

5.6. FRAUD AND CORRUPTION CONTROL PLAN & FRAUD AND CORRUPTION GENERAL POLICY

GENERAL MANAGER: Darryl Crees, General Manager Corporate Services
DEPARTMENT: Corporate Services

RECOMMENDATION

That Council:

- 1. adopts the Fraud and Corruption Control Plan**
 - 2. adopts the revised Fraud and Corruption General Policy**
 - 3. notes the activities completed to date and scheduled to be completed to mitigate risks associated with fraud and corruption in Council.**
-

EXECUTIVE SUMMARY

Following QAO tabling its report to Parliament on Fraud Management in Local Government, staff have been actively working on developing, revising and updating Council's fraud risk management regime. This report is not only presenting the Fraud and Corruption Control Plan and General Policy for adoption, it also provides Councillors with information on activities either completed or scheduled to enhance fraud management within Council.

BACKGROUND

On 2 June 2015, the Queensland Audit Office (QAO) tabled in Parliament its report, Fraud Management in Local Government (Report 19: 2014-15). This report was a result of surveying all 77 councils in Queensland and examines whether councils effectively manage the risk of fraud occurring and remaining undetected.

A recommendation contained within this report was:

All councils assess themselves against the findings in this report as a priority and where needed develop, revise or update their:

- policies and procedures for fraud and corruption management*
- fraud and corruption control plans*
- fraud risk assessments*
- data analytics capability for fraud detection*

The Department of Infrastructure, Local Government and Planning has requested that Council reports, by no later than 26 August 2016, on the implementation of a fraud risk management regime.

COMMENT

In developing, revising and updating Council's fraud risk management regime, the following activities have been completed or have been scheduled to be undertaken.

- Being a relatively new Council, the Executive Leadership Team (ELT) has concentrated the Internal Audit focus (since January 2014) on the areas/functions of Council's operations that could be considered high risk for fraud and corruption. These areas/functions were:

| Project Description | Overview of Project Scope |
|--|--|
| Cash Handling Practices | Determine whether controls over cash receipting are adequate to ensure that cash collected is recorded, banked and reconciled on a timely basis. Examine the adequacy of security over cash and fraud monitoring measures to detect theft or pilfering. |
| Procurement Compliance | Assess whether the internal controls over procurement activities are operating appropriately to ensure that procurement is initiated on the basis of legitimate business need; in accordance with legislative requirements and Council's formal procurement guidelines. Data analytics were considered to determine the level of compliance with Council policy and legislative requirements. |
| Rates and Water Billing | Determine whether the business practices and internal controls over the rates function are sufficient to ensure that revenue generated and billed is complete, accurate and timely. Examine the adequacy and appropriateness of the end-to-end controls and procedures in place within the rates and water billing function. |
| Customer Request Management (and complaint handling) | Customer Request and Complaints Management is an essential part of Council's service responsibility and it requires a systemic approach to ensure satisfactory outcomes. The review examined the effectiveness and efficiencies of the procedures to capture, process and close-out service requests and formal complaints. |
| Plant Management Practices | Council has a fleet of heavy plant and vehicles. The objective of this review was to examine the organisation's plant and fleet management practices: Compilation of plant rates charged to projects; Utilisation rates of existing Council plant; appropriateness of plant held; Extent of and rationale supporting use of external hire (wet/dry); and plant funding approach including turnover frequency. |
| Stores & Inventory Management | Inventory management practices and movements and maintenance of stores items represent a large volume of purchasing activity. This review followed on from the previous reviews in the purchasing and procurement area and will examine the operational effectiveness of: Processes for ordering, receiving, recording and updating inventory movements within the management system; Effectiveness of physical security controls; and Controls over issuing items to employees, including portable and attractive items such as generators, standpipes, fuel. |

Recommendations from Internal Audit have been reviewed by the ELT and in the vast majority of cases, agreed upon. These recommendations have been implemented and the recommendations from most recent projects findings are in the process of being implemented.

