

Moira Shire Council

Fraud and Corruption Control Plan

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| Responsible Director | Corporate Performance |
| Responsible Officer | Manager Governance, Risk and Performance |
| Date endorsed | 27 November 2024 |
| Scheduled for review | This plan will be reviewed two years from the date of adoption, or sooner if required. |

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document (such as spelling/typographic errors, change to the name of a Council department, a change to the name of a State Government department). Administrative updates can be made in accordance with the Policy Framework Guidelines.

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INTRODUCTION

Council is committed to the prevention, detection and response to all forms of fraudulent and corrupt conduct and the protection of public funds, property and information.

This Fraud and Corruption Control Plan sets out the approach to the implementation and review of fraud and corruption prevention, detection, response strategies.

This plan is based on the principles and guidelines contained in *AS:8001:2021 Fraud and Corruption Control*.

PURPOSE

The purpose of the Fraud and Corruption Control Plan is to:

- identify potential vulnerabilities within the organisation and address them proactively to reduce the risk of fraud.
- educate staff about fraud risks and how to recognise suspicious behaviour, fostering a culture of vigilance.
- establish a clear protocol for identifying, reporting and investigating suspected fraud, ensuring immediate action when issues arise.
- implement processes and checks to monitor transactions and activities, making it harder for fraudulent activities to occur.
- ensure adherence to legal and regulatory requirements, minimising the risk of penalties and reputational damage.
- regularly review and update the plan to adapt to new threats and changes in the organisational environment.
- build confidence among stakeholders that the organisation prioritises integrity and ethical behaviour.

SCOPE

This plan applies to all Councillors/Administrators, employees, contractors, volunteers of Council. The plan applies to internal and external fraud.

DEFINITIONS

| Term | Definition |
|-------------------|--|
| CEO | Chief Executive Officer. |
| Collusion | Agreement between people to act together secretly or illegally in order to deceive or cheat someone. |
| Corruption | <p>As defined in AS8001, corruption is dishonest activity in which a person associated with an organisation acts contrary to the interest of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation. This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of and in the interest of the organisation, in order to secure some form of improper advantage for the organisation either directly or indirectly.</p> <p>Corrupt conduct is defined by section 4 of the <i>Independent Broad-Based Anti-Corruption Commission Act 2011</i>.</p> |
| Council | Moira Shire Council. |

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| Councillor | A person who holds the office of member of Council as defined by the <i>Local Government Act 2020</i> including Administrators in accordance with the <i>Local Government (Moira Shire Council) Act 2023</i> . |
| External fraud | As defined in AS8001, external fraud is fraudulent activity where no perpetrator is employed by or has a close association with the target organisation (Council). |
| Fraud | As defined in AS8001, fraud is defined as dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys 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. |
| Fraud and Corruption Control System (System) | As defined in AS8001, a Fraud and Corruption Control System is the framework for controlling the risks of fraud and corruption against or by an organisation. |
| Internal fraud | As defined in AS8001, internal fraud is fraudulent activity where at least one perpetrator is employed by or has a close association with the target organisation (Council) and has detailed internal knowledge of the organisation's operations, systems and procedures. |
| Nepotism | A form of favouritism based on acquaintances and familiar relationships whereby someone in an official position exploits their power and authority to provide a job or favour to a family member or friend, even though they may not be qualified or deserving. |
| Public Interest Disclosure | A disclosure made in accordance with Part 2 of the <i>Public Interest Disclosure Act 2012</i> . A public interest disclosure is one which is made by a natural person or group of people who has reasonable grounds for the belief that a public officer or public body has engaged in or intends to engage in improper conduct in their official capacity, or detrimental action. |
| Public Interest Disclosure Coordinator (PIDC) | A local point of contact for individuals seeking general information about public interest disclosures. |
| Substantiated fraud | The amount of fraud the organisation has substantiated through the collection of evidence. |
| Suspected fraud | This can consist of reports of fraud and corruption irrespective of the source. |

