

Fraud and Corruption Prevention Policy

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FOREWORD

Message from the Mayor and Chief Executive Officer.

The risk of fraudulent or corrupt activity is an ongoing and pervasive risk faced in all organisations and industries throughout the world. Unfortunately, experience shows that Local Government is not immune to these risks which have the potential to significantly undermine Council activities, programs and reputation among the community.

The community expects the highest standards of ethical behaviour and efficient use of public resources from Council. While we would all like to think it could only happen from external sources, evidence shows that fraud and corrupt behaviour is often perpetrated from within an organisation and is often varied, complex and difficult to detect. Therefore, it is a requirement that all Council officials are aware of the risks and how to respond to, manage and mitigate them. The Fraud and Corruption Prevention Framework has been implemented and modelled on established best practice that supports Dubbo Regional Council's 'zero tolerance' approach to such behaviours and promotes an integrity focused culture that is resistant to improper behaviour or influence.

This policy applies to and requires the cooperation of Councillors, staff members, contractors and stakeholders, including customers and members of the community. It is to be read in conjunction with other relevant policies such as Council's Code of Conduct and the Public Interest Disclosure and Internal Reporting Policy.

While fraud control is an ongoing activity, the most important factor to ensure success is everyone's commitment, attitude and preparedness to take action.

*Ben Shields
Mayor*

*Michael McMahon
Chief Executive Officer*

PURPOSE

Dubbo Regional Council is committed to a 'zero tolerance' approach to fraudulent and corrupt behaviour, and seeks to minimise the incidence of fraud by implementing and regularly reviewing a range of strategies that aim to prevent, detect and respond to such behaviour.



This policy serves to outline the high standards of ethical behaviour expected by Council and introduces a Fraud and Corruption Control Framework to ensure appropriate mechanisms are in place to prevent, deter, detect and respond to fraud and corruption.

SCOPE

This policy applies to everyone who has any interaction with Council or Council staff to the maximum extent that Council has the authority to require it. This includes Councillors, Council staff members, committee members, consultants, contractors, suppliers, applicants and volunteers who all have obligations in the prevention of fraud and corruption and the fostering of an ethical and accountable work environment at Council.

Expectations of this policy also apply to customers, community and any relevant third parties with regard to the functions and/or operations undertaken for or on behalf of Council.

PRINCIPLES

Council is committed to building a corruption resistant culture through:

- Promoting an organisational environment that encourages professionalism, integrity and ethical conduct.
- Minimising the opportunity for fraudulent or corrupt conduct.
- The detection, investigation and disciplining and/or prosecuting fraudulent or corrupt conduct.
- The Reporting of any fraud or corrupt conduct to the Independent Commission Against Corruption (ICAC) and other authorities where appropriate.

Relevant Legislation

This Framework links with the following legislation:

- *Local Government Act 1993*

- *Local Government (General) Regulation 2005*
- *Independent Commission Against Corruption Act 1988*
- *Public Interest Disclosures Act 1994*

Relevant Council Policies and Documents

The following Council policies and procedures support this Policy:

- Code of Conduct
- Internal Audit Framework and associated documents and systems
- Public Interest Disclosures and Internal Reporting Policy
- Secondary Employment Policy
- Enterprise Risk Management Policy and Framework
- Statement of Business Ethics
- Grievance Handling Policy
- Discipline Policies and Procedures (as appropriate)

DEFINITIONS

To assist in interpretation, the following definitions apply:

Term	Definition
Fraud	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.
Corruption (or corrupt conduct)	As per the ICAC Act 1988 (Sect 7, 8, 9): <ul style="list-style-type: none"> • any conduct of a person (whether or not a public official) that adversely affects, or could affect the honest and impartial exercise of public official functions, or • any conduct of a public official that involves the dishonest or partial exercise of any of his or her public 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.
Maladministration	As per Public Interest Disclosure Act 1994: Conduct that involves action or inaction of a serious nature that is contrary to law; or unreasonable, unjust, oppressive, improperly discriminatory; or based wholly or partly on improper motives. Refer Dubbo Regional Council Public Interest Disclosures Policy.
Serious or substantial waste	Refers to the uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a loss/wastage of public funds/resources.
Stakeholders	Stakeholders refer to Councillors, Council staff members, committee

	members, consultants, contractors, suppliers, applicants and volunteers
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POLICY

Dubbo Regional Council is committed to a culture of good governance and ethical behaviour. As such, it will not tolerate fraudulent or corrupt behaviour and is committed to building a sound ethical culture supported by appropriate policies, procedures and strategies that prevent fraudulent and corrupt behaviour through:

- Ongoing education and training of all Council officials in relation to their obligations in combating dishonest and fraudulent behaviour.
- Regular review of fraud and corruption risk assessments to identify circumstances where fraud and corruption could occur.
- Implementation of procedures that have regard to, and mitigate, the risks identified in day to day activity.
- Promote an organisational environment that encourages professionalism, integrity and ethical conduct.
- Use of formal procedures upon detection, investigation and disciplining and/or prosecuting fraudulent or corrupt conduct.
- The reporting of any fraud or corrupt conduct to the Independent Commission Against Corruption (ICAC) and other authorities where appropriate.

