

POLICY REGISTER

Warren Shire Council

FRAUD & CORRUPTION CONTROL PLAN AND POLICY

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Plan Developed	Plan Review Dates	Plan Adopted by Council
Draft Plan August 2017		26 th October 2017
New Fraud & Corruption Policy added to Appendix 1	Fraud & Corruption Policy adopted 27 th September 2018	

The following Plan has been developed from Plans across NSW Local Government including the Plans prepared by Ballina Council and Newcastle City Council. Warren Shire appreciates the efforts of these Councils to develop and make the plans publicly available. Reviews of investigations undertaken by the ICAC and Auditor General have been used to develop this plan.

Executive Summary

This document sets out the Warren Shire Council's (the Council), Fraud and Corruption Control Plan (the Plan).

It provides the basis for various control strategies to address risk exposures associated with Fraud and Corruption. It also forms an integral part of the Corporation's integrity framework which consists of the following:

- Fraud and Corruption Control Plan
- Code of Conduct
- Corruption Prevention and Fraud Control Policy
- Statement of Business Ethics

The relationship of the above key drivers of integrity are presented in the following diagram:



A key element of the Fraud and Corruption Control Plan is the Corruption Prevention and Fraud Control Policy which is included at Appendix 1. The Plan follows the guidelines of the Australian Standard 8001, Fraud and Corruption Control (the Standard) and tailors the requirements of the Standard to the Council environment.

While it is recognised that even the most stringent of governance frameworks may not prevent all fraud and corruption, the Plan summarises the Council's framework for the prevention, detection, investigation and reporting of such activity.

Strategic Intent

1. Contextual Background

Warren Shire Council is committed to building and sustaining an ethical, efficient and effective culture where opportunities for fraud and corruption are minimised. Council will change organisational features that are likely to allow corruption to occur or possibly go unnoticed or unreported.

Council recognises that its staff and Councillors understand what good conduct is and are committed to the highest standards of probity in management and operation of the Council.

This Plan aims to support Councillors and staff in achieving these standards.

2. Objective

The objective of the Plan is to outline our approach to controlling fraud and corruption against and by the Council.

It proposes an approach to controlling fraud and corruption through a process of:

- Establishing the Council's fraud and corruption control objectives and values;
- Setting the Council's policies to guide staff and Councillors across areas that include Credit Card use, Procurement and interactions with developers;
- Developing, implementing, circulating and maintaining an integrity framework;
- Fraud and corruption control planning and training;
- Risk management including all aspects of identification, analysis, evaluation treatment, implementation, communication, monitoring and reporting;
- Implementation of treatment strategies for fraud and corruption risks with a focus on intolerable risk;
- Ongoing monitoring and improvement;
- Awareness training;
- Establishing clear accountability structures in terms of response and escalation of the investigation;
- Establishing clear reporting policies and procedures;
- Setting guidelines for the recovery of the proceeds of fraud or corruption; and
- Implementing other relevant strategies.

Adoption of the Standard requires an appropriate level of forward planning and application of a structured risk management approach. The application of contemporary risk management principles is fundamental to the prevention of fraud and corruption.

The objective of the fraud and corruption control program outlined by the Standard is:

1. The elimination of internally and externally instigated fraud and corruption against the Council;
2. The timely detection of all instances of fraud and corruption against the Council if preventative strategies fail;
3. Recovery for the Council of all property dishonestly appropriated or secure compensation equivalent to any loss suffered because of fraudulent or corrupt conduct; and
4. The suppression of fraud and corruption by entities against other entities.

While 'elimination' of fraud and corruption remain the ultimate objective of this fraud and corruption risk mitigation program which is subject to the appropriate cost-benefit analysis.

3. Referenced Documents

The Plan should be read, construed and applied in conjunction with the following Standards.

- Warren Shire Council Code of Conduct
- Warren Shire Council Policies and procedures
- AS 4811 Employment Screening
- AS 8000 Good governance principles;
- AS 8003 Corporate social responsibility;
- AS 8004 Whistle-blower protection programs for entities; and
- ISO 31000 Risk Management Principles and guidelines.

The Plan within this document contains the detailed procedural requirements necessary to develop, implement and maintain a formalised approach to fraud and corruption risk in the Council in accord with the provisions of the Standard.

4. Definitions

The Standard provides the definition for a range of matters fraud and corruption related but the two key definitions in the Standard are as follows:

- Corruption
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 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, to secure some form of improper advantage for the Council either directly or indirectly.

- Fraud
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.

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 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.

- Internal Review Committee
The Internal Review Committee is a committee of Council under the Local Government Act 1993 that is constituted to review and report on all areas of Councils process in relation to financial, governance and social responsibilities under the Act.

Note: The Internal Review Committee will not replace or override any requirement under the ICAC Legislation for reporting of Fraud or Corrupt Conduct and will not act as an investigative group under this legislation.

5. Risk Management Principles in Fraud and Corruption Control

Fraud is inescapably a risk to all entities including the Council and can have a similar impact on the Council as other types of enterprise risk including:

- Financial loss;
- Reputational impact;
- Organisational morale; and
- Diversion of management energy.

The approach to managing this risk therefore is reflected in the Fraud and Corruption Control Plan and is the same as the Council has adopted in respect to its other operational risks.

Fraud and corruption risk is targeted by the strategic approach outlined in the standard AS 8001, the specific framework of which is detailed below.

6. Standard Framework

The Standard is divided into five parts:

- Scope and General;
- Planning and Resourcing;
- Prevention;
- Detection; and
- Response.

7. Summary

The Plan embraces the principles of the Standard and provides the Council with an effective mitigation plan to address the relevant risk exposures of fraud and corruption.

