



Fraud and Corruption Control Policy

1 Purpose

The purpose of this policy is to promote and guide on the appropriate conduct of all employees, Councillors, internal and external parties associated with Baw Baw Shire Council (the Council), in relation to fraud and corruption, including situations which may be regarded as unethical conduct or behaviour.

This policy is designed to protect financial assets, intellectual property, and the integrity, security and reputation of the Council and its employees. This enables the Council to maintain a high level of service to the community, demonstrating the Council's commitment to the detection and investigation of fraud and corruption occurrences.

2 Governance Principles

Section 9 of the Local Government Act 2020 (the Act) specifies the overarching governance principles and supporting principles that Council must adhere to in the performance of its role and functions.

This policy gives effect to the following overarching governance principles outlined in Section 9(2) of the Act:

- Council decisions are to be made and actions taken in accordance with the relevant law;
- The transparency of Council decisions, actions and information is to be ensured.

3 Definitions

Corruption: any dishonest activity in which employees act against the interests of their employer and abuse their position to achieve personal gain or advantage for themselves or others. Examples of corruption include:

- payment or receipt of bribes
- a severe conflict of interest that is not managed and may influence a decision
- nepotism, where a person is appointed to a role because of their existing relationships, rather than merit
- manipulation of procurement processes to favour one tenderer over others



- gifts or entertainment intended to achieve a specific outcome in breach of an agency's policies.

Fraud: dishonest activity involving deception that causes actual or potential financial loss.

Examples of fraud include:

- theft of money or property
- falsely claiming to hold qualifications
- false invoicing for goods or services not delivered, or inflating the value of goods and services
- theft of intellectual property or confidential information
- falsifying an entity's financial statements to obtain an improper or financial benefit
- misuse of position to gain financial advantage.

Independent Broad-based Anti-Corruption Commission (IBAC): Victoria's agency responsible for preventing and exposing public sector corruption.

Local Government Inspectorate: An independent agency that ensures Victorian councils follow the Local Government Act 2020.

4 Scope

This policy applies to all Councillors, members of committees, volunteers in council services, contractors, employees, consultants and customers of Baw Baw Shire Council, and all agents and contractors engaged by an authorised contractor of Baw Baw Shire Council.

For the purposes of this policy, the reference to fraud will refer to fraud and corruption collectively.

4.1 Legislative context

- *Local Government Act 2020*
- *Crimes Act 1958 (Vic)*
- *Public Interest Disclosure Act 2013 and Independent Broad-based Anti-Corruption Commission Act 2011*
- Australian Accounting Standards Board AASB 124 Related Party Disclosures
- Australian Standard 8001–2008 Fraud and Corruption Control

4.2 Related policies and documents

- Public Interest Disclosure Policy
- Enterprise Risk Register



- Risk Management Policy
- Risk Management Framework
- Employee Code of Conduct
- Councillor Gift Policy
- Councillor Code of Conduct Policy
- Councillor and Audit Committee Expenses and Entitlements Policy
- Procurement Policy
- Performance and Behaviour Management Policy

4.3 Policy principles

Baw Baw Shire Council (the Council) is committed to avoiding corruption and preventing any possible cases of fraud by establishing an ethical culture and promoting integrity and honesty. The protection of revenue, expenditure, and property from any attempt, either by members of the public, contractors, elected members, or its employees, to gain by deceit, financial or other benefits, is vital.

To ensure the highest ethical standards are upheld, the Council requires all Council officers, Councillors, providers, and volunteers to make themselves aware of the Council's Codes of Conduct and all other related policies that support this commitment.

The below principles outline the Council's commitment to the control of fraud and corruption:

- Council has zero-tolerance to fraud, theft, corruption, or misconduct.
- The Council implements preventative measures to minimise the risk of fraud, theft and corruption that includes audits and fraud awareness training.
- Council is committed to detecting, investigating, reporting, and prosecuting cases of fraud, theft, corruption, or misconduct.

