

Title:	Fraud and Corruption Control
Type:	Council
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1. Purpose

Murrindindi Shire Council (Council) is committed to building and sustaining an ethical, efficient and effective culture where opportunities for fraud, corruption and maladministration are minimised. The purpose of this Policy is to outline the principles for the prevention, detection and investigation of suspected fraud or corrupt behaviour of Council representatives.

2. Rationale

Fraud and corruption erode public trust in local government, disrupt business continuity, deter potential suppliers, reduce the quality and effectiveness of services, and threaten Council's financial stability¹. IBAC has found that fraud and corruption is most often detected by work colleagues. Council is committed to fostering a culture of integrity that is supported by clear policies and procedures.

3. Scope

Fraud and corruption control is a shared responsibility of all Council representatives, regardless of their employment status.

The Fraud and Corruption Policy and related Fraud and Corruption Control Plan apply to all Council business activities.

4. Definitions

Reference Term	Definition
Fraud ¹	<p>Means dishonest activity involving deception that causes actual or potential financial loss. Examples of fraud covered by this policy include:</p> <ul style="list-style-type: none"> • Theft of money or property; • Falsely claiming to hold qualifications; • False invoicing for goods or services not delivered, or inflating the value of goods and services; • Theft of intellectual property or confidential information; • Falsifying an entity's financial statements to obtain an improper or financial benefit; • Misuse of position to gain financial advantage.

¹ VAGO Fraud and Corruption Control – Local Government June 2019
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Corruption ¹	<p>Means dishonest activity in which a Council representative acts against the interests of Council and abuse their position to achieve personal gain or advantage for themselves or others. Examples of corruption covered by this policy include:</p> <ul style="list-style-type: none"> • Payment or receipt of bribes; • A serious conflict of interest that is not managed and may influence a decision; • Nepotism – where a person is appointed to a role because of their existing relationships rather than merit; • Manipulation of procurement processes to favour one tenderer over others; • Gifts or entertainment intended to achieve a specific outcome in breach of Council’s policies.
Bribe	<p>Means the act of paying money or in-kind which will, or is intended, to cause a person to act in a way that is contrary to the interests of Council, Council’s policies or is against public interest. Such payments are made without Council’s knowledge and are intended to influence the outcome of a specific action or event.</p>
Council representatives	<p>Means councillors, employees, students on work experience, volunteers, contractors and members of special committees regardless of their employment status, role or position.</p>
Contractors	<p>Means any organisations (including any subcontractors, agents or suppliers) that provide works, goods and/or services to Council.</p>
IBAC	<p>Means Independent Broad-Based Anti-Corruption Commission. Established under the <i>Public Interest Disclosures Act 2012</i> to strengthen the integrity of the Victorian public sector. IBAC has a role to identify, investigate and prevent fraud corruption and serious misconduct and to educate public sector agencies to improve processes to prevent corruption.</p>

5. Policy

Murrindindi Shire Council takes a zero-tolerance approach to fraud and corruption.

Council is committed to protecting its revenue, expenditure, employees, property and intellectual capital from any attempt, either by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees or elected representatives to gain by deceit, any financial or other benefits.

Council representatives must act at all times in accordance with the relevant Code of Conduct that applies to their role.

5.1 Prevention

Fraud and corruption are significant risks that can harm Council's operations, as well as its reputation and trust with residents and businesses. Council is committed to managing these risks and allocating adequate resources according to the Australian Standards AS 8001-2008 – Integrity Framework elements, including but not limited to:

- Senior management commitment to build a sound ethical culture.
- Clear and integrated suite of policies and procedures.
- Regular risk assessments supported by actions to mitigate risks.
- Clear Code of Conduct supported by disciplinary standards.
- Robust and effective processes to facilitate disclosure, investigation and reporting.
- Education awareness programs delivered regularly with current information.

All prevention, detection and response measures are implemented in line with Council's Fraud and Corruption Control Plan.

