Fraud and Corruption Control Plan

December 2019

Document ownership and control

The Corporate and Legal division is responsible for the development and implementation of the Fraud and Corruption Control Plan (the plan).

This plan is an internal document which applies to all Northern Beaches Council (Council) officials.

Foreword

I am pleased to present Northern Beaches Council's Fraud and Corruption Control Plan which sets out how Council prevents, detects and responds to concerns about fraud and corruption.

The plan demonstrates Council's commitment to complying with applicable local and state government Acts and standards and guidelines stipulated in the NSW Audit Office's Fraud Control Improvement Kit. Council will achieve this through implementing a robust and vigilant fraud and corruption risk management environment which is continually reviewed and improved.

The NSW community expects public officials to deliver services with integrity and in the best interests of the public and that public monies are spent for their intended purposes, information is secured, and assets and resources are used appropriately to protect the interests and reputation of Council.

Fraudulent and corrupt conduct by a public official can result in significant resource costs to Council. It also puts at risk the reputation of all staff, councillors and delegates and undermines trust within the community. Incidents of fraud and corruption have the potential to undermine our ability to achieve our objectives, impact our reputation and our ethical organisational culture.

Accordingly, Northern Beaches Council has a zero-tolerance position on any fraudulent or corrupt behaviour and will act swiftly and decisively through relevant codes, policies or legal mechanisms to deal with those who engage in, attempt to obscure, or in any way participate in, or encourage this behaviour.

Council is committed to implementing this plan to establish a framework that defines management and council official responsibilities and facilitates robust practices for effective prevention, detection, and response to fraud and corruption within Council.

This plan applies to all public officials of Council and they are expected to immediately report any suspected fraud or corruption via Council processes. Additionally, external oversight agencies are able to take reports of wrongdoing at local councils for disclosures of corrupt conduct, maladministration, government information contravention, and serious and substantial waste of public funds. Guidelines for reporting fraud and corruption to Council have been published on Council's internet and intranet.

I look forward to your ongoing commitment to upholding Council's values and ensuring that fraud and corruption is not tolerated at Northern Beaches Council.

Ray Brownlee PSM
Chief Executive Officer
Northern Beaches Council

Contents

Glossary

Term	Description
ARIC	Audit, Risk and Improvement Committee
CEO	Chief Executive Officer
CET	Council's Chief Executive Team, comprising the divisional directors and the CEO
Code of Conduct	Northern Beaches Council Code of Conduct
Code of Conduct complaint	A complaint that shows or tends to shows conduct on the part of a Council Official in connection with their role as a Council Official or the exercise of their functions as a Council Official that would constitute a breach of the standards prescribed under the Code of Conduct.
Conduct Review Panel	Panel comprised of independent and qualified persons with knowledge of investigation processes and understanding of local government.
Council	Northern Beaches Council
Council values	Council's values consist of: • Trust - because being open brings out our best • Teamwork - because working together delivers • Respect - because valuing everyone is how we make a difference • Integrity - because we are proud of doing what we say • Service - because we care as custodians for the community • Leadership - because everyone has a leading role
Councillor	An elected member of Council.
Council official	All Councillors, employees, contract staff, volunteers, committee and panel members, and people who perform council official functions whose conduct and activities could be investigated by an investigating authority.
Council third parties	Contractors (including external service providers) working for or on behalf of Council, employees of contractors providing services to Council and community members.
ELT	Council's Executive Leadership Team, comprising the CET and the Executive Managers
Enterprise Risk and Opportunity Management Framework	Council's overall risk management framework, which provides the basis for identifying fraud and corruption risks of Council and the associated controls to determine the inherent and residual risk ratings for each of these risks. The Risk Appetite Statement adopted by Council is part of the Enterprise Risk and Opportunity Management Framework.
Executive Managers	Senior Management position reporting to a Director and responsible for business units.
Fraud and Corruption Risk Assessment	The process to identify the potential fraud and corruption risks of Council and the associated controls to determine the inherent and residual risk ratings for each of these risks.

Fraud and Corruption Policy	Council policy that sets out the arrangements for the overall position on the management of the risks and any instances of fraud and/or corruption within Council.
Fraud and Corruption Risk Register	A register capturing the outcome from a fraud and corruption risk assessment including: a description of the fraud and corruption risks, the controls implemented by Council to mitigate these risks, the inherent and residual risk rating for each, and recommendations for improvement opportunities.
ICAC	NSW Independent Commission Against Corruption
Maladministration	An act or omission of a serious nature that is contrary to law, unreasonable, unjust, oppressive or improperly discriminatory and based wholly or partly on improper motives
Nominated Disclosures Officer	Nominated Disclosure Officers are responsible for receiving, forwarding and or acting upon disclosures in accordance with Council's PID Internal Reporting Policy.
Protected disclosure or PID	A Public Interest Disclosure (PID) is a report of serious wrongdoing that involves corrupt conduct, maladministration, serious and substantial waste of public money, government information contravention or local government pecuniary interest contravention and which satisfies, and is made in accordance with, the requirements of the Public Interest Disclosure Act.
PID Act	Public Interest Disclosure Act 1994 (NSW)
Public official	A public official (as defined within the Independent Commission Against Corruption Act 1988 NSW) includes: (a) a public service employee (b) a member of Parliament (c) any other individual having public official functions (d) an individual in the service of the Crown (e) an individual engaged by a public authority.
Serious and substantial waste of public funds	The uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a loss of public funds or resources.

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1 Introduction

1.1 Fraud and corruption against government entities

Incidents of fraud and corruption are a threat which affects all government entities in all areas of their operation. The risk of fraud or corrupt conduct may be internal (committed by a council official) or external (committed by Council's third parties).

