

# FRAUD AND CORRUPTION POLICY

**Responsible Department:** Corporate and Commercial Services  
**Responsible Section:** Governance and Risk  
**Responsible Officer:** Manager Governance and Risk

## Objective

To reinforce Narrabri Shire Council's commitment to the prevention of fraud and corruption and to outline the methodology to deter and detect fraudulent behaviour and corrupt conduct.

This policy applies to all Council officials – Councillors, staff, volunteers and delegates.

## Introduction

Narrabri Shire Council is committed to an honest and ethical environment that minimises fraud and corruption. Fraud and corruption are incompatible with Council's values and present a risk to the achievement of Council's objectives and the provision of Council's services to the public. Narrabri Shire Council has a zero-tolerance approach to fraud and corruption.

Narrabri Shire 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.
- Procuring from suppliers, consultants, and contractors 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

## Policy

### 1. Definitions

Term	Meaning
<b>Fraud</b>	A deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority. The type of events includes: acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other acts of deception (Audit Office of NSW).
<b>Corruption</b>	The <i>ICAC Act 1988 (NSW)</i> at sections 7,8 and 9 define corruption.
<b>Council Official</b>	The Council official includes Councillors, members of staff, contractors filling roles within Council's organisational structure, volunteers and delegates of council.

## 2. Nature of Policy

- 2.1. Unlike other Council Policies, this is a joint policy of both the governing body of Council and General Manager.
- 2.2. Where this policy directs Council Staff, that direction is on the authority of the General Manager. Those clauses will have no effect until this policy is signed by the General Manager and will cease to have effect when the General Manager revokes them in writing.

## 3. Approach

- 3.1. Narrabri Shire Council adopt an agency-wide fraud and corruption control framework that is consistent with relevant legislation, government policy, and best practice. In particular, it is also the policy of Narrabri Shire Council to:
  - (a) as part of its framework, implement internal controls that prevent, detect and respond to fraud and corruption;
  - (b) assess its fraud and corruption risks at least every two years;
  - (c) ensure all staff, including contractors, are aware of relevant fraud and corruption risks and are trained to understand Narrabri Shire Council's values, codes, policies and expectations of behaviour;
  - (d) report annually to the Audit and Risk Committee on the status of the fraud and corruption control framework;
  - (e) treat all complaints about, and instances of, fraud and corruption seriously. Narrabri Shire Council will cooperate with all relevant investigative and regulatory bodies and will take fair, proportionate disciplinary action against any employee or third party found to have engaged in fraud or corruption; and
  - (f) wherever practical, align to better practice advice issued by organisations such as the NSW Independent Commission Against Corruption, the NSW Ombudsman and Audit Office of NSW

## 4. Responsibilities

- 4.1. In addition to the responsibilities of all staff and managers set out below, the following officers and groups have key roles in relation to controlling fraud and corruption.
  - (a) The General Manager is responsible for ensuring that an agency-wide fraud and corruption control framework is in place, modelling the highest standards of ethical behaviour and ensuring compliance with all relevant legal obligations. The General Manager must report "possible" corrupt conduct to the Independent Commission Against Corruption (ICAC) pursuant to the ICAC Act.
  - (b) Manager Governance and Risk is the owner of this policy and is responsible for:
    - (i) coordinating and documenting Narrabri Shire Council's overall fraud and corruption control framework;
    - (ii) the maintenance of this policy;
    - (iii) assessing fraud and corruption risks and trends; and
    - (iv) reporting those to executive management and Audit Risk and Improvement Committee.
  - (c) The Audit Risk and Improvement Committee is responsible for giving advice to the Council about this policy and monitoring the fraud and corruption control framework.
  - (d) Directors and Managers are expected to:

- (i) ensure all reasonably necessary controls aimed at preventing, detecting and responding to fraud and corruption are in place;
  - (ii) Ensure compliance with all relevant policies and practices;
  - (iii) alert the policy owner, their director, or the Risk Coordinator of any undocumented or emerging fraud and corruption risks;
  - (iv) ensure suppliers and contractors are aware of and adhere to Narrabri Shire Council's policies and expectations in relation to fraud and corruption; and
  - (v) ensure all staff complete relevant training and are aware of fraud and corruption risks.
- 4.2. In addition to complying with all integrity-related policies including the Code of Conduct, Council Officials are expected to cooperate with all initiatives aimed at preventing, detecting and responding to fraud and corruption. This includes risk assessments, training and education, audits and investigations and the design and implementation of controls.

