



POLICY MANUAL

Policy title:	Fraud and Corruption Control Policy
Policy number:	1.2.27
Objective:	This policy sets standards and provides guidance on how to prevent and manage fraud and corruption in the workplace to protect its reputation and assets from any attempt by employees or others to gain financial or other benefits by deceit or dishonest conduct.
Link to community vision/service:	Our decisions and actions are open, transparent, effective and in the interests of all.
Program Area:	Governance and Risk
Policy created: July 2021 Adopted by Council: 13 July 21	Council reviewed:
Last reviewed by staff:	TRIM Ref: ED21/23046

1. OVERVIEW

Message from the General Manager and Mayor

The public, our fellow employees and other people we deal with are entitled to expect each of us to act with integrity and to protect resources, information, revenues, reputation and the public interest. Therefore, Lismore City Council is committed to an honest and ethical environment that minimises fraud and corruption. Fraud and corruption are incompatible with our values and present a risk to the achievement of our objectives and the provision of our services to the public. Lismore City Council has a zero tolerance for fraud or corrupt behaviour.

2. SCOPE

This policy applies to all Councillors, Council employees including ongoing, fixed term and casual staff. This policy also applies to Committee members, contractors, volunteers and anyone undertaking business with Council.

Council expectations

Council expects that Councillors and Council officers will maintain the highest standard of ethical conduct in all activities, in particular with respect to Council resources, information and authority. The community expects that Council will conduct its business in a fair and honest manner.

Council's Management Team are responsible for fostering an environment within their areas of responsibility which makes asset protection a responsibility for all Council officers. They are also responsible for issuing clear standards, developing and implementing procedures to minimise the potential for fraud or corruption.

All Council officers are expected to encourage, insist upon and implement sound financial and ethical decision making within their responsibility levels. Measures to prevent fraud and corruption will be monitored, reviewed and developed.

Council expects all Council officers to be familiar with and act in accordance with Council's Code of Conduct. Unacceptable behaviours and guidelines for appropriate behaviour for staff are contained in the Code of Conduct.

Councillors and Council delegates must comply with the Code of Conduct. Council also expects similar standards from the people, agencies or organisations that do business with Council.

Decision-making processes are to be as open and public as is possible and information will only be withheld where it is not in the public interest to disclose that information or where it is prevented by legislative requirements. Fraudulent and corrupt conduct breeds in an environment where systems, standards and procedures are open to exploitation. It is in the best interests of asset protection for decision making to be visible to staff, elected representatives and the community as a whole.

Protection of Council assets is concerned ultimately with the effective use of resources, minimising waste, mismanagement and opportunities for fraud and corruption. Effective accountability for the use of Council resources helps strengthen the asset protection environment of the Council.

What is fraud and corruption?

Fraud is defined as: 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 where 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 for personal financial benefit.

Corruption is defined as: Dishonest activity in which a Council Official or contractor of Council acts contrary to the interest of Council and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself for another person or entity. The general nature of corruption, and acts which may constitute corrupt conduct, are defined under sections 7, 8 and 9 of the Independent Commission Against Corruption Act 1988 (ICAC Act).

Fraud (including corruption) can be committed by one person or in collusion with others. Such persons may be employees of Council, councillors, volunteers, external companies, external individuals, contractors or consultants.

Some specific examples of fraud that could affect Lismore City Council include:

Fraud within Council - employees

- theft or misuse by employees of tangible assets such as cash, stationery, smart phones, tablets, computer and computer-related software
- falsified entitlements such as expenses, leave, travel allowances or attendance records
- theft or misuse of intellectual property or other confidential information including funding proposals, procurement information, personal records
- release or use of misleading information for the purposes of deceiving, misleading or to hide wrongdoing
- exerting influence in order to receive a benefit for oneself or others
- unauthorised private use of a Council motor vehicle or other assets of Council'
- running a private business during working hours or with Council resources

- conspiring unfairly with others to determine a tender or development application
- accepting gifts that contravene the Code of Conduct (with failure to disclose the gift)
- false invoicing
- credit card and other payments fraud
- receiving bribes or improper payments

Fraud within Council – third parties

- theft or misuse of tangible assets such as plant/equipment
- false reporting on the expenditure of funding and falsifying funding applications to receive payments from government programs that they are knowingly not eligible for
- falsifying data in relation to participants engaged in funded activities
- external service providers making claims for services that were not provided, converting funded assets to personal use or misappropriating cash payments for personal use

Fraud within Council – councillors

- false reimbursement of expenses
- false background details in resume
- election bribery, election funding offences and use of council resources for election purposes

Corrupt Conduct

While it can take many forms, corrupt conduct occurs when:

- a public official improperly uses, or tries to improperly use, the knowledge, power or resources of their position for personal gain or the advantage of others
- a public official dishonestly exercises his or her official functions, or improperly exercises his or her official functions in a partial manner, breaches public trust or misuses information or material acquired during the course of his or her official functions
- a member of the public influences, or tries to influence, a public official to use his or her position in a way that affects the probity of the Public official's exercise of functions
- a member of the public engages in conduct that could involve one of the matters set out in section 8(2A) of the ICAC Act where such conduct impairs, or could impair, public confidence in public administration.

This policy applies to fraud and corruption against Lismore City Council as well as fraudulent or corrupt conduct by its staff.

Policy Statement

Lismore City Council is committed to minimising fraud and corruption in the workplace. This commitment will be met by:

- maintaining an effective fraud and corruption risk management environment to minimise and mitigate risks of fraud and corruption, which includes promoting an ethical culture.
- promptly assessing all suspected or discovered incidents of fraud and corruption to determine their nature and extent.

- investigating and responding to all matters of fraud or corruption.
- by applying appropriate administrative or contractual penalties, including termination of engagement.
- seeking prosecution against offenders for fraudulent and corruption activities where deemed appropriate, including referral to the Independent Commission Against Corruption (ICAC) or NSW Police.
- taking reasonable measures to recover losses caused by illegal activity.
- implementing systemic changes to reduce the likelihood of recurrence.

3. POLICY IN DETAIL

Framework

Lismore City Council will adopt an agency-wide fraud and corruption control framework that is consistent with the NSW Fraud and Corruption Control Policy (Treasury Circular 18-02). In particular, it is also the policy of Lismore City Council to:

- as part of its framework, implement internal controls that prevent, detect and respond to fraud and corruption.
- assess its fraud and corruption risks at least every two years.
- ensure all staff, including contractors, are aware of relevant fraud and corruption risks and are trained to understand Lismore City Council's values, codes, policies and expectations of behaviour.
- report annually to the Audit and Risk Committee on the status of the fraud and corruption control framework and report to each meeting on instances of fraud, if any.
- treat all complaints about, and instances of, fraud and corruption seriously. Lismore City Council will cooperate with all relevant investigative and regulatory bodies and will take fair, proportionate disciplinary action against any employee or third party found to have engaged in fraud or corruption.
- wherever practical, align to better practice advice issued by organisations such as the NSW Independent Commission Against Corruption, the NSW Ombudsman and Audit Office of NSW.

Fraud and Corruption Prevention Control Plan

The Fraud and Corruption Prevention Control Plan will outline the key activities to be undertaken to prevent, detect, investigate and respond to fraud and corruption which are consistent with the values, objectives and the strategic direction of Council. The Fraud and Corruption Prevention Control Plan will detail Council's current and emerging key risks and the key internal controls and actions that Council will employ to minimise or eliminate these risks, and provides the tools to prevent detect and report fraud and corruption.

All Council officers are to be involved in developing and implementing fraud and corruption prevention procedures within their areas which will form part of Council's Fraud and Corruption Prevention Control Plan. The promotion of the plan will include activities such as:

- training sessions
- regular review and promotion of Council's Code of Conduct
- use of the NSW Auditor General's better Practice Guide – Fraud Control Improvement Kit

Ethical Workplace

Ethics is a set of moral principles which governs a person's behaviour and activities to ascertain what is good and bad behaviour or what is morally right or wrong.

All Councillors and Council officers are responsible for making Council an ethical workplace. This can be achieved by knowing how we are expected to behave, being aware of ethical issues and speaking up when needed.

Council's Code of Conduct guides Councillors and Council officers in what is accepted practice and behaviour and sets our ethical standards at a level above the law. This is further supported by Council's Statement of Ethics and its values, as well as policies and procedures.

Fraud and corruption prevention goes beyond monitoring the effectiveness of financial controls. It also requires maintaining an ethical climate, which encourages all Councillors and Council officers to be active in protecting Council's funds and assets, and in reporting any breaches of accepted standards.

Council management must be mindful of their responsibility to foster and develop high standards of ethical behaviour and commitment to a highly ethical workforce culture.

Procedures for reporting fraud and corruption

Council supports and upholds the Whistle-blower legislation and principles. This provides protection to public officials reporting information to the appropriate persons in accordance with Council's Internal Reporting - Public Interest Disclosures Procedure.

All Council officers have the responsibility to report fraud or corruption. Reports of fraud or corruption may be made as a public interest disclosure to any authorised officer as detailed in the Internal Reporting - Public Interest Disclosures Procedure. Reporting through the correct process as detailed in the procedure protects the discloser from any forms of retribution or reprisal if they make any report about fraud or corruption.

Those employees, who feel uncomfortable about reporting suspected fraud or corruption can make disclosures in accordance with the Public Interest Disclosures Internal Reporting Procedure. Council will provide support to persons who report instances of fraud, corruption and wrongdoing in accordance with the procedure. This procedure provides a framework for providing information to employees on how their report will be handled within Council.

Council staff and Councillors will receive advice of this policy initially through induction training, code of Conduct training and individual training sessions.

Key roles and responsibilities

In addition to the responsibilities of all staff and managers set out in this policy, the following officers and groups have key roles in relation to controlling fraud and corruption.

- The Council (i.e. all elected Councillors together) is responsible for determining the level of fraud risk exposure that the Council is prepared to take. The Council has confirmed there is zero tolerance for fraud and all fraud and suspected fraud incidents will be investigated.
- The Council has appointed the Audit and Risk Improvement Committee to oversee fraud control and risk management for Lismore City Council, which may include procuring audits and other work as required to ensure fraud and fraud risk is being effectively managed. The committee may also have regard to any feedback from external audit, consultants and contracted internal auditors.
- The General Manager is responsible for implementing effective systems, programs and arrangements to prevent fraud wherever possible including to undertake effective fraud identification and record-keeping, response and prevention; and to ensure training in relation to these areas is provided regularly to all Councillors, personnel employed and all contractors and consultants. It is the responsibility of each Councillor and person employed/contracted to Lismore City Council to

attend such training, maintain fraud awareness and comply with annual attestation requirements as required by the General Manager.

Recognising and Reporting Fraud/Suspected Fraud

To manage the risk of opportunistic fraud and corruption, we must continually review the effectiveness of our internal controls and ensure our business processes are streamlined to minimise complexity. This Policy will inform the development of a Fraud and Corruption Control Plan and associated procedures and Fact Sheets.

Accordingly, Lismore City Council commits to act in a timely and decisive way through relevant governance, performance and/or legal mechanisms to deal with those who engage in, attempt to obscure, or in any way participate in, or encourage fraudulent or corrupt behaviour that impacts the Council through its activities within the community. The Policy and the associated Control Plan are both intended to support Council staff, contractors and service providers engaged by the Council to assess risk as well as prevent, detect and report fraud so that Council finances and assets are used for their intended purpose.

4. RELATED POLICIES AND PROCEDURES

- Lismore City Council Code of Conduct 2020
- Procedures for Administration of the Code of Conduct 2020
- 1.2.35 Internal Reporting - Public Interest Disclosures Procedure
- Statement of Business Ethics
- 1.2.23 Councillor expenses and facilities policy 2017
- Statement of Ethics (Ethical decision making and conflicts of interest checklist/guidelines)

5. FURTHER INFORMATION

Further information about this policy and fraud and corruption control can be obtained by:

- Contacting the Governance and Risk Manager on 6625 0460
- Visiting the website of the NSW Independent Commission Against Corruption at www.icac.nsw.gov.au