



# FRAUD AND CORRUPTION PREVENTION CONTROL PLAN

26 July 2023

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## 1. EXECUTIVE SUMMARY

Tamworth Regional Council is committed to implementing strategies to protect the physical assets, funds and resources under Council's custodianship and prevent and detect fraud and corruption within the organisation. Fraud and Corruption can impact Council's operations and the confidence the community has with Council, it is vital that all activities consider the risk of fraud and minimise opportunities to fraud and corruption to occur.

The Fraud and Corruption Prevention Framework includes this Fraud and Corruption Prevention Control Plan (the Plan) that supports the Fraud and Corruption Prevention Policy and outlines the responsibilities and processes for the management of fraud and corruption prevention at Council.

This Plan should be read and understood in conjunction with the following Council documents:

- Code of Conduct
- Public Interest Disclosures Policy
- Gifts and Benefits Policy

## 2. LEADERSHIP COMMITMENT AND ETHICS

The Mayor, Councillors, General Manager and Senior Executive are committed to managing fraud risks and enforcing fraud control. The Fraud and Corruption Prevention Policy and Plan are fully supported by Council's leadership team and will actively raise awareness and consider fraud and corruption prevention in all decisions of Council.

Council's Code of Conduct sets out the minimum ethical and behavioural standards for all Council employee, Councillors and external parties including contractors, committee members, community representatives, volunteers and consultants. The Code provides clear guidance on the behaviour and actions in the workplace and that fraud and corruption is not acceptable. The code of conduct applies to all persons undertaking work for Council in either a paid or unpaid capacity.

Examples of unacceptable behaviour that would amount to fraud and corruption include, but is not limited to:

- misappropriation of Council funds;
- exerting influence in order to receive a benefit for oneself or others;
- using Council information to bribe or threaten individuals or businesses;
- taking of equipment or supplies (including stationery or portable electrical equipment) from Council;
- conspiring unfairly with others to determine a tender or development application;
- receiving benefits to process development applications that do not meet statutory, regulatory or Council requirements;
- enhancing one's financial position through the use of Council information;
- unauthorised private use of a Council motor vehicle or other assets of Council;
- using Council money for a private benefit, even if repaid to Council;
- accepting gifts that contravene the Code of Conduct (with failure to disclose the gift);
- falsifying timesheets;
- running a private business during working hours or with Council resources;
- order splitting;

- falsifying travel claims and/or reimbursements;
- falsifying documents to obtain benefits that would otherwise not be provided; or
- election bribery, election funding offences and election fraud.

### **3. RESPONSIBILITIES**

#### **All Employees**

Council employees are reminded of their obligation to comply with the Tamworth Regional Council Code of Conduct and conduct themselves in an ethical manner, especially concerning the use of Council assets and resources. Fraud and Corruption is most commonly detected by observation, investigation and reporting by fellow workers and therefore every employee should be aware of the risks and report suspicious activity. All Council Employees are responsible for promoting fraud prevention in areas of their control by identifying and reporting any fraud or corruption risks that they become aware of.

Council employees must not participate in wrongdoing including fraudulent and corrupt activities and are required to report any activity which may comprise fraudulent and/or corrupt conduct in accordance with this Plan or Council's Public Interest Disclosures Policy.

#### **Councillors**

Councillors are elected representatives and comprise the governing body of Council. As Councillors are members of the Council's governing body, they are required to perform civic duties and fulfil a leadership role for the Community.

Councillors are required to report possible fraud and corruption related activities to the General Manager, Mayor, Disclosures Officer or relevant external agencies, promote Council's commitment to the prevention of fraud and corruption throughout the Community and among Council employees, and to comply with the Tamworth Regional Council Code of Conduct by acting in an ethical manner.

#### **General Manager**

The General Manager is responsible for the efficient and effective operation of Council as an organisation, including fraud control. The General Manager is to play a prominent role in taking a proactive stance on preventing fraud and corruption within Council through the promotion of high standards of ethical behaviour which is expected across Council. In this way, as part of this leadership role, the General Manager is responsible for ensuring that Council's Code of Conduct and associated policies are extended to all Council employees and Councillors and promoting Tamworth Regional Council's commitment to preventing fraud and corruption to the local Community.

The General Manager has the responsibility to fully investigate allegations of wrongdoing and report to relevant external agencies any allegations of fraudulent or corrupt conduct that have been identified at Council. The General Manager also has a duty under s11 on the ICAC Act 1998 to report to ICAC any matter that is suspected to concern or may concern corrupt conduct and report criminal offences to the NSW Police.

