Procedure 6.18.1 Fraud and Corruption Prevention

Directorate | Business and Governance
---|---
Responsible Officer | Executive Manager People and Governance

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Introduction

This document sets out Bega Valley Shire Council’s procedures and plans regarding fraud and corruption prevention. It provides the basis for various control strategies to address risk exposures associated with fraud and corruption. The contents of this procedure form an integral part of Council’s integrity framework which also consists of the following documents:

- Policy 6.03 Risk Management and Insurance
- Policy 6.08 Procurement of Assets and Services
- Policy 6.18 Fraud and Corruption Prevention
- Procedure 6.02.1 Model Code of Conduct
- Procedure 6.02.5 Compliments and Complaints (inc. Unreasonable Correspondent and Complainant Conduct)
- Procedure 6.12.7 Protected disclosure internal reporting system

For Council, fraud and corruption is about developing, implementing, monitoring and review effective and efficient management systems to enhance transparency, professionalism, and fairness in all of its operations. Fraud control is the responsibility of all elected officials and employees.

The act of committing a fraud within Council is considered a very serious matter. Any such act will be dealt with to the maximum extent possible within existing legislative arrangements. This includes reporting cases of fraud to ICAC for investigation and prosecution under Commonwealth and State legislation as appropriate.

The Fraud and Corruption Prevention Plan (the “plan”) is fundamentally based on the principles of Australian Standard: AS 8001:2008 Fraud & Corruption. The plan fulfils the requirements included in this procedure and should be read in conjunction with policy 6.18 Fraud and Corruption Prevention.

The General Manager is recognised as having the delegated authority to develop and oversee implementation of strategies, initiatives and systems identified in this procedure and subsequent management plan. Such mechanisms will be implemented by relevant Council Officers, which will then be reviewed and assessed as part of Council’s biennial review cycle. The fraud and corruption prevention plan will be maintained and updated by the Executive Manager of People and Governance.

Purpose of this procedure

The objective of this procedure document and attached management plan is to outline Council’s approach to proactively manage fraud and corruption against or within the Council. The strategies are designed to:

- Establish the Council’s fraud and corruption control objectives and values.
- Set the Council’s anti-fraud and anti-corruption framework.
- Develop, implement, share and maintain a holistic integrity framework.
- Help manage corporate risks associated with fraud and corruption.
- Help implement treatment strategies for fraud and corruption.
- Increase the awareness of fraud and corruption protocols in the workplace.
- Establish clear accountability structures, as well as protocols for investigating reports of fraud and corruption.
- Describe the roles and responsibilities of individuals and business units within Council regarding fraud and corruption.
- Describe how each section or directorate of Council contribute to the implementation of Council’s fraud and corruption policy.

After reading this procedure employees of Council will:

- Be aware of the zero tolerance position Council has regarding fraud and corruption.
• Be aware of the detrimental effects of such activity occurring in a community service and/or local government organisation.
• Be aware of the process of reporting fraud and corruption.
• Be aware of the commitment Council has made to support employees when such activity is reported.

Fraud and Corruption management framework

Bega Valley Shire Council promotes the highest ethical and professional standards in all activities and does not tolerate fraud or corruption. Council has adopted a clear approach to fraud and corruption control which is based on the Australian Standard Fraud and Corruption Control AS 8001:2008.

The Standard is divided into five parts:
• Scope and General
• Planning and Resourcing
• Prevention
• Detection, and
• Response.

Roles and Responsibilities for fraud & corruption prevention

Employees play an essential part in managing potential exposure to fraudulent activity by ensuring they behave in an ethical way consist with the NSW Model Code of Conduct (procedure 6.02.1, and by reporting any incidents of suspected fraud.

Responsibilities of employees, volunteers, agents, contractors, sub-contractors, and suppliers

Managers carry the same individual responsibilities for their actions as other employees. However, in addition to their individual responsibilities they are responsible for:
• identifying potential fraud risks in their area of responsibility
• managing fraud risks through the development and use of appropriate controls
• monitoring compliance with controls
• promoting ethical behaviour by employees.

