

# Fraud

**Council Policy Number****075**

## Date adopted

15 September 2021

## Scheduled for review

September 2025



Council Policy

**Preamble**

Council is required to ensure that appropriate measures are in place for the prevention and detection of fraud.

**Purpose**

To demonstrate Campaspe Shire Council's ('Council') commitment to the prevention, deterrence, detection, investigation and follow up of all forms of fraud and to establish processes to prevent fraud and corrupt conduct.

To protect the integrity, security and reputation of the Council, Councillors, employees, contractors and Council assets.

**Policy Statement**

In accepting its responsibilities for good governance of the municipality, Council will set the example for honesty and integrity in the provision of services to the community and the management of the organisation.

Council will not tolerate fraud. Council is committed to preventing, deterring and detecting fraudulent behaviour in the performance of Council activities.

Council promotes a culture where all fraudulent activities, once noticed or legitimately suspected are reported, investigated and resolved in a timely and fair manner. There is a Fraud Minimisation and Reporting Procedure which explains how to report suspected fraudulent activities.

Senior management will demonstrate a high level of commitment to controlling the risk of fraud and corruption within and by the Council.

Council will ensure that fraudulent activity is discouraged, conflicts of interest are avoided, and auditing systems are in place to deter and/or identify fraudulent activities.

All reports of suspected fraudulent activity received will be fully investigated and appropriate action taken.

Councillors and staff will act in accordance with their relevant code of conduct and be aware that Council may report internal and/or external fraudulent activity to the relevant authorities. Council may also pursue recovery of any financial loss through civil proceedings.

**Exclusions**

There are no exclusions to this policy. This policy applies to all staff, Councillors and volunteers engaged directly by council as well as all agents and contractors either engaged by Council or by authorised contractors of Council.

**Human Rights**

This report has considered and complies with the Human Rights and Responsibilities contained in the Victorian Charter of *Human Rights and Responsibilities Act 2006*.

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## Definitions

Fraud the Australian Standard for Fraud and Corruption Control defines fraud 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.*

## Consultation

Audit and Risk Committee 6 September 2021

## Related Legislation

*Crimes Act 1958*

*Local Government Act 2020*

*Independent Broad-based Anti-corruption Commission Act 2011*

*Public Interest Disclosures Act 2012*

*Other relevant policies, codes and procedures are:*

Employee Code of Conduct

Councillor Code of Conduct

Council Policy 81 Privacy and Data Protection

Council Policy 126 – Procurement

Council Policy 179 – Public Transparency

Council Policy 181 – Councillor Gifts

Administrative Policy A-006 Reimbursement of Expenses for Staff and Volunteers

Administrative Policy INT147 - Corporate Purchase Cards

Council Procedure – Public Interest Disclosures

Council Procedure – Welfare Management

Council Procedure PR119 Training and Development

Council Procedure PR132 Performance Review

Council Procedure PR134 National Police Checks

## Attachments

Council Procedure PR138 - Fraud Minimisation and Reporting

## Review Period

Four years

## Responsible Officer

Manager Governance & Strategy

## Administrative Updates

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter the policy, such a change may be made administratively. Examples include a change to the name of a Council department, a change to the name of a Federal or State Government department, and a minor update to legislation which does not have a material impact. However, any change or update which materially alters this document must be by resolution of Council.

**Approval History**

|         |                   |  |
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| Revised | 15 September 2021 | Minute Book Reference No 9 (Item 9.6)  |

Chief Executive Officer: ..... 

Date: ..... 23 September 2021

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# **PROCEDURE PR138 FRAUD MINIMISATION & REPORTING**



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Version: 2  
Responsible Officer: Manager Governance & Strategy

# PR138 Fraud Minimisation and Reporting Procedure

## 1. Statement of Policy

Council's Policy relating to fraud is outlined in Council Policy 075 - Fraud.

## 2. Procedure Development

These procedures have been prepared to complement Council Policy 075 - Fraud.

## 3. Background

Council is required to ensure that appropriate measures are in place for the prevention and detection of fraud.

The Chief Executive Officer has ultimate responsibility for the prevention and detection of fraud and is responsible for ensuring that appropriate and effective internal control systems are in place.

Council's Audit and Risk Committee supports the Chief Executive Officer in ensuring that appropriate and effective internal control systems are operating and being monitored.

The responsibility for the operational implementation of this procedure rests with the Corporate Division and Governance Department to establish and maintain proper internal controls that provide security and accountability for Council resources.

## 4. Council Responsibility

Council has a responsibility and obligation to ensure that systems, procedures and management practices are in place to minimise and prevent the occurrence of fraudulent activities.

