




Fraud and Corruption Control System

2022 - 2025

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1. Introduction

Macedon Ranges Shire Council (**Council**) is the custodian of significant public funds and assets therefore it is committed to a comprehensive and systematic approach to preventing, detecting and responding to fraud and corruption. The Council has zero tolerance for corrupt conduct or fraudulent activities and is committed to providing an organisational culture supported by appropriate policies and procedures to prevent fraud and corruption.

This Fraud and Corruption Control System (the System) is based on the Australian Standard for Fraud and Corruption Control (AS 8001-2021) and has been endorsed by the Executive Leadership Team (ELT) and the Audit and Risk Committee (ARC). The System complements the Fraud and Corruption Control Policy approved by Council.

Fraud and corruption control forms part of Council's risk management framework. It is a risk that Council actively seeks to identify and mitigate by reducing the potential opportunity (risk likelihood) for fraud and corruption to occur.

1.1. Purpose

The purpose of this System is to minimise or eliminate any actual or potential fraudulent and corrupt behaviours and acts throughout the Council operations. The procedures outlined establish the framework and approach to the implementation and review of fraud and corruption control.

1.2. Scope

This is a "whole-of-Council" approach to preventing fraud and corruption infiltrating the organisation. The System applies to all Macedon Ranges Shire Councillors, employees, volunteers, contractors and agents. This System shall be read in conjunction with the Fraud and Corruption Control Policy 2022.

1.3. Commitment

This System assists Council to:

- demonstrate transparency and build integrity into every decision and action
- develop and maintain evidence based risk registers
- ensure impartiality of decision making, advice and review
- provide clarity around responsibility and accountability, including disclosures, conflicts of interest and reporting
- provide tailored education and training

Council will prosecute people identified as committing fraud or undertaking corrupt activities. Employees may also face disciplinary action under the Disciplinary Policy, and restitution of money or property lost through fraudulent activity will be pursued through legal action.

1.4. Definition of fraud and corruption

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 persons internal or external to the organisation and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.*

Corruption is defined as *dishonest activity in which a person associated with an organisation (e.g director, councillor, executive manager, manager, or employee or contractor) acts contrary to the interests 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 interests of the organisation in order to secure some form of improper advantage for the organisation either directly or indirectly.

1.5. Conflict of Interest

Conflict of Interest - can be actual, potential or perceived:

- An **actual** conflict of interest occurs when a public officer's duties actually do conflict with their private interests.
- A **potential** conflict arises when a public officer's duties could conflict with their private interests. A public officer can anticipate potential conflicts by thinking about how their private interests and associations might influence their public duties.
- A **perceived** conflict stem from the reasonable view of the public or a third party that a public officer's private interests could improperly influence their decisions or actions, or the actions or decisions of their organisation. The perception is that a public officer may not be objective in their dealings as a result of the conflict.

Conflict of Interest is addressed specifically in the MRSC Councillor Code of Conduct and the MRSC Staff Code of Conduct. Gifts and hospitality are also addressed specifically in these documents and the Gifts Policy and Procedure.

2. Risk Context – Local Government Fraud & Corruption

The Victorian Auditor-General's office (VAGO) has recommended all Councils adopt specific fraud control policies that address the risk of fraud and corrupt conduct. The risk of fraud can relate to the functions and services that local government deliver and the following tables highlight this risk with examples. The tables are indicative of fraud and corruption risks in local government but are not exclusive.

2.1. Fraud

<p>General</p>	<ul style="list-style-type: none"> • Theft of funds, assets, plant, equipment or information • Unauthorised use of Council equipment or materials for personal benefit • Causing a loss or avoiding creating a liability by deception • False invoicing (involving a staff member creating a fictitious invoice claiming payment for goods or services not delivered or exaggerating the value of goods delivered or services provided) • Accounts receivable fraud (misappropriation or misdirection of remittances received from a debtor) • Credit card fraud involving the unauthorized use of a credit card or credit card number issued to another person, including use of purchasing card to buy goods or services for personal use • Providing false or misleading information • Making false or misleading financial reports • Release or use of misleading or inaccurate information for the purposes of deceiving or misleading, or to hide wrongdoing • Misuse of position in order to gain some form of financial advantage • Theft of intellectual property or other confidential information • Bribery or kickbacks.
<p>Payroll/timesheet fraud</p>	<ul style="list-style-type: none"> • False Time in lieu claimed but not worked • Overtime claimed but not worked

	<ul style="list-style-type: none"> ● Not recording leave taken on timesheet ● Forgery of manager's signature ● Fraudulent medical certificates.
Unauthorised use of Council assets	<ul style="list-style-type: none"> ● Unauthorised private use of vehicles ● Taking supplies for private use ● Taking equipment for private use.
False claims for reimbursement	<ul style="list-style-type: none"> ● Claiming for non-work related costs ● Claiming for costs not actually incurred.
Recruitment fraud	<ul style="list-style-type: none"> ● Fake qualifications ● Fictitious former employers ● Fake references

2.2. Corruption

Corruption includes Councillors, employees, volunteers and contractors	<ul style="list-style-type: none"> ● Being targeted by external parties seeking to gain an improper benefit ● Targeting external parties or other internal parties in seeking to gain an improper benefit. ● Payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the receiver (e.g. building projects completed at an employee's private residence) ● Release of confidential information for other than a proper business purpose in exchange for some form of non-financial benefit or advantage accruing to the employee releasing the information ● Solicitation of donations for an improper political purpose ● Senior personnel acting in their own self-interest rather than the interests of Council (e.g. failing to declare a conflict of interest in a decision) ● Serious nepotism and cronyism where the appointee is inadequately qualified to perform the role to which he or she has been appointed ● Manipulation of the procurement process by favouring one tenderer over others or selectively providing information to some tenderers. This may involve allowing tenderers to resubmit a 'non-complying' tender after being provided with the details of other bids ● Gifts or entertainment intended to achieve a specific or generic commercial outcome in the short or long-term – in breach of Council's Gifts and Benefits procedure.
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2.3. Codes of conduct

The Staff Code of Conduct outlines clearly the expectations to act honestly and ethically at all times and to be aware of Council's Fraud and Corruption Control System. Each new Employee induction will include familiarisation and awareness training of the Staff Code of Conduct, the Fraud and Control Policy and this System.

