



Maribyrnong
CITY COUNCIL

Fraud and Corruption Control Framework

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REVIEW RECORD

Date	Version	Revision Description
7/2013	1	Fraud and Corruption Control and Whistle Blowers Policy and Procedures 2011 – separated into two policies – Fraud and Corruption Control Policy and Public Interest Disclosures Procedure
09/2015	2	Revision endorsed by Council
09/2018	3	Revision endorsed by Council
02/2020	4	Updated in line with changes to <i>Public Interest Disclosure Act 2012</i> .
05/2023	5	Fraud and Corruption Policy and Procedure amalgamated into Fraud and Corruption Framework. Updated to reflect <i>Local Government Act 2020</i> , changes recommended by the Victorian Auditor General's Office and changes to revised Australian Standard (AS8001:2021).

Table of Contents

1	Statement	3
2	Purpose	3
3	Scope.....	3
4	Definitions.....	4
5	Framework.....	7
6	Responsibilities	11
7	Related Legislation & Documents.....	14
8	Review of Framework	14

1 Statement

Maribyrnong City Council's Fraud and Corruption Framework has been developed with a zero tolerance approach to fraud, dishonesty and corruption.

Maribyrnong City Council is committed to creating a strong culture of integrity and ethics, with a robust governance framework in place, where all are encouraged to report incidents of suspected fraud, corruption and dishonest conduct.

Maribyrnong City Council has developed a structured comprehensive framework for the purpose of fraud and corruption prevention, detection, monitoring and reporting.

2 Purpose

Maribyrnong City Council is the custodian of significant public assets, resources and funds and it is integral that its community has the assurance that it is protected from fraud, corruption and dishonest conduct.

The purpose of the Fraud and Corruption Control Framework is to reduce and eliminate risks of fraudulent and corrupt behaviour and to protect Council from fraudulent behaviour.

The Fraud and Corruption Control Framework forms part of Maribyrnong City Council's risk management framework and outlines fraudulent and corrupt behaviour and clearly defines legal obligations of all members to whom the framework applies.

Maribyrnong City Council will report suspected instances of fraud and corruption to the appropriate authorities. Any failure by staff to comply with the Fraud and Corruption Control Framework may result in disciplinary action in accordance with Council's Disciplinary Procedure.

3 Scope

The Fraud and Corruption Control Framework applies to all Councillors, Council staff, contractors, sub-contractors, temporary staff, agency staff and volunteers of Maribyrnong City Council.

4 Definitions

Term	Definition
Conflict of Interest	<p>A conflict (actual, potential or perceived) between the public duty and personal interests of a Councillors, Council staff, Council volunteer and Council contractor that may be or be perceived to improperly influence the performance of their duties.</p>
Corruption	<p>Dishonest activity in which a person to whom this Framework 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.</p> <p>This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of and in the interests of the organisation, in order to secure some form of improper advantage for the organisation either directly or indirectly.¹</p> <p>Corrupt conduct includes asking for, or receiving a benefit of any kind, the acceptance of a bribe, in any form, which is punishable under law by the Victorian common law offence of 'Bribery of a Public Official' and offences under the <i>Local Government Act 2020</i>.</p>
Disclosure	<p>Disclosure is a report about improper conduct or detrimental action of Maribyrnong City Council or its Councillors or officers, made by an individual or group. The conduct may have occurred in the past, is currently occurring or may happen in the future. It is not a disclosure if the complaint or allegation is already in the public domain.</p>
Fraud	<p>AS 8001-2021 defines fraud and corruption as:</p> <p>Dishonest activity causing actual or potential gain or 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.</p> <p>This 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.</p>

¹ Australian Standards AS8001-2021: Fraud and Corruption Control

The theft of property belonging to an entity by a person or persons internal to the entity but where deception is not used is also considered 'fraud' for the purposes of this definition.

Fraud can also involve misuse of confidential information, misuse of Council facilities, resources, and employment conditions, personal use of Council's intellectual property, redirection of goods or services for personal use and inappropriate arrangements with contractors and other third parties.

Offences of fraud may be prosecuted under a number of different Victorian laws. The offences are covered under *the Crimes Act 1958* (Vic).

