



Fraud risks and technology: The face of fraud is changing

The changing face of fraud – know the risks



The CCC has identified three areas at the biggest risk to technology-related fraud threats.

New and emerging technologies

New and emerging technologies, like remote working using video and online technologies, generative artificial intelligence (AI) to speed up the delivery of services or undertake administrative tasks, and using social media to reach a wider audience are now common practice across the public sector. While advancements in technology and innovations in public service delivery are helping the public sector to deliver more efficient and effective services, they also increase fraud-related risks by making it more difficult for fraudulent conduct to be detected, investigated, and prosecuted.

This is because advanced technology can offer anonymity, psychological distance, speed and efficiency, and personalisation not seen before. This combined with current economic conditions, such as the rising cost of living, may increase the motivation for fraud by public sector employees or contractors.

While technological advancements are changing almost all aspects of fraud, the CCC's corruption work has identified three areas that are particularly prone to technology-related fraud threats:

- **procurement**
- **recruitment**
- **grant funding, regulation, and licensing.**



Since 2015, the CCC has received more than 2500 fraud-related allegations.

While fraud allegations peaked between 2018 and 2020, since 2022 the CCC has been observing an increasing upward trend in fraud-related allegations. As the opportunities to commit and detect fraud change, public sector agencies need to ensure they have the right measures in place to detect, prevent and respond to fraudulent behaviours. To view the number of allegations about fraud and other corrupt conduct made to the CCC about public sector agencies, visit the [Corruption Allegations Data Dashboard](#).



Procurement

Significant public funding is being invested to deliver major infrastructure programs, which include new hospitals, schools, housing, transport, and renewable energy. Complex procurements, including major infrastructure and development projects are vulnerable to fraud and corruption as they often involve significant expenditure of public funds.

Advancements in technology mean that agencies are increasingly relying on e-procurement processes, cloud-based procurement solutions to automate procurement tasks, increased online transactions and online document submissions and recordkeeping. However, these same advancements increase technology-related procurement risks, especially in supplier selection and contract management.

Procurement-related frauds can include:

- creating fraudulent physical or electronic documents
- altering existing physical or electronic documents
- manipulating bid documents such as technical specifications
- inappropriately accessing or releasing sensitive or confidential information, e.g., tender specifications.



What can you do?

To reduce the risk of fraud and corruption within procurement:

- ✓ Implement a fraud and corruption risk management plan that documents how you identify, prevent and respond to fraud risk.
- ✓ Set a procurement policy and procedure that guides staff on how to conduct procurement activities properly.
- ✓ Promote a probity-oriented culture through training and awareness.
- ✓ Develop and implement internal control activities such as internal audits of your processes, securing of and tracking of access to sensitive documents and information management and auditing that access.

Recruitment

Recruitment is a high-risk area for fraud through people misrepresenting their qualifications, work history and experience. Our corruption work has identified how technology can facilitate or conceal corruption through:

- using technology to create false qualifications to gain employment
- employees holding multiple undeclared and unmanaged jobs in different organisations at the same time
- 'ghost' employment fraud where positions are created and then 'filled' by staff who either do not work for the organisation or do not exist, and whose wages are paid to corrupt employees due to automated recruitment, employment, and payroll systems.

Fraud in recruitment may be heightened where an agency doesn't:

- undertake sufficient pre-recruitment vetting and screening
- validate credentials and work experience
- apply the same probity rigour to internal applicants
- ensure managers adequately supervise staff and their outputs
- ensure recruitment agencies carry out proper due diligence checks on applicants or adequately oversee their service delivery.

Misrepresenting qualifications, work history and experience are ways people commit recruitment fraud.



What can you do?

The following strategies can reduce your agency's risk of recruitment related fraud and corruption.

- ✓ Implement strong pre-employment screening and vetting at every stage of the recruitment process.
- ✓ Set a recruitment and selection policy and procedure to guide staff on how to conduct recruitment properly.
- ✓ Implement an induction process and training for new and ongoing employees to emphasise their public interest responsibilities and obligations.
- ✓ Embed an ongoing obligation for employees to declare conflicts of interests, secondary employment and declarable associations and develop a process for recruitment panels to declare and manage conflicts of interest.
- ✓ Develop and implement the right internal control activities such as internal audits of your processes, securing of sensitive documents and auditing employee access.

Grant funding, regulation and licensing

State and local government bodies regulate a number of important activities and industries and are responsible for distributing large amounts of public funds through grants and assistance programs.

Corruption within grant funding, regulation and licensing can have significant impacts on the health and safety of individuals, the community, and the environment, and lead to the misuse of public funds.

While delivering grants, issuing licences and carrying out regulatory functions are necessary to achieve key government objectives, they also carry fraud risks as they are often highly competitive and involve the exercise of discretionary powers. Corruption risks in **grant funding** are often elevated when a grant program is designed and delivered rapidly or with inadequate resources.

Competition for funding may increase corruption risks by creating incentives to misreport service delivery costs or outcomes, or to manipulate already funded existing services as new or additional services.

Regulatory activities, particularly those providing licensing, certificates or inspections of compliance are also at higher risk of corruption or fraud where the agency holds highly sensitive information, as well as the increased risk of bribery, favouritism or other conflicts of interest.

Common corruption risks around grant funding, regulatory and licensing activities include:

- individuals failing to declare a conflict of interest involving a person or business they are regulating or providing funding to
- individuals soliciting or accepting a bribe or benefit to exercise their powers in a certain way
- individuals improperly providing confidential information to a regulated entity or funding recipient
- a person acting fraudulently in relation to an application for a licence or permit.



What can you do?

To reduce fraud and corruption risks in grant funding, regulation, and licensing:

- ✓ Implement systems and practices to manage grant funding, regulation, or licensing effectively. Use the [Queensland Audit Office Grant Management Maturity Model](#) for self-assessment.
- ✓ Screen grant or licence recipients thoroughly, both before and after awarding, to confirm ongoing compliance.
- ✓ Train employees on ethical and administrative obligations, including decision-making, conflict declarations, and handling sensitive information.
- ✓ Rotate employees in decision-making roles, with oversight on discretionary decisions to prevent conflicts of interest.
- ✓ Conduct regular and random audits of processes and decisions.