



## **FRAUD, CORRUPTION AND BRIBERY POLICY**

**From:** Chief Financial Officer  
**File No:** OHR 01 01  
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### **1. Introduction**

Horizons Regional Council (**Horizons**) must maintain the highest standards when it comes to matters of honesty integrity. Horizons must also provide confidence to the community and staff regarding the administration and control of public money. Horizons is committed to high legal, ethical and moral standards and all Horizons employees are expected to share this commitment.

Horizons is committed to preventing, detecting and responding to fraud and corruption threats. A zero tolerance approach to fraud, corruption and bribery will be taken and all suspected instances will be investigated.

This policy is established to facilitate the development of controls which will aid in the prevention, detection and response to fraud, bribery and corruption within or involving Horizons.

All apparent fraud, corruption and bribery incidents involving Horizons employees will be considered serious misconduct under the Code of Conduct. Any investigations of such allegations of will be conducted in accordance with the principles of natural justice and Horizons Performance management and Disciplinary Policy and may also be referred to the Police or Serious Fraud Office.

### **2. Purpose**

Horizons recognises the importance of protecting the organisation, its operations, its employees, and its assets from the consequences of fraudulent or corrupt activities.

The purpose of this policy is to:

- a. Clearly state Horizons' position with respect to fraudulent or corrupt activities;
- b. Raise awareness about how to recognise fraudulent or corrupt activities, as well as the behaviours and circumstances known to be associated with it;
- c. Provide clear guidance to those who encounter or suspect fraudulent or corrupt activities;
- d. Impose a duty on Horizons employees to report a suspicion of fraudulent or corrupt activity;

- e. Provide protection to reporters of suspected fraudulent or corrupt activity, and those suspected;
- f. Ensure a consistent response to reports of suspected fraudulent or corrupt activity; and
- g. Outline consequences for fraudulent or corrupt activity.

### 3. Scope

This policy applies to any suspected, alleged, or proven fraud, corruption and bribery committed against Horizons by a person.

Any reference to employees in this policy includes employees, former employees, consultants, vendors, contractors (including contractor staff and sub-contractors), outside agencies, members of the public, volunteers, any persons seconded to Horizons, and/or other parties with a business relationship with the Council, including the Council-Controlled Organisations.

This policy does not cover Elected Members, who are subject to the provisions of the Local Authorities (Members' Interests) Act 1968 and Local Government Act 2002.

### 4. Definitions

Chief Executive	Chief Executive of Horizons.
Position of Trust	A position of trust is any position that requires its holder to enjoy the trust of those who appointed the employee or the employee has authority over another.
Inappropriate	An act or behaviour that is deemed unacceptable
Dishonest	An act that is not truthful
Bribery	The giving or accepting of a bribe. "Bribe" is defined in the Crimes Act 1961 as "any money, valuable consideration, office, or employment, or any benefit, whether direct or indirect"

### 5. What is Fraud and Corruption?

**Fraud** encompasses a wide range of unlawful activities, specifically involving intentional deception in order to receive an unfair, unjustified or unlawful gain. This gain is not specifically limited to financial incentives and may include other tangible or intangible benefits. Fraud includes all forms of dishonesty, such as but not limited to:

- Knowingly providing false, incomplete or misleading information to Horizons for unfair, unjustified or unlawful gain;
- Unauthorised possession, use or misappropriation of funds or assets, whether belonging to Horizons or a third party;
- Unauthorised destruction, removal or inappropriate use of Horizons' property (including its systems) for unfair, unjustified or unlawful gain;
- Forgery or alteration of any document or account (including electronic/digital) belonging to Horizons;
- Forgery or alteration of a cheque, bank draft, or any other financial document;
- Impropriety in handling the reporting of money or financial transactions;
- Intentional misstatement or mishandling of financial information;
- Gaining personal benefit from reward schemes such as, but not limited to Flybuys, Hotpoints etc where cost has been incurred by Council, and benefit claimed by individuals;

- Knowingly submitting a false timesheet or personal expense claim, including false travel requests;
- Knowingly issuing false or deliberately misleading purchase orders;
- Improper use of the knowledge, power or the resources of a position for personal gain, unwarranted benefits, privileges or the advantage of others (this may also be considered corruption);
- Deliberate use of Horizons resources (including work time, internet, cell phones, computers, vehicles, electronic systems, intellectual property, records and information) for unfair, unjustified or unlawful gain (for yourself or others);
- Profiteering as a result of insider knowledge of activities;

**Corruption** is the lack of integrity or honesty or the abuse of a position of trust for dishonest gain. It may include, but is not limited to, bribery, coercion, destruction, removal, disclosure or inappropriate use of data, records, materials, intellectual property or assets, or any similar inappropriate conduct. Corruption is a type of fraud.

