



» *Fraud and Corruption Control Plan*

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Executive Summary

This document sets out the Ballina Shire Council's (the Council) Fraud and Corruption Control Plan (the Plan). It provides the basis for control strategies to address risks associated with Fraud and Corruption. It also forms an integral part of the Council's integrity framework, which consists of the following:

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

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



The Plan applies principles from Australian Standard 8001-2008, Fraud and Corruption Control (the Standard) and tailors the Standard's requirements 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.

Background to the Plan

Council is committed to building and sustaining an ethical, efficient and effective culture where opportunities for fraud and corruption are minimised. Council will improve processes and procedures that are likely to allow fraud and corruption to occur, go unnoticed, or unreported.

Councillors and employees have a responsibility, as stewards of public money, to take appropriate action to prevent fraud and corrupt conduct and report suspected fraud and corruption, of which they become aware of. This Plan supports Councillors and employees in achieving this standard.

Objective of the Plan

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

The Plan proposes a proactive approach to controlling fraud and corruption through:

- Establishing the Council's fraud and corruption control objectives and values
- Setting the Council's anti-fraud and anti-corruption policies
- Developing, implementing and maintaining an holistic integrity framework
- Planning for fraud and corruption control prevention
- Proactive 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 particular focus on intolerable risk
- Ongoing monitoring and improvement
- Awareness training to support high standards of professional, honest and ethical conduct
- Establishing clear accountability structures in terms of response and escalation of investigations
- 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 Australian Standard requires an appropriate level of forward planning and the 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 in the event that preventative strategies fail
3. Recovery for the Council of all property dishonestly appropriated or secure compensation equivalent to any loss suffered as a result of fraudulent or corrupt conduct and
4. The suppression of fraud and corruption by entities against other entities.

While 'elimination' of fraud and corruption will, for many entities be unachievable, it will nevertheless remain the ultimate objective of this fraud and corruption risk mitigation program, which is subject to the appropriate cost-benefit analysis.

Reference Documents

The Plan should be read in conjunction with the following Standards and Guidelines:

- AS 4811–2006 Employment Screening
- AS 8000–2003 Good governance principles
- AS 8002–2003 Organisational Codes of Conduct
- AS 8003–2003 Corporate social responsibility
- AS 8004–2003 Whistleblower protection programs for entities and
- ISO 31000 2018 Risk Management Guidelines

- The Institute of Internal Auditors Internal Auditing and Fraud Practice Guide Dec 2009.

Definitions

The two key definitions in the Standard are as follows:

- **Corruption**
Dishonest activity in which a director, executive, manager, employee or contractor of Council acts contrary to the interests of the Council and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or Council. The concept of 'corruption' within this standard can also involve corrupt conduct by the Council, or a person purporting to act on behalf of and in the interests of the Council, in order to secure some form of improper advantage for the Council either directly or indirectly.
- **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.

Fraud and Corruption Control Risk Management Principles

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

- Financial loss
- Reputational impact
- Poor organisational morale and
- Diversion of management energy.

The approach to managing this risk is reflected in the Plan and is the same as the Council has adopted in respect to other operational risks. Fraud and corruption risk is targeted by the strategic approach outlined in Standard AS 8001-2008, the specific framework of which is detailed below.

Standard Framework

The Standard is divided into five parts:

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

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.

Fraud and Corruption Reporting

Everyone in the Council must report concerns or suspicions about fraudulent or corrupt conduct.

Council has a Code of Conduct and an Internal Reporting Policy to guide Councillors and employees on these requirements.

Fraud and Corruption Control Planning

Implementing the Plan

This Plan documents the approach to controlling fraud and corruption exposure at strategic, tactical and operational levels.

The Plan details the Council's intended actions in implementing and monitoring its fraud and corruption prevention, detection and response initiatives.

Accountability for the implementation and ongoing monitoring of the Plan is the responsibility of the General Manager. The Audit, Risk and Improvement Committee can also assist with monitoring the implementation of the Plan.

Monitoring the Plan

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

Internal audit reviews and reports including:

- Review of the fraud control framework
- Fraud awareness training
- Fraud risk assessment
- Internal reporting and complaint management procedures
- On-going monitoring and review of incidents or allegations of fraud and corruption
- Employee training and assistance in the identification and reporting of suspected fraud and corruption

Communicating the Plan

External communication

The Plan is to be communicated to external stakeholders by way of:

- a) Reference in the Annual Report to the role of the Audit, Risk and Improvement Committee in reviewing the Council's operations including fraud control
- b) Declarations in all 'requests for tender' or similar invitations to procure from the Council
- c) Fraud and Corruption Control Policy available on the Council website
- d) Information on the Council website on Fraud and Corruption Control identifying the external reporting avenues.

