# FRAUD AND CORRUPTION CONTROL POLICY

POL-212.V#2

murray river
council

## 1. INTRODUCTION

The risk of fraudulent or corrupt activity is ever present in all organisations and in all industries. Local Government is not immune to the possibility of fraud and corrupt activity occurring.

The community expects Murray River Council to practice the highest standards of stewardship of public resources and to establish and maintain a sound system of internal control.

It also expects that Council Officers and Officials adopt and practice an outstanding level of ethics in all Council business.

This policy sets out Council's clear message – that fraudulent or corrupt activity will not be tolerated.

## 1. OBJECTIVES

The objectives of this Policy are to:

‣ affirm that Council does not accept or tolerate any act of fraud or corruption,

‣ protect the integrity, security and reputation of the Council and its Council Officers and Officials, and

‣ outline Council's approach to fraud and corruption control within the themes of prevention, detection and response.

## 2. SCOPE

This policy applies to all Council activities, and to all Council Officers and Officials.

## 3. POLICY STATEMENT

Murray River Council will achieve fraud and corruption control through the following actions:

‣ Creation, maintenance and compliance with an effective system of internal controls;

‣ Management reviews to check compliance;

‣ Maintenance of an ongoing Internal Audit function in line with the program approved by the Audit and Risk Committee;

‣ Regular conduct of fraud risk assessments to identify opportunities for fraud;

‣ Implementation of strategies to prevent or minimise the opportunity for fraud and corruption in Council activities;

‣ Implementation of formal procedures for investigation of allegations of dishonest, corrupt/or fraudulent behaviour;

‣ Prompt reporting of any matter to appropriate authorities, if the CEO has a suspicion that there has been fraud and corruption;

‣ Commitment to taking action as appropriate and in accordance with the Code of Conduct and this policy;

‣ Provision of training to all staff on their obligations under this and associated policies such as the Code of Conduct;

‣ Promotion of this and other policies to ensure that Council Officers and Officials are aware of their responsibilities in combating fraud; and

‣ Fostering an environment in which fraudulent and corrupt activity is discouraged.

A detailed strategy to ensure these actions are implemented is described in the following sections.

### Fraud and Corruption Control Framework

The administration of this Policy is based around a holistic approach to fraud and involves actions on the following fronts:

- **Prevention** – to establish and maintain a good governance framework through well established procedures that reduce the chances of fraud;

- **Detection** – sound auditing and checking procedures to deal with any transactions or activities that do not align with the expected procedures;

- **Response** – detailed reporting and investigation procedures to deal with any potential fraud and/or corruption activity. A sound response system includes appropriate action to deal with any fraudulent activity.

The Audit Office (NSW) have established a 10 attribute framework of fraud and corruption control, as outlined in their Fraud Control Improvement Kit (2015)

| Attribute | Theme |
|---|---|
| Attribute One - Leadership | Prevention |
| Attribute Two - Ethical framework | Prevention, Detection, Response |
| Attribute Three - Responsibility structures | Prevention, Detection, Response |
| Attribute Four - Policy | Prevention |
| Attribute Five - Prevention systems | Prevention |
| Attribute Six - Fraud and corruption awareness | Prevention, Response |
| Attribute Seven - Third party management systems | Prevention, Response |
| Attribute Eight - Notification systems | Detection, Response |
| Attribute Nine - Detection systems | Detection |
| Attribute Ten - Investigation systems | Response |

### ATTRIBUTE ONE: LEADERSHIP

A successful fraud and corruption control framework is led by a committed and accountable Executive who must establish a Council-wide anti-fraud and corruption culture. The CEO, supported by the Councillors and Directors, is responsible for the strategic oversight of fraud and corruption control at Council.

