

Fraud and Corruption Control Policy

Reference number: POL 100
Approval date: 17 October 2022
Policy owner: Manager Governance and Risk
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Purpose

Council is committed to implementing and regularly reviewing a range of strategies within a robust and effective fraud and corruption control framework that aims to prevent, detect and respond to fraud and corruption.

The purpose of this Policy is to outline to Councillors, employees, Council contractors and the community, Council's expectations regarding the prevention, detection, investigation and management of fraud and corruption in the Council work environment. It outlines the principles Council seeks to uphold in relation to these activities; the individual and collective responsibility in doing so; how we will continue to do so; and the consequences for failing to do so.

This Policy recognises the importance of controlling fraud and corruption risk to protect public funds and assets; protect the integrity, security and reputation of Council; ensure high standards of ethical and accountable conduct; prevent a loss of employee morale and productivity and ensure community confidence in Council.

Scope

This policy applies to all Councillors, Council staff (full-time, part-time, temporary and casual), delegates, volunteers, business associates and third parties, including contractors working for Council.

Reports of wrongdoing that do not amount to Fraud and Corruption may be dealt with the accordance with Council's Code of Conduct and other relevant policies and procedures.

Policy Provisions

Principles

1. Leadership: Management are accountable for fraud and corruption control

Councillors, the Executive, Managers, Team Leaders and Supervisors are collectively and individually committed to preventing fraud and corruption within the Council work environment and promoting ethical conduct in all business dealings. They are also accountable for fraud and corruption prevention and detection in their areas of responsibility, including ensuring clear standards and procedures to prevent fraud and corruption at its origin.

2. Ethical Framework

Council recognises that fraud prevention requires the maintenance of an ethical climate that encourages all staff to be active in protecting Council's funds and assets, and in reporting any breaches of accepted standards

3. Responsibility Structures: management are accountable for fraud and corruption control

3.1 Responsible Officer

The Manager Corporate Governance & Risk is the Responsible Officer for this Policy, to ensure it is reviewed on at least a biennial basis. The Responsible Officer is also accountable for developing, implementing and maintaining Council's Fraud and Corruption Control Framework.

3.2 General Manager

The General Manager has ultimate responsibility for managing fraud and corruption risks at the Council. The General Manager is also required, under Section 11 of the *Independent Commission Against Corruption Act 1988* (NSW) to report to the ICAC any matter that he or she reasonably suspects involves or may involve corruption or fraudulent conduct.

3.3 Executive

The Executive are responsible for ensuring Council's Fraud and Corruption System (FCCS) is fully and effectively implemented.

3.4 Managers and Supervisors

Managers are responsible for:

- understanding and implementing this Policy, the Code of Conduct and Council's Fraud and Corruption Control Plan (contained within the Fraud and Corruption Risk Register), and
- undertaking risk assessment of corruption or fraud risk, active implementation of mitigating controls (including through Fraud Risk Register reporting), and regular reporting to senior management and the Executive.

3.5 Employees

Employees are responsible for behaving in accordance with this Policy, including reporting suspected or actual fraudulent or corrupt conduct, and the Code of Conduct.

4. Policy: Zero tolerance of fraudulent or corrupt conduct

Council's risk appetite states, "...acts of internal fraud, corruption, collusion or theft will not be tolerated." Council is committed to minimising the incidence of fraud by implementing and regularly reviewing a range of strategies that aim to prevent, detect and respond to fraud.

5. Prevention Systems and Fraud Awareness: A risk-based approach will be followed to manage fraud and corruption control

Managers will adopt risk-based approach to fraud and corruption control will be adopted to minimise the opportunities for corrupt or fraudulent conduct by any Councillor, employee, contractor or other person who performs official functions on behalf of the Council by proactively:

- assessing fraud or corruption risk
- implementing mandatory fraud and corruption prevention awareness training as a first line of defence
- implementing internal risk-based mitigation controls
- regularly monitoring control activity and reporting status to the Executive

To assist managers to meet their fraud and corruption control and prevention responsibilities, specific strategies will be included in Council's Fraud and Corruption Risk Register and Plan with Risk Controls and Planned Tasks to further mitigate the risk(s). Council will also maintain a risk-based internal audit program.

6. Third party management systems

Council ensures specific internal controls relating to third parties, such as segregation of duties, are in place to manage our dealings with business associates and third parties. We provide a copy of the Statement of Business Ethics setting out expected standards of behaviour and mutual obligations. Council's Code of Conduct and Conflict of Interest Policy and procedures set out how conflicts of interest.

