



FRAUD CONTROL PLAN

Governance/Administrative Policies and Procedures Manual

Policy/Procedure No.: 02

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1. INTRODUCTION

Fraud can and does happen and often where it is least expected. Fraud is not only a breach of trust but also a criminal offence. Those who commit fraud;

- Break the law
- Become subject to disciplinary action, including the likelihood of immediate termination of employment
- Bring Council into disrepute by reducing our reputation as sound managers of our and the communities resources
- Create trauma within their own families and friendships
- In extreme cases place at risk Council's continued operation

Council requires the support of government, community and business to operate. The financial assistance we receive is dependent on many factors; these include Council's reputation and record for delivering services in an ethical and accountable manner. The fraud control plan demonstrates that Council is committed to achieving effective fraud control and details the practical steps that will be undertaken to achieve this.

2. DEFINITION OF FRAUD

Fraud is defined by AS8001-2008 as dishonest activity causing actual or potential financial loss to any person or entity including theft of monies or other property by Council officers or persons external to the entity and whether or not 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.

3. POLICY ON FRAUD

Fraud Management Policy

George Town Council has a Fraud Management Policy. The purpose of the policy is to protect public funds and other public assets, protect the integrity, security and reputation of the George Town Council and its employees and to assist in maintaining a high level of services to the community.

Who the Policy Applies To

The policy applies to, the Mayor, Councillors, General Manager, Employees, Volunteers and Representatives of George Town Council. They are responsible for the identification and management of all risks associated with the performance of Council functions and the delivery of Council Services.

What the Policy Applies To

The policy applies in situations where fraudulent, suspicious or corrupt behaviour is suspected and/or has been identified. This plan is developed in conjunction with and by applying the principles outlined in the policy.

4. OBJECTIVES OF THE FRAUD CONTROL PLAN

This plan aims to install the following principles.

- The prevention, detection and investigation of fraud.
- The prosecution of offenders, including those involving routine or minor instances of fraud where appropriate.
- The application of appropriate, civil, administrative or disciplinary procedures.
- The recovery of proceeds of fraudulent activity.

4. OBJECTIVES OF THE FRAUD CONTROL PLAN (CONT.)

- The training of all employees involved in fraud control activities
- The external scrutiny of our fraud control activities.

To achieve this, a number of measures will or are already established that together constitute the fraud control plan. Fraud control responsibility roles will be clearly defined and fraud awareness training will be provided to Council employees.

5. ROLE OF THE FRAUD CONTROL OFFICER

A fraud control officer has been appointed, and this position is currently held by the Team Leader Corporate and Finance. This person has the primary responsibility for overseeing the implementation and review of the Fraud Control policy and plan and for making sure that these are well understood and actively implemented by employees of Council.

6. OTHER PEOPLE WITH RESPONSIBILITIES FOR FRAUD CONTROL

Fraud control is the responsibility of everyone. Council's expectations for all persons are contained within the Fraud Management policy.

7. ASSESSMENT OF FRAUD CONTROL RISK

The General Manager who reports to Council has ultimate responsibility to assess the risk of fraud occurring and implement the appropriate preventative measures. They do this with the direct support of the Fraud Control Officer, auditors and all employees.

The General Manager will encourage the use of a variety of techniques to assess various risk factors for fraud. These will include the following risk types.

Accounting Risks

The need to assess attitudes to the application of accounting standards and to ensure that correct procedures are followed in the case of third parties involved in the assessment of Council's performance e.g. auditors, Local Government Division, Commonwealth and State government departments.

Personal Risks

The need to assess risks in an environment where there is an autocratic management style, unusual behaviour, expensive lifestyles, untaken holidays, poor quality staff, low morale or high staff turnover.

Cultural risks

The need to be aware of the risks in culture that requires results at any cost or has poor commitment to internal controls and demands unquestioning obedience from staff.

Structural risks

The need to understand that fraud is made easier when there are complex corporate structures and when remote locations are poorly supervised.

Business risks

The need to be alert to the risks that arise when business strategies are poor, there is a poor corporate reputation or when there are liquidity or cash flow problems.