It uses the principles of sound risk management, planning, monitoring and remedial action.

Section 2

1 Planning and Resourcing

1.1 Fraud and Corruption Control Planning

1.1.1 Implementing a Fraud and Corruption Control Plan

The Council has developed and implemented the following Fraud and Corruption Plan that documents the approach to controlling fraud and corruption exposure at strategic, tactical and operational levels.

The Plan details the 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 General Manager. Council will review the establishment of an Internal Audit Review Committee, to oversight the review and reported fraud or risk concerns.

Action:

Council to establish an Internal Review Committee

1.1.2 Monitoring the Operation of the Plan

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

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

1.1.3 Communicating the Fraud and Corruption Control Plan

External communication

This Plan is to 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.

It is considered that the requirement of the Standard for communicating with external stakeholders is addressed by comment in the governance statement in the Annual Report and a declaration within the requests for tender to external parties.

It also considered that the 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.

Action:

That Council provide a statement in its Annual Report, its Web Site and other documents to advise on its position concerning Fraud and Corruption behaviour.

Internal Communication

Regular internal communication is to be 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 web site and at Induction programs. Copies of this plan shall be provided to all staff meal room areas.

Key elements of the Plan are also communicated in the Corruption Prevention and Fraud Control Policy 2017, which is attached at Appendix 1 and available to employees.

1.2 Review of the Fraud and Corruption Control Plan

1.2.1 Frequency of Review and Internal Review Committee

The Plan is reviewed and amended at intervals appropriate to the Council but minimum, once every four years to take consideration of business and technological change.

Council will establish an Internal Review Committee that will consist of the Mayor and two (2) Councillors and the General Manager.

This Committee shall meet with Councils External Auditor two times each year to discuss audit reviews and inclusion of Fraud or corruption issues.

Action:

That the External Auditor shall meet with the Internal Review Committee twice a year prior to the required external audit process.

1.3 Fraud and corruption control resources

1.3.1 Allocation of Resources

The Standard requires the Council to ensure that 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 Review Committee.

1.3.2 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.

The Internal Review Committee has responsibility for ensuring that the process behind the Council's fraud and corruption control resources are coordinated so that they work together in a coordinated fashion in a way that achieves the objectives set out in the Plan.

The Internal Review Committee has overall responsibility for ensuring that fraud and corruption control outcomes are delivered, including responsibility for ensuring that fraud and corruption control resources are effectively coordinated.

1.4 Provision of Internal Audit Services

1.4.1 Utilising the Services of an Internal Auditor in detecting fraud

The Internal Review Committee shall have the ability to call on external Internal Audit resources as deemed necessary. Council will ensure that funding of these resources is available as requested.

Practice Advisory 1210.A2-2 provides—

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. Management will use the Internal Review Committee as its first level of review for potential fraud or corrupt actions review. Council may then call on the services of appropriately qualified Internal Audit service as deemed necessary.

A well designed internal control system should not be conducive to fraud. Tests conducted by auditors, along with reasonable controls established by management, improve the likelihood that any existing fraud indicators will be detected and considered for further investigation.

Practice Advisory 1210.A2-1 provides—

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.

1.4.2 Accordingly the Council will provide the Internal Audit function with sufficient knowledge, training, experience and resources to fulfil the role in deterring, detecting and responding to instances of fraud or suspected fraud.

Action:

Council will establish an annual budget to allow for an external Internal Auditor to be contracted as required by the Internal Review Committee and to provide funding towards training and resources required by the committee to undertake its role and function.

2 Prevention

2.1 Implementing and Maintaining an Integrity Framework

2.1.1 Building an Ethical Culture

A key strategy in managing the risk of fraud and corruption within the Council is the implementation and maintenance of a sound ethical culture.

The Council will aim to ensure that it has a healthy and sustainable ethical culture through the implementation of an integrity and process framework.

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.

Councillors, Management, employees and others concerned with the Council's business operations in any capacity, are required to confirm in writing, annually, that they have, over the previous twelve months complied with the Council's Code of Conduct and fraud and corruption policies and that they will so comply over the ensuing twelve months.

Action:

To prepare a Statement of Ethics and advertise this within the Council organisation and externally through the web site, annual report and include the statement with all tender documents.

2.1.2 The Elements of an Integrity Framework

The Council takes the view that promoting an ethical culture is achieved by issuing a code of expected behaviour. Accordingly, the Council has adopted a Model Code of Conduct (2015).

Recent research has shown that promulgating a code of conduct will be more effective if it is implemented as part of a coordinated approach. A Code of Conduct is an important element, but not the only element, of an effective integrity framework.

In the Council, it is considered that commitment to the pillars of the Strategic Intent together with the employee and Councillor Codes of Conduct encapsulate the elements of the integrity framework required for compliance with the standard.

The fundamental elements of a sound integrity framework are set out in Table 1 below.

This Plan requires Council to consider these concepts and implement them where appropriate.

