

## 2.2.7 Fraud and Corruption

<b>Type:</b>	Corporate Services – Risk Management
<b>Legislation:</b>	<i>Local Government Act 1995</i> <i>Corruption, Crime and Misconduct Act 2003</i> <i>Public Interest Disclosure Act 2003</i> <i>Local Government (Rules of Conduct) Regulations 2007</i> <i>Australian National Audit Office.</i>
<b>Delegation:</b>	
<b>Other Related Documents:</b>	Fraud and Corruption Control Plan Town of East Fremantle Strategic Community Plan 2017-2027 KRA: Leadership and Governance <i>5.1. Strengthen organisational accountability &amp; transparency</i> Risk Management Policy and Framework Code of Conduct AS 8001 - 2008 Fraud and Corruption Control AS 8003 - 2003 Good Governance Principals

### Objective

The objective of this policy is to articulate the Town of East Fremantle's ("the Town") commitment to the prevention, detection, response and monitoring of fraud and corrupt activities.

This policy, and the Fraud and Corruption Control Plan, are key components of good governance and will establish the structure to address fraud and corruption risks and to detect and respond to fraud and corruption in accordance with the best practice guidance as set out in the *Fraud and Corruption Control Standards (AS 8001-2008)*.

### Policy Scope

This policy applies to:

- Elected Members;
- all workers whether by way of appointment, secondment, contract, temporary arrangement or volunteering, work experience, trainees and interns;
- any external party involved in providing goods or services to the Town, such as contractors, consultants, outsourced service providers and suppliers.

### Definitions

**Fraud** is defined by Australian Standard AS8001 – 2008 as:

*“Dishonest activity causing actual or potential financial loss to any person or entity including theft of monies 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.”*

Fraud can take many forms including:

- the misappropriation of assets;
- the manipulation of financial reporting (either internal or external to the Town); and
- corruption involving abuse of position for personal gain.

**Corruption** is defined by Australian Standard AS8001 – 2008 as:

*“Corruption is dishonest activity in which an employee or contractor of the entity acts contrary to the interests of the entity and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or organisation. The concept of ‘corruption’ can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity.”*

Corruption is any deliberate or intentional wrongdoing that is improper, dishonest or fraudulent and may include:

- conflict of interest;
- failure to disclose acceptance of gifts or hospitality;
- acceptance of a bribe;
- misuse of internet or email; or
- release of confidential or private information or intellectual property.

**Corrupt conduct** tends to show a deliberate intent or an improper purpose and motivation and may involve conduct such as the deliberate failure to perform the functions of office properly; the exercise of a power or duty for an improper purpose; or dishonesty.

## **Policy Statement**

The Town is committed to a strong culture and sound governance that will safeguard public funds and property. The Town considers fraud, corruption and misconduct to be serious matters. Such behaviours are considered unacceptable and a zero tolerance approach is adopted by the Town towards such behaviour.

Fraud and corruption are a risk to the Town, including in terms of:

- financial loss;
- reputational impact;
- diversion of management energy;
- organisational morale;
- organisational disruption;
- loss of employment;
- reduced performance; and
- diminished safety.

All employees are accountable for, and have a role to play in, fraud and corruption prevention and control. The Town encourages staff to disclose actual or suspected fraudulent or corrupt activity. When identified, any suspected fraudulent or corrupt activity will be promptly investigated, and where appropriate legal remedies available under the law will be pursued. All alleged incidences will be investigated thoroughly. Where appropriate, the Town will protect the anonymity of those reporting the activity.

Detrimental actions are not permitted against anyone who reports suspected or known incidents, consistent with the Town's Public Interest Disclosure procedures. The Town adopts a similar approach to those who maliciously and knowingly create a false allegation.

A Fraud and Corruption Control Plan has been developed to assist the Town to meet the objectives of this policy by ensuring that it has thorough, up-to-date processes in place to mitigate the risk of fraud or corruption occurring in the Town.

