

SCS-010 Fraud and corruption control

TRIM Reference: D22/184615 Due for Review: September 2025
Responsible Officer: Manager Integrity and Governance

Purpose

This policy supports Council in providing good governance in its municipal district for the benefit and wellbeing of the municipal community by establishing its commitment to the prevention, detection, and response to fraud and corruption.

Scope

This policy applies to fraud and corruption committed against the organisation.

This policy applies to fraud and corruption committed by or in the name of the organisation.

This policy applies to both internal and external fraud and corruption.

This policy applies to councillors, members of council staff, volunteers, members of committees, and business associates.

This policy does not apply to fraud committed against an individual, including consumer fraud.

Policy

1 Promoting ethical conduct and integrity

- (1) Council is committed to a culture of honesty, integrity, ethical behaviour and professionalism as supported by the Act, other laws and Council's *Councillor Code of Conduct*.
- (2) This culture is characterised by consistent demonstration of strong ethical standards, maintenance of an effective integrity framework which includes control of fraud and corruption risks, and adherence to good governance for the benefit of the community.
- (3) Council has overall accountability for oversight of the organisation and ensuring that the organisation has in place adequate measures to ensure that this culture exists and is maintained.

2 No tolerance of fraud and corruption

- (1) Council has zero tolerance for fraud and corruption and acknowledges that fraud and corruption are serious financial and reputational risks.
- (2) Council must ensure that the organisation has in place adequate measures to control fraud and corruption risks.

3 Establishing a fraud and corruption control system

- (1) The organisation must develop, implement, communicate, and maintain an effective fraud and corruption control system to:
 - (a) control risks of fraud and corruption against the organisation; and

- (b) control risks of fraud and corruption committed by or in the name of the organisation
- (2) The fraud and corruption control system must achieve the requirements of the Australian Standard *AS 8001 - Fraud and corruption control* with objectives of:
 - (a) preventing fraud and corruption
 - (b) detecting fraud and corruption; and
 - (c) responding to fraud and corruption events that have already occurred so that the best possible outcomes are achieved
- (3) The risk management principles and 6-stage risk management process set out in the International Standard *ISO 31000 – Risk management - guidelines* must be applied in the management of fraud and corruption.
- (4) Responses to fraud and corruption events must comply with the law, the principles of natural justice, the Charter of Human Rights and consider the welfare and reputation of whistle-blowers, witnesses, and alleged offenders.
- (5) The Chief Executive Officer must ensure that fraud and corruption control initiatives are coordinated with Council's broader risk management approach and across all organisational functions.
- (6) The Chief Executive Officer must implement an appropriate fraud and corruption control system, including the level of fraud and corruption control resourcing, based on an organisational risk assessment of fraud and corruption exposures.

4 Role of the Audit and Risk Committee

Council's Audit and Risk Committee is required by its charter to monitor and provide advice on risk management and fraud prevention systems and controls and to oversee the internal and external audit functions.

5 Leveraging internal audit

- (1) The Audit and Risk Committee should ensure that the following matters are considered during planning and delivery of internal audit projects:
 - (a) significant fraud risks are identified and considered while conducting audit work planning and carrying out individual audit projects
 - (b) appropriate mitigation strategies that align with Council's risk appetite are in place and operating
 - (c) changes to the level of fraud risk are identified and communicated promptly to management enabling staff, management and the executive to react appropriately
- (2) The Audit and Risk Committee should require the internal auditor to apply data analytic techniques to detect fraud and corruption. In doing so, the data analytic tests should be designed to capture relevant indicators of fraud and corruption exposures and be included in the consideration of audit work planning and the carrying out of individual audit projects.

6 Leveraging external audit

- (1) The Victorian Auditor-General's Office, as the external auditor, is required by the *Audit Act 1994* to conduct efficient and effective financial audits of Victorian councils in accordance with the Australian Auditing Standards set by the Auditing and Assurance Standards Board.

- (2) The role and responsibility of the external auditor in detecting and preventing fraud within Council during a financial statement audit is set out in *ASA 240 – The auditor’s responsibilities relating to fraud in an audit of a financial report*.
- (3) The Audit and Risk Committee should discuss with the external auditor the audit procedures that will be carried out during external audits that are aimed at detecting material misstatements in the organisation’s financial statements due to fraud.