- A Fraud and Corruption Risk Treatment Plan has been established and included in Council's Corporate Risk Register. Council's Corporate Risk Register and all associated Risk Treatment Plans were considered and endorsed by Council's Audit Committee in April 2016.
- Council engaged Local Government Association of Queensland (LGAQ) to provide Fraud Awareness training in January 2016. This training was deemed mandatory by ELT for all managers and supervisors and included the following topics:
 - Introduction to fraud management
 - What is fraud and corruption
 - Risk of fraud
 - Fraud against councils
 - QAO Fraud Management in Local Government and recommendations
 - Legal framework
 - Roles and responsibilities
 - Fraud prevention, policy risk assessment
 - Identifying fraud risks
 - Red flag indicators
 - Investigation and response
- Council's newly developed Corporate Induction Program has been delivered to all staff regardless of length of employment with Council. This program focused on the organisational culture, values and the expectations of employees at Council. To supplement and enhance the Corporate Induction Program, Code of Conduct training is being scheduled for all staff and this training is expected to be delivered in late August 2016.
- A Fraud and Corruption Control Plan has been developed, endorsed by the ELT and workshopped with Councillors on 26 July 2016. This Plan is included as an attachment to this report and is being presented to Council for adoption. Training on the Fraud and Corruption Control Plan is also being scheduled for delivery in late August 2016, in conjunction with the Code of Conduct training.
- The Fraud General Policy adopted in June 2015, has been reviewed and circulated to Councillors at 26 July 2016 workshop. The revised Fraud and Corruption General Policy is attached to this report and is being presented to Council for adoption.
- Staff are currently establishing a Fraud and Corruption Risk Register to be endorsed by the ELT. It is anticipated that this risk register will be finalised by the end of August 2016. During the development of this risk register, staff will also identify appropriate high risk areas of Council where transactions will be regularly analysed to mitigate the risk of fraud and corruption.
- By way of quality assurance on progress with Council's fraud risk management regime, staff are utilising the "Fraud and corruption control self-assessment for public sector entities" which has been developed by the QAO. Through a self-assessment on work completed to date, priority areas are identified where further work is required to successfully mitigate fraud and corruption risk.

The above is not an exhaustive list of activities undertaken by the administration to mitigate fraud and corruption risk but rather the more significant activities to enable Councillors to be confident in the ways in which staff are addressing the recommendations in the QAO report to Parliament.

PROPOSAL

The establishment of a Fraud and Corruption Control Plan and the review of the Fraud and Corruption General Policy have been finalised and are presented to Council for adoption.

FINANCIAL/RESOURCE IMPLICATIONS

All work completed or to be undertaken are covered within the annual budget.

RISK MANAGEMENT IMPLICATIONS

Work completed or to be undertaken is assisting in mitigating risks associated with fraud and corruption.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2014-2019 Initiatives:

Theme 5 - Governance

5.1.2 - Implement a robust enterprise risk management culture to identify and manage potential risks.

5.2.2 - Implement adopted policies and guidelines to ensure consistency in administrative management which also encourages innovation in Council operations.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Fully-Responsible Funding the full cost of a program or activity

CONSULTATION

Internal: Fraud and Corruption Control Plan and General Policy have been workshopped with Councillors.

External: Assistance has been provided to Council by QAO and LGAQ in revising and updating Council's fraud risk management regime.

ATTACHMENTS

Attachment 1 - Fraud and Corruption Control Plan

Attachment 2 - Fraud and Corruption General Policy

2016

Fraud and Corruption Control Plan



General Manager Corporate Services,
Darryl Crees (Doc# - #775124)



9 August 2016

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Fraud and Corruption Control Plan

Executive Summary

Statement of Douglas Shire Council's attitude to fraud and corruption

The operational, financial, social and reputational impact of fraud and corruption on our organisation, and the people it supports, can be significant. Fraud and corruption can:

- Undermine the viability of Council
- Compromise the delivery of essential services to our communities
- Breach the trust of stakeholders, sometimes irreparably.

Damage to Council's credibility, including the potential loss of public confidence, lower morale and/or reduced productivity and performance, may far exceed any likely financial or material loss caused.

For these reasons Council takes a zero tolerance approach to fraud and corruption. It is important we take steps to prevent fraud and corruption from happening, supported by a hierarchy of governance and controls to build an ethical organisational culture.

