

# MANNINGHAM COUNCIL FRAUD AND CORRUPTION CONTROL PLAN



<b>VERSION:</b>	3
<b>SHORT DESCRIPTION:</b>	This plan documents the approach to controlling fraud and corruption
<b>RELEVANT TO:</b>	All employees, contractors, volunteers and Councillors
<b>RESPONSIBLE OFFICER:</b>	Corporate Counsel and Group Manager, Governance and Risk
<b>RESPONSIBLE OFFICE:</b>	Risk and Assurance
<b>APPROVED BY:</b>	Council
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<b>RELATED DOCUMENTS:</b>	Manningham Council Fraud and Corruption Policy Employee Code of Conduct Councillor Code of Conduct Risk Management Policy Procurement Policy Disciplinary Policy Recruitment Policy Volunteer Policy Public Interest Disclosure Procedures Reporting of Loss or Theft Procedure Australian Standard AS 8001-2008 Fraud and Corruption Control
<b>RELATED LEGISLATION:</b>	<i>Local Government Act 1989</i> <i>Public Interest Disclosures Act 2012</i>

## ***Manningham Council - Fraud and Corruption Control Plan***

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## **Appendix 1. Fraud and Corruption Control Plan Elements**

## 1. **Executive Summary**

Manningham Council (Council) has zero tolerance for corrupt conduct or fraudulent activities. Council is committed to preventing, deterring and detecting fraudulent and corrupt behaviour in the performance of Council activities.

This Fraud and Corruption Control Plan (the Plan) clearly documents Council's approach to controlling fraud and corruption at both strategic and operational levels and is to be read in conjunction with the Manningham Council Fraud and Corruption Policy, Manningham Risk Management Strategy and relevant legislation.

### 1.1. **Introduction**

Council is the custodian of significant public funds and assets therefore it is important that the community has assurance that these are adequately protected from fraud and corruption. Council has developed a structured framework and approach to the implementation and review of fraud and corruption prevention, detection, monitoring and reporting. This Plan is based on the Australian Standard for Fraud and Corruption Control (AS 8001-2008) and has been endorsed by the Executive Management Team (EMT) and the Audit and Risk Committee (ARC). Appendix 1 provides the key activities and element of this Plan.

The desired outcome of this commitment is the minimisation and elimination of actual or perceived fraudulent and corrupt behaviours and acts throughout Council operations. Council will prosecute people identified as committing fraud or undertaking corrupt activities. Employees may also face disciplinary action under the Disciplinary Policy and restitution of money or property lost through fraudulent activity will be pursued through legislative means.

Fraud and corruption control forms part of Council's risk management framework. It is a risk that Council actively seeks to identify and limit its exposure to, by reducing the potential opportunity (risk likelihood) for fraud and corruption to occur.

This Plan applies to Councillors, employees, contractors, sub-contractors, consultants, temporary staff, persons employed through a third party agency and volunteers of Council.

### 1.2. **Definition of fraud and corruption**

AS 8001-2008 Fraud and Corruption Control defines fraud and corruption as:

**Fraud** is dishonest activity causing actual or potential loss to the Council (including theft of money or other property) and where deception is used at the time, immediately before or following the activity.

This also includes the deliberate falsification, concealment, destruction or use of (or intention to use) falsified documentation and the improper use of information or position for personal financial benefit.

**Corruption** is dishonest activity in which a person to whom the Policy applies acts contrary to the interests of Council and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or entity or to disadvantage Council.

### 1.3. Code of conduct

Council's Fraud and Corruption Control Plan, Fraud and Corruption Policy, Employee Code of Conduct and Councillor Code of Conduct are important documents for clearly articulating Council's objectives and expected outcomes in managing fraud and corruption. The Fraud and Corruption Control Plan and Fraud and Corruption Policy establishes Council's attitude and approach to fraud and corruption control, while the Employee Code of Conduct and the Councillor Code of Conduct set out the high standards of ethical behaviour required in delivery of Council's commitment to these outcomes.

### 1.4. Related policies and procedures

The policies and procedures listed on the cover page set out expected practices and behaviours, and should be read in conjunction with this Plan.

### 1.5. Related legislation and guidelines

The *Local Government Act 1989* requires Council to develop and maintain adequate internal control systems, and to establish codes of conduct and an Audit Committee.

