



Fraud and Corruption Control Policy and Related Principles 2010

City of Boroondara

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City of Boroondara

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City of Boroondara

1. Introduction

The City of Boroondara is committed to the prevention, deterrence and investigation of all forms of fraud. Fraud can be damaging to the Council through financial loss, loss of public confidence and adverse publicity.

For the purpose of this policy fraud against the City of Boroondara (“the Council”) is defined as:

“the use of deception or misrepresentation to obtain an unjust advantage, or to cause a disadvantage or loss to the Council, and includes theft or misappropriation of Council assets”.

For the purpose of this policy fraud is not restricted to tangible benefits only and includes intangibles such as information.

A fraudulent act can also be committed by an act of omission, dishonesty or deceitful and misleading behaviour.

1.1. Purpose

Council Objective

The objective of this policy is to outline Council’s approach to fraud and corruption prevention, deterrence and detection. In addition, Council is committed to meeting its legislative obligation under the Local Government Act 1989:

“to take all necessary steps to ensure that all Council staff maintain proper standards of integrity, conduct and concern for the public interest.”

Council’s commitment to fraud control will be met by ensuring an environment in which fraudulent or corrupt activity is discouraged, and conflicts of interest are avoided. Council is also committed to the ‘Working at Boroondara’ statements and believes this Fraud and Corruption Control Policy is a demonstrable reflection of its open and transparent processes in managing risk.

This policy is also consistent with, and supported by, Council’s legislative obligations and consistent with and supported by the Code of Conduct and Code of Ethics.

1.2. Scope

This policy statement applies to all Councillors and staff, including volunteers, elected employed and engaged by Council without fear or favour. Councillors are also obliged to maintain standards as laid out in the Local Government Act. Relevant training on legislative obligations is provided at Councillor induction sessions.



2. Background

2.1. Context

Council is committed to policies and practices that reduce the risk of fraudulent or corrupt behaviour. The Victorian Auditor-General has encouraged all Councils to adopt specific fraud control policies that address risk mitigation. Boroondara has taken the pro-active step to establish an internal group known as the Fraud Control Group which monitors, reports and guides the implementation of this policy

2.2. Consultation

This policy has been developed following consultation with the Fraud Control Group, legal advisors and representatives from Council's audit firms.

2.3. Corporate Framework

This policy supports Council's Mission and Vision by addressing the following objective(s) in the Council Plan 2009-2014:

"Provide customer focused financial management processes, budget systems and valuation practices in accordance with professional standards and legislative requirements".

"Open and transparent processes and strong accountability to the community".

3. Policy Statement

Council is committed to preventing, deterring and detecting fraudulent and corrupt behaviour in the performance of all Council activities.

This commitment shall be met by:

- identifying opportunities for fraud and corruption, and implementing risk management, prevention and minimisation procedures in day to day operations. The implementation of these procedures will assist management, who are ultimately responsible for the prevention and detection of fraud and corruption, in the deterrence and/or timely detection of both internal and external fraud and corruption;
- implementing procedures to investigate allegations of fraudulent or corrupt behaviour;
- reacting appropriately to situations where fraud or corruption allegations are found to be true. This may be through reporting to relevant authorities or disciplinary action under the code of conduct;
- providing appropriate training and promulgating relevant codes of conduct to ensure employees and contractors are aware of their responsibilities in combating fraud and corruption; and
- ensuring an environment in which fraudulent or corrupt activity is discouraged.

In order to meet this commitment, any evidence of fraudulent or corrupt activity must be brought to the attention of management. Where a person has acted in good faith in reporting such



suspected activity, all reasonable steps will be taken to provide them with protection against discrimination or retaliation (1).

- (1). This policy must be read in conjunction with the Council's Whistleblower Protection Act policy and procedures, which provides a protected reporting process where required.

4. Procedures

4.1. Investigations of Allegations

Council will implement procedures to facilitate investigation of allegations of fraudulent or corrupt behaviour, and conflicts of interest. Where such allegations are substantiated, Council will respond appropriately in the circumstances, by either reporting to relevant authorities or initiating disciplinary action under the Code of Conduct.

Any evidence of fraudulent and corrupt activity or conflicts of interest must be brought to the attention of the Manager, Financial Services or the Manager Governance, for investigation, or such other person who in all the circumstances is considered appropriate.

4.2. Conduct and Discipline

Council is committed to ensuring a corporate culture of honesty and integrity in which staff and contractors believe that fraud, corruption, dishonest acts and conflicts of interest will be detected and investigated.

