

Program: Executive Office
Date of Adoption: 28 September 2022
Resolution Number: ORD-2022-280
Review Date: 28 September 2022

Scope

This policy applies to any fraud or corruption, or suspected fraud or corruption, involving Mackay Regional Council (MRC) Staff or other party dealing with MRC.

Objective

The objective of this policy is to set out the organisational requirements to prevent, detect, respond to and report fraud and corruption at MRC.

Policy Statement

MRC is committed to the detection and prevention of all forms of fraud and corruption and the creation of an ethical culture and environment that discourages and prevents fraud and corruption. MRC is committed to:

- A zero-tolerance approach to fraud and corruption.
- Fraud and corruption control and management as an integral component of effective corporate governance;
- Transparent and accountable processes consistent with sound business practices and organisational standards of compliance;
- Preventing fraud and corruption whilst investigating any suspected incidents and taking appropriate action;
- Establishing and maintaining an annual Fraud & Corruption Prevention Plan to minimise the impact and reduce the incidence of fraud and corruption within the work environment.

Council considers that to the extent this policy engages and limits, or potentially limits, any human rights, that limitation is reasonable in that it is proportionate and justified.

This process to remain in force until otherwise determined
 by Mackay Regional Council

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1.0 Principles

MRC recognises that fraud and corruption management is an integral part of good governance and management practice.

MRC will establish an environment in which fraud and corruption is not tolerated and will demonstrate a commitment to the rigorous management of fraud and corruption risks by implementing a range of mechanisms to prevent, detect and respond to fraud and corruption. These mechanisms are based on the Australian Standard Fraud and Corruption Control (AS 8001-2021) and the *Crime and Corruption Commission Fraud and Corruption Control Best Practice Guide (March 2018)*.

The aim of this Policy and associated documentation is to:

- Avoid any incidence of fraud and corruption;
- Minimise opportunities for fraud and corruption through effective internal controls, awareness and appropriate supervision;
- Encourage ethical dealings at all levels of MRC;
- Ensure compliance with legal and statutory obligations; and
- Prevent any financial or reputational damage to MRC.

All Staff must act with integrity in accordance with MRC's Code of Conduct and are responsible for the prevention and detection of fraud and corruption as outlined in MRC's Fraud & Corruption Prevention Policy and Corporate Standard.

Any allegation or suspicion of fraud or corruption will be investigated appropriately in accordance with the requirements of the particular case (i.e. criminal, disciplinary or administrative mechanisms).

This Policy is to be read in conjunction with Corporate Standard 045.1 Fraud & Corruption Prevention.

2.0 Complaints

MRC encourages the reporting of any concerns or suspicions about fraudulent or corrupt activity to:-

- Line Supervisors, Coordinators, Managers or Directors;
- The Executive Officer;
- The Chief Executive Officer; or
- The Mayor;
- MRC Disclosure Portal.

All reports of alleged fraud and corruption will be treated confidentially to the fullest extent possible under the law.

Any complaints in relation to a decision or a service relating from this policy will be assessed and managed in accordance with MRC's Administrative Action Complaints Policy, a copy of which can be found on MRC's website.

When an individual feels that they are the subject of MRC's failure to act compatibly with human rights, they can make a complaint directly to MRC. These complaints will be assessed against the Human Rights Act 2019.

Complaints may be made as following:

In writing to
Chief Executive Officer
Mackay Regional Council
PO Box 41
MACKAY QLD 4740

Via Email - complaints@mackay.qld.gov.au

In person at the following Council Customer Service Centres:

- MRC Mackay Office – 73 Gordon Street, Mackay
- MRC Sarina Office – 65 Broad Street, Sarina
- MRC Mirani Council Office – 20 Victoria Street, Mirani

3.0 Definitions

To assist in interpretation the following definitions shall apply:

Benefit includes property, advantage, service, entertainment, the use of or access to property or facilities, and anything of benefit to a person whether it has any inherent or tangible value, purpose or attribute.

Corrupt Conduct has the same meaning as 'corrupt conduct' under the *Crime and Corruption Act 2001* 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) 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.

Council shall mean the Mayor and Councillors of Mackay Regional Council.

