



Policy Subject/Title: Fraud and Corruption Management Policy

Policy Number: F011

Responsible Officer: Director Finance

Legislative or Regulatory Reference: Local Government Act 2009
Local Government Regulation 2012
Criminal Code Act 1899
Crime and Corruption Act 2001
Public Interest Disclosure Act 2010

Related Policies / Procedures: Administration Action Complaints Policy
Public Interest Disclosure Policy
Public Interest Disclosure Procedure
Code of Conduct Policy
Conflict of Interest Policy
Procurement Policy
Risk Management Policy

Authorised by: Somerset Regional Council

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1. INTRODUCTION

The purpose of this Policy is to outline Somerset Regional Council's approach to managing fraud and corruption through its Fraud and Corruption Control Strategy (Strategy). Council has zero tolerance for fraud and corruption.

Council will take action against anyone who takes reprisal action against a discloser who reports suspected or known incidents, consistent with Council's Public Interest Disclosure Policy and Procedure. Council will act on any suspicion of illicit conduct on the part of its staff or any third party, including those with whom it conducts business.

Internal audit will evaluate this policy incorporating Council's Fraud and Corruption Control Plan every two years.

2. OBJECTIVE

Council is committed to:

- Reducing or removing the potential for fraudulent or corrupt conduct on the part of its Councillors, employees, suppliers, and external stakeholders
- Detecting fraudulent or corrupt conduct through the systematic processes articulated in its Fraud and Corruption Plan
- Investigating all instances of suspected fraudulent or corrupt conduct exposed as a result of our detection processes, or as a result of receiving an allegation of fraudulent or corrupt activities
- Managing, disciplining or facilitating the prosecution of those responsible for incidents of fraud and corruption as appropriate
- Minimising the risk of fraud and corruption; and
- Ensuring the continuing organisational integrity and transparency of its operations.

3. SCOPE

This policy applies to Councillors, local government employees, local government contractors and others in respect of potential acts of fraud and/or corruption as defined involving Council.

Council officers have a responsibility and an obligation to report suspected or known incidents of fraud or corruption.

4. DEFINITIONS

a. Fraud

Per section 408C of the *Criminal Code Act 1899*:

1. A person who dishonestly—
 - a) applies to his or her own use or to the use of any person—
 - i) property belonging to another; or
 - ii) property belonging to the person, or which is in the person's possession, either solely or jointly with another person, subject to a trust, direction or condition or on account of any other person; or
 - b) obtains property from any person; or
 - c) induces any person to deliver property to any person; or
 - d) gains a benefit or advantage, pecuniary or otherwise, for any person; or
 - e) causes a detriment, pecuniary or otherwise, to any person; or
 - f) induces any person to do any act which the person is lawfully entitled to abstain from doing; or
 - g) induces any person to abstain from doing any act which that person is lawfully entitled to do; or

- h) makes off, knowing that payment on the spot is required or expected for any property lawfully supplied or returned or for any service lawfully provided, without having paid and with intent to avoid payment;
- i) commits the crime of fraud.

b. Corrupt Conduct

Per the *Crime and Corruption Act 2001*:

1. Corrupt conduct means conduct of a person, regardless of whether the person holds or held an appointment, that—
 - a) adversely affects, or could adversely affect, directly or indirectly, the performance of functions or the exercise of powers of—
 - i) a unit of public administration; or
 - ii) a person holding an appointment; and
 - b) results, or could result, directly or indirectly, in the performance of functions or the exercise of powers mentioned in paragraph (a) in a way that—
 - i) is not honest or is not impartial; or
 - ii) involves a breach of the trust placed in a person holding an appointment, either knowingly or recklessly; or
 - iii) involves a misuse of information or material acquired in or in connection with the performance of functions or the exercise of powers of a person holding an appointment; and
 - c) would, if proved, be—
 - i) a criminal offence; or
 - ii) a disciplinary breach providing reasonable grounds for terminating the person's services, if the person is or were the holder of an appointment.
2. Corrupt conduct also means conduct of a person, regardless of whether the person holds or held an appointment, that—
 - a) impairs, or could impair, public confidence in public administration; and
 - b) involves, or could involve, any of the following—
 - i) collusive tendering;
 - ii) fraud relating to an application for a licence, permit or other authority under an Act with a purpose or object of any of the following (however described)—
 - (a) protecting health or safety of persons;
 - (b) protecting the environment;
 - (c) protecting or managing the use of the State's natural, cultural, mining or energy resources;
 - iii) dishonestly obtaining, or helping someone to dishonestly obtain, a benefit from the payment or application of public funds or the disposition of State assets;
 - iv) evading a State tax, levy or duty or otherwise fraudulently causing a loss of State revenue;
 - v) fraudulently obtaining or retaining an appointment; and
 - c) would, if proved, be—
 - i) a criminal offence; or
 - ii) a disciplinary breach providing reasonable grounds for terminating the person's services if the person is or were the holder of an appointment.

Should the above definitions change in the source legislation as quoted, it is confirmed that the Chief Executive Officer is empowered to change the relevant definitions in this policy to match the changed definitions in the source legislation without reference back to Council.

5. FRAUD AND CORRUPTION CONTROL STRATEGY

Council's Fraud and Corruption Control Plan consists of two elements:

- The Financial Management Risk Register and controls that are maintained as required by the *Local Government Regulation 2012*, and

- The specific prevention, detection, and response elements outlined in this Policy below.

6. ROLES AND RESPONSIBILITIES

While overall responsibility for the Strategy rests with Management all employees have an obligation to fulfil their responsibilities in implementing the Strategy. This includes the use of a risk-based approach for fraud and corruption control, compliance with the internal control systems and reporting instances of suspected fraud and corruption.

Director Corporate and Community Services is appointed as Fraud and Corruption Control Officer as part of the existing responsibilities of the Director Corporate and Community Services role. Per the Director Corporate and Community Services position description, responsibilities related to fraud and corruption include, but are not limited to, reporting any risks (including fraud and corruption) identified in the performance of duties and the adherence and promotion of fraud and corruption prevention practices, including evaluation, analysis, and mitigation of Council's risk exposure. See the roles and responsibilities matrix within this Policy for the complete listing of responsibilities assigned to Council's Fraud and Corruption Control Officer.

The table below outlines the roles responsibilities related to the management of fraud and corruption:

Roles	Responsibilities
Chief Executive Officer (CEO)	<ul style="list-style-type: none"> • Develop and set Council's ethical tone that aligns with Council's values. • Ensure Council has a well-developed and up-to-date fraud and corruption control framework and ensure effective implementation. • Ensure that Council develops, implements and maintains a Public Interest Disclosure (PID) Management Program. • Review/assess all reported matters to determine whether they may amount to corrupt conduct. • Facilitate, where required, the investigation of alleged fraud or corrupt conduct. • Refer allegations of suspected corrupt conduct to the Crime and Corruption Commission as required and necessary. • Ensure the mandatory reporting of any instances of fraud or corruption to relevant agencies such as the Crime and Corruption Commission (pursuant to the <i>Crime and Corruption Act 2001</i>) or Queensland Police (for offences against the <i>Criminal Code Act 1899</i>). • Maintain a register of the losses due to maladministration and potential fraud and corruption, in alignment with Council's Investigation Policy, and ensure material and reportable losses are reported. • Initiate appropriate recovery action to further deter fraud and corruption being perpetrated against Council. • Decide what disciplinary action is appropriate for employees involved in fraud and corruption. • Make decisions regarding restitution and criminal charges in cases of fraud and corruption. • When considering Council's response to the risk of fraud / corruption, Council will evaluate the cost and benefit of internal controls. For example, Council accepts the risk posed by the use of electronic signatures on Council

