FRAUD CONTROL POLICY

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INTRODUCTION

Narromine Shire Council is committed to minimizing the incidence of fraud by implementing and regularly reviewing a range of strategies that aim to prevent, detect and respond to fraud.

Council has a zero tolerance to fraud and disciplinary and/or legal action will be taken against those found to have committed fraud.

SCOPE

The policy is part of Council's fraud control framework and applies to all Council staff (permanent, temporary, casual, part time), contractors, consultants and volunteers.

This policy should be read in conjunction with Council's Code of Conduct and Procedures, Public Interest Disclosures Policy, Business Ethics Statement, Secondary Employment Policy, Grievance Resolution Policy and Procurement Policy.

DEFINITION

Fraud – is defined as dishonestly obtaining a financial or other benefit (either directly or indirectly) by deception. Fraud includes deliberate and premeditated deception to gain advantage from a position of trust and authority. This includes acts of omission, theft, making false statements, evasion, manipulation of information and other acts of deception.

RELEVANT LEGISLATION

This policy is based on the NSW Audit Office's "Fraud Control Improvement Kit – Managing your fraud control obligations (2015)" with reference to:-
- Public Interest Disclosures Act 2022
- Independent Commission Against Corruption Act 1988
- Local Government Act 1993

FRAUD CONTROL

Council's approach to fraud control is based on the ten attributes of fraud control identified by the NSW Audit Office. These attributes fall within the themes of prevention, detection and response.

Attribute	Theme
1. Leadership	Prevention
2. Ethical Framework	Prevention, Detection, Response
3. Responsibility Structures	Prevention, Detection, Response
4. Policy	Prevention
5. Prevention Systems	Prevention
6. Fraud Awareness	Prevention, Response
7. Third Party Management Systems	Prevention, Response
8. Notification Systems	Detection, Response
9. Detection Systems	Detection
10. Investigation Systems	Response

1. Leadership

Council's fraud control framework is lead by a committed and accountable executive team. The General Manager has ultimate responsibility for fraud control within Council and is supported by the Executive Leadership Team, and the Audit Risk and Improvement Committee.

2. Ethical Framework

Council has clear policies setting out acceptable standards of ethical behavior and these are available to all staff in one central location within the PULSE system. Staff regularly attend Code of Conduct training and are required to formally acknowledge Council's Code of Conduct Policy and Procedures (on an annual basis) and other ethical behavior policies as they are reviewed.

3. Responsibility Structures

The **General Manager** has ultimate responsibility for Council's fraud control framework and is authorised to receive reports of fraud, assess reports, authorise investigations as required and determine the outcome of such reports. The General Manager will advise the Director Governance and Manager Human Resources of allegations of fraud.

Under Council's Public Interest Disclosures Policy, the General Manager has the ultimate responsibility for maintaining the internal reporting system and workplace reporting culture, and ensuring Council complies with the Public Interest Disclosures Act 2022.

Directors must ensure that effective fraud and corruption prevention risk management strategies and staff awareness programs are established in their departments.

Directors must also identify and address situations that are likely to raise ethical dilemmas, ensure that staff are not placed in potentially difficult or compromising situations, are available and support staff who require guidance and support, protect staff who report in good faith instances of potential unethical or corrupt conduct, and ensure staff are treated fairly and equitably.

The Director **Governance** is Council's appointed Disclosures Coordinator and is responsible for ensuring the fraud control policy is reviewed regularly, reviews and updates the fraud risk assessment every two years, conducts an internal fraud check every two years, maintains a fraud database and provides an annual status report to the Audit and Risk and Improvement Committee.

The **Manager Human Resources** is responsible for ensuring the welfare of staff involved in an allegation of fraud and that any breaches of conduct and behaviour are properly managed within the HR disciplinary system.

All Staff have a role in preventing and detecting fraud and must report known or suspected fraud to the General Manager and/or Disclosures Coordinator as soon as possible.

The **Internal Auditor** is responsible for assessing the adequacy and effectiveness of internal controls over high-risk processes and evaluating the potential for fraud to occur.

The **Audit Risk and Improvement Committee** is responsible for providing independent assurance to the General Manager and Council by monitoring and providing advice on the adequacy of Council's fraud control framework.

4. Policy

This Fraud Control Policy does not operate in isolation and has strong links to the Code of Conduct Policy and Procedures and Public Interest Disclosures Policy. It sets out Council's system of fraud control and covers the responsibilities for managing fraud within Council. This policy is available in Council's Electronic Document Records Management System and in the PULSE system.

