

POLICY

Fraud and Corruption Control

Date adopted by Council	27 June 2022
Minute number	H.06.2.1.g
Endorsed by	Senior Management Group
CM Ref	CD-45/21
Due for review	30 June 2025
Related documents	Codes of Conduct Fraud & Corruption Control Plan Internal Reporting & Public Interest Disclosures Policy Statement of Business Ethics Corporate Risk Management Policy Risk Management Framework Procurement policy
Responsible officer	Manager Governance & Risk
Department/Section	Governance & Risk
Category	Governance
Community Strategic Plan goal	Goal 5 Responsible Governance
	CS 5.7 Effective management of risk underpins all Council decisions, service delivery and behaviours.



Policy Statement

Upper Hunter Shire Council is committed to the prevention, detection and investigation of all fraudulent and corrupt activity.

Council does not and will not tolerate fraudulent or corrupt practices by its own staff, contractors or others working on behalf of Council and, similarly, will not tolerate others using fraudulent or corrupt practices against Council, its staff or the functions and services it provides.

Objective

The objective of this policy is to reinforce Council’s commitment to fraud and corruption control by providing guidance as to the Council’s actions and expectations in relation to fraud and corruption prevention, detection and investigation by outlining the responsibilities of the various parties for dealing with the risks of fraud and corruption.

Scope

This policy applies to all Council staff members; Councillors; volunteers; Section 355 Committees; key stakeholders such as suppliers, contractors and consultants; customers; members of the Upper Hunter community; and relevant third parties with regard to functions and operations undertaken for and on behalf of Council.

Definitions

Fraud	Fraud is defined in Australian Standard AS 8000:2021 – Fraud and corruption control as <i>“dishonest activity causing actual or potential gain or loss to any person or organisation including theft or 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”</i> .
Corruption	For the purpose of this Policy, corruption and corrupt conduct will have the same meaning as defined in the Independent Commission Against Corruption Act 1988. In summary, 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 Official.

Policy Details

As indicated above, Council is committed to fostering an environment that discourages fraud and corruption and that focusses on its prevention. Council believes that good governance and high ethical standards are the key ingredients of responsible, effective and accountable local government.



This commitment is holistic in nature and is based upon:

1. A commitment to the prevention, detection, investigation and prosecution of individual cases of fraud and corruption;
2. Provision of a suitable environment for Councillors, staff members and third parties to report matters of a fraudulent and/or corrupt nature;
3. Reinforcing an 'awareness culture' that fraud and corruption within Council will not be tolerated, by preventing fraud and corruption at its origin through the ongoing promotion of an ethical culture, implementation of effective reporting disclosure systems, enterprise risk management and robust internal controls aimed at reducing the risk of fraud and corruption being committed within or against the organisation; and
4. Respect for the civil rights of employees and citizens and a commitment to natural justice.

Implementation Strategy

Council's fraud and corruption control strategy is based upon the ten (10) fraud control attributes developed by the Audit Office of NSW in their publication "Fraud Control Improvement Kit: Managing Your Fraud Control Obligations" (2015). The attributes are:

1. Leadership
2. Ethical framework
3. Responsibility structures
4. Fraud control policy
5. Prevention systems
6. Fraud awareness
7. Third party management systems
8. Notification systems
9. Detection systems
10. Investigations systems

The General Manager is responsible for the implementation of Council's Fraud and Corruption Control Policy and Fraud and Corruption Control Plan.

The specific responsibilities of the General Manager, SMG, Council staff, Councillors, ARIC and Internal Auditor with regard to Council's strategy and fraud and corruption prevention, detection and investigation are further detailed within the Fraud and Corruption Control Plan.



References and Related Legislation

- Independent Commission Against Corruption Act 1988
- Local Government Act 1993
- Local Government (General) Regulation 2021
- Model Code of Conduct and Procedures (2020), Office of Local Government
- NSW Audit Office Fraud Control Improvement Kit, 2015
- Privacy and Personal Information Protection Act 1998
- Public interest Disclosures Act 1994

Version History

Version No.	Date	CM Reference	Reason for Review
1	27/06/2013		
2	30/01/2017	CD-95/21	
3	27/06/2022	CD-45/21	Timed review & administrative changes



UPPER HUNTER SHIRE COUNCIL

FRAUD & CORRUPTION CONTROL PLAN



INTRODUCTION

This Fraud and Corruption Control Plan (FCCP) supports the Council's Fraud and Corruption Control Policy.