ROLES AND RESPONSIBILITIES

| Role | Responsibilities |
|--|--|
| Councillors | <ul style="list-style-type: none"> • Adopting the Fraud and Corruption Control Policy. • Modelling honesty and integrity across the organisation as outlined in their Code of Conduct. • Ensuring that Management has appropriate measures in place to detect and prevent fraud. |
| Chief Executive Officer (CEO) | <ul style="list-style-type: none"> • Primary responsibility for fraud and corruption control and compliance with the Fraud and Corruption Control Policy and Plan throughout the organisation. • Ensuring that an effective fraud and corruption control system is established and maintained. • Receiving reports relating to suspected cases or incidents of fraud. • Determining the appropriate course of action for each reported case in regard to communication and investigation. • Expeditiously reporting to IBAC as required, in accordance with mandatory reporting requirements. |
| Executive and Senior Leaders | <ul style="list-style-type: none"> • Complying with legislation and Council policies and practices. • Receiving reports relating to suspected events or incidents of fraud and corruptions. • Ensuring staff understand their responsibilities through adequate supervision, acting within their delegated powers, written procedures and position descriptions. • Ensuring that appropriate corporate systems, procedures and controls designed to prevent and detect fraud are in place and managed within their departments and operational units. • Responding positively to matters raised and advice given by internal and external audit and implementing agreed recommendations in a timely manner. • Ensuring that staff implement recommendations to eliminate or reduce the risk of fraud and corruption. • Ensuring that appropriate action is taken if changes in their functional area result in new fraud risks. |
| Manager Governance, Risk and Performance | <ul style="list-style-type: none"> • Coordinating the review of Council' Fraud and Corruption Control Policy and Plan. • Coordinating a periodic Fraud and Corruption Risk Assessment, in line with Council's Risk Management Framework. • Preparation of fraud and corruption risk reporting in line with Council's Risk Management Plan. |
| Public Interest Disclosure Coordinator (PIDC) | <ul style="list-style-type: none"> • Encouraging direct reporting of concerns to the IBAC but can receive and notify the IBAC of potential public interest disclosures regarding Council employees, contractors and volunteers. • Supporting the CEO in expeditiously reporting to IBAC as required, in accordance with mandatory reporting requirements. • Assisting the IBAC investigators. • Ensuring the welfare of disclosers by appointing welfare officers as required in accordance with Council's Public Interest Disclosure Policy. |

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| | <ul style="list-style-type: none"> • Working to make employees aware of the public interest disclosure legislation. |
| Manager People and Culture | <ul style="list-style-type: none"> • Ensuring the recruitment related practices which underpin fraud prevention are carried out in accordance with the Recruitment and Selection Policy and Procedures. • Coordinate disciplinary action where required. • Ensuring Fraud and Corruption training is delivered in accordance with this plan. |
| Employees, Contractors and Council volunteers | <ul style="list-style-type: none"> • Acting with propriety in all Council activities and not using their position with the Council to gain personal advantage or to confer advantage, or disadvantage, on any other person. • Safeguarding Council assets against theft, misuse or improper use. • Reporting any suspicion of fraud. • Conducting themselves with honesty, accountability and integrity and in line with the Employee Code of Conduct and Corporate Values. |
| Audit & Risk Committee | <ul style="list-style-type: none"> • Reviewing Council's Fraud and Corruption Control policies, plans and controls at least every two years. • Receiving reports from management about actual or suspected instances of fraud or corruption including analysis of the underlying control failures and action taken to address each event. • Reviewing reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies. • Receiving reports on Council's Fraud and Corruption risks in accordance with Council's Risk Management Plan. |
| Internal and External Audit | <ul style="list-style-type: none"> • Playing an important role in the prevention and detection of fraud by independently reviewing systems, procedures and controls to ensure there are adequate safeguards to prevent, detect and respond to fraud and corruption; with particular attention paid to areas where there is a significant risk. • Providing findings and recommendations to Council for consideration. • Certifying that Council's accounts represent a true and fair view of the Council's financial position (Undertaken by External Auditor – Victorian Auditor General's Office). |

FRAUD AND CORRUPTION CONTROL SYSTEM

Council's system for fraud and corruption control

This plan forms part of Council's Fraud and Corruption Control System (system), which also includes:

- Fraud and Corruption Control Policy.
- Fraud and Corruption Risk Assessments.
- Supporting documents, policies and other internal controls that compliment fraud and corruption prevention, detection and response including Council's Risk Management Framework, Codes of Conduct and Corporate Values, Delegations, Recruitment policies and procedures, Public Interest Disclosure Policy and procedures & Disciplinary procedures.

The system will enable:

- A formal, structured approach to fraud and corruption prevention, detection and response as detailed in this plan.
- An approach that is consistent with the principles of AS8001:2021 Fraud and Corruption Control.
- Integration of the fraud and corruption risk assessment process with Council's Risk Management Framework.

Examples of Fraud

Fraud is dishonest activity involving deception that causes actual or potential financial loss.

Examples of fraud include but are not limited to:

- theft of money or property.
- falsely claiming to hold qualifications.
- false invoicing for goods or services not delivered or inflating the value of goods and services.
- theft of intellectual property or confidential information.
- falsifying an entity's financial statements to obtain an improper or financial benefit.
- misuse of position to gain financial advantage.

