

Fraud & Corruption Control Plan 2020-2022





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1. Executive Summary

1.1 Introduction

The Shire of East Pilbara (“the Shire”) is committed to the prevention, detection, response and monitoring of fraud and corrupt activities.

Fraud and corruption can occur in a variety of ways and it is important for everyone in our organisation to have a good understanding of what constitutes fraud and corruption so that they can recognise it and take action to prevent it.

Fraud and corruption is illegal, and contrary to the organisational values of the Shire. The Shire aims to foster a culture which upholds trust and honesty as part of its core values. In doing so, the Shire will ensure that the effective prevention of fraud and corruption is an integral part of its operating activities.

1.2 Purpose

The purpose of this Plan is to demonstrate that the Shire is committed to ensuring that fraud and corruption does not occur, and to detail the practical steps we will undertake to achieve this.

This Plan aims to:

- Reduce the potential for fraud and corruption within and against the Shire;
- Build a culture which seeks to prevent fraud and corruption;
- Apply resources to the prevention of fraud and corruption; and
- Explain how suspected instances of fraud and corruption are dealt with.

This Plan comprises four stages: planning and resourcing; prevention; detection; and response.

1.3 Definitions

Fraud is defined by Australian Standard AS8001-2008 as:

“Dishonest activity causing actual or potential financial loss to any person or entity including theft of monies or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity.”

Corruption is defined by Australian Standard AS8001-2008 as:

“Corruption is dishonest activity in which an employee or contractor of the entity acts contrary to the interests of the entity and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or organisation. The concept of ‘corruption’ can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity.”

1.4 Roles and Responsibilities

Council

Council has the responsibility to adopt the Fraud and Corruption Prevention Policy and Plan.

Audit Committee

In relation to fraud control, the Audit Committee's responsibilities include:

- Reviewing risk management frameworks and associated procedures for the effective identification and management of fraud risks;
- Overseeing development and implementation of the Fraud and Corruption Prevention Plan, and to provide assurance that the Shire has appropriate processes and systems in place to prevent, detect and effectively respond to fraud-related information; and
- Providing leadership in preventing fraud and corruption.

Chief Executive Officer (CEO)

The CEO applies the Shire's resources to fraud prevention and ensures the implementation of adequate controls for managing fraud and corruption risks within the Shire.

The CEO, under the *Corruption, Crime and Misconduct Act 2003* must notify the Corruption and Crime Commission or the Public Sector Commission if misconduct is suspected.

Leadership Team (Executive, Managers, Coordinators/Supervisors)

The Leadership team is responsible for implementing the Fraud and Corruption Prevention Plan. In particular, the Leadership Team must:

- Provide leadership, guidance, training and support to employees in preventing fraud and corruption;
- Identify high fraud risk areas;
- Participate in fraud and corruption risk assessment reviews;
- Monitor the continued operation of controls;
- Report suspected fraud and corruption promptly, maintaining confidentiality; and
- Ensure the protection of complainants who report fraudulent and corrupt activities.

Public Interest Disclosure (PID) Officer

PID Officers investigate disclosures, and take action following the completion of investigations under the *Public Interest Disclosure Act 2003*.

Manager Human Resources

The Manager Human Resources is responsible for managing the grievance and discipline process.

Coordinator Governance

The Coordinator Governance is responsible for:

- Coordinating the fraud and corruption risk assessment process;
- Developing and maintaining this Fraud and Corruption Prevention Plan, in consultation with key stakeholders;
- Communicating the existence and importance of the Fraud and Corruption Prevention Plan; and
- Delivering and/or coordinating fraud and corruption training.

All Employees

All employees have a responsibility to contribute to preventing fraud and corruption by following the Code of Conduct, complying with controls, policies and processes; resisting opportunities to engage in fraudulent or corrupt behaviour; and reporting suspected fraudulent or corrupt incidents or behaviour.

1.5 Reporting Suspected Fraud and Corruption Incidents

Reporting through the Grievance Settlement Procedure

The grievance resolution process contains an informal and formal stage.

The informal stage allows for grievances to be resolved directly and promptly by the key people involved, with or without the assistance of others, keeping procedural requirements to a minimum.

Where satisfactory resolution of the issues is not achieved, the matter will progress to the formal stage. The formal stage commences when an aggrieved party details a complaint in writing to the organisation via their direct manager, the HR Manager or the CEO.

Making a Disclosure of Public Interest Information (PID)

The PID procedure is designed to encourage and facilitate the disclosure of improper conduct, provide protection for those who make disclosures, and provide protection for those who are the subject of a disclosure.

Detailed guidelines for making, receiving and investigating a disclosure are outlined in the Shire of East Pilbara PID Guidelines. Please refer to this document for further advice.

