GLEN INNES SEVERN COUNCIL

# Fraud and Corruption Control Policy

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# Chapter 1 Preliminary

## Part 1 Introduction

Incidents of fraud and corruption are a threat which affects all government entities in all areas of their operation. The risk of fraudulent or corrupt conduct may be internal (committed by a council official) or external (committed by Council's third parties).

Fraudulent and/or corrupt conduct against Council is a criminal offence which impacts directly on our community. It reduces the funds available for delivering public services and undermines the integrity of the public's confidence in Council.

Fraud threats are increasingly complex. Increased provision of online services has created new threats. Further, organised criminals are actively seeking to infiltrate government entities to access government information and are committing fraud to fund other illegal activities.

The primary objective of this policy is to protect resources and safeguard the integrity and reputation of Council.

This policy incorporates a Policy Statement at section 3 and sets out the arrangements for the overall management of the risks and any instances of fraud and/or corruption. It also incorporates Council's Control Plan beginning from chapter 2.

### 1. Definition of Fraud

The Australian Standard on Fraud and Corruption Control (AS8001 – 2021) defines Fraud as:

> *dishonest activity causing actual or potential gain or loss to any person or organisation including theft of moneys or other property by persons internal and/or external to the organisation and/or where deception is used at the time, immediately before or immediately following the activity*

### 2. Definition of Corruption

The Australian Standard on Fraud and Corruption Control (AS8001 – 2021 ) defines Corruption as:

> *dishonest activity in which a person associated with an organisation (e.g., director, executive, manager, employee or contractor) acts contrary to the interests of the organisation and abuses their position of trust … 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 and in the interests of the organisation, … to secure some form of improper advantage for the organisation either directly or indirectly*

### 3. Policy Statement – Fraud and Corruption Prevention

a) Council is committed to eliminating any, and all instances of fraud and corruption from within the organisation and is further committed to having robust controls in place to prevent fraud and corruption instances taking place by third parties upon the organisation.

b) Fraudulent and/or corrupt acts against Council are unacceptable, may constitute a criminal offence, and may be prosecuted.

c) Council asserts that proactive prevention (of fraud and corruption), rather than just reactive investigation, will lead to a greater reduction of opportunities for waste, abuse and/or mismanagement.

d) All Councillors and Council managers are responsible for nurturing a culture of respect, integrity, courage, honesty and transparency, making fraud and corruption prevention a responsibility for all staff, and for issuing clear policies, standards and procedures to encourage, educate and enforce (where necessary) the minimisation and deterrence of fraud and corruption.

e) Measures to prevent and detect fraud and corruption will be continually monitored, reviewed, developed, and reported.

f) Council will investigate all reported instances of fraud and/or corrupt conduct thoroughly and with a commitment to procedural fairness.

g) Council is committed to the recovery of financial losses caused by fraudulent and/or corrupt activity, balancing the value of reducing the potential benefits to fraudsters and any deterrent effect against the cost of recovering losses where they exceed the value of that loss.

### 4. Code of Conduct

(a) Council has adopted the OLG Model Code of Conduct (Model Code) and has created three separate Codes for different categories of Officials.

(b) The Model Code sets out the minimum ethical and behavioural standards for all council officials in NSW. It seeks to provide clear guidance to council officials and local communities on the minimum ethical and behavioural standards expected of council officials, promoting transparency, accountability and community confidence in Local Government and the integrity of council decisions and functions.

(c) Council has also adopted the Model Procedures for the Administration of the Model Code of Conduct.

(d) A breach of this Policy amounts to a breach of Council's (applicable) Code of Conduct (see Part 3 of the Code of Conduct).

## Part 2 Definitions

| Term | Description |
|---|---|
| **AHPRA** | Australian Health Practitioners Regulatory Agency |
| **ARIC** | Council's Audit, Risk and Improvement Committee |
| **ASIC** | Australian Securities and Investment Commission |
| **Audit Office** | Audit Office of New South Wales |
| **Bribe** | The act of paying a secret commission to another individual. It is also used to describe the secret commission itself. |
| **CFO** | Chief Financial Officer |

