



RESPECT



INNOVATION



INTEGRITY



TEAMWORK



EXCELLENCE

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Fraud and Corruption Control Policy and Strategy

1.0 Foreword

The risk of fraudulent or corrupt activity is ever present in all organisations and Local Government is not immune to the potential for fraud and corruption to occur. This can be perpetrated by a wide range of potential individuals/entities from both within and externally to Kiama Municipal Council (Council), including; suppliers, contractors, employees, management, councillors and developers.

In order for Council to achieve its strategic objectives and meet community expectations, our organisation must be led by values and principles which align with key attributes of fraud and corruption prevention.

As a public sector entity, the community expects the highest standards of behaviour by Councillors and employees. It expects Council to practice the highest standards of stewardship of public resources and to establish and maintain a sound system of internal control.

Council is committed to the core values of Respect, Innovation, Integrity, Teamwork and Excellence, both in strategy and practice. Integrity is central to fraud and corruption prevention, and behaviour reflecting this value is prescribed in the Code of Conduct.

As outlined in the following policy, all Councillors and employees have a duty to be aware of the potential for fraud and corruption and to report anything that they feel is not right. There are a range of options available for reporting of any such matters in accordance with Council's Internal Reporting and Public Interest Disclosure Policy including externally to the Independent Commission Against Corruption (ICAC), the NSW Ombudsman's Office, or the Office of Local Government (OLG).

The intention of this policy is to recognise that fraud and corruption presents a real risk to Kiama Municipal Council and to address Council's approach to managing this risk. The policy sets out Council's clear message – that fraudulent or corrupt activity will not be tolerated and the strategy indicates council's plans for implementing the policy.

2.0 Purpose

- 2.1 To set out Council's commitment to Fraud and Corruption Control and outline the approach to planning and resourcing, prevention, detection, reporting and responding to Fraud and Corruption.
- 2.2 To provide a consistent understanding that effective implementation of fraud and corruption control will assist to ensure public confidence in the integrity of Council.

3.0 Objectives

- 3.1 The objectives of this policy are:
 - To establish an integrated framework and overarching strategy to control Fraud and Corruption risk at Council.
 - Provide context to guide and align all Fraud and Corruption management activities.
 - Provide a broad implementation context and strategy for evaluation and continuous improvement of Fraud and Corruption management activities at Council.

4.0 Scope

- 4.1 This policy applies to all Council activities, and to all Council officials. As defined in Council's Code of Conduct, Council Officials are "Councillors, members of staff of council, administrators, council committee members, conduct reviewers and delegates of council".
- 4.2 Failure by a Councillor to comply with the standards of conduct prescribed under the Code of Conduct constitutes misconduct for the purposes of the Local Government Act 1993.
- 4.3 Failure by a member of staff to comply with Council's Code of Conduct may give rise to disciplinary action.
- 4.4 Failure by other council officials, to comply with standards of behaviour prescribed under the Code of Conduct may result in termination of contracts or services provided to Council.

5.0 References

This document should be read in conjunction with:

5.1 Related Legislation and best practice documents

- Independent Commission Against Corruption Act 1988
- Local Government Act 1993 and General Regulation 2005
- Public Interest Disclosures Act 1994
- Fraud and Corruption Control, Australian Standard 8001--2008, Standards Australia
- Fraud Control Improvement Kit (2015 edition), The Audit Office of NSW
- Internal Auditing and Fraud (2013 edition), International Professional Practices Framework – Practice Guide, The Institute of Internal Auditors.

5.2 Related Council Policy and other documents

- Code of Conduct
- Fraud and corruption control strategy
- Fraud and corruption control improvement plan
- Enterprise Risk Management Policy and Strategy
- Complaints Management Policy
- Internal Reporting and Public Interest Disclosures Policy
- Procurement Policy and Procedure
- Statement of Business Ethics

6.0 Definitions

For the purpose of this document the following definitions apply:

<p>Corrupt Conduct</p>	<p>is defined in Section 8 and 9 of the <i>Independent Commission Against Corruption Act 1988</i> as being:</p> <ul style="list-style-type: none"> • conduct of a person (whether or not a public official) that adversely affects, or could affect the honest and impartial exercise of public official functions, or • conduct of a public official that involves the dishonest or partial exercise of any of his or her public official functions, or • a breach of public trust, or • the misuse of information or material acquired in the course of a public official's functions. <p>Corrupt conduct can also include the conduct of any person (whether or not a public official) that adversely affects or could affect the exercise of official functions and involves conduct such as bribery, blackmail, fraud, forgery and various other crimes.</p> <p>For conduct to be corrupt it must be covered by one of the conditions above and also any one of the following:</p> <ul style="list-style-type: none"> • a criminal offence or • a disciplinary offence, or • reasonable grounds for dismissal or dispensing or terminating the services of a public official.
<p>Fraud</p>	<p>is defined in Australian Standard 8001 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 whether or not deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position.</p>
<p>Fraud Control</p>	<p>these are the actions taken to stop or at least reduce the risk of fraud occurring, and are designed to provide reasonable assurance that fraud risks are managed in such a way as to ensure that the achievement of Council's objectives will not be adversely affected by fraudulent practices.</p>
<p>Maladministration</p>	<p>means action or inaction of a serious nature that is:</p> <ul style="list-style-type: none"> (i) contrary to the law; (ii) unreasonable, unjust or oppressive or improperly discriminatory; or (iii) based wholly or partly on improper motives

7.0 Policy

7.1 Policy Statement

Council is committed to:

- Development and maintenance of a sound ethical culture supported by appropriate policies, procedures and strategies that prevent fraudulent and corrupt behaviour.
- Regular conduct and review of fraud and corruption risk assessments to identify circumstances in which fraud and corruption could occur.
- Implementation of fraud and corruption prevention and mitigation procedures in day to day operations.
- Use of formal procedures for the investigation of allegations of corrupt and fraudulent behaviour.
- Maintenance of processes and procedures that encourage all business dealings with tenderers, suppliers, consultants and contractors to be conducted in an ethical manner.
- Ongoing education and training of all Council officers and elected members in relation to their obligations in combating dishonest and fraudulent behaviour.

This policy forms a critical part of Council's overall Governance framework and outlines the general principles and responsibilities for fraud and corruption control.

7.2 Principles

Council's policy and strategy to control fraud and corruption incorporate the Audit Office of NSW Fraud Control Improvement Toolkit ten fraud control attributes addressing prevention, detection and response activities as below and outlined at Section **10.0 Implementation**.

1. Leadership
2. Ethical framework
3. Responsibility structures
4. Fraud control policy
5. Prevention systems
6. Fraud awareness
7. Third party management systems
8. Notification systems
9. Detection systems
10. Investigation systems

7.3 Responsibilities

7.3.1 Councillors:

- have a responsibility to act honestly and to follow diligently Council's policies and procedures to prevent and mitigate fraud and corruption
- are responsible for reporting cases of suspected fraud or corrupt conduct.

7.3.2 The General Manager:

- implement Council's Fraud and Corruption Control Policy and Framework

- promote ethical behaviour and awareness that fraud and corruption will not be tolerated
- receive reports of suspected fraud and corrupt conduct, maladministration and serious and substantial wastage; and receive allegations of reprisal action, in accordance with Council's Internal Reporting (under Public Interest Disclosures Act 1994) Policy
- ensure that all reports of suspected fraud or corruption, maladministration, serious and substantial wastage are referred to the ICAC as required. Refer section 11 ICAC Act
- keep the Council informed in line with ICAC directions about confidentiality
- make decisions about reporting criminal matters to the New South Wales Police Force
- receive summary information about investigations undertaken into suspected fraud and corruption
- ensure that Council's Fraud and Corruption Control Framework and related policies and procedures are adequate and that regular reviews and checks are undertaken to detect irregularities. The ARIC may assist in this process
- make decisions regarding restitution and criminal charges in all cases of fraud and corruption
- decide what disciplinary action is appropriate for employees involved in fraud and corruption.

7.3.3 Management Executive/Directors (ManEx)

In addition to their responsibilities as staff members, ManEx is responsible for actively fostering an ethical culture and supporting and promoting the objectives of this policy by:

- being role models in adherence to the Code of Conduct, Fraud and corruption control framework and related policies and procedures
- support and promote ongoing fraud risk assessment and mitigation
- adhering to internal controls related to identified fraud and corruption risks.