### ATTRIBUTE TWO: ETHICAL FRAMEWORK

Council has clear policies establishing acceptable standards of ethical behaviour and these are available to all Council Officers and Officials on Council's website. These include:

- Code of Conduct
- Statement of Business Ethics

Murray River Council's Code of Conduct Policy and Procedure specifies the standards of behaviour expected from all Council Officers and Officials . This Code also outlines the disciplinary systems that will apply to any breach of the Code of Conduct or associated policies.

Murray River Council's Statement of Business Ethics also describes the standards of behaviour expected of business partners, contractors, sub-contractors, suppliers and other business associates. It specifies that breaches of this and related policies will also impact on continuing relationships with Council.

Murray River Council will not tolerate fraud and corruption and will pursue all conduct and disciplinary measures available to it, if acts of fraud and corruption are proven.

## ATTRIBUTE THREE: RESPONSIBILITY STRUCTURES

This is detailed below under the subheading for Responsibilities.

## ATTRIBUTE FOUR: POLICY

Council's Fraud and Corruption Control Policy and other related policies, procedures, register and other associated documents sets out Council's framework for fraud and corruption control and establishes the responsibilities for managing fraud and corruption control at Council consistent with the Australian Standard 8001-2008: Fraud and corruption control. The other related policies include:

‣ Internal Reporting (PID) Policy

‣ Code of Conduct Policy and Procedures

This policy addresses:

‣ The level and nature of internal and external fraud risks.

‣ The ten (10) attributes of fraud control, and

‣ A cohesive and integrated system of fraud control that does not operate in isolation.

## ATTRIBUTE FIVE: PREVENTION SYSTEMS

Council's prevention systems consist of a number of components including:

### Fraud and Corruption Risk Assessment

The identification and assessment of the risks of fraud and corruption is an integral part of Council's overall approach to risk management. The process of minimising these risks follows the same process as any other risk faced by Council. The primary steps in the risk management process are:

‣ Identifying the risks of fraud and corruption;

‣ Analysing the potential effect of these risks and assessing and rating them;

‣ Devising a strategy or strategies to mitigate the risks, including the identification of actions;

‣ Assigning responsibility for identified actions to the appropriate Council officer; and.

‣ Follow up and review to ensure actions have been taken and are working to mitigate the risks.

Council's fraud and corruption risk assessment is to be reviewed carried out every two years and is to be reported to the ELT and the Audit & Risk Committee.

The early detection of fraud and corruption is essential, Management and staff may be able to detect and deter fraud and corruption through the following methods:

‣ The regular assessment of fraud and corruption risks;

‣ A targeted Internal Audit approach that is based on the assessment of risk areas;

‣ Encouragement of staff and management to use the internal reporting system;

‣ The communication of this Policy throughout Council and the community;

‣ The education of staff in this Policy;

‣ Compliance and reporting of non-compliance with the internal controls;

‣ Reporting to Management of unexplained changes in patterns such as unusual behaviour or expensive lifestyles of other staff members.

‣ The usage of management reports i.e. financial and operational reports to identify unexpected trends or variances

The risk of fraud and corruption should not be looked at in isolation from the general business of Murray River Council. There is considerable overlap between enterprise risk, business risk, audit risk, security risk and fraud risk.

### Fraud and Corruption Register

The Fraud and Corruption Register records all incidents of fraud and corruption affecting Council and the investigation outcome and response, without identifying the individuals involved.

Council is committed to analysing reports of fraud and corruption to help identify potential weaknesses in internal controls.

### Internal Controls

Robust internal controls are an effective way to prevent fraud and corruption. Council's internal controls are risk-focused, and have been established to proactively minimise opportunities for fraud and corruption. Examples of appropriate controls employed by Council include:

‣ Segregation of duties;

‣ Risk assessments;

‣ Internal and external audit reports;

‣ Identification and declaration of conflict of interest;

‣ Adherence to and promotion of Council policies;

‣ Effective leadership;

‣ Security (physical and information systems);

‣ Supervision (internal reviews);

‣ Approvals within delegated authority;

‣ Regular reconciliations;

‣ Sound budget control including regular reviews; and

‣ Clear reporting lines.

