



## Ordinary Council Meeting

Tuesday, 24 September 2019 at 3.30pm

ATTACHMENTS		
9.4	CHIEF EXECUTIVE OFFICER/ADMIN	Page No
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# Western Australian Auditor General's Report



## Fraud Prevention in Local Government



Report 5: 2019-20

15 August 2019

**Office of the Auditor General  
Western Australia**

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***The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.***

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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**Fraud Prevention in Local Government**

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Report 5  
August 2019



**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

### **FRAUD PREVENTION IN LOCAL GOVERNMENT**

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. Narrow scope performance audits have a tight focus and generally target entity compliance with legislation, public sector policies and accepted good practice.

The audit objective was to assess whether local government entities have taken appropriate steps to prevent fraud.

I wish to acknowledge the cooperation of staff at the local government entities included in this audit.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER  
AUDITOR GENERAL  
15 August 2019

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## Auditor General's overview

All organisations, public and private, face the risk of fraud. This will remain the case wherever people and scarce resources interact. Fraud, or even the perception of fraud, can have a serious impact on an organisation's reputation and resources. It can stem from inside or outside the organisation and by its nature is deceitful, dishonest, and often hard to detect. Numerous Corruption and Crime Commission investigations highlight the risks organisations face.



However, there are practical steps organisations can take to reduce fraud risks and build their fraud resistance. These include creation of a strong ethical culture that sets the standard of behaviour for all staff, raising staff awareness of the risks, and implementing good practice controls to manage them.

This audit found that many local governments have not assessed their fraud risks, and do not have comprehensive fraud management plans and programs. Most could do more to educate their staff on integrity policies and controls to reinforce anti-fraud messages and consider fraud risks in their daily duties. Local governments also need to make sure they have clear and easy processes for people to report any fraud concerns.

It was pleasing to find that all the local governments we reviewed had some fraud controls in place and the staff my audit team dealt with during the audit were diligent. But, high staff turnover and work load makes implementing good fraud controls even more of a priority.

I would like to acknowledge the willingness of the entire sector to engage with our questionnaire. Nearly 80% of local governments responded, providing valuable information about fraud approaches across the local government sector.

I encourage all entities to use the principles highlighted in Appendix 2 to build on their existing structures and practices, in a way that best suits their needs.

# Executive summary

## Introduction

Recent high profile investigations into fraud in the public sector by the Corruption and Crime Commission (CCC) in Western Australia (WA) have featured a number of local government entities (entities).

There are 148 entities in WA. In 2017-18, the sector spent more than \$4 billion, employed around 17,000 staff, and administered \$45 billion of assets. Fraud in this sector could result in substantial material and reputational losses, and this level of risk calls for entities to implement strong controls and better practice approaches to reduce the threat of fraud.

This audit reviewed whether entities have taken appropriate steps to prevent fraud, through the following lines of inquiry:

1. Have entities implemented a coordinated approach to manage fraud risks?
2. Do entities have adequate controls for preventing and detecting fraud?
3. Do entities respond appropriately to suspected fraud?

The purpose of this audit was to review the systems that entities had in place. We did not seek to identify any specific instances of fraud.

The audit included a sector wide questionnaire on entity approaches to managing fraud risks (see Appendix 3 for a summary of results). We conducted a more detailed review at the:

- Shire of East Pilbara
- Shire of Katanning
- City of Nedlands
- Shire of Serpentine-Jarrahdale
- City of Vincent.

Our sample focussed on entities that had not been part of recent audits, and included entities of varying size, from both metropolitan and regional areas.

## Conclusion

Local government entities can do more to prevent fraud. We found entities do have some controls in place, but would benefit from better understanding their specific fraud risks and taking a coordinated approach to managing them.

Our questionnaire found many entities have not assessed their fraud risks, or created a plan to deal with fraud. The responses highlighted gaps in prevention and detection approaches. Many entities can do more to raise staff awareness of fraud, improve their screening processes, and strengthen protections for informants.

Our detailed review of 5 entities confirmed these results. We found they had core integrity policies in place, but none had assessed all their fraud risks, and implemented a coordinated approach to manage them. All entities could build on their current policies and practices to make workplaces more fraud resistant, and improve their reporting avenues to strengthen their ability to respond to fraud.

