



Council Policy FRAUD AND CORRUPTION CONTROL

Corporate Plan Reference:	<i>Excellence as a Council</i>
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Policy Author:	Governance Advisor, Executive Services

POLICY BACKGROUND

Noosa Shire Council (Council) is committed to ethical practices and the prevention of fraud and corruption across all levels of operation. This includes ensuring robust governance and the ethical conduct of all employees by preventing, detecting and investigating all forms of fraud and corruption that may occur.

Fraud and corruption can cause significant financial and reputational damage, affect employee morale and undermine the public's confidence in the delivery of services. As such, the risk of fraud and corruption is an extremely serious matter for Council and for the community.

PURPOSE

The purpose of this Policy is to inform and assist employees at all levels of Council to prevent, deter and detect fraud and corruption. Additionally, this Policy also outlines for the community how to report suspected fraud and corruption.

Within this context, this Policy aims to:

- a) ensure that Council's workforce acts legally, ethically and in the public interest
- b) enables employees and contractors to understand their obligations and implement practices to stop fraud and corruption occurring in Council, and
- c) aligns with the vision, purpose and values outlined in Council's strategic plans.

SCOPE

This Policy applies to all Council employees, elected members, consultants, contractors and volunteers (collectively referred to in this Policy as "**employees**").

POLICY REVIEW

This Policy will be reviewed at least every two years or in circumstances where extra vigilance is required. This may include times of significant organisational change or high security requirements.

COUNCIL POLICY

What is fraud?

Fraud can take many forms. Fraud is any deceitful conduct or omission to cause actual or potential loss to any person or entity for the benefit of any person or entity. In other words, it is a dishonest activity normally characterised by deliberate deception to facilitate or conceal the misappropriation of tangible or intangible assets.¹ The risk of fraud may be:

- *Internal* (performed by an employee or contractor of Council); or
- *External* (performed by a customer or an external service provider or a third party).

Fraud can relate to theft, false representations, concealment, destruction and unauthorised use of information. In complex fraudulent activity, there may be collaboration between employees, contractors and/or external service providers.²

For education purposes, examples of fraud are outlined below. It is important to note that the below lists of examples are not exclusive and as such Council will use legislation and other measures to determine on a reasonable basis if information provided can be classified as fraud.

Internal fraud examples include, but not limited to:

- falsely recording work time to gain additional flex-time or over payment of wages
- failing to declare applications for leave
- misuse of work credit card i.e. not using the card for business purposes
- non-authorised use of equipment, property or services
- using work resources for personal gain, including work vehicles for personal advantage/gain
- using work resources for commercial purposes
- running a private business during work hours
- using Council information to gain a personal advantage
- using personal relationships to gain an advantage in recruitment/procurement processes
- Misappropriation or misdirection of remittances received by Council from a debtor (accounts receivable fraud)
- failure to remove a former employee from the payroll system, whose wages are deposited into the fraudsters bank account
- claiming benefits where the individual or entity is not entitled to (this includes misuse of leave and/or work time and unentitled accruing, and use, of flex-time)
- creation of a 'ghost' employee whose wages are deposited into the fraudsters bank account
- theft of cash or assets (including plant and equipment)
- theft of intellectual property or other information
- lodgement of a false claim against council e.g. workers compensation or public liability
- destroying or removing records without approval for personal gain or to conceal fraudulent activity
- making false statements or altering signatures or other information and materials so as to

¹ Crime and Corruption Commission, *Fraud and Corruption Control: Best Practice Guide*, 2018, p. 1.