Purpose

This Fraud and Corruption Control Plan (Plan) provides direction and guidance to Council officers and stakeholders on the processes for:

- Prevention of fraud and corruption
- Detection of fraud and corruption and
- Responding to fraud and corruption.

The Plan objectives are to:

- Promote a culture that supports prevention of fraud and corruption;
- Minimise the risk of fraud and corruption within and against the council;
- Details how Council deals with suspected fraud and corruption through risk management practices; and
- Provide guidance on how suspected instances of fraud are managed and dealt with by Council.

Scope

This Plan applies to all Councillors, Council employees, contractors and volunteers and has been based on the 10 element model detailed in the Crime and Corruption Commission publication Fraud and Corruption Control: Guidelines for Best Practice (2005). The ten elements are distributed along the three phases of prevention, detection and response as shown below:

| Elements | Prevention | Detection | Response |
|-------------------------------|------------|-----------|----------|
| Integrated Council policy | √ | | |
| Risk assessment | √ | | √ |
| Internal Controls | √ | √ | √ |
| Staff education and awareness | √ | | √ |
| Public Interest Disclosures | | √ | |
| Investigations | | √ | |
| Code of Conduct | √ | | |
| Internal Reporting | | √ | √ |
| External Reporting | | | √ |
| Community awareness | √ | | |

Definitions

Corruption

Derived from AS 8001-2008 Fraud and Corruption Control is the following definition of corruption:

“Dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.

The concept of ‘corruption’ within this standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly.”

Fraud

Derived from AS 8001-2008 Fraud and Corruption Control is the following definition of 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 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 an entity by a person or persons internal to the entity but where deception is not used is also considered 'fraud' for the purposes of this Standard."

Public Officer

A public officer is an employee (includes a person engaged under a contract of service), elected representative or officer of Council.

Responsibilities

The Plan details the different responsibilities and accountabilities of Councillors, Managers and employees within Council. It requires all public officers to abide by Council's Code of Conduct, which prescribes standards of ethical conduct including:

- general standards of work behaviour, integrity and ethical conduct expected of the Chief Executive Officer and all employees of the Council to enhance both the public perception and confidence in the Council administration and the system of Local Government;
- general standards which could be used to determine further significant ethical issues; and
- standards for compliance with the statutory duty to act honestly and exercise due diligence and a high degree of care.

Furthermore the Code of Conduct was developed utilising the following four ethics principles and their associated set of values contained within the *Public Sector Ethics Act 1994*.

- Integrity and Impartiality
- Promoting the Public Good
- Commitment to the System of Government
- Accountability and Transparency

In general, Council expects public officers will assist in preventing fraud and corruption within Council by:

- Understanding the responsibilities of their position;
- Familiarising themselves with, and adhering to, Council's policies and procedures;
- Understanding what behaviour constitutes fraudulent and/or corrupt conduct;
- Maintaining an awareness of Council strategies implemented to minimise Fraud and Corruption;
- Being continuously vigilant to the potential for fraud or corruption to occur; and
- Reporting suspected or actual occurrences of fraud or corruption in accordance with this Plan.

Specific Responsibilities

| Role | Responsibilities |
|----------------------------------|---|
| Councillors | <p>Collectively, as the decision making body of the Council, Councillors are responsible for ensuring that:</p> <ul style="list-style-type: none"> • their conduct and behaviour conforms with the local government principles and responsibilities of Councillors as detailed within the <i>Local Government Act 2009</i> and Code of Conduct for Councillors General Policy. • Council promotes community awareness of Council's commitment to the prevention of fraud and corruption; and • sufficient financial and other resources are allocated in annual budgets enabling Council's administration to proactively mitigate fraud and corruption risks. |
| Executive Leadership Team | <p>As the senior management group of Council the Executive Leadership Team:</p> <ul style="list-style-type: none"> • their conduct and behaviour conforms with the local government principles and responsibilities of employees as detailed within the <i>Local Government Act 2009</i> and Council's Code of Conduct. • provides adequate security for the prevention of fraud and corruption, including the provision of secure facilities for storage of assets, and procedures to deter fraud or corruption from occurring; • provides mechanisms for receiving allegations of fraud or corruption, including ensuring a responsible officer is appointed; • ensures that, where appropriate, proper investigations are conducted into allegations that involve fraud or corruption; • makes reports of suspicions of fraud in accordance with this Plan and facilitates cooperation with any investigation undertaken by an external authority (such as Queensland Audit Office or the Crime and Corruption Commission); • ensures that all employees are provided with appropriate and regular training to raise awareness of their responsibilities in relation to fraud and corruption • promotes a culture and environment in which fraud and corruption is actively discouraged and is readily reported should it occur; and • undertakes a fraud and corruption risk assessment on a regular basis. |
| Managers | <p>Managers are responsible for:</p> <ul style="list-style-type: none"> • their conduct and behaviour conforms with the local government principles and responsibilities of employees as detailed within the <i>Local Government Act 2009</i> and Council's Code of Conduct. • the oversight of the conduct of any employees whom they supervise; • any property under their control and will be held accountable for such; |