## Background

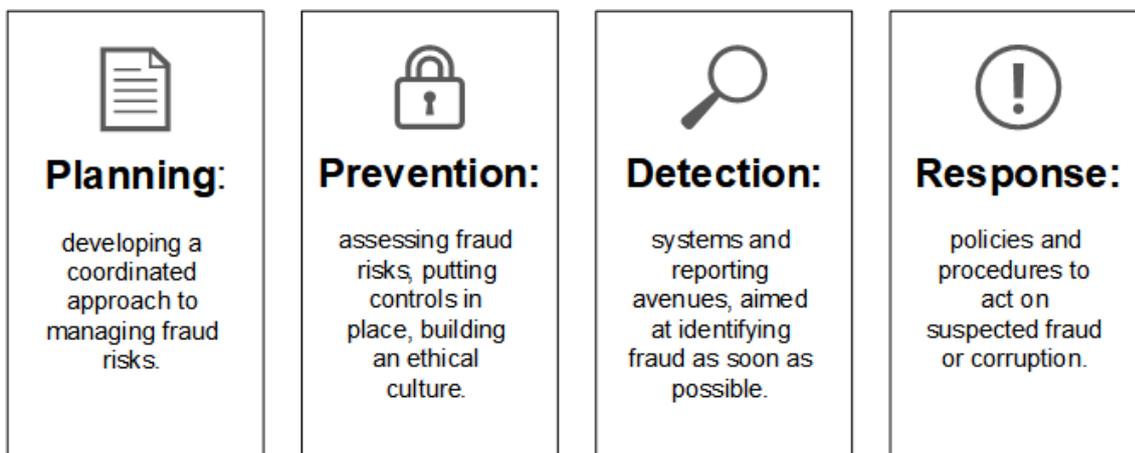
Fraud is the act of obtaining a benefit, financial or otherwise, by deception. By its nature it is deceitful and dishonest, and can be very hard to detect particularly if collusion is involved. It is important that public sector entities design and implement strong internal control frameworks to prevent fraud.

Meeting legislated requirements provides entities with some level of fraud control (Appendix 1), particularly around council decision-making processes. Legislation includes requirements for:

- council and advisors to disclose conflicts of interest
- disclosure of financial interests for some staff
- the creation of Codes of Conduct
- handling of gifts
- when tendering is required for procurement activities.

This is the second report that we have tabled on public sector fraud controls. The previous report in 2013 reviewed 9 state government entities against elements taken from the *Australian Standard AS 8001-2008 Fraud and Corruption Control* (the Standard).

The Standard contains better practice guidance for controlling fraud risks. It is informative, flexible, and forms the basis of approaches in state and local government entities across Australia. It recommends entities tailor an approach that suits their needs, based on 4 components:



In developing our expectations for entities, we considered:

- key principles from the Standard
- guidance issued to entities by the Department of Local Government, Sport and Cultural Industries
- reports published by the CCC and the Public Sector Commission (PSC)
- guidance material issued by audit offices in other jurisdictions
- the best practice guide for fraud and corruption control published by the Crime and Corruption Commission in Queensland
- international research.

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## Recommendations

In line with better practice, all entities should ensure they implement a coordinated approach to manage their fraud risks. Entities should:

1. assess fraud risks across their business
2. develop a Fraud and Corruption Control Plan and review it at least once every 2 years
3. develop and implement a periodic fraud awareness training program for all staff
4. ensure that all conflicts of interest are recorded, assessed and appropriate management plans are in place
5. have policies and procedures in place to verify the identity and integrity of employees and suppliers
6. document clear internal processes and systems to report any potential fraud, that include anonymous reporting
7. collect and analyse information received about potential fraud to identify any trends or emerging issues.

Under section 7.12A of the *Local Government Act 1995*, all audited entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament and for publication on the entity's website. This action plan should address the points above, to the extent that they are relevant to their entity, as indicated in this report.

## **Response from audited local government entities**

All 5 audited entities supported the audit findings and accepted our recommendations. Appendix 4 includes the full responses from audited entities.

## Audit findings

### Entities have not implemented a coordinated approach to manage their fraud risks

We found that entities have not developed a good understanding of their fraud risks, or a clear vision of how they will manage them. As a result, entities cannot be sure they have adequate controls in place. These findings are similar to those of our 2013 audit into State government entity fraud controls, which found a lack of risk assessment and planning<sup>1</sup>.

### Entities have not assessed their business for fraud risks

None of the entities we reviewed had assessed all their fraud risks. We found strategic risk registers included some consideration of external theft and fraud. But, these were incomplete, focussed on external threats, and did not consider all fraud risks. This supports results from our questionnaire, as 25% of respondents told us they had not completed a fraud risk assessment. Completing an assessment would give entities a view of all their risks, and allow them to evaluate their controls.

**Twenty-nine of the 116 entities (25%) that responded to this part of our questionnaire advised that they had not assessed their fraud risks. These entities had a combined expenditure of over \$310 million in 2017-18.**

### Entities have not planned how to manage fraud risks

We found that most entities have not developed a Fraud and Corruption Control Plan (Plan). These results are similar to those from our 2013 audit of fraud prevention in State government entities<sup>2</sup>. That audit reviewed 9 State government entities and found none had developed a Plan. Plans are important better practice tools that capture an entity's commitment to manage its fraud risks, communicate its approach, and set timeframes and responsibilities.

Of the entities reviewed, only East Pilbara had developed a Plan. While the Shire completed this in 2013, it has not implemented any of the Plan's actions.

All 5 entities had Codes of Conduct (Codes) and East Pilbara, Nedlands and Vincent also have strategic fraud prevention policies. While these contain anti-fraud information, they are not as comprehensive as a Plan as they do not include controls, or assign timeframes or responsibilities for actions. Without a Plan, entities cannot be sure their approach to managing fraud risks is comprehensive.

Responses to the questionnaire show this is an issue across the sector, as more than half (54%) the entities told us they had not created a Plan.

We received documents from 26 of the entities who told us they had a Plan or equivalent. However, we found only 7 of these contained all the key elements of the Standard<sup>3</sup>. A further 8 contained at least 2 of the elements. Avenues for reporting suspected fraud, key controls to deal with fraud related risks and comprehensive fraud risk assessments were elements that were most commonly absent.

