
**NARROMINE SHIRE COUNCIL
ORDINARY MEETING BUSINESS PAPER – 13 NOVEMBER 2024
REPORTS OF COMMITTEES**

1. REPORT OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE

The minutes of the Audit Risk and Improvement Committee Meeting held on 14 October 2024 in the Narromine Shire Council Chambers together with the revised Fraud Control Policy are attached (**See Attachment No. 1**).

RECOMMENDATION

1. That the recommendations from the minutes of the Audit Risk and Improvement Committee Meeting held on 14 October 2024 be adopted.
2. That the revised Fraud Control Policy as presented to Council be adopted.

**MINUTES OF THE NARROMINE SHIRE COUNCIL AUDIT RISK AND IMPROVEMENT
COMMITTEE MEETING HELD IN COUNCIL CHAMBERS ON MONDAY 14 OCTOBER 2024**

PRESENT: Grahame Marchant (Chair) – Independent External Member, Ross Earl – Independent External Member, Cr Stacey Bohm NSC, Jane Redden - General Manager NSC, Barry Bonthuys - Director Finance & Corporate Strategy NSC, Marion Truscott - Director Governance NSC, Phil Johnston – Director of Community and Economic Development and Breanna Beattie (Minute Taker)

Via Teams - Liz Jeremy – Independent External Member, Paul Quealey – Lambourne Partners, Tracy Wang – Audit Office of NSW, Renee Meimaroglou – Audit Office of NSW

1. WELCOME AND APOLOGIES

The Chair welcomed everyone to the Narromine Shire Council Audit Risk and Improvement Committee meeting and declared the meeting open at 10.00am.

There were no apologies.

2. DISCLOSURES OF INTEREST

Nil

3. CONFIRMATION OF PREVIOUS MINUTES – 17 JUNE 2024

RECOMMENDED Liz Jeremy/Ross Earl that the Minutes of the Narromine Shire Council Audit Risk and Improvement Committee Meeting held on 17 June 2024 be adopted as a true and correct record of the meeting.

4. INTERNAL AUDIT

4.1 Completed Audit Reviews

Paul Quealey gave an overview of the findings on the finalised Internal Audit Review reports on Payroll and Customer Service.

RECOMMENDED Liz Jeremy/Ross Earl that the Committee note the reviews and endorse management comments and proposed completion dates.

4.2 Upcoming Audit Reviews

The upcoming audit reviews are Cyber Security and Plant Utilisation. It was noted that the Cyber Security Audit will commence during November/December 2024, to be finalised by the end of the calendar year, with the Plant Utilisation Audit will commence early in the new year.

RECOMMENDED Ross Earl/Liz Jeremy that the Committee note the upcoming Audit Reviews.

Paul Quealy – Lambourne Partners left the meeting at 10:29am.

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5. EXTERNAL AUDIT**5.1 Y/E 23 Final Management Letter**

NSW Audit Office identified no high-risk items were found during the audit process. Further consideration should be given to reconciling bank statements on a monthly basis; however, management have stated there are limitations with the accounting software.

5.2 Y/E 24 Interim Management Letter

NSW Audit Office identified no high-risk items found during the audit process. Five (5) issues were raised being:

- 1) Asset register
- 2) Monthly management reports
- 3) Delegation limits
- 4) Conflict of interest declarations and attestations to the code of conduct
- 5) Month end close

RECOMMENDED Liz Jeremy/Ross Earl that the Committee notes the Y/E 23 Final Management Letter and the Y/E 24 Interim Management Letter and considers that management's responses are reasonable.

5.3 Audited Y/E 24 Financial Statements, Engagement Closing Report, Auditors Report and Report on Conduct of Audit

NSW Audit Office advised that they are in the process of finalising the audited Y/E 24 Financial Statements. The Engagement Closing Report was considered by the Committee. Minor monetary misstatements have been corrected. Management have commenced providing Council with monthly management reports which will include a YTD budget. Management will review the Asset Register and other asset data sets in the 25 Financial Year.