| Term | Description |
|---|---|
| **Chief Audit Executive** | Is appointed by the General Manager to oversee Council's internal audit activities in consultation with the ARIC. |
| **Codes of Conduct** | Glen Innes Severn Council Code of Conduct for Councillors, Code of Conduct for Staff, and the Code of Conduct for Council Committee Members, Delegates and Advisers. |
| **Conflicts of Interest** | The conflict between the public duty and private interest of a public official who has private interests which could improperly influence his or her official duties and responsibilities. (Please see Codes of Conduct for further detail between pecuniary and non-pecuniary conflicts of interest). |
| **Control Plan** (or **the Plan)** | The Glen Innes Severn Council Fraud and Corruption Control Policy includes the Control Plan starting at Chapter 2 |
| **Control** (*also* **Internal Control**) | An existing process, policy, device, practice or other action that acts to minimise negative risks or enhance positive opportunities. |
| **Corruption** | As defined at s 2 |
| **Council** | Glen Innes Severn Council |
| **Council Official** | Includes Councillors, members of Council staff, Council Committee members, conduct reviewers and delegates of Council. |
| **Entity** | A corporation, a government agency, not-for-profit organisation, or other entity engaged in business activity or transacting with other entities in a business-like setting. |
| **Evidence** | Oral testimony given in legal proceedings or which a witness indicates he or she will give under oath or affirmation in legal proceedings and documents of any description that can be legally admitted in a Court of Law. |
| **Fraud** | As defined at s 1 |
| **FCO** | Fraud and Corruption Control Officer |
| **Fraud and Corruption risk assessment** | The application of risk management principles and techniques in the assessment of the risk of fraud and corruption within an entity. |
| **HR** | Council's Human Resources team. |
| **ICAC** | The Independent Commission Against Corruption - NSW |
| **Ineffective** (*in the context of internal control effectiveness*) | An internal control which, by reason of its not operating as intended or some other factor, is making little or no contribution to mitigating the fraud or corruption risk under consideration and therefore makes little or no contribution towards the entity's achievement of its business goals and objectives. |
| **Investigation** | A search for evidence connecting or tending to connect a person (either a natural person or body corporate) with conduct that infringes the criminal law, or the policies and standards set by the affected party. |
| **Manex** | Council's executive management team made up of the General Manager and the three Directors. |
| **OLG** | NSW Office of Local Government |
| **Partially effective** (*in the context of internal control effectiveness*) | An internal control which, by reason of its not operating as intended or due to some other factor, is not fully effective in managing the risk it is intended to manage but is making some contribution towards managing the risk under consideration and therefore makes some contribution towards the entity meeting its goals and objectives. |
| **PID** | Public Interest Disclosure |
| **the (Control) Policy** or **this policy** | Council's Fraud and Corruption Control Policy. The Policy is predominantly contained in the first chapter. |

| Term | Description |
|---|---|
| **Responsible Officer** | The staff member of Council who is responsible for a particular function. |
| **Governance Suite** | Council's digital software tools for managing policies and other documents, legal delegations, legislative compliance, audit, enterprise risk and incidents, corporate planning and performance management. |
| **Risk** | The chance of something happening that will have an impact upon objectives. In consideration of fraud and corruption risk, this will generally be a negative impact. |
| **Standard** | AS 8001-2021 Fraud and Corruption Control |

# Chapter 2 Planning and Resourcing

This chapter outlines the key actions to be undertaken by Council in developing, implementing and reviewing the Policy.

## Part 1 Fraud and Corruption Control Planning

It is important that Council views the Control Policy as an integral part of an overall risk management plan on the premise that fraud and corruption are business risks that are controlled by the application of risk management principles.

### 5. Implementing the Control Plan

The Control Plan will be implemented throughout the organisation by Manex and managers, utilising various tools including Council's Governance Suite and performance management.

### 6. Monitoring the operation of the Control Plan

The Control Plan will be monitored by the Fraud Control Officer, and regular reporting will be made to Manex and the ARIC who will provide oversight and assurance on its effectiveness.

### 7. Communicating the Fraud and Corruption Control Policy

(a) Council's commitment to the Control Policy will be communicated to all external stakeholders by way of:

I. An appropriate note to Council's annual report as a part of a general declaration of integrity and corporate governance;

II. Declarations in general terms and conditions of business dealings with external parties (such as the Statement of Business Ethics);

III. Declarations in 'requests for tender' or similar invitations to propose to Council; and

IV. On council's website.

(b) The Control Policy will be accessible to all staff via the intranet/website or in hard copy (where necessary).