| Role | Responsibilities |
|------------------|---|
| | <ul style="list-style-type: none"> • reporting suspicions of fraud in accordance with this Plan; • creating an environment in which fraud and corruption is discouraged and readily reported by employees. This should be fostered by the Manager's own attitude and behaviours to fraud and corruption and, by the accountability and integrity they both display and encourage from other employees; • ensuring that new employees for whom they are responsible are aware of their responsibilities in relation to fraud and corruption and, of the standard of conduct expected from all employees as outlined in Council's Code of Conduct and Fraud General Policy; • identifying potential fraud and corruption risks; and • leading by example to promote ethical behaviour. |
| Employees | <p>Employees are responsible for:</p> <ul style="list-style-type: none"> • their conduct and behaviour conforms with the local government principles and responsibilities of employees as detailed within the <i>Local Government Act 2009</i> and Council's Code of Conduct. • performing their functions and duties with care, diligence, honesty and integrity; • conducting themselves in a professional manner at all times; • adhering to these guidelines and other Council procedures that have been established to prevent fraud or corruption; • taking care of Council's property which includes avoiding the waste or misuse of Council's resources; • maintaining and enhancing the reputation of Council: • remaining scrupulous in the use of Council information, assets, funds, property, goods or services; and • reporting suspicions of fraud in accordance with this Plan. |

Risk assessment

Council’s main objective in the prevention and control of Fraud and Corruption is to minimise the occurrence of Fraud and Corruption within Council. This objective is generally achieved by:

- identifying fraud and corruption risks;
- determining strategies to control those risks; and
- defining responsibility for and, the time frame within which the strategies will be implemented.

Council will facilitate the systematic identification, analysis and evaluation of risks within its business operations. Council will maintain a fraud risk register documenting identified fraud risks and the controls that are in place to mitigate them.

The risk assessment considers the combined influences of the following factors on the activities of Council:

- the environment (both internal and external) within which Council operates ;
- the timeframe and deadlines in which Council operates; and
- an overall assessment of Council’s internal controls.

Managers must be alert to the potential of fraud and corruption to occur and remain wary of factors which may leave the Council vulnerable to fraud and corruption, including:

- changes to delegations;
- implementation of cost cutting measures;
- contracting out and outsourcing;
- the impact of new technology; and
- changes to risk management practices.

Reporting Allegations of Fraud and Corruption

Any public officer who reasonably suspects, or becomes aware of, breaches of the Code of Conduct, including fraud and corruption, should report the matter without delay to a supervisor or manager.

A number of reporting options are available, including:

- Reporting the incident to the employee’s manager/supervisor;
- Reporting the incident to the Manager Governance or General Manager Corporate Services;
- Reporting to the Chief Executive Officer; and
- Making a Public Interest Disclosure under the *Public Interest Disclosure Act 2010*.

It is preferred that allegations of fraud and corruption are reported in writing detailing the suspected offence and offenders if known.

Management recognises that the reporting of fraud and corruption is a sensitive issue (especially against work colleagues). To affirm the integrity of this function therefore, management will, as far as practicable, ensure the confidentiality of information provided. It will achieve this by maintaining the confidentiality of both the complainant and suspect and by avoiding rumours, morale problems and the possibility of wilful destruction of evidence. Regardless of the reporting option exercised, Council will take all practical steps to protect the welfare of the person making the report.