Examples of Corruption

Corruption is dishonest activity in which employees act against the interests of their employer and abuse their position to achieve personal gain or advantage for themselves or others.

Examples of corruption include but are not limited to:

- payment or receipt of bribes.
- a serious conflict of interest that is not managed and may influence a decision.
- nepotism, where a person is appointed to a role because of their existing relationships, rather than merit.
- manipulation of procurement processes to favour one tenderer over others.
- gifts or entertainment intended to achieve a specific outcome in breach of an agency's policies.

Fraud and Corruption Risk Assessment

Council's Operational Risk Register will describe Council's current fraud and corruption risk context.

A Fraud and Corruption Risk Assessment will be completed in accordance with the principles of AS/NZ ISO 31000:2018 *Risk Management* and Council's Risk Management Framework to enable Council to identify and assess potential areas of fraud risk and developing fraud prevention and control strategies. The risk assessment will:

- Identify and assess the inherent risk of fraud and corruption.
- Identify and determine the effectiveness of existing control measures.
- Enable judgements to be made on any additional fraud mitigation strategies, if required.

Oversight and reporting of fraud and corruption risks will be undertaken in accordance with Council's Risk Management Framework.

Audit and Risk Committee Oversight

The Audit & Risk Committee provides a key role in monitoring the Council's fraud control processes. The Audit and Risk Committee will receive reports of Fraud and Corruption events and risk reporting in accordance with Council's Risk Management Framework.

The Audit & Risk Committee will review whole of organisation risk and will determine the Annual Internal Audit Plan delivered by the Internal Auditor. Internal review of controls (systems, processes and procedures) will be undertaken by Council staff as identified in the fraud risk assessment, and/or may be selected by the Audit & Risk Committee for internal audit as part of the Annual Internal Audit Plan.

The role of Internal Audit and External Audit

Council maintains an internal audit program which is conducted by an external company. The external company is appointed by Council and the internal audit program is determined by the Audit and Risk Committee. The internal audit function provides independent and objective assurance that appropriate processes and controls are in place across Council and can sometimes detect instances of fraud and corruption. The Governance, Risk and Performance Team coordinate the audits.

External audit can detect material misstatements in Council's financial statements due to fraud or error. The Council's external auditors meet with the Audit & Risk Committee:

- Prior to conducting audits, where they present the audit methodology.
- After conducting the audit, where they present a closing report.

1. PREVENTION STRATEGIES

Codes of Conduct and Values & Behaviours

Council's Codes of Conduct is a key enabler in delivering the sound and ethical culture required in the prevention of fraud and corruption throughout the organisation.

Council's Employee Code of Conduct, Corporate Values & Behaviours and Competency Framework set the behavioural expectations of employees. The Code of Conduct sets out the consequences where employees have been found to not conduct themselves in accordance the code or other Council policies and procedures.

Council is developing a Workplace Behaviours training module which will compliment these key documents. The module will be rolled out to employees upon commencement and delivered across the organisation as refresher training every two years, or as deemed necessary.

Supervisors and Managers shall set the example regarding exercising and demonstrating high levels of integrity in the execution of their roles and functions by regularly reminding employees of the importance of complying with Council's Employee Code of Conduct, Fraud and Corruption Control Policy and Plan.

Although not directly governed by the Employee Code of Conduct, contractors, volunteers and external parties are also expected to behave in a way consistent with the Code and relevant policies and procedures when they work for and represent Council.

Councillors' responsibilities are articulated in the *Local Government Act 2020* and their Code of Conduct. In accordance with the *Local Government (Governance and Integrity) Regulations 2020*, Councillors are provided with induction training which addresses a range of topics including standards of conduct, practices around interaction between members of Council staff and Councillors and misconduct.

Pre-employment screening

Pre-Employment screening will be undertaken for all recruitment in accordance with Council's Recruitment and Selection Policy. This screening process will provide a high level of assurance as to the integrity, identity and credentials of prospective employees.

Council undertakes the following pre-employment checks:

- Police checks.
- Reference checks.
- Experience and qualifications checks.

Other pre-employment screening may be required depending on the role, such as Functional Assessments, Psychometric Testing and Working with Children Checks.

Screening and ongoing management of contractors

Council contractors and suppliers are required at all times to act honestly and with integrity, and to safeguard the public resources for which they are responsible. Council is committed to protecting all revenue, expenditure and assets from any attempt to gain illegal benefits (financial or otherwise).

Council's Procurement Policy sets out the process to be followed when engaging contractors and suppliers. To manage the risks associated with the contract processes, all tenderers are required to:

- Acknowledge if they have any conflict of interest that may arise during the tender period or compromise the proper execution of the works during the contract period.
- Acknowledge they have not engaged in any practices (collusive tendering) that have contravened the *Competition and Consumer Act 2010* in relation to the preparation or submission of the tender response.
- Acknowledge their tender submission can be verified through current and previous works and company references.