Definitions

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<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Corruption</td>
<td>Dishonest activity in which a director, executive, manager, employee or contractor of a Council acts contrary to the interests of the Council and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or Council. The concept of ‘corruption’ within this standard can also involve corrupt conduct by the Council, or a person purporting to act on behalf of and in the interests of the Council, in order to secure some form of improper advantage for the Council either directly or indirectly.</td>
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<tr>
<td>Fraud</td>
<td>The dishonest activity causing actual or potential financial loss to any person or Council including the theft of moneys or other property by employees or persons external to the Council and where deception is used at the time, immediately before or immediately following the activity.</td>
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This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.

The theft of property belonging to an Council by a person or persons internal to the Council but where deception is not used is also considered 'fraud' for the purposes of this Plan.

Note:
The concept of fraud within the meaning of the Plan can involve fraudulent or corrupt conduct by internal or external parties targeting the Council or fraudulent or corrupt conduct by the Council itself targeting external parties.

Reference Documents
The Plan should be read and interpreted in conjunction with the following Standards.

- AS 4811 – 2006 Employment Screening
- AS 8000 – 2003 Good governance principles;
- AS 8002 – 2003 Organisational Codes of Conduct;
- AS 8003 – 2003 Corporate social responsibility;
- AS 8004 – 2003 Whistleblower protection programs for entities; and

Review
This procedure and subsequent fraud control plan is to be reviewed at least every two years by Council’s Leadership Executive Group. The content of both documents will be approved by the Audit and Risk Committee. Relevant parts of this plan and associated procedures should also be reviewed upon the completion of an investigation.

Context of Fraud and Corruption
Fraud and corruption can occur in many forms. In the first instance fraud is characterised by deliberate deception which facilitates or conceals the misuse (misappropriation) of assets. Corruption involves a breach of trust in the performance on a person’s duties.

Bega Valley Shire Council is committed to building and sustaining a culture of ethical behaviour where opportunities for fraudulent or corrupt conduct are inhibited. In developing and implementing its fraud and corruption prevention protocols, Council aims to change organisational features that are likely to be contributors of corruption in a workplace.

All elected official and employees are expected to be able to recognise and understand positive conduct. All council officers are committed to the highest standards of probity in management and operation the council.

Potential types of fraud and corruption
Many forms of fraud and corruption have the potential to exist with Local Government, including but not limited to:

- Extortion
- False presence
- Theft
- Forgery
- Bribery or the acceptance of a bribe
- Stealing
• Misappropriation of property
• Accounting fraud (including the manipulation of financial reporting)
• Deliberate non-declaration of a Conflict of Interest
• Misuse of internet or email
• The Misappropriation of assets
• Corruption involving abuse of a position for personal gain

What might fraud look like within Bega Valley Shire Council?

Despite the implementation of numerous preventative measures through its policies and procedures, Council is not immune from internal or external risks of fraud. In fact, fraud can appear in many forms, some examples of which are outlined below:

• Falsifying timesheets
• Falsification of work cover claims
• Lodging of vexatious, unverified complain against other people
• Kickbacks from suppliers
• Misuse of government equipment and/or resources
• False invoicing
• Inappropriate, unauthorised destruction or remove Council records
• Accessing systems and records not deemed relevant to your work practices or needs
• Failure to disclose acceptance of gifts or hospitality.

What corruption might look like at Bega Valley Shire Council?

 Corruption can occur in many forms but is not usually as obvious to recognise as theft or an illegal act. In particularly corrupt conduct may include but not be limited to the following behaviours/actions:

• Advising a person who has put in a tender for a contract with Council of their competitors submission
• Rejecting a customer's application for services based on a dislike of that person
• Release of confidential information for non-business purposes in exchange for non-financial benefit or advantage
• Collusive tendering
• Favouritism towards family (known as nepotism) or friends (known as cronyism) in granting benefits when they are not eligible to receive them.
• Non-disclosure of conflicts of interest.
• Release of confidential or private information or intellectual property.
Planning & Resourcing

Fraud and Corruption Control Planning

Implementing a Fraud and Corruption Control Plan

The Council has developed and implemented a Fraud and Corruption Plan which demonstrates the approach to controlling fraud and corruption exposure at strategic, delivery and operational levels.