<sup>1</sup> Office of the Auditor General 2013 *Fraud prevention and detection in the Public Sector*. Report 7 – June.

<sup>2</sup> Ibid.

<sup>3</sup> We reviewed the documents for key elements of the Standard including an entity position statement, accountabilities, a fraud risk assessment, outline of key controls, and reporting avenues and protections.

## Entities could make themselves more fraud resistant if they strengthen their controls

We found that entities could make their organisations more fraud resistant if they raise staff awareness of risks, improve how they manage conflicts of interests, and better screen employees and suppliers.

### Entities need to raise staff awareness of fraud risks

The Standard describes building a strong anti-fraud culture as a key strategy for managing the risk of fraud. Messaging to staff can help entities build and maintain fraud resistant cultures. Entities should commit to a program to raise staff awareness of integrity policies. By tracking participation they can be sure staff are aware of risks, the controls that are in place, and their responsibilities.

We found entities have not established regular programs to raise and maintain staff awareness of fraud risks. None of the entities we reviewed had established a regular training program, or had kept records of staff participation. The questionnaire provided similar results, with 55% of entities advising they did not train staff in fraud risks and controls.

Some of the entities we reviewed have made efforts to raise staff awareness of fraud risks and integrity policies. We found:

- 3 entities had used training, forums, or newsletters to engage staff in managing fraud risks (Figure1)
- 2 entities had tailored the language in their Codes to make them easier for staff to understand. To explain conflicts of interest, Serpentine-Jarrahdale used plain English rather than text from legislation, and Katanning included “real world” examples.

Katanning	Nedlands	Serpentine-Jarrahdale
The Infrastructure Department received refresher training on the Shire’s code of conduct in January 2019.	Information about integrity issues have been included in staff newsletters. For example: <ul style="list-style-type: none"> <li>• information on ethical decision making – August 2018</li> <li>• article on conflicts of interest - September 2018.</li> </ul>	The Shire has conducted a series of staff forums. For example: <ul style="list-style-type: none"> <li>• CEO led a forum on fraud controls - March and April 2017</li> <li>• ‘good governance’ forum - September 2018</li> <li>• forum on misconduct prevention, including a presentation from the PSC - January 2019.</li> </ul>

Source: OAG using entity information

**Figure 1. Examples of recent efforts to raise fraud awareness**

All the entities we reviewed provided employees with key integrity policies at induction. However, none required staff to revisit the policies. The Standard recommends all employees confirm they understand and follow the Code, and other integrity policies, on a yearly basis. Results from our questionnaire suggest this is an issue across the sector, as 89% of entities told us they do not require staff to do this. Recording annual compliance would give entities a level of assurance that staff are regularly engaging with integrity policies and messages.

## Not all conflicts of interest are captured

Three of the entities we reviewed did not capture all the conflicts of interest their staff may face. In line with legislation, entities record conflicts of staff and elected members on matters discussed by council. Entities also document financial, proximity and impartiality interests of elected members and senior staff.

However, processes are not in place to capture, assess and manage any other interests staff have that may conflict with their daily duties. Entities cannot be sure they appropriately manage all conflicts of interest (actual, potential or perceived), as they rely on individual business units to handle operational issues with no formal guidance or process. Staff need to be aware that they have a responsibility to declare any interests that could conflict with performing their public duties. Entities then need to capture and manage those declarations.

**Vincent and Serpentine-Jarrahdale have recently implemented processes to better capture all conflicts of interest. Both entities have developed registers to capture the conflict, and require a manager or executive to approve the management plan. During the audit, both entities provided staff with guidance on how and when to make a declaration.**

## More screening of employees and suppliers would help entities reduce risks

The entities we reviewed did not have adequate policies to screen staff or suppliers. Good screening controls would give entities some assurance of the identity, integrity and credentials of employees and suppliers.

None of the entities we reviewed had policies in place to screen staff. These findings are similar to those in our 2019 audit *Verifying Employee Identities and Credentials*<sup>4</sup>.

Despite the lack of policy, 4 entities did retain copies of qualifications and identification. However, none consistently confirmed that qualifications were authentic or checked work histories. One entity did not engage in any police checks or do any checks beyond calling referees. Entities need consistently applied processes to confirm the identity, integrity and academic credentials of potential employees. The Standard also recommends entities screen all new employees and any employee transferring to an executive or high-risk area.

None of the entities we reviewed routinely screened their suppliers. Our questionnaire returned similar results, with less than 30% of respondents conducting media searches, police clearances or verifying directors' details. Purchases over \$150,000 are subject to tender which include some checks, including an ABN confirmation and receiving information on the financial position of the supplier. However, smaller purchases are not subject to this process.

To reduce fraud risks, the Standard recommends that entities verify the credentials of suppliers. Entities that have a large number of suppliers should consider a risk-based approach to screening to ensure appropriate use of resources.

## Better reporting avenues would help entities detect and respond to fraud

To be well informed, entities need to have strong systems to receive, capture and act on information about potential fraud. International research has shown that organisations most frequently detect fraud through informants (whistleblowers)<sup>5</sup>.