(c) Responsible Officers who have fraud and corruption control accountabilities will rely on the Policy for guidance and for developing relatable tasks.

## Part 2 Review of The Control Policy

### 8. Frequency of review

The Control Policy shall be reviewed every term of Council, or earlier if deemed necessary, to ensure that it meets the requirements of legislation and the needs of Council. The term of this Policy does not expire on the review date, but shall continue in force until superseded, rescinded or varied either by legislation or a new resolution of Manex, or a resolution of Council that requires the Policy's amendment.

### 9. Factors to be considered in reviewing the Control Policy

In reviewing the Control Policy, regard will be given to:

(a) confirmation or amendment to the control objectives;

(b) any significant changes to Council's business conditions or operations;

(c) strategies arising out of any recently detected fraud or corruption control incidents;

(d) results of any recent fraud and corruption risk assessments;

(e) changes in fraud and corruption control practices, including updated versions of AS 8001-2021Fraud and Corruption Control; and

(f) resourcing requirements.

# Part 3 Fraud and Corruption Control Resources

## 10. Allocation of resources

Council will ensure that an appropriate level of resourcing is applied to controlling fraud and corruption risks.

## 11. Appointment of a Fraud and Corruption Control Officer

Council has appointed the Manager Governance, Risk and Corporate Planning as the Fraud and Corruption Control Officer or FCO. Fraud and Corruption Control forms a part of this officer's broader duties.

## 12. Other fraud and corruption control resources

Other important resources within Council in terms of controlling fraud and corruption that may be used include:

(a) Manager of Administration and Human Resources;

(b) Work, Health and Safety Coordinator;

(c) Manager Governance, Risk and Corporate Planning;

(d) Records Supervisor;

(e) Chief Audit Executive and Internal Auditor/s;

(f) The ARIC; and

(g) Council's Governance Suite.

## 13. External assistance to the FCO

(a) ICAC provides valuable resources to support the FCO, including training resources for key staff and councillors.

(b) Other reputable organisations may be used for training, resource, and education purposes such as the Institute of Internal Auditors, Institute of Public Administration, NSW Audit Office, the OLG, the NSW Ombudsman, and Local Government Professionals (LG Professionals NSW).

# Part 4 Fraud and Corruption Control Responsibilities

The following table details the responsibility structure within Council.

**Table 1**

<table>
<tr><th colspan="5">Council Fraud and Corruption Responsibility Structure</th></tr>
<tr><td rowspan="4">General Manager</td><td colspan="4">■ Culture and Ethics<br>■ Policy and Strategy<br>■ Business Risk<br>■ Corporate Governance<br>■ Compliance (legislative, regulatory, community)<br>■ Stakeholder value<br>■ Image</td></tr>
<tr><td rowspan="3">Directors</td><td colspan="3">■ Lead by Example<br>■ Develop and implement fraud and corruption prevention strategies for Directorate<br>■ Identify and mitigate actual and potential corruption risks in the workplace<br>■ Monitor and review the effectiveness of mechanisms implemented to minimise and detect corruption<br>■ Demonstrate ethical conduct in all business dealings<br>■ Promote awareness of fraud and corruption prevention and ethical conduct in the workplace</td></tr>
<tr><td rowspan="2">Managers, Team Leaders and Coordinators</td><td colspan="2">■ Promote awareness of ethical conduct and mechanisms to prevent corruption<br>■ Provide input to policies, procedures and instructions that relate to areas of risk<br>■ Drive the Prevention of Fraud and Corrupt Conduct Strategy<br>■ Provide ethical advice and support to staff<br>■ Monitor integrity of Fraud and Corruption Prevention Strategy</td></tr>
<tr><td>Employees, temporary, part time, contractors and consultants.</td><td>■ Ethical behaviours<br>■ Report suspected incidents of fraud and corruption<br>■ Compliance with fraud and corruption prevention controls including the Fraud and Corruption Prevention Policy</td></tr>
</table>

## 14. Role of the Fraud and Corruption Control Officer

(a) The FCO will have the responsibility for ensuring that Council's fraud and corruption control resources are coordinated synergistically so that they achieve the objectives set out in the Control Policy.