The Plan details Council’s intended action in implementing and monitoring its fraud and corruption prevention, detection and response initiatives.

Accountability for the implementation and ongoing monitoring of the plan has been assigned to the Internal Audit function, under the direction of the General Manager with oversight by the Executive Manager | Organisational Development and Governance.

Monitoring the Operation of the Plan

The operation of this Plan is monitored through the following processes:

- a. Internal audit reviews including a review of the fraud control framework, fraud awareness training and fraud risk assessment.
- b. Public Interest Disclosures and other complaints management procedures.
- c. Review of actual incidents or allegations of fraud and corruption.
- d. Employee assistance in the identification and reporting of suspected fraud and corruption.

Communicating the Fraud and Corruption Control Plan

External communication

In accord with the standard, the Plan will be communicated to external stakeholders by way of:

- a. An appropriate note in the Annual Report as part of a general declaration of integrity or corporate governance.
- b. Declarations in general terms and conditions of business dealings with external parties.
- c. Declarations in ‘requests for tender’ or similar invitations to propose to the Council, and
- d. On the Council’s website.

The requirement of the Standard for communicating with external stakeholders is addressed by comments provided within the governance statement in the Annual Report and a declaration within the requests for tender to external parties. It also considered for key stakeholders, to whom this communication is addressed are suppliers and contractors who deal with the Council and may identify concerns of possible fraud or corruption.

Internal Communication

Regular internal communication is undertaken to ensure management and employees are informed of fraud and corruption control issues, policy and processes. The Plan is to be accessible to all employees, via the Risk SharePoint My Team Page and Council’s Induction program as well as via Council’s external website, staff Intranet, and electronic record management system.
Review of the Fraud and Corruption Control Plan

Frequency of Review

The Plan is reviewed and amended at intervals appropriate to the Council but minimum, once every two years to take consideration of business and technological change and in accordance with procedure 6.01.1 policy/procedure creation or amendment.

Fraud and corruption control resources

Allocation of Resources

The Standard requires the Council to ensure an appropriate level of resources is applied to controlling fraud and corruption risk. The Council has demonstrated its commitment to fraud and corruption control by allocating overall responsibility for implementing and overseeing the fraud and corruption control program to the Internal Audit Committee.

Other Fraud and Corruption Control Resources

Other important resources within the Council in terms of managing fraud and corruption include—

a. human resources/industrial relations
b. occupational health and safety personnel
c. compliance professionals
d. corporate counsel
e. quality assurance
f. records management
g. corporate risk management
h. insurance management
i. information security specialists and consultants
j. regulatory affairs managers; and
k. environmental impact practitioners.

Internal Audit activity in the control of fraud and corruption

The Internal Audit Committee has responsibility for ensuring Council’s fraud and corruption control resources are periodically subjected to controls testing through internal audit activities.

Application of Internal Audit Resource in controlling Fraud and Corruption

While primary responsibility for the identification of fraud and corruption within the Council rests with management, it is recognised that internal audit activity can be, in the context of addressing all business risks, an effective part of the overall control environment to identify the indicators of fraud and corruption. Internal audit activity can be effective in the detection of fraud and also in the prevention of fraud by ensuring due adherence to internal control systems.

The Council has considered the role of internal audit in the detection, prevention and investigation of fraud with regard to ensuring the Internal Auditor has sufficient knowledge to identify the indicators of fraud but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

Internal Auditor’s Role in Fraud Control

Internal Auditors are responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of the system of internal control, commensurate with the extent of the potential exposure/risk in the various segments of the organisation’s operation.
If an Internal Auditor suspects potential wrongdoing, the appropriate authorities within the organisation should be informed. The Internal Auditor may recommend whatever investigation is considered necessary in the circumstances. Thereafter the auditor should follow up to see that the internal auditing activity’s responsibilities have been met.