Fraudulent and corrupt conduct against Council is a criminal offence which impacts directly on our community. It reduces the funds available for delivering public services and undermines the integrity of the public's confidence in Council.

Fraud threats are increasingly complex. Increased provision of online services has created new threats. Further, organised criminals are actively seeking to infiltrate government entities to access government information and are committing fraud to fund other illegal activities.

1.2 Application

The Northern Beaches community must be able to trust and expect that those subject to this plan will not abuse their office or position and will fulfil their responsibilities to protect the prudent use of public money and property.

This plan applies to all council officials and Council third parties.

1.3 Objectives of this fraud and corruption control plan

The primary objective of the plan is to protect resources, including information, and safeguard the integrity and reputation of Council.

The plan supports Council's Fraud and Corruption Control Policy and sets out the arrangements for the overall management of the risks and any instances of fraud and/or corruption.

The purpose of the plan is to:

- provide an overview of the governance arrangements within Council relating to fraud and corruption control

- outline key fraud and corruption risk areas relevant to Council

- raise awareness of fraud and corruption risks, and thereby influence the culture of Council to encourage employees to be vigilant in responding to them

- communicate Council's expectation of management, employees, consultants/ contractors, industry stakeholders and service providers to assist prevent and detect fraud and corruption

- document fraud and corruption prevention, detection and response initiatives adopted by Council to manage fraud and corruption.

1.4 Legislative and policy requirements

Incidents of fraud and corruption are criminal offences under relevant state and federal legislation that may attract a range of criminal, civil, administrative and disciplinary penalties.

In addition to statutory offences, all incidents of fraud and corruption are breaches of Council's Code of Conduct. Any council official found to have engaged in incidents of fraudulent or corrupt conduct will be investigated and substantiated findings will result in disciplinary procedures being initiated which may result in loss of employment at Council.

This plan has been designed to reflect current Acts and standards (refer to **Appendix A**) and integrate with Council's codes, policies and procedure documents (refer to **Appendix B**).

This plan is based on Council's risk assessment of fraud and corruption which is conducted biennially to identify the specific fraud and corruption risks of Council. The plan outlines the fraud and corruption categories of controls that help to mitigate these risks.

This plan will be updated after any significant changes identified in the periodic fraud and corruption risk assessments, to ensure that the fraud and corruption control strategies and measures remain relevant. Amendments to this plan will be made as appropriate to ensure that it accurately reflects Council's capability and commitment to fraud and corruption control.

1.5 Defining fraud

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.

The benefit obtained is not restricted to a monetary or material benefit, and may be tangible or intangible. A benefit may be obtained by a Council Official or Council Third party rather than, or in addition to, the perpetrator of the fraud.

Refer to **Appendix C** for examples of fraud.

1.6 Defining corruption

Corrupt conduct, as defined in the Independent Commission Against Corruption Act 1988 NSW (ICAC Act), is deliberate or intentional wrongdoing, not negligence or a mistake. It has to involve or affect a NSW public official or public sector organisation.

While it can take many forms, corrupt conduct occurs when:

- a public official improperly uses, or tries to improperly use, the knowledge, power or resources of their position for personal gain or the advantage of others

- a public official dishonestly exercises his or her official functions, or improperly exercises his or her official functions in a partial manner, breaches public trust or misuses information or material acquired during the course of his or her official functions

- a member of the public influences, or tries to influence, a public official to use his or her position in a way that affects the probity of the Public official's exercise of functions

- a member of the public engages in conduct that could involve one of the matters set out in section 8(2A) of the ICAC Act where such conduct impairs, or could impair, public confidence in public administration.

Refer to **Appendix C** for examples of corruption.

1.7 Council's attitude to fraud and corruption

Council has a zero-tolerance attitude to fraud and corruption which is affirmed through Council's adopted Risk Appetite Statement. This does not mean that all fraud and corruption can be avoided. In practice, zero-tolerance means that Council will:
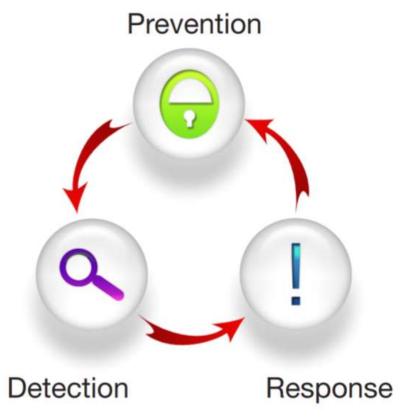
- maintain an effective fraud and corruption risk management environment to minimise and mitigate risks of fraud and corruption, which includes promoting an ethical culture

- promptly assess all suspected or discovered incidents of fraud and corruption to determine their nature and extent

- investigate and respond to all matters of fraud or corruption

- apply appropriate administrative or contractual penalties, including termination of engagement

- seek prosecution against offenders for fraudulent and corruption activities where Council deems appropriate, including referral to the Independent Commission Against Corruption (ICAC) or NSW Police

- take reasonable measures to recover losses caused by illegal activity

- implement systemic changes to reduce the likelihood of recurrence.

2 Fraud and Corruption Control Environment

Council's fraud and corruption Control environment is based on [Standards Australia's Fraud and Corruption Control Standard AS8001-2008](#) and the ten key attributes of fraud control contained in the [Audit Office of NSW's Fraud Control Improvement Kit: Managing your fraud control obligations (2015)](#).

The Standard views fraud and corruption control as a holistic concept involving implementation and continuous monitoring across three key themes:

- **Fraud and corruption prevention** - strategies designed to prevent fraud and corruption from occurring in the first instance or to mitigate the effect of potential fraud

- **Fraud and corruption detection** - strategies to discover fraud and corruption as soon as possible after it has occurred.

