



## Fraud & Corruption Control Plan

Endorsed by Council: 24 September 2019  
Reviewed by Council: 28 September 2021  
Reviewed by Council: 26 September 2023

## **EXECUTIVE SUMMARY**

The Shire of Dalwallinu is committed to the prevention, deterrence, monitoring and investigation of all forms of fraud and corruption. Fraud and corruption can be damaging to Council through financial loss, loss of public confidence (either perceived or real) reputational damage and adverse publicity.

Council is the custodian of significant public funds and assets, therefore it is important that the community has assurance that these are adequately protected from fraud and corruption.

Fraud and corruption control forms part of Council's risk management framework. It is a risk that Council actively seeks to identify and limit its exposure to, by reducing the potential opportunity (risk likelihood) for fraud and corruption to occur.

This Fraud and Corruption Control Plan is to clearly document Council's approach to controlling fraud and corruption at both strategic and operational levels.

## **BACKGROUND**

### **Context**

Councillors and Council's administration are committed to policies and practices that prevent, deter and detect fraudulent and corrupt behaviour in the performance of Council activities.

The Western Australian Auditor General has recommended all Councils adopt specific fraud control procedures that address the risk of fraud and corrupt conduct.

The Shire of Dalwallinu Fraud Corruption & Control Plan was first endorsed by Council in September 2019.

### **Communication**

This procedure's contents are communicated across the organisation through internal memos and staff meetings.

## **OUR ATTITUDE TO FRAUD AND CORRUPTION**

The Shire of Dalwallinu has zero tolerance for corrupt conduct or fraudulent activities.

Council is committed to preventing, deterring and detecting fraudulent and corrupt behaviour in the performance of Council activities. Employees must not engage in practices that may constitute fraud or corruption.

Council has developed a structured framework and approach to the implementation and review of fraud and corruption prevention, detection, monitoring and reporting.

This plan is based on the Australian Standards for Fraud and Corruption Control (AS8001-2008).

The desired outcome of this commitment is the elimination of fraud and corruption throughout Council operations both internally and externally. Council will prosecute people

identified as committing fraud or undertaking corrupt behaviour. Employees may also face disciplinary action and restitution of money or property lost through fraudulent activity and will be pursued through legislative means.

## **DEFINITIONS**

### **Definition of fraud and corruption:**

For the purposes of this plan, fraud and corruption shall be defined as:

*“the use of deception or misrepresentation to obtain an unjust advantage or benefit, or to cause a disadvantage or loss to the council, and includes theft or misappropriation of Council assets”*

## **PURPOSE**

### **Council Objective**

The objective of this plan is to outline Council’s approach to fraud and corruption prevention, deterrence and detection. Council is committed to meeting its legislative obligations under the *Local Government Act 1995* including: ensuring that resources are maintained in a responsible and accountable manner.

Council’s commitment to fraud control will be met by ensuring an environment in which fraudulent or corrupt conduct is discouraged, and conflicts of interest are avoided.

### **Scope**

This plan applies to all Councillors, employees, contractors and volunteers.

Councillors are also obliged to maintain standards as mandated by the *Local Government Act 1995*.

Relevant training on legislative obligations is to be provided at elected member and staff induction sessions.

Further guidance on the Shire’s responsibilities under this plan is detailed at:

- Department of Local Government, Sport & Cultural Industries – Fraud & Corruption Control Framework – July 2015
- Australian Standard AS8001:2008
- Crime Protection Policy (LGIS Insurance)

## **CORPORATE & REGULATORY FRAMEWORK**

### **Corporate Framework**

This plan is informed by the *Shire of Dalwallinu Strategic Community Plan 2017-2027* and the Council’s Corporate Business Plan directly informs our budgets, strategies, policies and actions.

Of particular relevance is:

*Objective 4.4.5: Strive to ensure “best practice” local governance is maintained.*

### **Regulatory Framework**

The *Local Government Act 1995 (the Act)* requires Council to develop and maintain adequate internal control systems, and to establish codes of conduct and an Audit Committee.

The *Public Interest Disclosure Act 2003* requires Council to establish written procedures for handling of any protected disclosures.

## **ROLES AND RESPONSIBILITIES FOR FRAUD AND CORRUPTION CONTROL**

Roles and responsibilities for fraud and corruption control are clearly laid out in the Shire of Dalwallinu Public Interest Disclosure procedures.

