

Fraud & Corruption Prevention Policy

Resolution of Council: 19 November 2007

Responsibility:
Risk Management



city of villages

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Message from the Chief Executive Officer

One of the major difficulties in combating fraud and other corrupt behaviour is the many and varied ways in which it can occur. For that reason it is critically important that all employees and councillors are at all times aware of the possibility that fraud could happen in one form or another at the City of Sydney Council.

As much as we all would like to think that it could only happen from external sources, evidence shows that fraud is often perpetrated from within an organisation.

Fraud is an ongoing and pervasive risk faced by our organisation. Because fraud is more likely to flourish in an environment of ignorance and neglect, the City has for some years now, been implementing Fraud Control Strategies to address issues associated with fraud and corruption.

The intention of this Policy is to bring an organisation-wide approach to managing the risks of fraud and corruption. The policy has been developed with internal and external consultation and is modelled on established best practice prevention programs and standards.

This policy applies to all officials of the City and is to be read in conjunction with the Code of Conduct for Council Staff and Councillors.

While fraud control is an ongoing activity, the most important factor to ensure success is everyone's commitment, attitude and preparedness to take action.

Monica Barone
Chief Executive Officer
August 2007

1 Policy and Strategic Approach

This policy has been developed to convey the City of Sydney's (the City) approach to the deterrence and detection of dishonest and/or fraudulent behaviour and corrupt conduct.

1.1 Policy Statement

The City does not tolerate dishonest or fraudulent behaviour and is committed to deterring and preventing such behaviour in the performance of its business operations.

This commitment shall be met by:

- maintaining an effective system of internal controls and compliance with those controls;
- regularly undertaking fraud risk assessments to identify opportunities for fraud and implementing prevention and minimisation procedures in day to day operations. This process will assist managers, who are ultimately responsible for the prevention and detection of fraud;
- establish formal procedures for the investigation of allegations of dishonest and/or fraudulent behaviour;
- when allegations are proven to be true, report outcome of preliminary inquiry to the Chief Executive Officer for disciplinary action or for referral to external authorities as appropriate;
- reacting appropriately to situations where fraud allegations are proven to be true. This may be through reporting to relevant authorities and/or disciplinary action under the Code of Conduct;
- ensuring all City officials are aware of their obligations in combating dishonest and fraudulent behaviour by issuing those persons with a copy of the Code of Conduct and providing appropriate training on a regular basis;
- cultivating and maintaining an environment in which dishonest and fraudulent behaviour is actively discouraged;
- promulgating relevant codes of conduct to ensure City officials are aware of their responsibilities in combating fraud; and
- fostering an environment in which fraudulent activity is discouraged.

Any evidence of fraudulent activity will be brought to the attention of one of the officials referred to in Section 6.5 for initial investigation. Where a person has acted in good faith in reporting such suspected activity, all reasonable steps will be taken to provide them with protection against discrimination or retaliation.

1.2 Why do we need to implement a Fraud and Corruption Prevention Policy?

In recent years, fraud control has become recognised as a key component of good governance. In the AS 8000 series of Standards produced by Standards Australia, fraud control and corruption prevention, codes of conduct and whistleblower systems all feature predominantly as essential building blocks of good governance.

It is good business practice to implement a fraud and corruption prevention strategy. The advantages of working in an ethical environment free from fraud and corruption are many and include benefits for both City officials and the organisation. Benefits include:

- Enhanced morale;
- Job satisfaction;
- Employment security;
- Reduced stress;
- Improved efficiency;
- Ability to meet commitments; and
- Improved profitability.

“Research has shown that the ethical standards of an organisation impact on staff job satisfaction, commitment to the organisation, turnover and levels of stress experienced by staff”.

Ethics: The Key to Good Management, NSW Independent Commission Against Corruption Research Report 1998

1.3 Strategic Approach to Fraud and Corruption Prevention

The City’s strategy is to detect and prevent fraud and other corrupt activity impacting upon the City and its operations by adopting a better practice approach to fraud and corruption prevention as represented by the NSW Audit Office Guidelines on Fraud Control. The Guidelines advocate using a ten-point framework appearing below.

The Audit Office framework is acknowledged as the standard to which local and state government organisations should work. In addition, the City relies on the considerable amount of corruption prevention material prepared by the NSW Independent Commission Against Corruption (ICAC) and material prepared by the NSW Ombudsman.

The NSW Audit Office states that an effective fraud and corruption control strategy should include the 10 attributes listed below:

- | | |
|-----------------------------------|------------------------------------|
| 1. An integrated macro policy | 6. Notification systems |
| 2. Responsibility structures | 7. Detection systems |
| 3. Fraud Risk Assessment | 8. External notification systems |
| 4. Employee awareness | 9. Investigation systems |
| 5. Customer & community awareness | 10. Conduct & Disciplinary systems |

1.4 Our Goal

Our goal is to achieve better practice status in terms of fraud and corruption prevention.

This means that the City needs to achieve and maintain a “**Highly Effective**” rating when measured against the NSW Audit Office’s Guidelines on Fraud Control. The City will undertake an assessment every twelve months to gauge its progress against achieving better practice.

This Guide can be accessed at the NSW Audit Office’s internet website at <http://www.audit.nsw.gov.au>

1.5 Fraud and Corruption Risk Definitions

We all like to think that the people we work with are all honest, ethical and trustworthy and at the same time we all want those people to reciprocate these values. Therefore, one of the most dishonest acts an employee can commit is to deceive those they work with by participating in fraudulent activity or corrupt behaviour. There are many definitions of “Fraud”, but to understand what is meant by fraud in the context of this policy, the following definition is provided:

Fraud involves “the use of misrepresentations, dishonest or deceitful conduct in order to obtain some unjust advantage over another or to cause disadvantage to the City”.

According to the NSW Police, **Fraud** can be described as encompassing a wide variety of deceptive, dishonest or unethical behaviours. Fraud is loosely described as the theft or improper use of an organisation’s resources and can be committed by employees or persons external to the organisation. Fraud strips value from an organisation. Fraudulent activity will adversely impact on the finances, operational efficiency and/or reputation of an organisation and the longer a fraud continues, the more severe the consequences are likely to be.

Simply put, fraud may be defined as:

“Dishonestly obtaining a benefit by deception or other means.”

For fraud to exist, deceit to gain a benefit must be intentional and not accidental. There is a general expectation for fraud to be associated with a deliberate attempt to deceive through false statements, actions or omissions.

On the other hand, the **ICAC cites corrupt conduct** as the conduct of any person (whether or not a public official) that could adversely affect the honest and impartial exercise of official functions by a public official. A key notion is the misuse of public office. Examples include official misconduct, bribery, fraud, theft, blackmail, embezzlement and perverting the course of justice.

“In general terms corruption involves improper acts or omissions, improper use of influence or position and or improper use of information”.

Corruption does not necessarily involve material gain for the perpetrator or material loss to the City. Corrupt practices, can lead to direct and indirect advantages not only to individuals, but also to causes and/or other interest groups. Corruption has a damaging effect in many ways but potentially through:

- reduced public confidence in the City;
- loss of City assets;
- damage to:
 - ➔ relationships with other government and private sector organisations,
 - ➔ integrity,
 - ➔ reputation,

- deprivation of resources;
- reduced capability; and
- inability to meet the corporate objectives of the City.

1.6 Who Commits Fraud and Corruption?

Fraud can be committed by persons inside and outside the City either alone, in collusion with other officials or with people outside the City.

