

## **5.6. FRAUD AND CORRUPTION CONTROL PLAN & FRAUD AND CORRUPTION GENERAL POLICY**

**GENERAL MANAGER:** Darryl Crees, General Manager Corporate Services  
**DEPARTMENT:** Corporate Services

### **RECOMMENDATION**

**That Council:**

- 1. adopts the Fraud and Corruption Control Plan**
- 2. adopts the revised Fraud and Corruption General Policy**
- 3. notes the activities completed to date and scheduled to be completed to mitigate risks associated with fraud and corruption in Council.**

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### **EXECUTIVE SUMMARY**

Following QAO tabling its report to Parliament on Fraud Management in Local Government, staff have been actively working on developing, revising and updating Council's fraud risk management regime. This report is not only presenting the Fraud and Corruption Control Plan and General Policy for adoption, it also provides Councillors with information on activities either completed or scheduled to enhance fraud management within Council.

### **BACKGROUND**

On 2 June 2015, the Queensland Audit Office (QAO) tabled in Parliament its report, Fraud Management in Local Government (Report 19: 2014-15). This report was a result of surveying all 77 councils in Queensland and examines whether councils effectively manage the risk of fraud occurring and remaining undetected.

A recommendation contained within this report was:

*All councils assess themselves against the findings in this report as a priority and where needed develop, revise or update their:*

- policies and procedures for fraud and corruption management*
- fraud and corruption control plans*
- fraud risk assessments*
- data analytics capability for fraud detection*

The Department of Infrastructure, Local Government and Planning has requested that Council reports, by no later than 26 August 2016, on the implementation of a fraud risk management regime.

### **COMMENT**

In developing, revising and updating Council's fraud risk management regime, the following activities have been completed or have been scheduled to be undertaken.

- Being a relatively new Council, the Executive Leadership Team (ELT) has concentrated the Internal Audit focus (since January 2014) on the areas/functions of Council's operations that could be considered high risk for fraud and corruption. These areas/functions were:

Project Description	Overview of Project Scope
Cash Handling Practices	Determine whether controls over cash receipting are adequate to ensure that cash collected is recorded, banked and reconciled on a timely basis. Examine the adequacy of security over cash and fraud monitoring measures to detect theft or pilfering.
Procurement Compliance	Assess whether the internal controls over procurement activities are operating appropriately to ensure that procurement is initiated on the basis of legitimate business need; in accordance with legislative requirements and Council's formal procurement guidelines. Data analytics were considered to determine the level of compliance with Council policy and legislative requirements.
Rates and Water Billing	Determine whether the business practices and internal controls over the rates function are sufficient to ensure that revenue generated and billed is complete, accurate and timely. Examine the adequacy and appropriateness of the end-to-end controls and procedures in place within the rates and water billing function.
Customer Request Management (and complaint handling)	Customer Request and Complaints Management is an essential part of Council's service responsibility and it requires a systemic approach to ensure satisfactory outcomes. The review examined the effectiveness and efficiencies of the procedures to capture, process and close-out service requests and formal complaints.
Plant Management Practices	Council has a fleet of heavy plant and vehicles. The objective of this review was to examine the organisation's plant and fleet management practices: Compilation of plant rates charged to projects; Utilisation rates of existing Council plant; appropriateness of plant held; Extent of and rationale supporting use of external hire (wet/dry); and plant funding approach including turnover frequency.
Stores & Inventory Management	Inventory management practices and movements and maintenance of stores items represent a large volume of purchasing activity. This review followed on from the previous reviews in the purchasing and procurement area and will examine the operational effectiveness of: Processes for ordering, receiving, recording and updating inventory movements within the management system; Effectiveness of physical security controls; and Controls over issuing items to employees, including portable and attractive items such as generators, standpipes, fuel.

Recommendations from Internal Audit have been reviewed by the ELT and in the vast majority of cases, agreed upon. These recommendations have been implemented and the recommendations from most recent projects findings are in the process of being implemented.

