

Managing corruption risks associated with timesheet and leave activities

Summary audit report

July 2020



Acknowledgements

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1. Introduction

Background

In 2019–20, the CCC conducted an audit to assess if employee fraud in public sector agencies is adequately prevented through timesheet and leave processes. The audit had two objectives:

1. Ensure agencies appropriately dealt with allegations of corruption
2. Ensure agencies are appropriately reducing the incidences of timesheet and leave fraud.

The CCC decided to audit timesheet and leave fraud due to regularly receiving allegations of corruption involving conduct such as falsifying work hours to achieve extra wages or accrued time, abusing sick leave entitlements and fabricating medical certificates to support sick leave.

In the 2018–19 financial year¹, the CCC received 642 allegations involving potential timesheet and leave fraud. This figure is 64 per cent higher than three years ago in 2015–16 period (391 allegations).

Considering the trends in corruption allegations as an indicator of prevalence and as a measurement of risk, the CCC selected five agencies which presented greater opportunity for timesheet and leave fraud as their workforce patterns entail night shift work, variable shifts and hours, and employees who are unsupervised or work across multiple locations. Those agencies were:

- Department of Health
- Queensland Corrective Services
- Queensland Police Service
- Brisbane City Council
- Gold Coast City Council.

Key objectives of the audit

The CCC examined 80 investigation files to achieve the two objectives set for this audit.

Audit objective one

In assessing how appropriately the agencies had dealt with the 80 complaints, the CCC observed how four of the five agencies consistently responded to allegations of corruption relating to timesheet and leave activities effectively. However, improvement was needed in a number of areas for two of those four agencies. These included recordkeeping of investigative documentation and how decisions are made and recorded. The fifth agency required significant improvements to its investigative practices, case management, preliminary inquiries, documentation and decision making. The CCC was unable to conclude whether five of the seven complaints handled by the fifth agency achieved optimal outcomes from its dealings with these complaints, to promote public confidence in its administration. Additional observations related to improving complaint categorisation in one of the agencies.

The CCC's examination of the 80 complaints showed the nature and seriousness of timesheet and leave fraud. Of the 54 complaints that were investigated by agencies, 31 (57 per cent) resulted in disciplinary outcomes. There were also nine resignations prior to the disciplinary processes being completed. Of the nine complaints that resulted in resignations during the investigations, 67 per cent had been identified as capable of being substantiated by the investigators.

¹ Allegation data as at November 2019.



The CCC also found that of the complaints that had been substantiated, 43 per cent related to fraud that had been perpetrated by individuals who were field workers (e.g. labourers, machinery operators and technical officers).

Despite identifying areas that needed improvement, the CCC's audit of agency handling of timesheet and leave fraud complaints concluded that overall results were sound and indicated that the agencies were committed to achieving good results in dealing with this kind of complaint.

Audit objective two

As a second objective, the CCC examined whether the agencies had developed and implemented adequate prevention responses to ensure similar timesheet and leave fraud does not happen again. The CCC reviewed relevant policies, fraud risk registers and the designs of internal controls arising from the 80 investigation files.

The CCC observed some well-designed prevention strategies in place to mitigate fraud risks. Agencies did include consideration of prevention responses in most of their 80 investigation files. On examination of the investigation files, the CCC identified several areas for improvement in relation to:

- implementing more prevention measures to address gaps in internal control activities in all agencies
- developing an overarching policy for the management of hours of work for employees, as this was non-existent in three agencies
- developing and implementing more detection activities, for example, proactive advanced analysis techniques, and conducting internal audits in the areas of timesheet and rostering practices.

Overall, the audit results are a reminder that public sector agencies, managers and supervisors need to be vigilant to ensure that their policies, processes and supervisory practices for managing staff timesheets, rostering and leave applications, and for investigating allegations of timesheet and leave fraud in their agency are operating effectively.

This report includes case studies and a prevention guide for combating timesheet and leave fraud, with examples of strategies to address corruption risks.



2. Reasons for doing the audit

Preventing corruption is fundamental to the CCC's vision for safe communities supported by fair and ethical public institutions.

The *Crime and Corruption Act 2001* (CC Act) sets out the functions and powers of the CCC relevant to its corruption audits.

Dealings with complaints of corruption

When the CCC examines how a public sector agency has dealt with an actual complaint it relies on its monitoring function in sections 33(1)(b), 47(1)(b) and 48(1)(b) of the CC Act. Sections 47(2) and 48(2)(a) states that the public official² must give the CCC reasonable help to undertake a review or audit.

Framework for preventing corruption

When the CCC examines what systems, processes and practices a public sector agency has put in place to control corruption risks, and to maintain proper standards of conduct for their staff, it relies on its prevention function set out in section 23 and its corruption function "to raise standards of integrity and conduct in units of public administration" set out in section 33(1)(a). The CCC's corruption function in section 33(1)(a) is inextricably linked to its prevention function.

The CCC Corruption Audit Plan for 2019–21 included an assessment of whether employee fraud in public sector agencies is adequately prevented through timesheet and leave processes.

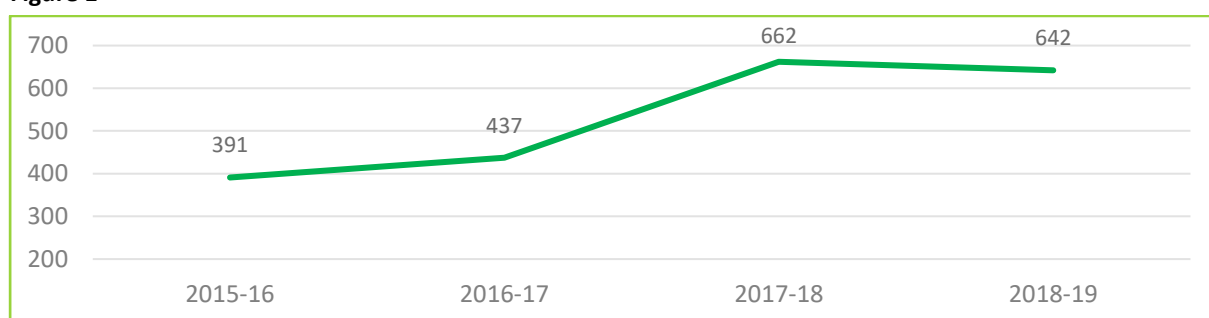
Allegations

The CCC regularly receives allegations of corruption involving conduct such as:

- falsifying work hours to achieve extra wages or accrued time
- abusing sick leave entitlements
- fabricating medical certificates to support sick leave
- concealing or facilitating breaches (or potential breaches) by others.

In the 2018–19 financial year, the CCC received 642 allegations involving potential timesheet and leave fraud. This figure is three per cent lower than the 2017–18 period (662 allegations). The 2017–18 figure was 51 per cent higher than the preceding 2016–17 period (437 allegations). Refer Figure 1 below.³

Figure 1



Source: CCC corruption allegations data for the period 1 July 2015 to 30 June 2019

² Is defined in Schedule 2 of the CC Act. For example, the Commissioner, Director-General or the Chief Executive Officer.