The role of internal audits in Fraud Control

Management and the internal audit activity have differing roles with respect to fraud detection. The normal course of work for the internal audit activity is to provide an independent appraisal, examination, and evaluation of an organisation’s activities as a service to the organisation.

The objective of internal auditing in fraud detection is to assist members of the organisation in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.

Management has a responsibility to establish and maintain an effective control system at a reasonable cost. Detection of fraud consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by auditors, and other sources both within and outside the organisation.

In conducting engagements, the Internal Auditor’s responsibilities for detecting fraud are to:

- Have sufficient knowledge of fraud to be able to identify indicators that fraud may have been committed.
- Be alert to opportunities, such as control weaknesses, that could allow fraud. If significant control weaknesses are detected, additional tests conducted by Internal Auditors should include tests directed toward identification of other indicators of fraud.
- Evaluate the indicators that fraud may have been committed and decide whether any further action is necessary or whether an investigation should be recommended.
- Notify the appropriate authorities within the organisation if a determination is made that there are sufficient indicators of the commission of a fraud to recommend an investigation.

Accordingly the Council provides the Internal Audit function with sufficient knowledge, training, experience and resources in order to fulfil the role in deterring, detecting and responding to instances of fraud or suspected fraud.
Fraud & Corruption Prevention

Council has identified a number of key strategies and actions for each fraud control function. These are identified by adhering to best practice, assessing the Council’s operating environment including its relevant risks.

Implementing and Maintaining the Framework

Building an Ethical Culture

A key strategy in managing the risk of fraud and corruption within Council is the implementation and maintenance of a sound ethical culture. Bega Valley Shire Council encourages a healthy and sustainable ethical culture through the implementation of an integrity and process framework. Such a framework includes:

- Establishment and implementation of a Community Strategic Plan (CSP)
- Implementation, monitor, and review of a Delivery Plan (DP) every four years
- Implementation, monitor, and review of an Operational Plan (OP) every twelve months
- Monitor and review of Long-term Financial Plans (LTFP) and annual budgets
- Provision of mandatory Annual Reports (financial and operational)
- Provision of mandatory compliance reports
- Review of Corporate policy framework and content following each Local Government Election (4 year cycle)
- Review of corporate procedure framework and content on a biennial basis (or as required)
- Engaging internal and external auditors to coordinate assessments of Council’s operations
- Implementing current and valid position descriptions for all positions
- Implementing Council’s Conditions of Employment procedures including:
  - 6.04.24 Recruitment and Selection
  - 6.04.7 Disciplinary Action
  - 6.04.25 Training and Development
  - Probation
  - Induction
- Delivery compulsory Code of Conduct Training to all employees and volunteers

If the Council’s observable ethical culture falls below acceptable levels, remedial action including a broad-based communication and training program will be undertaken as a matter of priority. Individual cases of reported misconduct are dealt with according to procedure 6.04.7 Disciplinary Action.

Risk Awareness

The Council will ensure a high level of awareness of fraud and corruption by including such elements in the corporate risk register endorsed by the senior management team. Appropriate risk strategies will also be embedded in all operational systems and processes within the Council.

Audit, Risk & Improvement Committee (ARIC) meetings are another method used to help build awareness of fraud and corruption in the organisation. Additionally risk related issues will be raised at meeting of the Senior Leadership Group (SLG). These meetings are scheduled on a regular basis and provide an opportunity for senior personnel to report and consult on strategic and operational levels of risk, which may include fraud and corruption matters. The risk committee meetings are used as a mechanism for information sharing, increasing the awareness of risk management, and also training employees in appropriate risk management strategies.

Members of the Leadership Executive Group, as well as the SLG will have an understanding of the following:
a. The incidence of fraud and corruption generally in Australia.

b. The types of fraud and corruption common to Local Government.

c. The robustness of the Council’s internal control environment in terms of its ability to prevent and detect the types of fraud and corruption likely to occur.

d. Knowledge of the types of fraud and corruption that have been detected by the Council in the last five years.

e. Knowledge of how fraud and corruption matters are dealt with in terms of disciplinary action and internal controls.

f. Knowledge of Council’s fraud and corruption prevention and control plan and processes; and

g. Knowledge of new technology tools for detecting and preventing fraudulent activity.

