POLICY TITLE:	Fraud and Corruption Prevention Policy
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DATE OF NEXT REVIEW:	30 June 2021
RESPONSIBLE DEPARTMENT:	Finance / Governance
LINK TO CORPORATE PLAN:	Governance – Best Practice Governance

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1. OBJECTIVE

The purpose of this policy is to set out the organisational requirements to prevent, detect, respond to and report fraud and corruption.

2. SCOPE

This policy applies to any fraud or corruption, or suspect fraud or corruption, involving Council employees, Councillors, contractors, consultants, volunteers, suppliers or any other party dealing with Flinders Shire Council.

3. DEFINITIONS

Corruption
Corruption means dishonest activity in which an employee of an organisation acts contrary to the interest of the organisation, in order to achieve some gain or advantage, or to avoid loss or disadvantage, for the employee or for another person or entity. Corruption can include, but is not limited to, behaviour such as fraud, deception, misuse of a position or authority.

As defined in the *Crime and Corruption Act 2001 S15,*

(1) **Corrupt conduct** means conduct of a person, regardless of whether the person holds or held an appointment, that—
(a) 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
(b) results, or could result, directly or indirectly, in the performance of functions or the exercise of powers mentioned in paragraph (a) 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
(c) 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.

(2) **Corrupt conduct** also means conduct of a person, regardless of whether the person holds or held an appointment, that—
(a) impairs, or could impair, public confidence in public administration; and

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(b) involves, or could involve, any of the following—
    (i) collusive tendering;
    (ii) fraud relating to an application for a licence, permit or other authority under an Act with a purpose or object of any of the following (however described)—
        (A) protecting health or safety of persons;
        (B) protecting the environment;
        (C) protecting or managing the use of the State's natural, cultural, mining or energy resources;
    (iii) dishonestly obtaining, or helping someone to dishonestly obtain, a benefit from the payment or application of public funds or the disposition of State assets;
    (iv) evading a State tax, levy or duty or otherwise fraudulently causing a loss of State revenue;
    (v) fraudulently obtaining or retaining an appointment; and
(c) 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.

Under the *Crime and Corruption Act 2001* S14, **conduct** includes:
    a) neglect, failure and inaction; and
    b) conspiracy to engage in conduct; and
    c) attempt to engage in conduct.

Fraud
Fraud is where dishonest activity causes actual or potential loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following, the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal purpose or the improper use of information or position for personal benefit.

Fraud may include but is not limited to:
    a) theft or cash, goods, services or property;
    b) obtaining property, a financial advantage or any other benefit by deception;
    c) causing a loss, avoiding or obtaining a benefit by deception;
    d) knowingly providing false or misleading information to Council, or failing to provide information where there is an obligation to do so;
    e) a breach of trust in the performance of official duties, by which an employee or Councillor acts contrary to the interest of Council in order to achieve some personal gain or advantage for themselves or for another person or entity;
    f) using a forged or falsified documentation for an improper purpose;
    g) deliberate misstatement of accounting information for an improper purpose.

Internal Fraud refers to fraudulent acts undertaken by Councillors or employees. Examples of such fraud include:
    a) falsification of expenses claimed (expense reimbursements);
    b) theft of cash and alteration of records to conceal any deficiency;
    c) falsification of invoices for payment;
    d) failure to receipt monies collected;
    e) procurement fraud;
    f) timesheets where ordinary or overtime hours have been inappropriately claimed;
    g) inappropriate use of Council resources (labour/plant) or information for personal gain;
    h) dealing inappropriately with benefit claims of friends or relatives.

In some instances, there can be potential for those in positions of trust within Council to perpetrate fraud against third parties.

External Fraud refers to fraud committed against Council by persons outside Council. Examples include false invoices or statements in applications for Council programs and applications for grants.

Fraud and other similar irregularities include, but are not limited to:

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a) forgery or alteration of cheques, invoices, computer records and other documents;
b) any misappropriation of funds, securities, supplies or any other Council property;
c) any irregularity in the handling or reporting of money transactions;
d) seeking or accepting anything of material value from suppliers, consultants or contractors doing business with Council;
e) unauthorised use or misuse of Council property, equipment, materials or records;
f) any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Council owned software;
g) any claim for reimbursement of expenses that are not made for the exclusive benefit of Council.