1.7 How can Fraud and Corruption be prevented?

The most effective means of preventing fraud and other corrupt behaviour is for management to foster and encourage an ethical environment and to implement control mechanisms, which minimise the likelihood of fraud or corrupt practices occurring. Fraud and corruption may also be detected through internal and external audit reviews. City officials can also play a role in preventing fraud and corruption by:

- understanding the responsibilities of their position;
- familiarising themselves with correct job procedures and adhering to them;
- knowing what fraud is;
- being aware of strategies implemented in their areas to minimise fraud and corruption;
- being continuously vigilant to the potential for fraud; and
- alerting responsible people to the vulnerabilities.

Officials should be open with their colleagues and let them know by actions and statements that they would not condone or participate in fraudulent or unethical conduct or practice.

Officials should be alert and report any suspicions of fraudulent or other corrupt activity occurring in their work area or detected elsewhere in the City. It is important to note that officials who work in an area on a day-to-day basis are best placed to prevent and discover fraud, such as observing dishonest practices by peers or colleagues.

1.8 City Fraud and Corruption Reporting, Career Protection and Complainant Confidentiality

The City is committed to supporting and protecting complainants who report breaches or alleged breaches of the Code of Conduct from victimisation and discrimination. The City is committed to protecting the careers of employees who report suspected fraud, provided they are not involved in the fraudulent or corrupt activity.

1.9 Successful Fraud and Corruption Prevention

Key components of successful corruption prevention include:

- Tone at the top – attitude of the Councillors and Senior Management team towards the overall risk and control environment in relation to managing unethical behaviour.
- Analysis of external and internal corruption risks which could potentially affect the achievement of objectives.
- Controls established throughout the City's operations to assist to mitigate the risk of unethical behaviour.
- Information and communication about corruption prevention activities.

- Monitoring process both in respect of controls and corruption prevention initiatives ensures that the system remains effective and dynamic.

2 Fraud and Corruption Prevention Responsibilities

2.1 Overview

The main objective of the Fraud and Corruption Prevention Policy is to minimise the risk of fraud and other corrupt practices against the City. This objective is being achieved through adherence to the NSW Audit Office Fraud Control Guidelines and adoption of the Joint Australian/New Zealand Standard on Risk Management (AS/NZS 4360/2004) to identify fraud and corruption risks and to develop and implement strategies to manage those risks. Employees and councillors also have a responsibility to the City for fraud and corruption prevention, and any incident of suspected fraud or other corrupt activity should be reported in accordance with Section 6 of this Policy.

2.2 Councillors and Chief Executive Officer

Councillors and the Chief Executive Officer are responsible for:

- *promoting* a sound knowledge of Fraud and Corruption Prevention throughout the City;
- *maintaining* their awareness and that of all employees to their responsibilities relating to fraud and corruption control through the issue of Administrative Circulars and procedural instructions;
- *raising* community awareness of the City's commitment to fraud and corruption prevention
- *Promoting* awareness and compliance with the City's Code of Conduct;
- *raising* awareness of the extent of penalties which can be imposed on any person conducting fraudulent or other corrupt activities against the City;
- *requiring* councillors and employees to prevent and minimise fraud and corruption by focussing on ethical behaviour, good practices and sound internal controls;
- *arranging* regular fraud and corruption awareness training courses and/or awareness sessions for councillors and all employees;
- *ensuring* by regular review that appropriate security measures and personnel clearances are in place with regard to fraud and corruption prevention and detection;

2.3 Fraud & Corruption Prevention Committee

The Chief Executive Officer has established a Fraud and Corruption Prevention Committee and assigned this Committee the responsibility for co-ordinating the implementation of fraud and corruption control measures in the City. The Committee's membership will comprise of the Manager Human Resources (Chairperson), Director Corporate Services, Manager Finance, Manager Risk Management and a representative from Internal Audit.

The Fraud and Corruption Prevention Committee will support the City's councillors, Chief Executive Officer and Audit and Risk Management Committee by:

- *developing* strategies to promote fraud awareness and ethics for employees and councillors;
- *undertaking* a Fraud and Corruption Risk Assessment at least every three years, or following any major structural, functional or directional changes of the City;

- *determining* fraud and corruption control strategies to address risks identified by the Fraud and Corruption Risk Assessment;
- *issuing* guidelines to councillors and employees on the reporting of incidents of suspected fraud and corruption;
- *recommending* appropriate policies for the detection and prevention of fraud and corruption;
- *annually* reviewing and updating this policy to ensure it reflects best practice principles and standards in fraud and corruption prevention;
- *considering* the implications of fraud and corruption issues arising from investigations and advising the Chief Executive Officer on appropriate action; and
- *reporting* to the Executive and Audit and Risk Management Committee on proposed new initiatives and major systemic issues.

The Manager Human Resources will:

- be a reporting point for incidents of suspected fraud and corruption;
- advice and guidance to employees seeking clarification as to what constitutes fraud and corruption;
- advice on the manner in which allegations of suspected fraud and corruption should be reported;
- report on any instances of suspected fraud and corruption to the Chief Executive Officer;
- make appropriate arrangements for the investigation of incidents of suspected fraud; and
- provide a central referral point on fraud and corruption related matters for employees, investigators, external authorities such as the ICAC, NSW Police or NSW Ombudsman.

Depending on the nature and seriousness of any incidents of suspected fraud and corruption, the Manager Human Resources will liaise with the Manager Security to ensure the City's premises are secure to prevent:

- unauthorised access to premises;
- unauthorised removal of information or assets;
- theft of assets;
- damage to assets, and
- physical threat to employees (eg by members of the public).

2.4 Manager Information Services

The Manager, Information Services is responsible for Information Security within the City including:

- implementation of approved IT security policies;
- development of IT security procedures and guidelines;
- monitoring of IT security;
- provision of reports and advice on IT security matters to the City and Executive Management, and
- ongoing training and awareness in IT security matters for authorised users.

2.5 Directors

Are responsible for:

- taking a leadership role in promoting ethical behaviour within the City;
- implementing and maintaining appropriate fraud and corruption prevention strategies;
- ensuring the implementation and continued operation of an adequate system of internal control to protect the City against fraudulent and corrupt activity including threats to the City's computer systems;
- ensuring that employees within their area of responsibility receive appropriate fraud and corruption awareness training and understand the City's Code of Conduct; and
- identifying and managing potential fraud and corruption risks to their area of responsibility.

2.6 Managers and Team Leaders

Are responsible for:

- ensuring that appropriate internal controls are in place to minimise fraud and other corruption risks;
- ensuring that internal controls are operating effectively;
- Providing ethical advice and support to staff;
- providing input for developing fraud and corruption control strategies and implementation timetable as required to address fraud and corruption risks identified in their area of responsibility during risk assessments;
- monitoring the implementation of fraud and corruption control strategies; and
- providing progress reports on the implementation of fraud and corruption control strategies if requested.

2.7 Employees and Contractors

Employees and contractors should;

- comply with the requirements of this policy;
- be aware of their individual responsibilities under this policy;
- act in a professional manner;
- comply with all legal requirements, policies and directives;
- avoid waste or misuse of City resources;
- care for City property; not misuse official information; and maintain and enhance the reputation of the City;
- perform their duties with skill, care, diligence, honesty, integrity and impartiality;
- be scrupulous in their use of City information, assets, funds, property, goods or services.

N.B. It is also the duty of both employees and contractors to report any corrupt or fraudulent activity coming to their attention.