The Councillor Code of Conduct recognises the importance of Councillors maintaining the highest levels of integrity and ethical behaviour. It sets out the standards of conduct expected of elected representatives.

3. Planning and Resourcing

The Council Risk Management Policy & Framework operates under the three lines of defence assurance model in accordance with the Risk Management Strategy. This model distinguishes among three groups involved in effective risk management.

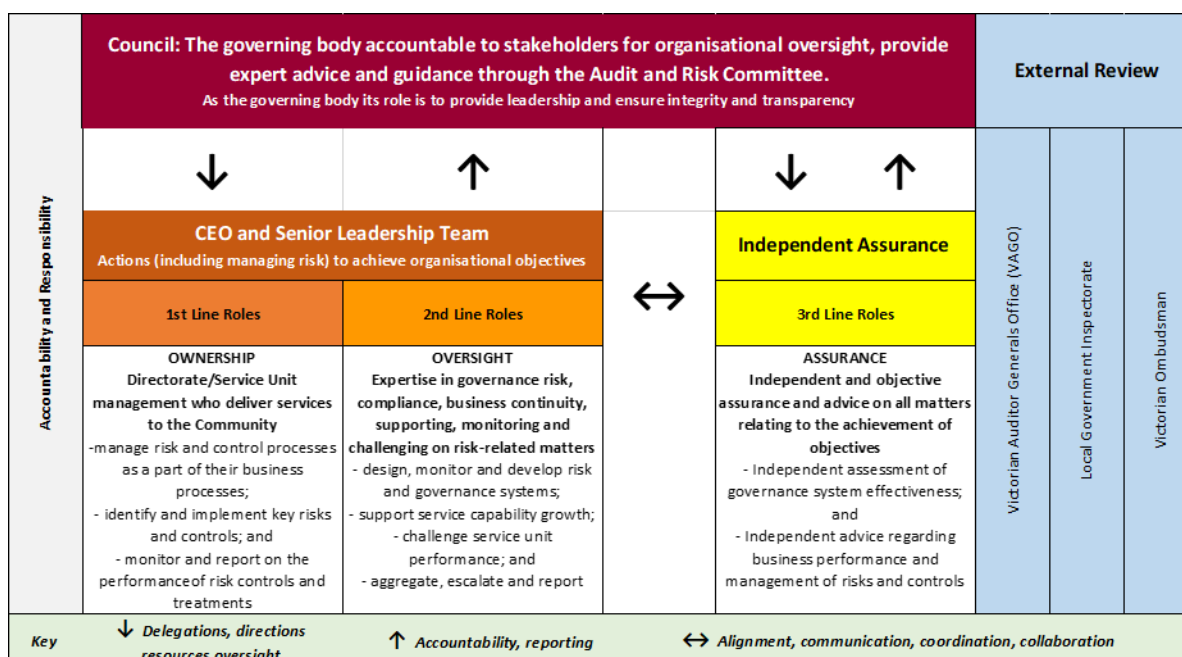


Figure 1: Risk Assurance 3 Lines of Defence

The Fraud and Corruption Control System is an essential part of Council’s Risk Management Framework. The System relates to a specific period in time, in this case for the next three years, during which fraudulent or corrupt conduct is discouraged, and conflicts of interest are avoided.

3.1. Fraud and Corruption Control Documents

The Local Government Act 2020 requires Council to maintain adequate internal control systems, and to establish codes of conduct and an Audit and Risk Committee. The Public Interest Disclosures Act 2012 requires Council to establish written procedures for handling of any public interest disclosures. Offences of fraud may be prosecuted under a number of different Victorian laws. The offences are covered under the Crimes Act 1958 (Vic). This System was prepared with reference to:

- Fraud and Corruption Control Policy 2022
- Public Interest Disclosure Policy 2020
- Complaints Handling Policy (s.18 Mandatory reporting)
- Councillor code of conduct
- Staff Code of Conduct
- Procurement policy and procedures
- Conflict of Interest and Personal Interests Returns (Engage Victoria)
- Gift and Hospitality disclosure requirements as set out in Code of conduct
- Cash handling policy and procedure
- Credit card policy
- Information Technology Policy
- Accounting Policy and Procedures
- Media Policy
- Risk Management Policy.

3.2. Internal Audit Activity

Internal audit supports fraud prevention by ensuring employees conform to internal controls, and by deterring potential perpetrators with the increased prospect of being caught. It has a key role in detection of fraud and provides necessary inputs into the Council’s responses to fraud.

The Director Corporate, in consultation with Manager People, Risk & Wellbeing and under the oversight of the Audit & Risk Committee, will ensure that internal audit schedules or plans adequately address Council's fraud risk exposures and adequately test Council's fraud risk controls.

If deemed necessary the Council may utilise the role of the internal auditor in the investigation and reporting of any suspected fraud or corrupt activity.

3.3. Monitoring

The Audit & Risk Committee provides a key role in monitoring the Council's fraud control processes. Any incident of fraud will be reported to the Committee as part of the regular risk review report at the quarterly meeting of the Audit & Risk Committee.

The Audit & Risk Committee reviews whole of organisation risk and determines the Annual Internal Audit Plan delivered by the Internal Auditor. Included in this review is a scan of the relevant external environment.

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.

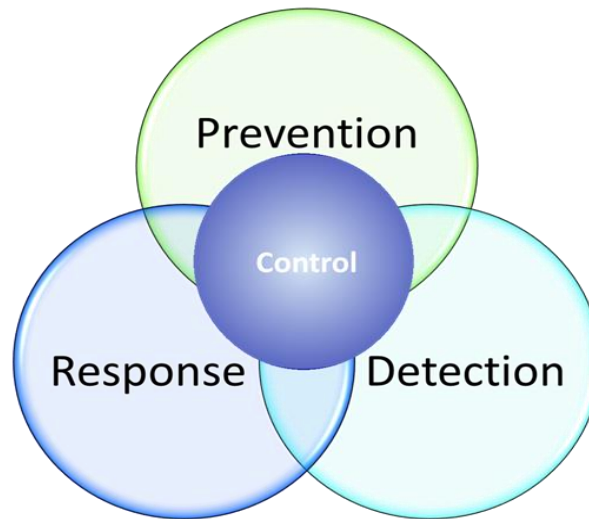
Where a suspected fraud or corrupt behaviour is reported or detected and it is assessed by the CEO as likely to have an impact on Council's reputation or operations, the CEO will inform the Chair of the Audit and Risk Committee as soon as practicable within 5 working days of the incident subject to the limitations on disclosure that may be imposed by external integrity bodies.

