FRAUD AND CORRUPTION PREVENTION POLICY

Version 1 Adopted on 17 June 2015 by Council Resolution 0615/008

1. PURPOSE

The purpose of this policy is to support high standards of professional conduct and honest and ethical business practices within the Carpentaria Shire Council ("Council").

This policy applies to all persons working for and with Council including employees, contractors, consultants, volunteers and anyone else who works in any capacity for Council.

2. STATEMENT

Fraud and corruption have the potential to cause significant financial, reputational and service delivery harm to Council. These forms of wrongdoing also have a potential to diminish or destroy community confidence in Council.

Accordingly, Council has a zero tolerance towards fraud and corruption.

Council is committed to effectively preventing, detecting and responding to incidents of fraud and corruption, including through:

PREVENTION	Actively fostering **a robust integrity framework** to maintain a strong ethical culture. Implementing effective **Council wide anti-fraud and anti-corruption policies**. **Senior management commitment** to reducing the risk of fraud and corruption. **Line managers taking responsibility** for preventing, detecting and responding to instances of fraud and corruption in their areas. Supporting persons who make a Public Interest Disclosure (PID).
	Training employees in the requirements of the Code of Conduct and Council Procurement policies. Implementing **other education and awareness initiatives** aimed at maintaining continued high standards of professional and ethical conduct. **Publicly communicating** that Council is committed to high standards of professional conduct and honest and ethical business practices.

DETECTION	Conducting **fraud and corruption risk assessments** on an annual basis, as part of the Council's annual business planning cycle. Implementing appropriate **internal controls** which address Council's operating environment and specific risks. Encouraging the **internal reporting** of suspected wrongdoing. **Strategically using information systems** to detect suspected fraud.

	Effectively assessing and dealing with suspected wrongdoing.
RESPONSE	**External reporting** to regulatory entities, such as the Crime and Corruption Commission, Queensland Police Service and Queensland Audit Office pursuant to legislative requirements.
	Taking appropriate management action in respect to proven fraud and corruption including: • Applying a disciplinary process which may result in termination of employment. • Referral of the matter to the Queensland Police Service. • De-registering dishonest suppliers so they are unable to perform work for Council. • Pursuing the recovery of losses. • Implementing action to prevent reoccurrence.

3. RESPONSIBILITIES

3.1 The *Chief Executive Officer* is responsible for:

• Ensuring that Council has appropriate policy, employee training and awareness initiatives and other control systems in place to prevent, detect and effectively manage incidents of fraud and corruption;
• Visibly promoting and communicating both within Council and externally, that high standards of professional conduct and honest and ethical business practices are expected and required by Council;
• Encouraging the reporting of suspected wrongdoing; and
• Ensuring appropriate action is taken in respect to proven incidents of fraud and corruption.

3.2 *Council's Executive Leadership Team* is responsible for:

• Forming a view as to the appropriateness of Council's internal controls;
• Reviewing complaint information (which includes complaints of fraud and corruption) on a periodic basis;
• Considering fraud and corruption risk and control issues for Council; and
• Taking appropriate action to prevent and minimise instances of fraud and corruption including noting that annual fraud and corruption risk assessments have been undertaken.

3.3 The *Director Corporate Services* is responsible for:

• Promoting and communicating the requirements of the Fraud and Corruption Prevention Policy;
• Managing incidents of fraud and corruption which may constitute suspected official misconduct or a PID in accordance with policy and regulatory requirements; and
• Ensuring that fraud and corruption risk management is integrated into Council's risk management processes.

3.4 *Manager Human Resources* is responsible for:

• Coordinating the effective implementation of Council wide education and training initiatives about public sector ethics, including the Code of Conduct and relevant policies.