RECOMMENDED Liz Jeremy/Ross Earl that the Committee notes the Engagement Closing Report and endorses the suggested improvements made in terms of including YTD budget against actuals in the monthly management reports to Council.

Tracy Wang and Renee Meimaroglou - Audit Office NSW left the meeting at 11.32am.

6. RISK MANAGEMENT**6.1 Project Status Report**

The Director Community and Economic Development provided an overview of the status of projects and use of the PULSE system to monitor projects. The Director advised that management is working towards further development of the reporting system and the provision of more concise information on the progress of each project.

RECOMMENDED Ross Earl/Liz Jeremy that the Committee notes the verbal update provided by the Director and commends management on its continued progress of enhancing the project management system to provide concise information on project progress.

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7. INTERNAL CONTROLS**7.1 Implementation of Recommendations/Corrective Actions**

RECOMMENDED Ross Earl/Liz Jeremy that the information be noted in relation to progress with implementation of recommendations/corrective actions.

8. FRAUD AND CURRUPTION**8.1 Fraud and Corruption Prevention Framework**

It was noted that the reviewed Fraud and Corruption Prevention Policy, will be presented to Council for consideration and endorsement.

RECOMMENDED Ross Earl/Liz Jeremy that the Committee endorse the Fraud and Corruption Prevention Framework and considers the processes to be robust, noting that implementation actions of the Fraud Control Action Plan will be provided to the Committee.

9. FINANCIAL MANAGEMENT**9.1 Carry Forward Capital Works**

RECOMMENDED Ross Earl/Liz Jeremy that the Committee note the report.

10. GOVERNANCE**10.1 Human Resources and performance management activities**

RECOMMENDED Liz Jeremy /Ross Earl that the Committee note the report and endorses the systems and processes in place relating to human resource and performance management activities.

10.2 Office of Local Government Circulars

RECOMMENDED Liz Jeremy/Ross Earl that the Committee notes the report.

10.3 Audit Risk and Improvement Committee Annual Workplan

RECOMMENDED Liz Jeremy/Ross Earl that the Committee endorses the Audit Risk and Improvement Committee Annual Workplan.

11. STRATEGIC PLANNING**11.1 Delivery Program Progress Report**

RECOMMENDED Liz Jeremy/Ross Earl that the Committee notes the report.

**MINUTES OF THE NARROMINE SHIRE COUNCIL AUDIT RISK AND IMPROVEMENT
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12. SERVICE REVIEWS AND BUSINESS IMPROVEMENT**12.1 Service Review Program**

The Director Governance provided a verbal overview of Council's proposed Service Review Program.

The Director advised that Council's Delivery Program must identify areas of service that Council will review during its term and how Council will engage with the community and other stakeholders to determine service level expectations and appropriate measures. The Service reviews are to consider costs, quality and efficiency and assess whether the current model of delivery is appropriate.

Council is intending to prioritise service reviews according to financial pressure, evidence of changing needs, service to be realigned with Council's direction, any legislative changes, major contract renewal, ease of change, opportunities for improved or a new service and organisational capacity and workload.

The proposed program will however be subject to the review of Council's Community Strategic Plan. At this stage, subject to budget constraints, an internal review will be undertaken of the current service delivery model of the public pools.

RECOMMENDED Liz Jeremy/Ross Earl that the Committee notes the proposed Service Review Program, with a further report to be presented to a future committee meeting.

13. GENERAL BUSINESS**13.1 Financial Monthly Reporting**

The Financial Monthly Report was considered earlier in the meeting.

13. CONFIRMATION OF DATE OF NEXT MEETING

The next Audit Risk and Improvement Committee meeting will be held on Monday, 16 December 2024 commencing at 10.00am.

14. CONCLUSION OF MEETING

The Chair thanked all members for attending.

There being no further business the meeting concluded at 12.40 pm.