5.1.1 Roles and Responsibilities

- a) The CEO is accountable for ensuring an ongoing fraud and corruption control program is developed and maintained to ensure the efficient and effective implementation of this Policy.

As Council's principal officer, the CEO must also, under section 57 of the *Independent Broad-based Anti-corruption Commission Act 2011*, immediately notify IBAC of any matter suspected on reasonable grounds to involve fraud or corruption occurring or having occurred.

- b) The Director Corporate and Shared Services (DCSS) is the Public Interest Disclosures Coordinator and first point of contact for the disclosure of suspected fraudulent or corrupt conduct. This is to ensure allegations are processed with utmost confidentiality and objectivity.

The Director Corporate and Shared Services is also the Fraud and Corruption Control Officer responsible for the oversight of fraud prevention, detection and investigation systems and processes.

- c) The Manager Governance and Risk is responsible for ensuring adequate resourcing is available to support the implementation of fraud and corruption control systems and processes.
- d) The Integrity and Governance Coordinator is responsible for the development, promotion, monitoring and facilitation of systems and processes that support Council's zero-tolerance towards fraud and corruption.
- e) Managers and supervisors must exercise due diligence and control to prevent, detect and report acts of fraud and corruption, and shall set an example of integrity and ethical conduct.
- f) All Council representatives covered by this policy have a role in the prevention, detection and reporting of fraudulent or corrupt conduct (actual or suspected).
- g) The Audit and Risk Advisory Committee has a role in providing advice to support the organisation in effectively implementing Council's fraud and corruption program and in monitoring outcomes.

- h) The Internal Auditors are responsible for assisting management in identifying strategic prevention and detection measures associated to current risks, as well as evaluating Council's fraud and corruption framework through periodic testing of controls.

Internal Controls and Detection

Council will continue to develop its internal controls and detection strategies to ensure the risk of fraudulent or corrupt activities are minimised. This will include implementing recommendations from the *2019 Victorian Auditor General Office (VAGO) Fraud and Corruption Control report*, internal audits and benchmarking against recommendations made to other government agencies in official publications. These include:

- Appointing a fraud control officer to oversee the fraud and corruption prevention and detection initiatives.
- Developing a fraud risk assessment toolkit to support detection and response initiatives.
- Developing a fraud awareness program tailored to each department's risk profile.
- Strengthening process for reporting suspected incidents to maximise confidentiality and protection of people.
- Creation of specific registers for gifts, fraud incidents and conflict of interest declarations.

These initiatives will be supported by regular and established management reporting and monitoring processes to the Executive Management Team and the Audit and Risk Advisory Committee.

5.1.2 Protection – *Public Interest Disclosures Act 2012* (formerly Protected Disclosures)

Council has established processes under the *Public Interest Disclosures Act 2012*, for reporting any allegations of suspected fraud or corruption with utmost confidentiality. The Public Interest Disclosures Coordinator² and Public Interest Disclosures Officer³ have a statutory obligation to assess disclosures and protect people making disclosures in line with the *Act*.

Council is committed to protecting the welfare of those who have brought to attention possible fraud or corruption. Informants will be protected against possible victimisation and discrimination. All reports of suspected fraud and corruption will be treated in strict confidence. The informant will be kept apprised of the outcome of any investigations or deliberations of management.

5.2 Response

5.2.1 Investigation

Suspicious of fraudulent or corrupt conduct must be reported in confidence to the Director Corporate and Shared Services (Public Interest Disclosure Coordinator) who will make an initial assessment and coordinate any potential referral to IBAC. Where the matter is not considered a Public Interest Disclosure, the Director Corporate and Shared Services will advise the CEO.

As Council's Principal Officer under the *IBAC Act*, the CEO has specific obligations in relation to reporting any instances of suspected corrupt conduct occurring within Council, or occurring within any other organisation as defined as by the *IBAC Act*.