Fraud has the same meaning as defined in the Criminal Code Act 1899 shall mean a

A person who dishonestly:

- (a) applies to his or her own use or to the use of any person:
 - (i) property belonging to another; or
 - (ii) property belonging to the person, or which is in the person's possession, either solely or jointly with another person, subject to a trust, direction or condition or on account of any other person; or

- (b) obtains property from any person; or
- (c) induces any person to deliver property to any person; or
- (d) gains a benefit or advantage, pecuniary or otherwise, for any person; or
- (e) causes a detriment, pecuniary or otherwise, to any person; or
- (f) induces any person to do any act which the person is lawfully entitled to abstain from doing; or
- (g) induces any person to abstain from doing any act which that person is lawfully entitled to do; or
- (h) makes off, knowing that payment on the spot is required or expected for any property lawfully supplied or returned or for any service lawfully provided, without having paid and with intent to avoid payment;

commits the crime of fraud.

MRC shall mean Mackay Regional Council.

Staff shall mean all persons employed by Mackay Regional Council on a permanent, temporary, or casual basis, or otherwise engaged by Mackay Regional Council including those under a contract of service or a volunteer program.

4.0 Review of Policy

This policy will be reviewed when any of the following occur:

- The related documents are amended or replaced.
- Other circumstances as determined from time to time by a resolution of Council.

Notwithstanding the above, this policy is to be reviewed at intervals of no more than three (3) years.

5.0 Reference

- *Crime & Corruption Act 2001*
- *Public Interest Disclosure Act 2010*
- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Criminal Code Act 1899*
- *Public Sector Ethics Act 1994*
- MRC Code of Conduct
- COU078 Public Interest Disclosure Policy and Corporate Standard
- CS045.1 Fraud & Corruption Prevention Corporate Standard

6.0 Attachments

- CS045.1 Fraud and Corruption Prevention

Version Control:

Version	Reason / Trigger	Change	Endorsed / Reviewed	Date
1	Review of Policy		Council	28.01.15
2	Review of Policy	Amendments made to Policy	Council	28.06.17
3	Review of Policy	Amendments made to Policy	Council	13.02.19
4	Review of Policy	Amendments	Council	28.9.2022

Attachment 1

Program	Executive Office
Date of Endorsement	28 September 2022
Resolution Number	ORD-2022-280
Review Date	28 September 2022

1.0 Scope

This Standard applies to any fraud or corruption, or suspected fraud or corruption, involving Mackay Regional Council (MRC) Staff or other party dealing with MRC.

2.0 Objective

This Standard :-

- demonstrates MRC's commitment to rigorously manage fraud risk;
- provides guidance on how MRC will manage the prevention of fraud;
- clearly communicates internal reporting arrangements to encourage the free flow of information through appropriate channels;
- establishes a clear process covering the reporting of fraud and corruption matters to external agencies;
- assists in compliance with statutory obligations;
- assists to eliminate or minimise internally and externally instigated fraud against MRC; and,
- assists in the detection of all instances of fraud and corruption against MRC.

3.0 Reference

- *Crime & Corruption Act 2001*
- *Public Interest Disclosure Act 2010*
- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Criminal Code Act 1899*
- *Public Sector Ethics Act 1994*
- MRC Code of Conduct
- COU078 Public Interest Disclosure Policy and Corporate Standard
- MRC Fraud & Corruption Prevention Policy

4.0 Definitions

To assist in interpretation the following definitions shall apply:

Benefit includes property, advantage, service, entertainment, the use of or access to property or facilities, and anything of benefit to a person whether it has any inherent or tangible value, purpose or attribute.

Corrupt Conduct has the same meaning as 'corrupt conduct' under the *Crime and Corruption Act 2001* 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) 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.

Council shall mean the Mayor and Councillors of Mackay Regional Council.

ELT shall mean Executive Leadership Team.

Fraud has the same meaning as defined in the *Criminal Code Act 1899* shall mean a

A person who dishonestly:

- (a) applies to his or her own use or to the use of any person:
 - (i) property belonging to another; or
 - (ii) property belonging to the person, or which is in the person's possession, either solely or jointly with another person, subject to a trust, direction or condition or on account of any other person; or
- (b) obtains property from any person; or
- (c) induces any person to deliver property to any person; or
- (d) gains a benefit or advantage, pecuniary or otherwise, for any person; or
- (e) causes a detriment, pecuniary or otherwise, to any person; or
- (f) induces any person to do any act which the person is lawfully entitled to abstain from doing; or
- (g) induces any person to abstain from doing any act which that person is lawfully entitled to do; or
- (h) makes off, knowing that payment on the spot is required or expected for any property lawfully supplied or returned or for any service lawfully provided, without having paid and with intent to avoid payment; commits the crime of fraud.