	documents (including timesheets and purchase requisitions) given the benefits of e-signatures provided the electronic signature software obtained and used for this purpose contains appropriate security elements and has been approved by the Chief Executive Officer.
Audit Committee	<ul style="list-style-type: none"> • Review and monitor the effectiveness of Council's fraud and corruption control framework. • Consider fraud and corruption risks when endorsing the annual internal audit plan.
Directors Managers Supervisors	<ul style="list-style-type: none"> • Assist the CEO to set the ethical tone of Organisation and role model conduct that aligns with the organisational values and Code of Conduct. • Display ethical leadership in the management and promotion of Council's enterprise risk management and fraud and corruption policies and procedures. • Ensure the effective and consistent implementation of relevant internal controls in accordance with this Policy and Plan. • Inform teams of their responsibilities for implementing internal controls and the prevention and detection of fraud and corruption. • Reviews high and extreme fraud and corruption risks and make recommendations on improvements to controls and/or the implementation of controls. • Develop or modify local work practices to reduce the risk of fraud and corruption. • Ensure staff awareness and participation in training and development activities.
Fraud and Corruption Control Officer (Director Corporate and Community Services)	<ul style="list-style-type: none"> • Support the development and promotion of the ethical tone of Council. • Coordinate the development and implementation of this Policy and associated Plan. • Review Council-wide policies, procedures and internal controls relating to fraud and corruption to ensure consistency and alignment with best practice. • Act as Council's PID Coordinator in alignment with Council's PID Policy and Procedure. • Develop and publicise communications on an ongoing basis to maintain a high level of fraud and corruption awareness and to encourage the reporting of suspected fraud and corruption. • Coordinate Organisation's fraud risk assessment. • Monitor related activities such as policy reviews, audit recommendations, complaints, compliance, fraud awareness, training and communications.
Director Human Resources and Customer Service	<ul style="list-style-type: none"> • Act as Council's PID Support Officer in alignment with Council's PID Policy and Procedure. • Ensure the identified, approved employee screening checks are undertaken. • Ensure all required training related to fraud and corruption, conflicts of interest and Council's Code of Conduct is provided and completion is tracked and monitored for all staff.

Procurement	<ul style="list-style-type: none"> • Ensure that effective third-party management systems are implemented throughout Council to reduce the risk of fraud and corruption to Council through procurement activities.
Director Finance	<ul style="list-style-type: none"> • Perform monthly reviews to ensure access to systems is appropriate.
Internal Audit	<ul style="list-style-type: none"> • Assist the CEO to set the ethical tone of Organisation and role model conduct that aligns with the organisational values. • Develop the internal audit plan/program taking account of the key fraud and corruption risks facing Council. • Conduct audits and reviews that assess the efficiency and effectiveness of Council's fraud and corruption control framework and internal controls and provide recommendations on any shortcomings and improvements. • Evaluate Council's assessment of fraud and corruption risk. • Evaluate this Policy incorporating Council's Fraud and Corruption Control Plan every two years.
All Council Employees	<ul style="list-style-type: none"> • Understand the obligations with respect to fraud and corruption control and reporting. • Adhere to Council's Code of Conduct and act in accordance with Council's ethical tone and values. • Implement and abide by relevant internal controls in accordance with this Policy and associated Plan. • Report all instances of suspected fraud and corruption. • Provide cooperation and assistance with investigations. • Report any conflicts of interest, gifts or benefits as required.

7. PREVENTION TECHNIQUES

a. Workforce Screening/ Criminal History Checks

- i. The appointment of all new staff (including promotions) will be subject to completion of a criminal history check. Council will assess the results of criminal history checks against the requirements of the position prior to appointing or promoting a staff member.
- ii. Council will conduct criminal history checks on all relevant staff every eight years. Council will assess the results of criminal history checks against the requirements of each relevant position (e.g., positions whose role includes handling cash, financial purchasing delegates, senior management, officers whose role includes issuing licences or providing recommendations about the issuing of licences and finance staff).
- iii. Where relevant staff / relevant position refers to:
 - Senior management and contract employees
 - Officers covered by Division 1 and Division 2 – Section 1 of the Queensland Local Government Industry (Stream A) Award – State 2017 or successor awards
 - Other officers whose normal role involves cash handling such as employees based at waste facilities or who have delegated procurement authority.

