


# COUNCIL POLICY

<h2>Fraud Prevention</h2>	<b>Adopted By Council:</b>	05/08/03	
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	<b>Directorate:</b>	Governance & Community	
	<b>Responsible Officer:</b>	Senior Accountant	

## CONTEXT

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

Compliance with this fraud policy is designed to protect public money and assets from attempts by any person or legal entity, including contractors, agents, intermediaries or employees to gain financial or other benefits by deceit or dishonest conduct. It is also aimed at protecting the integrity, security and reputation of the Council, its management and employees and the services it provides to the community.

## DEFINITIONS

- Fraud** is characterised by dishonest conduct or misuse of position or authority in order to obtain unjust advantage, the theft of funds assets or information, or the unauthorized use of Council assets for personal gain. Most acts of fraud are criminal offences.
- Persons** inside or outside the organization, or both, can perpetrate fraud.
- Fraud Prevention** is the process by which the Council, its management and employees manage risks to prevent fraud.
- Employee** includes Councillors, Council employees (Including full-time; part-time temporary and casual), Contractors, Volunteers or the employees of any body providing services on the Council's behalf.

## POLICY

### 1. Responsibility for Fraud Prevention

#### 1.1 Council Responsibility

Council is the body responsible for the good governance of the municipality. It is responsible for setting the highest standards of honesty and integrity in the provision of services to the community and the management of the organization.

Council will ensure that Management has appropriate measures in place to detect and prevent fraud.

#### 1.2 Management Responsibility

Management is responsible for:

- the coordination, monitoring, ongoing review and communication of the Council's fraud prevention policy.
- implementing the fraud prevention strategy.
- exercising due diligence and control to prevent, detect and report suspected acts of fraud.

- setting an example and advising employees of the acceptability or otherwise of any particular conduct that may compromise this policy.

### 1.3 Employee Responsibility

Employees are responsible for:

- acting with propriety in all Council activities.
- Employees must not use their position with the Council to gain personal advantage or to confer undue advantage, or disadvantage, on any other person or entity.
- Employees are responsible for the safeguarding of Council assets against theft, mis-use or improper use.
- Employees are required to report any suspected fraud.

### 1.4 Audit Responsibility

#### Internal Audit

The role of Internal Audit is to assist Management and Council to achieve sound managerial review and control over all Council assets and activities, a key element in fraud control.

Internal Audit is not involved in the day to day internal checking systems but is an independent and objective assurance and consulting activity. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to:

- evaluating checking and control systems
- improving the effectiveness of management and Corporate Governance.
- Specifically, the main objectives of Internal Audit are to assess and report on whether:
- there are sufficient internal controls in place to safeguard the Council's assets and integrity of information
- there is adequate compliance with relevant laws/statutes and with Council's policies and procedures
- whether functional areas are being operated efficiently and effectively.

The internal auditor, in carrying out the above functions, will consider both the fraud policy adopted by Council and the risk register. Observations that require action will be raised at Council's Audit Committee, of which meetings are held three times per annum (at a minimum). The risk management committee will have responsibility for following up on any actions identified.

#### External Audit

External audit is conducted by the Victoria Auditor General's Office to verify the Council's annual reported financial performance. External Audit also has a role in the process of achieving fraud control by reviewing internal Policies & Procedures and testing systems via specific guidelines developed in accordance with relevant Legislation; Accounting Standards and the Auditor-General's code of ethics.

For the fraud prevention controls to be effective the responsibility for the policy must not be one staff member or a group of staff members, but must include Council, management, employees and Auditors.

## 2. Fraud Prevention Strategy

The following fraud minimization measures and procedures are applied:

- Management is to monitor and investigate deviations from the Council's approved budget. Significant variances may warrant independent reviews.
- Periodic reviews of Council operations and assessments of exposure to risk are undertaken.

- Management applies a range of internal controls including separate authorisations, separation of functions and regular and spot checking of processes and transactions.
- Most frauds occur because a perpetrator has been excluded from checks and controls. Management and employees accept that checks and controls will apply without exception.
- An ongoing internal audit process. Strong internal controls supported and tested by regular internal audit reviews minimise the exposure to risk and identify and include new and emerging areas of risk.
- External audit review focuses on accountability of financial systems and the reporting process.
- Strict recruitment practices and confirmation of all employee details and references (including employment references, qualifications, police checks and working with children checks as required) and the awareness of this policy to all new or prospective employees.
- Internal penalties apply for any fraud that has been proven. Council's disciplinary procedure applies.
- Training of Management and relevant employees in identifying fraud risks and indicators is undertaken.
- All vulnerable assets are properly accounted for and physically checked on a regular basis.
- Suppliers and contractors are informed of expected standards of conduct.
- Work practices that may be open to collusion or manipulation are identified and monitored.
- Procedures are in place relating to any external or private use of Council assets
- Council and Management comply with the appropriate disclosure of interest laws.

### **3. Fraud Risk Assessments**

The Chief Executive Officer will ensure that structured fraud risk assessments are conducted so as to cover all relevant functions and operations.

