9.2   Policy Review - Fraud Control

REPORT BY THE ACTING CHIEF FINANCIAL OFFICER
TO 21 SEPTEMBER 2022 ORDINARY MEETING
GOV400098, FIN300032

RECOMMENDATION

That Council:

1.   **receive the report by the Acting Chief Financial Officer on the Policy Review - Fraud Control;**

2.   **place the Fraud and Corruption Control Policy on public exhibition for 28 days; and**

3.   **adopt the Fraud and Corruption Control Policy if no submissions are received during the public exhibition period.**

Executive summary

The Fraud Control Policy has been reviewed incorporating the Australian Standard Fraud and Corruption Control (AS 8001-2021), the NSW Audit Office's (NSWAO) Fraud Control Improvement Kit and ICAC Policy template.

The Audit Risk and Improvement Committee (ARIC) has a role is advising the General Manager and governing body on the adequacy of the fraud and corruption prevention framework, of which the Policy is an important document. This Policy revision was supported by the ARIC on 12 August, and is now presented to the Council.

Disclosure of Interest

Nil

Detailed report

The policy will replace the previous policy adopted in 2015 and there are wholesale changes so track changes was not applied. The policy covers the 10 attributes per the NSWAO fraud control improvement kit and is the highest level document in the fraud control framework. The Fraud Control Framework is attached for reference and it is noted that some internal documents will still need to be developed to complete the framework in its entirety. Development of online training for at risk employees will commence once the draft policy has been accepted at Council.

Community Plan implications

Theme	Good Government
Goal	An effective and efficient organisation
Strategy	Prudently manage risks association with all Council activities

Strategic implications

Council Strategies
Council's Delivery Program 2022/23 – 2025/26 under the action of Monitor and review Council's risk includes a project to develop a Fraud Control Framework. The Policy is the highest level document in the framework.

Council Policies
Proposed revision of the Fraud Control Policy.

