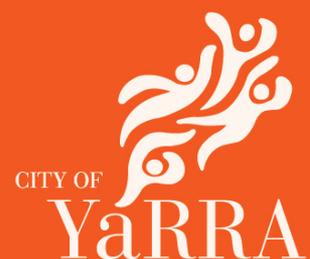


Yarra City Council

# Fraud and Corruption Policy and Procedure



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*To be updated November 2017*

## 1. PURPOSE

The purpose of this policy and procedure (the **Policy**) is to support high standards of professional conduct and honest and ethical business practices within Yarra City Council (the **Council**).

Council considers that its fraud and corruption control program is an integral component of its overall risk management framework which builds upon the requirement for transparent and accountable processes consistent with sound business practices and organisational standards of compliance.

## 2. APPLICABILITY

The Policy applies to all Council staff whether their employment status is permanent, temporary, contract, casual, volunteer or on secondment from a third party.

## 3. DEFINITIONS OF FRAUD AND CORRUPTION

Council applies the following definitions which are based on those contained in the Australian Standard for Fraud and Corruption Control (AS 8001 – 2008).

### **Corruption:**

*“Dishonest activity in which a director, executive, manager, staff member or contractor acts contrary to the interests of Council 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”.*

### **Fraud:**

*“Dishonest activity by Council staff, contractors or external persons causing actual or potential financial loss to Council, including the theft of moneys or other property. This includes the deliberate falsification, concealment, destruction or improper use of documentation used for a normal business purpose or the improper use of other information or position”.*

## 4. POLICY STATEMENT

Fraud and corruption have the potential to cause significant harm to Council’s finances, reputation and service delivery. These forms of wrongdoing also have the potential to diminish or destroy community confidence in Council.

Council has a zero tolerance towards fraud and corruption. If proven, incidents of fraud and corruption will be regarded as a serious disciplinary matter and with potential legal consequences.

Council is committed to effectively preventing, detecting and dealing with incidents of fraud and corruption. Through transparent and accountable decision-making, together with open discussion by staff and managers about the risks of fraud and corruption, Council seeks to foster an organisational culture where staff will be prepared to “*speak up*”.

## 5. EXAMPLES OF POTENTIAL FRAUD AND CORRUPTION IN LOCAL GOVERNMENT

Area	Example
IT assets and security	<ul style="list-style-type: none"> <li>• Misappropriation, or the unauthorised or unlawful destruction of data</li> <li>• Unauthorised or unlawful alteration of data</li> <li>• Sharing of usernames and passwords</li> <li>• Theft of IT equipment</li> </ul>
Regulatory/legislative compliance	<ul style="list-style-type: none"> <li>• Providing false or misleading information</li> <li>• Failing to provide information where there is a legal obligation to do so</li> <li>• Failing to issue fines or other sanctions</li> </ul>
Personnel records / confidential information / privacy	<ul style="list-style-type: none"> <li>• Use or disclosure of personal information for an improper purpose</li> <li>• Unauthorised or unlawful alteration of personal information</li> <li>• Providing false qualifications or licences to indicate proficiency</li> </ul>
Salaries, wages, allowances	<ul style="list-style-type: none"> <li>• Payments to phantom employees</li> <li>• Payment to an employee for tasks not performed such as overstating hours worked on a timesheet</li> <li>• Payment to an employee for skills they do not have</li> <li>• Failure to record on the system annual leave days taken</li> </ul>
Contract management	<ul style="list-style-type: none"> <li>• Accepting bribes and/or kickbacks from suppliers</li> <li>• Negligent or deliberate mismanagement of contracts which may include non-compliance with contract schedules or rates, misrepresentation of dates, description of services or identities of contract providers</li> <li>• Incorrect charging for labour and material, misuse of assets or product substitution (substituting a product for one of lesser quality)</li> </ul>
Tendering	<ul style="list-style-type: none"> <li>• Failure to comply with tender procedures</li> <li>• Manipulating a tender process to achieve a desired outcome</li> <li>• Unauthorised or improper release of pricing or other tendering information</li> <li>• Accepting or conferring gifts and benefits contrary to Council's Gifts and Hospitality Policy</li> <li>• Non-compliance with the Conflict of Interest Policy</li> </ul>
Purchasing Cards	<ul style="list-style-type: none"> <li>• Non-compliance with Council's policy</li> </ul>