The Minutes (pages 1 to 4) were confirmed at a meeting held on the

day of _____ 2024, and are a full and accurate record of proceedings of the meeting held on 14 October 2024.

CHAIR



FRAUD CONTROL POLICY

~~(Internal Policy)~~

DOCUMENT VERSION CONTROL

Version No.	Created by	Adopted By ELTManex	Review Period
No. 1.0	Corporate, Community & Regulatory Services	4 April 2016	3 Years
No. 2.0	General Manager's Department	10 August 2017	4 Years
No 3.0	General Manager's Department	Presented to Internal Audit Committee 25.03.19 Adopted by Council 10 April 2019	4 Years
<u>4.0</u>	<u>Governance Department</u>		<u>4 Years</u>

Contents

INTRODUCTION	3
SCOPE	3
DEFINITION	3
RELEVANT LEGISLATION	3
FRAUD CONTROL	3
1. Leadership	4
2. Ethical Framework	4
3. Responsibility Structures	4
4. Policy	5
5. Prevention Systems	5
6. Fraud Awareness	6
Ethical Behaviour Policies	6
Induction	6
Post Induction	6
Customer and Community Awareness	6
7. Third Party Management Systems	6
8. Notification Systems	7
Allegations of Fraud	7
9. Detection Systems	7
10. Investigation Systems	7
Preliminary Assessment	7
Full Investigation	7
Support	8
Maintaining Confidentiality	8
Vexations, Frivolous or Misleading Allegations	8
Disciplinary Standards	8
Documenting Reported Fraud	8
REVIEW	8

INTRODUCTION

Narromine Shire Council is committed to minimizing the incidence of fraud by implementing and regularly reviewing a range of strategies that aim to prevent, detect and respond to fraud.

Council has a zero tolerance to fraud and disciplinary and/or legal action will be taken against those found to have committed fraud.

SCOPE

The policy is part of Council's fraud control framework and applies to all Council staff (permanent, temporary, casual, part time), contractors, consultants and volunteers.

This policy should be read in conjunction with Council's Code of Conduct and Procedures, [Public Interest Disclosures Internal Reporting](#) Policy, Business Ethics Statement, ~~[Gifts and Benefits Policy](#)~~, Secondary Employment Policy, Grievance Resolution Policy and Procurement Policy.

DEFINITION

Fraud – is defined as dishonestly obtaining a financial or other benefit (either directly or indirectly) by deception. Fraud includes deliberate [and premeditated](#) deception to gain advantage from a position of trust and authority. This includes acts of omission, theft, making false statements, evasion, manipulation of information and other acts of deception.

RELEVANT LEGISLATION

This policy is based on the NSW Audit Office's "Fraud Control Improvement Kit [– Managing your fraud control obligations \(-2015\)](#)" with reference to:-

- [Public Interest Disclosures Act 1994](#)~~2022~~
- Independent Commission Against Corruption Act 1988
- Local Government Act 1993

FRAUD CONTROL

Council's approach to fraud control is based on the ten attributes of fraud control identified by the NSW Audit Office. These attributes fall within the themes of prevention, detection and response.

Attribute	Theme
1. Leadership	Prevention
2. Ethical Framework	Prevention, Detection, Response
3. Responsibility Structures	Prevention, Detection, Response
4. Policy	Prevention
5. Prevention Systems	Prevention
6. Fraud Awareness	Prevention, Response
7. Third Party Management Systems	Prevention, Response
8. Notification Systems	Detection, Response
9. Detection Systems	Detection
10. Investigation Systems	Response

1. Leadership

Council's fraud control framework is led by a committed and accountable executive team. The General Manager has ultimate responsibility for fraud control within Council and is supported by the Executive Leadership Team, and the ~~Internal Audit~~ Audit Risk and Improvement Committee.

2. Ethical Framework

Council has clear policies setting out acceptable standards of ethical behavior and these are available to all staff in one central location within the PULSE system. Staff regularly attend Code of Conduct training and are required to formally acknowledge Council's Code of Conduct Policy and Procedures (on an annual basis) and other ethical behavior policies as they are reviewed.

