TEMORA SHIRE COUNCIL

FRAUD & CORRUPTION CONTROL POLICY

ACTIVE

Review Details

ABOUT THIS RELEASE

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REVIEW

Revision Date	Revision Description		Date approved by Council	General Manager's Endorsement
September 2017	New Policy	1	21 September 2017	GCL
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PLANNED REVIEW

Planned Review Date	Revision Description	Review by
June 2026	General Review	Audit, Risk & Improvement Committee

FRAUD & CORRUPTION CONTROL POLICY

Policy statement

Council is committed to embedding an honest and ethical environment that minimises the risk of fraud and corruption.

Fraud and corruption are incompatible with Council's values and the Code of Conduct and can cause serious reputational damage and financial loss, undermine confidence in Council decision making and adversely impact staff morale and performance. For these reasons, Council has zero tolerance to fraud and corruption.

Acts or behaviours leading to fraud and corruption are considered a breach of this Policy and the Code of Conduct and may result in disciplinary action in accordance with the Local Government Award or action against a third party. Any fraud or corruption that is detected may also be reported to a relevant law enforcement agency.

Purpose

This Policy establishes a fraud and corruption control system (FCCS) consistent with the Australian Standard on Fraud and Corruption Control (AS 8001:2021) and the guidance for local councils in the [Audit Office's Fraud Control Improvement Kit (February 2015).](#)

This Policy provides guidance on how to prevent, detect and respond to incidents of fraud and corruption by:

- taking a risk management approach to the prevention, detection, and response to fraudulent and corrupt conduct
- reducing or removing the potential for fraudulent or corrupt conduct within and outside the organisation
- detecting fraudulent or corrupt conduct through the systematic processes articulated in Council's Fraud and Corruption Control Plan
- investigating or otherwise formally enquiring into all instances of suspected fraudulent or corrupt conduct exposed as a result of Council's detection processes, or as a result of receiving an allegation of fraudulent or corrupt activities
- managing, disciplining or facilitating the prosecution of those responsible for incidents of fraud and corruption as appropriate, and
- ensuring the continuing integrity and transparency of Council's operations.

Scope

This Policy applies to all staff, including permanent, temporary, part time, contractors/ consultants of Council, councillors, community members and to any person or organisation that acts for or represents Council including volunteers.

Fraud and corruption control system

Council's approach to fraud and corruption control is based on ten key attributes within the themes of prevention, detection and response, which together make up its FCCS.

The FCCS will be regularly reviewed and amended considering:
- outcomes of regular risk assessments
- historical incidents or behaviours of fraud and corruption
- changes in internal and external circumstances, developments, and trends identified through environmental scans
- better practice and guidance from relevant organisations including from the Independent Commission Against Corruption (ICAC) and the Audit Office
- changes in relevant legislation.

Implementation

Attribute one: Leadership

A successful FCCS is led by a committed and accountable leadership team. The elected Council is ultimately responsible for the strategic oversight of fraud and corruption control at Council. The General Manager, supported by the Leadership team (Directors) and managers, is accountable for implementing and monitoring Council's FCCS.

This is shown by a commitment to:
- modelling the highest standards of ethical behaviour
- not tolerating fraudulent or corrupt behaviour
- providing adequate support and resources to implement the FCCS
- requiring all staff to be aware that fraud and corruption prevention is the responsibility of everyone within their area of responsibility, supported by a training and awareness program
- treating all complaints and incidents of fraud and corruption seriously
- taking fair and proportionate action against staff or a third party found to have engaged in fraud and corruption.

Attribute two: Ethical Framework

Council's FCCS is part of a much bigger Ethical Framework that guides the values of the organisation and provides standards of behaviour and decision-making.

Council has clear policies establishing acceptable standards of ethical behaviour and these are available on Council's website and are included in the induction process. This includes the Code of Conduct (G17) and Procurement Policy (G3). These policies are reviewed regularly to ensure they are up to date and in line with Council's compliance obligations.

Council's values also reinforce ethical behaviour and are set out in Council's Statement of Business Ethics (G15).

Staff are required to evidence their commitment to acceptable standards of ethical behaviour by annually acknowledging the Code of Conduct.

Attribute three: Responsibility structures

Council has established a structure that ensures that there is clear accountability and responsibility for the implementation and monitoring of the FCCS. It is also important that all staff know this accountability and there is a common understanding that everyone in the organisation has a key role to play in effective fraud and corruption control.

