Fraud and Corruption Prevention and Control Policy

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Service Unit	Democratic Support and Corporate Governance
Directorate:	Democratic Support and Corporate Governance
Review Date:	2025

1. Purpose

The purpose of this policy is to promote and guide on the appropriate conduct of all employees, Councillors, internal and external parties associated with Moorabool Shire Shire Council (the Council), in relation to fraud and corruption, including situations which may be regarded as unethical conduct or behaviour.

Fraud and corruption are criminal offences and are not tolerated at Council. An essential part of this commitment is the maintenance and monitoring of this policy that sets out the Council's position on suspected, alleged or detected fraud and corruption and on any attempt to gain financial or other benefits by deceit or dishonest conduct.

This policy is designed to protect financial assets, intellectual property, and the integrity, security and reputation of the Council and its employees. This enables the Council to maintain a high level of service to the community, demonstrating the Council's commitment to the detection and investigation of fraud and corruption occurrences.

This policy leads and complements Council's Fraud and Corruption Control System which outlines the Council's activities, structures and reporting requirements to prevent, detect and respond to fraud and corruption, and was prepared in the context of AS 8001:2021.

2. Definitions

A full and detailed list of definitions is attached at **Attachment A.**

Council has adopted the following definitions of fraud and corruption as set out in Australian Standard: Fraud and Corruption Control AS 8001:2021.

For the purposes of this policy, the reference to fraud will refer to fraud and corruption collectively.

3. Scope

This policy applies to all Councillors, employees, council appointed Committee members, contractors, volunteers and any agents and contractors either engaged by Council or by an authorised contractor of Council undertaking activity for or on behalf of the Council. Councillors are also obliged to maintain standards as mandated by Part 6 Division 5 of the *Local Government Act 2020* (Councillor Conduct).

Fraud and Corruption Prevention and Control Policy

Agents of Council extend to include contractors working in-house, employees on exchange, members of Delegated Committees, Community Asset Committees and Advisory Committees; volunteers, work- experience students or graduate placements who perform work for Council as well as external suppliers and other related contractors and subcontractors.

4. Non-Compliance

Subject to the requirements of the *Public Interest Disclosure Act 2013* and *Independent Broad-based Anti-Corruption Commission Act 2011*, breaches of this policy by employees, or any allegations of fraud, are to be investigated thoroughly and any action will be taken in accordance with the relevant disciplinary and termination procedures.

5. Policy

Council has a zero tolerance towards any type of fraud and corruption. Instances of fraud or corruption significantly impact the Council by causing financial loss, reputational damage, and eroding the Council's ability to deliver its strategic vision. The Council requires all Councillors, employees, volunteers, agents and contractors to act honestly, with integrity and to safeguard the public resources for which Council is responsible.

Council has established an organisational culture where transparency, accountability, integrity and stewardship are embraced. Council will ensure all staff and councillors have an awareness of expectations in relation to fraud and corruption and the process for reporting incidents.

Any fraud or corruption event committed or attempted against the Council will be thoroughly investigated irrespective of the suspected wrongdoer's position, length of service or relationship to Council.

Appropriate disciplinary action, including legal action, will be taken against any staff member involved in fraudulent or corrupt conduct and those other than staff will be prosecuted to the fullest extent of the law.

Council is committed to implementing and maintaining an effective Fraud and Corruption Control Policy to set out the approach, structures and processes to prevent, detect and respond to fraud nd corruption, and to ensure compliance with all legislative requirements and will ensure that it has in place effective operational systems for the prevention and detection of fraudulent and corrupt conduct.

Council is committed to ensuring employees feel confident to speak up about suspected fraud and corruption and maintains a Protected Interest Disclosure Coordinator (PDC) to assist employees. The Council does not tolerate detrimental action being taken in reprisal against employees who speak up about their concerns.