TABLE 1 – Fundamental elements of an integrity framework

Element Description
<p>Integrity Framework – Council shall develop an appropriate integrity framework using a participatory approach which builds commitment from all employees and is subject to ongoing monitoring and maintenance.</p> <p>The Integrity framework will include the development and promulgation of the other fundamental elements set out below.</p> <ol style="list-style-type: none">1. Example Setting - Observable adherence to the Council’s integrity framework by senior management.2. Senior Management - Senior management group that recognizes the need for establishing and maintaining an ethical culture and actively promotes such a culture.3. Codes of Behaviour - A Comprehensive Statement of Business Ethics/Code of Conduct incorporating a high level aspirational statement of values with limited detail of unacceptable behaviour.4. Allocation of Responsibility - Responsibility assigned to a senior person for ensuring the Council’s integrity initiatives are implemented and monitored. <p>This person would have a direct line of reporting to the Internal Review Committee or another senior management body with overall responsibility for the Council’s ethical culture.</p> <p>In addition to allocation of specific responsibility for improving the Council’s performance on this issue, it will be clearly communicated internally that every person associated with the Council has a role to play in driving integrity and ethical behaviour.</p> <ol style="list-style-type: none">5. Internal Review Committee - The Internal Review Committee will be the final arbiter on issues of apparent misconduct and ethical dilemmas that cannot otherwise be resolved at line-management level. <p>It is also the body charged with overseeing the operation and maintenance of the Council’s entire integrity framework.</p> <ol style="list-style-type: none">6. Communication - A program for communicating the Council’s Statement of Business Ethics/Code of Conduct. <p>Communication of the importance of ethical standards through regular dissemination of material via newsletters and web sites.</p> <ol style="list-style-type: none">7. Training - Specific ongoing training in the use of codes of behaviour and ethical tools for decision-making. Feature ethics components in all training.8. Reinforcement - Incorporation of an integrated ethical standard into performance management, e.g. 360-degree feedback, performance appraisal systems and remuneration strategies.9. Benchmarking - A program for continuous benchmarking of ethical standards aimed at identifying improvement in the Council’s ethical standards over time and between different elements of the Council.

10. Reporting of Complaints - A mechanism for the communication of ethical concerns inside and outside the normal channels of communication.
11. Compliance - A policy requiring all personnel to sign an annual statement to the effect that they have complied with all necessary Council policies relating to conflict of interest, disclosure of confidential information and other relevant ethics related issues.

Action:

That Council staff are provided a copy of the Model Code of Conduct at each performance appraisal and that the appraisal acknowledges the Code to allow staff to ask questions of supervisors and managers about issues of concern.

2.2 Internal Review Committee and Senior Management commitment to controlling the risks of Fraud and Corruption

2.2.1 Risk Consciousness

The Council will ensure a high level of risk consciousness for the risks of fraud and corruption are present across the senior management group and, if found to be absent, will be the subject of appropriate awareness training at senior levels.

This awareness training may include awareness of new types of technology that could be used for the commission of fraud and technological measures that can be used by a Council to minimize new types of fraud.

2.2.2 Consideration of fraud and corruption as a serious risk

The Council acknowledges that an important factor contributing to a fraud and corruption prone environment in Australian business is a fundamental failure of senior management to treat the risks as a serious threat to the Council and a consequent failure to allocate sufficient resources to managing the problem.

The Council ensures that the risks of fraud and corruption are treated seriously and appropriate steps taken to minimise the risks of fraud and corruption occurring, as demonstrated by various policies and procedures including the following:

- Fraud and Corruption Control Plan
- Code of Conduct
- Corruption Prevention and Fraud Control Policy
- Public Interest Disclosures Policy
- Procurement policy and delegations of financial expenditure
- Quotation and Tendering Policy and Procedure
- Procedure for provision and hire of plant, equipment or services
- Approval process reviews for development applications and general approvals of Council.

2.2.3 Senior management awareness of fraud and corruption issues

The Council will endeavour to ensure that senior management will, as a minimum, understand the following fraud and corruption issues:

- a) The incidence of fraud and corruption generally in Australia;
- b) The types of fraud and corruption common within the industry sector in which the Council operates and the losses typically associated with conduct of this type;
- 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) A knowledge of the types of fraud and corruption that have been detected by the Council in the last five years and how those matters were dealt with in terms of disciplinary action and internal control enhancement;
- e) The Council's own fraud and corruption prevention and control plan and processes; and
- f) Knowledge of new technology tools for detecting and preventing fraudulent activity.

The Council will ensure that Fraud Awareness is regularly communicated to employees to address these requirements.

Action:

That Senior staff attend the State-Wide Insurers annual conference to keep up to date with issues around Fraud, Corruption and general insurance changes.

2.3 Line Management Accountability

2.3.1 Accountability for prevention and detection of fraud

The management of fraud and corruption is to be imbedded into the position description provisions of each line manager (i.e. compliance with legislative provisions) and is managed via the compliance and measurement processes;

- The Council considers that all employees have a responsibility for fraud and corruption control at the Council.
- The Council ensures that line managers are aware of their accountabilities for the prevention and detection of fraud and corruption through the discussions held at performance evaluations.

2.3.2 The need for a "whole of business" approach to controlling fraud and corruption

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 local or line management.

It is an underlying principle of the Plan that no one strategy by itself can be effective in managing the risks of fraud and corruption and it follows therefore that no one person or category of person can be fully effective in managing the risks.

2.3.3 Achieving line management awareness of their accountability for controlling fraud and corruption

Line management within the Council will continue to be made fully aware that managing fraud and corruption is as much part of their responsibility as managing other types of enterprise risk.

To reinforce this, the Council will develop, maintain and deliver a training program to reinforce awareness at regular intervals as agreed by the Internal Review Committee.

Action:

That all manager and supervisor position descriptions are reviewed to include requirements for reporting and control of fraud or corrupt behaviour and addressed at performance reviews.

2.4 Internal control

2.4.1 Implementing an effective system of Internal Control

The Council will ensure that 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 that are well documented, updated regularly and understood by all personnel.

Note: There is a strong link between the incidence of fraud and corruption and poor internal control systems within Councils.

It follows that tight internal control is an effective weapon in protecting the Council against fraud.

2.4.2 The role of the Internal Control system in preventing fraud and corruption

It is considered that whilst internal control is the first line of defence in the fight against fraud and corruption, management should take an active role in the internal control process.

