



Policy No. 2013 - 03

Fraud Control Policy

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1. Introduction

Fraud can be defined generally as the use of an employee's or Councillor's position or employment within the Council to obtain a personal gain through the deliberate misuse or misappropriation of Council assets or resources.

Central Highlands Council is committed to the prevention, deterrence and investigation of all forms of fraud. Fraud can be damaging to the Council through financial loss, a lowering of staff morale, bad publicity and loss of public confidence.

2. Purpose

This policy covers guidelines, procedures and responsibilities regarding appropriate and authorised actions that are to be followed to increase the awareness of fraud. It also identifies actions to be taken in relation to the investigation of fraud and suspected fraudulent incidents.

This policy aims to:

- Protect Council's assets, resources, credibility and reputation;
- Promote and encourage a sound ethical culture at the Council;
- Ensure Councillor and Senior Management commitment to identifying the risk of fraud within Council's operations;
- Establish procedures for prevention, detection and investigation;
- Ensure that Councillors and staff are aware of the responsibilities in relation to ethical conduct.

3. Scope

This policy applies to all Councillors, Committee Members, employees, consultants and contractors of the Central Highlands Council.

4. Associated Policies

This policy should be read in conjunction with applicable, appropriate and associated policies, procedures and guidelines. These include, but are not limited to:

- Code of Conduct
- Staff Code of Conduct
- Risk Management Policy and Strategy
- Staff Induction Procedures
- Duty Statements/ Job Descriptions

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- Australian Standard 8001-2008 – Fraud and Corruption Control
- Pre-employment Screening Practices
- Personnel Rotation Procedures
- Separation of Duties

5. Elements of the Policy

The major elements of this policy are:

- 5.1 Education and Awareness
- 5.2 Roles and Responsibilities
- 5.3 Procedures
- 5.4 Disciplinary Actions
- 5.5 Risk Management
- 5.6 Fraud Control Program

These elements are expanded upon in the following paragraphs.

5.1 Education and Awareness

The likelihood and impact of fraudulent behaviour is to be minimised by promoting a sound ethical environment. This approach is intended to reduce the risk of fraud and should allow greater reliance on the integrity of employees rather than on direct measures.

It is the responsibility of all employees, Councillors, Committee Members, contractors and consultants to set an example through ethical and prudent use of Council assets and resources. Staff and Councillors have a duty to advise management of any concerns they have about the conduct of Council affairs or the use of Council assets and resources.

The Fraud Control Policy will be brought to the attention of all current and new staff and will be included in the induction program.

Staff with particular responsibilities such as cash handling, purchasing authority and account payment, will be given specific training in approved procedures.

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5.2 Roles and Responsibilities

5.2.1 Councillors and Committee Members

Councillors and Committee Members have a responsibility to abide by the Code of Conduct. Councillors and Committee Members need to keep in mind the Code of Conduct when considering reports, making decisions and scrutinising Council's activities.

Council will support all policies and measures taken to prevent, deter, detect and resolve suspected instances of fraud.

5.2.2 Senior Management

Senior Management is responsible for ensuring that there are adequate internal controls to provide reasonable assurance for the prevention and detection of fraud and corruption. Achievement of this will be assisted by:

- Compliance with Council policies, procedures, guidelines, rules and regulations;
- Ensuring that Councillors, Committee Members and employees are aware of their obligations as per the Code of Conduct;
- Ensuring that staff are aware of their responsibilities through adequate induction, training, supervision and written procedures;
- Responding to issues raised by Councillors, the Audit Committee, Senior Management and external auditors.
- All suspected cases or incidents of fraud are to be reported to the General Manager. The General Manager is to promptly organise an investigation in accordance with the Fraud Control Investigation Procedure, as attached.

5.2.3 Employees, Contractors and Consultants

Employees, contractors and consultants have a duty to make management aware of any concerns that they may have about the conduct of Council assets and resources. Any issues raised by them are to be promptly investigated. Confidentiality of issues raised is to be maintained.

5.3 Procedures

The Fraud Control Policy must be followed for all investigations of fraud or corruption.

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Variations to these procedures may result from requests or recommendations from the Audit Committee, Council, Tasmania Police or the Integrity Commission.