5.1. Responsibilities

A full list of roles and responsibilities is attached at **Attachment B.**

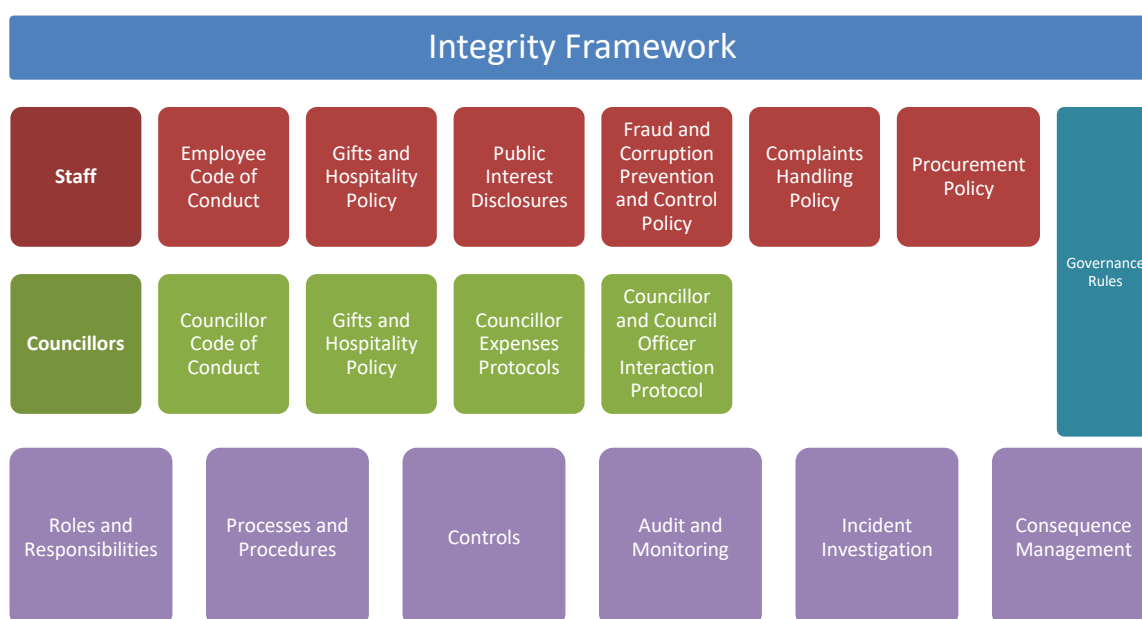# Fraud and Corruption Prevention and Control Policy

Responsibility for the prevention and detection of fraud and corruption and for the implementation and operation of controls that minimise fraudulent and corrupt activity within their areas of responsibility rests with all levels of management, Councillors, staff, volunteers and agency or contract staff who represent Council.

5.2. Integrtity Framework

In addition to this Policy, Council has developed the following:

- **Fraud and Corruption Prevention and Control System** describing Council's fraud management system and approach.

- **Fraud and Corruption Reporting and Investigation Procedure** to guide Council officers in the process for reporting and conducting an internal investigation when an incident of suspected fraud or corruption is detected.

- **Public Interest Disclosures Policy (PID Policy)** establishing Council's commitment to maintaining its integrity, supporting anyone disclosing information about improper conduct or detrimental action, and ensuring its compliance with the Act.

- **Public Interest Disclosures Procedure (PID Procedure)** setting out how Council will encourage and facilitate the making of disclosures, provide protecting and support for disclosers and witnesses, and ensure confidentiality and appropriate reporting of disclosures.