³ The audit used two activities related to alleged conduct – supervision and employee relations, and payroll activities – that timesheet and leave fraud could relate to or arise from.



Effective risk management and internal controls are required to prevent employee fraud, however strong internal controls can be circumvented where there is a lack of supervision or misplaced trust. An employee can exploit weak internal controls to claim benefits to which they are not entitled. Once a benefit is improperly claimed without being detected, an employee is likely to engage in further fraudulent behaviour. Fraud risk is magnified where supervisors collude with their employees by approving exaggerated timesheets and perpetuate the culture by treating it as “custom and practice”.⁴

The rigorous and timely review of timesheets and leave applications by supervisors is likely to be a deterrent to fraudulent activity by staff. Proactive fraud prevention and detection by supervisors will reduce the extent of the internal criminal activity and its impact on the agency.

Audit focus

The audit had two objectives:

1. Ensure agencies appropriately dealt with allegations of corruption
2. Ensure agencies appropriately reducing the incidences of timesheet and leave fraud.

The five agencies chosen for audit were:

- Department of Health⁵
- Queensland Corrective Services
- Queensland Police Service
- Brisbane City Council
- Gold Coast City Council.

The CCC used its corruption allegations data as an indicator of prevalence and as a measurement of risk. The agencies selected present greater opportunity for timesheet and leave fraud as their workforce patterns entail night shift work, variable shifts and hours, and employees who are unsupervised or work across multiple locations.

Objective 1: Ensure agencies appropriately dealt with allegations of corruption

The CCC reviewed a random sample of 80 of the 97 complaints⁶ of corruption (82 per cent) between 1 July 2017 and 30 June 2019. Those complaints were:

- Assessed by the CCC as appropriate for the agencies to deal with on a “no further advice” basis. That is, the agency was not required to update the CCC on how the matter was dealt; or
- Assessed by the relevant agencies under section 40 of the CC Act as capable of being dealt with by them without having to report allegations of corrupt conduct to the CCC (e.g. Level 3, non-reportable matters).⁷

The CCC sourced and examined 80 investigation files from the agencies to determine whether they effectively:

- documented their decisions about how to deal with matters
- investigated allegations of corruption
- dealt with the conduct of the individuals to maintain proper standards of conduct for their staff.

4 “On the Hunt for Payroll Fraud: Taking a close look at payroll risks can enable internal auditors to help their organizations save money and identify wrongdoing”, Christopher Kelly, Internal Auditor magazine, 22 May 2016. (Access is restricted to members.)

5 Excluded the 16 Hospital and Health Services.

6 Complaints are comprised of multiple allegations.

7 Section 40 directions generally categorise allegation types into level 1, 2 or 3 depending on a variety of factors including the seriousness of the allegation. The categorisation of an allegation determines when and how allegations are to be reported to the CCC. The QPS only have two levels in their s.40 direction



The CCC's *Corruption in focus – A guide to dealing with corrupt conduct in the Queensland public sector* was the standard against which the CCC measured agencies' responses to complaints.⁸

Objective 2: Ensure agencies are appropriately reducing the incidences of timesheet and leave fraud

The CCC analysed the investigation outcomes of the 80 matters to determine the type of conduct and possible reasons for the frauds. The CCC used the key elements outlined below to help identify opportunities for fraud prevention and detection improvement.

- Agencies undertook fraud risk assessment practices relating to timesheet and leave fraud.
- Agencies provided fraud awareness training across their organisation.
- Agencies had clearly written policies and procedures relating to timesheets, rostering and other prescribed leave/allowance entitlements.
- Agencies maintained effective fraud prevention and detection controls through sound supervision, and performed regular data mining on internal data.

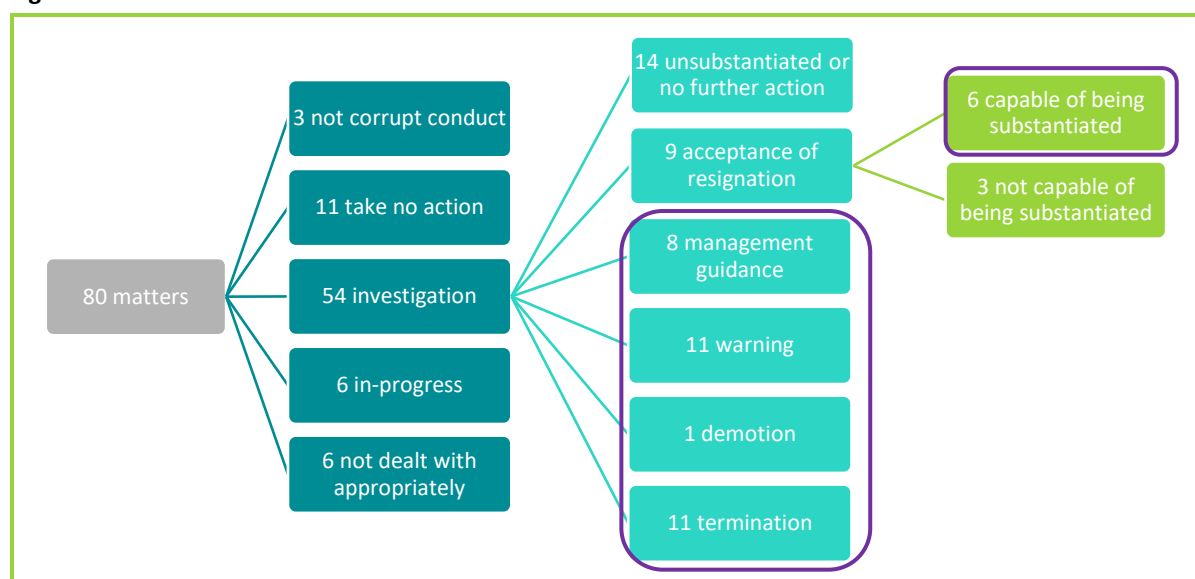
The above key elements were considered by the CCC as risk-focused areas of an internal control framework.

Statistical results from the audit

Figure 2 shows how agencies dealt with the 80 matters the CCC reviewed. In summary:

- An agency incorrectly assessed three complaints as meeting the threshold of corrupt conduct.
- Agencies took no action in relation to 11 complaints that were assessed as lacking in substance or credibility, or where dealings with the complaints would be an unjustifiable use of resources.
- Fifty-four complaints were investigated, with a range of outcomes (as indicated in the second far-right shaded boxes in figure below).
- Six complaints were still in progress.
- Six complaints were not appropriately dealt with.

Figure 2



Source: CCC's analysis of agencies' investigation files

⁸ [Corruption in focus](#) (January 2020).

Figure 2 illustrates the seriousness of timesheet and leave fraud which cannot be ignored; 57 per cent of the 54 investigations had resulted in disciplinary outcomes.

There were nine resignations prior to the disciplinary processes being completed. Of the nine cases that resulted in resignations during the investigations, 67 per cent had been identified as capable of being substantiated by the investigators. If the subject officers had not resigned, each of the six cases could have been referred to a final decision-maker to undertake their own analysis and make an impartial decision about whether the alleged corruption has been proven or not. Disciplinary outcomes may have been imposed upon the subject officers if they were still employed at the relevant agencies.