The *Public Interest Disclosures Act 2012* requires Council to establish written procedures for handling of any public interest disclosures.

This Fraud and Corruption Control Plan operates within an existing legislative and strategic framework. The diagram below shows the interdependency of a good plan with complimentary programs and processes.



This Plan is consistent with the following legislation and standards:

- The *Local Government Act 1989*
- The *Public Interest Disclosures Act 2012*
- AS 8001:2008 Fraud and Corruption Control
- AS ISO 31000:2018 Risk management - Guidelines.

## 1.6. Administrative Updates

From time to time, circumstances may change leading to the need for minor administrative changes to this policy. Where an update does not materially alter this policy, such a change may be made administratively. Examples of minor administrative changes include changes to names of Manningham Council departments or a minor amendment to legislation that does not have material impact. Where any change or update may materially change the intent of this policy, it must be considered by Council.

## 2. Planning and resourcing

### 2.1 Program for fraud and corruption control planning and review

Council operates under the three lines of defence assurance model in accordance with the Risk Management Strategy. This model distinguishes among three groups involved in effective risk management.



### 2.2 Fraud control resources and external assistance

The Corporate Counsel and Group Manager, Governance and Risk with the assistance of Risk and Assurance has overall responsibility for implementing and overseeing the fraud and corruption control program.

Where specialised skills are required, such as forensic accounting, computer forensic analysis, data analytics, and/or complete investigations, the assistance of an external party may be enlisted to assist. Costs associated with engaging external service providers are borne by the Directorate where the work is necessary to be undertaken.

### 2.3 Internal audit activity in fraud and corruption control

Under this Plan the primary responsibility for the identification of fraudulent and corrupt behaviours, activities or red flags rests with management, however, it is also recognised that internal audit activity can also be an effective part of the overall control environment to identify fraud and corruption.

The Strategic Internal Audit Plan is a key independent governance tool that plans and conducts a series of reviews, which incorporates the detection and prevention of fraud and corruption throughout the organisation. Internal Audit operates under the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors in Australia.

Internal Audit is obligated to look out for and consider potential fraud risks to Council and the adequacy of Council's fraud risk controls. If an internal auditor locates a fraud or identifies a potential fraud risk, they will report this to the Chief Executive Officer (CEO) or delegate or the ARC Chair.

If deemed necessary Council will utilise the role of the internal auditor in the investigation and reporting of any suspected fraud or corrupt activity.

### **3. Fraud and corruption prevention**

#### **3.1 Implementing and maintaining our integrity framework**

The Employee Code of Conduct is a key enabler in delivering the sound and ethical culture required in the prevention of fraud and corruption throughout the organisation.

Line Managers shall set the example in regards to exercising and demonstrating high levels of integrity in the execution of their roles and functions by regularly reminding employees of the importance of complying with Council's Employee Code of Conduct, the Fraud and Corruption Control Plan and Fraud and Corruption Policy.

The Independent Broad-based Anti-Corruption Commission's (IBAC) Local Government Integrity Frameworks Review from March 2019 shall inform Council's Response and Action Plan to continued improvement practices.

#### **3.2 Line Managers commitment to controlling the risk of fraud and corruption**

Senior Management will not be complacent and will treat fraud and corruption risks as a serious threat to the organisation

EMT and Managers will regularly be briefed on the following:

- Councils current fraud and corruption plan and policy
- Information on the program and robustness of the internal control environment in regards to preventing and detecting fraud
- The types of fraud and corruption common with the sector
- Incidence of fraud and corruption generally in Australia
- Information on the types of fraud and corruption that have been detected at Council over the previous five years
- Information of new or emerging trends in this area.

#### **3.3 Fraud and corruption risk assessment**

Risk assessments will be undertaken for all identified fraud and corruption risks in accordance with Council's current risk management approach.

As a minimum the following risks will be assessed:

- Theft of cash
- Theft/misuse of assets
- Misuse of confidential corporate information
- Conflict of Interest
- Accounts payable

- Payroll practices
- Procurement
- Information technology and information security
- Recruitment
- Misuse of credit cards.

