

Fraud and Corruption Control Policy

Responsible Service Area: Governance & Performance
Last Updated: July 2024

Purpose

Maroondah City Council is committed to the highest standards of integrity, transparency, and accountability in the conduct of its operations. The Fraud and Corruption Control Policy outlines our approach to preventing, detecting, and responding to protect public resources and maintain public trust.

Fraud and corruption control is an essential component of Council’s risk management framework. It involves both actively identifying and minimising potential opportunities for fraud and corruption activity to occur.,

Scope

This Policy is applicable to Councillors, employees, contractors, sub-contractors, consultants, temporary staff, persons employed through a third-party agency, volunteers and/or any other party engaged in activities on behalf of Maroondah City Council. It is designed to protect public funds and assets; protect the integrity, security and reputation of Council and its employees; and ensure Council can maintain its provision of high-quality services, programs and initiatives to the Maroondah community. Fraud and corruption include, but are not limited to, theft, embezzlement, bribery, and misappropriation of funds.

Objectives

The objectives of this Policy are to minimise or eliminate risks arising from fraudulent and corrupt behaviour and to protect the organisation from the consequences of fraudulent and corrupt activity.

In particular, the Policy seeks to ensure that:

- fraudulent or corrupt activity is prevented.
- conflicts of interest are avoided, or declared and managed, to ensure open and transparent decision making.
- risks associated with fraud and corruption is managed as a priority within Council’s risk management framework; and
- auditing systems are in place to deter and/or identify corrupt activities.

Policy Control Schedule

| | | |
|---|--|---|
| Policy Title: Fraud and Corruption Control Policy | | Policy type: Statutory |
| Current version approved: 15 July 2024 | | Current version number: 5.0 |
| Parent policy: Risk Management Policy | Child policy/policies: Public Interest Disclosure Policy | Policy responsibility: Governance and Performance |
| | | Policy review date: July 2028 |

Policy Statements

- Maroondah City Council has a zero-tolerance approach to fraud and corruption. Council is committed to minimising the incidences and impacts of fraud and corruption through the development, implementation and regular review of fraud prevention, detection and response strategies.
- All Councillors and Council staff have a responsibility for preventing fraud and corruption, as far as it practicable.
- Councillors, as the elected representatives and the decision-making body for the municipality are ultimately responsible for ensuring that obligations under the *Local Government Act 2020* are met and that they comply with specific obligations in the *Councillor Code of Conduct*.
- Council's Senior Management, along with all levels of line management are responsible for the prevention and detection of fraud and corruption and other irregularities that arise and subsequently reporting such occurrences.
- Council employees are expected to always act honestly and with integrity, safeguarding Council's resources for which they are responsible and complying with the Employee Code of Conduct. All employees are expected to report suspected incidents of fraud and corruption. Failure by employees to comply with the Fraud and Corruption Control Policy may result in disciplinary action in accordance with Council's Discipline Policy.
- Council believes that an emphasis on fraud prevention will lead to a reduction in opportunities for waste, abuse and mismanagement of resources.

Policy Implementation

Council's approach to fraud and corruption control involves a range of prevention, awareness, detection, reporting, investigation and appropriate activities.

Fraud Prevention

Council asserts that an emphasis on fraud prevention will lead to a reduction in the opportunities for wastage, abuse and mismanagement of resources.

Council will implement measures to prevent fraud and corruption, including but not limited to:

- **Acknowledging risk** - Fraud and corruption are recognised as serious threats to the effective operations and integrity of Council. Fraudulent activity can result in significant financial loss and reputational damage to Council.
- **Promoting ethical culture and work practices** - Council will seek to foster a culture and implement work practices that display behaviour and decision making consistent with Council's values, which is ethical, and which actively discourages dishonest or fraudulent behaviour.
- **Transparent decision making** - An environment will be created where systems, standards and procedures are clear and are therefore not open to exploitation. Decision making processes will be as open and transparent as possible.
- **Maintaining internal controls** - Internal controls, processes and procedures will be well documented, reviewed regularly and understood by all employees. Examples include pre-employment checks, supplier details, ABN registration checks, and the rotation of employees involved in high-risk processes.
- **Regular risk assessment** - Council will maintain a continuing annual program of risk reviews, internal control reviews (including the segregation of duties) and internal and external audits. Functions with higher fraud potential such as payroll, accounts payable, cash handling and procurement will involve greater scrutiny of controls.
- **Monitoring external risks** - Key employees need to remain actively aware of the fraud environment, emerging trends and influences.

Fraud Awareness

Awareness and education regarding fraudulent activities raises the general level of awareness amongst all employees and makes it clear that such practices will not be tolerated at Council.