Council will also undertake supplier vetting for new and ongoing suppliers (as deemed appropriate) such as:

- Search of company register.
- ABN and bank account confirmation.
- Verification of the personal details of directors.
- Director bankruptcy search.
- Disqualified director search.
- Educational qualifications claimed.
- Assessment of credit rating.
- Search of legal proceedings pending, and judgments entered.
- Telephone listing verification.
- Trading address verification.

Fraud and Corruption Awareness Education and Training

Corporate Induction and Fraud and Corruption Awareness Training is Council's method for ensuring that all employees are aware of their responsibilities for fraud control and of the expectations for ethical behaviour in the workplace.

The awareness of fraud is promoted through Council by:

- Ensuring all new staff receive a briefing on fraud and corruption and Council's Fraud and Corruption Control Plan and Public Interest Disclosure Policy at induction and orientation.
- Ensuring new staff read and acknowledge Council's Employee Code of Conduct.
- Ensuring that regular Fraud and Corruption Awareness training is provided, which will be included in the induction program for all new staff and delivered across the organisation as refresher training every two years, or as deemed necessary.
- Ensuring updates and changes to fraud related policies and other ethical related pronouncements are effectively communicated.
- Ensuring staff have access to information about how they can report allegations or concerns regarding alleged fraud or corruption.
- Continually encouraging staff to act ethically and to report any suspected incidents of fraud.

Conflicts of Interest

The management of conflicts of interest is an integral part of establishing an ethical culture. Of primary concern within a government organisation is the conflict between private and public interests, and the effective management of this issue.

To mitigate the risk of fraud and corruption, Councillors, employees and volunteers are required to disclose any conflict of interest and exclude themselves from the decision-making process. This includes when exercising a power of delegation or a statutory power, duty or function, including actions taken as an authorised officer.

The Administrator/Councillor Code of Conduct, Employee Code of Conduct and Governance Rules provide guidance regarding conflicts of interests, along with Local Government Victoria's 'In the Public Interest Guide'.

Council will ensure that regular conflict of interest training and education is provided, which will be included in the induction program for all new staff and delivered across the organisation as refresher training every two years, or as deemed necessary.

Gifts, Benefits and Hospitality

Councillors and employees should not accept gifts, benefits and hospitality, if it is likely to be perceived by a 'reasonable person' as intended to influence them in the fair, impartial and efficient discharge of their duties.

Council has adopted a Gifts, Benefits and Hospitality Policy which applies to Councillors and employees. Where a gift, benefit, hospitality and token benefit are accepted in accordance with the policy, a declaration is required to be completed. A register of disclosed gifts, benefits and hospitality is maintained by the Governance, Risk and Performance Team and will be monitored to identify any systematic patterns of gifts offered and accepted to ensure that unacceptable cultures do not develop within sections of the Council.

This register is reported to the Executive Management Team and the Audit and Risk Committee at where any patterns or risks are identified.

A public register is also published to give the public confidence that the offering of gifts, benefits and hospitality is appropriately managed to avoid influence in decision making and prevent fraud and corruption occurring.

Security

Physical Security

Council's tangible assets (including plant and machinery and equipment) represent significant store of value. Theft of Council's assets (whether tangible or intangible) by an employee or other person connected with the Council is deemed 'fraud' and therefore within the scope of this Plan.

Appropriate measures are put in place to prevent the theft of valuable tangible assets. These measures include a consideration of the following:

- Security patrols
- Access controls
- Passwords
- Locks, gates, fences
- Alarms
- Video surveillance

Information Security

Information is a critical asset that enables the Council to fulfil its functions. The effective use and protection of Council information allows it to deliver its services, provide community transparency and protects the community, stakeholders and the organisation from harm.

The types of information security controls include but not limited to:

- Information Security Awareness and Training.
- Information Technology Security Policy.
- Information Technology Acceptable Use Agreement.
- Protected Data Security Plan.
- Password access to information commensurate with delegations of authority, role and responsibilities.
- Stringent permissions hierarchy applied to sensitive and confidential information.

Fraud and Corruption Risk Assessment

Council will ensure that business processes are subject to a system of internal controls that are well documented, regularly updated and understood by those involved in related processes. This assurance will be provided through undertaking Fraud and Corruption Risk Assessments.

Council's documented Fraud and Corruption Risks and identified controls are attached as Appendix A.

