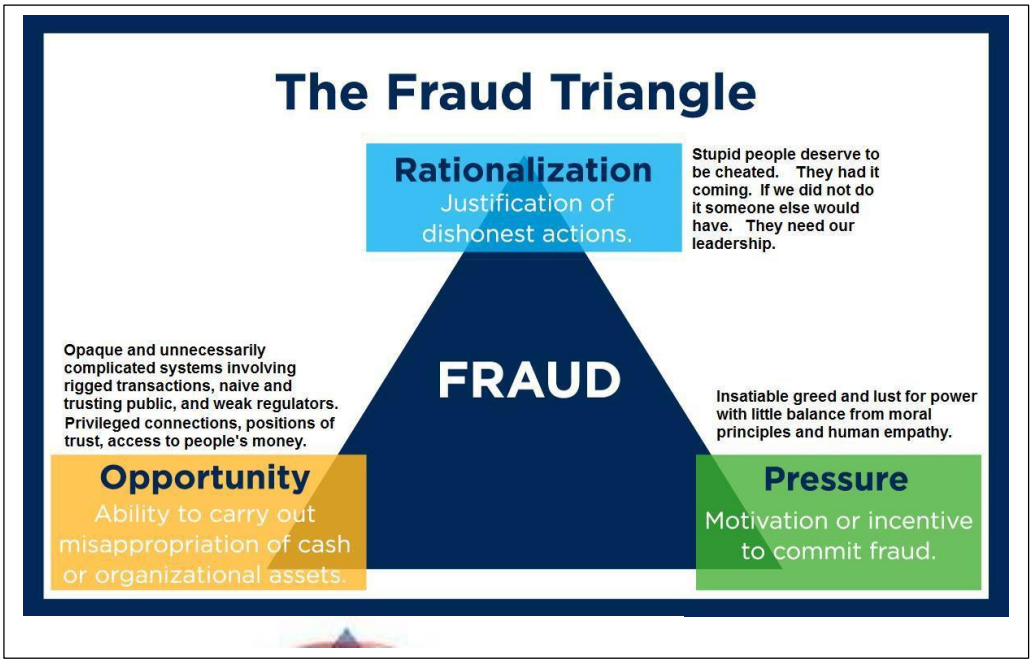
FRAUD AND CORRUPTION CONTROL PLAN

2019-2020



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Action Statement

Date	**Name**	**Position**	**Action required** *(Review/Endorse/Approve)*
17/3/2016	Lynn Moore	Chief Executive Officer	Initial version

Document control sheet

Contact for enquiries and proposed changes
If you have any questions regarding this document or if you have a suggestion for improvements, please contact: the Chief Executive Officer

Version history

Version no.	**Date**	**Changed by**	**Nature of amendment**

PURPOSE

This plan guides implementation of the Fraud Control Policy and implementation standard for fraud control governance, prevention, detection and response.

SCOPE

This plan applies to all staff and Councillors within the Boulia Shire Council corporate division and the works department (including contractors and consultants).

1 RELATED DOCUMENTS

1.1 Roles and Responsibilities

Roles and responsibilities for fraud control are detailed within the Implementation Standard for Fraud Control Governance, Prevention, Detection and Response. These include:

Councillors – Ensure Internal and External Audit accountabilities are achieved.

Executives – Ensure integrated approach to fraud control, oversee a fraud working group, provide assurance statements, maintain fraud risk profile, audit and respond to reports.

Managers – Manage fraud risks within areas of responsibility.

All employees – participate in training (ethical awareness, induction/refresher), report suspicions of fraud and/or corruption.

1.2 Related policies and guidelines

- Code of Conduct
- Councillor Code of Conduct
- Complaints Management Policy
- Councillor Interaction Policy
- Internal Audit & Risk Management Policy
- Public Interest Disclosure Policy
- Public Official Complaint Procedure
- Workplace Health and Safety Policy

2 INTRODUCTION

2.1 Commitment to fraud control

Boulia Shire Council has zero tolerance for corrupt conduct, fraudulent activities or maladministration. This is supported by a hierarchy of governance and controls which will continue to build an ethical organisational culture.

Boulia Shire Council has a structured governance framework and an integrated approach to the development, implementation and regular review of fraud prevention and detection, monitoring, reporting and response strategies.

