

<b>Title:</b>	<b>Fraud and Corruption Control</b>
<b>Type of policy:</b>	Council
<b>Adopted:</b>	TBC
<b>File No:</b>	21/70176
<b>Attachments:</b>	N/A

### **Acknowledgement of Country**

*Murrindindi Shire Council is proud to acknowledge the Taungurung and Wurundjeri Woi Wurrung people as the traditional owners of the land we now call Murrindindi Shire.*

*We pay our respects to First Nations leaders and elders, past, present and emerging, who are the keepers of history, traditions, knowledge and culture of this land.*

*We commit to working in collaboration with traditional owners of this land in a spirit of reconciliation and partnership.*

## **1. Purpose**

The Fraud and Corruption Control Policy is a major component of the governance framework for the Murrindindi Shire Council (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 erodes public trust in local government, disrupts business continuity, deters potential suppliers, reduces the quality and effectiveness of services, and threatens Council's financial stability<sup>1</sup>.

This policy is framed in accordance with the *Financial Management Act 1994*, Standing Directions 2018, Section 3.5.1 Fraud, Corruption and Other Losses Policy that requires the Council to:

- a) take all reasonable steps to minimise and manage the risk of fraud, corruption and other losses; and
- b) establish a fraud, corruption and other losses prevention and management policy that is implemented across the organisation.

## **3. Scope**

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

Fraud and corruption control is a shared responsibility of all Council representatives, regardless of their employment status and all other persons acting for or on behalf of Council

## **4. Definitions**

A Detailed list of definitions is contained in Attachment A. The Council has adopted the following definitions of fraud and corruption as set out in Australian Standard: Fraud and Corruption Control AS 8001:2021.

**Fraud** is defined as dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by persons internal or external to the organisation 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.

Corruption is defined as dishonest activity in which a person associated with an organisation (e.g director, councillor, executive manager, manager, or employee or contractor) acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation. This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of and in the interests of the organisation in order to secure some form of improper advantage for the organisation either directly or indirectly.

## **5. Policy**

Council has a zero-tolerance approach to any type of fraud and corruption.

Council is committed to fostering a culture of integrity and continuously improving Council's capacity to identify and prevent corrupt conduct that is supported by clear policies and procedures.

Council is committed to providing a safe environment where people feel confident and supported to raise concerns about integrity matters and unethical behaviour.

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, volunteers, 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. Control Environment**

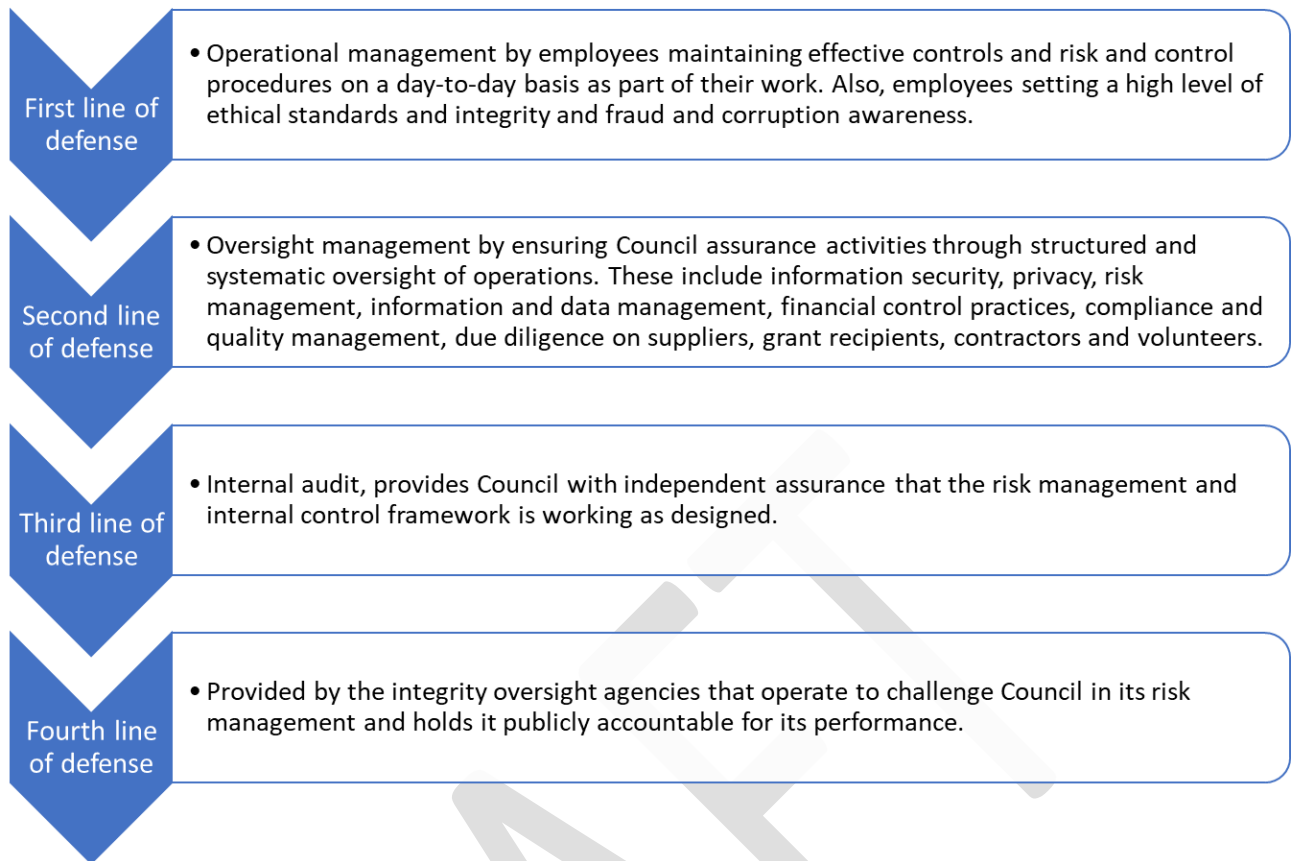
The control environment is designed to minimise and mitigate the risk of fraud and corruption by developing processes to identify and manage incidences of fraud, corruption and other losses.