3. Responsibility Structures

The **General Manager** has ultimate responsibility for Council's fraud control framework and is authorised to receive reports of fraud, assess reports, authorise investigations as required and determine the outcome of such reports. The General Manager will advise the Director Governance and Executive Manager Human Resources of allegations of fraud.

Under Council's ~~Internal Reporting~~ Public Interest Disclosures Policy, the General Manager has the ultimate responsibility for maintaining the internal reporting system and workplace reporting culture, and ensuring Council complies with the Public Interest Disclosures Act ~~1994~~ 2022.

Directors must ensure that effective fraud and corruption prevention risk management strategies and staff awareness programs are established in their departments.

Directors must also identify and address situations that are likely to raise ethical dilemmas, ensure that staff are not placed in potentially difficult or compromising situations, are available and support staff who require guidance and support, protect staff who report in good faith instances of potential unethical or corrupt conduct, and ensure staff are treated fairly and equitably.

The ~~Director~~ **Executive Manager of Corporate Governance** is Council's appointed Disclosures Coordinator and is responsible for ensuring the fraud control policy is reviewed regularly, reviews and updates the fraud risk assessment every two years, conducts an internal fraud check every two years, maintains a fraud database and provides an annual status report to the Audit and Risk ~~Management~~ and Improvement Committee.

The **Executive Manager of Human Resources** is ~~Council's appointed Disclosures Officer and is also~~ responsible for ensuring the welfare of staff involved in an allegation of fraud ~~is properly looked after~~ and that any breaches of conduct and behaviour are properly managed within the HR disciplinary system.

All Staff ~~have a role in preventing and detecting fraud and~~ must report known or suspected fraud to the General Manager and/or Disclosures Coordinator as soon as possible.

The **Internal Auditor** is responsible for assessing the adequacy and effectiveness of internal controls over high-risk processes and evaluating the potential for fraud to occur.

The ~~Internal Audit~~ **Risk and Improvement Committee** is responsible for providing independent assurance to the General Manager and Council by ~~overseeing and monitoring~~ and providing advice on the adequacy of Council's fraud control ~~framework~~ plan.

4. Policy

This Fraud Control Policy does not operate in isolation and has strong links to the Code of Conduct Policy and Procedures and Public Interest Disclosures Policy. It sets out Council's system of fraud control and covers the responsibilities for managing fraud within Council. This policy is available in Council's Electronic Document Records Management System and in the PULSE system.

5. Prevention Systems

Council's prevention systems include the following components:-

- Fraud Control Policy
- Fraud Risk Assessment
- Internal Fraud Check and Fraud Control Action Plan
- Fraud Database – records all incidents of fraud affecting Council. Analysis of reports of fraud help to identify potential weaknesses in internal controls.
- Ethical Workforce – Council is committed to employing staff that support our ethical values. Council will conduct pre-employment screening including reference checks and NSW police checks for high risk positions.

6. **Fraud Awareness**

A key element of Council's Fraud Control Policy is to create awareness of the various elements of the ~~framework~~strategy, what activities are considered fraudulent and how to respond if fraud is suspected.

Ethical Behaviour Policies

Council has a range of ethical behaviour policies including:-

- Fraud Control Policy
- ~~Internal Reporting~~ Public Interest Disclosures Policy
- ~~Gifts and Benefits~~ Policy
- Code of Conduct Policy and Procedures
- Procurement Policy
- Grievance Resolution Policy
- Secondary Employment Policy

Induction

Staff induction will cover fraud control, staff responsibilities and Council's Ethical Behaviour Policies which is documented in the induction booklet given to all new employees. All staff will be required to formally acknowledge Council's Code of Conduct Policy and Procedures on an annual basis.

