

Logan City Council

Fraud and Corruption Prevention and Reporting Procedure

Logan City Council
2019

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1 Procedure Objective

This Procedure sets out the fraud and corruption handling framework that must be followed when an employee or contractor suspects fraudulent or corrupt behaviour.

2 Fraud and corruption control framework

Logan City Council has zero-tolerance towards fraud and corruption, with all incidents regarded as serious.

Fraud and corruption undermines Council's ability to deliver its strategic vision, purpose and values, and any potential case could cause:

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

Council has developed a Fraud and Corruption Control Framework, which includes a Fraud and Corruption Prevention and Reporting Policy; this Procedure; a fraud and corruption control plan which is incorporated into this Procedure; ongoing mandatory staff training; and a Fraud and Corruption Risk Register.

This Procedure should be read in conjunction with the Fraud and Corruption Prevention and Reporting Policy.

2.1 What is fraud?

Australian Standard AS 8001 – 2008 Fraud and corruption control (AS8001-2008) defines 'fraud' as:

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. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.

The risk of fraud may be:

- internal (performed by an employee or contractor of an organisation), or
- external (performed by a customer or an external service provider or third party).

In complex fraudulent activity, there may be collaboration between employees, contractors and/or external service providers.

2.1.1 Examples of Fraud

Internal fraud examples include but are not limited to:

- using work resources for commercial purposes
- using Council information to gain a personal advantage
- using personal relationships to gain an advantage in recruitment/procurement processes
- claiming benefits where the individual or entity is not entitled (this includes misuse of leave and/or work time and unentitled accruing, and use, of flex-time)
- falsely recording work time to gain additional flexi-time or over-payment of wages
- misuse of cab charge vouchers (i.e. not using them for travelling on official business).

External fraud examples include but are not limited to:

- customers deliberately claiming benefits from government programs that they are knowingly not eligible for
- individuals making false declarations or fraudulently completing forms (e.g. statutory declarations)
- an existing external Council client knowingly providing a false invoice for payment
- individuals creating a false vendor in order to request payment from Council for goods and/or services that were not provided
- misuse of grant or community funding
- making a false application for grant or community funding.

2.2 What is corruption?

Australian Standard AS 8001 – 2008 Fraud and corruption control (AS8001-2008) defines corruption as:

Dishonest activity in which an employee 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.

‘Corrupt conduct’ is conduct by any person which meets the elements stipulated in section 15 of the *Crime and Corruption Act 2001*.

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

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

For example, if an official abused their position of trust to gain advantage or avoid disadvantage to the detriment of the organisation and/or its clients, this would be corruption.

3 Code of Conduct for Staff

Council adopted the Code of Conduct for Staff which spells out what is required of Council’s employees in terms of behaviour and ethical conduct. The Code includes a conflict of interest policy and also provides examples of fraudulent and/or corrupt behaviour to guide staff.

To ensure staff are aware of their responsibility to report any incidents of fraudulent behaviour (or other inappropriate conduct matters), the Code places a positive obligation upon staff to report any potential breaches of the Code including fraud and corruption.

4 Code of Conduct for Councillors in Queensland

Council has adopted the Code of Conduct for Councillors in Queensland which sets out the principles and standards of behaviour expected of Councillors and Mayors when carrying out their roles, responsibilities and obligations as elected representatives for their communities. By adhering to the behaviours set out in the Code, Councillors will increase public confidence in local government and Council decisions.

5 Risk management

Council is committed to proactively managing fraud risk to minimise exposure to potential losses by embedding risk management into Council’s culture, governance systems, accountability arrangements, planning, reporting and improvement processes. Everyone in Council is responsible and accountable for risk management, including managing the risk of potential fraud.

Effectively managing fraud risk allows Council to achieve its objectives by assessing and mitigating potential risks to better inform planning processes and improve accountability, transparency and ethical decision making.

Effective fraud and corruption management relies on the honest and fearless advice and support of all Managers and staff; staff's ability to identify, treat, monitor and evaluate risk; effective reporting; and the review of Council's risk management framework.

