



Fraud and Corruption Prevention Policy

Responsible Manager	Chief Executive Officer
Head of power	<i>Local Government Act 2009 Local Government Regulation 2012 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</i>
Authorised by	Council
Authorised on	16 May 2022
Implemented from	May 2022
Last reviewed	April 2022
Review history	2016, 2020, 2021
To be reviewed on	May 2024
Corporate Plan	People, Sustainability and Prosperity

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1. Purpose

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 them. Council has zero tolerance to activities related to fraud and corruption, which are commonly associated: fraud is usually regarded as some form of deliberate deception to facilitate or conceal misappropriation, and corruption involving a breach of trust in the performance of official duties.

All staff are responsible for the prevention and detection of fraud and corruption. 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.

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 case (having due regard for the rights of all persons, including any person reporting a fraud and of any alleged perpetrator of fraud).

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. Torres Strait Island Regional Council is committed to ethical practices and the prevention of fraud and corrupt practices across all levels of operation.

Council is committed to:

- Taking a risk management approach to the prevention, identification and management of fraud and corruption;
- Reducing or removing the potential for fraudulent or corrupt conduct on the part of its employees, contractors, clients and suppliers;
- Detecting fraudulent or corrupt conduct;
- 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;
- Managing, disciplining or facilitating the prosecution of those responsible for incidents of fraud and corruption as appropriate;
- Minimising the risk of fraud and corruption; 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 Public Interest Disclosure standards.

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.

2. Application

This policy applies to any fraud or corruption, or suspected fraud or corruption, involving Council employees, Councillors, contractors, consultants, volunteers, suppliers or any other party dealing with Torres Strait Island Regional Council.

3. Definitions

For the purposes of this policy, the following definitions apply:

3.1 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:

- 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.
- Release of confidential information in exchange for financial benefit or some form of non- financial benefit or advantage to the employee releasing the information
- 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.
- Serious conflict of interest involving an Officer acting in his or her own self-interest rather than the interests of Council.
- Manipulation of the procurement process by favouring one tenderer over another for personal reasons or selectively providing information to some tenderers.
- Manipulation or avoidance of the recruitment process to appoint staff.
- Reprisal against a Public Interest Discloser and subject officers.

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

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.

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
- (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.

3.2 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:

- theft of cash, goods, services or property;
- obtaining property, a financial advantage or any other benefit by deception;
- causing a loss, avoiding or obtaining a benefit by deception;
- knowingly providing false or misleading information to Council, or failing to provide information where there is an obligation to do so;
- 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;
- using a forged or falsified documentation for an improper purpose;
- deliberate misstatement of accounting information for an improper purpose.

Internal Fraud refers to fraudulent acts undertaken by Councillors or employees. Examples or potential indicators of such fraud include:

- falsification of expenses claimed (expense reimbursements) including any claim for reimbursement of expenses that are not made for the exclusive benefit of Council;
- forgery or alteration of cheques, invoices, computer records and other documents;
- theft of cash and alteration of records to conceal any deficiency;
- falsification of invoices for payment;
- failure to receipt monies collected;
- procurement fraud;
- timesheets where ordinary or overtime hours have been inappropriately claimed;
- inappropriate use of Council resources (labour/plant) or information for personal gain;
- dealing inappropriately with benefit claims of friends or relatives;
- unexplained and/or sudden sources of wealth;
- excessive secrecy in relation to work;
- employees who are aggressive or defensive when challenged, and/or controlling of certain colleagues;
- poorly reconciled cash expenses or customer accounts;
- employees known to be under financial pressure;
- employees who delay providing information, or who provide different answers to different people;
- employees under apparent stress without identifiable pressure;

- employees making procedural or computer enquiries inconsistent with, or not related to, their normal duties;
- managers who avoid using normal procurement processes (e.g. excessive use of credit card or cash to purchase items, outside the procurement framework);
- employees who appear to make many mistakes, especially those leading to financial loss;
- employees with competing or undeclared external business interests;
- managers with too much hands-on control;
- employees refusing to take leave;
- an unusual number of customer complaints;
- customers or suppliers insisting on dealing with just one individual;
- any misappropriation of funds, securities, supplies or any other Council property;
- any irregularity in the handling or reporting of money transactions;
- seeking or accepting anything of material value from suppliers, consultants or contractors doing business with Council;
- unauthorised use or misuse of Council property, equipment, materials or records;
- any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Council owned software;
- lodgement of a false claim against Council e.g. workers' compensation or public liability;
- running a private business during work hours;
- making false statements or altering signatures or other information and materials so as to mislead or misrepresent a position or hide wrongdoing; and/or
- destroying or removing records without approval for personal gain or to conceal fraudulent activity.