Legislation
Not Applicable

Financial implications

Not Applicable

Associated Risks

Not Applicable

NEIL BUNGATE
ACTING CHIEF FINANCIAL OFFICER

18 August 2022

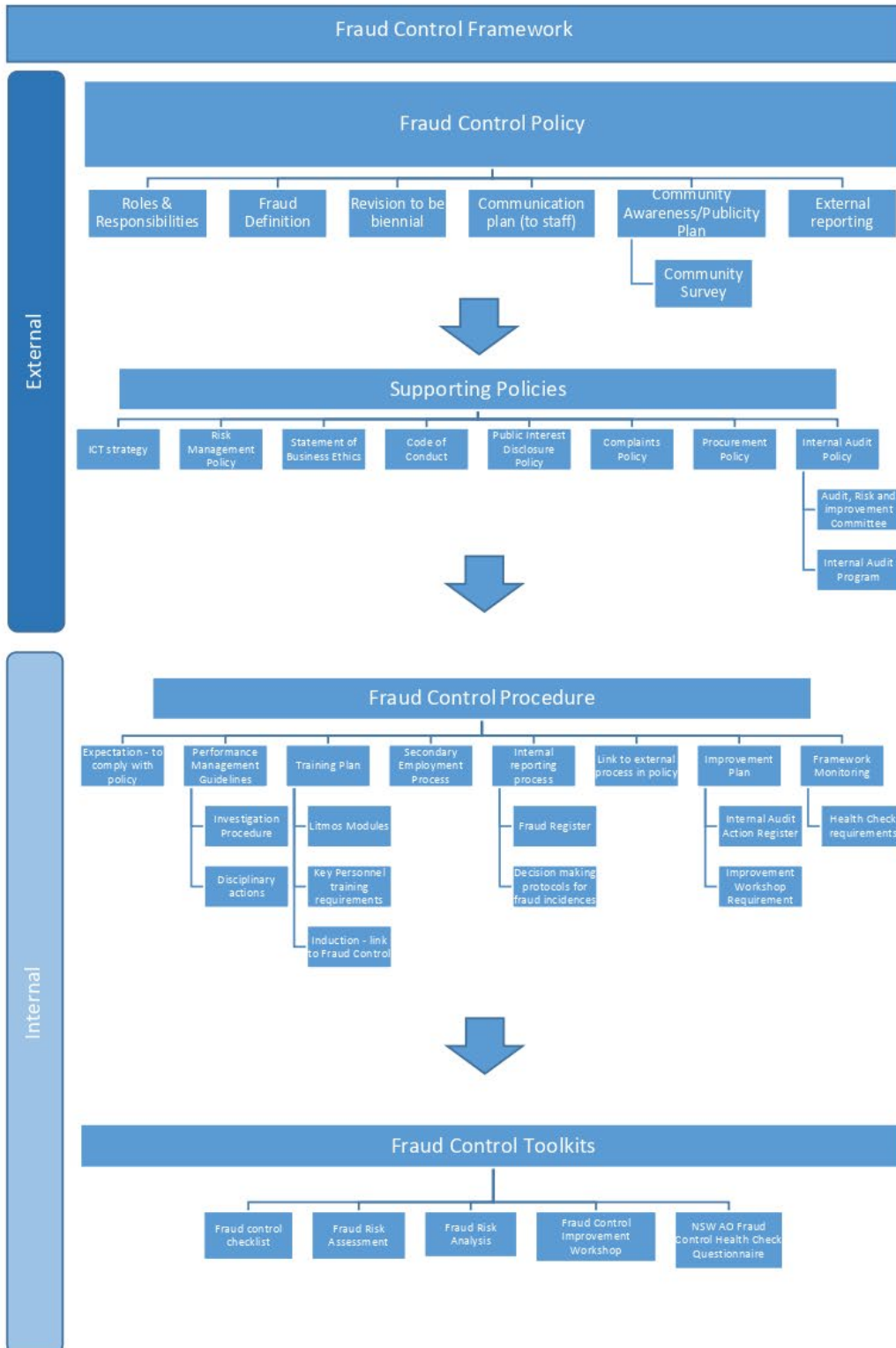*Attachments:*   1.   Fraud Control Framework structure.
                 2.   Draft Fraud and Corruption Control Policy 2022.
                 3.   Policy fraud control 2015.

APPROVED FOR SUBMISSION:

BRAD CAM
GENERAL MANAGER

Fraud Control Framework
Proposed Structure

Fraud Control Framework

External

Fraud Control Policy

| Roles & Responsibilities | Fraud Definition | Revision to be biennial | Communication plan (to staff) | Community Awareness/Publicity Plan | External reporting |

Community Survey

Supporting Policies

| ICT strategy | Risk Management Policy | Statement of Business Ethics | Code of Conduct | Public Interest Disclosure Policy | Complaints Policy | Procurement Policy | Internal Audit Policy |

Audit, Risk and improvement Committee

Internal Audit Program

Internal

Fraud Control Procedure

| Expectation - to comply with policy | Performance Management Guidelines | Training Plan | Secondary Employment Process | Internal reporting process | Link to external process in policy | Improvement Plan | Framework Monitoring |

Investigation Procedure — Litmos Modules — Fraud Register — Internal Audit Action Register — Health Check requirements

Disciplinary actions — Key Personnel training requirements — Decision making protocols for fraud incidences — Improvement Workshop Requirement

Induction - link to Fraud Control

Fraud Control Toolkits

| Fraud control checklist | Fraud Risk Assessment | Fraud Risk Analysis | Fraud Control Improvement Workshop | NSW AO Fraud Control Health Check Questionnaire |

12 December 2019

POLICY
Fraud and Corruption Control

A prosperous and progressive community

ADOPTED		VERSION NO	**VERSION 1**
COUNCIL MEETING MIN		REVIEW DATE	**SEPTEMBER 2023**
DATE:		FILE NUMBER	**A0100021**

Objective/ Policy Statement

The public, our fellow employees and other people we deal with are entitled to expect each of us act with integrity and to protect resources, information, revenues, reputation and the public interest. Therefore, Mid-Western Regional Council is committed to an honest and ethical environment that minimises fraud and corruption. Fraud and corruption are incompatible with our values and present a risk to the achievement of our objectives and the provision of our services to the public. Mid-Western Regional Council has a zero-tolerance approach to fraud and corruption.

