



Council Policy

Fraud and Misconduct Control Policy



Fraud and Misconduct Control Policy

Table of Contents

- Fraud and Misconduct Policy1
- Policy scope.....2
- Policy statement.....2
- 1. Operation of the Policy3
- 2. Implementation.....4
- 3. Fraud and Misconduct Risk Assessments.....4
- 4. Communication and Awareness5
- 5. Detection of Fraud5
- 6. Reporting Fraud and Misconduct.....5
- 7. Investigating Fraud and Misconduct6
- 8. Response to Investigations6
- 8.1 Internal reporting6
- 8.2 Disciplinary procedures6
- 8.3 Internal review.....7
- 9. Definitions and abbreviations7

Fraud and Misconduct Control Policy



Policy scope

The City expects its Elected Members, Committee Members and employees to act in compliance with the Code of Conduct and behave ethically and honestly when performing their functions and during their interactions with each other, the community and all stakeholders of the City. A zero-tolerance attitude is taken to fraudulent or corrupt conduct which will be thoroughly investigated and the appropriate reporting, disciplinary, prosecution and recovery actions initiated.

Policy statement

The City of Fremantle has a zero tolerance to fraud and corrupt conduct. Instances of alleged fraud and/or corruption will be investigated by the City. The investigation will include the reporting of instances to any external bodies as appropriate. The City may seek to recover any losses incurred after consideration of the loss or injury it has suffered.

Fraud Control Framework

Organisational Structure

The City's organisational structure provides clearly defined responsibilities and appropriate segregation of duties and controls within systems, particularly financial and procurement, that inhibits opportunities for fraud to occur.

Policies and Procedures

Codes of Conduct are prepared and adopted by Council as required by the *Local Government Act 1995*. The codes set out the principles and standards of behaviour Elected Members, Committee Members and employees must observe when performing their duties and is intended to promote accountable and ethical decision making. The Codes provides for the reporting of breaches or suspected breaches of those Codes.

The Purchasing Policy and the associated Purchasing Procedures commit the City to developing and maintaining purchasing systems and practices that ensure goods are obtained in an equitable and transparent manner that comply with applicable legislation.

Prevention and Detection

Systems and processes are designed in such a way to help prevent fraud occurring and to detect it if it does occur. This includes adequate segregation of duties, financial and compliance reporting and appropriate reporting lines.

Fraud and Misconduct Control Policy



Purchasing procedures are subject to regular review and are updated whenever appropriate.

The Annual Internal Audit Plan includes audit review of high risk areas to ensure controls are adequate and are working as intended. Audit reviews are carried out independently by the City’s Internal Audit with the results of the audits reported directly to the Chief Executive Officer. Whenever necessary, independent external auditing companies may be engaged by the City to carry out audits.

1. Operation

Whilst the management of Fraud and Misconduct is considered the collective responsibility of all persons engaged with or associated with the City, certain roles within the City will have specific roles in the operation of this Policy.

Role	Responsibility
Council	Adopt Fraud and Misconduct Policy and provide leadership.
Audit and Risk Management Committee	Review risk management framework and associated procedures for the effective identification and management of fraud risks. Oversee the development and provide input for the implementation of the Fraud and Misconduct Policy.
CEO	Apply the City’s resources to fraud prevention and ensure the implementation of controls for managing fraud and corruption risks within the City. The CEO, under the <i>Corruption, Crime and Misconduct Act 2003</i> must notify the Corruption and Crime Commission and/or the Public Sector Commission if misconduct is suspected or found.
Executive Leadership Team	Provide leadership, guidance, training and support to employees in preventing fraud and misconduct. Identify high fraud risk areas and participate in fraud and corruption risk assessment reviews. Monitor the implementation of operational controls.
Complaint Officer	Report suspected fraud and corruption promptly, maintaining confidentiality. Ensure the protection of complainants who report fraudulent and corrupt activities.
Manager People and Culture	Manage grievance and disciplinary process (where required).

Fraud and Misconduct Control Policy



Manager Governance	Develop and maintain a Fraud and Misconduct Prevention Plan, in consultation with key stakeholders. Communicate the existence and importance of the Fraud and Misconduct Policy and Prevention Plan. Ensure fraud and misconduct training takes place across the organisation.
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2. Implementation

This Policy must be read and implemented in conjunction with the following available City policies, procedures, frameworks and registers:

1. Codes of Conduct (for Elected Members and Employees)
2. Purchasing Policy
3. Transaction Card Policy
4. Recruitment and Selection Policy and Procedures
5. Risk Management Framework
6. Register of Delegated Authority

3. Fraud and Misconduct Risk Assessments

Risk assessments should be undertaken for all potential and identified fraud and corruption risks, in accordance with the City's Risk Management Framework.

Operational areas with the following risks should be assessed:

1. Theft of cash
2. Theft/misuse of assets
3. Misuse of confidential corporate information
4. Conflict of Interest's
5. Accounts Payable
6. Payroll Practices
7. Procurement
8. IT and Information Security
9. Recruitment
10. Misuse of transaction cards.

Additional operational risks will be identified through normal business unit operations and through the regular review of the risk register.



4. Communication and Awareness

It is important that fraud and corruption is identified and reported at an early stage and that employees understand the process for the reporting of it.