Maladministration shall mean administrative actions that are unlawful, unreasonable, unfair, improperly discriminatory, taken for an improper purpose or otherwise wrong.

MRC shall mean Mackay Regional Council.

Staff shall mean all persons employed by Mackay Regional Council on a permanent, temporary, or casual basis, or otherwise engaged by Mackay Regional Council including those under a contract of service or a volunteer program.

5.0 Standard Statement

MRC recognises that fraud and corruption management is an integral part of good governance and management practice.

MRC has a zero tolerance for corrupt conduct and fraudulent activities. MRC aims to uphold a high level of service to the community, to protect the integrity, security and reputation of our organisation.

It is essential for MRC to have an efficient and effective system to:

- Manage its resources appropriately
- Prevent, detect and respond to fraud
- Assist Council, management and employees to promote professional integrity and ethical behaviour as outlined in MRC's Code of Conduct.

This system is based on the Australian Standard Fraud and Corruption Control (AS 8001-2021) and the *Crime and Corruption Commission Fraud and Corruption Control Best Practice Guide (March 2018)*.

5.1 Responsibility

The Chief Executive Officer has the responsibility to ensure compliance with this standard and to ensure that all employees are aware of the requirement to conduct their duties in a professional and ethical manner. The Chief Executive Officer is also responsible for ensuring all legislative obligations in relation to reporting and investigating fraud and corruption matters are met.

ELT is responsible for setting the ethical tone for MRC, consistent with the values and ethical principles of the *Public Sector Ethics Act 1994* and MRC's Code of Conduct. ELT shall ensure that MRC has in place appropriate measures and resources to deal with allegations of fraud and corruption and to prevent and deter instances of fraudulent or corrupt conduct and that MRC operations are undertaken with integrity, honesty and transparency.

Program Managers are responsible for the implementation of systems and processes that integrate fraud and corruption prevention strategies into their day to day business processes. Program Managers should communicate, monitor and integrate MRC's Fraud and Corruption Prevention Policy and Standard into the area over which they have responsibility.

The Executive Officer is responsible for the implementation of the annual Fraud and Corruption Prevention Plan, for the statutory reporting of incidents of fraud, and for coordinating the investigation of all fraud and corruption allegations. Information about the incidents, trends and improvements will be reported to ELT and the Audit Committee.

The Audit Committee is responsible for monitoring the current and comprehensive risk management framework and associated procedures for effective identification and management of business and financial risks, including fraud.

MRC's Manager People & Culture is responsible for ensuring that human resource management arrangements promote good fraud and corruption prevention practices. The Manager People & Culture, in liaison with the Executive Officer, will also ensure that all alleged breaches are fully investigated and dealt with appropriately.

All MRC employees have an obligation to understand and adhere to MRC's Code of Conduct which outlines their obligations with regard to fraud and corruption prevention and reporting improper conduct. MRC employees also have an obligation to participate in learning and development activities aimed at improving their understanding of fraud and corruption prevention.

5.2 Guiding Principles

The four essential elements of fraud and corruption control are outlined below:-

Ethical Culture - Increasing levels of ethical awareness by embedding and implementing initiatives to deter and minimise the opportunities for fraud.

Prevention – Reducing instances of fraud by strengthening the systems of control and risk management.

Detection – Implementing initiatives to detect fraud as soon as possible after it occurs.

Response, Outcomes and Recovery - Implementing initiatives to deal with detected or suspected fraud in accordance with relevant policies and legislation. Ensuring appropriate outcomes (disciplinary, civil or criminal justice system) thereby helping to deter and prevent fraud from occurring. Recovery of losses maximised as far as possible, thereby limiting the financial impact and helping to deter and prevent reoccurrence.