² Standards Australia, *AS8001:2008 Fraud and Corruption Control*, 2nd edn.

mislead or misrepresent a position or hide wrongdoing

- misuse of position by staff in order to gain some form of financial advantage
- misuse of cab charge vouchers i.e. not using them for travelling on official business

External fraud examples include, but not limited to:

- customers and service providers providing false invoices for payment
- individuals creating a false vendor in order to request payment from Council for goods and/or services that were not provided (false invoicing)
- customers deliberately claiming benefits from government programs that they are knowingly not eligible for
- making false statements or altering signatures or other information and materials so as to mislead or misrepresent a position or hide wrongdoing
- false applications for funding, grants or other applications
- misuse of grant or community funding
- individuals making false declarations or fraudulently completing forms (e.g. court forms, statutory declarations)
- failure to remove a former employee from the payroll system and whose wages are deposited into an external fraudsters bank account
- lodgement of a false claim against council e.g. workers compensation or public liability
- customers obtaining false identities or licences
- duplication of companies or businesses in order to process fraudulent payments
- creation of a 'ghost' employee whose wages are deposited into the fraudsters bank account
- theft of cash or assets (including plant and equipment)
- destroying or removing records without approval for personal gain or to conceal fraudulent activity
- theft of intellectual property or other information

What is corruption?

Corruption is dishonest activity by a Council employee which is contrary to the interest of the organisation or its customers and abuses their position of trust in order to achieve some personal gain or advantage for them or for another person or entity.³ Essentially, corruption involves a breach of trust in the performance of official duties.⁴

An incident of corruption may include an element of fraud or deception.

Accepting benefits which may be perceived to conflict with public duties, or using information obtained from work for personal benefit is corruption.

Under the *Crime and Corruption Act 2001* (CC Act), fraudulent and corrupt conduct by Council employees falls within the category of "corrupt conduct". Under the CC Act, "corruption" refers to corrupt conduct in the Queensland public sector, which includes local governments.

Accordingly, the term "corrupt conduct" is defined under section 15 of the CC Act as being conduct of

³ Australian Standard, AS 8001-2008 – *Fraud and Corruption Control*

⁴ Crime and Corruption Commission, *Fraud and Corruption Control: Best Practice Guide*, 2018, p. 1.

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 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) is engaged for the purpose of providing a benefit to the person or another person or causing a detriment to another person; and
- (d) 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.

Many forms of corruption are also offences under the *Queensland Criminal Code 1899* which includes offences such as extortion, abuse of office, disclosure of official secrets, computer hacking, false claims, stealing, issuing false certificates, receipt or solicitation of secret commissions, forgery and election fraud.

For education purposes, examples of corruption are outlined below. It is important to note that the below lists of examples are not exclusive and as such Council will use legislation and other measures to determine on a reasonable basis if information or a matter can be classified as corruption.

Within this context, examples of corruption include, but are not limited to:

- release of confidential information in exchange for financial benefit or some form of non-financial benefit or advantage to the employee releasing the information
- a Council employee looking up the department's records about an individual without a valid work need
- conflict of interest involving an Officer acting in his or her own self-interest rather than the interests of Council
- a Council employee manipulating a selection panel decision to ensure that a relative or close friend gets the job
- manipulation of the procurement process by favouring one tenderer over others for personal reasons or selectively providing information to some tenderers
- provision of false credentials, references or identification by an applicant to gain a position within Council
- payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the receiver and may relate to a specific decision or action by the receiver or generally
- collusive tendering (the act of multiple tenderers for a particular contract colluding in preparation of their bids)
- payment or solicitation of donations for an improper political purpose

- Council employee cheating on travel allowances
- a purchasing officer accepting “kickbacks” in the tendering process

Why is managing fraud and corruption important?

Council has a zero tolerance for fraud and corruption. Fraud and corruption undermines Council’s ability to deliver its strategic vision, values and purpose and any potential case could cause:

- reputational damage and loss by destroying public confidence in Council
- financial harm and loss to Council
- damage to staff morale and performance, and
- the inability to effectively deliver services to our community.

Guiding Principles

1. **Zero tolerance** - Fraud and corruption will not be tolerated at Council. Council is committed to taking all reasonable steps to actively discourage fraud and corruption activities.
2. **Everyone has a responsibility** - Fraud and corruption control is a shared responsibility. It is the responsibility of all Council employees to report all suspected cases of fraud and corruption.
3. **Dealing with fraud and corruption** - Council is committed to the prevention of fraud and corruption and seeks to promote a strong culture of governance to detect, investigate and take appropriate action in cases of suspected or proven fraud and corruption.
4. **Our Commitment** - Council is committed to:
 - a. Corruption and fraud control and management.
 - b. Transparent and accountable processes consistent with sound business practices, standards and best practice.
 - c. Preventing fraud and corruption and investigating all suspected incidents and taking appropriate action.
 - d. Establishing and maintaining an integrated Fraud and Corruption Control Framework to minimise the impact and reduce the risk of fraud and corruption.