4. POLICY STATEMENT

Council is committed to the control and elimination of all forms of fraud and corruption, and to create an ethical environment and culture that discourages and prevents fraud. Council has zero tolerance to activities related to fraud and corruption.

All staff are responsible for the prevention and detection of fraud and corruption and must comply with the Council's Fraud Policy and Fraud and Corruption Control Plan.

All allegations and suspicions of fraud will receive attention. All substantiated cases will be dealt with appropriately either by criminal, disciplinary or administrative mechanisms suitable to the particular case (having due regard for the rights of all persons, including any person reporting a fraud and of any alleged perpetrator of fraud).

Fraud and Corruption Management Framework

Council acknowledges that the Fraud Policy and Fraud and Corruption Control Plan must be in place and address the ten components of effective fraud control, identified in the Crime and Corruption Commission's publication, Fraud and Corruption Control: Guidelines for Best Practice (2018). The components are:

1. Coordination mechanisms;
2. Risk management system;
3. Internal controls;
4. Reporting processes;
5. Protections for disclosers;
6. External reporting;
7. Investigation management processes;
8. Employee and Councillor Codes of Conduct;
9. Organisational cultural change;
10. Client and community awareness programs.

5. ROLES AND RESPONSIBILITIES

Council's commitment to fraud control will be managed by ensuring that fraudulent or corrupt behaviour is discouraged, conflicts of interest are avoided and auditing systems are in place.

Mayor and Councillors

The *Local Government Act 2009* provides the Mayor and Councillors with clear roles and responsibilities. Council has adopted the Councillor Acceptable Request Guidelines as well as the Minister for Local Government's Councillor Code of Conduct in Queensland. In the context of this policy, the role of the Mayor and Councillors is to ensure that there are appropriate processes in place to reduce the risk of fraud and corruption.

The Chief Executive Officer and Management

The CEO has primary responsibility for the proper management of Council resources and the development and implementation of systems and practices to minimise the risk of fraud and corruption.

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The CEO and Management will lead by example in a manner consistent with the values and principles detailed in the Employee Code of Conduct.

The CEO is required to notify the Crime and Corruption Commission if there is reason to suspect corrupt conduct as defined by the *Crime and Corruption Act 2001* has occurred. The CEO should refer to the *Crime and Corruption Commission - Corruption in Focus guide to dealing with corrupt conduct in the Queensland Public Sector* for guidance in any dealings with fraud and corruption matters.

The CEO and Management will assume responsibility for fraud and corruption prevention to ensure that the fraud and corruption control strategies are implemented effectively across all work areas. Consideration of fraud and corruption issues will form part of both annual and longer term operational and business processes.

Managers and Supervisors

It is the responsibility of managers and supervisors to ensure that the decision making process is as open and accountable as possible. Fraudulent conduct is more likely to occur in an environment where systems, standards and procedures are not clearly defined and may be open to exploitation. Therefore measures to prevent fraud should be continually monitored, reviewed and developed, particularly as new systems or procedures are being introduced or modified, or where current systems or controls are outdated.

All managers and supervisors must recognise that fraud and corruption may occur in their area of responsibility. Managers are to critically examine their areas of responsibility and business processes to identify and evaluate potential fraud and corruption risk situations. Managers and supervisors are expected to develop and maintain fraud and corruption resistant work practices.

As a guide, the following matters should be examined:
- The enforcement of existing financial management standards, policies and practices governing contracts and the supply of goods and services;
- The collection, storage, dealing, handling and dissemination of information;
- Segregation of functions especially in regulatory, financial accounting, procurement and cash handling areas;
- Employment screening and due diligence;
- Accuracy of timesheets submitted by employees within manager's responsibility;
- Work activities having limited supervision or which are open to collusion or manipulation;
- Work practices associated with compliance and enforcement activities;
- Formal structured reviews of accounting and administrative controls;
- The effectiveness of measures for reporting suspected fraud and corruption;
- The public interest disclosure protective measures;
- Workplace grievance practices;
- Measures to ensure quick and decisive action on all suspected fraud and corruption situations.