7. Notification systems: Reporting of suspected to actual fraud or corruption is expected and encouraged

All councillors, employees, individuals, individuals engaged as contractors working for Council and other people who perform public official functions on behalf of Council have an obligation to report suspected or actual fraud or corruption associated with the Council work environment to Council **or** directly to:

- NSW Independent Commission Against Corruption (ICAC) for alleged fraudulent or corrupt conduct; or
- NSW Ombudsman for alleged maladministration; or
- NSW Auditor General for serious and substantial waste; or
- NSW Office of Local Government for any of the above and a breach of pecuniary interest provisions

Members of the public are encouraged to report suspected or actual fraud or corruption associated with the Council work environment either to Council or to the ICAC and/or NSW Police, as appropriate.

8. Detection Systems: Monitoring

Measures to prevent and detect fraud shall be continually monitored, reviewed, developed and reported. The principles set out in this Policy will be implemented and assessed through the provisions of Council's Fraud and Corruption Control Framework and Fraud Risk Register. The effectiveness of that Policy Framework and Register will be subject to periodic

assurance reviews endorsed by the Audit, Risk and Improvement Committee as part of a risk-based Internal Audit Program.

Effectiveness of this Policy will be based on the number of complaints and results of investigations which shall be reported to Council's Audit Risk and Improvement Committee six-monthly.

9. Investigation Systems: Fraud and corruption allegations will be treated fairly and seriously

Council takes all allegations of fraudulent or corrupt conduct seriously and is committed to appropriately and fairly investigating all such reports and in accordance with any relevant industrial instruments or contracts, the Code of Conduct and Administrative Procedures for the Code of Conduct and applicable legislation. Council will also not tolerate allegations of fraudulent or corrupt conduct that are found to be vexatious, frivolous or misleading and will take appropriate disciplinary contractual action as relevant.

Council is committed to the recovery of financial losses caused by fraudulent and corrupt activity, balanced against the cost of recovering losses where they exceed the value of that loss.

Elements of Council's Fraud Control Policy

The Standard identifies three elements of an effective fraud and corruption control system, which are incorporated into Council's Fraud and Corruption Control Framework.

Structural Elements – Prevention

Prevention of internal and external fraud and corruption, including fraud and corruption against and by Council

- A sound ethical culture and integrity framework
- Awareness program
- Implementing an Information Security Management System
- Roles and accountabilities
- Managing conflicts of interest
- Managing risks connected to gifts and benefits
- Internal controls
- Managing performance-based targets
- Workforce screening
- Screening and ongoing management of business associates
- Physical security and asset management
- Preventing technology-enabled fraud
- Developing and implementing an FCCS

Operational Elements – Detection

Early detection of fraud and corruption in the event preventative strategies fail

- Post-transactional review and data analytics
- Analysis of management accounting reports including external audit, data mining and pressure testing

- Internal Audit
- Fraud and corruption reporting channels
- Protected disclosure management system
- Complaint management
- Data mining and pressure testing
- Exit Interviews

Maintenance Elements – Response & Reporting

Effective response to fraud and corruption events in ways that achieve optimal outcomes for Council.

- Effectiveness reviews of internal controls
- Monitoring of culture
- Responding to fraud and corruption events including business associates
- Review of the Fraud and Corruption Risk Register
- Policies and procedures
- Investigations
- Internal reporting and escalation
- Disciplinary procedures
- External reporting
- Recovery of losses
- Insuring against fraud events
- Assessing internal controls, systems and processes post-detection of a fraud or corruption event
- Audit Risk and Improvement Committee

Policy Implementation Guidelines

Reporting Wrongdoing

Wagga Wagga City Council maintains a strong commitment to ensuring an ethical workplace and has developed and published policies and procedures to facilitate the reporting of suspicions of corrupt conduct, maladministration, serious and substantial waste of public money, government information and pecuniary interest contraventions. This guidance material assists staff to make protected disclosures in accordance with the *Public Interest Disclosures Act* 1994. It sets out:

- Procedures for making disclosures to Council
- Procedures for making disclosures to appropriate external agencies
- Procedures for dealing with anonymous reports
- Protection for people making protected disclosures from reprisals that might otherwise occur because of their disclosures
- Provisions for disclosures to be properly investigated and dealt with

The Public Interest Disclosures Policy and reporting system complements existing communication avenues between supervisors and staff. Staff are encouraged to continue to raise appropriate matters at any time with their managers, however as an alternative they have the option of making a protected disclosure.

Staff, members of the public, customers and other stakeholders can report suspicions of fraud or corruption by writing to the General Manager, Wagga Wagga City Council (or the Mayor if the matter involves the General Manager).

