FRAUD POLICY

1. PURPOSE

To provide a framework for the prevention, detection and reporting of suspicious or fraudulent activity at Whitehorse City Council.

This policy defines what constitutes fraud and provides Council employees with a better practice approach to fraud detection and prevention. The Fraud Policy contains information that promotes increased knowledge of fraud issues, promotes awareness of indicators of behaviour that may result in fraudulent acts, reporting obligations and procedures and most importantly, guidance on how to deal with suspected incidents of fraud and other corrupt behaviour.

2. OBJECTIVES

- Develop and support a culture of awareness where employees have an understanding of expected behaviour and a willingness to report any incidents of suspected fraud
- Provide a strategic framework that ensures Council employees understand their responsibilities in the prevention, detection and reporting of fraud
- Reduce the opportunities for the occurrence of fraud by improving the effectiveness of Whitehorse City Council's fraud and corruption management framework
- Provide a practical set of procedures and guidelines which enable employees to appropriately deal with suspected incidents of fraud
- Establish an ongoing program of employee fraud awareness through regular training programs and inclusion in the recruitment and induction process
- Ensure that the principles of natural justice as set out in the performance management policy of Council are applied to all investigations of suspected fraud
- Target potential fraud and corruption risks through fraud and corruption risk assessments, control measures and appropriate mitigation strategies.

3. SCOPE

This policy applies to all Council employees, Councillors, Council volunteers, contractors and other service providers at Whitehorse City Council. All levels of management and employees are responsible for the prevention, detection and reporting of fraud and corruption and for the implementation and maintenance of controls that minimise the likelihood of fraudulent and corrupt activity occurring within their areas of responsibility.

The principles behind this policy are based on the *Australian Standard AS 8001:2008 'Fraud and Corruption Control'.*

4. POLICY

4.1 Policy Statement

Whitehorse City Council requires all Council employees, Councillors, Council volunteers, contractors and other service providers at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Whitehorse City Council is committed to protecting all of its financial and non-financial assets including cash from theft, embezzlement and misappropriation and any attempt to gain illegal financial or other benefits.

4.2   Definition of Fraud

In this policy 'fraud' is defined as dishonest activity causing actual or potential 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 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 for personal benefit.

The intent of the above definition is more simply and broadly expressed in the Commonwealth Fraud Control Guidelines as "dishonestly obtaining a benefit by deception or other means".

In Council's context, this definition includes but is not limited to:
- Theft of Council funds – e.g. misappropriation of receipts, non-recording of revenue, falsifying invoices/payments, misuse of petty cash
- Soliciting of and/or receipt of enticements or 'kickbacks' from Council suppliers
- Claims for or payment of unauthorised personal expenses or excessive allowances
- Misuse of Council credit cards or fuel cards
- Theft or unauthorised removal of Council records, property or materials
- Unauthorised use, misuse, damage or destruction of Council records or property
- Falsification of Council records
- Intentional waste or abuse of Council funds, property, information or other resources
- Unauthorised private use of Council assets.

A detailed list of other examples of fraud is contained in Appendix 1.

4.3   Statement of Attitude to Fraud

Council will not tolerate fraud in any form and is committed to:
- Preventing fraud in the workplace
- Ensuring immediate and appropriate investigation procedures are implemented in the case that fraud is suspected
- Referring cases of suspected fraud to the authorities following due investigation
- Applying appropriate disciplinary penalties should fraud be proven
- The recovery of any loss suffered (both direct and indirect) through fraudulent activity.

5.   PLANNING AND RESOURCING

5.1   Fraud Control Planning

To minimise the occurrence and impact of fraud, Council has a Fraud Control Plan to prevent (Section 6), detect (Section 7) and respond (Section 8) to fraud.

Council's Fraud Control Plan:
- Communicates Council's intent and responsibility for fraud management
- Contains the key risks identified through the fraud risk assessments
- Outlines the key internal controls in place to limit opportunities for fraud
- Raises awareness to ensure all employees are aware of their responsibilities for fraud prevention and control
- Sets out monitoring and review activities to assure that Council's Fraud Control Plan is operating effectively.