- **Fraud and corruption response** - the systems and processes that assist an entity to respond appropriately to an alleged fraud and corruption incident when it is detected.

Prevention

Detection

Response

Audit Office of NSW: Fraud Control Improvement Kit (2015)

Within these three themes sit the NSW Audit Office Kit's ten attributes:

1. Leadership

2. Ethical framework

3. Responsibility structures

4. Fraud control policy

5. Prevention systems

6. Fraud awareness

7. Third party management systems

8. Notification systems

9. Detection systems

10. Investigation systems.

Monitoring and review of fraud and corruption controls, alongside reporting and evaluation of their effectiveness is key to providing assurance that legislative responsibilities are being met. This also promotes accountability by providing information which demonstrates compliance with specific fraud and corruption control strategies.

Management oversight through sound governance arrangements ensures that each strategy does not operate in isolation and that interdependencies are effectively identified and managed appropriately.

Council's executive promotes proper use and management of public resources, to achieve Council's purposes and ensure financial sustainability. Council maintains an enterprise risk and opportunity management framework to oversight and manage risk and a system of internal controls to minimise potential for fraud and corruption incidents.

2.1 Key fraud and corruption risks facing Council

Table 1 below provides a summary of the key fraud and corruption risks facing Council. This is not an exhaustive list. Details of Council's fraud and corruption risks are included in Council's fraud and corruption functional risk register.

Table 1: Overview of Fraud and Corruption Risks

Risk category	Description	Risk attributes
Corruption		
Conflicts of interest	A conflict of interest occurs when an employee or agent – someone who is authorised to act on behalf of a principal – has an undisclosed personal or economic interest in a matter which could influence his or her professional role.	• Extent and value of supplier relationships / contracts • Extent of recruitment activities / staff turnover • Presence of decentralised procurement and recruitment systems.
Bribery, illegal gratuities, economic extortion	Bribery is offering, promising, giving, accepting or soliciting an advantage as an inducement for an action which is illegal or unethical. Illegal gratuities are items of value given to reward a decision after it has been made. They do not necessarily involve intent. Extortion is the obtaining of property from another, with the other party's consent, induced by wrongful use of actual or threatened force or fear.	• Number of staff • Number of supplier and contractor relationships.
Asset misappropriation		
Theft of cash	A scheme in which an employee steals or misuses the employing organisation's resources.	• Use of petty cash • Turnover of cash.
Inventory and all other assets	A scheme in which an employee steals or misuses the employing organisation's resources.	• Nature of assets (data, inventory, fixed assets).
Fraudulent disbursements	A scheme in which an employee causes their employer to issue a fraudulent payment for fictitious goods or services, or reimbursement of fraudulent expenses.	• Volume and value of supplier transactions • Volume and value of expense transactions.
Financial statement fraud		
Net worth / net income under-statements / overstatements	A scheme in which an employee intentionally causes a misstatement or omission of material information in the organisation's financial reports.	• Change in management, high turnover of executive members. • Significant pressure from stakeholders to reduce costs and improve financial results. • Financial position of the organisation.

3 Governance

Realisation of fraud and corruption risks in a number of high-profile government programs has highlighted the need for strong leadership to support effective risk management practice and culture. Poor leadership can lead to a culture of complacency or give rise to situations where fraud and corruption incidents are only addressed after they emerge. Organisational commitment is required to ensure effective implementation of the fraud and corruption plan.

Council's Chief Executive Officer (CEO) has ultimate responsibility for Council's fraud and corruption risk management environment and endorses and supports effective risk management, practice and culture and the control activities and objectives outlined in this plan. The CEO has responsibility for approving, adopting and reviewing the plan.

While overall responsibility for the plan rests with the CEO, effective implementation of the plan is dependent on the active participation of all who are subject to its guidelines. This includes use of the risk based approach for fraud and corruption control, compliance with the internal control systems and extends to the correct procedures for reporting instances of suspected fraud and corruption.

3.1 Responsibilities for fraud and corruption control

Appropriate governance structures are critical to the effective operation of fraud and corruption control. Implementing an effective control environment for fraud and corruption prevention is a practical demonstration that Council is serious about its commitment to ethical practice.

Table 2: Summary of responsibilities across Council for fraud and corruption

Role	Responsibility
Mayor and Councillors	The Mayor and Councillors are responsible for: • leading and developing a culture of ethical behaviour • overseeing and promoting Council's overall approach to fraud and corruption control • approving and adopting fraud and corruption control policies and procedures
CEO	The CEO has the primary responsibility for the prevention and detection of fraud and corruption, and for the governance of Council. This involves a commitment to creating and maintaining a culture of honesty and ethical behaviour. The CEO is responsible for ensuring that appropriate resources are dedicated to fraud and corruption control in proportion to the size and risk profile of the organisation. This includes allocating a budget and assigning specific responsibilities. The CEO is also the chair of the fraud and corruption control committee. The CEO is responsible for: • demonstrating leadership and commitment to fraud control and prevention by endorsing and promoting the plan and associated tools and procedures • approving, adopting and reviewing the plan • Council's compliance with relevant legislation and regulation • ensuring those subject to the plan are aware of their responsibilities under the plan and the consequences of fraud and corruption • ensuring effective internal controls and risk assessment and management systems are in place • ensuring identified fraud and corruption risks are fully addressed • approving and monitoring systems of control and accountability for Council • receiving reports on suspected cases of fraud and corruption and approving any further action plans or activities relating to the handling of matters • reporting instances of suspected fraud and corruption to ICAC in accordance with the ICAC Act and where appropriate to the NSW Police.
Chief Executive Team (CET)	The CET as part of the executive management team with the CEO, has a leadership role in developing and promoting an ethical culture, and shares responsibility for prevention and detection of fraud and corruption, governance of the Council and risk management. Directors are responsible for ensuring that specific and ongoing training is provided for staff primarily engaged in fraud and corruption control activities and staff working in high risk fraud and corruption areas. The CET considers strategic issues impacting their respective divisions, including any ongoing or emerging fraud and corruption risks, and monitors performance in delivering outcomes.

