



HOPE VALE ABORIGINAL SHIRE COUNCIL

Fraud and Corruption Prevention Framework

Scope and Purpose

This guideline is the strategic Fraud and Corruption Prevention Framework for Hope Vale Aboriginal Shire Council (HVASC or Council) that:

- defines management and staff responsibilities and
- ensures the implementation of robust practices for the effective detection, investigation and prevention of fraud and corruption of any description within HVASC.

The guideline is designed to inform all Council officers of Council's position regarding fraud and corruption and the consequences of failing to comply with the provisions of the Fraud and Corruption Policy.

Fraud and corruption control is a shared responsibility of all members of Council. The framework and policy apply to all officers, employees, elected representatives, consultants and contractors engaged by Council regardless of whether they are permanent, temporary, full-time, part-time or casual employees or otherwise associated in a significant way with HVASC and its operations.

Introduction

Fraud and corruption strike at the heart of an organisation through the betrayal of trust. The betrayal of trust is of special concern to HVASC given its scope of responsibilities, daily interaction with stakeholders and accountability to the public.

This concern applies not only to potential financial losses, but also to intangible effects. Damage to Council's credibility and the potential loss of public confidence may far exceed any likely financial or material loss. Work groups can be severely disrupted during investigations, resulting in lowered morale and reduced productivity and performance.

These factors underpin HVASC's zero tolerance approach, with the desired outcome being the prevention of all fraud and corruption related incidents.

Management of the risks associated with financial and physical resources forms only part of the total ambit of HVASC's fraud and corruption control agenda. At the heart of Council's operations lies the effective and secure management of information resources involving interaction with a wide range of information systems and a multitude of external bodies including contractors, service providers, other agencies and the community.

In all these endeavours, HVASC's management processes will be such that the application of information is always legitimate, objective and impartial in serving the public interest. HVASC's control strategy at all times will ensure the protection of public property, information, revenue, expenditure and rights of other entities and individuals.

Council's Fraud and Corruption Prevention Framework seeks to minimise the opportunities for fraud and corruption by the implementation of cost effective measures that enhance the integrity and effectiveness of all HVASC operations, thereby forming an integral part of HVASC's overall risk management strategy.

Policy Statement

The Fraud and Corruption Policy sets out Council's commitment to fraud and corruption prevention. Council is committed to the prevention of fraud and corruption and seeks to promote a strong culture of corporate governance to detect, investigate and take appropriate action in cases of suspected or proven fraud.

Definitions

The following definitions are provided to assist in the use of a common terminology.

Agency – A corporation, government agency, not-for-profit organisation or other body in business activity or transacting with other agencies in a business-like setting.

Under the *Crime and Corruption Act 2001*, there are two types of corrupt conduct.

"Type A" corrupt conduct involves conduct that affects, or could affect, a public officer (an employee of a public sector agency) so that the performance of their functions or the exercise of their powers:

- is not honest or impartial, or
- knowingly or recklessly breaches public trust, or
- involves the misuse of agency-related information or material.

Common examples of Type A corrupt conduct include fraud and theft, extortion, unauthorised release of information, obtaining or offering a secret commission and nepotism.

"Type B" corrupt conduct involves specific types of conduct that impairs, or could impair, public confidence in public administration. This may include:

- collusive tendering, or
- fraud relating to an application for a licence, permit or other authority relating to public health or safety; the environment; or the State's natural, cultural, mining or energy resources, or
- dishonestly obtaining public funds or State assets, or
- evading a State tax, levy or duty or fraudulently causing a loss of State revenue, or
- fraudulently obtaining or retaining an appointment.

Both Type A and Type B corrupt conduct must be either a criminal offence or serious enough to warrant dismissal.

Maladministration – An administrative action that is unlawful, arbitrary, unjust, oppressive, improperly discriminatory or taken for an improper purpose; or a waste of public funds.

Fraud and Corruption Prevention Framework – A document summarising an agency's anti-fraud and anti-corruption strategies.

Fraud and Corruption Risk Assessment – The application of risk management principles and techniques in assessing the risk of fraud and corruption within an agency and its business processes.

Risk – The chance of an event that will have a positive or negative impact upon the desired objectives. It is measured in terms of likelihood and consequences.

Enterprise Risk Management – The structured approach of aligning strategy, processes, people, technology and knowledge with the purpose of identifying, evaluating, treating, monitoring and communicating risk associated with an activity, function or process in a way that will enable organisations to minimise potential losses and maximise positive outcomes.