5 Policy detail

5.1 Organisational Integrity and Leadership

Creating a culture that actively resists fraud and corruption requires management to set the tone and standard from the outset. This is achieved through well thought-out risk assessments and robust governance practices. With strong cultural leadership and good systems in place, employees will understand their roles and responsibilities, as well as the behaviours valued by the Council.



Robust governance is a major factor in developing a good culture. Policies and procedures alone are not enough unless backed up by true leadership that delivers and demonstrates governance which needs to be embraced by managers at all levels of the organisation.

Council will establish a fraud-resistance culture by:

- a.) Leading by example, promoting integrity and honesty in our duties, and promoting a positive environment.
- b.) Promoting good governance through robust policies, procedures, and risk assessments.
- c.) Establishing standards that discourage unethical decision making
- d.) Conducting appropriate employment checks for successful candidates as outlined in Council's recruitment policy.
- e.) Holding leaders accountable for role modelling ethical behaviours and promoting this policy, related policies, and the Growing Culture Commitments.
- f.) Holding managers and supervisors accountable for their actions and for acting on the inappropriate conduct of the people they are supervising.

5.2 Employee Awareness

Employees will be made aware of the Council's ethical conduct expectations through:

- a.) Reference to this policy in the Employee Code of Conduct Policy, which the employee must sign off on Litmos (Council's LMS)
- b.) Inclusion of this policy and the Employee Code of Conduct in onboarding packages for new employees, as well as statements surrounding ethical behaviour in select position descriptions.
- c.) Induction and onboarding for new employees. Outlining the corporate culture of the Council, values, ethics, and acceptable behaviours.
- d.) Annual refresher training for employees on the Employee Code of Conduct, Fraud and Corruption Control Policy and other relevant policies. This will eliminate possible instances of fraud by encouraging employees to speak up when they see wrong behaviour, as well as provide a greater awareness of how to detect fraud.

5.3 Community and customer awareness

It is important to keep community members and customers well informed of the policies in place regarding fraud. Doing so will build the community's confidence that Council operates in an ethical manner. To encourage the reporting and increased community interaction and awareness, the following steps will be taken:

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- a.) Place on the Council's website, our Employee Code of Conduct Policy and Fraud and Corruption Control Policy.
- b.) The distribution of information to customers regarding their rights in reporting and making complaints.
- c.) Decisions made by Council will be made available on Council's website so that members of the community are aware that all measures are taken into account to ensure the protection of public revenue.

5.4 Risk Assessment

The assessment of risk within the Council is a crucial step towards preventing such occurrences. Ongoing risk assessments in relation to fraud will be integrated into the Council's risk management process. The Council's risk register will be reviewed by the Audit and Risk Committee and Risk Management Committee as per the relevant Charter.

5.5 Ongoing reviews of policies and procedures

Council will ensure that organisational policy and procedures are kept up to date. Policies and procedures related to this policy are to be reviewed in line with any significant changes made to this policy and consideration must be given to the application of the overarching Governance Principles.

5.6 Security

It is essential in the prevention of fraud to minimise any chance of fraudulent or corrupt behaviour occurring. This will be achieved through a program of internal control and dealings within the Council, via:

- Internal and external audits
- Internal control reviews (procurement, data information and privacy checks, credit cards etc.)
- Risk assessments

5.7 Response to Fraud or Corruption

Any employee who has knowledge of an occurrence of fraud or has reason to suspect that a fraud has occurred, has a duty to raise that matter immediately with the relevant Supervisor, Manager, Director, CEO, Public Interest Disclosure Coordinator/Officer or Fraud Control Officer. Reports may be made in writing or verbally. The employee should not attempt to investigate the suspected fraud or discuss the matter with other people.



Disclosures (or reports) can also be made under the provisions of the *Public Interest Disclosures Act 2013* to Council's delegated Public Interest Disclosure Officer (Governance Coordinator) and Coordinator (Director Governance and Information Services). Further information on public interest disclosures is available in the Public Interest Disclosure Policy.