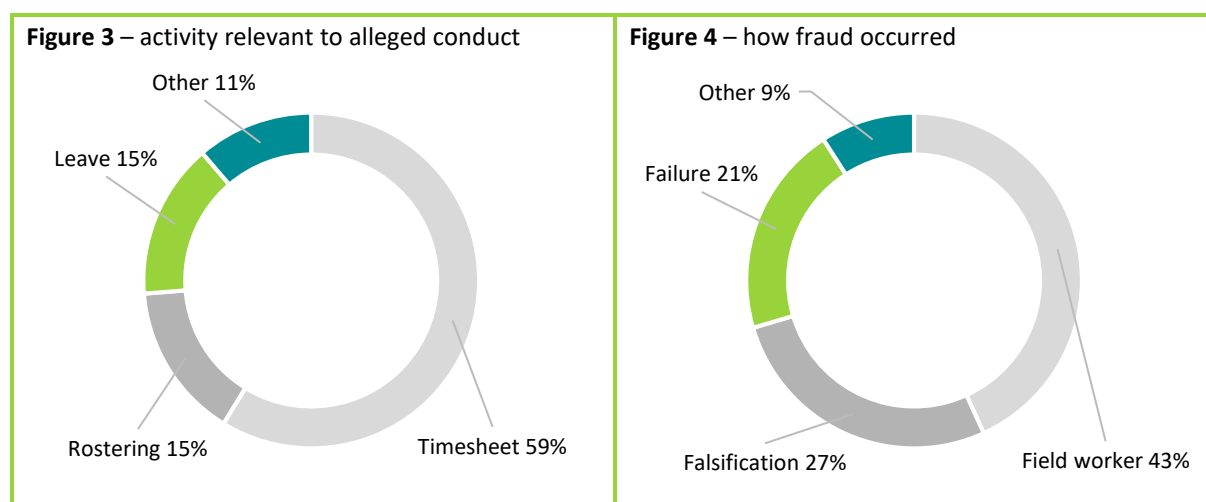
The ability for an agency to make post-separation declarations about separated employees, which departments have under section 188A of the *Public Service Act 2008*, could assist in identifying unsuitable applicants and thus reduce corruption risks. Currently, there is no statutory mechanism to make post-separation declarations in relation to local government.

Fraud activities and alleged conduct

The following figures indicate the activity relevant to alleged conduct (Figure 3) and how fraud occurred (Figure 4).

In summary:

- Complaints most commonly related to time recording (59%), followed by rostering (15%), leave management (15%) and other minor activities within the human resources (HR) environment (11%). (Figure 3)
- In relation to complaints that have been substantiated, fraud occurred by subject officers who were field workers with no supervision (43%), falsifying timesheets and rosters (27%), failing to submit payroll forms when required (21%) and other minor reasons (9%). (Figure 4)



Source: CCC's analysis of agencies' investigation files

It is important to note that timesheet and leave fraud by employees cannot be eliminated but the risks of it occurring can be substantially reduced. Line management is best placed to identify strategies to reduce the risk of fraud within their areas of responsibility, and this knowledge can be used to particularise risks, identify possible controls and develop appropriate prevention responses.



3. Key observations from the audit

The CCC has communicated the observations of its audit to participating agencies, but for the purposes of this summary the CCC does not identify which agencies were involved in each observation. The use of “Agency One... Agency Two...” is not referring to the same organisation in each observation. The intent of this audit summary is to help all agencies in the Queensland public sector to better understand corruption and fraud risks and improve their corruption investigation and prevention capabilities.

The CCC audit identified five areas for improvement and related prevention recommendations.

Area for improvement 1 – Dealing with complaints of corruption

The CCC identified four of the five agencies had consistently dealt with complaints of corruption effectively, however the CCC did identify two matters that could have been dealt with more appropriately. Case study one refers.

The other agency (referred to below as Agency Three) did not appropriately deal with five of the seven matters audited. The CCC was unable to assess whether the complaints of corrupt conduct were dealt with effectively to promote public confidence in the agency’s administration. There was a lack of records, or gaps in the investigation processes. The complaints were prematurely closed, with no action or attention for a significant period of time or no progression of the investigations. Refer to case study two as an example.

Case study one – Lack of investigation records to arrive at outcomes

Agency One:

- In one matter, Agency One finalised its complaint as no further action (NFA), however there was no information nor any documents to enable the CCC to effectively assess how well it had dealt with this matter. For example, the Case Details Report stated potential timesheet fraud and the outcome was “NFA – matter resolved” with a decision of “Electronic copy of timeline provided to complainant on an encrypted memory stick”. The CCC had been unable to review the matter properly because there was no assessment of the complaint against the definition of corrupt conduct, no results from the case officer’s review of the timesheet data against the swipe access data and computer logon and logoff data and inadequate justification for a NFA outcome. There was a risk of further corrupt conduct and complaint inaction.

Agency Two:

- Agency Two had not finalised its investigation (e.g. ongoing since July 2018). There was a lack of records that undermined the transparency and accountability of the agency in dealing with corrupt conduct allegations. For example, the Manager of the Ethical Standards Unit sent an email to the team that stated “we cannot just end the investigation because (the subject officer) has been moved”. The Manager decided not to take any further action until they consulted with the Chief Legal Officer. However, there was no further information in the file as to the discussion between the Manager and Legal Services about moving forward with the investigation. The matter remained incomplete for one year and 10 months. The CCC was concerned that the matter had not been appropriately dealt with, including maintaining full and accurate investigation file.

The two agencies in the above case study are vulnerable to criticism as a lack of records means the agencies are unable to explain why certain inquiries did/did not occur and certain decisions were made.



Case study two – Allegation involving corrupt conduct only dealt with as a welfare issue in Agency Three

A complaint was made directly to the CCC by an anonymous complainant. It was alleged that a Manager fraudulently claimed sick leave whilst being seen drinking at several public establishments. (Note that an employee claiming paid sick leave when they are fit to work, such as going to a pub or the cricket game, may be workplace fraud i.e. deliberately misled the employer about their reason for not coming into work, and can lead to termination of employment.)

The CCC noted that the agency's Assessment Committee considered the "matter more appropriate to be dealt with as a human resources matter in the first instance". The Committee also commented that "There may also be interpersonal relationship matters between the staff...". The CCC considered that the Committee had sufficient information to conduct further inquiries in relation to the allegation of corrupt conduct by way of managerial action. The agency's management strategy addressed workplace issues, but did not deal with the conduct of the subject officer.

Secondly, the audit noted that the Committee commented that "...as [the] aggrieved is anonymous it is difficult to obtain further particulars to be able to address". It was not clear to the CCC if the agency's view was that it is an unjustifiable use of resources to investigate. The CCC considered the Committee's decision to be premature because it did not conduct sufficient preliminary inquiries. The anonymous complainant provided the following information:

- a date when corrupt conduct occurred
- where it happened (the name of the public establishments)
- the subject officer was with his immediate work colleagues.

Based on the information provided in the initial complaint, there was sufficient information available for the agency to have undertaken a number of further inquiries, including:

- Was the subject officer on sick leave on the date of the corrupt conduct? If so, would it have been appropriate?
- Interview potential witnesses from the subject officer's work area
- Interview the subject officer to obtain his version of events.

