

## Fraud and Corruption Control Plan

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Responsible Officer	Manager Development & Governance	Date Approved:	21/07/2021
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### 1. PURPOSE

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To set out the standards for accountability that Council expects from Councillors and Employees. It aims to minimise opportunities for fraud or corrupt conduct as defined through a framework of good governance and active and effective control strategies that will continue to build an ethical organisational culture. This plan should be read in conjunction with the *Fraud and Corruption Control Policy*.

### 2. SCOPE

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This plan applies to all Councillors and employees of the Mareeba Shire Council (Council).

### 3. POLICY STATEMENT

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Council has zero-tolerance for activities related to fraud and corruption and this is supported by a hierarchy of governance and controls for an ethical organisational culture. This Plan provides the direction and guidance that will assist Council in meeting its commitment in the control of fraud and corrupt conduct.

The Plan objectives are to:

- Support high standards of professional conduct and honest and ethical behaviour within Council;
- Minimise the risk of fraudulent practices or Corrupt Conduct occurring within and being perpetrated against Council;
- Protect Council's assets, public image and reputation;
- Ensure an ethical culture within Council;
- Ensure the Executive Management Team's (EMT) commitment to identify fraud risk exposures and establish procedures for prevention, detection and response;
- Ensure Councillors and Employees are aware of their responsibilities in relation to ethical conduct;
- Detail how Council deals with suspected fraud and corrupt conduct through risk management practices; and
- Provide guidance on how suspected instances of fraud or corrupt conduct are managed and dealt with by Council.

#### 3.1 RESPONSIBILITIES

Councillors and Employees have the responsibility to take appropriate action to prevent fraud and corrupt conduct and report suspected fraud and corruption activities they become aware of. Employees must undertake their work and duties in accordance with Council's *Employee Code of Conduct (CoC)*, which prescribes standards of ethical conduct. A Code of Conduct alone will not guarantee an honest and

corruption-free organisation, however, with proper education and leadership, it can promote integrity and encourage ethical behaviour, which in turn strengthens the Council's resistance to fraud and corrupt conduct.

Councillors and the EMT have a responsibility for setting the ethical tone of the Council, consistent with the ethical principles set out in the *Public Sector Ethics Act 1994* (Qld) and the *Local Government Act 2009* (Qld). EMT plays a key role in the general administration of their work areas and consequently overseeing the implementation, review and monitoring of fraud and corruption prevention strategies.

### 3.2 FRAUD AWARENESS

Council recognises that the success and credibility of its *Fraud and Corruption Control Policy* and Plan ("**the Plan**") will largely depend on how effectively they are communicated. Council will take proactive steps towards ensuring that Councillors, Employees and the local community are aware of Council's zero-tolerance position on fraud and corrupt conduct.

Council will increase awareness by:

- Promoting Council initiatives and policies regarding the control and prevention of fraud and corruption on the Council website and at Council offices;
- Including guidance on their website, for both employees and external parties, on how to report suspicions of fraud and corruption;
- Making reference to fraud and corruption initiatives in the Council's Annual Report; and
- Providing education and awareness programs and communication of Council's policies and directives relating to fraud and corruption.

### 3.3 FRAUD AND CORRUPTION RISK ASSESSMENT

Council's *Enterprise Risk Management Framework* (ERM) is used as a tool to identify and manage fraud and corruption risks in line with the *Fraud and Corruption Control Policy* and the Plan. Appropriately, fraud and corruption risk will be reviewed across Council on a quarterly basis. Managers will provide assurance that their risks have been reviewed and updated and those risks identified as significant or extreme will be reported to Audit Committee and Council.

A fraud and corruption risk review will focus on the following elements:

- impact of change in organisational structure or functional requirements;
- changes in legislation and delegations;
- contracting and outsourcing;
- the impact of new technology;
- the operating environment, and the Council's relative exposure to external and internal fraud and corruption;
- exposure to ongoing and emerging trends and threats; and
- the effectiveness of current treatment measures and controls.

The details of the fraud and corruption risks identified, including treatments and controls will be incorporated into the ERM Register. Additionally, incidents of fraud and corruption will be recorded in Council's Fraud and Corruption Register and treated in accordance with ERM process. All identified risks are to be reviewed on an annual basis and reported as per the ERM Process.