#### **5.1.1. Management Model for Minimising the Risk of Fraud, Corruption, and Loss.**

Council management model for minimising the risk of fraud and corruption recognises that leadership's constant demonstration of Council's integrity values and ethical culture is a key workplace control.

Maintaining multiple lines of defence is fundamental to the control of incidences of fraud and corruption. In working with this approach, Council recognises that it is part of the wider Victorian Public Sector and that outside agencies also play a role in managing the risk of fraud, corruption and other losses. These agencies include the integrity oversight agencies, namely the Independent Broad-based Anti-Corruption Commission (IBAC), the Victorian Ombudsman and the Victorian Auditor-General's Office (VAGO).

The following four lines of defence are key to Council's objectives of managing and minimising the risk of fraud, corruption and other losses:



The first and second lines of defence are designed to operate in a systematic way to support compliance and risk mitigation through policies, systems, monitoring and reporting.

The internal audit function designated in the third line of defence provides independent assurance through planned audits and targeted reviews and other assurance activities. It will consider the risk of fraud and corruption and other losses as part of its overall risk assessment process when planning and performing audits. As required by Standing Direction 3.2.2.2(d), it will include in its annual plan audits of business processes or units likely to be vulnerable to fraud and corruption.

The fourth line of defence includes external oversight bodies, including the Independent Broad-based Anti-Corruption Commission (IBAC), the Victorian Ombudsman (Ombudsman), the Victorian Auditor-General's Office (VAGO) and the Victorian Local Government Inspectorate which hold the Council to account for its performance and investigate allegations of fraud or corruption where appropriate. These oversight bodies also provide insights for continuous improvement of controls and strategies to prevent fraud and corruption.

### 5.1.2. Fraud and Corruption Control Strategy

Council has developed a Fraud and Corruption Control Strategy which outlines the resources, structure and process to manage fraud and corruption risks. Reporting arrangements are in accordance with the requirements of the Victorian and Commonwealth whistleblower protection frameworks (see below section 5.2 Public Interest Disclosures).

## 5.2. Reporting Obligations

### 5.2.1. Public interest 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 Coordinator and Public Interest Disclosures Officer 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. In the event of an investigation, informants as well as those under investigation will be protected against possible victimisation and discrimination through the appointment of a Welfare Manager.

All reports of suspected fraud and corruption will be treated in strict confidence. All relevant parties will be kept apprised of the outcome of any investigations or deliberations of management.