5.3 Ethical Culture

5.3.1 *Understanding why people commit fraud*

Fraud is more likely to occur when:

- A person has an incentive or pressure to commit fraud
- Weak controls provide a person with opportunities to commit fraud
- The person has the capability to recognise the opportunity to commit fraud and takes advantage of it
- The person can rationalise committing the fraudulent behaviour

Raising awareness of the above four contributing elements (including through fraud awareness training) can support an ethical culture and assist staff in recognising early warning signs (red flags).

5.3.2 *Embedding an ethical culture*

The Fraud and Corruption Prevention Policy establishes the basis for controlling the risk of fraud and corruption and maintenance of a sound ethical culture across the MRC.

The Code of Conduct provides the standards of behaviour expected of all employees within MRC and describes the organisation's commitment to creating and maintaining a professional, client responsive and positive workplace culture.

5.3.3 *Education and training program*

Fraud and corruption often goes undetected because of staff's lack of knowledge in recognising the early warning signs of fraudulent activity. Furthermore, staff may be unaware of how to report their suspicions or have a lack of confidence in the integrity of the reporting system or investigation process.

MRC has developed an eLearning training program to assist in raising the general awareness of fraud and corruption among staff and how they should respond should this type of activity be suspected or detected.

This training will provide information to all MRC employees on the following:-

- What is fraud
- Types of fraud
- Red flags
- Fraud prevention and controls
- Conflicts of interest
- Code of Conduct
- Responsibilities of staff
- Detection and reporting of suspected fraud
- Consequences of fraud

5.3.4 *Tasks for improving an ethical culture*

Additional best practice tasks for improving an ethical culture include the following:-

- Ensuring all staff receive information on the Code of Conduct upon induction;
- Ensuring updates and changes to relevant policies and procedures are effectively communicated to all staff;
- Confirming that all staff have participated in relevant training including Code of Conduct training;
- Conducting meetings to discuss the ongoing effectiveness of this standard and to ascertain whether messages are being delivered to staff effectively;
- Regular discussion of ethical standards or behaviours at team meetings, and toolbox talks;
- Utilisation of all available media to disseminate fraud awareness materials, including:
 - Staff newsletter, bulletins, emails, factsheets;
 - Roll-out of the e-Learning package across the organisation;

These initiatives should be supported by effective and continuous communication and example-setting by management (tone from the top approach).

5.4 Prevention

Key aspects of preventing fraud include ensuring internal controls are in place to manage potential fraud risks, identify control weaknesses and implement measures to address these weaknesses. Regular fraud and corruption risk assessments are vital in identifying potential risks and control weaknesses and appropriate treatments.

5.4.1 *Internal controls*

Internal controls are often the first line of defence against fraud. MRC commits to maintaining a strong internal control system and promotes and monitors the use of effective internal controls.

Effective internal controls will continue to be developed and maintained through the cooperation and consultation with multiple work areas within the organisation including the Corporate Governance, Internal Audit and Financial Services.

Program Managers are to critically examine their areas of responsibility and business processes to identify and evaluate potential fraud and corruption risk situations.

5.4.2 *Fraud and Corruption Risk Assessments*

The assessment of routine work matters can identify internal control weaknesses that could increase the organisation's exposure to fraud and corruption. Fraud and corruption risk assessments will assist MRC in identifying those areas that have the potential to involve instances of fraud and/or corruption, and to implement measures to reduce risks.

MRC will undertake fraud and corruption risk assessments as part of its annual Fraud and Corruption Prevention Action Plan.

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

- establishing best practice 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 (red flags) of potential fraud and corruption.

5.4.3 *Fraud and Corruption Risk Identification*

Fraud and corruption risk identification is the process of finding, recognising and recording risks. To be effective in identifying fraud and corruption risks a variety of methods will be used such as:

- Utilising expert knowledge and judgement of staff to identify flaws in processes
- Internal audit reports
- Annual external audit reports
- Relevant Crime and Corruption Commission investigation reports
- Complaints by MRC staff, clients or stakeholders

5.4.4 *Pre-employment screening*

MRC acknowledges the importance of ensuring all employees are provided with a safe and secure workplace and is committed to promoting an ethical and professional work environment.