This Policy is complementary to and is to be read in conjunction with the above suite of documents, and is intrinsically linked to Council's other key ethical guidance policies and procedures as outlined in the following diagram:

Integrity Framework

| Staff | Employee Code of Conduct | Gifts and Hospitality Policy | Public Interest Disclosures | Fraud and Corruption Prevention and Control Policy | Complaints Handling Policy | Procurement Policy | Governance Rules |
| Councillors | Councillor Code of Conduct | Gifts and Hospitality Policy | Councillor Expenses Protocols | Councillor and Council Officer Interaction Protocol | | | |

| Roles and Responsibilities | Processes and Procedures | Controls | Audit and Monitoring | Incident Investigation | Consequence Management |

Fraud and Corruption Prevention and Control Policy

5.3. Fraud and Corruption Risk Management

Council has determined a little-to-no risk appetite for fraud and corruption and is committed to avoiding risk and uncertainly in this space. Council will maintain a strategic risk register including key risks in the external and internal operating environment that could materially impact the delivery of the Council Plan.

Managers are accountable for the management of operational risks within their respective departments. A fraud and corruption risk assessment is undertaken at least annually with each manager as part of the full annual risk review process to identify weakness in controls and allow the organisation to identify high risk areas. The organisation will utilise these assessments to improve any identified internal control weaknesses.

A summary of strategic risks, controls and improvement actions will at a minimum:

- Be considered annually by the Audit and Risk Committee as part of development of the Strategic Internal Audit Plan

- Be considered by the Executive Management Group and the Audit and Risk Committee on a quarterly basis.

- Any material changes in strategic risk will be reported to the Executive Management Group and Audit and Risk Committee as soon as practicable.

- Council will maintain an operational risk register including key risks identified by each department in the internal operating environment.

5.4. Fraud and Corruption Prevention and Detection

Additional to the fraud prevention strategies mentioned under specific areas of responsibilities, directors and managers must create and environment and culture in which employees and volunteers believe that dishonest acts will not be tolerated, and which will be fully investigated when they are suspected.

5.4.1. Pre-employment Screening

A focus on the prevention of fraud and corruption incidents perpetrated by staff commences at the beginning of the employment journey. When a preferred applicant is selected by an interview panel, the process for employment screening is activated. A selected panel member is required to undertake referee / security / medical checks against past employers to uncover any potential issues that may indicate that further research or questioning of the applicant may be required. Things to look for include unexplained gaps in employment history, short periods of employment or unavailability or reluctance to produce referees from past employers.

Police checks may also be undertaken and are used to determine someone's suitability for a position of trust. Requirements are usually attached to specific positions.

5.4.2. Supplier and Contractor Vetting

Council vets all prospective suppliers and contractors for both under and over $500,000 spends. The vetting process involves engaging with selected agencies who have access to directors and company information including credit ratings, any legal actions or court actions, referee checks, business profiles and provide a risk profile summary on both the directors and the business. Any reported fraud would be identified through this process.

5.4.3. Organisational Culture

The most effective weapon against fraud and corruption is a well-informed and aware workforce, prepared to disclose any fraudulent or corrupt behaviour.

The CEO and Executive Management Group is responsible for promoting an anti-fraud and corruption culture throughout the organisation. Staff must be aware that all reports of fraud and corruption will be fully investigated and appropriate action taken including possible dismissal, suspension, reporting of fraudulent or corrupt activity to Victoria Police or another regulator and potential prosecution including recovery of any financial loss suffered by Council.

5.4.4. Training and Education

Council will have suitable induction training to enhance fraud and corruption resistance. Awareness of the available reporting mechanisms and Public Interest Disclosure support will also be further reinforced through training programs and other means of communication such as via Council's intranet page and online training modules as well as face-to-face training where appropriate. Targetted training may also be provided for staff working in business areas where the risk of fraud is inherently high.

5.4.5. Internal Controls

Council must maintain effective internal controls designed to prevent and detect fraud and corruption. Controls are outlined in a Fraud and Corruption Control System, subject to review by the the Audit and Risk Committee to ensure they are effective and respond appropriately to the organisation's current risk profile.

Council must also maintain clearly documented procedures for its high risk activities such as tendering, accounts payable and purchasing, and management of assets.

