



George Town Council

## Fraud Prevention and Control Policy

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## 1. Purpose

The purpose of this 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.

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## 2. Scope

This Policy applies to:

- The Mayor, Councillors, General Manager, Directors, Managers, Workers, Volunteers, Employees 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.
- Situations where fraudulent, suspicious or corrupt behavior is suspected and/or has been identified.

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## 3. Background

George Town Council is committed to fostering and maintaining the highest standards of ethical behaviour by establishing a policy where fraud and corruption is not tolerated.

George Town Council is committed to protecting its revenue, expenditure and property from any attempt, either by members of the public, contractors, elected members or its own employees, to gain by deceit, financial or other benefits.

Council is committed to:

- Protecting community assets and resources;
- Adopting measures to minimise risk; and
- Serving, representing and promoting community needs, interests and aspirations

There are two core elements to this policy:

- I. Reducing losses through fraud by developing and implementing a Fraud Control Plan, within a working environment which promotes honesty and integrity; and
- II. Establishing and maintaining a commitment to detecting, investigating and prosecuting individual cases of criminal behaviour, including fraud.

This policy has been developed with guidance from the following publication:

- Report of the Auditor-General, No 1 of 2013-14, *fraud control in local government, August 2013*
- *AS8001-2008 Australian Standard Fraud and Corruption Control*

#### 4. Definitions

##### Corruption

Corruption is defined by Australian Standard (AS8001-2008) as dishonest activity in which a, Director, Executive, Manager, Employee or Contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. Corruption is any conduct that is improper, immoral or fraudulent.

##### 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.

The above definition does not have to be tangible and, includes the following types of offences:  
(*the following list is not intended to be exhaustive*)

- Theft/stealing;
- Abuse of position and power for personal gain;
- Unauthorised and/or illegal use of asset, information or services for private purposes;
- Manipulation of computer programs for improper purposes;
- Manipulation and misuse of account payments;
- Obtaining a financial advantage or any other benefit by deception;
- Conflicts of interest;
- Conflicts of pecuniary interest;
- Bribery (accepting personal gifts and benefits);
- Improper use of intellectual property;
- Improper use of corporate credit cards;
- Causing a loss, or avoiding or creating a liability, by deception;
- Making, using or possessing forged or falsified documents;
- Unlawful use of vehicles, telephones and other property or services;
- Perverting the course of justice;
- Elected members dishonestly using influence;
- Election bribery;
- Election funding offences;
- Election fraud; or
- Any dishonest or improper use of information, assets and or services.

##### Whistleblower

###### 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.

###### Protections for Whistleblower's

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 this 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.

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## 5. Policy Guidelines

### 5.1 Expectations of Councillors and Council employees

- a) Councillors and council employees are expected to maintain a high standard of ethical conduct in all activities, in particular with respect to resources, information and authority.
- b) All Councillors and employees are expected to develop, encourage, insist upon and implement, sound financial, legal and ethical decision making within their responsibility levels.
- c) All Councillors are expected to be familiar with and act in accordance with the Council's Code of Conduct. The Council expects similar standards from the people, agencies or organisations that do business with the Council.
- d) All employees and Councillors must declare any conflict of interest in relation to matters they are currently considering, investigating or making a decision on.
- e) Fraudulent acts against the Council are unacceptable and may constitute a criminal offence.
- f) Any Councillor or employee who suspects fraudulent or corrupt behavior must report it immediately to their Manager, the General Manager, Fraud Control Officer, Team Leader, Supervisor or Coordinator or a responsible officer to whom they believe has the necessary authority to act in the circumstances by using formal or informal alternative means if necessary.

### 5.2 Responsibilities for General Manager/Directors/Managers/Team Leaders/Supervisors and Employees of Council to whom delegated authority has been extended to manage, coordinate or other wise lead a team of employees for a defined set of responsibilities

- a) Are expected to lead by example and to demonstrate integrity and fairness in decision making and to be open and honest in their dealings with others.
- b) Must ensure that the four elements required for effective management of fraud prevention are evident in the workplace. The four elements are as follows:
  - I. Positive attitude towards internal control. Expressed through interest, involvement, policies and procedures.
  - II. The selection and development of quality employees who demonstrate high ethical standards. The appropriate application and provision of leadership and training to all employees will enhance the quality of performance and therefore control.
  - III. Ensuring Position Descriptions include risk management control (including fraud) responsibilities.
  - IV. The monitoring of systems, whether informal information gathering systems or the active supervision of formal information systems.
- c) Are expected to make themselves familiar with, and implement Council's *Fraud Prevention and Control Policy*.
- (d) Are required to promptly advise the General Manager or their immediate supervisor of instances of suspect or actual fraud. All such matters must be dealt with in accordance with other relevant internal reporting procedures.
- e) When fraud is detected, they must take prompt action both to stop fraudulent behavior and to discourage others who may be inclined to commit similar conduct.

(f) An employee or other person to whom this policy applies as defined in section 2, who suspects fraudulent or corrupt behavior must report it immediately to the General Manager, their Manager, Fraud Control Officer, Team Leader, Supervisor or Coordinator or a responsible officer to whom they believe has the necessary authority to act in the circumstances by using formal or informal alternative means if necessary.

(g) Where an employee or other person to whom this policy applies as defined in section 2 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.

(h) Disclosures may be made orally or in writing.

### **5.3 Fraud Planning and Resourcing**

(a) Council will implement a fraud control plan

The Fraud Control Plan will include processes for the following.