This policy sets standards and provides guidance on how Mid-Western Regional Council aims to prevent, detect and respond to fraud and corruption.

FRAUD DEFINITION

Council has adopted the following definition of fraud based on the definition in AS 8001-2021:

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.

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. (Ref. AS8001-2021 1.4.13)

CORRUPTION DEFINITION

Council has adopted the following definition of corruption based on the definition in AS 8001-2021:

Dishonest activity in which a person associated with an organisation (eg: Councillor, director, executive, manager, employee or contractor) acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation. This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of and in the interests of the organisation, in order to secure some form of improper advantage for the organisation either directly or indirectly (Ref. AS8001-2021, 1.4.8)

Scope

This Policy applies to all Council employees including permanent, fixed-term, temporary and casual as well as to Councillors, consultants, contractors to council and volunteers.

POLICY: │ FRAUD AND CORRUPTION CONTROL AUGUST 2022

Legislative requirements

- Local Government Act 1993
- Local Government (General) Regulation 2005
- Independent Commission Against Corruption Act 1988
- Public Interest Disclosures Act 1994
- Crimes Act NSW 1900
- Australian Standards AS 8001-2021 including normative references

Related policies and documents

- Code of Conduct
- Complaints Policy
- Contractor Management Policy
- Statement of Business Ethics
- Public Interest Disclosure Internal Reporting Policy
- Enterprise Risk Management Policy
- Procurement Policy
- Audit Risk and Improvement Committee Charter
- ICT Strategy
- Internal Audit Policy
- Fraud Control Framework & Procedure
- Conflicts of Interest Declarations
- Notification of Secondary Employment Procedure
- Volunteers Procedure

Policy approach

In developing this policy Mid-Western Regional Council has embedded the 10 key attributes from the Fraud Control Improvement Kit published by Audit Office of New South Wales. These ten attributes are shown in the diagram below.

ATTRIBUTE 1: LEADERSHIP

A successful fraud control framework is led by a committed and accountable executive. The General Manager has ultimate responsibility for the fraud control framework and endorses the fraud control activities within Mid-Western Regional Council.

The Chief Financial Officer is accountable for monitoring the implementation of the fraud control framework.

Council's Delivery Program includes the requirement to develop a Fraud Control Framework and regularly review.

The NSW Local Government Capability Framework includes 'acting with integrity' as a key personal attribute. This framework provides the structure to incorporate the management of fraud into an individual's role expectations.

ATTRIBUTE 2: ETHICAL FRAMEWORK

This framework promotes and encourages a culture and the systems that support ethical behaviour.

Council has adopted a Code of Conduct that clearly sets out acceptable standards of ethical behaviour and these are provided to all councillors at the start of each term of Council. All employees are introduced to the Code of Conduct during their induction training.

Other documents that contribute to an ethical framework to set standards of behaviour and guide decision making include the Statement of Business Ethics, Conflict of Interest Declarations and Notification of Secondary Employment Procedure. These documents are reviewed regularly to ensure they are up to date and in line with the relevant standards.

ATTRIBUTE 3: RESPONSIBILITY STRUCTURES

Assigned responsibility in this framework ensures that councillors and all employees understand clearly their role and accountabilities.

Responsibilities within the Council

Councillors are responsible for:

- approving the Fraud and Corruption Control Policy
- raising community awareness of the Council's commitment to fraud and corruption prevention
- promoting awareness and compliance with Council's Code of Conduct
- supporting the General Manager in the implementation of adequate prevention measures for fraud and corruption
- reporting all instances of suspected or actual fraud or corrupt conduct in accordance with Council's Code of Conduct and Public Interest Disclosure Internal Reporting Policy

The General Manager is responsible for:

- ensuring an effective Fraud and Corruption Control Policy and framework is in place that minimises the incidence of fraud and corruption
- under section 11 of the ICAC Act 1988, to report to the ICAC any matter that they reasonably suspects involves or may involve corruption or fraudulent conduct
- determining who shall investigate and report upon allegations of fraud and corruption
- ensuring results of investigations are acted upon, including referral to the Police under Section 316 of the Crimes Act 1900 in cases of serious offence
- appointing the Disclosure Officers for Council
- embedding fraud control and ethical behaviours into employee position descriptions