Information about fraud awareness is shared with all employees through the following mechanisms:

- Publication of policy and procedure documents on Council’s website and Intranet
- The inclusion of fraud and corruption as a topic during the induction of new employees
- Training in the Model Code of Conduct
- Publication of relevant safety alerts to employees

Accountability for prevention and detection of fraud

Fraud and corruption control is often seen as a ‘corporate’ responsibility (i.e. the responsibility of central management at the corporate level) rather than as a responsibility for line management. All employees of Bega Valley Shire Council have a responsibility to contribute to fraud and corruption prevention, however the management of fraud and corruption is imbedded into the contract provisions of each line manager contract (i.e. compliance with legislative provisions) and is managed via the compliance and measurement processes.

Implementing an effective system of Internal Control

There is a strong link between the incidence of fraud and corruption and poor internal control systems within Councils. Council will ensure all business processes, particularly those assessed as having a higher predisposition to the risks of fraud and corruption, are subject to a rigorous system of internal controls. Such controls will be documented, updated regularly and understood by all personnel in accordance with the following procedures:

- 6.01.0 Governance
- 6.01.1 Policy/procedure creation or amendment
- 6.11.1 Records management

Whilst internal control is the first line of defense in the fight against fraud and corruption, management will take an active role in the internal control process. This will be achieved by:

a. Development of risk management processes in consultation with key stakeholders.

b. Appropriate record keeping and sharing of information across Council.

c. Regular and timely review of risk management documents.

d. Internal assessment of the performance of reporting mechanisms and management strategies.

e. Inclusion and promotion of a continuous improvement culture within the organisation.

f. Provision and maintenance of accessible information.

g. Delivery of an internal audit program incorporating a review of Council’s internal controls regarding fraud and corruption.

Assessing Fraud and Corruption Risk

General speaking the frequency with which assessments are completed is determined the size and diversity of the Council’s business functions. Other factors determining the frequency of risk assessments will include
geographic location, the extent to which the Council is monitored by other entities or regulators, the rate of technological change, and the risks inherent with Local Government as an industry.

Through its policy 6.03 Risk Management and Insurance, Bega Valley Shire Council has adopted process for the systematic identification, analysis and evaluation (‘risk assessment’) of fraud and corruption risk. As part of this process, periodic and comprehensive risk assessments are conducted every two years.

In completing risk assessments associated with fraud and corruption the Australian Standard ISO 31000:2018 Risk Management Principles and Guidelines is considered, including the main elements risk assessments which are:

1. Communicate and consult - That is, communication and consultation with external and internal stakeholders should take place during all stages of the risk management process;
2. Establish the context - That is, the organization articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for the remaining process;
3. Identify risks – That is, the organization should identify sources of risk, areas of impacts, events (including changes in circumstances) and their cause and their potential consequences;
4. Analyse risks – That is, developing an understanding of the risks;
5. Evaluate risks – That is, to assist decision makers, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation;
6. Treat risks – That is, selecting one or more options for modifying risks, and implementing those options;
7. Monitor and review – That is, this should be a planned part of the risk assessment process and involve regular checking or surveillance;

**Fraud and Corruption risk assessment process**

**Methodologies for assessing fraud and corruption risk**

When carrying out an assessment of fraud and corruption risk, one of the following alternative methodologies should be applied:

a. Independent assessment of processes and procedures including a series of one-on-one interviews with relevant personnel and internal control documentation review.

b. A survey of fraud and corruption risk by the issue and analysis of a questionnaire tailored for the Council or those business units or operational functions of the Council being assessed.

c. A facilitated or consultative ‘workshop’ approach involving maximum input of personnel from the business unit being assessed wherein a ‘risk assessment team’ formed for each business unit identifies and assesses the risks relevant to the business unit.

The Council deploys each of these methods to facilitate compliance confidence and maintenance of awareness as follows:

a. Fraud control framework review.

b. Targeted fraud awareness training; and

c. Fraud and corruption risk assessment.