Common examples of internal controls include:

- Segregation of duties
- Identification and declaration of conflict of interest
- Adherence to and promotion of Council policies
- Effective leadership – setting the tone at the top
- Security (physical and information systems)
- Supervision (internal reviews)
- Approvals within delegated authority
- Regular reconciliations

- Sound budget control including regular reviews
- Regular review of management reports
- Clear reporting lines

5.5. Allegations and Reporting of Fraud and Corruption

Staff who come forward and report incidents of wrongdoing are helping to promote integrity, accountability and good management within Council. Staff / Contractors should report conduct which involves (or which they reasonably believe may involve) fraud, corrupt conduct, maladministration or serious and substantial waste of public money.

Where such allegations are substantiated, Council will respond by either reporting the incident to relevant authorities or undertaking disciplinary action under the Code of Conduct.

Council will take action against anyone who takes reprisal action against a Council officer / Contractor who reports suspected or known incidents, consistent with Council's Protected Disclosures Policy and Procedures.

Disclosures may be made to:

- The Chief Executive Officer
- The Public Interest Disclosures Coordinator
- Any member of the Executive Management Group
- The Independent Broad-Based Anti-Corruption Commission

A confidential Fraud and Corruption Incident Register is maintained by the Executive Manager, Democratic Support & Corporate Governance and is used to record suspected or actual incidents of fraud and corruption. Incidents of fraud and corruption will be reported as confidential items in the Risk Management Update section of the Executive Management Goup meeting agenda.

All incidents are also reported to the CEO and Audit and Risk Committee (in accordance with Protected Disclosure Act requirements, where relevant).

In the absence of the complaint being about the CEO, the CEO shall determine the resources to be engaged for the purpose of conducting an investigation.

The confidentiality of persons who raise such concerns will be protected.

5.6. Reporting Obligations

5.6.1. Public Interest Disclosures

Under the *Public Interest Disclosures Act 2012,* the Council has established procedures to facilitate making and handling disclosures. Under those procedures, the Council Public Interest Disclosure Coordinator (PID Coordinator) must assess reports of suspected fraud and corruption to determine whether they may be public interest disclosures. Matters that may be public interest disclosures must be referred to IBAC. The Public Interest Disclosures system provides whistleblowers with protections from reprisals, and requires strict confidentiality of these reports be maintained.

5.6.2.Mandatory Notifications

Under the *Independent Broad-based Anti-corruption Commission Act 2011*, the relevant principal officer must notify IBAC of any matter which they suspect on reasonable grounds involves corrupt conduct occurring or having occurred, irrespective of whether the incident is considered serious or systemic. The CEO is the relevant principal officer of the Council. The CEO's obligation to notify IBAC of suspected corrupt conduct is pursuant to section 57(1) of the IBAC Act.

5.6.3.Criminal offences

Internal and external fraud, theft or other criminal offences that are perpetrated against the Council that result in financial loss must be reported to Victoria Police. In relation to external fraud, the Director of the business area that sustained the loss is responsible for ensuring the matter is reported to Victoria Police. The Executive Manager, Democratic Support & Corporate Governance can provide support to business areas if required. In relation to fraud and corruption perpetrated by a Councillor, employee, council appointed Committee member, volunteer, contractor and agent, the CEO in consultation with Executive Manager, Democratic Support & Corporate Governance is responsible for notifying the Victoria Police.

5.6.4.Recording reports of fraud and corruption

All reports of suspected fraud or corruption by employees will referred to the Executive Manager, Democratic Support & Corporate Governance to be recorded in the Fraud and Corruption Control Case Register for the purpose of monitoring and reporting. This information will be kept securely and limited to staff within Governance.

5.7. Consequences and recovery

5.7.1.Investigation

Council treats all complaints about, and instances of, fraud and corruption seriously. The Executive Manager, Democratic Support & Corporate Governance will assess all allegations of fraud or corruption that are referred to Governance and make a determination as to the investigation required. In some circumstances this may lead to an internal investigation by a senior executive, or by an appointed external specialist. The Council may be prevented from taking action as a result of matters being subject to assessment or investigation by IBAC, VAGO, the Ombudsman or Victoria Police. Where an internal investigation has concluded with adverse findings, those findings will be referred to the CEO and the Director or Manager of the employee to whom the allegations relate and may lead to the commencement of disciplinary action in accordance with the Council's Code of Conduct.