The key elements of Council's Fraud Control Plan are:

Element	Method for addressing element	Policy section reference
Communicating intent	**Fraud Policy and Code of Conduct** The Fraud Policy documents Council's intended action in implementing and monitoring Council's fraud prevention, detection and response initiatives. The Code of Conduct promotes high standards of ethical behaviour expected of employees.	Fraud Policy 6.1 & 6.6
Identifying risks	**Fraud Risk Assessment** Council's Risk Register contains Council's fraud risk assessment at the corporate and operational levels, and includes mitigation plans and actions. The Risk Register forms part of Council's overall risk management strategy.	6.5
Limiting opportunities	**Internal controls** Council has implemented internal controls – systems, processes and procedures – to minimise risks identified as part of the fraud risk assessment.	6.4, 6.7, 6.8, 7.1 & 8.8
Raising awareness	**Fraud training** Fraud awareness training is an effective method of ensuring all employees are aware of their responsibilities in regards to fraud and of the expectation for ethical behaviour in the workplace.	6.1 & 6.6
Monitoring	**Audit Advisory Committee and Internal Audit** Audit Advisory Committee and Internal Audit regularly review Council's internal controls, risk management processes and fraud control strategies.	5.3

These elements are shown diagrammatically below:

Source: Victorian Auditor-General's Office.

5.2   Fraud Control Resources

The prevention of fraud is the responsibility of all Council employees. Specific roles exist in relation to different elements of Council's approach to fraud prevention. All employees should be aware of their role in relation to risk management and fraud control and these are set out below and are also covered in Council's Employee Code of Conduct.

The responsibility for the overall coordination of fraud control across the organisation has been assigned to the Manager Finance and Corporate Performance.

Where appropriate, Council considers the recruitment and/or use of specialist resources (internal and external) with the requisite skills and experience to assist in fraud control processes.

Employees, Councillors, volunteers, contractors and other service providers

Employees, Councillors, volunteers, contractors and other service providers are required to:

- Comply with internal control requirements, policies and procedures
- Be aware of the signs of acts of misconduct, fraud and corruption
- Report suspected acts of fraud to their Supervisor, General Manager or Council's Protected Disclosures Coordinator (Manager Organisation Development)
- Assist with any enquiries and investigations pertaining to fraud
- Maintain confidentiality, discretion and privacy of information
- Conduct themselves in accordance with the requirements of the Local Government Act 1989.

Manager Finance and Corporate Performance

Consideration of fraud is part of Council's overall program of risk management, and the occurrence of fraud will also have a direct or indirect relationship with Council's finances. Overall responsibility for implementing and overseeing the fraud prevention and control framework therefore forms part of the role of the Manager Finance and Corporate Performance.

This role includes:

- Coordinating fraud control activities within Council as part of the overall risk management function
- Being the first point of contact for managers and employees within the organisation regarding different elements of this policy
- Communicating with Executive Management Team and the Audit Advisory Committee regarding implementation of the policy
- Internal control review following discovery of fraud
- Leading and participating in the implementation of corrective actions and enhancements to strengthen internal controls
- Liaising with Council's risk management consultant to ensure maintenance and monitoring of adequacy of fidelity guarantee insurance and other insurance related policies dealing with fraudulent or improper conduct.

General Manager Corporate Services

The role of the General Manager Corporate Services includes, but is not limited to:

- Ensure minimum appropriate preliminary investigation is undertaken
- Ensure appropriate corrective actions are assigned to operational Managers for implementation
- Enact the fraud response where appropriate
- Ensure a secure file is held
- Brief the Chair of the Audit Advisory Committee.

Manager Organisation Development

This policy is committed to ensuring that the rights of all parties are protected and that any investigation is conducted in the spirit of natural justice. For this reason the Manager Organisation Development will be responsible for the following:

- Establishing and implementing pre-employment assessment controls and induction training
- Provide specialist Human Resource advice to ensure natural justice principles are applied
- Act as the Protected Disclosures Coordinator for the purposes of the Protected Disclosures Act 2012.