**Steps of the risk assessment process**

Council incorporates the following steps of the risk assessment process into the preparation of the Enterprise Risk Register having regard to the particular application of the process to the assessment of fraud and corruption risk:

a. Risk identification.
b. Risk analysis.
c. Risk evaluation.

**Monitoring and Review**

Council will regularly monitor and review any changes to the context, its risk environment and the effectiveness and efficiencies of its controls as part of its overall risk management strategy. Such a review will occur either on a needs basis or as part of Council’s Internal Audit Review schedule.

**Communication and Awareness**

Council will ensure all employees have general awareness of fraud and corruption and how he or she should respond if this type of activity is detected or suspected. This is to be facilitated by the Fraud Awareness Program coordinated by the Internal Audit Committee every two years (unless deemed necessary earlier).

Awareness of fraud and corruption protocols is created through the inclusion of these topics during the induction of all new staff; programs which are delivered on a quarterly basis. Compulsory training is also delivered to all employees and volunteers in the Model Code of Conduct, which includes a component on fraud and corruption, complaints handling, and Council’s policy and procedure framework. This training is delivered on a biennial basis.

Relevant and up-to-date information is also published on Council’s website and well as on its employee Intranet, and the Organisational Development and Governance Team, through the Risk Coordinator and WHS Officer, regularly disseminate information using various safety alerts; information which is shared by electronic mail, and distributed in hard copy on employee notice boards.

**Supplier and Customer Vetting**

Council ensures the bona fides of suppliers by adhering to *policy 6.08 Procurement of Assets and Services*, developed in compliance with the *Local Government Act (NSW) 1993* and Local Government (General) Regulations 2005.

Council will consider its ongoing commercial relationship with the other party if the enquiry finds a heightened risk of fraud or corruption in continuing to deal with that party. In addition to this Council will conduct effective vetting of suppliers and customers which represents an extension of credit checks.

The Council acknowledges that if the customer or supplier is a corporation, the enquiries would typically include:

- a. Search of company register
- b. ABN confirmation
- c. Verification of the personal details of directors
- d. Director bankruptcy search
- e. Disqualified director search
- f. Assessment of credit rating
- g. Search of legal proceedings pending and judgments entered
- h. Telephone listing verification
- i. Trading address verification
- j. Media search.

Within the Council’s procurement processes, various enquiries are made in respect to the bona fides of new suppliers. It should be noted comprehensive review is undertaken of all proponents to contract and quotation award via the Procurement of Goods and Services Procedure.
Controlling the Risk of Corruption

Council acknowledges the following strategies as effective ways to mitigate potential risks associated with corruption:

a. Create and implement a corruption resistance program wherein the Council makes a strong anticorruption statement (in terms of both incoming and outgoing corrupt conduct) which is properly communicated and then consistently applied throughout the Council.

b. Enhance probity and contracting procedures.

c. Open channels of communication within the Council so that employees have a range of alternative avenues for reporting concerns in relation to possible corrupt conduct; and

d. Open channels of communication with customers, vendors and other third parties aimed at encouraging those parties to come forward if there is an indication of corrupt conduct involving the Council or any person associated with the Council.

Council’s policy 56.08 Procurement of Assets and Services were developed with reference to the requirements of the Local Government Act (NSW) 1993 and Local Government (General) Regulations 2005, are subject to regular continuous monitoring and improvement in accordance with Procedure 6.01.1 Creation or Amendment of policy or procedure.
Detecting fraud and corruption

Detection systems

The Council has implemented systems aimed at detecting fraud and corruption as soon as possible after it has occurred in the event that the Council’s preventative systems fail. These systems include the following:

- Procedure 6.12.7 Protected disclosures internal reporting system.
- Management system audits.
- Internal and external audit.
- Post-transactional review.
- Data mining and real-time computer system analysis to identify suspected fraudulent transactions.
- Analysis of management accounting reports.

**Note**

Even in entities that have implemented a comprehensive fraud and corruption control program, it is possible that fraud or corruption will occur from time to time.