Elected Council / Mayor and councillors	Ultimate responsibility for the FCCS and ensuring Council has in place adequate anti-fraud and anti-corruption measures and policies. The elected Council must evidence their commitment at the start of each new term of Council. Responsible for: • leading and developing a culture of ethical behaviour • demonstrating their commitment to zero tolerance of fraud and corruption.
General Manager	Responsible for the corporate governance of Council, with overall responsibility for: • leading the implementation of the FCCS • creating and maintaining a culture of honesty and ethical behaviour • demonstrating commitment to zero tolerance of fraud and corruption • being the designated Fraud & Corruption Control Officer under this Policy • approving, adopting and reviewing the Fraud & Corruption Control Plan • allocating resources to achieve the Policy objectives • overseeing any investigations that are carried out by third parties • ensuring investigations are appropriately conducted
Leadership team (Directors)	Responsible for: • showing commitment to the FCCS • promoting an ethical culture • considering strategic issues impacting their respective divisions, including any ongoing or emerging fraud and corruption risks, and monitoring performance in delivering outcomes • managing fraud and corruption risks within their area of responsibility and ensuring fraud and corruption controls are operating effectively

	• promptly reporting fraud and corruption matters that come to their attention in accordance with this Policy
Management	Responsible for: • showing commitment to the FCCS • fostering an ethical culture • being aware of and managing fraud and corruption risks within their area of responsibility and ensuring fraud and corruption controls are operating effectively • ensuring staff complete assigned training and are aware of fraud and corruption risk • promptly reporting fraud and corruption matters that come to their attention in accordance with this policy
All staff	Responsible for: • reading, understanding and complying with this policy, the Code of Conduct and other related policies • being aware that fraud and corruption may occur within their area of responsibility • preventing and controlling fraud and corruption within their area of responsibility • cooperating with all initiatives aimed at preventing, detecting and responding to fraud and corruption, such as completing staff questionnaires or surveys, input into risk assessments, completing related training and education • reporting known or suspected fraud and corruption or matters that raise fraud and corruption risk as soon as possible, in accordance with this Policy
Audit, Risk & Improvement Committee	The ARIC provides independent assurance and assistance to Council on risk management, compliance, control, governance, internal audit, fraud control, strategic plan implementation, organisational performance and improvement, and external accountability responsibilities. Responsible for the ongoing monitoring and review of the FCCS including actions to be implemented in the Fraud and Corruption Control Plan.

Attribute four: Policy

This Policy provides guidance on how to control fraud and corruption and covers the responsibilities for managing fraud and corruption within Council. It does not operate in isolation and has strong links to various Council policies including but not limited to:

- Code of Conduct (G17)
- Statement of Business Ethics (G15)
- Risk Management Policy (RM-001)
- Procurement Policy (G3)
- Public Interest Disclosures Policy (G10)
- Compliment & Complaint Management Policy (G5)
- Privacy Management Plan (G18)
- Enforcement Policy (G19)
- Conflict of Interest for Council Related Development (PR9)
- Records & Information Management Policy (G12)

Council will ensure the currency of these policies by regular review.

Attribute five: Prevention systems

Fraud and corruption risk is managed in line with the requirements of Council's risk management framework. Council's prevention systems consists of:

Fraud and corruption risk assessment & action plan

The fraud and corruption risk assessment is part of Council's enterprise risk management process and will be reviewed every two years. It identifies areas where fraud and corruption risks exist, evaluates how effective controls are to mitigate those risks, and determines actions necessary to eliminate any gaps. A fraud and corruption risk assessment was last completed in June 2024 and will be conducted every two years or sooner if required. The risk assessment will consider both internal and external factors. The results of the risk assessment will be documented in the Fraud and Corruption Control Register & Action Plan. This will include the additional controls to be implemented by Council to maintain the risks within the target range. The Register and Action Plan will be reported to the Audit, Risk and Improvement Committee.

Health check

On alternate years to the risk assessment review, Council will undertake a health check as per the guidance in the Audit Office's Fraud Control Improvement Kit to identify any unforeseen fraud or corruption risks.

Fraud and corruption register

The fraud and corruption register records all incidents of fraud and corruption affecting Council and the investigation outcome and response. Council is committed to analyse reports of fraud and corruption to help identify potential weaknesses in the internal controls.

Workforce systems, procedures and training

Council ensures that new and existing employee's values align with the organisational values. Council conducts preemployment screening including reference checks, medical checks, working with children checks and criminal history checks as appropriate.

Information technology systems & security

Council's Information Management Policy has a focus on IT security which is aligned with the organisation's business strategy.

Internal controls

Council's 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.

Attribute six: Fraud and corruption awareness

An integral element of Council's FCCS is creating awareness among all staff and the elected Council of the different components of the system, what activities are considered fraudulent or corrupt and how to respond if fraud or corruption is suspected. This includes the following:

Induction

Staff and councillor induction addresses key policies relevant to Council's FCCS, including the Code of Conduct.

Training

Council is committed to facilitating regular training opportunities relevant to fraud and corruption control for its staff and councillors including refresher training on the Code of Conduct and the Public Interest Disclosures Policy.