4. The Fraud and Corruption Control System: 2022-2025

Objectives

The objective is to set out the Council's framework and actions for controlling and monitoring its fraud and corruption prevention, detection and response initiatives. The key elements for a Fraud and Corruption Control System are listed in Appendix 1.

This System is based on the Australian Standard for Fraud and Corruption Control (AS 8001:2021). The Australian Standard is not a mandatory standard, however it is considered as best practice. This System has been endorsed by the Executive Leadership Team (ELT) and the Audit & Risk Committee (ARC).



4.1. Prevention

To be effective, fraud and corruption prevention requires several contributory elements, including an ethical organisational culture, a strong awareness of the risk among employees, suppliers and clients, and an effective internal control framework. The resources used for preventative strategies are proportionate to the risk profile of the Council.

Prevention requires and is focussed on strong executive leadership to support effective fraud and corruption control within Council. Members of the Executive Leadership Team (ELT), Senior Management (SMT) and Operational Leadership Teams (OLT) are required to demonstrate an observably high level of commitment to the control of fraud and zero tolerance towards fraud and or any breach of integrity.

Ethical Culture and Awareness

All management and staff are responsible for the development and maintenance of an ethical culture. The Codes of Conduct detail the ethical values and principles that are expected of all staff and of the Council. Senior Management will not be complacent and will treat fraud and corruption risks as a serious threat to the organisation.

Members of ELT, SMT and OLT 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 the Code of Conduct, the Fraud and Corruption Control Policy and this System.

ELT and SMT will regularly be briefed on the following:

- Council's current fraud and corruption program and robustness of the internal control environment in regard to preventing and detecting fraud
- The types of fraud and corruption common within the local government sector
- General fraud and corruption trends in Australia
- Reports of identified or attempted fraud and corrupt behaviour that has been detected (subject to the regulatory and or/investigation status)
- Information of new or emerging trends in this area.

Training

Councillors and Employees will be informed of Council's Fraud and Corruption Control Policy and System, the consequences arising from fraud and corruption, and who to speak to if they suspect fraud and/or corrupt conduct is occurring.

Fraud awareness training will be included in induction and for new employees so they are aware of their responsibilities for fraud control and of the expectations for ethical behaviour in the workplace.

The Learning & Development team in consultation with the Manager Finance & Reporting is responsible for the development and delivery of fraud awareness training, including in the induction program for new staff, and delivered across the organisation as refresher training every two years or as deemed necessary. ELT, SMT and OLT training will include the additional responsibility they have as a managers with regards to fraud control.

Systemic Prevention

Council has implemented a purchase approval system which ensures only authorised delegates may approve expenditures to set levels within the system. Requests for approval over certain levels are either referred 'upward' for approval or to separate purchasing areas.

Communication

It is important that fraud and corruption is identified and reported at an early stage and that staff and Councillors have understanding and confidence in the system. Staff and Councillors will be provided with information on the Fraud and Corruption System and Policy so that they have confidence in knowing how to respond if this type of activity is detected or suspected.

Communication of Council's fraud and corruption risks and controls will be made available to staff and Councillors through a dedicated page on the Council intranet regarding fraud and corruption; this will include links to all relevant documents and in particular the process for reporting allegations.

Fraud and Corruption Control Policy

The Council will ensure that it has a Fraud and Corruption Control Policy in place and a copy will be made available to all Councillors, employees, contractors and volunteers, and will published on the Council's web page. The Audit & Risk Committee will periodically review the effectiveness of the Fraud and Corruption Control Policy. ELT and SMT 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 the Code of Conduct, the Fraud and Corruption Control Policy and this System.

Risk Identification and Assessment

The Risk Management Committee (the Committee) is responsible for the Council's overall management of risk. The Committee comprises:

- Director Corporate (Chair)
- Coordinator Risk and OHS (subject matter expert)
- Manager Finance and Reporting
- Manager Information Services
- Manager People, Risk and Wellbeing
- One representative from Assets & Operations
- One representative from Planning & Environment
- One representative from Community

The Committee meets quarterly to continually identify, review and manage the Council's risk exposure as recorded in the Risk Register, and reviews the Risk Management Strategy and processes. Fraud risk is one of the Council's risk exposures and the Committee will review control measures and make recommendations for change or additional treatments where

deemed necessary. Changes to fraud risk controls will be detailed within the Fraud Control System and implemented as required during the term of the System.

The Coordinator Risk and OHS is responsible for coordination of fraud risk assessments. The risk assessment will be subject to annual review as a minimum and be incorporated into the annual review of the strategic and operational risk registers. The risk assessment informs the System and provides direction for the fraud and corruption control strategies. The risk assessment program will consider the following (but not be limited to):

- High risk positions;
- High risk operations (procurement, payroll, accounts payable, employee recruitment);
- Post-transactional review for Payroll;
- Analysis of management accounting/exception reports;
- Assurance activity (internal and external) in the identified high-risk areas; and
- Indicators of potential fraud (e.g. personnel not taking leave, failure to follow instructions/guidelines, unnecessarily long working hours, access to computers or premises at unusual times).

Managers are responsible for the identification of potential exposure of fraud and corruption in their service areas. In particular, they are responsible for monitoring staff behavioural patterns and work performance, to ensure that red flags are identified. They are responsible for the implementation and monitoring of internal controls (systems, processes and procedures) to minimise risks. The risks, treatments and controls identified through the risk assessment process will be recorded and reported through the Risk Register.

Risks identified will be reported in line with the Risk Management Framework. Levels of accountability are detailed in all staff position descriptions and guidelines regarding the protection of Council assets is detailed in the Staff Code of Conduct.

Employment Screening

Employment screening will be undertaken for all new positions. This screening process will reduce the risk of a potential security breach and will provide a high level of assurance as to the integrity, identity and credentials of prospective employees.

The following screening shall be undertaken with the express consent of the individual concerned for all prospective employees:

- Verification of identity requiring at least two forms of identity (passport, birth certificate, drivers' licence, rate certificate, at least one must include photo identification)
- Police criminal history check
- Working with children check – relevant identified positions
- Reference checks with two most recent employers
- Consideration of any gaps on employment history and the reasons for the gaps
- Verification of formal qualifications claimed.