Executive and Managers have the following responsibilities, in addition to their responsibilities as Council employees:

- promoting a highly ethical environment and culture where fraud and corruption is discouraged
- ensuring staff are aware of their responsibilities and the consequences from fraud and corruption
- ensuring that internal controls are operating effectively
- leading by example to promote ethical behaviour
- promote fraud awareness and ensure staff complete relevant training
- alert the General Manager of emerging fraud and corruption risks

All Council employees are responsible for:

- performing their functions and duties with skill, care, diligence, honesty, integrity and impartiality
- being aware of their individual responsibilities under this Policy
- complying with the requirements of this Policy and legislative requirements to not participate in fraudulent and corrupt behaviour
- reporting in accordance with this Policy any suspicion of fraudulent and corrupt behaviour

Audit, Risk and Improvement Committee responsibilities

The Audit, Risk and Improvement Committee is responsible for advising the General Manager and governing body of the Council of the adequacy and effectiveness of the Council's fraud and corruption prevention framework and activities.

Internal Audit

Internal audit must be alert to the possibility of fraud within the Council. Internal audit assists in deterring fraud by examining and evaluating the adequacy and effectiveness of internal controls. It

is also expected to evaluate whether the senior management is properly overseeing the fraud control policies and practices.

Internal audit is not specifically responsible for detecting fraud but is expected to obtain assurance that any material control deficiencies are detected. Internal audit must report known or suspected fraud to the General Manager and Audit, Risk and Improvement Committee if they detect it.

Internal audit regularly examines risk processes across the council to detect irregularities. Internal audit recommendations are recorded and are followed up regularly, with responsibility assigned to individuals and clear time tables set for response. Outcomes of reviews are reported to the senior management and the Audit, Risk and Improvement Committee on a periodic basis.

Management uses internal audit findings as an opportunity to improve processes.

The General Manager and the Audit, Risk and Improvement Committee annually review the internal audit program.

External Audit

The responsibility of an external auditor in detecting and preventing fraud subject to a financial statement audit is set out in Australian Auditing Standard 240 (ASA 240). The external auditor is concerned with fraud that causes a material misstatement in the financial report.

ATTRIBUTE 4: FRAUD CONTROL POLICY

This Policy is part of the Fraud and Corruption Control Framework of Council which provides initiatives aimed at preventing, detecting and responding to fraud and corruption. This Policy has been developed based on the Audit Office of New South Wales Fraud Control Improvement Kit and the Australian Standards Fraud and Corruption Control (AS 8001-2021).

The Fraud and Corruption Control Policy does not operate in isolation and has strong links to the Code of Conduct and the Statement of Business Ethics.

This Policy will be updated on a biennial basis.

ATTRIBUTE 5: PREVENTION SYSTEMS

Fraud and corruption prevention controls are focused on areas identified with the highest risk. As part of Councils enterprise risk management we will identify areas of risk, evaluate the effectiveness of controls and determine where actions are necessary to reduce risk.

Managing Conflicts of Interest

Disclosures of interest are managed in accordance with the Code of Conduct. Requiring staff, councillors, advisors and committee members to disclose actual, potential or perceived conflicts of interest can assist to manage risks of fraud and corruption posed by a conflict with their duties. Identifying concealed conflicts of interest is part of the detection program.

Managing Risks Associated with Gifts and Benefits

Procedures to manage the fraud and corruption risk associated with gifts and benefits are found in the Code of Conduct. The Code of Conduct aims to avoid any influence or appearance of influence on a person connected to gifts, hospitality or benefits of any kind.

POLICY: | FRAUD AND CORRUPTION CONTROL AUGUST 2022

Internal Controls

Appropriately designed internal controls can be effective at preventing fraud and corruption. The council maintains appropriate controls based on the degree of risk including:

- segregation of duties
- approvals and authorisation
- financial delegations
- payment file and employee master file reviews
- internal review of transactions
- stocktake on inventory
- internal audit review of controls

Controls are embedded into computerised systems where possible and procedures made available to the appropriate staff in order to implement controls.