2.2 Four major components of the Guide to Fraud and Corruption Control

1. Ethical Culture	Increasing levels of ethical awareness by embedding and implementing initiatives to deter and minimise the opportunities for fraud.
2. Prevention	Reducing instances of fraud by strengthening the systems of control and risk management.
3. Detection	Implementing initiatives to detect fraud as soon as possible after it occurs.
4. Response, Outcomes and Recovery	Implementing initiatives to deal with detected or suspected fraud in accordance with relevant policies and legislation. Ensuring appropriate outcomes (disciplinary, civil, systemic or criminal justice system), thereby helping to deter and prevent fraud from occurring. Recovery of losses maximised as far as possible, thereby limiting the financial impact and helping to deter and prevent reoccurrence.

2.3 What is fraud and corruption

The definitions of fraud and corruption are provided in the Fraud Control Policy. For some examples of fraud and corruption, refer to Table 2 below.

Internal	External	(Joint) Collusion
• False claims for travel, petty cash, overtime and expenses • Misuse of corporate credit cards and cab charge • Falsifying invoices for goods or services • Dishonestly using purchase or order forms to gain a personal benefit • Dishonest use of intellectual or confidential property • Falsifying hours on timesheet • Working elsewhere without permission whilst on leave (e.g. sick leave) • Creating false bank accounts to siphon money. • False CV.	• Hacking into, or interfering with a computer system • Charging for goods or services that are incomplete or not delivered • Fraudulently inflating invoices.	• Certification for goods or services as being delivered when they are not • Unlawful or unauthorised release of information • Knowingly making or using forged or falsified documentation • Collusion with external vendors (e.g. kickbacks and providing insider information etc.)

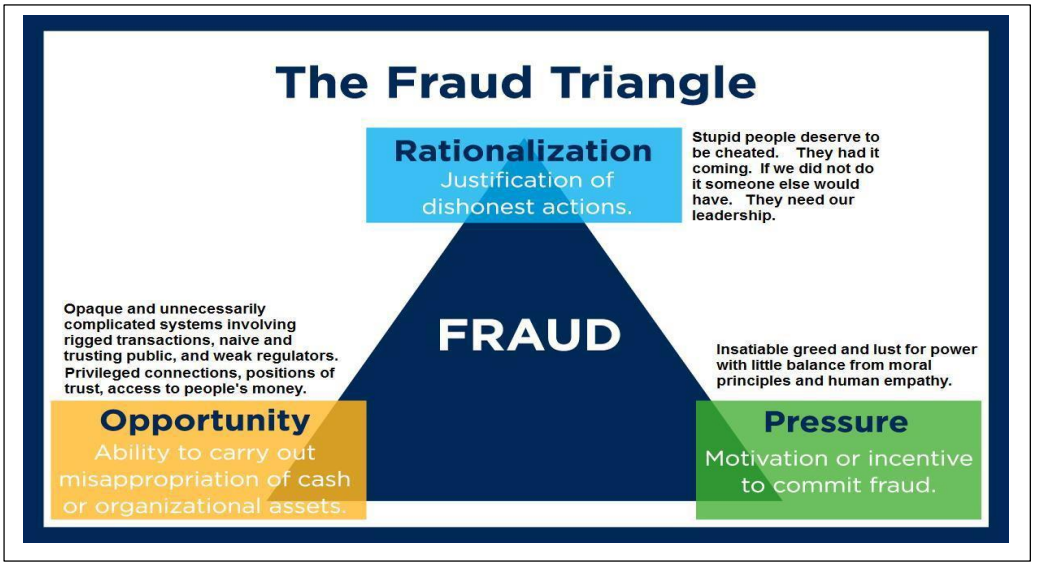
3 ETHICAL CULTURE

3.1 Understanding why people commit fraud – The Fraud Triangle

The Fraud Diamond describes the four key contributing elements to fraud within the Council. Fraud is more likely to occur when:

- A person has an incentive or ***pressure*** to commit fraud
- Weak controls provide a person with ***opportunities*** to commit fraud
- The person has the ***capability*** to recognise the opportunity to commit fraud and takes advantage of it
- The person can ***rationalise*** committing the fraudulent behaviour.

Raising awareness of the above four contributing elements (including fraud awareness training) can support an ethical culture and assist staff in recognising early warning signs of fraudulent activity (red flags).



3.2 Embedding an ethical culture

The Fraud Control Policy establishes a fundamental strategy in controlling the risk of fraud and corruption and is the basis of a sound ethical culture within Boulia Shire Council, raising awareness of ethical behaviors will assist in minimising the risk of fraud across the organisation.