<sup>4</sup> Our audit found only 3 of the 8 entities reviewed had policies to verify employee identities and credentials.

<sup>5</sup> Association of Certified Fraud Examiners 2018 *Report to the nations: global study on occupational fraud and abuse*. p4.

We found that it was not always clear how staff, the public or suppliers should report suspected fraud. The entities we reviewed did not have ways for individuals to make anonymous reports of potential fraud, other than Public Interest Disclosures (PID) through the *Public Interest Disclosure Act 2003* (PID Act). They also did not have a process in place to analyse all information they received about potential fraud. Entities may miss important information if reporting avenues are not clear or if reports are not analysed.

### **Entities need to better communicate how staff, suppliers and the public can report suspicious behaviour**

At the entities we reviewed, Codes direct staff to report concerns of fraud to the CEO, deputy, or HR manager. However, there is no guidance for how a staff member would do this. Staff members may be reluctant to go directly to the executive on such a sensitive topic or when the suspicion relates to senior staff. The Standard highlights the need for formalised reporting systems and that these should include multiple avenues. Similarly, the Crime and Corruption Commission in Queensland has advised that employees will feel more confident in making reports if systems are readily accessible and well publicised<sup>6</sup>.

The PID Act encourages people to report concerns of wrongdoing in the public sector. Individuals can report concerns to authorised officers or to 1 of the authorities listed in the PID Act (such as the Auditor General for concerns including substantial unauthorised use of public resources). Other external reporting avenues include the CCC, PSC or the Western Australia Police Force.

All the entities we reviewed had clear processes around making a PID and had PID officers in place. However, entities should not rely only on PIDs, as this does not capture all potential reports or allegations. Staff may not wish to engage with the PID process or may not have information suitable for an investigation. The PSC reported that local government entities received 13 PIDs in 2017-18<sup>7</sup>.

**Our questionnaire showed that many other entities could improve their reporting processes and protections. One third of respondents told us they did not have systems in place to protect staff who reported fraud. Of those that did have protections, 32% told us they relied solely on PIDs. Individuals may be reluctant to report concerns if they do not feel adequately protected.**

### *Entities should include anonymous reporting options to encourage reporting*

At the entities we reviewed, internal avenues to report suspected fraud did not include anonymous options. Both the Standard and guidance from other jurisdictions has raised the need for internal reporting to include options for anonymity. Making reports of wrongdoing can be difficult for some people and providing an anonymous option can make it easier.

We note that East Pilbara's Plan directs staff wishing to make an anonymous complaint to external agencies, either the CCC or the PSC. While directing staff to appropriate external reporting options is important, in our view better practice would be for internal reporting to also have anonymous options.

### **Entities need to better use information they receive about suspected fraud**

None of the entities we reviewed have a way to capture, collate and analyse all information about potential fraud. The Standard expects organisations to develop a program and

<sup>6</sup> Queensland Crime and Corruption Commission 2018 *Fraud and Corruption Control: best practice guide* p49.

<sup>7</sup> Public Sector Commission 2018 *State of the sector statistical bulletin*: Integrity and Conduct Survey results.

recommends the development of a fraud register. Capturing information in a central location would make it easier for entities to look for trends, identify issues early and act appropriately.

Entities have reported potential fraud to the CCC. The entities we reviewed told us they had reported 4 instances of potential fraud in the past 5 years.

## Audit focus and scope

This audit assessed whether local government entities have taken appropriate steps to prevent fraud. We asked the following questions:

1. Have entities implemented a coordinated approach to manage fraud risks?
2. Do entities have adequate controls for preventing and detecting fraud?
3. Do entities respond appropriately to suspected fraud?

During our audit we considered:

- key principles from the Fraud and Corruption Control Standard (AS 8001-2008)
- guidance issued to entities by the Department of Local Government, Sport and Cultural Industries
- guidance material issued by audit offices in other jurisdictions
- reports published by the CCC and the PSC
- the best practice guide for fraud and corruption control published by the Crime and Corruption Commission in Queensland
- international research.

During the audit we:

- provided a questionnaire to all 148 local government entities, requesting information about approaches to managing fraud risks.
  - 118 entities responded to the questionnaire (see Appendix 3)
  - 91 provided copies of their Codes of Conduct
  - 26 provided copies of their Plans. We reviewed the Plans for key elements of the Standard, including an entity position statement, accountabilities, a fraud risk assessment, outline of key controls, and reporting avenues and protections.
- reviewed approaches in more depth at 5 entities. This included interviews with key staff, and reviews of policies, registers and complaints systems. This sample included entities ranging from relatively small to large, from both metropolitan and regional areas.

We did not conduct detailed reviews of procurement, record keeping or systems for verifying employee identities. These areas were the focus of recent performance audits by this Office.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. Narrow scope performance audits have a tight focus and generally target entity compliance with legislation, public sector policies and accepted good practice. The approximate cost of undertaking and tabling this audit is \$300,000.

## Appendix 1: Summary of legislated responsibilities

Entities are required to meet a number of legislated responsibilities that help control fraud risks. A summary of key elements are listed below. This list is not exhaustive.

