



Hobsons Bay
CITY COUNCIL

FRAUD RISK MANAGEMENT POLICY

7 June 2011

FRAUD RISK MANAGEMENT POLICY

Introduction

Fraud can be defined as inducing a course of action by deceit or other dishonest conduct, involving acts or omissions or the making of false reports or statements, orally or in writing with the object of obtaining money or other benefit from, or of evading a liability to, Council.

Hobsons Bay City Council is committed to the highest possible standards of transparency and accountability in all its affairs. The Council is determined to maintain a culture of honesty and opposition to fraud and corruption.

The Council will not tolerate fraud, theft or dishonesty. All reported incidents, including internal fraud will be thoroughly investigated with the utmost confidentiality. The Council will take firm and vigorous action against any individual or group who has committed a fraud. Such action may involve disciplinary action, civil and / or criminal legal proceedings. Disciplinary proceedings may result in the dismissal of an employee. The Council will maintain an effective fraud control environment to assist in fraud prevention and detection.

The Fraud Risk Management Policy outlines employees' expected behaviour, how to report a suspected fraud, the role of various bodies within the Council and the Council's commitment to increasing employee awareness, training and recording of possible fraud. The policy should be read in conjunction with the Council's Risk Management Procedures, Risk Management Strategy and proposed Risk Management Policy.

1. Expected Behaviour

Councillors, the Chief Executive Officer, directors and managers have particular responsibility to act as good role models. All employees and contractors are to act ethically and not tolerate or condone unethical practice or fraud.

Employees are to take reasonable and appropriate action to:

- prevent unethical practice or fraud in or on Council or its programs;
- deal with any concern or information in relation to where fraud arises; and
- report any reasonable suspicions they have of fraud occurring on any of the following areas:
 - official misconduct (including fraud and corruption);
 - maladministration;
 - negligent management;
 - danger to public health or safety, or environment;
 - danger to person with a disability;

- an offence involving substantial danger to the environment; and
- reprisal against those who make a report.
- Maintain appropriate confidentiality in relation to the suspected fraud and report to those officers listed in Part 2.
- When suspecting fraudulent activity, as set out in Part 2 of this policy, employees should also be mindful of the procedures for reporting improper conduct and the principles of natural justice.
- Fraudulent activity may be reported in accordance with the Whistleblowers Protection Act. For further information regarding what may constitute a disclosure under this Act, please refer to the Whistleblower guidelines on Council website.

2. Reporting a Suspected Fraud

Initially, employees with suspicions, concerns or information about matters that could be considered fraud are advised to:

- observe what is occurring and make written notes if appropriate;
- carefully consider the information that they have, and ask themselves if there are reasonable grounds to form an honest belief that the information tends to show the conduct or danger;
- if reasonable grounds exist, promptly report the information to an appropriate officer, listed below;
- ensure that only those who need to know are informed;
- not alert people who may possibly be involved; and
- ensure that any notes and other evidence is handled carefully and kept secure.

A suspected fraud may be reported at any time orally, either by telephone or in person, or in writing. People making a report may remain anonymous, however it is better to provide contact details. This gives credibility, will assist investigators to check findings and will assist with a prompt and successful investigation.

Employees may report a fraud to one of the following:

- your supervisor / manager / director;
- Manager Finance;
- Manager Human Performance
- Manager Governance; or
- Chief Executive Officer.

Officers who receive reports on suspected fraudulent activity are to deal confidentially with the report, and fairly with those who may make, or are the subject of a report, irrespective of their status in Council or the community.

Reports made as Whistleblower complaints should be referred to the Council's Protected Disclosure Officer, the Manager Governance and Communication.

3. Roles and Responsibilities of Council

Audit Committee

Section 6 of the Audit Committee Charter outlines the committee's duties and responsibilities in relation to risk management, control framework, external accountability, legislative compliance, internal audit and external audit. The Committee's specific responsibilities in relation to fraud are as follows:

- Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of business and financial risks, including fraud.
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

To those ends the Audit Committee is to be advised of the outcomes of the investigation into any fraud or suspected fraud.

The Fraud Risk Management Policy is reviewed by the Audit Committee prior to the policy being presented to the Council.

Risk Management Cross Directorate Team

The Risk Management Cross Directorate Team (RMCDT) is responsible for the development, implementation and monitoring of the Council's Risk Management Strategy and action plan, which includes fraud risk management. The action plan includes an objective for the RMCDT to review the Fraud Risk Management Policy. This occurs prior to the policy being presented to the Council.

Internal Auditors

The risk of fraud can be minimised through an effective internal audit program. Council employs external audit firms and specialists to complete its internal audit function as required, rather than employing permanent staff members.

The internal auditor's role is to complete the internal audit program, as instructed by the Audit Committee and to present their findings and recommendations to the committee from each internal audit.

4. Employee Awareness

It is important that employees are aware of the Fraud Risk Management Policy and in particular the expectation to act ethically and not to tolerate or condone unethical practice or fraud.

- The Fraud Risk Management Policy is available under the policy section on Council's website.
- Staff are made aware that policy has been reviewed by an article appearing in the Pelican Brief.
- The revised policy is also emailed directly to all managers as well as all Finance and Customer Service employees after each review.
- The Director Business & Finance will ensure that information supporting a culture of fraud awareness is available to directors, managers, coordinators and staff, including:-
 - culture of disclosure;
 - need for clear accountabilities and processes;
 - adherence to internal controls, including management and audit review; and
 - taking leave and rotation of responsibilities.
- New employees are informed of the Fraud Risk Management Policy and Council's expectations as part of the induction process.

The Director Business & Finance will ensure that employees with an exposure to functions where there exists a particular risk of fraud will regularly receive on-the-job training.

These include but are not limited to staff with management responsibilities, staff with purchasing responsibilities and staff with exposure to cash handling and EFT transfers.

5. Fraud Risk Management Register

Council uses Riskware as its Corporate Risk Register, which encompasses Council's Fraud Risk Management Register.

Riskware records all identified, realistic fraud exposures (hazards) and also identifies inherent risks of the exposures identified. It also records the status of existing controls for exposures and schedules, control revisions or reactively review controls, if they are found to be inadequate. The register is reviewed on an ongoing basis and employees have been trained to ensure that the register is kept up to date.

6. Strategy Review

The Fraud Risk Management Policy will be presented to the Council every two years.

This review will occur after the policy has been reviewed by the Audit Committee and the Risk Management Cross Directorate Team.

The policy was last reviewed as follows:

- Audit Committee: 23rd February 2011
- Risk Management Cross Directorate Team: 5th April 2011
- The Council: 7th June 2011