FRAUD AND CORRUPTION CONTROL FRAMEWORK

It is important to note that one of the significant risk factors for unacceptable costs or losses for any government organisation will be fraud and corruption, and therefore effective mitigation of the risks can only occur through the implementation of a Control Framework.⁵

Council’s Fraud and Corruption Control Framework (the Framework) encompasses a risk management approach and an internal control structure to mitigate the risk to Council by including authorising legislation, policies, procedures and best practice as outlined below. This Framework is

⁵ Crime and Corruption Commission, *Fraud and Corruption Control: Best Practice Guide*, 2018, p. 4.

consistent with the Australian Standards *AS8001:2008 for Fraud and Corruption Control* and the *AS/NZS ISO 3100:2018 for Risk Management*, and aligns with the Queensland Crime and Corruption Commission’s best practice model.



Diagram 1: Fraud and Corruption Control Framework

Fraud and corruption control and management at Council forms part of the organisation’s broader governance processes and is interrelated with the following documents:

- Fraud and Corruption Control Plan;
- Employee Code of Conduct;
- Councillors Code of Conduct;
- Councillor Complaint Investigation Policy;
- Public Interest Disclosure Policy;
- Internal Audit Policy;
- Audit and Risk Committee Charter; and
- Risk Management Policy.

FRAUD AND CORRUPTION CONTROL PLAN

Council’s Fraud and Corruption Control Plan outlines Council’s plan for implementing and monitoring fraud and corruption, prevention, detection and response initiatives. This Plan is reviewed annually by the Audit and Risk Committee to monitor Council’s plan progress.

Risk identification

Risk assessments aligned to Council’s Risk Management Policy and Framework are utilised to identify weakness in controls and allow Council to identify high risk areas. Council will utilise these

assessments to improve any identified internal control weaknesses.

Employee awareness and training programs

Council acknowledges the primary role of its employees in the prevention of fraud and corruption. To foster an appropriate fraud and corruption resistant culture, Council will implement fraud awareness training and adopt transparent and participative management practices that empower its employees in their roles and functions.

There will be suitable induction training to enhance fraud and corruption resistance. Awareness of the available reporting mechanisms and Public Interest Disclosure support will also be further reinforced through training programs and other means of communication such as via Council's intranet page and regular online training opportunities. Training may be facilitated internally and/or via external providers.

Competent investigation processes and standards

All investigations of suspect fraud and corruption conducted by Council whether internally by appropriate Officers or via an external investigator engaged by Council, will align with the investigation approach outlined in the Queensland Crime and Corruption Commission's documents titled '*Corruption in focus – A guide to dealing with corrupt conduct in the Queensland Public Sector*' and '*Fraud and Corruption Control – Best Practice Guide*', and Council's Public Interest Disclosure Policy and associated Procedures.

External reporting requirements

The table below outlines Council's external reporting requirements.

Recording and Notification Requirements
<ul style="list-style-type: none">• Written record keeping requirements prescribed by s307A of the <i>Local Government Regulation 2012</i>
<ul style="list-style-type: none">• Where applicable and in accordance with s307A of <i>Local Government Regulation 2012</i>, provide notification to the Minister of Local Government, the Auditor General, a Queensland Police Officer, or the Crime and Corruption Commission.
<ul style="list-style-type: none">• Pursuant to s38 of the <i>Crime and Corruption Act 2001</i>, where the Chief Executive Officer (CEO) reasonably suspects that a complaint, or information or matter, involves, or may involve, corrupt conduct, the Crime and Corruption Commission must be notified.