2.8 Responsibility Structure

CITY FRAUD & CORRUPTION RESPONSIBILITY STRUCTURE				
COUNCILLORS AND CHIEF EXECUTIVE OFFICER Supported by the Audit & Risk Management Committee & Fraud & Corruption Prevention Committee	<ul style="list-style-type: none"> ■ Policy and Strategy ■ Business Risk ■ Corporate Governance ■ Compliance (legislative, regulatory, community) ■ Stakeholder value ■ Image ■ Culture 			
	DIRECTORS	<ul style="list-style-type: none"> ■ Develop and implement fraud and corruption prevention strategies for Directorate ■ Identify and mitigate actual and potential corruption risks in the workplace ■ Monitor and review the effectiveness of mechanisms implemented to minimise and detect corruption ■ Demonstrate ethical conduct in all business dealings ■ Promote awareness of fraud and corruption prevention and ethical conduct in the workplace ■ Lead by example 		
		MANAGERS	<ul style="list-style-type: none"> ■ Promote awareness of ethical conduct and mechanisms to prevent corruption ■ Provide input to policies, procedures and instructions that relate to areas of risk ■ Drive the Fraud and Corruption Prevention strategy ■ Provide ethical advice and support to staff ■ Monitor and review fraud and corruption prevention mechanisms in place ■ Monitor integrity of Fraud and Corruption Prevention Strategy 	
			STAFF	<ul style="list-style-type: none"> ■ Ethical behaviour ■ Report suspected incidents of fraud and corruption ■ Compliance with fraud and corruption prevention controls including the Fraud and Corruption Prevention Policy

3 Fraud Risk Assessment Process

Management's main objective in fraud control is to minimise the risk of fraud and other corrupt activity against the City. This objective is achieved by identifying fraud risks; determining strategies to control those risks, defining responsibility for, and a timetable in which to implement those strategies to manage fraud control risks.

With changes continuously taking place, Managers must be alert to the dangers and opportunities for illegal and unacceptable practices to *seed* and spread. Particular changes where careful consideration is necessary include:

- changes to the delegation of responsibility;
- implementation of cost-cutting measures and drives for efficiency and productivity improvements;
- contracting out and out-sourcing;
- the impact of new technology;
- commercialisation of activities;
- workforce rationalisation; and
- changes to risk management practices.

Directors and Managers have a responsibility to advise the Fraud and Corruption Prevention Committee of any significant changes to program structures and major changes in internal controls that could have an impact upon the occurrence of fraud and Corruption so this can be taken into consideration in the ongoing maintenance of risk exposures to the City.

3.1 Review of Fraud and Corruption Risks

The Fraud and Corruption Prevention Committee will instigate a review of the City's fraud and corruption risks at least once every 3 years. The review will:

- determine whether the risk assessment methodology is still valid;
- determine if another risk assessment should be conducted;
- monitor changes in City operations and environment since the last fraud risk assessment;
- address recommendations in the last Fraud and Corruption Risk Assessment and Action Plan which have not been implemented; and
- amend the Fraud and Corruption Risk Assessment and Action Plan and determine strategies to be implemented to manage residual risks identified in the Fraud and Corruption Risk Assessment.

The Committee will also consider the fraud control plans recently developed and implemented by the Community and Cultural Services Division and their inclusion as part of the fraud and corruption risk assessment process.

3.2 Examples of Potential Fraudulent and Corrupt Activity

Some examples of fraudulent and corrupt activity commonly identified include:

Theft

The most common types of property stolen include:

- stationary and supplies,
- construction and maintenance equipment and tools,

- lap top computers,
- technical equipment,
- mobile telephones,
- cash,
- intellectual property.

Theft also includes the unauthorised use of Credit cards, Petrol cards, Cabcharge cards or vouchers and theft of documents and data for financial gain.

Misuse of City resources, including information and services for inappropriate private purposes

The misuse of City resources for unofficial purposes and without proper authorisation is always a potential risk. In their publication “Preventing the Misuse of Council Resources Guideline 2” the ICAC lists a number examples of those they have encountered including:

- A curator of a sports oval runs a landscaping business using council equipment and materials and falsifies job sheets to cover up his private use.
- A number of examples of professional officers conducting private consultancies utilising council office equipment and materials.
- A swimming pool manager running a non authorised swimming school during work hours.
- Green-keeping staff using council materials and equipment to maintain cricket pitches on weekends for cash payment.
- A loader driver uses 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 work hours.
- A council employee takes advantage of council maintenance work at an airfield to have drainage and resurfacing work done around his hangar.
- Employees use council materials and a truck and back hoe to construct a motor cross bike track on private property during work hours.
- Five council employees spend a work day turfing an employee's rear yard.

Other forms of misuse which appear to be relatively common include:

- Staff utilising mobile phones excessively for private purposes without re-imbursement of costs.
- Internet services being used extensively for non work purposes.
- Internet and intranet systems being used to distribute pornography and other offensive material.
- "left-over" materials and low value assets being claimed by staff.

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 not to look too closely at a fraud or corrupt activity, to look away when it is identified or even to actively participate in fraud. Exposure to offers of gifts, benefits and bribes is almost inevitable among officials who:

- Approve or can influence decisions
- Provide customer or client service
- Procure goods or services

- Carry out regulatory work
- Carry out any work with the private sector.

Zoning and Development

- Coercions, intimidation and harassment of Council planners dealing with development applications.
- Various inducements from developers to modify approved DA or conditions imposed.

Regulatory Compliance

- Private certifiers satisfying their clients by regularly overlooking conditions of consent and disregard for planning and building policies and procedures.
- Compliance officers accepting bribes and favours to allow illegal and or unauthorised activities.

Conflicts of Interest

A conflict of interest can be of two types:

Pecuniary - An interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person or another person with whom the person is associated. (*Local Government Act 1993 sections 442 and 443*)

Non-pecuniary - A private or personal interest the council official has that does not amount to a pecuniary interest as defined in the Act (for example; a friendship, membership of an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature).

- Regular contact between council officials and developers can lead to close personal relationships.
- Councillors pressured by key local constituents.
- Council use of consultants who may have conflicts of interest with external parties that they are negotiating with, regulating or investigating.

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 and /or conflicts of interest mentioned previously. 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
- Abuse of emergency orders
- Accepting late tenders without justification
- Approving fraudulent contract variations

Human Resources

- Applicants for positions falsifying career background details.
- Direct recruitment of friends and relatives to permanent and casual positions.
- Development of personal relationship with subordinate that can lead to favouritism.
- Creation of fictitious employees on the payroll.

Computer Fraud

There are six main areas of computer fraud, namely:

- unauthorised alteration of input data;
- misappropriation, destruction or suppression of output data;
- alteration of computerised data;
- alteration or misuse of software programs;
- electronic claims processing; and
- unauthorised and/or deceptive electronic transfers of funds.

Forgery or falsification of records to originate or conceal a fraud

The falsification of records and processing of a false statement is fraud e.g. falsifying data on expense claims and receipts, credit card reimbursements, invoices or time sheets, job application forms, leave records and forgery of a signature on a cheque or document.

Provision of false or incomplete information

Provision of briefs or reports to management and to the public which are not objective, reflect personal agenda and are not in the best interests of the City. Persons claiming to be someone else in order to obtain confidential information.

Abuse of official position for private gain

Acceptance of secret commissions, bribery, blackmail, corruption, improper use or sale of confidential information, bias to suppliers or contractors and bias in staff promotions or appointments.