Thirdly, the Committee made comments on the Complaint Assessment Form that "they are in possession of information which supports that the matters were dealt with as a welfare matter with the support from the Director and the Principal Ethics Consultant". The CCC considered this comment to refer to workplace issues, and not the corrupt conduct allegation. There was insufficient evidence on the file that the agency took appropriate action to deal with the allegation of corrupt conduct.

Overall, the agency had not appropriately dealt with the matter under section 44(2) of the CC Act.

It was the CCC's view that the risk of employee fraud occurring would be reduced if Agency Three had finalised its investigation of the five matters, including developed prevention responses. The CCC had consequently assessed the complaints-handling of the agency as "high risk" for immediate remediation by the agency.



Recommendations

- a. Finalise the investigation of long outstanding matters.
- b. Provide a report to the CCC as part of its follow-up work under section 48(1)(b) and (2) of the CC Act.
- c. Maintain full records of an assessment and investigation, and ensure that full investigation files are provided to the CCC upon future requests.
- d. Remind staff of their responsibilities to capture complete and accurate records that relate to actions, decisions and rationale.

Responses

The three agencies affected by the issues discussed above acknowledged the need to improve investigative practices, recordkeeping and decision-making about the allegations – specifically, in relation to dealings with corruption involving timesheet and leave activities.

Agencies One and Two have developed a mature data recording process to ensure accurate and complete information is created or captured as records in case management files.

Agency Three advised that one of the five long outstanding matters is a current investigation and will be finalised in 2020. The agency planned to provide training to assessing officers and decision-makers to reinforce the importance of gathering and examining appropriate evidence concerning allegations. Other initiatives are currently being implemented by the agency to address the recommendation made above. The CCC commended the agency for taking this incentive to improve its case management and investigative practices.

The CCC will review the finalisation of the seven matters from the three agencies.

Area for improvement 2 – Assessment of complaints of corrupt conduct

The CCC identified an opportunity to raise standards of complaints assessments in one of the agencies which fell outside the scope of this audit. Given the CCC's key role in building the capacity of an agency to deal with allegations of corrupt conduct, it is useful to draw attention to areas with a view to helping an agency make improvements.

The foremost observation from the audit related to categorisation.

Of the 11 Level 3 matters provided by the relevant agency, the audit identified that three complaints (27%) did not amount to corrupt conduct.⁹ The agency had provided the CCC with inaccurate Level 3 matters as required under the section 40 directions. The CCC noted that the agency had not completed the Complaint Assessment Form for those matters. In all of the three cases, while the assessment and categorisation of matters were incorrect, the audit noted that the agency had dealt with the matters reasonably to achieve optimal outcomes.

An agency must ensure its assessment and categorisation practices are correct, maintain an accurate records of Level 3 matters in its case management system and comply with the section 40 directions.

⁹ A Level 3, non-reportable matter is relevant to agencies which have section 40 directions with the CCC.



Recommendations

- a. Refer to the five-step guide “How to classify matters of corrupt conduct pursuant to section 40 directions” (published March 2020).¹⁰
- b. Update the Complaint Assessment Form to incorporate the guide.
- c. Communicate to assessing officers and delegated decision-makers of the requirements to assess complaints of corrupt conduct appropriately, including completing the Complaint Assessment Form.
- d. Re-classify the three matters in the case management system.

Responses

The agency acknowledged the recommendations and confirmed that its internal Complaint Assessment Form together with guiding principles has been adopted and now forms part of the standard assessment process. Further to this action the agency’s Ethical Standards Team have driven the establishment of a triage process with a number of business units so that all parties to the investigations process understand the CCC guidelines and assessment process. The agency acknowledged the initial assessment form was updated again recently to reflect the five-step guide published by the CCC (March 2020).

Area for improvement 3 – Opportunities for more prevention measures

The CCC identified opportunities for agencies to further strengthen their prevention measures based on the 80 investigation files examined.

The CCC noted and applauded agencies who had implemented, within their investigation reports, a specific section to recommend prevention measures to address identified deficiencies. For example, is there opportunity to identify and rectify systemic issues, policy and procedural deficiencies, and internal control deficiencies? This was a commendable step taken by the agencies.

Prevention initiatives are not optional. Effective risk management and internal controls are central to good governance, allowing an agency to minimise the costs of corruption and contribute to the integrity of the public sector.

The CCC also recommended agencies should consider implementing additional measures including:

- Reminding employees of their responsibility to swipe their access cards at each access point to a secure area (e.g. no tailgating). This will help in the creation of security access log records which can then be checked against relevant staff timesheet entries. (Refer to case study three.)
- Reminding supervisors of their responsibility to have knowledge of their staff work performance and working hours. Supervisors should implement supervisory controls. (Refer to case study four.)
- Reinforcing expectations around timesheet approval deadlines, including occasional spot checks. (Refer to case study five.)
- Implementing a process to require supervisors to perform reconciliation of staff leave applications between the timesheet and payroll data.

¹⁰ The five-step guide is available on the CCC’s website (see this [link](#)).



Case study three – Work area access control

An employee was alleged to have falsified timesheets by failing to accurately record times worked over a three-month period.

The investigator reviewed swipe access into the building and timesheets for the relevant period of the allegations. That review identified discrepancies in timesheet entries. However, the agency acknowledged that without an attendance management system it was not possible to determine whether the time identified in the report was when the subject officer used her access card on commencement or at a later time when she re-entered the secure area.

Staff were required to use their swipe access cards to access secure areas at their workplace. The security access system recorded the location, time and date when a staff member swiped their access card when entering the work area.

When a staff member did not swipe their access card when entering a work area, especially when they were arriving at work or leaving for home, the “checks and balances” could not be performed as there were no records in the security access system. There was a system weakness as a corrupt actor could get away from inaccurate starting and finishing times in their timesheets, and unauthorised personnel could have accessed a secure area without a card if they followed another person into a secure area.

The CCC recommended that staff be reminded of their responsibility to swipe their access cards at each access point to a secure area in regular awareness activity. Tailgating should be prohibited through access points. This will help in the creation of security access log records which can then be checked against relevant staff timesheet entries.

The CCC acknowledges that many workplaces in the Queensland public sector do not require staff to swipe their access card to gain entry to the workplace and many do not need to log on to a computer to perform their duties. There are many ways an agency can gauge or check the accuracy of their staff start and finish times. While these recommendations do not confirm the occurrences of timesheet fraud, they do provide some indications of it (that is, time differences and fluctuations). (Refer to Guide One.)

Guide one – Some tips for checking the accuracy of staff start and finish times

- Supervisors should analyse available datasets, such as building swipe access, vehicle global positioning system (GPS) tracker, computer login (includes iPads and iPhones), facility gate entry and parking records.
- Station-in-charge or on-duty managers should perform roll checks of their staff upon arrival to duty (especially in a rostering system).
- Supervisors should periodically check staff movements in close proximity to their work area.
- Field supervisors should regularly visit field workers in the fields to gauge understanding of workers movements with the required jobs/tasks in mind.
- Staff, officers and workers should report suspicion of late arrival or early finishing to their supervisor.



