



muswellbrook shire council

Fraud and Corruption Control Policy

MSC18E

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Contents

1. INTRODUCTION	3
2. PURPOSE.....	3
3. SCOPE	3
4. POLICY STATEMENT.....	3
5. DEFINITIONS.....	3
6. FRAUD CONTROL FRAMEWORK	4
6.1 Leadership.....	5
6.2 Ethical Framework	5
6.3 Responsibility Structure	5
6.4 Fraud Control Policy	5
6.5 Prevention Systems	5
6.6 Fraud Awareness.....	6
6.7 Third Party Management Systems.....	6
6.8 Notification Systems.....	6
6.9 Detection Systems	6
6.10 Investigation Systems.....	6
7. DISCIPLINARY PROCEDURES.....	7
8. PRIVACY AND ACCESS TO INFORMATION.....	7
9. TRAINING & COMMUNICATION.....	7
10. BREACH OF THE POLICY	7
11. LEGISLATION	8
12. ASSOCIATED COUNCIL DOCUMENTATION.....	8

1. INTRODUCTION

As part of a sound governance framework, Muswellbrook Shire Council needs a policy which defines its approach to dealing with fraud and corruption.

This is required because Council is the custodian of community assets and is involved in determining many commercial activities where people may benefit from the decisions of the Council.

It is therefore important that all Council Officials have clear direction and an understanding of the expected standards and behaviours that they must abide by.

2. PURPOSE

The purpose of this Policy is to:

- Protect Muswellbrook Shire Council's assets, including financial assets;
- Protect the integrity, security and reputation of Council and its staff; and
- Maintain a high level of services to the community.

3. SCOPE

This policy applies to all Muswellbrook Shire Council Officials, including:

- Councillors;
- General Manager and Executive Management Team (Manex);
- Managers, Supervisors and Team Leaders;
- All staff – permanent, temporary, full-time, part-time, casual, contractors, consultants and volunteers.

4. POLICY STATEMENT

Muswellbrook Shire Council is entrusted by the community to manage its assets, people and resources in a responsible, ethical and efficient manner.

Council has an obligation to develop and maintain appropriate systems and procedures to minimise the opportunity for fraudulent and/or corrupt activity and to develop robust systems of detection to reduce the impact of fraudulent activity.

5. DEFINITIONS

The following definitions apply:

Act	The Local Government Act (LGA) 1993
Regulation	The Local Government (General) Regulation 2005
Council Official	Includes Councillors, members of Council staff, administrators, contractors, volunteers and consultants, Council committee members and delegates of Council
Code of Conduct	The Code of Conduct applicable to all Council officials and as required by S440 of the LGA

Fraud	“Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees 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.” (AS8001-2008)
Corruption	“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” (AS8001-2008)
AS8001 – 2008	The Standards, Australia Fraud and Corruption Control Standards
Fraud Control Improvement Kit	The kit that has been developed by the Audit Office of NSW to assist organisations manage fraud control.

6. FRAUD AND CORRUPTION CONTROL FRAMEWORK

The administration of this policy relies upon a multi-faceted approach to fraud and corruption control, and includes actions on the following fronts:

- Prevention – to establish and maintain a good governance framework through well-established policies and procedures which minimise the opportunities for fraud and corruption to occur;
- Detection – sound auditing and monitoring procedures to identify transactions or activities that do not align with adopted policies and procedures;
- Response – detailed reporting and investigation procedures to deal with any potential fraud or corruption. A sound response system includes appropriate action to address reports of fraudulent or corrupt activity;
- The Audit Office of NSW’s Fraud Control Improvement Kit 2015 ten attribute framework for the management of fraud and corruption:
 1. Leadership;
 2. Ethical Framework;
 3. Responsibility structures;
 4. Fraud control policy;
 5. Prevention systems;
 6. Fraud awareness;
 7. Third party management systems;
 8. Notification systems;
 9. Detection systems; and
 10. Investigation systems.

Muswellbrook Shire Council's Fraud and Corruption Control Framework is guided by the ten attributes of the Audit Office of NSW's Fraud Control Improvement Kit 2015.

6.1 Leadership

A successful fraud and corruption control framework is led by a committed and accountable executive. The General Manager and Executive Management team (Manex) will lead the organisation in the development of the Fraud and Corruption Control Framework.

6.2 Ethical Framework

Council has adopted and established the following documents to guide the ethical behaviour of Council Officials:

- o The [Model Code of Conduct 2020](#) as developed by the Office of Local Government (doc 1182306);
- o Council has established a set of SPIRIT Values (doc 934971) which outline acceptable and non-acceptable behaviours.

6.3 Responsibility Structure

The General Manager and Public Officer are authorised to receive reports of fraud and corruption. If the suspected fraud or corruption relates to the General Manager, then the matter can be reported to the Mayor, as per the reporting regime for Code of Conducts.

Reports regarding suspicious and / or illegal activities can also be reported to external agencies including:

- o NSW Police Force
- o Office of Local Government
- o The NSW Independent Commission Against Corruption (ICAC)
- o The NSW Ombudsman.

All staff are expected to report known or suspected fraud or corruption to the General Manager or Public Officer as soon as possible.