If the Chief Executive Officer (CEO) believes there are reasonable grounds to suspect corrupt conduct has occurred or is occurring; they have a legal obligation to report their suspicions to [IBAC](#). Where a disclosure or report is not made under the provisions of the *Public Interest Disclosures Act 2013*, the matter will be dealt with in accordance with the provisions of this policy and relevant legislation.

Where reasonable grounds exist to suspect that a Councillor is involved in fraudulent or corrupt conduct, the matter should be reported directly to the [Local Government Inspectorate](#) or [IBAC](#). Where reasonable grounds exist to suspect that the CEO is involved in fraudulent or corrupt conduct, the matter should be reported immediately to the Mayor or, in their absence, to the Deputy Mayor, the [Local Government Inspectorate](#) or [IBAC](#).

Any reported or suspected acts of fraud, corruption, misconduct, theft, misappropriation, or similar irregularity will be investigated and reported in accordance with relevant legislation and this policy.

Employees unsure where to direct a report of possible fraud or corruption can contact the [Local Government Inspectorate](#) or [IBAC](#) directly.

5.8 Investigation Process

The investigation of suspected fraud needs to be performed on a timely basis, methodically and comprehensively. Care will be taken to ensure the employee reporting the suspected fraud is protected and to apply the principles of natural justice, ensuring that procedures are fair, and a fair decision is reached by an objective decision-maker maintaining procedural fairness to protect the rights of individuals involved in the process.

The purposes of a fraud investigation are to:

- Determine if a fraud has been committed
- Identify the person(s) responsible for the fraud
- Quantify the extent and financial consequences of the fraud
- Identify how long the fraud has been occurring and the reasons for the failure of internal controls



- Provide recommendations to improve systems and controls to prevent future occurrences

The Governance Coordinator (Public Interest Disclosure Officer) will conduct an **initial** review within three working days of being advised of suspected fraud to determine if the suspected fraud warrants further investigation.

If it is decided that further investigation is warranted, the Governance Coordinator, Director Governance and Information Services or the Chief Executive Officer will determine how and by whom the investigation will be conducted and whether the Police or any other external assistance (e.g., an independent auditor) will be utilised.

5.9 Protection of Council Employees

Under no circumstances will any individual who makes a good faith allegation of suspected fraud or corruption be subjected to recriminations or other negative consequences from the organisation. An employee seeking to disclose a suspected fraud can avail themselves of the coverage of the *Public Interest Disclosure Act 2013* which covers the disclosure of suspected corrupt (fraudulent) acts by staff, Councillors, or the Council. The Public Interest Disclosure Policy is available on the intranet and must be followed.

Allegations of suspected fraud or corrupt activity that are made with the intent to disrupt or cause harm to another person or entity (i.e., not made in good faith) will be the subject of disciplinary action in accordance with the Performance and Behaviour Management Policy.

5.10 Management of Fraud and Corruption Reporting or Investigations

The following protocols will apply if fraud is suspected:

- **Confidentiality** – All participants in a fraud investigation will keep the details and results of the investigation confidential except as expressly provided in this document.
- **Retaliation** – No individual reporting suspected fraud or otherwise participating in the investigation of fraud will be discriminated against.
- **Media issues** – There will be no discussion of a suspected fraud and subsequent investigation with the media other than through the Communications team.

The Council will fully cooperate with any investigation of fraud undertaken by law enforcement or regulatory authorities.

5.11 Recovery of losses

The Council and its insurers will seek full recovery of any losses suffered from all perpetrators of fraud.

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6 Fraud Detection

There are several behavioural signs to be aware of relating to potentially fraudulent behaviour, they include:

- Refusing to take leave
- Resigning suddenly or failing to attend work for no apparent reason
- Staff members who work secretly or in isolation from others may represent an act of collusion
- Drug or alcohol abuse
- A staff member who takes an unusual interest in some aspects of the organisation's business
- A staff member who overrides internal controls
- Habitual gambling
- Persistent anomalies in work practices
- Excessive generosity toward other staff
- Borrowing from other staff
- Character changes

To detect any possibilities of fraud, several strategies may be implemented and utilised:

6.1 Encouraging Disclosures

It is acknowledged that most incidents of fraud are discovered by employees of the Council and, to a lesser extent, members of the public. The Council will encourage disclosure from employees and others by:

- Including fraud detection within induction programs and procedures for new employees.
- Ongoing refresher training in the detection of fraud.
- Use technology and informational services such as brochures and the Council's website to give guidelines to public members an understanding of how to detect fraud.
- The provision of feedback to people who have reported suspected incidents of fraud.

