Fraud and Corruption Prevention Policy

June 2022

City of Newcastle
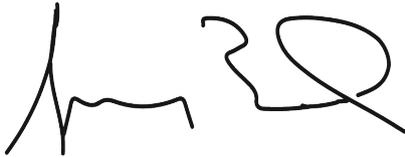
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MESSAGE FROM THE CEO

Our community is entitled to expect each of us to act with integrity and to protect resources, information, revenues, reputation and the public interest. The City of Newcastle (CN) is committed to an honest and ethical environment and has a zero-tolerance approach to Fraud and Corruption. Fraud and Corruption are incompatible with our values and present a risk to the achievement of our objectives and the provision of our services to the community

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Jeremy Bath, Chief Executive Officer

Date: 16 June 2022

INTRODUCTION

1. Purpose

1.1 The purpose of this Policy is to:

    a) Outline CN's approach to controlling Fraud and Corruption risk;

    b) Provide guidance on Fraud and Corruption management activities at CN; and

    c) Set a framework to prevent, detect, and respond to Fraud and Corruption.

2. Scope

2.1 This Policy applies to all Councillors and CN staff.

2.2 Reports of wrongdoing that do not amount to Fraud and Corruption may be dealt with in accordance with CN's Codes of Conduct and any other relevant policies and procedures.

2.3 CN's approach to Fraud and Corruption prevention aligns with:

    a) the Audit Office of New South Wales's sample Fraud Control Policy which contains the 'ten attributes of Fraud control'; and

    b) The Australian Standards on Fraud and Corruption Control (AS 8001-2021).

3. Principles

3.1 CN commits itself to the following principles:

    a) **Awareness** – ensuring staff are aware of their responsibilities and obligations outlined in this Policy as well as the Codes of Conduct, the Public Interest Disclosures (Internal Reporting) Policy and related policies.

    b) **Confidentiality** – treating all reports of alleged Fraud and Corruption with confidentiality, care and support.

    c) **Detection and investigation** – investigating and taking appropriate action where Fraud and Corruption is detected, based on the principles of independence, objectivity and justice.

    d) **Ethical conduct** – consistent with CN's Codes of Conduct, which set out acceptable standards of ethical behaviour.

    e) **Integrity** – encouraging the highest level of integrity in our organisation.

    f) **Prevention** – ensuring that policies, procedures, processes and systems are resourced to minimise the opportunity for fraudulent or corrupt activities by Councillors, staff or third parties doing business with CN.

    g) **Risk management** – aligning with CN's Enterprise Risk Management Framework including identifying, managing, and reducing Fraud and Corruption risks

    h) **Transparency** – in the approach CN takes to Fraud and Corruption prevention.

    i) **Zero Tolerance** – promoting an organisational culture that will not tolerate any act of Fraud or Corruption.

TEN ATTRIBUTES OF FRAUD AND CORRUPTION PREVENTION

4. Attribute 1: Leadership

4.1   This Policy sets out the commitment of CN to be an organisation free from Fraud and Corruption. This Policy is a key component of CN's Corruption Prevention Framework.

4.2   The commitment of CN's CEO and Leadership Team to Fraud and Corruption control is demonstrated through:

a)   the adoption of this Policy;

b)   their continued efforts to increase awareness of Fraud and Corruption prevention throughout CN;

c)   the ongoing monitoring of Fraud and Corruption risks and controls.

Note: specific responsibilities of the CEO, Directors and Service Unit Managers are detailed in Section 6 of this Policy.

5. Attribute 2: Ethical Framework

5.1   CN's approach to corporate governance includes a number of frameworks that collectively commit the organisation to high standards of ethical behaviour.

5.2   CN's Ethical Framework includes:

a)   CN's Codes of Conduct are adopted from the Office of Local Government Model Codes of Conduct for Local Councils in NSW and incorporate provisions relating to;

    i.   Gifts and Benefits
    ii.   Conflicts of Interest
    iii.   Disclosures of Interest and other matters in written returns

b)   Delegations and Authorisations

    i.   Legislative delegations and policy authorisations
    ii.   Financial authorisations
    iii.   Legislative authorisations and appointment of authorised officers

5.3   CN's Corruption Prevention Framework includes:

a)   Fraud and Corruption Prevention Policy

b)   Fraud and Corruption Control Plan

c)   Fraud Risk Register

d)   Public Interest Disclosures (Internal Reporting) Policy

e)   Training and awareness

6. Attribute 3: Responsibility Structures

Chief Executive Officer

6.1   The Chief Executive Officer (CEO) is responsible for:

a)   Ensuring the Corruption Prevention Framework is regularly evaluated, effectively implemented and adequately resourced.

b)   Reporting any matter to the Independent Commission Against Corruption (ICAC) where there is a reasonable suspicion of Corruption, in accordance with the *ICAC Act* 1988 (NSW).

c)   Promoting an ethical work culture.

d)   Ensuring Councillors and staff are made aware of CN's Fraud and Corruption risks and prevention systems.