Job Rotation

Individual Service Units will regularly consider job rotation for positions where there are multiple officers undertaking the same or similar functions and the position is deemed a high risk from a fraud or corruption perspective, such as local law enforcement, parking enforcement, planning officers, contract management, for example.

Supplier Vetting

The Council will continue to undertake supplier vetting for new and ongoing suppliers in accordance with existing procurement policies and practices.

Financial and/or Performance assessments will be undertaken where the contract poses a key financial risk to Council or where it is a new supplier that has never been used by Council before and the risk of poor performance or financial collapse is likely to adversely affect Council.

Financial and Performance assessment checks may also be undertaken where Council wishes to understand the financial and previous contract performance of the supplier or if no security is in place.

For effective prevention, active management and ownership is required by the Managers responsible for the above strategies within Council. Executive oversight through sound governance arrangements will ensure that each strategy does not operate in isolation, and that interdependency is effectively identified and managed appropriately.

Pressure Testing

The Council will engage with an external entity to conduct an annual 'pressure test' exercise that may take the form of, for example:

- Submitting a fake invoice
- An informal request to change bank account details of a supplier
- A telephone request to change address details of a supplier.

Preventing Technology Based Fraud

Information security is a duty of all Council employees. Given the size and resources of Council a dedicated Information Security Management System Officer (as per AS 8001:2021) has not been appointed. The responsibility for Information Security is shared within the Information Services Department.

Council protects its data and systems on its managed network through firewalls. The firewalls are intrusion tested regularly and this is included as a budget item. The data on portable items (laptops) is protected by passwords, as is the data on personal computers. IT equipment is included on the asset register and physical security of IT equipment is achieved through building security.

All staff are trained in cyber security through an on-line training module.

4.2. Detection

Detection Program

The Council's detection program includes the annual internal audit plan, annual financial statement external audit, Audit and Risk Committee oversight, review of risk strategies and various reporting avenues. Other detection programs which contribute to early warning of fraud and corruption include:

- Post transactional reviews - a review of transactions after they have been processed. This option may identify or uncover altered documents or missing documentation, falsified or altered authorisations or inadequate documentary support.
- Data mining - the application of sophisticated (and sometimes unsophisticated) software applications and techniques where a series of suspect transactions can be identified and then investigated which can identify anomalies at an early stage.
- Analysis of management accounting reports - using relatively straight forward techniques in analysing management accounting reports, trends can be examined and investigated which may be indicative of fraudulent or corrupt conduct.

External Audit

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 and Risk Committee:

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

The Director Corporate will ensure that the external auditors are briefed about the Council's expectations on external audit to detect fraud, and appropriately supported by Council staff to enable this.

Reporting by Internal Parties

The Council takes fraud and corruption very seriously and does not accept fraudulent or corrupt behaviour. It encourages all personnel to maintain awareness and vigilance in regard to fraud and corruption. All Councillors and staff are encouraged to assist the Council by:

- identifying suspected or potential fraudulent and corrupt activities; and
- reporting any such activities in order that those activities are investigated

Under Council's Protected Disclosure Policy, all Councillors and staff have the option to report a suspected fraud and/or corrupt behaviour using procedures set out on Council's intranet site at:

[Public-Interest-Disclosures-Procedure.pdf\(PDF, 636KB\) \(mrsc.vic.gov.au\)](#).

Other internal reporting avenues include notifying:

- the Chief Executive Officer; or
- line Supervisors or Managers or Directors (for staff reporting only); or
- Manager Finance and Reporting; or
- Public Interest Disclosure Coordinator.

All reports involving corrupt conduct reported by staff must be forwarded to the Chief Executive Officer.

External reporting avenues include notifying:

- the Local Government Inspectorate on 1800 469 359, or
- the IBAC on 1300 735 135, or
- the Victorian Ombudsman on (03) 9613 6222

Other external reporting avenues include notifying:

- the Internal Auditor; or
- the Audit and Risk Committee Chair

The Internal Auditor or Audit and Risk Committee Chair will refer a notification to an authorised external body and/or notify the Chief Executive Officer provided always that any request for non-identification of the discloser will be maintained.

Alleged criminal conduct will be reported to Victoria Police as appropriate, and serious improper conduct to IBAC as required by law.

Reporting by External Parties

From time to time employees of external parties such as contractors and suppliers may become aware, or suspicious, that Council personnel are engaging in fraudulent or corrupt behaviour. Encouraging and enabling reporting of this behaviour is an important part of a fraud and corruption control program.

All Managers shall ensure that procurement procedures include:

- making new suppliers aware of Council's fraud and corruption control program;
- encouraging them to report fraudulent or corrupt behaviour, or suspected behaviour; and
- providing them with the contact details of Council's Public Interest Disclosure Coordinator.

Public Interest Disclosure

Under the Public Interest Disclosures Act 2012, persons can make disclosures to the Council and IBAC about improper conduct and detrimental action in relation to the activities and functions of Council. This is encouraged where any person wishes to access the protections afforded by the Act. The Council's Public Interest Disclosure Procedures are available on the Council Web site ([Public interest disclosures - Macedon Ranges Shire Council \(mrcsc.vic.gov.au\)](http://mrcsc.vic.gov.au)).

Disclosures about improper conduct or detrimental action by Councillors shall be made to the IBAC or to the Ombudsman. If Council receives a misdirected disclosure about a Councillor, such disclosures will be assessed and managed in accordance with Council's Public Interest Disclosure Procedures.

A public interest disclosure can be made to:

- The Council's Public Interest Disclosure Coordinator
- IBAC
Level 1, North Tower
459 Collins Street
Melbourne Vic 3000
Postal address: GPO Box 24234, Melbourne VIC 3001 Telephone: 1300 735 135
Website: www.ibac.vic.gov.au

4.2.1 Reporting Guidance

Mandatory Reporting

The Chief Executive Officer must notify IBAC of all instances of suspected corrupt conduct occurring in the Council, any matter they suspect on reasonable grounds to involve corrupt conduct occurring or having occurred and suspected corrupt conduct occurring in other organisations where it is connected with the Chief Executive Officer's duties, functions and exercise of powers. The notifications must be made as soon as practicable after the Chief Executive Officer has formed a reasonable suspicion that corrupt conduct may have occurred or may be occurring. An assessment as to whether a matter must be notified to IBAC shall be made based on the material available to the Chief Executive Officer. This obligation cannot be delegated. Where another person is acting as the Chief Executive Officer, the obligation applies to that person.