Pre-employment screening is an effective means of preventing fraud. When a preferred applicant has been selected for a position with MRC, pre-employment

screening processes must be conducted (where applicable) and used to screen future employees for suitability, which may include any or all of the pre-employment screening processes outlined below:

- Criminal history checks
- Blue Card
- Reference checks
- Qualification verification
- Health assessment
- Psychometric assessment
- Proof of Identity
- Drug and alcohol test
- Right to Work in Australia

An offer of employment will not be made until all the applicable pre-employment screening processes have been completed.

5.4.5 *Contractor and supplier due diligence.*

MRC will perform effective due diligence on contractors and suppliers which may include the following:-

- Search on company register
- ABN confirmation
- Reference checks
- Verification of details of directors
- Assessment of credit rating
- Finance checks
- Insurance checks
- Search of legal proceedings pending and judgments entered
- Trading address verification
- Media search such as Google etc.

MRC will consider ongoing commercial relationships and reassess a future working relationship if it is found that there is an increased risk of fraud or corruption.

5.5 Detection

Despite prevention activities, fraud and corruption may still occur. Therefore it is important specific strategies are in place to detect fraud as soon as possible if it has occurred.

5.5.1 *Communicating Fraud and Corruption Prevention*

This standard will be communicated by way of:-

- Specific reference in the fraud and corruption prevention staff education and training program.
- Availability of the standard on the MRC intranet.

- This standard should be accessible to all personnel, particularly those with specific fraud and corruption accountabilities.
- Specific reference in the fraud and corruption prevention policy available to employees on the MRC intranet and externally on the MRC website.
- Availability of the code of conduct on the MRC website.
- Incorporating ethical standards and fraud prevention statements in contract documentation.

5.5.2 *Reporting instances of fraud*

As per the MRC Code of Conduct, MRC employees who know or have good reason to suspect any maladministration or fraudulent, corrupt or unethical conduct must report it immediately.

A report of known or suspected cases of fraud can be reported in various ways including:

- Line Supervisors, Coordinators, Managers or Directors;
- The Executive Officer;
- The Chief Executive Officer; or
- The Mayor.

Alternatively, reports can be made to MRC's public interest disclosure portal which provides employees with the ability to disclose information in a secure and confidential manner.

While the likelihood of a successful outcome is increased greatly if, when making a disclosure, the person makes their identity known, MRC will nonetheless accept disclosures anonymously.

5.5.3 *Public Interest Disclosures*

A public interest disclosure (PID) is a disclosure about wrongdoing in the public sector that serves the public interest. For an allegation to be considered a PID under the Public Interest Disclosure Act 2010 it must fall into the following categories:

- For public officers, the PID must be made in the public interest about serious wrongdoing involving serious misconduct, corrupt conduct or maladministration.
- For any other person, the PID must be made in the public interest about danger to public health or safety, the environment or a reprisal as a result of a PID.

The *Public Interest Disclosure Act 2010* provides particular protections in relation to public interest disclosures.

MRC recognises that the decision to report a concern can be difficult because of the fear of reprisal from those involved in the fraudulent/corrupt activity. MRC will

not tolerate harassment or victimisation and will take action to protect those who raise a concern. Therefore employee safeguards will be established to encourage employees to raise concerns they may have about suspected fraud or corruption.

Anyone may choose to make a PID directly to an appropriate external entity rather than to MRC - this includes members of the public, elected representatives and MRC employees.

The Crime and Corruption Commission (CCC) will investigate a PID if it involves corrupt conduct.

The Queensland Ombudsman's Office will investigate a PID if it involves maladministration.

The Queensland Audit Office (QAO) will investigate a PID if it involves corrupt conduct or maladministration in regard to financial matters.

The protections of the *Public Interest Disclosure Act 2010* and/or this Policy does not cover reports that are:

- Intentionally false or misleading;
- Frivolous or vexatious;
- Substantially aimed at interfering with the implementation of lawful MRC or local government policy; or
- Made in attempt to avoid disciplinary action.

5.5.4 Identification of early warning signs (red flags)

Identifying and acting on warning signs (red flags) is paramount to the early detection of fraud. Fraud awareness training support early warning capabilities and an understanding of red flags amongst all staff.

Red flags do not indicate guilt or innocence, but they provide warning signs of possible fraud. There are two types of red flags: behavioural and transactional.

Transactional red flags refer to unusual or out of the ordinary exchanges related to common business activities or transactions. Behavioural red flags refer to unusual actions behaviours or traits exhibited by a person. No specific behaviour indicates fraud, rather changes in behaviour do.