3.5   *Managers* are responsible for:

- Forming a view around the effectiveness of internal controls operating in their division;
- Reviewing annual Service Area fraud and corruption risk assessments to ensure risk is being appropriately managed;
- Checking for patterns of fraud and corruption risk across the Division, identifying Divisional opportunities to reduce fraud and corruption risk and identifying High level risks (or other matters) that should be brought to the attention of the department's Executive Leadership Team;
- Ensuring fraud and corruption risk assessment is conducted within the Service Area;
- Ensuring effective internal controls are in place within the Service Area to prevent and detect fraudulent and corrupt activities;
- Regularly reviewing control systems to ensure they remain robust and relevant;
- Encouraging the reporting of suspected wrongdoing;
- Ensuring new employees attend induction;
- Ensuring all employees undertake training initiatives about public sector ethics, including the Code of Conduct;
- Implementing appropriate awareness initiatives so employees, contractors, consultants and others have an awareness of integrity requirements, can effectively contribute to the detection of fraud and corruption and know how to report suspected wrongdoing;
- Ensuring appropriate and timely action is taken in respect to proven incidents of fraud and corruption;
- Ensuring that recommendations arising from audits and investigations are treated as a priority and actioned in a timely manner; and
- Ensuring timely and professional reports are made to the relevant Director on the status of management action.

3.6   The *Internal Audit function* is responsible for:

- Assessing the adequacy of internal controls within Service Areas as part of routine auditing activity and making recommendations to improve the effectiveness of key controls where required;
- Coordinating the development of programs to detect fraud and corruption; and
- Providing advice to Service Areas in relation to preventing and detecting fraud and corruption.

3.7   Other *Supervisors* are responsible for:

- Conducting local level fraud and corruption risk assessment;
- Ensuring effective internal controls are in place;
- Regularly reviewing control systems to ensure they remain robust and relevant;
- Encouraging employees to report suspected wrongdoing;
- Implementing appropriate awareness initiatives for employees so they are aware of integrity requirements, can effectively contribute to the detection of fraud and corruption and know how to report suspected wrongdoing; and
- Ensuring appropriate action is taken in respect to proven incidents of fraud and corruption.

3.8 All persons working for and with Council are responsible for:

- Being alert to the possibility that fraud and corruption may occur in their area;
- Diligently implementing controls to protect Council's information and assets;
- Immediately reporting suspected fraud and corruption – IN CONFIDENCE – to:

  o The Chief Executive Officer; or
  o Directors; or
  o Manager Human Resources; or
  o A departmental supervisor/manager.

- Undertaking Council training initiatives about public sector ethics.

To be clear, this policy assigns a responsibility to every person working for or with Council to take appropriate action to prevent fraud and corruption and report suspected fraud and corruption of which they become aware.

4. REPORTING REQUIREMENTS

The Chief Executive Officer is responsible for reporting instances of fraud and corruption to external agencies (such as the Crime and Corruption Commission, Queensland Police Service and Queensland Audit Office) pursuant to legislative and other regulatory requirements.

5. RESOLUTION

Adopted by Council on the17 June 2015 by Council Resolution 0615/008.

Chief Executive Officer

Definitions

All persons working for and with Council - means any employee whether permanent, temporary, full-time, part-time or casual and any volunteer, student, contractor, consultant or anyone who works in any other capacity for Council.

Corrupt conduct – has a specific meaning under the *Crime and Corruption Act 2001.* It means conduct of a person, regardless of whether the person holds or held an appointment, that–

1. Adversely affects, or could adversely affect, directly or indirectly, the performance of functions or the exercise of powers of–

    i.   A unit of public administration; or
    ii. A person holding an appointment; and

2. Results, or could result, directly or indirectly, in the performance of functions or the exercise of powers mentioned in (1) in a way that–

    i.   Is not honest or is not impartial; or
    ii. Involves a breach of the trust placed in a person holding an appointment, either knowingly or recklessly; or
    iii. Involves a misuse of information or material acquired in or in connection with the performance of functions or the exercise of powers of a person holding an appointment; and

3. Is engaged in for the purpose of providing a benefit to the person or another person or causing a detriment to another person; and

4. Would, if proved, be–

    i.   A criminal offence; or
    ii. A disciplinary breach providing reasonable grounds for terminating the person's services, if the person is or were the holder of an appointment.

Corrupt conduct can be attributed to any person, regardless of whether or not they are employed at Council including:

•   Employees
•   People who used to but no longer work at Council
•   People who subsequently take up an appointment with Council
•   People who are suppliers or providers to Council
•   Other private individuals or organisations
•   People outside Queensland where there is a direct link between the conduct and its adverse effect on Council

Corrupt conduct can include:

•   Fraud
•   Abuse of public office
•   Loss of revenue to the State
•   Perverting the course of justice

- Bribery
- Offences relating to an electoral donation
- Assault occasioning bodily harm
- Stealing
- Forgery
- Collusion
- Obtaining or offering a secret commission

Corruption – involves a breach of trust in the performance of official duties and includes conduct which does or could adversely affect the honest or impartial exercise of official functions by an employee, whether or not for the benefit of the person. It also includes conduct by an employee involving dishonesty or failure to impartially exercise an official function.