Employees

Where an employee suspects that an act of fraud or corrupt conduct is occurring or has occurred, that employee shall report such suspicions to their Manager.

Where the employee does not feel comfortable reporting their suspicions to their Manager they shall report such matters to their respective Director. If neither of the above options are appropriate, then the employee shall report such matters to the Director Corporate. In the circumstance that it is inappropriate to report the matter to the Director Corporate, the employee shall report the matter to the CEO.

Exit interviews shall be conducted for employees and shall specifically consider any awareness of Fraud and Corruption during the employees' tenure.

Director or Manager

On receiving a report of suspected fraud or corrupt conduct, the Director or Manager must record details of the report, including the time and date the report is made and details of matters raised. The matter must then be reported to the Director Corporate or where this is inappropriate, the CEO. Where the issue may involve disciplinary action against an employee, the Manager Finance and Reporting must also be advised prior to any such action being undertaken.

Notifying the Chief Executive Officer (CEO)

Except where it has been reported as a Protected Disclosure action (which is a specifically legislated protected action – see above), all reported incidents of suspected fraud or corrupt conduct must be reported to the CEO by the Director Corporate immediately and prior to, any investigation of such allegations being undertaken. Where this is inappropriate, or where it relates to the CEO, the Director Corporate is to report the matter to the Mayor for discussion and decision regarding next steps and any other internal or external advice that may be required.

Anonymous Reports

Although not encouraged, anonymous reports may be directed to the Manager Finance and Reporting. Adequate supporting information to enable an assessment of the alleged fraudulent or corrupt behaviour to be made and an investigation to be undertaken must be provided.

Contractors

Contractors or other people involved in the contracting processes may become aware of or have information indicating fraudulent or unfair activity in relation to the procurement/tender processes or service provision.

Contractors shall report any such concerns to the appointed contract/tender officer. Where contractors believe that a report to the contract/tender officer is not appropriate, or are reluctant to report suspected fraud and/or corruption behaviour that is intimidating or grossly unfair for fear of repercussions affecting their future business dealings with Council, they are requested to contact Council's Manager Finance & Reporting or Director Corporate.

As contractors would not normally have access to this System, the above advice shall be included in all procurement / tender documentation.

4.3. Response

For all matters subject to Mandatory Reporting to IBAC, **no action will be taken** until IBAC has assessed the matter and informed the Chief Executive Officer of its decision.

Exceptions to this only 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

For all other reports of detected or suspected fraud or corruption and any matters subsequently referred back by IBAC for Council to consider, the Council will investigate first, and determine a course of action second, depending on the outcomes of the investigation.

The Chief Executive Officer will remain impartial to any investigation and not be a member of any Investigation Team.

All suspected incidents of fraud and/or corruption detected will be investigated pursuant to these procedures. This includes incidents detected through proactive detection programmes or by a report from an employee or other person.

4.3.1 Investigation

All reported fraudulent or corrupt behaviour, or suspected behaviour, whether by staff, Councillors or business associates/suppliers, will be investigated either by the Council, an external investigator or Victoria Police. 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; and
- Identify how long the fraudulent or corrupt behaviour has been occurring and thereby the extent of the breakdown of internal controls.
- Identify any gaps or weaknesses in the controls and systems associated with the activity that is subject to the investigation

Upon receipt of a report of fraudulent or corrupt behaviour, or suspected behaviour, the Director Corporate and the Manager Finance and Reporting will as soon as practicable ensure that an independent investigation is conducted into the alleged misconduct.

The Chief Executive Officer will be consulted and decide whether the Police or any external assistance will be employed. The Chief Executive Officer is responsible for the selection of the personnel to be involved in the independent investigation. This may include referring the investigation to the Internal Auditor for action.

The independent investigator(s) may be from an independent authority or agency, a manager or other senior person within the Council or an external consultant such as a specialised fraud investigator operating under the direction of the Manager Finance and Reporting. The Manager Finance and Reporting will ensure that the investigator appointed is mindful of legislative provisions that are relevant to the investigation, including the provisions of the Information Privacy Act 2001(Vic) regarding the disclosure and use of personal information.

An allegation of fraud or corruption will constitute an alleged breach of the Councillor or Staff Code of Conduct. Any staff member contacted by an appointed internal investigator or external investigator is required under section 9 of the Staff Code to cooperate with any investigations into breaches of the Staff Code.

In all reports of alleged fraudulent or corrupt behaviour, strict confidentiality and the principles of natural justice will be observed and maintained. Where a Council employee is the subject of an investigation, the Manager Finance and Reporting will seek the advice of the Director Corporate to ensure adherence to the provisions of Council's Disciplinary Procedure and relevant industrial relations laws.

External Investigation

The Chief Executive Officer may decide that the investigation shall be conducted by an independent authority or agency or if the matter shall referred directly to Victoria Police. Any referral direct to an independent authority or Victoria Police will be coordinated by the Manager People, Risk and Wellbeing. The Police or the authority they contact will then conduct the investigation. Where the allegation has arisen through a Protected Disclosure, then the investigation will be in accordance with Council's Protected Disclosure Guidelines and Procedures.

A report of the investigation from an external authority will be considered by the Manager Finance and Reporting in consultation with the Director Corporate, and they will make recommendations to the Chief Executive Officer as to the most appropriate course of action as soon as practicable.

Internal Investigation

The investigation shall be conducted as quickly as practicable, including but not limited to the following steps:

- Develop the terms of reference, identifying:
 - Confirming who shall conduct the investigation
 - Who shall be interviewed
 - What records shall be examined
 - Who shall be kept informed, on a 'need to know' basis

- Conduct the investigation – ensure confidentiality and right to privacy is considered in conducting the investigation:
 - Collect witness statements
 - Examine records and collect and collate records and evidence
 - Advise the person(s) against who allegation is made that there is an investigation and invite them to be interviewed
 - Conduct interviews under a presumption of innocence basis, outlining the allegations made against the person allowing them an opportunity to respond within a reasonable timeframe
 - A person being interviewed shall be allowed a support person in the interviews, but that person may not represent them or provide comment
 - All parties must maintain confidentiality and propriety at all times

- Compile a report:
 - Summarise the evidence collected during the investigations, including all evidence that supports the allegation and all evidence that refutes the allegation or supports the alleged persons response
 - Draw conclusions and make findings as to the likely truth or otherwise of the allegations based objectively on the evidence and statements
 - Assess the seriousness of the misconduct or behaviour and its impact on Council
 - Report on any detected gaps or weaknesses in the controls and systems associated with the alleged activity.
 - Register the report in Records Management system using a highly restricted security classification.