7. ASSESSMENT OF FRAUD CONTROL RISK (CONT.)

Potential Risks

The following are potential risks that should be considered in Council's risk assessment process for fraud control:

- (a) **Misappropriation of assets** – including theft, temporary borrowing, control over handling of cash and recording its use.
- (b) **Misuse of assets** – such as the unauthorised personal use of organisational assets including motor vehicles, computers and stationery.
- (c) **Delegations of authority** – failure by staff to adhere to delegation limits of authority relating to approvals of expenditure or contracts and agreements they can sign off.
- (d) **Lack of supporting documentation**
- (e) **Lack of mandatory leave policy or enforcement** – for employees performing key control functions.
- (f) **Fraudulent financial reporting** – including intentional distortion of financial statements, capitalising revenue items, factious asset register items, arguments with auditors, calculated avoidance of auditor involvement or restrictions in access to or availability of staff.
- (g) **High turnover** – of management, legal, accounting or governance advisors.
- (h) **Ineffective appointments of** – accounting, IT or internal audit staff.
- (i) **Hiring of friends and or relatives**
- (j) **Pressures affecting employees** – handling assets that are susceptible to misappropriation
 - Long term trusted employees** – know the systems and processes in detail which may allow them to more easily circumvent controls and conceal fraud.
 - Life crisis of employee** – e.g. divorce, death in a family, excessive gambling habits or other matters that create a need for substantial sums of money.
 - Lifestyle changes** – e.g. employees who are living beyond their means.
 - Rule breaker mentality** – i.e. employees who ignore rules or regulatory requirements.
 - Unappreciated workaholic** – includes employees who believe they are not adequately compensated for the long hard hours they work.
- (k) **Inventory characteristics** – small in size and high in value or volume.
- (l) **Fixed assets and plant** – stored off site and or portable in nature.
- (m) **Remote buildings** – security and access issues including multiple keys, lack of video surveillance in dangerous areas.
- (n) **Exploitation of incentives** – bonus incentives in contracts with customers, performance incentives in employee contracts.
- (o) **Trade contractors, subcontractors or consultants** – who are engaged but have inappropriately close relationships with employees.
- (p) **Management characteristics** – the degree of influence management exerts

8. REVIEW OF FRAUD CONTROL RISKS

A comprehensive fraud risk assessment will be completed and updated at least every 2 years or where a significant risk is identified or there is an instance of significant fraud or potential significant fraud reported. The findings will be reported to Council and to employees and made available for compliance with relevant authorised external audit processes.

8. REVIEW OF FRAUD CONTROL RISKS (CONT.)

The fraud risk assessment should include a review of;

- Information technology and information security
- Electronic commerce, electronic service delivery and internet transactions
- Outsourced functions
- Grants and other payments, benefits or programs
- Tendering processes, purchasing and contract management
- Services provided to the community
- Revenue collection
- Use of credit cards
- Travel and other employee allowances
- Salaries
- Property and other physical assets, including physical security

9. FRAUD CONTROL STRATEGIES

Organisational Behaviour Fraud Control Strategies

Characteristics that will reduce the risk of fraud in terms of desirable organisational behaviour include:

- The organisational structure in place provides for the effective communication of directives across the whole organisation to ensure that appropriate values and ethics are maintained.
- Known control weaknesses are addressed immediately once they are known
- Management overtly displays and upholds respect for the law and regulatory authorities
- Management employs effective and adequately qualified staff and utilises such external expertise as it is required in the circumstances that have arisen
- No deliberate contravention of the Local Government Act 1993 and other relevant legislation.

Audit (either internal or external) Fraud Control Strategies

As part of regular audit processes the following s will be undertaken by either internal or external audit:

- Procedural data analysis
- Unplanned visits to sites other than Councils Anne Street offices
- Altered audit approaches where deemed necessary e.g. oral contact with suppliers
- Personal interviews where necessary
- Data mining to test the integrity of computer based records
- Comparison of estimates/budgets with actual results
- Review of payments to related parties
- Review of unusual transactions
- Checks on employment contracts
- Examination of large and or unusual expenses

Financial Reporting Fraud Control Strategies

The following activities are conducted on a regular basis to assist in ensuring accurate financial reporting;

- Bank reconciliations are prepared and independently reviewed
- Fixed asset registers are reconciled to the general ledger and depreciation is charged where appropriate.
- Physical inventories are performed against asset registers for significant items.