It was prepared following reference to Australian Standard AS8001-2021 – Fraud and corruption control and is based on the NSW Audit Office Fraud Control Improvement Kit which advocates 10 key attributes to control fraud.

This Plan sets our approach to managing the risk of fraud and corruption and the strategies and actions we will use to apply the NSW Audit Office's attributes.

It is a guide for all Council representatives and defines their responsibilities in the event of suspecting, on reasonable ground, that fraud or corrupt conduct has occurred or may occur.

OBJECTIVES

The objectives of the Plan are to:

- Ensure a shared understanding of what constitutes fraud and/or corruption
- Outline our approach to mitigate the risk of fraud and corruption against and by the Council
- Articulate the commitment of the Mayor, Councillors, General Manager, Senior Management Group (SMG), managers and staff to mitigate the risk of fraud and corruption
- Document the responsibilities of the Mayor, Councillors, General Manager, SMG, managers and staff in relation to fraud and corruption control
- Define our legislative responsibilities and requirements in combating fraud and corruption
- Ensure that policies and procedures for encouraging ethical behaviour and mitigate the risk of fraud and corruption are integrated and working in a holistic manner.

EXAMPLES OF FRAUD AND CORRUPTION

We have a large variety of business units and perform a number of functions that are of high risk and which can be exposed to fraudulent behaviour or corrupt conduct.

These high-risk functions include but are not limited to:

- Land rezoning or development applications
- Inspecting, regulating or monitoring standards of premises, businesses, equipment or products
- Issuing and review of fines or other sanctions
- Receiving cash payments
- Calling for tenders for major projects
- Business dealings with the private sector, including the purchasing of goods and services
- Use of confidential information.

The table below provides examples to show the difference between fraudulent and corruptive behaviour.



<p>Fraud</p>	<ul style="list-style-type: none"> • Fraudulent invoicing (e.g. submission of invoices for work never done, inflated invoices for more work than was actually done, or fake invoices from companies that do not exist for work that was never done) • Unauthorised use of a purchase card • Theft (e.g. of cash, inventory, or plant and equipment) • Unauthorised use of intellectual property • Falsifying timesheets or claiming overtime not worked • Using Council resources to run a private business during work hours • Provide free access to Council services and facilities such as swimming pools and waste transfer facilities • Unauthorised discounting of development fees • Using a grant or subsidy for personal financial gain
<p>Corruption</p>	<ul style="list-style-type: none"> • Improper use of information (e.g. deliberate use of inaccurate information for the purpose of deceiving, or release of confidential information in exchange for a benefit) • Payment or receipt of bribes • Gifts or benefits offered or received in breach of Council’s Codes of Conduct • Failure to separate authorisation and approval processes • Collusion during procurement processes • Abuse of a conflict of interest • Nepotism (e.g. appointing unqualified family or friends to a role) • Failing to use a grant or subsidy for the approved purpose or personal gain

OUR APPROACH

Our approach is underpinned by the 10 fraud control attributes recommended by the NSW Audit Office Fraud Control Improvement Kit and outlined in Council’s Fraud and Corruption Control Policy.

These attributes form the basis of our strategy represented by the diagram below:





The 10 attributes are summarised in the table below:

Attribute	Description	Fraud control strategy
1	Leadership	Prevention
2	Ethical framework	Prevention, Detection, Response
3	Responsibility structures	Prevention, Detection, Response
4	Fraud and Corruption Prevention Policy	Prevention
5	Prevention systems	Prevention
6	Fraud and corruption awareness	Prevention, Response
7	Third party management systems	Prevention, Response
8	Notification systems	Detection, Response
9	Detection systems	Detection
10	Investigation systems	Response

OUR STRATEGIES AND ACTIONS

We have used the NSW Audit Office’s 10 attributes to control fraud to set out the strategies and actions we commit to in managing the risk of and preventing fraud and corruption.