2.4.3 Issues for consideration in developing an internal control system that will be effective in preventing fraud

The following are elements of the Council's internal control system that will assist it to protect itself against the risk of fraud and corruption:

- a) Internal controls that are, to an appropriate degree, risk focused, in other words, they have been developed considering the risks the Council faces and are aimed at mitigating those risks.
- b) Internal controls that are appropriately documented.
- c) A process of continuous improvement of internal controls that are reviewed and amended regularly.
- d) Internal controls that are communicated effectively to all personnel appropriate to their level of responsibility and position description.
- e) Internal controls that are accessible to personnel. The Council's personnel have ready access to the Council's infonet site or to hard copies of information and that the most recent version of a given internal control system can be quickly and efficiently accessed.
- f) A strong internal control culture in which all personnel understand the importance of adhering to internal control, this may include internal control adherence as an element of the regular performance review program.
- g) A program for assessing compliance with the Council's internal controls. This will be done by way of an online employee survey and Quality assurance audits.
- h) Senior management setting an example of internal control adherence.
- i) An internal audit program that incorporates a review of adherence to internal control.
- j) Assessments by external auditors and advice as to fraud control.

Actions:

1. That all staff with delegations to procure items, plant and materials above \$10,000 or have a delegation to approve any application for development or construction, be required to submit the Personal Disclosure form under Section 449 Local Government Act 1993;
2. That all Councillors complete the personal disclosure forms annually under Section 449 Local Government Act 1993; and
3. All Councillors, Executive Staff, senior Managers are to complete and submit the Related Party Disclosure form as to any Business undertakings or associated persons or entity, with Council as required by the Australian Accounting Standard AASB 124 (policy amendment is required).

2.5 Assessing Fraud and Corruption Risk

2.5.1 Implementing a Policy for assessing the risk of fraud and corruption

The Council should adopt a policy and process for the systematic identification, analysis and evaluation ('risk assessment') of fraud and corruption risk and periodically conducts a comprehensive assessment of the risks of fraud and corruption within its business operations.

The frequency with which the Council should assess fraud and corruption risk is dependent upon factors such as the Council's size, diversity of business functions, geographic distribution, the extent to which the Council is monitored by other entities or regulators, the rate of technological change and the risks inherent within the industry sector in which the Council operates.

The Council to decide the timing of such assessments with a view to conduct assessments every two years.

2.5.2 Application of Risk Management principles to assessment of fraud and corruption risk

The Council acknowledges that AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines contemplates a seven-stage process of risk assessment the main elements of which are:

- a) Communicate and consult - That is, communication and consultation with external and internal stakeholders should take place during all stages of the risk management process;
- b) Establish the context - That is, the organization articulates its objectives, defines the external and internal parameters to be considered when managing risk, and sets the scope and risk criteria for the remaining process;
- c) 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;
- d) Analyse risks – That is, developing an understanding of the risks;
- e) 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;
- f) Treat risks – That is, selecting one or more options for modifying risks, and implementing those options;
- g) Monitor and review – That is, this should be a planned part of the risk assessment process and involve regular checking or surveillance;

Action:

That Council undertake a desk top assessment of Fraud and Corruption procedures every two years or as more frequently as determined necessary.

2.5.3 Fraud and Corruption risk assessment process

2.5.3.1 Methodologies for assessing fraud and corruption risk

It is noted that entities carrying out an assessment of fraud and corruption risk have traditionally used one of the following three alternative methodologies:

- 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.

2.5.3.2 Steps of the risk assessment process

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

- a) Risk identification;
- b) Risk analysis; and
- c) Risk evaluation.

2.5.4 Monitoring and Review

The 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.

2.6 Communication and Awareness

2.6.1 Awareness of fraud and corruption issues

The Council will ensure that every employee (management and non-management) will 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 Review Committee every two years (unless deemed necessary earlier).

2.6.2 The need for fraud and corruption awareness

The Council acknowledges that the primary purpose of fraud and corruption awareness training is to assist in the prevention and control of fraud by raising the general level of awareness amongst all employees.

A significant proportion of fraud and corruption is not identified at an early stage because of the inability of Council's employees to recognize the warning signs, because they are unsure how to report their suspicions or they have a lack of confidence in the integrity of the reporting system or the investigation process.

2.6.3 Fostering fraud and corruption awareness within the Council

An awareness of the risk of fraud and corruption control techniques and the Council's attitude to control of fraud and corruption will be fostered by:

- a) Ensuring all appropriate employees receive training in the Council 's Code of Conduct and other elements of its integrity framework at induction and throughout the period of their employment;
- b) Ensuring all employees receive regular fraud awareness training appropriate to their level of responsibility;
- c) Ensuring updates and changes to fraud-related policies, procedures, the Code of Conduct and other ethical pronouncements are effectively communicated to all employees;
- d) Ensuring employees are aware of the alternative ways in which they can report allegations or concerns regarding fraud or unethical conduct; and
- e) Encouraging employees to report any suspected incidence of fraud or corruption.

This is facilitated by the Fraud Awareness Training Program coordinated by the Internal Review Committee.

2.7 Employment Screening

2.7.1 Implementing a robust employment screening program

The Standard suggests that the pre-employment screening process, based on the employment screening standard AS 4811-2006 is an effective way of reducing a Council's potential exposure to internally focused fraud and corruption.

The objective of the screening process is to reduce the risk of a potential security breach and to obtain a higher level of assurance as to the integrity, identity and credentials of personnel employed by the Council.

Pre-employment screening is undertaken by the Human Resource function for all new employees before commencing employment.