b. Conflict of Interest

- i. Conflict of Interest Reporting
In the course of their duties, officers must not give preference to any person, organisation or interest, whether pecuniary, commercial, political, religious or other, as a result of any private association with that person, organisation or interest. Immediately on becoming aware that a conflict between private interests and official duty has, or is likely to arise, officers must disclose such details in writing to the Chief Executive Officer. Such disclosures should automatically be made by officers

engaged in regulatory, inspectoral or other discretionary functions when dealing with relatives, close friends or business acquaintances. On receipt of a disclosure, the Chief Executive Officer will determine the extent of any conflict of interest and direct the action required to resolve the conflict. Failure to comply with the Chief Executive Officer's direction may make the officer liable to disciplinary action and/or dismissal. At any time, an officer who is uncertain whether a conflict of interest exists should seek direction from the Chief Executive Officer.

- ii. **Other/ Secondary Employment**
Employees should not engage in any other employment or contract which may have direct or indirect conflict of interest with Council activities (e.g., a building surveyor performing similar or building work within the Region).
- iii. See the Code of Conduct Policy and Conflict of Interest Policy for complete information related to the responsibilities and procedures related to the appropriate identification, reporting and monitoring of conflicts of interest.

c. Staff Training and Acknowledgement Statements

- i. The "Code of Conduct, Conflict of Interest and Fraud Management" training module is mandatory for all staff on induction and annually thereafter.
- ii. Upon completion of the training, all staff are required to sign an acknowledgement their understanding and adherence to Council's Code of Conduct Policy, Conflict of Interest Policy and Fraud Management Policy.

d. Position Descriptions and Engineering Registrations

- i. All senior staff positions are to identify that the positions have responsibility for preventing fraud and corruption.
- ii. Council will review and confirm annually the registration status of employees undertaking engineering services, to ensure compliance with the Professional Engineers Act 2002.

e. Leave Requirements

Council confirms that the requirement in its leave policy requiring regular taking of leave is in part in place to manage the risk of fraud and corruption.

f. Risk Management and Internal Controls

- i. **Financial Management Risk Register**
The financial risks identified in the Financial Management Risk Register are reviewed annually by the Fraud and Corruption Control Officer as part of the annual review of this document and signed off by the CEO.
- ii. **Fraud and Corruption Risk Management**
The fraud and corruption controls listed in the prevention, detection and response sections within this document address the non-financial risks identified in the Financial Management Risk Register and are reviewed annually by the Fraud and Corruption Control Officer as part of the annual review of this document.

g. Fraud and Corruption Awareness

Consider inclusion of awareness activities such as Fraud Awareness Week, communications, etc. Could be as easy as adopting and sending a communication to bring awareness to the Crime and Corruption Commission's materials released annually.

h. Acceptance of Gifts / Benefits

Officers must:

- i. Not solicit or receive benefit (other than those provided under conditions of employment) in respect of services performed, whether during working hours or not.
- ii. Avoid situations in which the acceptance of a benefit, or potential benefit, could give the appearance of a conflict of interest with official duties.

- iii. Gifts or benefits may be accepted when the item is considered to be a memento and the total value of it is less than \$100. Examples include ties, cuff links, pens, stationery, a bottle of wine AND when the gift or benefit meets the prove-it-test referenced in the Code of Conduct Policy.
- iv. Gifts should not be accepted regardless of the value if there is a possibility it may affect your decision making (or be seen to affect your decision making) within Council.