Role	Responsibility
Executive Leadership Team (ELT)	The ELT is responsible for: • championing the fraud control plan and procedures and promoting and sustaining ethical behaviour and culture • ensuring implementation of the Plan and compliance with relevant codes, legislation and Council's policies and procedures relating to their area • ensuring risk management internal control systems are operating effectively • ensuring employees are aware of the Plan and their responsibilities as part of the Plan • identifying risks and developing appropriate internal risk mitigation control systems • considering new and emerging risks on a regular basis and where necessary adjusting systems for control of these risks • ensuring employees understand the purpose of and comply with internal controls • reporting suspected fraud and corruption through the appropriate channels.
Corporate and Legal	A dedicated team within the Corporate and Legal division has responsibility for developing, implementing, and maintaining the Plan. Corporate and Legal also has the responsible team which provides Code of Conduct training at new starter inductions and conducts workshops for Councillors and staff.
All Council Officials	All Council Officials are responsible for: • fulfilling their responsibilities under the Plan • conducting themselves and performing their duties in accordance with the principles of the Code of Conduct and Council's values • complying with Council's internal control systems, policies and procedures • reporting suspected fraud and corruption through the appropriate channels.

3.2 Fraud and corruption committee

Council's Fraud and Corruption Committee is responsible for implementing the fraud and corruption control plan and overseeing Council's fraud and corruption risk management environment. It provides advice to Council's Audit and Risk Improvement Committee (ARIC). The committee's terms of reference are at **Appendix F.**

Table 3: Committees responsible for overseeing fraud and corruption risk management

Role	Responsibility
Fraud and Corruption Committee	The committee is established to: • oversee management of fraud and corruption complaints • monitor and review Council's fraud and corruption risk register • report quarterly to the ARIC on the status of fraud and corruption complaints management • advise the ARIC on improvements to fraud and corruption control arising out of issues raised and recommendations made through the investigation of fraud and corruption complaints, and management of risks relating to fraud and corruption. The Fraud and Corruption Committee comprises: • The CEO or delegate (Chair) • Disclosure officers • Complaints Coordinator • Head of Corporate and Legal's fraud and corruption team • Representatives of relevant business areas (i.e. legal, procurement, finance, human resources, IT)
Audit, Risk and Improvement Committee (ARIC)	The ARIC provides independent assurance and assistance to Council on risk management, compliance, control, governance, internal audit, fraud control, strategic plan implementation, organisational performance and improvement, and external accountability responsibilities. The Committee ensures, assesses and advises whether there are adequate and effective systems of internal control in place throughout Council and assists in the implementation of the internal and external audit plans. The Committee also provides information to Council for the purpose of improving Council's performance of its functions.

3.3 Individual compliance with policies and procedures

Council requires council officials to evidence their commitment to acceptable standards of ethical behaviour by acknowledging completion of annual Code of Conduct training.

Council Officials are required to declare actual, potential or perceived conflicts of interests and these are recorded at business unit level and in a central register held by the Governance and Risk team. This also occurs throughout the recruitment process. Councillors and designated persons (as defined by clause 4.8 of the Code of Conduct) must routinely submit written returns of interests which are tabled at Council meetings and publicly available as open access information.

Council officials are required to declare any secondary or private employment which is assessed by the council official's line manager prior to a decision to approve or decline the request which, if approved is reviewed annually to ensure currency and relevance.

4 Fraud and Corruption Prevention

Fraud and corruption prevention strategies provide the most cost-effective method of controlling fraud and corruption within Council. Key elements of Council's fraud and corruption prevention strategies include:

- promoting and demonstrating ethical leadership and culture

- Code of Conduct and policies/procedures that promote ethical behaviour and provide sanctions for unethical behaviour

- conducting biennial fraud and corruption risk assessments

- effective prevention systems (internal controls)

- ongoing education and training, particularly to address the potential for individuals to be influenced by bias and rationalisation

- ongoing fraud and corruption awareness among employees, suppliers, and service providers

- vendor due diligence.

Driving a culture of integrity and ethical conduct relies on strong leadership from the Council and managers at all levels to integrate fraud and corruption controls as part of their teams' day-to-day activities. This leadership is necessary to ensure all those subject to this plan are enabled and empowered to take steps to prevent and report fraudulent or corrupt conduct.

The Chief Executive Team is accountable for implementing the plan and embedding fraud and corruption control accountabilities into the business plans and performance agreements of management. Managers will cascade these accountabilities to their units' work plans and staff performance plans.

4.1 Ethical leadership and culture

Strong leadership and an ethical culture which promotes and demonstrates awareness of fraud and corruption risks and effective actions to address them helps protect against fraud and corruption.

Council reinforces its fraud and corruption control message to its staff and service providers through a range of internal measures which include:

- Council and senior management endorsement and role modelling of ethical behaviour
- publishing and promoting Council's policies and procedures on Council's intranet and external website

- managerial accountabilities for conducting fraud and corruption risk assessments to raise staff awareness of fraud and corruption risks and control

- fraud and corruption awareness training on induction and then at regular intervals

- encouraging staff to report fraud and corruption risk related concerns or issues

- implementing procedures and processes that include preventive and detection controls within business activities to manage fraud and corruption risks

- communicating investigation outcomes to demonstrate that incidences of fraud are treated seriously and appropriately dealt with

- applying the Enterprise Risk and Opportunity Management Framework to adopt risk-based decision making processes.