Council will implement measures to promote a culture of fraud awareness, including but not limited to:

- **Providing education and training to employees** - Training on fraud prevention, detection, and reporting will be provided to employees at all levels, to ensure they are aware of their responsibilities.
- **Encouraging reporting** - All employees and contractors will report suspected incidents of fraud and corruption. This includes Council establishing and maintaining appropriate channels for the anonymous reporting of concerns.
- **Managing contractors** - The *Fraud and Corruption Control Policy* will be provided to Council contractors through the contract and tendering process.

Fraud Detection

The ongoing implementation of fraud detection techniques is crucial in monitoring operations effectively. Maroondah City Council recognises the importance of promptly identifying instances of fraud after they have taken place. By adopting such an approach, Council aims to minimise the impact of fraudulent activities as well as mitigate potential losses.

Council will implement measures to detect fraud and corruption, including but not limited to:

- Regular monitoring and analysis of financial and operational data
- Implementation of internal controls and segregation of duties
- Conducting regular internal and external audits
- Utilising data analytics and other technological tools to identify anomalies and patterns indicative of fraud.
- Reporting to both internal and to external agencies. This includes Council reports, annual accounts, grant acquittals and information provided to the Australian Taxation Office, Australian Bureau of Statistics, and the Victorian Grants Commission.
- Applying authorisation processes and financial reconciliations that perform post transactional reviews.

As required under the *Audit Act 1994* and the *Local Government Act 2020*, the Victorian Auditor-General's Office (VAGO) is local government's external auditor. VAGO is required to consider the risk of material misstatements in Council's financial statements, (due to fraud) when performing their audit (via the appointed agent). Council's Audit & Risk Committee also take an active role in considering VAGO's Closing Report and Management Letter. VAGO ultimately issue their findings in an Independent Auditor's Report, published in Council's Annual Report.

Fraud Reporting

Procedure for Reporting Suspected Fraud

Any Councillor or employee who has knowledge of an incidence of fraud, or has reason to suspect that fraud has occurred, has a duty to raise that matter as soon as is practicable.

A complaint of suspected fraud may be made by an employee, a Councillor or a member of the public.

If a person is uncertain about making a complaint, they may contact the Coordinator of Corporate Planning, Risk and Information, or the Risk and Integrity Advisor to discuss their concerns.

Verbal complaint

A verbal complaint must be made either in person, by telephone, or through some form of electronic communication to:

- Council's Chief Executive Officer, Manager Governance and Performance, Coordinator of Corporate Planning, Risk and Information, or the Risk and Integrity Advisor.
- A supervisor or Manager, if the matter is internal to Council.

Written complaint:

A written complaint must be emailed to: PID@maroondah.vic.gov.au

Note this email address is solely accessible by the Public Interest Disclosure (PID) Co-ordinator.

Alternative Contacts:

A potential disclosure about improper conduct, or detrimental action engaged in by Council or its employees, may also be made directly to IBAC:

- **IBAC** - *the Independent Broad-based Anti-Corruption Commission* - IBAC can be contacted directly through their website (www.ibac.vic.gov.au). Complaints about suspected fraud by Councillors must be made directly to IBAC.

Councillors and employees should not attempt to investigate the suspected incidence themselves or discuss the matter with anyone else. Complaints can be made anonymously. If a complaint is made anonymously, it is important that it includes sufficient details and evidence to enable the matter to be investigated.

Under the *Public Interest Disclosures Act 2012* (the PID Act), persons can make disclosures to Council and IBAC about improper conduct and detrimental action in relation to the activities and functions of Council. This is encouraged where any person wishes to access the protections afforded by the PID Act. Please refer to Council's *Public Interest Disclosure Policy* for further information.

Procedure for reporting suspected fraud:

Following the receipt of a complaint and if there is sufficient information, based on a reasonable assumption, that fraud or corruption has occurred (or is currently occurring) then Council's Chief Executive Officer, Chief Financial Officer, Manager Governance and Performance, or Coordinator Corporate Planning, Risk and Information must make a report to IBAC.

IBAC may refer the disclosure(s) to the Chief Commissioner of Police, the Ombudsman, or the Victorian Inspectorate. IBAC may also refer a matter back to Council for its own internal investigation and subsequent response.

Investigating misconduct before it has been reported to and assessed by IBAC can prejudice a decision or action by IBAC. Once a matter has been reported to IBAC, no further action should be taken until IBAC has assessed it. Exceptions apply where the action:

- Is necessary to lessen or prevent a serious threat to the life, health, safety or welfare of an individual, or to public health or safety.
- Complies with other legal obligations, such as a duty to report the matter under other legislation.
- Is a criminal offence and the matter needs to be reported to Victoria Police as a criminal offence.

Reporting fraud is a sensitive issue. To affirm the integrity of this function, management will seek to ensure the confidentiality of information passed onto the Chief Executive Officer, Directors, Managers or Auditors. This will be achieved by maintaining the confidentiality of both the complainant and suspect, and by (where possible) avoiding rumours, dealing with morale impacts and the possibility of wilful destruction of evidence. Specific confidentiality obligations apply to Public Interest Disclosures under the PID Act.