Actions:

1. Employment screening is to be undertaken for all Senior Management positions.
2. Police checks are to be undertaken for any general management/ supervisor positions and may include working with children checks.

2.8 Supplier and Customer Vetting

2.8.1 Verification of suppliers and customers

The Council ensures the bona fides of suppliers by adhering to the Procurement Policy, Procedures and Practices developed in compliance with the Local Government Act (NSW) 1993 and Local Government (General) Regulations 2005.

The 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.

There is a constant requirement via the established processes to maintain an awareness to any contracted party manipulating the procurement process or soliciting the payment of secret commissions.

2.8.2 The case for vetting of suppliers and customers

While much fraud and corruption in Australia is instigated by persons internal to an organisation, the Council acknowledges that there is a growing sense that Australian business is becoming increasingly susceptible to externally instigated fraud.

In addition, there is growing evidence of the involvement of organized crime in external fraudulent attack on Australian corporations and government agencies.

Corruption typically perpetrated by external parties involves manipulation of the procurement process by paying or offering bribes.

The risk of fraud or corruption will be reduced if the Council knows who it is dealing with in all significant commercial transactions.

2.8.3 Enquiries to be undertaken

The Council shall develop a process that provides for 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; and
- 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.

Actions:

1. That Council every six months prior to audit; run a report on procurement of supplies to identify any trends in purchasing and the responsible officer.
2. Council will include in all tender documents some or all of the details contained in Section 2.8.3 of this plan as appropriate to the tender expenditure and type.

2.9 Controlling the Risk of Corruption

2.9.1 Specific measures for countering the risk of corruption

The Council acknowledges that the following specific measures will be included in an anticorruption program:

- A program for corruption resistance 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;
- Implementing a policy of personnel rotation so that improper relationships are less likely to develop;
- Consideration of requiring 'vendor audits' of 'high-risk' providers;
- Enhanced probity and contracting procedures;
- Opening 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
- Opening 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.

The Council's procurement and tendering policies and procedures 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.

3 Detection

3.1 Implementing a Fraud and Corruption Detection Program

3.1.1 Detection Systems

The Council has implemented systems aimed at detecting fraud and corruption as soon as possible after it has occurred if the Council's preventative systems fail.

These systems include the following:

- Whistleblowing procedures;
- Management system audits;
- Internal and external audit;
- Post-transactional review;
- Data mining and real-time computer system analysis to identify suspected fraudulent transactions; and
- 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.

3.1.2 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 Review Committee. The Committee may call on outside assistance if required.

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.

3.1.3 Post-transactional review

A review of transactions after they have been processed can be effective in identifying fraudulent or corrupt activity.

Such a review conducted by personnel unconnected with the business unit in which the transactions were effected, may uncover 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.

3.1.4 Data mining and real-time computer systems analysis

The Council's information systems are an important source of information on fraudulent and, to a lesser extent, corrupt conduct.

By the application of sophisticated software applications and techniques, a series of suspect transactions can be identified and then investigated thus potentially detecting fraudulent and corrupt conduct at an early stage.

Strategic computer analysis may involve off-line and real-time techniques.

In off-line techniques, data is extracted from the computer system onto a personal computer system using appropriate software applications. Back up data should not be destroyed or over written to allow a historic record of data to ensure long term trends can be investigated.

Real-time techniques will involve analysis of live data within the system.

3.1.5 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 basis are monthly actual/budget comparison reports for individual cost centres, reports comparing expenditure against industry benchmarks and reports highlighting unusual trends in bad or doubtful debts.

Actions:

1. That an audit process is undertaken before the destruction of Computer Back up Files (monthly and yearly);
2. That off line and on-line data testing is undertaken to detect or investigate fraudulent or corrupt transactions.
3. That policies and procedures for credit card use, delegations and procurement are reviewed every two years or as deemed necessary.

3.2 Role of the External Auditor in the detection of fraud

3.2.1 Working with the External Auditor in the detection of fraud

As the Council's financial statements are audited, it is familiar with the role and responsibilities of the auditor in detecting fraud.

Senior management and the Internal Review Committee will undertake a discussion with the auditor in terms of the audit procedures that will be carried out during the audit that are aimed at detecting material misstatements in the Council's financial statements due to fraud or error.

3.2.2 Leveraging from the external auditor fraud detection program

- a) The Council takes a proactive position in relation to the external audit fraud detection program; and
- b) Offering such assistance as they may require enabling a more comprehensive examination of any issues arising.

Action:

The Internal Review Committee shall meet with the External Auditor twice yearly to discuss audit process and to discuss issues around Fraud or Corrupt actions.

3.3 Avenues for Reporting Suspected Incidents

3.3.1 Implementation of a program for alternative reporting channels

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

3.3.2 The need for a formalised system of reporting

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 Chair of the Internal Auditor Review Committee or Public Officer.

3.3.3 Alternative avenues for reporting

External alternative reporting channels are available and information can be obtained from ICAC or Ombudsman's Office. Information on alternate reporting is to be made available to staff and the public.

The normal reporting channels cannot be used if a staff member or member of the public has information that relates to the General Manager, the Mayor, a Councillor or a member of the Internal Audit Review Committee.

3.3.4 Implementing a whistleblowing procedure

The Council will implement an active protection of disclosers pamphlet and will ensure that the guideline is well communicated and understood by all personnel.

3.3.5 Further guidance on implementing a whistle-blower protection program

To encourage the prompt reporting of concerns and suspicions, the Council has adopted a policy of encouraging employees who have knowledge of fraudulent or corrupt conduct to come forward.

If employees do not feel able to report a fraud or corruption concern directly to their manager or supervisor they have alternative means of raising concerns and suspicions outside the usual channels (ICAC and Ombudsman).