The organisation's expectations on ethical behaviour are outlined in the Code of Conduct which describes its commitment to creating and maintaining an environment which is professional, safe and free of any form of unlawful or inappropriate behaviour. This commitment supports the expectations of the ratepayers of Boulia Shire that all activities of Boulia Shire Council are conducted with efficiency, impartiality and integrity.

3.3 Education and training program

Fraud and corruption often goes undetected because of staff's lack of knowledge in recognising the early warning signs of fraudulent activity. Furthermore staff may be unaware of how to report their suspicions or have a lack of confidence in the integrity of the reporting system or investigation process. Accordingly, Boulia Shire Council has introduced Code of Conduct awareness training to assist staff each January. General awareness of fraud and corruption among staff and how they should respond should this type of activity be suspected or detected is completed with the ethical awareness training (Whistle Blowers training) also completed at this time.

Ethical awareness training sessions introduce the concept of fraud within Boulia Shire Council and provide training on the following:

- What is fraud
- Crime and Corruption Commission's attitude towards fraud
- Examples of fraud
- Fraud statistics
- Profile of a fraud offender
- How to prevent, detect and respond to fraud

Ethical awareness training is available through the Human Resources section of Council. Managers or executives may commission additional training specifically related to their area of business operations.

3.4 Tasks for improving an ethical culture

Additional best practice tasks for improving an ethical culture include the following:

- Fraud and corruption control responsibilities form part of the performance management framework for staff
- Ensuring all staff receive information on the Fraud Control Policy, and the Code of Conduct upon induction
- Ensuring updates and changes to relevant policies and procedures are effectively communicated to all staff
- Confirming that all staff have participated in relevant training including Code of Conduct training
- Communicating de-identified outcomes of investigations as appropriate in order to deter further incidents of fraud occurring
- Conducting ManEx meetings to discuss the ongoing effectiveness of this guideline and to ascertain whether messages are being delivered to staff effectively
- Regular discussion of ethical standards or behaviors at team /toolbox meetings
- Utilisation of all available media to disseminate fraud awareness materials, including newsletters, emails, leaflets
- Roll-out of the e-Learning package across the shire (where available)

These initiatives should be supported by effective and continuous communication and example-setting by management (tone from the top approach).

4 PREVENTION

Key aspects of preventing fraud include ensuring internal controls are in place to manage potential fraud risks, identifying control weaknesses and implementing measures to address these weaknesses. Regular fraud risk assessments are vital in identifying potential risks and control weaknesses and appropriate treatments.

4.1 Internal controls

Internal controls are often the first line of defense against fraud. Boulia Shire Council maintains a strong internal control system and promotes and monitors the use of effective internal controls. The key elements of the internal control system including governance/committee structures, reporting pathways, delegations, and procedures for monitoring are in place.

Effective internal controls are developed and maintained through the cooperation of multiple areas within the Council through ManEx meetings supported via the Council's Internal and External Auditors.

4.2 Fraud and corruption risk assessment

Boulia Shire Council adopts a formal identification, analysis and evaluation of fraud and corruption risks through a periodic assessment of risks of fraud and corruption within the shire.

4.3 Fraud and corruption risk identification

Fraud and corruption risk identification is the process of finding, recognising and recording risks. To be effective in identifying fraud and corruption risks a variety of methods will be used such as:

- Annual audit reports, report results and/or physical inspections
- Relevant Crime and Corruption Commission investigation reports
- Records of prior losses
- Complaints by Boulia Shire Council staff, clients or stakeholders
- Using the expert knowledge and judgement of colleagues if they know of how the existing controls could be bypassed i.e. identifying flaws in the existing governance arrangements
- Directly observing workplace activities that are of concern and checking the corresponding Council policies and/or procedure that relates to observations
- Analysing specific scenarios to understand what may constitute a fraud or corruption risk
- Using the internet and visiting relevant agency sites like the Crime and Corruption Commission's website.

4.4 Correspondence and information management

All Boulia Shire Council employees must ensure confidential information and information relating to individuals' own privacy is securely held and only used for the purpose for which it was collected.

The following points represent some examples of fraud and corruption risks:

- A former employee obtaining confidential information and providing it to a new employer to aid their dealings with Boulia Shire Council
- An employee providing private information contained on a secure Council computer network to a third party to gain an advantage when dealing with the Council
- An employee leaking politically sensitive information obtained through the performance of their work to a member of the public or another stakeholder, such as the media
- An employee using private and personal information obtained through the performance of their work for private purposes such as debt collection, intimidation or stalking.