Legislation	Fraud related requirements
<i>Local Government Act 1995</i>	<ul style="list-style-type: none"> <li>• disqualifies individuals from becoming elected members due to insolvency, criminal convictions, or misapplication of funds</li> <li>• councils must believe that a person is suitably qualified for the position of CEO, and CEOs must believe that staff are suitably qualified for their positions</li> <li>• all employees must be selected in accordance with the principles of merit and equity</li> <li>• mandates a general need for good government and the creation of a Code of Conduct</li> <li>• council members, the CEO and designated staff members must disclose financial interests'</li> <li>• employees must disclose any interests when they are advising or reporting to council</li> <li>• an audit committee must be formed</li> <li>• sets out penalties for improper use of information</li> </ul>
Local Government (Rules of Conduct) Regulations 2007	<ul style="list-style-type: none"> <li>• requires council members to act ethically, be open and accountable</li> <li>• forbids council members from influencing employees or using their office for personal advantage</li> <li>• council members must declare any interests in matters being discussed at council or audit committee meetings</li> <li>• sets out restrictions on gifts and travel contributions to councillors and requirements for records to be kept</li> </ul>
Local Government (Financial Management) Regulations 1996	<ul style="list-style-type: none"> <li>• CEOs are to establish efficient systems and procedures for collection and custody of money owing to the entity</li> </ul>
Local Government (Audit) Regulations 1996	<ul style="list-style-type: none"> <li>• describes the function of the audit committee</li> <li>• Regulation 17 requires a CEO to review appropriateness and effectiveness of systems and procedures relating to risk management, internal control and legislative compliance. This is then reported to the audit committee</li> </ul>
Local Government (Administration) Regulations 1996	<ul style="list-style-type: none"> <li>• sets out information on disclosure of financial interests</li> <li>• provides detailed information on what value of gifts must be reported and which are prohibited</li> <li>• requires a register of gifts to be publicly accessible</li> <li>• requires Codes of Conduct to contain information on gifts, travel contributions and disclosing interests</li> </ul>

Legislation	Fraud related requirements
Local Government (Functions and General) Regulations 1996	<ul style="list-style-type: none"> <li>• entities must develop a policy for purchases less than, or equal to, \$150,000</li> <li>• purchases worth more than \$150,000 must be conducted through tender</li> <li>• sets out requirements for pre-qualified suppliers</li> </ul>
<i>Public Interest Disclosure Act 2003</i>	<ul style="list-style-type: none"> <li>• entities must <ul style="list-style-type: none"> <li>○ publish internal procedures for reporting a PID</li> <li>○ designate at least 1 PID officer to receive reports. They must comply with the Public Sector Commissioner's minimum standards of conduct and integrity</li> </ul> </li> </ul>

Source: OAG

# Appendix 2: Better practice principles

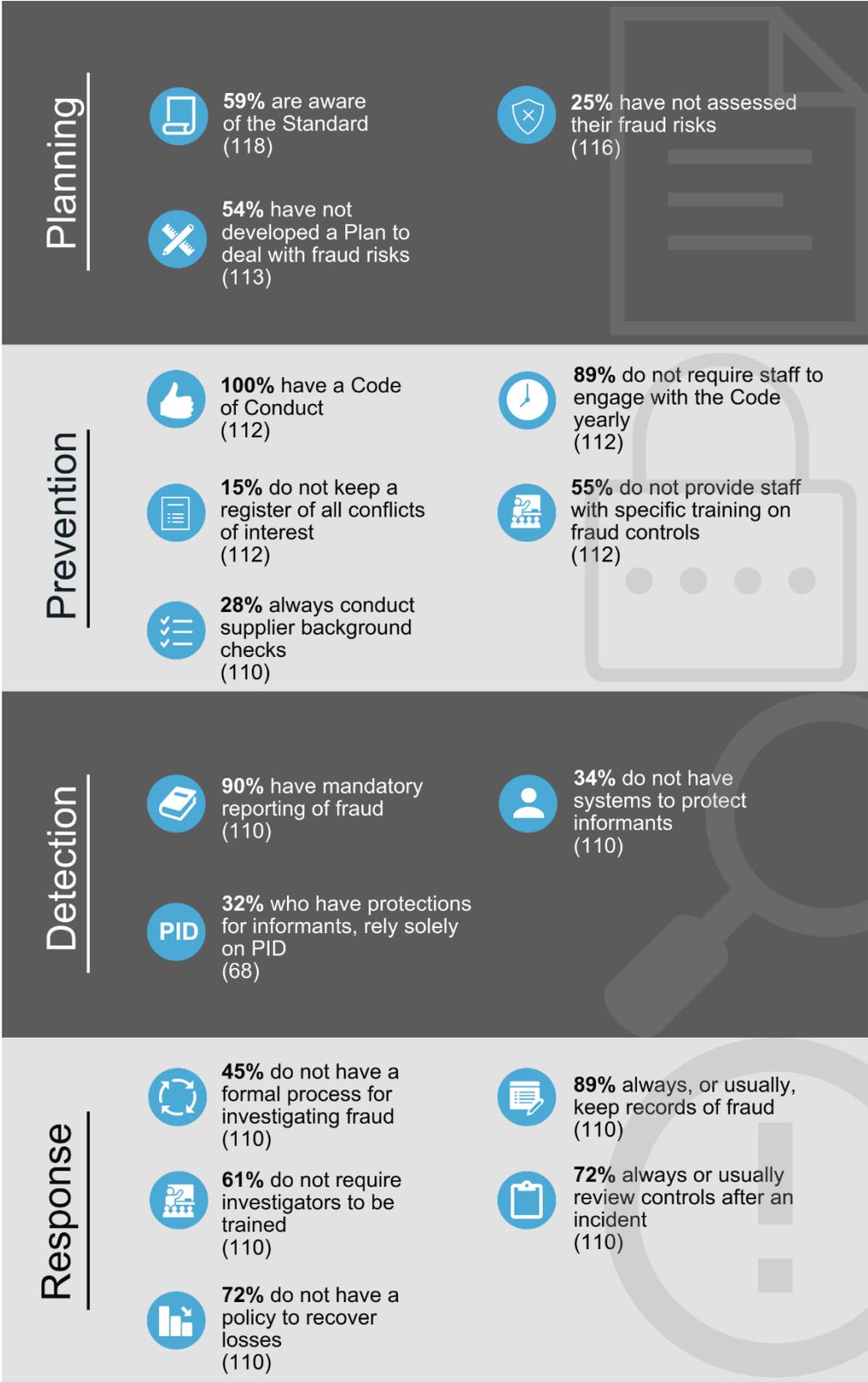
The table below shows key principles on which our audit focused. These principles are not exhaustive. Entities seeking to implement better practice approaches should also consult the Standard, and the guidelines prepared by the Department of Local Government, Sport and Cultural Industries.