Mandatory notification

The mandatory notification of public sector corruption was introduced in December 2016 and is set out in section 57 of the *Independent Broad-based Anti-corruption Commission Act 2011* (the IBAC Act). Under the IBAC Act, 'principal officers' of a Public Sector body must notify IBAC on reasonable grounds, of any matter they suspect is occurring or has occurred, constituting corrupt conduct.

There is no legislative obligation for relevant principal officers to search out corrupt conduct but must report it when suspected. To meet the threshold for notification to IBAC, the conduct must:

1. Be corrupt conduct as defined in section 4 of the IBAC Act;
2. Be an indictable offence, or a prescribed common-law offence committed in Victoria.
3. Lead a reasonable person to suspect that corrupt conduct has occurred or is occurring (reasonable suspicion).

IBAC require notifications of suspected corrupt conduct to be made as soon as practicable after the relevant principal officer has formed a reasonable suspicion that corrupt conduct may have occurred or may be occurring. The Mandatory Notification Form is available on IBAC's website - <https://www.ibac.vic.gov.au/report>

The process is separate from that pertaining to Public Interest Disclosures as they operate under different laws. At times, these two processes may overlap – but they are distinct processes.

Fraud Investigation

Council has established procedures for the prompt and thorough investigation of suspected fraud and corruption activity. Investigations will be conducted in accordance with applicable laws, regulations, and Council's policies.

Depending upon the circumstances and nature of the fraud, an internal investigation may be undertaken, and/or the matter may be referred to an external body such as the Independent Broad-based Anti-Corruption Commission (IBAC), Victoria Police, or the Victorian Ombudsman.

If warranted, civil action may also be undertaken by Council.

Procedure for internal investigations

If the complaint is not considered to be an IBAC reportable matter, or is referred to Council by IBAC, an investigation will be performed by Council in a timely manner.

The objective of the investigation is to:

- Ascertain if an incidence of fraud has been committed (based on reasonable assumptions)
- Identify the responsible person(s) involved.
- Quantify the extent and financial consequences of the fraud to Council.
- Identify how long the fraud has been occurring.
- Review control measures/systems to close the opportunity for similar fraud to occur in the future
- Determine if evidence should be referred to law enforcement or to other integrity agency
- Determine if disciplinary action should be taken

If the matter needs to be taken further, Council's Chief Executive Officer will determine how and by whom further investigation will be conducted and whether Victoria Police or other external assistance (e.g. auditors) is required.

Where an incidence of fraud will result in a material loss, or an estimated loss that can be substantiated, Council may refer the matter to Victorian Police and provide them with the required information. Council reserves the right to seek a civil remedy and recovery action.

Disciplinary Procedures

All disciplinary actions related to Councillors will follow the processes contained in the *Maroondah Councillors Code of Conduct*.

All disciplinary matters regarding employees will be referred to the Manager People and Culture and dealt with in accordance with Council's Discipline Policy (HR06-02).

Recovery of material loss from fraudulent activity

Where an incidence of fraud results in a material loss, or estimated loss that can be substantiated, Council will refer the matter to Victoria Police and provide them with all required information. Council reserves the right to seek civil remedy and recovery action.

Review of internal controls following discovery of fraudulent activity

In each instance where fraud is detected, Council will review the adequacy of the internal control mechanisms in place at that time and implement improvements if required and as soon as is practicable. The review will be undertaken by the relevant Service Area Manager and reviewed by appropriate staff including the relevant Director and the Chief Executive Officer.

Media

No employee, Councillor or any other person associated with Council, will make any public comments in relation to any suspected fraud or corruption, whether proven or otherwise.

The Chief Executive Officer will make all decisions about appropriate communications to a wider audience, such as the media and community.

Roles and responsibilities

The primary responsibility for managing the risk of fraud in the Council rests with Council's senior management (Chief Executive Officer, Directors and Management Group).

Senior management has a commitment to fraud control, prevention and acting in accordance with this Policy when fraud is detected. The effective operation of internal controls measures is critical to fraud control.

Roles and responsibilities relating to fraud and corruption involve the following:

| Role | Responsibilities |
|--------------------------------------|---|
| <i>All employees and Councillors</i> | <p>Are responsible for:</p> <ul style="list-style-type: none"> Understanding and following this Policy. Acting in accordance with all applicable Workplace, People and Culture policies including the Employee Code of Conduct (HR06-06) and any other policies Acting with professionalism in all Council activities. Safeguarding Council assets against theft, misuse or improper use Reporting any suspected incidence of fraud, as outlined within this Policy. |