4.5 Delegations

Delegation of authority within the Council establishes who is empowered to make decisions and to take action on behalf of the Council. The Boulia Shire Council Delegations Policy identifies requirements, roles and responsibilities in relation to delegating decisions, authority or power.

Boulia Shire Council staff may exercise their delegation through actions such as approving expenditure, signing requisitions or purchase orders, or leave applications, or signing a contract that commits Boulia Shire Council to significant expenditure.

The following points represent some examples of fraud and corruption risks:

- Acting outside their delegation for fraudulent or corrupt purposes, such as:
  - Wrongfully influencing a tender which will benefit the employee, relative, or someone with whom they are otherwise connected
  - Awarding a contract to a contractor without proper due consideration of alterative suitable providers that comply with Boulia Shire Council procurement policy and procedures.
- A manager who signs off on fraudulent overtime claims.

4.6 Facilities and public resources

All Boulia Shire Council employees are accountable for resources they use or have access to in the course of performing their duties. The Code of Conduct for the Council requires all employees to be economical, avoid waste and extravagance when using public resources for their proper purposes and use any public resource in accordance with Council policy.

The poor management and misuse of public resources can undermine the integrity and operational efficiency of Boulia Shire Council thereby not providing the public with value for money.

The following points represent some examples of fraud and corruption risks:

- Regularly taking resources, such as office supplies, stationery, equipment, home for their own personal use, or to sell for their own personal benefit
- Unauthorised use of a motor vehicle
- Unauthorised negotiating of substantial contracts
- Responsibility for arranging for the disposal of goods directing the contractor to make the payments directly to them instead of an approved Council account
- Destroying financial or administrative written or electronic records pertaining to the disposal of Council goods or resources to cover their own corrupt activities
- Deliberately over-ordering resources to use the surplus for personal gain.

4.7 Finance

The following points represent some examples of fraud and corruption risks:

- Manipulating the financial system to make payments to a non-existent supplier, and indirectly to their own financial account
- Colluding with a supplier to produce an invoice price that is higher than necessary in order to receive a payment or some other benefit from the transaction
- Approving invoices for private expenses or colluding to do so for others
- Submitting a false travel or petty cash claim and receiving a benefit to which they are not entitled by contravening a relevant Policy or Procedure
- Purchasing goods or services by using Council resources for private use
- Failing to record purchases properly to misappropriate cash
- Being bullied, harassed or threatened to misappropriate cash or avoid proper payment for a good or service by a third party
- Charging personal expenses to a Council corporate credit card

- Falsifying, destroying or damaging receipts and other financial records
- Misusing Cab-charge vouchers for personal use or alternatively profit
- Seeking to allocate a grant outside the terms of the agreement and conditions for personal benefit
- Improperly disclosing personal or banking details to third parties.

4.8 Human resource management

Human resource management in Council is governed by Council policies and industrial awards and directives that are adopted by the Boulia Shire Council.

The following points represent some examples of fraud and corruption risks:

- Manipulating recruitment and selection procedures to secure the appointment of a close friend or family member or associate
- Management promoting, engaging or giving an employee advantage over others for personal reasons
- Management unfairly disadvantaging, bullying, intimidating or discriminating against employees for personal reasons (for example, unlawful use of power in personal conflicts)
- A selection committee appointing members to the selection panel whom they can influence in order to ensure their favored and less meritorious candidate will be selected
- Management taking detrimental action against employees who report official misconduct or maladministration
- An employee or an applicant for an advertised Council position falsifying qualifications or employment history or references to enhance their prospects of securing the position
- Management knowingly concealing the corrupt conduct of subordinate employees.

4.9 Information management and information technology

Boulia Shire Council possesses a range of information management and technology policies and standards regarding the Council's information resources. Compliance with these information policies and standards is mandatory for all employees.

Boulia Shire Council is reliant on information management and information technology systems to perform its operational functions. It is imperative that information maintained on these systems is accurate, complete and uncorrupted. It is critical for the efficient and productive operation of the Council that the information contained on Council systems is easily accessible for its use in legitimate purposes while being protected from any misuse.

The following points represent some examples of fraud and corruption risks:

- Electronically creating fraudulent documentation and providing it to a member of the public to gain a benefit (e.g. Drivers Licence number)
- Altering or deleting electronic data held on the Council document management system to prevent evidence of other wrongdoing from being detected or to aid a third party
- Taking advantage of temporarily inoperative (or partially operative) information technology systems to act in a corrupt way
- Placing malware (for example, viruses, spyware) on Council's information technology system in an attempt to damage software or information held on the system
- Using another employee's computer and/or log-in
- Gaining access to electronic records without proper authority or approval

4.10 Legal and contractual compliance

Boulia Shire Council enters into legal contracts (for example, agreements, deeds, service contracts, memorandums of understanding) to meet the Council's obligations.