Objective	Principle	What we would expect
<b>Planning</b>  Develop a coordinated approach to manage fraud risks	Risks are understood	<ul style="list-style-type: none"> <li>Fraud risks across organisation are assessed, documented and controls are in place.</li> </ul>
	Approach is documented	<ul style="list-style-type: none"> <li>Fraud and Corruption Control Plan (Plan) is in place and reviewed at least once every 2 years.</li> </ul>
	Internal audit considers fraud risks	<ul style="list-style-type: none"> <li>Audit committee engages with internal audit plan to ensure fraud risks are considered.</li> </ul>
<b>Prevention</b>  Create a fraud resistant organisation	Policy framework is in place	<ul style="list-style-type: none"> <li>Integrity policies (such as Codes of Conduct and conflicts of interest) are appropriate, clearly written and available.</li> <li>Staff regularly engage with integrity policies. For example, signing yearly an understanding of the Code of Conduct.</li> <li>Fraud prevention and awareness training, newsletters and presentations are used to communicate entities ethical standards to staff.</li> </ul>
	Internal controls are in place	<ul style="list-style-type: none"> <li>Business processes, especially those assessed as higher risk, have controls that are well documented, updated and understood by all staff.</li> <li>Entities verify identity and credentials of all new employees and employees transferring to areas of higher risk, including:               <ul style="list-style-type: none"> <li>verify necessary qualifications</li> <li>review of past work history and referee checks</li> <li>criminal background checks</li> <li>confirm professional memberships are valid.</li> </ul> </li> <li>Supplier credentials are checked, particularly for high-risk or high value purchases, including:               <ul style="list-style-type: none"> <li>Confirm ABN</li> <li>confirm directors are not bankrupt or disqualified.</li> </ul> </li> </ul>

Objective	Principle	What we would expect
<p><b>Detection</b></p> <p>Entities are ready to detect fraud</p>	<p>Detection systems are in place</p>	<ul style="list-style-type: none"> <li>• Entities should implement detection systems, as appropriate to their business needs, to identify potential fraud as soon as possible.</li> <li>• Multiple avenues are in place for staff, the public and suppliers to report concerns.</li> <li>• Reporting processes are well advertised, and include anonymous options.</li> </ul>
<p><b>Response</b></p> <p>Entities are ready to respond to potential fraud</p>	<p>All information is considered</p>	<ul style="list-style-type: none"> <li>• Entities should implement processes to record, analyse and escalate all incidents.</li> <li>• Processes are in place to review internal controls after incidents.</li> </ul>

Source: OAG

# Appendix 3: Summary of local government fraud questionnaire results



Number of responses to question marked in (\*)

Source: OAG

## Appendix 4: Full responses from audited entities

### Shire of East Pilbara

#### *Specific responses to recommendations*

The Shire of East Pilbara agreed with all recommendations. They provided additional comments on recommendations:

2. Agree. But it is noted that the Shire of East Pilbara does have a Fraud and Corruption Plan. Our priority should be to deploy the plan effectively within the organisation and to undertake regular reviews internally
4. Agree. Conflicts of interest are recorded for elected members and key officers who are writing reports and/or attending Council meetings. It is noted that conflicts of interest for staff need to be recorded and this practice needs to be embedded further within the organisation.

### Shire of Katanning

#### *Specific responses to recommendations*

The Shire of Katanning agreed with all recommendations.

### City of Nedlands

The City is encouraged by the audit work of the Office of Auditor General in the local government space and believes that its work to date in providing clarity on governance inconsistencies and interpretation in local government, which is long overdue.