(b) The FCO role includes:
I. developing and implementing Council's fraud and corruption control system (FCCS);
II. coordinating periodic assessments of Council's fraud and corruption risks;
III. recording fraud and corruption incidents;
IV. escalating and monitoring fraud and corruption incidents including coordinating internal and external reporting;
V. conducting, coordinating or monitoring investigations into allegations of fraud and corruption; and
VI. assisting Manex in raising awareness of the governing body, middle management and the general workforce on relevant fraud and corruption control procedures.

(c) The FCO should remain up to date with current best practice in fraud and corruption control by:
I. a program of formal training;
II. attendance at relevant seminars, conferences and workshops;
III. maintaining a library of reference materials;
IV. networking with other fraud and corruption prevention professionals;

(d) The FCO may have a direct line of reporting to the General Manager on fraud and corruption control issues when required.

### 15. Role of Manex

Manex will have ultimate responsibility for ensuring that the fraud and corruption control outcomes are delivered.

### 16. Role of the ARIC

Section 428A of the *Local Government Act 1993 requires* the ARIC to keep under review, *inter alia,* fraud control. In accordance with the Guidelines, the guiding principles for the ARIC require that the ARIC provides Council with *relevant and timely advice and assurance on the matters listed in section 428A*.

## Part 5 Internal Audit Activity in the Control of Fraud and Corruption

Internal Audit activity will be an effective part of the overall control environment to identify the indicators of fraud and corruption.

### 17. Application of Council's Internal Audit Function in fraud and corruption control.

Council has an Internal Audit Function, shared with Tamworth Regional Council. The internal auditor plans and conducts the activity in accordance with fraud detection, deterrence and response provisions of The Professional Practices Framework (PPF) of the IIA.

### 18. Internal auditor's role in deterring fraud

(a) The internal auditor identifies areas of risk from Council's Governance Suite. The internal audit activity is directed at testing the effectiveness of internal control systems around such risk, including fraud and corruption. Such activity can be effective in the

detection of fraud and its prevention by ensuring due adherence to internal control systems.

(b) The internal auditor will carry out this responsibility by determining whether:

I. Policies describe prohibited activities and the action required for non-compliance;
II. The organisations culture supports control consciousness.
III. Realistic objectives are set;
IV. Appropriate authorisation and delegations for transactions are established and maintained;
V. Management receives adequate and reliable information;
VI. Policies, guidelines, procedures and protocols are developed to monitor activities and protect assets; and
VII. Recommendations are made to establish or improve cost-effective controls to help deter fraud.

## 19. Internal audit's role in responding to fraud detected or suspected.

(a) Any suspected wrongdoing should be reported by the internal auditor to the Chief Audit Executive who will inform the Director Corporate and Community Services (DCCS) who will report to the General Manager (GM). The FCO will also be notified.

(b) The internal auditor may recommend whatever investigation is considered necessary in the circumstances.

# Chapter 3 Fraud and Corruption Prevention

## Part 1 Implementing and Maintaining an Integrity Framework

### 20. The elements of an integrity framework

Council's Code of Conducts are an important element but are not the only elements of an effective integrity framework.

The following table sets out the fundamental elements of Council's integrity framework.

**Table 2**

**Elements of Council's Integrity Framework**

| Element | Description |
|---|---|
| 1. Leading by Example and a Senior Management group. | Manex meet regularly, recognise the need to actively promote an ethical culture, and agree to set an example by strict and observable adherence to the framework and promulgation of Council's values. |
| 2. Codes of Conduct | Council has and promotes its Codes of Conduct. Council regularly reviews the Codes of Conduct. |
| 3. Allocating responsibility | Table 1 includes Council's responsibility structure for developing and maintaining an ethical culture. |
| 4. Ethics Committee | ARIC will provide assurance on Council's integrity framework. |
| 5. Communication | Council's Communication Strategy will consider communicating the importance of Council's culture and values via newsletters, the web site, intranet etc. |
| 6. Training | Council will provide regular training on the Codes of Conduct to relevant stakeholders. |
| 7. Reinforcement | Council's Performance Appraisal System will consider ethics and values in all staff reviews. |
| 8. Benchmarking | Council will conduct regular Governance Assessments which assess elements such as Fraud Control Plans, Statement of Business Ethics, Adopted Values and Codes of Conduct. These assessments are aimed at continuous improvement. |
| 9. Reporting of complaints | Council will provide both formal and informal channels for complaints regarding ethical concerns. |
| 10. Compliance | Council will utilise its Governance Suite to annually review compliance with the Control Plan and Code of Conduct. |
| 11. Monitoring and review | Council will monitor its ethical framework and conduct reviews utilising non-compliance data and conducting surveys to develop customised remedial actions. |

### 21. Building an Ethical Culture

(a) A key strategy in managing fraud and corruption risk is the maintenance of a sound ethical culture within Council through the implementation of an integrity framework underpinned by a program of example setting by senior management.