The following points represent some examples of fraud and corruption risks:

- Fails to declare a conflict of interest but continues to deal with a close associate in exercising their functions (for example, recruitment of an employee)
- Solicits or accepts a bribe in order to exercise, or not exercise, their authority in a certain way
- Accepting or soliciting a bribe or secret commission from a tenderer to give partial consideration to them
- Identifying too closely with the interests of a joint venture partner subsequently leading to a failure to properly monitor the quality of the work performed.

4.11 Regulatory compliance

There are two main areas of risks associated with regulatory compliance in Council. First, the Council is subject to legislation. Therefore, there may be risks associated with breaching the requirements of legislation (as covered in the previous sections). Second, Boulia Shire Council acts as a regulator and as such, risks may be present regarding the appropriate or inappropriate use of power in this role as regulator.

The following points represent some examples of fraud and corruption risks:

- Issuing a license to an individual or business based on factors other than objective assessment criteria (e.g. personal relationship)

- Deciding or recommending not to pursue prosecution because of a personal relationship with the person or business in breach of legislation

4.12 Procurement

Boulia Shire Council must comply with its Procurement Policy to ensure that processes and procedures uphold the integrity of procurement decision making.

The following points represent some examples of fraud and corruption risks:

- Providing commercial-in-confidence information to a tenderer resulting in them obtaining an unfair advantage over other tenderers in the tender process
- Knowingly making payments on fraudulent procurement related claims
- Colluding with a supplier of goods or services to Boulia Shire Council for personal gain
- Splitting an order to avoid obtaining competitive quotes in the tendering process or to circumvent Council's established delegation limits for procurement transactions
- Obtaining kickbacks by organising preferential treatment
- Not declaring an existing relationship or secondary employment with a tenderer for that contract and seeking to unfairly influence the decision making process.

4.13 Fraud and corruption risk analysis

Analysing fraud and corruption risks is a key component for creating an effective ethical culture. The analysis phase involves developing an understanding of the risk. It provides input into risk evaluation and to decision-making on whether risks need to be treated. Subsequently, the information gathered will determine the most appropriate risk treatment options and methods.

Fraud and Corruption risks will be identified through workshops and meetings with staff. The risk analysis process shall be used to:

- Determine the possible outcome should a risk occur and the likelihood of the risk occurring using the Consequence and Likelihood tables
- Determine the level of risk rating
- Determine the initial, current and projected level of risk

4.14 Fraud and corruption risk evaluation

Risk evaluation involves comparing the level of risk identified during the risk analysis process with risk criteria established when the context was considered.

Evaluating fraud and corruption risk against Council's risk criteria matrix takes into account the impact of the risk on the Council, and the existing, available governance controls.

The risk evaluation process assists the Council to decide on the responsible courses of action to take an integrated approach to fraud and corruption risk management and it can include the following evaluation considerations:

- Whether a fraud and corruption risk needs a formal treatment plan, or appropriate additional controls
- Whether resources should be dedicated towards undertaking an activity (a course of action)
- Priorities for the treatment of identified risks linked to the areas of fraud and corruption.

4.15 Fraud risk register

All fraud risks that are identified within the Boulia Shire Council should be documented in an appropriate risk register. The Council maintains a centralised fraud risk register and risk profile for the Council. Managers are responsible for assessing and recording fraud risks within their areas of responsibility.

4.16 Fraud and corruption risk treatment

In treating the risks, decisions are made on the most appropriate treatment (additional controls) to be pursued for each fraud or corruption risk. Consideration of treatments should consider both positive and negative outcomes that may arise from implementing each fraud and corruption treatment option.

The key objective in completing risk treatments for high fraud or corruption risks is to provide specific actions to be developed, processes implemented and timeframes assigned to appropriate employees. This will assist in formally managing, monitoring, reducing or eliminating the identified risk associated with fraud and corruption.

4.17 Monitor and review of fraud and corruption risks

Risk registers and risk treatment become reference material during the monitor and review phase. The monitoring and review process should encompass the following elements:

- Ensuring that controls are effective and efficient in design, implementation and operation
- Obtaining further information (such as issue clarification) to improve the risk assessment
- Analysing and learning lessons from events (including near-misses), changes, trends, successes and failures
- Detecting changes in the external, internal and individual context, including changes to risk criteria and the risk itself which can require revision of risk treatments and priorities
- Identifying emerging risks.