### **General Responsibilities**

- 4.3. Council officials are responsible for reporting cases of suspected fraud or corrupt conduct.
- 4.4. Council officials have a responsibility to act honestly and to follow diligently Council's policies and procedures to prevent and mitigate fraud and corruption.
- 4.5. All Council officials are responsible for:
- (a) Performing their functions and duties with diligence, honesty, integrity and impartiality.
  - (b) Complying with this policy and all legislative requirements to ensure they are not participating in corrupt or fraudulent behaviour.
  - (c) 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.
  - (d) Reporting any identified weaknesses in internal controls that could potentially facilitate a fraudulent or corrupt act.

## **5. Disclosing suspected fraud and/or corruption**

- 5.1. Council has a separate policy dealing with reporting suspected fraud and/or corruption. To emphasise the point, however, Council encourages all personnel to report suspected fraud and/or corruption in accordance with those policies and the *Public Interest Disclosures Act 1994* (NSW), and the *Public Interest Disclosures Act 2022* (NSW) (when that Act commences).
- 5.2. Council officials must read Council's Public Interest Disclosures 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.
- 5.3. Council officials are expected to comply with the *Public Interest Disclosures Act 1994* (NSW), and the *Public Interest Disclosures Act 2022* (NSW) (when that Act commences), in regard to fraud and corruption prevention and reporting.
- 5.4. Council will afford reporters under that legislation with the protections given by the legislation.

## **6. Fraud and Corruption Risk Assessments**

- 6.1. Council's main objective is to minimise the occurrence of fraud and corruption within the Council by:
- (a) Identifying fraud and corruption risks; and
  - (b) Determining strategies to control these risks.

6.2. The Director of the directorate responsible for risk will instigate a review of Council's fraud and corruption risk and control strategies every four years. The Director will also ensure that periodic and comprehensive risk assessments are conducted by relevant Managers of each area of operation pursuant to Council's Enterprise Risk Management Policy. Regular internal audits will be conducted to test the fraud and corruption control framework.

## **7. Examples of Fraudulent and Corrupt Activity**

### 7.1. Theft:

- (a) Stationery and office supplies;
- (b) Construction and maintenance equipment and tools;
- (c) Lap top computers;
- (d) Mobile phones;
- (e) Technical equipment (mobile GPS, cameras etc.);
- (f) Cash; or
- (g) Intellectual property, including documents and data

### 7.2. Inappropriate or Misuse of Council Resources:

- (a) Unauthorised use of corporate credit cards, petrol cards, Cabcharge or vouchers;
- (b) Staff undertaking secondary paid work during work hours;
- (c) Staff using telephones excessively for private purposes without appropriate reimbursement of costs;
- (d) Internet service being used extensively for non-work purposes;
- (e) "Left-over" materials being taken by Council officers; or
- (f) Plant being used by staff for private use without authorisation or payment.

### 7.3. Gifts, Benefits and Bribes:

- (a) Any gifts or benefits provided to, or any attempt to give a gift or benefit to a Council officer, is managed by Council's Gifts and Benefits Policy and Council's Code of Conduct. These prescribe when a gift may or not be accepted and relevant processes for dealing with such matters.
- (b) Bribes are given to influence the way a recipient carries out their official functions. For example, not respond to or report an illegal or unauthorised activity or procure goods and services from a specific person or company.
- (c) Higher risk areas for exposure to such behaviour includes:
  - (vi) Officers who approve or can influence decisions;
  - (vii) Officers who procure goods and services for Council;
  - (viii) Regulatory and compliance staff; and
  - (ix) Staff who carry out work with the private sector

### 7.4. Zoning and Development

- (a) Coercion, intimidation and harassment of Council planning staff dealing with development applications (DAs); or
- (b) Inducement from developers to modify DA conditions imposed.

### 7.5. Procurement, Tendering and Contract Management

- (a) Activities associated with procurement, tendering and contract management have traditionally been susceptible to fraud and corruption risks. Examples of such risks include:
  - (i) Order splitting to avoid tendering provisions or quotes;
  - (ii) The collusion with suppliers (dummy quotes);
  - (iii) Fraudulent contract variations; or
  - (iv) False invoices.