5.3   Internal Audit Activity in the Control of Fraud

While the primary responsibility for the identification of fraud within Council rests with management, Council recognises that internal audit activity can be, in the context of addressing all business risks, an effective part of the overall control environment to identify the indicators of fraud.

As such, Council officers will work closely with Council's appointed internal auditor. The internal auditor should perform a risk assessment of selected Council's operations and recommend an internal audit program to cover these aspects. The Audit Advisory Committee is responsible for reviewing and recommending to Council the Annual Internal Audit Plan.

6.   FRAUD PREVENTION

6.1   Implementing and Maintaining an Integrity Framework

A key strategy in managing the risk of fraud is the implementation and maintenance of a sound ethical culture. As such, to ensure a strong, transparent, healthy and sustainable ethical culture, Council has established an integrity framework as both a protection against fraudulent activity and a mechanism for timely reporting of anomalous activity. The integrity framework includes a process of continuous monitoring underpinned by a program of example setting by senior management, as set out below:

Element	Description
Example setting	The executive and management recognise the need for establishing and maintaining a strong, transparent and ethical culture and actively promotes such a culture.
Code of conduct	A comprehensive Employee Conduct Policy is in place detailing the behaviours expected of all Council employees, as well as the values of the organisation.
Allocation of responsibility	Specific responsibility is assigned to various positions within the organisation to address the different aspects of fraud. The responsibility for the overall coordination of fraud control across the organisation has been assigned to the Manager Finance and Corporate Performance.
Training	Annual training requirements are identified and agreed by the supervisor and individual employee as part of the Performance Appraisal and Development Program (PADP). Ongoing training relating to ethics and codes of behaviour is provided.
Reporting of complaints	A method for communicating ethical concerns is in place.

6.2   Senior Management Commitment to Controlling the Risks of Fraud

General Managers

The role of General Managers includes but is not limited to:
- Maintaining a strong internal control system and internal control culture
- Promoting an understanding of fraud and corruption risk and the effectiveness of fraud and corruption controls to their employees, contractors and consultants within their control
- Awareness of potential fraud and corruption risks within their areas of control
- Understanding the robustness of their areas' internal control environment in terms of its ability to prevent and detect fraud and corruption
- Respond to allegations of fraud and corruption as detailed in this policy.

Upon notification from an employee or manager of suspected fraud, or if the General Manager has reason to suspect that a fraud has occurred, the General Manager shall immediately contact the General Manager Corporate Services, the Manager Organisation Development, the Manager Finance and Corporate Performance and advise the Chief Executive Officer of such notification. The General Manager shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than those officers mentioned above.

6.3   Line Management Accountability
Managers
The role of a Manager includes, but is not limited to:
- Promoting an understanding of fraud and corruption risk and the effectiveness of fraud and corruption controls to their employees, contractors and consultants within their control
- Awareness of potential fraud and corruption risks within their areas of control
- Understanding the robustness of their areas' internal control environment in terms of its ability to prevent and detect fraud and corruption
- Respond to allegations of fraud and corruption as detailed in this policy
- Responsibility for the implementation of corrective actions.

Managers must ensure that proper and prudent processes are followed. Upon notification from an employee of suspected fraud, or if the manager has reason to suspect that a fraud has occurred, the manager shall immediately notify their General Manager. The manager shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than the person to whom the fraud was reported.

6.4   Internal Control
Fraud may occur as a result of:
- poor internal controls
- management override of internal controls
- collusion between employees and third parties
- poor or non-adherence to organisational ethical standards
- lack of control/supervision of employees by supervisors.

It is the responsibility of all Council departments to ensure that all business processes, particularly those assessed as having a higher predisposition to the risks of fraud, are subject to a rigorous system of internal controls that are well documented, updated regularly and understood by all personnel.