5.4 Disciplinary Actions

Where investigations conclude that there have been breaches of Council's policies, procedures and guidelines, the General Manager will determine the extent of disciplinary action to be applied. Such disciplinary measures may include, but are not limited to suspension (with or without pay), dismissal, re-classification, revision of salaries and contracts, re-organisation of duties and responsibilities and authorities, revising policies, procedures and guidelines, etc.

Where investigations reveal that criminal activities appear to have been conducted, details will be provided to Tasmania Police or other relevant law-enforcement agency for review. Tasmania Police are to be advised that it is Council's intention to proceed with criminal charges where the perpetrators admit to the fraud allegations or where Tasmania Police advise that they consider that fraud has been committed.

5.5 Risk Management

The following fraud minimisation procedures are to be followed:

- Accountability of Managers to the General Manager for the results and deviations from the budget in the monthly management reporting for departments.
- Periodic review of Council operations and an assessment of the Council's exposure to the risk of fraud.
- Internal controls are to be conducted on a regular basis and reports are to be submitted to the Audit Committee for review. This should minimise the exposure to fraud risk and minimise the occurrence of new frauds arising.
- External audit reviews with the focus on accountability of financial systems and reporting processes.
- Maintain strict recruitment practices, including the confirmation of all relevant employee details and thorough checking of references, in addition to including police checks on applicants successfully applying for senior positions and the promotion of this policy to all new Council employees.
- All assets are properly recorded and regular checks are performed to ensure that significant items are present.
- Establish, promote and enforce a standard of conduct for suppliers and contractors.
- Review work practices open to collusion or manipulation.

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- Ensure that Council management have been trained in identifying indicators of fraud.
- Ensure that applicable and appropriate staff have been trained in the procedures to be followed for investigating potential incidents of fraud.

5.6 Early Warning Signs

The following are some behavioural warning signs that all managers and staff need to be vigilant of which relate to potential fraudulent behaviour.

- Refusal to take leave;
- Resigning suddenly or failing to attend work for no apparent reason;
- Drugs or alcohol abuse;
- Staff over-riding or bypassing internal controls;
- Persistent anomalies in work practices;
- Obvious lifestyle changes that are out of character or are in conflict with employees' normal financial positions.

6. Linked Documentation

- Customer Service Charter
- Tendering and Procurement Policy
- Risk Management Policy and Strategy
- Code of Conduct
- Public Interest Disclosures Procedures Manual
- Related Party Disclosures Policy
- Staff Code of Conduct Policy

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Fraud Control Investigation Procedure

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1. Introduction

This procedure covers appropriate actions and responsibilities that must be followed for the investigation of fraud.

2. Process

- 2.1 Any employee, contractor, or consultant who has reason to suspect that a fraud has occurred shall immediately notify their manager. If the employee has reason to believe that their manager may be involved, the employee is to immediately notify another Manager or the General Manager. The employee, contractor or consultant shall keep this information confidential. (Note: Should the incident or allegation relate to the General Manager, the matter should be reported to the Mayor).
- 2.2 Any Councillor or Committee Member who has reason to suspect that a fraud has occurred shall immediately notify the General Manager. The Councillor or Committee Member shall keep this information confidential.
- 2.3 The Manager, when receiving notification of suspected fraud, is to immediately contact the General Manager. The Manager is not to attempt to investigate the suspected fraud and must keep the information confidential.
- 2.4 The General Manager is to promptly arrange an investigation upon notification of the details.
- 2.5 At the conclusion of an investigation of a Councillor, Committee Member, employee, contractor or consultant, the General Manager is to prepare a record. The record is to contain:
 - The allegation/s;
 - An account of all relevant information received, and if the General Manager has rejected the evidence as being unreliable, the reasons for this opinion being formed;
 - The conclusions reached and the basis for them;
 - Any recommendation arising from the conclusions.

Following the completion of the record, the General Manager is to determine what further action might be required.

3. Related Documents

- Fraud Control Policy
- Fraud Prevention Procedures
- Fraud Detection and Risk Management Procedures

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Fraud Prevention Procedure

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1. Fraud Prevention Strategy

Council's fraud prevention strategy involves:

1.1 Organisational Integrity and Leadership

The most effective form of fraud prevention is the establishment of an organisational culture that rejects fraudulent and corrupt practices. Commitment from Senior Management and Councillors is essential in establishing a behaviour model for all staff, Committee Members and volunteers.

