

Fraud and Corruption Control Policy

Corporate and Customer Services



26 March 2025

Principles

This policy was adopted by Council to set governing principles in place that align the strategic direction of the organisation with **Strategy PF.1.2**: Regulate and provide support to ensure elected members and employees deliver integrity and transparency in their behaviour, decision making and in compliance with codes of conduct.

Executive Summary

The Shire of Augusta Margaret River (Shire) is committed to the prevention, deterrence, monitoring and investigation of all forms of fraud and corruption. Fraud and corruption can be damaging to the Shire due to financial loss, loss of public confidence (either perceived or real), reputational damage and adverse publicity.

Council is the custodian of significant public funds and assets therefore it is important that the community has assurance that these are adequately protected from fraud and corruption.

Fraud and corruption control forms part of Shire's risk management framework. It is a risk that the Shire actively seeks to identify and limit its exposure to, by reducing the potential risk likelihood for fraud and corruption to occur.

Objectives

This Policy is to clearly document the Shire's approach to controlling fraud and corruption at both strategic and operational levels and is to be read in conjunction with the Shire's Risk Management Framework, Integrity Framework and relevant legislation.

Application

This Policy applies to:

- Elected members;
- Committee Members;
- All employees whether by way of appointment, secondment, contract, temporary arrangement or volunteering; and
- Any third party involved in providing goods or services to the Shire.

Relevant training on legislative obligations is to be provided at elected member and officer induction sessions.

Further guidance on the Shire's responsibilities under the policy is detailed at:

- Shire's Integrity Framework
- [OAG Fraud Risk Management – Better Practice Guide – Report 20](#)
- Australian Standard AS/ISO 8001:2021

Definitions

Corruption is defined by AS AS8001-2008 as:

'Dishonest activity in which an employee or contractor of the entity acts contrary to the interests of the entity and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or organisation. The concept of 'corruption' can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity.'

Corruption is any deliberate or intentional wrongdoing that is improper, dishonest or fraudulent and may include:

- conflict of interest;
- failure to disclose acceptance of gifts or hospitality;
- acceptance of a bribe;
- misuse of internet or email; or
- release of confidential or private information or intellectual property.

Fraud is defined by AS AS8001-2008 as:

'Dishonest activity causing actual or potential financial loss to any person or entity including theft of monies 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.'

Fraud can take many forms including:

- the misappropriation of assets;
- the manipulation of financial reporting (either internal or external to the Shire); and
- corruption involving abuse of position for personal gain.

Policy

1. Planning

The Shire operates a coordinated approach to the managing of fraud and corruption risks through the:

- Integrity Framework
- Risk Management Framework
- Internal audit function

2. Fraud and Corruption Prevention

2.1 Implementing and maintaining the Integrity Framework

The Shire's Integrity Framework guides the Shire in providing the highest level of integrity for its community, and brings together the instruments, processes and structures within the organisation that foster integrity and help prevent fraud and corruption from taking place. The Framework includes areas with responsibilities for defining, supporting, controlling and enforcing integrity across the organisation.

2.2 Commitment to controlling the risk of fraud and corruption

The Shire will minimise fraud and corruption through:

- Adopting this Policy, which is aligned with the Fraud and Corruption Control Standards (AS 8001-2008);
- Educating employees in accountable conduct and fraud awareness issues, including ongoing performance assessment and counselling; and
- Risk assessments for all potential and identified fraud and corruption risks, in accordance with the Shire's Risk Management Framework.

The Shire's Executive Leadership Team (ELT) will be regularly briefed on the following:

- Information on the program and robustness of the internal control environment in regard to preventing and detecting fraud.
- The types of fraud and corruption common with the sector.
- Incidence of fraud and corruption generally in Australia.
- Information on the types of fraud and corruption that have been detected over the previous five years.
- Information of new or emerging trends in this area.

2.3 Maintaining strong internal control systems and internal control culture

Well planned and documented internal controls are essential defences against fraud and corruption. In future projects or when reviewing existing practices, careful consideration will be given to implementing effective fraud and corruption controls in the development of outcomes.

Internal controls will be:

- Clearly documented;
- Easily Accessible;
- Regularly reviewed and updated;
- Effectively communicated to all relevant staff; and
- Monitored for compliance.

2.4 Fraud and Corruption Risk Assessment

Risk assessments will be undertaken for all identified fraud and corruption risks in accordance with the Shire's Risk Management Plan.

As a minimum the following risks will be assessed:

- Theft of cash
- Theft/misuse of assets
- Misuse of confidential corporate information
- Conflict of Interest
- Accounts payable
- Payroll practices
- Procurement
- IT and information security
- Recruitment
- Misuse of credit cards / fuel cards

Additional risks will be identified through normal business unit operations and through the regular review of the risk register in accordance with the Shire's Risk Management Framework.