Some examples are provided below:-

- Sudden employee lifestyle change - fraudsters tend to live beyond their means.
- Employee having significant personal debt or credit problems.
- Employee behavioural changes - most fraudsters feel guilty about their crime, which induces behavioural changes.
- Employee's refusal to take leave or job promotion - also working excessive hours.

- Employee insisting on working unusual or non-standard business hours.
- Suppliers/Contractors who insist on dealing with a particular employee.
- Employee attitude toward reporting procedures is overly aggressive.
- Policies and procedures are not documented or enforced.
- Alterations on documents (such as backdating, no original documentation only copies)
- Missing inventory or assets
- One employee has control of a process from start to finish - no segregation of duties.

5.5.5 *Data analysis*

Data analysis is a powerful means of detecting fraud and other improper behaviour. It is a process of uncovering patterns and relationships in datasets that appear unrelated and it can also highlight discrepancies which may indicate fraud and irregular behaviour.

MRC aims to strategically use computer systems (such as Finance1) in the identification of fraud indicators. Using data analytic techniques, trends can be examined and investigated which may be indicative of fraudulent conduct.

5.5.6 *Post-incident review*

MRC will ensure an effective review process following a critical incident. This includes a broader assessment of the issue/s and putting into practice the feedback from lessons learned.

5.5.7 *The Role of Internal Audit*

Internal audit assists management with the evaluation of internal controls used to detect or mitigate fraud, and may be involved in fraud investigations.

Internal audit is a mechanism to assess the effectiveness of internal controls. Internal Audit may receive direction from the Chief Executive Officer or the Audit Committee, and therefore, may play a variety of consulting, assurance and advisory roles in MRC's fraud management process.

5.5.8 *The Role of External Audit*

MRC will take a proactive approach and will liaise with the external auditor to facilitate the exchange of information in relation to the prevention and detection of fraud. MRC will respond quickly to concerns identified during the course of external audit work.

5.5.9 *Information Communication Technology (ICT) and Cyber Security*

Perpetrators of technology enabled fraud have shown that they are able to keep pace with the evolution of business technologies. In light of the increased fraud

risks associated with information technology, MRC is committed to continually improving its cyber security maturity to nationally recognised standards.

5.6 Response, Outcomes and Recovery

5.6.1 *Internal Reporting and Investigation*

As per the MRC Code of Conduct, employees who know or have good reason to suspect any fraudulent, corrupt, criminal or unethical conduct must report it immediately.

MRC encourages the reporting of any concerns or suspicions about fraudulent or corrupt activity to:-

- Line Supervisors, Coordinators, Managers or Directors;
- The Executive Officer;
- The Chief Executive Officer; or
- The Mayor;
- MRC Disclosure Portal.

All reports of alleged fraud and corruption will be treated confidentially to the fullest extent possible under the law.

The Chief Executive Officer (or his/her delegate) has a specific role in determining how the alleged conduct is to be investigated and ultimately addressed, particularly if further investigation is required through an external agency.

5.6.2 *External Reporting*

In Queensland's public sector there are a number of independent agencies which are responsible for promoting good governance, accountability and integrity and that provide law enforcement:

- The Crime and Corruption Commission;
- The Queensland Audit Office;
- The Queensland Ombudsman;
- The Queensland Police Service.

The Executive Officer is MRC's delegated contact officer for reporting of any fraudulent or corruption conduct to the appropriate agency.

5.6.3 *Referral to the Crime and Corruption Commission*

Under the *Crime and Corruption Act 2001*, the CCC investigates reports of corrupt conduct — in particular, more serious or systemic corrupt conduct — affecting Queensland public sector agencies - including local government.

As well as investigating alleged corrupt conduct by employees and elected representatives, the CCC can investigate any person whose conduct adversely affects the performance of an agency or its employees.

The CEO is legally obliged to notify the CCC where a reasonable suspicion of corrupt conduct exists. The CEO has delegated this authority to the Director Organisational Services, Executive Officer and Manager People & Culture.

Corrupt conduct is engaged in for the purpose of providing a benefit to the person or another person, or causing a detriment to another person. In addition, the conduct must be serious enough that, if proved, would constitute a criminal offence or a disciplinary breach providing grounds for dismissal.