i. Supplier Masterfile Checks

- i. Before any new supplier is added to the supplier masterfile, a form will be completed approved in writing by two Council officers that identifies:
 - Trading and entity name.
 - Australian Business Number (ABN).
 - GST registration status.
 - Estimate of total annual purchases from this supplier and where this exceeds \$50,000 and the supplier is a corporation, confirmation that a company search has been conducted within the past month and is held on file.
 - Identification of Directors and owners of supplier where a company search has been conducted.
 - Registered Office address where a company search has been conducted.
 - Where the owner or director of any supplier is identified as a Council employee or Councillor, the Chief Executive Officer's authorisation will be required on the new supplier form prior to processing.
 - For suppliers with an estimated annual total purchase value exceeding \$10,000, confirmation that the supplier maintains an updated website.
- ii. Where a supplier is currently listed on the supplier masterfile but has not been paid by Council within the previous 12 months, a new supplier masterfile form will be completed for that supplier in order for the supplier to remain as an active supplier.
- iii. Before any amendment to the trading and entity name (other than the correction of a spelling error) or to the ABN is made to the supplier masterfile, a form will be completed approved in writing by two Council officers. Changes of ABN shall require the addition of a new supplier record rather than the amendment of an existing supplier. Verification with the supplier shall be made prior to any supplier ABN changes. The verification shall be made via an outgoing phone call using an independently verified phone number (i.e., not from the supplier's email request or via information provided from the supplier over the phone).
- iv. A printed audit log of supplier masterfile changes will be reviewed each month by two finance officers who do not have system access to changing the supplier masterfile. All changes that require the completion of a form will be verified back to that form.

j. Tender Declarations

The following are to be included with request for tender documents:

A copy of this policy and plan.

Council contact details to report alleged fraud or corruption.

A declaration form to be completed by tenderers to declare the nature of any conflicts of interest between Council and the company (e.g., relationships with Council staff).

8. DETECTION TECHNIQUES

a. Monitoring of Systems

Council will monitor Council-supplied and maintained hardware and software in terms of location, content and use in order to meet the objectives of this policy. A Council officers without super user access to the financial system will review the audit logs of officers with super user access each month to ensure access to those systems was appropriate.

9. RESPONSE TECHNIQUES

a. Investigation Process

- i. In determining the Chief Executive Officer's obligations to report and/or record alleged or proven fraud and corruption, Council will engage qualified independent investigators where appropriate.
- ii. Where the subject of an investigation is an employee managed in accordance with the relevant State/Federal employment award (Queensland Local Government Industry (Stream A) Award – State 2017), Section 7 of the Award refers to dispute resolution and indicates the process that would be undertaken for any type of dispute with an employee; however, this is not documented in the Fraud Management Policy.
- iii. Council conducts investigations otherwise not addressed in its Investigation Policy (, Administration Actions Policy, Public Interest Disclosure Policy, and Complaints About the Public Official Policy in alignment with the: Managing workplace investigations: A practical guide for the Queensland public sector; and Workplace Investigations (Directive 17/20) Public Service Commission).
- iv. An appropriate Officer will assess the internal controls, systems and processes post detection of a fraud or corruption event.

b. External Reporting

The CEO will:

- i. Refer allegations of suspected corrupt conduct to the Crime and Corruption Commission as required and necessary.
- ii. Ensure the mandatory reporting of any instances of fraud or corruption to relevant agencies such as the Crime and Corruption Commission (pursuant to the Crime and Corruption Act 2001) or Queensland Police (for offences against the Criminal Code Act 1899).
- iii. Maintain a register of the losses due to maladministration and potential fraud and corruption, in alignment with Council's Investigation Policy, and ensure material and reportable losses are reported.

c. Disciplinary Procedures

- i. Refer to Local Government Act 2009 Section 197 for disciplinary action against local government employees.
- ii. Refer to Local Government Regulation 2012:
 - Section 279 When disciplinary action may be taken
 - Section 280 Types of disciplinary action
 - Section 281 Deductions from salary or wages
 - Section 282 Suspension of employees, and
 - Section 283 Employee to be given notice of grounds for disciplinary action.

d. Insurance

Council maintains a fraud insurance coverage policy commensurate with its fraud exposure and reviews the limits and coverage annually.

9. EFFECTIVE FROM

This policy was approved by the Chief Executive Officer and adopted by the Somerset Regional Council at the Ordinary Meeting of 25 November 2015. This policy was last reviewed and amended on 19 December 2024.

Signed

Date: 19 December 2024