



Policy Owner: Director Corporate Services

Direction: 5. Our Civic Leadership

1. STATEMENT OF INTENT

1.1. North Sydney Council is committed to high ethical standards and aims to have a framework of policies, systems and culture that effectively minimise the risk of fraud and corruption by:

- a) demonstrably influencing culture and behaviour within a testable fraud control environment;
- b) maintaining employee morale and public confidence in Council;
- c) protecting Council's assets;
- d) encouraging staff and others to report suspected or detected fraud or corruption;
- e) providing standards to report and deal fairly with matters pertaining to fraud;
- f) ensuring that fraud and corruption prevention is a living element of Council's culture; and
- g) ensuring that a tangible fraud prevention environment is apparent at all levels and in all work areas of Council.

1.2. This policy complements Council's Enterprise Risk Management Policy.

2. ELIGIBILITY

2.1. This policy applies to all Councillors, employees of Council, any external entity providing goods or services to Council, and to any user of Council services or facilities.

3. DEFINITIONS

3.1. Corruption (See also Section 8 of the Independent Commission Against Corruption Act 1988):

- a) Any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or
- b) Any conduct of a public official or former public official that:
 - i) constitutes or involves a breach of public trust, or
 - ii) 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.
- c) Any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly:
 - i) the honest or impartial exercise of official functions by any public official, any group or body of public officials or any public authority, or
 - ii) the exercise of official functions by any public official, any group or body of public officials or any public authority and which could involve any of the following matters:
 - official misconduct (including breach of trust, fraud in office, nonfeasance, misfeasance, malfeasance, oppression, extortion or imposition),
 - bribery,
 - blackmail,
 - obtaining or offering secret commissions,
 - fraud,
 - theft,
 - perverting the course of justice,
 - embezzlement,
 - election bribery,
 - election funding offences,
 - election fraud,
 - treating,
 - tax evasion,
 - revenue evasion,
 - currency violations,
 - illegal drug dealings,
 - illegal gambling,
 - obtaining financial benefit by vice engaged in by others,

- bankruptcy and company violations,
- harbouring criminals,
- forgery,
- treason or other offences against the Sovereign,
- homicide or violence,
- matters of the same or a similar nature to any listed above,
- any conspiracy or attempt in relation to any of the above.

3.2. Limitation on nature of corrupt conduct (See also Section 9 of the *Independent Commission Against Corruption Act 1988*):

- a) Despite clause 3.1 conduct does not amount to corrupt conduct unless it could constitute or involve:
- i) a criminal offence, or
 - ii) a disciplinary offence, or
 - iii) reasonable grounds for dismissing, dispensing with the services of or otherwise terminating the services of a public official.

3.3. Fraud - The deliberate and premeditated use of deception to gain advantage from a position of trust and authority. It includes acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other actions of deception.

3.4. Prompt - Done immediately and without delay.

4. PROVISIONS

4.1. Expectations:

- a) Councillors and Council staff are expected to maintain a high standard of ethical conduct in all activities, particularly with respect to resources, information, decision-making and authority.
- b) All staff are expected to develop, encourage, insist upon and implement sound financial, legal and ethical decision-making within their responsibility levels.
- c) All staff and Councillors are expected to be familiar with and act in accordance with Council's *Code of Conduct - Councillors and Staff*. Council expects similar standards from the people and organisations that do business with Council.

- d) All staff and Councillors must declare any interests in relation to matters they are currently considering, investigating or making a decision on.
 - e) Fraudulent acts against Council are unacceptable and may constitute a criminal offence.
- 4.2. Council's Enterprise Risk Management Framework facilitates a holistic approach to the risk of fraud and corruption.
- 4.3. Council will rely on fraud-specific best practice authorities to identify and assess fraud risk in keeping with its Enterprise Risk Management Framework.
- 4.4. The three elements for prevention of fraud covered by this Policy come from the *Australian Standard AS8001-2008, Fraud and Corruption Control* are:
- a) Structural elements - sound ethical culture, senior management commitment, periodic assessments of fraud and corruption risks, management and staff awareness, and fraud and corruption control planning;
 - b) Operational elements - internal controls, fraud detection programmes, mechanisms for reporting suspicions of fraud or corruption, dealing with detected or suspected fraud or corruption, line management accountability for the control of fraud and corruption risk, internal audit strategy, policy for the protection of whistleblowers (protected disclosures), allocation of resources to control fraud and corruption risks, insurance and pre-employment screening; and
 - c) Maintenance elements - review of the effectiveness of the fraud and corruption control strategies, ongoing monitoring of the ethical culture and review and adjustment of the fraud and corruption control plan.
- 4.5. Council's internal *Counselling and Disciplinary Policy* provides an equitable, fair and consistent approach to managing staff misconduct. It allows for the imposition of penalties including, but not limited to, formal warning, demotion, suspension without pay, and termination.