The Manager Finance & Reporting and the Director Corporate will consider the report and make recommendations to the Chief Executive Officer as to the most appropriate course of action as soon as practicable.

A Fraud Investigation Checklist is included in Appendix 4.

Responses to Investigations

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

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

- Disciplinary action
 - The Manager Finance and Reporting will coordinate disciplinary action in accordance with Council's Disciplinary Policy and Procedure.
- Reporting to Victoria Police
 - The Director Corporate will coordinate the reporting of the investigation outcome to Victoria Police.
- Civil action to recover losses
 - The 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.
 - The Director Corporate will coordinate any civil action taken by Council to recover losses resulting from the fraud or corruption.

Third Parties

The CEO will decide whether to inform directly or indirectly impacted third parties to the fraud or corruption, including individual or multiple ratepayers, suppliers and community groups.

Disruption

The Council may consider it appropriate to engage in disruption of identified fraud and corruption by any of the following methods:

- Increased audit activity
- Increased post transactional reviews
- More rigorous authorisation procedures
- Separation of duties
- Website protection
- Additional training.

Review of Internal Controls

- Where fraud or corruption is detected, the relevant service unit Manager, in consultation with the Manager Finance and Reporting will review the findings and assess the adequacy of the relevant internal control environment and provide a report to the Director of that service and any recommended improvements identified.
- Where internal controls may be practicably improved, the relevant responsible Officer shall ensure as soon as practicable that those improvements are developed, documented and implemented, and understood by those who have roles and responsibilities in them.

Record Keeping

The Manager Finance and Reporting 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 Information Privacy Policy and Records Management system controls.

Insurance Cover

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

The Risk Management Unit will also advise outcomes of investigations to insurers as required under the obligation of disclosure in the Insurance Policy.

Media

The MRSC Media Policy (<https://www.mrsc.vic.gov.au/workplace/Policies-plans-strategies/Policies-and-procedures/Media-Policy-and-Procedure?BestBetMatch=media%20policy|9c662d19-e489-4123-8311-c99c00d6753b|6264edd4-5d40-4995-84c8-f62599d7f376|en-AU>) shall be observed at all times, and no employee, Councillor or other persons associated with Council other than the CEO, unless specifically delegated to do so, shall make any public comment in relation to any suspected fraud or corruption, whether proven or otherwise.

No comment, statement or posting in relation to any suspected fraud or corruption, whether proven or otherwise is to be made by Council staff and contractors on their personal accounts that is contrary to Council's Social Media Policy and Guidelines: (<https://www.mrsc.vic.gov.au/workplace/Policies-plans-strategies/Policies-and-procedures/Social-Media-Policy-and-Guidelines?BestBetMatc>), and must not make any comment or post any material which might damage Council's reputation.

Where it is deemed necessary to make a statement to the media, the CEO shall consider legal and media advice prior to making the statement.

5. Governance

Review

The System is to be reviewed every three years unless required earlier by changes to legislation or systems.

Responsibilities and Accountabilities

All levels of management are accountable for setting the appropriate tone of intolerance for fraudulent and corrupt acts by leading in the compliance complying with laws, regulations and policies, including Councils code of conduct.

Role	Responsibilities and accountabilities
Council	Approves the Fraud Control Policy. Fosters and maintains the highest standards of ethical behaviour.

CEO	<p>Establishes and maintains a culture of risk awareness and management.</p> <p>Implements the requirements of the Financial Management Act and the Standing Directions.</p> <p>Notifies IBAC of corrupt conduct in accordance with the mandatory notification provisions of the Independent Broad-based Anti-corruption Commission Act 2011.</p> <p>Oversees the Council's prevention, detection and investigation activities with respect to fraud and corruption.</p> <p>Provides input to the Council in relation to approval of:</p> <ul style="list-style-type: none"> • actions required to mitigate significant organisational risks • all matters identified as high or critical risks in risk registers.
Audit & Risk Committee	Assists the Council in fulfilling their statutory responsibilities by independently reviewing and assessing the effectiveness of the Council's systems and controls for financial management, performance and sustainability, including risk management
Executive Leadership Team (ELT)	<p>Provides assurance that the Council has a robust framework for managing integrity risks and lifting integrity performance. The ELT does this by overseeing the development and delivery of integrity reforms which strengthen the organisation's three lines of defence for risk management.</p> <p>Provides leadership and oversight to the development and review of the Fraud Policy.</p> <p>Approves the Fraud and Corruption Control System.</p>
Public Interest Disclosure Coordinator	<p>Provides advice and guidance to areas of the Council and statutory authorities where required.</p> <p>Oversees statutory reporting of fraud, corruption and other losses in accordance with the <i>Public Interest Disclosures Act 2012</i>, <i>Independent Broad-based Anti-corruption Commission Act 2011</i> and the Standing Directions.</p> <p>Receives, assesses and refers potential public interest disclosures</p> <p>Collects and Oversees the provision of information in relation to fraud or corruption matters to IBAC and the Ombudsman.</p>
Directors	<p>Oversee the implementation of the Fraud & Corruption Control Policy in their business area.</p> <p>Establish and maintain a culture of integrity</p> <p>Ensure fraud, corruption and other loss risks within their business area are identified and managed.</p> <p>Ensure appropriate second-line monitoring of policy compliance is undertaken.</p> <p>Ensure policies are kept up to date, are accessible, and changes to policies are communicated to staff appropriately.</p>
Manager Finance & Reporting	<p>Receives reports of suspected fraud and corruption directly that have not been made to the PDC from managers, staff or external bodies.</p> <p>Supports the Public Interest Disclosure Coordinator in relation to internal investigations.</p> <p>Advises the CEO and ELT as required on the progress and outcomes of internal investigations.</p>
Managers & Coordinators	Ensure staff know about and comply with departmental policies, procedures and guidelines, including the Fraud and Corruption Control Policy and this System.