5.7.2.Recovery

Council will take action to recover losses caused by fraud or corruption (where avenues for recovery exist), where there is clear evidence of who is responsible for the loss and taking into account whether the likely benefit of such action will exceed the resources required for that action.

Fraud and Corruption Prevention and Control Policy

5.7.3.Register

A register will be maintained to ensure any Councillor, employee, council appointed Committee member, volunteer, agent or contractor who is found guilty of undertaking in improper conduct in relation to fraud and corruption cannot be reengaged or employed by Council.

5.8. Fraud and corruption performance indicators

Fraud and corruption management is integrated within Council's enterprise RMF. The below performance indicators have therefore been established to assess and evaluate the risks associated with fraud and corruption.

Indicator	Target
Staff Code of Conduct training completed by all staff	100%
IT External Breaches	0
Internal Audit actions re Fraud & Corruption issues	0
External Audit reports re Fraud & Corruption issues	0
Vetting of suppliers/business associates	100%
Protected Disclosures re Fraud & Corruption issues	No Target
Protected Disclosures re Fraud & Corruption issues closed	100%
Conflicts of Interests declared	No Target

5.9. Continuous improvement

Every two years Council conducts a Fraud Awareness Program (Program) to improve awareness and transparency, and to strengthen Council's fraud and corruption risk management culture. Key components of the Program include:

- Review of the Policy, FCCF, FRIP, PID Policy and PID Procedure
- Strategic and operational fraud and corruption risk reviews
- Department fraud control self-assessments
- Fraud and corruption awareness team discussions and online training modules
- Fraud awareness and PID information packs/brochures.

Outcomes of the Program are reported to the Executive Management Group and the Audit and Risk Committee. Updates to key policies are presented to Council for adoption considering any recommendations of the Audit and Risk Committee.

In addition, Council will publicise and raise awareness of relevant codes of conduct to ensure employees, providers and volunteers are aware of their responsibility and role in minimising the risk of fraud and corruption.

6. Related Legislation

- *Independent Broad-based Anti-corruption Commission Act 2011*
- *Public Interest Disclosures Act 2012*
- *Local Government Act 1989*
- Australian Standard AS 8001:2021 – Fraud and Corruption Control

Fraud and Corruption Prevention and Control Policy

- Australian Standard AS ISO 31000:2018 Risk Management – Guidelines
- Risk Management Framework
- Governance Framework
- Integrity Framework
- Public Interest Disclosures Policy
- Records management Policy
- Complaints Handling Policy
- Procurement Policy
- Privacy Policy

7. Council Plan Reference

Objectives:	providing good governance and leadership
Context:	Our people Our business and systems

8. Review

As a minimum, this policy will be reviewed every second year.

Fraud and Corruption Prevention and Control Policy

Attachment A – Definitions

Term	Definition
Corruption	Corruption or corrupt conduct includes asking for, or receiving a benefit of any kind, the acceptance of a bribe, in any form, which is punishable under law by the Victorian common law offence of 'Bribery of a Public Official' and offences under the Local Government Act 1989 (Vic). Section 4 (1) of the Independent Broad-Based Anti-corruption Commission Act 2011 defines corrupt conduct as any conduct: • of any person that adversely affects the honest performance by a public officer or public body of his or her or its functions as a public officer or public body; or • of a public officer or public body that constitutes or involves the • dishonest performance of his or her or its functions as a public officer or public body; or • of a public officer or public body that constitutes or involves knowingly or recklessly breaching public trust; or • of a public officer or a public body that involves the misuse of information or material acquired in the course of the performance of his or her or its functions as a public officer or public body, whether or not for the benefit of the public officer or public body or any other person
Fraud	A dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by persons internal or external to the organisation and where 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 for personal financial benefit" The theft of property belonging to Council where deception is not used is also considered 'fraud' for the purposes of this policy. (Australian Standards AS8001-2021: Fraud and Corruption Control). Fraud is not restricted to tangible benefits only and includes intangibles such as information. A fraudulent act can also be committed by an act of omission, dishonesty or deceitful and misleading behaviour.
Improper Conduct	The Public Interest Disclosures Act 2012 captures fraudulent and corrupt behaviour and specifically the following conduct by a public officer or public body in their capacity as a public officer or public body: • Corrupt conduct and/or • Any of the following conduct by a public officer or public body in their capacity as a public officer or public body: o A criminal offence