Examples of corruption include, but are not limited to:

- Accepting or seeking anything of material value from contractors, vendors or persons providing services, goods or materials to the Council (refer to Horizons Staff Gifts & Professional Acknowledgement Policy). This includes payment, receipt or solicitation of bribes, inducements or secret commissions (kickbacks);
- An individual falsely representing him or herself as either another person or a fictitious person to an agency for some benefit;
- Manipulation or circumvention of Council's tendering and procurement processes;
- Improperly using (or attempts to improperly use) the knowledge, power or resources of a position for personal gain or the advantage of others;
- Undisclosed material conflicts of interest;
- Undisclosed giving or receiving of gifts (refer to Horizons Staff Gifts & Professional Acknowledgement Policy);
- Disclosure of private, confidential or proprietary information to outside parties without implied or expressed consent;
- A member of the public influencing or trying to influence an employee to use their position in a way that is dishonest, biased, or breaches public trust.

If there is any question as to whether an action constitutes fraudulent or corrupt activities, contact the Group Manager Corporate and Governance for guidance.

## 6. Errors

It is important to distinguish between fraud and error. Error refers to an unintentional act or omission, made unknowingly. An error may be the misstatement of information (e.g. financial information) including an unintentional omission or disclosure. In contrast, fraud is a deliberate action/inaction.

## 7. Fraud Prevention

While every individual is responsible for ensuring that they comply with this policy, the Executive Management Team is ultimately responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Each member of the Executive Management Team must be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

When recruiting or promoting employees to positions of trust, the Manager responsible for the recruitment must ensure that:

- a. Independent checks of the potential employee's employment history are undertaken, including validation of current qualifications, for roles requiring qualifications;

- b. Processes are undertaken, in accordance with the Council's People & Capability Policies, to ensure the potential employee is suitable for the position; and
- c. Mandatory criminal declarations for all new employees plus criminal conviction history checks for all roles that are third-tier and above or in positions of trust, as well as specified roles that are deemed a high risk (such as finance roles)

The risk of fraud will be minimised through:

- a. The application of consistent policies and processes, and robust internal control frameworks, which are monitored and audited regularly, particularly in those areas susceptible to fraud;
- b. Create a list of all policies in a central location with a hyper-link to the policy;
- c. Staff make an annual declaration of their awareness of all Council policies and procedures;
- d. Obtain elected members interest declarations, even if there are no declarations to declare;
- e. Annually seek Conflict of Interest responses from employees and record (both positive and negative) along with a record of actions;
- f. External audits of the Council's financial statements, in accordance with legislative requirements;
- g. Establish and implement an internal audit programme that includes reviewing processes and systems in place, as well as areas susceptible to fraud on a regular basis, that is not greater than a three year timeframe;
- h. Notify Audit, Risk and Investment Committee of any potential fraud risks, as identified through either the external or internal audit process;
- i. Work with the internal audit team in reviewing processes and systems in place, as well as areas susceptible to fraud on a regular basis;
- j. Specific training and regular updates of staff in the policy, types of impropriety that may occur in their area and staff responsibilities;
- k. Promotion of fraud awareness and ethical behaviour through induction, training, policy updates and notifications and a reminder process; and
- l. The Chief Executive to regularly review the Gift Register held by each Group Manager.

Any fraud that is detected or suspected must be reported in accordance with this Policy.

Guidelines to assist in the detection of fraud are attached as Appendix 1.