#### 7.6. Human Resources

- (a) Creation of false employees on the payroll system;
- (b) Job applicants falsifying career background details;
- (c) Direct recruitment of friends and relatives breaching the legislative requirement of merit-based employment; or
- (d) Claiming unworked overtime on timesheets.

#### 7.7. Information Technology

- (a) Unauthorised electronic transfer of funds;
- (b) Unauthorised alteration of input data;
- (c) Alteration or misuse of software; or
- (d) Unauthorised sale or provision of information to 3rd parties.

## 8. Discipline and Investigation

- 8.1. Narrabri Shire Council has zero tolerance for corrupt or fraudulent behaviour.
- 8.2. Council staff found guilty of such matters will face disciplinary matters pursuant to the Code of Conduct and the Local Government (State) Award. Other (non-staff) Council officers will be disciplined pursuant to Council's Code of Conduct.
- 8.3. Further, as stated above, all "possible" corruption matters, involving Council officers, have a mandatory statutory reporting requirement to ICAC. The ICAC or Council itself can also seek criminal prosecutions by reporting fraud and other corruption matters to the NSW Police Service.
- 8.4. The General Manager must make an initial determination as to whether the matter in question concerns or may concern corrupt conduct. This may entail their own analysis of the circumstances surrounding the matter or utilising another staff member or an investigator to carry out preliminary enquiries on which to base the determination.
- 8.5. After formal notification by the General Manager, the ICAC will normally determine if they will investigate the alleged corruption matter. Alternatively, the ICAC may instruct Council to carry out their own investigation and report the findings to the ICAC. In such circumstances Council should engage an experienced and suitably qualified investigator for the process.

## 9. Fraud and Corruption Prevention Training

- 9.1. Narrabri Shire Council acknowledges that a high level of awareness amongst all Council officers in relation to fraud and corruption issues is an essential element in identifying and combatting such behaviours. Awareness training will be implemented through the following programs:
  - (a) At induction for all new employees.
  - (b) At the induction program for all new councillors.
  - (c) At the induction program for all volunteers and delegates.
  - (d) Regular refreshers.

- (e) Fraud and Corruption prevention information through meetings, memos and other internal publications.
- (f) Follow up meetings with staff after internal and external audits where relevant.

## **10. Fraud and Corruption Mitigation Practices**

10.1. Narrabri Shire Council recognises that appropriate policies and procedures must be implemented in certain operational areas to regulate and enable the monitoring of particular activities. These areas within Council include:

- (a) Risk Management
  - (i) Risk Assessment and management pursuant to the Risk Management Framework.
- (b) Finance
  - (i) Cash Handling Procedures;
  - (ii) Petty Cash Handling Procedures; and
  - (iii) Corporate Credit Card Procedures.
- (c) Governance
  - (i) Procurement and Disposal of Assets Policies;
  - (ii) Councillors' Expenses and Facilities Policy; and
  - (iii) Public Interest Disclosures Policy.
- (d) Ethics
  - (i) Code of Conduct;
  - (ii) Fraud and Corruption Policy; and
  - (iii) Statement of Business Ethics.
- (e) Fraud Detection
  - (i) Fraud detection mechanisms/controls to aid in the early detection of suspicious or fraudulent behaviours. Such mechanisms may include monitoring staff and transactions and internal audit activities.
  - (ii) The Stock take of equipment and resources provided for staff.

## **11. Review**

This policy will be reviewed within 12 months of an Ordinary Council Election or such other time on an as-needs basis.

## References

- *Local Government Act 1993* (NSW).
- *Independent Commission Against Corruption Act 1988* (NSW)
- *Public Interest Disclosure Act 1994* (NSW)
- Narrabri Shire Council Code of Conduct 2019
- Gifts and Benefits Policy
- Procurement Policy
- *ICAC Sample Fraud and Corruption Control Policy*

## History

Minute Number	Meeting Date	Description of Change
Draft Policy	November 26, 2019	For Adoption and Exhibition
027/2020	February 25, 2020	Adopted
	February 12, 2020	Rebranded
336/2022	October 18, 2022	Endorsed for Public Exhibition
362/2022	November 22, 2022	Adopted