	<p>Ensure internal controls are established and are operating effectively to mitigate fraud and corruption risks.</p> <p>Maintain systems, procedures and an enabling culture that supports employees to confidentially report concerns.</p> <p>Receive and act on reports of fraud or corruption by notifying the Public Interest Disclosure Coordinator and otherwise maintain confidentiality regarding the report.</p> <p>Facilitate and support regular workplace conversations in relation to the Council's integrity at work.</p> <p>Notify the Manager Finance & Reporting any suspected incidence of fraud, corruption or other losses as soon as practicable.</p> <p>Ensure that Fraud and Corruption Control are standing items on the agendas of the SMT and OLT meetings.</p>
Employees and others	<p>Uphold the Code of Conduct by demonstrating the Council's values at all times in the workplace.</p> <p>Understand and comply with all Council policies, procedures and guidelines.</p> <p>Identify, manage and mitigate fraud, corruption and other losses and risks.</p> <p>Report suspicions of fraud, corruption and other losses to an appropriate manager, the Public Interest Disclosure Coordinator, the Council, or IBAC.</p> <p>Support and apply fraud and corruption prevention initiatives</p> <p>Undertake all mandatory induction and training.</p> <p>Maintain the security of the Council's assets, including physical assets, data and intellectual property.</p>

Key Performance Indicators

The following Key Performance Indicators will be measured and reported annually.

Indicator	Target
Staff Code of Conduct training completed by all staff	100%
IT External Breaches	0
Internal Audit actions re Fraud & Corruption issues	0
External Audit reports re Fraud & Corruption issues	0
Vetting of suppliers/business associates	100%
Protected Disclosures re Fraud & Corruption issues	No Target
Protected Disclosures re Fraud & Corruption issues closed	100%
Conflicts of Interests declared	No Target

Administrative Updates

From time to time, circumstances may change leading to the need for minor administrative changes to this System. Where an update does not materially alter this System, such a change may be made administratively. Examples of minor administrative changes include changes to names of the Council departments or a minor amendment to legislation that does not have material impact. Where any change or update may materially change the intent of this System it will be submitted to ELT for their consideration and approval. If the change also impacts on the Fraud and Corruption Control Policy, the policy change will be submitted for consideration and adoption by Council.

Appendix 1: Fraud and Corruption Control System Elements

COMMUNICATING INTENT	IDENTIFYING RISKS	LIMITING OPPORTUNITIES	RAISING AWARENESS	MONITORING
<p>Fraud and Corruption Policy</p> <p>Fraud and Corruption Control System</p> <p>Staff Code of Conduct</p> <p>Councillor Code of Conduct</p> <p>Workplace Values (Respect, Honesty, Working Together, Accountability and Innovation)</p> <p>Procurement Policy</p> <p>Tendering Procedures</p> <p>Public Interest Disclosure Procedures, including mandatory reporting by CEO</p> <p>Petty Cash Procedures</p> <p>Gift Policy</p>	<p>Risk Assessments/Risk Register</p> <p>Risk Management Framework</p> <p>Quarterly Risk Report</p> <p>Recruitment vetting (Police check, referees, qualifications, COI etc.)</p> <p>Supplier/Customer vetting</p> <p>The IBAC/ VAGO/ Ombudsman publications</p>	<p>Internal controls including but not limited to:- system controls (Finance, HR, E-Procure, Secure sign in, risk register)</p> <p>Internal Audit actions</p> <p>Recruitment Procedure Delegations, Authorisation procedures, Conflict of Interest declaration and register</p> <p>Delegations, Gift register, IT system access controls</p> <p>Exception reporting i.e. payroll, accounts payable etc.</p> <p>Segregation of duties</p> <p>Vendor Masterfile cleansing</p> <p>Dual authorisation payroll</p> <p>EFT payments. Access systems to all property locations.</p>	<p>E-learning Fraud and Corruption mandatory training and induction, plus refresher cycle.</p> <p>Participation in the IBAC Local Council Integrity Framework</p> <p>Regular Fraud Risk assessment</p> <p>Circulation of the VAGO, IBAC and Ombudsman reports and newsletters.</p> <p>Contractor Management risk awareness training.</p>	<p>Risk Management Committee</p> <p>Internal Audit Plan and ad hoc audits</p> <p>Annual Procurement internal audit</p> <p>External Audit, VAGO Audit & Risk Committee</p> <p>ELT monitoring i.e. excess staff leave balances</p>

Appendix 2 - Key Fraud and Corruption Areas of Risk

There are functions and activities within Council where fraud and corruption risk is inherent. Mitigation strategies for these nine primary areas of risk exposure must be the focus of regular risk assessment and awareness training in the execution of this System.

<p><i>Procurement/Contract Management</i></p>	<p>Corruption and fraud in public sector procurement has been identified as a recurring issue in IBAC investigations. Common vulnerabilities include the failure to manage conflicts of interest, lack of supervision, and a failure to comply with procurement policies. The identified possible corruption risks inherent to the procurement function include but are not limited to:</p> <ul style="list-style-type: none"> ● payment or solicitation of secret commission (bribes) either in cash or other form (e.g. building project completed at employee’s private residence); ● purchase of goods with public monies for private purposes; ● specifications for tenders or expressions of interest intentionally biased towards a particular contractor; ● unauthorised disclosure of sensitive information to enable a contractor to obtain a competitive advantage; ● manipulation of the procurement process by favouring one tenderer over others; ● payment of excessive and unsubstantiated contract variations; ● payment for work not performed; ● collusive bidding (by potential service provider); ● overcharging (by service provider); ● inappropriate acceptance of gift or benefit
<p><i>Cash handling</i></p>	<p>Where cash is a method of payment, the improper handling of cash can constitute corrupt conduct, the most serious risks being misappropriation and theft.</p>
<p><i>Conflict of interest</i></p>	<p>Failure to properly identify, declare and manage conflicts of interest provides opportunities for corruption, placing a council’s finances and reputation at risk. IBAC has identified that conflict between private interest and public duty forms the basis of many allegations concerning corrupt conduct. IBAC warns that it is common for public sector employees at all levels to have private interests outside their work that can create a situation where there is a real, perceived or potential conflict of interest. Within the Council, conflicts between public duty and private interests can arise in relation to a number functions however, the main areas of potential exposure including:</p> <ul style="list-style-type: none"> ● the management of contracts and projects