Each manager is responsible for managing fraud risk in their Department including:
- Identifying and periodically reviewing the risks, including fraud risks;
- Establishing controls to manage or mitigate fraud risks;
- Monitoring established controls to determine if they are operating as intended;
- Identifying fraud prevention training needs of staff;
- Implementing (in accordance with policy) disciplinary action concerning staff involved in fraudulent activity.
- Fostering the highest standards of ethical behaviour and culture;

All Council Officers

All Council Officers are responsible for the following:
- Acting appropriately when using official resources and handling and using public funds, whether they are involved with cash or payment systems, receipts or dealing with suppliers;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud or corruption, in particular noting the red flag indicators in Appendix A of this Policy;
- Reporting details immediately if they suspect that a fraudulent or corrupt act has been committed;

- Co-operating fully with whoever is conducting internal checks, reviews or investigations into possible acts of fraud or corruption.

All Council Officers who have any knowledge of fraudulent or corrupt activities/behaviour within Council have an obligation to report such matters to a manager/supervisor or the Chief Executive Officer. Before making any complaints all officers should consider the following vexatious reporting issues:

- Vexatious and false complaints i.e. those that are made recklessly or knowing it to be untrue, are unwanted and the complainer may be prosecuted in appropriate cases because they waste public resources and unfairly damage reputations;
- A person who knowingly makes a false or misleading statement in a complaint or report under the C&C Act or makes a false or misleading disclosure, is guilty of an offence;
- An Employee who makes a false disclosure, in addition to being guilty of an offence, may face disciplinary action that may include dismissal.

There is a mandatory duty of every public officer under Section 38 and 39 of the *Crime and Corruption Act 2001* to notify the Crime and Corruption Commission if s(he) reasonably suspects that a complaint or information or matter involves or may involve corrupt conduct. This mandatory duty is despite any obligation the person has to maintain confidentiality.

Audit Committee
Fraud-related matters will be reported to Council's Audit Committee by the nominated person to ensure that a realistic view of Council's exposure and the maturity of its systems to prevent, detect and respond to fraud are understood.

External Audit
External Auditors certify that Council's accounts represent a true and fair view of the Council's financial position. They have limited time and resources to carry out this work and consequently there needs to be a high level of cooperation with Council's Internal Auditors who are able to examine the Council's activities in more detail.

Senior management and the Audit Committee will undertake discussions with the external auditor in terms of the audit strategy and procedures that will be carried out during the audit that are aimed at detecting material misstatements in Council's financial statements due to fraud or error.

Internal Audit
The Internal Audit program supports Council's efforts to establish an organisational culture that embraces ethics, honesty, and integrity. Internal Audit assists Council with the evaluation of internal controls used to detect or mitigate fraud and evaluates the organisations assessment of fraud risk.

Although the Internal Audit considers fraud and corruption within its audit plans and also performs audits, it is important to note that the responsibility for prevention of irregularities rests with Council and management through the implementation and continued operation of an adequate internal control system. Internal Auditors are responsible for examining and evaluating the adequacy and the effectiveness of actions taken by management to fulfil this obligation.

Governance
The Governance Section is responsible for the coordination of Council's Fraud and Corruption Framework as well as assisting areas with risk identification, staff awareness and training programs and investigations where required.

6. POLICY

As fraud and corruption constitute a significant risk to Council, it is appropriate that a culture of ethical conduct be developed to recognise and avoid fraud and to deal appropriately with any cases of fraud. Flinders Shire Council is committed to ethical practices and the prevention of fraud and corrupt practices across all levels of operation.

Fraud and corruption can cause:
- a) financial loss;
- b) reputational damage;
- c) diversions of management energy;
- d) significant effects on employee morale;
- e) significant organisational disruption including reduced performance;
- f) loss of employment;
- g) diminished safety; and
- h) loss of public's confidence in the way public money and resources are being utilised.

It is therefore important that Council have robust systems and procedures in place to ensure that the risk of impropriety is minimised, as far as possible, and that where instances do occur there is a prompt and effective response to them.