Details of the alternative means of reporting suspicious or known illegal or unethical conduct are to be posted on Notice Boards within staff areas.

Actions:

1. Council is to develop an active protection of disclosers pamphlet and will ensure that the guideline is well communicated and understood by all personnel.
2. Details of the alternative means of reporting suspicious or known illegal or unethical conduct are to be posted on Notice Boards within staff areas and available to the public.

4 Response

4.1 Policies and Procedures

The Council has installed appropriate policies, procedures and awareness for dealing with suspected fraud or corruption detected through its detection systems or otherwise coming to their notice.

This has included the development and implementation of:

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

Action:

That Council develops policies around procurement and disposal of assets, external business support, Land sales and risks associated with fraud and corruption as determined appropriate.

4.2 Investigation

Within the Council, the reporting channels for fraud or suspected fraud including the Procedures (flow chart of investigation) 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.

4.3 Internal Reporting and Escalation

4.3.1 Collating information in relation to fraud and corruption incidents

The 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 requirements of the NSW Ombudsman, Independent Commission Against Corruption and the Minister for Local for the various levels of fraud detected.

4.4 Disciplinary Procedures

4.4.1 Disciplinary Procedures

The Council have adopted the Disciplinary Policy of the NSW Local Government (State) Award 2014 which is available on the Council infonet.

4.4.2 Implementing a Disciplinary Procedures Policy

The ultimate outcome of disciplinary proceedings may involve the admonition, termination, demotion, fining or reduction in seniority of an employee or other internal person.

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

4.4.3 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 is provided in the NSW Local Government (State) Award 2014. (Note: The New Award 2017, should be consulted once released by the Industrial Relations Commission).

A decision relating to all disciplinary matters is made based on the evidence and after applying the Disciplinary and Procedure of the NSW Local Government (State) Award 2014.

Actions:

1. Development and implement:
 - a) Appropriate measures for the comprehensive investigation of such matters based on the principles of independence, objectivity and the rules of natural justice;
 - b) Systems for internal reporting of all detected incidents;
 - c) Protocols for reporting the matters of suspected fraud or corruption to the Police and/or other appropriate law enforcement agencies/regulatory bodies; and
 - d) Policies for the recovery of stolen funds or property.
2. Develop a Procedure (flow chart for investigation) for consideration of reported incidents.

4.5 External Reporting

4.5.1 Implementing a policy dealing with external reporting of fraud and corruption

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 (ICAC).

4.5.2 Format for reports to law enforcement agencies

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 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.

4.5.3 Commitment to assist law enforcement

If 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.

4.6 Civil action for recovery of losses – Policy for Recovery Action

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.

4.7 Review of Internal Controls

4.7.1 Internal Control review following detection of a fraud or corruption incident

In each instance where fraud is detected, the Internal Auditor and line management 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 should be implemented as soon as practicable.

4.7.2 Accountability for undertaking internal control review

The responsibility for ensuring that the internal control environment is re-assessed and for ensuring that the recommendations arising out of this assessment are implemented will reside with the Internal Review Committee and the Senior Management 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.

Action:

That any actions identified by the External Auditor or via other audit processes shall be implemented by the Management team as soon as practicable and a report prepared to the Internal Review Committee as to the action taken.

4.8 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.

Action:

That Council maintains Fidelity Guarantee Insurance



POLICY REGISTER

FRAUD AND CORRUPTION POLICY

Policy adopted: 27th September 2018 Minute No. 214.9.18

Reviewed:

File Ref: P13-1, A1-3

DOCUMENT CONTROL

Issue	Prepared/Revised By and Date	Action/Amendment Description	Approved By and Date
1.0		First Edition	Council Minute No. 214.9.18 (27th September 2018)

POLICY SCOPE

This policy applies to all Council officials - Councillors, staff, volunteers and delegates.

POLICY OBJECTIVES

To state Warren Shire Council's commitment to the prevention of fraud and corruption and to outline the methodology to deter and detect fraudulent behaviour and corrupt conduct.

POLICY STATEMENT

Warren Shire Council will not tolerate any form of fraudulent or corrupt conduct by Councillors, staff, contractors, consultants or volunteer.

Warren Shire Council is committed to the:

- Development and maintenance of a sound ethical culture supported by appropriate policies, procedures and strategies that prevent fraudulent and corrupt behaviour.
- Regular conduct and review of fraud and corruption risk assessments to identify circumstances in which fraud and corruption could occur.
- Implementation of fraud and corruption prevention and mitigation procedures in day to day operations.
- Use of formal procedures for the investigation of allegations of corrupt and fraudulent behaviour.
- Maintenance of processes and procedures that encourage all business dealings with tenderers, suppliers, consultants and contractors are conducted in an ethical manner.
- Ongoing education and training of all Council officers and elected members in relation to their obligations in combating dishonest and fraudulent behaviour.

RESPONSIBILITIES

Council officials are responsible for reporting cases of suspected fraud or corrupt conduct. Council officials have a responsibility to act honestly and to follow diligently Council's policies and procedures to prevent and mitigate fraud and corruption.

The General Manager is ultimately responsible for the prevention, detection and reporting of fraud and corruption through the implementation of appropriate and effective internal control systems. The General Manager must report "possible" corrupt conduct to the Independent Commission Against Corruption (ICAC) pursuant to the *ICAC Act 1988*.