Manager Legal

6.2   The Manager Legal is responsible for:

a) Maintaining, regularly reviewing and evaluating the Corruption Prevention Framework.

b) Overseeing the Fraud and Corruption Control Plan.

c) Ensuring quality investigative processes and reports (utilising appropriate internal and/or external resources).

d) Working in collaboration with People and Culture on the provision of regular training and development in Fraud and Corruption prevention, and investigation for relevant staff.

e) Assessing the awareness and understanding of Councillors and staff in relation to Fraud and Corruption prevention and reporting.

Legal Service Unit

6.3   The Legal Service Unit is responsible for:

a) Reporting to the GREC on the implementation of the Fraud and Corruption Control Plan, as required.

b) Reporting to the Audit and Risk Committee where instances of Fraud and Corruption have been investigated and finalised.

c) Communicating and raising awareness about Fraud and Corruption to Councillors and staff.

Directors

6.4   Directors are responsible for:

a) Maintaining the strategic focus of CN's Corruption Prevention Framework, by setting control priorities in CN's Fraud and Corruption Control Plan.

b) Ensuring the Corruption Prevention Framework (including the Fraud and Corruption Control Plan) is effectively implemented and communicated within their area of responsibility.

c) Ensuring relevant risks captured in the Fraud Risk Register are reviewed regularly.

d) Maintaining an awareness of CN's Fraud and Corruption exposures.

Service Unit Managers

6.5   Service Unit Managers are responsible for:

a) Increasing awareness by communicating and implementing the Corruption Prevention Framework to staff.

b) Ensuring staff attend relevant training, as required.

c) Leading a culture of ethical behaviour that is reflective of CN values.

d) Encouraging the reporting of genuine instances of suspected Fraud and Corruption in accordance with CN's Public Interest Disclosures (Internal Reporting) Policy, including promptly reporting Fraud and Corruption matters that come to their attention.

e) Ensuring Fraud and Corruption risks within their area are effectively managed and updated as required on the Fraud Risk Register.

f) Undertaking a Fraud and Corruption risk assessment at least every two years, or more frequently as required.

Director People and Culture

6.6   The Director People and Culture is responsible for:

a) Ensuring appropriate action is taken in all instances of Fraud and Corruption by CN staff identified as a result of investigations, in consultation with the Manager Legal, in accordance with the Award and other relevant policies.

b) Working in collaboration with Legal, establishing the framework for training staff in awareness of Fraud and Corruption prevention.

Chief Information Security Officer

6.7 The Chief Information Security Officer is responsible for managing Fraud risks related to the Information Security Management System.

Councillors and staff

6.8 All Councillors and staff are responsible for:

a) Performing their functions and duties in a professional and ethical manner, with care, diligence, honesty, integrity and in accordance with this policy, CN's Codes of Conduct and values.

b) Acting within their authority in including delegated and financial authority in the case of staff.

c) Reporting genuine instances of suspected Fraud and Corruption in all circumstances.

d) Co-operating, participating and maintaining confidentiality in any Fraud and Corruption investigation.

e) Completing relevant training when required.

f) Ensuring that the community, customers and suppliers are aware that CN will not tolerate fraudulent or corrupt behaviour. Ensuring all are acting in accordance with the Procurement Policy and associated procedures.

Internal Audit

6.9 The Internal Audit function focuses on independently evaluating and improving the effectiveness of risk management, control and governance processes across CN.

6.10 While the primary responsibility for the identification of Fraud and Corruption rests with senior management, the internal audit function is responsible for:

a) Examining the adequacy of CN's internal controls over high-risk processes and evaluating the potential for Fraud and Corruption to occur.

b) Investigating low to medium-risk processes not subject to the Internal Audit Program to determine the potential for Fraud to occur.

c) Making recommendations to improve CN's processes, to mitigate the risk of Fraud and Corruption.

d) Providing Corruption prevention and probity advice, as required.

e) Undertaking specific investigations where required.