Legislative Context

- Local Government Act 1993 (NSW)
- Local Government (General) Regulation 2021 (NSW)
- Independent Commission Against Corruption Act 1988 (NSW)
- Public Interest Disclosures Act 1994 (NSW)

Related Documents

- Acquisition, Disposal and Management of Land Policy
- Australian Standard AS 8001-2021: Fraud and Corruption Control
- Complaints Handling Policy and Framework
- Code of Conduct and Code of Conduct Administrative Procedures
- Conflicts of Interest Policy
- Delegations Policy
- Fraud and Corruption Control Framework
- Fraud and Corruption Risk Register
- Fraud and Corruption Control Plan
- Good Governance Framework
- Related Party Disclosure Policy
- Public Interest Disclosures Policy
- Procurement and Disposal Policy
- Regional Procurement Preference Policy
- Risk Management Policy and Framework
- Processing Development Applications lodged by Councillors, Staff and Individuals Policy
- Councillor and Staff Interaction Policy
- Public Access to Information Policy

Definitions

Term	Definition
Fraud	Fraud is defined in Australian Standard AS8001-2021 Fraud and Corruption Control as: “Dishonest activity causing actual or potential gain or loss to any person or organization including theft of moneys or other property by persons internal and/or external to the organization and/or where deception is used at the time, immediately before or immediately following the activity. Property in this context also includes intellectual property and other intangibles, such as information. Fraud also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business

Term	Definition
	purpose or the improper use of information or position for personal financial benefit. While conduct must be dishonest for it to meet the definition of “fraud” the conduct need not necessarily represent a breach of the criminal law. A basic test for fraud could include the following questions: • Was deceit employed? • Was the action unlawful? • Did it result in money/benefits being received to which a person was not entitled? Some examples of fraud resulting in financial benefit include, but are not limited to: • Unauthorised use of Council plant and equipment • Theft of money or goods from Council or its customers • Claiming unworked time on timesheets • Providing confidential Council information to unauthorised people or organisations • Allowing contractors to not fully meet contract requirements • Obtaining benefits by use of a false identity or false qualifications
Corruption	Corrupt conduct is defined in Sections 8 and 9 of the <i>Independent Commission Against Corruption Act 1988</i> and is broadly: (a) <i>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</i> (b) <i>any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or</i> (c) <i>any conduct of a public official or former public official that constitutes or involves a breach of public trust, or</i> (d) <i>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 another person.”</i> Corruption is defined in Australian Standard AS8001-2021 Fraud and Corruption Control as: “dishonest activity in which a person associated with an organization (e.g. director, executive, manager, employee or contractor) acts contrary to the interests of the organization and abuses their position of trust in order to achieve personal advantage or advantage for another person or organization...While conduct must be dishonest for it to meet the definition of corruption, the conduct does not necessarily represent a breach of the law.”

Term	Definition
	Some examples of corrupt conduct include, but are not limited to: • Bribery • Fraud • Theft • Obtaining or offering secret commissions • Fraudulently obtaining or retaining employment or appointment as a public official • Collusive tendering • Defrauding the public revenue • Voting on a development matter in which the Councillor has an undisclosed financial interest • Selling confidential information • Election fraud
Bribery	Offering, promising, giving, accepting or soliciting of an undue advantage of any value (which could be financial or non-financial), directly or indirectly, and irrespective of location(s), in violation of applicable law, as an inducement or reward for a person acting or refraining from acting in relation to the performance of that person's duties". (Australian Standard AS8001-2021 Fraud and Corruption Control)
Business associate	External party with whom the organization has, or plans to establish, some form of business relationship. A business associate includes but is not limited to clients, customers, joint ventures, joint venture partners, consortium partners, outsourcing providers, contractors, consultants, sub-contractors, suppliers, vendors, advisors, agents, distributors, representatives, intermediaries and investors. This definition is deliberately broad and should be interpreted in line with the bribery risk profile of the organization to apply to business associates which can reasonably expose the organization to bribery risks. (Australian Standard AS8001-2021 Fraud and Corruption Control)
Council official	Includes Councillors, members of Council staff, administrators, Council Committee members, conduct reviewers and delegates of Council (including but not limited to volunteers and contractors).
ICAC	NSW Independent Commission Against Corruption An agency set up by the NSW Government under the ICAC Act 1988 with legislative powers to investigate allegation of fraud and corruption in the NSW Public Service and Public Authorities, including Local Councils in NSW
Risk	The effect of uncertainty on objectives (Australian Standard ISO31000-2018 – Risk Management)

Revision History

Revision number	Council resolution	Council meeting date
1	Res No: 07/367.4	24 September 2007
2	Res No: 09/077	27 July 2009
3	Res No: 13/224.1	26 August 2013
4	Res No: 14/351	15 December 2014
5	Res No: 17/161	22 May 2017
6	Res No: 17/279	28 August 2017
7	General Manager Approval under delegated authority	28 September 2020
8	Res No: 22/354	17 October 2022
9	Res No: 22/379	7 November 2022