Case study four – Lack of supervisory controls

An employee was finishing earlier than his rostered shift on numerous occasions. His consistent shift pattern was 8 am to 4 pm and he was authorised to perform one hour overtime each shift until 5 pm. The employee was responsible for completing overtime claims sheets which were signed and submitted for payment approval.

The agency's investigator identified 11 dates that highlighted a disparity between the observations of the complainant and the accuracy of the last recorded swipe on the access card system. A further detailed review of the access system was conducted over a twelve-month period which identified that the last swipe by the employee occurred well before 5 pm, which indicated that he finished work early and claimed up to an hour overtime.

The employee was responsible for the coordination and oversight of security services related to facilities management and building safety at a workplace and foot patrols at a government building. It was not clear to the CCC how the employee's supervisor performed their supervisory responsibility and approvals of the overtime claims. The supervisor was working remotely and had no way of knowing the employee's movements.

There were no organisational or operational recommendations made in relation to supervision, noting this risk would be common across the agency.

The CCC recommended the agency remind supervisors of their responsibility to have knowledge of their staff work performance and working hours. Supervisors should implement supervisory controls (e.g. regularly visit staff at their workplace and request staff to check in and check out). There must be a balance between the need for such supervisory controls and not "micro-managing" employees.

In relation to case studies four and five, agencies should also refer to "Internal controls, including supervisory practices (Factor 2: Opportunity)" in the Prevention Guide at the end of this report for ways in which a supervisor can prevent and detect fraud within their area of responsibility (for example, monitor employee behaviour and supervisory processes).



Case study five – Timely approval of timesheets

Over a two-month period an employee was alleged to have dishonestly obtained a benefit by failing to adjust timesheets to accurately reflect time worked. The timesheets were pre-populated and employees were required each week to amend the times to accurately reflect the hours worked.

The timesheet fraud was detected when a manager received a Vehicle Incident Report, notifying of a driving complaint lodged by a member of the public. A subsequent review of the GPS vehicle data confirmed the vehicle was in the reported location at the time and was traced back to the employee. An additional review of the employee's timesheet data against the vehicle GPS data noted that the start time recorded in his timesheet for this day did not match the time the vehicle's ignition was turned off at the agency's work premise; this was noted as his first work site for the day. This discrepancy led to a wider review of vehicle GPS and timesheet data, the findings of which indicated there were notable discrepancies between the two sets of data.

During the investigation the employee's supervisor stated he would not always know where the employee was and there could be periods where he would not see him, either because he or the employee were out of the office but stated that they were always a phone call away. The supervisor also stated that generally not everyone submits their timesheets on a Thursday. Some do not submit it until Friday or Monday, and sometimes he does not always get to approving them on time because he might be very busy, so they get approved on Tuesday or Wednesday the following week. The supervisor believes his staff put their working hours in timesheets truthfully and generally accepts them on face value.

The investigator found that the expectation around timesheet submission deadlines was not clearly defined or enforced by the work area. The organisational expectation was that certain groups of employees were required to submit their timesheets by 12 noon each Friday. The investigator recommended the work area review their processes and communicate, in writing, consistent expectations on when employees were expected to submit timesheets.

The CCC considered that the supervisor had relied too heavily on simply trusting the employee would do the right thing and did not perform a more rigorous monitoring of the employee. It should be a requirement that supervisors implement supervisory controls to gauge knowledge of staff working hours and work performance. Supervisors should ensure that they have the ability to, and do, regularly satisfy themselves that staff are working the hours which are recorded in their timesheets.

The CCC recommended the agency implement clear expectations around timesheet approval deadlines, including occasional spot checks. The CCC believed the prevention response could be improved and recommended that supervisors have reasonable knowledge of their staff working hours and work performance before approving timesheets, and that procedures be updated to require supervisors to approve timesheets by a certain timeframe (e.g. within the next working day).

Opportunities to minimise corruption and implement effective control measures will be missed if an investigation or equivalent does not include a review of internal controls and a consideration of whether the controls contributed to the loss.

Overall, it is essential for agencies to minimise fraud and implement effective internal control measures.

Recommendations

Consider and implement the prevention measures as communicated to relevant agencies. In particular, agencies should develop further prevention responses to close the gaps in internal control activities.

Responses

Agencies related to this issue have acknowledged the specific recommendations to the relevant matters audited by the CCC, to further strengthen prevention measures.



Area for improvement 4 – Policy development

The audit identified that three of the four agencies did not have an overarching policy for the management of hours of work for employees. Those three agencies were referring to the relevant certified Agreements/Awards as their policy directions. The remaining agency had comprehensive policies and procedures for their employees and supervisors.

The spread of hours, including employment conditions, are prescribed in the Agreements/Awards and cannot be altered, the purpose for an overarching hours of work policy/procedure is to set the guidelines and parameters for how an agency's business operates to support/implement the Agreements/Awards.

The minimum requirements of such a policy are set out below.

Minimum requirements to be covered in an overarching policy

- Setting out the roles and responsibilities for all those involved in employment conditions activities.
- Outlining the mechanisms needed to deliver those principles for the governance of hours of work for employees.
- Describing the monitoring, assessment and auditing arrangements to ensure compliance with those principles.

Policies and procedures are fundamental to an agency thereby helping employees make decisions more efficiently, following instructions on how to do tasks, and protecting employees from acting in a manner that might endanger their employment.

Recommendations

Develop an overarching policy/procedure with a purpose to outline the principles for the governance of hours of work for employees in accordance with the relevant Agreements/Awards.

Responses

Agencies responding to this audit welcomed the recommendations. All agencies have agreed to develop, or improve, their overarching policy for the management of hours of work for employees.

Area for improvement 5 – Opportunities for fraud detection measures

The audit identified some positive observations in four agencies:

- Agencies had undertaken fraud risk assessment practices relating to timesheet fraud. Three of those four agencies had identified fraud risk relating to employment entitlements at the entity-level. The remaining agency had a broad fraud category at the entity-level.
- Agencies had anti-fraud strategies across their organisation (e.g. Code of Conduct, fraud awareness, training and other prevention tools).
- One agency had an organisation-wide initiative through which it undertakes periodic compliance inspections across the organisation, which is considered a proactive "second line of defence" against errors or fraud.¹¹

¹¹ The second line of defence is a part of the governance of risk model: Three Lines of Defence. See Terminology for further information.



While agencies had established prevention measures to reduce timesheet and leave fraud, the CCC identified that agencies would benefit from more detection activities. The audit proposed that agencies conduct:

- Compliance reviews by the relevant policy owner, for example, the HR or Ethical Standards units, to check for compliance with policies and procedures. (Refer to Guide Two.)
- Proactive advanced analysis techniques to identify potential fraudulent activities by employees on their timesheets or rosters (including overtime). (Refer to Guide Three.)
- An internal audit of their internal controls in the areas of timesheet and rostering practices.