Fraud – refers to an intentional dishonest act or omission done with the intent of deceiving. It may have the object of obtaining a benefit for some person or causing a detriment. It includes the situation where a person makes a false representation about something and lacks belief in the truth of the representation or makes it recklessly, not caring whether it is true or false.

Public Interest Disclosure/s – means a disclosure of information made under the *Public Interest Disclosure Act 2010* to a proper authority:

(1) which can be made by a Council employee (and other public sector employees) about:

    (a) The conduct of another person that could, if proved, be –

        (i) corrupt conduct or
        (ii) maladministration that adversely affects a person's interests in a substantial and specific way or

    (b) a substantial misuse of public resources (other than an alleged misuse based on a mere disagreement over policy that may properly be adopted about amounts, purposes and priorities of expenditure) or
    (c) a substantial and specific danger to public health or safety; or
    (d) a substantial and specific danger to the environment.

(2) which can be made by any person (including a Departmental employee) about:

    (a) a substantial and specific danger to the health or safety of a person with a disability (as defined in section 11 of the *Disability Services Act 2006 (Qld)*; or
    (b) the commission of an offence against a provision mentioned in Schedule 2 of the *Public Interest Disclosure Act 2012 (Qld)*, if the commission of the offence is or would be a substantial and specific danger to the environment; or
    (c) a contravention of a condition imposed under a provision mentioned in Schedule 2 of the *Public Interest Disclosure Act 2010 (Qld)*, if the contravention is or would be a substantial and specific danger to the environment; or
    (d) the conduct of another person that could, if proved, be a reprisal.

A PID includes all information and help given by the discloser to the proper authority for the PID.

Examples of types of fraud and corruption

Human Resources
- job applicant uses false credentials or documents eg. A false work history or qualifications to obtain employment
- a member of a selection panel does not disclose a relationship with the applicant, so as to favour the applicant
- timesheets are falsified to claim time or payments
- medical certificates are falsified to obtain time off work
- job statements or official documentation is falsified to conceal absence from duty
- employees make false calls to generate call outs and overtime
- false workers compensation claims are made
- "phantom" employees are placed on the payroll with the salaries diverted to the employee's own account
- former employees continue to receive departmental payments and do not disclose this
- employee impersonates a supervisor; eg. to direct contractor to perform work at their private residence

Procurement
- documents are falsified to obtain approval for payment
- signatures are forged on payment approval documentation
- false invoices from bogus or actual suppliers are submitted for payment
- a panel member does not disclose a relationship with an offeror, so as to favour the offeror
- kickbacks are provided to an employee on a procurement panel for a favourable assessment
- orders are split to avoid delegation limits
- bid rigging (ie. prior to submitting bids, suppliers arrange who will win the tender and at what price)
- price fixing (ie. suppliers agree on a pricing structure for goods and services)

Assets (including technology and information)
- using others' passwords to payment systems and making payments to a personal account
- employee takes asset home falsely claiming it is not working and needed to be disposed of
- property is purchased at higher than market value in exchange for a kickback
- falsification of departmental vehicle logs to conceal private use

Finance
- stealing funds by diverting to a bogus account which appears to be a genuine payee
- false payment instruction is created, with forged signatures
- some cash is taken before (cash) receivables are recorded
- improper revenue recognition eg. recording false sales, over/under estimating percentage of work completed on long-term contracts
- false statements eg. to conceal losses, inflate the value of receivables, provide false stock counts
- travel is undertaken for predominantly personal purposes but dealt with as official travel

Licensing and Regulatory functions
- a person is given a license in exchange for a kickback

Allocation based functions
- A person provides false statements to increase their eligibility rating for accommodation
- A person gives an officer a bribe to allocate accommodation to them
- An employee completes a false assessment in order to give their friend accommodation over other applicants

Other
- a supervisor falsely reports that work has been completed to a satisfactory standard, in return for a kickback from the contractor