Decisions undertaken for review, evaluation and treatment of risk should consider the total cost of the fraud or corruption risk under consideration, including increases or reductions in

spending on controls as a result of the proposed treatment options, such as:

- Direct and collateral losses arising should the risk occur
- Costs of existing anticipatory controls and proposed treatment options, such as:
  - On-going risk assessment
  - Prevention
  - Deterrence
  - Detection.
- Reactionary costs of responding to risk should it eventuate, such as:
  - Investigation of the fraud or corruption event(s)
  - Recovery of value lost as a result of the risk eventuating, including any legal costs incurred
  - Reputational cost – e.g. media attention
  - Cost of time taken by staff dealing with the fraud for example interviews
  - Restoration of the capacity and capability of the Council section to its pre-event levels.

4.18 Pre-employment screening

The Boulia Shire Council Employment agreement which incorporates Criminal History Checking is committed to maintaining public confidence in the integrity of all staff and as such all persons to be engaged in general Council employment, permanently or when the period of employment is expected to exceed three months, are required to have a criminal history check.

Pre-employment screening is one effective means of preventing fraud. For example, pre-employment screening may detect falsified qualifications or employment history. Criminal history checking may identify previous criminal convictions for offences within Australia. Selection panels, delegates for appointments, recruitment units and human resources managers shall ensure employees, prospective employees and other persons have the requisite criminal history check prior to appointment.

Boulia Shire Council will undertake the following as a minimum:

- Verification of identity
- Verification of right to work in Australia
- Police criminal history check / blue card
- Reference check
- Verification of formal qualifications.

4.19 Fraud alerts

Fraud alerts will be disseminated in relation to current scams and fraud committed externally. The Chief Executive Officer will disseminate to ManEx managers and/or staff (as deemed appropriate) to prevent further instances of fraud and to raise awareness of fraud trends.

4.20 Contractor and supplier due diligence

Boulia Shire Council will perform effective due diligence on contractors and suppliers which may include the following:

- Search on company register
- ABN confirmation
- Verification of personal details of directors/ partnerships
- Director bankruptcy search
- Disqualified Director search
- Assessment of credit rating
- Search of legal proceedings pending and judgements entered
- Telephone listing verification
- Trading address verification
- Media search such as Google etc.

Boulia Shire Council will consider ongoing commercial relationships and reassess a future working relationship if it is found that there is an increased risk of fraud or corruption. For example, there is a heightened propensity of fraud within the procurement area such as when a potential supplier of goods or services manipulates the procurement process by offering secret payments (bribes) to secure a contract.

4.21 Tasks for fraud prevention

Additional best practice tasks for fraud prevention include the following:

- The Chief Executive Officer in conjunction with the Internal Audit & Risk Management Committee may request audits/reviews of specific areas of concern.
- Monitoring of actions taken following recommendations made by the Crime and Corruption Commission as a result of proactive reviews and investigations.
- Routinely identifying possible conflicts of interest particularly in high risk areas such as finance, procurement and human resource management.

5 DETECTION

Despite prevention activities, fraud and corruption may still occur. Therefore it is important specific strategies are in place to detect fraud as soon as possible if it has occurred.

5.1 Communicating the Guide to Fraud and Corruption Control

This Guideline will be communicated by way of:

- Creating and implementing a communications plan for the Fraud Control Policy
- Availability of the Fraud Control Policy on the Boulia Shire Council web site and intranet
- This Guideline should be accessible to all personnel, particularly those with specific fraud and corruption accountabilities.

5.2 Reporting instances of fraud

All Council staff who become aware of suspected fraudulent or corrupt conduct have an obligation to report the matter and must do so immediately.

It is recommended that suspected fraud be reported through line management in the first instance, who will arrange for the matter to be referred to the Chief Executive Officer. However, for instances where this is not appropriate, a staff member may report the matter directly to the Crime and Corruption Commission (mailbox@ccc.qld.gov.au).

Staff should endeavor to manage information confidentially and, once a report is made, take no further action until advised by the Chief Executive Officer.

Boulia Shire Council will ensure complaints and disclosures are managed impartially and provide support and protection from reprisals to disclosers, in accordance with the *Public Interest Disclosure Act 2010* and Public Interest Disclosures Policy (128).