Guide two – Compliance function

Policy owners of the timesheet, rostering, leave and overtime processes should develop compliance self-assessment (CSA) and implement it for periodic reviews. CSA is a technique that allows managers and work teams to participate in assessing their risk management and control processes. In its various formats, CSA can cover objectives, risks, controls and processes. Any non-compliance with an agency's policies and procedures should be looked at carefully even when the breaches do not involve fraud.

The following is the third guide where the CCC identified an opportunity for a fraud detection strategy using existing internal data.

Guide three – Proactive advanced analysis techniques

Technology has evolved significantly to become more efficient, and heavily relied on in business operations and staff management. Agencies can reduce timesheet and leave fraud risk through the use of data analytics to identify red flag indicators and emerging trends, or create artificial intelligence (AI) to identify anomalies in transactions and ethical risks.

Internal Audit should encourage Management to develop a system of data mining procedures of fraud indicators, so that suspicious activities are flagged and followed up by managers/supervisors, or support in the creation of AI.

Below is one of the examples the CCC has developed as a guide to assist agencies in undertaking data analytics on timesheet and sick leave.

Fraud scheme: Timesheet

Data mining title: Accrued hours reporting fraud

Description: Employee falsifies the hours worked or due to a breakdown in the timesheet approval process.

Datasets: Timesheet starting and finishing time entries, building swipe access, computer logon and vehicle GPS logs.

Fraud audit approach: The overall audit approach will involve the following two decisions.

Decision one – Is there a trigger red flag?¹²

- If there is no trigger red flag, stop.
- If there is a trigger red flag, perform fraud audit steps and continue.

Decision two – Is the red flag resolved by the fraud audit steps?

- If the fraud audit steps resolve the existence of the red flag, stop.
- If the fraud audit steps do not resolve the existence of the red flag, include transaction in exception report.

Red flags: The following are trigger events and awareness (i.e. red flags) to support the above decisions.

12 A "trigger red flag" in the decision process refers to:
a specific red flag associated with a fraud scenario with sufficient weight to cause the auditor to perform additional fraud audit procedures the totality of all awareness red flags associates with the fraud scenario that the auditor judges are sufficient to perform additional fraud audit procedures.



Trigger events:

Hours using computer do not align with hours reported.

Hours in and out in security system do not align with hours reported.

Hours match a day where the employee took sick, annual or other leave.

Awareness:

Forged approval.

Increase in hours reported.

Lack of supervision.

Agencies should discuss with their internal auditor and consider the value of performing data analytics on a periodic basis commensurate to its risk appetite and cost effectiveness. There are a number of software programs/tools available on the market to assist with this data mining. Internal auditors may also have some experience in data mining and may be able to guide agency's management in this forum, as well as discussing with other internal auditors across the public sector. The Queensland Audit Office may also be able to assist an agency as it is currently collaborating with one of the five audited agencies to identify various potential scenarios regarding employee timesheet fraud and develop some dashboards/analytics for the agency.

Detection measures are powerful initiatives to identify fraudulent behaviours and errors by agencies' employees. By relying on the honesty of employees, rather than pursuing proactive initiatives, the agencies may leave themselves exposed to fraud.

There is considerable evidence of a strong link between the incidence of corruption and poor internal control systems.

Recommendations

- a. Conduct compliance reviews/inspections by a compliance function (e.g. HR or the Ethical Standards).
- b. Establish detailed analytical review or data mining procedures as a fraud detection countermeasure function of either Internal Audit, Ethical Standards Unit or the HR function.
- c. Periodically assess controls to confirm that they continue to operate effectively and are appropriately designed to mitigate fraud risk.

Responses

Some agencies, including those not included in the scope of this audit, plan to investigate available options to conduct proactive advanced analytical techniques or use other intelligence tools to identify potential undeclared secondary employment on the part of their staff that best matches their governance structures and resources.



4. Further prevention action

The CCC's audit identified a number of areas for improvement to manage corruption risks associated with fraudulent timesheet and leave activities.

Following the completion of our audit the five agencies had an opportunity to comment on the findings and recommendations. The agencies have fully acknowledged all of the recommendations. Their views have also been considered in reaching our final report and this report represented the overall responses from the agencies involved. The agencies have already taken, or plan to take, all the relevant steps to address the issues and recommendations made within this report.

Demonstrating good governance in policy and process is fundamental and imperative in the Queensland public sector where the community expects the highest standards of conduct of officers.

All public sector agencies will need to ensure they put in place mechanisms to manage the risks from, and effects of, any timesheet and leave fraudulent activities. The successful implementation of these measures begins with the "tone from the top", through to managers/supervisors and employees.¹³ This is further discussed in the following pages – *The Prevention Guide*.

Where relevant, *The Prevention Guide* provides a series of recommendations on how to prevent and/or detect these risks.

13 Refers to creating an ethical environment in the workplace. It is the theory that if an agency's executive leadership team communicates the importance of ethics, the message will inevitably have a trickle-down effect on all staff. Employees follow the ethical culture the agency builds.



5. Prevention Guide: Combating timesheet and leave fraud

Demonstrating good governance in policy and process is fundamental and imperative in the Queensland public sector where the community expects the highest standards of conduct of officers.

The *Public Sector Ethics Act 1994* is the principal piece of legislation governing and guiding the obligations of all employees in performing their public duties, as well as agencies' Code of Conduct and other relevant Acts.

Employees must always act in the public interest.

Fraudulent activities

The CCC audit identified common themes of fraudulent activities in the public sector. The purpose of this guide is to inform agencies of identified methodology, in order to support disruption of these fraudulent activities and deterrence of future fraud opportunities.

There were three common themes:¹⁴

Timesheet

- A new employee claimed duties not performed due to not being co-located within the supervisor's area.
- Pre-populating start and finish times, including lunch breaks, in advance for the week.
- Faking timesheets; making up times for missed breaks and leaving earlier than the time recorded.

Rostering

- An employee commenced a roster shift and changed it to an overtime shift. The employee had access to change the rostering data.
- A supervisor approving their own overtime claims.
- An employee not completing job runs; being idle at the depot.

Leave management

- Fabrication of medical certificates to take advantage of sick leave without proper entitlement. An employee who misled their employer in order to take paid days off is a case of corrupt conduct. This is because an employee did not do what they ought to have done — ask to take annual leave or accrued time leave — because they did not think it would be granted. (Note: Two corrupt actors owe the agency \$17,000 and \$10,000 respectively for falsely claiming sick leave.)
- Accessed leave that has not been deducted from accrued balances, resulting in an overpayment.

¹⁴ Through review of 80 investigation files from five agencies across various government sectors.