### Ethical Workforce

Council is committed to employing staff that support its ethical values. Council conducts pre-employment screening including reference checks as well as additional checks as appropriate for high risk positions.


## ATTRIBUTE SIX: FRAUD AND CORRUPTION AWARENESS

A key element of Council's fraud and corruption control framework is creating awareness among all staff of the different components of the framework, what activities are considered fraudulent or corrupt and how to respond if fraud or corruption is suspected.

### Staff training

Council is committed to facilitating regular training opportunities relevant to fraud and corruption control for its staff.

‣ Incorporating fraud and corruption prevention into induction training for new staff;

▸ Presenting fraud awareness training sessions to Management and staff; and

▸ Reporting of outcomes of investigations and disciplinary actions against Council Officers and Officials who perpetrate fraud or corruption, where appropriate.

### Ethical behaviour policies

Council has adopted a Statement of Business Ethics Policy and it is available on Council's website and forms part of the induction process for new Council Officers and Officials.

### Awareness raising

Fraud and corruption risk assessments and fraud and corruption control health checks will be undertaken on a regular basis, including reviewing and updating Council's Risk Register.

Council holds an annual Information Day, that are compulsory for all staff.  This day covers sessions on, but not limited to:

▸ Code of Conduct – including Fraud and Corruption

▸ Business Ethics

▸ Appropriate behaviours – Fit for work, bullying, harassment, discrimination, ethical use of computers, password security

Other awareness raising initiatives include email and poster reminders relevant to Council's fraud and corruption control framework.

### Induction

Staff induction addresses key policies relevant to Council's fraud and corruption control framework, including the Code of Conduct.

### Customer and Community Awareness

Council is committed to ensuring that its customers and suppliers are aware of its commitment to ethical behaviour. Council's Statement of Business Ethics is published on its website, along with other policies relevant to the fraud and corruption control framework. This information is also provided to Council volunteers, including advisory committee members.

Council interacts with a wide range of stakeholders including residents, ratepayers, suppliers, contractors, developers, volunteers and the like.  Council needs to ensure that both customers and the community are aware of Murray River Council's attitude to fraud and corruption.

Murray River Council adopts the following strategies for the active communication of this framework to increase customer and community awareness:

▸ Promotion of this strategy and associated policies such as the Code of Conduct and Procurement framework on Council's website;

▸ Referring to fraud and corruption initiatives in Council's Annual Report;

▸ Membership of appropriate professional bodies and regular attendance at relevant industry forums and seminars; and

▸ Communication regarding specific strategies through media releases.

## ATTRIBUTE SEVEN: THIRD PARTY MANAGEMENT SYSTEMS

Council ensures that appropriate controls, such as the segregation of duties, are in place to manage its dealings with third parties.

Council makes available the Statement of Business Ethics Policy to contractors and suppliers so they understand the mutual obligations of all parties and the standards of behaviour expected by Council.

Third parties are encouraged to report suspected fraud and corruption to Council in accordance with the processes outlined in Council's Internal Reporting (PID) Policy.

## ATTRIBUTE EIGHT: NOTIFICATION SYSTEMS

Council requires its officers, officials and encourages third parties and members of the public to report known or suspected fraud or corruption in accordance with Council's Internal Reporting (PID) Policy.

The Crimes Act 1900 provides that in certain circumstances, failure to report a serious offence (which could include corrupt conduct) to the NSW Police or another appropriate authority is an offence.

The Public Interest Disclosures Act 1994 (PID Act) provides protection to public officials (as defined by the PID Act) who make a public interest disclosure by imposing penalties on anyone who takes detrimental action against another person that is substantially in reprisal for that person making a public interest disclosure.

## ATTRIBUTE NINE: DETECTION SYSTEMS

Council routinely undertakes checks of activities, processes, controls and transactions. This monitoring and review process seeks to ensure that irregularities and warning signals are identified early and acted upon.