Unauthorised sale or provision of information

Unauthorised sale or provision of confidential information or the disposal of assets. Such fraud may also apply to client information. Other frauds include corrupt procurement/ tendering practices.

3.3 Areas of Business and Administrative Risk

The following risk wheel highlights the major fraud and corruption risks facing the City.

Risk Wheel



4 Employee and Councillors Awareness

4.1 Fraud and Corruption Prevention Training

The City recognises that the level of awareness amongst all employees and councillors of fraud and corruption issues must be high so that employees can identify fraud and corruption and thereby prevent their occurrence. This will be achieved through:

- ensuring all employees attend the City's Induction Program, including awareness training on this policy and the Code of Conduct;
- ensuring new councillors receive awareness training on this policy and the code of conduct;
- ensuring all employees and councillors are made aware of updates and changes to fraud-related policies, procedures, Code of Conduct etc.
- ensuring that training in fraud related and corruption prevention matters is made available to staff on a regular basis;
- ensuring appropriate fraud information is distributed through senior management meetings and Corruption Prevention Education and Research papers;
- circulation of newsletters and other publications relating to fraud and corruption; and
- ensuring appropriate staff participation in the Fraud and Corruption Risk Assessment Review and other audit activities regularly undertaken by the City's external and internal auditors.

4.2 Fraud and Corruption Minimisation Practices and Procedures

To assist management and staff identify any occurrences of fraud and corruption, the City recognises that appropriate practices and procedures must be implemented to enable monitoring of particular areas of activity to be undertaken. These practices and procedures include:

Ethics

- This Fraud and Corruption Prevention Policy
- Code of Conduct

Risk Management

- Risk Management Policy and Risk Register

Finance

- Contracts Policy and supporting Procurement Manual
- Code of Tendering
- Councillors' Expenses Policy
- Petty Cash
- Corporate Purchasing Cards Policy
- Cash Handling (Draft)

Human Resources

- Delegations from the CEO to Directors and Council Staff
- Internet and E-mail policy
- Recruitment Policy
- Disciplinary Procedures
- Motor Vehicle Policy
- Telephone and Mobile Phone Policies
- Records Management Policy
- Secondary Employment Policy

Other

- Complaints and Comments
- Grants and Sponsorship Policies
- Development Policy and Guidelines

The Fraud and Corruption Prevention Committee will undertake a bi-annual review of policies that relate to fraud and corruption prevention for the purpose of ensuring that they are useful and effective.

5 Customer and Community Awareness

Those who deal with the City and the community in general should know that any form of fraud or corruption will not be tolerated within the City. This reduces the likelihood that persons outside the organisation will attempt to influence those within the City to act fraudulently or corruptly.

City strategies for increasing customer and community awareness include:

- promoting the City's initiatives and policies on fraud and corruption prevention on our website;
- referring to fraud and corruption initiatives in the Corporate Governance Section of the City's Annual Report;
- dissemination of relevant information to suppliers and service providers on a regular basis; and
- membership and regular attendance at relevant industry forums and seminars.

6 Internal Reporting Policy

The purpose of the City's Internal Reporting Policy is to establish and promote an effective means by which staff and councillors can report corrupt conduct, maladministration or serious and substantial waste of public money.

The Internal Reporting Policy aims to demonstrate to all councillors and staff that the City will not tolerate corrupt conduct, and that any individual who discloses inappropriate behaviour will be supported. The Policy was developed in accordance with the provisions of the Protected Disclosures Act 1994.

This Policy is not intended to replace legislation and is to be read in conjunction with the City's code of conduct, and relevant legislation and policies.

6.1 Objectives of the Protected Disclosures Act

The Protected Disclosures Act 1994 came into effect in March 1995. The purpose of the Act is to ensure that public officials who make disclosures under the legislation will be protected from reprisals; and allegations made within those disclosures are properly investigated.

The Act aims to encourage the disclosure of corrupt conduct, maladministration and serious and substantial waste in the public sector. This is achieved by:

- promoting established procedures for making such disclosures;
- protecting individuals from reprisals stemming from such disclosures; and
- establishing a system to investigate and deal with such disclosures.

6.2 Definitions

A disclosure is a report, either written or verbal, made in accordance with this Internal Reporting Policy. The Policy has three key concepts, *corrupt conduct (this includes fraud)*, *maladministration* and *serious and substantial waste of public money*. For the purpose of this Policy, the following definitions apply:

Corrupt conduct (as defined in the Independent Commission Against Corruption Act 1988) is any conduct of any person (whether or not a public official) that adversely affects, either directly or indirectly, the exercise of official functions by any public official, any group or body of public officials or any public authority and which includes (but is not restricted to) official misconduct, bribery, blackmail, fraud, theft, embezzlement and perverting the course of justice.

Maladministration (as defined in the Protected Disclosures Act 1994) is conduct that involves action or inaction of a serious nature that is:

- contrary to law;
- unreasonable, unjust, oppressive, or improperly discriminatory; or
- based wholly or partly on improper motives.

Serious and Substantial Waste of public money (as defined by the Auditor General) refers to the uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a loss/wastage of public funds/resources.

6.3 What Disclosures are Protected

Disclosures are protected under the Act if they:

- Are made:
 - In accordance with this Internal Reporting Policy (*refer to section 6.5 below*); or
 - To the Chief Executive Officer; or
 - To one of the investigating authorities nominated in the Act; and
- Show or tend to show corrupt conduct, maladministration, or serious and substantial waste of public money by the City or any of its staff; and
- Are made voluntarily.

Dealing with allegations made by members of the Public

Even though the Protected Disclosures Act does not cover allegations made by members of the public, it has been determined that this internal reporting policy will also be used to the extent that it is relevant for dealing with allegations made by the public.

6.4 What Disclosures are Not Protected

A disclosure is not protected if it is made by a public official in the exercise of a duty imposed by or under an Act. Protection is also not available for any disclosure which:

- is made frivolously (this means that they have little or no weight or importance and are not worthy of serious notice) or vexatiously (this means to irritate, annoy, torment, plague, make angry or worry).
- primarily questions the merits of government policy; or
- are made solely or substantially with the motive of avoiding dismissal or other disciplinary action.

It is an offence to wilfully make a false or misleading statement when making a disclosure.

6.5 Making a Disclosure under this Policy

CITY EMPLOYEES

The persons or positions to which internal disclosures can be made in accordance with this Internal Reporting Policy are:

- The Manager Human Resources
- Directors
- The Chief Executive Officer
- The Lord Mayor (if the disclosure concerns or involves the Chief Executive Officer or a councillor)

Where a person wishing to make a disclosure is concerned about publicly approaching any of the above officials, they can contact the relevant official and request a meeting in a discreet location away from the workplace. The contact details are available on the CityNet Website.

To make a disclosure, employees and councillors can use the Disclosure Reporting Form that is provided in Appendix A.

CITY COUNCILLORS

Councillors should report suspected breaches of the code of conduct to the Chief Executive Officer. If a disclosure concerns the Chief Executive Officer or a Councillor, then it should be reported to the Lord Mayor.

6.6 Things to Consider before you make a Disclosure

An employee or councillor who suspects that a fraudulent or corrupt activity is occurring should observe the following procedures when making a disclosure.