Council is committed to:
- Taking a risk management approach to the prevention, identification and management of fraud and corruption; and
- Reducing or removing the potential for fraudulent or corrupt conduct on the part of its employees, contractors, clients and suppliers; and
- Detecting fraudulent or corrupt conduct through the systematic processes articulated in the Fraud and Corruption Control Plan; and
- Responding to all instances of suspected fraudulent or corrupt conduct exposed as a result of our detection processes, or as a result of receiving an allegation of fraudulent or corrupt activities; and
- Managing, disciplining or facilitating the prosecution of those responsible for incidents of fraud and corruption as appropriate; and
- Ensuring the continuing organisational integrity and transparency of its operations.

Council will act on any suspicion of illicit conduct on the part of its staff or any party with whom it conducts business.

Council officers have a responsibility and an obligation to report suspected or known incidents of fraud or corruption.

Council will take action against anyone who takes reprisal action against a Council officer who reports suspected or known incidents, consistent with Council's Public Interest Disclosure Policy and Procedures.

Council recognises that fraud and corruption prevention and control are integral components of good governance and risk management.

The Local Government Act 2009 mandates Councils establish and maintain appropriate systems of internal controls and risk management.

The Fraud and Corruption Control Plan embodies an holistic fraud management approach by emphasising the necessity for prevention, detection and remedial responses.

7. IMPLEMENTATION

Educating for Awareness

The Local Government recognises that the success and credibility of this Policy will largely depend upon how effectively it is communicated throughout the organisation and beyond.

The Local Government will, therefore, from time to time take proactive steps towards ensuring that the wider community is aware of the Local Government's zero-tolerance stance towards Fraud and Corruption.

The Local Government will increase community awareness by:
- promoting the Local Governments initiatives and policies regarding the control and prevention of Fraud and Corruption on the Local Governments website and at the Local Government's offices;
- make reference to the Local Government's Fraud and Corruption initiatives in the Local Government's Annual Report; and
- Facilitating public access to all of the documents that constitute the Local Government's Fraud and Corruption framework.

8. REPORTING ALLEGATIONS OF FRAUD

Any public officer who suspects, or becomes aware of, breaches of the Code of Conduct, including fraud and corruption, should report the matter without delay to a supervisor or manager.

A number of reporting options are available, including:

- Reporting the incident to the employee's manager/supervisor;
- Reporting the incident to the Chief Executive Officer, Director of Corporate and Financial Services, or the Governance Coordinator
- Making a Public Interest Disclosure under the *Public Interest Disclosure Act 2010.*

Fraud Allegation Reporting Form:

Officers should provide information on the alleged fraud using Form - *Fraud Allegation Report Form* available on Council's Website and Policy Central. The information provided includes:

- Details of the suspected offence, and
- Details of the suspected offender(s) where known.

This form is to be used by any Flinders Shire Council Councillor, employee, contractor or volunteer to report a suspicion of fraud or corruption. While reporting to your immediate supervisor is encouraged, the completion of this form will facilitate a comprehensive assessment of the matter.

This form is to be sent or given to the following staff

Chief Executive Officer (CEO):
- Via Email: ceo@flinders.qld.gov.au
- In Person: Council Office – 34 Gray Street, HUGHENDEN   QLD 4821
- By Mail: PO Box 274, HUGHENDEN   QLD 4821
  - o   Please ensure the envelope is mark "Private and Confidential"
- The CEO can also be contacted on (07) 4741 2912 or 0428 411 684

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Director of Corporate and Financial Services:
- Via Email: dcfs@flinders.qld.gov.au
- In Person: Council Office – 34 Gray Street, HUGHENDEN QLD 4821
- By Mail: PO Box 274, HUGHENDEN QLD 4821
    - Please ensure the envelope is mark "Private and Confidential"
- The Director of Corporate and Financial Services can also be contacted on (07) 4741 2911 or 0477 412 920

Governance Coordinator:
- Via Email: gc@flinders.qld.gov.au
- In Person: Council Office – 34 Gray Street, HUGHENDEN QLD 4821
- By Mail: PO Box 274, HUGHENDEN QLD 4821
    - Please ensure the envelope is mark "Private and Confidential"
- The Governance Coordinator can also be contacted on (07) 4741 2922 or 0429 864 691

Management recognises that the reporting of fraud and corruption is a sensitive issue (especially against work colleagues). To affirm the integrity of this function therefore, management will, as far as practicable, ensure the confidentiality of information provided. It will achieve this by maintaining the confidentiality of both the complainant and suspect and by avoiding rumours, morale problems and the possibility of wilful destruction of evidence. Regardless of the reporting option exercised, Council will take all practical steps to protect the welfare of the person making the report.
Flinders Shire Council's Disciplinary Policy governs reports of suspected or actual fraud or corruption.