2.5 Communication and awareness of fraud and corruption

It is important that fraud and corruption is identified and reported at an early stage and that employees have understanding and confidence in the system.

Employees will be provided with information on the PID Procedure so that they have confidence in knowing how to respond if this type of activity is detected or suspected.

The awareness of the Shire's risk of fraud and corruption controls will be made available to employees through the following:

- Copy of the Shire's Code of Conduct will be included in packs for all new staff.
- A dedicated page will be maintained on the Shire intranet in regard to fraud and corruption, this will include links to the and PID Procedure and all relevant documents in particular the process for reporting allegations.
- Fraud and Corruption awareness training will be conducted biannually (this may include elearning).
- Any substantive changes in the Code of Conduct, Integrity Framework or Policy will be communicated to all staff.

2.6 Employment screening

Employment screening will be undertaken for all new 'senior officer' positions and to nominated positions that have been identified by the ELT to be 'higher risk' in terms of potential exposure to fraud and corruption due to their role within the organisation. This screening process will reduce the risk of a potential security breach and will provide a high level of assurance as to the integrity, identity and credentials of prospective employees.

Prior to the appointment of senior and designated officer positions the following screening shall be undertaken with the express consent of the individual concerned, irrespective of whether they are internal or external applicants:

- Verification of identity requiring at least two forms of identity (passport, birth certificate, drivers' licence, rate certificate, at least one must include photo identification).
- Police criminal history check – relevant identified positions.
- Working with children check – relevant identified positions.
- Reference checks with two most recent employers.
- Consideration of any gaps on employment history and the reasons for the gaps.
- Verification of formal qualifications claimed – where relevant or required for position.

2.7 Dealing with annual leave and job rotation

Individual Directorates and Business Units will regularly assess the potential for job rotation in roles where multiple officers perform similar functions and where the position is considered high-risk from a fraud or corruption perspective, such as local law enforcement, parking enforcement, planning officers, and contract management.

Excess annual leave will be reviewed to ensure it is appropriately managed.

2.8 Supplier vetting

The Shire will continue to undertake supplier vetting for new and ongoing suppliers in accordance with existing practices. In accordance with the Shire's Purchasing Policy, new suppliers with prospective business in excess of \$150,000, the minimum checks will include:

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- Search of Company Register.
- ABN verification.
- Insurance currency.
- Reference checks
- Building and construction – financial audit checks
- Search of legal proceedings pending or judgements pending. (this is asked as part of their declaration)

For new or contracts exceeding, or potential to exceed, \$500,000, the following additional checks should be considered:

- Corporate scorecard check which looks at Bankruptcy search.
- Assessment of credit rating.
- Search of legal proceedings pending or judgements pending. (this is asked as part of their declaration).

3. Detection

3.1 Fraud and Corruption Detection

3.1.1 Internal Detection Processes

The Shire will implement processes to detect fraud and corruption, which includes, but is not limited to:

- Risk management system to identify, analyse, evaluate and treat risk, including corruption and fraud;
- Segregation of duties in high risk areas (finance, procurement, contract management, regulatory functions etc.);
- Regular reviews and checks to detect irregularities in high risk areas;
- Reconciliations (payroll, accounts payable);
- Analysis of management accounts and financial statements;
- Delegations register;
- ICT system controls (access restrictions, strong passwords etc.);
- Unscheduled internal reviews and audits covers high risk fraud areas (procurement, credit cards etc.);
- Public Interest Disclosure;
- Fraud and misconduct awareness training, ensuring employees are aware of how to report fraud and misconduct;
- Regular reviews of policies and procedures to minimise opportunities for fraud.

3.1.2 External Detection Process

Consistent with international and Australian auditing standards, auditors are accountable for the detection of fraud as part of any audit, a provision which increases the likelihood of detecting material miss-statements or errors in the Shire's financial statements.

3.2 Mechanisms for Reporting Suspected Fraud and Corruption Incidences

3.2.1 CEO

The CEO, as the principal officer of a notifying authority, is responsible for:

- a) Notifying the Corruption and Crime Commission (CCC) in writing of any matter that, on reasonable grounds, concerns or may concern serious misconduct (as per Section 28 of the *Corruption, Crime and Misconduct Act 2003*); or
- b) Notifying the Public Sector Commission (PSC) in writing of any matter that, on reasonable grounds, concerns or may concern minor misconduct (as per Section 45H of the *Corruption, Crime and Misconduct Act 2003*).
- c) Where misconduct also involves a breach of the *Criminal Code Act Compilation Act 1913*, the Western Australian Police Force will be notified in writing by the CEO.