6.2 Audit and Risk Committee

Due to the Audit and Risk Committee's experience and knowledge in the understanding of possible fraudulent activities, the committee will monitor this policy and add their input every two years as per the committee's Charter.



6.3 Internal auditors

The Council will utilise an internal auditor to identify key areas of risk that may possibly lead to fraud occurring within the organisation. Each internal audit will include a scope to test for possible fraudulent activities. The auditor will provide reports to the Risk Management Committee and the Audit and Risk Committee on their findings.

6.4 External auditors

It is a requirement of the *Local Government Act 2020* that the annual financial statements should be audited and to present those audited annual financial statements to the Minister of Local Government and have them available to the public after this time.

7 Roles and Responsibilities

To have an effective fraud policy and effective prevention management, the ownership of the policy will not rest with one staff member or group of staff members but will be owned by the whole leadership team to accommodate all levels of management and staff.

<p>Public Interest Disclosure Officers</p>	<p>The Council will appoint and keep appointed a Public Interest Disclosure Coordinator and Officer. Training will be provided.</p> <ul style="list-style-type: none"> • The Director Governance and Information Services will perform the role of delegated Public Interest Disclosure Coordinator under the <i>Public Interest Disclosures Act 2013</i>. • The Governance Coordinator will perform the role of delegated Public Interest Disclosure Officer under the <i>Public Interest Disclosures Act 2013</i>.
<p>Fraud and Corruption Control Officers</p>	<p>The Council will appoint, and keep appointed, a Fraud and Corruption Control Officer. The Fraud and Corruption Control Officer will manage the entity's fraud and corruption control resources so that they work together in a coordinated fashion in a way that achieves the objectives set out in the Fraud and Corruption Control Plan.</p> <p>A Fraud and Corruption Control Officer will remain up to date with current best practice in fraud and corruption control by: –</p> <ul style="list-style-type: none"> a) A program of formal training. b) Attendance at relevant seminars, conferences, and workshops. c) Maintaining a library of reference materials.



	<p>d) Networking with other fraud and corruption control professionals.</p> <p>The Risk and Insurance Advisor will perform the role of delegated Fraud and Corruption Control Officer as ratified by the Risk Management Committee.</p>
<p>Councillors</p>	<p>Councillors have a duty to ensure that they abide by their own code of conduct and provide high standards of care in safeguarding council assets from fraud and abuse. They will also ensure that the Council's powers and duties when making decisions will be borne in mind when examining the Council's activities.</p> <p>Councillors collectively as the decision-making body of Council are responsible for:</p> <ul style="list-style-type: none"> • Promoting community awareness of the Council's commitment to the prevention of fraud and corruption; and • Providing an adequate secure environment and framework for the prevention of fraud and corruption. <p>Councillors are to report suspected fraud, corruption, or misconduct either to the Mayor, Chief Executive Officer, Director or the Public Interest Disclosure Coordinator and Officer.</p>
<p>Chief Executive Officer</p>	<p>The CEO has responsibility for managing the preliminary assessment and further notifications.</p> <p>As Principal Officer, the CEO is to report:</p> <ul style="list-style-type: none"> • Any reasonable grounds of suspected corrupt conduct to IBAC; and • Confirmed incidences of fraud, theft corruption or misconduct to the Audit and Risk Committee, where such incidences are not protected disclosures. <p>Notifications to IBAC are to be actioned without advising the person(s) to whom the notification relates and without publicity. All notifications of suspected corrupt conduct to IBAC are to be treated in the strictest confidence.</p>
<p>Directors and Managers</p>	<p>Directors and Managers are in positions of authority and responsible for monitoring the daily activities of the employees and the overall</p>

