

Ku-ring-gai Council

# Fraud & Corruption Control Policy

Version Number (2)



# Fraud & Corruption Control Policy

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## Controlled Document Information

### Authorisation Details

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### Related Document Information, Standards & References

<b>Related Legislation:</b>	Public Interest Disclosure Act 1994 Independent Commission Against Corruption Act 1988 Local Government Act 1993 Local Government (general) Regulations 2005 Environmental Planning and Assessment Act 1979	
<b>Related Policies (Council &amp; Internal)</b>	Code of Conduct Policy Public Interest Disclosures Policy Procurement Policy Recruitment and Selection Policy Statement of Business Ethics	CDN132 CDN3 CDN94 CDN37 CDN 124
<b>Related Documents - Procedures, Guidelines, Forms, WHS Modules/PCD's, Risk Assessments, Work Method Statements, etc</b>	Fraud and Corruption Control Strategy	CDN174
<b>Other References</b>	AS 8001-2008 - Fraud and Corruption Control. AS/NZS ISO 31000:2018 - Risk Management – Guidelines	(enter in this section any details of how the contents of these references relate to this policy)

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	AS/ISO 37001:2019 Anti Bribery Management System NSW Audit Office Fraud Control Improvement Kit (2015).	
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## Version History

Version Number	Version Start Date	Version End Date	Author	Details and Comments
1	21/02/12	TBA	Internal Ombudsman	(first version)
2	TBA	TBA	Jo Zhu, Risk Officer	Policy updated based on the attributes from NSW Audit Office Fraud Control Improvement Kit (2015) to ensure it is reflective of the current practice and compliant with the key requirements.

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## Policy Statement

Ku-ring-gai Council has established a Fraud & Corruption Control Framework that has ten attributes, which sit within the principles of prevention, detection and response. Each attribute has a series of processes and actions that are detailed in Council's Fraud and Corruption Control Strategy and associated Fraud and Corruption Control System.

Council is committed to upholding an ethical culture supported by appropriate policies, procedures and strategies that prevent fraudulent and corrupt behaviour. As such, it will not tolerate misconduct, fraudulent or corrupt conduct by any council official or supplier.

## Purpose

This policy outlines Council's commitment to the prevention, deterrence, detection and investigation of all forms of fraud and corrupt conduct. It ensures the appropriate mechanisms are in place to protect the integrity, security and reputation of Council

Many forms of fraud and corruption have the potential to exist with Local Government, including but not limited to:

- Extortion
- False presence
- Theft
- Forgery
- Bribery or the acceptance of a bribe
- Stealing
- Misappropriation of property
- Accounting fraud (including the manipulation of financial reporting)
- Deliberate non-declaration of a Conflict of Interest
- Cyber security threats
- Misuse of internet or email
- The Misappropriation of assets

Council is dedicated to minimising the incidence of fraud and corruption by implementing and regularly reviewing a range of strategies that aim to prevent, detect and respond to fraud/corruption.

## Scope

The policy applies to all Councillors and staff.

## Legislative Context

The principal legislation underpinning this policy includes;

- Public Interest Disclosure Act 1994
- Independent Commission Against Corruption Act 1988
- Local Government Act 1993
- Local Government (general) Regulations 2005
- Environmental Planning and Assessment Act 1979

## Approach and Methodology

Council's approach to the control and management of fraud & corruption is based on the NSW Audit Office's "Fraud Control Improvement Kit 2015" and Australian Standard 8001-2008 Fraud and Corruption Control, which have been tailored to the operating environment.

More specifically, Councils Fraud & Corruption Control Framework is based on the three principles of:

1. *Prevention* - pro-active measures designed to help reduce the risk of fraud and corruption occurring in the first place.
2. *Detection* - measures designed to uncover incidents of fraud and corruption as close as possible to the time when they occur, or before they occur by identifying attempts or acts in preparation.
3. *Response* - reactive measures designed to investigate, take any necessary corrective action, impose sanctions and remedy the harm caused by fraud or corruption.

These principles are supported by the following ten attributes:

	<b>Attribute</b>	<b>Theme</b>
Attribute One	Leadership	Prevention
Attribute Two	Ethical Framework	Prevention, Detection, Response
Attribute Three	Responsibility Structures	Prevention, Detection, Response
Attribute Four	Policy	Prevention
Attribute Five	Prevention Systems	Prevention
Attribute Six	Fraud Awareness	Prevention, Response
Attribute Seven	Third Party Management Systems	Prevention, Response
Attribute Eight	Notification Systems	Detection, Response
Attribute Nine	Detection Systems	Detection
Attribute Ten	investigation Systems	Response

## Fraud and Corruption Control Framework

Councils Fraud and Corruption Control Framework provides the foundations and organisational arrangements for implementing, monitoring and reviewing Councils approach to fraud & corruption prevention and management. It consists of:

- **Fraud and Corruption Control Policy** ("the Policy"): sets out the high-level commitment by Council to the implementation of strategies and actions that support Fraud and Corruption control. It also sets out individual responsibilities under the framework for implementing and monitoring actions.
- **Fraud and Corruption Control Strategy** ("the Strategy"): provides further details to support the implementation of the Policy and sets directions for the System based on the principles of prevention, detection and response. It is structured around the 10 fraud control attributes developed by the Audit Office of NSW.
- **Fraud and Corruption Control System** ("The System"): will be developed and implemented upon adoption of the Policy and Strategy. The System addresses Council's intended actions in implementing and monitoring the fraud and corruption prevention, detection and response initiatives. The development of the System will take into account any existing policies and procedures with a scope relating to fraud and corruption risk (e.g. Code of Conduct Policy, Conflict of Interest Policy).