The Audit and Risk Committee has a responsibility to work closely with the Internal Auditors and Council's Senior Management to ensure that systems and procedures are regularly tested as a fraud prevention mechanism.

Council is committed to:

- ensuring that staff are educated about fraud prevention and detection;
- promoting ethical and honest behaviour of staff members;
- encouraging staff to report instances of fraud when they become aware of it;
- handling matters relating to fraud and suspected fraud in the strictest confidence.

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## 5. Ethical Conduct

Ethical conduct is mentioned several times in this document. At Campaspe Shire Council ethical conduct is about ensuring that our decisions, actions and behaviour are in alignment with the Council values, Employee Code of Conduct principles and Council's mission.

These are:

- Values
  - Respect
  - Customer focused
  - Continuous improvement
  - Teamwork
  - Accountability
- Principles

Council's principles as quoted in the Employee Code of Conduct are:

  - Act impartially
  - Act with integrity including avoiding conflicts of interest
  - Accept accountability for results
  - Provide responsive service
- Purpose (Mission)

Campaspe Shire Council will provide services, facilities, support and advocacy to enable our community to be healthy, connected, prosperous and resilient.

## 6. Fraud Minimisation Procedures

The following fraud minimisation procedures are to be performed under the direction of the Chief Executive Officer:

- (a) Regular monitoring of Council's strategic and operational risks.
- (b) An ongoing internal audit process. Strong internal controls supported by internal audit reviews on a regular planned basis will minimise risk exposure.
- (c) Robust reporting processes including financial reporting, Council Plan reporting and operational reporting.
- (d) Maintain robust recruitment and employment practices, including the confirmation of all relevant employee details, thorough checking of references and qualifications, the obtaining of national police checks for designated roles, performance management system, training and development policy and strong separation processes.
- (e) All assets are properly recorded and regular stocktakes are performed to ensure significant items are present.
- (f) There is segregation of duties of accounting staff in accordance with good internal control systems.
- (g) Set a standard of ethical conduct for suppliers and contractors.

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- (h) Procurement policies and procedures including exception reporting.
- (i) Review work practices and areas open to collusion or manipulation.
- (j) Ensure that Council management and staff have been trained in identifying indicators of fraud.
- (k) Having policies and procedures relating to the appropriate use of Council assets and equipment.
- (l) Ensure Management is displaying the ethical conduct expected of senior management.
- (m) Ensure staff are aware and abide by the requirements of the Employee Code of Conduct.
- (n) Ensure staff and Councillors are aware of Public Interest Disclosures and Welfare Management Procedures, Public Interests Disclosures Coordinator and contact officers.

## 7. Areas Where Council is Possibly Exposed to Fraud and the Steps to Minimise Exposure

The following areas have been identified where risk of fraud could occur and procedures have been developed to minimise such occurrences:

- (a) Accounts payable.
- (b) Claiming of travel and other allowances/Reimbursements.
- (c) Grant programs.
- (d) Human resources.
- (e) Information Technology and Communication security.
- (f) Misuse of Council data.
- (g) Misuse of credit and fuel cards.
- (h) Private use of Council assets and equipment.
- (i) Purchasing of goods and services.
- (j) Receipt of kickbacks, gifts and bribes.
- (k) Returning of Resources.
- (l) Stores.
- (m) Tendering irregularities.
- (n) Theft of cash.
- (o) Theft of Council assets.



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The following procedures are in place to minimise fraud.

## **(a) Accounts Payable**

This could occur whereby a Council officer falsified or prepared erroneous invoices/claims for goods or services which were not supplied to the Council.

### Controls in Place

Council has a procurement policy and procedure in place that provides relative levels of control over necessary documentation and the receipt of goods or services prior to payment. There are also staff financial delegations which are incorporated into Council's accounting programs and systems.

## **(b) Claiming Travel and Other Allowances / Reimbursements**

This may relate to illegal claims being submitted seeking reimbursement for expenditure that was not incurred or did not relate to Council business.

### Controls in Place

Claims for reimbursement must be supported by invoices or vouchers verifying that the payment was made. Payments are required to be counter signed by the employee's supervisor.

## **(c) Grant Programs**

This could involve a community group receiving favourable treatment in the grant allocation process by comparison with another group.

### Controls in Place

Community grants recommendations are in accordance with an approved process and are either reported to Council or approved by Council.

## **(d) Human Resources**

This may relate to individuals claiming they have qualifications which they do not hold, falsifying claims for leave entitlements and attendance records and "dummy" names on payroll records.

### Controls in Place

Where staff are required to hold a qualification to perform their work, they will be asked to produce the original or a copy of the qualifications certified by the issuing University or College.

Independent reference checks will be performed by the Human Resource staff before positions are confirmed. Police checks are performed for specific roles as part of the recruitment process in particular for those that handle/administer public funds e.g. finance and accounts employee's.