Workforce Screening

Council is committed to employing people who support our ethical values. Pre-employment screening is used to verify information supplied by candidates on their resumes and applications, and includes two reference checks prior to a position being offered. This aims to give Council a higher level of assurance as to the identity, qualifications and honesty of the applicant before appointment.

Security of Physical Assets

Council has controls in place to protect the value of significant tangible assets such as property, plant and equipment and inventory. Measures that are in place include locks and access controls, alarms, security fencing and gates, video surveillance and security service contractors.

Technology-enabled Fraud

Mid-Western Regional Council (MWRC) relies on its Information Communication Technology systems to provide critical services to its stakeholders. Cyber security controls are key to preventing the risk of fraud from external sources.

The ICT Strategy supports the interests of Mid-Western Regional Council by aiming to provide a secure, reliable and available ICT environment.

ATTRIBUTE 6: FRAUD AWARENESS

All Council representatives are expected to act in in line with the standards of behaviour set out in our Code of conduct.

Staff need to understand fraud is not tolerated and the consequences of committing fraud. They need to be aware of:

- what fraud is
- common types of fraud they may encounter their responsibilities
- how to report suspected frauds
- their responsibility to contribute to eliminating fraud and corruption

Staff training

Awareness training will be implemented through the following programs:

- induction Program for all new Councillors and Council employees to include awareness training on this Policy and the Code of Conduct;
- training in fraud and corruption prevention is undertaken based on an assessment of risk;
- sharing corruption prevention information through management meetings, newsletters and other internal publications;
- refresher awareness training for the Executive, Managers and Co-ordinators on Council's Code of Conduct on a biennial basis.; and
- an ongoing awareness initiative to inform relevant staff when corruption cases are made public, in order to educate and discourage corrupt and fraudulent behaviour

Customer and Community Awareness

Fraudulent activity may be detected as a result of complaints from Council customers or other members of the public. It is essential that the community understands the impact of fraudulent and corrupt activity and the importance of exposing such behaviour. In order to increase community awareness and encourage the reporting of fraudulent and corrupt conduct, Council will:

a) publish this Policy, the Code of Conduct, Business Ethics Statement, and Complaints Policy on Council's website; and
b) promptly acknowledge the receipt of a report of suspected corrupt or fraudulent conduct

ATTRIBUTE 7: THIRD PARTY MANAGEMENT SYSTEMS

Council will mitigate the risk of fraud and corruption by having appropriate controls in place to manage dealings with third parties. These controls include:

- Code of Conduct, Statement of Business Ethics and Procurement Policy being available on our website to inform customers, the community and suppliers of the standards of behaviour expected, by both our staff and the third party, when conducting business with Council.
- Requirements for third party due diligence before engaging contractors. Council's Contractor Management Policy and contract management systems are in place to manage contracts when in place.
- Providing ways that third parties can report allegations of fraud within Council's Complaints Policy.
- Conflict of Interest Declaration requirements and Notification of Secondary Employment Procedure.
- Targeted training for employees involved in procurement and contract management.

ATTRIBUTE 8: NOTIFICATION SYSTEM

The Council encourages its stakeholders and suppliers to report known or suspected fraud or corruption. Staff should be aware of the provision in section 316(1) of the Crimes Act 1900 which says that failure to report a serious offence (which could include fraud) is an offence.

As stated in the Public Interest Disclosure Internal Reporting Policy, Council is committed to:

- continuing to create a climate of trust, where staff are comfortable and confident about reporting wrongdoing
- encouraging staff to come forward if they have witnessed what they consider to be wrongdoing within the council
- keeping the identity of the staff member disclosing wrongdoing confidential, wherever possible and appropriate
- protecting staff who make disclosures from any adverse action motivated by their report
- dealing with reports thoroughly and impartially and if some form of wrongdoing has been found, taking appropriate action to rectify it

- keeping staff who make reports informed of their progress and the outcome

All staff are encouraged to report general wrongdoing to their supervisor. However the Public Interest Disclosures Act requires that for a report to be a protected disclosure, it must be made to a public official in accordance with Council's Public Interest Disclosure Internal Reporting Policy. Council encourages reports to be made in writing, as this helps to avoid any confusion or misinterpretation, but reports can be made verbally.

