

# PREVENTION in focus

## Timesheet and leave fraud – How managers can prevent and detect corrupt conduct relating to timesheets



*Effective monitoring and administrative processes should be in place to minimise the potential misuse of public sector resources*

In July 2020, the CCC published the results of an audit report<sup>1</sup> that assessed if employee fraud in public sector agencies is adequately prevented through timesheet and leave processes. The audit examined investigations conducted by a representative sample of public sector agencies into instances where public resources such as overtime, shift penalties, leave and other entitlements had been improperly claimed. These improper claims signalled to the CCC that managers were approving timesheets that contained accidental or deliberate errors, resulting in employees receiving benefits to which they were not entitled.

In addition to the audit, investigations conducted by the CCC and by agencies revealed that greater opportunities for timesheet and leave fraud occurred in workplaces where the workforce:

- did not require management to be co-located with a team,
- involved a working pattern including night shifts or other variable shifts and hours, and
- involved multiple, temporary or changing work locations.

Public sector managers are ultimately accountable to Queensland taxpayers and should have effective monitoring and administrative processes in place to minimise the potential misuse of public sector resources.

### What managers need to know

- Deliberately making false entries on timesheets and in leave applications can be a criminal offence for which a public sector employee can be charged under the Queensland Criminal Code.
- Managers play a critical role in ensuring employees submit accurate timesheets and leave applications. A failure by managers to diligently check and validate timesheets or leave applications before approving them can result in breaches of an agency's policies and procedures, and may be investigated and dealt with as corrupt conduct.

This Prevention in focus aims to educate managers on their obligations to approve and monitor employees' timesheets and other allowances. This publication identifies examples of timesheet and leave fraud, associated behaviours and some key indicators of fraud, and highlights a criminal case involving timesheet fraud by a public sector employee.

*\*A note on terminology: While this publication references the term 'manager', it is intended that this term represents public sector positions at all levels that have the delegation and authority to approve timesheets and leave entitlements.*

<sup>1</sup> Crime and Corruption Commission, *Managing corruption risks with timesheet and leave activities*, CCC, Brisbane, July 2020



## A note on the COVID-19 pandemic



The COVID-19 global pandemic introduced a sudden shift in the crime and corruption risk environment. It is well-understood that theft and fraud are particular risks in times of substantial economic and societal disruption.

It's important for managers to support staff during times of disruption, including through supporting working-from-home arrangements. At the same time, it is important to reinforce that this does not reduce their obligations to effectively supervise staff. Managers are obligated to understand and apply all relevant employment policies, including those for corporate assets and equipment approved to be used at home.

## What does timesheet and leave fraud look like?

Timesheet fraud can include a variety of conduct including:

- i. creating a false record which makes it appear the employee is working when they are not, such as:
  - signing on or signing off at times that are different to those that were actually worked
  - claiming break times that are shorter than the actual time taken
  - claiming overtime for work that was not done.
- ii. being absent from the workplace without approval and without allocating time to an approved leave category that matches the reason for the absence. Examples of how time can be misappropriated include:
  - claiming to be at work when not at work
  - signing on and not working (e.g. reading the newspaper, doing personal tasks), wasting time during the day, or deliberately taking excessive time to complete tasks
  - calling work to take advantage of leave entitlements such as sick or carer's leave when not ill or when not caring for someone
  - not completing a leave application upon return to work.

These are all examples of dishonest behaviour that can amount to criminal offences of fraud or misconduct in relation to public office.

## Keep an eye out for these indicators or “red flags” of timesheet fraud

Managers are uniquely placed to spot the most common red flags related to timesheet and leave fraud. Some of the indicators or red flags can include:

- pre-populated timesheets with start and finish times, including breaks
- timesheets not being submitted on time
- not completing a leave application upon return to work following an unexpected or urgent absence
- regularly taking sick leave days adjacent to weekends or public holidays, or
- work not being completed on time without an adequate explanation.

## Case study .....



### Timesheet fraud leads to prison sentence

Following a corruption investigation, the CCC found that a former public service employee who also had supervisory responsibilities, had dishonestly claimed nearly \$40,000 in overtime over a two-year period after being temporarily appointed to manage a team through organisational change. The employee was sentenced to two years' imprisonment, which was suspended after three months; the remainder of the sentence was suspended on the condition no further offences were committed.

The CCC began its investigation after receiving an anonymous complaint alleging that the employee was showing favouritism towards some staff and bullying behaviour towards others. Allegations also included preferential treatment associated with rostering, and ignoring timesheet irregularities for some staff while strictly adhering to policy for others. The employee was also alleged to be submitting false timesheets and claiming overtime and allowances for work not completed.