#### **Directors and Managers**

Directors and Managers are to actively promote Council's Fraud and Corruption Prevention Policy and Plan and lead by example through demonstrating ethical decision making and by acting with honesty and integrity in dealing with others. It is the responsibility of all employees in supervisory

and management positions to ensure that all decision making is open and accountable. Directors and Managers have an integral role in the identification of fraud risks and the implementation of this Policy by providing input into fraud and corruption risk assessments and minimising the opportunities for fraud and corruption in all processes and activities undertaken in their area. Fraudulent and corrupt behaviour develops in an environment where systems, standards and procedures are not clearly defined, supported or communicated. Directors and Managers are to promptly report instances of suspected or actual fraud.

Directors and Managers are to play a supervisory role in the implementation of the Fraud and Corruption Prevention Policy and Plan. This includes ensuring that employees within their area of responsibility receive fraud and corruption awareness training and raising Fraud and Corruption risks at staff meetings, regularly endorse Council's position of zero-tolerance of corrupt behaviour and reinforce the expectations of the Tamworth Regional Council Code of Conduct and Public Interest Disclosures Policy.

### **Coordinators, Supervisors and Team Leaders**

Supervisors and Team Leaders are responsible for the proactive promotion and dissemination of this Plan and to demonstrate and teach the standards of ethical behaviour expected of employees as outlined in the Tamworth Regional Council Code of Conduct to employees in their area. Similarly, supervisors and team leaders are to regularly reinforce to employees their role in preventing and detecting fraud and corruption within the organisation and promote an environment of compliance with this policy and other Council policies. Supervisors and team leaders also have an important role in ensuring that the policy is operating effectively and contributing to fraud and corruption risk assessments. Supervisors and Team Leaders are to promptly report instances of suspected or actual fraud.

### **Internal Auditor**

The Internal Auditor while an employee of Council, reports to the Audit, Risk and Improvement Committee. The internal audit function is independent and objective and can investigate matters of fraud and corruption under this Plan.

### **Audit, Risk and Improvement Committee**

Council's Audit, Risk and improvement Committee plays a pivotal role in the governance framework. It provides Council with independent oversight in the areas of risk, control, compliance and financial reporting. The Audit, Risk and Improvement Committee consists of three independent members and one non-voting Councillor and Council staff who have observer status.

## **4. RIGHTS OF THE EMPLOYEE**

Council recognises that where an allegation of fraud may also involve criminal conduct, then, by law, the employee's right to silence shall be recognised. An employee has the right to not have details of the allegation disclosed to others or discussed by others not concerned with the matter. Council will also recognise the employee's right to due process, independent Union representation and legal advice.

Council will take seriously all reports of suspected fraud and conduct appropriate investigations. Council reserves the right to determine who will be informed of the allegations and when, subject to any legal obligations. Council may investigate an allegation without informing the individual(s) to whom the allegation relates and may also keep allegations confidential while other agencies are

reviewing or investigating the matter. Where disciplinary action is being considered, the suspected employee will be given an opportunity to explain the events at an appropriate time.

## 5. PREVENTION SYSTEMS

In implementing this Plan, Council has identified the fraud and corruption risks across the organisation. The identified areas of high risk of fraud and corruption within Council will assist in the development of management strategies in response to such risks.

Identified Fraud and Corruption Risks for Tamworth Regional Council include (but are not limited to):

- conflicts of Interest;
- bribes, including gifts and benefits;
- recruitment and selection;
- purchasing and tendering;
- development applications;
- cash handling;
- financial – unauthorised payments, payments made to false persons or companies or for incorrect amounts;
- delegations;
- time recording and payroll fraud;
- use or theft of Council resources;
- write off of debts;
- stock control;
- secondary employment;
- obtaining personal benefit by provision of additional service; and
- information technology.

Actions that can be taken to minimise the risk of fraud can include:

- Governance – a strong governance framework will ensure appropriate policies exist and knowledge of correct procedures in circumstances of conflicts of interest, gifts and benefits and delegations;
- Leadership – the behaviour of leaders is seen as important in creating an ethical workplace;
- Risk Management – identifying where the risks exist and to minimise them;
- Conduct Guidance – by providing an effective guide to proper behaviour through the Code of Conduct;
- Staff Culture – an effective internal reporting system is a valuable mechanism for detecting fraud and identifying suspicious behaviour;
- Segregation of Duties – ensuring that multiple officers are involved in processing transactions to reduce the opportunity for fraud as well as error;
- Peer Review and selective checking by Management – a review of work leads to the sharing of knowledge and discourages fraud;
- Computerised Reporting and Data Analysis – by identifying high volume low amount transactions or unusual items can deter staff from fraudulent practices;

- Physical Access – security needs to reflect the risk of theft such as cash, cheques and other high risk items;
- Pre-employment screening of potential employees;
- Staff Leave – ensuring staff take appropriate leave to break any fraud and corruption cycles; and
- Information Security – information is also susceptible to fraud and needs to be secured.