| Role | Responsibilities |
|---|---|
| <i>Councillors and Corporate Management Team</i> | <p>Are responsible for:</p> <ul style="list-style-type: none"> Helping to ensure the establishment and maintenance of an organisational culture of integrity and compliance. |
| <i>Employees with Supervisory Responsibilities</i> | <p>Are responsible for:</p> <ul style="list-style-type: none"> Implementing this Policy within their own Service Areas Ensuring employee awareness of this Policy Implementing and enforcing internal controls. Monitoring compliance. Reporting suspicious activities. Conducting fraud risk assessments, as part of Council's wider risk management practices |
| <i>Governance and Performance service area</i> | <p>Are responsible for:</p> <ul style="list-style-type: none"> Ensuring awareness of this Policy throughout Council Liaising with internal and external auditors regarding fraud issues Reviewing this Policy on a regular basis Identifying potential areas of risk and work with service areas to implementing fraud control measures |
| <i>Council's risk and integrity function (incorporating associated line management)</i> | <p>Are responsible for:</p> <ul style="list-style-type: none"> Receiving phone calls, emails and letters from members of the public, Councillors or employees of Council seeking to make a disclosure about improper conduct Ensuring Council carries out its responsibilities under the PID Act where a disclosure relates to improper conduct Notifying the IBAC of matters which constitute disclosures about improper conduct in accordance with the PID Act; Establishing and managing confidential records relating to specific matters Collating and publishing statistics regarding disclosures made as required by the PID Act within Council's Annual Report and the quarterly Risk and Insurance Report Taking all reasonable steps to ensure confidentiality of the identity of the person(s) making the disclosure and the content of the disclosure Any other responsibilities as listed in the Public Interest Disclosures Policy |
| <i>Delegates, Volunteers, Contractors and those acting on behalf of Council</i> | <p>Are responsible for:</p> <ul style="list-style-type: none"> Understanding and following this Policy Acting professionally in all Council activities Acting in accordance with all applicable Workplace, People and Culture policies including HR 06-06 Employee Code of Conduct and any other policies Safeguarding Council assets against theft, misuse or improper use Co-operating with requirements of the PID Act. |
| <i>Auditors</i> | <p>Council works with various audit bodies. Their role is not one of specific fraud detection, only to the extent described by the scope of their engagement and Australian Auditing Standards.</p> <p>Internal Auditors: Council's internal audit program is based on assessing risk associated with its various activities, including the Risk Register. Council appoints the auditors, has input into and agrees to their focus through the Audit and Risk Advisory Committee.</p> |

| Role | Responsibilities |
|--------------------------|--|
| Auditors (cont.) | <p>External Auditors:</p> <p>These are appointed by the Victorian Auditor General to audit Council's financial records on an annual basis. The audit procedures include testing of data and systems to detect any misstatements of a financial nature. The external auditors also report to Council on identified risk areas including internal controls.</p> |
| Audit and Risk Committee | <p>The role of the Audit & Risk Committee is to assist Council with independence and objectivity, overseeing the implementation and effectiveness of the Fraud and Corruption Control Policy.</p> |

Definition of key terms

| Term | Description |
|------------------------|--|
| Fraud | <p>As defined in AS 8001-2008:</p> <p>Fraud relates to 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 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. Basically, this is dishonestly obtaining a financial benefit by deception or other means.</p> <p>Fraud may also meet the definition of improper conduct under the Public Interest Disclosures Act 2012 (Vic) (PID Act), in which case it will need to be handled in accordance with the PID Act. Procedures under the PID Act are available on Council's website at www.maroondah.vic.gov.au.</p> <p><i>The terms fraud and corruption are commonly used interchangeably so references to fraud in this Policy cover both fraud and corruption. The definition for both is dishonestly obtaining a financial or personal benefit by deception or other means.</i></p> |
| Corruption | <p>As defined in AS 8001-2008:</p> <p>Corruption relates to dishonest activity in which a director, executive, manager, employee, agent or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust to achieve some personal gain or advantage for him or herself or for another person or entity.</p> <p><i>The terms fraud and corruption are commonly used interchangeably so references to fraud in this Policy cover both fraud and corruption. The definition for both is dishonestly obtaining a financial or personal benefit by deception or other means.</i></p> |
| Corrupt conduct | <p>As defined by section 4 of the IBAC Act 2011, this includes conduct:</p> <ol style="list-style-type: none"> of any person that adversely affects the honest performance by a public officer or public body of his or her or its functions as a public officer or public body; or of a public officer or public body that constitutes or involves the dishonest performance of his or her or its functions as a public officer or public body; or of a public officer or public body that constitutes or involves knowingly or recklessly breaching public trust; or of a public officer or public body that involves the misuse of information or material acquired during the performance of his or her or its official functions as a public officer |