Note observations

- do not jump to conclusions
- carefully observe and note the suspected conduct
- note their own actions
- keep any documents as possible evidence and do not alter them eg by marking, and ensure they are stored securely

Report Concerns

- seek appropriate advice from the Manager HR, if necessary, as to what constitutes fraud or corruption
- report concerns to the Manager HR (or CEO if you are a councillor)

Inform only those who need to know

- to prevent possible destruction of evidence by those involved in the fraud or other corrupt activity who are “tipped off”
- as protection against any pressure from those at the centre of the allegations
- to protect the rights of people suspected of fraudulent or corrupt activity that may in fact be innocent

6.7 Employees and Councillors

All employees and councillors are encouraged to make disclosures where any corrupt conduct, maladministration or serious and substantial waste is evidenced or suspected in accordance with this Internal Reporting Policy.

Every individual in the City has an important role to play in supporting those who have made such disclosures. They must abstain from any action that is or could be perceived as victimising or harassing any person who has made a disclosure. Further, they should also maintain confidentiality if they know or suspect that a disclosure has been made.

6.8 The Role of Directors (Protected Disclosure Officers)

Directors are responsible for receiving, forwarding and/or acting upon disclosures made in accordance with this Internal Reporting Policy. Directors receiving disclosures will:

- clearly explain to persons making disclosures what will happen to the information received;
- agree to allow disclosures to be made outside the work environment if requested;
- prepare a written report detailing oral disclosures including events and names of people involved for a complainant's signature;
- deal with disclosures impartially;
- refer disclosures to the Manager HR for assessment;
- provide support and other counselling to complainants; and
- maintain strict confidentiality in regard to all aspects of the disclosure.

The only exceptions to the requirement of strict confidentiality in dealing with disclosures are:

- a complainant consents in writing to the disclosure of information;
- it is essential in the interest of natural justice to disclose information to a respondent;
- a Director or external authority dealing with the disclosure is of the opinion that disclosure of the information is necessary to effectively investigate the matter; or
- disclosure of the information is in the public interest.

Decisions regarding exceptions to the requirement of confidentiality are the responsibility of the Manager HR (Protected Disclosure Coordinator).

6.9 The Role of Manager HR (Protected Disclosure Coordinator)

The Manager HR has responsibility for overall management of the City's internal reporting system, which includes ensuring adherence by Directors (Protected Disclosure Officers) to the guidelines as set by the Ombudsman's Office. This includes assessment of a disclosure to identify whether it appears to meet the definition of a protected disclosure in accordance with the Act.

The Manager HR will:

- Consult with the Chief Executive Officer on all disclosures received;

- Be responsible for carrying out or coordinating any internal investigation arising out of a disclosure, subject to the direction of the Chief Executive Officer in carrying out his/her functions;
- Report to the Chief Executive Officer on the findings of any investigation and recommended remedial action;
- Take all necessary and reasonable steps to ensure that the identity of persons who make disclosures, and persons the subject of the disclosure, are kept confidential, (where this is practical and reasonable)
- Support persons who make disclosures and actively protect them from victimisation, harassment or any other form of reprisal, and
- Impartially assess each disclosure to determine
 - Whether the disclosure appears to be a protected disclosure within the meaning of the Act;
 - Whether the disclosure concerns another agency and should therefore be referred to the principal officer of that agency; and
 - The appropriate action to be taken in relation to the disclosure, for example:
 - No action/decline;
 - The appropriate person to take responsibility for dealing with the disclosure;
 - Preliminary or informal investigation;
 - Formal investigation;
 - Prosecution or disciplinary action;
 - Referral to an investigating authority for investigation or other appropriate action;
 - Referral to the police (if a criminal matter) or the ICAC (if the matter concerns corrupt conduct). or
 - Report actual or suspected corrupt conduct to the Chief Executive Officer in a timely manner to enable that officer to comply with the *ICAC Act*.

The Manager HR will advise the person making a disclosure of the action taken (or proposed to be taken), and the reason for that course of action, within six months of receipt of the disclosure.

The Manager HR will inform the Fraud and Corruption Prevention Committee of any systemic issues or control weaknesses that may be identified during an investigation.

6.10 Chief Executive Officer

Disclosures may be made direct to the Chief Executive Officer unless the disclosure involves the Chief Executive Officer. The Chief Executive Officer will where appropriate exercise the same responsibility as that of the Protected Disclosures Coordinator. Where employees are concerned, the Chief Executive Officer will normally refer complaints to the Manager HR, unless that officer is implicated. If this occurs, the Chief Executive Officer will refer the matter to the City's Conduct Committee (refer to 6.12 below).

The Chief Executive Officer will assess any disclosure made by a councillor and determine if it warrants reporting to the Conduct Committee. Where it is determined not to report a matter to the Conduct Committee, the Chief Executive Office will give the complainant the reason(s) in writing.

In addition, the Chief Executive Officer has an obligation to refer allegations of corrupt conduct to the ICAC (pursuant to Section 11 of the ICAC Act) in a timely manner, and to report criminal matters to the police.

The Chief Executive Officer is also responsible for implementing workplace reform identified as necessary following investigation of a disclosure. Matters may also be referred to the Fraud and Corruption Prevention Committee for advice.

6.11 The Lord Mayor

The Lord Mayor may receive internal disclosures from any member of staff of the City or any councillor concerning the Chief Executive Officer or a councillor. The Lord Mayor will pass all disclosures to the Conduct Committee.

6.12 The Conduct Committee

The City's Conduct Committee will consist of the Lord Mayor, the Chief executive Officer and at least one person independent of council. The independent representative/s should comprise council's nominated legal adviser or other independent person/s of appropriate standing. In the instance of a complaint being made by or against the Lord Mayor or the Chief Executive Officer, the Deputy Lord Mayor, or another councillor who has been designated by council, will take the place of the Lord Mayor or Chief Executive Officer on the committee.

The Conduct Committee will:

- impartially assess each disclosure made about the Chief Executive Officer or a councillor to determine:
 - whether the disclosure appears to be a protected disclosure within the meaning of the Act; (or as determined in 6.3 above for allegations made by the public)
Note: In making this assessment the Conduct Committee should seek guidance from: Chief Executive Officer (in the case of a disclosure about a councillor), an investigating authority (i.e. the ICAC, or NSW Ombudsman), or the Department of Local Government.
 - the appropriate course of action to be taken in relation to the disclosure. For example:
 - in the case of a frivolous, vexatious, anonymous or false identity accusation no action/decline;
 - the appropriate person to take responsibility for dealing with the disclosure; preliminary or informal investigation Normally this will be the Chief Executive Officer. Where it is not appropriate for this officer to deal with the disclosure, the Committee will seek advice from the ICAC on the appointment of a suitable person;
 - formal investigation (refer to the Investigation Standards in 9. below);
 - prosecution or disciplinary action;
 - referral to an investigating authority for investigation or other appropriate action; or
 - referral to the police (if a criminal matter) or the ICAC (if the matter concerns corrupt conduct)
- refer disclosures to the Chief Executive Officer for appropriate action if they concern the council's administration, within the day to day responsibilities of the Chief Executive Officer; and
- take all necessary and reasonable steps to ensure that the identity of persons who make disclosures, and the persons the subject of disclosures, are kept confidential. (refer to 6.14 and 9.13 below)

6.13 External Reporting Options under the Act

If councillors or employees wish to make a protected disclosure outside of the City, they may approach:

- The ICAC
- the Ombudsman's Office; or
- Director-General of the Department of Local Government

Under the Act, a disclosure to a member of Parliament or a journalist is protected provided that:

1. the person making the disclosure has already made substantially the same disclosure to an official nominated in section 6.5 above, and the person or authority to whom the disclosure was made:
 - decided not to investigate the matter; or
 - decided to investigate the matter but did not complete the investigation within six months of the disclosure being made; or
 - investigated the matter but recommended that no further action be taken in relation to the matter; or
 - failed to notify the complainant within six months of the disclosure being made of whether or not the matter was being investigated; and
2. The complainant has reasonable grounds for believing the disclosure to be substantially true; and
3. The disclosure must be substantially true.