6.4 Fraud and Corruption Control Policy

This policy sets out Muswellbrook Shire Council's Fraud and Corruption Control Framework and covers the responsibilities for managing fraud and Corruption within Muswellbrook Shire Council.

6.5 Prevention Systems

Council's prevention system consists of the following features:

- o Fraud Risk Assessments – as detailed in the Enterprise Risk Management Framework (doc 1133980);
- o Fraud and Corruption Control Plan (to be developed);
- o Fraud Database (to be established to record all incidents);
- o Ethical workforce – pre-employment screening to ensure staff employed are of the highest ethical behaviour;

- Separation of duties – to ensure no one staff member controls a process entirely;
- Delegations of authority – to ensure measures are in place to control activities;
- Position descriptions, Charters for Committees – limit the level of activity Council Officials can undertake;

6.6 Fraud and Corruption Awareness

Councillors and Council officers undergo regular fraud and corruption awareness training to ensure that all Council Officials are aware of their responsibilities and obligations to prevent, detect and report instances of fraud or corruption.

6.7 Third Party Management Systems

Council establishes appropriate controls, segregation of duties and delegations of authority to deal with third parties.

Council will establish a Business Ethics Policy to reinforce the expected standards of behaviour for Council Officials.

6.8 Notification Systems

All staff are required to report suspected fraudulent or corrupt activity. Members of the public are encouraged to report suspected fraudulent or corrupt activity.

Staff and members of the public can make a Public Interest Disclosure and protect their identity, if they so desire. Council's Internal Reporting and Public Interest Disclosures Policy outlines the procedure for making a Public Interest Disclosure.

Reporting directly to Council is an option for staff and the community. Reporting to an external entity as detailed under the "Responsibility Structure" is also available.

6.9 Detection Systems

Various internal control measures have been established to help detect fraud and corruption, including:

- reconciliations
- management reviews
- internal and external audits.

6.10 Investigation Systems

When an allegation of fraud or corruption is made against an employee, the General Manager and/or Public Officer, will discuss the matter with the person making the allegation. This person may be asked to make a written statement regarding the allegations.

The staff member alleged to have committed the fraud or corruption may be interviewed during this preliminary stage. Staff members can be accompanied during the interview by their manager or other nominated member of staff.

The applicable Manex Team member will organise a preliminary assessment of the allegation and provide details to the General Manager on the findings.

If the allegation is serious enough and / or the evidence is compelling, then the matter may warrant a full investigation.

If a full investigation is to be followed, the General Manager will need to determine whether the matter is referred to an external agency such as the Police, ICAC or the Ombudsman. The General Manager may wish to refer it to Human Resources (HR) and have the matter investigated under the Code of Conduct Investigation procedures. If the matter relates to HR, it would be investigated by the General Manager.

7. DISCIPLINARY PROCEDURES

The determination of an investigation whether it be a preliminary or full investigation, will be referred to the General Manager if it is a staffing matter.

For Councillors the matter will follow the Code of Conduct procedures.

Any matter may still be referred to or dealt with by an outside agency, in addition to a matter considered by the above two matters. For instance, a staff matter, dealt with by the General Manager may still be referred to the Police for further action.

8. PRIVACY AND ACCESS TO INFORMATION

Information provided through any allegation and subsequent investigation will be handled confidentially. This is designed to help prevent any action being taken against staff for reporting suspected fraud. However, there may be situations where confidentiality may not be possible or appropriate. This will be discussed with the staff member making the report.

While anonymous reports are not encouraged, there may be situations where someone may not want to identify themselves. The Council will accept anonymous reports; however, anonymity may limit the Council's ability to seek further information to assess the report adequately. When the identity of the person making the allegation is known, Council is able to obtain any further necessary information, provide the person with protection and support and give feedback about the outcome of any investigation into the allegations.

9. TRAINING & COMMUNICATION

This Policy will be communicated to staff through Council's internal communication methods including staff newsletters, General Manager's newsletters and All Staff emails. The issue will be discussed at staff meetings including MANEX and Managers' meetings.

10. BREACH OF THE POLICY

A breach of this policy may lead to disciplinary action being taken. This will depend on the severity of the incident. A breach of this policy could also lead to criminal action.

Any report that turns out to be vexatious, frivolous or misleading will result in disciplinary action against the Council Official making the allegation.

Disclaimer:

This Policy was formulated to be consistent with Council's legislative obligations and within the scope of Council's powers. This Policy should be read in conjunction with relevant legislation, guidelines and codes of practice. In the case of any discrepancies, the most recent legislation should prevail. This Policy

does not constitute legal advice. Legal advice should be sought in relation to particular circumstances and liability will not be accepted for losses incurred as a result of reliance on this Policy.

11. LEGISLATION

The Local Government Act (LGA) 1993

The Local Government (General) Regulation 2005

Public Interest Disclosures Act 1994

Independent Commission Against Corruption Act 1988

AS8001–2008-The Standards Australia Fraud and Corruption Control Standards

Local Government (State) Award

12. ASSOCIATED COUNCIL DOCUMENTATION

Model Code of Conduct

Model Code of Meeting Practice

Fraud and Corruption Prevention Strategy

Fraud and Corruption Control Plan

Internal Reporting and Public Interest Disclosures Policy

Disciplinary Policy

Governance Policy