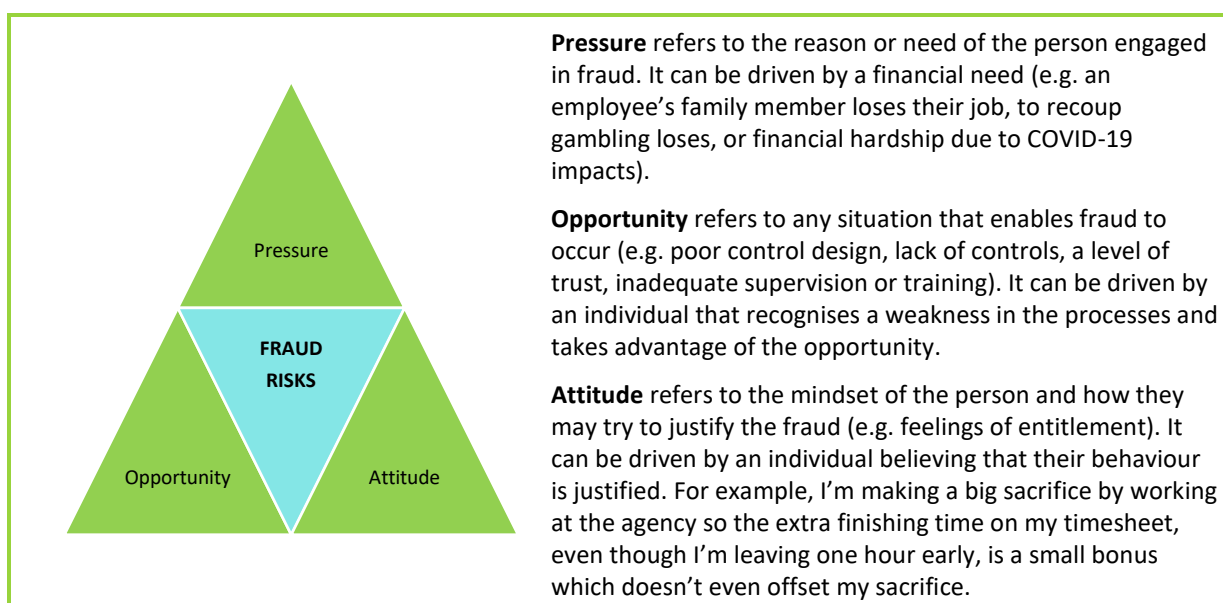
Strategies to manage corruption risks from The Fraud Triangle

The CCC audit has developed some strategies to manage corruption risks relating to timesheet and leave fraud, to help supervisors and managers implement adequate prevention and detection measures. The following is not exhaustive and should be considered as a guide only.

The Fraud Triangle (Figure 5) can help agencies, managers and supervisors understand that any one or more of the three factors it highlights – pressure, opportunity and attitude – is conducive to fraud. It should be noted that the fraud can impact a supervisor’s reputation as staff expect they should have prevented the fraud.

Research suggests that corrupt activity is usually motivated by a combination of the three factors as shown in the well-known “The Fraud Triangle”¹⁵(Figure 5.)

Figure 5



Source: Modified from The Fraud Triangle

Factor 1: Pressure – Staff well-being

Supervisors/managers can convey employee support to staff during difficult times (that is, when they are under pressure).

An employee may be showing behavioural signs of being in financial hardship, especially when there is significant disruption and/or economic downturn.

Prevention: Once there is a sign of behavioural change in an employee, supervisors/managers should develop prevention responses and closely monitor the employee. Examples of these are discussed further below under Factor 2.

Detection: An agency can address corruption risks relating to an employee’s financial or social pressure by one or more of the following:

- Check in with staff each morning, say hello and have a brief chat.
- Have critical conversations face-to-face, to observe any unusual behavioural signs.
- Support staff and offer a range of resources that can help.¹⁶

¹⁵ Donald R. Cressey, *Other People’s Money*, “The Fraud Triangle”, Montclair: Patterson Smith (p.30), 1973.

¹⁶ There are a number of support resources on the web, including at the agency’s HR.



Factor 2: Opportunity – Internal controls, including supervisory practices

Supervisors/managers can design internal controls to try to prevent “opportunities” for fraud.

Supervisory practices

Supervisors/managers are best placed to identify ways to minimise and detect fraud within their areas of responsibility. Managers/supervisors know their staff and behaviours being exhibited.

A lack of adequate supervision is a common theme among investigations undertaken by the CCC and agencies. In many cases, supervisors of staff found to have committed wrongdoing were either completely absent or not providing a sufficient level of supervision, which can allow or enable the wrongdoing and other associated activities to go unnoticed or undetected.

A supervisor can monitor employee behaviour and implement economical, efficient and effective supervisory processes. The strategies to reduce the risk of employee fraud must strike a balance between the need for such supervisory controls and not “micro-managing” employees. For example:

Monitor employee behaviour	Implement supervisory processes
<p>There are a number of employee behaviours that may indicate a heightened probability that a staff member is committing fraud, including:</p> <ul style="list-style-type: none">• tasks are not done (for whatever reason)• tasks done are unsatisfactory (not meeting expectations)• timesheets not submitted on time• rarely takes leave or applies for leave• leaving work early regularly. <p>The above is not an exhaustive list of employee behaviours. Supervisors should gain an understanding of how their staff perform work and the behaviours they exhibit from time to time.</p>	<p>Strong supervision is vital to detecting errors, non-compliance with policies and poor work performance. This can include:</p> <ul style="list-style-type: none">• review and approve timesheet within next working day of timesheet submission• question unusual starting and finishing times, including breaks or excessively long working hours• manage, review and approve changes to rostering• know what employees are working on, including having an understanding how long a particular task will take to be done• provide tasks in writing including timeframes for completion• occasional spot checks of work performed by an employee. <p>The above is not an exhaustive list of what supervisors should be doing to prevent and detect employee fraud.</p>

Medical certificate

A supervisor who is not convinced of the authenticity of a medical certificate provided by their staff after an absence of work due to illness or injury has the ability to obtain further information about that certificate. However, it should be noted that a supervisor does not have the right to obtain further information from the staff’s treating doctor in regards to the actual medical condition of the individual.¹⁷

Prevention: There are a number of ways supervisors can help mitigate sick leave fraud. One of the ways is to ask that medical certificates are provided as soon as staff return to work. Don’t let staff say, “Can I bring a certificate in later?” because it may be forgotten.

¹⁷ Checking the validity of a Dr Certificate, Travis Matheson, AiGroup, 4 July 2017.



When a medical certificate is received from staff, look at it in front of them, especially those suspected of taking “fake” sick leave, to show you read it. This sends a clear message that you take it seriously.¹⁸

Another way to prevent sick leave fraud is to always talk to the staff when they return from sick leave. You could say “I wanted to check how you are feeling today and if there is anything I can do to help”. It sends a message to the staff that you noticed their absence and some might feel guilty for betraying your trust if they had a “sickie”.¹⁹

Detection: To check the authenticity of a medical certificate, the supervisor should call the medical clinic from which the medical certificate was obtained to check whether the staff did in fact attend on the day which is stated on the proffered certificate, and to ensure that the form of the medical certificate is in line with the medical clinic’s standard template.²⁰

Timesheet

The completion of timesheets is usually by administration stream employees, and they often have standard working hours and work more than the standard hours of work and accumulate flex time.