#### *Specific responses to recommendations*

The City of Nedlands agreed with all recommendations and advised they will aim to implement a streamlined and coordinated approach towards risk management within the next 18 months. They provided additional comment on recommendations:

1. Agree. In the past, the City has conducted an organisation wide Risk Assessment program which incorporated a fraud risk assessment. However, the City will aim to undertake the first full fraud risk assessment within next 18 months.
2. Agree. The City will aim to develop and implement a control plan within 8 months.
3. Agree. 2019/20 training will be scheduled followed by annual training.
4. Agree. The City agrees that all conflicts of interest are to be recorded and assessed. At present, the implemented process is to record, assess and manage the declared conflict of interest by the Elected Members and staff for any matter to be discussed at Council meetings. Based on this recommendation the City agrees that procedures should be in place for assessing and recording all conflicts of interest; however, is not aware of the nature, content or need for management plans to achieve this. The City will aim to implement an appropriate Procedure within 8 months.
5. Agree. It is noted that the need for and extent of verification, is a matter to be considered within proper risk assessment, as part of policy and procedures scope. At present, there are verification processes in place for both employees and suppliers. However, there is definitely room for the improvement in this area. Accordingly, the City will aim to review and update its HR and suppliers' policies and procedures within 12 months.

6. Agree. The City will aim to implement this within 12 months.
7. Agree. Once the work around the implementation of streamlined and coordinated approach towards fraud risk management is completed, the City will be able to perform the above task on an ongoing basis.

## Shire of Serpentine-Jarrahdale

The Shire of Serpentine Jarrahdale welcomes the findings and subsequent recommendations of the 2019 Performance Audit for Fraud Prevention in Local Governments. It considers that the report is a balanced representation of areas and a good platform to work towards enhanced fraud management activities.

### *Specific responses to recommendations*

The Shire of Serpentine-Jarrahdale agreed with all recommendations. They provided additional comment on recommendations:

1. Agree. The Shire will continue the fraud risk activities scheduled in the Internal Audit – Interim Audit Plan 2019. Outcomes of the initial risk / control activities will be transitioned to the updated Risk Framework when complete. Timeframe: April 2020.
2. Agree. The Shire will build a framework for management of fraud with a view to integrate into ongoing awareness and training processes inclusive of periodic review. Timeframe: April 2020
3. Agree. The Shire is in the process of implementing a learning and development management system. Induction and code of conduct are scheduled to be the initial modules to be implemented. The modules will be required on a periodic basis and be supported with audit trails and electronic signatures for tracking attendance. Timeframe: December 2019.
4. Agree. Building upon processes implemented to capture all conflicts of interest, the Shire is in the process of rolling out a consistent conflict of interest awareness process and supporting policy / procedure environment. Once the learning and development management system is implemented the Shire will progress to implement a specific module within the system. Timeframe: April 2020.
5. Agree. Employees - Policies will be reviewed to document a risk based approach to the screening of employees including enhancing the approach to assess qualifications, references and background searches. Suppliers - Policies will be reviewed to document a risk based approach to the screening for suppliers including consideration of legal history and checking of supplier Directors. Timeframe: December 2019.
6. Agree. Whistle-blower processes are scheduled to progress. The scope and approach of the processes will be informed by the recommendations of the report. Timeframe: October 2019.
7. Agree. Whistle-blower processes are scheduled to progress. The scope and approach of the processes will be informed by the recommendation of the report. April 2020.

## City of Vincent

The City of Vincent (City) accepts the finding in the report and acknowledges that there are gaps in the City's current management and reporting of potential fraud. The City will table the Summary of Findings to its Audit Committee in August 2019, along with a management plan to address the recommendations identified. The management plan will be monitored by the Audit Committee to ensure all items are adequately completed.

### *Specific responses to recommendations*

The City of Vincent agreed with all recommendations. They provided additional comment on recommendations:

1. Governance will develop and implement a program for the annual review of fraud risks across the business. The proposed implementation date is June 2020. The findings of the annual review will be tabled at Audit Committee, with any items requiring action being included in the Audit Log and monitored by the Audit Committee until completion.
2. Governance will review the City's current Fraud and Corruption Prevention Policy and prepare a control plan which incorporates this policy. The proposed implementation date for the plan is June 2020. The plan will be reported to Audit Committee annually and updated as required.
3. Human Resources with the support of Governance will develop and implement an online fraud awareness training program to be completed by all staff. New staff will be required to complete the training as part of their online induction process and current staff will receive notification to complete the training annually via the induction portal. The proposed implementation date is January 2020.
4. The City currently has a register for Elected Members and senior staff as required by the Local Government Act 1995 and a register to capture and manage any other actual, perceived or potential staff conflicts of interest. Governance, in coordination with Human Resources, will ensure all staff are aware of the conflict of interest disclosure requirements and provide training for new staff as part of the induction process.
5. Human Resources will develop and implement a recruitment and selection policy and procedure (which will include identity and integrity checks) for the City. Human Resources will periodically monitor employees for change of circumstances via a declaration form which WALGA are currently preparing to supply to Local Governments. The proposed implementation date is January 2020. Finance will review and update the City's supplier verification process. The proposed implementation date is December 2019.
6. The City will investigate systems and processes to report any potential fraud, including anonymous reporting. The proposed implementation date is December 2020.
7. The fraud reporting system, as referred to in 6. above, should enable this data to be easily compiled. Governance will periodically review the data.