An allegation by an officer of a substantial misuse of public resources may fall within the definition of a public interest disclosure (PID) and is covered by the Council's Public Interest Disclosure General Policy.

There could be occasion when a party may make an allegation of fraud against an employee (or contractor, volunteer, consultant or work experience student) with the intention of causing that person harm, damage or disruption.

Vexatious, misleading or false reporting can waste time and resources in investigating the matter. This can also cause the person who is subject to the allegation a significant amount of emotional trauma and stress.

Any vexatious, misleading or false reporting of any allegation of fraud will not be tolerated and will have serious consequences which may include disciplinary action for the person bringing about such an allegation.

Investigation Process

All reports, information, complaints and notifications concerning alleged fraud activity or corrupt behaviour are referred to the Manager Governance through the investigation process in the first instance and reviewed by the General Manager Corporate Services. The reviewer will determine, where appropriate, the proposed investigation scope and appoint an investigating officer. An investigation is then initiated and conducted by the investigating officer.

It is a reasonable and lawful workplace direction for Council to ask that employees participate in the investigation process. Witnesses are informed of their rights and obligations before an investigation, including information about the terms of reference of the investigation, employee's legislative obligations, the investigation process, natural justice, interviews and what each party can expect from the other during an investigation.

Substantiated allegations of fraud activity or corrupt behaviour will result in formal disciplinary action which may include dismissal. All reportable instances of fraud and corruption will be referred to the relevant authorities as determined in s307A of the *Local Government Regulation 2012*.

Fraud Awareness

Council recognises that the success and credibility of the Fraud General Policy and Fraud and Corruption Control Plan will largely depend on how effectively they are communicated throughout the organisation and beyond.

Council will therefore, from time to time take proactive steps towards ensuring that the wider community is aware of the Council's zero-tolerance stance towards fraud and corruption.

Council will increase community awareness by:

- promoting Council initiatives and policies regarding the control and prevention of fraud and corruption on the Council website and at Council offices;
- including guidance on their website, for both council staff and external parties, on how to report suspicions of fraud;
- making reference to fraud and corruption initiatives in the Council's Annual Report; and
- facilitating public access to all of the documents that constitute the Council's Fraud and Corruption framework.

Fraud and corruption prevention

This stage outlines the frameworks, systems and processes in place across the local government to promote and support the prevention of fraud and corruption.

| What | | How | Who | When |
|-------------------|--|--|-------------------------|---|
| Element | Component | Action Plan | Oversight | Timeline |
| Integrated Policy | Fraud and Corruption Control Plan and Fraud General Policy | Executive Leadership Team to endorse and promote the Plan ensuring staff awareness of the Plan on an ongoing basis. | Chief Executive Officer | Every two years. |
| | | Relevant staff who are involved in prevention activities are to be included in reviews of the Plan. | Chief Executive Officer | Every two years. |
| Risk assessment | Risk profile and management | Consider and assess fraud and corruption risk and include in the overall Corporate Risk Register | Chief Executive Officer | Annually |
| Internal Controls | Corporate Governance Framework | Develop, approve, review and update a relevant suite of corporate governance policies and administrative instructions (AIs) | Chief Executive Officer | Ongoing Policies and AIs to be reviewed within a four year cycle |
| | | Outline clear accountability and reporting responsibilities in staff position descriptions. | Chief Executive Officer | |
| | | Where fraud risks are known to exist (e.g. procurement, capital expenditure management, payroll, travel, entertainment recruitment etc), clearly document work processes and make available to council officers. | Respective Managers | |
| | | Conduct screening of potential new employees. As a minimum all employees should be subject to referee checks. Police checks may be undertaken as considered appropriate. | Recruiting Panel Chair | |
| | Accountability and responsibility structures | Monitor recordkeeping for adherence to record keeping and document management policies. | Respective Managers | Ongoing |