Purchases and accounts payable	<ul style="list-style-type: none"> <li>• Failure to comply with tender procedures</li> <li>• Entering into a commercial transaction where there is a conflict of interest (without complying with the Conflict of Interest Policy)</li> <li>• Invoice and purchase order splitting to circumvent procedures or delegation levels</li> <li>• False or nil documentation in support of invoices</li> <li>• Creation and payments made to ghost suppliers</li> </ul>
Conflicts of interest	<ul style="list-style-type: none"> <li>• Failing to disclose an actual, perceived or potential conflict of interest contrary to Council's Conflict of Interest Policy</li> <li>• Failing to actively manage a disclosed conflict of interest</li> <li>• Allowing a conflict of interest to undermine your independence</li> <li>• Receiving a personal benefit for assisting a person or entity to gain work or business with Council</li> </ul>

## 6. ROLES AND RESPONSIBILITIES

### Chief Executive Officer (CEO) and Executive

The CEO and members of the Executive Team are ultimately responsible for managing Council's Risk Management Policy and Framework and ensuring that fraud and corruption risks are integrated into Council's Strategic Risk Register.

### Audit Committee

Members of Council's Audit Committee are responsible for determining whether management has in place a current and comprehensive risk management framework, system and associated procedures for effective identification and management of Council's business and financial risks, including fraud.

### Internal Audit

Council allocates significant resources to its internal audit program for in-depth auditing of functions and activities considered to be of high risk. Council engages an external service provider to manage its Internal Audit Program and conduct internal audits.

Auditable items are identified as a result of a business-wide risk assessment process carried out by Council.

Council's Internal Audit Program includes items considered to be of high fraud and corruption risk and, in particular, focusing on regulatory activities, financial transactions (including cash handling), procurement and asset security.

Resources are also available to conduct special audits of specific issues that may arise and require urgent examination and assessment.

## **All Managers**

Managers are responsible for their daily operations and maintaining cost-effective internal control structures within their organisational responsibility. Specific actions include:

- Ensuring that fraud and corruption risks are integrated into their Operational Risk Registers.
- Monitoring their workplaces to identify and address situations that are likely to raise ethical dilemmas e.g. by establishing good procedural guidance for decision-making, particularly the exercise of discretion.
- Working constructively with Internal and External Auditors in the detection of fraud.
- Conducting local level fraud and corruption risk assessments as part of their accountabilities under Council's Risk Management Policy and Framework.
- Analysing management accounting reports to identify trends.
- Ensuring that staff are not placed in potentially difficult or compromising situations.
- Being available and supportive to staff who require guidance on ethical dilemmas.
- Fostering a work environment free of harassment, discrimination, victimisation, corruption, maladministration and waste.
- Ensuring that staff are aware of the principles contained in Council's Staff Code of Conduct.
- Supporting and protecting staff who report, in good faith, instances of potentially unethical or corrupt practices.
- Ensuring that staff are treated fairly, equitably and in accordance with legislation and policy e.g. through access to training and other development possibilities.

## **All staff**

Have a duty to:

- Act ethically, lawfully and in accordance with the principles contained in Council's Staff Code of Conduct
- Be alert to the possibility that fraud and corruption may occur in the work area and report potentially unethical or corrupt practices via the established channels listed in this Policy

- Follow instructions given by supervisors, particularly in relation to safekeeping of Council assets, use of Purchasing Cards and information and communication technology and systems.
- Make and keep public records in accordance with legislation, privacy standards and other relevant industry guidelines and procedures.

## 7. PROCEDURES FOR REPORTING FRAUD AND CORRUPTION

Managers and staff are encouraged to raise matters at any time with their supervisors but, as an alternative, they have other options.

### Reporting externally to *Your-Call*

Staff can report suspected fraud and corruption to Council's external reporting service provider *Your-Call*.

*Your-Call* is a safe, secure and impartial organisation that ensures any disclosure is managed in a professional, discrete and legally compliant manner, protecting the rights of individuals, particularly those afforded by the ***Protected Disclosures Act 2012 (the Act)***. *Your-Call* will direct such disclosures to the appropriate Council Executive Member without notifying the person(s) about whom the disclosure is being made.

Staff may remain 100% anonymous and all reports are strictly confidential. Employees will not be disadvantaged because of any disclosure.