6.14 Rights of Respondents

Persons who are the subject of disclosures will also be protected.

The identity of respondents will be kept confidential where possible. All disclosures will be treated impartially, and respondents will be treated fairly.

Prior to any decision arising from the investigation of a disclosure being made, a respondent has the right to:

- be informed as to the substance of the allegation;
- be informed as to any reports or outcomes stemming from the investigation; and
- provide a response to the allegations to any investigating officer(s).

A respondent should also be formally advised as to the outcome of the investigation. A respondent should also be advised of the right to access counselling under the City's Employee Assistance Program.

Where investigations or other inquiries do not substantiate allegations made in disclosures, all details of the disclosures will be kept confidential unless the respondent requests otherwise.

Where allegations contained in a disclosure are clearly wrong or unsubstantiated, the respondent is entitled to the support of the Chief Executive Officer and senior management. Depending on the circumstances, such support could include a public statement of support, or a letter clearly stating that the allegations are clearly wrong or unsubstantiated.

6.15 Protection Available under the Act

The Act provides protection for complainants who make disclosures in accordance with the Act and/or this policy.

A complainant who makes a protected disclosure has a defence of absolute privilege in the event of defamation proceedings.

The Act also provides protection by imposing penalties on a person who takes detrimental action against a complainant substantially in reprisal for a protected disclosure. Detrimental action means action causing, comprising or involving any of the following:

- injury, damage or loss;
- intimidation or harassment;
- discrimination, disadvantage or adverse treatment in relation to employment;
- dismissal from, or prejudice in, employment; or
- disciplinary proceedings.

Any employee who perceives detrimental action as a consequence of making a disclosure in accordance with this policy should immediately advise their Director, the Manager HR or the Chief Executive Officer.

Penalties against persons proven to have taken detrimental action against a complainant include fines and imprisonment.

6.16 Freedom of Information Exemption

Under the *Freedom of Information Act 1989*, a document is exempt from release if it contains matter the disclosure of which would disclose matters relating to a protected disclosure within the meaning of the Act.

6.17 Notification of Action Taken or Proposed

A person who makes a protected disclosure must be notified, within six months of the disclosure being made, of the action taken or proposed to be taken in respect of the disclosure.

If a disclosure is made in accordance with this Internal Reporting Policy, the Manager HR is responsible for the six month notification to the person who made the disclosure.

If a disclosure is made to the Lord Mayor under this Policy, the Lord Mayor is responsible for such notification to the person who made the disclosure, unless he or she directs the Chief Executive Officer, or another nominated officer to assume this responsibility.

The notification provided to the person who made the disclosure will contain sufficient information to demonstrate that adequate and appropriate action was taken, or is proposed to be taken, in respect of the disclosure. This will include a statement of the reasons for the decision made on, or action taken in response to, the disclosure.

The notification will include sufficient information to enable the person who made the disclosure to make an assessment as to whether the circumstances listed in section 19 (a)-(c) of the Act (relating to disclosures to Members of Parliament and journalists) apply, ie whether:

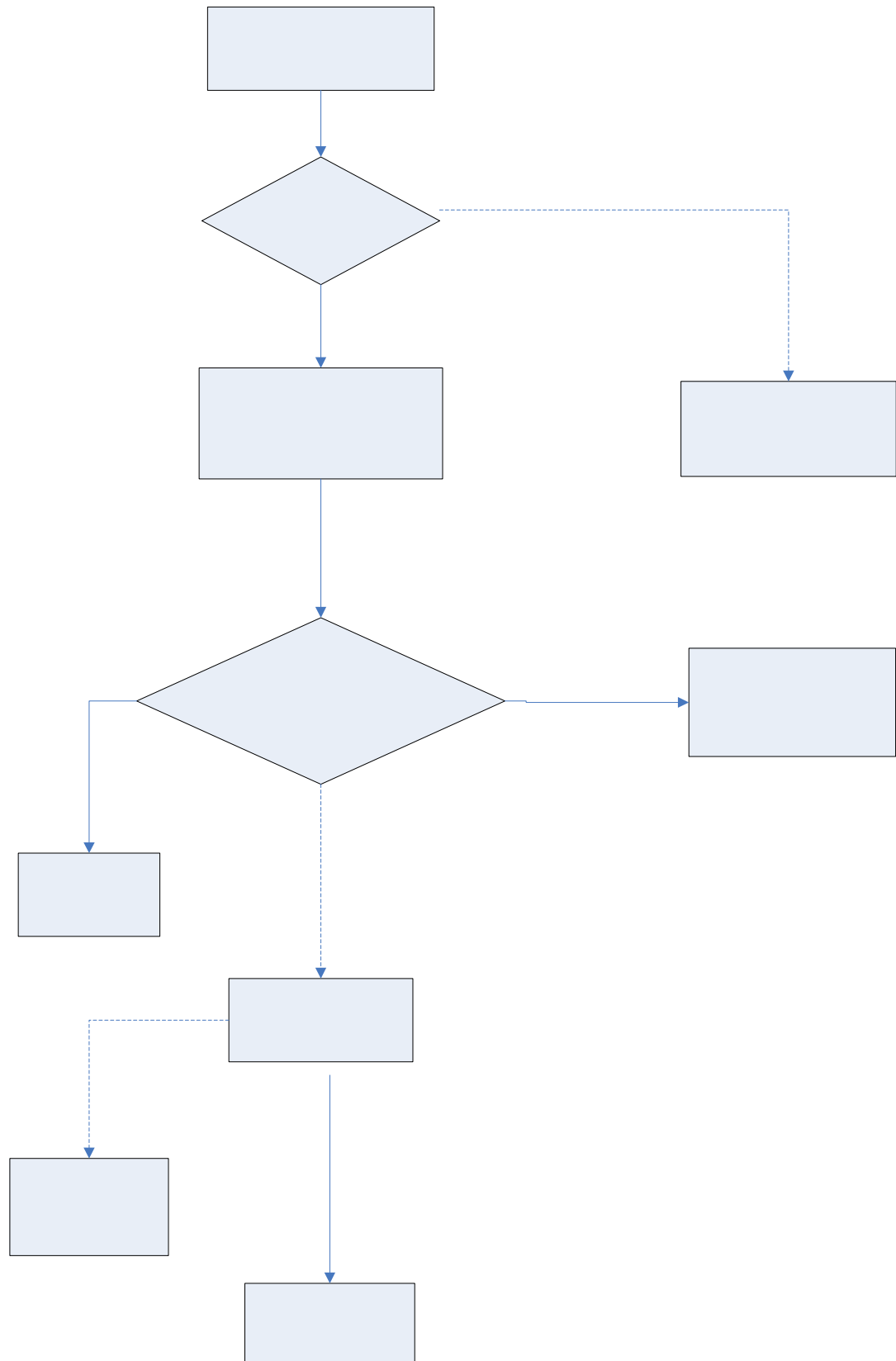
- a decision was made not to investigate the matter; or
- a decision was made to investigate the matter, but the investigation has not been completed within 6 months of the original decision being made; or
- the matter was investigated but no recommendation was made for the taking of any action in respect of the matter.