4.2 Fraud and Corruption Risk Assessments

The NSW Audit Office Fraud Control Improvement Kit states that a 'fraud risk assessment should be conducted when there is a substantial change in the function, structure or activities of an organisation and at least every two years.'

Council is committed to preventing instances of fraud and corruption by undertaking a fraud and corruption risk assessment process at least every two years, to identify the potential fraud and corruption risks across Council, the controls in place to mitigate these risks and to assess the inherent and residual risk rating of each of these risks.

4.3 Prevention systems (internal controls)

This plan does not seek to describe every fraud and corruption prevention system across Council. Management relies on a mix of controls to manage internal and external fraud and corruption risks.

Internal controls implemented by Council include:

- financial delegations of authority

- Conflict of interest management

- segregation of duties

- budgetary controls (eg. periodic reviews by finance etc.)

- financial reconciliations (eg. including accounting statements, bank accounts, credit card transactions etc.)

- transaction reviews (eg. expense reviews, procurement etc.)

- reviews of physical asset inventories

- system access reviews

- IT system controls including appropriate cyber security controls (e.g. limited user access controls, monitoring of specific data sets, monitoring of email usage, restricted USB use etc.)

- procurement procedure and sign-off processes

- vendor due diligence

- pre-employment screening.

Further details of the controls associated with Council-wide fraud and corruption risks are described in the fraud and corruption risk register.

Council undertakes routine monitoring and testing of controls in conjunction with internal and external audit activities described below, to ensure the ongoing effectiveness of internal controls.

4.4 Fraud and corruption training

Code of Conduct

Council's Code of Conduct eLearning course is reviewed every 12 months to ensure currency and alignment with the Code of Conduct and the plan.

Induction programs raise awareness of Council's position on behaviours, prompt individuals to question their understanding of ethical behaviour and potential biases, and provide information on relevant resources. Annual Code of Conduct refresher training is mandatory.

Council also ensures external committee and panel members are given an induction seminar to outline their Code of Conduct obligations.

Procurement

In addition to the education and awareness programs delivered to staff, specific annual training is provided to staff across all divisions who deal with third parties to ensure transactions meet Council's procurement and conduct standards.

Council's Procurement business unit conducts in-depth procurement training and self- assessments and routinely conducts high-level procurement fundamentals training at employee inductions.

For a further description of training provided to council officials refer to **Appendix D**.

4.5 Fraud and corruption awareness

Staff and contractors

Policies and procedures available to staff on Council's intranet outline staff obligations with respect to ethical behaviour and procedures to support them in managing risk when conducting their activities. These policies are detailed at **Appendix B.**

A dedicated team within the Corporate and Legal division partners with business units across Council, conducting regular workshops to further raise awareness of fraud and corruption issues, including managing conflicts of interest. This team supports staff and Councillors to understand their ethical behaviour obligations, the specific areas of risk where vigilance is required and the consequences of fraudulent and corrupt conduct. If Council has identified areas that may be of concern, workshops are tailored for specific business units.

Suppliers and third parties

The incidence of fraud and corruption can be reduced through education of customers, suppliers and the community about acceptable standards of behaviour expected of Council staff, and of the customers, suppliers and community members that interact with Council. As expectations about standards of behaviour can differ, it is important that Council outlines its expectations to external parties with whom it interacts.

The standards of behaviour expected by Council in business relationships with external parties are outlined in the Statement of Business Ethics. Additional resources include Council's Procurement Policy, Procurement Strategy, Procurement Thresholds and Contract Variation Business Rules.

5 Detection and reporting

Council recognises that no organisation is impervious to incidents of fraud and corruption, however fraudulent and corrupt conduct can be detected through robust internal control systems and mechanisms for recognising deviations from standards. Council has a system of internal controls in place including routine checks of activities, processes, controls and transactions to identify irregularities.

5.1 Reporting Fraud and Corruption

All council officials are subject to the plan and are expected to immediately report any suspected fraud or corruption.

Council's internal reporting process outlines the complaints policy and ongoing education awareness programs. It promotes immediate reporting of instances of fraud or corruption to line managers in the first instance. Where a disclosure is made to one of Council's nominated disclosure officers and it meets the criteria of a public interest disclosure, the discloser is protected from reprisal by Council via the Code of Conduct and the protections afforded by the *NSW Public Interest Disclosure Act 1994*.

The community, through the complaints process is also enabled to report instances of suspected wrongdoing by council officials in line with the complaints management policy.

External agencies such as the Office of Local Government, the NSW Ombudsman and ICAC can take reports from council officials and members of the community about five categories of wrongdoing at local councils. These are disclosures of corrupt conduct, maladministration, government information contravention, and serious and substantial waste of public funds.

Internal and external guidelines for reporting fraud and corruption to Council are published on Council's internet and intranet sites (refer **Appendix E**).

A confidential register of complaints, including alleged fraud and corrupt conduct is maintained by the Corporate and Legal division, and monitored by the Fraud and Corruption Control Committee. The committee provides a report on fraud and corruption to the ARIC. Council policies also identify the nature of suspected fraud and corruption which require reporting to the NSW Police and the Independent Commission Against Corruption, and other external agencies. External notification takes place as required in light of the above legal and policy requirements.

5.2 Public Information and Disclosures Act

Council's Public Interest Disclosures process provides a mechanism to protect those reporting wrongdoing. If a public official makes a disclosure to a nominated Disclosure Officer, protection may be provided under the Public Interest Disclosures Act 1994 (NSW) (PID Act). Should a person report behaviour that meets the criteria of the PID Act, Council undertakes to protect them from associated reprisal or detrimental action.