### 3.4 REPORT ALLEGATIONS OF FRAUD AND CORRUPTION

Concerns or suspicions about fraudulent or corrupt conduct can be reported as follows:

- If you are making a report about an Employee - report to a Manager, Director or the CEO;
- If you are making a report about the CEO - report to the Mayor;
- If your report involves a Councillor or the Mayor - report directly to the Office of the Independent Assessor or to the CEO who will either forward the allegation to Office of the Independent Assessor or to the Crime and Corruption Commission (CCC).

Attempts to investigate the matter personally by a person who has a concern or suspicion must not be undertaken. Reports of allegations of fraudulent or corrupt conduct may be received verbally, in writing, and may be made anonymously. Reports of this type may constitute a Public Interest Disclosure under the *Public Interest Disclosure Act 2010* (Qld) (PID Act).

Council must ensure that any report of suspected fraud or corrupt conduct is treated confidentially to the fullest extent possible. To affirm the integrity of this reporting function, complaints, investigation of complaints and the identity of subject officers, witnesses will be treated and managed confidentially in accordance with Council's complaints processes—*Administrative Action Complaint Management Policy*, *Public Interest Disclosure Policy*, and its obligations under the PID Act.

#### 4. FRAUD AND CORRUPTION CONTROL STRATEGIES

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Council recognises that the most effective way to address the issue of fraud or corrupt conduct is to provide exemplary leadership, fully comply with legislative obligations, provide clear and appropriate policy settings with active and effective control strategies that address prevention, detection, investigation, response, monitoring and reporting.

- **Prevention** – strategies designed to prevent fraud and corruption occurring in the first instance
- **Detection** – strategies to uncover fraud and corruption as soon as possible after it has occurred
- **Response** – systems and processes that assist in responding appropriately to an alleged fraud or corruption when it is detected
- **Monitoring and Evaluation** – strategies to provide assurance that legislative and policy responsibilities are being met, in addition to promoting accountability by providing information that demonstrates compliance with specific fraud and corruption control measures.

##### 4.1 PREVENTION

Fraud and corruption prevention strategies are the first line of defence and provide the most cost-effective method of controlling fraud and corruption within Council. Key elements of effective fraud and corruption prevention include (but are not limited to):

- A robust *Fraud and Corruption Control Policy* and the Plan;
- Code of Conduct for employees;
- Councillors Code of Conduct;
- Effective fraud and corruption risk management process;
- A comprehensive fraud and corruption control framework;
- Prudent employees;
- Regular awareness training;
- Identification of activities with high fraud and corruption risk exposure and the application of appropriate control strategies to those activities; and
- Proactive demonstration within the organisation that allegations and incidences of fraud and/or corruption are treated seriously and appropriately addressed.

## Fraud and Corruption Control Plan

The below table outlines a range of preventative strategies and measures actioned by Council to manage its fraud and corruption risks.

Element	Components	Action Plan	Oversight	Timeframes
Integrated Policy	<i>Fraud and Corruption Control Policy</i> and the Plan	<ul style="list-style-type: none"> <li>EMT to ensure the <i>Fraud and Corruption Policy</i> and the Plan are integrated along with other Council policies</li> <li>EMT to endorse and promote the Plan and policy and take ongoing action to ensure staff are aware of the Plan</li> </ul>	Manager Development & Governance	Every 2 years
Risk Assessment	Fraud and Corruption Risk Assessment	<ul style="list-style-type: none"> <li>Consideration of fraud and corruption risks to be included in Council's ERM Register</li> </ul>	Manager Development & Governance	Quarterly
Internal Controls	Governance Framework	<ul style="list-style-type: none"> <li>Administration policies, procedures and supporting documents to be promoted to applicable employees.</li> </ul>	Managers	Every 4 years
		<ul style="list-style-type: none"> <li>Segregation of functions especially regulatory, financial and cash handling areas.</li> </ul>	Managers/External Audit	Annually
		<ul style="list-style-type: none"> <li>Where fraud and corruption risks are known to exist, work processes are to be clearly documented and available to Council employees.</li> </ul>	Managers	Quarterly
		<ul style="list-style-type: none"> <li>Employees to be reminded to make appropriate declarations, and a Register of Interests is to be maintained.</li> </ul>	Manager Organisational Development	Every 2 years
		<ul style="list-style-type: none"> <li>Delegated Powers and Authorities</li> </ul>	Managers	Annually
	Internal Audit	<ul style="list-style-type: none"> <li>Internal Audit to periodically review processes and provide recommendations for improvements</li> </ul>	Audit Committee  Director Corporate and Community Services	Per Internal Audit Plan
Gifts and Benefits Policy	<ul style="list-style-type: none"> <li>Review the <i>Gifts and Benefits Policy</i></li> </ul>	CEO	Every 4 years	