5.6.5 MRC Responsibilities when Reporting to CCC

- MRC must notify the CCC if there is a reasonable suspicion of corrupt conduct. The officers delegated this responsibility from the CEO are Director Organisational Services, Executive Officer and Manager People & Culture.
- MRC must take all appropriate actions to ensure the proper management of PIDs including the protection of all parties.
- Ask the CCC for advice if it is uncertain whether a matter should be referred. The contact number for CCC is 1800 061 611 or further information can be accessed from CCC website <https://www.ccc.qld.gov.au/>.
- If MRC has conducted a preliminary investigation, ensure all information and documentation (including copies of any photographs, medical reports, video evidence, transcripts or tapes of any interviews conducted) is recorded and made available to the CCC if required.

Further information is also provided at *Attachment A- Directions Issued by the Crime and Corruption Commission to Mackay Regional Council Pursuant to Section 40 of the Crime and Corruption Act 2001*.

5.6.6 Referral to Queensland Ombudsman's Office

The Queensland Ombudsman will investigate administrative action complaints about Queensland state government departments and agencies (including state schools, TAFE), local governments, and public universities.

For example, The Queensland Ombudsman's Office can investigate complaints about:

- a decision made by MRC
- the way an application has been handled by MRC
- fees or charges levied by MRC
- the conduct of an MRC employee
- a MRC policy or standard.

If a complainant remains dissatisfied with the way MRC processed and then reviewed a complaint, the next stage in this complaint management process is an external review through the Queensland Ombudsman's Office.

The Queensland Ombudsman's Office will also investigate a PID if it involves maladministration.

5.6.7 Referral to Queensland Audit Office

The QAO investigates concerns by members of the public, elected representatives, agencies, and from other integrity offices, about the financial management and accountability of Queensland's public sector.

A referral can be made to the QAO about known or suspected financial waste or mismanagement by public sector entities or their employees.

The QAO undertakes investigations from referrals that:

- strengthen and improve public sector performance, efficacy and accountability
- address governance deficits in public sector entities
- speak to systemic issues in government service delivery
- uncover and mitigate fraud relating to taxpayer or ratepayer funds.

The QAO (under the Auditor-General Act 2009) has the power to carry out independent audits and investigations of Queensland public sector agencies.

5.6.8 Referral to Queensland Police Service

If the matter is suspected to be a criminal offence, a referral to the Queensland Police Service (QPS) may be undertaken. These types of referrals could include matters such as serious corrupt conduct, fraud, wilful damage and theft.

Police investigate criminal matters in order to place evidence before a court. Police cannot investigate civil matters and are unable to recover money.

If the matter is assessed and a decision is made that the QPS will investigate the complaint, it is most likely that the matter will be referred to detectives located in the area where the offence of fraud has occurred.

The phone number for Policelink is 131444.

On-line reporting via Policelink can also be undertaken on the QPS website <https://www.police.qld.gov.au/policelink-reporting>.

5.6.9 *Reportable Loss of Assets*

Under the s307a of Local Government Regulations 2012, if MRC becomes aware of a reportable loss of an asset (valued at \$500 for money and more than \$1000 for other assets), MRC must notify the following agencies as soon as practicable:

- (a) the Minister;
- (b) the auditor-general (QAO)
- (c) for a loss resulting from the commission of an offence under the Criminal Code or another Act—a police officer;
- (d) for a loss resulting from the corrupt conduct of a councillor, local government employee or local government worker—the CCC.

A reportable loss means a loss resulting from—

- (a) the commission of an offence under the Criminal Code or another Act; or
- (b) the corrupt conduct of a councillor, local government employee or local government worker; or
- (c) conduct of a contractor of the local government that would be corrupt conduct if the contractor were a councillor, local government employee or local government worker.

5.7 Investigations

The Executive Officer, under the direction of the Chief Executive Officer, will coordinate the investigation in relation to any fraudulent or corrupt conduction to ensure that the appropriate processes have been adhered to.

5.8 Reviewing Systems and Procedures (post-fraud)

As part of close-out reporting, MRC will ensure that relevant process owners reassess the adequacy of the internal control environment (particularly those controls surrounding the fraud incident) and actively plan and implement improved mitigation controls of fraud and corruption risks.