Some examples of internal controls include:
- system of checks and balances
- reconciliation of accounts
- segregation of duties
- rotation of duties in positions more susceptible to fraud
- system user access controls
  - appropriate provision of system access levels and regular review
  - vendor accounts enabled only for authorised time-limited support activities
- all assets are properly recorded
- physical security over assets
- regular checks /stocktake of Council assets
- robust up and to date policies and procedures manuals
- authorisation processes and limits
- review of monthly reporting
- monitoring of high annual leave balances /ensuring that employees take regular leave
- employee screening
- roles and responsibilities are clearly documented

- performance appraisals
- independent review and monitoring of tasks
- regular independent audits
- effective audit trails
- regular reporting and accountability
- closed circuit camera televisions (CCTV)
- conflict of interest policies
- induction of employees in regards to the fraud policy and regular training
- clear policies and procedures around contract selection
- a standard of conduct for suppliers and contractors
- identification of risks in the risk register and reporting against them
- appropriate penalties for any fraud that has occurred.

6.5   Assessing Fraud Risk

Identified fraud and corruption risks and controls are integrated in Council's Risk Register. The Risk Register summarises any fraud and corruption risks associated with the function and operation, the related risk treatment strategies and the person responsible for managing each significant risk. The Risk Register is updated on an annual basis.

6.6   Communication and awareness

Human Resource policies

Appropriate Human Resource policies are an important element in fraud prevention and control. These policies include the Conflict of Interest Policy and the Employee Conduct Policy. All Human Resource polices are available on Council's intranet and at induction.

Employee, Councillor, volunteer, contractor and service provider awareness

Council's commitment to fraud and corruption control is met by providing appropriate employee training and utilising existing internal communication methods to increase awareness. Council publicises and raises awareness of relevant codes of conduct to ensure employees, Councillors, volunteers, contractors and other service providers are aware of their roles and responsibilities in reducing fraud and corruption and the protection of the Council assets and the consequences of fraud and corruption incidence.

Employee induction

The employee induction process requires that all new employees read and acknowledge the requirements of key Council policies. These include the Employee Conduct Policy, Conflict of Interest Policy and Fraud Policy which together set out the key requirements for the protection of Council's assets, interest and reputation. Any misbehaviour of a kind that involved an act of fraud and/or corruption may breach one or more of these policies.

Employee training program

Employee awareness programs are conducted periodically by the Learning and Development Coordinator in the corporate learning calendar and initiated by the Manager Finance and Corporate Performance. They aim to raise awareness and ensure that all employees understand their roles and responsibilities and that employees are aware of how they might report potential fraud and corruption. This may take the form of an employee survey or facilitated workshops or seminars, attendance at employee meetings and e-learning. These programs are tailored to be appropriate to the work area and are run on a periodic basis. The results are analysed to assess the improvement in the level of awareness over time.

6.7   Employment Screening

Council recognises the importance of relevant checks being carried out on all new employees before an appointment is made. Council's Recruitment Process Guidelines state that obtaining references is a critical stage of the recruitment process. This also applies to internal promotion or transfer.

No matter how convincing the candidate was at interview, Council requires that this is always backed up by sound reference checks. At least two favourable reference checks are required before an offer of employment is made.

Other checks that are made for all prospective employees are:
- Proof of identity
- Verification of formal qualifications claimed
- Consideration of gaps in employment history, and
- A Police Check for any criminal history.

The pre-employment screening procedures also apply when existing employees transfer to other roles within Council.

6.8   Supplier and Customer Vetting

Where practicable, Council officers take steps to ensure the bona fides of new suppliers and customers, and periodically confirm the bona fides of continuing suppliers and customers.

These steps include, but are not limited to an ABN confirmation check for all suppliers, financial viability assessments, credit rating checks, and adverse checks for major contracts.

Council will review its ongoing commercial relationship with the other party if enquiry finds a heightened risk of fraud in continuing to deal with that party.

7.   DETECTION

7.1   Implementing a fraud detection program

In the event that Council's preventative systems fail, Council will implement or enhance systems aimed at detecting fraud as soon as possible after it has occurred.