ETHICAL CONDUCT TRAINING AND AWARENESS

Training and awareness of ethical principles and ethical decision-making are essential elements of fraud and corruption control. Council is committed to providing its employees with access to training and awareness programs that build on the Code of Conduct and provide a clear understanding of fraud and corrupt conduct, including training tailored to local government work situations. As such, training and awareness activities include:

- Code of Conduct training
- Public Interest Disclosure training and awareness

- How to respond to suspicions of fraud and corruption, and
- Risk areas, case studies and techniques to further develop ethical decision-making skills.

Training is designed and relevant to the various positions in Council as outlined below.

Audience	Training Outcome
Job applicants	Council’s position on fraud and corruption Code of Conduct
New starters, including temps, volunteers and contractors	Council’s values, policies, code of conduct Reporting arrangements Public interest disclosures How to report suspicions of fraud and corruption
CEO, Executive Team, Leadership Group, Councillors, senior managers	Risk management and awareness Importance of modelling ethical behaviour Case studies and techniques to further develop ethical decision-making skills
Supervisors and Managers	How to deal with complaints received or fraud detected Handling Public Interest Disclosures (PIDs) Code of Conduct
All employees, including councillors	Refresher on Code of Conduct and PIDs Any changes to policies Refresher on ethical decision-making Fraud and corruption refresher
Employees who work in high-risk operational areas	Policies and procedures Internal controls Targeted training

REPORTING PROCESS – WHAT TO DO

Anyone can report suspected fraud and corruption.

All employees must report suspected fraud and corruption in a timely manner. Any instances of suspected fraud and corruption should be reported, regardless if the situation is brought to your direct attention, or if you have received the information indirectly.

Reporting suspected fraud and corruption not only allows individual cases to be investigated, but drives improvement of Council’s fraud and corruption risk management practices.

Who do you report suspected fraud and corruption to?

Employees

If you are a Council employee, suspected fraud and corruption should be reported to your supervisor. If you are reluctant to report the situation to your immediate supervisor, you can report it to:

- A more senior manager

- the CEO, or
- the Governance Branch.

Note – all Managers and Supervisors must report fraud and corruption concerns to the CEO or the Governance Branch. Ensure any evidence is preserved and prepared to be provided to the Governance Branch when requested.

It is important to note that some warning signs of fraudulent behaviour (e.g. employees refusing to take leave, making a large number of mistakes) may relate to conduct and/or performance issues rather than being indicators of fraud. Council's People and Culture Branch can assist with conduct and performance management.

Public

If you are a member of the public and you would like to report suspected fraud and corruption, please contact the Governance Branch via the below details. Your information is kept strictly confidential.

Phone: (07) 5329 6500
Email: governance@noosa.qld.gov.au
Post: PO Box 141, Tewantin QLD 4565
In Person: 9 Pelican Street, Tewantin QLD 4565

How to report fraud and corruption

- *Directly* – Reporting suspected fraud and corruption can be done directly between individuals via verbal conversations, telephone conversations or email. Importantly, do not confront the employee directly that you suspect of fraud and corruption and try to preserve any evidence which may help an investigation.

Such matters can be reported direct to the Governance Branch:

Phone: (07) 5329 6500
Post: Governance Branch
PO Box 141
Tewantin QLD 4565
Email: governance@noosa.qld.gov.au

- *Public Interest Disclosure (PID)* – A PID is a statement disclosing information that is in the public's interest regarding public sector wrongdoing. A PID can be made to report suspected corrupt conduct, maladministration, wasting of public funds, substantial and specific danger to public health and safety, the environment or a person with a disability, and reprisal action.

The Queensland *Public Interest Disclosure Act 2010* governs the PID process. The Act states that staff and public making a PID are entitled to protections and support to help them make such disclosures. Information on making a PID is outlined in Council's [Public Interest Disclosure Policy](#) and [Procedures](#).

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ROLES AND RESPONSIBILITIES

Mayor and Councillors

The Queensland *Local Government Act 2009* provides the Mayor and Councillors with clear roles and responsibilities. Council has adopted the *Councillors Acceptable Requests Guidelines* as well as a *Councillor Code of Conduct*. As such the Mayor and Councillors will lead by example in a manner consistent with the values and principles outlined in the *Councillor Code of Conduct* and associated legislation. The Mayor and Councillors will report suspected corrupt conduct to the CEO and / or the Governance Branch.

