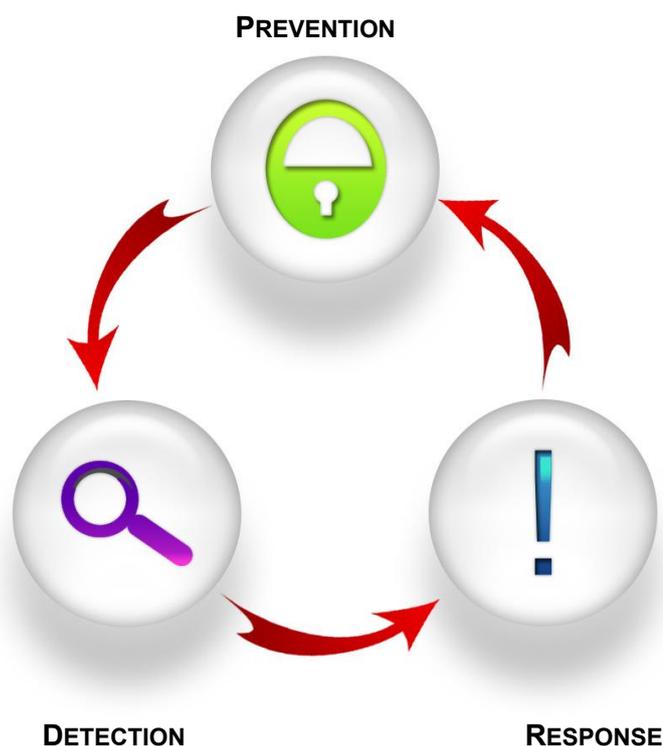


1. POLICY OBJECTIVES

- 1.1 Wollondilly Shire Council (the Council) is committed to the effective management of fraud and corruption through minimising the incidence and consequence of fraud and corruption.
- 1.2 The effective management of Fraud and Corruption will be achieved through the implementation and regular review of a range of strategies that prevent, detect, minimise and respond to fraud and corruption.
- 1.3 This policy sets out the Council's Framework for fraud and corruption control and underpins the approach to the effective management of fraud and corruption.

2. BACKGROUND

- 2.1 Fraud and corruption have the potential to cause significant financial, reputational and service delivery harm to Council. Further, it has the potential to diminish or destroy community confidence in Council.
- 2.2 Council has a zero tolerance towards fraud and corruption.
- 2.3 Council is committed to effectively preventing, detecting and responding to risks associated with fraud and corruption and to ensure public confidence and trust in the management of Wollondilly Shire Council.
- 2.4 The NSW Audit Office's recommended Fraud Control Framework has been utilised to develop the Council's Fraud Control Framework (the Framework).
- 2.5 The Framework has ten (10) key attributes, which sit within the themes of prevention, detection and response.



- 2.6 The 10 attributes are interrelated and are listed below:
- a. Leadership
 - b. Ethical framework
 - c. Responsibility structure
 - d. Fraud and Corruption control policy
 - e. Prevention systems
 - f. Fraud awareness
 - g. Third party management systems
 - h. Notification systems
 - i. Detection systems
 - j. Investigation systems.

3. APPLICABILITY

- 3.1 This policy applies to all staff, volunteers, contractors (including consultants and suppliers), Councillors, and council representatives.

4. GUIDELINES

4.1 Leadership

The Chief Executive Officer is committed to ensuring:

- 4.1.1 All Councillors, staff, volunteers, contractors and representatives of Council are aware of the standards of ethical behaviour required of them;
- 4.1.2 A mechanism is in place for any party (internal or external to Council) to advise of potential ethical conflicts relating to Council's functions;
- 4.1.3 Systems are in place to identify and manage fraud and corruption risks within the organisation; and
- 4.1.4 All reports of fraud or corruption are appropriately managed.

4.2 Ethical framework

4.2.1 Council's adopted values establish a framework for the delivery of its operations. Our values are an agreed understanding of what's important to our organisation. They guide our behaviours and help us make decisions on a daily basis. We are required to continuously demonstrate and adhere to these values.

INTEGRITY – We act with honesty, always doing the right thing

COLLABORATION – We openly share and partner with others to deliver results

ACCOUNTABILITY – We own our work and take responsibility for our actions and results.

RESPECT – We show mutual consideration for others and acknowledge our differences

EMBRACE INNOVATION – We encourage new ideas, welcome change and continuously improve.