4.3. External Notification

Council is committed to ensuring that all allegations, breaches of the Code of Conduct or this policy which are considered to be prima facie cases supported by evidence of fraudulent or corrupt activity are notified to the appropriate law enforcement or regulatory agency for investigation and/or prosecution. Where any successful prosecution of a matter results, employment ramifications will be considered on a case by case basis in accordance with Council's Human Resources policies.

5. Implementation & Monitoring

5.1. Accountabilities

The assignment of responsibility for the various elements of Fraud and Corruption Control is a critical prerequisite for the establishment of a successful fraud and corruption control strategy.

The ultimate responsibility for ensuring compliance with this policy rests with the Chief Executive Officer. The Director, Corporate Resources, shall promulgate and update the policy, and accepts ultimate responsibility for the control and minimisation of fraud and corruption, and maximisation of detection. All levels of management are expected to take responsibility for compliance within their area of responsibility.

To facilitate the implementation of this policy a Fraud Control Group (FCG) shall be established. The FCG shall comprise:

- Chair – Director Corporate Resources.
- Manager, Financial Services (Co-ordinator).
- Manager, Human Resources.
- Manager, Governance.



- Corporate Solicitor.
- Manager, Information Technology.
- Manager, Learning & Development.
- Manager, Parks & Gardens.
- Internal Auditor.
- Risk Management Advisor.
- Other members of the Senior Management Group shall be rotated through the group to provide expertise and broaden the communication of the group's goals.
- As required, outside experts shall be invited to make presentations to the Fraud Control Group.

The FCG shall meet at least 4 times a year and will provide reports and papers to the Executive Management Group and the Audit Committee. The role of the FCG shall include but not be limited to:

- Fraud risk assessment updates
- Fraud awareness training
- Fraud research
- Investigations
- Compliance with fraud control/Whistleblower Act requirements

The chair or (delegate appointed by the Chair) shall report directly to the Chief Executive Officer on the operations and activities of the group.

At the conclusion of each financial year, the Chair shall report to the Audit Committee on the operations and activities of the Fraud Control Group.

The assignment of responsibility for the various elements of fraud and corruption control is a critical prerequisite for the establishment of a successful fraud and corruption control strategy.

Fraud and corruption control responsibility within Council is summarised below:

Council responsibility entails:

- ensuring an appropriate comprehensive fraud and corruption policy is formulated; and
- facilitating accountability at all levels within the Council for fraud and corruption control by ensuring suitable fraud and corruption information and reporting systems are maintained.

The Fraud Control Group (FCG) accepts responsibility for:

- establishing and maintaining an overall fraud and corruption management function to manage the requirements of the Policy and to provide a focal point for management reporting to the Council;
- implementing, within the Council, the Council's Fraud and Corruption Control Policy, its principles and related procedures;
- investigating reported instances of fraud or corruption;
- maintaining records which are capable of identifying trends in fraudulent or corrupt activity;
- providing management with guidelines and standards for safeguarding the Council's assets;



- notifying management of any potential fraud risk exposures identified during the course of investigation work in order that current procedures can be reviewed for adequacy;
- liaison with law enforcement and industry organisations in order to maintain a high level of awareness of potential fraud and corruption risk areas as well as monitoring the progress of any matters referred to law enforcement agencies for action; and
- liaison with Human Resources to ensure any action contemplated against employees complies with legal requirements.

Specific responsibilities of the Fraud Control Group Co-ordinator are:

- Maintaining and updating the fraud and corruption control policy.
- Assist the FCG and management to develop policies, procedures, and processes to effectively mitigate fraud risk;
- Coordination contact point for fraud advice on significant matters;
- Facilitate the sharing of best fraud control practices across Council;
- Primary relationship manager for external providers of investigative and fraud control services;
- Assisting and/or consulting management in the conduct of fraud and corruption investigations;
- Investigating or coordinating investigations of reported instances of fraud or corruption;
- Work closely with Corporate Resources to target high fraud risk areas;
- Coordinate the development of fraud training and other ongoing awareness material;
- Providing management with guidelines and standards for safeguarding Council assets;
- Managing specific fraud prevention and detection programs;
- Reviewing fraud risk profiles, and initiating specific fraud risk reviews as required;
- Maintaining records, capable of identifying trends and specific incidents in fraudulent or corrupt activity;
- Maintaining and updating a fraud information management system database;
- Notifying management of any potential fraud risk exposures identified during the course of investigation work in order that current procedures can be reviewed for adequacy; and
- Liaison with law enforcement and other organisations to maintain a high level of awareness of potential fraud and corruption risk areas.