An allegation by an officer of a substantial misuse of public resources may fall within the definition of a public interest disclosure (PID) and is covered by the Flinders Shire Council's Public Interest Disclosure Policy.

9. RELATED LEGISLATION

- *Crime and Corruption Act 2001*
- *Criminal Code Act 1899*
- *Integrity Act 2009*
- *Public Interest Disclosure Act 2010*
- *Public Sector Ethics Act 1994*
- *Right to Information Act 2009*
- *Local Government Act 2009*
- *Local Government Regulation 2012*

10. RELATED DOCUMENTS (LOCAL LAWS, POLICIES, DELEGATIONS ETC)

- Australian Standard, AS 8001-2008 - Fraud and Corruption Control
- CCC – Corruption in Focus March 2019 - A CCC guide to dealing with corrupt conduct in the Qld Public Sector
- Qld Audit Office Report 19: 2014-15 – Fraud Management in Local Government
- Fraud and Corruption Control Plan
- Employee Code of Conduct
- Councillor Code of Conduct
- Disciplinary Policy
- Public Interest Disclosure Policy
- Audit Committee Charter
- Internal Audit Policy

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- Enterprise Risk Management Policy
- Councillor Acceptable Request Guidelines
- Fraud and Corruption Control Plan
- Fraud Investigation Procedure
- Complaint Involving Public Officials Policy

11. ATTACHMENTS

- Appendix A - Red Flag Indicators

12. REVIEW TRIGGER

Policy is to be reviewed every 2 years.

13. PRIVACY PROVISION

Council respects and protects people's privacy and collects, stores, uses and discloses personal information responsibly and transparently when delivering Council services and business.

14. APPROVAL

Adopted at the June 2019 Council Meeting - Resolution Number 2507.

APPENDIX A

Red Flag Indicators

Red flag indicators are warning signs that can alert councils to potential fraud. They do not immediately indicate either guilt or innocence. Instead, they may be a lead to early fraud detection. There are two types of red flag indicators:

- Transactional – unusual transactions related to common business activities; and
- Behavioural – unusual actions or behaviour traits exhibited by people.

Transactional Red Flag Indicators:

- Transaction occurrence is unusual (too many or too few);
- Timing of transaction is unusual (time of day, week, month, year or season);
- Number of refunds or credit notes issued appears unreasonable;
- Original of transaction is unusual (eg invoice not usually received from a region/state/country)
- Unusual relationships between persons (related parties, perceived strange relationship between parties, management performing clerical functions);
- Excessively high levels of stock based on usage patterns;
- Stocktakes and stock checks indicate significant discrepancies between what is supposed to be on hand and what is actually on hand;
- Missing assets or consumables;
- Staff requisition or request for purchases of items not required for their work;
- Frequent requests for "emergency purchases" which bypass normal checks because the items are required urgently (are they really urgent?);
- Lack of segregation of duties;
- Missing/unavailable/altered records, files or vouchers;
- Lack of detailed (or ambiguous) descriptions on documents, or in text fields in databases.

Behavioural Red Flag Indicators:

- Displaying lifestyle changes (expensive cars, jewellery, homes, clothes);
- Having an exorbitant/excessive lifestyle, having personal circumstances or purchases that don't match with income (eg significant gambling or substance addiction may increase the likelihood of committing fraud);
- Creditors or collectors appearing at the workplace;
- Refusing recreation leave, sick leave or promotions – may have a fear of detection;
- Lack of a strong code of personal ethics;
- A strong desire to beat the system;
- Criminal history;
- Persistent and/or unnecessary taking control of records;
- Insisting on working unusual or non-standard business hours;
- Avoiding or delaying provision of documentation when requested by auditors;
- Making request for use of other peoples computer log ins;
- Resigning immediately prior to audit;
- Exhibiting excessive secrecy about work being undertaken and/or refusing assistance;
- Shortcutting internal controls;
- Bypassing the Chain of Command.