Internal controls are also applied to detect fraud and corruption. These include data analytics and both internal audit and external audit.

Auditing is a particularly significant control mechanism, as Council's audit processes aim to provide a proactive, independent and comprehensive approach to evaluating and improving the effectiveness of fraud and corruption control.

Council's audit program is risk-based and regularly reviewed by management and the Audit and Risk Committee. Council has robust procedures for following up on audit recommendations, with responsibility assigned to individual staff and clear timetables set for response and implementation.

## ATTRIBUTE TEN: INVESTIGATION SYSTEMS

Guidelines for the investigation of suspected fraud or corruption, and the possible disciplinary action which may result, are set out in Council's Internal Reporting (PID) Policy, Code of Conduct Policy and Procedures and the Staff Performance Management/Disciplinary Policy.

However, where a Council Officer and/or Official or other relevant party is reasonably suspected of behaving corruptly, that will be reported to the ICAC and that person may be investigated under the ICAC Act.

If a preliminary assessment of a matter indicates a reason to suspect that there may have been a criminal offence committed, Murray River Council will contact the NSW Police.

In the absence of criminal prosecution, Murray River Council undertakes to apply appropriate civil, administrative or disciplinary penalties against individuals who have been party to fraud or corruption.

Murray River Council acknowledges that criminal prosecutions will have a deterrent effect in the fight against future instances of fraud and corruption.

Depending on the nature and complexity of the alleged fraud, Council will decide whether the matter will be handled internally or that Council will engage an external resource.

Council may take necessary legal action to recover losses that are determined to have resulted from fraudulent or corrupt conduct.

## 4.    RESPONSIBILITIES

All Council Officers and Officials have a duty to be aware of the potential for fraud and corruption and to report anything that they feel is not right. There are a range of options available for reporting of any such matters.

Reports can be made internally through Council's Internal Reporting (PID) Policy or to an external agency such as the Independent Commission Against Corruption (ICAC), the NSW Ombudsman's Office, NSW Auditor General, NSW Police or the Office of Local Government (OLG) depending on the nature of the matter.

All Council Officers and Officials have an important role to play in the prevention and control of fraud and corruption. These roles and responsibilities are outlined below:

### Mayor & Councillors

‣ Ensure that Council's powers, duties and responsibilities are exercised in an open, fair and proper manner to the highest standards of probity;

‣ Providing leadership in actively displaying and promoting ethical behaviour within Murray River Council;

‣ Ensuring that this Policy is actively communicated to all stakeholders throughout Council; and

‣ Ensuring communication to the community of Murray River Council's commitment to fraud and corruption prevention.

### Audit & Risk Committee

Council's Audit and Risk Committee will advise Council of fraud and corruption prevention and control activities at Council. This will be achieved through:

‣ Be alert to the possibility of fraud and corruption within Council;

‣ Examine and evaluate the adequacy and effectiveness of internal controls;

‣ Reviewing the outcomes of the fraud risk assessments, the results of this will also be integrated into Council's overall Risk Management Framework;

‣ Review and approval of appropriate policies/methodologies for the detection and prevention of fraud and corruption;

‣ Reviewing outcomes of applicable fraud and corruption investigations; and

‣ Reporting to Council of any outcomes as required.

In addition, Council's Internal Auditor will be responsible for reporting to the Audit and Risk Committee any fraud and corruption activities or controls that need strengthening during the undertaking of internal audits.

### CEO

The CEO is responsible for:

‣ Guiding the proper management of Council resources and the development and implementation of systems and practices to minimise the risk of fraud and corruption;

‣ Providing leadership in actively displaying and promoting ethical behaviour within Murray River Council;

‣ Ensuring that this Policy is actively communicated to all Council Officers and Officials throughout Council; and

‣ Ensuring promotion to the community of Council's commitment to fraud and corruption prevention.