These systems will include the following:
(a) Post-transactional review
    A review of transactions after they have been processed can be effective in identifying fraudulent activity. The review will be conducted by personnel unconnected with the transactions effected. This review may uncover altered or missing documentation, falsified or altered authorisation or inadequate documentary support.

(b) Analysis of management accounting reports to identify trends
    By analysing management accounting reports, trends can be examined and investigated which may be indicative of fraudulent conduct. Owners of operating programs and capital works projects will compare and contrast their actual figures to budget on a monthly basis to identify any unusual trends.

7.2   Role of the external auditor in the detection of fraud

Council takes a proactive position in relation to the detection of fraud as part of the audit of the annual financial statements. The Manager Finance and Corporate Performance will undertake a discussion with the auditor to determine the audit procedures that will be carried out during the audit that are aimed at detecting material misstatements in Council's financial statements due to fraud or error. The Manager Finance and Corporate Performance will stress to the auditor the importance Council places on fraud detection as part of the audit and offer assistance to enable a more comprehensive examination.

7.3   Avenue for reporting suspected incidents

Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify their Manager. If the employee has reason to believe that the employee's Manager may be involved, the employee shall immediately notify their General Manager.

The avenue for reporting suspicious or known incidents of fraud which may lead to a preliminary investigation should follow the proper reporting channels as diagrammatically outlined in Section 8.2.

In the event of an investigation employees shall maintain a high degree of confidentiality and not discuss the matter with anyone other than their Manager, General Manager or Council's Protected Disclosures Coordinator.

Employees who knowingly make false allegations will be subject to discipline up to and including dismissal.

7.4   Protected Disclosures Program
Whitehorse City Council will take all reasonable steps to protect people who make an allegation of fraud from and reprisal for making the disclosure. A confidential investigation will be undertaken in response to any allegation of fraud. This process will protect the individual raising the concern and also ensure procedural fairness in regards to the person who is subject to the allegation.

If an individual has any concern about reprisals as a result of raising an allegation of fraud they have access to the provisions of the Protected Disclosure Act 2012. Council will not tolerate improper conduct nor victimisation of those who come forward to disclose such conduct.

Council has extensive guidelines and procedures in regards to applying the provisions of the Protected Disclosure Act 2012. The purpose of the Act is to encourage and facilitate the making of disclosures of improper conduct and detrimental action by public officers and public bodies. It does so by providing certain protections for people who make a disclosure, or those who may suffer detrimental action in reprisal for making a disclosure. An essential component of this protection is to ensure that information connected to a protected disclosure, including the identity of a discloser and the contents of that disclosure are kept strictly confidential.

It is potentially a criminal offence to take detrimental action against another person in reprisal for a protected disclosure under the Act.

No employer or person acting on behalf of the Council shall:
- victimise people who make a disclosure
- dismiss or threaten to dismiss people who make a disclosure
- discipline or suspend or threaten to discipline or suspend people who make a disclosure
- impose any penalty upon people who make a disclosure
- intimidate or coerce people who make a disclosure.

The violation of this section will result in discipline up to and including dismissal.

The Manager Organisation Development is the designated Protected Disclosures Coordinator at Whitehorse City Council.

8.   RESPONSE

8.1   Policies and procedures
Procedures have been established to guide the response and investigation into a suspected or alleged incidence of fraud.

The early detection of fraud is an essential element of Council's Fraud Policy. Council employees are the key factor in detecting fraudulent or corrupt behaviour.

It should be the aim of all employees to detect and report suspected fraud as soon as possible after it comes to their attention. Notification, management, monitoring and reporting of suspected fraud should be in accordance with the guidelines in this Policy.

Council's commitment to fraud and corruption control will be met by implementing procedures to investigate actual, alleged or apparent activity of fraudulent behaviour. Preliminary investigations will be conducted in accordance with the guidelines set out in this policy. For matters involving unsatisfactory behaviour, including misconduct and serious misconduct, disciplinary action will be consistent with the principles of natural justice and Council's Performance Management Policy.

