

2019

Fraud and Corruption Control Plan



DOUGLAS SHIRE
COUNCIL

30 July 2019

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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;
- Detail 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 Best Practice Guide (2018). The ten elements are distributed along the three phases of prevention, detection and response as shown below:

Elements	Prevention	Detection	Response
Coordination mechanisms	√		
Risk management system	√	√	√
Internal Controls	√	√	√
Reporting processes	√		√
Protections for Disclosers	√	√	
External reporting		√	√
Investigation management processes	√	√	
Code of conduct	√		
Organisational culture change	√	√	
Client and community awareness program	√	√	

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 (including 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 to 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.
Management Team	<p>The Management Team will:</p> <ul style="list-style-type: none"> • ensure that 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. • provide 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; • provide mechanisms for receiving allegations of fraud or corruption, including ensuring a responsible officer is appointed; • ensure that, where appropriate, proper investigations are conducted into allegations that involve fraud or corruption; • make 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); • ensure that all employees are provided with appropriate and regular training to raise awareness of their responsibilities in relation to fraud and corruption • promote a culture and environment in which fraud and corruption is actively discouraged and is readily reported should it occur; and • undertake a fraud and corruption risk assessment on a regular basis.
Coordinators / Team Leaders	<p>Coordinators and Team Leaders will:</p> <ul style="list-style-type: none"> • ensure that 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. • provide oversight of the conduct of any employees whom they supervise;

Role	Responsibilities
	<ul style="list-style-type: none"> • ensure the security of any property under their control and will be held accountable for such; • report suspicions of fraud in accordance with this Plan; • create an environment in which fraud and corruption is discouraged and readily reported by employees. This should be fostered by the leader's own attitude and behaviours to fraud and corruption and, by the accountability and integrity they both display and encourage from other employees; • ensure 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; • identify potential fraud and corruption risks; and • lead by example to promote ethical behaviour.
Employees	<p>Employees will:</p> <ul style="list-style-type: none"> • ensure that 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. • perform their functions and duties with care, diligence, honesty and integrity; • conduct themselves in a professional manner at all times; • adhere to these guidelines and other Council procedures that have been established to prevent fraud or corruption; • take care of Council's property which includes avoiding the waste or misuse of Council's resources; • maintain and enhance the reputation of Council: • remain scrupulous in the use of Council information, assets, funds, property, goods or services; and • report 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 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.

Leaders 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 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 relevant Manager in the first instance and reviewed by the Manager Governance. 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 and Corruption 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 General Policy and Fraud and Corruption Control Plan	Management 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	Management Team	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.	Respective Managers	
		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 police and referee checks.	Recruiting Panel Chair	
	Accountability and responsibility structures	Monitor recordkeeping for adherence to record keeping and document management policies.	Respective Managers	
	Supervisors to monitor compliance with work	Respective Managers		

What		How	Who	When
Element	Component	Action Plan	Oversight	Timeline
		procedures.		
		Supervisors to ensure proper and adequate advice and support is provided to staff on procedures where needed.	Respective Managers	
		Management Team to demonstrate adherence to work procedures.	Management Team	
		Organisation chart to be kept updated and available to all officers.	Human Resources Officer	
		Review and update delegations register regularly.	Manager Governance	Ongoing
		Internal Audit to regularly review governance, risk management and internal control processes, and issue and provide recommendations for improved systems.	Manager Governance	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
		Senior executives to maintain declarations of conflict of interests, related party transactions and register of interests as required.	Chief Executive Officer	Ongoing
		Management Team to specifically address fraud and corruption risks	Management Team	Ongoing
	Staff Education and awareness	Policies and procedures	Relevant policies, procedures and information must be made available on intranet	Manager Governance
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.	Management Team	Within one month of arrival
	Staff training	Promote ethical culture and awareness of fraud and corruption prevention and controls		Every two years

What		How	Who	When
Element	Component	Action Plan	Oversight	Timeline
		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.	Manager Governance	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>	Relevant Manager	

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	Manager Governance	Maximum Every 4 Years
		Management to take all reasonable steps to protect disclosers and ensure all victimisation is dealt with swiftly and appropriately	Management 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.	Management Team	Ongoing
		Council to respond promptly to audit findings and recommendations.	Manager Governance	
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	Respective Managers	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.	Manager Governance	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.	Manager Governance	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, in conjunction with the CEO will decide whether the allegation constitutes improper conduct.	Manager Governance	As required
	Report investigations	Investigation outcomes are to be supported and implemented by such means as are determined by the Management Team	Management Team	
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

What		How	Who	When
Element	Component	Action Plan	Oversight	Timeline
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.

Manager Responsible for Review:

Manager Governance

ADOPTED: 9/08/2016

REVISED: 30/07/2019

DUE FOR REVISION: 30/07/2021

REVOKED/SUPERSEDED: