

Fraud Prevention and Control 2019

Responsible Department: <i>Finance</i>	Reviewed: <i>20 February 2018</i> Effective From: <i>15 December 2015</i> Review Date: <i>31 December 2019</i> Version: <i>4</i> Trim Reference: <i>E698/E709</i>	Origin: Responsible Officer: <i>Finance Manager</i> Authorising Officer: <i>Endorsement by Council on 17 December 2019</i>
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PURPOSE

This policy is designed to protect public money and assets and to protect the integrity, security and reputation of the Council, its management and employees and the services it provides to the community.

This policy should be read in conjunction with the Fraud Prevention and Control Plan.

POLICY STATEMENT

Council is committed to protecting its revenue, expenditure and assets from attempts by any person or legal entity, including contractors, agents, intermediaries or employees to gain financial or other benefits by deceit or dishonest conduct.

The policy and procedures require Councillors and officers to:

- Demonstrate transparency and build integrity into every decision and action;
- Develop and maintain evidence based risk registers;
- Ensure impartiality of decision making, advice and review;
- Provide clarity around responsibility and accountability, including disclosures, conflicts of interest and reporting; and
- Support the approach through tailored education and training.

Council expects its Councillors, staff and volunteers to maintain a high standard of ethical conduct, particularly with respect to resources, information and authority. Council is expected to conduct its business in a fair and honest manner.

All allegations of suspected fraud will be immediately and fully investigated and appropriate action taken as per the relevant code of conduct.

DEFINITIONS

CEO: Mansfield Shire Council Chief Executive Officer

Council: Mansfield Shire Council



Corruption: Abuse by a person(s) in a position of trust for personal gain or an act that is contrary to the interest of Council

Fraud: Dishonest or deceptive activity causing actual or potential financial loss to any person or entity.

Some examples of fraud include:

- Theft, embezzlement or other misappropriation of funds or assets.
- Bribery or kick-backs.
- Unlawful and/or unauthorised use of facilities such as telephones, mobile phones, information technology.
- Misuse of Council credit cards and petty cash.
- Misuse or unauthorised selling of Council's intellectual property or data.
- False claims for reimbursement.
- Misappropriation of cash or credit cards.
- Forgery or alteration of documents.
- Destruction or concealment of records or assets.
- Collusive tendering.
- Receipt of tendering inducements.
- Unauthorised use of assets, equipment or material.
- Electronic fraud.
- Payroll fraud.
- Human relationships that could bypass internal controls.

Fraud Control Plan: A document summarising Council's fraud risks and associated action strategies, either in place or in development, to minimise or combat those risks. The control plan is intended to prevent and limit the effects of fraud. It can be found attached to this Policy.

Management: Staff in supervisory positions

SCOPE

This policy applies to all Mansfield Shire Council employees, Councillors, volunteers and contractors.

RESPONSIBILITIES

For the fraud prevention controls to be effective, the responsibility for the policy must not be one staff member or a group of staff members, but must include Council, management, employees and auditors' functions.



Management and employees are to be familiar with, and competent in, the application of this Policy, and are accountable for the delivery of that policy within their areas of responsibility.

The Finance Department is the owner of this policy. Any reviews of this Policy must be made in consultation with the Finance Manager.

Council

Council is a key driver of good governance of the municipality and should be exemplary in relevant operations. It is responsible for setting the highest standards of honesty, accountability and integrity in the provision of services to the community and the management of the organisation. Council will ensure that the CEO has appropriate measures in place to detect and prevent fraud.

CEO

The CEO has principal responsibility for fraud control to ensure compliance with Standards and Guidelines and appropriate governance structures are in place. The CEO or delegate will immediately investigate any allegations of fraud (reported or otherwise), take legal action and/or report to Council when necessary.

If there is suspicion that alleged fraud arises from corrupt conduct, the CEO must report the matter to the Independent Broad-based Anti-corruption Commission (IBAC) pursuant to the mandatory reporting requirements legislated under s57A of the IBAC Act.

Management

It is management's responsibility to:

- identify risk exposures to corrupt and fraudulent activities.
- establish controls and procedures for prevention and detection of such activities.
- arrange guidance and instruction to all staff relative to responsibilities and fraud reporting requirements to be overseen by Human Resources.
- maintain effective auditing and reporting on key financial systems.
- immediately implement action plans identified in any risk assessments to eliminate or reduce the fraud risk and report on the outcome of these plans with 12 months of implementation.
- monitor and actively manage excessive outstanding leave of staff.

Employee/Contractor/Volunteer

Employees, Contractors and Volunteers are responsible for:

- acting with propriety and the highest standards of ethical behaviour in all Council activities.
- not using their position with the Council to gain personal advantage or to confer undue advantage, or disadvantage, on any other person or entity.
- safeguarding Council funds, assets and intellectual property against theft, mis-use or improper use.
- reporting any suspected fraud.



Finance Manager

The Finance Manager will prepare, implement and monitor the Fraud Prevention and Control Plan in consultation with the Executive Management Team and the Audit and Risk Advisory Committee. A copy of the Plan is appended to this Policy.

Audit and Risk Advisory Committee

This Committee plays a key role in fraud control through providing an independent review of Council's audit and controls, annual financial statement and review of key policies (as per the Charter). This includes revenue and expenditure, assets and liabilities.

External Audit

External audit is conducted by the Victoria Auditor General's Office to verify the Council's annual reported financial performance. External audits also have a role in the process of achieving fraud control by reviewing internal policies and procedures and testing systems via specific guidelines developed in accordance with relevant Legislation, accounting standards and the Auditor-General's code of ethics.

Internal Audit

Internal Audits assist management and, in turn, Council to achieve sound managerial review and control over all Council assets and activities. Internal audits provide an independent and objective assurance and consulting activity, enabling Council to accomplish its objectives by bringing a systematic, disciplined approach to:

- evaluating checking and control systems
- improving the effectiveness of management and corporate governance.

The main objectives of Internal Audit are to assess and report on whether:

- there are sufficient internal controls in place to safeguard the Council's finances, assets and integrity of information.
- there is adequate compliance with relevant laws/statutes and with Council's policies and procedures.
- functional areas are being operated efficiently and effectively.

REFERENCES / RELATED POLICIES

- Audit Committees: A Guide to Good Practice for Local Government, January 2011
- Australian Standard AS8001–2008, Fraud and Corruption Control
- Australian National Audit Office's 2011 better practice guide, Fraud Control in Australian Government Entities
- Conflict of Interest: A Guide for Council Staff, October 2011
- Framework for the Development and Review of Council Staff Codes of Conduct, September 2011
- *Local Government Act 1989*
- *Independent Broad-based Anti-corruption Commission Act 2011 (IBAC Act)*
- *Integrity and Accountability Legislation Amendment Bill 2015*
- Mansfield Shire Council Employee Code of Conduct
- Mansfield Shire Fraud Prevention and Control Plan 2019



- Mansfield Shire Council Procurement Policy and associated Procedures
- Mansfield Shire Council Protected Disclosure Policy
- Mansfield Shire Councillors' Code of Conduct
- Mansfield Shire Audit and Risk Advisory Committee Charter
- Mansfield Shire Risk Management Strategy
- *Protected Disclosure Act 2012*

IMPLEMENTATION

This policy is effective from 15 December 2015. It was further reviewed on 17 December 2019, including the approved Fraud Prevention and Control Plan 2019.

REVIEW DATE

This Policy is to be reviewed by 31 December 2021.

AUTHORISATION TO IMPLEMENT POLICY

Signed: 
Councillor

Witnessed: 
Chief Executive Officer

Approval dated: 17 December 2019

Mansfield Shire Council reserves the right to review, vary or revoke this Policy at any time.



MANSFIELD SHIRE

Fraud Prevention and Control Plan 2019

Endorsed by Council on 17 December 2019



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1. PURPOSE

The purpose of this document is to formalise and communicate Council's fraud control plan for preventing, detecting and responding appropriately to alleged fraudulent behaviour.

Fraud is a serious crime that affects all large organisations. It can be perpetrated by individuals both within Mansfield Shire Council (Council) and by people that Council has dealings with.

Fraud can:

- erode our stakeholders' confidence in Council
- deprive our community of their resources
- reduce the effectiveness of Council assets and equipment
- harm our clients
- damage staff morale and wellbeing
- damage Council's reputation
- waste resources through the fraud as well as the time and effort spent dealing with its consequences

It is critical that Council has systems and procedures in place to ensure that the risk of impropriety is minimised as far possible, and that where instances may occur, there is a prompt and effective response to them.

The Fraud Prevention and Control Policy and Plan require Councillors and officers to:

- demonstrate transparency and build integrity into every decision and action
- develop and maintain evidence based risk registers
- ensure impartiality of decision making, advice and review
- provide clarity around responsibility and accountability, including disclosures, conflicts of interest and reporting
- support the approach through tailored education and training.

In line with Council's approach to good corporate governance, Council has an obligation to provide good stewardship of its expenditure and assets.

The Fraud Prevention and Control Plan applies to all Mansfield Shire Council employees, Councillors, volunteers and contractors.

2. OUTCOMES

This Plan should be read in conjunction with Council's Fraud Prevention and Control Policy 2019.

The primary focus of this Plan is to develop awareness of fraud amongst Council staff and parties who deal with Council.

This Plan also aims to inform:

- **Fraud prevention** – initiatives to deter and minimise the opportunity for fraud
- **Fraud detection** – initiatives to detect fraud as soon as possible after it occurs (also includes identifying and eliminating weaknesses in controls that could allow fraud to be perpetrated)
- **Fraud Response** – initiatives to appropriately and effectively deal with detected or suspected fraud. This includes reporting of fraud and assessment and investigation: how Council will handle allegations/ suspicions of fraud including the assessment of allegations, establishment of investigations and options for resolution of incidents such as referral to the Victorian Police, and when and how to initiate recovery action.



3. FRAUD PREVENTION

The most effective control against fraud is a well-informed workforce, prepared to disclose corrupt behaviour. Council's Protected Disclosure Policy encourages staff to report all incidents of suspected corrupt conduct (including fraud), misconduct, serious mismanagement or substantial waste of public resources.

Fraud prevention mechanisms employed by Council will comprise of:

- **documenting and communicating Council's stance on fraud** and its expectations around fraud management through Council's Fraud Prevention and Control Framework.
- **undertaking a Fraud Risk Assessment** to identify fraud risks within the organisation and implementing controls to minimise the risk of fraud e.g. segregation of duties, reconciliation etc. The Fraud Risk Assessment will be conducted biennially by the Finance Manager in conjunction with each Department Manager.
- **fraud management education:** through a range of training and document dissemination programs to foster fraud awareness, eg, in-house or online training and Council's intranet.

3.1 Documenting and communicating Council's stance on fraud

Appropriate management procedures are an important element in fraud prevention and control. Key elements include appropriate screening of prospective employees, monitoring of annual leave balances and segregation of incompatible duties.

3.1.1 Codes of Conduct

3.1.1.1 *Employee Code of Conduct*

Council's *Employee Code of Conduct* includes provisions relating to conflict of interest, gifts and hospitality, ethical purchasing and external employment.

3.1.1.2 *Councillor Code of Conduct*

The Councillor Code of Conduct recognises the importance of Councillors maintaining the highest levels of integrity and ethical behaviour. It is used to guide the behaviour of Councillors and provide a mechanism for accountability on issues of good governance.

3.1.2 Pre-employment screening

It is important that relevant checks are carried out on all new employees before an appointment is made.

Council's Recruitment and Selection Policy and Procedure requires a reference check to be completed for the preferred applicant to a position. Guidance on the reference checking process is available in Council's Recruitment and Selection Policy, together with a Reference Check Template to record the outcomes of the reference check.

All job offers are provisional based on the satisfactory completion of screening checks which may include one or more of the following:

1. Medical Check
2. Police Check (incl international)
3. Pre-existing injury form
4. Capacity testing if required
5. Working with Children Check (required for roles where there is unsupervised contact with children)
6. Provision of evidence of any prerequisite qualifications.
7. A bankruptcy check may be required for applicants applying for senior financial positions.



All of the above documentation is to be saved in hard copy on the relevant personnel file.

Positions required by legislation to have a mandatory security check include; home care workers, maintenance employees who attend to the elderly, employees who provide direct services with children, employees required to enter the premises of any response, and youth workers.

Other positions requiring a security check as defined by Council are; finance employees, employees who handle money, employees who have access to Council property (eg, master keys to major buildings, including cleaners), and employees who have sole responsibility for an offsite facility.

3.1.3 Annual leave

Where fraud occurs, it can sometimes be associated with a pattern of the employee not taking annual leave. It is therefore important that annual leave levels are monitored and employees take leave on a regular basis.

Measures in place to monitor leave balances include management access and review of leave records and balances of all their employees through the Employee Self Service (ESS) system, and quarterly reporting of employees with excessive leave outstanding by EMT and managers. Council stipulates that employees must not accrue more than eight weeks (pro rata) annual leave.

3.1.4 Conduct principles and Conflict of Interest

3.1.4.1 Statutory requirements

The *Local Government Act 1989* ("the Act") contains provisions relating to the conduct and interests of Councillors, members of Council special committees, the Audit and Risk Advisory Committee and members of Council staff.

These provisions cover:

- a) principles of conduct and code of conduct for Councillors (sections 76B, 76BA and 76C);
- b) misuse of position by Councillors, members of Council special committees and the Audit Committee (section 76D);
- c) improper direction and improper influence (section 76E);
- d) treatment of confidential information (section 77);
- e) conduct principles and code of conduct for members of Council staff (sections 95 and 95AA);
- f) disclosure of conflicts of interest and the register of interests applying to Councillors, members of Council special committees, the Audit Committee and members of Council staff (sections 77A to 81); and
- g) the Audit Committee even though it is an advisory committee (refer to section 139(4) of the Act).

3.1.4.2 Conflicts of Interest

A conflict of interest is a situation where there is potential that a Councillor, member of a special committee, the Audit and Risk Advisory Committee or an employee can be seen to influence a decision or action of the Council or its employees to gain benefit for themselves and/or a third party. A potential for a conflict of interest may also exist due to the business activities of a partner, relative or friend, where there may be a perceived interest. Acting



inappropriately where a conflict of interest exists may constitute fraudulent behaviour.

The Act deals extensively with conflicts of interest and imposes specific obligations on Councillors, members of Council special committees, the Audit and Risk Advisory Committee, members of Council staff and contractors engaged to provide advice or services to the Council.

Under the Act, a conflict of interest arises if a 'relevant person' has a 'direct interest' (as defined in the Act) or an 'indirect interest' (as defined in the Act) in a matter.

A person has a 'direct interest' in a matter if there is a reasonable likelihood that the benefits, obligations, opportunities or circumstances of the person would be directly altered if the matter is decided in a particular way.

A person has an 'indirect interest' in a matter if the person has:

- a) an indirect interest by close association
- b) an indirect financial interest
- c) an indirect interest because of conflicting duties
- d) an indirect interest because the person has received an applicable gift
- e) an indirect interest because the person has become an interested party to civil proceedings.

The full legislative definitions of 'direct interest' and the five types of 'indirect interest' are available to officers on Council's Intranet.

The onus is on the Councillor, member of a Council special committee, the Audit and Risk Advisory Committee, member of Council staff or contractor involved being alert to and promptly declaring a direct or indirect interest in the matter. Advice can be sought from the Corporate and Organisational Development Manager.

3.2 Fraud Risk Assessments

3.2.1 Risk Management Framework principles

The Risk Management Policy and Framework sets out key elements to be employed by all employees, contractors, committees and volunteers engaged in Council business and it defines the responsibilities of individuals and committees involved in the risk management process.

The Framework provides that processes will be undertaken to identify, evaluate and treat risks across the organisation, and to develop and monitor risk treatment plans. In order to make effective use of the resources available, and in recognising that not all risks can be immediately addressed, the actions to address risk will be based on assessed priorities.

3.2.2 Consideration of fraud risk

Fraud risks are to be assessed within the context of the Risk Management Policy and Framework as one element of the organisation's risk focus. By its nature, and without consideration of mitigating factors that may be in place, fraud will generally be considered a high risk due to its potential impact on Council's financial position and reputation.



Formal fraud risk assessments will be conducted every second year, with the results to form part of Council's existing risk management framework and be incorporated into Council's risk register.

More detailed information on the performance of risk assessments is included within the Risk Management Procedure that forms part of the overall Framework. This procedure is based on AS/NZS ISO 31000:2009 - Risk Management – Principles and guidelines.

3.2.3 Implementation of actions

The results of risk assessments undertaken and subsequent actions required are documented in Council's risk register. This provides a mechanism for tracking of risks and resulting activity.

Actions relating to fraud risks that have a 'High' residual risk rating will be reported to EMT to monitor the progress of activity against those actions.

3.2.4 Review of Fraud Control arrangements

3.2.4.1 *Review of controls in context of fraud investigation*

In the event of a fraud occurring, the CEO or delegate will, as part of the investigation of that fraud, review the reasons for any failure of internal controls and recommend improvements to systems and controls to prevent future occurrences.

3.2.4.2 *Review of risk assessments and actions*

Risk assessments relating to fraud and resultant actions will be reviewed biennially by each Department as part of Council's risk management process. This review should consider the effectiveness of any actions undertaken and introduce changes to activities where required.

3.2.4.3 *Review of fraud prevention and control strategy*

Fraud control is an area where there is continual discussion and innovation. The measures included within this Plan will be reviewed on a regular basis to ensure they are continually improved where possible, in order for the Plan to remain appropriate to Council's needs.

A formal review of this Plan will take place every two years, to be coordinated by the Finance Manager.

3.3 Fraud Awareness Training

Appropriate training will be provided at all levels to ensure that management and employees are aware of their various responsibilities in regard to fraud control.

This will be done through:

- providing new employees with induction training which includes fraud awareness and code of conduct elements
- training relevant Finance staff in policies and procedures for write-off, recovery, losses and deficiencies
- inclusion of this Framework on the intranet and within relevant employee material (e.g. induction program)
- other targeted training as required



Training will be co-ordinated by the Finance Manager in conjunction with the Corporate and Organisational Development Manager.

4. FRAUD DETECTION

Fraud detection programs will comprise:

- Encouragement of reporting of suspected fraud from staff, stakeholders, partners, suppliers and members of the public through confidential reporting mechanisms
- Conducting annual reviews of Council's control environment, including ongoing review of the risk register and delivery of the audit program.
- Established effective accounting and system controls that minimises the risk of fraud, and maximises the chances of early detection should it occur.

4.1 Internal Controls

Adequate internal control systems are critical for preventing and detecting frauds.

The internal control structure in relation to corruption and fraud control includes:

- leadership support from the CEO, the EMT and Audit and Risk Advisory Committee
- policies and procedures
- a work culture that does not tolerate corrupt conduct or fraudulent activities
- an internal audit program.

4.2 Key areas of fraud risk and prevention/detection measures in place

Based on consideration of Council's activities and results from risk management work previously undertaken the key areas within Council's operations that must be considered when assessing the risk of fraud are listed below. Appendix A contains details of some of the key internal controls that are currently in place in each of these areas:

- a) IT and information security
- b) purchasing and payments processing
- c) tendering and contract management processes
- d) collection of revenue
- e) reimbursement of employee and Councillor expenditure
- f) salaries and payroll related expenditure
- g) EFT processing
- h) property and other physical assets
- i) petty cash
- j) pre-employment screening

5. FRAUD RESPONSE

5.1 Procedures for Reporting and Investigating Fraud

5.1.1 Reporting of suspected fraud

Any employee who has knowledge of an occurrence of fraud, or has reason to suspect that a fraud has occurred, has a duty to raise that matter immediately. The matter should be raised with their Line Manager or Supervisor then subsequently their Departmental Manager. It can also be raised with the Corporate and Organisational Development Manager. If the employee wishes to make a disclosure in accordance



with the Protected Disclosure Act 2012, the disclosure will be made to the Corporate and Organisational Development Manager in the role of Council's Protected Disclosure Officer.

If an employee has reason to believe that their Line Manager or Departmental Manager or Corporate and Organisational Development Manager may be involved in a fraud, then they may alternatively raise the matter with the CEO. If an employee suspects fraudulent activity involving the Chief Executive Officer has occurred, the matter should be reported directly to the Corporate and Organisational Development Manager.

The employee should not attempt to investigate the suspected fraud or discuss the matter with anyone other than as stated in this section.

5.1.2 Protection of employees reporting suspected fraud

No individual reporting suspected fraud or otherwise participating in the investigation of fraud will be discriminated against.

An employee seeking to disclose a suspected fraud can avail themselves of the Protected Disclosure Act 2012 (PDA) which covers the disclosure of improper conduct by employees, Councillors or the Council. This Act relates to improper conduct serious enough to constitute a criminal offence or reasonable grounds for dismissal.

Detailed procedures relating to the PDA exist and must be followed if an employee wishes to raise a suspected fraud under the provisions of this Act. The reporting structure, investigation procedures and employee responsibilities under the Act are included in the Mansfield Shire Protected Disclosure Policy available via Council's intranet or from the Corporate and Organisational Development Manager.

5.1.3 Investigation processes

The investigation of suspected fraud will be performed on a timely basis, and in a methodical and comprehensive manner.

Within 72 hours of being advised, the Fraud Investigation Team (FIT) consisting of the CEO, Corporate and Organisational Development Manager (Fraud Control Officer) and Departmental Manager will impartially assess the fraud allegation, to determine whether it warrants further investigation.

The initial assessment will be based on the following criteria:

- a) does the disclosure relate to the conduct of a Council employee?
- b) is the alleged conduct improper?
- c) does the person making the disclosure have reasonable grounds for believing the alleged conduct has occurred?

Confidentiality of the information and the identity of the employee making the allegation of suspected fraud will be maintained.

If it is decided that further investigation is warranted, the FIT will perform an initial review based on the principles of:

- a) financial impact
- b) impact on Council's reputation
- c) legal exposures
- d) risks to health and safety



Care will be taken to ensure that procedures are fair and a decision is reached by an objective decision maker. Maintaining procedural fairness protects the rights of individuals involved in the process.

Following consideration of all evidence and information, the Fraud Investigation Team will determine whether an external investigation will follow. The FIT will determine how and by whom the investigation will be conducted and whether the Victoria Police, Council's Insurers and or any other external assistance (eg. internal auditors, external investigators etc.) will be utilised.

The purposes of the fraud investigation are to:

- a) determine if in fact a fraud has been committed
- b) identify the person(s) responsible for the fraud
- c) quantify the extent and financial consequences of the fraud
- d) identify how long the fraud has been occurring and the reasons for the failure of internal controls
- e) provide recommendations to improve systems and controls to prevent future occurrences.

The following protocols shall apply if a fraud is suspected:

Record security – The Departmental Manager will take action to prevent the theft, alteration, or destruction of records that may be relevant to the investigation.

Personnel actions – If the occurrence of fraud is substantiated by the audit investigation, disciplinary action will be taken in accordance with Council's Employee Code of Conduct.

Confidentiality – All participants in a fraud investigation will keep the details and results of the investigation confidential except as expressly provided in this document.

Reprisals – No individual reporting suspected fraud or otherwise participating in the investigation of fraud will be discriminated against.

Media issues – There will be no discussion of a suspected fraud and subsequent investigation with the media other than through the CEO.

Contributors - The fraud investigation procedure will consider all realistic contributors and their contributions will be assessed and documented. Issues addressed will include accountabilities, training/awareness, risk assessment/control. Remedial actions will be put into place to prevent recurrence and noted in Council's Risk Register.

Reporting - If there is suspicion that a crime has been committed then the Police will be involved at the earliest opportunity.

If there is suspicion that the alleged fraud arises from corrupt conduct, the CEO will report the matter to the Independent Broad-based Anti-corruption Commission (IBAC) pursuant to the mandatory reporting requirements legislated under s57A of the IBAC Act.

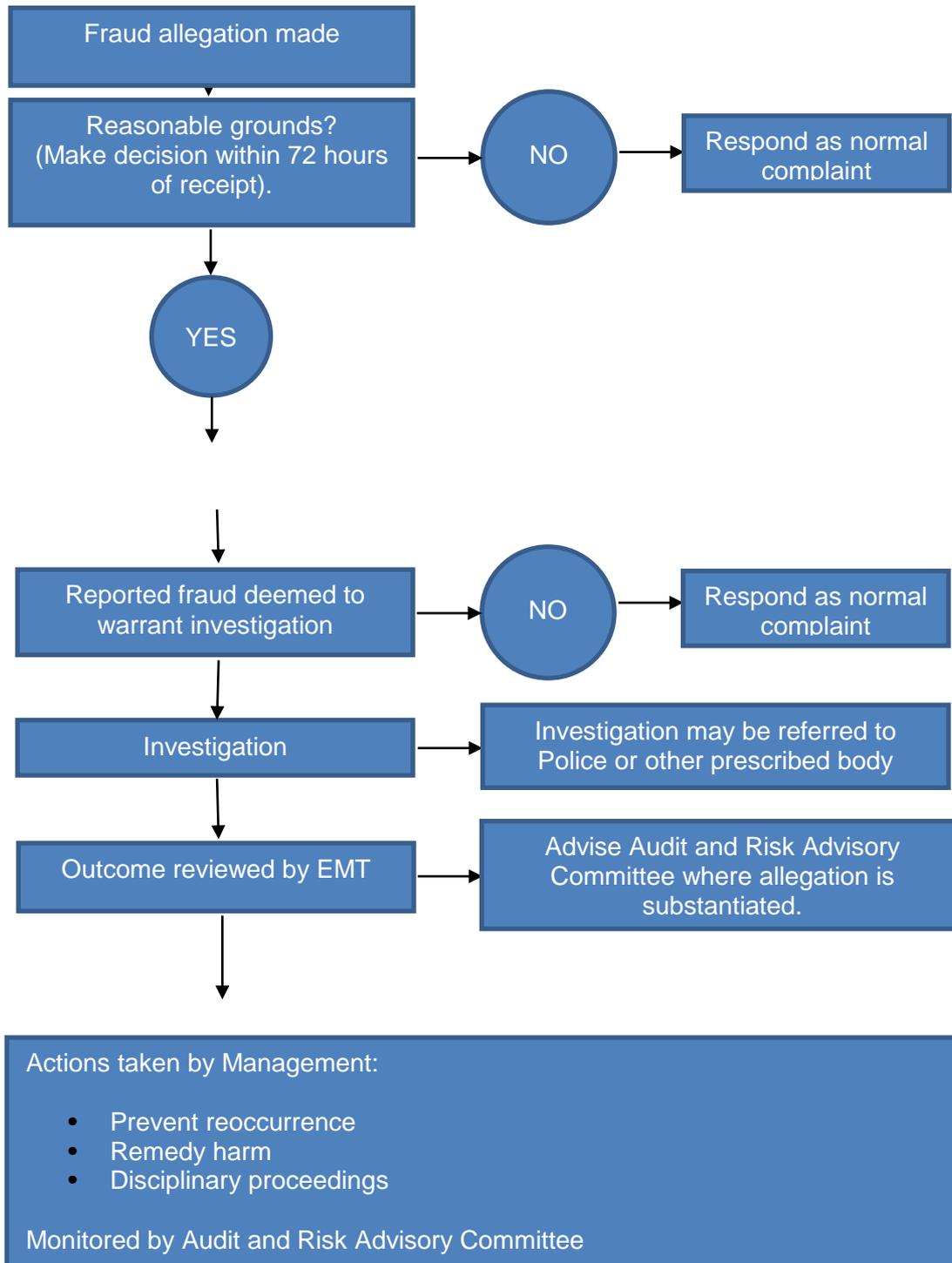
Council will fully co-operate with any investigation of fraud undertaken by law enforcement or regulatory authorities.



Specific procedures apply for following up disclosures made under the Protected Disclosure Act 2012. These procedures are detailed in the Mansfield Shire Protected Disclosure Policy published on Council's internet website. The process of assessing whether a disclosure relating to a suspected fraud is a 'protected disclosure' and a 'public interest disclosure' will be expedited and assistance of the office of the Independent Broad-based Anti-corruption Commission or the Ombudsman Victoria will be sought to expedite any investigation which arises.

Figure I depicts the flowchart of the fraud reporting and investigation process.

Figure I - Flowchart of Assessment and Referral Process





6. ROLES AND RESPONSIBILITIES

In keeping with Council’s policy of zero tolerance of fraud, all Councillors and staff need to be aware of their responsibility to engender and develop the highest standards of integrity and promote an ethical workplace culture.

Listed below are the responsibilities for fraud and corruption management

6.1 Roles and Responsibilities within Council

While the prevention of fraud is ultimately the responsibility of all Council employees, specific roles exist for different parts of Council’s approach to fraud prevention.

All employees should be aware of their roles in relation to fraud prevention and control, which are set out below. Responsibilities relating more generally to risk management as a whole are set out in Council’s Risk Management Strategy.

Responsibility for the overall co-ordination of fraud process across Council has been assigned to the Finance Manager.

Role	Responsibilities
Chief Executive Officer	<ul style="list-style-type: none"> The CEO has principal responsibility for fraud control to ensure compliance with Standards and Guidelines and appropriate governance structures are in place. Member of the Fraud Investigation Team. Ensure legal action is taken and/or report to Council when necessary.
Council	<ul style="list-style-type: none"> Council is the key driver of good governance of the municipality and should be exemplary in relevant operations. It is responsible for setting the highest standards of honesty, accountability, and integrity in the provision of services to the community and the management of the organisation. Council will ensure that the CEO has appropriate measures in place to detect and prevent fraud.
Councillors	<ul style="list-style-type: none"> Adhere to the <i>Local Government Act 1989</i>. Adhere to the Councillors Code of conduct. Abide by these when: <ul style="list-style-type: none"> considering reports making decisions scrutinising Council’s activities. Councillors will support all policies and measures to deter, detect, identify, report, investigate, and action suspected instances of fraud and corruption.
Fraud Investigation Team	<ul style="list-style-type: none"> CEO, Human Resource Manager (Fraud Control Officer) and relevant Departmental Manager. Immediately investigate any allegations of fraud (reported or otherwise), to determine whether it warrants further investigation.
Fraud Control Officer	<ul style="list-style-type: none"> Point of contact for Fraud Control investigations. Member of the Fraud Investigation Team.
Audit and Risk Advisory Committee	<ul style="list-style-type: none"> The Audit and Risk Advisory Committee plays a key role in fraud control through providing an independent review of Council’s audit and controls, annual financial statement and review of key policies (as per the Charter). This includes revenue and expenditure, assets and liabilities.



Role	Responsibilities
Management	<p>It is management's responsibility to:</p> <ul style="list-style-type: none">• identify risk exposures to corrupt and fraudulent activities• establish controls and procedures for prevention and detection of such activities.• arrange guidance and instruction to all staff relative to responsibilities and fraud reporting requirements to be overseen by Finance.• maintain effective auditing and reporting on key financial systems.• immediately implement action plans identified in any risk assessments to eliminate or reduce the fraud risk and report on the outcome of these plans within 12 months of implementation.• monitor and actively manage excessive outstanding leave of staff.
Finance Manager	<ul style="list-style-type: none">• Overseeing the implementation of Council's Fraud Prevention and Control Policy.• Biennial review of Fraud Prevention and Control Policy & Fraud Control Plan.• coordinating fraud control activities within Council as part of the overall risk management function.• participation and communication with EMT and the Audit and Risk Advisory Committee regarding implementation of the policy.
Employees/ Contractors/ Volunteers	<p>Employees, contractors and volunteers are responsible for:</p> <ul style="list-style-type: none">• acting with propriety and the highest standards of ethical behaviour in all Council activities• not using their position with the Council to gain personal advantage or to confer undue advantage, or disadvantage, on any other person or entity• safeguarding Council funds, assets and intellectual property against theft, misuse or improper use• reporting any suspected fraud.
Internal audit	<p>Internal audit assists management and in turn Council to achieve sound managerial review and control over all Council assets and activities. Internal Audit provides an independent and objective assurance and consulting activity, enabling Council to accomplish its objectives by bringing a systematic, disciplined approach to:</p> <ul style="list-style-type: none">• evaluating and checking control systems• improving the effectiveness of management and corporate governance. <p>The main objectives of Internal audit are to report on whether:</p> <ul style="list-style-type: none">• there are sufficient internal controls in place to safeguard Council's finances, assets and integrity of information• there is adequate compliance with relevant laws / statutes and with Council's policies and procedures• functional areas are being operated efficiently and effectively.
External audit	<ul style="list-style-type: none">• External audit is conducted by the Victorian Auditor General's Office (VAGO) to verify Council's annual reported financial performance.• External Audits also have a role in the process of achieving fraud control by reviewing internal policies and procedures and testing systems via specific guidelines developed in accordance with relevant Legislation, Accounting Standards, and the Auditor-Generals code of ethics.



7. DEFINITIONS

Term	Definition/ description
Conflict of interest	<p>A conflict of interest is a situation where there is potential that a Councillor, member of a special committee, the Audit and Risk Advisory Committee or an employee can be seen to influence a decision or action of the Council or its employees to gain benefit for themselves and/or a third party. A potential for a conflict of interest may also exist due to the business activities of a partner, relative or friend, where there may be a perceived interest. Acting inappropriately where a conflict of interest exists may constitute fraudulent behaviour.</p>
Corruption	<p>Dishonest activity in which a 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.</p> <p>Corruption is defined in the <i>Independent Broad-based Anti-corruption Commission Act 2011</i> as behaviour by a public officer that:</p> <ul style="list-style-type: none">• adversely affects the honest performance of their functions• constitutes or involves the dishonest performance of their functions• knowingly or recklessly breaches public trust• involves the misuse of information or material acquired in the course of the performance of their role or function, whether or not for the benefit of the public body or person• who conspires or attempts to engage in the above corrupt activity. <p>Examples of acts of Corruption committed against the Council, include (however are not limited to) the following:</p> <ul style="list-style-type: none">• disclosing tender bids to competing tenderers before a tender closes.• accepting payments to make planning decisions in a particular way.• providing family and close friends with preferences.
Fraud	<p>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.</p> <p>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.</p>



Term	Definition/ description
Fraud (cont.)	<p>Examples of acts of fraud committed against the Council, include (however are not limited to) the following:</p> <ul style="list-style-type: none">• non recording and theft of Council takings• purchasing of personal items using Council funds• payment for hours not worked or unauthorised / inappropriate increases in pay rates• deliberate omission of leave applications for leave taken• duplicate submission of petty cash claims• use of Council assets for private purposes• using Council suppliers in exchange for personal benefit directly or indirectly• writing off debtors / permit fees for personal cash gain• unlawful use of council computers, vehicles, telephones or other property or services.

8. REFERENCES AND RELATED INFORMATION

8.1 References

- Australian Standard on Fraud Control and Corruption Control (AS 8001: 2008)
- AS/NZS/ISO 31000:2009, Risk Management Principles and Guidelines
- AS 8000:2003, Good Governance Principles
- HB 254:2005, Governance, Risk Management and Control Assurance
- *Local Government Act 1989* inc. s.78 Pecuniary Interests
- *Trade Practices Act 1974*
- *Protected Disclosure Act 2012*
- *Independent Broad-based Anti-corruption Commission Act 2011 (IBAC Act)*
- *Integrity and Accountability Legislation Amendment Bill 2015*
- Mansfield Shire Council Plan 2017-2021

8.2 Related Materials

This document must be read in conjunction with the following related material:

- Mansfield Shire Fraud Prevention and Control Policy
- Mansfield Shire Risk Management Policy and Strategy
- Mansfield Shire Councillor Code of Conduct and Councillor Charter
- Mansfield Shire Employee Code of Conduct
- Mansfield Shire Protected Disclosure Policy
- Mansfield Shire Gifts, Benefits and Hospitality Policy
- Mansfield Shire Procurement Policy
- Media and Communications Policy



Appendix A - Key Areas of Fraud Risk and Internal Controls

Key areas	Fraud prevention/control measures in place
IT and information security	<ul style="list-style-type: none"> • Internal audit review and consideration of specific key applications within 3-year audit cycle • External audit consideration of IT and information security as part of overall control environment • Regular independent review of key financial system security aspects
Purchasing and payments processing	<ul style="list-style-type: none"> • Clear purchasing processes in place • Authorisation limits allocated to employees and recorded on financial system • Sound controls over payment processing and authorisation • Budget management and regular review and reporting of actual vs. budgeted expenditure • Internal audit review of purchasing and payments within 3-year audit cycle
Tendering and contract management processes	<ul style="list-style-type: none"> • Tendering procedures in place and coordinated by Finance Department • Finance Department to be involved in checking of tender processes to ensure probity of processes • Internal audit review of tender evaluation and documentation within 3-year audit cycle
Collection of revenue	<ul style="list-style-type: none"> • Revenue reconciliations in place • Controls in place to extent possible at locations where payments are made • Internal audit review of revenue collection within 3-year audit cycle
Reimbursement of employee and Councillor expenditure	<ul style="list-style-type: none"> • Payment processing controls in place as described above • Councillor Expenses and Resources Guidelines exists which provides for internal audit of guideline compliance
Salaries and payroll-related expenditure (e.g. allowances)	<ul style="list-style-type: none"> • Payroll independently reviewed each fortnight • Restricted system access to payroll functions • Internal audit review of payroll within 3-year audit cycle
EFT processing	<ul style="list-style-type: none"> • Controls in place to minimise access to files generated by payroll and finance systems • EFT payments approved by two signatories within established security levels
Property and other physical assets	<ul style="list-style-type: none"> • Registers of minor equipment exist and are being further developed, with stock takes to be performed against asset registers
Petty cash	<ul style="list-style-type: none"> • Controls and procedures are in place to mitigate fraud • Petty cash expenditure must be \$50 or less.
Security Checks	<ul style="list-style-type: none"> • Security Checks to be undertaken in accordance with Council's Recruitment and Selection Policy and Procedure.



Appendix B - Examples of Fraud

Fraudulent activities may include but are not limited to:

- unauthorised private use of motor vehicles or other Council assets
- using client money for private benefit
- inappropriately manipulating allowance payments
- falsifying travel claims or cab charge vouchers
- falsifying timesheets
- conspiring unfairly with others to get a tender
- running a private business in working hours
- stealing equipment or supplies from work
- accepting bribes or favours to process a licence that does not meet licensing requirements
- accepting bribes or favours for turning a blind eye to a service provider who does not provide an appropriate service
- as a contractor, sending false invoices
- as an employee of a service provider:
 - failing to send bills for services provided to clients who are relatives or friends.
 - misappropriating fees received from clients, and avoiding detection by not issuing receipts to those clients.
- disclosing confidential and proprietary information to outside parties
- accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to Council. (Council's Gifts, Benefits and Hospitality Policy delineates Token gifts as gifts of a nominal value (\$50 or less) that are infrequently offered)
- destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment



Appendix C - Fraud Signals

Managers and staff should be alert to the common signs of fraud. Signals for potential fraud include:

- illogical excuses and reasons for unusual events or actions
- senior staff involved in routine process work such as purchasing, ordering and receiving of goods
- staff evidently living beyond their means, who have access to funds or control or influence over service providers
- excessive staff turnover
- staff who do not take holidays for extended periods
- potential conflicts of interest not declared
- excessive number of duties (e.g. both processing and approving the same transaction) residing with one person
- undue secrecy, or excluding people from available information
- staff who treat controls and standard practice as challenges to be overcome or defied
- evidence of failure to conduct reference checks on staff prior to employment
- unauthorised changes to systems or work practices
- missing documentation relating to client or agency financial transactions
- “blind approval,” where the person signing does not sight supporting documentation
- duplicates only of invoices
- alterations of documents such as day books, log books and time sheets.