## Responsibilities

*Councillors* are responsible for:

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- Adopting Council's Fraud & Corruption Control Policy
- Promoting ethical behavior and awareness that fraud and corruption will not be tolerated.

The *General Manager* is responsible for:

- Promoting ethical behavior and awareness that fraud and corruption will not be tolerated.
- Ensuring implementation of Council's Fraud and Corruption Control Policy, the Strategy and the System.
- Ensuring the Policy, Strategy, the System including related policies and procedures are adequate and that regular reviews and checks are undertaken to detect irregularities.
- Receiving reports of suspected fraud and corruption and referring these to the relevant external body and/or the Manager People & Culture for investigation and recording.
- Reviewing reports and approving recommendations arising from investigations undertaken into allegations of fraud and corruption.
- Keeping the Council informed in line with ICAC directions about confidentiality.
- Making decisions about reporting criminal matters to the New South Wales Police Force, restitution and criminal charges in all cases of fraud and corruption.
- Undertaking internal reporting responsibilities in accordance with Council's Protected Disclosure policy.

*Directors* are responsible for:

- Promoting ethical behavior and awareness that fraud and corruption will not be tolerated.
- Actively fostering an ethical culture and supporting and promoting the objectives of the Strategy and the System throughout the organisation.
- Setting an example of observable adherence to Council's Code of Conduct, the Strategy and the System and related Council policies and procedures.
- Supporting and promoting ongoing identification, analysis, mitigation and review of fraud and corruption risks and internal controls.
- Setting an example of internal control adherence in relation to identified fraud and corruption risks.
- Receiving reports of suspected fraud and corruption and referring these to the General Manager.
- Implementing recommendations arising from fraud and corruption detection systems and internal audits.
- Supporting fraud and corruption awareness programs for Councilors and staff.
- Supporting the continued operation of Council's Audit, Risk and Improvement Committee (ARIC) in the pursuit of successful enterprise risk management.
- Fostering a work environment free of harassment, discrimination, victimisation, corruption, fraud maladministration and waste.
- Undertaking internal reporting responsibilities in accordance with Council's Public Interest Disclosure policy.

*Business Unit Managers* are responsible for:

- Promoting ethical behavior and awareness that fraud and corruption will not be tolerated.
- Receiving reports of suspected fraud and corruption and referring these to the Director and General Manager.
- Assessing the risks of fraud and corruption and the effectiveness of internal controls in place to mitigate such risks within their areas of operation and responsibility.
- Implementing recommendations arising from fraud and corruption detection systems and internal audits.
- Monitoring their workplaces to identify and address situations that are likely to raise ethical dilemmas

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or place staff in compromising situations (i.e. by establishing good procedural guidance for decision-making, including the exercise of discretion).

- Being available to support staff that require guidance on ethical dilemmas.
- Fostering a work environment free of harassment, discrimination, victimisation, corruption, fraud, maladministration and waste.
- Ensuring that staff are aware of the principles contained in Council's Code of Conduct and the established systems and procedures for addressing ethical problems.
- Supporting and protecting staff who report, in good faith, instances of potentially unethical, fraudulent or corrupt practices.
- Ensuring that staff are treated fairly, equitably and in accordance with legislation and policy (e.g. access to training and other development possibilities).
- Ensuring that contractors, consultants, suppliers, and the like, engaged within their area of operation are aware of Council's Statement of Business Ethics and Code of Conduct and that these documents are readily available to them.

*All Council staff* are responsible for:

- Preventing and mitigating fraud, corruption, maladministration and waste within their area of operation and responsibility by, at a minimum, implementing and abiding by relevant internal controls and adhering to the Policy, the Strategy and the System.
- Operating systems of internal control to prevent and detect fraud or corruption in accordance with instructions and established procedures.
- Reporting all instances of suspected or attempted fraudulent or corrupt conduct in accordance with Council's internal reporting procedures.
- Protecting colleagues who have made reports of fraud or corruption from detrimental action (refer Public Interest Disclosures policy).
- Having regard to fraud and corruption related risks when undertaking risk assessments in relation to Council's daily functions and operations, when specific projects or events are planned, or when changes to Council's systems, processes or functions occur.
- Providing co-operation and assistance to investigators or officials investigating suspected or reported fraud or corruption.
- Undertaking any responsibilities allocated to them in other relevant Council policies.