Prevention: There are a lot of ways an agency can prevent timesheet fraud, such as:

- Inform staff about hours of work and overtime policies in advance. Sometimes timesheet inaccuracies are not really intended. Things start going wrong when an employee doesn’t clearly understand their duties or how they should account for their work. They tend to waste time and track it poorly. Later, this results in timesheet edits and inaccurate or inflated hours of duty entries.
- Provide supervisors and staff with timesheet training, including procedures and guides.
- Provide staff with written work instructions for any task to be performed, including expectations.
- Implement an electronic timesheet system that has time-track approval and lock functionality. Once time-track is approved and locked from any modifications, no edits are technically possible. This solution is one of the most efficient ways to prevent timesheet fraud.
- Review and approve timesheets within the next working day of timesheet submissions. You would have had a better understanding of staff movements and tasks assigned for the week, and compare your knowledge against the working hours on timesheet. Talk to the employee as soon as possible if you have noticed any minor cases of suspected fraud – this is your chance to prevent major problems in the future.

Detection: There are a lot of ways for a supervisor to perform their supervisory practices relating to detecting timesheet fraud. Supervisors who have close interactions with their staff can use this knowledge to improve the detection rate of staff committing fraud. The following monitoring activities can be performed:

- Know what employees are working on, including having an understanding how long a particular task will take to be done. If it does not look right, it probably isn’t.
- Monitor the time taken to complete tasks. If tasks are not done, for whatever reason, but the employee still worked a full standard working day or more, this may be an indicator of timesheet fraud.
- Insist on the timely completion of timesheets. If timesheets are not submitted on time (per policy requirement) an employee may not be completing their daily working hours each day.
- Supervisors should perform a reconciliation of timesheet entries against payroll leave records. This will help detect if an employee was absent but still recorded as being at work, or did not

18 Diagnosing a dodgy sick note, The Sydney Morning Herald, 12 February 2014.

19 Ibid.

20 Checking the validity of a Dr Certificate, Travis Matheson, AiGroup, 4 July 2017.



apply for specific leave. (Note: some agencies' payroll system does not have a timesheet integrated into it – no built-in controls. For example, if an employee recorded leave in timesheet and there is no leave processed in the payroll system, the timesheet submission will be blocked by the system. This raises an alarm to the supervisor to follow-up.)

- Managers should question unusual starting and finishing times, erratic work hours unrecorded on timesheets, or same work hours recorded on timesheets every week (i.e. pre-populated). This will assist in detecting if an employee was never in the workplace before their nominated start time, is an inconsistent worker, or if they disappear for lunch breaks for hours on end or regularly start work late and/or sometimes leave early.

The strategies to reduce the risk of employee fraud must strike a balance between the need for such supervisory controls and not “micro-managing” employees.

Rostering

Rostering is standard practice for operational employees, such as bus operators, police officers and other field workers. Operational employees will not complete timesheets, the rosters will form part of the payroll processing for payments of wages. Rosters are changed from time to time, including daily to cater for absences and other operational requirements. For these reasons, operational employees often receive a high proportion of their pay in overtime and penalties, and wages overpayments can occur by late roster changes.

Prevention: There are a lot of ways an agency can prevent rostering fraud, such as:

- Incorporate locally developed rostering rules into the roster template.
- Decision-maker to check all appropriate steps in the roster process have been completed and agreed rostering measures of success have been met prior to sign-off.
- Changes to local rosters are approved by a decision-maker, not employees.
- Local rosters are updated on a daily basis to record actual time worked, unplanned leave, shift swaps and any other changes to the published rosters.
- Adequate supervision is available for rostered staff.
- An electronic rostering system to enable visibility and control of human resource information for employees and supervisors will allow for real-time updates to rosters, which should reduce errors relating to overpayments.

Detection: Some of the detection measures are outlined below:

- Use a system of checks and balances to ensure no one person has control over all parts of the roster.
- Decision-maker to have in place processes to manage and approve any retrospective payroll adjustments.

Factor 3: Attitude – Anti-fraud culture

Supervisors/managers can influence anti-fraud culture across the agency (i.e. attitude).

The central influence on an employee is their intrinsic sense of values (their characteristics and way of life). Depending on their values, there will always be a variety of attitudes and behaviours among employees in the agency, such that:

- Some employees will always do the right thing, no matter what.
- Some employees will always try to do the right thing.
- Some employees will follow their colleagues or co-workers in some instances.



- Some employees will take advantage of situations to further their own personal interests. (For example, some employees may think: “I am making a big sacrifice working at this salary because I could get another job in the private sector at a much higher rate so I deserve a day off each month. Even after 12 days off I am still an asset to the agency.”)

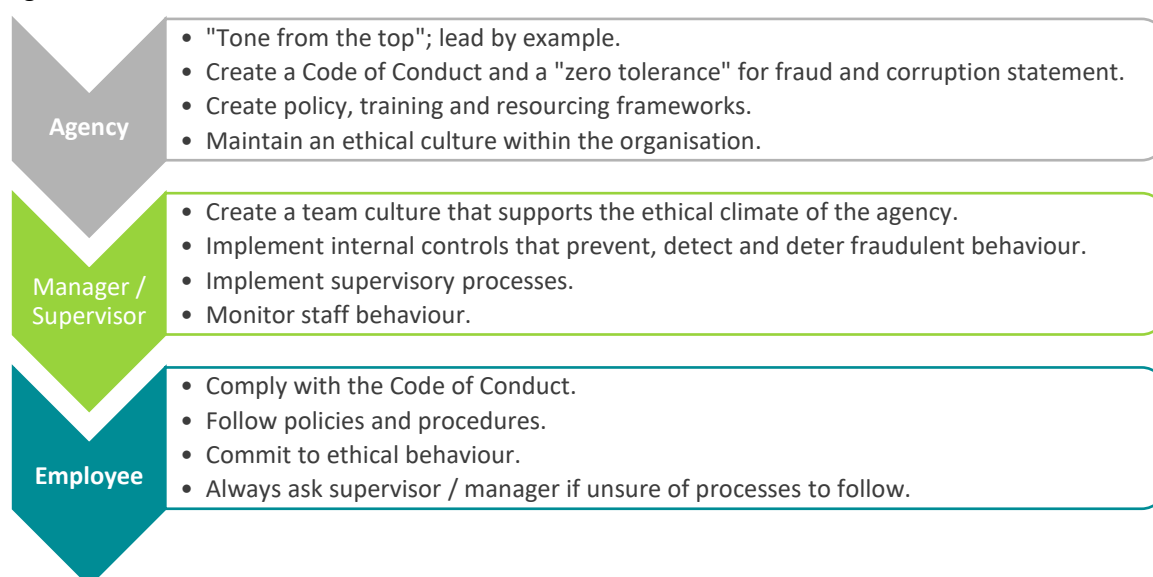
An agency can positively influence its workplace anti-fraud culture through effective training. An agency will not be able to change the behaviour of employees in respect to taking advantage of situations to further their own personal interests, and some agencies need to consider strategies which remove enablers of corrupt conduct.

Supervisors/managers should look for behavioural red flags in their staff and develop prevention responses.

Hierarchy of action

Agencies will need to ensure they put in place mechanisms to manage the risks from, and effects of, any timesheet and leave fraudulent activities. The successful implementation of these measures begins with the “tone from the top”, through to managers/supervisors and employees (see Figure 6).

Figure 6



Source: Learnings obtained from previous audits that focus on the three Ps – Policy, People and Process, as the cornerstone for an effective system of governance, risk management and internal control activities



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