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|---|---|
| | <p>or public body, whether for the benefit of the public officer or public body or any other person; or</p> <p>e) that could constitute a conspiracy or an attempt to engage in any conduct referred to in paragraph (a), (b), (c) or (d), above.</p> <p>f) that would constitute a relevant offence if proven beyond a reasonable doubt.</p> <p>Specified conduct includes conduct:</p> <p>a) that adversely affects the honest performance by a public officer or public body of his or her or its functions as a public officer or public body; or</p> <p>b) of a public officer or public body that constitutes or involves the dishonest performance of functions as a public officer or public body; or</p> <p>c) of a public officer or public body that constitutes knowingly or recklessly breaching public trust; or</p> <p>d) of a public officer or public body that involves the misuse of information or material acquired during the performance of his or her or its functions as a public officer or public body, whether for the benefit of the public officer or public body or any other person; or</p> <p>e) that could constitute a conspiracy or an attempt to engage in any conduct referred to in paragraphs (a) to (d), above; or</p> <p>f) of a public officer or public body in his or her capacity as a public officer or its capacity as a public body that involves substantial:</p> <ul style="list-style-type: none"> i) mismanagement of public resources ii) risk to public health or safety; or iii) risk to the environment. |
| <p>Improper conduct</p> | <p>Defined as:</p> <p>a) corrupt conduct (as defined in section 4 of the IBAC Act 2011 (Vic) and as set out in these key terms</p> <p>b) specified conduct, including as set out below (specified in section 4(2) of the IBAC Act 2011) that is not corrupt conduct but that, if proved, would constitute –</p> <ul style="list-style-type: none"> i) a criminal offence; or ii) reasonable grounds for dismissing or dispensing with, or otherwise terminating, the services of the officer who was, or is, engaged in that conduct. |
| <p>Suspected Corrupt Conduct</p> | <p>As defined by section 4 of the IBAC Act 2011, a type of conduct that:</p> <ul style="list-style-type: none"> - Adversely affects the honest performance of the function of an officer or a public body. - Constitutes or involves the dishonest performance of the function of an officer or a public body. - Constitutes or involves knowingly or recklessly breaching public trust. - Involves the misuse of information or material acquired in the course of the performance of the functions of an officer or a public body. - Is intended to adversely affect the performance of the function or powers of an officer or public body resulting in the person or associate obtaining a specific benefit that they would not have otherwise obtained. |

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|--|---|
| <p>Reasonable Grounds for Suspicion</p> | <p>Means there is a real possibility of corrupt conduct.</p> <ul style="list-style-type: none"> - Suspicion: defined as is a perspective that is less than belief but requires more than idle speculation. - Reasonable: needs to be based on facts and circumstances – information that would make a reasonable person suspect that corrupt conduct has occurred. |
| <p>IBAC</p> | <p>Independent Broad-Based Anti-Corruption Commission</p> <p>The principal objectives and functions of the Independent Broad-Based Anti-Corruption Commission (IBAC) are set out under the <i>Independent Broad-based Anti-Corruption Commission Act 2011 (IBAC Act 2011)</i>.</p> <p>The primary purpose of IBAC is to strengthen the integrity of the Victorian public sector, and to enhance community confidence in public sector accountability. https://www.ibac.vic.gov.au/</p> |

Relationship to the Maroondah 2040 Community Vision

| | |
|----------------------------------|---|
| <p><i>Community Outcome:</i></p> | <p>A well governed and empowered community</p> |
| <p><i>Key Direction:</i></p> | <p>8.1 Provide community inspired governance that is transparent, accessible, inclusive and accountable.</p> <p>8.2 Ensure responsible and sustainable management of Maroondah’s resources, assets, infrastructure and natural environment.</p> |

Related legislation and documents

- Australian Standard AS 8001-2008 Fraud and Corruption Control
- AS ISO 31000:2018 – Risk Management – Guidelines
- Conflict of Interest – A Guide for Council Employees (Published by Local Government Victoria)
- Conflict of Interest – A Guide for Councillors (Published by Local Government Victoria)
- Independent Broad-based Anti-Corruption Commission Act 2011
- Local Government Act 2020
- Local Government (Governance and Integrity) Regulations 2020
- Public Interest Disclosure Act 2012
- Public Interest Disclosure Regulations 2019

Related Council policies, strategies, procedures and guidelines

- Councillor Code of Conduct
- Discipline Policy HR 06-02
- Electronic Communications and Internet Use Policy
- Employee Code of Conduct (HR 06-06)
- Gifts and Benefits Policy - Employees (HR06-06-01)
- Public Interest Disclosures Act Policy
- Public Interest Disclosures Procedure
- Recruitment and Selection Policy (HR 02-01)
- Risk Management Policy
- Risk Management Strategic Plan

Appendices

- Appendix 1 - Examples of Fraud
- Appendix 2 - Risk Matrix
- Appendix 3 - Risk Assessment Steps
- Appendix 4 - Consequence implications by risk type and level
- Appendix 5 - Fraud Risk Assessment - Likelihood
- Appendix 6 - Fraud Risk Assessment - Consequences
- Appendix 7 - Mandatory notifications of corrupt conduct flowchart