The *Manager, People and Culture* is responsible for:

- Promoting ethical behavior and awareness that fraud and corruption will not be tolerated.
- Developing, implementing and reviewing Council's Fraud and Corruption Control Policy and Strategy.
- Ensuring that reports of suspected fraud or corruption are referred to the ICAC as required and by direction of the General Manager (excluding matters reported under the Public Interest Disclosures policy)
- Coordinating the investigation into allegations of suspected fraud or corruption referred by the General Manager and providing reports including findings and recommendations (excluding matters reported under the Public Interest Disclosures policy)
- Maintaining a register of all reported actual or suspected fraudulent or corrupt activities/investigations and undertaking trend analysis of the data (excluding matters reported under the Public Interest Disclosures policy)

The *Manager, Governance and Corporate Strategy* is responsible for:

- Periodically reporting to the Council's Audit, Risk and Improvement Committee on the register of all reported actual or suspected fraudulent or corrupt activities and investigations both under this policy and the Public Interest Disclosures policy.

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The *Corporate Lawyer* is responsible for:

- Keeping the General Manager informed of ICAC directions.
- Providing advice and recommendations about reporting criminal matters involving fraud and corruption to the New South Wales Police Force.
- Making recommendations to the General Manager regarding restitution and criminal charges in all cases of fraud and corruption.

#### *Internal Audit*

Council recognises that internal audit is an effective part of the overall control environment.

Through the Internal Audit methodology that includes but is not limited to observations, sample testing and desktop reviews, Internal Audit is responsible for:

- Conducting fraud health checks, based on approved Internal Audit plan;
- Examining and evaluating the effectiveness of internal controls over high risk processes and evaluating the potential for fraud and corruption to occur as required under the ARIC Charter;
- Making recommendations to Council management to further enhance internal control design and effectiveness;
- Undertaking an internal fraud and corruption check every two years
- Making notifications of actual or suspected instances of fraud and corruption in accordance with relevant reporting procedures.
- Pressure testing the internal control system including pre-existing or proposed internal controls

#### *The Audit Risk & Improvement Committee (ARIC)*

The ARIC provides independent assurance and assistance to Council on risk management, control, governance, and external accountability responsibilities.

It provides relevant advice with a view to ensuring that there is an adequate and effective system of internal control throughout Council and to assist in the operation and implementation of the Internal and External Audit Plans.

More specifically with regard to fraud and corruption risk management, ARIC provides independent assurance to the General Manager and Council by overseeing and monitoring the adequacy of Council's Fraud and Corruption Control System. It is responsible for:

- Keeping under review Council's fraud control operations as required under the ARIC Charter;
- Reviewing whether Council has in place procedures for effective identification and management of business and financial risks, including fraud as required under the ARIC Charter
- Other relevant responsibilities in accordance with the ARIC Charter.

#### *Public Interest Disclosures*

In addition to the above-mentioned responsibility structure, Council's Public Interest Disclosures policy identifies the responsibilities of staff and Councillors, and provides procedures for reporting and handling of such disclosures.

- *Disclosures Coordinator:* The Disclosures Coordinator manages public interest disclosures regarding serious matters involving public administration, including fraud & corruption.

Under this policy, the Disclosures Coordinator is responsible for:

- Ensuring that all reports of suspected fraud or corruption made under the Public Interest Disclosures policy are referred to the ICAC as required.
  - Coordinating the investigation into allegations of suspected fraud or corruption made under the Public Interest Disclosures policy and providing the General Manager with a report including findings and recommendations.
  - Maintaining a register of reported actual or suspected fraudulent or corrupt activities/investigations and undertaking trend analysis of the data, for matters reported under the Public Interest Disclosures policy.
- *Nominated Disclosure Officers:* Nominated Disclosure Officers are additional points of contact within the internal reporting system. They can provide advice about the public interest disclosure process and this policy, receive reports of wrongdoing and assist staff and Councillors to make reports.

## Reporting Breaches

Staff have an obligation to report any suspected fraud or corrupt conduct to either: a Manager, Director, the Disclosures Coordinator, a Disclosure Officer, the People & Culture Business unit, the General Manager or the ICAC.

The General Manager has an obligation, under Section 11 of the ICAC Act, to report those matters to ICAC.

It is the responsibility of Council Officials, contractors, consultants, work experience students and volunteers to comply with the provisions outlined in this policy.

Failure to comply will constitute a breach of the Council's Code of Conduct and may be considered misconduct and result in disciplinary and/or legal action.

Council also encourages members of the public to report possible fraud or corruption to the General Manager, Mayor, Disclosures Coordinator/Officer or directly to ICAC.

## Review

This policy will be reviewed every two years or when there are changes due to regulatory requirements or related Council policies.

## Definitions

Term	Definition
Corruption	Is defined as 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 personal gain or advantage 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	is defined as dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property (including intangible properties such as intellectual property and information) by employees or persons external to the entity and/or 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. A conduct under fraud does not necessarily need to represent a breach of the criminal law.

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