9. FRAUD CONTROL STRATEGIES (CONT.)

- At year end accruals are left open until the latest possible moment to ensure transactions are recorded in the appropriate period.
- Provisions are generally only made to cover specific costs to be incurred.
- General journals are sequentially numbered, supported by narration and proper authorisation.
- All supporting documentation is appropriately filed.
- Asset sales are recognised in the period in which the sale takes place.
- Payroll transactions are effected on a fortnightly basis with resulting PAYG payments made in accordance with ATO guidelines.
- The payroll officer securely maintains information and records relating to payroll matters.

Management Fraud Control Strategies

The following are strategies applied by management to minimise the risk of fraud.

- Adequate segregation of duties.
- Use of exception reports.
- An authorisation process with respect to the maintenance, adding to or deletion from master files such as supplier, data address changes, bank account changes.
- Rotation of employees who de[posit cash receipts.
- Review and reinforcement of computer security measures, including requiring user identification passwords for access to computer systems.
- Routinely changing passwords for computer access on a 3 month basis.
- Internal review of transactions generated at external premises e.g. Visitor Information Centre, Watch House and Waste Management Site.
- Regular issue of statements for amounts owing e.g. quarterly for rates balances and monthly for sundry debtors balances.
- Review and update of policies.
- Regular systems and process reviews by appropriate employees.
- Appropriate channels of communication to enable employees to report non compliance or system errors.
- Regular audit of financial reporting and risk management.
- Pre-employment screening to consider
 - Verification of identity
 - Previous criminal history
 - Reference check with at least the two most recent employers
 - A consideration of any gaps in employment history and reasons for those gaps.
 - Verification of formal qualifications claimed.
 - A more thorough screening process for employees applying for particularly sensitive positions.

10. REVIEW OF FRAUD CONTROL STRATEGIES

The fraud control strategies that make up the Fraud Control Policy and Plan will be reviewed at least every 2 years or where a significant risk is identified or there is an instance of significant fraud or potential significant fraud reported. The findings will be reported to Council and made available for compliance with relevant authorised external audit processes.

11. FRAUD DETECTION

In the event that our fraud preventative systems fail, we will aim to detect fraud as soon as possible by

- Conducting internal reviews and audits
- Developing specific detection strategies for action by appropriate sections of management.
- Management reviews instigated by the management team.

Fraud detection systems will include.

- Strategic analysis of the management accounts to identify trends that may be indicative of fraudulent conduct.
- Ongoing assessment of internal risk factors, particularly as these relate to our culture, the susceptibility of certain assets to misappropriation and to employee internal and external pressures.
- Post incident reviews.

12. FRAUD REPORTING

Reporting Process and How to Report

Reports of behaviour involving possible fraud should be communicated to.

- General Manager, or
- Director or
- Manager or
- Fraud Control Officer or
- Team Leader or
- Supervisor or
- Coordinator or
- Responsible officer who has the necessary authority to act in the circumstances.

Where an employee or other person to whom this policy applies as defined believes that their disclosure will not be acted on in good faith by any officer of Council the disclosure can be made to the Director of Local Government or the Ombudsman.

Contact numbers

- Ombudsman 1800 001 170
- Director of Local Government 03 6232 7022

Reporting can be by using formal or informal alternative means if necessary. A reporting form is provided for use. Reporting may take the form of a phone call, email, via letter to the external mail box, via letter to internal mail boxes, fax, verbal reports to relevant persons or by other means depending on the circumstances that may suit the situation.

13. ANONYMOUS REPORTING

Fraud reporting can be anonymous should the person reporting a fraudulent or suspicious activity desire it to be so. Anonymous reporting is protected under the Public Interest Disclosures Act 2002, in Council's policy and within this plan and the procedures contained in it.