Managers are also responsible for the prevention, detection and reporting of fraud and corrupt conduct by ensuring:

- There are mechanisms in place within their area of control to assess the risk of fraud and corrupt conduct and to manage such risks by appropriate internal controls.
- The promotion of employee awareness and training/education on the prevention of fraud and corruption.
- Compliance with all relevant policies and practices.
- Reporting of any fraud or corruption matters to the General Manager.
- That reasonable steps are undertaken to ensure that Council contractors within their area of control adhere to the provisions of this policy.

All Council officials are responsible for:

- Performing their functions and duties with diligence, honesty, integrity and impartiality.
- Complying with this policy and all legislative requirements to ensure they are not participating in corrupt or fraudulent behaviour.
- Reporting any suspicion of fraudulent or corrupt behaviour to the General Manager, the appropriate Manager or the Mayor if such behaviour concerns the General Manager, or by utilisation of Council's Internal Reporting Policy.
- Reporting any identified weaknesses in internal controls that could potentially facilitate a fraudulent or corrupt act.

Council officials should read Council's Internal Reporting Policy in relation to the protection afforded officials who report or disclose information for specified matters (such as fraud and corruption) internally or to external agencies.

FRAUD AND CORRUPTION RISK ASSESSMENT PROCESS

Council's main objective is to minimise the occurrence of fraud and corruption within the Council by:

- Identifying fraud and corruption risks.
- Determining strategies to control these risks.

The Divisional Manager Finance and Administration will instigate a review of Council's fraud and corruption risk and control strategies every four years. The Divisional Manager will also ensure that periodic and comprehensive risk assessments are conducted by relevant Managers of each area of operation pursuant to Council's Enterprise Risk Management Policy. Regular internal audits will be conducted to test the fraud and corruption control framework.

EXAMPLES OF FRAUDULENT AND CORRUPT ACTIVITY

Theft

- Stationery and office supplies.
- Construction and maintenance equipment and tools.
- Lap top computers.
- Mobile phones.
- Technical equipment (mobile GPS, cameras etc.).
- Cash.
- Intellectual property, including documents and data.

Inappropriate or Misuse of Council Resources

- Unauthorised use of corporate credit cards, petrol cards, Cabcharge or vouchers.
- Staff undertaking secondary paid work during work hours.
- Staff using telephones excessively for private purposes without appropriate reimbursement of costs.
- Internet service being used extensively for non-work purposes.
- "Left-over" materials being taken by Council officers.
- Plant being used by staff for private use without authorisation or payment.

Gifts, Benefits and Bribes

Any gifts or benefits provided to, or any attempt to give a gift or benefit to a Council officer, is managed by Council's Gifts and Benefits Policy. The Policy prescribes when a gift may or not be accepted and relevant processes for dealing with such matters.

Bribes are given to influence the way a recipient carries out their official functions. For example, not respond to or report an illegal or unauthorised activity or procure goods and services from a specific person or company.

Higher risk areas for exposure to such behaviour includes:

- Officers who approve or can influence decisions.
- Officers who procure goods and services for Council.
- Regulatory and compliance staff.
- Staff who carry out work with the private sector.

Zoning and Development

- Coercion, intimidation and harassment of Council planning staff dealing with development applications (DAs).
- Inducement from developers to modify DA conditions imposed.

Procurement, Tendering and Contract Management

Activities associated with procurement, tendering and contract management have traditionally been susceptible to fraud and corruption risks. Examples of such risks include:

- Order splitting to avoid tendering provisions or quotes.
- Collusion with suppliers (dummy quotes).
- Fraudulent contract variations.
- False invoices.

Human Resources

- Creation of false employees on the payroll system.
- Job applicants falsifying career background details.
- Direct recruitment of friends and relatives breaching the legislative requirement of merit-based employment.
- Claiming unworked overtime on timesheets.

Information Technology

- Unauthorised electronic transfer of funds.
- Unauthorised alteration of input data.
- Alteration or misuse of software.
- Unauthorised sale or provision of information to 3rd parties.

DISCIPLINE AND INVESTIGATION

Warren Shire Council has zero tolerance for corrupt or fraudulent behaviour. Council staff found guilty of such matters will face disciplinary matters pursuant to the Code of Conduct and the Local Government (State) Award. Other (non-staff) Council officers will be disciplined pursuant to Council's Code of Conduct.

Further, as stated above, all “possible” corruption matters, involving Council officers, have a mandatory statutory reporting requirement to ICAC. The ICAC or Council itself can also seek criminal prosecutions by reporting fraud and other corruption matters to the NSW Police Service.

The General Manager must make an initial determination as to whether the matter in question concerns or may concern corrupt conduct. This may entail his or her own analysis of the circumstances surrounding the matter or utilising another staff member or an investigator to carry out preliminary enquiries on which to base the determination.

After formal notification by the General Manager, the ICAC will normally determine if they will investigate the alleged corruption matter. Alternatively, the ICAC may instruct Council to carry out their own investigation and report the findings to the ICAC. In such circumstances Council should engage an experienced and suitably qualified investigator for the process.

FRAUD AND CORRUPTION PREVENTION TRAINING

Warren Shire Council acknowledges that a high level of awareness amongst all Council officers in relation to fraud and corruption issues is an essential element in identifying and combatting such behaviours. Awareness training will be implemented through the following programs:

- At induction for all new employees.
- At the induction program for all new councillors.
- Regular refreshers.
- Fraud and Corruption prevention information through meetings, memos and other internal publications.
- Follow up meetings with staff after internal and external audits where relevant.

FRAUD AND CORRUPTION MITIGATION PRACTICES

Warren Shire Council recognises that appropriate policies and procedures must be implemented in certain operational areas to regulate and enable the monitoring of particular activities. These areas within Council include:

Risk Management

- Risk Assessment pursuant to the Enterprise Risk Management Plan.

