

Fraud Prevention Policy

Policy Owner:	Chief Operating Officer
Date approved:	13 July 2018
Next review date:	July 2021
Document number:	2243225
Engagement required:	Internal

1 Purpose

The purpose of this policy is to:

- a) address the risk of fraud; and
- b) describe the actions the Council will take when any suspected fraud is reported or discovered

Fraud prevention is about ensuring the overall integrity and performance of the Council.

2 Objectives

The specific objectives of this policy are to:

- a) ensure that the assets and reputation of Council and its members and staff are protected from fraudulent misconduct;
- b) prevent fraud and/or corruption within the organization; and
- c) provide a consistent and transparent approach to all allegations of fraud and/or corruption.

3 Definitions

Fraud is defined as theft, unlawful conversion, embezzlement, violation of Waikato District Council policies relating to employment, finance, equipment and other assets, or any other action in relation to those matters likely to bring the Council into disrepute.

Fraud includes, but is not limited to:

- a) Forgery of any type;
- b) Misappropriation of Council funds, financial securities, supplies and other assets (including intellectual property);
- c) Mis-recording and/or mis-reporting financial transactions;
- d) Seeking and/or accepting anything of material value (i.e. greater than \$100) from Council's suppliers, without disclosure, in accordance with the [Gifts and Hospitality Policy](#);
- e) Unauthorised use of Council property, equipment, materials or records for personal advantage or gain;
- f) Unauthorised disclosure of confidential information;
- g) Unauthorised destruction or alteration of systems, records or data;
- h) Unauthorised transfer of funds;
- i) Hacking, spamming, hijacking of domains and/or servers;
- j) Unauthorised access and/or use of council systems, records or data;

- k) Authorising or receiving payment for goods or services not received or performed;
- l) Authorising or receiving payment for time not worked;
- m) Dishonest claims for reimbursement of expenses;
- n) Failure to disclose any Conflict of Interest; and
- o) Bribery.

4 Application

This policy applies to all elected members, including community boards and committees, and all Council managers and staff, whether full-time, part-time or casual.

5 Significance

This Policy is not considered significance under the Significance and Engagement Policy.

6 Policy statements

General Statements

The Local Government Act 2002 requires Council, including its elected members and staff or agents, to spend public funds subject to the standards of probity and financial prudence such that all expenditure withstands public scrutiny.

Council recognises that all its assets are owned by the community and there is an expectation and obligation that elected members and staff act honestly and with integrity to safeguard public resources. Council is committed to protecting its revenue, property, information and other assets from any attempt by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees or elected members, to gain financial or other benefits from Council by deceit.

Council is committed to the development and maintenance of best practice processes and procedures to prevent and detect fraud, and that demonstrate appropriate stewardship of Council assets.

Whilst the Chief Executive has ultimate responsibility for ensuring adequate controls are in place to prevent and detect fraud, each Manager has responsibility for ensuring appropriate controls are in place at all levels to ensure safeguards against fraudulent activity, and must take action to implement and maintain these controls.

Council has a zero tolerance to fraud. Whilst the Council values the integrity of its employees, and relies on them to act at all times in an ethical and honest manner, it will not tolerate fraud or the concealment of fraud. It will investigate all reported incidents of alleged fraud, prosecute where fraud is proven and seek restitution.

All disclosures of dishonest or fraudulent practices will be treated seriously. All proven incidents of fraud will be pursued through every means available and appropriate disciplinary action taken.

Minimising the Risk of Fraud

Internal controls, including the screening of new staff, will be maintained and regularly reviewed to provide assurance for the prevention and detection of fraud, misappropriation and other irregularities. Transactions, activities and locations that may be susceptible to fraud will be reviewed regularly.

Internal audit will have a key role in the ongoing monitoring of fraud related risk, and the assessment of the effectiveness of the internal control environment.

Specific reviews of internal controls will be undertaken by external auditors as part of their internal audit programme, along with a programme of internal audits by internal auditors.

Findings of these internal control audits will be reported to the Audit & Risk Committee at each of their meetings.

The Policy and Regulatory Committee has a governance responsibility to ensure that this policy is reviewed regularly and to satisfy itself that Council has appropriate processes and systems in place to capture and effectively investigate fraud related information. The Audit & Risk Committee has an interest in this policy from a risk perspective and hence will be involved in the review.

Duty to Report and Investigate

Any person who is aware of or suspects fraudulent activity must promptly report such activity to his or her line manager or general manager in the first instance, or an 'Internal Authority' as defined in Council's Protected Disclosures (Whistleblowers) Policy.

An individual who reports a suspicion of fraud regarding another individual or the organization in good faith will in no circumstances be threatened, intimidated, or dismissed because he or she acted in accordance with this policy. Refer to Protected Disclosures (Whistleblowers) Policy.

A manager to whom a protected disclosure is made must refer the disclosure to an 'Internal Authority' or the Chief Executive immediately.

An 'Internal Authority' who has received a protected disclosure report will consider the information provided, determine what action should be taken and inform the Chief Executive.

If suspicions relate to the Chief Executive, the 'Internal Authority' will inform the Mayor, who will carry out all investigations and further steps outlined in this policy and associated process. The Chief Executive and/or Internal Authority shall determine if an investigation is required and, where required, establish an investigation team. The Chief Executive or Internal Authority shall also notify the Mayor, the Audit & Risk Sub-Committee Chair and Council's external auditor.

The investigation team will have free and unrestricted access to all Council records and premises, whether owned or rented. The investigation team will also have the authority to examine, copy, and/or remove all, or any portion of the contents of computers, files, desks, cabinets and other

storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities, within the scope of the investigation.

Where fraud has been proven, the Chief Executive will:

- a) Direct the manager of the area where the fraud has taken place to put controls in place to mitigate further losses and prevent reoccurrence of similar misconduct;
- b) Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud;
- c) Advise the Council's insurers as appropriate (depending on the nature of the fraud);
- d) Keep all other relevant personnel suitably informed about the incident and the organisation's response, including the external auditor and the Communications Manager.

Where fraud is not proven, the investigation team will provide the Chief Executive with a confidential report which includes a recommended course of action and any recommended improvements to internal controls that are identified as a result of the investigation. A summary of this report will be provided to the Mayor, Audit & Risk Committee, Chair of Strategy & Finance Committee and the external auditor.

Disciplinary Processes

Where a person is suspected of having committed fraud, the Chief Executive will follow the relevant disciplinary procedures outlined in Council's Disciplinary Policy and supporting processes.

Recovery of Loss

Recovering losses of money or property is a major objective of the Council following any fraud investigation. The amount of any loss will be quantified as far as possible, repayment or reparation sought and prosecution pursued.

Confidentiality

While alleged or actual instances of fraud can affect the rights and reputation of anyone implicated, individual identities will be protected wherever possible without detriment to Council.

All participants in a fraud investigation shall keep the details and results of the investigation confidential.

Dealing with the Media

Any person contacted by the media with respect to any fraud investigation must refer the media to the Communications Manager.

7 Policy review

This policy shall be reviewed at three yearly intervals or as deemed appropriate by the Chief Executive.