The following actions are examples of fraud and corrupt conduct in the context of HVASC.

Fraud:

- evasion of payments owing to Council;
- false invoicing;
- obtaining a deceit, benefits to which the recipient is not entitled such as improper reimbursements of expenses or travel allowances;
- charging for goods or services not delivered or only part delivered;
- false timesheet claims or misrepresenting time and work commitments;
- theft of Council property, resources, inventory or cash;
- theft, misuse or wrongful use of information for financial or other gain;
- abuse of position or discretion such as accepting gifts or bribes to facilitate an outcome or gain some form of financial advantage;
- false accounting;
- credit card fraud;
- abuse of Council facilities or assets for personal use;
- disclosing confidential information for personal gain;
- making false statements or altering signatures or other information and materials so as to mislead or misrepresent a position or hide wrongdoing; and
- destroying or removing of records without approval for personal gain or to conceal fraudulent activity.

Corrupt Conduct:

- 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 some form of non-financial benefit or advantage to the employee releasing the information;
- Collusive tendering;
- Payment or solicitation of donations for an improper political purpose;
- Serious conflict of interest involving a senior executive of the HVASC acting in his or her own self-interest rather than the interest of HVASC;
- Serious nepotism or cronyism where the appointee is inadequately qualified to perform the role to which appointed;
- Manipulation of the procurement process by favouring one tender over others or selectively providing information to some tenders;
- Gifts or entertainment intended to achieve a specific or generic commercial outcome in the short- or long-term – an essential element rendering conduct of this type corrupt would be

that it is a breach of the entity's values, behavioural code or gift policy or that it was done without the appropriate transparency;

- Bribing officials in order to secure a contract for the supply of goods or services; and
- 'Facilitation' payments – small one-off payments in cash or in kind intended to secure prompt delivery of goods or services.

Procedures Fraud and Corruption Prevention Framework

HVASC's Fraud and Corruption Prevention Framework is designed to provide an integrated response to the risks of fraud and corruption. It includes a regular audit and review function to facilitate performance monitoring and status assessment.

The Fraud and Corruption Preventative Framework comprises ten interrelated elements as shown below, drawn from the Crime and Corruption Commission Queensland's document Fraud and Corruption Control Guidelines for best practice. More detailed policies, procedures and action plans have been developed within this framework.

Ten Element Fraud and Corruption Prevention Framework

Fraud and corruption prevention within HVASC shall incorporate:

1. a clear and integrated policy and framework;
2. continuing and effective fraud and corruption risk assessment;
3. robust internal controls with clear accountability and responsibility;
4. effective internal reporting systems and procedures;
5. an effective system of external notification and reporting;
6. well-defined public interest disclosure mechanisms;
7. competent investigation processes and standards;
8. a clear Code of Conduct and disciplinary standards;
9. comprehensive staff awareness and training programs; and
10. effective stakeholder and community awareness programs.

HVASC recognises the interrelated nature of each component of this framework and the importance of each element in realising the most effective outcomes. Implementation therefore will not focus exclusively on any one attribute, control system or area of operations, but will be based on a holistic and prioritised treatment of all elements/components.

- **Risk Management**

HVASC has an established Enterprise Risk management (ERM) Framework which sets out the effective risk management strategies and practices across Council as follows:-

- Ensure risk management is an integral part of strategic planning, management and day to day activities of the organisation;
- Promote a robust risk management culture within the Council;
- Enable threats and opportunities that face the organisation to be identified and appropriately managed;

- Facilitate continual improvement and enhancement of Council's processes and systems;
- Improve planning processes by enabling the key focus of the organisation to remain on core business and service delivery;
- Encourage ongoing promotion and awareness of the risk management throughout the Council.

- **HVASC Fraud Control**

The Chief Executive Officer will oversee the implementation of the Fraud and Corruption Prevention Framework by ensuring an integrated approach to fraud and corruption risk and an effective implementation plan containing prevention strategies and control measures is implemented across Council.

The Chief Executive Officer will review the implementation of the Fraud and Corruption Prevention Framework and evaluate performance and outcomes.

Fraud-related matters will routinely be reported to Council's Audit Committee at Audit Committee meetings 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.