The CEO also has the responsibility of referring, or notifying, any allegations of fraudulent or corrupt behaviour that have been identified by Murray River Council to the appropriate external agencies (i.e. the Independent Commission Against Corruption) and to report to Council any outcomes as required.

### Directors, Managers and Supervisors

‣ Lead Council staff and external service providers in their understanding of and compliance with this Policy and related Council policies;

‣ Ensure there are adequate measures to prevent, detect and respond to fraud and corruption within the respective business areas under their control, in accordance with Council's fraud and corruption control framework;

‣ Lead team members in their understanding of and compliance with this Policy and related Council policies;

‣ Assessing/identifying/implementing new controls where systems or structure have changed;

‣ Providing input and assistance to the identification and minimisation of fraud and corruption risks; and

‣ Provide advice and assistance to Council staff in relation to this Policy.

## All Council Officers

‣ Read, understand and comply with this and related policies and procedures;

‣ Report known or suspected fraud or corruption as soon as possible after becoming aware of it, in accordance with the processes outlined in the Internal Reporting (PID) Policy;

‣ Ensuring that they do not take part in any activity that could constitute fraud and/or corruption;

‣ Being vigilant to the risks of fraud and corruption; and

‣ Bringing to the attention of Management any inadequacies in the policy, procedures and practices implemented to prevent opportunities for fraud and corrupt behaviours.

## Other Interested Parties – Stakeholders, Contractors and Members of the Public

Other interested parties are encouraged to familiarise themselves with this Policy and to:

‣ Refrain from engaging in fraud and corruption behaviours in their dealings with Council; and

‣ Report known or suspected fraud or corruption in accordance with the processes outlined in the Internal Reporting (PID) Policy.

## 5.    EVALUATION AND REVIEW

It is the responsibility of the Director Shared Service, to monitor the adequacy of this Policy and recommend appropriate changes.

This Policy will be formally reviewed every four (4) years or as needed, whichever comes first.

## 6.    BREACHES OF THIS POLICY

Breaches of this Policy may be breaches of Council's Code of Conduct and may result in disciplinary action.

However, where a Council Officer and/or Official is reasonably suspected of behaving corruptly, as outlined in this Policy, that conduct will be reported according to the provisions of the Internal Reporting (PID) Policy.

This may be to:

‣ ICAC;

‣ Office of Local Government;

‣ NSW Auditor General;

‣ Ombudsman's Office; and/or

‣ NSW Police.

## 7.    LEGISLATION, ASSOCIATED DOCUMENTS AND DEFINITIONS

Legislation

▸ Local Government Act 1993 (NSW);

▸ Public Interest Disclosure Act 1994

▸ Government Information (Public Access) Act 2009

▸ Independent Commission Against Corruption Act 1988

Associated Documents

▸ MRC Policy – Code of Conduct Policy (POL-100)

▸ MRC Policy – Statement of Business Ethics Policy  (POL-201)

▸ MRC Policy - Delegations of Authority (Mayor and General Manager) Policy (POL-102)

▸ MRC Policy – Delegation of Authority (CEO to Staff) Policy  (POL-107)

▸ MRC Policy – Internal Reporting (PID) Policy  (POL-209)

▸ MRC Policy -  Related Party Disclosures Policy (POL-110)

▸ MRC Policy – Procurement Policy  (POL-205)

▸ MRC Policy – Pecuniary Interest Guidelines  (POL-106)

▸ MRC Policy – Risk Management Policy   (POL-200)

▸ MRC Plan – Risk Management Plan

▸ MRC Plan – Audit & Risk Committee Internal Audit Plan

▸ MRC Charter – Audit & Risk Committee Charter

▸ MRC Register – Risk Register

▸ MRC Register – Fraud & Corruption Control Register

▸ NSW Audit Office – Better Practice Guide: Fraud Control Improvement Kit – Meeting your Fraud Control Obligations (February 2015)