5.9 Provision of Information to External Agencies and Third Parties

MRC will share relevant information with external agencies (eg CCC, Queensland Police Service) as identified in the Standard.

MRC recognises that a fraud and corruption event may impact on third parties such as our customers, businesses and other government agencies. MRC is committed to share information with relevant third parties, to prevent further or ongoing fraud.

5.10 Disciplinary Action

Action taken in response to allegations of fraud and corruption will be in accordance with the Code of Conduct, relevant legislation, policies and the principles of natural justice.

The management of discipline in MRC is contained in Disciplinary Procedure Administrative Policy No. 009. Council will consider reasonable management and/or disciplinary action against staff resulting from substantiated allegations of fraud or corruption. Action may include, but is not limited to: reprimand, reduction of the level of remuneration, transfer or redeployment or termination of employment.

MRC may still undertake disciplinary action against the employee regardless of the outcome at criminal or civil court.

5.11 Recovery of Losses

MRC is committed to quantifying fraud losses and maximising the recovery of losses incurred from fraud and corruption activities and will pursue every possible avenue in doing so through the Criminal Proceeds Confiscation Act 2002 or through civil recovery. The recovery of losses will help to limit any reputational damage MRC may suffer and the financial impact this may have on MRC's objectives.

6.0 Review of Standard

This corporate standard will be reviewed when any of the following occur:

1. The related policy documents are amended or replaced.
2. Other circumstances as determined from time to time.

Notwithstanding the above, this policy is to be reviewed at intervals of no more than three (3) years.

7.0 Attachments

- Directions – Crime and Corruption Commission

Version Control:

Version	Reason / Trigger	Change	Endorsed / Reviewed	Date
1	New		Adopted	28/9/2022

**DIRECTIONS ISSUED BY THE
CRIME AND CORRUPTION COMMISSION
TO
MACKAY REGIONAL COUNCIL
PURSUANT TO SECTION 40 OF THE *CRIME AND CORRUPTION ACT 2001***

1 Preamble

The Chief Executive Officer (CEO) or the nominated officer of the Mackay Regional Council is the relevant public official for the purposes of sections 38, 40 and 48A of the *Crime and Corruption Act 2001*(CCA).

Pursuant to section 38 of the CCA, a public official must notify the CCC of a complaint or information or matter which the public official reasonably suspects involves, or may involve, corrupt conduct.

A reasonable suspicion must be based on an objective assessment of the information at hand. The public official does not have to have sufficient evidence to prove the corrupt conduct allegation, but the available facts, evidence or other information must provide reasonable grounds for suspecting that the allegation, involves, or may involve, corrupt conduct. Part 2 of the CCC's *Corruption in Focus* provides further clarification on the obligations of public officials to notify.

'Corrupt conduct' is conduct that could adversely affect, directly or indirectly, the performance of official duties. The conduct must be of a kind that could result, directly or indirectly, in the improper performance of those duties. Also the conduct must be engaged in for the purpose of providing a benefit, or causing a detriment, to a person. Finally, the conduct must be such that it would, if proved, be a criminal offence or a disciplinary breach providing reasonable grounds for termination (s15 of CCA).

The CCC takes the view that the performance of the official duties of a person elected to office could not amount to corrupt conduct unless the conduct could, if proved, amount to a criminal offence.

Section 40 of the CCA provides that the CCC may issue directions about how and when a public official must notify the CCC of complaints under section 38.

The CCC has decided to issue directions under section 40 in relation to three categories. The CCC has determined two categories are appropriate to be dealt with by the agency, prior to notifying the CCC. All other complaints must be immediately referred to the CCC prior to the agency dealing with the complaint. The categories of complaints are set out in the **ATTACHED** table.

This document also sets out the agreed administrative arrangements between the CCC and the Mackay Regional Council in relation to directions issued in accordance with section 40 of the CCA, and must be read in conjunction with:

- *Corruption in Focus*: The CCC's guide for dealing with suspected corrupt conduct in Queensland public sector agencies issued by the CCC,
- any other guidelines under section 48(1)(a) of the Act issued by the CCC, and
- any report generated by the CCC, and referred to the agency, in which it explains the assessment and the requirements of the agency for individual complaints.