5. RESPONSIBILITY / ACCOUNTABILITY

- 5.1. Council's Audit and Risk Committee and/or Senior Management Team (MANEX) are responsible for Fraud Control Health Checks from time to time, and for the instigation of improved control initiatives. The Audit and Risk Committee, in consultation with the General Manager, establishes regular and systematic audit reviews of Council's key and at risk systems, procedures and operations, fraud

and corruption prevention framework, with a particular focus on risks identified in the Enterprise Risk Register.

- 5.2. The Internal Auditor may be directed or requested to conduct investigations.
- 5.3. Council's Chief Operating Officer is responsible for ensuring that this Policy is maintained and regularly reviewed.
- 5.4. Managers and Supervisors are expected to lead by example and to demonstrate integrity and fairness in decision making and be open and honest in their dealings with others.
- 5.5. Managers must ensure that the following fraud prevention elements are evident in the workplace (see also clause 4.4):
 - a) Positive attitude towards internal control, as expressed through interest, involvement, policies and procedures;
 - b) Enhanced performance and control through the selection, leadership and development of staff; and
 - c) Monitoring of systems, whether informal information gathering, active supervision or formal information systems.
- 5.6. Any Councillor or staff member who suspects or detects fraud or corruption must report it in accordance with Council's *Code of Conduct - Councillors and Staff*. Staff must also promptly report it to the Department Manager(s), Director(s), General Manager, and/or Public Officer.
- 5.7. Department Manager(s), Director(s), General Manager, and/or Public Officer must act promptly to investigate and mitigate risk when fraud or corruption is suspected or detected.
- 5.8. Council must report annually on fraud and corruption related code of conduct complaints in accordance with Council's *Code of Conduct - Councillors and Staff*.

6. RELATED POLICIES / DOCUMENTS / LEGISLATION

The Policy should be read in conjunction with the following Council policies and documents:

- Audit and Risk Committee Charter
- Code of Conduct - Councillors and Staff
- Code of Conduct - Contractors, their Staff and Business Associates
- Code of Conduct - Precinct Office Bearers and Members

- Code of Conduct - Volunteers and Community Representatives
- Counselling and Disciplinary Policy (staff policy)
- Delegations of Authority Manual
- Enterprise Risk Management Policy
- Fraud Prevention Policy Guidelines (Appendix A)
- Gifts and Benefits Policy
- Internal Audit Charter
- Internal Reporting - Public Interest Disclosures Policy
- Procurement Policy
- Procurement Manual (internal)
- Social Media Policy (staff policy)
- Web Access and Email Policy (staff policy)

The Policy should be read in conjunction with the following documents/legislation:

- Australian Auditing Standard ASA 240
- Australian Standard AS8001-2008 Fraud and Corruption Control
- Australian Standard AS/NZS ISO 31000:2009, Risk management - Principles and guidelines
- “Governance Health Check” issued jointly by the LGMA and the ICAC
- ICAC “Practical Guide to Corruption Prevention” ISBN 0 7310 7206 5
- Independent Commission Against Corruption Act 1988
- Local Government Act 1993
- Local Government (General) Regulation 2005
- Local Government Tendering Guidelines for Local Government January 2006
- Model Code of Conduct and Procedures (March 2013), Office of Local Government
- NSW Audit Office Fraud Control Improvement Kit
- Privacy and Personal Information Protection Act 1998
- Public Interest Disclosures Act 1994

Version	Date Approved	Approved by	Resolution No.	Review Date
1	4 June 2007	Council	348	2008/09
2	16 February 2009	Council	61	2012/13
4	18 February 2013	Council	61	2016/17
5	15 September 2014	Council	394	2016/17
6	19 September 2016	Council	308	2020/21
7	25 June 2018	Council	214	2020/21

APPENDIX A: FRAUD AND CORRUPTION PREVENTION POLICY GUIDELINES**1. Purpose of these guidelines**

These guidelines explain how Council ensures:

- successful implementation of the Fraud and Corruption Prevention Policy; and
- continuous improvement of the associated fraud and corruption prevention framework.