Examples of fraud, for the purpose of this Framework include, but are not limited to:

- Theft and/or misappropriation of Council revenue in the form of cash, cheques, money order, electronic funds transfer or other negotiable instrument;
- Theft of plant, equipment, inventory, intellectual property or confidential information;
- Unauthorised use or misuse of MCC property, plant or equipment, including vehicles, computers, telephones, credit cards and fuel purchase cards;
- Irregularity in the handling or reporting of monetary transactions;
- Taking any form of paid or unpaid leave without prior approval, and taking paid leave and failing to complete the required Forms. Deliberate over-ordering of materials or services to allow a proportion to be used for personal purposes;
- Submission of falsified taxation arrangements for an employee or contractor to circumvent the Council's procedures for engagement of employees and contractors;
- Submission of fraudulent applications for reimbursement;
- Payment of fictitious employees or suppliers;
- Falsification of time records;
- Forgery, falsification or alteration of documents for the purpose of material gain;
- Failure to disclose a conflict of interest in the performance of duties as a Councillor, employee or contractor of Council;
- Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Council owned software; and
- Misrepresentation of qualifications or previous positions held in order to secure a position of employment.

IBAC	Independent Broad-based Anti-corruption Commission.
Improper Conduct	Improper conduct at its lowest threshold level, is either criminal or serious enough to result in a person's dismissal. It may include taking or offering bribes, dishonestly using influence, committing fraud, theft, misusing information or material acquired at work, conspiring or attempting to engage in corrupt activity.
Investigation	A search for evidence connecting or tending to connect a person (either a natural person or a body corporate) with conduct that infringes criminal law or the policies and standards set by Council.

5 Framework

5.1 Our Commitment

Maribyrnong City Council is committed to protecting its assets, resources and funds from any attempt by members of the public, contractors, agents, intermediaries, volunteers, Councillors or its employees to gain financial or other benefits by deceit, bias or dishonest conduct.

Maribyrnong City Council's commitment to implement preventative controls will be managed by ensuring a 'zero tolerance' approach to fraudulent or corrupt activity.

This is managed through *Australian Standard 8001-2021 (Fraud and Corruption Control)* and is prevented, detected and responded through the measures outlined below:

- Conflicts of Interest are avoided where possible, declared and managed, to ensure open and transparent decision making;
- Risks associated with fraud and corruption are managed as a high priority activity within Council's risk management programs; and
- Auditing systems are in place to deter and/or identify corrupt activities.

In accepting its responsibility of good governance, Maribyrnong City Council will set the example for transparency and integrity in the management of the Council organisation.

Councillors and employees are advised that where fraudulent or corrupt behaviour is detected, Council will consider the suspension or dismissal of employees and reporting internal and / or external fraudulent or corrupt activity to the relevant authorities and agencies. All reports received will be fully investigated and appropriate action taken.

5.2 Australian Standard for Fraud and Corruption Control (AS8001-2021)

A revised Australian Standards AS2001:2021 Fraud and Corruption Control was released in 2021, and sets the benchmark or how organisations manage and mitigate fraud and corruption risks.

AS2001:2021 recognises and responds to an increase in cyber-attack and technology enabled fraud and provides upgraded guidance on the accountabilities of Council and senior management in controlling organisational fraud and corruption risk. Maribyrnong City Council acknowledges the emergence of cyber fraud as a significant fraud risk in the updated AS2001:2021.

5.3 Fraud Control Resourcing

The Manager Governance and Commercial Services with the assistance of the Manager People and Capability has the 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, an external party may be engaged to assist. Costs associated with engaging external service providers are borne by the Directorate where the work is undertaken.

5.4 Fraud and Corruption Detection Program

Maribyrnong City Council's detection program includes the annual internal audit program, annual financial statements, external audit, Audit and Risk Committee oversight, review of risk strategies and various compliance related 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 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.

5.5 External Audit

As required under the *Audit Act 1994* and the *Local Government Act 2020*, 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 Audit and Risk Committee take an active role in considering VAGO's Closing Report and Management Letter.

5.6 Internal Audit

The primary responsibility for the identification of fraud and corruption rests with Management, however, Council's Internal Audit activity is designed to complement and be an effective part of the control environment to identify fraud and corruption.

The Internal Audit program is a key independent governance tool that oversees and conducts a series of reviews, which incorporates the detection and prevention of fraud and corruption throughout the organisation.

Internal Audit is designed to consider potential fraud risks to Council and the adequacy of Council's fraud risk controls. If the Internal Auditor locates a fraud or identifies a potential fraud risk, this will be reported to the Chief Executive Officer and the Audit and Risk Committee.

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

5.7 Internal Controls

The implementation of effective systems of internal control is an integral part of Council's fraud and corruption framework, particularly for activities assessed as having a high predisposition to the risk of fraud and corruption.