### **1. PLANNING AND RESOURCING**

#### **1.1 Program for fraud and corruption control planning and review**

The Act requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

In 2012, the Victorian Auditor General’s Office tabled a report on the findings of Fraud Prevention Strategies in Local Government. The audit found that Councils had not effectively managed exposure to fraud and have not been sufficiently vigilant or effective in dealing with the risk associated with fraud.

The recommendation of the Auditor General were that Councils should:

- Develop and maintain an up to date fraud control plan;
- Conduct thorough, periodic fraud risk assessments;
- Provide induction and periodic fraud awareness training to all council staff;
- Systematically monitor and report effectiveness of fraud control strategies;
- Establish arrangements that assure effective ongoing scrutiny by executive management, internal audit and audit committees.

This plan is designed to achieve compliance with each of these recommendation.

This plan will be reviewed **bi**-annually by the Chief Executive Officer with oversight from the Audit Committee. In reviewing the plan the Chief Executive Officer shall give regard to the following:

- Significant changes in business conditions;
- Strategies arising out of recently detected fraud or corruption control incidents;
- Results of fraud and corruption risk assessments completed;
- Changes in fraud and corruption control practices locally and internally;

- Resourcing requirements;
- Any identified changing nature of fraud and corruption within the sector.

## **1.2 Fraud control responsibility and resources**

The responsibility for implementation of this plan sits with the Chief Executive Officer. The Chief Executive Officer will report six monthly to the Senior Management Team, on the progress of delivery on the outcomes from this Plan.

The Shire of Dalwallinu is committed to allocating the required resources across the organisation to ensure appropriate controls in regards to fraud and corruption. In particular resources will be made available to:

- Implement the Plan initiatives
- Undertake fraud and corruption risk assessments
- Deliver organisational training and awareness
- Review incident reports
- Undertake investigations

Important resources within Council, in terms of controlling fraud and corruption, includes:

- All senior staff
- Human Resources
- Records Management
- Governance
- Risk Management
- Finance and Procurement

## **1.3 External assistance**

Where required, external assistance will be engaged, to support the delivery of any aspects of this plan.

## **1.4 Internal audit activity in fraud and corruption control**

Under this plan, the primary responsibility for the identification of fraud and corruption rests with management, however, it is also recognised that internal audit activity can also be an effective part of the overall control environment to identify fraud and corruption.

# **2. FRAUD AND CORRUPTION PREVENTION**

## **2.1 Implementing and maintain our integrity framework**

The Codes of Conduct are key enablers in delivering the sound and ethical culture required in the prevention of fraud and corruption throughout the organisation.

Senior staff shall set the example in regards to exercising and demonstrating high levels of integrity in the execution of their roles and functions by regularly reminding Staff of the importance of complying with Councils Code of Conduct and the Public Interest Disclosure Procedures (PID).

## **2.2 Commitment to controlling the risk of fraud and corruption**

Senior management will not be complacent and will treat fraud and corruption risks as a serious threat to the organisation.

The Shire of Dalwallinu Senior Management team will regularly be briefed on the following:

- Council's current fraud and corruption plan;
- Information on the program and robustness of the internal control environment in regards to preventing and detecting fraud;
- The types of fraud and corruption common with the sector;
- Incidence of fraud and corruption generally in Australia;
- Information on the types of fraud and corruption that have been detected at Council over the previous five years;
- Information of new or emerging trends in this area.

## **2.3 Maintaining strong internal control systems and internal control culture**

The Shire of Dalwallinu has an existing culture of continuous improvement. The implementation of effective systems of internal control is an integral part of this program, particularly for activities assessed as having a high predisposition to the risk of fraud and corruption.

Well planned and documented internal controls will be a major defence for avoiding fraud and corruption. When undertaking projects and reviewing existing practices into the future, consideration will be given to appropriate fraud and corruption controls in the development of outcomes.

Internal controls will be:

- Appropriately documented
- Accessible
- Reviewed and amended regularly
- Communicated effectively to all relevant staff
- Subject to review of adherence

## **2.4 Fraud and corruption risk assessment**

Risk assessments will be undertaken for all identified fraud and corruption risks in accordance with Council's current Risk & Opportunity Framework's management approach.

