but are not limited to:

- a) Forgery or alteration of cheques, invoices, computer records and other documents.
- b) Any misappropriation of funds, securities, supplies or any other Council property.
- c) Any irregularity in the handling or reporting of money transactions.
- d) Seeking or accepting anything of material value from vendors, consultants or contractors doing business with the Shire.
- e) Unauthorised use or misuse of Shire property, equipment, materials or records.
- f) Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Shire owned software.
- g) Any claim for reimbursement of expenses that are not made for the exclusive benefit of the Shire.
- h) Any similar or related irregularity.

Policy statement

Fraud is a risk to the organisation and can have a similar impact on Council as other types of enterprise risk in terms of: -

- financial loss;
- reputational impact;
- diversion of management energy;
- organisational morale;
- organisational disruption;
- loss of employment;
- reduced performance; and
- Diminished safety.

As such, Council is committed to managing this risk as part of its overall risk management approach. This policy is part of that approach and covers the following main areas: -

- a) Roles and responsibilities of Councillors, officers, auditors and the audit committee;
- b) Response to allegations and concerns raised internally and externally; and
- c) Actions to be taken when fraud is discovered

Roles and Responsibilities

I. Councillors

Councillors have a duty to ensure that Council property is safeguarded from fraud and abuse and to ensure that the Council's powers duties and responsibilities are exercised in an open, fair and proper manner to the highest standards of probity.

These issues need to be borne in mind when considering reports, making decisions and scrutinising the Council's activities.

Councillors should endorse and support all policies and measures taken to prevent, deter, detect and resolve instances, or suspected instances, of fraud throughout the Council.

2. Chief Executive Officer and Directors

The Chief Executive Officer has primary responsibility for the proper management of Council resources and the development and implementation of systems and practices to minimise the risk of fraud.

The Directors play a major role in assisting the Chief Executive Officer in these responsibilities, by ensuring that appropriate corporate systems and procedures are put in place, properly managed and all necessary reporting and accountability provisions are in place and operating.

3. Managers

Managers are responsible for ensuring there are adequate measures to prevent and detect fraud within the areas under their control by:

- a) complying with legislation and Council policies and practices;
- b) ensuring staff understand their responsibilities through adequate supervision, acting within their delegated powers, written procedures and position descriptions;
- c) responding positively to matters raised and advice given by internal and external audit.

Management need to be vigilant in guarding against fraud, be aware of any circumstances which may indicate that there may be a problem and report any such suspicions to the Chief Executive Officer or Directors, for an independent investigation or advice.

In carrying out their responsibilities, all managers (and staff) should be conscious of the fact that they are spending public money collected through rates and taxes. This provides an extra responsibility not only to spend it economically and effectively but also fairly.

There should be sensitivity to public concerns over how their money is being used and consideration of how actions taken may be interpreted by others.

Being prepared to justify decisions taken and having evidence to support these and generally being open about the way they conduct their business will help instil public confidence.

4. Staff

Staff have a duty to make management aware of any concerns they have about the conduct of Council affairs or the use of Council property and resources. Any matters raised by them should be taken seriously and properly investigated.

The Council has Operating Procedures to follow with the introduction of the Protected Disclosure Act 2012 which protects "whistleblowers" from unjust recrimination where they have an honest and reasonable suspicion of malpractice and they act on it. The Council, in the interests of probity and good local government, wishes to encourage staff to raise matters so that they can be properly investigated.

5. Internal Auditors

While primary responsibility for the identification of fraud rests with management, Council should recognise that internal audit activity can be, in the context of addressing all business risks, an effective part of the overall control environment to identify the indicators of fraud.

Internal Audit therefore has an important role in assisting management in the prevention and detection of fraud by:

- a) Independently reviewing systems, procedures and controls to ensure that there are adequate safeguards to prevent, deter and detect fraud ; with particular attention being paid to areas where there is potentially a significant risk;
- b) Through specific audits and testing of systems, identifying areas of concern;
- c) Responding to requests for advice from managers on controls to put in systems;
- d) Independently investigating suspected frauds and irregularities and reporting conclusions to the Audit Committee, management and, where necessary, the Police; and
- e) Producing, and advising on the production, of rules, regulations and policies which deter fraud.

6. External Auditors

External Auditors certify that the Council's accounts represent a true and fair view of the Council's financial position. They have limited time and resources to carry out this work and consequently there needs to be a high level of cooperation with the Council's Internal Auditors who are able to examine the Council's activities in more detail.

Senior management and the Audit Committee will undertake discussions with the external auditor in terms of the audit strategy and procedures that will be carried out during the audit that are aimed at detecting material misstatements in the Council's financial statements due to fraud or error.

Response to allegations and concerns

1. Allegations and concerns about fraudulent or corrupt activity may come from different sources e.g.
 - a) Members of the public, sometimes anonymously;
 - b) Other local authorities;
 - c) Councillors;
 - d) Council managers or staff; and
 - e) Resulting from internal or external audit reviews
2. Wherever these concerns come from they must be treated seriously and confidentiality will be respected as far as possible. A thorough investigation will be made of all concerns but the level of resources applied to this will be dependent on the nature of the concern e.g. sums or resources involved, sensitivity of the area, source of concern, evidence provided or available, risk inherent in that area.
3. For cases of internal fraud, investigations should be closely managed and documented in accordance with Council procedures.
4. At all times confidentiality must be maintained and information disclosed only to those who need to know it, in order not to prejudice any disciplinary or any criminal action.

Actions to be taken when fraud is uncovered or suspected

1. Where there is sufficient evidence of fraud, or there is strong suspicion but internal investigations are unable to obtain further evidence required, the Police should be involved, where it is in the Council's/Public's interests.
2. Determination of the "Council's/Public's interests" will include factors such as the sums or resources involved, the strength of the evidence obtained or available, the potential cost to the Council of pursuing the matter, the sensitivity of the area concerned. Referral to the Police will be the normal course of action unless there is a strong case not to do so.
3. Where involvement of the Police is not appropriate, the strongest action possible should be taken. This may involve disciplinary action including dismissal and the recovery of any sums of money or resources misappropriated.
4. At the conclusion of any fraud investigation, systems and procedures will be reviewed to ensure that any lessons learned from the case will be used to improve these systems and processes.

Miscellaneous

1. Council will keep a register of fraud related risks as part of its risk register.
2. Council will, as part of its human resource practices, where the nature of the position requires: -
 - a) verify employees references and qualifications; and
 - b) conduct police checks before engaging employees.
3. A fraud incident investigation procedure will be prepared that: -
 - a) Defines who will undertake an investigation and when;
 - b) Places an emphasis of resolving the matter in the shortest possible time;
 - c) Prompts all contributing factors to be identified and the contributions determined; and
 - d) Defines a process to monitor effective completion of the remedial actions.

Additional documents

1. Fraud and Corruption Control Plan
2. Protected Disclosure Act 2012 Operating Procedure
3. Risk Management Policy
4. Staff Code of Conduct

Reference to other documents

Australian Standard AS 8001-2008 - Fraud and Corruption Control.

Review process

This policy will be reviewed five years from its adoption by the Council.

Accountability process

The Chief Executive Officer will report annually to the Audit Committee and the Council on the implementation of this policy.

Approval

Adopted by Council at its meeting held on Wednesday, 16 July 2014.

Signed by the Mayor, Cr Neil Rankine



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Date 22/07/2014