The PID Act lists a number of investigating authorities in NSW that can receive reports of wrongdoing and the categories of wrongdoing each authority can deal with. Refer to **Appendix E.**

5.3   Internal Audit

Internal audits provide advice and guidance on the design and effectiveness of internal controls established by management, including those to prevent and detect fraud and corruption. Additionally, internal audit can assist management to develop fraud and corruption prevention and monitoring strategies.

Council's internal audit function undertakes proactive audits that provide an independent and objective review and advisory mechanism to:

- provide assurance that the financial and operational controls designed to manage Council's risk objectives are operating in an efficient, effective and ethical manner

- assist management in improving Council's business performance.

Internal audit activity, including the status of implementation of internal audit recommendations by management, is reported to the CEO and ARIC.

The internal audit program is responsible for providing recommendations to Council in respect of controls aimed to prevent, detect and respond to fraudulent and corrupt conduct including assigning individuals or business units with timeframes for response. All fraud and corruption related findings are communicated to the Fraud and Corruption Committee, the CEO and ARIC.

5.4   External Audit

Council is subject to annual performance and financial audits through the Audit Office of NSW, as mandated under the Public Finance and Audit Act 1983 NSW.

External audits undertaken by the NSW Audit Office or its nominated provider assist prevention and detection of fraud and corruption by implementing auditing procedures to:

- detect material misstatements resulting from misappropriation of assets or fraudulent financial reporting

- report to Parliament on the performance of entities administering government programs.

Additionally, the NSW Audit Office or its nominated provider is responsible for assessing key aspects of an entity's fraud control arrangements to effectively prevent, detect and respond to fraud.

6   Response

Despite Council's implementation of prevention mechanisms for detecting fraud and corruption, it is conceivable that incidents of fraud and corruption will occur. Effective response demonstrates that Council takes its responsibilities seriously in line with its zero tolerance approach to fraud and corruption and its commitment to the Code of Conduct.

Council's response to allegations includes assessment to determine the validity of allegations, and where fraud and corruption is substantiated, investigation, disciplinary action and restitution. Where disclosers have provided their details, they will receive feedback, to the extent possible, on Council's response to the issue.

6.1 External referral

External agencies such as the Office of Local Government, the NSW Ombudsman and ICAC can take reports from Council Officials and members of the community of wrongdoing at local councils. These agencies may refer reports to Council to investigate, or they may investigate themselves.

Council cooperates with these agencies to investigate reports of wrongdoing and implement any recommendations made to improve its fraud and corruption controls.

The CEO has a responsibility under section 11 of the Independent Commission Against Corruption Act 1988 NSW to report to ICAC any matter that is suspected on reasonable grounds to concern, or may concern, corrupt conduct.

6.2 Investigation

Council is committed to providing the resources required to ensure that instances of suspected fraud or corrupt conduct are thoroughly investigated and reported.

All investigations undertaken by the Council will adhere to the following principles:

- confidentiality
- procedural fairness
- impartiality and independence.

Internally investigated matters

Where a matter can be internally investigated, Council complaint consultants will conduct fraud and corruption investigations in line with the relevant legislation.

Council will ensure its complaint consultants commit to continuing professional development so that they are aware of current fraud and corruption trends and issues. Ongoing formal training courses will be provided to maintain their knowledge of current better practice.

Conduct Review Panel

If the matter is determined to be a Code of Conduct complaint it will be managed in accordance with the procedures for administration of the Code of Conduct.

Externally investigated matters

In addition to external agencies investigating reports about Council according to their own criteria, if the complexity or sensitivity of a matter is considered beyond the scope of Council's internal staff or where the qualifications or experience of Council's Conduct Review Panel is inadequate, Council will procure the services of suitably qualified independent investigators.

6.3 Response action

Should an allegation of fraud and corruption be substantiated, Council commits to taking action commensurate with the severity of the circumstances.

Disciplinary proceedings

Disciplinary action will be taken in accordance with the Local Government Act 1993, Council's Code of Conduct, and/or other Human Resources policies, guidelines and requirements.

Referral to relevant authorities

Under section 462 of the Local Government Act 1993 NSW, the CEO may refer a complaint for investigation to an authority, including the:

- NSW Ombudsman

- Independent Commission Against Corruption

- NSW Police.

Where the CEO reasonably believes that a council official has committed a criminal offence, the matter will be referred to NSW Police.

Debt recoveries

Council has a formal process for deciding upon recovery actions including assessing the costs of recovery against the expected value of the recovery and the deterrent value of recovery action.

It is the expectation of Council that line managers are responsible for fraud and corruption control by allocating any unrecoverable losses suffered to the business unit or department concerned.

Insurance

Council's insurance policy may provide cover where there is a financial loss sustained through fraudulent or corrupt activity.

Council will review insurance cover annually to ensure the fraud risks facing Council are adequately covered.