Where the allegation requires an investigation by Council, either from an internal source or referred back to Council by IBAC, it will be coordinated by the Director Corporate and Shared Services in consultation with the CEO. This may include the appointment of an external investigator.

² Director Corporate and Shared Services

³ Manager Governance and Risk

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The CEO will ensure the results of any investigation are actioned, providing regular updates to the Audit and Risk Advisory Committee as deemed appropriate by the CEO and including the investigation outcomes in Council's Annual Report.

If the allegation involves the Director of Corporate and Shared Services it must be reported to the CEO.

Suspicious of fraudulent or corrupt conduct relating to a councillor or councillors will be referred directly to IBAC or the Local Government Inspectorate depending on the nature of the suspicion or allegation.

Any non-compliance with a council policy where there is an allegation or suspicion of personal gain will be considered a potential breach of this Policy and investigated accordingly.

All investigations will be conducted in accordance with Council's Disciplinary Policy, and where applicable, Council's Public Interest Disclosures Policy.

5.2.2 Breach of Policy

Breach of this Policy will be treated in line with the relevant legislation, industrial instrument and/or relevant code of conduct.

Any allegations that are considered mischievous and unfounded will be assessed by the Chief Executive Officer in accordance with the Councillor Code of Conduct or Employee Code of Conduct for disciplinary action to be taken.

5.2.3 Suspension and transfer

Employees under investigation for fraud or corruption may be suspended from duty with pay or temporarily assigned to other duties, in accordance with Council's Employee Code of Conduct.

5.2.4 Dismissal

In line with Council's zero-tolerance policy, a substantiated allegation of fraud or corrupt conduct by an employee or volunteer will be considered a serious offence, leading to immediate dismissal.

Contractors or consultants will face termination of their contractual arrangement. Individuals found guilty of fraud or corruption by a court of law may face hefty fines, criminal charges and imprisonment.

5.2.5 Legal Proceedings

In addition to collaborating with the relevant authorities, Council may seek to recover through legal proceedings losses and associated damages arising from fraudulent or corrupt activities.

6. Related Policies, Strategies and Legislation

- *Local Government Act 1989 (Vic)*
- *Public Interest Disclosures Act 2012 (formerly Protected Disclosures Act)*
- *Independent Broad-Based Anti-Corruption Act 2011*
- Murrindindi Shire Council Plan 2017-21 "Our Promise"
- Conflict of Interest Policy (17/32278)
- Customer Feedback and Complaints Policy (19/59530)

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- Fraud and Corruption Control Plan (19/69372)
- Enterprise Risk Management Policy (17/62317)
- Information Management (IM) Policy (13/3597)
- Procurement Policy (19/33246)
- Protected Disclosures Policy (16/52444)
- Travel and Hospitality Policy (14/40739)
- Volunteers Policy (13/775)
- Councillor Code of Conduct (16/74120)
- Employee Code of Conduct (16/32474)
- Australian Accounting Standards Board AASB 124 Related Party Disclosures
- Australian Standards 8001-2008 Fraud and Corruption Control.

7. Council Plan

This policy relates to the Council Plan 2017-2021 Our Promise strategic objective to ensure we deliver the best possible outcomes in all that we do.

8. Management and Review

Review of this Policy is to be conducted no later than two (2) years from the date of endorsement. The Director Corporate & Shared Services and the Governance & Risk Department are responsible for ensuring this Policy is reviewed and presented to Council for endorsement.

All Council Representatives, including Councillors will receive regular training to ensure the Policy is fully understood and implemented.

9. Consultation

This policy has been developed in consultation with the following stakeholders:

- Manager Governance and Risk,
- Director Corporate and Shared Services,
- Executive Management and Leadership Teams,
- Audit and Risk Advisory Committee, and
- HLB Mann Judd as internal auditors.

10. Human Rights Charter

This policy has been developed with consideration of the requirements under the Charter of Human Rights and Responsibilities.