In most instances, reports of fraud can be dealt with internally. However, if staff have concerns that their report of corruption will not be dealt with appropriately then they have the option of reporting directly to the Independent Commission Against Corruption (ICAC).

If a council employee suspects that another organisation or person is defrauding the council, the suspicion can be discussed with their manager in the first instance or directly with the Manager Governance and Customer Service.

Our stakeholders, suppliers and members of the public are encouraged to report suspected or actual cases of fraud or corruption to Council or directly to the ICAC.

Protection against Reprisals

Mid-Western Regional Council will not tolerate any reprisal action against staff who report wrongdoing. The criminal penalties that can be imposed include imprisonment or fines. Detrimental action is also misconduct that justifies disciplinary action. People who take detrimental action against someone who has made a disclosure can also be required to pay damages for any loss suffered by that person.

If you believe that detrimental action has been or is being taken against you or someone else who has reported wrongdoing in reprisal for making a report, you should tell your supervisor, your Director or the General Manager immediately.

For further information refer to the Public Interest Disclosure Internal Reporting Policy.

Complaint management

Council may receive notification of fraud and corruption from a complaint. Council's Complaints Policy provides a system for staff to receive a complaint and escalate to the appropriate area. It also lists alternative avenues for dealing with complaints such as reporting to the Independent Commission Against Corruption.

ATTRIBUTE 9: DETECTION SYSTEM

Council has established a number of detection systems to identify fraud and corruption events. It is noted that detection systems may also have a prevention effect as the threat of detection can act as a deterrent. Detection systems include:

Post- transactional review

Council undertakes the following reviews in order to detect fraudulent transactions:

- reviewing a random sample of transactions monthly
- regular general ledger account reconciliations
- regular reviews of high risk activities

Management Reports

Management reporting can give warning signs or identify trends leading to detection of fraudulent and corrupt activity. Management regularly review financial reports such as:

- Monthly capital works program
- Quarterly budget review
- Contracts register

Review of data

Retrospective review of data is undertaken in high risk areas such as accounts payable and procurement to identify potential fraud and corruption.

Exit Interviews

Under Council's resignation and retirement procedure Human Resources will contact the employee and invite them to complete an Exit Questionnaire or to participate in an Exit Interview. Exits interviews may produce information about fraudulent or corrupt activity that departing employees have knowledge about or have been involved in.

ATTRIBUTE 10: INVESTIGATION SYSTEMS

Council recognises that it will not always be successful in its efforts to prevent fraud. It will therefore investigate all reported instances of fraud and corrupt conduct as thoroughly as possible. Depending upon the circumstances of the case, an internal investigation may be undertaken or the matter referred to an external body such as NSW Police, ICAC or the NSW Ombudsman.

If a matter is reported under the Public Interest Disclosure Internal Reporting Policy the investigation will follow those procedures.

Other investigations will be guided by the below principals.

Preliminary Assessment

When an allegation of fraud or corruption is made it should be referred immediately to Council's Chief Financial Officer or Executive Manager People and Performance. These employees will conduct preliminary enquiries to determine whether it is recommended to commence a more formal investigation. If the preliminary investigation suspects on reasonable grounds the matter concerns or may concern corruption, it will be communicated to the General Manager to be immediately referred to an external body. A formal investigation may still be undertaken even though another agency, such as the NSW Police Force or the ICAC, is also investigating. If the allegation implicates the Chief Financial Officer or Executive Manager People and Performance it should be referred to the alternate employee or General Manager instead.

Formal Investigation

Following the preliminary assessment, if a more formal investigation is recommended this must be reported to the General Manager to request approval. The ICAC's publication Factfinder – A guide to conducting internal investigations (April 2022) may be used as a tool for guidance in the investigation where considered appropriate.