Other critical controls identified that relate to a number of fraud and corruption risks include:

- Segregation of duties
- Standard operating procedures
- Delegations

2. DETECTION STRATEGIES

Identification of early warning signs

The identification of early warning signs of fraudulent activity is an important part of early fraud detection. The key to an early warning capability is awareness and the fraud awareness training includes identification of early warning signs and how to respond.

All staff and in particular managers and supervisors should be aware of their responsibility to remain vigilant to identify and report suspected fraud.

Signals of potential fraud can be:

- Illogical excuses and reasons for unusual events or actions.
- Senior staff involved in routine process work.
- Staff appearing to live beyond their means.
- Excessive staff turnover.
- Staff who do not take holidays for extended periods.
- Potential conflicts of interests not declared.
- Lack of segregation of duties.
- Undue secrecy or excluding people from available information.
- Unwillingness to train replacement staff to relieve during periods of absence.
- Lack of Standard Operating Procedures (SOPs) and unwillingness to develop them.
- Repeated failures to meet agreed deadlines.
- Lack of cooperation with auditors.
- Evidence of failure to comply with stated control activities.
- Unauthorised changes to systems or work practices.
- Missing documentation.
- Blind or rushed approval requests.
- Alterations of key documents (timesheets, logbooks).

Exit surveys and interviews

Exit surveys and interviews can be useful in eliciting information about suspected fraud and corruption from a departing employee.

Once the People and Culture Department has been notified of the employee's resignation, they will provide the employee with a voluntary Exit Questionnaire/Survey for the employee to complete in accordance with Council's Exit Policy and Procedure.

Post transactional reviews

Post-transaction reviews may be used to review a targeted sample of transactions with a particular focus on authorisation, adherence to guidelines on expenditure receipting, and missing documentation. This option may identify or uncover altered documents or missing documentation, falsified or altered authorisations or inadequate documentary support or inexplicable and unexpected variations.

Data analytics

The application of sophisticated (and sometimes unsophisticated) software applications and techniques where a series of suspicious transactions can be identified and then investigated which can identify anomalies at an early stage. Data analysis is a powerful means of detecting fraud and other improper behaviours. It is a process of uncovering patterns and relationships in datasets that on face value appear unrelated, highlighting activity of fraud and irregular behaviour, or to explain what lies behind previously identified discrepancies. For example, this might include such tests as searching Accounts Payable data for repeated invoice numbers to identify duplicate payments or analysing Payroll data for duplicate bank account numbers to uncover a 'ghost employee' through payroll fraud.

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.

Reporting process

A trusted reporting system is an effective way to identify fraud and corruption early and expose weak internal control systems. Council encourages prompt reporting of suspicions of fraudulent or corrupt conduct.

Reports of fraud and corruption or suspected fraud and corruption by employees, volunteers, contractors and committee members can be made directly to IBAC or the Victorian Ombudsman in accordance with the Council's Public Interest Disclosure Policy who will assess and determine whether the report is considered a public interest disclosure. Disclosures can also be made to a Supervisor or Manager or to Council's Public Interest Disclosure Coordinator.

Reports regarding Councillors must be made directly to IBAC or the Victorian Ombudsman in accordance Council's Public Interest Disclosure Policy.

Protection for those making a disclosure

Those that make a disclosure will be protected by Council in accordance with its Public Interest Disclosure Policy and as required by the *Public Interest Disclosures Act 2012*.

The Act also requires information about the identity of a discloser and the content of a Public Interest Disclosure to be kept confidential.

Natural justice

Council respects the rights of individuals and has a commitment to the principles of natural justice, compliance with the *Public Interest Disclosures Act 2012* and the Charter of Human Rights. Any member of Council identified in a disclosure or suspected of fraud or corruption will be treated fairly and afforded natural justice should an investigation be necessary.

Mandatory reporting requirements

The CEO (as the Principal Officer under the IBAC Act) has mandatory obligations to notify IBAC when there are reasonable grounds to suspect corruption is occurring or has occurred in the workplace. The CEO must report any suspicion of conduct that:

- could be corrupt conduct as defined in section 4 of the IBAC Act and Council's Public Interest Disclosure Policy;
- could be an indictable offence or a prescribed common-law offence committed in Victoria;
- would lead a reasonable person to suspect that corrupt conduct has occurred or is occurring (reasonable suspicion).

3. RESPONSE STRATEGIES

Immediate action

Council will undertake any necessary immediate actions in response to a fraud or corruption event or suspected fraud or corruption which includes the following:

- Identify as quickly as possible the parties involved internal to the Council.
- Identify as quickly as possible the parties involved external to the Council.
- Identify as quickly as possible whether funds have been removed from Council's bank accounts.
- Freeze Council's bank accounts to prevent any further leakage of funds through unauthorised transactions that are awaiting processing.
- Act to freeze the account into which Council's funds have been transferred.
- Capture and collate digital, documentary and other physical evidence.
- Assess what the risk event will mean to the Council and then activate Council's response and recovery system.
- Suspension of workers suspected of involvement in the event, including deactivation of their physical and system access, without compromising investigative opportunities.

