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Purpose

To state Burwood Council’s commitment to the prevention of fraud and corruption and to outline the methodology to deter and detect fraudulent behaviour and corrupt conduct.

Scope

Applies to Councillors, Council Officers, volunteers, consultants and contractors.

Policy Statement

Burwood Council will not tolerate fraudulent and corrupt conduct by its Councillors and Council Officers or by any contractor, consultant or volunteer.

Burwood Council is committed to the:

- development and maintenance of a sound ethical culture supported by appropriate policies, procedures and strategies that prevent fraudulent and corrupt behaviour
- regular conduct and review of fraud and corruption risk assessments to identify circumstances in which fraud and corruption could occur
- implementation of fraud and corruption prevention and mitigation procedures in day to day operations
- use of formal procedures for the investigation of allegations of corrupt and fraudulent behaviour
- maintenance of processes and procedures that encourage all business dealings with tenderers, suppliers, consultants and contractors are conducted in an ethical manner
- ongoing education and training of all Council officers and elected members in relation to their obligations in combating dishonest and fraudulent behaviour

Definitions

**Fraud** – “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 whether or not deception is used at the time, immediately before or immediately 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.” As defined in Australian Standard AS 8001-2003.

**Corruption** – corruption and corrupt conduct are defined in the ICAC Act 1988 (Sect 7, 8, 9) as:

- conduct of a person (whether or not a public official) that adversely affects, or could affect the honest and impartial exercise of public official functions, or
- conduct of a public official that involves the dishonest or partial exercise of any of his or her public official functions, or
- a breach of public trust, or
- the misuse of information or material acquired in the course of a public official’s functions

Additionally, corrupt conduct can also be the conduct of any person (whether or not a public official) that adversely affects or could affect the exercise of official functions and involves conduct such as bribery, blackmail, fraud, forgery and various other crimes.

For conduct to be corrupt it must be covered by one of the conditions above and also any one of the following:

- a criminal offence
Fraud and Corruption Prevention Policy

- a disciplinary offence
- a situation where there are reasonable grounds for dismissal or dispensing or terminating the Councillor or a public official

Responsibilities

Councillors

Councillors are responsible for:

- raising community awareness of the Council’s commitment to fraud and corruption prevention
- promoting awareness and compliance with Council’s Code of Conduct
- supporting the General Manager in the implementation of adequate prevention measures for fraud and corruption
- reporting all instances of suspected or actual fraud or corrupt conduct in accordance with Council’s Code of Conduct and Internal Reporting Policy

General Manager

The General Manager is responsible for the proper management of Council resources and the development and implementation of systems and practices to minimise the risk of fraud and corruption, including:

- reporting actual or suspected corrupt conduct to the Independent Commission Against Corruption (ICAC) as per Section 11 of the ICAC Act 1988
- reporting criminal offences to the NSW Police Force
- requiring Councillors and Council Officers to prevent and minimise fraud and corruption by focussing on ethical behaviour, good practice and sound internal controls
- arranging regular fraud and corruption awareness training courses for Councillors and Council Officers
- promoting a workplace culture and environment in which fraud and corruption is actively discouraged and is readily reported should it occur
- undertaking and reviewing a fraud and corruption risk assessment on a regular basis

Executive Members and Managers

Executive Members and Managers have the following responsibilities, in addition to their responsibilities as Council Officers:

- taking a leadership role in promoting ethical behaviour within the Council
- ensuring that employees within their area of responsibility receive appropriate fraud and corruption awareness training and understand the Council’s Code of Conduct
- providing ethical advice and support to staff
- ensuring that appropriate internal controls are in place to minimise fraud and corruption risks
- ensuring that internal controls are operating effectively
- identifying and managing potential fraud and corruption risks within their area of responsibility
- taking reasonable steps to require that Council contractors who report to them comply with this Policy to the extent that it is relevant to their contractual arrangements and adhere to the ethical standards described in this Policy

Internal Ombudsman

The Internal Ombudsman is responsible for the education and prevention of fraud and corruption, and is Council’s Disclosures Coordinator for the purposes of Council’s Public Interest Disclosures Act 1994 – Internal Reporting Policy.
The Internal Ombudsman may investigate matters and report on them in accordance with Council’s Internal Ombudsman Policy.