- **Attribute 1: Leadership**

The elected Council is responsible for supporting and promoting a culture across the community and the whole organisation that is fraud and risk adverse. It is also responsible for:

- Approving the Fraud and Corruption Control Policy and the Fraud and Corruption Control Plan
- Supporting resource allocation for implementation of the plan.

The General Manager and the SMG are committed to and accountable for promoting a culture that is fraud and corruption risk adverse.

The General Manager, with the support of Councillors and the SMG is responsible for:

- Ensuring that effective governance arrangements are in place, including a risk management framework, with appropriate resources to effectively mitigate the risk of fraud and corruption across Council
- The implementation and monitoring of the framework as part of Council’s enterprise risk management system which is a quarterly standing item on SMG meeting agendas.

- **Attribute 2: Ethical framework**

Council’s Fraud and Corruption Control Plan promotes and encourages a culture and the systems that support ethical behaviour.



The key components of Council’s ethical framework are:

- The adoption of a fraud and corruption control policy with a zero tolerance to fraud and corruption
- Establishment and operation of an Audit, Risk and Improvement Committee (ARIC) in accordance with the Local Government Act 1993
- Implementation of an enterprise risk management system across Council
- The adoption of Codes of Conduct by Council in line with the provisions of Section 440(3) of the Local Government Act 1993, including the delivery on a regular basis of training to staff in the requirements of the codes
- Raising the awareness of workers of the zero tolerance to fraud and corruption through the distribution of newsletters and other relevant materials from the General Manager
- Implementation of an Internal Audit program that is risk based to validate the integrity of Council’s internal control framework
- Appointment of Public Interest Disclosure Officers to receive information of suspicions and allegations of fraud and corruption for assessment and investigation
- Delivery and engagement of staff in fraud and corruption control workshops for the purpose of identifying existing and emerging areas of fraud and corruption risks across Council.

• **Attribute 3: Responsibility structures**

Assigned responsibility in Council’s Fraud and Corruption Control Plan ensures that Councillors, the General Manager, SMG, managers and all staff understand clearly their roles and accountabilities.

Council	The elected Council is responsible for: <ul style="list-style-type: none"> • Approving our fraud and corruption control policy and our fraud and corruption control plan • Promoting community awareness of Council’s commitment to the prevention of fraud and corruption
General Manager	The General Manager is responsible for: <ul style="list-style-type: none"> • Ensuring that an appropriate governance framework and systems operate across Council to give effect to our fraud and corruption control policy and plan • Ensuring any suspected allegation of fraud and corruption on reasonable ground is reported to the ICAC under Section 11(2) of the ICAC Act 1988 • 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 Protected Disclosure Officers for Council.
SMG	The SMG is responsible for: <ul style="list-style-type: none"> • Promoting a highly ethical environment and culture where fraud and corruption are discouraged • Ensuring staff are aware of their responsibilities and the consequences of fraud and corruption



<p>Director Corporate Services</p>	<p>The Director Corporate Services is responsible for:</p> <ul style="list-style-type: none"> • Coordinating the development, implementation and review of a clearly identifiable, holistic and functionally integrated fraud and corruption control plan • Coordinating Council’s response to fraud and corruption as well as Council’s approach to fraud and corruption prevention and detection • Communication and implementation of the plan • Ensuring all relevant position descriptions have appropriate fraud and corruption control elements incorporated • The coordination of investigations within Council and report to the General Manager on internal investigations where appropriate • Ensuring appropriate mechanisms are in place for receiving allegations of fraud and corruption.
<p>Managers</p>	<p>Managers are responsible for:</p> <ul style="list-style-type: none"> • Leading by example to promote ethical behaviour • Promoting and creating an environment where fraud and corruption is discouraged • Supervising staff and contractors effectively to mitigate the risk of fraud and corruption • Identifying, reporting and taking action to mitigate potential fraud and corruption risks • Ensuring staff are aware of the standard of conduct expected of employees as outlined in Council’s Code of Conduct.
<p>Staff</p>	<p>Staff are responsible for:</p> <ul style="list-style-type: none"> • Acting and behaving in line with Council’s Code of Conduct • Reporting suspicions and occurrence of fraud and corruption to the appropriate agencies/designated persons in Council • Cooperating fully with investigation proceedings, including providing supporting statements as required
<p>ARIC</p>	<p>The ARIC is responsible for:</p> <ul style="list-style-type: none"> • Approving and reviewing the completion of a Strategic Audit Plan that is risk based to strengthen Council’s fraud and corruption control plan • Ensuring that Council undertakes a fraud and corruption risk assessment every 3 years (separate from general risk management activities), with appropriate action taken to mitigate risks identified.