## Fraud and Corruption Control Plan

	Employment Screening	<ul style="list-style-type: none"> <li>• Conducting appropriate due diligence of potential new employees and existing employees transferring</li> </ul>	Manager Organisational Development	Per Recruitment Guidelines
	Third Party (Contractors)	<ul style="list-style-type: none"> <li>• Relevant policies and procedures covering due diligence processes for protentional contractors.</li> </ul>	Managers	Annually
		<ul style="list-style-type: none"> <li>• Relevant policies and procedures covering due diligence processes for monitoring past or existing contractors.</li> </ul>	Managers	Annually
Education and Awareness	Fraud Awareness	<ul style="list-style-type: none"> <li>• Education and training programme including for employees:                             <ul style="list-style-type: none"> <li>➢ Code of Conduct</li> <li>➢ Public Interest Disclosures</li> <li>➢ Reporting corrupt conduct</li> <li>➢ Fraud prevention training</li> <li>➢ Organisational wide awareness of relevant policies and procedures.</li> </ul> </li> <li>• General awareness of the <i>Fraud and Corruption Control Policy</i> and the Plan</li> </ul>	Manager Organisational Development	Every 2 years
			Managers	Annually
	Availability of policies and procedures	<ul style="list-style-type: none"> <li>• Policies, procedures, and supporting documents to be easily accessible</li> </ul>	Manager Development & Governance	Annually
Community Awareness	Policies, Procedures, and supporting documents	<ul style="list-style-type: none"> <li>• To be included on Council website</li> </ul>	Manager Development & Governance	Annually
	Right to Information requests	<ul style="list-style-type: none"> <li>• Requests for information in regards to fraud and corruption are to be actioned promptly.</li> </ul>	Manager Systems and Customer Service	Annually

**4.2 DETECTION**

Detection is the key in mitigating fraud and corruption, and as such, Council has implemented systems aimed at assisting with the detection of fraud or corruption as soon as possible after it has occurred, in the event that Council’s preventive control strategies fail.

The source of fraudulent activity and corrupt conduct may be internal (perpetrated by an employee); external (perpetrated by a customer or an external service provider); or complex (for example, involve collaboration between employees and external service providers).

The CCC has provided an insight into and identified operational areas and functions perceived to have high levels of fraud and corruption risk, including:

- financial functions – such as the receipt of cash, revenue collection and payment systems, salaries and allowances, entertainment expenses
- construction, development and planning functions – ranging from land rezoning or development applications to construction and building activities
- regulatory functions – involving the inspection, regulation or monitoring of facilities; and operational practices, including the issue of fines or other sanctions
- licensing functions – such as the issue of qualifications or licences to indicate proficiency or enable the performance of certain activities
- demand-driven or allocation-based functions – where demand often exceeds supply, including the allocation of services or grants of public funds, or the provision of subsidies, financial assistance, concessions or other relief
- procurement and purchasing functions – including e-commerce activities, tendering, contract management and administration, and the practices of external agents/contractors/consultants and providers of goods/services
- other functions involving the exercise of discretion, or where there are regular dealings between the public sector and private sector personnel (especially operations that are remotely based or have minimal supervision).

The below table outlines controls and measures to detect internal, external and complex fraud and corruption.

Element	Components	Action Plan	Oversight	Timeframes
Internal Controls	Formal and informal work process	<ul style="list-style-type: none"> <li>• Specific function processes, guidelines, instructions and risk assessment to be complied with</li> </ul>	Managers	Every 2 years
		<ul style="list-style-type: none"> <li>• Ongoing education and awareness of the work process to be provided</li> </ul>	Manager Organisational Development	Annually
Public Interest Disclosures	Management of Public Interest Disclosures	<ul style="list-style-type: none"> <li>• Public Interest Disclosure policy to be reviewed and maintained</li> </ul>	Manager Development & Governance	Every 4 years
		<ul style="list-style-type: none"> <li>• Management to take reasonable actions to minimise risks of victimisation and to</li> </ul>	Managers	Ongoing