**Council Officers**

All Council Officers are responsible for:

- performing their functions and duties with skill, care, diligence, honesty, integrity and impartiality
- being aware of their individual responsibilities under this Policy
- complying with the requirements of this Policy and legislative requirements to not participate in fraudulent and corrupt behaviour
- reporting in accordance with this Policy any suspicion of fraudulent and corrupt behaviour

**Contractors, Consultants, Applicants and Suppliers**

Burwood Council requires all contractors, consultant, applicants, suppliers of good and services, owners and applicants of development applications and anyone doing business with Council, to observe Council’s Statement of Business Ethics and the following principles:

- act ethically and honestly in all dealings with Council
- declare actual or perceived conflicts of interests as soon as the conflict becomes apparent
- comply with Council’s procurement policies and procedures
- provide accurate and reliable information when required
- take all reasonable measures to prevent disclosure of confidential Council information

**Members of the Public**

Burwood Council invites customers and residents to support its commitment to preventing and addressing fraudulent and corrupt behaviour.

If a customer or a resident suspect fraud or corruption that involves Council, they should report their suspicions to any of the following:

- Council’s General Manager
- Council’s Internal Ombudsman
- The Independent Commission Against Corruption (in the case of allegations of fraud and corruption)
- The NSW Division of Local Government (in the case of allegations relating to pecuniary interests)
- NSW Police Force (in the case of allegations relating to criminal activity)
- NSW Electoral Commission (in the case of allegations relating to election fraud)

**Fraud and Corruption Risk Assessment Process**

Council’s main objective is to minimise the occurrence of fraud and corruption within the Council. This objective can be achieved by:

- identifying fraud and corruption risks
- determining strategies to control those risks
- defining responsibility for and the time frame within which the strategies will be implemented

Council’s Internal Ombudsman will instigate a review of the Council’s fraud and corruption risks and control strategies at least once every three years. The review may be undertaken by a third party independent of Council.

Regular internal audits are also undertaken to detect fraud and corruption.
Examples of Potential Fraudulent and Corrupt Activity

Theft

The most common types of property stolen include:

- stationery and office supplies
- construction and maintenance equipment and tools
- laptop computers
- mobile phones
- technical equipment
- cash
- intellectual property, including documents and data

Theft also includes the unauthorised use of credit cards, petrol cards, Cabcharge cards or vouchers.

Gifts, Benefits and Bribes

Gifts, benefits and bribes are usually intended to influence the way the recipient carries out official functions. The intention may be to encourage the recipient to not look too closely at an illegal or unauthorised activity, or to actively participate in a fraudulent or corrupt activity.

Exposure to offers of gifts, benefits or bribes is particularly common for Council Officers who:

- approve or can influence decisions
- procure goods or services
- carry out regulatory work
- provide customer or client service
- carry out work with the private sector

Misuse of Council Resources for Inappropriate Private Purposes

In their publication “Preventing the misuse of Council Resources Guideline 2”, the ICAC provide a number of examples of this type of risk:

- a Council driver using a Council truck to deliver tonnes of gravel to a friend’s property and remove a tree
- a works team undertakes paid work for a builder on a construction site during working hours
- a swimming pool manager running a non-authorised swimming school during work hours
- a parks maintenance officer running a landscaping business using council equipment and materials, and falsifying timesheets to cover up his private use
- five council employees spend a work day turfing an employee’s backyard

Other forms or misuse include:

- staff using mobile phones excessively for private purposes without reimbursement of costs
- internet services being used extensively for non-work purposes
- “left-over” materials and low value assets being claimed by Council Officers

Zoning and Development

- coercion, intimidation and harassment of Council planners dealing with development applications
- inducements from developers to modify approved DA or conditions imposed
Regulatory Compliance

- Compliance Officers accepting bribes and favours to allow illegal and unauthorised activities

Procurement, Tendering and Contract Management

Activities associated with procurement, tendering and contract management have traditionally been very susceptible to fraud and corruption. They normally result from bribes, commissions or conflicts of interests. Examples of the type of fraud and corruption risk exposures include:

- order splitting to avoid tendering or obtaining quotes
- collusion with suppliers to provide dummy quotes
- accepting late tenders without justification
- approving fraudulent contract variations

Conflicts of Interest

A conflict of interest can be pecuniary and non-pecuniary (see Council’s Code of Conduct) and risk exposure can include:

- Councillors pressured by key local constituents
- regular contact between Council Officers and developers that leads to personal relationships
- Council use of consultants who may have conflicts of interest with external parties that they are negotiating with, regulating or investigating