5.3 Protection for persons making a public interest disclosure (formerly referred to as a whistle-blower)

The *Public Interest Disclosure Act 2010* supports the disclosure of improper conduct or wrongdoing and it has powerful provisions for the protection of people who make a public interest disclosure.

Boulia Shire Council is committed to creating and maintaining a work environment that encourages and facilitates the disclosure of wrongdoing by:

- Promoting the public interest by facilitating complaints and disclosures of wrongdoing that relate to the Council
- Ensuring that complaints and disclosures, including those made anonymously, are properly assessed and where appropriate, dealt with, reviewed or investigated thoroughly and impartially
- Affording support and protection from reprisals to disclosers or those who are the subject of a public interest disclosure
- Ensure confidentiality in relation to all information relating to the public interest disclosure and the identity of the discloser so as to protect internal witnesses against reprisals

5.4 *Identification of early warning signs (red flags)*

Identifying and acting on warning signs (red flags) is paramount to the early detection of fraud. Fraud awareness training support early warning capabilities and an understanding of red flags amongst all staff.

Red flags do not indicate guilt or innocence, but they provide warning signs of possible fraud. There are two types of red flags: behavioural and transactional.

Transactional red flags refer to unusual or out of the ordinary exchanges related to common business activities or transactions.

Behavioural red flags refer to unusual actions, behaviours or traits exhibited by a person. Some examples are provided in the table below.

Table 3 Early Warning Signs (Red Flags)

Transactional Red Flags
• Transaction occurring at an unusual time (of day, week, month, year or season) • Frequency of the transaction is unusual (too many or few) • Place of transaction is unusual (e.g. invoice not usually received from a region/ town) • Amount of the transaction is unusual (too high, too low, too alike, too different) • Unusual relationships between persons (related parties, perceived strange relationship between parties, management performing clerical functions).

Behavioural Red Flags
• Employee lifestyle changes: expensive cars, jewellery, homes, clothes • Exorbitant/excessive lifestyle, personal circumstances or purchases not matched with income (e.g. significant gambling addiction may increase the likelihood of committing fraud) • Significant personal debt and credit problems • Creditors or collectors appearing at the workplace • Refusing vacations, 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.

5.5 *Data analytics*

Data analysis is a powerful means of detecting fraud and other improper behaviour. It is a process of uncovering patterns and relationships in datasets that appear unrelated and it can also highlight discrepancies which may indicate fraud and irregular behaviour.

The Chief Executive Officer is responsible for ensuring that the data analysis program, where available focuses on key risk areas including key fraud risks. A data analysis program is aimed at strategic use of computer systems in the identification of fraud indicators. Using data analytic techniques, trends can be examined and investigated which may be indicative of fraudulent conduct.

5.6 Post-incident review

Boulia Shire Council, through the Chief Executive's office, will ensure an effective review process following a critical incident. This includes a broader assessment of the issue/s and putting into practice the feedback from lessons learned.

5.7 Procurement contract review

Fraud can be minimised through good contract management which can include conducting periodic reviews of contracts with external providers. These reviews may focus on:

- Deliverables
- Performance reviews
- Appropriate documentation and record-keeping
- Ongoing supplier due diligence
- Value for money
- Opportunity/capability for conflict of interest
- Verification of invoices.

5.8 The role of internal audit

Internal audit supports management's efforts to establish a culture that embraces ethics, honesty, and integrity. Internal audit assist management with the evaluation of internal controls used to detect or mitigate fraud, and may be involved in fraud investigations.

Internal audit is the appropriate process for assessing the effectiveness of internal controls. The Internal Audit team may receive directives from management. Therefore, the Internal Audit team may play a variety of consulting, assurance, advisory, and investigative roles in Council's fraud management process.

5.9 External audit

Boulia Shire Council will take a proactive approach and will liaise with the external auditor to facilitate the exchange of information in relation to the prevention and detection of fraud. Council will respond quickly to concerns identified during the course of external audit work.

5.10 Fraud Control Officers

There are four Fraud Control Officers who work together to lead fraud and corruption control policy, planning and programs within Boulia Shire Council:

Chief Executive Officer, Director of Works and Operations, Manager Corporate & Financial Services, Workplace Health and Safety Officer.

For example:

- Chief Executive Officer works together with the Director of Works and Operations, Manager Corporate & Financial Services and Workplace Health and Safety Officer to develop and review Council policies and procedures.
- The Human Resources Officer and Workplace Health and Safety Officer will ensure current best practice in fraud control is integrated into training and development programs
- The Manager Corporate & Financial Services will work with the relevant risk owners to manage the Shires exposure to fraud risk.