- A Fraud and Corruption Risk Treatment Plan has been established and included in Council's Corporate Risk Register. Council's Corporate Risk Register and all associated Risk Treatment Plans were considered and endorsed by Council's Audit Committee in April 2016.
- Council engaged Local Government Association of Queensland (LGAQ) to provide Fraud Awareness training in January 2016. This training was deemed mandatory by ELT for all managers and supervisors and included the following topics:
  - Introduction to fraud management
  - What is fraud and corruption
  - Risk of fraud
  - Fraud against councils
  - QAO Fraud Management in Local Government and recommendations
  - Legal framework
  - Roles and responsibilities
  - Fraud prevention, policy risk assessment
  - Identifying fraud risks
  - Red flag indicators
  - Investigation and response
- Council's newly developed Corporate Induction Program has been delivered to all staff regardless of length of employment with Council. This program focused on the organisational culture, values and the expectations of employees at Council. To supplement and enhance the Corporate Induction Program, Code of Conduct training is being scheduled for all staff and this training is expected to be delivered in late August 2016.
- A Fraud and Corruption Control Plan has been developed, endorsed by the ELT and workshopped with Councillors on 26 July 2016. This Plan is included as an attachment to this report and is being presented to Council for adoption. Training on the Fraud and Corruption Control Plan is also being scheduled for delivery in late August 2016, in conjunction with the Code of Conduct training.
- The Fraud General Policy adopted in June 2015, has been reviewed and circulated to Councillors at 26 July 2016 workshop. The revised Fraud and Corruption General Policy is attached to this report and is being presented to Council for adoption.
- Staff are currently establishing a Fraud and Corruption Risk Register to be endorsed by the ELT. It is anticipated that this risk register will be finalised by the end of August 2016. During the development of this risk register, staff will also identify appropriate high risk areas of Council where transactions will be regularly analysed to mitigate the risk of fraud and corruption.
- By way of quality assurance on progress with Council's fraud risk management regime, staff are utilising the "Fraud and corruption control self-assessment for public sector entities" which has been developed by the QAO. Through a self-assessment on work completed to date, priority areas are identified where further work is required to successfully mitigate fraud and corruption risk.

The above is not an exhaustive list of activities undertaken by the administration to mitigate fraud and corruption risk but rather the more significant activities to enable Councillors to be confident in the ways in which staff are addressing the recommendations in the QAO report to Parliament.

## PROPOSAL

The establishment of a Fraud and Corruption Control Plan and the review of the Fraud and Corruption General Policy have been finalised and are presented to Council for adoption.

## FINANCIAL/RESOURCE IMPLICATIONS

All work completed or to be undertaken are covered within the annual budget.

## RISK MANAGEMENT IMPLICATIONS

Work completed or to be undertaken is assisting in mitigating risks associated with fraud and corruption.

## CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

### Corporate Plan 2014-2019 Initiatives:

#### Theme 5 - Governance

*5.1.2 - Implement a robust enterprise risk management culture to identify and manage potential risks.*

*5.2.2 - Implement adopted policies and guidelines to ensure consistency in administrative management which also encourages innovation in Council operations.*

## COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

**Fully-Responsible**            Funding the full cost of a program or activity

## CONSULTATION

**Internal:**                      Fraud and Corruption Control Plan and General Policy have been workshopped with Councillors.

**External:**                      Assistance has been provided to Council by QAO and LGAQ in revising and updating Council's fraud risk management regime.

## ATTACHMENTS

Attachment 1 -    Fraud and Corruption Control Plan

Attachment 2 -    Fraud and Corruption General Policy

2016

# Fraud and Corruption Control Plan



General Manager Corporate Services,  
Darryl Crees (Doc# - #775124)



9 August 2016





## Scope

This Plan applies to all Councillors, Council employees, contractors and volunteers and has been based on the 10 element model detailed in the Crime and Corruption Commission publication *Fraud and Corruption Control: Guidelines for Best Practice (2005)*. The ten elements are distributed along the three phases of prevention, detection and response as shown below:

Elements	Prevention	Detection	Response
Integrated Council policy	√		
Risk assessment	√		√
Internal Controls	√	√	√
Staff education and awareness	√		√
Public Interest Disclosures		√	
Investigations		√	
Code of Conduct	√		
Internal Reporting		√	√
External Reporting			√
Community awareness	√		

## Definitions

### Corruption

Derived from AS 8001-2008 *Fraud and Corruption Control* is the following definition of corruption:

*“Dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.*

*The concept of ‘corruption’ within this standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly.”*

### Fraud

Derived from AS 8001-2008 *Fraud and Corruption Control* is the following definition of fraud:

*“Dishonest activity causing actual or potential financial 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.*











## Fraud Awareness

Council recognises that the success and credibility of the Fraud General Policy and Fraud and Corruption Control Plan will largely depend on how effectively they are communicated throughout the organisation and beyond.

Council will therefore, from time to time take proactive steps towards ensuring that the wider community is aware of the Council's zero-tolerance stance towards fraud and corruption.

Council will increase community awareness by:

- promoting Council initiatives and policies regarding the control and prevention of fraud and corruption on the Council website and at Council offices;
- including guidance on their website, for both council staff and external parties, on how to report suspicions of fraud;
- making reference to fraud and corruption initiatives in the Council's Annual Report; and
- facilitating public access to all of the documents that constitute the Council's Fraud and Corruption framework.

