



Policy No. 2013-03

FRAUD CONTROL POLICY

Responsible Officers: **General Manager**

For Review by: **General Manager**

Due Date for Review: **20/10/2018**

Approved by: *R. O'Hair* 21/11/15
Date
..... *J. Styles* 21/11/15
Date
General Manager

Presented at Council Meeting: 17/09/2013
Date

Reviewed at Council Meeting : 20/10/2015
Date

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, creditability 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:

- Internal Control Policy
- Code of Conduct Policies
- Risk Management Policy and Strategy 2015-41

- Staff Induction Procedures
- Duty Statements/ Job Descriptions
- Australian Standard 8001-2008 – Fraud and Corruption Control
- Pre-employment Screening Practices
- Personnel Rotation Policies
- 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.

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 2013-03, 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.

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 provide 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.
- There are penalties in place should a staff member be found guilty of fraud.
- 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

- **Code of Conduct**
- **Customer Service Charter**
- **Public Interest Disclosures Policy**
- **Code for Tenders & Contracts**
- **Risk Management Policy and Strategy**