5.11 Tasks for fraud detection

Additional best practice tasks for fraud detection include the following:

- The Chief Executive Officer may request audits/reviews of specific areas of concern.
- Ongoing publicity regarding *Public Interest Disclosure Act 2010* which encourages staff to report improper conduct or wrong doing.
    - Workshops which include training on transactional and behavioural red flags will be included at the beginning of each year.
    - Utilising data analytics within Council's data base to examine patterns or frequency of events or activities which are a departure from the norm.

6 RESPONSE, OUTCOMES AND RECOVERY

6.1 Assessing and managing complaints of suspected fraud

The Chief Executive Officer shall respond to reports of suspected fraud or corruption according to authorised procedures by:

- Assessing each matter to determine whether or not it meets the thresholds for official misconduct or public interest disclosures.
- If the matter could amount to official misconduct, making appropriate referrals to the Crime and Corruption Commission.
- If the matter is assessed as a public interest disclosure, making appropriate referrals to the Queensland Ombudsman's Office.
- Where appropriate, referring serious allegations of fraud or corruption to the Queensland Police Service on behalf of the Council.
- Conducting investigations according to the principles of natural justice and in accordance with the Crime and Corruption Commission Guideline.
- Reporting system weaknesses to the Crime and Corruption Commission.

6.2 External investigation procedures

In Queensland's public sector there are a number of independent agencies which are responsible for promoting governance, accountability, integrity and to provide law enforcement:

- The Crime and Corruption Commission
- The Queensland Audit Office
- The Queensland Ombudsman
- The Queensland Police Service.

The Department of Local Government has a duty to notify the Crime and Corruption Commission of official misconduct as per Section 38 of *the Crime and Corruption Act 2001*.

If assessed as official misconduct, the Crime and Corruption Commission will advise the appropriate action which may include:

- Assume responsibility for the investigation.
- Jointly manage the investigation with Boulia Shire Council.
- Refer the matter back to Boulia Shire Council to deal with as it sees fit, with outcome advice to be provided to the Crime and Corruption Commission.
- Refer the matter back to the Chief Executive Officer for investigation. If so, the Chief Executive Officer may recommend the appointment of an external independent investigator.

Boulia Shire Council will ensure that investigators are appropriately trained and/or accredited.

In all cases of suspected official misconduct, including alleged fraud, the Queensland Police Service will inform the initial assessment process by advising Boulia Shire Council whether or not it is in the public interest for the Queensland Police Service to investigate or follow up a matter.

6.3 Reviewing systems and procedures (post-fraud)

As part of their close-out reporting, the Ethical Standards Unit need to work with relevant process owners to reassess the adequacy of the internal control environment (particularly those controls surrounding the fraud incident) and actively plan and implement improvements where required.

6.4 Provision of information to external agencies

Boulia Shire Council shares relevant information with external agencies (e.g. the Crime and Corruption Commission, Queensland Police Service).

6.5 Disciplinary action

Action taken in response to allegations of fraud and corruption will be in accordance with relevant legislation, policies and the principles of natural justice.

The management of discipline in Boulia Shire Council is the responsibility of Managers and Executives and guidelines are contained in Local Government State Award and Code of Conduct. Boulia Shire Council will consider reasonable management and/or disciplinary action against staff resulting from substantiated allegations of fraud or corruption. Action may include, but is not limited to: reprimand, reduction of the level of remuneration, transfer or redeployment or termination of employment.

Boulia Shire Council may still undertake disciplinary action against the employee regardless of the outcome at criminal or civil court.

6.6 Recovery of losses

Boulia Shire Council is committed to quantifying fraud losses and maximising the recovery of losses incurred from fraud and corruption activities and will pursue every possible avenue in doing so through the *Criminal Proceeds Confiscation Act 2002* or through civil recovery. The recovery of losses will help to limit any reputational damage Boulia Shire Council may suffer and the financial impact this may have on Boulia Shire Council objectives.

6.7 Consultation

Key stakeholders who were consulted during the development of this Guideline include:

Title	**Division/Branch/Unit**
Chief Executive Officer	Executive Office
Director of Works and Operations	Executive Office
Manager Corporate & Financial Services	Finance & Administration
Community Services Manager	Community Services
Roads and Utilities Supervisor	Works and Services
Roads Construction Manager	Civil road construction
Workplace Health and Safety Officer	WH&S / Risk
Human Resource Officer	Personnel