

MURRAY RIVER COUNCIL
COUNCIL POLICY

FRAUD POLICY

POL-212.V#1.1



murray river
council

1 INTRODUCTION

- 1.1 As part of a sound governance framework, Murray River Council (the 'Council') requires a policy on its approach to dealing with fraud.
- 1.2 This is required because the Council is the custodian of community assets and is involved in determining many commercial activities where people can benefit from the decisions of the Council.
- 1.3 It is therefore important that all Council officials have clear direction and an understanding of the expected behaviours and actions that they must abide by.

2 PURPOSE

- 2.1 The purpose of this Fraud Policy (the 'Policy') is to:
 - ▶ Protect the Council's assets, including Council's financial assets.
 - ▶ Protect the integrity, security and reputation of the Council and its employees.
 - ▶ Maintain a high level of services to the community.

3 SCOPE

- 3.1 This Policy applies to all Council officials.
- 3.2 It replaces all other Fraud policies of the Council, whether written or not.

4 POLICY STATEMENT

- 4.1 Council is entrusted by the community to manage its assets, people and resources in a responsible, ethical and efficient manner.
- 4.2 The Council has an obligation to develop and maintain appropriate systems and procedures to minimise the opportunity for fraudulent activity and to develop robust systems of detection to reduce the impact of any fraudulent activity.

5 POLICY FRAMEWORK

- 5.1 The administration of this Policy is based around a holistic approach to fraud and involves actions on the following fronts:
 - (a) **Prevention** – to establish and maintain a good governance framework through well established procedures that reduce the chances of fraud;
 - (b) **Detection** – sound auditing and checking procedures to deal with any transactions or activities that do not align with the expected procedures;
 - (c) **Response** – detailed reporting and investigation procedures to deal with any potential fraud. A sound response system includes appropriate action to deal with any fraudulent activity.
- 5.2 The Audit Office (NSW) have established a 10 attribute framework to deal with fraud. The 10 attributes are:
 - ▶ Leadership;
 - ▶ Ethical framework;
 - ▶ Responsibility structures;

- ▶ Fraud control policy;
- ▶ Prevention systems;
- ▶ Fraud awareness;
- ▶ Third party management systems;
- ▶ Notification systems;
- ▶ Detection systems; and
- ▶ Investigation systems.

5.3 Council's Fraud Framework is built around the above 10 attributes, as detailed in the Fraud Control Improvement Kit.

5.3.1 Leadership

A successful fraud control framework is led by a committed and accountable executive. The General Manager and Directors will lead the organisation in the development of the Fraud Framework, including transactions involving third parties.

5.3.2 Ethical framework

Council has adopted and established the following documents to guide the ethical behaviour for Council officials:

- (i) The Model Code of Conduct for Local Councils in NSW (as developed by the Office of Local Government); and
- (ii) A set of values and behaviours.

5.3.3 Responsibility structure

The General Manager and Directors are authorised to receive reports of fraud. If the suspected fraud relates to the General Manager, then the matter can be reported to the Mayor, as per the reporting regime for Code of Conducts.

Reports regarding suspicious and/or illegal activities can also be reported to external agencies including:

- ▶ The NSW Police Force
- ▶ Office of Local Government
- ▶ The NSW Independent Commission Against Corruption (ICAC)
- ▶ The NSW Ombudsman.
- ▶ The NSW Auditor General

All Council employees are expected to report known or suspected fraud to the General Manager or Directors as soon as possible.

5.3.4 Fraud control policy

This policy sets out Council's system of fraud control and covers the responsibilities for managing fraud within Council.

5.3.5 Prevention systems

Council's prevention system consists of the following features:

- (i) Fraud Risk Assessments – as detailed in the Risk Framework;
- (ii) Fraud Control Plan – to be developed;
- (iii) Fraud database – to be established to record all incidents;

- (iv) Ethical workforce – pre-employment screening to ensure staff employed are of the highest ethical behaviour;
- (v) Separation of duties – to ensure no one Council employee controls a process entirely;
- (vi) Delegations of authority – to ensure measures are in place to control activities; and
- (vii) Position descriptions/Charters for Committees – limit the level of activity Council officials can undertake.

5.3.6 Third party management systems

Council establishes appropriate controls, segregation of duties and delegations of authority to deal with third parties.

Council has established a Statement of Business Ethics Policy (POL201) to reinforce the expected standards of behaviour for Council officials.

5.3.7 Notification systems

All Council employees are required to report suspected fraudulent activity. Members of the public are encouraged to report suspected fraudulent activity.

Council employees and members of the public can make a Public Interest Disclosure (PID) (refer Council's Internal Reporting Policy – POL209) and protect their identity, if they so desire.