	<p>long-term goals of the organisation. It is essential that Directors and Managers act with due diligence to identify potential instances of fraud, theft, corruption, or misconduct.</p> <p>In addition to the CEO, it is the duty of the Directors and Managers to ensure that this policy is an ongoing process that is run with honesty and integrity and is as efficient and effective as possible. All cases or incidents of fraud are to be reported to their appropriate supervisor, manager, or director, and it is their responsibility to promptly investigate such incidents or cases.</p> <p>Managers will be vigilant, as well as exercising control, when monitoring their staff and will be conscious of the working environment and be ready to prevent, detect and report any acts of fraud that may be taking place.</p> <p>Managers will ensure that they:</p> <ul style="list-style-type: none"> • Comply with legislation and Council policies and practices. • Ensure staff understand their tasks and responsibilities, through adequate supervision. • Respond proactively, instantly, and positively to matters raised and advice given from internal and external auditors.
<p>Audit and Risk Committee</p>	<p>The Audit and Risk Committee are a probity update and reports relating to the implementation of fraud prevention, and they are to be closely monitored. The committee should liaise closely with internal and external auditors, the CEO and Directors to ensure systems are regularly tested as fraud protection mechanisms.</p>
<p>Risk Management Committee</p>	<p>The Risk Management Committee will act as the oversight committee having ultimate responsibility for ensuring that fraud and corruption control outcomes are delivered, including responsibility for ensuring that fraud and corruption control resources are effectively coordinated and resourced.</p>
<p>Auditors</p>	<p>The role of the internal auditors is to assist management in preventing fraud by reviewing the systems, procedures, and controls. They also</p>



	<p>review and assess that sufficient safeguards are put in place to protect the Council's assets and revenue.</p> <p>An external audit has a role in achieving fraud control by reviewing internal policies and testing systems via specific guidelines developed in accordance with relevant legislation.</p>
<p>Employees /Contractors</p>	<p>Council employees are expected to comply with this policy and report any wrongdoings they may witness or see. They are expected to work in an ethical manner and avoid using their position/s within the Council to gain personal advantage, or confer advantage or disadvantage, on any other person. All employees are responsible for the safeguard of the Council's assets and its reputation and are required to report any wrongdoings or suspicions of fraud.</p> <p>Reference of the policy should also be included in all documentation to contractors; contractors have the same responsibility as council staff.</p>

8 Breaches of Policy and Investigation Procedures

As the purpose of the investigation is to find out as much as possible, all investigations must be free from prejudice and based on the discretion of each individual case. Until sufficient evidence is brought against any accused, the accused will remain innocent.

Subject to the requirements of the *Public Interest Disclosure Act 2013* and *Independent Broad-based Anti-Corruption Commission Act 2011*, breaches of this policy by employees, or any allegations of fraud, are to be investigated thoroughly and any action will be taken in accordance with the disciplinary and termination procedures.

9 Review of Policy

This policy will be reviewed every two years to maintain a healthy and safe environment that protects Baw Baw Shire Council's assets, reputation and preserves the public's interests.

10 Accessibility for staff

The current Fraud and Corruption Control Policy will be available to all staff at induction and on the Council's intranet.



11 Approval

Approval date	17 August 2021
Approval authority	Risk Management Committee
Effective from	18 August 2021
Review term	2-years
Next review date	August 2023
Responsible position	Risk and Insurance Advisor
Responsible Director	Governance and Information Services
Version	4

12 Version History

Date	Version	Notes	Author
01 July 2017	1	Policy endorsed by ELT	Chief Financial Officer
19 December 2019	2	Formatting and definition changes. Policy transferred ownership to Risk and Insurance Advisor.	Risk and Insurance Advisor
17 August 2021	3	Major review and update of policy. Policy endorsed by the Risk Management Committee.	Risk and Insurance Advisor
01 December 2021	4	Update to items 5.2, 6 and 7 following Audit and Risk Committee feedback at the 15 November 2021 meeting.	Risk and Insurance Advisor