## **6. TRAINING AND AWARENESS**

Training will be provided to all employees at induction and every two years following commencement. Training will ensure that staff understand what fraud and corrupt conduct is and their responsibilities for preventing, detecting and reporting fraud. Council has developed community and employee fact sheets to assist in understanding fraud and corruption and how to report and the fraud control message will be reinforced through a variety of communication methods.

A portal on the internet has been implemented to report suspicions of fraud by community members, volunteers and employees and be able to do this anonymously.

## **7. THIRD PARTY MANAGEMENT**

Council employees should be adequately trained in dealing with third parties and carry out structured due-diligence before engaging contractors or third parties. Contracts and service level agreements must include clear accountabilities for managing the risks of fraud and Council's statement of Business Ethics must be provided to contractors and third parties. Contractors and suppliers must understand that Council will not tolerate corruption including fraudulent dealings and are encouraged to provide information if they suspect fraud is occurring.

## **8. REPORTING AND MONITORING**

The Directors and General Manager will report annually to Tribal Council on what has been undertaken in their Directorates to raise the awareness of fraud and corruption and activities to prevent, detect and defer fraud and corruption. This report will also be provided to the Audit, Risk and Improvement Committee.

Council will provide support to persons who report instances of fraud, corruption and wrongdoing in accordance with this Plan and the Tamworth Regional Council Public Interest Disclosures Policy. Council will also provide support to persons who have had a complaint lodged against them. Reporters of wrongdoing will be protected from reprisal action and any employee who undertakes reprisal action will be dealt with under the Public Interest Disclosures Act 2022, which may result in termination of employment, fines and jail time.

All reports of fraud and corruption will be investigated and feedback will be provided to internal and external reporters where it has not been provided anonymously.

Reports of fraud and corruption can be made:

- Online through Council's website (LINK [create online form]). Online reporting can be completely anonymous if you choose;
- In person by appointment – Book appointment directly with your supervisor, Director or one of the staff listed below:
  - Executive Manager Strategy & Performance;
  - Internal Auditor;
  - Coordinator Governance & Executive Service; or

- a member of the People & Culture Team.

All reports of fraud and corruption will be kept confidential; however, it is important that if you are considering making a report, do not discuss this with anyone other than the people listed above, otherwise it may impact the chances of your identity remaining confidential.

## 9. DETECTION OF FRAUD AND CORRUPTION

Council designs controls in all processes and activities to mitigate and reduce the opportunities for fraud and corruption to exist. Monitoring is undertaken and detection systems used at Council include:

- exemption reporting;
- auditing on high risk activities such as procurement, privileged IT users, motor vehicle GPS, overtime and leave balances;
- audit activity undertaken on all Council systems and functions, by Councils internal Auditor, as per the annual audit plan;
- Directorate reviews and regular reporting to Tribal Council;
- development, implementation and review of appropriate policies; and
- *risk assessments to identify and manage risks.*

## 10. INVESTIGATIONS

All reports of fraud and corruption will be investigated and be independent to the area under investigation. It is important that as much information be provided as possible to ensure the report can be investigated to the fullest extent.

Investigations can be undertaken a number of ways with the method of investigation determined on a case-by-case basis depending on the nature of the alleged activity. Options for investigation include:

- Council staff including one or more of the following;
  - Internal Auditor;
  - Executive Manager Strategy and Performance;
  - Chief People Officer;
  - Coordinator Governance and Executive Services; and
  - Appropriate management and/or employees.
- External Auditors; or
- External Investigators.

Depending on available evidence and the nature of the reported fraudulent or corrupt behaviour matters may be referred to:

- Independent Commission Against Corruption (ICAC);
- Office of Local Government; or
- NSW Police.

Fraud and Corruption will not be tolerated at Tamworth Regional Council and where evidence tends to show the fraud and corruption has taken place, perpetrators will face disciplinary action. Disciplinary action could range from counselling to dismissal.