• **Attribute 4: Fraud and corruption control policy**

As well as the requisite policy documents to minimise the risk of fraud and corruption throughout the organisation, the following key legislation, codes and policies underpin our fraud and corruption control plan:

- Independent Commission Against Corruption Act 1988
- Local Government Act 1993
- Crimes Act 1900



- Privacy and Personal Information Protection Act 1998
- Public Interest Disclosures Act 1994
- Council's Fraud and Corruption Control Policy
- Council's Internal Reporting & Public Interest Disclosure Policy
- Council's Codes of Conduct
- Council's Statement of Business Ethics
- Council's Procurement Policy

- **Attribute 5: Prevention systems**

We are committed to ensuring high ethical behaviour and achieve this through various prevention systems and strategies including:

- A robust governance framework underpinned by policies to support key legislation
- Proactive and integrated fraud and corruption risk assessments completed across the organisation
- A risk-based audit program to assess the effectiveness of our controls and identify our exposure to fraud and corruption
- The requirement for staff to have any other secondary (other paid work) approved by the General Manager to ensure it does not negatively impact on performance of their role and responsibilities
- Continuous benchmarking of our fraud and corruption control plan against the published results of ICAC investigations in matters of fraud and corruption and subject to independent review by the ARIC
- Completion of periodic penetration testing to ensure that we have strong controls to prevent any cyber-attacks with internal system security maintained over access to data to prevent fraud and corruption
- Regular updates to the fraud and corruption risk register to accurately reflect the highest risks being managed by Council with a documented audit trail
- Regular updates to our delegations register that is integrated with our systems to ensure compliance.

Council undertakes a separate fraud risk assessment which will quantify the level, nature and form of the risks to be managed and leads to the identification of actions to mitigate the risks identified. These risk assessments will be undertaken at least once every three years.

A fraud risk assessment will be undertaken in 2022/23. Fraud risks were reviewed and updated through interviews and control self assessments with relevant Council staff.

The risk ratings are in accordance with the Audit Office's risk assessment framework. The assessment of each individual risk has been undertaken in accordance within this framework.

Key controls have been listed against each individual risk. The list of controls is not intended to be an exhaustive list of the controls in place. The controls listed represent those controls which together form the framework for controlling the sources of each individual risk.



Assessments regarding the effectiveness of each control in mitigating the risks have been determined based on the views of key staff and our experience with similar environments. Overall risk ratings have also been determined in this way.

Council will be constantly on the lookout for ways to enhance the way that it focuses on its fraud control activities including the regular review of both this plan and the associated risk assessment as well as facilitating the employment of staff who possess values similar to those of the organisation and the means to ensure the protection of its information technology.

• **Attribute 6: Fraud and corruption awareness**

All Council representatives are expected to act in line with the standards of behaviour set in our Codes of Conduct. Our framework aims to ensure that they, as well as the community, have an awareness and understanding of the ethical behaviour required of them at all times.