Investigations must be undertaken by an appropriately qualified investigator who is independent of the business unit in which the event occurred. The investigator may be a manager with appropriate

skills or qualifications or an external specialist or law enforcement agency. During the investigation the suitability of the investigator may be reviewed.

Record Keeping

Complete and accurate records will be made during all investigations and any evidence gathered will be secured and preserved.

Maintaining Confidentiality

Every endeavour will be made to ensure that any allegations of fraud and subsequent investigations are handled confidentially. This is designed to help prevent any action being taken against internal reporters. However, there may be situations where confidentiality may not be possible or appropriate.

While anonymous reports are not encouraged, there may be situations where someone may not want to identify themselves. Council will accept anonymous reports, however, anonymity may limit our ability to seek further information to assess the report adequately. When the identity of the internal reporter is known, Mid-Western Regional Council is able to obtain any further necessary information, provide the person with protection and support and give feedback about the outcome of any investigation into the allegations.

Disciplinary Procedures

During the investigation, where disciplinary proceedings are required the Executive Manager People and Performance will be involved to ensure the disciplinary procedures are properly followed and to ensure that any personnel issues affecting the staff members involved are properly addressed.

Making Vexatious, Frivolous or Misleading Allegations

Any report that turns out to be vexatious, frivolous or misleading will result in disciplinary action against the reporter.

Documenting Fraud Events

The Chief Financial Officer will maintain a database of all reports of fraud. The database will help Council determine where it should focus its efforts and where changes to controls, policies or procedures are required. The register shall be reported to the Audit, Risk and Improvement Committee.

	POLICY	ADOPTED C/M August 2015 Minute No. 252/15
	Fraud Control	REVIEW: JUN 2017 FILE No. A0100021

OBJECTIVE

Mid-Western Regional Council is committed to the prevention, detection and investigation of all fraudulent and corrupt activity. Fraud and corruption wastes scarce public resources and damages organisational reputation. Council does not and will not tolerate fraudulent or corrupt practices either by staff, contractors or others working on behalf of Council.

The objective of this policy is to provide a framework for the prevention, detection, investigation and correction of fraudulent activity.

RELEVANT LEGISLATION

- Local Government Act 1993
- Local Government (General) Regulation 2005
- Independent Commission Against Corruption Act 1988
- Protected Disclosures Act 1994
- Crimes Act NSW 1900

RELATED POLICIES

- Code of Conduct
- Complaints Policy
- Statement of Business Ethics
- Public Interest Disclosure Internal Reporting Policy
- Risk Management Policy

DEFINITIONS

Fraud is defined in Australian Standards AS 8001-2008 as:

Dishonest activity causing actual or potential financial loss to any person or entity including theft of money or other property by employees or persons external to the entity and whether or not deception is used at the time, immediately before or immediately following the activity. 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 the purposes of this policy, corruption and corrupt conduct will have the same meanings as defined in the Independent Commission Against Corruption Act 1988. Corrupt conduct means any conduct which could affect the honest or impartial exercise of official functions, or may be a breach of trust, or may involve the misuse of any Council information by any Council officer.

FRAUD PREVENTION

Council's fraud prevention strategy involves:

1. **Organisational Integrity and Leadership**
   The most effective form of fraud prevention is the establishment of an organisational culture that rejects fraudulent and corrupt practices. Commitment from Senior Management and Councillors is essential in establishing a behaviour model for all staff, committee members and volunteers.

   Council will establish and maintain a fraud-resistant culture by:

FRAUD CONTROL POLICY

    (a)   employing managers and supervisors who will be positive role models for ethical behaviour;

    (b)   adopting and enforcing policies that emphasise the importance of ethical behaviour;

    (c)   issuing clear standards and procedures to minimise opportunities for fraudulent and corrupt behaviour, and enhance detection mechanisms; and

    (d)   ensuring all staff are accountable for their own actions.