Appendix A – List of relevant Acts and Standards

Relevant Acts and Standards:

- Independent Commission Against Corruption Act 1998 (NSW)

- Local Government Act 1993 (NSW)

- Ombudsman Act 1974 (NSW)

- Public Finance and Audit Act 1983 NSW

- Public Interest Disclosure Act 1994 (NSW)

- NSW Audit Office's Fraud Control Improvement Kit 2015

- Australian Standard AS8001-2008 Fraud and Corruption Control

Appendix B – List of Northern Beaches Council Policies and Procedures

Council Document	Document Owner
Recruitment and Selection Operational Policy	Executive Manager – Human Resources
Access to Information Policy	Chief Information Officer
Australian Copyright Act Compliance – Libraries	Executive Manager - Library Services
Cash Handling & Receipting Guidelines & Operating Procedures	Executive Manager - Customer Service
Code of Conduct	Chief Executive Officer
Code of Conduct – Administration Procedures	Director, Corporate & Legal
Code of Meeting Practice	Executive Manager - Governance & Risk
Community Strategic Plan	Executive Manager – Strategy & Performance
Complaints Management Policy	Director, Corporate & Legal
Compliance and Enforcement Guidelines	Director Planning & Place
Councillor Expenses and Facilities Policy	Director, Corporate & Legal
Daily Cash Reconciliation Instruction – Aquatic Centres	Executive Manager - Recreation Business
Delegations of Authority	Chief Executive Officer
Development Control Plans (DCP)	Director, Planning & Place
Enterprise Risk and Opportunity Management Framework	Executive Manager - Governance & Risk
Enterprise Risk Management Policy	Executive Manager - Governance & Risk
Flexible Working Hours Policy and Guidelines	Executive Manager – Human Resources

Council Document	Document Owner
Legislative Compliance Policy	Executive Manager – Human Resources
Local Environment Plans (LEPs)	Director, Planning & Place
Management of conflicts of interest (Development Assessments) – Guide for consistence	Executive Manager - Development Assessment
Privacy Policy	Chief Information Officer
Procurement Manual	Manager Procurement
Procurement Policy	Manager Procurement
Procurement Strategy	Manager Procurement
Procurement Thresholds	Manager Procurement
Public Interest Disclosures (PID) Internal Reporting Policy	Chief Executive Officer
Records Management Policy	Chief Information Officer
Related Parties Disclosure Operational Policy	Chief Financial Officer
Risk and Opportunity Assessment Guidelines	Executive Manager - Governance & Risk
Secondary Employment Policy	Executive Manager - Human Resources
Statement of Business Ethics	Director, Corporate & Legal Services
Voluntary Redundancy and Redeployment Protocols	Executive Manager - Human Resources
WHSE Incident Management	Manager WHS & WC
Work Health and Safety Policy	Manager WHS & WC
Work from Home Policy and Agreement	Executive Manager – Human Resources

Appendix C – Examples of fraud and corruption

Common types of internal fraud include:

- theft or misuse of tangible assets (cash, stationery, smart phones, tablets, computer and computer-related software) by employees

- entitlements (e.g. expenses, leave, travel allowances or attendance records)

- theft or misuse of intellectual property or other confidential information (including funding proposals, procurement information, personal records)

- release or use of misleading information for the purposes of deceiving, misleading or to hide wrongdoing

- false invoicing

- credit card and other payments fraud

- receiving bribes or improper payments

- misuse of position by employees to gain some form of financial or non-financial benefit (corruption).

Examples of external fraud include:

- theft or misuse of tangible assets such as plant / equipment

- false reporting on the expenditure of funding and falsifying funding applications to receive payments from government programs that they are knowingly not eligible for

- falsifying data in relation to participants engaged in funded activities

- external service providers making claims for services that were not provided, converting funded assets to personal use or misappropriating cash payments for personal use.

Waste can take many forms, for example:

- misappropriation or misuse of public property

- purchase of unnecessary or inappropriate goods and services

- incurring costs which might otherwise have been avoided

- programs not achieving their objectives and therefore the costs being clearly ineffective and inefficient.

Waste can result from such things as:

- the absence of appropriate safeguards to prevent the theft or misuse of public property

- purchasing procedures and practices which fail to ensure that goods and services are necessary and adequate for their intended purpose

- purchasing practices where the lowest price is not obtained for comparable goods or services.

Appendix D – Council fraud and corruption training schedule

Training name	Topics	Audience	Occurrence
Code of conduct	The eLearning covers: • Why we have a Code • Who the Code applies to • The consequences of misconduct • The behaviours that comply with the Code • Managing conflicts of Interest • Gifts and Benefits • Use of Council Information • Misconduct • Public Interest Disclosures • Bullying and Harassment	All staff	Council wide rollout 2018-2019 All new staff on induction All new external committee members at induction Annual refresher
Procurement in Local Government training	The training covers: • procurement awareness • probity in procurement • corruption prevention in procurement and contract management • procurement for local government, and • fundamentals of contract law.	Council Officials who deal with third party vendors	Annually

Appendix E – Reporting Fraud and Corruption

A staff member who suspects that fraudulent activity is occurring should observe the following steps:

1. **Note observations**:
   - do not jump to conclusions
   - carefully observe and note the suspected conduct
   - document your own actions
   - keep any documents as possible evidence and do not alter them, eg. by marking, and ensure they are stored securely.

2. **Report concerns:**
   - to your line manager or a Disclosure Officer who is available to provide advice on a confidential basis.

3. **Inform only those who need to know:**
   - to prevent possible destruction of evidence by those involved in the fraud
   - as protection against any pressure from those at the centre of the allegations.

4. **Maintain confidentiality**:
   - to protect the rights of a person suspected of fraudulent activity who may in fact be innocent.