- **Internal Audit**

Internal Audit supports Council's efforts to establish an organisational culture and embraces ethics, honesty and integrity. Internal Audit assists Council with the evaluation of internal controls used to detect or mitigate fraud, evaluates the organisation's assessment of fraud risk, and may provide assistance to management or as directed by the Chief Executive Officer to undertake investigations of suspected fraud or corruption within Council. Although Internal Audit considers fraud and corruption within its audit plans and performs audits, it is important to note:

- The responsibility for prevention of irregularities rests with Council and management through the implementation and continues operation of an adequate control system. Internal Auditors are responsible for examining and evaluating the adequacy and the effectiveness of actions taken by management to fulfil this obligation.
- Although preventing fraud and corruption is a specific objective of Internal Audit's function, it is not Internal Audit's role to prevent fraud – it is management's.

Implementing Council's Fraud and Corruption Prevention Framework

1. HVASC's Policy Framework

HVASC is committed to fulfilling public expectations of performance and in meeting its statutory and compliance obligations. The Fraud and Corruption Prevention Framework is one of a suite of policies and guidelines designed to achieve these ends. It forms the keystone of fraud and corruption control and is to be read in conjunction with other related policies and guidelines including those listed under HVASC reference Documents in this Framework.

2. Fraud and Corruption Risk Assessment

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 and subsidiary control plans as necessary. The worksheets and rating methodology of Council's Enterprise Risk Management Framework should be used for the evaluation of these fraud and corruption risks.

The Fraud and Corruption Risk Assessment will form part of the annual review of the Operational Risk Registers and will be conducted across all areas of the Council by the Executive Management Team.

Consideration of fraud and corruption issues will form part of both annual and longer term departmental operational and business planning processes. 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 correct recording of all assets and provisions for known or expected losses;
- the collection, storage, dealing, handling and dissemination of information;
- segregation of functions especially in regulatory, financial accounting, procurement and cash handling areas;
- work activities having limited supervision or open to collusion or manipulation;
- work practices associated with compliance and enforcement activities;
- work practices and ethical standards for accreditation agents, associations, etc.;
- formal or structured reviews of accounting and administrative controls;
- the effectiveness of measures for reporting suspected fraud and corruption;
- the implementation of robust public interest disclosure protective measures;
- workplace grievance practices; and
- measures to ensure quick and decisive action on all suspected fraud and corruption situations.

In addition to the assessment of risk, suitable operational practices are to be implemented to detect fraudulent and corrupt activities including:

- establishing good accounting and management controls;
- routine and random auditing of decisions and operational records;
- identifying variations from normal accounting methods or work practices;
- recognising deviations or exceptions in outcomes from expectations; and
- monitoring key indicators of potential fraud and corruption.

3. Accountability and Responsibility Structures

The Executive Management Team sets the ethical tone of HVASC and senior managers and staff will lead by example and conduct themselves always in a manner consistent with the values and principles detailed in the HVASC's employee Code of Conduct.

Clear lines of accountability have been formulated through departmental structures, position descriptions, policies and procedures. All management will assume a shared responsibility for fraud and corruption prevention to ensure that the fraud and corruption control strategies are implemented effectively across all work units and staff levels of council. Specific responsibilities include:

Mayor and Councillors

The Local Government Act 2009 provides the Mayor and Councillors with specific directions when working with Council officers to minimise inappropriate influences and the potential for corruption:

- Section 170 – Giving directions to local government staff
- Section 170A – Requests for assistance or information
- Section 170AA – Guidelines about provision of administrative support to Councillors
- Section 171 – Use of information by Councillors
- Section 171A – Prohibited conduct by Councillors in possession of inside information
- Section 171B – Obligation of Councillors to correct Register of Interests
- Chapter 5A – Councillor Conduct
- Chapter 5B – Councillors Conflict of Interests

Council, in recognising the importance of the Act's directions, has adopted the Acceptable Requests Guidelines for Councillors Policy.

The Chief Executive Officer and the Executive Management Team

The Chief Executive Officer exercises authority on behalf of HVASC through and on behalf of the Executive Management Team. The Chief Executive Officer and Executive Management Team are responsible for:

- maintaining a corporate governance framework, which includes policies and procedures to minimise Council's vulnerability to fraud and corruption; and
- ensuring protection of Council officers who make allegations of suspected fraud and corruption.
Further, the Chief Executive Officer is responsible:
 - for receiving reports of any incident of suspected fraud and corruption occurring within Council and determining the appropriate action to be taken to investigate the matter further.
 - under the Crime and Corruption Act 2001, to refer suspected official misconduct such as fraud or corruption to the Crime and Corruption Commission Queensland in accordance with agreed protocols; and
 - to take appropriate action as a result of the findings of any investigation.