The review will establish the level, nature and form of the Council's fraud risk exposure. Recommendations generated from the assessments subsequently define areas where specific action is required.

The risk management committee, with a membership of four staff, will review fraud risk assessments on at least a six monthly basis.

Fraud risk is to be included within the risk register, with the overall risk register being a standing agenda item for monthly meetings of the risk management committee.

Some areas of fraud risk that can be included in assessments are:

- Theft, embezzlement or other misapplication of funds or assets
- Bribery or Kick-backs
- Unauthorised use facilities such as telephones, mobile phones, information technology
- Misuse of Council credit cards and petty cash
- Misuse or unauthorised selling of Council's intellectual property or data
- False claims for reimbursement
- Misappropriation of cash or Credit Cards
- Forgery or Alteration of documents
- Destruction or concealment of records or assets
- Profiting on insider knowledge
- Collusive tendering or Rigging of Tenders
- Tendering inducements

- Unauthorised use of assets or equipment
- Electronic fraud
- Payroll fraud
- Financial statement fraud (deliberate misrepresentation of the financial condition of an entity)
- Elements with substantial delegated spending authority
- Human relationships that could bypass controls and checks
- Units, sections, departments or entities that are semi-autonomous, geographically isolated or not under daily supervision

#### **4. Fraud Awareness Training**

An ongoing (at least 2 yearly) awareness of this policy and strategy is promoted to identify issues of fraud prevention, detection and reporting, to maintain the attention of management and employees.

Fraud awareness or prevention provisions will be included in relevant employee contracts, employee orientation, contract documentation, service agreements and other documents where employee conduct is defined.

There is an assurance of confidentiality where employees can feel comfortable in reporting any suspicion of fraud and be protected from possible victimisation or discrimination.

Community awareness exists that fraud committed against the Council will be pursued in the civil and criminal courts

The Council also promotes an honest, ethical and businesslike approach in all its dealings by the adherence to good governance practices and protocols.

#### **5. Reporting and Investigation of Fraud**

All Council employees who suspect fraud have an obligation to report it by notifying either their Manager or the Chief Executive – as appropriate in the circumstances. Anonymous reports can be made by employees, in writing and addressed to the Chief Executive Officer.

The Whistleblower Protection Act 2001 is designed to protect employees who wish to, either anonymously or named, report instances of known or suspected fraud and malpractice. Council and senior management encourage reporting of suspected fraud, so investigation can take place as appropriate.

With regard to the following the Chief Executive Officer decides what form of investigation will ensue.

##### **5.1 Purpose of Fraud Investigation**

- To determine if in fact a fraud has been committed.
- Identify the person(s) responsible for the fraud.
- Discover the extent of the fraud and determine the action to be taken.
- Provide the basis of any insurance claim and obtain evidence for prosecution.
- Identify how long the fraud has been occurring and the reasons for the failure of internal controls.

##### **5.2 Initial reaction when a fraud is discovered**

- Discretion and confidentiality are essential at all stages during a fraud investigation.
- Establishing the necessary proofs and evidence may be best referred to the Police CIU before any other action is taken.

### **5.3 Fraud Investigation Process**

- When a fraud investigation takes place, it must be undertaken in a methodical and comprehensive manner.
- The Chief Executive Officer will decide how and by whom the investigation will be conducted and whether the Police or any external assistance will be employed.
- Any investigation should be conducted using the principles of investigation and being mindful of the legalities involved.
- All contributing factors are to be identified and contributions determined, as part of the investigation process. Each contributing factor will be reviewed and remedial actions identified, in order to minimise recurrence of the loss, with any remedial actions monitored for effective completion.

### **5.4 Prosecution of Offenders**

- The Council does not condone fraudulent behaviour and will institute disciplinary procedures in respect of any employee involved in fraudulent activities. In this instance the provisions of the Council's disciplinary procedure will apply.
- In addition to any criminal proceedings supported by the Council and in cooperation with Council insurers, court action will also be taken to recover losses.

### **5.5 Incident Analysis**

- All contributing factors are to be identified and contributions determined, as part of the investigation process. Each contributing factor will be reviewed and remedial actions identified, in order to minimise recurrence of the loss, with any remedial actions monitored for effective completion.
- All incidents of fraud must be recorded using an incident form, which can be located in Council's central document control register as follows:  
<J:\Corporate Support\Privacy\Central Document Control Register.xlsx>
- This form must be completed and provided to a member of the Risk Management Committee, within one month of the fraud investigation being completed.
- The Risk Management Committee is responsible for assessing the reported incident and reaching agreement regarding corrective action to prevent recurrence. This must take place within one month of having received the incident form.
- A report on any such fraud incident must also be included on the agenda for the next Audit Committee meeting. If the next meeting is more than one month following the assessment of a fraud incident by the Risk Management Committee, then a written report should be provided to Councillors and Council's Audit Committee members, within one month of the Risk Management Committee assessment of the fraud incident.

### **OTHER REFERENCES**

Whistleblowers Protection Act 2001

Australian standard - AS 8001-2003 - fraud and corruption control

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