



**PREVENTION OF FRAUD AND  
CORRUPT CONDUCT POLICY**

## Amendments

<b>Date</b>	<b>Amendment</b>	<b>Reference</b>
7 September 2010	Adopted	CS/45

## **Background**

Mosman Council is committed to good governance and ethical behaviours as a key ingredient to responsible, transparent, effective and accountable local government.

The purpose of this policy is to demonstrate that it does not tolerate dishonest or fraudulent behaviour and is committed to deterring and preventing such behaviour.

The community has an expectation that Council employees acknowledge and fulfil their responsibility to protect public money and property.

Fraud and corrupt conduct are ongoing and pervasive risks faced by all organisations. Because fraud and corrupt conduct are more likely to flourish in an environment of ignorance and neglect, fraud and corruption control must be an ongoing activity.

An ethical environment, free from fraud and corruption, should produce:

- Enhanced moral;
- Respect for all
- Job Satisfaction;
- Employment security;
- Reduced stress;
- Improved efficiency;
- Ability to meet commitments; and
- Improved service levels.

Fraud and corruption control are key components of good governance.

## **Objective**

Council is committed to protecting its revenue, expenditure and property from any attempt (either by the public, contractors, or its own employees) to gain by deceit, financial or other benefits.

## **Definition of Corruption**

Corrupt conduct is defined in section 8 and 9 of the Independent Commission Against Corruption Act 1988 and may include conduct such as:\

- a) any conduct of any person (whether or not a public official) that adversely affects, either directly or indirectly, the honest or impartial exercise of official functions by any public official, any group or body of public officials or any public authority, or
- b) any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or
- c) any conduct of a public official or former public official that constitutes or involves a breach of public trust, or
- d) any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or for the benefit of any other person.

Corruption is also defined in the Australian Standard AS 8001-2003 “Fraud and Corruption”, as:

“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.”

### **Definition of Fraud**

Fraud, which is a type of corruption, is defined in the Australian Standard AS8001-2008 as:

“Dishonest activity causing actual or potential financial loss to any person or entity including theft of money 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 improper use of information or position”.

### **Policy Statement**

This policy is designed to protect public funds and assets, the integrity, security and reputation of the Council and its employees, and maintain a high level of services to the community.

Council will meet this commitment by:

- Implementing a Fraud and Corruption Prevention Strategy for each area of Council.
- Maintaining an effective system of internal controls and compliance with those controls aimed at preventing and detecting fraud and corruption.
- Regularly undertaking fraud risk assessments to identify opportunities for fraud, and implementing prevention and minimization procedures in day to day operations. This process will assist managers, who are ultimately responsible for the prevention and detection of fraud.
- Establishing standards and formal procedures for the investigation of allegations of dishonest and/or fraudulent behaviour.
- When allegations are proven to be true, reporting outcome of preliminary inquiry to the General Manager for disciplinary action and/or for referral to external authorities as appropriate.
- Reacting appropriately to situations where fraud allegations are proven to be true. This may be through reporting to relevant authorities and/or disciplinary action under the Code of Conduct.
- Ensuring all Council employees are aware of their obligations in combating dishonest and fraudulent behaviour by facilitating and electronically directing all staff to the Code of Conduct and providing appropriate training and information sessions on a regular basis.
- Cultivating and maintaining an environment in which dishonest and fraudulent behaviour is actively discouraged.
- Fostering an environment in which fraudulent activity is discouraged by encouraging staff and Councillors to report suspected fraud and corruption either against Council or within Council.

- Providing public awareness of Council's commitment to fraud and corruption prevention, and encourage public reporting of suspected fraud and corruption by Council officials or against Council.

To support this policy, Council has adopted an Internal Reporting Policy and System and has appointed Public Interest Disclosure Officers throughout all its operational areas. In addition Council has a Audit Risk and Improvement Committee which includes three external representatives one of whom must be the Chairman.

Also Council has introduced a follow up check on the organisation's compliance with the Policy by using the Fraud Control Health Check provided by the Audit's Office. Under the Health Check all staff are required to complete a questionnaire every two (2) years prior to the Policy being reviewed.

### **Reporting Breaches**

It is the responsibility of each member of staff, all volunteers and contractors to comply with the provisions outlined in this policy. Failure to comply with the provisions set out in this policy will constitute a breach of the Council's Code of Conduct and may be considered misconduct and result in disciplinary and/or legal action.

Staff have an obligation to report any suspected fraud or corrupt conduct to any of the Public Interest Disclosure Officers or the General Manager or to the ICAC. The General Manager has an obligation, under Section 11 of the ICAC Act, to report those matters to ICAC.

Council also encourages members of the public to report possible fraud or corruption direct to the General Manager, Mayor or Public Interest Disclosure Officers or directly to ICAC.

### **Review**

This policy should be reviewed every two years to ensure compliance with current standards and community expectations.

### **Related Policies, Corporate Practices and Legislation**

Policies:

- Code of Conduct
- Statement of Business Ethics
- Complaints Handling Policy
- Disciplinary Procedure Policy
- Public Interest Disclosures- Internal Reporting System
- Audit, Risk and Improvement Committee Charter
- Enterprise Risk Management Policy
- Related Party Disclosure Policy
- Delegations Register

Corporate Practices:

- Internet and Mobile Computing Corporate Practice
- Council Credit Cards and Cabcharge Corporate Practice

- Petty cash Handling Corporate Practice
- Purchasing Management Corporate Practice and Procedure

Legislation:

- Local Government Act 1993 (NSW) (Act)
- Local Government (General) Regulations 2005
- Environmental Planning and Assessment Act 1979
- Independent Commission Against Corruption Act 1988 (NSW)
- Public Interest Disclosures Act 1994 (NSW)

<b>COUNCIL FRAUD AND CORRUPTION RESPONSIBILITY STRUCTURE</b>				
<b>General Manager</b>	<ul style="list-style-type: none"> <li>▪ Culture</li> <li>▪ Policy and Strategy</li> <li>▪ Business Risk</li> <li>▪ Corporate Governance</li> <li>▪ Compliance (legislative, regulatory, community)</li> <li>▪ Stakeholder value</li> <li>▪ Image</li> </ul>			
	<b>Directors</b>	<ul style="list-style-type: none"> <li>▪ Lead by Example</li> <li>▪ Develop and implement fraud and corruption prevention strategies for Directorate</li> <li>▪ Identify and mitigate actual and potential corruption risks in the workplace</li> <li>▪ Monitor and review the effectiveness of mechanisms implemented to minimise and detect corruption</li> <li>▪ Demonstrate ethical conduct in all business dealings</li> <li>▪ Promote awareness of fraud and corruption prevention and ethical conduct in the workplace</li> </ul>		
		<b>Supervisors, Team Leaders and Coordinators</b>	<ul style="list-style-type: none"> <li>▪ Promote awareness of ethical conduct and mechanisms to prevent corruption</li> <li>▪ Provide input to policies, procedures and instructions that relate to areas of risk</li> <li>▪ Drive the Prevention of Fraud and Corrupt Conduct Strategy</li> <li>▪ Provide ethical advice and support to staff</li> <li>▪ Monitor integrity of Fraud and Corruption Prevention Strategy</li> </ul>	
	<b>Employees</b>		<ul style="list-style-type: none"> <li>▪ Ethical behaviours</li> <li>▪ Report suspected incidents of fraud and corruption</li> <li>▪ Compliance with fraud and corruption prevention controls including the Fraud and Corruption Prevention Policy</li> </ul>	