Without such information it would be difficult for the person to be able to properly assess whether it is appropriate or warranted to make a disclosure to an MP or journalist.

6.18 Inquiries

Inquiries regarding this policy should be referred to the Manager HR.

6.19 Internal Reporting Flow Chart



7 Detection Systems

The City requires that all employees be alert to the signs of any possible fraud and corruption.

To assist employees in identifying possible symptoms of fraud and corruption, a list of common indicators is provided in Appendix B.

In addition, the city has a number of mechanisms in place to detect fraud and corruption including:

- A risk management regime that covers the assessment of fraud risks;
- Strategic use of internal audit to target areas that are more susceptible to fraud and corruption;
- The establishment of a Fraud and Corruption Prevention Committee with specific mandates as described in Section 2.3 above; and
- Monitoring and scrutiny of financial performance especially large and/or unusual income and expenditure balances.

8 External Notification

The Manager HR is required to refer to the Chief Executive Officer all matters with the potential to be investigated by an external agency such as the ICAC, NSW Ombudsman, Director-General of DLG or NSW Police.

Notwithstanding this requirement, the City's Internal Reporting Policy makes it clear that individual staff may make reports directly to external agencies.

8.1 Reporting Corrupt Conduct to ICAC

Corrupt conduct is the conduct of any person that could adversely affect the honest and impartial exercise of official functions by a public official. A key notion is the misuse of public office. Examples include bribery, fraud, theft and blackmail. A full definition appears in the ICAC Act.

Under Section 11 of the ICAC Act, the Principal Officer of an organisation must report all suspected instances of corrupt conduct to ICAC. This does not prevent any individual within the City (or anyone else) providing information direct to ICAC about the same matter.

ICAC may be contacted at:

- Independent Commission Against Corruption
Level 21, 133 Castlereagh Street
Sydney, New South Wales 2000
Phone: (02) 8281 5999
1800 463 909 (Toll Free)
Facsimile (02) 9264 5364
Email icac@icac.nsw.gov.au

8.2 Reporting Criminal Offences to the NSW Police

City staff may report matters to the NSW Police if it involves, or they suspect it involves, a criminal offence. Fraud and theft are both examples of a criminal offence. In some circumstances, it may be an offence not to report a serious criminal offence to the Police (refer Section 318 of the NSW Crimes Act 1900).

The NSW Police may be contacted at:

- Your local police station or via the Police Assistance Line (for non-urgent crime reports) on 131 444; or
- In a life threatening or urgent situation the Police hotline number is 000.

8.3 Reporting Administrative Conduct to the NSW Ombudsman

The role of the Ombudsman is to promote fairness and integrity in public administration in NSW. The Ombudsman's Office is an independent organisation that investigates conduct that may be:

- Illegal;

- Unreasonable, unjust or oppressive;
- Improperly discriminatory;
- Based on improper motives or irrelevant grounds; and
- Based on a mistake of law or fact.

The Ombudsman gives priority to complaints raising systemic and procedural deficiencies in public administration or serious abuse of power. The focus of the Office is to identify problems and mistakes to ensure that they are resolved and rectified.

N.B. Where possible, the Ombudsman prefers that public sector agencies first attempt to resolve matters internally. This could include attempting conciliation as an alternative to investigation.

The Ombudsman may be contacted at:

- NSW Ombudsman
Level 24, 580 George Street
Sydney NSW 2000
Phone: (02) 9286 1000
Toll Free: 1800 451 524
Fax: 02 9283 2911
Email: nswombo@ombo.nsw.gov.au

8.4 Reporting Serious and Substantial Waste to the Director-General of the Department of Local Government

Serious and substantial waste is any uneconomical, inefficient or ineffective use of resources which results in a significant loss or wastage of public funds. The conduct that led to the waste may be authorised or unauthorised.

It includes expenditure that should not have been incurred, that exceeded what was required or had no benefit for the organisation.

The Department of Local Government may be contacted at:

5 O'Keefe Avenue
NOWRA NSW
Telephone: (02) 4428 4100
Facsimile: (02) 4428 4199
Email: dlg@dlg.nsw.gov.au

Further guidance as to who may or should report matters is provided in the Protected Disclosures Policy contained at Section 6 of this document.

9 Investigations Standards

9.1 Preliminary investigations, minor investigations and investigations not undertaken by the Police

Responsibility for the coordination of investigations within the City lies with the Manager HR who has delegated authority from the Chief Executive Officer and is accountable to the Chief Executive Officer for the conduct of internal investigations. The Manager HR will inform the Chief Executive Officer of all matters requiring investigation.

Where a matter is dealt with by the Conduct Committee, the Committee will nominate a person to coordinate the investigation.

Reports to the Chief Executive Officer of prima facie cases of fraud or corruption should include the following information in writing wherever possible

- The names of the suspected offender(s) (where known);
- Details of the allegation/s and/or offence/s; eg
 - a chronological account of the facts giving rise to the allegation(s);
 - details of witnesses;
 - copies of relevant documents;
 - references to any relevant legislation; and
- A nominated contact officer.

Where the decision to investigate a matter has been determined, the Manager HR will be responsible for preparing a brief investigation plan in conjunction with the investigator which includes:

- Description of the alleged wrongdoing;
- Objectives of the investigation;
- Scope of the investigation and strategies to be used;
- Details of initial inquiries;
- Resources needed; and
- Timeframe.

9.2 Conducting an Investigation

For disclosures classified as serious, only investigators or auditors skilled in investigation work will perform the investigation.

For disclosures considered to be minor, the Manager HR may consider using an internal officer to conduct the investigation. In all cases, the person performing the investigation must be independent.

The ICAC has developed a handbook entitled Internal Investigations. This handbook forms the standard by which investigations within the City are conducted. A copy of the handbook may be obtained from the ICAC web site.

The Manager HR will determine who should be notified of an impending investigation and when i.e., those to be investigated, managers (whose areas may be affected by the investigation) and those directly involved in the investigation process.

The Manager HR will, within six months of a disclosure being made, notify the person making the disclosure of the action taken or proposed to be taken. This is a requirement under Section 27 of the Protected Disclosures Act 1994.

Once an investigation has been completed, a copy of the investigator's report will be provided to the Manager HR for the purpose of determining any further action.

A copy of the final report will be provided to the Chief Executive.

The Manager HR is responsible for the security and access of all files, records and evidence relating to disclosures and investigations.

If disciplinary action is recommended, the City's disciplinary procedures will apply.

9.3 Rights of Individuals

City employees and councillors subject to allegations of a fraudulent or corrupt act are considered innocent unless and until proven guilty. An employee or councillor has the right not to have details of the allegation disclosed to and discussed by people not concerned with the matter.

A person who suspects that fraudulent or other corrupt activity may be taking place at the City should discuss the matter with their supervisor or may make a report directly to the Manager HR, or in the case of a councillor, to the CEO or Mayor in the first instance. Persons suspected of fraudulent activity should not immediately be informed of these suspicions until advice has been received regarding appropriate action particularly regarding collection of potential evidence. Employees working in an area in which fraud or other corrupt conduct is suspected may be interviewed by City investigators or by the police. Employees and councillors have a common law duty to assist police with their investigations.