Investigation

The purpose of an investigation is to:

- Determine if in fact fraudulent or corrupt behaviour has been committed.
- Identify the person(s) responsible for the fraudulent or corrupt behaviour.
- Discover the extent of the fraudulent or corrupt behaviour and determine the action to be taken.
- Provide the basis of any insurance claim.
- Identify how long the fraudulent or corrupt behaviour has been occurring and thereby the extent of the breakdown of internal controls; and
- Identify any gaps or weaknesses in the controls and systems associated with the activity that is subject to the investigation.

If a report is not considered to be an IBAC mandatory reportable matter, or is referred to Council by IBAC, an investigation will be performed by Council in a timely manner.

The CEO, Director Corporate Performance, Manager Governance Risk & Performance, or other authorised member of Council shall determine how the investigation of reports referred to Council will proceed and may include staff, notification to the Police and/or appointing an external investigator.

For all matters reported direct to an external entity or subject to mandatory reporting, no action will be taken by Council until IBAC has assessed the matter and informed the Chief Executive Officer of its decision.

Exceptions may apply where the action is:

- necessary to lessen or prevent a serious threat to the life, health, safety or welfare of an individual or to public health or safety; or
- taken to comply with another legal obligation, such as a duty to report the matter under other legislation; or
- reporting the matter to Victoria Police.

Responses to Investigation

The Chief Executive Officer, upon receipt of recommendations from the external or internal investigation, should decide on the most appropriate course of action, and act or delegate actions accordingly, as soon as practicable.

Council's responses to investigations may include disciplinary action, reporting to Victoria Police, and/or civil action to recover losses.

Disciplinary Action

Any disciplinary action required will be undertaken in accordance with Council's Disciplinary Procedure.

Reporting to Victoria Police

The trigger for direct referral to Victoria Police is clear evidence of criminal activity or a suspicion of criminal activity based on reasonable grounds. Any referral to Victoria Police will be coordinated by the Manager Governance, Risk and Performance.

Civil action to recover losses

Council 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.

If it has been determined that civil action is to be undertaken, responsibility for initiating this process shall rest with the CEO, or relevant Director or Manager as deemed appropriate.

Insurance

Council will maintain an insurance policy that insures the risk of loss arising from internal fraudulent conduct. The level of the policy will be determined as part of Council's annual insurance renewal program.

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

Review of Internal Controls

Where fraud or corruption is detected, the relevant department Manager, in consultation with the Governance, Risk and Performance Team, will review the findings and assess the adequacy of the relevant internal control environment and provide a report to the Executive Leadership Team and the Audit & Risk Committee on any recommended improvements identified.

Where internal controls may be practicably improved, the relevant Responsible Officer should ensure as soon as practicable that those improvements are developed, documented and implemented, and understood by those who have roles and responsibilities in them.

FRAUD AND CORRUPTION EVENT REGISTER

Council will develop and implement a fraud and corruption event register which shall be maintained by the Governance and Performance Team. The register will include the following information in relation to every reportable fraud and corruption event:

- a) Date and time of report.
- b) Date and time that the event was detected.
- c) How the event came to the attention of management (e.g., anonymous report, normal report, supplier report).
- d) The nature of the event.
- e) Value of loss (if any) to the organisation (financial and non-financial).
- f) The action taken following discovery of the event.

In measuring the financial and non-financial impact of fraud and corruption events (actual or estimated), organisations should take into account the following:

- The direct financial loss due to the fraud.
- The business costs associated with dealing with the fraud.
- Impact on organisational objectives and program and service delivery.
- Integrity damage to the organisation.
- Industry damage.
- Human impact of fraud on clients, customers and the wider community.

Fraud and corruption events will be reported to the Audit & Risk Committee who will provide oversight in ensuring that any remedial actions have been undertaken.

RECORD KEEPING

The Manager Governance, Risk and Performance will maintain a record of reports of fraudulent and corrupt behaviour, or suspected behaviour, and investigation outcomes.

All investigative documentation will comply with relevant legislative provisions, will remain strictly confidential and will be retained in accordance with the Council's Privacy Policy, Records Management Policy and records management system controls.