8.2 Fraud reporting and response procedure

Any individual that has knowledge of an occurrence of fraud, or has reason to suspect that a fraud has occurred must:

- immediately notify their Manager;
- the Manager shall immediately notify their General Manager;
- the General Manager shall immediately notify the General Manager Corporate Services, the Manager Organisation Development, the Manager Finance and Corporate Performance and advise the Chief Executive Officer of such notification.

This process is illustrated diagrammatically below at Figure 1:

Figure 1: Fraud Reporting and Response Procedure

8.3 Investigation

The General Manager Corporate Services is responsible for leading any preliminary investigation procedure.

Guiding principles

All investigations of fraud will be conducted with independence and objectivity. Council will not tolerate any reprisals against individuals participating in a fraud investigation or for providing evidence into a fraud investigation, proceeding or hearing.

The investigation process is illustrated diagrammatically below at Figure 2:
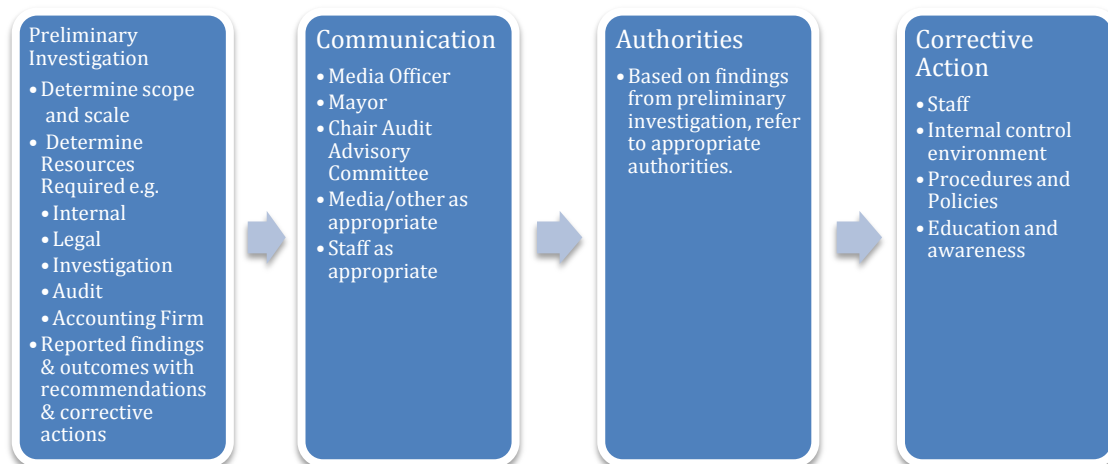
Preliminary Investigation	Communication	Authorities	Corrective Action

• Determine scope and scale
• Determine Resources Required e.g.
  • Internal
  • Legal
  • Investigation
  • Audit
  • Accounting Firm
• Reported findings & outcomes with recommendations & corrective actions
	• Media Officer
	• Mayor
	• Chair Audit Advisory Committee
	• Media/other as appropriate
	• Staff as appropriate
		• Based on findings from preliminary investigation, refer to appropriate authorities.	• Staff
			• Internal control environment
			• Procedures and Policies
			• Education and awareness

Figure 2: Fraud Response and Investigation Procedure

Qualified investigation resources

The investigation into apparent or suspected fraud will be conducted by appropriately skilled and experienced personnel who are independent of the business unit in which the alleged fraudulent conduct occurred.

This independent party will be a manager or other senior person within Council, an external consultant operating under the direction of the independent senior person within Council, or where appropriate, an external law enforcement agency.

Investigation activities

Investigations will potentially involve the following investigative activities:
- Understanding of key processes and internal controls
- Interviewing of relevant witnesses including obtaining statements, where appropriate including witnesses internal and external to Council
- Reviewing and collating documentary evidence
- Forensic examination of computer records
- Examination of telephone records and CCTV footage
- Enquiries with banks and other financial institutions
- Enquiries with other third parties
- Data search and seizure
- Expert witness and specialist testimony
- Tracing funds/assets/goods
- Preparing briefs of evidence
- Liaison with the policy or other law enforcement or regulatory agencies
- Interviewing persons suspected of involvement in fraud
- Report preparation.