(b) Council has a broad-based communication and training program to ensure its observable ethical culture does not fall below acceptable levels .

(c) Council's values are to be discussed and cited to promote a respectful, integral, courageous, honest and transparent culture. These are the ethical values that are to

underpin the actions of every employee, councillor, committee member, advisor or delegate of Council. Further, Council hopes that such values will be a good influence on the community, encouraging a positive relationship that has no tolerance for fraud and corruption.

## Part 2 Commitment to Controlling the Risk of Fraud and Corruption

The governing body and Manex must demonstrate a high level of risk consciousness for the risks of fraud and corruption and if found to be absent or lacking, appropriate training and awareness will be engaged.

### 22. Awareness of fraud and corruption issues

(a) Manex will maintain awareness of the following:

I. The incidence of fraud and corruption within local government generally;
II. The types of fraud and corruption common within local government;
III. The strength of Council's internal control environment pertaining to preventing incidents of fraud and corruption;
IV. The types of fraud and corruption detected in Council within the last five years and how such matters were dealt with;
V. This Control Policy; and
VI. Technology available for detecting and preventing fraudulent activity.

### 23. Accountability for Managers in Preventing Fraud and Corruption

(a) To increase awareness and accountability for fraud and corruption control the following elements will be implemented:

I. Fraud and corruption risk will be monitored through the Governance Suite.
II. Each manager has responsibility for ensuring controls are implemented and followed and will be held accountable for the prevention of fraud and corruption in their business unit .
III. Fraud and corruption control may be incorporated into the performance management system.
IV. Any losses due to fraud and corruption will be allocated against the cost centre in which the loss occurred.
V. Managers will undergo appropriate training, which should cover their specific accountabilities.

### 24. Implementing an Effective Internal Control System

(a) Each manager is responsible for assessing the risk of fraud and corruption within their business unit and for reporting on such risk/s.

(b) Internal control systems:

I. Internal controls arise from the mitigation strategy developed from assessing the risk of fraud and corruption both in the organisation as a whole and each business unit and function/process within each unit.
II. Controls are to be clearly documented within the Governance Suite.
III. Controls will be regularly audited to test their effectiveness and to drive improvements.
IV. Tasks for implementing controls will be assigned to personnel appropriate to their level of responsibility and position description.

V. Accessibility to Council's internal controls is provided through the Governance Suite
VI. A strong internal control culture is to be developed which includes tying risk management and adherence to internal controls as a part of management performance.

### 25. Implementing the Policy for Assessing Fraud and Corruption Risk

Council's:

(a) Risk Management Policy details the purpose, aims and responsibility of risk management by officers of Council; and

(b) The Governance Suite provides the digital system that facilitates risk management practices.

## Part 3 Awareness of Fraud and Corruption Issues

Internal fraud and corruption can be detected by observation, investigation and reporting by workplace colleagues.

### 26. The need for fraud and corruption awareness

(a) A significant proportion of fraud and corruption is not identified at an early stage because staff may fail to recognise the warning signs or staff are unsure how to report their suspicions.

(b) Providing awareness training and addressing any issues around reporting systems and investigation processes is essential for Council to prevent fraud and corruption.

### 27. Steps to foster fraud and corruption awareness

(a) Council will maintain its program of awareness of fraud and corruption risk, control techniques and Council's non tolerance of fraud and corruption by:
I. Ensuring all appropriate personnel receive training on the Codes of Conduct, Statement of Business Ethics (as applicable), Risk Management Policy, and this Policy, at induction and throughout their employment;
II. That fraud awareness training is provided to staff appropriate to their level of responsibility;
III. That a system for effectively communicating and requiring of acknowledgment of fraud related policies, procedures, and Codes of Conduct are implemented;
IV. Promoting Council's Public Interest Disclosures Policy;
V. Encouraging staff to report any suspected incidence of fraud and corruption; and
VI. Managers, coordinators, and supervisors to regularly discuss this Plan and Code of Conduct for Council Staff at team meetings to ensure maintained awareness and vigilance in the workplace.