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 of such fraud include:

- applications for Council assistance with inconsistent signatures, mismatched fonts or handwriting on different pages of the same document;
- invoices which look different to previous invoices issued by the same provider;
- lack of supporting evidence, or falsified evidence that eligibility criteria for grant or community funding has been met;
- expenditure exceeding approved budgets for grant funding but there is not adequate information to explain the variance;
- a high volume of transactions from one service provider (such as a registered training organization) used to support a licence, community or grant funding application, as this may indicate collusion between applicants and the provider; and/or
- attempts to obtain sensitive information such as usernames, passwords, and credit card details.

4. Procedure

Council's commitment to fraud control will be managed by ensuring that fraudulent or corrupt behaviour is discouraged, conflicts of interest are avoided, and training and auditing systems are in place. This will be achieved with reference to the following procedures:

1. Fraud and Corruption Control
2. Gifts
3. Lost, Stolen and Damaged Property
4. Complaint Management Procedure.

Training and awareness of ethical principles and ethical decision-making are essential elements of fraud and corruption prevention. Council is committed to providing staff access to training and awareness programs that build on the Code of Conduct and provide clear understanding of fraud and corrupt conduct, including relevant scenarios that encourage participation and link training to everyday local government work situations:

- Council's values, policies, code of conduct and reporting arrangements
- Public Interest Disclosures
- How to respond to suspicions of fraud and corruption
- The risk areas identified in fraud and corruption risk assessments
- Case studies and techniques to further develop ethical decision-making skills

5. Roles and Responsibilities

5.1 Mayor and Councillors

The *Local Government Act 2009* provides the Mayor and Councillors with clear roles and responsibilities. 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 Mayor and Councillors are also accountable to the communities they serve. Complaints about the conduct of Elected Members can be made to the Office of the Independent Assessor, Phone 1300 620 722, Email OIAcomplaints@oia.qld.gov.au, or online at www.oai.qld.gov.au.

5.2 Chief Executive Officer and Executive 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. The CEO and Executive 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 Executive 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.

5.3 Manager and Supervisors

It is the responsibility of managers and supervisors to ensure that the decision-making process is as open and accountable as possible. They must display ethical leadership in the promotion of Council's Fraud and Corruption Control, and visibly conduct themselves in a manner consistent with the values and principles of Council's Code of Conduct. 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.

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; and
- Fostering the highest standards of ethical behaviour and culture.

5.4 All Council Officers

Staff are encouraged to contribute to the development of improved systems and procedures that will enhance TSIRC's resistance to fraud and corruption. 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;
- Safeguard of any assets under their control;
- Indicate any lack or weakness in controls;
- Report maladministration;
- Clearly understand their obligations with respect to any losses, deficiencies and shortages;
- Ensure all personal claims are correct;
- 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;
- Reporting any behaviour that is in breach of the Code of Conduct; and
- 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. Incidents may be reported on TSIRC's website under the Complaints process. If the matter involves corruption, this may also be reported to the Crime and Corruption Commission Phone 1800 061 611 Email mailbox@ccc.qld.gov.au or online at www.ccc.qld.gov.au. Matters involving maladministration may be reported to the Office of the Queensland Ombudsman Phone 1800 068 908, Email ombudsman@ombudsman.qld.gov.au, or line at www.ombudsman.qld.gov.au.

5.5 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.

5.6 External Audit

External Auditors certify that Council's accounts represent a true and fair view of the Council's financial position. 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.

5.7 Internal Audit

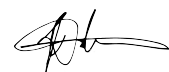
The Internal Audit program supports Council's efforts to establish an organisational culture that embraces ethics, honesty, and integrity. Internal Audit assists Council with the evaluation of internal controls used to detect or mitigate fraud and evaluates the organisations assessment of fraud risk.

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.

Manager Responsible for Review:

Head of Corporate Affairs

Adoption: 16 May 2022
Due for Revision: May 2024



James William
Chief Executive Officer