Well planned and documented internal controls will be a major defence for avoiding fraud and corruption. 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
- Communicated effectively
- Subject to review of adherence
- Reported to Council's Audit and Risk Committee

5.8 Procedures for the investigation of detected or suspected incidents by the Integrity Panel

Maribyrnong City Council has procedures in place for investigation of detected or suspected incidents. Where information is received by the Chief Executive Officer and considered to warrant further investigation, arrangements will be made for the relevant Integrity Panel (Director Corporate Services, Manager Governance and Commercial Services, Manager People and Capability) to assess and investigate (if necessary), ensuring the matter is dealt with comprehensively and procedurally fairly for all involved. This may involve external assistance, such as legal advice and forensic investigators.

The procedure will take the following into account:

- 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 agency.

5.9.1 Internal Reporting

The Manager Governance and Commercial Services is the custodial owner of the Incident and Near Miss Register and will ensure 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 an Executive Leadership Team meeting.

All identified fraud and corruption risk are to be recorded in the Fraud Risk Register.

5.10 External Reporting

The Fraud and Corruption Framework provides direction in regard to reporting any suspected fraudulent or corrupt conduct to any external enforcement agencies including:

- Independent Broad-based Anti-Corruption Commission (IBAC) 1300 735 135
- Victoria Police 000
- Local Government Inspectorate

For the purposes of compliance with the relevant provisions of the *Independent Broad-Based Anti-Corruption Commission Act 2011*, Council's Chief Executive Officer is a "Relevant Principal Officer".

The Relevant Principal Officer must notify IBAC of any matter which the person suspects on reasonable grounds involves corrupt conduct occurring or having occurred.

Maribyrnong City Council is committed to ensuring that all allegations, breaches of the Code of Conduct or this Framework, which are considered to be prima facie cases, supported by evidence of fraudulent or corrupt conduct, are notified to the appropriate law enforcement or regulatory agency for investigation.

5.11 Internal Control Review Following Discovery of Fraud

Where fraud or corruption is detected, the Director and relevant Manager will be responsible for assessing the adequacy of the relevant internal control environment and provide a report to the Executive Leadership Team on any recommended improvements identified.

Directors 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.

The Chief Executive Officer may appoint external subject matters experts to assist with the above.

5.12 Employees

This Framework is aligned with and to be read in conjunction with the Employee Code of Conduct.

Employees are responsible for reporting any suspicions of fraudulent or corrupt conduct to their Manager and/or Coordinator. Where an employee does not feel comfortable doing so, they should report such matters to the relevant Director.

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

- Copy of the Employee Code of Conduct and Fraud and Corruption Control Framework will be included in induction packs for all new staff;
- A dedicated page will be established and maintained on the Council intranet in regards to fraud and corruption, including links to all relevant documents and the process for reporting allegations;
- Fraud and Corruption awareness training will be conducted regularly;
- Any substantive changes in the framework or procedure will be communicated to all employees, and if necessary involve further training and development.

5.13 Public Interest Disclosures

Maribyrnong City Council is committed to encouraging staff, customers and community to report suspicious activity at the first available opportunity, to an appropriate reporting point within the Council or where necessary to an outside authority.

The *Public Interest Disclosures Act 2012* protects persons who report improper conduct by public officers against reprisals. To support this process, Council has adopted Protected Disclosure Procedures.

Anyone wishing to make a Public Interest Disclosure should make that disclosure to Council's Public Interest Disclosures Coordinator. Contact details of the Coordinator are available on Council's website and intranet.

5.14 Disciplinary Policy

Council's disciplinary policy outlines the potential disciplinary outcomes that apply in regards to the application of this Framework.

5.15 Recovery of Losses

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.

5.16 Commercial Crime insurance and other insurance related policies dealing with fraudulent or improper conduct

Council will maintain a Commercial Crime 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 Integrity and Risk Management Group, 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.

6 Responsibilities

All Councillors, Council staff, Delegated Committee members, volunteers, agency staff and contractors are responsible for exercising due diligence and control to prevent and detect fraud and corruption.

Employees responsible for the supervision of staff should endeavour to create a culture of integrity and good governance, reflective of this Framework.

The accountability and responsibilities for this Framework are outlined below.