Overtime reports will be produced fortnightly for managers' perusal. New employees can only be included on payroll systems after completion of appropriate forms by the responsible manager.

Claims for leave are to be in accordance with Contract, Award or Enterprise Agreement requirements and where appropriate are to be supported by appropriate documentation.

Time sheets must be appropriately authorised before processing by the Payroll Officer.

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## **(e) Information Technology and Communications Security**

This may relate to theft of hardware and software equipment, the manipulation of data and the introduction of computer viruses.

### Controls in Place

Administrative policy A-072 IT Policy is an adopted policy that defines appropriate and inappropriate technology use.

Administrative policy A-180 ICT Equipment is an adopted policy relating to ICT Equipment whose purpose is to ensure that Information and Communications Technology devices used for Council service delivery are protected from threats that may cause loss or damage to the Council and to inform equipment users of their responsibilities and obligations with respect to the proper use, care and support of their devices.

Council requires passwords to be updated regularly. Access levels to computer systems are approved by the relevant manager when a new staff member commences or when a staff member's role changes. Automated system controls ensure passwords are required to be changed every 6 weeks.

Virus checking, email filtering and endpoint protection software is in place and is updated through automated system processes.

System logs track access to file system files.

Council provides monthly video-based security awareness training to staff to assist in minimising the human error factor in council's ICT security defences.

## **(f) Misuse of Council Data**

This could involve staff or Councillors releasing to the public or others confidential information to gain a pecuniary advantage for themselves or someone else or releasing information to discredit another person's reputation.

### Controls in Place

The Employee Code of Conduct makes it clear that staff are not to use information in such a manner. The Local Government Act 2020 requires the Chief Executive Officer (CEO), and nominated officers of the CEO to submit a Personal Interest Returns in accordance with the Local Government (Governance and Integrity) Regulations 2020. The Councillor Code of Conduct affirms the Councillors obligations for handling and using confidential and personal information. The Local Government Act 2020 at Section 125 clearly sets out the penalties for the release of confidential information. Councillors are required to declare conflicts of interest and lodge Personal Interest Returns in accordance with the Local Government (Governance and Integrity) Regulations 2020 and Related Party Declarations yearly. Confidential information presented to Council is clearly marked and referenced to the confidentiality provisions in the Local Government Act.

## **(g) Misuse of Credit and Fuel Cards**

This would involve a staff member using or allowing a credit or fuel card to be used for an unauthorised purpose.

### Controls in Place

A Corporate Purchase card policy is in place.

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## Credit cards

The system in place requires secondary approval of all credit card transactions and appropriate documentation. A review of credit card holders is conducted at least annually to confirm they are still required.

## Fuel cards

Must be used by staff in accordance with their contract of employment or in accordance with instructions given by their General Manager or the Chief Executive Officer.

Fuel usage is monitored over time to identify unusual or excessive use of fuel cards which may warrant further investigation.

## **(h) Private Use of Council Assets and Equipment**

This may involve staff using Council assets such as motor vehicles, computers, items of plant, tools, etc. when their use is not authorised.

### Controls in Place

Letters of appointment and contracts of employment clearly set out the arrangements relating to the use of vehicles and computers.

The Induction Manual sets out the arrangements relating to the use of equipment and vehicles. In essence, if not authorised then it should not occur.

Regular monitoring and reporting by Fleet Officer of motor vehicle use.

## **(i) Purchasing**

This may involve staff purchasing goods or services for private benefit or unauthorised use.

### Controls in Place

Induction and ongoing training of staff re: Procurement policy, procedures and manuals.

Ensuring internal controls and systems have two-person authority on all purchasing transactions – both purchase order and purchasing cards. Financial delegations are in place and reviewed at least annually.

A possible indicator of fraud is where these controls are being ignored, worked around or subverted.

## **(j) Receipt of Kickbacks, Gifts & Bribes**

This would typically involve a Councillor or a member of staff accepting a reward in return for doing a favour.

### Controls in Place

In accordance with the Local Government (Governance and Integrity) Regulations 2020 Councillors and nominated officers must declare any gifts where the value equals or exceeds \$500 or the gifts in form of goods or services and multiple gifts equal or exceed that amount in their personal interests return. In addition, Council Policy no 181 Councillor Gifts requires Council to maintain a Gifts, Benefits and Hospitality Register which includes details of Councillors gift declarations.

The Employee Code of Conduct outlines that the acceptance of gifts, benefits or hospitality can involve a conflict of interest or the perception of a conflict of interest. Further that any gifts accepted remain the property of council and must be declared.

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## **(k) Retuning of Resources**

Returning of Council property and resources on the ceasing of employment including keys, fuel cards, purchasing cards or other equipment.

