

Governance 14: Fraud and Corruption Control

1. Purpose

The purpose of this policy is to demonstrate the City of Kalamunda's (City) commitment to the prevention, detection, response and monitoring of fraudulent and corrupt activities.

This policy together with the Fraud and Corruption Control Plan are core elements of good governance and establishes an effective structure to address fraud and misconduct risks and to detect and respond to fraud and corruption in accordance with the best practice guidelines as defined in the *Fraud and Corruption Standards (AS8001-2008)*.

2. Policy Scope

The policy applies to:

- (a) Elected Members;
- (b) all employees either by way of appointment, secondment, contract, temporary arrangements or volunteering, work experience, trainees and interns;
- (c) external parties involved in the provision of goods, or services to the City, inclusive of contractors, consultants, outsources service providers and suppliers.

3. Definitions

The Australian Standard AS8001 – 2008 defines:

"Fraud" 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 a number of forms:

- (a) Misappropriation of funds and/or assets
- (b) Manipulation of financial reporting (either internal or external to the City); and
- (c) Corruption involving the abuse of position for the purposes of personal gain.

“Corruption” as:

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 can include:

- (a) Conflicts of interest;
- (b) Failure to disclose acceptance of gifts or hospitality;
- (c) Acceptance of a bribe;
- (d) Misuse of the internet or email or;
- (e) Release of confidential or private information or intellectual property.

Corrupt conduct typically shows 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 power or duty for an improper purpose; or dishonesty.

4. Policy Statement

The City is firmly committed to a strong culture and sound governance that will protect and safeguard public funds and property. The City considers fraud, misconduct, and corruption to be serious matters and these activities are regarded as un-acceptable and a zero-tolerance approach is adopted by the City to such behaviours.

Fraud and corruption can present a risk to the City in terms of:

- (a) Reputational impact;
- (b) Financial loss;
- (c) Diversion of management energy;
- (d) Impacting Organisational morale;
- (e) Causing Organisational disruption;
- (f) Leading to loss of employment;
- (g) Reduced performance and;
- (h) Diminished safety.

All of the City's employees are accountable for, and have a role to play in, fraud and corruption prevention and controls. Staff are encouraged to disclose actual or suspected fraudulent or corrupt activity.

Elected Members are responsible for demonstrating ethical behaviours when dealing with community members and the City's administration.

Suspected fraudulent or corrupt activities will be promptly investigated, and where appropriate legal remedies will be pursued. The City will protect the anonymity of staff reporting the activity where possible.

Consistent with the City's Public Interest Disclosure procedures, there will be no adverse consequences against anyone reporting suspected or known incidents.

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

5. Managing Fraud and Corruption

The City will minimise fraud and corruption risk through:

- (a) Adopting the Fraud and Corruption Control Plan which is aligned with the Fraud and Corruption Control Standard (AS 8001-2008)
- (b) Integrating fraud and corruption risk identification and mitigation strategies as part of the City's governance framework;
- (c) Educating employees in accountable conduct and fraud awareness issues, including ongoing performance assessment and counselling; and
- (d) Monitoring, auditing and communicating processes.

6. Fraud and Corruption Control Plan

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

- (a) Reduce the potential for fraud and corruption within and against the City;
- (b) Build a culture which seeks to prevent fraud and corruption;
- (c) Allocate resources to the prevention of fraud and corruption;
- (d) Outline how suspected fraud and corruption is dealt with through risk management practices; and
- (e) Provide guidance on how any suspected instances of fraud or corruption are dealt with.

The Plan is built around four components: planning and resourcing, prevention, detection and response and details of the City's intended actions in implementing and monitoring fraud and corruption control initiatives. The key strategies giving rise to the Plan include:

- (a) Training and awareness;

- (b) Pre-employment screening;
- (c) Risk assessment;
- (d) Internal and external audit;
- (e) Whistleblowing; and
- (f) Investigation procedures.

7. Roles and Responsibilities

7.1 Council

Council is responsible for adoption of the Fraud and Corruption Control Policy. Council sets the tone by adhering to the Fraud and Corruption Control policy.

7.2 The Audit and Risk Committee

The Audit & Risk Committee plays a central role in relation to fraud control, with key responsibilities including:

- (a) Reviewing risk management frameworks and associated procedures for the effective identification and management of fraud risks;
- (b) Overseeing development and implementation of the fraud control plan, to provide assurance that the City has appropriate processes and systems in place to detect and effectively respond to fraud related information; and
- (c) Providing leadership in the prevention of fraud and corruption.

7.3 Chief Executive Officer

The Chief Executive Officer (CEO) applies the City's resources to fraud prevention ensuring the adequacy of controls for managing fraud and corruption risks within the City.

In accordance with the *Corruption Crime and Misconduct Act 2003*, the CEO must notify the Corruption and Crime Commission or the Public Sector Commission if misconduct is suspected or identified.

7.4 Leadership Group

The Senior Management Group, consisting of the Executive, Managers and Co-ordinators is responsible for the implementation of the Fraud and Corruption Control Plan. Specific responsibilities of the Leadership Group are to:

- (a) provide leadership, guidance, training and support to employees in the prevention of fraud and corruption;
- (b) identify and manage high fraud risk areas;
- (c) participate in fraud and corruption risk assessment reviews;
- (d) monitor the continued operation of controls;

- (e) report suspected fraud and corruption promptly, maintaining confidentiality; and
- (f) ensure the protection of complainants who report fraudulent and corrupt activities.

7.5 Public Interest Disclosure Officer

Public Interest Disclosure Officers investigate disclosures, and take action following completion of investigations under the Public Interest Disclosure Act 2003.

7.6 Director Corporate Services

The Director Corporate Services is responsible for leading the development of the Fraud and Corruption Control Plan and coordinating fraud and corruption training.

7.7 Manager Strategy, People and Performance

The Manager Strategy, People and Performance or their delegated officer is responsible for managing the grievance and discipline process.

7.8 Employees

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

7.9 Internal Auditors

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

- (a) Provide assurance to the Chief Executive Officer/Council that the financial and operational controls designed to manage the City's risks and achieve the City's objectives are operating in an efficient, effective and ethical manner; and
- (b) Assist management in improving the City's business performance.

7.10 External Auditors

External Auditors provide an opinion on whether the Annual Report represents a true and fair view of the financial position of the City at financial year end.

The 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*.

Status	Council Requirement		
Related Local Law	N/A		
Related Council Policies	Governance 8: Risk Management		
Relevant Delegation	N/A		
Related Internal Procedures	Updated Procedure Pending		
Related Budget Schedule	N/A		
Legislation	<i>Local Government Act 1995 Fraud and Corruption Standards (AS8001-2008)</i>		
Notes and Conditions	N/A		
Authority	Council		
Adopted	27 August 2019	Next Review Date	27 August 2021