Appendix 1 - Examples of Fraud

The following are some common examples of fraud:

- Misappropriation of receipts
- Theft of money or goods from Council or its citizens and customers
- Non recording of revenue
- Withholding of receivable collections
- Falsification of disbursements
- Padding payroll such as claiming unworked overtime and allowances
- Falsifying timesheets, or fictitious accounting for time worked or time in lieu credits
- Payment of personal expenses
- Misuse of petty cash
- Unapproved use of motor vehicles and other Council assets
- Purchasing “kickbacks”. These are typically gained from suppliers to gain business advantage
- False accounting or recording of financial data
- Theft of intellectual property or other confidential information
- Providing Council information to unauthorised people or organisations
- Non-compliance with confidentiality and probity requirements in contract tendering
- Allowing contractors to not fully meet contract requirements
- False or fictitious invoicing
- Unauthorised credit purchase card usage
- Secret commissions
- Insider Trading (buying and selling shares on the basis of information coming into the possession of the perpetrator by his or her position but which is not known to investors generally)
- Misuse or misrepresentation of public office or position within Council
- Creating false documents
- Release or use of misleading or inaccurate information for the purpose of deceiving, misleading, or to hide wrongdoing
- Falsification of identity or qualifications typically used within the recruitment process
- Providing unauthorised services or equipment to a third party
- Acceptance of gifts or other benefits not in accordance with HR06-06-01 Gifts and Benefits – Employees
- False or fictitious authorisation of goods, services, employee time and attendance records.
- Council assets being misused, taken home or borrowed for personal use.
- Using council facilities (indoor and outdoor) and services for private use.
- Taking council or community assets/equipment without permission.

Appendix 2 - Risk Matrix

The matrix below and risk score system assist to determine priority for corrective action.

1. Consider what can go wrong.
2. Determine how bad the outcome would be (i.e. consequence).
3. Determine how likely it is to happen - (i.e. likelihood).
4. Calculate the risk level.

| Likelihood | Consequence | | | | |
|-----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| | Insignificant (1) | Minor (2) | Moderate (3) | Major (4) | Extreme (5) |
| Almost Certain (5) | Moderate (5) | Significant (10) | Significant (15) | High (20) | High (25) |
| Likely (4) | Moderate (4) | Moderate (8) | Significant (12) | Significant (16) | High (20) |
| Possible (3) | Low (3) | Moderate (6) | Significant (9) | Significant (12) | Significant (15) |
| Unlikely (2) | Low (2) | Moderate (4) | Moderate (6) | Moderate (8) | Significant (10) |
| Rare (1) | Low (1) | Low (2) | Low (3) | Moderate (4) | Moderate (5) |

| Consequence Rating Table | | |
|--------------------------|---------------|---|
| 1. | Insignificant | • An event where the impact can be absorbed through business as usual. |
| 2. | Minor | • An event where the consequence can be absorbed but management effort is required to minimise the impact. |
| 3. | Moderate | • An event that can be managed under normal circumstances, however additional resources may be required. |
| 4. | Major | • An event that with proper management can be endured. Additional resources are required and a change in management, processes or system may be required. |
| 5. | Extreme | • An event severe in nature. Could lead to significant restructure of the organisation or a change in the management structure. |

| Likelihood Rating Table | | |
|-------------------------|----------------|---|
| 1. | Rare | Not likely to occur in the next 5 years. <25% chance of occurring. |
| 2. | Unlikely | Could occur at sometime within the next 4 years. 25% chance of occurring. |
| 3. | Possible | May occur at sometime within the next 3 years. 25%-40% chance of occurring. |
| 4. | Likely | Will probably occur at sometime within the next 2 years. >40%-70% chance of occurring. |
| 5. | Almost Certain | Will probably occur at sometime within the next 1 year. >70% chance of occurring |

Appendix 3 - Risk Assessment Steps

This Risk Assessment methodology is the same as used in the development of service area risk profiles.

The Risk and Integrity team can provide support in developing effective controls to treat the risks.

The aim of risk analysis is to:

- assess the **likelihood of it occurring**, and
- the **consequences should it happen**.