▸ Standards Australia:  AS8001-2008 – Fraud and Corruption Control

Definitions:

| Term | Definition |
|------|-----------|
| Benefits | A non-tangible item of value that one person or organisation confers on another (for example, hospitality, preferential treatment, access to confidential information, free access to services which are normally charged at a fee, or access to a private spectator box at a sporting or entertainment event). |
| Bribe | A gift or benefit offered for the purpose of winning favours or to influence the decision or behaviour of a Council official to benefit someone or something. |
| Corruption | **What is corrupt conduct?  (ICAC Act 1988, Section 8)**<br>1.Corrupt conduct is:<br>   a) 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, or<br>   b) any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or |

|  |  |
|---|---|
|  | c) any conduct of a public official or former public official that constitutes or involves a breach of public trust, or |
|  | d) any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or for the benefit of any other person. |
|  | 2. Corrupt conduct is also any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly, the exercise of official functions by any public official, any group or body of public officials or any public authority and which could involve any of the following matters: |
|  | a) Official misconduct (including breach of trust, fraud in office, nonfeasance, misfeasance, malfeasance, oppression, extortion or imposition), |
|  | b) Bribery, |
|  | c) blackmail, |
|  | d) obtaining or offering secret commissions, |
|  | e) fraud, |
|  | f) theft, |
|  | g) perverting the course of justice, |
|  | h) embezzlement, |
|  | i) election bribery, |
|  | j) election funding offences, |
|  | k) election fraud, |
|  | l) treating, |
|  | m) tax evasion, |
|  | n) revenue evasion, |
|  | o) currency violations, |
|  | p) illegal drug dealings, |
|  | q) illegal gambling, |
|  | r) obtaining financial benefit by vice engaged in by others, |
|  | s) bankruptcy and company violations, |
|  | t) harbouring criminals, |
|  | u) forgery, |
|  | v) treason or other offences against the Sovereign, |
|  | w) homicide or violence, |
|  | x) matters of the same or a similar nature to any listed above, |
|  | y) misuse of discretions in favour of third parties, |
|  | z) any conspiracy or attempt in relation to any of the above. |
| Council Official | Councillors, Council employees, administrators, Council Committee members, delegates of Council. |
| Council Officer | An officer is defined as being one of the following:<br>▸ An employee, or<br>▸ A contractor or subcontractor, or<br>▸ An employee of a contractor or subcontractor, or<br>▸ An employee of a labour hire company who has been assigned to work in the person's business or undertaking, or<br>▸ An outworker, or<br>▸ An apprentice or trainee, or<br>▸ A student gaining work experience, or<br>▸ A volunteer |
| ELT | Executive Leadership Team |

| External service provider | An entity engaged to deliver a function or service for and on behalf of Council. |
|---|---|
| Fraud | Fraud is a subset of corruption and is a "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 whether or not 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." |
| Gift | An item of value which one person or organisation presents to another (for example, cash, gift voucher, alcohol, products, or tickets to a sporting or entertainment event). |
| Internal Control | A process, policy or other action that acts to minimise risk and enhance the likelihood that stated objectives and goals will be achieved. |

## 8.    DOCUMENT CONTROL

| Version No. | Details | Dates | CM9 Reference | Resolution No. |
|---|---|---|---|---|
| 1 | Initial Issue | 25 June 2019 – 19 January 2021 | VF/19/527 | 110619 |
| 2 | Policy reviewed and updated to reflect changes to the organisational structure. | 19 January 2021 to | VF/19/527 | 080121 |

Council reserves the right to review, vary or revoke this policy at any time
This Policy is scheduled for review in before 2025

**Disclaimer:**
This document was formulated to be consistent with Murray River Council's legislative obligations and with the scope of Council's powers. This document should be read in conjunction with relevant legislation, guidelines and codes of practice. In the case of any discrepancies, the most recent legislation should prevail. This document does not constitute legal advice. Legal advice should be sought in relation to particular circumstances and liability will not be accepted for losses incurred as a result of reliance on this document.