RELATED LEGISLATION

Local Government Act 2020

Public Interest Disclosures Act 2012

Independent Broad-based Anti-corruption Commission Act 2011

Local Government (Governance and Integrity) Regulations 2020

Local Government (Moirā Shire Council) Act 2023

Privacy and Data Protection Act 2014

Charter of Human Rights & Responsibilities Act 2006

RELATED POLICIES

Employee Code of Conduct

Administrator/Councillor Code of Conduct

Disciplinary Procedure

Gifts, Benefits and Hospitality Policy

Conflict of Interest Guide

Competency Framework

Fraud and Corruption Control Policy

Risk Management Policy

Public Interest Disclosure Policy

Purchase Card Policy

IT Security Policy

Staff Reimbursement of Expenses Policy

Councillor Expense and Support Policy
 Budget and Financial Reporting
 Community Strengthening Grants Policy
 Councillor Professional Development Policy
 Recruitment and Selection Policy
 Procurement Policy
 Privacy Policy
 Records Management Policy
 Motor Vehicle Policy
 Sponsorship (outgoing) Policy
 Treasury Management Policy

RELATED STANDARDS AND GUIDELINES

AS8001 – 2021 Fraud and Corruption Control
 AS/ISO 31000 - Risk Management Guidelines
 VAGO Report - Fraud and Corruption Control - Local Government - June 2019
 VAGO Fraud Prevention Strategies in Local Government - June 2012
 Local Government Victoria, In the Public Interest Guide 2020

DOCUMENT REVISIONS

| Version | Summary of Changes | Approved by | Date |
|---------|--|-------------|------|
| 1 | Plan adopted by Council | Council | 2016 |
| 2 | Plan reviewed in accordance with review schedule | Council | 2021 |
| 3 | Plan reviewed following internal audit | Council | 2024 |

APPENDIX A – FRAUD AND CORRUPTION RISKS AND CONTROLS

| Risk | Risk Detailed Description | Inherent Risk Rating | Controls |
|------|--|--|--|
| 1 | <p>Council receives or processes false or misleading insurance claims or incident reports.</p> | <p>Fraudulent/corrupt behaviour from Council staff or community members who:</p> <ul style="list-style-type: none"> • lodge false insurance claims or incident reports. • Inflate claims. | <p>Extreme</p> <ul style="list-style-type: none"> • Codes of Conduct • Claims Reporting (Monthly management reports and quarterly audit and risk committee reports) • Centralised management of insurance claims • Insurance policy conditions and limits • Conflict of Interest Guidelines • Fraud Control Training • Claims Management procedure. • Segregation of duties. |
| 2 | <p>Member of Council staff receives benefits/bribes (directly or indirectly) or colludes with third party.</p> | <p>Member of Council staff receives benefits/bribes (directly or indirectly) or colludes with third party in return for:</p> <ul style="list-style-type: none"> • Contracts. • Approvals (e.g. Permits, Licences). • Release of Council information. | <p>High</p> <ul style="list-style-type: none"> • Codes of Conduct • Procurement Policy and Guidelines • Gift, Benefit and Hospitality Policy • Governance induction and onboarding process • Privacy Policy • Conflict of Interest Guidelines • Delegations • Tendering Process |
| 3 | <p>Theft of or misuse of Council funds through accounts and procurement processes.</p> | <p>Theft of or misuse of Council funds (including use of Council Purchase Cards and Petty Cash) through procurement processes including:</p> <ul style="list-style-type: none"> • Inappropriate purchases. • Unauthorised purchases. • Misappropriation or misdirection of remittances received from a debtor. • Cancellation/alteration of debtors. • Payment of forged or altered invoices. • Payment to fictitious suppliers. • Payment of fake invoices. • False reimbursement claims. | <p>High</p> <ul style="list-style-type: none"> • Codes of Conduct • Recruitment and Selection Policy & Procedure • Access controls according to role and responsibilities • Conflict of Interest guidelines • Purchase Card Policy • Purchase Card User Agreement • Supplier Registration Process • Standard operating procedures • Procurement Policy and Guidelines • External Audits • Internal Audits • Oversight by the Audit & Risk Committee • Staff reimbursement Policy • Monthly Reconciliation process |