Additional risks will be identified through normal business unit operations and through the regular review of the risk register in accordance with the Risk Management Strategy.

### **3.4 Maintaining strong internal control systems and internal control culture**

Manningham has an existing culture of continuous improvement. The implementation of effective systems of internal control is an integral part of this program, particularly for activities assessed as having a high predisposition to the risk of fraud and corruption.

Well planned and documented internal controls are Council's first defence for preventing fraudulent or corrupt acts. When undertaking projects or reviewing existing practices into the future, consideration will be given to appropriate fraud and corruption controls in the development of outcomes.

Internal controls will be

- Appropriately documented
- Accessible
- Reviewed and amended regularly. Manningham has implemented an Annual Compliance Plan, approved by the Risk Management Committee (RMC). The purpose of these reviews is to provide internal assurance to management and continuous improvement opportunities.
- Communicated effectively to all relevant staff
- Subject to review of adherence.

### **3.5 Communication and awareness of fraud and corruption**

It is important that fraud and corruption is identified and reported at an early stage and that staff and Councillors have understanding and confidence in the system.

Staff and Councillors will be provided with information on the Fraud and Corruption Plan and Policy so that they have confidence in knowing how to respond if this type of activity is detected or suspected.

The awareness of Council's risk of fraud and corruption controls will be made available to staff and Councillors through the following:

- Copy of the Employee Code of Conduct and Fraud and Corruption Policy will be included in packs for all new staff
- A dedicated page will be maintained on the Council intranet in regards to fraud and corruption, this will include links to all relevant documents in particular the process for reporting allegations
- Staff will complete Fraud and Corruption Awareness Training every two years as part of the Learning and Development Program
- Any substantive changes in the Code, Plan or Policy will be communicated to all staff
- Councillors will complete relevant training with a focus on statutory requirements and Councillor Code of Conduct as required.

### 3.6 Employment screening

Employment screening will be undertaken for all new positions. This screening process will reduce the risk of a potential security breach and will provide a high level of assurance as to the integrity, identity and credentials of prospective employees.

The following screening shall be undertaken with the express consent of the individual concerned for all prospective employees:

- Verification of identity requiring at least two forms of identity (passport, birth certificate, drivers licence, rate certificate, at least one must include photo identification)
- Police criminal history check
- Working with children check – relevant identified positions
- Reference checks with two most recent employers
- Consideration of any gaps on employment history and the reasons for the gaps
- Verification of formal qualifications claimed.

### 3.7 Job rotation and excess annual leave

Individual Service Units will regularly consider job rotation for positions where there are multiple officers undertaking the same or similar functions and the position is deemed a high risk from a fraud or corruption perspective, local law enforcement, parking enforcement, planning officers, contract management, for example.

Excess annual leave will be monitored on a quarterly basis to ensure excess leave is managed.

### 3.8 Supplier vetting

Council will continue to undertake supplier vetting for new and ongoing suppliers in accordance with existing practices. Financial and/or Performance assessments will be undertaken where the contract poses a key financial risk to Council or where it is a new supplier that has never been used by Council before and the risk of poor performance or financial collapse is likely to adversely affect Council. Financial and Performance assessment checks may also be undertaken where Council wishes to understand the financial and previous contract performance of the supplier or if no security is in place. The Corporate Scorecard check is used for the financial assessment.

## 4. Fraud and corruption detection

### 4.1. Fraud and corruption detection program

Council's detection program includes the annual internal audit plan, annual financial statement external audit, ARC oversight, annual compliance plan, review of risk strategies and various reporting avenues. Other detection programs may also include:

- Post transactional reviews - a review of transactions after they have been processed. This option may identify or uncover altered documents or missing documentation, falsified or altered authorisations or inadequate documentary support.
- Data mining - the application of sophisticated (and sometimes unsophisticated) software applications and techniques where a series of suspect transactions can be identified and then investigated which can identify anomalies at an early stage.

- Analysis of management accounting reports - using relatively straight forward techniques in analysing management accounting reports, trends can be examined and investigated which may be indicative of fraudulent or corrupt conduct.