3.2.2 Shire Officers and Other Persons

Shire Officers and other persons can report suspected fraud or corruption incidence to:

- a) Report to the Shire's PID Officer
The Shire's PID Procedure provides clear direction in regard to staff reporting suspicious or known illegal or unethical conduct. Reports can be made anonymously. Anonymous reports will be examined and investigated on the available evidence.

All employees have the right to make a disclosure in accordance with the *Public Interest Disclosure Act 2003*. This is encouraged where any person wishes to access the protections afforded by the Act.

- b) Report to the CCC or the PSC any matter which that person suspects, on reasonable grounds, concerns or may concern serious or minor misconduct (as per the *Corruption, Crime and Misconduct Act 2003*).
- c) As per the Shire's Code of Conduct for Employees, Officers may report (in confidence) instances of suspected fraud or corruption to the CEO or their reporting officer. The CEO will consider the matter and deal with it in accordance with the applicable policies and procedures of the Shire.

4. Investigating Fraud or Corruption

Investigations of allegations of fraud or corruption will be investigated in line with the requirements of the Code of Conduct and the PID. The guidelines provide for:

- Appropriate measures for the comprehensive investigation of such matters based on the principles of independence, objectivity and fair due process (rules of natural justice).
- Systems for internal reporting of all detected incident.
- Process for reporting the matters of suspected fraud and misconduct to appropriate external enforcement agencies.

The Shire will review these processes from time to time or after investigations have been made and potential improvements have been recognised as part of the investigation process.

5. Responses to Investigations

5.1 Internal Reporting

The CEO and Manager Legal and Governance are to ensure that all incidents of fraud or corruption are investigated, documented and registered on the organisations document management system in a confidential manner.

The documentation placed on the file must include the following minimum information:

- a) date and time of report
- b) date and time the incident was detected
- c) how the incident came to the attention of the organisation
- d) the nature of the incident
- e) names and positions of officers involved
- f) value of loss (if any) to the Shire
- g) action taken following discovery of the incident including measures to prevent similar occurrences.

5.2 Consequences

Fraudulent, corrupt and/or misconduct behaviours will result in disciplinary actions or sanctions from the Shire administration, in accordance with Shire policy, or a State or Federal Government agency, such as the CCC, PSC, Department of Local Government, Sport and Cultural Industries (DLGSC), Local Government Standards Panel or State or Federal Police.

5.2.1 Employees:

Disciplinary actions or sanctions for employees may include the following:

- Behavioural expectations
- Formal written warning
- Termination of employment with notice or payment in lieu of notice
- Summary dismissal.

5.2.2 Elected Members and Committee Members:

Disciplinary actions or sanctions for councillors and committee members may include the following:

- A public censure
- Public apology
- Participation in training
- An order to make a payment to the relevant local government to cover the costs of dealing with the complaint.

5.2.3 External Contractors and Service Providers:

Disciplinary actions or sanctions for those involved in providing goods or services to the Shire, such as business partners, contractors, suppliers, consultants and outsourced service providers, may include the following:

- Termination of contracts and loss of future work with the Shire
- Exclusion from quotation and tendering processes
- Referral to the relevant external oversight agencies, such as the CCC and/or the PSC
- Referral for criminal investigation.

5.3 Internal Review

Where fraud or corruption is detected the relevant Business Unit Manager will be required to assess the adequacy of internal controls and provide a report to the

ELT of any recommended improvements identified and steps taken to mitigate the potential for any fraudulent activity.

5.4 Recovery Action

The Shire will seek to recover any costs or losses it may have suffered through fraudulent, corrupt and/or misconduct behaviours. This may include, and is not limited to, the District Court of Western Australia or State Administrative Tribunal.

Relevant legislation

Reg 17, Local Government (Audit) Regulations 1996

Reg 5, Local Government (Financial Management) Regulations 1996

Corruption, Crime and Misconduct Act 2003

Public Interest Disclosure Act 2003

Local Government (Rules of Conduct) Regulations 2007

Public Sector management Act 1994

AS8001 – 2008 Fraud and Corruption Control Standards

WA Auditor General’s Report – Fraud Prevention in Local Government, Report 5 2019-20

Related documents

Integrity Framework

Code of Conduct

Statement of Business Ethics

Risk Management Framework

Public Interest Disclosure Procedure

Human Resources Issues Handling Procedure

Human Resources Investigations Procedure

Human Resources Disciplinary Procedure

Document and version control table

Responsible Directorate	Corporate and Customer Services	
Contact officer	Senior Governance and Risk Officer	
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