On the ceasing of employment, the employee is reminded to return all council property in the letter acknowledging their resignation or termination, and the checklist is examined to ensure all equipment issued to the employee during the period of employment is recovered.

### Controls in Place

There are requirements in the Contracts of Employment of individuals requiring the return of equipment and other Council owned property when they leave the Council's employment. An employee departure form is issued to the relevant Manager to check off the return of all issued equipment.

## **(l) Stores**

Council has a store at its depot which houses day to day consumables used for repairs, maintenance and cleaning. As these consumables can be used for domestic use, they can be subject to pilfering.

### Controls in Place

Council uses the Tech1 stores system and performs a physical stock take every six (6) months. All material variations from actual to book stock are investigated.

## **(m) Tendering / Quotation Irregularities**

This may involve situations where one contractor may be given preferential treatments at the expense of another operator.

### Controls in Place

A Procurement Policy and manual is strictly followed.

## **(n) Theft of Cash**

This could involve the theft of cash collected by Council employees or contractors responsible for collecting cash on Council's behalf.

### Controls in Place

Procedures are in place regarding banking and issuing of receipts at the municipal offices, transfer stations, aquatic facilities, caravan parks, Port of Echuca, childcare centres and quarries.

The procedures are subject to change and review from Council's internal auditors. New alternative payment systems have been introduced to minimise the requirement for cash handling including EFTPOS, direct debit and online payments.

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## (o) Theft of Council Assets

This could involve the theft of Council assets which may include Information and communication hardware such as laptops and mobile phones, computers, stationery, vehicles, tools, etc.

### Controls in Place

Items of ICT equipment are recorded in the Asset Register. A code device is attached to each asset. A register of lap top computers provided by Information management is maintained, and borrowing is recorded. A list is maintained of who has electronic devices and computers in the organisation.

When staff terminate their employment with Council, a check is carried out to ensure equipment is returned and accounted for.

The stationery room and cabinet have minimal supplies. Stationery orders are centrally coordinated.

Surveillance equipment is installed in various council buildings.

Council has a process in place for the removal of stores from depot locations.

## 8. Some Early Warning Signs of Fraud

The following are behavioural warning signs to be aware of relating to potential fraudulent behaviour:

- Refusing to take leave or always having an excuse not to take leave.
- Resigning suddenly or failing to attend work for no apparent reason.
- Drugs or alcohol abuse.
- A manager who takes an unusual interest in certain elements of the organisation's business.
- A manager who overrides internal control.
- Habitual gambling.
- Persistent anomalies in work practices.
- Excessive generosity towards other staff.
- Borrowing from other staff.
- Character changes.



# PR138 Fraud Minimisation and Reporting Procedure

## 9. Fraud Training

There is an online fraud training program that relevant staff are required to undertake. Face to face training is required to be undertaken to supplement the online training. As part of the induction program for new employees' details of the Public Interest Disclosures and Welfare Management Procedures are provided.

### 9.1 Reporting Systems

Council is committed to the aims and objectives of the Public Interest Disclosures Act 2012 and does not tolerate improper conduct by its elected representatives or employees, nor reprisals against those who come forward to disclose such conduct. Instances of suspected fraud must be reported promptly and without delay.

If a person (member of the public or staff member) suspects that fraud is being committed against the Council, then the person must report the matter to an officer who can receive disclosures:

- the Chief Executive Officer
- the Public Interest Disclosure Coordinator
- Manager or supervisor of the discloser
- Manager or supervisor of the person who is the subject of the disclosure

A person may make a disclosure verbally or in writing. The disclosure may also be anonymous. The Public Interest Disclosures Procedure (PIDP) is available on Council's website. The PIDP details who can make a disclosure, how to make a disclosure, what organisations that can receive a disclosure and how disclosures are handled.

The PIDP is supported by the Welfare Management Procedure (WMP). The WMP sets out the procedure for the welfare and protection of persons making genuine public interest disclosures as well as those persons who have cooperated or intend to cooperate with an investigation of a public interest complaint. Council is responsible for ensuring both those who make disclosures and co-operators, are protected from direct and indirect detrimental action.

## 10. Prosecution

Council will not tolerate fraudulent behaviour and will institute the necessary disciplinary procedures in respect of any staff member found to have perpetrated fraud.

Prosecution in the Civil or Criminal Courts may be undertaken to recover losses incurred by Council where deemed appropriate.

## 11. Recovery Action

Council does not condone the perpetration of fraud and will seek to recover losses from staff members who have perpetrated fraud.

Any staff member found guilty of the theft of Council property will be dismissed.

An employment reference will not be provided to a staff member found guilty of a fraudulent action.