5.1 Internal controls

Council has a sound control environment to reduce the likelihood of internal and external fraud and corruption risk, including:

- an emphasis on effective accountability, performance, leadership and high standards of ethical and professional conduct
- an organisational structure that details clear reporting relationships and accountabilities
- a delegation schedule for financial and human resource decisions
- Council's financial policies and procedures
- a program of regular internal and external financial, compliance and performance audits
- an independent Integrity and Information Program to provide specialist advice and investigate suspected fraud and corruption
- pre-employment criminal history screening, as per Council Criminal history checks policy
- mandatory reporting of all gifts and benefits for Council's Gifts and Benefits Register
- mandatory reporting of all perceived and actual conflicts of interest. This includes any potential conflicts of interest of family members of employees that may have perceived or actual influence over a Council decision or process
- comprehensive Public Interest Disclosure and Complaints Management Frameworks
- a Fraud and Corruption Risk Register to record, track and monitor risks and controls, which is reviewed annually to help identify and assess current and emerging issues
- clear policies for the delegation and separation of duties
- an organisational culture that encourages feedback to improve current governance systems.

In addition to Council's controls listed above, business areas with a higher risk of external fraud are required to have local procedures to reduce the likelihood of external fraud risk. This includes business areas responsible for grant or community funding, contract management and procurement, information technology, and management of personal and confidential information.

6 Risk assessment

Awareness of warning signs (red flags) for possible fraud or corruption is a useful method of detection. Often fraud and corruption indicators are inter-related and in some situations, evidence of one indicator may imply a potential risk but may not constitute fraud or corruption. The more inter-related indicators identified, the higher the risk of potential fraud or corruption.

Examples of common internal fraud and corruption indicators include:

- unexplained and/or sudden sources of wealth
- excessive secrecy in relation to work
- employees who are aggressive or defensive when challenged, and/or are controlling of certain colleagues
- poorly reconciled cash expenses or customer accounts

- employees known to be under external 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 or not related to their normal duties
- Managers who avoid using the procurement process (eg excessive use of petty cash or credit cards to purchase items outside the procurement framework)
- employees who appear to make a large number of mistakes, especially those leading to financial loss
- employees with competing or undeclared external business interests
- employees (especially 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
- employees refusing to comply with normal rules and practices
- employees having an excessive or apparent total lack of ambition
- excessive staff turnover in a specific position
- falsification of documents to cover up poor performance
- contracts constantly being awarded to the same company
- failure to document decisions, or frequent cases of missing documentation

Examples of common external fraud and corruption indicators include:

- client 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 supporting evidence, that eligibility criteria for grant or community funding has been met
- expenditure has exceeded 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 organisation, used to support a licence, community or grant funding application, may indicate collusion between applicants and the provider
- attempts to obtain sensitive information such as usernames, passwords and credit card details (eg phishing emails, whaling attacks).

7 Reporting fraud and corruption

All employees must report suspected fraud and corruption immediately. Any instance of suspected fraud or corruption must be reported, regardless of whether the situation is brought to your direct attention, or if you have received the information indirectly. Reporting suspected fraud or corruption not only allows individual cases to be investigated, but drives the improvement of Council's fraud and corruption risk management practices.

Do not confront the employee directly and try to preserve any evidence which may help an investigation.

7.1 Reporting suspected internal fraud or corruption

Suspected fraud or corruption should be reported to your Manager. If you are reluctant to report the situation to your immediate supervisor, you can report it to:

- the Corporate Governance Manager, or
- the Integrity & Information Program Leader.

Note: all Managers must report fraud or corruption concerns to the Corporate Governance Manager. Ensure any evidence is preserved and prepared to be provided to the Integrity & Information Program when requested.

Some warning signs of fraudulent or corrupt behaviour (eg employees refusing to take leave, making a large number of mistakes) may relate to conduct and/or performance issues rather than being an indicator of fraud or corruption. Council's People & Culture Branch can assist with conduct and performance management advice.