Council's commitment to preventing fraudulent or corrupt activity, and avoiding or managing conflicts of interests, will be supported by implementing appropriate auditing systems to deter and identify corrupt activities, included in the following Fraud Control Framework.

FRAUD CONTROL FRAMEWORK

In order to achieve best practice, Dubbo Regional Council is adopting the following processes which are sourced from the Fraud Control Framework of the Audit Office of NSW. The Audit Office framework is acknowledged as being best practice and widely used in State and Local Government organisations, providing for a consistent, effective and systematic approach to preventing fraud and corruption across the organisation.



The Fraud Control Framework of the Audit Office of NSW encompasses ten key attributes which sit within the themes of prevention, detection and response. Each attribute has a checklist of high-level processes and behaviours that should be present.

Attribute	Theme
1. Leadership	Prevention
2. Ethical Framework	Prevention, Detection, Response
3. Responsibility Structures	Prevention, Detection, Response
4. Fraud Control Policy	Prevention
5. Prevention Systems	Prevention
6. Fraud Awareness	Prevention, Response
7. Third Party Management Systems	Prevention, Response
8. Notification Systems	Detection, Response
9. Detection Systems	Detection
10. Investigations Systems.	Response

PREVENTION

1 LEADERSHIP

A successful fraud control framework is led by a committed and accountable Executive who demonstrate and reinforce the high ethical standards expected of public officials, who are resistant to improper behaviour or practice and promote an open culture of accountability and transparency. The Chief Executive Officer has ultimate responsibility for fraud and corruption prevention within Council and is supported by the Executive Leadership Team, Audit and Risk Management Committee, and Governance and Internal Control Branch.

2 ETHICAL FRAMEWORK

The Fraud and Corruption Prevention Policy and associated framework builds upon Dubbo Regional Council's commitment to ethical, transparent and accountable behaviour. Dubbo Regional Council has clear policies, such as its Code of Conduct, setting out acceptable standards of ethical behaviour which are available to all staff on Council's intranet and/or website.

3 RESPONSIBILITY STRUCTURES

This policy applies to everyone who has any interaction with Council or Council staff to the maximum extent that Council has the authority to require it. This includes Councillors, Council staff members, committee members, consultants, contractors, suppliers, applicants and volunteers who all have obligations in the prevention of fraud and corruption and the fostering of an ethical and accountable work environment at Council.

Expectations of this policy also apply to customers, community and any relevant third parties with regard to the functions and/or operations undertaken for or on behalf of Council.

3.1 All Staff

It is important that all Council staff contribute to a workplace culture that has a 'zero tolerance' approach towards fraudulent and corrupt behaviour. As such, all staff have responsibilities in accordance with this policy, specifically:

- Maintain awareness and compliance with the requirements of this policy.
- Perform their duties to the best of their abilities with honesty, integrity and impartiality.
- Have regard to fraud and corruption related risks when performing their duties, and support processes that report and mitigate risks.
- Prevent, mitigate and report on (suspected, actual or attempted) fraud, corruption, maladministration and waste. This shall be done in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.
- Cooperate with and provide assistance to investigators or officials investigating suspected or reported fraud or corruption.
- Manage and declare pecuniary and non-pecuniary interests in compliance with Council's Code of Conduct.

3.2 Chief Executive Officer

The Chief Executive Officer is responsible for the efficient and effective operation of Council and the implementation of systems and practices that proactively minimise risks of fraud and corruption while promoting an ethical workplace culture that has 'zero tolerance' towards fraudulent and corrupt behaviour and is readily reported should it occur.

In addition to the responsibilities of all staff, the Chief Executive Officer is required to:

- Promote Council's commitment to fraud and corruption prevention.
- Lead by example through ethical workplace behaviour, decision making and acting with honesty, integrity and impartiality when dealing with others.
- Ensure processes exist to monitor Directors' and Managers' compliance with their duties in accordance with this policy.
- Ensure Councillors are aware of their obligations in accordance with this policy.
- Monitor and review fraud and corruption risk assessments on a regular basis.
- Ensure any allegations of wrongdoing are fully investigated and report actual or suspected corrupt conduct to the Independent Commission Against Corruption (ICAC) in accordance with Section 11 of the *ICAC Act 1988*.
- Report criminal offences to the NSW Police Force.