Governance and Risk (Executive) Committee (GREC)

6.11 The GREC provides oversight of CN's Corruption Prevention Framework.

Audit and Risk Committee

6.12 The Audit and Risk Committee:

a) Provides independent oversight and monitoring of the governance, risk and Fraud and Corruption control frameworks, and external compliance requirements.

b) Reviews and advises (annually or as needed) CN's Fraud Risk Register, Fraud and Corruption Control Plan and internal audit plan for the effective identification and investigation of Fraud and Corruption.

c) Reviews and advises the adequacy and effectiveness of the Fraud and Corruption prevention framework and activities, including whether CN has appropriate processes and systems in place to capture and effectively investigate Fraud related information.

d) Receives reports on outcomes of Fraud and Corruption investigations including risks and controls identified and implemented.

Contractors to CN

6.13 Contractors to CN must comply with CN's Statement of Business Ethics which provides:

Prevention of Corruption: Council is committed to high ethical standards and it is the responsibility of Councillors and staff, as well as Council suppliers and contractors, to not only act honestly but also report any instances of possible Corruption, maladministration or illegal activities.

<u>Community, volunteers and third parties</u>

6.14 Volunteers and members of the public are encouraged to report Fraud and Corruption by Councillors and staff or contractors engaged by CN to CN.

7. Attribute 4: Fraud Control Policy

7.1 This Policy is adopted by the CEO and is consistent with the Audit Office of New South Wales' sample Fraud and Corruption control policy and the Australian Standards on Fraud and Corruption Control (AS 8001-2021).

8. Attribute 5: Prevention Systems

<u>Corruption Prevention Framework</u>

8.1 CN's Corruption Prevention Framework is set out at section 5.3 of this Policy.

8.2 Councillors and staff are required to comply with relevant CN policies and procedures to prevent and foster an environment free from Fraud and Corruption.

<u>Fraud and Corruption Control Plan</u>

8.3 CN's Fraud and Corruption Control Plan aligns with the recommended Corruption control activities of the NSW Audit Office.

8.4 The Fraud and Corruption Control Plan details:

   a) actions CN proposes to take to prevent Fraud and Corruption;

   b) responsibilities and timeframes for actions.

8.5 The Fraud and Corruption Control Plan will be reviewed every two years or following the identification of new or emerging risks.

<u>Fraud Risk Register</u>

8.6 CN maintains a Fraud Risk Register as part of its Enterprise Risk Management Framework.

<u>Enterprise Risk Management Framework and three lines</u>

8.7 CN's Enterprise Risk Management Framework applies to the management of Fraud and Corruption risks.

8.8 This Policy provides guidance to the first line against Fraud and Corruption risks. The first line includes operational management and the role of all Councillors and staff.

8.9 The second line is reporting, investigation and response.

8.10 The third line is internal audit.

9. Attribute 6: Fraud Awareness

9.1 CN maintains training and awareness strategies to ensure staff understand the standards of behaviour required of them in accordance with this Policy and CN's Codes of Conduct, and how to report suspected Fraud and Corruption in accordance with CN's Public Interest Disclosures (Internal Reporting) Policy.

9.2 CN will regularly review communication and awareness strategies regarding Fraud and Corruption prevention and reporting.

10. Attribute 7: Third Party Management Systems

10.1 CN ensures that its customers, ratepayers, community and suppliers are:

   a) aware that CN will not tolerate corrupt behaviour in its dealings, and that such behaviour should be reported;

b) informed of our expectations in our dealings through our Statement of Business Ethics; and

c) aware that our suppliers will be assessed prior to engagement, in line with relevant procedures.

10.2 CN will maintain specific internal controls relating to third parties, such as the segregation of duties, to manage our dealings with third parties.

10.3 CN's conflict of interest disclosures and secondary employment disclosures assist CN's management of third parties.

11. Attribute 8: Notification Systems

11.1 CN requires staff and encourages all Councillors and staff to report known or suspected Fraud and Corruption or unethical behaviour.

11.2 Councillors and staff should report suspected wrongdoing or suspected Fraud and Corruption through the Public Interest Disclosures (Internal Reporting) Policy or the Codes of Conduct.

11.3 If a member of the public suspects fraudulent conduct at CN, they may report it in writing to addressed to the CEO, Lord Mayor (where the CEO is suspected to have engaged in Fraud or Corruption) or the ICAC.

12. Attribute 9: Detection Systems

Review of controls and processes

12.1 CN will review proposed actions in its Fraud and Corruption Control Plan and ensure improvements are implemented where necessary.

12.2 The CEO will report outcomes of Fraud and Corruption investigations and proposed improvements to the Audit and Risk Committee.

12.3 CN will ensure all appropriate claims (including insurance and civil action) are made to mitigate CN's losses.

12.4 CN maintains effective record keeping systems to demonstrate due process for all actions and decisions arising out of the implementation of this Policy, and in line with the *State Records Act 1998* (NSW) and CN's Records Management Policy.