Making an anonymous fraud or corruption report



Anonymous complaints may be made to a range of external agencies such as the Crime and Corruption Commission or the Public Sector Commission. Please refer to their websites for further details.



2. Planning and Resourcing

This stage of the Fraud and Corruption Prevention plan outlines the actions the Shire will undertake to develop and implement the Plan.

| Objective | Action | Officer | Timing |
|--|--|--|-----------------|
| Planning | Develop a Fraud and Corruption Control Plan. | EMCS | Complete |
| | Monitor the operation of the Fraud and Corruption Control Plan through the internal audit processes. | Coordinator Governance | Annual |
| | Communicate the Fraud and Corruption Control Plan. | Coordinator Governance | Ongoing |
| | Review the Fraud and Corruption Control Plan. | Coordinator Governance | Every two years |
| Ensure that an appropriate level of resources is applied to controlling fraud and corruption risk. | Appoint a Fraud and Corruption Control Officer. | Coordinator Governance to assume the role of Fraud and Corruption Control Officer. | Ongoing |
| Internal Audit Activity | Fraud and Corruption risks are considered and featured in internal audit activities. | Coordinator Governance | Ongoing |



3. Prevention

This stage of the Fraud and Corruption Prevention Plan outlines the systems, frameworks and processes the Shire has in place to support the prevention of fraud and corruption.

| Objective | Action | Officer | Timing |
|---|--|-------------------------|--|
| Implementing and maintaining an integrity framework | Corporate Governance Framework reviewed, maintained and communicated. | Coordinator Governance | Annual |
| | Leadership Team – lead by example in which behaviours to follow. | CEO, Executive Managers | Ongoing |
| | Code of Conduct reviewed, maintained and communicated. | Coordinator Governance | Annual |
| | Ethical culture and awareness of fraud and corruption prevention to be promoted and monitored through Code of Conduct training. | Manager Human Resources | On induction for new employees and re-induction for current employees. Any breaches of the Code of Conduct will be monitored and reported through to the Exec Team twice yearly. |
| | Declarations of interest procedures to be maintained and reviewed. | Coordinator Governance | Every 2 years |
| | Staff advised of their obligations when receiving gifts and reporting in the Gifts Register | Coordinator Governance | As required |
| Senior Management Commitment to Controlling Risks of fraud and corruption | Leadership Team should have a high level awareness of the risks of fraud and corruption, and if not, appropriate awareness training should be provided | CEO, Executive Managers | Ongoing |
| Accountability | Statement to promote staff accountability for their own work processes. | Coordinator Governance | Ongoing |
| | Fraud and Corruption Control responsibilities incorporated into the performance management system. | Manager Human Resources | Ongoing |
| | Preventing fraud and corruption should be specified in the position description of line managers. | Manager Human Resources | Ongoing |
| | Line managers should receive appropriate training on fraud and | Manager Human Resources | Annual |



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| | corruption control and during this training should be informed of their specific fraud and corruption control accountability | | |
| Internal Controls | Internal Controls Policy reviewed, maintained and communicated. | EMCS | Every 2 years |
| | Biannual reports to the Audit Committee on the review and improvement of the Shire's internal control framework. | Coordinator Governance | Biannual |
| | Fraud and Corruption Control Policy/Plan available to all staff via the Document Centre. | Coordinator Governance | Ongoing |
| | Internal audit to regularly review processes and provide recommendations in respect of fraud and corruption risks. | Coordinator Governance | Audits conducted annually |
| Assessing Fraud and Corruption Risk | Identify fraud and corruption risks within a separate risk register | EMCS | Ongoing |
| | Adopt a policy for the identification, analysis and evaluation (risk assessment) of fraud and corruption risk. | Coordinator Governance | To be completed. |
| | Continually assess fraud and corruption risks | Audit Committee | Quarterly |
| | Monitor and review the fraud and corruption risk register. | EMCS | Annual |
| Communication and Awareness | Communicate fraud and corruption awareness through the Staff Newsletter. | Coordinator Governance/Media Relations Officer | Ongoing |
| | Ensure all new employees receive Code of Conduct training in their induction and throughout the period of their employment, appropriate to their level of responsibility. | Manager Human Resources | On induction for new employees and every 2 years for current employees. |
| | Ensure updates and changes to fraud-related policies, procedures, Code of | Coordinator Governance | As required |