As a minimum the following risks will be assessed:

- Theft of cash
- Theft/misuse of assets
- Misuse of confidential corporate information
- Conflict of interest
- Accounts payable
- Payroll practices

- Procurement
- IT and information security
- Recruitment
- Misuse of credit cards

## **2.5 Communication and awareness of fraud and corruption**

It is important that fraud and corruption is identified and reported at an early stage and that staff have understanding and confidence in the system.

Staff will be provided with information on the Public Interest Disclosure Procedures so that they have confidence in knowing how to respond if this type of activity is detected or suspected.

The awareness of Council's risk of fraud and corruption controls will be made available to staff through the following:

- Copy of the Shire's Code of Conduct and Public interest Disclosure Procedures will be included in packs for all new staff;
- Fraud and Corruption awareness training will be conducted annually (this may include e-learning)
- Any substantive changes in the Code or Plan will be communicated to all staff.

## **2.6 Employment screening**

Employment screening will be undertaken for all new 'senior officer' positions and to nominated positions that have been identified by the Executive to be 'higher risk' in terms of potential exposure to fraud and corruption due to their role within the organisation. This screening process will reduce the risk of a potential security breach and will provide a high level of assurance as to the integrity, identity and credentials of prospective employees.

Prior to the appointment of senior and nominated officer positions, the following screening shall be undertaken with the express consent of the individual concerned, irrespective of whether they are internal or external applicants:

- Verification of identity
- Police criminal history check
- Working with children check
- Reference checks
- Consideration of any gaps on employment history and the reasons for the gaps
- Verification of formal qualifications claimed – where required for position

## **2.7 Policy dealing with annual leave and job rotation**

Individual departments will regularly consider job rotation for positions where there are multiple officers undertaking the same or similar functions and the position is deemed a high risk from a fraud or corruption perspective, local law enforcement, planning officers, contract management for example.

*Excess annual leave will be monitored on a quarterly basis to ensure excess leave is managed.*

## 2.8 Supplier vetting

The Shire of Dalwallinu will continue to undertake supplier vetting for new and ongoing suppliers in accordance with existing practices.

For new suppliers with prospective business in excess of \$150,000, the minimum checks will include:

- Search of Company Register
- ABN verification
- Insurance currency

For new contracts exceeding, or potential to exceed \$2.5 million, the following additional checks should be considered:

- Corporate scorecard check which looks at Bankruptcy search
- Assessment of credit rating
- Search of legal proceedings pending or judgements pending

## 3. FRAUD AND CORRUPTION DETECTION

### 3.1 Fraud and corruption detection program

As part of the development of the annual internal audit program the Audit Committee will consider opportunities to undertake pro-active fraud and corruption detecting activities that might include:

**Post transactional reviews:** A review of transactions after they have been processed. This option may identify or uncover altered documents or missing documentation, falsified or altered authorisations or inadequate documentary support.

**Data mining:** The application of sophisticated (and sometimes unsophisticated) software applications and techniques where a series of suspect transactions can be identified and then investigated which can identify anomalies at an early stage.

**Analysis of management accounting reports:** Using relatively straight forward techniques in analysing management accounting reports, trends can be examined and investigated which may be indicative of fraudulent or corrupt conduct.

### 3.2 External auditor's role in the detection of fraud

Consistent with recent changes to international and Australian accounting standards, the auditor's accountability for the detection of fraud will form part of any audit. These provisions will increase the likelihood of detecting material misstatements or errors in the Shire's financial statements.

### 3.3 Mechanisms for reporting suspected fraud and corruption incidents

The Shire's Public Interest Disclosure Procedures provide clear direction in regards to staff reporting suspicious or known illegal or unethical conduct. This procedure also provides for alternative internal means by which to report matters of concern.

As a further support mechanism, if any Officer would prefer to make an external report, this can be done directly to Council's Internal Auditing contractors.

Reports can be made anonymously. Anonymous reports will be examined and investigated on the available evidence.

All employees have a right to make a disclosure in accordance with the *Public Interest Disclosure Act 2003*. This is encouraged where any person wishes to access the protections afforded by the Act.

The Shire's Public Interest Disclosure Procedure is available on the Shire's website: [www.dalwallinu.wa.gov.au](http://www.dalwallinu.wa.gov.au).