Human Resources

- creation of fictitious employees on the payroll register
- applicants for positions falsifying career background details
- direct recruitment of friends and relatives to permanent and casual positions

Delegations

- unclear delegations
- delegation for order and payment granted to same person
- lack of supporting documentation

Information Technology

The main risk areas of computer fraud are:

- unauthorised electronic transfer of funds
- electronic claims processing
- unauthorised alteration of input data
- misappropriation, destruction or suppression of output data
- alteration of computerised data
- alteration or misuse of software program

Forgery or Falsification or Records to Originate or Conceal a Fraud

The falsification of records and processing of a false statement is fraud. Examples include falsification of:

- data on expense claims and receipts
- credit card reimbursement claims
- invoices and timesheets
- job application forms
- leave records
- forgery of a signature on a cheque or document

**Unauthorised Sale or Provision of Information**

This risk involves unauthorised sale or provision of confidential information, including client information.

**Conduct and Discipline**

Councillors and Council Officers must carefully read, understand and observe the Code of Conduct.

Fraud or corruption is unacceptable and offenders will face disciplinary action in accordance with Council’s Code of Conduct.

Council may seek criminal prosecution for any fraud or corruption.

Council may institute civil or administrative legal proceedings in respect of fraud or corruption, as considered appropriate by the General Manager or the Internal Ombudsman.

**Implementation**

**Fraud and Corruption Prevention Training**

Burwood Council acknowledges that a high level of awareness amongst all Councillors and Council Officers of fraud and corruption issues is an essential element in the identification and prevention of such behaviours. Awareness training will be implemented through the following programs:

- Induction Program for all new employees to include awareness training on this Policy and the Code of Conduct
- Induction Program for new Councillors to include awareness training on this Policy and the Code of Conduct
- training in fraud and corruption prevention is undertaken on a regular basis
- distribution of fraud and corruption prevention information through management meetings, newsletters and other internal publications
- appropriate Council Officers to take active participation in the fraud and corruption risk assessment reviews and other audit activities regularly undertaken by the Council’s internal and external auditors
- Regular mandatory training of Councillors and Council Officers on the Code of Conduct

**Fraud and Corruption Mitigation Practices and Procedures**

Burwood Council recognises that appropriate policies and procedures must be implemented to regulate and enable monitoring of particular areas of activity. These include:

**Risk Management**

- Risk Management Plan and Risk Register
- Risk Management Corporate Practice

**Finance**

- Cash Handling Procedures
- Petty Cash Handling Procedures
- Corporate Credit Card Policy
Governance

- Tendering and Procurement Policy
- Councillors' Expenses and Facilities Policy
- Out of Pocket Expenses Policy
- General Manager's Delegations
- Sub-Delegations to Council Officers
- Conflicts of Interest Policy
- Gifts and Benefits Policy
- Secondary Employment Policy
- Use of Council Resources Corporate Practice
- Disposal of Assets Policy

Ethics

- Code of Conduct
- Procedures for the Administration of the Code of Conduct
- Fraud and Corruption Prevention Policy
- Statement of Business Ethics
- Internal Reporting Policy

Human Resources

- Recruitment and Selection Guidelines and Procedures
- Use and Monitoring of Network, Email and Internet Corporate Practice
- Motor Vehicle Corporate Practice
- Secondary Employment Guidelines
- Use of Council Provided Mobile Phones - Corporate Practice
- Disciplinary Procedures
- Discipline and Formal Warnings Corporate Practice

Others

- Complaints Management Policy
- Internal Ombudsman Policy
- Sponsorship Policy
- Information Booklet for Development Applications, Construction Certificates and Complying Development Certificates
- Records Management Plan

Corruption Prevention Plan

Burwood Council commits to the development of a Corruption Prevention Plan and its ongoing implementation and resourcing.

Related Information

Related Legislation and Policies

- Local Government Act 1993
- Crimes Act 1900
- Independent Commission Against Corruption Act 1988
- Public Interest Disclosures Act 1994
- NSW Audit Office Fraud Control Guidelines
- Australian/New Zealand Standard on Risk Management
- Burwood Council Code of Conduct
- Burwood Council Corporate Plan
Review

The Internal Ombudsman will conduct a review of Council’s Fraud and Corruption Prevention Policy every four years.

Contact

Internal Ombudsman (policy matters) – 9911 9993.