4.2.2 Council has a number of policies, protocols and procedures to inform staff about ethical behaviours and their responsibilities including:

- Code of Conduct
- Fraud Control Framework
- Statement of Business Ethics
- Internal Reporting Policy
- Gifts and Benefits Policy
- Respectful Behaviours Procedure
- Conflict of Interests Policy
- Secondary Employment Procedure
- Purchasing and Procurement Protocol
- Resolution of Grievance Procedure
- Performance Management and Disciplinary Procedure

4.3 **Responsibility structure**

The responsibility structure is outlined in section 5 of this policy.

4.4 **Fraud and Corruption control policy**

4.4.1 This policy sets out Council's system of fraud control and underpins the approach to the management of fraud set out in the Framework. The policy is modelled on the documentation provided by the NSW Audit Office.

4.4.2 This policy will be reviewed every two years.

4.5 **Prevention systems**

4.5.1 Council operates in an environment of extensive contracting of goods and services, delegation of duties and authority, increased decision making powers of many staff, and access to confidential information.

Therefore, it is essential that potential risks created by this environment are identified, and that existing procedures, systems and controls are continually tested, monitored and reviewed to ensure that they remain sufficient to counter any corruption risks identified.

Council conducts fraud risk assessment every two years. The findings of the risk assessment inform a fraud control plan and the internal audit program.

4.5.2 A Register of all reported fraud events is maintained.

4.5.3 Identified high risk positions within Council will require pre-employment screening (police checks, credential verification) procedures to be in place for recruitment.

4.6 **Fraud awareness**

4.6.1 All staff are to be provided with regular fraud awareness training. The Fraud Control Framework and this policy will be highlighted as *Policy of the Month* at least once every year.

4.6.2 A Governance workspace on the intranet provides access for all staff to relevant policies and material.

4.6.3 Identified positions will be provided with awareness training specific to their area of responsibility.

4.6.4 All new staff will be provided with staff awareness training at induction.

4.7 Third party management systems

- 4.7.1 Council has many services delivered under contract or by consultants, such as internal audit, cleaning, security, legal services panel, heritage advisor.
- 4.7.2 Due diligence is required in managing these service providers. Internal controls include: the Procurement Protocol, Tendering Guidelines, risk assessments, management reviews and internal and external audits.
- 4.7.3 All staff and contractors have an obligation to report any suspected fraudulent activity.
- 4.7.4 Identified positions will be provided with awareness training specific to their area of responsibility.

4.8 Notification systems

- 4.8.1 All Councillors, staff and Council representatives have a responsibility to report suspected corruption or fraud and any person with concerns regarding suspected fraud or corruption is strongly encouraged to raise the matter with the Chief Executive Officer, the appropriate Director, Section Manager, Disclosures Coordinator.

Reports of suspected fraud or corruption concerning the Chief Executive Officer must be reported to the Mayor.

- 4.8.2 Council's Internal Reporting Policy outlines the procedures to be followed and protections available when reporting suspected fraud or corruption.
- 4.8.3 The Chief Executive Officer is required to immediately report to the ICAC any matter that the Chief Executive Officer suspects on reasonable grounds, concerns or may concern corrupt conduct. The Mayor will undertake this function in cases of suspected corrupt conduct by the Chief Executive Officer.
- 4.8.4 The Chief Executive Officer and senior management will act on all reports of fraud.
- 4.8.5 Investigations of suspected fraud or corruption will be conducted either internally or independently and, where necessary, external agencies such as the ICAC and NSW Police may conduct the investigation.
- 4.8.6 The findings of these investigations will be reported to the Internal Audit Committee along with recommendations to address any identified adverse trends or deficiencies in existing systems or work practices.

4.9 Detection systems

- 4.9.1 Council's internal financial and management controls require staff to follow defined standards of practice; these include: procurement rules, segregation of duties, pre-employment screening, security of records and information systems, approvals within delegated authority.

4.9.2 Council's internal audit processes aim to provide a proactive and comprehensive approach to evaluate and improve the effectiveness of risk management, control and governance processes. Examples of internal audits conducted include: Payroll Processing, Management of Section 94 Development Contributions; Voluntary Planning Agreements; On-site Sewage Management; Maintenance of Parks and Gardens; Planning and Development; Local Emergency Planning; Procurement; Compliance; Waste Management.

4.10 Investigation systems

4.10.1 All Councillors, staff and Council representatives have a responsibility to report suspected corruption or fraud and any person with concerns regarding suspected fraud or corruption is strongly encouraged to raise the matter with the Chief Executive Officer, the appropriate Director, Section Manager, Disclosures Coordinator or the Mayor (if the report involves the Chief Executive Officer).

