

# Fraud and corruption control

guidelines for  
best practice

CRIME AND  
MISCONDUCT  
COMMISSION



QUEENSLAND



# **Fraud and corruption control**

**guidelines for  
best practice**

**MARCH 2005**

**CRIME AND  
MISCONDUCT  
COMMISSION**



**QUEENSLAND**

**CMC Vision:**

To be a powerful agent for protecting Queenslanders from major crime and to promote a trustworthy public sector.

**CMC Mission:**

To combat crime and improve public sector integrity.

---

© Crime and Misconduct Commission 2005

Apart from any fair dealing for the purpose of private study, research, criticism or review, as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without permission. Inquiries should be made to the publisher, the Crime and Misconduct Commission.

ISBN 1 876986 31 X

---

Crime and Misconduct Commission  
140 Creek Street, Brisbane, Queensland, Australia 4000

GPO Box 3123  
Brisbane Qld 4001

Tel.: (07) 3360 6060  
Fax: (07) 3360 6333  
Email: [mailbox@cmc.qld.gov.au](mailto:mailbox@cmc.qld.gov.au)

Note: This publication is accessible through the CMC website, <[www.cmc.qld.gov.au](http://www.cmc.qld.gov.au)>.

# Foreword

Fraud and corruption pose serious risks to the public sector and these risks cannot be ignored. The potential damage extends well beyond any financial losses, and the threats to organisational integrity are a constant challenge for public sector management.

Recent studies by the Queensland Audit Office and the CMC's own surveys have shown that the range of internal and external threats warrant a concerted effort to upgrade agency defences against fraud and corruption risks.

In a rapidly changing business environment, it is vital to develop an integrated fraud and corruption control strategy to address these risks.

In July 2004 the CMC released a paper, *Fraud and corruption control*, describing the key components of an integrated fraud and corruption control strategy, based on a 10-element control framework. The current publication builds on that earlier document and provides a more comprehensive treatment of the various elements of that strategy.

Implementing effective fraud and corruption control measures is part of good governance and management practice. For many agencies it will involve no more than reviewing and consolidating existing agency policies and practices in relation to risk management, codes of conduct, reporting mechanisms, investigation, training and awareness.

The CMC is committed to developing resources that will help agencies to enhance their integrity and to maintain and strengthen public confidence in the public sector.

I am confident that this publication will sustain those goals by helping agencies review and implement their own fraud and corruption control programs for the benefit of the community at large.

**Robert Needham**  
Chairperson



# Contents

Foreword	iii
Abbreviations	ix
Acknowledgments	x
Introduction	xi
What is meant by fraud and corruption?	xi
The objectives of these guidelines	xi
The CMC 10-element model	xi
How to use these guidelines	xiii
<b>1 Agency-wide integrated policy</b>	<b>2</b>
Why have a fraud and corruption control policy?	2
What goes into the policy?	2
Shaping the overall fraud and corruption control policy	2
The policy development process	3
Policy awareness	6
What else needs to be done?	7
Keeping things up to date	7
Evaluating progress	7
Best-practice target	8
Checklist to evaluate the agency's policy status	9
<b>2 Risk assessment</b>	<b>12</b>
Taking a risk-based approach	12
What does risk management mean in practice?	12
The legislative background	12
What are the essential elements of risk management?	13
Monitoring the process	16
Communicating and consulting with stakeholders	18
Recording the outcomes	18
Implementing the risk management approach	19
Fraud and corruption risk management policy	19
Where to start	20
Best-practice target	20
Checklist to evaluate the agency's risk assessment	21
<b>3 Internal controls</b>	<b>24</b>
The significance of internal controls	24
The legislative background	24
Internal controls are more than a management obligation	25
Emphasising accountability	25
The essentials of internal control	25