| Element | What Component | How Action Plan | Who Oversight | When Timeline | |
|-------------------------------|--|--|------------------------------------|-----------------------------|----------|
| | | Supervisors to monitor compliance with work procedures. | Respective Managers | | |
| | | Supervisors to ensure proper and adequate advice and support is provided to staff on procedures where needed. | Respective Managers | | |
| | | Executive Leadership Team and Managers to demonstrate adherence to work procedures. | Executive Leadership Team | | |
| | | Organisation chart to be kept updated and available to all officers. | General Manager Corporate Services | | |
| | | Review and update delegations register regularly. | Chief Executive Officer | | Annually |
| | | Internal Audit to regularly review governance, risk management and internal control processes, and issue and provide recommendations for improved systems. | General Manager Corporate Services | | Ongoing |
| | Conflicts of Interest and Personal disclosures | Councillors to maintain declarations of conflict of interests, related party transactions and register of interests as required. | Mayor | Ongoing | |
| Staff Education and awareness | Policies and procedures | Relevant policies, procedures and information must be made available on intranet | Respective Managers | Ongoing | |
| | Training and awareness | Provide appropriate training to all staff on the content and purposes of the Fraud General Policy & Fraud and Corruption Control Plan | Chief executive Officer | Every Two Years | |
| | | Corporate Plan to refer to values and ethical conduct. | Chief Executive Officer | Ongoing | |
| Code of Conduct | Induction program | Provide each new employee information on the Fraud and Corruption Control Plan. | Executive Leadership Team | Within one month of arrival | |
| | Staff training | Promote ethical culture and awareness of | | Every two years | |

| What | | How | Who | When |
|---------------------|-------------------------|---|-------------------------|-----------------|
| Element | Component | Action Plan | Oversight | Timeline |
| | | fraud and corruption prevention and controls through the code of conduct training. | | |
| | Staff development | Include culture, values and an organisational understanding in the Corporate Induction Refresher Program. | | Every two years |
| Community Awareness | Policies and procedures | Include Fraud and Corruption Policy and Fraud and Corruption Control Plan on the website. Make it available for anyone who requests a copy. | Chief Executive Officer | Ongoing |
| | Training and awareness | <p>Include a reference to the Fraud and Corruption Plan and Fraud General Policy in Procurement documentation.</p> <p>Publish guidance on Council website on how to make a complaint or report suspicions of fraud.</p> | All staff | |

Fraud and corruption detection

This stage outlines the systems and processes in place across the local government to detect and expose fraud and corruption.

| What | | How | Who | When |
|-----------------------------|---|--|------------------------------------|-----------------------|
| Element | Component | Action Plan | Oversight | Timeline |
| Internal Controls | Work processes | Each functional area should develop clearly documented work procedures which are communicated to staff. Awareness and training of workflows and work processes must be provided | Respective Managers | Ongoing |
| | | Specific functional area processes must be complied with. | Respective managers | |
| Public Interest Disclosures | Management of Public Interest Disclosure | Public Interest Disclosure policy and processes will be reviewed and kept updated | Chief Executive Officer | Maximum Every 4 Years |
| | | Management to take all reasonable steps to protect disclosers and ensure all victimisation is dealt with swiftly and appropriately | Executive Leadership Team | Ongoing |
| | | All staff must comply with the policy and procedures | Respective managers | Ongoing |
| Internal Reporting | Fraud allegations | Make staff aware of Fraud Allegation Reporting process. | Manager Governance | Ongoing |
| | | Maintain appropriate register and records of all allegations received. | | |
| | Internal audit | Ensure that the internal audit plan takes into account fraud risk incidents as reported in the Risk Register. | Executive Leadership Team | Ongoing |
| | | Council to respond promptly to audit findings and recommendations. | General Manager Corporate Services | |
| Reporting | Culture of reporting to be supported and promoted through induction, training, the intranet, organisational planning and policies and procedures. | All Managers | Ongoing | |
| Investigations | Investigation process and procedures | All suspected instances of fraud and corruption to be reported to the Manager Governance or directly to the CEO | Chief Executive Officer | As required |

Responding to detected fraud and corruption incidents

This stage outlines the systems and processes in place across the local government to respond to fraud and corruption within local government and the various channels to ensure improvements or remedies for fraud and corruption.