**Responsibility for the fraud and corruption detection program**

Responsibility for developing systems to investigate and detect fraud and corruption in the Council rests with the Internal Audit Committee (IAC). A general awareness of the skills and techniques deployed in any detection program is considered of value at any opportunity including scheduled training sessions, management and Departmental meetings as appropriate.

The Executive Manager, People and Governance, as well as the Governance Coordinator, Risk and Internal Audit Coordinator, and Coordinator People and Culture are all responsible for assisting in the development, implementation, monitoring of fraud control mechanisms, including by not limited to:

- Organisational policies and procedures
- Employee induction
- Compulsory in Code of Conduct Training
- Administration of the Internal Audit and Risk Management Committee

**Post-transactional review**

A review of transactions after they have been processed can be effective in identifying fraudulent or corrupt activity. Such a review will be conducted by personnel not connected with the business unit in which the transactions were affected. The outcome of the review may be the uncovering of altered or missing documentation, falsified or altered authorisation, or inadequate documentary support.

In addition to the possibility of detecting fraudulent transactions, such a strategy can also have a significant fraud prevention effect as the threat of detection may be enough to deter employees who would otherwise be motivated to engage in fraud and corruption.

**Analysis of management accounting reports to identify trends**

Using relatively straightforward techniques in analysing the Council’s management accounting reports, trends can be examined and investigated which may be indicative of fraudulent or corrupt conduct.

Some examples of the types of management accounting reports that can be utilized on a compare and contrast basis are monthly actual/budget comparison reports for individual cost centers, reports comparing expenditure against industry benchmarks and reports highlighting unusual trends in bad or doubtful debts.
Role of the External Auditor in the detection of fraud

Council’s financial statements are audited by an external auditing firm reporting to the NSW Auditor General who is familiar with the role and responsibilities in detecting fraud. In conjunction with external auditor, the Leadership Executive Group, its authorised delegates, and the Audit, Risk & Improvement Committee will undertake a discussion audit outcomes and necessary procedures that will be carried out during the audit. This process is aimed at detecting material misstatements in the Council’s financial statements due to fraud or error.

All audit reports are provided to Council for consideration and approval.

Reporting Suspected Incidents

Council will ensure that adequate means for reporting suspicious or known illegal or unethical conduct are available to all employees.

Reports of behaviour involving possible fraud or corruption can be communicated to senior management through:

a. The employee’s usual organisational structure (i.e. to senior management via the employee’s immediate manager or supervisor); and
b. To the Internal Auditor or Public Interest Disclosure Officer.

External alternative reporting channels are available and information can be obtained in Procedure 6.12.7 Protection disclosure internal reporting system. Procedure 6.21.7 was created and implemented to provide active protection for any person making a public interest disclosure. Employees are made aware of this procedure during compulsory Code of Conduct Training. Relevant information about this and other protocols is published on the staff Intranet. Copies of all adopted procedures are made available to the public via Council’s website.
Responding to fraud & corruption

Policies and Procedures
The Council has adopted appropriate policies, procedures, and protocols for dealing with suspected fraud or corruption. Council’s overall fraud and corruption framework consists of:

- Appropriate measures for the comprehensive investigation of such matters based on the principles of independence, objectivity and the rules of natural justice.
- Systems for internal reporting of all detected incidents.
- Protocols for reporting the matters of suspected fraud or corruption to the Police and/or other appropriate law enforcement agencies/regulatory bodies; and
- Policies for the recovery of stolen funds or property.

The following BVSC procedures complement Council’s overall fraud and corruption framework:

- Procedure: 6.02.1 Model Code of Conduct
- Procedure: 6.02.2 Administration of the Model Code of Conduct
- Procedure: 56.02.4 Payment of expenses and provision of facilities for councillors
- Procedure: 6.12.7 Public Interest Disclosures (PID) - internal reporting system
- Procedure: 6.03.1 Enterprise Risk
- Procedure: 6.03.5 Internal Audit Procedures
- Procedure: 6.04.7 Disciplinary action
- Procedure: 6.04.21 Council motor vehicle - commuter use (home garaging)
- Procedure: 6.08.1 Purchasing procedures
- Procedure: 6.08.2 Work related vehicle management
- Procedure: 6.08.3 Contract administration and management
- Procedure: 6.08.4 Development and delivery of public infrastructure and civil asset projects by committees and community groups
- Procedure: 6.08.6 Purchase card guidelines
- Procedure: 6.09.1 Internet, intranet and e-mail acceptable use
- Procedure: 6.09.2 Mobile phone usage
- Procedure: 6.09.3 Computer hardware and software acceptable use
- Procedure: 6.09.4 Information security