Areas of perceived high fraud and corruption risk in the public sector

The CMC survey *Profiling the Queensland public sector* outlines operational areas and functions perceived to have high fraud and corruption risk, including:

● financial functions:	such as the receipt of cash, revenue collection and payment systems, salaries and allowances, entertainment expenses.
● construction, development and planning functions:	ranging from land rezoning or development applications to construction and building activities.
● regulatory functions:	involving the inspection, regulation or monitoring of facilities; and operational practices, including the issue of fines or other sanctions.
● licensing functions:	such as the issue of qualifications or licences to indicate proficiency or enable the performance of certain activities.
● demand-driven or allocation-based functions:	where demand often exceeds supply, including the allocation of services or grants of public funds; or the provision of subsidies, financial assistance, concessions or other relief.
● procurement and purchasing functions:	including e-commerce activities, tendering, contract management and administration.
● other functions:	involving the exercise of discretion, or where there are regular dealings between public sector and private sector personnel (especially operations that are remotely based or have minimal supervision).

[*Profiling the Queensland public sector*, Crime and Misconduct Commission, June 2004 reported in Fraud and Corruption Control guidelines for best practice Crime and Misconduct Commission, March 2005, p15]

Identifying fraud and corruption risks

A complete identification of fraud and corruption risk exposure will only come from a thorough search for all potential risks. The broader the range of stakeholders involved in this process the more likely it is that all potential risks will be identified.

To identify fraud and corruption risks consider the following questions:

- How could fraud and corruption occur?
- What circumstances or events could cause this?
- What would be the impact or consequence?

Sources of information which can be used to identify fraud and corruption risks include:

(i) ***Contextual information***
   For example:
   o the current goals and strategies of the service area
   o main business activities and processes
   o organisational levels and locations e.g. vs. Main Office, remote location vs. townships
   o major cost or revenue items
   o services that are contracted out for delivery (how we assess the work is performed as per the specification)
   o significant things happening in the service area's environment
   o risks and issues identified in audit reports
   o reasons for material losses
   o circumstances of officers being offered or receiving gifts and benefits (recorded in the Gifts and Benefits Register)
   o feedback from stakeholders e.g. Queensland Audit Office

(ii) ***Areas of perceived high fraud and corruption risk in the public sector***
   Refer to Attachment 5

"Red flags" which may indicate fraudulent or corrupt conduct

There are a number of warning signs or "red flags" which _may_ indicate fraudulent or corrupt conduct.

To be clear, these indicators are not definitive evidence of fraud. However, in the relevant circumstances they may point to fraud. If further information is required or there is a suspicion of fraud or corruption, contact your Supervisor, Manager or Director.

Behavioural Red Flags

o   Employees who consistently work longer hours than their work mates where there is no apparent reason.
o   Employees who infrequently or don't take time off or holidays.
o   Employees who attempt to hide their work or are very secretive about the work they're doing.
o   Employees who are stressed for personal reasons.
o   Employees who seemed significantly stressed for no apparent reasons.
o   Employees who are under significant financial pressure.
o   Employees who suddenly have a significant lifestyle change.
o   Employees who are subject to consistent complaints.
o   Employees who are consistently breaking the rules.
o   Employees who are reluctant to provide information, delay providing information or provide different information (e.g. explanations) to different people.
o   Employees who request that internal audits are delayed so that have adequate time to "prepare".
o   Employees who request a significant level of information about proposed internal audit scopes.
o   Employees who predominantly use the one supplier.
o   Employees who don't adhere to purchasing procedures.

Financial Red Flags

o   Cash only transactions.
o   Higher than normal costs which are not readily explainable.
o   Large volume of refunds.
o   Unusually large inventories.
o   Unusual transactions (even for small amounts).
o   Employees who make a higher than normal number of mistakes, especially where these lead to a loss.
o   Employees with unexplained sources of wealth.
o   Employees who have competing personal business interests.
o   Employees who submit inconsistent and/or unreasonable expense claims.

Procedural Red Flags

o   Employees who make procedural or computer-system enquiries which are not related to their duties.
o   Prospective employees who provide incomplete, inaccurate or inconsistent information.
o   Employees who excessively micro-manage.
o   Insufficient oversight/audit applied.
o   Suppliers who insist on dealing with just one employee.
o   Lack of transparency.
o   Too much delegation without proper review procedures.