2. Fraud and corruption prevention framework

Council's framework is modelled on the attributes set out in the *Fraud Control Improvement Kit* published by the Audit Office of New South Wales:

- a) Leadership - The General Manager and Directors are committed to fraud and corruption prevention, and work with the Audit and Risk Committee, Internal Audit and staff to ensure successful implementation of the Policy and framework.
- b) Ethical framework - Council's Fraud and Corruption Prevention Policy and related policies set out acceptable standards of ethical behaviour. They make clear that fraud and corruption are not tolerated by Council, and that unethical behaviour may meet with disciplinary action. These policies are readily available to staff and are included in the induction process.
- c) Responsibility structures - Senior management, the Audit and Risk Committee, the Internal Auditor and staff have clearly defined responsibilities for fraud and corruption prevention. Fraud and corruption prevention is accounted for in Council's business plans and is supported with adequate resources and training.
- d) Fraud and Corruption Prevention Policy - The Policy takes a holistic, enterprise-wide approach to fraud and corruption risk management. It has strong links to Council's other policies on ethical behaviour and is reviewed regularly for continuous improvement.
- e) Prevention systems - Fraud and corruption risk assessment is part of Council's enterprise risk management process, and is regularly reviewed and reported to the Audit and Risk Committee. Detected fraud and corruption is recorded in Council's Risk Event register for remedial action and insurance purposes. Council undertakes pre-employment screening. Council's Information Technology strategy is aligned with organisational objectives and IT risks are included in the Enterprise Risk Register.
- f) Fraud awareness - Staff are provided with a comprehensive awareness programme to ensure appreciation and understanding of responsibilities for preventing, detecting and reporting fraud and corruption. This begins with the induction process and is reinforced with periodic refresher training and circulars. Customers and the community are encouraged to report suspicions

of fraud and corruption and are provided with easy to use channels to make reports. Council's codes of conduct set out ethical standards and mutual obligations for customers and the community.

- g) Third party management systems - Staff are given targeted training and education for dealing with contractors and suppliers. Council's contract management system includes structured risk-based due diligence and standardised contract wordings that make clear Council's commitment to fraud and corruption prevention. Council's codes of conduct set out ethical standards and mutual obligations for contractors and suppliers. Contractors and suppliers are encouraged to report suspicions of fraud and corruption and are provided with easy to use channels to make reports. Staff are regularly required to disclose conflicts of interest and secondary employment.
- h) Notification systems - Council supports staff who report fraud and corruption, and supports managers acting on those reports. There are well-publicised, clear and consistent options for staff to report fraud and corruption internally and externally. Staff can feel confident of protection from reprisal and demonstrated action will be taken in response to reports. Council's policies, systems and procedures support reporting and ensure appropriate reporting to senior management and the Audit and Risk Committee.
- i) Detection systems - Council has well documented risk-based internal controls to prevent, detect and correct fraud and corruption. Routine checks and audits are undertaken of activities, processes controls and transactions. Data is monitored and reviewed for early detection and intervention. Council has a well developed risk-based internal audit programme for fraud and corruption prevention, with audit recommendations assigned to responsible officers with timeframes for response.
- j) Investigation systems - Reports of fraud and corruption must be investigated promptly and to the highest standards. Investigations will be allocated sufficient resources and will be conducted by appropriately qualified and experienced personnel, and referred to an independent investigator where warranted. The investigation and decision-making process must be properly documented and proportionate to the scale of the fraud or corruption. The *Counselling and Disciplinary Policy* provides an equitable, fair and consistent approach to managing staff misconduct, including the imposition of penalties. Council will hold fidelity guarantee or equivalent insurance to protect against the financial consequences of fraud.

3. Enterprise Risk Management

The Policy relies on Council's Enterprise Risk Management process to systematically identify, assess and control fraud and corruption risks. Information is compiled from many sources, including event reports and internal audits. Assessments, controls and treatment plans are recorded in the Enterprise Risk Register and reported regularly to the Audit and Risk Committee.