## Fraud and corruption prevention

This stage outlines the frameworks, systems and processes in place across the local government to promote and support the prevention of fraud and corruption.

What		How	Who	When
Element	Component	Action Plan	Oversight	Timeline
Integrated Policy	Fraud and Corruption Control Plan and Fraud General Policy	Executive Leadership Team to endorse and promote the Plan ensuring staff awareness of the Plan on an ongoing basis.	Chief Executive Officer	Every two years.
		Relevant staff who are involved in prevention activities are to be included in reviews of the Plan.	Chief Executive Officer	Every two years.
Risk assessment	Risk profile and management	Consider and assess fraud and corruption risk and include in the overall Corporate Risk Register	Chief Executive Officer	Annually
Internal Controls	Corporate Governance Framework	Develop, approve, review and update a relevant suite of corporate governance policies and administrative instructions (AIs)	Chief Executive Officer	Ongoing  Policies and AIs to be reviewed within a four year cycle
		Outline clear accountability and reporting responsibilities in staff position descriptions.	Chief Executive Officer	
		Where fraud risks are known to exist (e.g. procurement, capital expenditure management, payroll, travel, entertainment recruitment etc), clearly document work processes and make available to council officers.	Respective Managers	
		Conduct screening of potential new employees. As a minimum all employees should be subject to referee checks. Police checks may be undertaken as considered appropriate.	Recruiting Panel Chair	
	Accountability and responsibility structures	Monitor recordkeeping for adherence to record keeping and document management policies.	Respective Managers	Ongoing











## Review

The Plan will be reviewed biannually. However, the following may trigger an earlier review:

- Significant fraud or corruption event affecting the local government;
- Identification of any significant trends in fraud or corruption locally or globally.

**This policy is to remain in force until otherwise determined by Council.**

**General Manager Responsible for Review:** General Manager Corporate Services

**ADOPTED: 9/08/2016**

**DUE FOR REVISION: 9/08/2018**

**REVOKED/SUPERSEDED:**



- Ensure senior management commitment to identify fraud risk exposures and establish procedures for prevention and detection
- Ensure Councillors and staff are aware of their responsibilities in relation to ethical conduct.

This policy outlines the appropriate actions that must be followed to increase the awareness of, and the investigation of, fraud and corruption.

### **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 Council's Fraud Policy and Fraud 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 accompanying Fraud Control Plan must be in place and address the ten elements of effective fraud control, identified in the Crime and Corruption Commission's publication, *Fraud and Corruption Control: Guidelines for Best Practice (2005)*.

The ten elements are:

- I. A clear and integrated suite of relevant policies
- II. Effective and continuing fraud and corruption risk management
- III. Internal controls with clear accountability and responsibility structures
- IV. Effective internal reporting systems and procedures
- V. An effective system of external notification and reporting
- VI. Robust public interest disclosure mechanisms
- VII. A clear Code of Conduct and disciplinary standards
- VIII. Comprehensive staff awareness and appropriate training programs
- IX. Competent investigation processes and standards
- X. Effective stakeholder and community awareness programs

### **Risk Assessment**

Council will undertake a fraud and corruption risk assessment at least every two years. After each review Council will update its Fraud Control Plan.

### **Internal Controls**

Council will maintain an internal control structure to minimise exposure to fraud and corruption. The primary mechanism for this control will be Council's Internal Control Framework, operating in conjunction with established audit and financial management practices.



The following definitions apply to this Policy.

Corrupt Conduct	<p>Conduct that involves the exercise of a person’s official powers in a way that:</p> <ul style="list-style-type: none"> <li>• Is not honest or impartial; or</li> <li>• Involves a breach of trust placed in the person as a public officer, either knowingly or recklessly; or</li> <li>• Involves a misuse of Council assets, materials or information; and is for the purposes of providing a benefit to the person or another person or causing a detriment to another person;</li> <li>• Would, if proven constitute a criminal offence or is serious enough to justify a dismissal.</li> </ul>
False Disclosure	<p>Disclosure of information relating to fraud or corruption that is made by a person who knows the information to be false or, who is reckless as to whether it is false.</p>
Public Officer	<p>Includes:</p> <ul style="list-style-type: none"> <li>• A Council member</li> <li>• A member of a Local Government body (including a subsidiary of a Council established under the <i>Local Government Act 2009</i>)</li> <li>• An employee or officer of the Council</li> </ul>
Public Interest Disclosure	<p>A disclosure made under the <i>Public Interest Disclosure Act 2010</i> (PID Act) and includes all information and help given by the discloser to the proper authority for the disclosure.</p>
Risk	<p>The effect of uncertainty on objectives in consideration of fraud and corruption risk. This will generally be a negative impact.</p>