Internal communication

Regular internal communication must be undertaken to ensure employees are informed of fraud and corruption control issues, policy and processes.

The Plan is to be accessible to all employees through the employee infonet and form part of the new employee induction program.

Key elements of the Plan are also communicated in the Fraud and Corruption Control Policy.

Plan Review

The Plan is to be reviewed, at a minimum, every four years to recognise business and technological changes.

Fraud and Corruption Control Resources

The General Manager has overall responsibility for implementing and overseeing the fraud and corruption control program.

The Audit, Risk and Improvement Committee will review and provide independent advice to the Council about the adequacy and effectiveness of the Council's fraud and corruption prevention activities, along with the resources allocated to the program.

Internal Audits

Internal Audit in Controlling Fraud and Corruption

While primary responsibility for the identification of fraud and corruption within the Council rests with the General Manager, supported by senior management (the Executive Team and Senior Leadership Team), internal audits can be, in the context of addressing all business risks, an effective part of the control environment to identify indicators of fraud and corruption.

The Audit, Risk and Improvement Committee will endorse an annual internal audit plan that is based on the fraud detection, deterrence and response provisions of The Professional Practices Framework (PPF) of the Institute of Internal Auditors.

The Institute of Internal Auditors Internal Auditing and Fraud Practice Guide (IPPF)

Experience has shown that internal audit activity can be effective in the detection of fraud and also in the prevention of fraud by ensuring due adherence to internal control systems.

The Council has considered the role of internal audit in the detection, prevention and investigation of fraud with regard to the PPF which provides:

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

Internal Auditor's Role

The IPPF's Practice Guide to "Internal Auditing and Fraud" recommends:

When an Internal Auditor suspects wrongdoing, the appropriate authorities within the organisation should be informed. The Internal Auditor may recommend whatever investigation is considered necessary in the circumstances. Thereafter the auditor should follow up to see that the internal auditing activity's responsibilities have been met.

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. 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.

Detection of fraud consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by auditors, and other sources both within and outside the organisation.

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

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

Accordingly the Council aims to provide the Internal Audit function with sufficient resources to fulfil the role in deterring, detecting and responding to instances of fraud or suspected fraud in accordance with the PPF.

Prevention

Implementing and Maintaining an Integrity Framework

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 priority.

The Elements of an Integrity Framework

The Council takes the view that promoting an ethical culture is supported by setting a minimum standard of expected behaviour. Accordingly the Council has adopted the NSW Office of Local Government's Model Code of Conduct. Recent research has shown that promulgating a code of conduct will be more effective if it is implemented as part of a coordinated approach. The Code of Conduct is an important element, but not the only element, of an effective integrity framework. In the Council, commitment to the pillars of the Strategic Intent together with the Code 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 the following table:

Element	Description
1. Integrity Framework	An appropriate integrity framework developed using a participatory approach which builds commitment from all employees and is subject to ongoing monitoring and maintenance. Will include the development and promulgation of the other fundamental elements set out below.
2. Example Setting	Observable adherence to the Council's integrity framework by senior management.
3. Senior Management	An Executive Team and Senior Leadership Team that recognises the need for establishing and maintaining an ethical culture and actively promotes such a culture.
4. 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.
5. Allocation of Responsibility	Responsibility assigned to a senior person for ensuring the Council's integrity initiatives are implemented and monitored. This person would have a direct line of reporting to the Audit, Risk and Improvement Committee. 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.
6. Audit, Risk and Improvement Committee	The Audit, Risk and Improvement Committee will monitor and provide advice on the implementation of the Fraud and Corruption Control Plan.
7. Communication	A program for communicating the Council's Statement of Business Ethics/Code of Conduct. Communication of the importance of ethical standards through regular dissemination of material by newsletters and web sites.

8. Training	Specific ongoing training in the use of codes of behaviour and ethical tools for decision-making. Feature ethics components in all training.
9. Reinforcement	Incorporation of an integrated ethical standard into performance management, e.g. 360 degree feedback, performance appraisal systems and remuneration strategies.
10. 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.
11. Reporting of Complaints	A mechanism for the communication of ethical concerns inside and outside the normal channels of communication.
12. Compliance	A process requiring all personnel to sign that they have attended training in the Code of Conduct, Internal Reporting and the Fraud and Corruption Control Plan.

Senior Management Commitment

Risk Consciousness

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

This awareness training may include information issued by the Independent Commission Against Corruption or the NSW Audit Office that can be used by Council to minimise new types of fraud.