Combining these two aspects provides a **Risk Rating**.

| Step | Details | Example 1 | Example 2 | Example 3 |
|--------|---|---|---|---|
| Step 1 | Identify the Risk | <i>Potential for theft of petty cash by counter officers</i> | <i>Potential for collusive practice between supplier and purchasing officer</i> | <i>Potential for systematic & major fraud</i> |
| Step 2 | Analyse Risk LIKELIHOOD and Risk CONSEQUENCE | LIKELY & MODERATE – plenty of access to cash and lots of opportunity | POSSIBLE & MAJOR – good controls, but could happen | ALMOST CERTAIN & MAJOR - controls inadequate for high risk activity |
| Step 3 | Evaluate the Risk using the Risk Matrix | <i>(4,3) SIGNIFICANT (12)</i> | <i>(3,4) SIGNIFICANT (12)</i> | <i>(5,4) HIGH (20)</i> |
| Step 4 | Treat the Risk | <i>Not acceptable: revise controls to bring down to MODERATE or LOW</i> | <i>Not acceptable: revise controls to bring down to MODERATE or LOW</i> | <i>Ensure urgent response with referral to Director / Chief Executive Officer</i> |
| Step 5 | Monitor & review the Risk | <i>Review regularly (fortnightly catch-ups) until risk is reduced to LOW</i> | <i>Review regularly (fortnightly catch-ups) until risk is reduced to LOW</i> | <i>Put in place immediate mitigation controls and review practices</i> |

Appendix 4 - Consequence implications by risk type and level

| Descriptor Level | Insignificant 1 | Minor 2 | Moderate 3 | Major 4 | Catastrophic 5 |
|-----------------------------|--|--|--|--|--|
| Assets | * Insignificant damage to items of community significance | * Repairable damage to items of community significance | * Permanent damage to items of community significance | * Significant permanent damage to items of community significance | * Permanent loss of items of community significance |
| Service Delivery | * Disruption to services less than 4 hours | * Disruption to services between 5 and 24 hours | * Disruption to services between 24 hours and 72 hours | * Disruption to services between 72 hours and one week | * Loss of service greater than one week |
| Reputation | * Minor community issues / complaints * Minor, adverse media attention | * Ongoing community issues / complaints * Attention from media and/or heightened concern by local community | * Ongoing moderate community issues / complaints * Significant adverse public concern or media coverage | * Ongoing major community issues / complaints * Serious adverse public or media coverage | * Permanent damage to reputation |
| Financial | * Negligible or nil financial impact | * Loss less than \$100,000 | * Loss between \$100,000 and \$1,000,000 * Reduction of funding for non-core services | * Loss between \$1,000,000 and \$5,000,000 * Temporary suspension of funding for core services | * Loss more than \$5,000,000 * Unable to fund core services due to significant shortfall in revenue or blowout in expenditure * Insolvency |
| Governance and Legal | * Poor judgement or decision making * Minor error, system failure or deficiency * Minor legal issues | * Negligent decisions or actions * Breaches of policy, minor breach of regulation or licence * Misuse of influence or indiscretion * Threat of legal action | * Intentional action or breach * Serious breach of a regulation * Minor litigation * High threat of serious legal action or serving of legal demand | * Intentional corruption, collusion, deception or embezzlement to obtain financial or personal benefit. * Failures in major obligations not addressed promptly * Breach of regulation and/or major litigation involving Court action | * Criminal act by one or multiple parties * Significant prosecution and fines * Very serious litigation including class actions or criminal charges laid |
| People and Safety | * Minor first aid required * Temporary, minor health impact on employees * Isolated disgruntled employee | * Injury to employee - lost time (up to 10 days) * Low morale and employee investment in Council * Small group of employees not aligned with Council direction | * Injury to employee - lost time (10 days or more) * Employees raise issues on ongoing basis impacting delivery of services | * Serious health impact or permanent injury on multiple employees * Employees take industrial action or common law action against Council | * Single or multiple deaths * Ongoing industrial action by employees |
| Natural Resources | * Negligible impact on biological or physical environment * Negligible pollution / damage | * Short-term impacts but not affecting environmental functions * Contained pollution / damage | * Medium term environmental impacts * Residual pollution / damage requiring clean-up or restoration works | * Long-term environmental impairment of environmental functions * Significant pollution / damage requiring restoration work | * Irreversible pollution or environmental damage |

Appendix 5 - Fraud Risk Assessment - Likelihood

LIKELIHOOD: Use the table to determine a level of likelihood from **A** to **E**, i.e. whether the likelihood is **CERTAIN** or only **RARE**.

| Level | Descriptor | Probability Description | Probability Indicative Frequency | Qualitative Frequency |
|----------|------------|--|---|--|
| A | Certain | <ul style="list-style-type: none"> The event will occur on an annual basis. | <ul style="list-style-type: none"> Once a year or more frequently. More than 1 in 10. | <ul style="list-style-type: none"> Frequent incidents. Strong possibility of recurrence. |
| B | Likely | <ul style="list-style-type: none"> The event has occurred several times or more in your career. | <ul style="list-style-type: none"> Once every three years. Between 1 in 10 and 1 in 100. | <ul style="list-style-type: none"> Incidents recorded on regular basis. Anecdotal evidence indicates medium frequency. Considerable opportunity to occur. |
| C | Possible | <ul style="list-style-type: none"> The event might occur once in your career. | <ul style="list-style-type: none"> Once every ten years. Between 1 in 100 and 1 in 1000. | <ul style="list-style-type: none"> Incidents have occurred infrequently. Some opportunity to occur. |
| D | Unlikely | <ul style="list-style-type: none"> The event does occur somewhere from time to time. | <ul style="list-style-type: none"> Once every thirty years. Between 1 in 1000 and 1 in 10000. | <ul style="list-style-type: none"> Very few recorded or known incidents. Limited opportunity to occur. |
| E | Rare | <ul style="list-style-type: none"> The event will only occur in exceptional circumstances. | <ul style="list-style-type: none"> Once every 100 years. More than 1 in 10,000. | <ul style="list-style-type: none"> No recorded or known incidents. Little opportunity for occurrence. |

