

**Council Policy**  
**CP 034**  
**Fraud Control Policy**

<b>Officer</b>	Manager Financial Services	<b>Owner</b>	Director Corporate Services
<b>Review Frequency</b>	Annually	<b>Next Review</b>	2013
<b>Council Resolution number and date</b>			
<b>Chief Executive Officer</b>		<b>Mayor</b>	

### **OBJECTIVE**

The purpose of this policy is to demonstrate and communicate the Council's commitment to the prevention, deterrence, detection and investigation of all forms of fraud.

### **SCOPE**

This policy applies to all City employees, contractors, Mayor and councillors.

### **DEFINITIONS**

**CEO:** Means the Chief Executive Officer of a local government;

**Councillor** means a person who holds the office of councillor on a council;

**Mayor** means a person elected by the electors to hold the office of Mayor.

**Employee** means:

- a) A person by whom work is done under a contract of employment;
- b) An apprentice; or trainee;
- c) Person employed as a contractor.

### **POLICY PRINCIPLES**

As fraud constitutes a significant risk to any organization, it is appropriate that a culture of ethical conduct be developed to recognize and avoid fraud and to deal appropriately with any cases of fraud.

Fraud can lead to financial loss, bad publicity for the City and loss of public confidence in the way that public money and other resources are being used. It is therefore important that the City has robust systems and procedures in place to ensure that the risk of impropriety is minimized, as far as possible, that there is a process in place to enable fraud to be adequately reported and that where instances of fraud do occur, there is a prompt and effective response to them.

### **Fraud**

1. Fraud is defined as "The intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain". Fraud is a deliberate act by an individual or group of individuals and is therefore always intentional and dishonest.

2. Internal fraud refers to fraudulent acts undertaken by councillors and employees. Examples of such fraud would include: falsification of expenses and wages claims, theft of cash and alteration of records to conceal the deficiency, falsification of invoices for payment, failure to account for monies collected, dealing inappropriately with benefits claims of friends or relatives.
3. It is also worth noting that there may, in some instances, be potential for those in positions of trust within the City to perpetrate frauds against third parties. The City has the responsibility for the integrity of staff employed in such positions of trust.
4. External fraud is defined as fraud committed against the City by persons outside of the organisation. Examples include false statements in applications for City programs and applications for grants or false invoices for goods or services.
5. Fraud and other similar irregularities includes, but is not limited to:
  - Forgery or alteration of cheques, invoices, computer records and other documents;
  - Any misappropriation of funds, securities, supplies or any other asset;
  - Any irregularity in the handling or reporting of money transactions;
  - Misappropriation of furniture, fixtures and equipment;
  - Seeking or accepting anything of material value from vendors, consultants or contractors doing business with the City;
  - Unauthorised use or misuse of City property, equipment, materials or records;
  - Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Council owned software.
  - Any claim for reimbursement of expenses that are not made for the exclusive benefit of City.
  - Any similar or related irregularity.

## **Roles and Responsibilities**

### 1. Councillors

Councillors have a duty to ensure that City assets are safeguarded from fraud and abuse 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.

These issues need to be borne in mind when considering reports, making decisions and scrutinising Council's activities.

Councillors should endorse and support all policies and measures taken to prevent, deter, detect and resolve instances, or suspected instances, of fraud throughout the City.

### 2. Chief Executive Officer and Directors

The Chief Executive Officer has primary responsibility for the proper management of the City's resources and the development and implementation of systems and practices to minimise the risk of fraud.

The Directors play a major role in assisting the Chief Executive Officer in these responsibilities and by ensuring that corporate systems and procedures are put in place, properly managed and all necessary reporting and accountability provisions are in place and operating.

### 3. General Manager Corporate Services

The Director Corporate Services shall be the City's Fraud Control Officer and is responsible for the following:

- Implementation of fraud control initiatives
- Coordination of the fraud risk assessment process
- Recording and collation of fraud incident reports
- Conducting or coordinating investigations into allegations of fraud.

### 4. Manager Financial Services

The Manager Financial Services is responsible for ensuring that the City's processes, particularly those assessed as having a higher predisposition to the risks of fraud, are subject to a rigorous system of internal controls that are well documented, updated regularly and understood by all staff.

### 5. Managers

Managers are responsible for ensuring there are adequate measures to prevent and detect fraud within the areas under their control by:

- complying with legislation and City policies and practices;
- ensuring staff understand their responsibilities through adequate communication, supervision, written procedures and job descriptions;
- responding positively to matters raised and advice given by internal and external audit.

Management need to be vigilant in guarding against fraud, be aware of any circumstances which may indicate that there may be a problem and report any such suspicions to the Directors or Chief Executive Officer for an independent investigation or advice.

In carrying out their responsibilities, all managers (and staff) should be conscious of the fact that they are spending public money collected through rates and taxes. This provides an extra responsibility not only to spend it economically and effectively but also fairly.

There should be sensitivity to public concerns over how their money is being used and consideration of how actions taken may be interpreted by others.

Managers should be prepared to justify decisions taken and have evidence to support these and generally being open about the way the City conducts its business will help instill public confidence.