3.3 Mayor and Councillors

Responsibilities in accordance with this policy, specifically:

- Maintain awareness and compliance with the requirements of this policy.
- Perform their duties to the best of their abilities with honesty, integrity and impartiality.
- Have regard to fraud and corruption related risks when performing their duties, and support processes that report and mitigate risks.
- Prevent, mitigate and report on (suspected, actual or attempted) fraud, corruption, maladministration and waste. This shall be done in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.
- Cooperate with and provide assistance to investigators or officials investigating suspected or reported fraud or corruption.
- Reporting all instances of possible fraud or corrupt conduct, in accordance with Council's Code of Conduct and Internal Reporting Policy.
- Provide support to the Chief Executive Officer to implement adequate strategies to prevent fraud and corruption.
- Implementing and promoting Council's commitment to fraud and corruption prevention.
- Manage and declare pecuniary and non-pecuniary interests in compliance with Council's Code of Conduct.

3.4 Directors and Managers

In addition to the general responsibilities of all staff, Directors and Managers have a supervisory role in the implementation of this policy and promotion of an ethical workplace culture by demonstrably supporting the objectives of this policy, specifically:

- Leading by example through ethical workplace behaviour, decision making and acting with honesty, integrity and impartiality when dealing with others.
- Promoting and disseminating this policy and the standards of ethical behaviour expected by Council.
- Ensure training is provided to employees surrounding fraud and corruption awareness, Council's expectations and the reporting requirements in accordance with Council's Code of Conduct and Council's Public Interest Disclosures and Internal Reporting Policy.
- Provide ethical advice and support to staff.
- Identify and ensure appropriate internal controls are in place to manage potential fraud and corruption risks. This includes systematic review of risks and controls over time as well as initial identification, and assessment of training needs including refresher training.

3.5 Internal Ombudsman

In addition to the general responsibilities of all staff, the Internal Ombudsman is Council's Disclosures Coordinator for the purpose of Council's Public Interest Disclosures and Internal Reporting Policy and is further responsible for the provision of advice and education surrounding fraud and corruption prevention, Council's expectations and reporting requirements in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.

The Internal Ombudsman may also conduct investigations into allegations of wrongdoing in accordance with Council's Internal Ombudsman Policy.

3.6 Internal Auditor

In addition to the general responsibilities of all staff, the Internal Auditor is responsible for:

- Examine and evaluate the effectiveness of internal controls;
- Make recommendations to enhance the effectiveness of internal controls;
- Make notifications of suspected, actual or attempted instances of fraud and corruption in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.

3.7 Audit and Risk Management Committee (ARMC)

The ARMC provides independent assistance to the Council by providing advice on the adequacy of the fraud control framework and the processes and systems in place to capture and effectively manage the identified fraud and corruption risks, internal controls and proposed risk treatment action plans which will be documented and recorded in Council's Risk Register.

The responsibilities of the ARMC are set out in the ARMC Charter as resolved by Council. At the time of adopting this Fraud and Corruption Prevention Policy, the responsibilities included:

- Financial reporting process
- Business ethics, policies and practices
- Management and internal controls
- Monitoring the integrity of the Council's financial reporting practices and finance and accounting compliance
- Reviewing internal controls, key corporate risks and all audit related matters
- Encouraging continuous improvement of Council's systems and practices
- Adoption of the Internal Audit Plan
- The Council's process for monitoring compliance with policies, laws and regulations and the Council code of conduct.

3.8 Volunteers and Contractors acting for Council

Volunteers and Contractors providing services or otherwise acting on behalf of Council are required to:

- Perform their duties to the best of their abilities with honesty, integrity and impartiality.
- Have regard to fraud and corruption related risks when performing their duties, and support processes that report and mitigate risks.
- Prevent, mitigate and report on (suspected, actual or attempted) fraud, corruption, maladministration and waste. This shall be done in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.
- Cooperate with and provide assistance to investigators or officials investigating suspected or reported fraud or corruption.

3.9 External Parties

Council requires that all external parties act ethically and honestly in their business dealings with Council and that:

- Actual or perceived conflicts of interest are declared at the point any conflict becomes apparent;
- Any persons doing business with Council are to provide accurate and reliable information to Council when required, and;
- Take all preventative measures to prevent the unauthorised disclosure of confidential Council information.

External parties include Contractors, Consultants, Suppliers, Applicants, other Government Agencies or any other party engaged in business dealings with Council.