## Fraud and Corruption Control Plan

		ensure victimisation of disclosers is dealt with swiftly and appropriately		
Investigations	Detection System	• Post Transactional Reviews	Managers	Annually
		• Implement routine data analytics over areas identified as inherently susceptible to fraud	Manager Development & Governance	Annually
		• Analysis of management accounting and procurement reports to identify trends	Manager Finance	Monthly/annually
		• Work with the external/internal auditors in the detection of fraud	Manager Finance & Audit Committee	Annually
Internal Reporting	Performance Management Framework	• Organisational Structure to be supported through adherence to official delegations, proper and full use of supervisory reporting relationships	Managers	Annually
	Internal Audit	• Internal Audit to consider fraud and corruption as part of the audit scope	Audit Committee	Per Internal Audit Plan
		• Internal Audit to conduct regular reviews of Council functions and processes to identify susceptible areas	Audit Committee	Per Internal Audit Plan

### 4.3 RESPONSE

Fraud and corruption response is a key element of the overall fraud and corruption control framework. Council needs to be responsive and vigilant in undertaking preliminary investigations to determine whether allegations have sufficient grounds to be taken further.

#### **Investigations** (as statutorily required)

Council will investigate or otherwise formally inquire into all instances of suspected fraud or corrupt conduct exposed as a result of receiving an allegation or detecting fraudulent activity or corrupt conduct in line with Council's *Investigation Policy*. All reports, information, complaints and notifications concerning the alleged fraudulent activity or corrupt conduct may be referred to the CCC throughout the investigation process.

Fraud and corruption investigations are to be kept confidential, secure and restricted to only authorised users.

The below steps are to be implemented upon and detection or notification of in conjunction with the fraud and/or corruption:

- Step 1: Stop the fraud continuing and preserve evidence
- Step 2: Record allegations and the known facts
- Step 3: Initial review
- Step 4: Investigation
- Step 5: Outcomes

### **Disciplinary Action**

Fraudulent activity and corrupt conduct may result in formal disciplinary action including dismissal. If approved by the CEO, Council's Manager Organisational Development should be consulted to create a deterrent effect on employees by illustrating that all cases will be investigated, and disciplinary action will be taken against employees that "do the wrong thing".

It must be noted that fraud or corrupt conduct may often also involve criminal conduct. This means that an incident can at the same time be within the jurisdiction of the CCC, Council and the Queensland Police Service (QPS), and therefore, the actions and decisions of one agency will have an impact on the other agencies.

Where a disciplinary investigation arises out of alleged criminal conduct, Council will need to take into account any criminal proceedings. If Council's Manager Organisational Development and the QPS are consulted, Council can take disciplinary action before the criminal investigation or prosecution is completed. Whether disciplinary proceedings should await the outcome of criminal proceedings will need to be determined on a case-by-case basis. Council may decide to hold off on disciplinary action until the outcome of the prosecution is known so that if it fails, Council can still institute disciplinary proceedings.

### **Restitution**

Council is committed to recovering losses incurred as a result of fraudulent activity or corrupt conduct. Council pursues all reasonable avenues to limit any financial loss and reputational damage. Council maintains an insurance policy against loss due to fraudulent or corrupt conduct activities of its employees. The table in section 5.1.2 below outlines measures to detect internal, external and complex fraud and corruption.

## **4.4 MONITORING AND EVALUATION**

Effective monitoring and evaluation of Council's fraud and corruption control strategies assist in:

- Assessing the continued relevance and priority of fraud and corruption strategies in light of current and emerging risks;
- Test whether fraud and corruption strategies are targeting the desired population; and
- Ascertain whether there are more cost-effective ways of combatting fraud and corruption.

## **5. REPORTING**

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Internally, fraud-related matters will be reported to Council's Audit Committee via the CEO 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.



**5.1 REPORTING SUSPECTED FRAUD, CORRUPTION AND OTHER CORRUPT CONDUCT COMMITTED BY EMPLOYEES**

The CEO has a statutory obligation to report any suspicion of corrupt conduct to the CCC. Therefore, all cases of corrupt conduct (which includes fraud and corruption) should be brought to the notice of the CEO. Any attempt to unduly influence a government decision through the offer of bribes, individual rewards or incentives is an offence and must be reported to the CEO who will decide appropriate further reporting.