2. Employee Education and Awareness

Employees will be made aware of Council's ethical conduct expectations by:

    (a)   The inclusion of this policy and the Code of Conductin information packages for new employees to inform new starters of ethical conduct requirements;

    (b)   The inclusion of ethical behaviour expectations and Code of Conduct competencies in the performance appraisal process for all staff ;

    (c)   Refresher awareness training for all staff on Council's Code of Conduct on a biennial basis.; and

    (d)   An ongoing awareness initiative to inform staff when relevant corruption cases are made public, in order to educate and discourage corrupt and fraudulent behaviour (eg ICAC Operation Jarek Investigation Report)

Staff with particular responsibilities, such as cash handling and purchasing authority, will be given specific training in approved cash handling and purchasing procedures.

3. Customer and Community Awareness

Fraudulent activity may be detected as a result of complaints from Council customers or other members of the public. It is essential that the community understands the impact of fraudulent and corrupt activity and the importance of exposing such behaviour. In order to increase community awareness and encourage the reporting of fraudulent and corrupt conduct, Council will:

    (a)   Publish the Code of Conduct, Business Ethics Statement, and Complaints Policy on Council's website; and

    (b)   Provide feedback to all persons who report suspected corrupt or fraudulent conduct on any action that has been taken.

4. Regular Review of Policies and Procedures

In addition to ongoing policy development directed at emphasising ethical behaviour and fraud prevention and detection, Council is committed to the ongoing review of existing policies and procedures. The following policies and procedures are to be included in those reviewed on a biennial basis:

    (a)   Code of Conduct;

    (b)   Fraud Control Policy;

    (c)   Complaints Policy;

    (d)   Public Interest Disclosure Internal Reporting Policy;

    (e)   Risk Management Policy.

    (f)   Procurement Policy

    (g)   Disposal of Assets Policy

FRAUD DETECTION & RISK MANAGEMENT

Council's fraud detection strategy involves:

1. Encouraging Disclosure

FRAUD CONTROL POLICY

It is recognised that most fraudulent activity is detected by employees of Council, and to a lesser extent, by members of the public. Council will encourage the reporting of fraudulent conduct by:

(a) The inclusion of training on fraud awareness and reporting procedures in induction of new employees;

(b) Refresher awareness training for all staff on Council's Code of Conduct and reporting of fraudulent and corrupt activity on a biennial basis;

(c) Advertising on Council's website of the various methods by which members of the public can report instances of fraudulent conduct that they may become aware of; and

(d) Providing feedback to people who report suspected fraud on the action that has been taken.

2. Internal Auditing

Council will minimise opportunities for undetected fraudulent activity via a robust internal audit program. The General Manager shall establish and implement a detailed strategy and procedures, incorporating internal audit guidelines in order to give this policy effect. Such a program shall include:

(a) Monthly audits of purchasing and disposal transactions;

(b) Annual audits of financial system security;

(c) Annual audits of cash float and petty cash balances;

(d) Semi-annual stock takes of Council inventory;

(e) Annual reviews of physical asset security;

(f) Annual audits of compliance with adopted cash handling procedures; and

(g) Implementation and monitoring of recommendations by Council's external auditors.

3. External Auditing

Council is required under section 415 of the Local Government Act 1993 to have its financial reports audited and to present those audited financial reports to the Director-General of the Department of Local Government, the Australian Bureau of Statistics and the public.

FRAUD INVESTIGATION

Council recognises that it will not always be successful in its efforts to prevent fraud. It will therefore investigate all reported instances of fraud and corrupt conduct as thoroughly as possible. Depending upon the circumstances of the alleged fraud, an internal investigation may be undertaken or the matter referred to an external body such as NSW Police, ICAC or the Ombudsman.

FRAUD CORRECTION

Once a fraudulent act has been identified and investigated, strategies and procedures will be implemented to ensure that the act will not be repeated. This may include:

(a) Disciplinary action and/or dismissal of employees, committee members, volunteers or contractors involved in fraudulent conduct;

(b) Review and alteration of operating procedures;

(c) Additional training for employees, committee members, volunteers or contractors;

(d) Making other employees aware of the situation in general terms in order to discourage similar conduct in the future; or

(e) Improvements in the physical security of assets.

NON COMPLIANCE

Non-compliance with this policy may result in disciplinary action and/or dismissal.

FRAUD CONTROL POLICY

VARIATION

Council reserves the right to vary the terms and conditions of this policy, subject to a report to Council.