Corporate Resources responsibility entails:



Ensuring the implementation and continued operation of an adequate system of internal control, including cost effective procedures to protect the City of Boroondara against fraudulent and corrupt activity. Amongst other methods, the following may be adopted to assist in discharging this responsibility:

- identify relevant risk exposures of significance to Council. The evaluation of risk is a critical determinant in Corporate Resources approach to fraud prevention and detection;
- monitoring of relevant legal obligations and ensuring that operating procedures and conditions meet these obligations;
- developing and publicising within Council the Code of Conduct and relevant policies including the Gifts and Hospitality Policy and the Electronic Communications Policy
- incorporating appropriate fraud prevention and detection controls when developing and maintaining computer or other systems;
- ensuring employees are properly trained and understand relevant codes of conduct;
- ensuring an environment in which fraudulent and corrupt activity is discouraged; and
- liaison with investigators and management on staff investigations, on an as needs basis to ensure compliance with Human Resources policies and procedures, including conduct and discipline standards as well as the Charter of Human Rights.

Employee responsibility entails:

- complying with the requirements of this Policy, and all supporting procedures;
- being aware of their Fraud Prevention and Control responsibilities under this Policy;
- being aware of protocols regarding inducements, gifts and incentives laid down in the Gifts and Hospitality Policy.
- reporting breaches or suspected breaches of this policy, or control procedures and Code of Conduct, to the Manager, Financial Services (or the Whistleblower Protected Disclosures Co-ordinator if appropriate); and
- reporting to the Manager, Financial Services, as soon as possible, deficiencies or suspected deficiencies with this policy or control procedures.

External Audit responsibility, whilst not responsible for fraud detection, will:

- In performance of its reporting on the Financial Statements, ensure its procedures are designed to provide reasonable assurance that the financial information is properly stated in all material respects. External auditors are not required to search specifically for irregularities and fraud or corruption and their audit should not be relied upon to disclose them. External auditors shall plan the audit so that there is a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud or corruption, or a breach of regulations.

5.2. Financial Implications



The implementation of this policy is funded from within existing departmental operating budgets.

5.3. Fraud Risk Assessment

Council's commitment to fraud control will be met by identifying opportunities where fraud and Corruption may arise, and implementing risk avoidance, prevention and minimisation procedures in day to day operations.

5.4. Employee, Customer and Community Awareness

Council's commitment to fraud and corruption control will be met by providing appropriate staff training and utilising existing communication mediums to increase customer and community awareness. Council will also publicise and raise awareness of relevant codes of conduct to ensure employees, contractors, customers and community are aware of their responsibilities or role in combating fraud and corruption and protection of the public revenue.

5.5. Fraud, Corruption and Conflict of Interest Reporting

Council is committed to encouraging staff, customers or community to report suspicious activity at the first available opportunity, to an appropriate reporting point within the Council or where necessary to an outside authority.

6. References

6.1. Protected Disclosures and Compliance with the Whistleblowers Protection Act 2001

Council is committed to the aims and objectives of the Whistleblowers Protection Act 2001 (the Act). It does not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct.

6.2. Definitions

Fraud

For the purpose of this policy fraud against the City of Boroondara ("the Council") is defined as:

"the use of deception or misrepresentation to obtain an unjust advantage, or to cause a disadvantage or loss to the Council, and includes theft or misappropriation of Council assets".

For the purpose of this policy fraud is not restricted to tangible benefits only and includes intangibles such as information.

A fraudulent act can also be committed by an act of omission, dishonesty or deceitful and misleading behaviour.

Corruption

For the purpose of this policy Corruption is defined as:

"corruptly acting or failing to act in the performance of functions of his or her office of employment; or corruptly taking advantage of his or her office or employment as a Council officer to obtain any benefit for himself or herself or for another person".



Conflict of Interest

For the purpose of this policy a Conflict of Interest is defined as:

“a Councillor or Council employee who has an interest, pecuniary or otherwise, that could conflict with the proper performance of his or her duties, or has a conflict or incompatibility between their personal interests and the impartial fulfilment of their public or professional duties”.

This is consistent with the definition of “conflict of interest” contained in section 77B of the Local Government Act.