Awareness

Council is committed to providing general awareness of this policy for both staff and councillors to ensure understanding of staff responsibilities for preventing, detecting and reporting fraud. This includes undertaking regular risk assessments, emails from the General Manager and the Leadership team highlighting policy changes and discussion of key risks at team meetings.

Customer and community awareness

Council is committed to ensuring that its customers, suppliers and community are aware of its commitment to ethical behaviour. Council's Statement of Business Ethics (G15) is published on its website, along with policies relevant to the FCCS.

Attribute seven: Third party management systems

With councils relying more and more on services being provided by third parties, this adds an additional level of complexity to fraud and corruption control.

To mitigate this risk, Council provides a copy of its Statement of Business Ethics (G15) 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 Public Interest Disclosures Policy (G10), the Compliment & Complaint Management Policy (G5) and the Code of Conduct (G17).

Attribute eight: Notification systems

Council is committed to providing appropriate systems and policies to facilitate reporting of actual or suspected fraud or corruption by staff, consultants, contractors, customers, suppliers or members of the public.

Council maintains a register of Internal Audit Recommendations including notifications or concerns of fraud or corruption. The recommendations and actions taken by Council are reported to the ARIC for monitoring.

Council requires its staff and encourages third parties and members of the public to report known or suspected fraud or corruption in accordance with its Public Interest Disclosures Policy (G10). The *Public Interest Disclosures Act* 2022 provides protection to public officials 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.

In addition to Council-implemented policies and systems, reports of corrupt conduct may be made to the Independent Commission Against Corruption, with or without the knowledge of Council.

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.

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 prevent, detect or correct any fraud and corruption. These include data analytics and both internal audit and external audit.

Auditing is a particularly significant assurance 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 plan is risk-based and regularly reviewed by senior management and the Audit, Risk and Improvement Committee (ARIC).

Council has robust procedures for following up on audit recommendations, with responsibility assigned to individual staff and clear timetables set for response and implementation. The outcomes of audits are reported to Council's leadership team and ARIC.

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 Public Interest Disclosures procedure, Code of Conduct and the Local Government Award.

However, where a Council official or other relevant party is reasonably suspected of behaving corruptly, that will be reported to the Independent Commission Against Corruption (ICAC) and that person may be investigated under the ICAC Act. There is also the possibility of an investigation by the NSW Police if the reported behaviour constitutes criminal conduct.

The Fraud & Corruption Control Officer will be the operational liaison point with the relevant authority.

Definitions

Fraud

Council has adopted the *Australian Standard AS8001-2021* definition of fraud as follows:

> *dishonest activity causing actual or potential gain or loss to Council including theft of moneys or other property by employees or persons external to Council and/or where deception is used at the time, 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*

Fraud is also corrupt conduct under section 8(2) of the *Independent Commission Against Corruption Act* 1988.

Examples of internal fraud:

- theft or misuse of tangible assets (cash, stationery, smart phones, tablets, computer and computer-related software) by employees
- entitlements (e.g. expenses, leave, travel allowances or attendance records)
- theft or misuse of intellectual property or other confidential information (including funding proposals, procurement information, personal records)
- release or use of misleading information for the purposes of deceiving, misleading or to hide wrongdoing
- false invoicing
- credit card and other payments fraud
- receiving bribes or improper payments
- misuse of position by employees to gain some form of financial or non-financial benefit (corruption).

Examples of external fraud:
- theft or misuse of tangible assets such as plant / equipment
- false reporting on the expenditure of funding and falsifying funding applications to receive payments from government programs that they are knowingly not eligible for
- falsifying data in relation to participants engaged in funded activities
- external service providers making claims for services that were not provided, converting funded assets to personal use or misappropriating cash payments for personal use
- false invoicing

Corruption

Council has adopted the definition of corruption in the *Independent Commission Against Corruption Act* 1988. In broad terms, corruption is deliberate, serious wrongdoing that involves dishonest or partial conduct, a breach of public trust or the misuse of information or material. A more detailed definition is found in s 7, s 8 and s 9 of the Act.

Examples of corruption
- Payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the receiver (e.g. building projects completed at an employee's private residence) and may relate to a specific decision or action by the receiver or generally
- Release of confidential information for other than a proper business purpose in exchange for some form of financial benefit or advantage accruing to the person releasing the information.
- Collusive tendering
- Payment or solicitation of donations for an improper political purpose.
- Serious conflicts of interest involving a Councillor or staff acting in his or her own self-interest rather than the interests of Council
- Councillor voting in favour of a development application in which they have an undisclosed pecuniary interest

Legislative context
- Local Government Act 1993
- Local Government (General) Regulation 2005
- Public Interest Disclosure Act 2022
- Ombudsman Act 1974
- Independent Commission Against Corruption Act 1988
- Crimes Act 1900
- AS 8001-2021 Fraud and Corruption Control (AS 8001-2021)
- Audit Office's Fraud Control Improvement Kit (February 2015)