A report of wrongdoing can be made in writing or verbally:

- to your line supervisor or manager

- to a Disclosure Officer – as listed on the Public Interest Disclosure intranet page

- via the online Staff and Service Complaint Form

Additionally, the following external agencies are able to provide advice or take reports of wrongdoing at Local Councils:

Independent Commission Against Corruption (ICAC) – about alleged corruption
(ICAC) Telephone: 1800 463 909
Address: GPO Box 500, Sydney NSW 2001
Email: icac@icac.nsw.gov.au

Office of Local Government – about serious and substantial waste
Telephone: (02) 4428 4100
Email: olg@olg.gov.au

NSW Ombudsman – about alleged maladministration
Telephone: (02) 9286 1000
Email: nswombo@ombo.nsw.gov.au

Information and Privacy Commission NSW – about alleged information breaches
Telephone: 1800 472 679
Email: ipcinfo@ipc.nsw.gov.au

Appendix F – Fraud and Corruption Committee Terms of Reference

1. **NAME**
   Fraud and Corruption Committee

2. **DEFINITIONS**
   Act means the *Local Government Act 1993* (NSW)*.*
   Code of Conduct means Council's code of conduct, adapted from the model code of conduct prescribed for the purposes of section 440 of the Act.
   Committee means the Fraud and Corruption Committee.
   ARIC means Council's Audit and Risk Improvement Committee.

3. **PURPOSE**
   The committee is established to:
   - oversee management of fraud and corruption complaints
   - monitor and review Council's fraud and corruption risk register
   - report quarterly to the Audit and Risk Improvement Committee (ARIC) on the status of fraud and corruption complaints management
   - advise the ARIC on improvements to fraud and corruption control arising out of issues raised and recommendations made through the investigation of fraud and corruption complaints, and management of risks relating to fraud and corruption.

4. **MEMBERSHIP**
   Membership of the Committee comprises of up to 6 members comprising:
   - the CEO or delegate (Chair)
   - Disclosures Coordinator
   - Complaints Manager
   - Head of Corporate and Legal's fraud and corruption control team
   - Representatives of relevant business units as appropriate and as determined by the Chair.

5. **TERM OF OFFICE**
   The Term of Office of a member of the Committee is ongoing, except for representatives of business units invited to the committee for particular periods as determined by the Chair.

6. **SUPPORT PROVIDED**
   A member of Corporate and Legal's fraud and corruption control team will co-ordinate the management of fraud and corruption complaints, liaise with and provide administrative support to committee members, and carry out such other functions as are determined by the committee . Corporate and Legal's fraud and corruption control team is responsible for managing the committee and will be the main point of contact for members on committee related matters. Specialist staff in related areas will be available to provide expertise.

7. **FUNCTIONS AND RESPONSIBILITIES**
   a) The committee is required to review fraud and corruption complaints referred to it by the Head of Corporate and Legal's fraud and corruption control team, via the complaints register.
   b) The committee must assess whether the process of managing and responding to fraud and corruption complaints is adequate and appropriate, in the context of the requirements of the Acts, standards and policies referred to in Council's Fraud and Corrruption Control Plan.
   c) The committee will advise the ARIC on improvements to fraud and corruption control arising out of issues raised and recommendations made through the investigation of fraud and corruption complaints, and the management of risks relating to fraud and corruption.

8   TIMETABLE FOR MEETINGS

    a) The committee is to meet at least quarterly, prior to meetings of the Audit and Risk Improvement Committee (ARIC) so that the committee can provide a report to the ARIC on the status of fraud and corruption issues and reports.

    b) A meeting will be limited to a maximum of two (2) hours duration unless the committee resolves to extend the meeting to a particular time or until the completion of business.

    c) The schedule of meeting dates and venues will be provided to the members in advance and an agenda will be provided prior to meeting.

    d) Extraordinary meetings may be called at the discretion of the Chair or by two other members.

9   ATTENDANCE AT MEETINGS

    a) All members are expected to attend the meetings, or otherwise tender their apologies to either the Chair or committee secretariat.

    b) Where the committee is discussing a complaint which may be about a member of the committee, the committee may meet without that member in attendance (this includes a complaint which may be about the CEO).

10   MEETING PRACTICES AND PROCEDURES

    a) The committee secretariat (supplied by the Complaints Manager) will ensure that each meeting is properly recorded in minutes.

    b) The committee has no delegations but is required to provide a report or recommendations to the ARIC.

    c) The quorum for each meeting will be one half plus the Chair (or delegate). If a quorum is not present within 30 minutes within the commencement time of the meeting, it will become an informal meeting with no recommendations or decisions made.

    d) The CEO is the Chair of the committee or their nominated delegate.

    e) If the Chair cannot attend a meeting (see 9b above) the committee may nominate another member to chair the meeting.

    f) The Chair directs the progress of the committee meeting. Subject to any determination by the Chair, each item is to be dealt with in the order in which it appears on the agenda.

    g) The Chair's role is to facilitate the conduct of the meetings and ensure the committee focuses on its primary goal and objectives.

    h) This committee is advisory in purpose and should have the intention of reaching consensus when endorsing items and recommendations. It has no authority to make decisions on behalf of Council.

11   CONDUCT AT MEETINGS

    a) Members shall act in a professional and ethical manner with the information they obtain.

    b) Members must respect each other and work together to create an open and trusting atmosphere. The group requires openness and honesty in order to function well and members should feel free to express their opinions and views without fear of recrimination.

    c) Conflicts of Interest: members will be requested to disclose any conflicts of interest.

    d) Confidentiality and Privacy: Members may have contact with confidential or personal information retained by Council. If so, members are required to maintain the security of any confidential or personal information and not access, use or remove any information, unless the member is authorised to do so.

12.   COUNCIL VALUES

All members of the committee are expected to observe Northern Beaches Council Values outlined below:

- **Trust:** Because being open brings out our best.
- **Integrity:** Because we are proud to doing what we say.
- **Teamwork:** Because working together delivers.
- **Service:** Because we care as custodians for the community.
- **Respect:** Because valuing everyone is how we make a difference.
- **Leadership:** Because everyone has a leading role.

13.   NEXT REVIEW DATE

- These Terms of Reference will be reviewed with the Fraud and Corruption Control Policy and Plan every two (2) years.