Council will nurture a fraud-resistance culture by:

- Employing managers and supervisors who will be positive role models for ethical behaviour;
- Adopting and enforcing policies that emphasise the importance of ethical behaviour;
- Issuing clear standards, policies and procedures to minimise opportunities for fraudulent and corrupt behaviour and enhance detection mechanisms;
- Ensuring all staff are accountable for their own actions.

1.2 Employee Education and Awareness

Employees will be made aware of Council's ethical conduct expectations by:

- The inclusion of ethical conduct requirements in information packages for new employees;
- An ongoing program of inclusion of ethical behaviour expectations within all position descriptions for new and existing positions;
- Implement and review a Staff Code of Conduct as part of the development of organisational values and culture.

Staff with particular responsibilities, such as cash handling and purchasing authority, will be given specific training in approved cash handling and purchases.

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1.3 Customer and Community Awareness

Fraudulent activity may be detected as a result of complaints from Council customers or other members of the public. It is essential that the community understands the impact of fraudulent and corrupt activity and the importance of exposing such behaviour. In order to increase community awareness and encourage the reporting of fraudulent and corrupt conduct, Council will:

- Publish the Code of Conduct and other relevant Policies and procedures on Council's website;
- Provide feedback to all persons who report suspected corrupt or fraudulent conduct.

1.4 Regular Reviews of Policies and Procedures

In addition to ongoing policy development directed at emphasising ethical behaviour and fraud prevention and detection, Council is committed to the ongoing review of existing policies and procedures. These will be reviewed at least every 3 years.

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Fraud Detection and Risk Management Procedure

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1. Fraud Detection and Risk Management

Council's fraud detection strategy involves:

1.1 Encouraging Disclosure

It is recognised that most fraudulent activity is detected by employees of Council and to a lesser extent, by members of the public. Council will encourage the reporting of fraudulent conduct by:

- The inclusion of training on fraud awareness and reporting procedures in induction of new employees;
- Awareness training for all staff on Council's Staff Code of Conduct and reporting of fraudulent and corrupt activity on a bi-annual basis;
- Advertising on Council's website of the various methods by which members of the public can report instances of fraudulent conduct that they may become aware of;
- Providing feedback to people who report suspected fraud.

1.2 Internal Reviews

Council will minimise opportunities for undetected fraudulent activity via a robust internal review program. The General Manager shall establish and implement a detailed strategy and procedure, incorporating internal review guidelines in order to give this policy effect. Such a program will include:

- Bi-annual reviews of purchasing and disposal transactions;
- Annual reviews of financial system security;
- Annual reviews of cash float and petty cash balances;
- Annual stock-takes of Council inventories;
- Annual reviews of physical asset security;
- Annual reviews of compliance with adopted cash handling procedures;
- Implementation and monitoring of recommendations by Council's external auditors.

1.3 External Auditing

Council is required under the Local Government Act 1993 to have its financial reports audited and to present those audited financial reports to the public.

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2. Fraud Investigation

Council recognises that it will not always be successful in its efforts to prevent fraud. The General Manager will therefore investigate all reported instances of fraud and corrupt conduct as thoroughly as possible. Depending upon the circumstances of the alleged fraud, an internal investigation may be undertaken or the matter may be referred to an external body such as Tasmania Police, the Ombudsman or the Integrity Commission.

3. Fraud Correction

Once a fraudulent act has been identified and investigated, strategies and procedures are to be implemented to ensure that the act will not be repeated. This may include:

- Disciplinary action and/or dismissal of employees, Committee Members, volunteers or contractors involved in fraudulent conduct;
- Review and alteration of operating procedures;
- Additional training for employees, Committee Members, volunteers or contractors;
- Making other employees aware of the situation in general terms in order to discourage similar conduct in the future;
- Improvements in the physical security of assets.

4. Non-Compliance

Non-compliance with this procedure may result in disciplinary action which may include dismissal.

- Publish the Code of Conduct and other relevant Policies and procedures on Council's website;
- Provide feedback to all persons who report suspected corrupt or fraudulent conduct.

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