4.10.2 Council's Internal Reporting Policy outlines the procedures to be followed and protections available when reporting suspected fraud or corruption.

4.10.3 An allegation of fraud or corruption against a member of staff will be referred to the Chief Executive Officer except in cases where an allegation of fraud or corruption is against the Chief Executive Officer where it must be referred to the Mayor.

4.10.4 The Chief Executive Officer (or the Mayor if applicable) will determine whether a preliminary assessment is required.

4.10.5 If the Chief Executive Officer (or the Mayor if applicable) determines, a full investigation may be conducted. All investigations will be conducted by an independent qualified external party.

4.10.6 Investigation reports will be provided to the Chief Executive Officer (or the Mayor if applicable).

4.11 Breaches of this Policy

The Chief Executive Officer (or the Mayor if applicable) is required to immediately report to the ICAC any matter that the Chief Executive Officer (or the Mayor if applicable) suspects on reasonable grounds, concerns or may concern corrupt conduct.

Appropriate disciplinary procedures are detailed in associated policies, however, as a guideline, sanctions may include:

4.11.1 Councillors

- Censure by the Council;
- Removal from Council Meetings;
- Reports to the NSW Police, Office of Local Government or ICAC, as appropriate;
- Disqualification from holding a public office for a period for up to five years; and
 - Section 435 of the Local Government Act 1993 gives the Office of Local Government the power to surcharge Councillors for losses caused by negligence and misconduct.

4.11.2 **Staff**

- Disciplinary procedures pursuant to Council's Performance Management and Disciplinary Procedure and industrial award or employment contract;
- Sanctions up to and including dismissal;
- Reports to the NSW Police, ICAC or other external body as appropriate; and
- Section 435 of the Local Government Act 1993 gives the Office of Local Government the power to surcharge staff for losses caused by negligence and misconduct.

4.11.3 **Contractors**

- Reports to the NSW Police, ICAC or other external body as appropriate; and
- Cancellation of all contract/supply agreements with Council.

Suspected breaches of this policy should be reported in accordance with Council's Code of Conduct or Internal Reporting Policy.

The Internal Reporting Policy provides support for staff who make disclosures regarding serious wrongdoing.

5. RESPONSIBILITY/ACCOUNTABILITY

- 5.1 **Chief Executive Officer** has ultimate responsibility for the Fraud and Corruption Control Framework
- is authorised to receive reports of fraud and Corruption
 - ensures outside agencies [e.g. NSW Police and the ICAC] are advised
 - ensures investigations are conducted thoroughly
- 5.2 **Assistant Director People, Legal and Governance** is responsible for ensuring the welfare of staff involved in an allegation of fraud is properly looked after and that any breaches of conduct and behaviour are properly managed through the Staff Performance Management and Disciplinary Procedure.
- 5.3 **Executive and Senior Management** have an important role in preventing and detecting fraud and corruption-
- are authorised to receive reports of fraud and refer them appropriately for investigation
 - must ensure that sound systems of internal control are operating in their areas of responsibility
 - must monitor and review the effectiveness of mechanisms implemented to minimise and detect fraud and corruption
 - promote awareness of fraud and corruption prevention and ethical conduct in the workplace
 - must lead by example

- 5.4 **Public Officer** has a central role in dealing with reports made by staff.
- is authorised to receive reports of suspected or actual fraud
 - assesses reports and refers them to the appropriate person for investigation or referral.
- 5.5 **Manager Governance** –
- administers the Fraud and Corruption Control policy
 - ensures the Fraud and Corruption Control policy is reviewed and updated every two years
 - conducts a fraud health check every two years
 - updates the fraud risk assessment every two years
 - oversees the implementation of a fraud education program
 - ensures key developments in fraud control are incorporated into Council processes
 - provides regular reporting to the Executive and the Audit Committee on fraud investigations and an annual status report
 - maintains a fraud control plan to ensure that key actions, responsibilities and timeframes are identified and reported on.
- 5.6 **All staff** have an obligation to report known or suspected fraud to the Public Officer, their Senior Manager or the Chief Executive Officer. All staff are to actively adhere to and live the Corporate Values, Code of Conduct and Council Policies, Protocols and Procedures.
- 5.7 **Audit, Risk and Improvement Committee** oversees and monitors the adequacy of the fraud and corruption control plan and the processes and systems in place to capture and effectively investigate fraud related information.
- 5.8 **Internal Auditor** assists in detecting and deterring fraud and corruption by examining and evaluating the adequacy and effectiveness of internal controls.