### **5.2.2. Mandatory notifications**

Under the Independent Broad-based Anti-corruption Commission Act 2011, the relevant principal officer must notify IBAC of any matter which they suspect on reasonable grounds involves corrupt conduct occurring or having occurred, irrespective of whether the incident is considered serious or systemic. The CEO is the relevant principal officer of the Council. The CEO's obligation to notify IBAC of suspected corrupt conduct is pursuant to section 57(1) of the IBAC Act.

### **5.2.3. Criminal offences**

Internal and external fraud, theft or other criminal offences that are perpetrated against the Council that result in financial loss must be reported to Victoria Police. In relation to external fraud, the relevant manager of the business area that sustained the loss is responsible for ensuring the matter is reported to Victoria Police.

In relation to fraud and corruption perpetrated by a Councillor, employee, council appointed Committee member, volunteer, contractor and agent, the CEO or nominee is responsible for notifying Victoria Police. The Fraud and Corruption Control System sets out how the Council will comply with its reporting obligations, and how reports should be made to Victoria Police.

## **5.3. 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 8001-2021 – *Fraud and Corruption Control* elements, Section 3 Preventing Fraud and Corporation initiatives being:

- a) Promoting a sound integrity framework.
- b) Managing conflicts of interest.
- c) Managing risks connected to gifts, hospitality, donations and similar benefits
- d) Managing internal controls and the internal control environment.
- e) Managing performance-based targets.
- f) Workforce screening.
- g) Screening and ongoing management of business associates.
- h) Preventing "technology-enabled" fraud.
- i) Physical security and asset management.

All prevention, detection and response measures will be implemented in line with Council's Fraud and Corruption Control Strategy.

## **5.4. Roles and Responsibilities**

The roles and responsibilities are outlined in **Attachment B**.

## 5.5. Internal Controls and Detection

Council continues 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.

- Further to that, the effective management of this policy will be supplemented by Council's Protective Data Security Plan (PDSP) to mitigate the ever-increasing risk of data integrity and protection from fraud, including the rise of cyber-attack in organisations, and
- The development of a Fraud and Corruption Control System (FCCS). The FCCS takes a holistic-framework approach to address the risk of fraud and corruption and its linkages to other organisation-wide elements such as:
  - Code of Conduct
  - Disciplinary Procedures
  - Operational Procedures (including Key Risk Indicators)

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.

## 5.6. Response

### 5.6.1. Investigation

- a) Suspicions 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.
- b) 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.
- c) 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.
- d) 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.
- e) If the allegation involves the Director of Corporate and Shared Services, the allegation must be reported to the CEO.
- f) Suspicions 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.
- g) 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.
- h) All investigations will be conducted in accordance with Council's disciplinary



policies and procedures, and where applicable, Council's Public Interest Disclosures Policy.

### **5.6.2. 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 CEO in accordance with the Councillor Code of Conduct or Employee Code of Conduct for disciplinary action to be taken.

### **5.6.3. 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.

### **5.6.4. 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.

### **5.6.5. 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 2020 (Vic)*
- *Public Interest Disclosures Act 2012*
- *Independent Broad-Based Anti-Corruption Act 2011*
- Customer Feedback and Complaints Policy
- Fraud and Corruption Control System (previously plan)
- Enterprise Risk Management Policy
- Information Management (IM) Policy
- Procurement Policy
- Public Interest Disclosures Policy
- Volunteers Policy
- Gifts, Benefits and Hospitality Policy (Organisational)
- Councillor Gifts and Benefits Policy (Council)
- Councillor Code of Conduct
- Employee Code of Conduct
- Australian Standards AS-8001:2021 Fraud and Corruption Control

## **7. Council Plan**

This policy supports the Council Plan 2021-2025 Transparency, Inclusion and Accountability strategy to “maintain transparent, inclusive and accountable governance practices”.

## **8. Management and Review**

Review of this Policy is to be conducted every two (2) years from the date of endorsement.

The Director Corporate & Shared Services and the Manager Governance & Risk 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**

No community consultation was required for the development of this policy.

## **10. Human Rights Charter**

This policy has been developed with consideration of the requirements under the [Charter of Human Rights and Responsibilities](#).

## **11. Gender Impact Assessment**

This policy has been developed/reviewed with consideration of the criteria which inspires equality under the *Gender Equality Act 2020*.