| Risk | Risk Detailed Description | Inherent Risk Rating | Controls |
|------|--|----------------------|--|
| 4 | <p>Fraudulent/corrupt behaviour by a member of staff involved in allocation of grant funding.</p> <p>Approval of grants by Council staff (directly or indirectly) for benefit/ bribes or kickback.</p> <p>Approval where the grantee:</p> <ul style="list-style-type: none"> • did not meet criteria. • was not the most meritorious applicant. <p>Assessment or approval of grants where there is a conflict of interest.</p> | High | <ul style="list-style-type: none"> • Community Strengthening Grants Policy & Guidelines • Tiered process for assessment of applications • Grants application includes question about reading the guidelines, ensure compliance with legislation. Disclosing personal dealings with staff members. • Conflict of Interest Guide • Smarty Grants grant management system. • Employee Code of Conduct |
| 5 | <p>External recipient of Council funding does not use funds for intended purpose.</p> <p>External recipient utilises Council funding purposes outside of the scope of the intended purpose/agreement.</p> <p>Funding streams examples include:</p> <ul style="list-style-type: none"> • Grants. • Sponsorship. • Budget funding. | Medium | <ul style="list-style-type: none"> • Community Strengthening Grants Policy & Guidelines • Smarty Grants grant management system. • Acquittal process • Variation process • Sponsorship Policy |
| 6 | <p>Unauthorised access to sensitive data or systems.</p> <p>Unauthorised access to sensitive data or systems by Council staff or external party leading to:</p> <ul style="list-style-type: none"> • data theft. • data modification. • data deletion. | High | <ul style="list-style-type: none"> • IT Security Policy • Penetration/Vulnerability checks • Firewall blocks • Software locks include MFA, password controls and user access controls • System monitoring • Data extraction limits • USB blocks • Cyber Security Response Plan • Protected Data Security Plan • Policy/Procedures system |

| Risk | Risk Detailed Description | Inherent Risk Rating | Controls |
|------|---|--|--|
| 7 | Fraudulent manipulation of reporting. | Fraudulent manipulation of reporting including inflation, manipulation or falsifying of reports such as: <ul style="list-style-type: none"> • Financial reporting. • Performance reporting • Management reporting. | <ul style="list-style-type: none"> • Monthly management reports • Quarterly reporting to audit and risk committee • Segregation of duties • Quarterly budget review • Annual budget (including performance indicators) • Clear explanation of variations in reporting • Review of financial statements by External Auditor |
| 8 | Fraudulent / corrupt behaviour by Council staff in relation to payroll processes. | Fraudulent / corrupt behaviour by Council staff in relation to Payroll and Remuneration processes including: <ul style="list-style-type: none"> • Falsified timesheets. • Fictitious employees. • Fraudulent changes to employee master data/ remuneration rates. | <ul style="list-style-type: none"> • Employee Code of Conduct • Segregation of duties • Approvals in line with delegated authority • Fraud prevention online training • Training to provide technical skills and knowledge of managers (e.g. EA conditions) • Access controls to payroll systems • Audit of master updates by Finance team • Payroll related policies and procedures • Enterprise Agreement |
| 9 | Fraudulent / corrupt behaviour in recruitment processes. | Fraudulent / corrupt behaviour in recruitment processes, including: <ul style="list-style-type: none"> • Applicants misrepresenting skills, capabilities, or qualifications to obtain employment. • Applicant forging reference documents. • Nepotism/favouritism in selection processes. | <ul style="list-style-type: none"> • Recruitment and Selection Policy/Procedure • Suitability qualified recruitment panels • Unifying data collected to one system • Pre-employment screening • Conflict of Interest Guide • Having at least two HR staff ensuring all recruitment data is recorded |

| Risk | Risk Detailed Description | Inherent Risk Rating | Controls |
|------|---|---|--|
| 10 | <p>Misappropriation of Council assets by Council staff or external party.</p> | <p>Misappropriation of Council assets by Council staff or external party including:</p> <ul style="list-style-type: none"> • Inappropriate or unauthorised use and/or disposal of Council equipment, supplies or assets. • Theft of or wilful damage to Council equipment, supplies or assets. | <p>High</p> <ul style="list-style-type: none"> • Employee Code of Conduct • Plant and Fleet Asset Register • Regular auditing and stocktake of Plant and Fleet Asset Registers • Motor Vehicle Policy and Conditions of Use. • Secure key system/register • IT equipment controls- IT Asset register, network scanning of IT assets, Mobile Device Management system • CCTV • Secured access to Council buildings and depots • Reporting insurance claim trends in Management Reports and Audit & Risk Committee Reports • Insurance to mitigate financial loss |
| 11 | <p>Fraudulent or corrupt behaviour by elected officials (Administrators).</p> | <p>Fraudulent or corrupt behaviour by Elected Officials (including Administrators) including:</p> <ul style="list-style-type: none"> • accepting benefits (directly or indirectly) for approvals. • placing undue influence on staff or other officials. • poorly managed conflicts of interest. | <p>High</p> <ul style="list-style-type: none"> • Administrator Code of Conduct • Administrator and Staff Interaction Policy • Gift, benefit and hospitality Policy • Induction and onboarding process • Delegations • Governance Rules • Conflict of Interest Guidelines • Implementation of the Local Government Act and Regulations • Implementing the Commission of Inquiry Report recommendations |