## Auditor General's reports

Report number	2019-20 reports	Date tabled
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019

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 Office of the Auditor General for  
Western Australia



## Fraud & Corruption Control Plan

DRAFT

## **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.

### **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 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 Deputy Chief Executive Officer. The Deputy 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 **project r** 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 regular 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 transitions 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 Deputy 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.

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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 the funds and resources required to be invested in the recovery action.

#### **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 recommend improvements identified.

Managers will also be responsible for ensuring that recommendation 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, Retgulation5:*
- *Local Government (Audit) Regulations 1996 Regulation 17(1)*

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

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

## 4.14 Secondary Employment

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Person Responsible: Chief Executive Officer  
History: New

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**Policy** The Shire of Dalwallinu recognises that its employee's may engage in secondary employment outside of their employment at the Shire of Dalwallinu. This policy aims to provide guidance to the disclosure, implications and limitations regarding 'secondary' employment' in the context of perceived and actual conflicts of interest with the work conducted at the Local Government.

For the purposes of this policy, secondary employment includes paid employment with another organisation, running a business, maintaining a professional practice or consultancy, contract work and being a director of an organisation. It may also include voluntary activities if those activities have the potential to affect employment with the Shire of Dalwallinu.

**Objective** To provide guidance to employees when considering secondary employment.

**Guidelines** *Commitment*  
The Shire of Dalwallinu will exercise the discretion to consent to an employee's application for secondary employment, unless the secondary employment will, or is likely to have an adverse impact on their employment with the Shire of Dalwallinu. In considering any such application, the Shire of Dalwallinu will have due regard to principles affecting employment by Local Governments under Section 5.40 of the *Local Government Act 1995*.

*Requirement*

An employee must not engage in secondary employment outside the service of the Shire of Dalwallinu without first informing the Chief Executive Officer. The Chief Executive Officer will review the nature of the secondary employment and provide the employee with an outcome. If the Chief Executive Officer elects not to give consent to secondary employment, the Chief Executive Officer must provide an explanation outlining any perceived or actual adverse impact the secondary employment may have on their employment with the Shire of Dalwallinu.

*Conflicts of Interest with the Local Government*

Secondary employment can lead to conflicts of interest and/or conflicts of duties. An employee must not use Shire of Dalwallinu time,

resources, or information obtained from the Shire of Dalwallinu in the course of secondary employment, or otherwise take advantage of their position at the Shire of Dalwallinu for the benefit of their secondary employment.

An assessment of any secondary employment will be undertaken annually or more regularly if required in order to minimise risks including but not limited to:

- the creation of an actual or perceived conflict of interest between official and private business interests;
- misuse of Shire of Dalwallinu resources, especially telephone, email and office stationery and material;
- unauthorised use of information and intellectual property;
- absenteeism due to competing commitment;
- diminished work performance resulting from tiredness, distraction or time pressures;
- increased load on co-workers who must 'cover' the reduced performance of one employee; and
- adverse effects on the public's perception of the integrity of the Shire of Dalwallinu.

#### *Responsibility of Employee*

An employee must avoid and appropriately resolve any conflict or incompatibility between his or her private or personal interests and the impartial performance of his or her public or professional duties.

Employees with approval to engage in secondary employment have a duty to notify the Chief Executive Officer of any change in circumstances which might give rise to a conflict of interest, incompatibility with their Shire of Dalwallinu employment or any real or perceived adverse impact on their performance of professional duties.

#### *Responsibility of the Chief Executive Officer*

The Chief Executive Officer may deny an application to engage in secondary employment where it presents a conflict with their Shire of Dalwallinu duties.

The Chief Executive Officer may make the termination of secondary employment a condition of commencement or continuation of employment with the Shire of Dalwallinu. Further, the Chief Executive Officer may place any necessary restrictions on secondary employment so as to not interfere with the position with the Shire of Dalwallinu. An employee who engages or continues to engage in secondary employment after being informed that their application has been denied may be subject to disciplinary action. In some circumstances, the Shire of Dalwallinu may be obliged to notify an

external agency, such as the Corruption and Crime Commission, if the secondary employment arrangement requires further investigation.

The Chief Executive Officer may delegate his/her authority to deal with all or any part of this policy and procedure to an appropriate Officer.

#### *Voluntary & Community Organisations*

Shire of Dalwallinu employees are encouraged to contribute to the community and be involved in voluntary and community organisations. Within the context of this Policy, an employee is free to fully participate in voluntary and community organisations, charities and in professional associations. However, this must be in the employee's own time, except where permission is granted by the Chief Executive Officer for participation during work hours. Refer *Policy 4.1 Voluntary Service*.

#### *Appeals*

If an employee who does not receive approval from the Shire of Dalwallinu to undertake secondary employment wishes to appeal the decision, they are entitled to make their appeal in writing to the Chief Executive Office for reconsideration.

#### *Variation to this Policy*

This policy may be cancelled or varied from time to time. All the Shire of Dalwallinu employees will be notified of any variation to this policy by the normal correspondence method. All employees are responsible for reading this policy prior to engaging in secondary employment.