Definitions

Act	<i>Local Government Act 2020</i>
Audit and Risk Committee	Committee established by Council under section 53 of the Act
Bribery	Offering, promising, giving, accepting, or soliciting of an undue advantage of any value (which could be financial or non-financial), directly or indirectly, and irrespective of locations, in violation of the <i>Independent Broad-based Anti-corruption Commission Act 2011</i> , as an inducement or reward for a person acting or refraining from acting in relation to the performance of that person’s duties
Business associate	<p>External party with whom the organisation has, or plans to establish, some form of business relationship where the reference to ‘business’ can be interpreted broadly to mean those activities that are relevant to the purposes of the organisation’s existence.</p> <p>A business associate includes but is not limited to ratepayers, clients, customers, joint ventures, joint venture partners, consortium partners, outsourcing providers, contractors, consultants, sub-contractors, suppliers, vendors, advisors, agents, representatives, intermediaries and investors</p>
Chief Executive Officer	Person appointed by Council under section 44 of the Act
Control	A measure that modifies risk including any process, policy, device, practice, or other actions which modify risk
Corruption	<p>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. This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of the and in the interests of the organisation, in order to secure some form of improper advantage for the organisation either directly or indirectly.</p> <p>While the conduct must be dishonest for it to meet the definition of corruption, the conduct does not necessarily represent a breach of the law.</p>
Council	The Surf Coast Shire Council comprised of elected councillors and led by the mayor.

External fraud	Fraudulent activity where no perpetrator is employed by or has a close association with the organisation
Fraud	<p>Dishonest activity causing actual or potential gain or loss to any person or organisation including theft of moneys or other property, including intellectual property and other intangibles such as information, by persons internal or external to the organisation and/or where deception is used at the time, immediately before or immediately following the activity.</p> <p>Fraud 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 financial benefit.</p> <p>While conduct must be dishonest for it to meet the definition of fraud the conduct need not necessarily represent a breach of the criminal law.</p> <p>Fraud can involve fraudulent conduct by internal or external parties targeting the organisation or corrupt conduct by or in the name of the organisation targeting external parties.</p>
Fraud and corruption control system	Framework for controlling the risks of fraud and corruption against or by an organisation
Fraud and corruption event	Instance of fraudulent or corrupt activity against or by an organisation
Internal fraud	Fraudulent activity where at least one perpetrator is employed by or has a close association with the target organisation and has detailed internal knowledge of the organisation's operations, systems and procedures
Members of committees	Members of delegated committees established by Council under section 63 of the Act, members of joint delegated committees established by council and at least 1 other council under section 64 of the Act, members of community asset committees established by Council under section 65 of the Act, and members of advisory committees established by Council
Members of council staff	<p>Natural persons appointed by the Chief Executive Officer (other than an independent contractor under a contract for services or a volunteer) under section 48 of the Act to enable:</p> <ul style="list-style-type: none"> (a) the functions of the Council under this Act or any other Act to be carried out; and (b) the Chief Executive Officer to carry out their functions <p>Note</p> <p>The Chief Executive Officer is also a member of Council staff - see section 44(5) of the Act.</p>
Organisation	The Surf Coast Shire Council organisation, led by the Chief Executive Officer
Risk	Effect of uncertainty on objectives

Serious risk	Likely to have an impact on the organisation, if it occurred, with the potential to threaten the business' economic viability in the short, medium or long term or to have a noticeable impact on the organisation's business reputation
Target organisation	An organisation that is the object of a fraud or corruption event whether initiated by persons internal to that organisation or external to it
Threat	Potential cause of an unwanted incident, which can result in harm to a system or organisation
Volunteer	Person who performs or offers to perform a council service voluntarily
Whistleblower	Person who reports wrongdoing

References

Standards

- AS 8001 - Fraud and Corruption Control
- ASA 240 – The auditor's responsibilities relating to fraud in an audit of a financial report
- ISO 31000 - Risk management – Guidelines

Legislation

- *Local Government Act 2020*
- *Charter of Human Rights and Responsibilities Act 2006*
- *Independent Broad Based Anti-Corruption Act 2011*
- *Public Interest Disclosures Act 2012*

Policies

- Audit and Risk Committee Charter
- SCS 002 Councillor Code of Conduct

Monitoring and review

The Audit and Risk Committee must monitor, review and provide advice to Council on this policy and its implementation.

The policy may be amended by the Council at any time.

It must be reviewed by the Council, and amended, if necessary, at least once in each Council term.

Minor amendments may be made to the policy and authorised by the Chief Executive Officer at any time. Minor amendments are changes to the policy of an insubstantial, administrative or minor editorial nature,

that do not alter the policy's purpose or outcomes or impact on related policies or stakeholders to whom the policy applies. Minor amendments include, but are not limited to, format and typographical improvements, updating the titles of positions and organisational units, changes to the responsible officer, authorising officer and review date, updates to references to legislation, standards, guidelines or other policies.

Document History

Version	Document History	Approved by – Date
7	Amended	Council Resolution – 26 September 2023