## 6. Staff

Staff have a duty to make management aware of any concerns they have about the conduct of the City's affairs or the use of City assets and resources. Any matters raised by them should be taken seriously and properly investigated. Staff who suspect that fraud has occurred should advise their Manager or Director as soon as possible.

The City has prepared Operating Procedures following the introduction of the Public Interest Disclosure Act 2003 which protects "whistleblowers" from unjust recrimination where they have an honest and reasonable suspicion of malpractice and they act on it. The City, in the interests of probity and good local government, encourages staff to raise matters so that they can be properly investigated.

As part of the annual assessment process, all staff, including management, will confirm in writing that they have, over the previous twelve months, complied with the City's Code of Conduct and fraud policies and that they will continue to comply with these policies in the ensuing twelve months.

## 7. Internal and External Auditors

### 7.1 Internal Audit

Internal Audit has an important role in assisting management in the prevention and detection of fraud by:

- Independently reviewing systems, procedures and controls to ensure that there are adequate safeguards to prevent, deter and detect fraud with particular attention being paid to the review of contracts and computer systems where there is potentially a significant risk;
- Through specific audits and testing of systems, identifying areas of concern;
- Responding to requests for advice from managers on controls to put in systems;
- Independently investigating suspected frauds and irregularities and reporting conclusions to the Audit Committee, management and, where necessary, the Police;
- Producing, and advising on the production, of rules, regulations and policies which deter fraud.

### 7.2 External Audit

External Auditors certify that the City's accounts represent a true and fair view of the City's financial position. In reaching this conclusion, they must satisfy themselves that control systems are sound and that measures are being taken to minimise the chances of fraud.

## 8. Induction Process

The elements of fraud and the responsibility of all staff to not participate in and report fraudulent activity will form part of Council's induction process.

## Development of Fraud Control Plan

Council shall examine its exposure to fraud biennially and shall develop a fraud control plan which will be implemented over the following two years.

The Director Corporate Services shall be responsible for the development and monitoring of this Plan.

## **Response to Allegations and Concerns**

1. Allegations and concerns about fraudulent or corrupt activity may come from different sources e.g.
  - Members of the public, sometimes anonymously
  - Other local authorities
  - Councillors
  - Council managers or staff
  - Internal or external audit reviews
2. Allegations and concerns about fraudulent activity can be reported to the Chief Executive Officer, Directors, line supervisors/managers or the Manager Financial Services.
3. Wherever these concerns come from they must be treated seriously and confidentiality will be respected as far as possible. A thorough investigation will be made of all concerns but the level of resources applied to this will be dependent on the nature of the concern e.g. sums or resources involved, sensitivity of the area, source of concern, evidence provided or available, risk inherent in that area.
4. For cases of internal fraud, investigations should be closely managed and documented in accordance with City procedures.
5. At all times confidentiality must be maintained and information disclosed only to those who need to know it, in order not to prejudice any disciplinary or criminal action.

## **Actions to be taken when Fraud is Uncovered or Suspected**

1. Investigations into suspected fraudulent activity will be comprehensive and will be based on the principles of independence, objectivity and the rules of natural justice.
2. Investigations will be conducted by an appropriately skilled and experienced person who is independent of the area in which the alleged fraudulent conduct occurred.
3. Where there is sufficient evidence of fraud, or there is strong suspicion but internal investigations are unable to obtain further evidence required, the Police should be involved where it is considered in the "Council or public interest".
4. Determination of the "Council or public interest" will include factors such as the sums or resources involved, the strength of the evidence obtained or available, the potential cost to the Council of pursuing the matter, the sensitivity of the area concerned. Referral to the Police will be the normal course of action unless there is a strong case not to do so.
5. Where involvement of the Police is not appropriate, the strongest action possible should be taken. This may involve disciplinary action including dismissal and the recovery of any sums of money or resources misappropriated.

6. At the conclusion of any fraud investigation, systems and procedures will be reviewed and any remedial actions implemented, whether or not there was sufficient evidence to prove any wrongdoing.
7. Any remedial actions identified from this process shall be recorded in the City's Risk Register and allocated to the relevant manager through his/her Risk Plan.
8. Monitoring of remedial actions will be undertaken by the City's Internal Auditors on an annual basis.
9. A fraud register will be maintained by the Team Leader Risk Management .

### **Training**

Biennial training will be given to all staff in the principles of fraud, the reporting of fraud and the process involved in investigating suspected fraud.

### **Insurance**

The City shall maintain a fidelity guarantee insurance policy that provides insurance against the risk of loss arising from internal fraudulent conduct.

### **WORKPLACE INFORMATION**

Local Government Act 1995  
Freedom of Information Act 1992, including associated regulations,  
City of Greater Geraldton's Code of Conduct.  
Public Interest Disclosure Act 2003  
Risk Management Policy  
Australian Standard AS 8001-2008 – Fraud and Corruption Control

### **ROLES AND RESPONSIBILITIES**

The Director Corporate Services is responsible for the implementation and maintenance of this policy.