## Fraud and Corruption Management

The Town will minimise fraud and corruption through:

- adopting the Fraud and Corruption Control Plan, which is aligned with the *Fraud and Corruption Control Standards (AS8001-2008)*;
- incorporating fraud and corruption risk identification and mitigation strategies as part of the integrated and reporting planning framework;
- educating employees in accountable conduct and fraud awareness issues, including ongoing performance assessment and counselling; and
- monitoring, auditing and communicating processes.

### Fraud and Corruption Control Plan

The objectives of the Fraud and Corruption Control Plan are to:

- reduce the potential for fraud and corruption within and against the Town;
- build a culture which seeks to prevent fraud and corruption;
- apply resources to the prevention of fraud and corruption;
- explain how suspected fraud and corruption is dealt with through risk management practices; and
- provide guidance on how any suspected instances of fraud or corruption are dealt with.

This Plan is comprised of four stages: planning and resourcing, prevention, detection and response; and details the Town's intended action in implementing and monitoring the fraud and corruption control initiatives.

The strategies relating to planning and resourcing, prevention, detection and response of fraud and corruption control includes but is not limited to:

- training and awareness;
- pre-employment screening;
- risk assessment;
- internal and external audit;
- whistleblowing; and
- investigation procedures.

## Roles and Responsibilities

### 1. Council

Council has the responsibility to adopt the Fraud and Corruption policy.

Council has the responsibility to adhere to the Fraud and Corruption policy

### 2. Audit Committee

In relation to fraud control, the Audit Committee's responsibilities include:

- reviewing risk management frameworks and associated procedures for the effective identification and management of fraud risks;
- overseeing development and implementation of the fraud control plan, to provide assurance that the entity has appropriate processes and systems in place to prevent, detect and effectively respond to fraud-related information; and
- providing leadership in preventing fraud and corruption.

### 3. Chief Executive Officer

The Chief Executive Officer applies the Town's resources to fraud prevention and ensures the implementation of adequate controls for managing fraud and corruption risks within the Town.

The Chief Executive Officer, under the *Corruption, Crime and Misconduct Act 2003* must notify the Corruption and Crime Commission or the Public Sector Commission if misconduct is suspected.

#### 4. Leadership Team (Executive Managers, Coordinators/Supervisors)

The Leadership Team is responsible for implementing the Fraud and Corruption Control Plan. In particular the Leadership Team must:

- provide leadership, guidance, training and support to employees in preventing fraud and corruption;
- identify high fraud risk areas;
- participate in fraud and corruption risk assessment reviews;
- monitor the continued operation of controls;
- report suspected fraud and corruption promptly, maintaining confidentiality; and
- ensure the protection of complainants who report fraudulent and corrupt activities.

#### 5. Public Interest Disclosure (PID) Officer

The Public Interest Disclosure Officer investigates disclosures, and take action following the completion of investigations under the *Public Interest Disclosure Act 2003*.

#### 6. Human Resources Coordinator

The Human Resources Coordinator or delegated officer, will manage the discipline process and be responsible for:

- communicating the existence and importance of the Fraud and Corruption Control Plan; and
- delivering and/or coordinating fraud and corruption training.

#### 7. Employees

All employees have a responsibility to contribute to preventing fraud and corruption by following the Code of Conduct, complying with controls, policies, processes, resisting opportunities to engage in fraudulent or corrupt behaviour and reporting suspected fraudulent or corrupt incidents or behaviour.

#### 8. Internal Audits

Internal audits provide an independent and objective review and advisory service to:

- provide assurance to the Chief Executive Officer/Council that the financial and operational controls designed to manage the Town's risks and achieve the Town's objectives are operating in an efficient, effective and ethical manner; and
- assist management in improving the Town's business performance

#### 9. External Auditors

External auditors provide an opinion on whether the Town's Annual Report represents a true and fair view of the financial position at a certain date.

Annual external audit of the Financial Reports assists in the detection of fraud under *Australian Auditing Standard ASA 240: The Auditors' Responsibility to Consider Fraud in an Audit of a Financial Report*.

<b>Responsible Directorate:</b>	Office of the CEO
<b>Reviewing Officer:</b>	CEO
<b>Decision making Authority:</b>	Council
<b>Policy Adopted:</b>	15/09/20
<b>Policy Amended/Reviewed:</b>	