Roles	Accountability and Responsibilities
Councillors	<ul style="list-style-type: none"> • Duty to ensure that Council complies with requirements of the <i>Local Government Act 2020</i>. • Comply with requirements of the Framework.
Chief Executive Officer	<ul style="list-style-type: none"> • Comply with requirements outlined by the Framework. • Responsibility for accountability, resourcing and performance monitoring of the Framework. • Mandatorily notify cases of suspected fraud or corruption to the Independent Broad based Anti-corruption Commission (IBAC), the police and other authorities as required under S 57 of the <i>IBAC Act</i>. • Report incidents to the Audit and Risk Committee. • Responsibility that Council will ensure breaches of this Policy or procedure will result in the appropriate disciplinary action and/or summary dismissal in line with the Maribyrnong City Council Disciplinary Procedures.
Executive Leadership Team	<ul style="list-style-type: none"> • Comply with requirements of the Framework. • Effective implementation of procedures and processes to support the Framework. • Responsibility to generate a ‘zero tolerance’ environment for fraudulent and corrupt behaviour. • Ensuring appropriate internal fraud controls and preventative measures are in place and monitoring effectiveness and organisational compliance. • Provide resources and instructions relative to responsibilities and fraud and corrupt conduct reporting requirements. • Report suspected incidents of fraud or corruption to the Chief Executive Officer.
Managers and Coordinators	<ul style="list-style-type: none"> • Comply with requirements outlined by the Framework. • Identify risk exposures and undertake regular risk assessments to minimise corrupt and fraudulent activities. • Provide guidance and instruction relative to responsibilities and fraud and corrupt conduct reporting requirements. • Ensure all Council staff, contractors and volunteers understand their personal obligations under this Framework. • Maintain effective auditing and reporting on key financial systems. • Undertake a risk assessment, where fraud and/or corrupt conduct occurs.

	<ul style="list-style-type: none"> • Monitor and actively manage excessive outstanding leave of staff in risk exposure areas. • Report suspected incidents of fraud or corruption to the appropriate Director.
Governance and Commercial Services	<ul style="list-style-type: none"> • Comply with requirements outlined by the Framework and any procedures developed to complement this Framework. • Review and manage the Framework ensuring it reflects best practice controls, standards and initiatives. • Investigate fraud and corruption reports and incidents and provide a report to the Chief Executive Officer. • Maintain the Fraud and Corruption Incident Register. • Coordinate and provide fraud and corruption training and awareness for the organisation. • Coordinate Council's Internal Audit program. • Collaborate with the Integrity and Risk Management Group (IRMG).
Audit and Risk Committee	<ul style="list-style-type: none"> • Provide independent advice and guidance to Council on risk management, fraud prevention, corrupt activities and internal audit activities. • Report any irregularities identified during the external audit of Council in accordance with relevant legislation and accounting standards. • Receive reports and make recommendations on specific projects and investigations. • Receive reports on the implementation of the Framework.
Council Staff/Contractors/Volunteers	<ul style="list-style-type: none"> • Responsibility to understand obligations under the Framework and report any risks, exposures or suspected fraudulent or corrupt activity to the responsible Manager.
Integrity and Risk Management Group (IRMG)	<ul style="list-style-type: none"> • Responsibility to monitor, report and guide the implementation of this Framework, to minimise fraud and corruption within the organisation.
Integrity Panel	<ul style="list-style-type: none"> • Comprises the Director Corporate Services, Manager Governance and Commercial Services and Manager People and Capability. • To assess and investigate where necessary complaints received in accordance with the Framework.

7 Related Legislation & Documents

Local Government Act 2020

Public Interest Disclosures Act 2012 (Vic)

Crimes Act 1958 (Vic)

Independent Broad-based Anti-Corruption Commission Act 2011

Ombudsman Act 1973

Privacy and Data Protection Act 2014 (Vic)

Charter of Human Rights and Responsibilities Act 2006 (Vic)

Audit Act 1994

Employee Code of Conduct

Councillor Code of Conduct

Procurement Policy

Risk Management Policy

Gifts and Hospitality Policy

Public Interest Disclosure Procedures

Recruitment and Selection Guidelines and Policy Check Policy

Register of Interests Policy

Audit and Risk Committee Charter

Integrity and Risk Management Group Terms of Reference

Risk Management Principles and Guidelines AS/NZS ISO 31000-2009

*Australian Standard on Fraud Control and Corruption Control (AS8001:2021)**

Revised Standard AS8001:2001 was released in June 2021, in particular recognises, and responds to an increase in cyber-attack and technology enabled fraud and provide guidance on the accountabilities of Council and senior management in controlling organisational fraud and corruption risk.

8 Review of Framework

This Framework will be reviewed in three years from the date of endorsement, or as legislation required, or Council determines a need has arisen.