Reporting directly to Council is an option for Council employees and the community. Reporting to an external entity as detailed under the "Responsibility structure" is also available.

5.3.8 Detection systems

Various internal control measures have been established to help detect fraud and these include:

- ▶ segregation of duties
- ▶ approvals and authorisation
- ▶ verification
- ▶ reconciliations
- ▶ management reviews
- ▶ risk assessments
- ▶ physical security
- ▶ job rotation
- ▶ internal and external audits.

5.3.9 Investigation systems

When an allegation of fraud is made against a Council employee, the General Manager and/or Director(s), will discuss the matter with the person making the allegation. This person may be asked to make a written statement regarding the allegations.

The Council employee alleged to have committed the fraud may be interviewed during this preliminary stage. Employees can be accompanied during the interview by their manager or other nominated member of staff.

The applicable Director will organise a preliminary assessment of the allegation and provide details to the General Manager on the findings

If the allegation is serious enough and/or the evidence is compelling, then the matter may warrant a full investigation.

If a full investigation is to be followed, the General Manager will need to determine whether the matter is referred to an external agency, such as the Police, ICAC or the Ombudsman. The General Manager may wish to refer it to the Code of Conduct Complaints Coordinator and have the matter referred to using the Code of Conduct investigation procedures.

6 DISCIPLINARY PROCEDURES

- 6.1 The determination of an investigation into fraud, whether it be a preliminary or full investigation, will be referred to the General Manager if it is an employee matter.
- 6.2 For Councillors, the determination of an investigation into fraud, whether it be preliminary or full investigation, will follow the Code of Conduct procedures.
- 6.3 Any matter may still be referred to or dealt with by an outside agency, in addition to a matter considered by the above two means. For instance, an employee matter dealt with by the General Manager may still be referred to the Police for further action.

7 PRIVACY AND ACCESS TO INFORMATION

- 7.1 Information provided through any allegation and subsequent investigation will be handled **confidentially**. This is designed to help prevent any action being taken against any Council employee for reporting suspected fraud. However, there may be situations where confidentiality may not be possible or appropriate. This will be discussed with the employee making the report.

8 POLICY BREACH

- 8.1 A breach of this Policy may lead to disciplinary action being taken. This will depend on the severity of the incident. A breach of this Policy could also lead to criminal action.
- 8.2 Any report that turns out to be vexatious, frivolous or misleading will result in disciplinary action against the person making the allegation.

9 IMPLEMENTATION AND DELEGATION

- 9.1 This Policy will be communicated to Council employees through Council's internal communication methods.
- 9.2 The issue of fraud will be discussed at staff meetings, including Management Executive (MANEX) and Managers meetings.

10 EVALUATION AND REVIEW

- 10.1 It is the responsibility of the Director Corporate Services to monitor the adequacy of this Policy and recommend appropriate changes.
- 10.2 This Policy will be formally reviewed annually or as needed, whichever comes first.

11 LEGISLATION, ASSOCIATED DOCUMENTS AND DEFINITIONS

Legislation

- ▶ Local Government Act 1993

Associated Documents

- ▶ MRC Policy - Model Code of Conduct for Local Councils in NSW – Office of Local Government – November 2015 (POL100)
- ▶ MRC Policy - Delegations of Authority (Mayor and General Manager) Policy (POL102)
- ▶ MRC Policy - Delegations of Authority (General Manager to Staff) Policy (POL107)
- ▶ MRC Policy - Statement of Business Ethics Policy (POL201)
- ▶ MRC Policy - Internal Reporting Policy (POL209)
- ▶ MRC Policy - Related Party Disclosures Policy (POL110)

Definitions:

Term	Definition
Act	The Local Government Act 1993.
AS8001 – 2008	The Standards Australia Fraud and Corruption Control Standards.
Code of Conduct	As required by Section 440 of the Local Government Act 1993 and applicable to all Council officials.
Council Official	Includes Councillors, Council employees, administrators, contractors, volunteers and consultants, Council Committee members and delegates of Council.
Fraud	Wrongful or criminal deception intended to result in financial or personal gain. It is where a person intends to deceive others, typically by unjustifiably claiming something that they are not, or claiming something or some right of use that is not theirs.
Fraud Control Improvement Kit	Developed by the Audit Office of NSW to help organisations deal with fraud.
Regulation	The Local Government (General) Regulation 2005

12 DOCUMENT CONTROL

Version No.	Details	Dates	CM9 Reference	Resolution No.
1	Initial Issue	25 June 2019	VF/19/527	110619
1.1	Minor changes made on the recommendation of the Audit & Risk Committee	23 July 2019	VF/19/527	080719

Council reserves the right to review, vary or revoke this policy at any time
This Policy is scheduled for review in before June 2023