Internal Audit Program

12.5 CN maintains a regular and targeted internal audit program incorporating Fraud and Corruption prevention, determined by the CEO in consultation with the Executive Leadership Team, Internal Audit and the Audit and Risk Committee.

13. Attribute 10: Investigation Systems

Investigation

13.1 Where CN receives information or the CEO suspects Fraud or Corruption has occurred at CN, the following actions will be taken:

a) Prompt investigation of the matter under the appropriate policy, (this may involve the use of both internal and external resources);

b) A report to the ICAC (in accordance with section 11 of the *ICAC Act* 1988) and the NSW Police, where appropriate.

13.2 Investigations will be undertaken in accordance with CN's Investigation Policy and Procedure (currently in development).

Response

13.3 Where an instance of Fraud or Corruption has been established through an investigative process, the following may occur:

a) Disciplinary action as appropriate where the Fraud or Corruption was committed by a staff member. All disciplinary action will be in accordance with the City of Newcastle Enterprise Agreement, Codes of Conduct and Procedures for the Administration of the Codes of Conduct,

and/or relevant contracts of engagement as applicable. This may result in termination of employment.

    b)   Outcomes of Fraud and Corruption investigations relating to CN Councillors may be referred under the Procedures for the Administration of the Code of Conduct.

    c)   Termination of contract/prosecution by NSW Police and/or civil action.

13.4   CN will take a consistent approach to the outcome of all investigations.

ANNEXURE A - DEFINITIONS

CEO means the Chief Executive Officer of the City of Newcastle and includes their delegate or authorised representative.

References to the CEO are references to the General Manager appointed under the Local Government Act 1993 (NSW).

City of Newcastle (CN) means Newcastle City Council.

Codes of Conduct means the Code of Conduct for Councillors, Code of Conduct for Staff, or Code of Conduct for Council Committee Members, Delegates of Council and Council Advisors as is relevant to the individual concerned.

Council means the elected Council.

Corruption means dishonest activity in which a person associated with an organisation acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation.

Examples of Corruption can include:

- Releasing confidential information for other than a proper business purpose
- Collusive tendering (the act of multiple tenderers for a particular contract colluding in preparation of their bids)
- Serious conflict of interest involving a director or senior executive of an entity acting in their own self-interest rather than the interests of the entity to which they have been appointed
- Serious nepotism and cronyism where the appointee is inadequately qualified to perform the role to which they have been appointed
- Gifts or entertainment intended to achieve a specific or generic commercial outcome, that is not managed in accordance with CN's approach to managing gifts and benefits.

Leadership Team means the CEO, Directors, and Service Unit Managers.

Fraud means dishonest activity causing actual or potential gain or loss to any person or organisation including theft of monies or other property where deception is used at the time, immediately before, during or following the activity.

Examples of Fraud, include but are not limited to:

- Theft of plant or equipment
- False invoicing (creation of a fictitious invoice claiming payment for goods or services)
- Theft of funds or cash
- Unauthorised use of corporate credit card
- False information entered on timesheets.

GREC means the Governance and Risk (Executive) Committee.

ICAC means the Independent Commission Against Corruption.

Unless stated otherwise, a reference to a section or clause is a reference to a section or clause of this Policy.

ANNEXURE B - POLICY AUTHORISATIONS

Title of Authorisation	Description of Authorisation	Position Title and Number
Nil.		

DOCUMENT CONTROL

Policy title	Fraud and Corruption Prevention Policy
Policy owner	Chief Executive Officer
Policy expert/writer	Manager Legal
Prepared by	Legal
Approved by	CEO
Date approved	16/06/2022
Policy approval form reference	ECM# 7422867
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Version #	Version number 1
Category	Governance
Keywords	Fraud, Corruption, prevention, reporting, bribery
Details of previous versions	Fraud and Corruption Control Strategy (ECM: 4852681)
Relevant legislation/codes (reference specific sections)	This Policy supports CN's compliance with the following legislation: • *Independent Commission Against Corruption Act* 1988 (NSW) s11 • Australian Standard on Fraud and Corruption Control (AS 8001-2021) • *Local Government Act 1993* (NSW) s428A
Other related documents	Public Interest Disclosures (Internal Reporting) Policy Codes of Conduct Enterprise Risk Management Policy and Guideline Procurement Policy Cyber Security Policy Audit Office NSW Fraud and Corruption Control Policy ICAC Advice on developing a Fraud and Corruption control policy Draft Guidelines for Risk Management and Internal Audit Framework for Local Councils in NSW
Related forms	Nil.
Required on website	Yes
Authorisations	Refer to functions authorised under this Policy at Annexure B.