To sustain a high level of fraud and corruption risk awareness we will ensure that:

- Code of conduct training is included in the induction program for newly elected Councillors and newly appointed staff
- All staff attend Code of Conduct refresher training at least every 3 years
- We issue communication to staff on aspects of fraud and corruption risks on a regular basis
- Fraud and corruption prevention training is provided for managers and team leaders as part of our enterprise risk management system
- We publicise fraud and corruption mitigation information from the ICAC, such as the executive summary of ICAC fraud and corruption investigation reports, including appropriate links to the ICAC
- The results of each fraud and corruption risk assessment and fraud and corruption control health check will be available on our intranet and publicised to all staff
- We provide links to fraud and corruption mitigation policies such as our Fraud and Corruption Control Policy, Internal Reporting & Public Interest Disclosure Policy, Statement of Business Ethics and links to relevant legislation such as the ICAC Act 1988, the Public Interest Disclosures Act 1994 and the Crimes Act 1900.
- We remind all Council representatives of their responsibilities to register all gifts and benefits in the gifts and benefits register on a regular basis
- Our Procurement Policy is always accessible on our website to inform the business community and customers of our ethics in matters of tenders and procurement
- Our website contains information on obligations in relation to the disclosure of political donations and gifts.

• **Attribute 7: Third party management systems**

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

- Our Code of Conduct, Procurement Policy and Statement of Business Ethics 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



- Our Procurement Policy provides clear direction and guidance to third parties and Council staff of standards of behaviour and expectation
- Our development application submission procedures requiring developers to complete a political donation statement
- Effective third party controls in place, particularly in the area of procurement and engaging contractors
- A secondary employment policy implemented and communicated to third parties
- A Statement of Business Ethics setting expectations and mutual obligations
- Council representatives being required to declare both pecuniary and non-pecuniary conflicts, or potential conflicts, of interest when engaged in making decisions.

• **Attribute 8: Notification systems**

Internal notifications

Council recognises that ignoring fraud or corruption is tantamount to endorsement of the activity. As such Council will create and foster an organisational culture and environment:

- That supports reporting of suspect actions and behaviour;
- Where staff, volunteers and contractors feel comfortable reporting matters; and
- That promotes confidence in the fact that Council will address complaints genuinely and protect anyone who reports such an activity from reprisal.

Fraud notification systems give complainants the opportunity to report wrongdoing or suspect behaviours anonymously, with assurance of no fear of reprisals.

All Council representatives and members of the public are required to report known or suspected fraud or corruption, in line with our Internal Reporting & Public Interest Disclosures Policy.

Also, in line with this policy, we have appointed a Disclosures Coordinator and 2 Disclosures Officers to manage disclosures as set out Council's Personal Interest Disclosures and Internal Reporting policy.

External notifications

Our Internal Reporting & Public Interest Disclosures Policy clearly outlines the procedures for external reporting to investigative agencies such as the ICAC, Ombudsman, Office of Local Government, Information and Privacy Commissioners and Police and defines the responsibilities of the Council's nominated Disclosures Coordinator, Disclosures Officers, General Manager and Mayor.

Individuals wishing to make disclosures of suspected fraud or corrupt behaviour to an external investigating agency should also do so in accordance with the Internal Reporting & Public Interest Disclosures Policy.

As provided by Section 11 of the ICAC Act 1988, the General Manager has a duty to report to the Commission any matter that the General Manager suspects, on reasonable grounds, concerns, or may concern, corruption.



The ICAC encourage organisations to contact the Commission to discuss particular matters if they are unsure about whether or not to report and to seek clarification about issues related to reporting.

It is worth noting that Section 11 applies despite any duty of secrecy or other restrictions on disclosure.

Also, the requirement to report suspected corruption to ICAC does not affect the obligation to report or refer matters to other bodies, such as the Police, the Ombudsman, or to carry out disciplinary procedures as required.

• **Attribute 9: Detection systems**

Council recognises the importance of early warning systems to alert possible fraud and corruption and that the implementation and maintenance of a rigorous system of internal controls is the first line of defence against fraud and corruption within and against Council.

Council therefore requires all organisational activities to be designed with an awareness of the fraud and corruption risks that may arise and management controls to be put in place to reduce the risk to an acceptable level.

Council has identified a number of existing internal controls relevant to the fraud and corruption risks faced by Council. These controls are documented in Council's Risk Registers and include:

- Review by a senior officer
- Segregation of duties
- Authorisation or approval by a senior person
- Sign-off
- Supervisor checks
- Visual inspections
- Audit trails
- Audits
- Reconciliations.