	<ul style="list-style-type: none"> ● regulatory services and approvals ● the procurement of goods and services ● the allocation of funding/grants; and ● staff recruitment
<i>Gifts, benefits and hospitality</i>	The acceptance of gifts, benefits and hospitality can create perceptions that an employee's integrity has been compromised. The inappropriate provision of or request for gifts, benefits and hospitality has been a regular feature of IBAC's investigations. It is a particular risk in procurement as it can undermine both public and supplier confidence in the process.
<i>Employment practices</i>	IBAC has identified that employment practices are vulnerable to corruption, including recruitment compromised by conflicts of interest and inadequate employment screening. This can result in the 'recycling' of employees with problematic discipline and criminal histories.
<i>Misuse of information</i>	Confidential Information – IBAC has identified unauthorised information access and disclosure as a risk across the Victorian public sector. This includes access and disclosure by employees with high levels of access to information such as system administrators or IT specialists. Unauthorised information access and disclosure are enablers of corrupt conduct and are often overlooked as corruption risks by agencies. From a corruption prevention perspective the unauthorised release of sensitive / private data/information for other than a business purpose, irrespective of whether release was for personal gain or favour, is the key risk issue to be managed.
<i>Misuse of assets and resources</i>	Misuse of resources is a broad category. Assets and other resources of Council can present a corruption risk, through theft and misuse. An IBAC review of council works depots identified both high and low value resources can present corruption risks. Other risks include resources such as motor vehicles, fuel cards and corporate credit cards.
<i>Finance /Payroll</i>	Claims for reimbursements not relating to Council business. Failure to secure manual Purchase Order books and failing to follow correct procedures, completing purchase orders after the purchase was made or failing to create a purchase order at all for purchases over \$1000.
<i>Asset Management Committees</i>	(Formerly S.86) Committees and other Committees going outside of their instruments of delegation.

Appendix 3 - Fraud Risk Assessment Process

Fraud Risk Assessment Questionnaire

Department..... Manager's Name.....

Question	Response	Comments/Actions
1. What is the location of your Department or Service Unit?		
2. How many employees are employed in your area (full-time, part-time, and casual)?	Full-time: Part-time: Casual:	
3. Does your Department require Police Checks to be undertaken prior to employing new employees?	YES/NO	
4. Does your Department undertake background checks prior to employing new employees?	YES/NO	
5. What is the total of your Department's annual operational budget? <i>i.e.</i> , total income, total expenditure.		
6. Does your Department utilise a range of Council assets, and if so what are they? <i>e.g.</i> , vehicles, plant, equipment, computers.		
7. Provide a brief summary of the services provided by your Department including identifying your customer base.		
8. Does your Department use the services of external contractors or consultants? If so, provide details of type, value and incidence.		
9. Has your Department ever been subject to internal audit reviews? If so what areas?		
10. Does your Department have documented policies and procedures for operations?	YES/NO	

Question	Response	Comments/Actions
11. Does your Department handle cash or any other means of financial instruments for transactions? <i>e.g.</i> , cheques, credit cards etc. If so what levels of income are derived p.a.?		
12. Does the Department utilise or control accessible assets that could be easily stolen or misused? If so, please detail, <i>e.g.</i> , computers, minor transportable equipment.		
13. Does your Department possess intellectual property which could be commercially traded or has a cash value? <i>e.g.</i> , specific technical or business expertise. If so, please detail.		
14. Does your Department provide or have information that could be commercially traded or has a cash value? <i>e.g.</i> , data base information. If so, please detail.		
15. Is there scope for Department employees to misuse facilities (<i>e.g.</i> , private work in Council time; abuse of cars, telephones, computers, copying facilities etc.)?		
16. Does the Department, or do employees within the Department, have public, client or business relationships which could potentially lead to offers of inducement for preferred treatment/service etc.?		
17. Are there any legislative or statutory restrictions that affect the way your Department delivers services? If so briefly explain.		
18. Does the Department operate under stringent deadlines, productivity pressures or economic variances which can materially impact on service provision?		
19. Is there continuity in personnel involved in the Department's control systems?	YES/NO	
20. Are the Department's physical asset security measures adequate?	YES/NO	

Question	Response	Comments/Actions
21. Is the Department involved in material levels of purchasing? e.g., greater than \$10,000 p.a.	YES/NO	
22. Is the Department involved in the allocation of funding to clients?	YES/NO	
23. Is the Department involved in billing clients?	YES/NO	
24. Does your Department use a Corporate Credit Card for payment of goods or services?	YES/NO	
25. Is the Department's management or employees involved in recording variable working hours for payroll purposes?	YES/NO	
26. Is the Department involved in collecting debts?	YES/NO	
27. Does your Directorate procure the services of contractors either by purchase order or Contract? If so, please advise how many.	YES/NO	
28. Does the Department have procedures for recording acquisitions, disposal and maintenance of assets?	YES/NO	
29. Do any of the Department's information technology systems present opportunities for fraudulent behaviour by employees or misuse by the public?		
30. Do you believe the accountability/ control systems in your Department are adequate, and if not what areas could be improved?		
31. Does the Department have any unique characteristics that could adversely affect fraud control?		
32. Do you believe your Department could in any way be perceived as an easy target for fraud? If so please elaborate.		
33. Has your Department experienced in the last 5 years, any previous issues of fraud or corrupt activity? If so, please elaborate and specify what was the function being performed.		

Appendix 4 – Fraud Investigation Check List

For an appointed independent internal investigator, the following check list is a guide to assist in covering all the necessary aspects of a thorough investigation:

- A complete description of the allegations or suspected events
- The name and position of any public official/s alleged to be involved
- The name/s of the person/s who made the allegation/s
- The name and role of any other person/s relevant to the matter
- The dates and/or time frames in which the alleged conduct occurred
- A brief analysis of why the events in question may be corrupt conduct
- A brief analysis of the basis for forming a reasonable suspicion about the events in question
- An indication as to whether the conduct appears to be a one-off event or part of a wider pattern or scheme
- The date the allegation was made or the date you became aware of the conduct
- How you became aware of the conduct
- What your organisation has done about the suspected conduct, including notification to any other agency (e.g. the Police or the Victorian Ombudsman)
- What further action you propose
- The approximate amount of money or value of resources (if any) involved
- Any other indicators of seriousness
- Any other information deemed relevant to the matter
- Copies of any relevant documents
- The name of the relevant contact officer