Investigation
Within the Council, the reporting channels for fraud or suspected fraud including the Public Interest Disclosure Procedures are clearly laid out in the Corruption Prevention and Fraud Control Policy. Investigations are undertaken independent of Internal Audit using appropriately qualified and experienced investigators.

Collating information in relation to fraud and corruption incidents
Council has considered whether it should establish a fraud and corruption incident register. It is considered that the size of the Council does not warrant such a register being established as there is already reporting
Disciplinary Procedures

Council have developed a disciplinary action procedure (5.04.10 - Disciplinary action) which is available on the Council website. The ultimate outcome of disciplinary proceedings may involve a written warning, termination, demotion, fining or reduction in seniority of an employee or other internal person.

An important element of procedure 5.04.10 is the application of the rules of natural justice and fairness.

Separation of investigation and determination processes

It is important to separate the investigation and determination processes in relation to fraud or corruption incidents. A description of the process followed in all disciplinary matters can be found in the NSW Local Government (State) Award.

A decision relating to all disciplinary matters is made on the basis of the evidence and after applying the Disciplinary and Procedure of the NSW Local Government (State) Award.

External Reporting

The Council has a zero tolerance to fraud and corruption. Where evidence is established of fraud and/or corruption, involving the Council, either internally or externally, it will be reported to the authority deemed appropriate in the circumstances, including, but not limited to, NSW Police, NSW Ombudsman and the Independent Commission Against Corruption.

Should it become necessary the Council will provide, as a minimum, the following items to the law enforcement agency in a manner required by the law enforcement agency to ensure minimal duplication of effort:

- a summary of the allegations.
- a list of witnesses and potential witnesses.
- a list of suspects and potential suspects.
- copies of all statements, depositions or affidavits obtained to that point including and in particular, any written statement made by the subject of the investigation.
- a copy of the transcript of any interview conducted with a person suspected of involvement in the matters alleged.
- a copy of any electronic media on which such interviews have been recorded.
- copies of all documentary evidence obtained to that point (ultimately the law enforcement agency will probably require the original documents, in which case copies should be retained by the Council).
- any charts or diagrammatical summaries of the allegations and evidence that the Council may have produced.

Commitment to assist law enforcement

In the event that a decision is made to refer the matter to the appropriate law enforcement agency, the Council will give an undertaking to the law enforcement agency that it will do all that is reasonable in assisting the law enforcement agency to conduct a full and proper investigation.

This may involve the Council committing financial and other resources to an investigation either for or independently of the law enforcement agency.
Civil action for recovery of losses
The Council will initiate appropriate recovery action where there is clear evidence of fraud or corruption and where the likely benefits of such recovery will exceed the funds and resources invested in the recovery action.

Review of Internal Controls
In each instance where fraud is detected, the Executive Manager, People and Governance, in consultation with the Audit, Risk and Improvement Committee, and Leadership Executive Leadership Group will reassess the adequacy of the internal control environment (particularly those controls directly impacting on the fraud incident and potentially allowing it to occur) and consider whether improvements are required.

Where improvements are required, these will be implemented as soon as practicable.

Accountability for undertaking internal control review
The responsibility for ensuring the internal control environment is re-assessed and for ensuring the recommendations arising out of this assessment are implemented will reside with the Internal Audit Committee and the Leadership Executive Group of the Council. A summary of recommendations or requirements for the modification of the internal control environment should be provided to the manager of the department concerned.

Insurance – Consideration of the need for Fidelity Guarantee Insurance
The Council maintains an extensive Fidelity Guarantee Policy that insures the Council against the risk of loss arising from internal fraudulent conduct.