| What | | How | Who | When |
|--|-------------------------|--|---------------------------|--|
| Element | Component | Action Plan | Oversight | Timeline |
| Risk assessment and internal reporting | Fraud Incident Register | Report all alleged or proven fraud and/or corruption instances as a risk incident and record in the Fraud Incident Register. | Chief Executive Officer | Report Incident within 24 hours of identification Update Register within 48 hours of incident reporting |
| | Fraud Risk reporting | Risk incidents and periodical risk reports are to be used to identify risks, review risks mitigation strategies. | Chief Executive Officer | Risk incidents as occurring and risk mitigation strategies at least annually |
| Investigations | Commence investigations | Conduct investigations according to relevant legislation, policies and administrative instructions. The Manager Governance, General Manager Corporate Services in conjunction with the CEO will decide whether the allegation constitutes improper conduct. | Chief Executive Officer | As required |
| | Report investigations | Investigation outcomes are to be supported and implemented by such means as are determined by the Executive Leadership Team | Executive Leadership Team | |

| What | | How | Who | When |
|-------------------------------|-----------------------------|---|-------------------------|--------------------------|
| Element | Component | Action Plan | Oversight | Timeline |
| Internal Controls | Policies and Procedures | Review policies and procedures taking into account recent risk incidents and in response to recommendations made by investigators, internal or external audit. | Chief Executive Officer | As risk incidents occur |
| Staff education and awareness | Training/ Awareness program | Reinforce awareness of internal controls/prevention mechanism through training on any new processes or procedures | Manager Governance | Ongoing |
| | | State and reinforce Council's stance on fraud and corruption through relevant corporate communications. | Chief Executive Officer | |
| External reporting | Mandatory reporting | Report fraud and corruption to following agencies in line with legislation: <ul style="list-style-type: none"> Report suspected corrupt conduct, which includes fraud, to CCC Notify reportable losses to Auditor General, Minister and Police if relevant. Implement all CCC recommendations | Chief Executive Officer | As required |
| | Governance publications | Report fraud prevention and control matters in Annual Report. | Chief Executive Officer | Annually and as required |

Review

The Plan will be reviewed biannually. However, the following may trigger an earlier review:

- Significant fraud or corruption event affecting the local government;
- Identification of any significant trends in fraud or corruption locally or globally.

This policy is to remain in force until otherwise determined by Council.

General Manager Responsible for Review: General Manager Corporate Services

ADOPTED: 9/08/2016

DUE FOR REVISION: 9/08/2018

REVOKED/SUPERSEDED:

FRAUD AND CORRUPTION GENERAL POLICY

Intent

This policy defines Council’s position to fraud and corruption by:

- acknowledging Council’s obligations as a public sector entity to eradicate all instances of fraudulent and corrupt activities through appropriate control measures; and
- establishing Council’s commitment to the promotion and proper management of the fraud and corruption management framework.

Scope This policy applies to all Councillors, employees, consultants, contractors and volunteers.

REFERENCE

Legislation:

- Crime and Corruption Act 2001*
- Criminal Code Act 1899*
- Integrity Act 2009*
- Public Interest Disclosure Act 2010*
- Public Sector Ethics Act 1994*
- Right to Information Act 2009*
- Local Government Act 2009 and*
- Local Government Regulations 2012*

PROVISIONS

Fraud is an intentional dishonest act or omission done with the purpose of deceiving, causing actual or potential financial loss to any person or entity. It includes theft of moneys or other property by employees or persons external to the entity.

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 is a dishonest activity in which a Councillor, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or entity.

Objective

The policy objective is to:

- Protect Council’s assets and reputation
- Ensure a sound ethical culture within Council

- Ensure senior management commitment to identify fraud risk exposures and establish procedures for prevention and detection
- Ensure Councillors and staff are aware of their responsibilities in relation to ethical conduct.

This policy outlines the appropriate actions that must be followed to increase the awareness of, and the investigation of, fraud and corruption.

Policy Statement

Council is committed to the control and elimination of all forms of fraud and corruption, and to create an ethical environment and culture that discourages and prevents fraud. Council has zero tolerance to activities related to fraud and corruption.

All staff are responsible for the prevention and detection of fraud and corruption and must comply with Council's Fraud Policy and Fraud Control Plan.