If you suspect fraudulent, corrupt or improper conduct at Yarra City Council, you are encouraged to contact *Your-Call*:

- **Call 1300 798 101** between 7pm and 10pm, Monday to Friday (excluding public holidays)
- **Report online at [www.your-call.com.au](http://www.your-call.com.au)**, using Council's unique ID number YARR2011 and follow the prompts (the online service is monitored 24/7)
- **Mail information** to Your-Call D.M.S., Locked Mail Bag 7777, Malvern VIC 3144

### Reporting under the Protected Disclosure Act 2012

Council has a procedure that allows employees to report suspected acts of fraud or corruption, while being afforded the statutory protections under the *Protected Disclosure Act (the Act)*, including full anonymity. The purpose of the Act is to encourage and facilitate the reporting of improper conduct by Councillors and/or staff. The Act provides protection to those who make disclosures in accordance with the Act, and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

These procedures are contained in Council's *Protected Disclosure Procedures*, which are located on Council's Intranet site under *Document Centre > Governance > Policy Management Framework* or TRIM reference D13/83288.

Disclosures of suspected fraud, corruption or other improper conduct or detrimental action by Council or its employees may be made directly to Council's Protected Disclosure Officer: Ivan Gilbert, Group Manager, CEO's Office on 9205 5110 or by email: [ivan.gilbert@yarracity.vic.gov.au](mailto:ivan.gilbert@yarracity.vic.gov.au).

Council is required to abide by the provisions of the Act, including protection of the rights of individuals who make disclosures. The Act describes in detail the processes for receiving and investigation procedures.

### **Other methods for reporting fraud and corruption**

Staff may wish to directly advise one of the members of Council's Fraud and Corruption Response Team (FCRT). This team includes Ivan Gilbert as the Protected Disclosure Officer and the:

- Chief Executive Officer
- Director Corporate, Business & Financial Services
- Group Manager, People, Culture & Community
- Risk & Audit Advisor

However, the Act states that any disclosure relating to a Councillor MUST be made direct to IBAC or the Victorian Ombudsman.

## **8. INVESTIGATIONS**

### **Internal investigations**

Council's approach to investigating allegations of fraud and corruption provides rigorous and detailed systems and procedures for conducting internal investigations and notifying appropriate external agencies under the Protected Disclosures Act 2012.

Council documents all processes and findings of probity investigations undertaken. These documents are managed and stored securely to protect confidentiality.

### **External investigative resources**

Council may engage specialist external investigation and audit services to investigate probity allegations when the circumstances suggest that it is appropriate to provide an additional level of 'arm's length' independence to establish the facts.

Council's Chief Executive Officer has a statutory duty to report any matters that she/he suspects, on reasonable grounds, may involve corrupt conduct, including fraud. The CEO will notify appropriate agencies such as:

- The Victorian Auditor-General
- Victorian Ombudsman
- Victoria Police.

The Chief Executive Officer determines when such referrals occur.

### **Protection for staff**

Staff who raise concerns or report another's wrongdoing are sometimes worried about possible repercussions. We encourage openness and will support anyone who raises genuine concerns in good faith under this Policy, even if not proven. No staff member will suffer adverse consequences for reporting conduct which may be in breach of this Policy.

## Appendix A: Related documents and attachments

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The Policy is supported by a number of existing Council policies and procedures, as detailed in the table below.

Document	Description
Protected Disclosure Act 2012 (the <b>Act</b> )	Outlines the process for disclosing improper conduct (fraud and corruption) by the Council or its employees, while being protected under the provisions of the <i>Protected Disclosure Act 2012</i> .
Staff Code of Conduct	Articulates Council's values and provides guidance for staff conduct
Councillors Code of Conduct	Provides Councillors with guidance on standards of behaviour and compliance with the <i>Local Government Act 1989</i>
Disciplinary Procedures	Outlines procedures for discipline of Council staff in relation to breaches of Council policy
Gifts & Hospitality Policy	Provides guidance on the acceptance of gifts or hospitality from third parties
Police Records Check Policy	Procedures for police checks of new staff and staff promoted / transferred within Council
Procurement Procedures Manual	Procedures for procurement of goods and services and contract management, including supplier vetting procedures and tender evaluation probity protocols
Risk Management Framework	Framework of Council's risk management processes and reporting mechanisms
Risk Management Policy	Policy in relation to Council's risk management regime, including methodology application
Risk Management Review Panel Terms of Reference	Guides the actions and processes of the RMRP
Audit Committee Charter	Guides the processes of Council's Audit Committee

All policy and procedure documents listed above are located on Council's Intranet site under *Document Centre > Governance > Policy Management Framework*.