- Fraud and corruption control planning and its overall framework.
  - Risk management including all aspects of identification, analysis, evaluation treatment, implementation, communication, monitoring and reporting of fraud.
  - Implementation of treatment strategies for fraud and corruption risks with a particular focus on intolerable risk.
  - Ongoing monitoring and improvement of fraud control risks and performance.
  - Awareness training.
  - Establishing clear accountability structures in terms of response and escalation of fraud investigations.
  - Establishing clear reporting policies and procedures in relation to fraud and the management of fraud risk.
  - Setting guidelines for the recovery of the proceeds of fraud or corruption.
  - Implementing any other strategies relevant to planning and resourcing, prevention, detection, responses to fraud and its management.
- (b) The fraud control plan will be reviewed at least every 2 years or more often where the existence of fraud is suspected and
- (c) The fraud control plan will be implemented and monitored by an officer of appropriate experience and skills who will be allocated the necessary resources to ensure that fraud control activity is adequately resourced.
- (d) The fraud control officer will coordinate other resources and employees of Council in order to implement and monitor the fraud control plan.
- (e) The fraud control officer will utilize existing internal audit functions to implement and monitor the fraud control plan.

### **5.4 Fraud and corruption prevention**

In order to prevent fraud or corruption;

- (a) Council will maintain a sound healthy and sustainable ethical culture reinforced through the inclusion of ethical standards and principles in current policies, procedures and guidelines and the Code of Conduct.
- (b) Council will monitor any breaches of ethical standards contained in policies, procedures, guidelines and the Code of Conduct and will deal with breaches of these as determined in the policies, legislation, guidelines and the Code of Conduct.

- (c) Senior management will display a commitment to the management of fraud and corruption and if found to be absent will be the subject of appropriate awareness training as will other employees should that be found necessary.
- (d) Annual written confirmation of compliance with the Code of Conduct including this policy over the last 12 months and for the next 12 months will be required.
- (e) Fraud and corruption control will be incorporated into performance management systems.
- (f) Fraud and corruption control will be treated as a serious enterprise risk and will be treated in accordance with AS/NZS 4360:2004 risk assessment processes.
- (g) A communication and awareness program will be developed, implemented and maintained and communicated to stakeholders on a regular basis.
- (h) Employment screening processes will incorporate fraud and corruption screening as an integral part of the process of selecting new employees.
- (i) Supplier and customer processes will incorporate fraud and corruption control screening concepts as part of councils regular business processes.
- (j) The risk of corruption will be considered separately and measures aimed at controlling the risks may be developed and implemented if the risk is considered to be unacceptable.

## **5.5 Fraud Detection**

Council will employ a number of fraud prevention processes to ensure early detection of suspicious or fraudulent behaviours, these may include.

- (a) Monitoring employee behavior and workplace activities.
- (b) Monitoring and reviewing transactions.
- (c) Developing or enhancing internal security.
- (d) Analysis of management accounting.
- (e) Appointing either an existing employee or a contractor as an internal auditor or with internal audit responsibilities.

Council will actively support the protection of whistleblowers which will be communicated to all stakeholders.

## **5.6 Fraud Investigation and response**

Council will install appropriate policies and procedures for dealing with suspected fraud or corruption detected through its detection systems or otherwise coming to its notice.

This will include the development, implementation and maintenance of the following.

- (a) Appropriate measures for the comprehensive investigation of such matters based on principles of independence, objectivity and the rules of natural justice.
- (b) Systems for internal reporting of all detected incidents.
- (c) Protocols for reporting the matters of suspected fraud or corruption to the appropriate law enforcement agency.
- (d) Policies for the recovery of stolen funds or property.
- (e) Developing a fraud and corruption incident register.
- (f) Disciplinary procedures for proven fraud or corruption incorporated into Councils human resources processes and policies.
- (g) Developing, implementing and maintaining a policy dealing with external reporting of fraud or corruption.
- (h) Developing, implementing and maintaining a policy requiring that recovery action be undertaken where there is clear evidence of fraud or corruption and where the likely benefits of such recovery will exceed the funds and resources invested in the recovery action.
- (i) Internal control review following detection of a fraud or corruption incident.

- (j) Implementation of improvements in internal controls following a review carried out following detection of a fraud or corruption incident.
- (k) Maintaining a fidelity guarantee insurance policy.

## 5.7 Policy Delivery and Monitoring

- The General Manager is responsible for developing and implementing Council's *Fraud Prevention and Control Policy* and monitoring its effectiveness.
- Trends, activities, complaints *and* compliments are monitored for signs of irregularity.
- The General Manager will report to the Council on a regular basis on fraud risk issues ensuring that risks are identified and acted on either in a closed session if within the requirements of the Local Government Act 1993 for closed sessions or in open session as appropriate.
- Council employees or other persons to whom this policy applies as defined in section 2, will receive appropriate training to improve awareness of fraud risks and fraud management within the workplace.

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[Link to Strategic & Annual Plan](#)

Strategic

Organisational Accountability

Aim - to be a responsible, accountable local government by:

- Developing and implementing policies to achieve the overall objectives of the Council; and
- Enhancing our reputation within the community

Annual Plan:

*Ensure best practice and risk management processes are observed*

- Facilitate continuous improvement in Council operations and service delivery;
- Review and maintain the risk register and risk assessment of Council's assets and community safety issues; and
- Review and implement Council's Risk Management Policy

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Legislation or Related Policies

- Local Government Act 1993
- AS8001-2008 Fraud and Corruption Control
- The Public Interest Disclosures Act 2002 (*Tas*)
- AS/NZS ISO 31000 Risk Management
- Code of Conduct Policy No: 21
- Risk Management Policy No: 33
- Councillor Allowances Policy No 5
- Right to Information Policy No: 28
- Draft Employee Code of Conduct Handbook
- George Town Council employees and elected members *Code of Conduct* register of personal gifts and benefits



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Responsibility

Responsibility for the operation of this policy rests with the General Manager.

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Review of Policy

This policy is to be reviewed in 2016 or with any changes to relevant legislation or best practice standards