Post Induction

Staff will be kept up to date and reminded of their responsibilities regarding fraud with periodic code of conduct training and responsibility reminders in staff newsletteremails.

Customer and Community Awareness

Council is committed to ensuring that customers and suppliers are aware of our commitment to ethical behavior. Our Statement of Business Ethics is published on our website, together with our Internal Reporting Public Interest Disclosures Policy, Gifts and Benefits Policy and Code of Conduct Policy and Procedures.

7. **Third Party Management Systems**

Council ensures that appropriate controls relating to third parties, such as segregation of duties, are in place to manage dealings with third parties.

Third party management also covers managing staff conflicts of interest. Council's Code of Conduct sets out how conflicts of interest should be managed, including secondary employment.

8. Notification Systems

Allegations of Fraud

Council encourages staff and members of the public to report known or suspected fraud or unethical behavior.

Council's [Public Interest Disclosures](#) ~~Internal Reporting~~ Policy, as well as Code of Conduct, provide guidance to public officials on how to report suspected or actual fraud. Council's Complaints [Handling](#) Policy outlines how members of the public can make reports. Both staff and members of the public also have the option of reporting fraud directly to ICAC.

Any substantial fraud will be referred to the relevant external body, the NSW Police, the Ombudsman and ICAC.

Where there is a suspicion that corrupt conduct has occurred, the General Manger has a duty under section 11 of the *Independent Commission Against Corruption Act 1998* to report it to ICAC as soon as the suspicion arises. This is irrespective of how insignificant or minor the allegation.

9. Detection Systems

Internal controls are effective at detecting fraud and Council maintains appropriate controls including:-

- Segregation of duties
- Approvals and authorization
- Verification
- Reconciliations
- Management reviews
- Risk Assessments
- Physical security
- Independent reviews like internal and external audits

[Internal audit regularly examines risk processes across Council to detect irregularities. Internal audit reviews are reported to the Audit Risk and Improvement Committee, with corrective actions reported on quarterly.](#)

10. Investigation Systems

Preliminary Assessment

When an allegation of fraud is made under a Public Interest Disclosure, the Disclosures Coordinator will undertake a preliminary assessment and may recommend to the General Manager that the matter be immediately referred to an external body.

Full Investigation

Following a preliminary assessment, the Disclosures Coordinator may recommend to the General Manager that a full investigation be conducted by an external

investigator. The complainant will be advised of the decision and any actions taken in accordance with Council's [Public Interest Disclosures Internal Reporting](#) Policy.

Where an allegation of fraud is made under Council's Complaints [Handling](#) Policy, the General Manager will undertake a preliminary assessment and may refer the matter immediately to an external body or have the matter investigated by an external investigator. Likewise, the complainant will be advised of the decision and any actions that will be taken.

Proper and full records will be kept during the investigation and any evidence gathered will be secured and maintained.

Support

During an investigation the [Executive](#) Manager Human Resources will be advised to ensure that any personnel issues affecting staff members involved are properly addressed.

Maintaining Confidentiality

Every endeavour will be made to ensure that any allegations of fraud and subsequent investigations are handled confidentially. There may, however, be situations where confidentiality may not be possible or appropriate. This will be discussed with the staff member making the report.

Council will accept anonymous reports, however anonymity may limit Council's ability to seek further information to assess the report adequately.

Vexations, Frivolous or Misleading Allegations

Any report that turns out to be vexatious, frivolous or misleading will result in disciplinary action against the staff member for making the allegation.

Disciplinary Standards

Where an allegation is proved because of an admission by the staff or as a result of an investigation, the General Manager will determine the nature of any disciplinary action in accordance with relevant policies and procedures.

Documenting Reported Fraud

The ~~Executive Manager Corporate Director~~ Governance will maintain a database of all reports of suspected fraud. The database will assist Council to determine where it should focus its efforts and where changes to controls, policies or procedures are required.

REVIEW

This policy will be reviewed every four years, [or earlier if significant new information, legislative or organisational change warrants an update.-](#)