6. RELATED POLICIES/PROTOCOLS

- 6.1 Code of Conduct
- 6.2 Procedures for the Administration of the Code of Conduct
- 6.3 Internal Reporting Policy
- 6.4 Statement of Business Ethics
- 6.5 Conflict of Interests Policy
- 6.6 Risk Management Policy
- 6.7 Gifts and Benefits Policy
- 6.8 Acceptable Use of IT Policy
- 6.9 Purchasing Protocol

7. RELATED PROCEDURES

- 7.1 Staff Disciplinary Procedure
- 7.2 Secondary Employment Procedure
- 7.3 Staff Leave Procedure
- 7.4 Cash Handling Procedure
- 7.5 Records Disposal Procedure
- 7.6 Purchasing Procedure
- 7.7 Tendering Guidelines

8. RELATED LEGISLATION

- 8.1 Public Interest Disclosures Act 1994
- 8.2 Independent Commission Against Corruption Act 1988
- 8.3 Local Government Act 1993 & Regulations
- 8.4 Standards Australia, Fraud and Corruption Control Standard AS8001-2008

9. DEFINITIONS

9.1 What is fraud?

Fraud is a deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority. The type of events include acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other acts of deception, (*Audit Office NSW Fraud Control: Volume 1 – Conceptual Framework, NSW Government 1994, pp.5-6*)

The concept of fraud involves fraudulent or corrupt conduct by internal parties or external entities targeting the Council, or fraudulent or corrupt conduct by the Council itself targeting external entities.

Examples of fraud include, but are not limited to:

- Falsification of an employee timesheet by claiming hours, allowances, penalty rates or overtime not worked or not in accordance with the Local Government (State) Award terms.
- Falsification of qualifications or skills an employee does not have.
- Theft of plant and equipment by employees.
- Theft of inventory by employees.
- False invoicing (involving a staff member of the entity or a person external to the entity creating a fictitious invoice claiming payment for goods or services not delivered or exaggerating the value of goods delivered or services provided).

- Theft of funds other than by way of false invoicing.
- Theft of cash (particularly in retail or other cash businesses) usually involving some form of concealment.
- Accounts receivable fraud (misappropriation or misdirection of remittances received by an entity from a debtor).
- Financial reporting fraud (falsification of the entity's financial statements with a view to obtaining some form of improper financial benefit).
- Release or use of misleading or inaccurate information for the purposes of deceiving, misleading or to hide wrongdoing
- Misuse of position in order to gain some form of financial advantage.

9.2 What is corruption?

Corrupt conduct by a public official commonly involves the dishonest or preferential use of power or position, a breach of public trust or the misuse of information or material acquired in the course of official functions.

Corrupt conduct, as defined in the *ICAC Act 1998* (NSW), is deliberate or intentional wrongdoing, not negligence or a mistake.

Corrupt conduct is also any conduct of any person (whether or not a public official) that adversely affects, or could adversely affect, either directly or indirectly, the exercise of official functions by any public official, any group or body of public officials or any public authority.

See sections 7, 8 and 9 of the [Independent Commission Against Corruption Act 1988](#)

Corrupt conduct can take many forms including:

- conflict of interests
- taking or offering bribes
- dishonestly using influence
- blackmail
- fraud
- theft
- embezzlement
- tax evasion
- forgery
- nepotism and favouritism.

10. RESOURCES

- 10.1 ICAC website – www.icac.nsw.gov.au
- 10.2 NSW Audit Office - <https://www.audit.nsw.gov.au/>

11. IMPLEMENTATION STATEMENT

- 11.1 To ensure this policy is implemented effectively, Council will employ a variety of strategies involving awareness, education and training. These strategies will be aimed at Councillors, staff and council representatives and will involve:
- 11.1.1 Provision of information for staff and Councillors at induction.
 - 11.1.2 Distribution of the Statement of Business Ethics to all tenderers, suppliers and service providers.
 - 11.1.3 Staff awareness seminars to be conducted every two years.
 - 11.1.4 Fraud Health Check Survey to be conducted every two years to provide quantitative data on areas for improvement.
 - 11.1.5 Fraud Risk Assessments to be conducted every two years.
 - 11.1.6 Workshops to be conducted with staff in identified high risk areas, facilitated by internal audit.
 - 11.1.7 Attachments to payslips for operational staff.
 - 11.1.8 Use of Council's website and intranet to promote policy and procedures.

12. POLICY HISTORY

12.1	Date First Adopted	16 November 2009
12.2	Most Recent Adoption	19 February 2018
12.3	Next Review Date	19 February 2020
12.4	Responsible Officer	Manager Governance