5. Prevention Systems

Council's prevention systems include the following components:-

- Fraud Control Policy
- Fraud Risk Assessment
- Internal Fraud Check and Fraud Control Action Plan
- Fraud Database – records all incidents of fraud affecting Council. Analysis of reports of fraud help to identify potential weaknesses in internal controls.
- Ethical Workforce – Council is committed to employing staff that support our ethical values. Council will conduct pre-employment screening including reference checks and NSW police checks for high risk positions.

6. Fraud Awareness

A key element of Council's Fraud Control Policy is to create awareness of the various elements of the framework, what activities are considered fraudulent and how to respond if fraud is suspected

Ethical Behaviour Policies

Council has a range of ethical behaviour policies including:-

- Fraud Control Policy
- Public Interest Disclosures Policy
- Code of Conduct Policy and Procedures
- Procurement Policy
- Grievance Resolution Policy
- Secondary Employment Policy

Induction

Staff induction will cover fraud control, staff responsibilities and Council's Ethical Behaviour Policies which is documented in the induction booklet given to all new employees. All staff will be required to formally acknowledge Council's Code of Conduct Policy and Procedures on an annual basis.

Post Induction

Staff will be kept up to date and reminded of their responsibilities regarding fraud with periodic code of conduct training and responsibility reminders in staff emails.

Customer and Community Awareness

Council is committed to ensuring that customers and suppliers are aware of our commitment to ethical behavior. Our Statement of Business Ethics is published on our website, together with our Public Interest Disclosures Policy, and Code of Conduct Policy and Procedures.

7.   Third Party Management Systems

Council ensures that appropriate controls relating to third parties, such as segregation of duties, are in place to manage dealings with third parties.

Third party management also covers managing staff conflicts of interest. Council's Code of Conduct sets out how conflicts of interest should be managed, including secondary employment.

8.   Notification Systems

Allegations of Fraud

Council encourages staff and members of the public to report known or suspected fraud or unethical behavior.

Council's Public Interest Disclosures Policy, as well as Code of Conduct, provide guidance to public officials on how to report suspected or actual fraud. Council's Complaints Handling Policy outlines how members of the public can make reports. Both staff and members of the public also have the option of reporting fraud directly to ICAC.

Any substantial fraud will be referred to the relevant external body, the NSW Police, the Ombudsman and ICAC.

Where there is a suspicion that corrupt conduct has occurred, the General Manger has a duty under section 11 of the *Independent Commission Against Corruption Act 1998* to report it to ICAC as soon as the suspicion arises. This is irrespective of how insignificant or minor the allegation.

9.   Detection Systems

Internal controls are effective at detecting fraud and Council maintains appropriate controls including:-
- Segregation of duties
- Approvals and authorization
- Verification
- Reconciliations
- Management reviews
- Risk Assessments
- Physical security
- Independent reviews like internal and external audits

Internal audit regularly examines risk processes across Council to detect irregularities. Internal audit reviews are reported to the Audit Risk and Improvement Committee, with corrective actions reported on quarterly.

10.   Investigation Systems

Preliminary Assessment

When an allegation of fraud is made under a Public Interest Disclosure, the Disclosures Coordinator will undertake a preliminary assessment and may recommend to the General Manager that the matter be immediately referred to an external body.

Full Investigation

Following a preliminary assessment, the Disclosures Coordinator may recommend to the General Manager that a full investigation be conducted by an external investigator. The complainant will be advised of the decision and any actions taken in accordance with Council's Public Interest Disclosures Policy.

Where an allegation of fraud is made under Council's Complaints Handling Policy, the General Manager will undertake a preliminary assessment and may refer the matter immediately to an external body or have the matter investigated by an external investigator. Likewise, the complainant will be advised of the decision and any actions that will be taken.

Proper and full records will be kept during the investigation and any evidence gathered will be secured and maintained.
Support

During an investigation the Manager Human Resources will be advised to ensure that any personnel issues affecting staff members involved are properly addressed.

Maintaining Confidentiality

Every endeavour will be made to ensure that any allegations of fraud and subsequent investigations are handled confidentially. There may, however, be situations where confidentiality may not be possible or appropriate. This will be discussed with the staff member making the report.

Council will accept anonymous reports, however anonymity may limit Council's ability to seek further information to assess the report adequately.

Vexations, Frivolous or Misleading Allegations

Any report that turns out to be vexatious, frivolous or misleading will result in disciplinary action against the staff member for making the allegation.

Disciplinary Standards

Where an allegation is proved because of an admission by the staff or as a result of an investigation, the General Manager will determine the nature of any disciplinary action in accordance with relevant policies and procedures.

Documenting Reported Fraud

The Director Governance will maintain a database of all reports of suspected fraud. The database will assist Council to determine where it should focus its efforts and where changes to controls, policies or procedures are required.

REVIEW

This policy will be reviewed every four years, or earlier if significant new information, legislative or organisational change warrants an update.