**APPENDIX 1:    FACTSHEET:**

**What is Corruption or Corrupt Conduct?**

Corruption is:

"Dishonest activity which is contrary to the interests of an entity and where individuals abuses there position of trust in order to achieve some personal gain or advantage for themselves or another person or entity"

Corrupt conduct is:

‣ 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, or

‣ any conduct of a public official that constitutes or involves the dishonest or partial exercise of  any of his or her official functions, or

‣ any conduct of a public official or former public official that constitutes or involves a breach of public trust, or

‣ any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or for the benefit of any other person.

For example, this could include:

   ‣ the improper use of knowledge, power or position for personal gain or the advantage of others

   ‣ acting dishonestly or unfairly, or breaching public trust

   ‣ a member of the public influencing or trying to influence a public official to use their position in a way that is dishonest, biased or breaches public trust.

   ‣ Payment of bribes in money, benefits or some other value, to a person that is related to a specific action/decision of the person or entity

   ‣ Inappropriate release of confidential information by a person of the entity.

   ‣ A staff member manipulating a tendering or procurement process to achieve a desired outcome.

   ‣ Collusive procurement practices by prospective suppliers/tenderers

   ‣ Conflict of interest involving a staff member acting in his or her own self-interest rather than the interests of the entity.

   ‣ Acting to gain a benefit for another

**What is Fraud?**

Fraud is a subset of corruption and is

"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 whether or not 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."

## How Does Fraud and Corruption Occur?

Fraud and corruption can be committed by any person alone or in collusion with others. Perpetrators of fraud and corruption could be:

‣ An employee or employees of Council;

‣ Councillors;

‣ Volunteers;

‣ External individuals or companies or

‣ External contractors/service providers

## What is the Impact of Fraud and Corruption?

The potential impact of fraud and corruption is significant and far-ranging, and could include:

‣ financial loss;

‣ damage to Murray River Council's reputation and standing within the community;

‣ disruption to staff

‣ loss of key staff members;

‣ diversion of management energy; and

‣ reduction in staff morale.

## When is Fraud and Corruption more likely to happen?

The risk of fraud and corruption is heightened by the ever evolving environment of Local Government.  With changes continuously taking place, management must be particularly alert to the added risk of fraud and corruption.   Listed below are some examples of situations and changes when the risk of fraud and corruption is heightened:

‣ Structural change

‣ Changes to processes

‣ Changes to delegations of responsibility

‣ Changes brought about by cost-cutting measures

‣ Out sourcing of activities

‣ Changes in Information Technology

‣ Changes in legislation

‣ Council Officers and Officials being in their position for a long period.

## Behaviours to be aware of

Management, staff and Councillors should be aware of the following:

‣ Staff being first to arrive in the morning and/or last to leave at night.

‣ Egotistical (e.g. scornful of system controls).

‣ A risk taker or rule breaker.

‣ Reluctance to take leave

‣ Refusal of promotion

‣ Unexplained wealth

‣ Sudden change of lifestyle.

‣ New staff resigning quickly

‣ Cosy relationships with suppliers/contractors

‣ Suppliers/contractors who insist on dealing with one particular member of staff

‣ Staff who are disgruntled at work - a complainer

‣ Staff that are dismissive of ratepayer requests without full & proper consideration.