Appendix 6 - Fraud Risk Assessment - Consequences

CONSEQUENCES: Use the table to determine a level of consequence from **5** to **1**, i.e. whether it would be **CATASTROPHIC** or only **INSIGNIFICANT**.

| Level | Descriptor | Financial (If outcomes result in impact on budget or ability to deliver programs) | Ethical/People (Behaviour) | Governance (Failure of governance systems, knowledge & application of policy, statutory obligations & reporting processes) | Legal (If actions or failures result in prosecution or litigation by regulators or public) | Community / Government / Public Image & Reputation / Media (Impact on or perception of stakeholders resulting from Council activities) | Definition |
|----------|---------------|---|--|---|---|--|--|
| 5 | Catastrophic | <ul style="list-style-type: none"> Loss in excess of \$50,000 Unable to fund core programs due to significant loss Removal of significant Government funding | <ul style="list-style-type: none"> Criminal act by one or multiple parties | <ul style="list-style-type: none"> Systematic fraud/illegal activities – integrity undermined failure to address systematic failure in key services/obligations/financial management Lodge Crime Policy insurance claim | <ul style="list-style-type: none"> Major breach of legislation and/or major civil law suit and/or criminal charges laid against Council or individual employee Significant prosecution and fines | <ul style="list-style-type: none"> Serious adverse national public or media outcry Government action and/or intervention Substantial reputational damage to Council | <ul style="list-style-type: none"> Provides a very high exposure to fraud |
| 4 | Major | <ul style="list-style-type: none"> Loss less than \$50,000 Impact to service delivery | <ul style="list-style-type: none"> Intentional corruption, collusion, deception or embezzlement to obtain financial or personal benefit | <ul style="list-style-type: none"> Significant monetary loss or increase in incidence of medium monetary loss Failures in major obligations/financial management not addressed promptly Notify Crime Policy insurer (policy excess \$10,000) | <ul style="list-style-type: none"> Major breach of regulation Major litigation involving Court action against Council and/or individual Referral to Police Ombudsman investigation | <ul style="list-style-type: none"> Serious adverse national public or media outcry Government interest | <ul style="list-style-type: none"> Provides a high opportunity for fraudulent activity |
| 3 | Moderate | <ul style="list-style-type: none"> Loss less than \$10,000 | <ul style="list-style-type: none"> Intentional action or breach Exceptional circumstances influenced action | <ul style="list-style-type: none"> Serious non compliance which could lead to fraud Governance structures unable to oversee some issues (but main priorities covered) | <ul style="list-style-type: none"> Serious breach of regulation Investigation or report to authority leading to possible prosecution and / or moderate fine High threat of legal action or serving of legal demand | <ul style="list-style-type: none"> Significant adverse public concern or media coverage | <ul style="list-style-type: none"> Provides a moderate opportunity for fraudulent activity |
| 2 | Minor | <ul style="list-style-type: none"> Loss less than \$5,000 | <ul style="list-style-type: none"> Compromise to Council values Use of influence Negligent/poor decisions or actions | <ul style="list-style-type: none"> Isolated low value non compliance or indiscretion Minor delay in governance oversight Corrected by applying Fraud & Corruption Control policy | <ul style="list-style-type: none"> Breaches of policy, minor breach of regulation or licence Threat of Legal action | <ul style="list-style-type: none"> Attention from media and / or heightened concern by local community | <ul style="list-style-type: none"> Provides a low level of opportunity for fraudulent activity |
| 1 | Insignificant | <ul style="list-style-type: none"> Negligent or nil financial impact | <ul style="list-style-type: none"> Poor judgement or decision making Ignorance or historical practice High workload – compromise to due process | <ul style="list-style-type: none"> Minor error, system failure or deficiency Not best practice | <ul style="list-style-type: none"> Minor complaint/incident resolved by management | <ul style="list-style-type: none"> Issue resolved by day to day management process | <ul style="list-style-type: none"> Provides no apparent opportunity for fraudulent activity |

Appendix 7 - Mandatory notifications of corrupt conduct flowchart

The flowchart below is to be used in determining whether conduct should be notified to IBAC as a matter of suspected corrupt conduct.

Directions for making mandatory notifications of suspected corruption

The corrupt conduct decision-making process