## 8. Reporting

Anyone who suspects fraudulent or corrupt activity must report it immediately to the Group Manager Corporate and Governance. If the Group Manager Corporate and Governance is implicated in any manner, the suspected fraud must be directly reported to the Chief Executive (CE).

Anyone reporting a suspected fraudulent or corrupt activity must:

- a. Not contact the suspected individual in an effort to determine the facts or otherwise discuss the suspicions;
- b. Not discuss the facts, suspicions or allegations with any parties external to Horizons (including the media) unless specifically instructed to do so by the CE;
- c. not discuss the case with parties internal to Horizons other than Group Manager Corporate and Governance and/or the CE;
- d. not deliberately make false allegations.

Employees may disclose fraud under the provisions of the Protected Disclosures Act 2000. When this happens, the procedures outlined in the Council's Protected Disclosures Policy shall apply.

## 9. Investigation

If after preliminary enquiries fraud is suspected then a fact finding investigation will be conducted to gain all relevant facts.

Employees must cooperate with and not impede any investigation of suspected fraud or corruption.

All enquiries prior to and during the investigation will be documented to provide an accurate and reliable record of events and evidence. The Group Manager Corporate and Governance has the primary responsibility for the investigation of all suspected fraudulent acts, except where the suspected fraud may involve:

- a. the Group Manager Corporate and Governance, in which case, the Chief Executive and the Council's external auditors if applicable will have primary responsibility for conducting the investigation;
- b. the Chief Executive, in which case the External Chartered Accountant appointed by the Audit and Risk Committee will have primary responsibility for conducting the investigation in consultation with the Chair; and
- c. the Chair, in which case the External Chartered Accountant appointed by the Audit and Risk Committee will have primary responsibility for conducting the investigation in consultation with the Office of the Auditor-General.

Upon notification of a suspected fraudulent act, the Group Manager Corporate and Governance will investigate in accordance with the Standards of Integrity and Conduct and the Performance Management and Disciplinary Policy. The Group Manager Corporate and Governance will:

- d. notify the Chief Executive immediately, except where the fraud may involve the Chief Executive; and
- e. where reasonably practicable, seek appropriate legal counsel or other professional advice before any investigation begins.

The Chief Executive may, when of the opinion that an employee may have been guilty of serious misconduct or fraud, suspend the employee immediately from work and/or initiate an employment investigation, in accordance with Horizons Performance Management and Disciplinary Policy. .

If the fraud investigation involves the activities of an external party, then the party will be advised of the investigation and a hold put on the contract or service agreement till investigations are completed.

In undertaking any investigation, the Group Manager Corporate and Governance, in consultation with the Chief Executive, may:

- f. establish an investigation team to examine the suspected fraud. The People and Capability Manager should be a member of the investigation team, especially when an employee is involved; and
- g. use external resources for investigations, if deemed appropriate.

If the investigation substantiates that fraudulent activities have occurred, the Group Manager Corporate and Governance will:

- h. initiate an internal disciplinary process in accordance with the Performance Management and Disciplinary Policy; and/or
- i. consult with legal counsel on whether there is sufficient reliable evidence to support a prosecution, if so then the case will be referred to the appropriate law enforcement agency to investigate, and
- j. report the results of the investigation to the Chief Executive.



When investigating fraud, the Group Manager Corporate and Governance, Chief Executive and members of the investigation team shall have free and unrestricted access to all Council records and premises and the authority to examine, copy and/or remove all, or any portion of, the contents of all files (electronic or otherwise), desks, cabinets, computers and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities, when it is within the scope of their investigation.

## **10. Confidentiality**

The Executive Management Team will treat all information received with confidence.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Council from potential civil liability.

All enquiries concerning the activity under investigation from the suspected individual, his or her lawyer or representative, or any other person should be directed to the Group Manager Corporate and Governance.

No information regarding the status of the investigation will be released. The proper response to any enquiries should be "I am not at liberty to discuss this matter".

Nothing in this Policy prevents Horizons from involving the appropriate law enforcement agency during and/or following an investigation.

## **11. External Communication**

With the approval of the Group Manager Corporate and Governance and the Chief Executive, all statements to the media or public regarding fraud should be made by the Group Manager Corporate and Governance or Chief Executive.