## 11. DOCUMENT CONTROL

Version	Date	Next Scheduled Review Date
1.0	30 September 2022	31 July 2024









## APPENDIX 1: A SELECTION OF COMMON METHODS AND TYPES OF FRAUD

(from the NSW Auditor - General 's Report to Parliament, Volume 2, March 1994, "Fraud Control: Developing an Effective Plan")


- a. payment for work not performed
- b. forged endorsements
- c. altering amounts and details on documents
- d. collusive bidding
- e. overcharging
- f. writing off recoverable assets or debts
- g. unauthorised transactions
- h. selling information
- i. altering stock records
- j. altering sales records
- k. cheques made out to false persons
- l. false persons on the payroll
- m. theft of official purchasing authorities such as order books
- n. unrecorded transactions
- o. transactions (expenditure/receipts/deposits) recorded for incorrect sums
- p. cash stolen
- q. supplies or equipment stolen or borrowed without authority
- r. IOUs used in petty cash
- s. substituting old goods for new
- t. sales not recorded at all
- u. false official identification used
- v. damaging or destroying documentation
- w. using copies of records and receipts
- x. using imaging and desktop publishing technology to produce apparent original invoices
- y. charging incorrect accounts with amounts stolen
- z. transferring amounts between accounts frequently
- aa. delayed terminations from payroll
- bb. bribes
- cc. over claiming expenses
- dd. skimming odd cents and rounding
- ee. running a private business with official assets
- ff. using facsimile signatures
- gg. false compensation and insurance claims

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- hh. stealing of discounts
  - ii. selling waste and scrap

## APPENDIX 2: POSSIBLE INDICATORS OF THE EXISTENCE OF FRAUD

(from the NSW Auditor - General 's Report to Parliament, Volume 2, March 1994, "Fraud Control: Developing an Effective Plan")

- a. missing expenditure vouchers and unavailable official records
- b. crisis management coupled with a pressured business climate
- c. excessive variations to budgets or contracts
- d. refusals to produce files, minutes or other records
- e. increased employee absences
- f. borrowing from fellow employees
- g. an easily led personality
- h. covering up inefficiencies
- i. no supervision
- j. staff turnover is excessive
- k. figures, trends or results which do not accord with expectations
- l. bank reconciliations are not maintained or can't be balanced
- m. excessive movement of cash funds
- n. multiple cash collection points
- o. remote locations
- p. unauthorised changes to systems or work practices
- q. employees with outside business interests or other jobs
- r. large outstanding bad or doubtful debts
- s. employees suffering financial hardships
- t. employees apparently living beyond their means
- u. heavy gambling habits
- v. signs of drinking or drug abuse problems
- w. conflicts of interest
- x. lowest tenders or quotes passed over with scant explanations recorded
- y. employees with an apparently excessive work situation for their position
- z. managers bypassing subordinates
- aa. subordinates bypassing managers
- bb. excessive generosity
- cc. lack of clear financial delegations
- dd. secretiveness
- ee. apparent personal problems
- ff. marked character changes
- gg. poor morale
- hh. excessive control of all records by one officer

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- ii. unusual working hours on a regular basis
  - jj. refusal to comply with normal rules and practices
  - kk. non taking of leave
  - ll. excessive overtime
  - mm. large backlogs in high risk areas
  - nn. lost assets
  - oo. unwarranted organisation structure
  - pp. absence of controls and audit trails

## DEFINITIONS

For the purposes of this document the following definitions apply.

**Bribe** - The act of paying a secret commission to another individual. It is also used to describe the secret commission itself.

**Code of Conduct** - A document broadly communicated setting out Council's expected standards of behaviour.

**Corrupt Conduct** – defined by the *Independent Commission Against Corruption Act 1988 (NSW)* includes but is not limited to:

any conduct of any person (whether or not a public official) that adversely affects, or could adversely affect, either directly or indirectly, the honest or impartial exercise of official functions by any public official, any group or body of public officials or any public authority;

any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions;

any conduct of a public official or former public official that constitutes or involves a breach of public trust; or

any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or for the benefit of any other person.

**Council** – Tamworth Regional Council

**Fraud** - as defined by the NSW Audit Office is:

“a deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority. The type of events include: acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other acts of deception”.

Fraud and corruption can be committed by one person or in collusion with others. Such persons may be employees of Council, Councillors, volunteers, external companies, external individuals, contractors or consultants


*Fraud and corruption risk assessment - The application of risk management principles and techniques in the assessment of the risk of fraud and corruption within an entity.*

**Fraud and Corruption Prevention Control Plan** – This document; summarising Council's anti-fraud and anti-corruption strategies.

**Investigation** - A search for evidence connecting or tending to connect a person (either a natural person or a body corporate) with conduct that infringes the criminal law or the policies and standards set by Council.

**Risk** - Circumstances which affect the achievement of objectives.

**Secret commission** - A payment in money or in kind which will or is intended to cause a person to act in a way that is contrary to the interests of his or her principal or employer, is contrary to the principal's or employer's policy on a given issue or is against the public interest. Secret commissions, by definition, will typically be paid without the knowledge or express or implicit agreement of the principal or employer and include payments intended to influence the outcome of a specific action or event as well as the actions generally over a period of time.



Senior Executive – a Director or Executive Team member who have authority over the direction or management of the Council.