Council will review its internal controls in conjunction with its fraud and corruption risk assessment review on at least an annual basis in consultation with relevant Council staff to ensure that internal controls remain in place and effective and that additional internal controls are identified and recorded.

Our detection system is underpinned by:

- The ARIC, which is responsible for:
 - Approving and implementing a Strategic Audit Plan which is risk based for the term of the Council
 - Reviewing and oversight of the completion of the audit program for the term of the Council



- The Manager Governance & Risk who will ensure that a fraud risk assessment will be undertaken across the whole organisation every 3 years to quantify the level, nature and form of risks to be managed
- Our Strategic Internal Audit Program, under which our contracted internal auditors:
 - Complete internal audits to provide assurance of the effectiveness of internal controls including those operating to prevent and detect fraud and corruption
 - Includes an assessment of the risk of fraud and corruption as part of all internal audits. If the risk of fraud and corruption is identified during an audit, the audit will be halted and management advised that the matter should be separately investigated
 - Reports the outcomes of any audits to the General Manager and the ARIC
- Our enterprise risk management system which captures and treats risks identified as a result of audits and fraud risk assessments
- Ongoing and regular monitoring of internal controls to identify irregularities and detect warning signals for targeted review. This includes assessment of the segregation of duties to ensure appropriate controls exist over authorisation, processing of transactions and reconciliation
- Our delegations register which sets out the levels of authority delegated to particular positions and which must be complied with by all staff.

• **Attribute 10: Investigation systems**

Council's investigation system adheres to the following principles:

- We are committed to investigate disclosures of suspicion of fraud and corruption as long as they are not vexatious
- The extent of any fact finding investigation will be based and determined by the accuracy and completeness of information provided in disclosures made so that the use of Council resources is not wasted
- In undertaking an investigation, we will be guided by advice provided by Council's lawyers and the ICAC
- Investigations will be undertaken by appropriately skilled and experienced staff. Where suitable internal resources are not available, an external party will undertake the investigation, overseen by a suitable person within Council
- Internal investigations undertaken will adhere to the ICAC's "A guide to conducting internal investigations, 2012"
- In completing any investigation, we will observe the principle of fairness
- The General Manager will be made aware of material investigations and is responsible for the engagement of external investigators and ensuring that external persons or bodies such as ICAC are appropriately notified. If the investigation is related to the General Manager, the Mayor is responsible
- Should a matter under investigation come to the attention of the media, and information is sought by the media the General Manager will be informed immediately and is the only person authorised to comment on such matters.

IMPLEMENTATION



The successful implementation of our plan will be supported by a program of education and training. We will deliver face-to-face training to raise awareness of fraud and corruption and as part of our wider agenda of implementing enterprise risk management across the organisation.

We will ensure that:

- All Council representatives complete training on our Codes of Conduct and Internal Reporting & Public Interest Disclosures Policy
- Relevant staff are provided with fraud and corruption investigation training
- We undertake regular culture surveys to assess our ethical culture and take appropriate measures if it falls below acceptable levels
- Information about and related to this plan is discussed with and presented to staff during their induction session and made available on our intranet
- We engage the ICAC to present fraud and awareness sessions to staff.

MONITORING AND REVIEW

• **Monitoring our plan**

We will monitor our plan to:

- Identify areas where elements can be improved upon
- Identify operational areas that need specific assistance
- Identify areas where specialised resourcing is required to mitigate the risks of fraud and corruption
- Ensure our resources are appropriately skilled
- Ensure it works in a holistic manner within our governance framework.

• **Reviewing our plan**

This plan will be reviewed at least once every 4 years and present significant updates to the Audit Risk and Improvement Committee for endorsement

Review of the plan will include benchmarking against the Australian Standard AS8001-2021 – Fraud and corruption control and the NSW Audit Office's Fraud Control Improvement Kit.

Our review process will also require that related policies are reviewed to ensure their currency and effectiveness.