#### **4.2. External auditors role in the detection of fraud**

As required under the *Audit Act 1994* and the *Local Government Act 1989*, the Victorian Auditor-General's Office (VAGO) is local government's external auditor. VAGO is required to consider the risk of material misstatement in Council's financial statements, due to fraud when performing their audit (via appointed agent). The ARC take an active role in considering VAGO's Closing Report and Management Letter. VAGO ultimately issue their findings in an Independent Auditor's Report, published in Council's annual report.

#### **4.3. Procedures for reporting suspected fraud and corruption**

The Manningham Fraud and Corruption Policy provides clear direction in regards to staff reporting suspicious or known illegal or unethical conduct.

Internal reporting avenues include notifying:

- your line Supervisor or Manager or Director, or
- the CEO on (03) 9840 9200 or email [Andrew.Day@manningham.vic.gov.au](mailto:Andrew.Day@manningham.vic.gov.au), or
- Corporate Counsel and Group Manager, Governance and Risk on (03) 9840 9360 or email [Andrew.McMaster@manningham.vic.gov.au](mailto:Andrew.McMaster@manningham.vic.gov.au), or
- Group Manager People and Communications on (03) 9840 9201 or email [Kerryn.Paterson@manningham.vic.gov.au](mailto:Kerryn.Paterson@manningham.vic.gov.au).

External reporting avenues include notifying:

- the Local Government Inspectorate on 1800 469 359, or
- the IBAC on 1300 735 135, or
- the Victorian Ombudsman on (03) 9613 6222.

Other reporting avenues include notifying:

- the Internal Auditor, via postal address- Private and Confidential, The Internal Auditor, Manningham City Council, 699 Doncaster Road (PO Box 1) Doncaster, VIC 3108, or
- the Audit and Risk Committee (ARC) Chair via postal address- Private and Confidential, Audit and Risk Committee Chair, Manningham City Council, 699 Doncaster Road (PO Box 1) Doncaster, VIC 3108.

The internal auditor or ARC Chair will refer the notification to an authorised external body and/or notify the CEO and/or Corporate Counsel and Group Manager Governance and Risk, provided always that any request for non-identification of the discloser will be maintained.

#### **4.4. Implementing a public interest disclosure program**

Under the *Public Interest Disclosures Act 2012*, persons can make disclosures to the Council and IBAC about improper conduct and detrimental action in relation to the activities and functions of Council. This is encouraged where any person wishes to access the protections afforded by the Act. The Manningham City Council Public Interest Disclosure Procedures are available on the Manningham City Council Web site [www.manningham.vic.gov.au](http://www.manningham.vic.gov.au).

Disclosures about improper conduct or detrimental action by Councillors of Manningham Council should be made to the IBAC or to the Ombudsman. If Council receives a misdirected disclosure about a Councillor, such disclosures will be assessed and managed in accordance with Council's Public Interest Disclosure Procedures.

A public interest disclosure can be made to:

- One of the Council's Public Interest Disclosure Officers or Coordinator Andrew McMaster, Corporate Counsel and Group Manager, Governance and Risk, telephone (03) 9840 9360 or Kerryn Paterson, Group Manager People and Communications, telephone (03) 9840 9201 or Vicki Miller, Strategic Risk and Assurance Advisor, telephone (03) 9840 9204 or Carrie Bruce, Senior Governance Advisor, telephone (03) 9840 9210.
- the IBAC  
Level 1, North Tower  
459 Collins Street  
Melbourne Vic 3000  
Postal address: GPO Box 24234, Melbourne VIC 3001  
Telephone: 1300 735 135  
Website: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

#### **4.5. Procedures for reporting lost or stolen Council assets**

The Reporting of Loss or Theft Procedure provides clear direction for staff to report lost or stolen Council assets. When staff become aware that a Council asset(s) is missing, they are obliged to immediately report the matter to their Line Supervisor or Manager, complete the Lost or Stolen Asset Form and send the signed form to Risk and Assurance.

#### **5. Responding to detected fraud and corruption incidents**

##### **5.1. Procedures of the investigation of detected or suspected incidents**

The Manningham Council Fraud and Corruption Policy provides clear direction in regards to the procedures for dealing with suspected fraud or corruption. The policy provides:

- Appropriate measures for the comprehensive investigation of such matters based on the principles of independence, objectivity and fair due process (rules of natural justice)
- Systems for internal reporting of all detected incidents
- Process for reporting the matters of suspected fraud and corruption to the appropriate enforcement agency
- For the recovery of stolen funds or property.