## Part 4 Employment Screening and Supplier Vetting

The employment screening process is the responsibility of both HR and the responsible business unit manager. Council follows AS 4811-2022 (or any revised version) to carry out the screening process as it applies to Council.

Such screening may extend to contractors as well and should also apply to internal promotions; especially for those obtaining positions with greater legislative delegations that pose higher risks in terms of the potential exposure to fraud and corruption.

### 28. Enquiries to be undertaken

(a) The types of enquiries that are undertaken as part of the employment screening process include:

I. Verification of identity with at least two forms of identification (e.g., passport, driver's license, rates notice, birth certificate);
II. Police criminal check;
III. Reference checks with the two most recent employers;
IV. A consideration for any gaps in employment history and the reasons thereof;
V. Verification of any formal qualifications claimed.

### 29. Supplier and Customer Vetting

(a) Council has a procedure in place to vet the credentials of suppliers and customers, both new and continuing.

(b) This process includes:

I. Search of the ASIC company register;
II. ABN and business name confirmation through ABN lookup;
III. Verification of the personal details of directors or the equivalent;
IV. Disqualified director search;
V. Assessment of credit rating;
VI. Search of legal proceedings pending, and judgements entered;
VII. Telephone and trading address verification; and
VIII. Media/online search.

## Part 5 Specific Measures for Controlling the Risk of Corruption

Separate measures aimed at controlling the risks of corruption should be considered. This includes Council being targeted by external parties or other entities being targeted by Council employees.

### 30. Specific measures included in Council's anti-corruption program:

(a) A statement of Council's position against corruption which is properly communicated and consistently applied throughout Council. This is communicated in the Policy and the Statement of Business Ethics.

(b) Tighter controls in positions of high-risk areas;

(c) Vendor audits of any high-risk providers;

(d) Enhanced probity and contracting procedures;

(e) Opening channels of communication so that vendors, customers and other third parties are encouraged to come forward if there is any indication of corrupt conduct by staff, councillors or others associated with Council.

# Chapter 4 Fraud and Corruption Detection

The elements set out in this chapter represent several action items aimed at increasing the likelihood of detecting fraud or corruption. It should be noted that even in organisations that have a comprehensive and implemented fraud and corruption control program that incidents may still occur.

Having an effective detection program can also act as a deterrent for would be perpetrators.

## Part 1 Fraud and Corruption Detection Program

### 31. Responsibility for the detection program

Management is responsible for ensuring the maintenance and further development of the detection systems in consultation with the FCO and internal audit.

### 32. Detection systems

(a) Post-transactional review.

Reviewing transactions after they have been processed can be effective in identifying fraudulent or corrupt activity. Having such reviews conducted by someone outside the business unit which made the transaction may uncover altered, missing, falsified and/or inadequate documentation or authorisation.

(b) Data mining and real time computer system analysis to identify suspected fraudulent transactions.

Council may consider the use of software applications and techniques to identify any series of suspect transactions from within Council's information systems. Such systems may identify discrepancies in transactions such as an employee's personal address being used for a dummy supplier or different suppliers having the same address.

(c) Analysis of management accounting reports.

Council may use straightforward techniques to analyse management accounting reports. Trends may be examined and investigated which may indicate fraudulent or corrupt conduct.

## Part 2 Role of the External Auditor in the Detection of Fraud

Council's financial statements are audited annually by the Audit Office. The Audit Office also plays a part in the detection of fraudulent or corrupt conduct. Manex and the CFO may undertake a discussion with the auditor to understand the audit procedures that are carried out during an audit and that are aimed at detecting any material misstatements due to fraud (or error).

### 33. Leveraging the external auditor's fraud detection program

(a) Council should take a proactive position pertaining to the audit fraud detection program and include:

I. Stressing to the auditor Council's zero tolerance policy for fraud and corruption and the importance that Council places on fraud detection as a part of the audit;

II. Offering all assistance that the auditor may require to enable a more comprehensive examination of the issue.

### 34. NSW Audit Office Fraud Control Improvement Kit

(a) The NSW Audit Office 2015 Fraud Control Improvement Kit (the Kit) aligns with the Fraud and Corruption Control Standard AS 8001-2008. The Kit assists Council in managing its fraud control obligations and may be used in conjunction with the Policy to manage the risk of fraud and corruption within Council.

## Part 3 Avenues for Reporting Suspected Incidents

Council's Public Interest Disclosure Policy provides details on how to report suspected incidents of fraud and corruption (or other serious wrongdoing) and provides whistle blower protection, including alternative avenues both internal and external.

### 35. Protecting Whistle-blowers

(a) Part 2 *Protections,* of the Public Interest Disclosure Policy details Council's stance on protecting those who make public interest disclosures.

(b) Council will not tolerate any reprisal action against staff who report wrongdoing. The criminal penalties that can be imposed include imprisonment or fines. Council will act to protect staff who report wrongdoing from reprisals and if any reprisal is reported or discovered, the General Manager will be made aware and investigations into the reprisal action will be conducted.

(c) The PID Act provides protection against legal action for those reporting wrongdoings.

# Chapter 5 Responding to Detected Fraud and Corruption Incidents

The response elements set out below are implemented to improve Council's response to fraud and corruption incidents that have been detected.

## 36. Policies, Procedures and Guidelines for Investigating Detected Fraud and Corruption

(a) This Policy, the Public Interest Disclosure Policy, document and formalise appropriate measures for:

I. the comprehensive investigation of detected fraudulent or corrupt occurrences, based on the principles of independence, objectivity and the rules of natural justice;

II. Systems for internal reporting of all detected incidents; and

III. Protocols for reporting the matters of suspected fraud or corruption to the appropriate regulatory body or law enforcement agency.

## 37. Investigation

(a) Any investigation into apparent or suspected fraud or corruption is to be coordinated by the FCO or someone appointed by the General Manager and should be conducted by appropriately skilled and experienced personnel who are independent of the business unit where the allegations have occurred.

## 38. Investigations are to be conducted in accordance with the following principles:

(a) Confidentiality agreements are required between Council and any external investigator;

(b) The investigation process and any disciplinary proceedings will be conducted with transparency in mind, ensuring the rules of natural justice are observed;

(c) Independence and objectivity shall guide any investigation;

(d) Investigations must comply legally with the laws of NSW;

(e) All records must be thoroughly kept and stored in accordance with the Claims Management Policy and Procedures, the Privacy Management Plan, Records Management Policy and legal best practice;

(f) Not disseminating any information arising from an investigation to staff not required by their position description to receive such information;

(g) The investigation will potentially involve the following activities:

I. Interviewing relevant witnesses and obtaining statements;

II. Reviewing and collating documentary evidence;

III. Forensic examination of computer systems, data seizure, search and analysis;

IV. Enquiries with banks and other third parties;

V. Expert witness and specialist testimony;

VI. Tracing funds, assets and goods;

VII. Preparing briefs of evidence;

VIII. Liaising with the police or other regulatory authorities;
IX. Interviewing suspects; and
X. Report preparation.

(h) Manex will provide supervision to any investigation of improper conduct (excluding any or all members that may be subject to the investigation) and in the case of serious misconduct, the ARIC will provide supervisory support and assurance.

## 39. Internal Reporting and Escalation

(a) Council currently has a program for capturing, reporting, analysing and escalating Code of Conduct complaints or Public Interest Disclosures. Reports of fraud and corruption will generally come through these avenues.

(b) Council will ensure that any fraud and corruption incidents that occur are recorded in a fraud and corruption register.

## 40. Fraud and corruption incident register

(a) The fraud and corruption incident register will be maintained by the FCO and will include the following information:
I. Date and time of the report.
II. Date and time the incident was detected.
III. How the incident came to the attention of management (e.g., anonymous report, via supervisor/manager, PID, Code of Conduct complaint, via the GM or Mayor, externally etc.).
IV. The nature of the incident.
V. Estimated value of loss to the entity both financially and reputationally.
VI. Actions taken following the discovery of the incident.

## 41. Reporting program of fraud and corruption incidents

Fraud and Corruption incidents will be reported to Manex, ARIC and Council; and where required, to external bodies such as the ICAC, NSW Ombudsman and/or the OLG.