**5.2 REPORTING LOSS OF THE ORGANISATION’S MONEY OR PROPERTY**

There are specific obligations placed on the CEO to report losses of money or property. The *Local Government Regulation 2012* (LGR) outlines and categorises these obligations dependant on the type of loss.

Relevant legislation	LG Reg section 307A
A “material loss” is	Cash or equivalent over \$500 Assets valued at over \$1,000
All losses that result from a criminal offence or suspected corrupt conduct	<ul style="list-style-type: none"> <li>• Must be recorded</li> </ul>
All material losses	<ul style="list-style-type: none"> <li>• Must be recorded</li> <li>• Must be reported to:                             <ul style="list-style-type: none"> <li>– the appropriate Minister</li> <li>– the Auditor-General</li> </ul> </li> </ul>
Material losses that result from criminal offences	<ul style="list-style-type: none"> <li>• Must be recorded</li> <li>• Must be reported to:                             <ul style="list-style-type: none"> <li>– the appropriate Minister</li> <li>– the Auditor-General</li> <li>– QPS</li> </ul> </li> </ul>
Material losses that result from suspected corrupt conduct by employees or contractors	<ul style="list-style-type: none"> <li>• Must be recorded</li> <li>• Must be reported to:                             <ul style="list-style-type: none"> <li>– the appropriate Minister</li> <li>– the Auditor-General</li> <li>– CCC</li> </ul> </li> </ul>

**6. DEFINITIONS**

To assist in interpretation, the following definitions shall apply:

**CCC** means the Crime and Corruption Commission.

**CEO** means Council’s Chief Executive Officer.

**Corruption** has the same meaning as 'corrupt conduct' under the *Crime and Corruption Act 2001* (Qld), being 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.
- c) is engaged in 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.<sup>1</sup>

**Corrupt conduct** 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

a disciplinary breach providing reasonable grounds for terminating the person's services, if the person is or were the holder of an appointment.<sup>2</sup>

Corrupt conduct may include, but is not limited to:

- a) abuse of public office;
- b) bribery, including bribery relating to an election;
- c) extortion;
- d) obtaining or offering a secret commission;
- e) fraud;
- f) stealing;
- g) forgery;
- h) perverting the course of justice;
- i) an offence relating to an electoral donation;
- j) loss of revenue of the State.

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<sup>1</sup> See *Crime and Corruption Act 2001* (Qld) s 15(1).

<sup>2</sup> *Ibid* s 15(2).

**Council** means the Mareeba Shire Council.

**Council Officer** means an employee of Council

**Employees** are defined as all persons employed by Council on a permanent, temporary or casual basis and includes persons engaged under a contract of service, and volunteers.

**EMT** means Council's Executive Management Team of Council, as constituted from time to time.

**ERM** means Enterprise Risk Management.

**Fraud** shall mean a deliberate deception to facilitate or conceal the misappropriation of assets or the taking of an unlawful advantage or benefit.

Fraud may include, but is not limited to:

- Theft;
- 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 interests of Council in order to achieve some personal gain or advantage for themselves or for another person or entity;
- Using forged or falsified documentation for an improper purpose;
- Deliberate misstatement of accounting information for an improper purpose.

**LGA** means the *Local Government Act 2009* (Qld).

**The Plan** means Council's *Fraud and Corruption Control Plan*.

## **7. RELATED DOCUMENTS AND REFERENCES**

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*Administration Action Complaint Management Policy* (MSC)

*Audit Committee Charter* (MSC)

*Code of Conduct for Councillors* (MSC)

*Crime and Corruption Act 2001* (Qld)

*Employee Code of Conduct* (MSC)

*Employee Conflict of Interest Policy* (MSC) and associated Procedure

*Enterprise Risk Management Framework* (MSC), Policy and associated Process

*Fraud and Corruption Control Policy* (MSC)

*Gifts and Benefits Policy* (MSC) and associated Guideline

*Internal Audit Policy* (MSC)

*Investigation Policy* (MSC)

*Local Government Act 2009* (Qld)

*Local Government Regulation 2012* (Qld)

*Public Interest Disclosure Act 2010* (Qld)

*Public interest Disclosure Policy* (Qld)

**8. REVIEW**

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It is the responsibility of the Manager Development and Governance to monitor the adequacy of this policy and implement and approve appropriate changes. This policy will be formally reviewed every two (2) years or as required by Council.