Managers and Supervisors

All managers and supervisors are to recognise that fraud and corruption may occur in his or her area of responsibility. All managers and supervisors are required to establish, maintain and review control

systems to ensure Council resources are protected and the risk of fraud and corruption occurring is minimised.

This should include:

- maintaining and reviewing their operational risks (which should include all relevant fraud and corruption risks) on an annual basis as part of the normal risk management process;
- setting up effective internal controls to detect fraudulent or corrupt activities;
- regularly reviewing relevant control systems as part of the fraud and corruption risk assessment;
- establishing adequate segregation of duties for all functions where the potential for fraud or corruption risk has been assessed as high;
- reinforcing the requirement for all staff to not engage in corrupt conduct, fraudulent activities or maladministration;
- promoting positive values and the benefits of ethical business practices;
- encouraging the reporting of any suspected fraud, corrupt conduct or maladministration; and
- providing appropriate training to Council staff to recognise and report all suspected fraud and corruption.

All supervisors and managers have an obligation to immediately report all internally reported cases of suspected fraud and corruption to the Chief Executive Officer.

All Council Officers

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.

All employees are responsible for:

- 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 and corruption;
- reporting details immediately if they suspect that a fraudulent or corrupt act has been committed or see any suspicious acts or events; and
- co-operating fully with whoever is conducting internal checks, reviews or investigations into possible acts of fraud or corruption.

4. Internal Reporting Systems and Procedures

HVASC recognises the contribution made by staff in reporting suspect activity and the important role played by managers and supervisors in deterring and preventing misconduct. HVASC also acknowledges the difficulty faced by some persons in reporting suspected fraud which may include:

- the possible involvement of an immediate supervisor;
- past experience of outcomes with less than desired effectiveness;
- concern at any failure to observe the confidentiality of a disclosure;
- the perception that reporting may lead to reprisals or victimisation of the discloser and/or other innocent parties;
- a lack of clear and appropriate rules or procedures for referral and action; or
- concern that potential conflicts of interest will be ignored when deciding who should assess or investigate a complaint.

To overcome any personal inhibitions about disclosure, HVASC has implemented internal reporting systems and support mechanism that encourage staff to take appropriate action when they recognise or suspect fraud and corruption. Managers and supervisors will accept responsibility for fostering effective reporting in conjunction with their other management/supervisory functions and all officers will respond appropriately to any complaints of reports in a timely and effective manner.

Anyone in HVASC's supervisory and management chain receiving a report of suspected fraud is to ensure that they report it immediately to the Chief Executive Officer and that it is responded to confidentially, fairly, quickly and in accordance with established protocols and legislative requirements. The standards by which internal investigations are to be conducted are detailed in the Public Interest Disclosure Policy.

5. External Notification and Reporting Systems

HVASC is committed to transparency in meeting its statutory obligations and in discharging its accountability to all stakeholders. All incidents of suspected fraud and corruption therefore will be subject to appropriate external reporting in a timely fashion.

Complaints about fraud and corruption and the outcome of preliminary investigations will be reported to the appropriate agencies in accordance with the Public Interest Disclosure Policy and/or the Complaints Policy and Procedures.

Depending upon the nature of an allegation, the person involved and the progress or outcome of the investigation, external reporting or referral may be made to the following agencies:

- Queensland Police Service;
- Crime and Corruption Commission Queensland for cases suspected to involve official misconduct;
- Queensland Audit Office for fraud involving any asset losses;
- Queensland Minister for Local Government; and
- Queensland Ombudsman for cases of maladministration.

6. Public Interest Disclosure Mechanisms

HVASC will provide protection from reprisal for a person making a public interest disclosure in accordance with the principles embodied in the *Public Interest Disclosure Act 2010*. Arrangements to ensure compliance with these principles shall be enforced at all times.

Complaints against Council officers under the *Public Interest Disclosure Act 2010* will be pursued in accordance with the Public Interest Disclosure Policy. In doing so, HVASC will exercise due process and natural justice, and preserve confidentiality to the extent possible, provide appropriate protection, maintain all necessary records securely, and report in an appropriate manner.

7. Investigation Processes and Standards

All HVASC investigations will be conducted in accordance with best practice and the Public Interest Disclosure policy. The standards of reporting and enquiry shall be no less stringent than as outlined in the guidelines of the Crime and Corruption Commission Queensland publication “Corruption in Focus”. The investigation standards applied shall ensure that investigations are carried out objectively, thoroughly and without prejudice.