14. WHAT TO REPORT

A whistleblower should report conduct by any person or persons connected with George Town Council which, in the opinion of the whistleblower acting in good faith is;

- Dishonest or

14. WHAT TO REPORT (CONT.)

- Fraudulent or
- Corrupt or
- Illegal (including theft, violence or threatened violence, harassment, drug use and criminal damage against property) or
- In breach of Commonwealth or state legislation, Council policy or by laws or
- Unethical or
- Other serious or improper conduct or
- An unsafe work practice or
- Any other conduct which may cause financial or non financial loss to George Town Council or be otherwise detrimental to the interests of Council.

15. CONTENTS OF REPORT

Details required for internal reporting include the following.

- Names of the people involved (internal and external, depending on the circumstances)
- Description of suspected fraud
 - What happened
 - Where did it happen
 - When did it happen
 - How did it happen
- Details of any evidence that may exist
- Details of other people who may have information
- Details of the person making the allegation (optional)
- How the person making the allegation became aware of the conduct or incident.

16. WHEN TO REPORT

Employees are encouraged to report suspected fraud or suspicious activity immediately.

17. EXTERNAL REPORTING

The General Manager or appointed delegate may address the following external reporting issues depending on the circumstances.

- Protection of employees reporting suspected fraud
- External anonymous reporting e.g. Australian Taxation Office.
- Reports to police.
- Reports to any government departments e.g. Tasmanian Audit Office.
- Administrative remedies for the recovery of proceeds of fraudulent conduct.
- Other legal reporting obligations such as Australian Federal Police, state police, ATO, ASIC etc.

18. FRAUD INVESTIGATION

Participants in Fraud Investigation

In the event that fraud is detected, reported or suspected an investigation will be conducted by appropriately skilled and experienced people who are independent of the section in which the alleged fraud has occurred.

18. FRAUD INVESTIGATION (CONT.)

The independent party may include any or all of the following parties.

- An external law enforcement agency.
- A manager or other senior person.
- An external consultant operating under the direction of an independent senior person within Council.

Other Requirements of an Investigation

Other requirements of an investigation include.

- The investigation should comply with all relevant legislation.
- Adequate records of the investigation must be made and retained and take account of legal, best practice and privacy management guidelines.
- Information arising from or relevant to the investigation will not be disseminated to any person not required by their position description to receive the information.

Steps involved in an Investigation Process

An investigation may involve the following investigative steps.

- Interviewing of relevant witnesses, both internal and external, including obtaining statements where necessary.
- Reviewing and collating documentary evidence.
- Forensic examination of computer systems.
- Examination of telephone records.
- Enquiries with banks and other financial intuitions.
- Enquiries with other third parties.
- Data search and seizure.
- Expert witness and specialist testimony.
- Tracing funds, assets and or goods.
- Preparing briefs for evidence.
- Liaison with the police or other law enforcement or regulatory agency.
- Interviewing persons suspected of involvement in fraud and corruption.
- Report preparation.

Outcomes and Changes to Internal Controls

In each case where fraud is detected the General Manager and the Fraud Control Officer should reassess the adequacy of the internal controls and amend and improve controls where necessary.

Where improvements to internal controls are required, these should be implemented as soon as possible and any amendments to internal controls should be effectively communicated to employees appropriate to their level of responsibility and position description.

19. PROTECTION FOR WHISTLEBLOWERS

Definition

A person who has or professes to have knowledge of fraudulent or corrupt conduct and who chooses to report it to the appropriate authority.

19. PROTECTION FOR WHISTLEBLOWERS (CONT.)

Protection

Persons choosing to make a disclosure in relation to this policy will be afforded the full protections of the Public Interest Disclosures Act 2002 as defined by that legislation. It is intended under George Town Council policy that the principles by which the Public Interest Disclosures Act 2002 is written should apply to a disclosure made rather than the technical content of that legislation.

Protection for whistleblowers is designed to:

- Encourage and facilitate disclosure of improper or corrupt behaviour
- Provide anonymity for persons that make these disclosures
- Provide protection for staff who may fear or suffer reprisals in relation to such disclosures
- Ensure that the matters disclosed are properly investigated and dealt with.