The CCC examined the employee's true hours of attendance through analysis of computer data logs and timestamps on a building access card. Analysis of the employee's mobile phone established that she was not in the building at the times she claimed, after location mapping matched her mobile phone contact with telecommunication towers as she drove to and from work.

The CCC also identified significant systemic risks resulting from inadequate internal control mechanisms at the agency. Additional allegations concerned the failure of line managers and directors to adequately supervise staff, manage payroll approval processes, implement increased monitoring arrangements to cater for work carried out at a remote work location, and to balance the risk associated with promoting an under-qualified supervisor.

## How does timesheet and leave fraud happen?

An employee's time must be treated as a valuable public sector resource, and managers are obligated to monitor staff timesheets and leave entitlements to maximise team and agency outputs and to avoid errors. Timesheet errors can result in the employee being incorrectly advantaged or disadvantaged. Inaccurate entries in a timesheet can occur for a variety of reasons. Employees may:

- fail to understand their obligation or the policy and procedure governing their work hours
- be careless in recording time worked, or
- deliberately falsify a timesheet record or other allowance claim form.

However, our investigations confirm that some employees will seek to take advantage of poor or ineffective employee supervision to commit timesheet and leave fraud. Additionally, an employee can exploit weak internal controls to fraudulently claim benefits. Once an employee improperly claims a benefit without detection, they are likely to continue that fraudulent behaviour.

In addition to being potentially corrupt conduct, fraudulent behaviour relating to timesheet and leave demonstrates a fundamental failure in an employee's integrity and accountability, which are key public sector ethics principles<sup>2</sup>. Effective controls require an ongoing commitment to an anti-corruption organisational culture, good leadership and the implementation and monitoring of a corruption prevention framework that is proportionate to the corruption risk in your workplace.

Employees may attempt to rationalise or downplay timesheet fraud if confronted about inaccuracies. For example, there may be feelings of entitlement, a claim that no-one was harmed by the inaccuracy or that other employees are also engaged in this conduct. All of these are examples of behaviours or red flags that require a response by a manager to reinforce the importance of accurate recording of time and other entitlements.

2 Public Sector Ethics Act 1994, Qld, s.4(2)



## Five ways to proactively supervise timesheet and leave entitlements

- 1. Training** – ensure staff understand internal timesheet and leave policies and processes. Deliver comprehensive induction training supported by regular refresher training, at least every two years. Ensure staff can articulate the organisation’s position on fraud.
- 2. Communication** – define team roles, clearly outline realistic work performance expectations and be open to renegotiate timeframes where unexpected events might delay expected outcomes. Ensure you have productive engagement with staff working from home, and ask staff to report on what they achieved at regular intervals.
- 3. Knowledge** - understand the time and effort required for staff to complete tasks and the expected hours they work. Record any irregularities and ask questions when you identify potential issues.
- 4. Timeliness** - implement clear expectations around the timesheet approval processes and deadlines for submission. Conduct occasional spot-checks and ensure staff know that these spot-checks are carried out.
- 5. Transparency** - implement a work unit roster and leave calendar, or ask staff working remotely to advise when they sign on and sign off each day.

## Strategies to prevent and detect fraud

Compliance with policies and procedures, and proactive supervision are strong defences against fraud. Managerial failures, misplaced trust and a manager’s relaxed attitude toward internal controls can facilitate dishonest conduct. Traditional internal controls such as co-locating managers with staff will not prevent timesheet or leave fraud if a staff member’s work and attendance is not monitored. It’s also crucial to know what employees are working on, and have an understanding of how long particular tasks will take to complete.

Failure to diligently monitor staff timesheets before approving them can result in a manager being investigated for corrupt conduct. Managers must maintain clear and active engagement with their staff around expectations regarding timesheets and leave applications.

Timesheet and leave fraud can be more easily detected if you:

- have clear knowledge of the employee’s role, tasks and responsibilities
- match work carried out by staff with time claimed
- monitor complaints made by other staff and members of the public, even when complaints are made anonymously
- supervise staff performance and activities
- conduct periodic internal audits on activities such as comparing timesheet claims against electronic logs of computer use, building and gate access points, or vehicle GPS records.

To find out more about detailed corruption prevention strategies, you can read the CCC’s Summary audit report- [\*Managing corruption risks associated with timesheet and leave activities\*](#).

## Related publications

- [Summary audit report: \*Managing corruption risks associated with timesheet and leave activities\*](#)
- [Corruption Prevention Advisory: Use of official resources](#)
- [Fraud and Corruption Control – Best Practice Guide](#)



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