## **4. RESPONDING TO DETECTED FRAUD AND CORRUPTION INCIDENTS**

### **4.1 Procedures for the investigation of detected or suspected incidents**

The Shire's Public Interest Disclosure Procedures provides:

- Appropriate measures for the comprehensive investigation of such matters, based on the principles of independence, objectivity and fair due process (rules of natural justice)
- Systems for internal reporting of all detected incidents
- Process for reporting the matters of suspected fraud and corruption to the appropriate enforcement agency
- For the recovery of stolen funds or property
- This procedure will be reviewed annually to ensure that it continues to meet these objectives.

### **4.2 Internal Reporting**

The Chief Executive Officer is to ensure that all incidents reported and investigated are documented and registered on the appropriate confidential file.

The documentation placed on the file must include the following minimum information:

- Date and time of report
- Date and time the incident was detected
- How the incident came to the attention of management
- The nature of the incident
- Value of loss (if any) to the entity
- Action taken following discovery of the incident

### **4.3 Disciplinary procedures**

The Shire's disciplinary guidelines and procedures outline the potential disciplinary outcomes that apply in regards to the application of this plan.

#### **4.4 External reporting (local government, public sector commission, police or crime & corruption commission)**

The Shire's Public Interest Disclosure Procedures provides clear direction in regards to reporting any suspected fraudulent or corrupt conduct to any external enforcement agencies including:

From 1 July 2015, you can report any reasonable suspicion of minor misconduct involving a public officer to the Public Sector Commission (PSC). These powers come from the *Corruption, Crime and Misconduct Act 2003*.

It is important to consider what behaviours and circumstances constitutes minor misconduct and whether the person'/s involved is a public officer for the purposes of the legislation.

There is a good chance that if the public officer/s involved could be the subject of a disciplinary investigation within the authority, then it might be minor misconduct. If you suspect the behaviour you have seen or experienced is minor misconduct you can report it to the PSC or the Shire's Public Interest Disclosure Officer.

##### **Department of Local Government, Sport & Cultural Industries**

Gordon Stephenson House  
140 William Street  
PERTH WA 6000  
GPO Box 8349, PERTH WA 6849  
Tel: (08) 6552 7300  
Free Call (regional WA callers only): 1800 634 541

##### **Public Sector Commission**

Dumas House  
2 Havelock Street  
WEST PERTH WA 6005  
Locked Bag 3002, WEST PERTH WA 6872  
Tel: (08) 6552 8500

##### **Corruption and Crime Commission**

Level 5, 45 Francis Street  
NORTHBRIDGE WA 6003  
PO Box 330, NORTHBRIDGE WA 6865  
Tel: (08) 9215 4888  
Toll Free: 1800 809 000

#### **4.5 Policy for civil proceeding to recover the proceeds of fraud and corruption**

The Shire will pursue recovery of any losses due to fraud or corruption where there is clear evidence of fraud and corruption and where the likely benefits of such recovery will exceed

#### **4.6 Internal control review following discovery of fraud**

Where fraud or corruption is detected the relevant manager of the team will be responsible to assess the adequacy of the relevant internal control environment and provide a report to the Senior Management Team with any recommended improvements identified.

Managers will also be responsible for ensuring that recommendations arising out of the assessment are to be clearly allocated in the report with an associated time frame.

#### **4.7 Maintaining and monitoring adequacy of fidelity guarantee insurance and other insurance related policies dealing with fraudulent or improper conduct**

The Shire will maintain a fidelity guarantee insurance policy that insures the risk of loss arising from internal fraudulent conduct. The level of the policy will be reviewed annually by the Senior Management team subject to analysis of cost/benefit.

Insurance for external fraud and corruption, in particular, theft of Council property, will also be maintained and reviewed annually by staff in conjunction with the normal annual assessment of insurance policy cover and limits.

### **5. LEGISLATIVE AND STRATEGIC CONTEXT**

Strategic context (Community Strategic Plan) and/or Federal or State legislation, directives, guidelines, Acts or Regulations:

- Australian Standard for Fraud and Corruption Control – AS8001:2008
- *Public Interest Disclosure Act 2003*
- *Local Government Act 1995*
- *Local Government (Financial Management) Regulations 1996, Regulation 5:*
- *Local Government (Audit) Regulations 1996 Regulation 17(1)*

### **6. REVIEW POSITION AND DATE**

Chief Executive Officer to review at least once every two years.