## What does Fraud and Corruption look like?

| **Assets** |
|---|
| ‣ Repeated and/or unexplained loss of assets – particularly portable and attractive assets such as laptops, mobile phones, digital cameras |
| ‣ Unauthorised disposal of assets |
| **Unauthorised use of assets** |
| ‣ Use of office equipment for private purposes |
| ‣ Private use of external equipment such as tools, power tools, plant and/or heavy equipment |
| ‣ Use of Council resources such as paper, stationery for private purposes |
| ‣ Unauthorised private use of motor vehicles |
| ‣ Unauthorised private use of fuel |
| **Human Resources** |
| ‣ Theft of time – persons using work hours to conduct a private business |
| ‣ Excessive and/or unsubstantiated claims for overtime |
| ‣ Fraudulent completion of attendance sheets and/or timesheets  "Ghost" employees |
| ‣ Labour charges in excess of expectations |
| ‣ Fraudulent workers compensation claims |
| ‣ Non-compliance to HR policies |
| ‣ Timesheet fraud – claiming hours not worked, misuse of sick or family leave |
| **Finance** |
| ‣ Theft of cash or petty cash |
| ‣ Using taxi vouchers for private purposes |
| ‣ Use of Council provided credit cards for personal expenses and claiming them as work related |
| **Inventory** |
| ‣ Unexplained losses/theft of inventory |
| ‣ Unexplained/Unauthorised inventory charges to cost centres |

**Information Systems**

‣ Inappropriate use of computer systems  i.e. access to the internet for unreasonable private usage

‣ Access to inappropriate sites

‣ Access to the system by unauthorised users

‣ Access to and provision of confidential information

‣ Unauthorised access to EFT processes

**Purchasing/Contracts/Procurement**

‣ Non-Compliance with Council procurement policies including bypass of the correct approval process

‣ Undisclosed personal/pecuniary interests of staff involved in a procurement or contract process

‣ Collusive practices between suppliers and procurement/purchasing officers

‣ Staff obtaining quotes from the same suppliers (to comply with policy) but not effectively market testing.

‣ Contract fraud – invalid variations and extensions to work scopes.

‣ Receiving 'kickbacks' from a contractor or consultant .

‣ Related parties transactions

**Planning**

‣ Development application – not following procedures and process

**Governance/Other**

‣ Obtaining an unjust advantage by misusing information gained during the course of employment with Murray River Council

‣ Theft of intellectual property

## How can Fraud and Corruption be Reported?

Council's Code of Conduct states that all Council Officers and  Officials are required to report any instances of possible fraud, corruption, maladministration or serious and substantial wastage. Council supports and encourages a culture of reporting.

Reporting to someone at Council

When a Council Officer and/or Official of Murray River Council suspects fraud or corruption, the Council Officer and/or Official is required to report it as a Public Interest Disclosure (often referred to as a PID) to one of Council's Disclosures Officers.

A person who makes a report in accordance with Council's Internal Reporting (PID) Policy (POL-212) will be protected under the Public Interest Disclosures Act 1994.

Murray River Council is committed to ensuring that Council Officers and Officials are not victimised as a result of reporting corrupt conduct, maladministration or substantial waste, concealment of pecuniary interests, or misuse of government information.

Any such allegations will be treated in strict confidence and investigated as considered appropriate.

See Council's Internal Reporting (PID) Policy (POL-212) for further details.

Reporting outside of Council

You can also choose to report suspected corruption to the Independent Commission Against Corruption (ICAC), maladministration to the Ombudsman, or serious and substantial wastage to the Office of Local Government (OLG).

Can I report Fraud and Corruption anonymously?

Staff members may make anonymous allegations concerning fraud and corruption. This is not an encouraged practice, as anonymous allegations are difficult to pursue as generally further information is required.

Murray River Council does recognise that people have many reasons for remaining anonymous, and this should not eliminate these opportunities to prevent and/or detect fraud and corruption.

See Council's Internal Reporting (PID) Policy for further details.

What protections are there if report Fraud and Corruption?

Under the Public Interest Disclosures Act 1994 (NSW) and Council's Internal Reporting (PID) policy, persons making public interest disclosures concerning corrupt conduct, maladministration, or serious or substantial waste of public money are entitled to protection against any reprisals or detrimental action in relation to the making of the protected disclosures.

It should be noted that protection is not available if the disclosure:

‣ is made frivolously or vexatiously
‣ primarily questions the merits of government policy, or
‣ is made in an attempt to avoid dismissal or disciplinary action.

See Council's Internal Reporting (PID) Policy for further details.