Consideration of Fraud and Corruption as a Serious Risk

The Council acknowledges that an important factor contributing to a fraud and corruption prone environment 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:

- Code of Conduct
- Fraud and Corruption Control Policy
- Internal Reporting Policy
- Fraud and Corruption Control Plan

Senior Management Awareness

The General Manager will endeavour to ensure that senior management has, as a minimum, an understanding of the following fraud and corruption issues:

- a) Incidence of fraud and corruption generally in Australia
- b) 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) Robustness of the Council's internal control environment in terms of its ability to prevent and detect the types of fraud and corruption likely to occur
- d) Knowledge of the types of fraud and corruption that have been detected by the Council in the last five years and how those matters were dealt with in terms of disciplinary action and internal control enhancement
- e) Council's own fraud and corruption control plan and processes and
- f) Knowledge of contemporary methods for detecting and preventing fraudulent activity.

The Council will ensure that fraud awareness is regularly communicated to employees through newsletters and other internal communication mechanisms.

Section Manager Accountability

Accountability for Prevention and Detection

The management of fraud and corruption is imbedded into the employment provisions of each section manager's position description (i.e. compliance with legislative provisions). The Council will ensure that section managers are aware of their accountabilities for the prevention and detection of fraud and corruption through discussions held at performance evaluations. All employees have a responsibility for fraud and corruption control at the Council.

“Whole of Business” Approach

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 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 that no one person, or category of person, can be fully effective in managing the risks.

Achieving Management Awareness of their Accountability

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. In order to reinforce this, the Council will develop, maintain and deliver a training program to reinforce awareness at regular intervals.

Internal Control

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 employees.

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

Tight internal control is an effective weapon in protecting the Council against fraud.

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.

Developing an Effective Internal Control System

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 taking into account 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 employees, appropriate to their level of responsibility and position description
- e) Internal controls that are accessible to employees. The Council's employees have ready access to the Council's infonet and 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) Senior management setting an example of internal control adherence
- h) An internal audit program that incorporates a review of adherence to internal control.

Assessing Fraud and Corruption Risk

Implementing a Policy for Assessing the Risk of Fraud and Corruption

The Council has adopted 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 Council has considered that the frequency with which the Council should conduct an assessment of 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 has decided that such assessments are to be conducted during the review of risks within each section of Council which is undertaken every two years utilising Council's risk management system.

Application of Risk Management Principles

The Council acknowledges that AS/NZS ISO 31000:2018 *Risk Management 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 organisation articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for the remaining process
- c) Identify risks – That is, the organisation 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.

Fraud and Corruption Risk Assessment Process

Methodologies for assessing fraud and corruption risk

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) 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) 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 will deploy each of these methods to facilitate compliance confidence and maintenance of awareness as follows:

- a) Fraud control framework review
- b) Targeted fraud awareness training
- c) Fraud and corruption risk assessment

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 particular application of the process to the assessment of fraud and corruption risk:

- a) Risk identification
- b) Risk analysis
- c) Risk evaluation

Monitoring and Evaluation

Effective monitoring and evaluation of Council's fraud and corruption control strategies assist in:

- Assessing the continued relevance of priority of fraud and corruption strategies in light of current and emerging risks
- Test whether fraud and corruption strategies are targeting the desired population
- Ascertain whether there are more cost-effective ways of combatting fraud and corruption.

Evaluations also have the capacity to establish casual links and, over time, an evaluation strategy has the potential to provide insights into:

- The appropriate balance between fraud and corruption prevention strategies
- The relative weighting of incentives that focus on reducing the potential losses from fraud and corruption in the first instance, as opposed to discovering fraud and corruption after it has occurred.

Communication and Awareness

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 through Code of Conduct Training at least every two years.

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 recognise 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.

Fostering Fraud and Corruption Awareness

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

- e) Encouraging employees to report any suspected incidence of fraud or corruption.

Employment Screening

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 People and Culture section for all new employees before commencing employment.

Supplier and Customer Vetting

Verification of Suppliers and Customers

The Council ensures the bona fides of suppliers by adhering to Council's Procurement Procedures, 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 through established processes to maintain an awareness to any contracted party manipulating the procurement process or soliciting the payment of secret commissions.

Vetting of Suppliers and Customers

While much fraud and corruption in Australia is instigated by persons internal to an organisation, there is a growing sense that Australian business is becoming increasingly susceptible to externally instigated fraud (eg. procurement, cyber).

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

The Council has developed a process that provides for effective vetting of suppliers and customers which represents an extension of credit checks.

Within the Council's procurement processes, various enquiries are made in respect to the bona fides of new suppliers.

A comprehensive review is undertaken of all proponents to contract and quotation award through the Council's Procurement Procedures.