Compliance with legislation and relevant policies
Investigations will be conducted in accordance with all relevant legislation and policies in which action will or could be initiated.

Security of evidence
Once a suspected fraud is reported, the General Manager Corporate Services, in consultation with the Chief Executive Officer or nominated officer, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately secured until the preliminary investigation concludes.

Documentation
At the commencement of an alleged fraud investigation, the Manager Organisation Development will create and maintain a Fraud Investigation file. This file will contain records that are related to the investigation. These records should be kept in accordance with legal, best practice and privacy management guidelines.

At the conclusion of the investigation, the General Manger Corporate Services will document the results in a confidential memorandum report to the Chief Executive Officer. If the report concludes that the allegations are founded, the report will be forwarded to the appropriate authorities if required.

Confidentiality
All participants in a fraud investigation shall keep the details and results of the investigation confidential. External parties engaged to assist in the investigation will be required to enter into a binding agreement in relation to the release of confidential information coming into their possession during the course of the investigation.

8.4   Internal Record
Council has established a Fraud Incident Register to ensure that all incidents are recorded.

The Fraud Incident Register will be maintained by the General Manager Corporate Services and will include the following information in relation to every reportable fraud incident:
- date and time of report
- date and time that incident was detected
- how the incident came to the attention of management (e.g. anonymous report, normal report, supplier report)
- the nature of the incident
- value of loss to Council, if any
- the action taken following discovery of the incident.

8.5   Disciplinary procedures
Disciplinary proceedings will be conducted in an atmosphere of transparency at all times ensuring the rules of natural justice and fairness are observed and the requirements of Council's Performance Management policy are met.

If a suspicion of fraud is substantiated by the investigation, disciplinary action shall be taken by the appropriate level of management, in consultation with the Chief Executive Officer, and the Organisation Development Department in accordance with Council Personnel Policies and Procedures.

Disciplinary action may involve a formal warning, termination, demotion, fining or reduction in seniority of an employee or other internal person.

8.6 External Reporting

Upon conclusion of the investigation and where it is substantiated that a suspected fraud incident has occurred the General Manager Corporate Services will inform the Audit Advisory Committee of the incident, actions undertaken and outcomes. The Victorian Auditor General's Office is also to be informed as part of the year end audit process.

Law enforcement agency

On reaching a finding that there is evidence of fraud in respect of an allegation or series of allegations, the General Manager Corporate Services will undertake a formal process to form a view as to whether the matter is one that ought to be reported to the relevant law enforcement agency for investigation and therefore, potentially, prosecution.

The Chief Executive Officer and Manager Organisation Development will be briefed on this recommendation and together with the General Manager Corporate Services will collectively make the final decision.

Media

Any employee or elected official contacted by the media with respect to a preliminary investigation shall refer enquiries to the Chief Executive Officer or the Manager Communications. The alleged fraud investigation shall not be discussed with the media by any person other than through the Chief Executive Officer or the Manager Communications.

8.7 Civil action for recovery of losses – policy for recovery of action

Council will consider undertaking recovery action where there is clear evidence of fraud and where the likely benefits of such recovery will exceed the funds and resources invested in the recovery action.

8.8 Review of internal controls

In each instance where fraud is detected, the Manager Finance and Corporate Performance and the manager of the relevant department will be engaged to reassess the adequacy of the internal control environment, particularly those controls directly related to the fraud incident, and consider whether improvements are required.

Where improvements are required, these will be implemented as soon as practicable.

8.9 Insurance

Council maintains fidelity guarantee insurance to insure Council against the risk of loss arising from internal fraudulent conduct. Insurance for externally instigated fraud is also maintained including insurance against the theft of Council's property.