The Group Manager Corporate and Governance will immediately notify the fraud, or suspected fraud, to Council's external auditors and insurers.

## **12. Disciplinary Process**

At the conclusion of the investigation, the People & Capability Manager must be notified of the outcome.

Where the investigation concludes that fraud has occurred, the relevant Group Manager may initiate disciplinary action, up to and including dismissal, in accordance with Horizons' Performance Management and Disciplinary Policy.

As an alternative to initiating a disciplinary process, and/or alongside any disciplinary process, Horizons may choose to refer the matter directly to appropriate law enforcement agencies. Any referral will be by the Group Manager Corporate and Governance, or the CE.

*If an investigation results in a recommendation to terminate an external service provider contract, this decision will be confirmed by the Chief Executive.*

Horizons will always seek to recover funds lost through fraud.

### 13. Measurement and Review

Notified fraudulent acts and progress on investigations will be reported to the Chief Executive as and where appropriate.

The Group Manager Corporate and Governance is responsible for the administration, revision, interpretation, and application of this Policy. The Policy will be reviewed (and revised where necessary) every two years, which may include a review of internal systems and procedures for identifying and reporting fraudulent acts.

### 14. Relevant Legislation and Other References

Sections 99, 105, 105A of the Crimes Act 1961  
Secret Commissions Act 1910  
Protected Disclosures Act 2000  
Local Electoral Act 2001  
Local Government Act 2002  
Local Authorities (Members Interests) Act 1968

### 15. Linked Documents

[Performance Management and Disciplinary Policy](#)  
[Standards of Integrity and Conduct](#)  
[Staff Gifts and Professional Acknowledgement](#)  
[Conflict of Interest Policy](#)  
[Computer & Electronic Systems Usage](#)  
[Protected Disclosures Policy](#)  
[Credit Card Policy](#)  
[Delegation Policy](#)

### 16. Review of these Guidelines

These guidelines may be reviewed from time to time by Horizons at its sole discretion, and in any event will be reviewed biennially. To be clear however, these guidelines remain valid and in force, irrespective of whether the review date has passed. Horizons will notify employees of any changes made; and may, at its sole discretion, consult employees prior to making any such changes.

The next review will be in July 2024.

Signed:   
Michael McCartney  
CHIEF EXECUTIVE

Date: 20/7/22

## APPENDIX 1: HOW TO DETECT FRAUD

Council recognises that its employees are an invaluable tool in the detection of fraud or corruption within the organisation. The purpose of this Appendix is to provide some examples of red flags/warning signs that are commonly associated with fraudulent behaviour, to both raise awareness and assist employees in detecting fraud within the organisation. Of course, if an employee suspects fraud or corruption they should immediately report it, whether or not any of the matters set out in this Appendix apply.

### Common conditions associated with fraud and corruption:

There are generally three particular conditions associated with fraud and corruption:

- a. *Incentives/pressures*: Internal or external parties have an incentive or are under pressure, which motivates them to commit fraud or wrongdoing (for example, personal financial trouble);
- b. *Opportunities*: Circumstances exist that allow employees to commit fraud or corruption, such as an organisation not having appropriate fraud and corruption controls in place, or employees being able to get around or override ineffective controls (for example, managers being able to approve and authorise their own sensitive expenditure); and
- c. *Attitudes*: Employees are able to rationalise committing fraud or corruption (for example, holding attitudes or beliefs such as “everybody else is doing it nowadays” or “they made it so easy for me”).

### Warning Signs of Potential Fraudulent or Corrupt Behaviour:

- Unexplained wealth (lifestyle at odds with known levels of income).
- Keeping it to themselves:
  - Private meetings with contractors or companies hoping to tender for contracts.
  - Avoiding decision processes or delegations, bypassing normal procedures.
  - Raising barriers around roles or departments that are key to the tendering and procurement process.
  - Avoiding independent checks on processes.
  - Isolated responsibility.
  - Circumventing processes or arguing special cases.
- Aggressive or stressed responses to questions.
- Poor record keeping, missing documents.
- A bank account that changes before payment (and possible after).
- Employees who don't take time off.
- Unexpected or illogical decisions on particular contracts.
- Lack of detail in invoices.