Undertaking By Council to Whistleblowers

At George Town Council we give an undertaking to all whistleblowers that we do not intend to take action against a whistleblower for reporting, and clearly state that all reports will be kept confidential and secure. A whistleblower who, reports, or seeks to report, will be given a guarantee of anonymity if this is desired by the whistleblower. This provision is subject to circumstances in which the law requires the disclosure of the identity of the whistleblower in legal proceedings.

Any person who reports conduct as defined by this procedure must not be personally disadvantaged for having made the report by:

- Dismissal or
- Demotion or
- Any form of harassment or
- Discrimination or
- Current or future bias.

20. PUBLIC INTEREST DISCLOSURES ACT 2002

Some of the more relevant sections of the Public Interest Disclosures Act 2002 are noted below for particular reference.

Power to Disclose Improper Conduct

- Section 6 – Disclosures about improper conduct or detrimental action - provides an authority to public officers to disclose what they believe maybe improper conduct.

Definition of Improper Conduct

- Defines in section 3 (Interpretation) “Improper Conduct” as a number of actions but importantly the following
 - (a) Conduct that constitutes an illegal or unlawful activity or
 - (b) Corrupt conduct or
 - (c) Misconduct, including breaches of applicable codes of conduct or
 - (d) Conduct that constitutes detrimental action against a person who makes a public interest disclosure under this Act

That is serious or significant as determined in accordance with guidelines issued by the Ombudsman.

21. WHO IS A PUBLIC OFFICER AND WHAT IS A PUBLIC BODY

- Section 4 Public bodies and officers
 - (1) Subject to subsection 3 (Interpretation) the following bodies and authorities are public bodies for the purposes of this Act
 - (d) a council
 - (2) Subject to subsection 3 (Interpretation) the following persons are public officers for the purposes of this Act
 - (b) a councillor
 - (e) an employee of a council

22. IMMUNITY FROM LIABILITY PROVIDED TO PERSONS MAKING PROTECTED DISCLOSURE

- Section 16 Immunity from Liability - Persons making a protected disclosure are immune from any liability
- Section 19 Protection from Reprisal – persons making a protected disclosure are protected from all forms of reprisal actions.
- Section 25 certain persons continue to be protected - Employees and contractors remain protected after leaving Council

23. COUNCIL REQUIRED TO ESTABLISH PROCEDURES

Part 7 of the Public Interest Disclosures Act 2002

- Defines the requirement to establish procedures (refer to procedures on Council's web site) and to investigate disclosures.
- Ultimately investigations may be referred to the Ombudsman.

24. FALSE DISCLOSURES – PENALTIES APPLY

- Section 87 Offence to make false disclosure Section 1 - a person must not knowingly provide false information under this Act intending that it be acted on as a disclosed matter to
 - the Ombudsman
 - a public body
- Penalties apply to false disclosures.

25. TRAINING

New Employees

All persons commencing employment with George Town Council from April 2014 will receive training about the Fraud Policy, Plan and protections for whistleblowers at induction and throughout their period of employment.

Current Employees

Current employees will receive training about the Fraud Policy, Plan and protections for whistleblowers between May and June 2019.

25. TRAINING (CONT.)

Additional Information

Additional information regarding protections for whistleblowers can be gained from:

- Council website (refer procedures for Public Interest Disclosures Act 2002).
- Ombudsman website <http://www.ombudsman.tas.gov.au/> or by contacting 1800 001 170.
- Tasmanian Legislation website <http://www.thelaw.tas.gov.au/>
- Contacting the Department of Premier and Cabinet – Local Government Division
- **Online enquiries**
- To contact a specific division or office directly please use the [list below](#) to find the relevant email address. For general enquiries please contact us by using the [feedback form](#). To report a problem or enquire about this website and its functionality please email internet.coordinator@dpac.tas.gov.au.
- **By phone**
- **Call 1300 135 513**
International +61 1300 135 513
- **By post**
- **Write to:** Department of Premier and Cabinet, GPO Box 123, HOBART, TASMANIA 7001
- **Contacting our staff**
- Staff contact details can be found on the [Tasmanian Government Directory](#).