If the fraud has resulted in financial loss to Council, the loss is to be reported to Council's risk management consultant to consider seeking restitution under the fidelity guarantee insurance policy.

9. RELATED POLICIES & LEGISLATION
- Whitehorse City Council Employee Code of Conduct
- AS 8001-2008 Fraud and Corruption Control
- Protected Disclosure Act 2012
- Whitehorse City Council Protected Disclosures Procedures
- Local Government Act 1989
- Procurement Policy
- Cash Collection and Handling Policy
- Petty Cash Policy
- Credit Card Usage Policy
- Recruitment Policy

- Conflict of Interest Policy
- Performance management Policy
- IT Security Policy
- MAV Fidelity Appraisal
- Victorian Auditor-General's Report – Fraud Prevention Strategies in Local Government
- IBAC Local Government: Review of Council Works Depots (May 2015)
- Victorian Ombudsman's Report on Misuse of Council Resources (June 2016)

INTERNAL USE ONLY

10. REVIEW
Responsible Manager: General Manager Corporate Services, Manager Finance & Corporate Performance
Date Adopted: xxxxx 2017
Next Review Date: xxxxx 2017
This policy has been reviewed for Human Rights Charter compliance.

Appendix 1 – A selection of common methods and types of fraud

- payment for work not performed
- forged endorsements
- altering amounts and details on documents
- collusive bidding
- overcharging
- writing off recoverable assets or debts
- unauthorised transactions
- selling information
- altering stock records
- altering sales records
- cheques made out to false persons
- false persons on the payroll
- unrecorded transactions
- transactions (expenditure/receipts/deposits) recorded for incorrect sums
- cash stolen
- supplies or equipment stolen or borrowed without authority
- IOUs used in petty cash
- substituting old goods for new
- sales not recorded at all
- false official identification used
- damaging or destroying documentation
- using copies of records and receipts
- using imaging and desktop publishing technology to produce apparent original invoices
- transferring amounts between accounts frequently
- delayed terminations from payroll
- bribes
- over claiming expenses
- skimming odd cents and rounding
- running a private business with official assets
- using facsimile signatures
- false compensation and insurance claims
- selling waste and scrap
- intentional waste or abuse of council funds, property, information or other resources
- unauthorised private use of Council assets
- misuse of corporate credit cards
- misuse of corporate fuel cards
- misuse of corporate vehicles
- falsifying qualifications/experience
- conflict of interest non-disclosure.

Appendix 2 – Possible indicators of the existence of fraud

- missing expenditure vouchers and unavailable official records
- crisis management coupled with a pressured business climate
- excessive variations to budgets or contracts
- refusals to produce files, minutes or other records
- related party transactions
- increased employee absences
- borrowing from fellow employees
- an easily led personality
- covering up inefficiencies
- no supervision
- employee turnover is excessive
- figures, trends or results which do not accord with expectations
- bank reconciliations are not maintained or can't be balanced
- excessive movement of cash funds
- multiple cash collection points
- remote locations
- unauthorised changes to systems or work practices
- employees with outside business interests or other jobs
- large outstanding bad or doubtful debts
- employees suffering financial hardships
- placing undated/post-dated personal cheques in petty cash
- employees apparently living beyond their means
- heavy gambling habits
- signs of drinking or drug abuse problems
- conflicts of interest
- lowest tenders or quotes passed over with scant explanations recorded
- employees with an apparently excessive work situation for their position
- managers bypassing subordinates
- subordinates bypassing managers
- excessive generosity
- large sums of unclaimed pay
- large sums held in petty cash
- lack of clear financial delegations
- secretiveness
- apparent personal problems
- marked character changes
- excessive ambition
- apparent total lack of ambition
- poor morale
- excessive control of all records by one officer
- poor security checking processes over employees being hired
- unusual working hours on a regular basis
- refusal to comply with normal rules and practices
- personal creditors appearing at the workplace
- non taking of leave
- excessive overtime
- large backlogs in high risk areas
- lost assets
- absence of controls and audit trails.