## Appendix A – List of Definitions.

Reference Term	Definition
<b>Bribe</b>	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.
<b>Contractors</b>	Means any organisations (including any subcontractors, agents or suppliers) that provide works, goods and/or services to Council.
<b>Corruption</b>	Means dishonest activity in which a person, or representative of council acts contrary to the interests of the entity and abuses their position of trust in order to achieve some personal gain or advantage for them or for another person or entity.
<b>Council</b>	Murrindindi Shire Council
<b>Council representatives</b>	Means councillors, employees, students on work experience, volunteers, contractors and members of special committees regardless of their employment status, role or position and all other persons acting for or on behalf of Council
<b>Fraud</b>	Means dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by persons internal or external to the organisation 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 Council where deception is not used is also considered 'fraud' for the purposes of this policy. ( <i>Australian Standards AS8001-2021: Fraud and Corruption Control</i> ). Fraud is not restricted to tangible benefits only and includes intangibles such as information. A fraudulent act can also be committed by an act of omission, dishonesty, or deceitful and misleading behaviour.
<b>IBAC</b>	Means Independent Broad-Based Anti-Corruption Commission.
<b>Improper Conduct</b>	Defined in Section 4 of the Public Interest Disclosures Act 2012 as: <ul style="list-style-type: none"> <li>• corrupt conduct</li> <li>• conduct of a public officer or public body engaged in by the public officer or public body in their capacity as a public officer or a public body that constitutes:</li> <li>• a criminal offence; or               <ul style="list-style-type: none"> <li>○ serious professional misconduct; or</li> <li>○ dishonest performance of public functions; or</li> <li>○ an intentional or reckless breach of public trust; or</li> <li>○ an intentional or reckless misuse of information or material acquired in the course of the performance of the functions of the public officer or public body; or</li> <li>○ a substantial mismanagement of public resources; or</li> <li>○ a substantial risk to the health or safety of one or more persons; or</li> <li>○ a substantial risk to the environment; or</li> </ul> </li> </ul>



	<ul style="list-style-type: none"><li>• conduct of any person that –<ul style="list-style-type: none"><li>○ adversely affects the honest performance by a public officer or public body of their functions as a public officer or public body; or</li><li>○ is intended to adversely affect the effective performance or exercise by a public officer or public body of the functions or powers of the public officer or public body and results in the person, or an associate of the person, obtaining –<ul style="list-style-type: none"><li>○ a licence, permit, approval, authority or other entitlement under any Act or subordinate instrument; or</li><li>○ an appointment to a statutory office or as a member of the board of any public body under any Act or subordinate instrument; or</li><li>○ a financial benefit or real or personal property; or</li><li>○ any other direct or indirect monetary or proprietary gain – that the person or associate would not have otherwise obtained; or</li></ul></li></ul></li><li>• conduct of any person that could constitute a conspiracy or attempt to engage in any of the conduct referred above</li></ul> <p>NB: conduct that is trivial does not constitute improper conduct.</p>
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## Appendix B Roles and Responsibilities

Role	Responsibility
<b>Council</b>	Approve the Fraud and Corruption Policy
<b>Chief Executive Officer</b>	<p>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.</p> <p>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.</p>
<b>Audit and Risk Advisory Committee</b>	Provide advice to the organisation regarding effectively implementing Council's fraud and corruption program and in monitoring outcomes.
<b>Director Corporate and Shared Services</b>	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.
<b>Manager Governance and Risk</b>	Is responsible for ensuring adequate resourcing is available to support the implementation of fraud and corruption control systems and processes.
<b>Manager Governance and Risk</b>	Is also the Public Interest Disclosures Officer and the Welfare Manager in the event of an investigation.
<b>Integrity and Governance Coordinator</b>	Is responsible for the development, promotion, monitoring and facilitation of systems and processes that support Council's zero-tolerance towards fraud and corruption.
<b>Managers and supervisors</b>	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.
<b>Council representatives</b>	Covered by this policy have a corporate responsibility to prevent, detect and report of fraudulent or corrupt conduct (actual or suspected).
<b>Internal Auditors</b>	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.
<b>Employees and others</b>	<p>Uphold the Code of Conduct by demonstrating the Council's values at all times in the workplace</p> <p>Understand and comply with all Council policies, procedures and guidelines</p> <p>Identify, manage and mitigate fraud, corruption and other losses risks</p> <p>Report suspicions of fraud, corruption and other losses to an appropriate manager, the Public Interest Disclosure Coordinator, the Council, or IBAC</p> <p>Support and apply fraud and corruption prevention initiatives.</p> <p>Undertake all mandatory induction and training.</p> <p>Maintain the security of the Council's assets, including physical assets, data and intellectual property.</p>