



FRAUD AND CORRUPTION CONTROL POLICY PROTECTION PLAN

Type:	Council Policy		
Owner:	Chief Executive Officer		
Responsible Officer:	Director, Corporate Services		
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Legislation Reference:	Section 6(1)(d)(i) of the Local Government (General) Regulations 2021		

1 PURPOSE

Katherine Town Council is committed to promoting a culture of trust, integrity and honesty in the services it provides to the Katherine community, and in the administration of those services.

The purpose of this policy is to provide guidance on action which is to be undertaken where fraud or corrupt conduct is suspected within the Council or involves Council's elected members, employees or contractors, and to provide assurance to the community that all suspected fraudulent or corrupt activity will be investigated.

This policy is based on the following principles:

- Elected members and Council employees are placed in a position of trust and are required to enhance public confidence in the integrity of Council, and to be active in protecting public money and property.
- Council will have in place effective operational controls and procedures for the prevention and detection of fraudulent and corrupt activities.
- Council will investigate and manage all reported cases of alleged fraud in accordance with relevant legislation, policies, and procedures.
- Elected members and employees are aware and acknowledge their obligations to report suspected fraud or improper conduct in accordance with the *Independent Commissioner Against Corruption Act 2017* (ICAC Act).

2 SCOPE

This Policy applies to all elected members, Council employees, contractors, consultants, committee members or any individual or group undertaking activity for and on behalf of Council.

3 DEFINITIONS

Corruption means dishonest activity in which an elected member, Council employee, contractor, consultant, committee member or any individual group undertaking activity for and on behalf of Council, 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. An incident of corruption may include an element of fraud or deception.

Fraud means dishonest activity that causes actual or potential financial loss to any person or entity including theft of monies or other property by Council officers or persons external to the entity. It 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.

ICAC means the Independent Commissioner for Corruption for the Northern Territory.

4 DETAILS

Council promotes a culture where compliance and awareness are expected, encouraged and supported, with no tolerance for improper conduct or fraudulent activity.

The *Local Government Act 2019* and associated Regulations require the Chief Executive Officer to establish and maintain a Fraud and Corruption Protection Plan which includes internal controls (this document). While the Chief Executive Officer is responsible for the implementation of this policy, all elected members and employees have responsibilities in relation to the prevention and reporting of fraud and corruption. This requires not only responsibility for personal behaviour but also support for others to embrace ethical practices and take appropriate actions to prevent and minimise fraud and corruption risks and to report any incidents to the Chief Executive Officer and ICAC should it arise and be identified.

Council's Fraud and Corruption Control System includes an on-going system of training, regular risk assessment and reporting to ensure senior management and Council regularly review exposure to fraud and corruption risk.

WHAT ACTIVITIES MIGHT CONSTITUTE FRAUD OR CORRUPTION?

Awareness of warning signs or red flags for possible fraud or corruption is a useful method of detection. Often fraud indicators are inter-related and, in some situations, evidence of one indicator may imply a potential risk but may not constitute fraud or corruption. The more inter-related indicators identified, the higher the risk of potential fraud or corruption. Red flags may include unexplained and/or sudden sources of wealth, individuals under apparent stress without identifiable pressure or who refuse to take leave, employees with competing or undeclared external business interests, excessive secrecy and expenditure exceeding approved budget without adequate information to explain the variance.

Activities that could amount to fraud include (but are not limited to):

- Theft and asset misappropriation
- Tender, procurement, and accounts payable/received fraud
- Misuse of Council resources such as vehicles, computers, or stationery
- False medical certificates, inaccurate timesheets, false allowance claims, not entering utilised leave into the system.

Activities that could amount to corruption include (but are not limited to):

- Using your official position for personal benefit or gain, or benefit to another
- Accepting inducements for particular actions
- Serious, undeclared, and unmanaged conflicts of interest
- The use or disclosure of confidential information other than for a proper business purpose.

COUNCIL'S FRAUD AND CORRUPTION CONTROL SYSTEM

Council's Fraud and Corruption Control System consists of a range of controls, policies and procedures for the prevention, detection, management and reporting of fraud and corruption, including:

- an external auditor undertaking an annual audit of Council's financial statements
- an Enterprise Risk Framework with internal audit activities occurring according to the level of risk
- oversight by the Audit and Risk Management Committee
- procurement and asset management policies and procedures
- human resource policies and procedures
- information technology security protocols
- a Privacy Policy
- an Accounting and Policy Manual
- Codes of Conduct for Elected Members and employees, and
- an effective internal control framework.