All allegations and suspicions of fraud will receive attention. All substantiated cases will be dealt with appropriately either by criminal, disciplinary or administrative mechanisms suitable to the particular case (having due regard for the rights of all persons, including any person reporting a fraud and of any alleged perpetrator of fraud).

Fraud and Corruption Management Framework

Council acknowledges that the Fraud Policy and accompanying Fraud Control Plan must be in place and address the ten elements of effective fraud control, identified in the Crime and Corruption Commission's publication, *Fraud and Corruption Control: Guidelines for Best Practice (2005)*.

The ten elements are:

- I. A clear and integrated suite of relevant policies
- II. Effective and continuing fraud and corruption risk management
- III. Internal controls with clear accountability and responsibility structures
- IV. Effective internal reporting systems and procedures
- V. An effective system of external notification and reporting
- VI. Robust public interest disclosure mechanisms
- VII. A clear Code of Conduct and disciplinary standards
- VIII. Comprehensive staff awareness and appropriate training programs
- IX. Competent investigation processes and standards
- X. Effective stakeholder and community awareness programs

Risk Assessment

Council will undertake a fraud and corruption risk assessment at least every two years. After each review Council will update its Fraud Control Plan.

Internal Controls

Council will maintain an internal control structure to minimise exposure to fraud and corruption. The primary mechanism for this control will be Council's Internal Control Framework, operating in conjunction with established audit and financial management practices.

Reporting

Staff must report any concerns or suspicions that they have about fraudulent or corrupt activity to their immediate Supervisor. If the staff member believes that the Supervisor may be involved in the activity, then the report must be made to a more senior person or to the Manager Governance or to the Chief Executive Officer.

Concerns and suspicions must be reported as soon as possible. An employee must not attempt to investigate the matter themselves.

Council must ensure that any report of suspected fraud or corrupt activity is treated confidentially to the fullest extent possible under the law.

Investigations

As statutorily required, Council will investigate or otherwise formally enquire into all instances of suspected fraudulent or corrupt conduct exposed as a result of receiving an allegation or detecting fraudulent or corrupt activities.

Investigations must be in accordance with the rules of procedural fairness or natural justice.

Appropriate actions will follow these investigations including where applicable actions to recover money or other property should a cost benefit analysis justify such action.

External Reporting

This includes reporting of fraud and the recovery of proceeds of fraudulent activity to the Queensland Audit Office (QAO), Crime and Corruption Commission (CCC) and the Queensland Police Service.

By law, the Chief Executive Officer must report all allegations of fraudulent or corrupt conduct to the CCC, and the QAO as appropriate.

Public Interest Disclosure

Council acknowledges that under the *Public Interest Disclosure Act 2010* it has obligations to any person who makes a public interest disclosure. These obligations may extend to a person who discloses fraud or corruption.



This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Manager Governance

ORIGINALLY ADOPTED: 16/06/2015
CURRENT ADOPTION: 09/08/2016
DUE FOR REVISION: 09/08/2020
REVOKED/SUPERSEDED:

The following definitions apply to this Policy.

| | |
|----------------------------|--|
| Corrupt Conduct | <p>Conduct that involves the exercise of a person’s official powers in a way that:</p> <ul style="list-style-type: none"> • Is not honest or impartial; or • Involves a breach of trust placed in the person as a public officer, either knowingly or recklessly; or • Involves a misuse of Council assets, materials or information; and is for the purposes of providing a benefit to the person or another person or causing a detriment to another person; • Would, if proven constitute a criminal offence or is serious enough to justify a dismissal. |
| False Disclosure | <p>Disclosure of information relating to fraud or corruption that is made by a person who knows the information to be false or, who is reckless as to whether it is false.</p> |
| Public Officer | <p>Includes:</p> <ul style="list-style-type: none"> • A Council member • A member of a Local Government body (including a subsidiary of a Council established under the <i>Local Government Act 2009</i>) • An employee or officer of the Council |
| Public Interest Disclosure | <p>A disclosure made under the <i>Public Interest Disclosure Act 2010</i> (PID Act) and includes all information and help given by the discloser to the proper authority for the disclosure.</p> |
| Risk | <p>The effect of uncertainty on objectives in consideration of fraud and corruption risk. This will generally be a negative impact.</p> |