7.2 Reporting suspected external fraud or corruption

All instances of external fraud or attempted external fraud must be reported immediately. While staff must be diligent in identifying, reporting and dealing with potential external fraud, communication with clients must remain respectful and thoughtful.

Instances of suspected external fraud should be reported to your Manager, the Corporate Governance Manager or a Director.

If Council business areas become aware that their corporate credit cardholder details have been compromised or a fraudulent payment has been made, then the Finance Manager should be contacted immediately to isolate the circumstance.

Should your Branch or Program suffer a loss as a result of fraud, this should also be reported to the Finance Manager, who will report to the Queensland Audit Office, as required.

Business areas with a higher risk of external fraud are required to have a local policy and/or procedure to outline the reporting process.

7.3 Reporting suspected corruption

All alleged instances of employee corruption can also be reported directly to the Crime and Corruption Commission at:

Crime and Corruption Commission
GPO Box 3123
Brisbane QLD 4001
mailbox@ccc.qld.gov.au
Ph: 3360 6060

7.4 Public interest disclosures

A Public Interest Disclosure (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 occurring from a disclosure of fraud or corruption.

The *Public Interest Disclosure Act 2010* governs the PID process. The Act states that staff making a PID are entitled to protections and support to help them make such disclosures. Information on making a PID is outlined in the Public Interest Disclosure Policy and can be found on Council's intranet.

8 Investigation

8.1 Employee Fraud or Corruption

All alleged instances of Council employee fraud or corruption must be referred to the Director, Organisational Services within 1 week of reporting.

The Director, Organisational Services manages the investigations into allegations of misconduct and corrupt conduct, serious workplace conduct and disciplinary issues.

The Director, Organisational Services also performs the role as Council's Crime and Corruption Commission (CCC) Liaison Officer. The Director, Organisational Services liaises with the CEO to refer matters to the CCC. The CCC decides to either take action or refer the matter back to Council for investigation. Corporate Governance can provide advice to relevant Managers on this process, if required.

There is a statutory obligation under Section 38 of the *Crime and Corruption Act 2001* to refer corrupt conduct matters to the CCC. As fraud and corruption fall within the definition of corrupt conduct, these matters will need to be referred automatically. Corporate Governance will undertake preliminary investigations to establish the substance of the complaint.

If an investigation is likely to occur:

- Council employees are obliged to respect the dignity and rights of the alleged perpetrator, pending a full and timely investigation;
- management must ensure the preservation of due process, discourage staff from speculating on matters and ensure maintenance of confidentiality pending investigation and retain all relevant records; and
- the outcome of all investigations is subject to review by the CCC.

Following an investigation of a suspected fraud or corruption incident, Managers are required to revisit their risk registers and review fraud controls within their Branch within 3 months.

Investigation findings that substantiate the allegation of fraud or corruption, or attempted fraud or corruption, will be actioned in accordance with legislative and policy requirements, and the principles of natural justice. Consequences for committing or attempting fraud and/or corruption may include, but are not limited to:

- disciplinary action;
- demotion;
- repayment of misappropriated funds and other costs;
- written warnings, which may be appropriate in situations where there is no financial loss and damage to reputation is not likely;
- termination of employment; and/or
- referral to the CCC or prosecution agencies.

8.2 Councillor Fraud or Corruption

All alleged instances of Councillor fraud or corruption should be referred directly to the Office of the Independent Assessor or the Crime and Corruption Commission at:

Office of the Independent Assessor
PO Box 15031
City East QLD 4002
oiacomplaints@oia.qld.gov.au
Ph: 1300 620 722

Crime and Corruption Commission
GPO Box 3123
Brisbane QLD 4001
mailbox@ccc.qld.gov.au
Ph: 3360 6060

8.3 External

Should you believe that you have encountered fraudulent activity, it is important that you report this immediately. If the fraudulent activity is financial (eg fraudulent payment), report it immediately to the Finance Manager.