Finance

- Cash Handling Procedures
- Petty Cash Handling Procedures
- Corporate Credit Card Policy

Governance

- Procurement and Disposal Policy.
- Councillors’ Expenses and Facilities Policy.
- Secondary Employment Policy.
- Use of Council Resources (Corporate Practice Guide).
- Internal Reporting Policy.

Ethics

- Code of Conduct.
- Fraud and Corruption Prevention Policy.
- Statement of Business Ethics.

Fraud Detection

- Fraud detection mechanisms/controls to aid in the early detection of suspicious or fraudulent behaviours. Such mechanisms may include monitoring staff and transactions and internal audit activities.
- Stock take of equipment and resources provided for staff.

DEFINITIONS

Fraud

Can be defined as a deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority. The type of events includes: acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other acts of deception (Audit Office of NSW).

Corruption

The *ICAC Act 1988* at sections 7,8 and 9 defines corruption as:

- Any conduct of any person (whether or not a public official) that adversely affects, or that could affect, either directly or indirectly, the honest or impartial exercise of official functions by any public official, any group or body of public officials or any public authority, or
- Any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or
- Any conduct of a public official or former public official that constitutes or involves a breach of public trust, or
- Any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or the benefit of any other person.

Council official

Council official includes Councillors, members of staff, volunteers and delegates of council.

Related Legislation and Policies

- Local Government Act 1993
- Independent Commission Against Corruption Act 1988
- Public Interest Disclosure Act 1994 NSW
- Enterprise Risk Management Policy

Review

Council reserves the right to vary, replace or terminate this policy at any time. This policy will be reviewed every 4 years or following an ordinary election of Council, or earlier if there are relevant statutory or State Government policy changes.

WARREN SHIRE COUNCIL INTERNAL REVIEW COMMITTEE CONSTITUTION

1. Objective

The objective of the Internal Review Committee (Committee) is to provide independent assurance and assistance to the Warren Shire Council on fraud, corruption, risk management, control, governance, and external accountability responsibilities.

2. Authority

The Council authorises the Committee, within the scope of its role and responsibilities, to:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or councillor at Committee meetings.
- Obtain external legal or other professional advice considered necessary to meet its responsibilities.

3. Composition and Tenure

3.1 The Committee

The Committee will consist of:

- The Mayor
- Two (2) Councillors and
- General Manager (non-Voting)

3.2 Other Attendees

Representatives of the external auditor and other officers may attend by invitation as requested by the Committee. Invitees do not have any voting rights.

4. Role and Responsibilities

The Committee has no executive powers, except those expressly provided by the Council. In carrying out its responsibilities, the Committee must always recognise that primary responsibility for management of Council rests with the Council and the General Manager as defined by the Local Government Act.

The responsibilities of the Committee may be revised or expanded by the Council from time to time.

The Committee's responsibilities are:

4.1 Risk Management

- Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- Review the impact of the risk management framework on its control environment and insurance arrangements; and
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

4.2 Control Framework

- Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- Review whether management has in place relevant policies and procedures and these are periodically reviewed and updated;
- Progressively review whether appropriate processes are in place to assess whether policies and procedures are complied with;
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

4.3 External Accountability

- Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.
- Consider contentious financial reporting matters in conjunction with council's management and external auditors.
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.

- Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

4.4 Legislative Compliance

- Determine whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

4.5 Internal Review

- Act as a forum for communication between the Council, General Manager, senior management, and external audit.
- Review the Fraud and Corruption Plan, ensure the plan has considered the Risks, and approve the plan and Actions.
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Fraud and Corruption Plan.
- Establish an Internal Audit program for review of procurement, application approvals, major projects and financial matters and recommend to Council the engagement of professional auditors to provide reports and advice to the committee as to improvements and actions.
- Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
- Monitor the implementation of internal audit recommendations by management.
- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- Periodically review the performance of Internal Audit.

4.6 External Audit

- Act as a forum for communication between the Council, General Manager, senior management, and external audit.
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

4.7 Responsibilities of Members

Members of the Committee are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Warren Shire Council.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgment.
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

5. Reporting

At the first Committee meeting after 30 June each year, the Committee will provide a performance report of:

- The performance of Internal Review Committee for the financial year as measured against agreed key performance indicators.
- The approved Internal Audit Plan of work for the previous financial year showing the status of each audit.

The Committee may, at any time, consider any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chair of the Committee.

The committee will report after each meeting or at least annually to Council.

6. Administrative arrangements

6.1 Meetings

The Committee will meet at least two times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.

The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members may make requests to the Chair for additional meetings.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Audit Committee Charter.

6.2 Attendance at Meetings and Quorums

A quorum will consist of a majority of Committee members, including at least one independent member. Meetings can be held in person, by telephone or by video conference.

The committee may request the Chief Finance Officer or any employees to participate for certain agenda items, as well as the external auditor.

The GM may attend each meeting but will permit the committee to meet separately with any person undertaking an internal audit and the external auditor in the absence of management at least twice a year.

6.3 Secretariat

The General Managers Executive Assistant is to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held.

Minutes of the Committee shall be forwarded to Council in the confidential (in camera) section of the Council business paper due to the possibility of future legal or other disciplinary actions occurring.

6.4 Conflicts of Interest

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest shall be appropriately minuted. Any member having a conflict of interest shall submit a written declaration for Councils records.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the Committee.

6.5 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

6.6 Assessment Arrangements

The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

6.7 Review of Audit Committee Charter

At least once every two years the Audit Committee will review this Audit Committee Charter.

The Audit Committee will approve any changes to this Audit Committee Charter.

Approving Authority	Warren Shire Council
Contact	General Manager
Approval	
Revision Date	August 2019