Employees or councillors who believe that the answer to a question during a fraud investigation or other criminal matter may implicate them in the fraud or other criminal offence have a right not to answer the question. Prior to the commencement of an interview, fraud investigators and police are legally bound to advise employees or councillors of their legal rights, including their right to legal representation during the course of the interview.

10 Code of Conduct and Disciplinary Standards

Conduct and disciplinary standards which relate to City personnel are contained in the Code of Conduct.

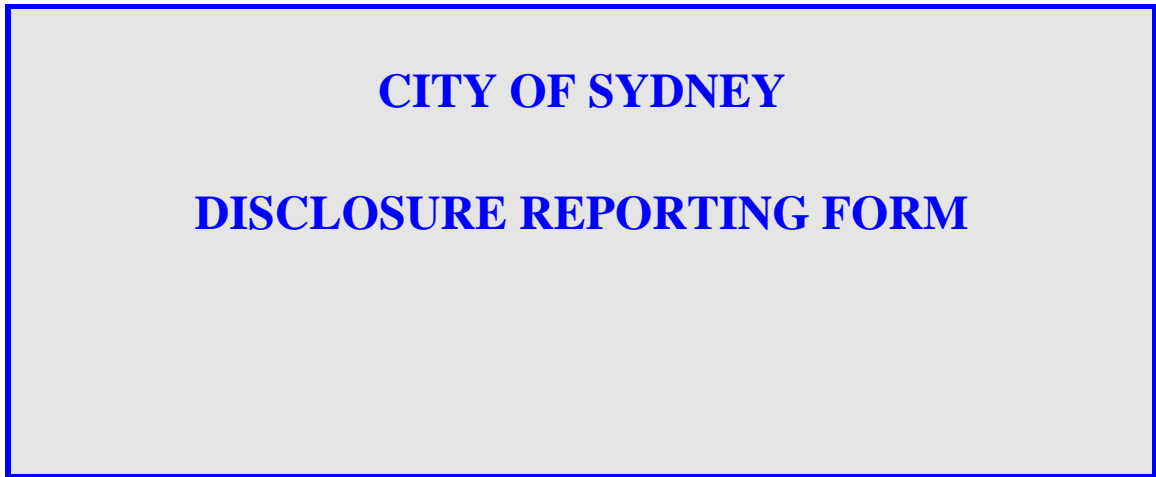
City employees are required to accept the Code of Conduct as a condition of employment and attend the City Induction program and awareness training.

The City's Code of Conduct reflects the ethical standards, values and principles by which the City's employees and councillors are required to perform their duties.

By their nature Codes of Conduct cannot cover all possible situations that may occur. If in doubt as to the correct course of action or if employees are faced with a grey area or potential or actual conflict of interest, advice should be sought from their line manager or Manager HR.

Contravention of the Code of Conduct may result in formal disciplinary action.

Appendix A: Disclosure Reporting Form

A rectangular box with a blue border and a light gray background. Inside the box, the text "CITY OF SYDNEY" is centered in blue, bold, uppercase letters. Below it, "DISCLOSURE REPORTING FORM" is also centered in blue, bold, uppercase letters.

CITY OF SYDNEY

DISCLOSURE REPORTING FORM

DISCLOSURE REPORTING FORM

This form may be used by councillors and employees to make a protected disclosure in accordance with the City's Internal Reporting Policy.

Before completing this form, it is recommended that you familiarise yourself with the City's *Fraud and Corruption Prevention Policy and specifically Section 6 of that policy that describes the Internal Reporting Policy* and the protection available to you under the Protected Disclosures Act. The Fraud and Corruption Prevention Policy is available on the City's Intranet.

Please place your report in an envelope marked **"CONFIDENTIAL"** and address it to the Manager HR or one of the other officials mentioned in the Internal Reporting Policy under Section 6.5.

Your name (optional):	
Manager you work for:	
Where you can be contacted:	
Are you prepared to be interviewed?	
Nature of offence(s) (please provide dates)	
Details of suspected offender(s) where known	
Are external parties involved? (please supply names of people/companies involved)	
Details of witnesses if any?	
Are they prepared to back your	

disclosure?	
<p>Have you raised your disclosure with your manager and/or other senior management?</p> <p>If so, who has been informed, when, what was the response?</p>	
<p>Is the disclosure confined to one location or could it be happening elsewhere in the organisation?</p>	

Appendix B: Indicators of Fraud and Corruption

EMPLOYEE RELATED

- Employees suffering financial hardship;
- Employees apparently living beyond their means;
- Heavy gambling habits;
- Employee having close personal relationship with another employee (possible collusion or undue influence);
- Close relationships developing between staff and customers/contractors;
- Employee having close personal relationship with organisation/individual providing goods and services and not declaring this as per the Code of Conduct;
- Employee responsible for inspections, audits and regulatory activities having close personal relationship with organisation/individual under review;
- Signs of drinking or drug abuse problems;
- Staff who work excessive hours or who do not take holidays (on-going corrupt practices may be detected by relieving officer);
- Senior staff involved in “junior” work, such as purchasing, ordering and receiving;
- Excessive number of duties residing with one person;
- Excessive control of all records by one officer ie keeping vital records away from workplace;
- Staff incentives for exceptional performance (misleading or false performance reporting);
- Employees with outside business interests or other jobs;
- Managers bypassing subordinates;
- Subordinates bypassing management;
- Unusual working hours on a regular basis;
- Secretiveness;

EMPLOYEE RELATED

- Apparent personal problems;
- Marked character changes;
- Poor morale;
- Unusual working hours on a regular basis (pilfering after hours or using departmental equipment for personal use);
- Excessive overtime (may not be legitimate);
- Large backlogs in high risk areas;
- Refusal to comply with normal rules and practices; and
- Poor security checking processes over staff.

TRANSACTION RELATED

- Selection of contractors/consultants;
- Sale of confidential information;
- Favouritism in granting licences;
- Licences granted prior to the completion of the appropriate probity checks;
- Reduction of assessable fees or duty;
- Purchase order splitting below a level that would require higher approval. This can occur with tenders, purchase orders and expense vouchers;
- Excessive credit notes, refunds or credit adjustments;
- Different suppliers with the same address;
- Supplier delivery does not match order or is incomplete;
- Supplier advised of change to order without proper approval and documentation;
- Cheques or statements given to staff for handing to suppliers;
- Cheques made out to cash;

TRANSACTION RELATED

- Excessive levels of waived late payment charges;
- Terminated employees still appearing on the payroll;
- Absence of controls and audit trails;
- Missing supporting documentation required to complete an application or request;
- Missing information on an application or request form;
- Cheque signatories who approve payment;
- Cash register takings do not reconcile with receipts issued; and
- Excessive refunds or cancelled receipts.

COMPUTER RELATED

- Computer access not restricted by password;
- Poor physical security over computers;
- Records of computer hardware and software not continually maintained;
- Sharing of passwords and infrequent change of passwords;
- Inappropriate levels of access;
- Inadequate data integrity controls ie. no transaction reports, edit reports, reconciliations;
- Ineffective change controls ie. unauthorised software program changes, inadequate testing of program changes;
- Unauthorised disclosure of information;
- Introducing viruses to the system which may then affect system availability, response, corrupt data;
- Unauthorised use of computer resources eg. running personal business, using computers to gain privileged access to other systems (“hacking”), excessive use of Internet, downloading inappropriate material from the Internet;

COMPUTER RELATED

- Inadequate job segregation ie. between development and operational functions; and
- Inadequate audit trail of data or system changes.