Otherwise, if you suspect an instance of external fraud, you should:

- identify the suspect situation or behaviour;
- conduct a preliminary assessment to determine:
 - what the suspected fraud was (eg claiming rates discount when not entitled)
 - who attempted the fraud
 - when the fraud occurred; and
 - where and how the fraud occurred;
- provide the details to your Manager.

After you discuss the situation with your Manager, the Manager must refer the matter to the Corporate Governance Manager within 1 week of reporting. The Corporate Governance Manager will determine if further investigation may be required. For routine or minor matters (ie instances of fraud that, on initial assessment, would be unlikely to be accepted by the Queensland Police Service for investigation) an investigation may be able to be conducted by Council. However, more complex or serious matters will be referred to the Queensland Police Service.

As part of the investigation, any weaknesses in Council's control system should be identified and modified or amended within 3 months to prevent the same instance of external fraud occurring again.

Once the initial investigation is completed, the Corporate Governance Manager will brief the CEO within 1 week as follows:

- For confirmed fraud – a brief to the CEO seeking approval to refer the matter to the Queensland Police Service for prosecution, advising of any associated loss as a result of the fraud and any action already taken.
- For attempted fraud – a brief to the CEO and any relevant Director suggesting appropriate action, which may include issuing a written warning.

9 Staff awareness and education

All Council employees must be trained in fraud awareness and prevention. All staff and contractors must undertake mandatory training, including:

- Completing Council's *Code of Conduct for Staff* online training when they commence with Council, and then every two years;
- Completing Council's *Fraud Awareness for Staff* online training when they commence with Council, and then every two years; and
- Completing Council's *Good Decision Making* online training when they commence with Council, and then every two years

The Fraud Awareness training focuses on identifying potential fraudulent behaviours involving fraud risk areas (eg gift and benefits, conflicts of interest, disposal of assets, misuse of Council assets). The training details the possible consequences in terms of penalties that could result from an investigation, including possible recovery of costs from fraudulent employees, and the damage to public confidence and reputation of Council. The training also includes how to make a PID via internal or external processes.

The content of the Code of Conduct, Fraud Awareness and Good Decision Making mandatory training will be reviewed by Corporate Governance at least every 2 years and updated where necessary.

Ongoing staff education and awareness activities can be found on the intranet throughout the year. For instance, around Christmas and other special events, articles are published on the intranet reminding employees of their obligations to report receiving gifts and potential conflicts of interest.

10 Client and community awareness

The Fraud and Corruption Prevention Reporting Policy is available to the community through the Council’s webpage.

Other documents available on Council’s webpage include:

- the Public Interest Disclosure Policy;
- a PID information page;
- the Code of Conduct for Staff;
- the Complaints Involving Corruption of Public Official Policy;
- the Business Crime Prevention brochure.

The PID Information page provides the community with detailed information on how they can report any suspected fraud or corruption within Council.

Council’s tender processes also involve identification of conflicts of interest for both tender panel members and suppliers to identify conflicts of interest, to ensure transparency in tender processes and make suppliers aware of Council’s fraud and corruption prevention process.

11 Roles and Responsibilities

The Chief Executive Officer has designated the following roles and responsibilities for managing fraud and corruption within Council:

Role	Responsibilities
Councillors	<ul style="list-style-type: none"> ▪ report any complaint received to council@logan.qld.gov.au for recording and investigation in accordance with this Policy
CEO	<ul style="list-style-type: none"> ▪ ensuring that Council has appropriate policy, employee training and awareness initiatives and other control systems in place to prevent, detect and effectively manage incidents of fraud and corruption; ▪ visibly promoting and communicating both within Council and externally that high standards of professional conduct and honest and ethical business practices are expected and required by Council; ▪ encouraging the reporting of suspected wrongdoing; and ▪ ensuring appropriate action is taken with respect to proven incidents of fraud and corruption.
Directors	<ul style="list-style-type: none"> ▪ forming a view as to the appropriateness of Council’s internal controls; ▪ reviewing statistical complaint information (which includes complaints of fraud and corruption) on a periodic basis;