Term	Definition
	o Serious professional misconduct* o Dishonest performance of public functions o An intentional breach or reckless breach of public trust o An intentional or reckless misuse of public trust o An intentional or reckless misuse of information or material acquired in the course of the performance of public functions o A substantial mismanagement of public resources o A substantial risk to the health or safety of one or more persons o A substantial risk to the environment. * The Act does not define serious professional misconduct
Assets	Includes money, property (land and buildings), materials, stock, vehicles, plant, equipment, furniture, chattels and all other similar possessions and items. Assets also include information and records including transactional records.
Councillor	A person who holds the office of an elected representative of Moorabool Shire Council.
Council personnel	The Chief Executive Officer, members of Council staff, (permanent, temporary, agency, casual, full and part time), volunteers, trainees, students, Audit and Risk Committee members, Delegated Committee members and Community Asset Committee members.

Fraud and Corruption Prevention and Control Policy

Attachment B – Roles and Responsibilities

Role	Responsibility
Audit and Risk Committee	• Reviewing and endorsing Fraud and Corruption Prevention and Control Policy and reviewing the mechanisms in place to comply with the Policy including an annual risk assessment and control plan. • Considering the adequacy of actions take to prevent, detect and respond to fraud and corruption. • Receiving reports on actual incidences of fraud and corruption. • Ensuring fraud and corruption control is adequately considered in the Internal Audit and Core Compliance Plan. • Assists the Council in fulfilling their statutory responsibilities by independently reviewing and assessing the effectiveness of the Council's systems and controls for financial management, performance and sustainability, including risk management
Chief Executive Officer	• Has ultimate accountability for fraud and corruption control within Council and ensuring policies and procedures are followed and that appropriate governance structures are in place and are effective. • Establishes and maintains a culture of risk awareness and management. • Implements the requirements of the Financial Management Act and the Standing Directions. • Notifies IBAC of corrupt conduct in accordance with the mandatory notification provisions of the Independent Broad-based Anti-corruption Commission Act 2011. • Oversees the Council's prevention, detection and investigation activities with respect to fraud and corruption. Provides input to the Council in relation to approval of: • actions required to mitigate significant organisational risks • all matters identified as high or critical risks in risk registers.
Council staff, contractors and volunteers	• Be aware of and understand their obligations in identifying and reporting any risks, exposures or suspected fraudulent activities. • Uphold the Code of Conduct by demonstrating the Council's values at all times in the workplace. • Understand and comply with all Council policies, procedures and guidelines. • Identify, manage and mitigate fraud, corruption and other losses and risks. • Report suspicions of fraud, corruption and other losses to an appropriate manager, the Public Interest Disclosure Coordinator, the Council, or IBAC. • Support and apply fraud and corruption prevention initiatives • Undertake all mandatory induction and training. • Maintain the security of the Council's assets, including physical assets, data and intellectual property.