## 42. Disciplinary Procedures

HR.8.04 *Unsatisfactory Performance/Disciplinary Procedures Policy* contained within the Human Resources Policy Statement Register details the disciplinary procedures available to Council for any personnel found guilty of fraudulent or corrupt conduct. Further:

**(a)** Depending on the specific circumstances of any reported fraud and/or corrupt conduct, an internal investigation may be undertaken, or the matter may be referred to an external body, such as the NSW Police, ICAC or the NSW Ombudsman.

**(b)** Any action taken against staff depends on the severity, scale, and significance of the fraudulent and/or corrupt activity and must be determined in accordance with any industry instruments, legislation, or contracts.

**(c)** Actions taken against delegates, members of Council Committees and/or volunteers depends on the severity, scale and significance of the fraudulent and/or corrupt activity and may include censure, counselling, referral to the NSW Police for prosecution for any

breach of the law, removing or restricting the person's delegation and/or removing the person from membership of the relevant Council Committee.

**(d)** Council may, at its discretion, exercise any remedy under law against those found to be engaged in corrupt or fraudulent activity against Council.

### 43. External Reporting

(a) The Public Interest Disclosure Policy provides contact details and guidance where disclosures may be made externally. This Policy also details the General Manager's responsibility for reporting incidents of fraud and corruption externally to ICAC and in some cases, to the NSW Police.

(b) In some cases, other regulatory bodies (e.g., ASIC or AHPRA) may be notified if the incident of fraud or corruption relates to matters regulated by such entities.

(c) If a matter is referred to ICAC or the NSW Police (or another relevant regulatory body or enforcement agency), Council commits to do all that is reasonable in assisting the agency to conduct a full and proper investigation.

### 44. Civil Action for Recovery of Losses – Policy for Recovery Action

Council will undertake recovery action, where there is clear evidence of fraud and corruption, and where the likely benefits of such recovery will exceed the funds and resources invested in the recovery action, or where there is strong public interest to undertake recovery action.

### 45. Review of Internal Controls

(a) In each case where fraud is detected, the FCO and/or management will reassess the adequacy of the internal control environment, particularly those controls directly impacting on the incident, and consider whether improvements are required.

(b) Any improvements identified must be implemented as soon as practicable.

### 46. Insurance

Council will maintain a fidelity guarantee insurance policy, (subject to an ongoing analysis of cost/benefit of holding such a policy), and a policy that insures against externally instigated fraud, corruption and theft of Council's property.

# Chapter 6Legislative and Supporting Documents

## Part 1 Relevant Legislation, Regulations and Industry Standards include:

(a) *Independent Commission Against Corruption Act 1988*;
(b) *Local Government Act 1993* and the *Local Government (General) Regulation 2021*;
*(c) Crimes Act 1900*;
(d) *Finance and Audit Act 1983*;
(e) *Protected Disclosures Act 1994*;
(f) *Public Finance and Audit Act 1983*;

(g) Australian Standard: AS 8001-2021, *Fraud and Corruption Control*:
(h) NSW ICAC Advice on developing a fraud and corruption control policy;
(i) Auditing Standard ASA 240, *The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Department*;
(j) Australian Standard: AS 4811-2022, *Employment Screening*;
(k) Australian Standard: AS 31000-2018, *Risk Management – Guidelines*; and
(l) Section 11 *Reporting Guidelines for principal officers* (ICAC Guidelines January 2022).

## Part 2 Relevant Council Policies and Procedures include:

(a) Codes of Conduct;
(b) Complaints Management Policy;
(c) Unreasonable Complaints Policy;
(d) Sustainable Procurement and Contracts Policy;
(e) Privacy Management Plan;
(f) Public Interest Disclosure Policy;
(g) Records Management Policy;
(h) Risk Management Policy;
(i) Risk Management Plan;
(j) Claims Management Policy and Procedures; and
(k) Statement of Business Ethics.

# Appendix A

## Document Control/Authorisation

| | | | | | |
|---|---|---|---|---|---|
| **Responsible Officer:** | Manager Governance, Risk And Corporate Planning (MGRCP) | | | | |
| **Reviewed By:** | Management Executive Team (Manex) | | | | |
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| 2 | 28/03/2024 | 9.03/24 | This review combines the Fraud and Corruption Prevention Policy and the Fraud Control Plan into a single document, simplifying both. | MGRCP | Council |
| 1 | 13/04/2021 | 13.2 Manex | Creation of the document. | MGRCP | Manex |

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General Manager

9/4/24

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Date