	<ul style="list-style-type: none"> ▪ considering fraud and corruption risk and control issues for Council; and ▪ taking appropriate action to prevent and minimise instances of fraud and corruption including noting assessment of fraud and corruption risk has been undertaken as a part of the formal annual review of operational risk registers.
Managers	<ul style="list-style-type: none"> ▪ ensuring effective internal controls are in place; ▪ regularly reviewing control systems to ensure they remain robust and relevant; ▪ encouraging employees to report suspected wrongdoing; ▪ implementing appropriate awareness initiatives for employees so they are aware of integrity requirements, can effectively contribute to the detection of fraud and corruption and know how to report suspected wrongdoing; ▪ monitoring behaviours and assessing any potential local fraud and corruption risks; ▪ reviewing annual business area fraud and corruption risk assessments to ensure risk is being managed appropriately; ▪ checking for patterns of fraud and corruption risk across the Branch, identifying opportunities to reduce fraud and corruption risk and identifying high level risks (or other matters) that should be brought to the attention of Council's Executive Leadership Team; ▪ ensuring appropriate action is taken with respect to proven incidents of fraud and corruption; and ▪ Identify and modify any weaknesses in the Branch's control systems to prevent the same instance of fraud occurring again
Program Leaders	<ul style="list-style-type: none"> ▪ ensuring fraud and corruption risk assessment is conducted within their Program; ▪ ensuring effective internal controls are in place within their Program to prevent and detect fraudulent and corrupt activities; ▪ regularly reviewing control systems to ensure they remain robust and relevant; ▪ encouraging the reporting of suspected wrongdoing; ▪ ensuring new employees attend induction; ▪ ensuring all employees undertake and complete mandatory training about the Code of Conduct for Staff and Fraud Awareness; ▪ implementing appropriate awareness initiatives so employees, contractors, consultants and others have an awareness of integrity requirements, can effectively contribute to the detection of fraud and corruption and know how to report suspected wrongdoing; ▪ ensuring appropriate and timely action is taken with respect to proven incidents of fraud and corruption; ▪ ensuring that recommendations arising from audits and investigations are treated as a priority and actioned in a timely manner; ▪ ensuring timely reports are made to Managers on the status of management action; and ▪ Identify and modify any weaknesses in the Program's control systems to prevent the same instance of fraud occurring again
Council employees	<ul style="list-style-type: none"> ▪ being alert to the possibility that fraud and corruption may occur in their area; ▪ diligently implementing controls to protect Council's information and assets; ▪ immediately reporting suspected fraud and corruption; and

	<ul style="list-style-type: none"> ▪ undertaking mandatory training about the Code of Conduct for Staff and Fraud Awareness.
Director Organisational Services	<ul style="list-style-type: none"> ▪ promoting and communicating the requirements of the Fraud and Corruption Prevention Policy; ▪ managing incidents of fraud and corruption which may constitute suspected corrupt conduct or a PID in accordance with Council policy and regulatory requirements; and ▪ ensuring that fraud and corruption risk management is integrated into Council's risk management processes.
Corporate Governance Manager	<ul style="list-style-type: none"> ▪ maintaining and annually reviewing the Fraud and Corruption Prevention and Reporting Policy and Procedure; ▪ developing corrupt conduct and misconduct prevention awareness information ▪ reporting complaint information (which includes complaints of fraud and corruption) on a periodic basis to the Executive Leadership Team and to divisional heads; ▪ co-ordinating all required regulatory reporting; and ▪ managing incidents of fraud and corruption which may constitute suspected corrupt conduct or a PID in accordance with Council policy and regulatory requirements.
People & Culture Manager	<ul style="list-style-type: none"> ▪ Co-ordinating the effective implementation of Council wide education and training initiatives about the Code of Conduct for Staff and Fraud Awareness.

12 Definitions

Definitions for terms used within the Procedure can be found in the Fraud and Corruption Prevention and Reporting Policy (DM: 13315228).