Awareness of the City's fraud and misconduct policy and controls will be implemented through the following channels:

1. A copy of the City's Code of Conduct will be included in packs for all new employees with annual reviews and training for employees
2. A dedicated page will be maintained on the City's intranet which will include links to all relevant documents and outline the process for reporting allegations
3. Any substantive changes in the Code or Plan or Policy will be communicated to all employees.

5. Detection of Fraud

The City will implement several processes to detect fraud and corruption, which may include, but is not necessarily limited to:

1. Unscheduled internal reviews and audits
2. Fraud and Misconduct Awareness Training to assist employees to report fraud and misconduct
3. Regular reviews of policies and procedures to minimise opportunities for fraud
4. Engaging external auditors to conduct legislative audits

6. Reporting Fraud and Misconduct

As per the City's Code of Conduct for Employees, Officers may report (in confidence) instances of suspected fraud or corruption to the CEO or Manager People and Culture. The CEO or Manager People and Culture will consider the matter and deal with it in accordance with the applicable policies and procedures of the City.

Under the requirements of the Public Interest Disclosure Act 2003, the CEO is required to disclose all allegations or reports of fraud and corruption to the Public Sector Commission and / or the Corruption and Crime Commission (CCC) of WA.

Employees can anonymously report acts of fraud and corruption to the CCC or Public Sector Commission, contact details can be found on the City's website at:

<https://www.fremantle.wa.gov.au/council/public-interest-disclosure>



7. Investigating Fraud and Misconduct

Investigations of allegations of fraud and corruption will be investigated in line with the requirements of the Code of Conduct and the Public Interest Disclosure provisions outlined on the City's website. The guidelines provide for:

1. appropriate measures for the comprehensive investigation of such matters based on the principles of independence, objectivity and fair due process (rules of natural justice)
2. systems for internal reporting of all detected incidents
3. process for reporting the matters of suspected fraud and misconduct to appropriate external enforcement agencies.

The City will review these processes from time to time or after investigations have been made and potential improvements have been recognised as part of the investigation process.

8. Response to Investigations

8.1 Internal reporting

The CEO and Manager People and Culture are to ensure that all incidents of fraud and corruption are investigated, documented and registered on the organisations document management system in a confidential manner.

The documentation placed on the file must include the following minimum information:

1. date and time of report
2. date and time the incident was detected
3. how the incident came to the attention of the organisation
4. the nature of the incident
5. names and positions of officers involved
6. value of loss (if any) to the entity
7. action taken following discovery of the incident.

8.2 Disciplinary procedures

The results of any investigation into a fraud or corruption issue will be handled in accordance with City policy.

The City reserves its rights to recover any losses it has suffered due to fraud and misconduct especially where the likely benefits of recovery exceed the funds required to investigate the action.



8.3 Internal review

Where fraud or corruption is detected the relevant Business Unit Manager will be required to assess the adequacy of internal controls and provide a report to the Executive Leadership Team of any recommended improvements identified and steps taken to mitigate the potential for any fraudulent activity.

9. Definitions and abbreviations

Chief Executive Officer – The Chief Executive Officer of the City of Fremantle

Act – The Local Government Act 1995

fraud - Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys 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.

This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.

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'. (Australian Standard AS8001:2008 Fraud and Corruption Control)

serious misconduct – Serious misconduct occurs when:

- a. a public officer corruptly acts or corruptly fails to act in the performance of the functions of the public officer's office or employment; or
- b. a public officer corruptly takes advantage of the public officer's office or employment as a public officer to obtain a benefit for himself or herself or for another person or to cause a detriment to any person; or
- c. a public officer whilst acting or purporting to act in his or her official capacity, commits an offence punishable by two or more years' imprisonment. (Corruption, Crime and Misconduct Act 2003)

minor misconduct – Minor misconduct occurs if a public officer engages in conduct that:

- a. adversely affects the honest or impartial performance of the functions of a public authority or public officer, whether or not the public officer was acting in their public officer capacity at the time of engaging in the conduct; or

Fraud and Misconduct Control Policy



- b. involves the misuse of information or material that is in connection with their functions as a public officer, whether the misuse is for the benefit of the public officer or the benefit or detriment of another person;

and

- constitutes, or could constitute, a disciplinary offence providing reasonable grounds for termination of a person's office or employment. (Corruption, Crime and Misconduct Act 2003)

public interest information - means information that tends to show, in relation to its public function a public authority, a public officer, or a public sector contractor is, has been, or proposes to be, involved in:

- a. improper conduct; or
- b. an act or omission that constitutes an offence under a written law; or
- c. a substantial unauthorised or irregular use of, or substantial mismanagement of, public resources; or
- d. an act done or omission that involves a substantial and specific risk of –
 - i. injury to public health; or
 - ii. prejudice to public safety; or
 - iii. harm to the environment;

or

- e. a matter of administration that can be investigated

public officer – Includes a member, officer, or employee of an authority, board, corporation, commission, local government, council, committee or other similar body established for a public purpose under an Act. (Corruption, Crime and Misconduct Act 2003)

public authority – Includes an authority, board, corporation, commission, council, committee, local government, regional local government or similar body established under a written law. (Corruption, Crime and Misconduct Act 2003)

Responsibility and review information	
Responsible officer:	Manager Governance
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