When an investigation into suspected fraud is deemed necessary:

- all staff are obligated to respect the dignity and rights of the alleged perpetrator, pending a full investigation into the matter. Management must ensure the preservation of due process and discourage staff from entering into speculative discussions. All internal investigations are to comply with the Public Interest Disclosure Policy;
- Persons making complaints shall be advised of the outcome in a timely manner; and
- The outcome of all internal investigations shall be subject to audit.

8. Employee Code of Conduct and Implementations of Non-Compliance

The fundamental principles contained in the Employee Code of Conduct are modelled on the *Public Sector Ethics Act 1994* and the following four ethical principles:

- Integrity and Impartiality
- Promoting the Public Good
- Commitment to the System of government
- Accountability and Transparency

The Employee Code of Conduct does not cover all eventualities. To assist in the resolution of more complex ethical and fraud-related issues, HVASC officers should seek the advice of their supervisors and more senior management where necessary.

HVASC will conduct a review of the Code of Conduct at least once every three years to ensure its continued relevance. In addition, the Executive Management Team will review the need to develop any other related policies and procedures or staff awareness and development of training and materials.

Council is committed to the prevention of fraud and corruption and investigating all suspected incidents. Fraudulent or corrupt activities will not be tolerated. An investigation finding of fraud or corruption will result in disciplinary action and/or prosecution by the Queensland Police Service, which may lead to offenders being dismissed from Council

Under the *Crime and Misconduct Act 2001*, the Chief Executive Officer must refer suspected official misconduct such as fraud or corruption to the Crime and Corruption Commission Queensland.

9. Staff Awareness and Training Programs

HVASC acknowledges the primary role of staff in the prevention of fraud and corruption. To foster an appropriate fraud and corruption resistance culture, HVASC will implement a comprehensive and ongoing fraud awareness program and adopt transparent and participative management practices that empower staff in their operational roles.

There will be sharing of information and suitable induction to enhance fraud and corruption resistance. Awareness of the available reporting mechanisms and whistleblower support will be further reinforced through structured training and development programs and other means of communication on a regular basis.

The Employee Code of Conduct and other key policy documents will be broadcast widely to relevant stakeholders.

The Executive Management Team will identify available training options and make recommendations on the strategy that achieves the most effective fraud and corruption awareness regime. This strategy may include, but is not restricted to:

- articulating appropriate ethical standards for the workplace, including the Employee Code of Conduct and related policies and procedures;
- recommending ways to develop the understanding of best practices and system controls;
- developing suitable mechanisms that recognise and highlight the importance of staff contributions to fraud and corruption control;
- informing staff of the importance of recognising and responding to misconduct – and the available mechanisms for public interest disclosure;
- implementing best practice approaches to fraud and corruption prevention;
- establishing mechanisms to identify and detect specific types of fraud or corruption; and
- developing and distributing materials to enhance fraud awareness.

Training programs will be provided for full-time officers of HVASC and also, where appropriate, for those persons having a significant role and/or continuing association with HVASC, including consultants, part-time staff, agents, certifiers, associates and volunteers.

Training programs will include guidelines and the identification of risk and the “red flag” indicators of potential fraud and corruption. Training needs and resources will be developed through analysis of:

- regular risk reviews, risk analysis, activity reports and individual business plans;
- reviews of reported incidents and investigation outcomes; and
- outcomes of focus groups to determine staff attitudes and practices.

All new staff will attend induction training where they will be advised of council's standards of ethical behaviour for the workplace. Staff will be required to undertake mandatory training and refresher training courses specifically designed with relevant local government scenario examples and HVASC's policies and procedures. The Human Resources Manager, in consultation with the Executive Management Team, will be responsible for the development and delivery of staff training in areas such as:

- Employee Code of Conduct
- Requests by Councillors for Assistance or Information
- Procurement and Ethical Business Practices
- Drugs and Alcohol – Fitness for Work
- Ethical Awareness
- Conflict Resolution
- Sexual Harassment Prevention
- Performance Counselling and Discipline

The Executive Management Team will be responsible for the development and delivery of staff training in areas such as:

- Complaints Management Process
- Public Interest Disclosures

10. Stakeholder and Community Awareness Programs

HVASC will communicate its values widely to ensure community awareness of HVASC's expected standards of corporate and staff behaviour. These extension programs shall include both general and more specific programs targeting particular stakeholder groups such as suppliers, contractors and special interest groups.

The external communication programs will demonstrate the integrity of HVASC and its commitment to high standards of probity in all its dealings, including its zero tolerance of fraud and corruption. HVASC will report on these measures taken to realise its fraud and corruption prevention goals at least annually through the Annual Report.