Fraud and Corruption Prevention and Control Policy

Role	Responsibility
Councillors	• As part of their sworn oath (or affirmation) as elected representatives, Councillors have a duty to ensure that Council assets and resources are safeguarded from fraudulent and corrupt conduct, and to ensure that Council's powers, duties and responsibilities are exercised in an open, fair and proper manner to the highest standards of probity. • Councillors must lead by example and genuinely commit to fraud and corruption control by raising awareness and ensuring that associated risks are considered in their dealings with the CEO, Council officers and members of the public. • Reviewing and adopting the Fraud and Corruption Prevention and Control Policy.
Executive Manager, People & Culture	• Coordinate disciplinary action in accordance with Council's Disciplinary Policy and Procedure.
Executive Management Group	• Ensuring Fraud and Corruption Control is embedded into enterprise risk management. • Provides leadership and oversight to the development and review of this Policy. • Monitoring the implementation of the Fraud and Corruption Prevention and Control policy. • Reviewing the annual risk assessment and assisting in establishing a Fraud and Corruption Control System. • Championing ethical behaviour and fraud and corruption awareness within Council. • Assisting with the handling of any incidents as appropriate. • Working in partnership with the Executive Manager Democratic Support & Corporate Governance in relation to training and awareness of fraud and corruption across the organisation. • Monitoring compliance with associated codes of conduct, policies and procedures. • Receiving reports on actual incidences of fraud and corruption. • Provides assurance that the Council has a robust framework for managing integrity risks and lifting integrity performance. The EMG does this by overseeing the development and delivery of integrity reforms which strengthen the organisation's three lines model for risk management. • Approves the Fraud and Corruption Control System.

Fraud and Corruption Prevention and Control Policy

Role	Responsibility
Executive Manager, Democratic Support and Corporate Governance	• Is the Protected Disclosure Coordinator. • Responsible for reviewing and updating Council's Fraud and Corruption Policy. • Responsible for maintaining Council's confidential Fraud and Corruption Incident Register. • Support the CEO in expeditiously reporting to IBAC, relevant agencies and the Audit and Risk Committee in accordance with the Fraud and Corruption Prevention and Control Policy. • Receives reports of suspected fraud and corruption directly that have not been made to the PDC from managers, staff or external bodies. • Advises the CEO and EMG as required on the progress and outcomes of internal investigations.
Information Technology	• Manage all information technology risks and ensure all IT users are acting ethically when using department software and assets. • Manage the security of Council's information through the use of technology.
Managers, Coordinators and Team Leaders	• Complying with the Fraud and Corruption Policy and promoting awareness and compliance with the Policy to staff, contractors and volunteers who fall within the area of responsibility of their Department. • Identifying and documenting fraud and corruption risk as business as usual and after organisational change. • Ensuring strong fraud and corruption risk controls exist, are recorded on their respective departmental operational risk registers and are complied with by all staff and frequently reviewed. • Receive and act on reports of fraud or corruption by notifying the Public Interest Disclosure Coordinator and otherwise maintain confidentiality regarding the report. • Educating their staff about fraud and corruption controls and procedures following the detection of fraud and corruption. • Continuously promoting ethical behaviour by their actions and advice. • Facilitate and support regular workplace conversations in relation to the Council's integrity at work. • Notify the Executive Manager, Democratic Support and Corporate Governance any suspected incidence of fraud, corruption or other losses as soon as practicable. • Ensure that Fraud and Corruption Control are standing items on the agendas of management meeting meetings.
People & Culture	• Ensure Pre-employment screening activities are being undertaken in conjunction with the hiring manager.

Fraud and Corruption Prevention and Control Policy

Role	Responsibility
Protected Disclosure Coordinator Executive Manager, Democratic Support & Corporate Governance	• Receiving allegations of fraud and corruption where the disclosure falls within the Protected Disclosure Act 2012. • Provides advice and guidance to areas of the Council and statutory authorities where required. • Oversees statutory reporting of fraud, corruption and other losses in accordance with the Public Interest Disclosures Act 2012, Independent Broad-based Anti-corruption Commission Act 2011 and the Standing Directions. • Collects and oversees the provision of information in relation to fraud or corruption matters to IBAC and the Ombudsman.