INTERNAL CONTROLS

Council has a range of internal controls to reduce the likelihood and decrease the detection time of any potential fraud, theft or corrupt act. These controls include but are not limited to:

- appropriate financial delegations and authority
- appropriate physical security of Council's assets
- dual authorisations on financial transactions
- segregation of relevant duties
- trained and properly qualified staff in key roles
- information technology controls
- audit logs and records reviewed, and
- regular reconciliations of the bank and balance sheet accounts.

Council's external auditor will test the control environment during their preparation for the end of financial year audit. Any observations identified by the external auditor are raised in a management letter and presented to the Audit and Risk Management Committee.

AWARENESS AND ETHICAL CULTURE

Employee awareness about fraud and corruption is important for the prevention and control of both internal and external inappropriate activities. To ensure the Council's fraud awareness program is effective, initial training on fraud and corruption, including how to report improper conduct is included in the Council's induction program. Additional training will be provided on an as-needs basis.

It is the responsibility of all elected members, directors and managers to promote an ethical culture in everything Council does and to encourage and support employees to speak out against fraudulent or corrupt activity, whether committed by staff or others.

Council employees are responsible for disclosing any actual or perceived conflicts of interest that may arise in the performance of their duties. All perceived and actual conflicts are to be declared to the Chief Executive Officer and the officer concerned to remove themselves from the relevant decision-making process. Elected members are required to manage their conflicts of interest consistent with their legislative obligations under the *Local Government Act 2019*.

MANDATORY REPORTING

All elected members and employees have a legislated obligation to report suspected improper conduct which includes fraud and corruption. Elected members and staff are encouraged to be constantly vigilant and report, without fear of reprisal, any matter that they regard as suspicious. All suspected instances of fraud or improper conduct should be reported to the Chief Executive Officer and/or ICAC. If the matter involves the Chief Executive Officer, reports must be made to the Mayor and ICAC.

The ICAC has significant statutory powers to investigate serious fraud and corruption within Council. Where there is a reasonable suspicion that a matter may involve improper conduct as defined by the ICAC Act, a Public Officer is bound by section 22 to report the matter to the ICAC. All elected members, employees and Council committee members are Public Officers for the purpose of the ICAC Act.

The Chief Executive Officer is responsible for arranging investigations and ensuring relevant matters have been referred to bodies such as the ICAC, the Ombudsman or the Northern Territory Police. All allegations and suspicions of fraud and corruption will be investigated, and all substantiated cases will be dealt with appropriately either by criminal, disciplinary or administrative mechanisms suitable to the particular case.

Wherever possible, all instances reported will be treated in the strictest confidence. It is the Council's intention that any person reporting a concern or incident will, as far as is practical, have their identity kept confidential. It should be understood however, that it is not always possible to guarantee anonymity, especially where disciplinary action or prosecution arises. No one will be penalised for making an allegation that is subsequently proved to be unfounded, where the allegation has been made in good faith. Council will not, however, tolerate individuals making malicious, vexatious or unfounded allegations and disciplinary action may be taken against such persons.

CONSEQUENCES

Investigation findings that substantiate the allegation of fraud or corruption, or attempted fraud or corruption, will be actioned in accordance with legislative and policy requirements, and the principles of natural justice.

Council does not condone fraudulent or corrupt conduct and will institute disciplinary procedures in respect of any employee involved in improper activities. In this instance the provisions of the Council's Code of Conduct will apply.

Consequences for committing or attempting to commit fraud and/or corruption may include, but are not limited to:

- disciplinary action
- demotion
- repayment of misappropriated funds and other costs
- written warnings, which may be appropriate in situations where there is no financial loss and damage to reputation is not likely
- termination of employment, and/or
- referral to the ICAC or criminal prosecution agencies.

In regard to elected members, the provision of the *Local Government Act 2019* in relation to disciplinary matters will apply, in addition to referral to ICAC.

5 ASSOCIATED POLICIES/DOCUMENTS

Code of Conduct for Elected Members
Code of Conduct for Employees
Conflict of Interest Policy
Gifts and Benefits policy – elected members
Gifts and Benefits policy – CEO and staff
Procurement Policy
Privacy Policy

6 REFERENCES AND RELATED LEGISLATION

Local Government Act 2019
Local Government (General) Regulations 2021
Information Act 2002
Independent Commissioner Against Corruption Act 2017
Fraud Management Toolkit, Office of the Independent Commissioner Against Corruption, November 2020

Revision History

Version	Approval date	Details of change	Responsible officer
1	April 2022	Created	CEO