3.10 Residents and members of the public

Council encourages residents, customers and members of the public to support Council in preventing and responding to fraudulent or corrupt behaviour and invites those who suspect fraud or corruption that involves Council, to report their suspicions to the Chief Executive Officer, Internal Ombudsman or other appropriate authority.

4 FRAUD AND CORRUPTION PREVENTION POLICY

This Fraud and Corruption Prevention Policy reinforces Council's commitment to fraud and corruption prevention by providing clear guidance and expectation of staff that responsibility falls with every individual who is involved with the functions and/or operations undertaken for, or on behalf of Council.

Fraud and Corruption risks are to be monitored in accordance with Council's Risk Management Policy

5 PREVENTION SYSTEMS

Council's main objective is to minimise the occurrence of fraud and corruption within Council. This objective will be achieved by:

- Identifying fraud and corruption risks
- Determining strategies to control those risks
- Defining responsibility and timeframes for strategies to be implemented

Council's identified fraud and corruption risks, internal controls and proposed risk treatment action plans will be documented and recorded in Council's Risk Register.

Council recognises that internal audit complements the internal assessment of fraud and corruption related risks and controls. Independent identification and assessment of Council's fraud and corruption risks will be arranged with Council's Internal Auditor to the extent that the Audit and Risk Management Committee (ARMC) deems warranted.

6 FRAUD AWARENESS

One of the most common ways in which fraud and corruption is detected is by observation, investigation and reporting by those who work with, or deal directly with, the perpetrator(s).

Council will commit to providing all staff with a general awareness of fraud and corruption, and provide guidance on how they are to respond if such behaviour is suspected, detected or attempted.

This will be achieved in a number of ways by:

- Incorporating a brief session on fraud and corruption prevention into induction training for new staff;
- Providing fraud awareness training sessions to Management and staff;
- Making the Code of Conduct and the Fraud and Corruption Prevention Policy available to all staff and the general public via Council's website;
- Disseminating articles of interest on fraud and corruption to staff via staff newsletters, publications and circulars;
- Promotion of this strategy and associated documents through Council's procurement framework and procurement documentation;
- Regular attendance at relevant industry forums and seminars.

Additionally, Council routinely interacts with a wide range of stakeholders such as residents, ratepayers, suppliers, contractors and developers to volunteers, applicants, media, community organisations and various other interested parties. There is a need to ensure that these stakeholders are actively aware of Council's attitude towards fraud and corruption and that such behaviour will not be tolerated, through the promotion of this strategy in an effort to reduce the likelihood of improper dealings and/or attempts by external parties to influence Councillors or Council staff.

7 THIRD PARTY MANAGEMENT SYSTEMS

Dubbo Regional Council ensures that appropriate controls are in place via an assortment of policies to manage our dealings with third parties and conflicts of interest. In doing so we provide a copy of our *Statement of Business Ethics* to contractors and suppliers to ensure understanding of the standards of behaviour expected by Council.

Third party management also covers managing staff conflicts of interest in accordance with Council's Code of Conduct, Related Parties Disclosure Policy and secondary employment declaration requirements in accordance with *Section 353 Local Government Act 1993*.

8 NOTIFICATION SYSTEMS

Council's Code of Conduct compels all employees to report any instances of possible fraud, corruption, maladministration or serious and substantial wastage. Members of the public are actively encouraged to report any such behaviour that is known or suspected. Council supports and encourages a supportive culture of reporting and any person who makes a report in accordance with Dubbo Regional Council's Public Interest Disclosure and Internal Reporting Policy will be protected under the *Public Interest Disclosures Act 1994*.

Reports of all suspected unethical activity including corruption be made to Council's Internal Ombudsman. Alternatively, anyone wishing to make a report can direct matters of corruption to the Independent Commission Against Corruption, maladministration to the NSW Ombudsman and serious and substantial wastage to the Office of Local Government.

9 DETECTION SYSTEMS

Internal controls are effective at detecting fraudulent and corrupt behaviour with Council maintaining appropriate controls such as:

- segregation of duties
- approvals and authorisation
- verification
- reconciliations
- management reviews
- data mining tools
- risk assessments
- physical security
- job rotation
- Independent reviews like internal and external audits and peer reviews.
- Audit and Risk Management Committee

Council will not tolerate any reprisal action against staff who uncover and report such behaviour and will ensure appropriate methods are in place for their protection. If someone believes that detrimental action has been or is being taken against them, or someone else who has reported suspected fraud or corruption, they should advise a disclosure officer in accordance with the Public Interest disclosure and Internal Reporting Policy immediately.