Corruption Prevention

The Council acknowledges that the following specific measures will be included in an anti-corruption 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
- 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
- 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 Procedures are subject to regular monitoring and improvement.

The following outlines the specific actions and responsibilities to support the prevention of corruption within Council:

What	Who	When/How
Employee fraud and corruption control policy and plan, code of conduct and conflict of interest training	General Manager and Director Corporate and Community	Every two years
Induction process to include reference to Council's fraud and corruption policy and plan	Manager People and Culture	Included in onboarding process within first four weeks of employment.
Confirm prevention strategies	Executive Team	Once annually as part of an Executive Team meeting
Employee reference screening	Manager People and Culture	All reference checks are to include requirement to clarify relationship with candidate.
Random selection of supplier and customer and vetting/review of paid invoices, bank account number changes	Manager Financial Services	Minimum four reviews per year
Review of the fraud and corruption control policy	General Manager and Director Corporate and Community	Every four years
Review of fraud and corruption control plan	Audit, Risk and Improvement Committee	Every four years

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Operational fraud and corruption risks documented in the PULSE Enterprise Risk Management (ERM) module	Executive Team Senior Leadership Team	Every two years
Review skills/competencies of Audit, Risk and Improvement Committee	General Manager	Every four years
Procurement compliance and trends review including random selection of frequently paid suppliers	Director Corporate and Community	Six monthly
What	Who	When/How
Review of financial accounts and systems by external auditor	External auditor	Annually
Council to provide an environment and culture that encourages and supports notifying of known or suspected fraud or corrupt conduct	Executive Team	Ongoing at staff meetings and through staff newsletters
Statutory external reporting obligations to be adhered to	General Manager	As required
Arrange investigations by an appropriately qualified investigator	General Manager and Director Corporate and Community	Within two days of becoming aware of a probably fraud incident being detected
Notify ICAC, NSW Police, NSW ombudsman where required	General Manager	Within five days of becoming aware of a probable fraud incident being detected or from receipt of investigators positive detection of fraud
Advise employees of potential disciplinary outcomes from positive fraud or corruption	General Manager Directors	Every two years as part of Code of Conduct Training
Notify insurer of suspected or detected fraud	Director Corporate and Community	Within two weeks of positive fraud detected

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Review policy/procedures if positive fraud detected – assess for gaps based on cause	General Manager and Director Corporate and Community	Within two weeks of positive fraud
PULSE Business Actions are to be reported to the Audit, Risk and Improvement Committee	Director Corporate and Community	Quarterly
Outstanding PULSE Business Actions are to be reviewed by the Executive Team	Executive Team	Quarterly

Implementing a Fraud and Corruption Detection Program

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

These systems include the following:

- a) Whistleblowing procedures
- b) Management system audits
- c) Internal and external audit
- d) Post-transactional review
- e) Analysis of management accounting reports.

The responsibility for developing systems to investigate and detect fraud and corruption in the Council rests with the Audit, Risk and Improvement Committee.

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 section meetings as appropriate.

Role of the External Auditor in the detection of fraud

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

Senior management and the Audit, Risk and Improvement 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.

Reporting Suspected Incidents

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

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

- a) Senior management
- b) Public Interest Disclosure Officer

The Council has implemented an Internal Reporting Policy for the active protection of disclosers and will ensure that the policy is well communicated and understood by all personnel.

External alternative reporting channels are available in the Internal Reporting Policy.

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.

Response

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) 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 agencies / regulatory bodies.

Investigation

Within the Council, the reporting channels for fraud or suspected fraud including the Internal Reporting Policy are clearly laid out in the Fraud and Corruption Control Policy. Investigations are undertaken using qualified and experienced investigators.

Internal Reporting and Escalation

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 are already reporting requirements for the NSW Ombudsman, Independent Commission Against Corruption and the Minister for Local Government for the various levels of fraud detected.

Disciplinary Procedures

The Council has adopted the disciplinary guidelines within the NSW Local Government (State) Award 2020. An important element of this process is the application of the rules of natural justice and fairness.

External Reporting

The Council has a zero tolerance to fraud and corruption.

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

In the event that a decision is made to refer the matter to the appropriate agency, the Council will give an undertaking that it will do all that is reasonable in assisting the agency 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 agency.

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.

Review of Internal Controls following Fraud Detection

In each instance where fraud is detected, the General Manager 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.

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 by the General Manager, with input from the Audit, Risk and Improvement Committee and senior management.

A summary of recommendations or requirements for the modification of the internal control environment should be provided to the section manager concerned.

Insurance

The Council maintains an appropriate Insurance Policy that insures the Council against the risk of loss arising from internal fraudulent conduct.