7.3.4 Managers and Coordinators

Managers and coordinators are responsible for the prevention, detection and reporting of fraud and corrupt conduct by ensuring:

- there are mechanisms in place within their area of control to assess the risk of fraud and corrupt conduct and to manage such risks by appropriate internal controls
- the promotion of employee awareness and training/education on the prevention of fraud and corruption
- compliance with all relevant policies and practices
- reporting of any fraud or corruption matters to the General Manager
- that reasonable steps are undertaken to ensure that Council contractors within their area of control adhere to the provisions of this policy.

7.3.5 All Staff

All staff are responsible for:

- performing their functions and duties with diligence, honesty, integrity and impartiality
- complying with this policy and all legislative requirements to ensure they are not participating in corrupt or fraudulent behaviour
- reporting any suspicion of fraudulent or corrupt behaviour to the General Manager, the appropriate Manager or the Mayor if such behaviour concerns the General Manager, or by utilisation of Council's Internal Reporting Policy
- reporting any identified weaknesses in internal controls that could potentially facilitate a fraudulent or corrupt act.

7.3.6 Governance Section

In addition to their responsibilities as staff members, the Governance section is responsible to:

- develop, implement and review fraud and corruption related policies, strategies and plans.

7.3.7 Audit, Risk and Improvement Committee

Council's Audit, Risk and Improvement Committee is responsible to oversight Council's fraud and corruption control program including:

- approve periodic internal audit reviews of the Fraud and Corruption Control Framework
- review and approve Council's enterprise-wide Fraud and Corruption Risk Assessment
- receive, review and monitor reports on fraud and corruption related matters
- other relevant responsibilities in accordance with the Audit, Risk and Improvement Committee Charter.

7.3.8 Internal Audit

Council recognises that internal audit is an effective part of the overall governance and control environment, and in addition to the responsibilities as a staff member, Internal Audit is responsible to:

- assist in review and monitoring of the fraud and corruption control framework
- together with council's risk management coordinator undertake fraud and corruption risk assessments at least every two years
- examine and evaluate the effectiveness of fraud and corruption internal controls
- provide advice on and make recommendations for improvement related to fraud and corruption matters
- make notifications of actual or suspected instances of fraud and corruption in accordance with relevant reporting procedures.

7.3.9 Council officials

Council officials should be aware of and understand Council's Internal Reporting and Public Interest Disclosure Policy in relation to the protection afforded officials who report or disclose information for specified matters (such as fraud and corruption) internally or to external agencies.

8.0 Activities or areas vulnerable to fraud and corruption

- Procurement activities
- Assessment of development applications
- Use of internet
- Use of motor vehicles
- Contract administration
- Time and attendance/Payroll
- Use of corporate data and personal information
- Cash handling including petty cash or revenue collection
- Use of property, plant and equipment
- Time management and documentation

9.0 Impact of fraud and corruption

The potential impact of fraud and corruption is significant, and could include:

- financial loss
- damage to Council's reputation and standing within the community
- disruption to staff
- loss of key staff members
- diversion of management energy
- reduction in staff morale.

10.0 Implementation

Implementation of the Fraud and Corruption control framework is detailed in council's Fraud and corruption control strategy and includes;

- a. Framework and structure
- b. Risk assessment
- c. Awareness strategies
- d. Internal controls
- e. Reporting systems
- f. Investigation systems

The strategy includes establishment of appropriate accountability through structure and responsibilities, and provision of effective staff, councillor and stakeholder education and training.

Inductions and ongoing training programs will be provided in relation to council's Fraud and corruption control framework, code of conduct, Internal Reporting and Public Interest Disclosures Policy, and related ethical behaviour guidance.

Council will establish and maintain a Fraud and Corruption Control Improvement Plan to ensure the ongoing implementation of this Framework.

11.0 Attachments

Nil


12.0 Review history

This policy will be reviewed every two years to ensure that it meets the objectives of legislation, and facilitates the making of disclosures under the *Public Interest Disclosures Act 1994*, or earlier as required in response to changes in operating environment.

13.0 Document control

Date reviewed	Date adopted	Amendment details
N/A	11 February 2020	New Policy

14.0 Signature

Name: Kerry McMurray General Manager	Date: 11 February 2020
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KIAMA MUNICIPAL COUNCIL
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