10 INVESTIGATION SYSTEMS

10.1 Assessment

When an allegation of fraud or corruption is made under a Public Interest Disclosure, the Disclosures Coordinator will undertake a preliminary assessment and may recommend that the matter be referred to an external body or that a full investigation be conducted. The complainant will be advised and action taken as appropriate in accordance with Council's Public Interest and Internal Reporting Policy.

10.2 Support

Council will deal fairly with all parties in the course of investigating allegations of fraud or corruption, however if fraud or corruption is proven, Council will apply the appropriate sanctions or refer the matter to external law enforcement agencies if criminal offending is detected.

Council's investigation standards are clearly documented in various Council policies and procedures that include Council's Code of Conduct, Public Interest Disclosure and Internal Reporting Policy and Workplace Investigations Policy and Procedure.

10.3 Maintaining Confidentiality

Every effort will be made to ensure that any allegations of fraudulent or corrupt conduct are handled confidentially. In some situations, confidentiality may not be possible or appropriate and will be managed in accordance with the Public Interest Disclosure and Internal Reporting Policy.

Council will accept and consider anonymous reports, however anonymity may limit Council's ability to seek further information or adequately assess the report.

10.4 Vexations, Frivolous or Misleading Allegations

Any report that is found to be vexatious, frivolous or deliberately misleading may result in disciplinary action against the staff member for making the allegation.

REVIEW

This policy will be reviewed every two years.

Appendix 1 - Examples of Potential Fraudulent and Corrupt Activity

Theft

The most common types of property stolen include:

- stationery and office supplies
- construction and maintenance equipment and tools
- lap top computers
- mobile phones
- technical equipment
- cash
- fuel
- intellectual property, including documents and data

Theft also includes the unauthorised use of credit cards, petrol cards, Cabcharge cards or vouchers.

Gifts, Benefits and Bribes

Gifts, benefits and bribes are often intended to influence the way the recipient carries out official functions. The intention may be to encourage the recipient to not look too closely at an illegal or unauthorised activity, or to actively participate in a fraudulent or corrupt activity.

Exposure to offers of gifts, benefits or bribes is particularly common for Council Officers who:

- approve or can influence decisions
- procure goods or services
- carry out regulatory work
- provide customer or client service
- carry out work with the private sector

Misuse of Council Resources for Inappropriate Private Purposes

In their publication “Preventing the misuse of Council Resources Guideline 2”, the ICAC provides a number of examples of this type of risk:

- a Council driver using a Council truck to deliver tonnes of gravel to a friend’s property and remove a tree
- a works team undertakes paid work for a builder on a construction site during working hours
- a swimming pool manager running a non-authorised swimming school during work hours
- a parks maintenance officer running a landscaping business using council equipment and materials, and falsifying timesheets to cover up his private use
- five council employees spend a work day turfing an employee’s backyard

Other forms of misuse include:

- staff using mobile phones excessively for private purposes without reimbursement of costs
- internet services being used extensively for non-work purposes
- “left-over” materials and low value assets being claimed by Council Officers

Zoning and Development

- coercion, intimidation and harassment of Council planners dealing with development applications
- inducements from developers to modify approved DA or conditions imposed

Regulatory Compliance

- Compliance Officers accepting bribes and favours to allow illegal and unauthorised activities

Procurement, Tendering and Contract Management

Activities associated with procurement, tendering and contract management have traditionally been very susceptible to fraud and corruption. They normally result from bribes, commissions or conflicts of interests. Examples of the type of fraud and corruption risk exposures include:

- order splitting to avoid tendering or obtaining quotes
- collusion with suppliers to provide dummy quotes
- accepting late tenders without justification
- approving fraudulent contract variations

Human Resources

- creation of fictitious employees on the payroll register
- applicants for positions falsifying career background details
- direct recruitment of friends and relatives to permanent and casual positions

Delegations

The opportunity for various types of fraud and corruption can be increased by:

- unclear delegations
- delegation for order and payment granted to same person
- lack of supporting documentation

Information Technology

The main risk areas of computer fraud are:

- unauthorised electronic transfer of funds
- electronic claims processing
- unauthorised alteration of input data
- misappropriation, destruction or suppression of output data
- alteration of computerised data
- alteration or misuse of software program

Forgery or Falsification of Records

The falsification of records and processing of a false statement is fraud. Examples include falsification of:

- data on expense claims and receipts
- credit card reimbursement claims
- invoices and timesheets
- job application forms
- leave records
- forgery of a signature on a cheque or document

Unauthorised Sale or Provision of Information

This risk involves unauthorised sale or provision of confidential information, including client information.