Chief Executive Officer (CEO) and Executive Team

The CEO and Executive Team, comprising of Directors, will lead by example in a manner consistent with the values and principles detailed in Council's *Employee Code of Conduct*. The CEO is required to notify the Queensland Crime and Corruption Commission if they reasonably suspect corrupt conduct has occurred as defined by the Queensland *Crime and Corruption Act 2001*.

The Executive Team, with the support of the broader Leadership Group, 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 planning processes.

Leadership Group

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. They are 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 open to collusion or manipulation
- Work practices associated with compliance and enforcement activities
- Formal or 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

- The promotion of positive values and the benefits of ethical business practices, and
- Measures to ensure quick and decisive action on all suspected fraud and corruption situations.

Council Employees

All Council employees 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
- Reporting details immediately if they suspect that a fraudulent or corrupt act has been committed, and,
- Co-operating fully with whoever is conducting internal checks, reviews or investigations in to possible acts of fraud or corruption.

All Council employees who have any knowledge of fraudulent or corrupt activities / behaviour within Council have an obligation to immediately report such matters to a Manager, Supervisor, CEO or the Governance Branch.

Governance Branch

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

The Governance Branch coordinate, prepare and provide regular training and awareness to Council employees on fraud and corruption and PIDs.

The Governance Advisor supports the CEO in their legislative obligation to assess and report suspected corrupt conduct to the Queensland Crime and Corruption Commission.

Where required, the Governance Advisor will coordinate, manage and conduct any investigations relating to suspected corrupt conduct in accordance with legislative requirements.

Audit and Risk Committee

Fraud related matters will be reported to Council's Audit and Risk Committee 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.

An annual update will be provided to the Committee on the organisation's progress in implementing the Fraud and Corruption Control Plan.

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 organisation's assessment of fraud risk.

Although Internal Audit considers fraud and corruption within its audit plans and 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.

RELEVANT LEGISLATION, PUBLICATIONS & STANDARDS

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Public Sector Ethics Act 1994*
- *Public Interest Disclosure Act 2010*
- *Crime and Corruption Act 2001*
- *Criminal Code Act 1899*
- *Australia/New Zealand Standard AS/NZS ISO 31000:2009 - Risk Management Principles and Guidelines*
- *Australian Standard, AS 8001-2008 – Fraud and Corruption Control*
- *Queensland Audit Office Report to Parliament 9: 2012-13 – Fraud Risk Management*
- *Queensland Audit Office Report to Parliament 19: 2014-15 Fraud Risk Management in Local Government*
- *Crime and Corruption Commission – Fraud and Corruption Control Best Practice Guide 2018*

HUMAN RIGHTS STATEMENT

In developing this Policy, the subject matter has been considered in accordance with the requirements of the Queensland *Human Rights Act 2019*. It is considered that the subject matter does not conflict with any human rights, including the right to privacy and reputation, and supports a human rights approach to decision making by Council.

Council representatives will endeavour to act and make decisions under this Policy in a manner that is compatible with human rights. In particular, representatives will endeavour to:

- (a) identify relevant human rights which may be affected by the action or decision;
- (b) give proper consideration to the impact of its actions and decisions on human rights; and,
- (c) ensure that any conduct or decision by Council which limits an individual's human rights is reasonable and justifiable.

This policy should be read in conjunction with Council's *Human Rights Policy* and *Operational Guidelines for Decision-Making & Complaints Management for Human Rights*. Relevant documents and legislation include:

- *Human Rights Act 2019 (QLD)*
- *Noosa Council Human Rights Policy*
- *Operational Guidelines: Decision-Making & Complaints Management for Human Rights*

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	New		Council	02/07/2015
2.0	Review	Y	Council	20/12/2018
3.0	Review	Y	Audit & Risk Committee (Review)	20/10/2021
3.0	Review	Y	Council	16/12/2021