The policy will be reviewed triennially to ensure that it continues to meet these objectives.

## **5.2. Internal reporting**

The Strategic Risk and Assurance Advisor is the custodial owner of the Incident and Near Miss Register and ensures all incidents or near misses are recorded in the register. Incident and Near Miss Summary Reports for high or above rated fraud and corruption related incidents will be tabled at the RMC.

## **5.3. Disciplinary policy**

Council's disciplinary policy outlines the potential disciplinary outcomes that apply to employees in regards to the application of this Plan and associated Policy.

## **5.4. External reporting (Local Government Inspectorate, IBAC, Victorian Ombudsman)**

The Manningham Council Fraud and Corruption Policy provides direction in regards to reporting any suspected fraudulent or corrupt conduct to any external enforcement agencies including:

- the Local Government Inspectorate 1800 469 359
- the IBAC 1300 735 135
- the Victorian Ombudsman (03) 9613 6222.

## **5.5. Policy for civil proceeding to recover the proceeds of fraud and corruption**

Council will pursue recovery of any losses due to fraud or corruption where there is clear evidence of fraud and corruption and where the likely benefits of such recovery will exceed the funds and resources required to be invested in the recovery action.

## **5.6. Internal control review following discovery of fraud**

Where fraud or corruption is detected, the relevant service unit Manager with Director endorsement will be responsible to assess the adequacy of the relevant internal control environment and provide a report to the RMC on any recommended improvements identified.

Service unit managers will also be responsible for ensuring that recommendations arising out of the assessment are to be clearly allocated in the report with an associated time frame.

## **5.7. Maintaining and monitoring adequacy of Fidelity Guarantee insurance and other insurance related policies dealing with fraudulent or improper conduct**

Council will maintain a fidelity guarantee insurance policy that insures the risk of loss arising from internal fraudulent conduct. The level of the policy will be determined as part of Council's annual insurance renewal program. This will be reported annually to the RMC alongside Council's other insurance policies.

Insurance for external fraud and corruption, in particular theft of Council property, will also be maintained and reviewed annually by staff in conjunction with the normal annual reassessment of insurance policy cover and limits.

## Appendix 1. Fraud and Corruption Control Plan Elements

COMMUNICATING INTENT	IDENTIFYING RISKS	LIMITING OPPORTUNITIES	RAISING AWARENESS	MONITORING
Fraud and Corruption Policy Fraud and Corruption Control Plan	Risk Assessments/Risk Register	Internal controls including but not limited to:- system controls (Finance, HR 21, E-Procure, WASP-stores, Secure sign in – procurement/tender, Riskware – risk register)	E-learning Fraud and Corruption mandatory training and induction, plus refresher cycle.	Risk Management Committee
Employee Code of Conduct	Risk Management framework		Participation in the IBAC Local Council Integrity Framework Research Project and Survey 2017.	Compliance Plan reviews
Councillor Code of Conduct	Quarterly Procurement Expenditure Data report			Internal Audit Plan and ad hoc audits
Workplace Values	Recruitment vetting (Police check, referees, qualifications, COI etc.)	Internal Audit actions Compliance Review actions		Annual Procurement internal audit
Procurement Policy		Recruitment Procedure		External Audit, VAGO
Tendering Procedures Manual	Supplier/Customer vetting	Delegations, Authorisation procedures, Conflict of Interest declaration and register	Procurement induction and regular communication updates.	Audit and Risk Committee
Supplementary Procurement procedures and tools	The IBAC/ VAGO/ Ombudsman publications		Contractor Management training.	EMT monitoring i.e. excess staff leave balances
Public Interest Disclosure Procedures, including mandatory reporting by CEO		Delegations, Gift register, IT system access controls		
Petty Cash Procedures		Exception reporting i.e. payroll, accounts payable etc.		
Token Gift Policy		Segregation of duties Vendor Masterfile cleansing Dual authorisation payroll EFT payments		

## DOCUMENT HISTORY

<b>Policy Title:</b>	Manningham Council Fraud and Corruption Control Plan
<b>Responsible Officer:</b>	Andrew McMaster
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