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| | Conduct etc. are effectively communicated to all employees. | | |
| | Ensure staff are aware of the alternative ways in which they can report allegations of fraud or unethical conduct. | Coordinator Governance | Ongoing |
| | Encourage staff to report any suspected incidences of fraud or corruption. | Leadership Team – CEO and Exec Managers | Ongoing |
| Employment Screening | Pre-employment screening to validate applicant qualifications, transcripts and other certifications. | Manager Human Resources | As required |
| | Develop an employment screening policy/ procedure. | Manager Human Resources | Completed. Refer to Recruitment and Selection Standards. |
| | Police clearance required for all new employees. | Manager Human Resources | As required |
| | Re-validation checks of criminal history | Manager Human Resources | Every 5 years |
| | Verification of identity requiring at least two forms of identity documentation (passport, birth certificate, driver's licence etc.) | Manager Human Resources | As required |
| | A consideration of any gaps in employment history and the reasons for those gaps. | Manager Human Resources | As required |
| | Working with Children Checks required for all staff working with children. | Manager Human Resources | As required |
| Supplier and Customer Vetting | Develop a process that provides effective vetting of suppliers and customers to confirm they are bona fide. | Coordinator Procurement | To be completed. |
| Controlling the risk of corruption | Make a strong anti-corruption statement which is properly communicated and then consistently applied throughout the organisation. | Coordinator Governance | To be included within the Shire's vision. |
| | Undertake 'vendor audits' of high-risk providers. | Coordinator Procurement | As required. |



4. Detection

This stage of the Fraud and Corruption Prevention Plan outlines strategies in place to detect or expose fraud and/or corruption.

| Objective | Action | Officer | Timing |
|------------------|---|-----------------------------|---------------|
| Detection system | Conducting unscheduled internal reviews and audits on a surprise basis. | Coordinator Governance | Ad hoc |
| | Comprehensive Fraud and Corruption risk audit to include a review of: <ul style="list-style-type: none"> • IT and information security • Grants and other payments • Tendering processes, purchasing and contract management • Services provided to the community • Revenue collection • Use of credit cards • Travel allowance and other allowances • Salaries • Money, property and other physical assets. | Coordinator Governance | Every 2 years |
| | Internal Audits conducted as per the Internal Controls Policy. | Coordinator Governance | Annual |
| | Biannual reports to management, the Audit Committee and Council regarding the position of Risk Management, Internal Controls and Legislative Compliance. | Coordinator Governance | Biannual |
| External Auditor | External Auditor to conduct a review every 2 years on the areas of Risk Management, Internal Controls and Legislative Compliance, as per Regulation 17 of the <i>Local Government (Audit) Regulations 1995</i> . | Manager Corporate Services | Every 2 years |
| | External Auditor to conduct a review every four years on Council's financial internal controls, as per Regulation | Manager Corporate Services. | Every 4 years |



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| | 5(2)(c) of the <i>Local Government (Financial Management) Regulations 1996</i> . | | |
| Avenues for reporting | Consider developing a policy of mandatory reporting of known or suspected fraud or corruption. | EMCS | Completed. Consider at Exec Meeting on 19 March 2019. |
| | Ensure that adequate means for reporting suspicious or known illegal or unethical conduct are available to all personnel. | Coordinator Governance | Ongoing. |
| Public Interest Disclosure | Public Interest Disclosure Guidelines to be maintained and reviewed. | Coordinator Governance | Annual |
| Whistleblower Protection | Implement a policy for the active protection of whistleblowers, | Coordinator Governance | To be completed. |



5. Response

This stage of the Fraud and Corruption Prevention Plan outlines the processes for responding to fraud and corruption within the Shire, and the channels for ensuring improvements are made.

| Objective | Action | Officer | Timing |
|-------------------------------------|--|-------------------------|---|
| Policies and procedures | Fraud and Corruption Control Policy/Plan reviewed, maintained and communicated. | Coordinator Governance | Every 2 years |
| Investigation | Internal investigations as per the Grievance Settlement Procedure. | Manager Human Resources | As required |
| | External investigations as per PID requirements. | PID Officers | As required |
| Internal Reporting | Internal reporting as per the Grievance Settlement Procedure. | Manager Human Resources | As required |
| | Develop and maintain a fraud and corruption incident register. | Coordinator Governance | To be developed |
| | Analyze fraud and corruption register and report any identified trends. | Coordinator Governance | Annual |
| Disciplinary procedures | As per the Grievance Settlement Procedure. | Manager Human Resources | As required |
| External Reporting | Ensure there is a policy/procedure for how allegations of fraud and corrupt conduct should be reported to the police, other appropriate law enforcement agency, or other government body. | Coordinator Governance | Completed. Documented within the Fraud and Corruption Control Policy. |
| | CEO to report any improper conduct that amounts to corrupt conduct as per the <i>Corruption, Crime and Misconduct Act 2003</i> . | Chief Executive Officer | As required |
| Civil Action for Recovery of Losses | Develop a policy requiring that recovery action be undertaken 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. | Coordinator Governance | To be completed. |



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| Review of Internal Controls | Where fraud is detected, assess adequacy of internal controls and consider whether improvements are required. | Coordinator Governance | As required. |
| Insurance | Maintain a fidelity guarantee insurance policy that insures the entity against the risk of loss arising from internal fraudulent conduct. | Chief Executive Officer | To be completed. |