Some commonly used controls	28
The limitations of control	28
Implementing internal controls	29
Compensating controls for small agencies	29
How do you know the controls are working?	29
Tell the world what's happening	30
A final word on internal controls	30
Best-practice target	30
Checklist to evaluate the agency's internal controls	31
<b>4 Internal reporting</b>	<b>34</b>
Reporting wrongdoing	34
What does the legislation require?	34
Who is responsible?	34
What kind of policy approach is needed?	35
Designing the internal reporting system	35
Practical reporting arrangements	35
Other reporting avenues	36
Keeping track	37
Establishing targets and evaluating effectiveness	37
Developing the right skills and attitudes	37
Best-practice target	38
Checklist to evaluate the agency's internal reporting	39
<b>5 External reporting</b>	<b>42</b>
The context of external reporting	42
Who does what?	42
Where do these organisation fit into a fraud and corruption control program?	43
Reporting to the CMC	43
Reporting to the QPS and the QAO	44
Reporting to the Ombudsman	44
Reporting policies and guidelines	44
Education and awareness	45
Best-practice target	45
Checklist to evaluate the agency's external reporting	46
<b>6 Public interest disclosures</b>	<b>48</b>
Where does a public interest disclosure fit into a fraud and corruption control program?	48
What are we talking about?	48
Why is disclosure so difficult?	48
Sending the right message	49
The legislative picture	49
What are the policy and procedural implications?	50

How should the agency respond?	50
Agency procedures	50
Emphasising the importance of reporting	52
Flexibility is important	52
Making it work in practice	52
The bottom line	52
The critical role of management	53
Developing awareness and support skills	54
Best-practice target	55
Checklist to evaluate the agency's approach to public interest disclosure	56
<b>7 Investigations</b>	<b>60</b>
The catalyst for investigation	60
The CMC response	60
The agency response	60
The investigative process	60
Agency investigation policy	64
Education and awareness	64
Best-practice target	64
Checklist to evaluate the agency's investigation management	65
<b>8 Code of conduct</b>	<b>68</b>
How does a code of conduct relate to a fraud and corruption control program?	68
Why is a code of conduct so important?	68
What is the legislative framework?	68
Who is responsible?	68
What should a code of conduct contain?	69
What are the resource implications?	70
How to maintain commitment to the code's principles	71
Codes of conduct are more than an internal control process	71
Code contraventions	71
Best-practice target	72
Checklist to evaluate the agency's code of conduct	73
<b>9 Staff education and awareness</b>	<b>76</b>
What does staff education and awareness involve?	76
What are the legislative requirements?	76
How do we get started?	76
What should an awareness and training program look like?	78
Promoting awareness	80
Best-practice target	80
Checklist to evaluate the agency's staff education and awareness program	81



<b>10 Client and community awareness</b>	<b>84</b>
What is client and community awareness?	84
Why be concerned about external awareness issues?	84
Other external impacts	85
Some common dangers in developing awareness	85
Communication and awareness as change agents	85
How do we go about creating client and community awareness?	86
How often should we communicate?	86
Who are the target groups?	86
What sort of messages should be given?	88
What are some of the communication methods to use?	88
Walking the talk	89
Monitoring the outcomes	89
Best-practice target	90
Checklist to evaluate the agency's external awareness program	91
References	93
Index	97

# Abbreviations

CEO	chief executive officer
CJC	Criminal Justice Commission (predecessor to the CMC)
CM Act	<i>Crime and Misconduct Act 2001</i>
CMC	Crime and Misconduct Commission
COSO	Committee of Sponsoring Organisations of the Treadway Commission
FAA Act	<i>Financial Administration and Audit Act 1977</i>
FMS	Financial Management Standard 1997
ICAC	Independent Commission Against Corruption
OPSME	Office of Public Sector Merit and Equity
PID	public interest disclosure
PSMC	Public Sector Management Commission
QAO	Queensland Audit Office
QPS	Queensland Police Service
WP Act	<i>Whistleblowers Protection Act 1994</i>

# Acknowledgments

These guidelines describe an integrated framework of 10 key elements considered significant in developing an effective fraud and corruption control program. This multifaceted model is the outcome of extensive research and observation, and the practical experience of Crime and Misconduct Commission (CMC) prevention staff over many years.

The guidelines emphasise the significance of an integrated approach in the fight against fraud and corruption. Earlier CMC prevention activities tended to focus on the individual elements of this program. However, since 1997 the integrated model has underpinned the CMC's advisory approach. Independent reviews on several occasions have confirmed its continued relevance.

The CMC acknowledges that similar integrated strategies were also being developed by other integrity-related agencies during the 1990s. The elements of the CMC's model are similar to the guidelines *Fraud control*, volumes 1–4, developed by the New South Wales Audit Office in 1994. The CMC acknowledges the valuable liaison with the NSW Audit Office in the process of developing the current structure.

This publication was prepared by Misconduct Prevention Officers Kate Foote and Ray Bange. Michelle Clarke, Narelle George, Alexa van Straaten and John Boyd also provided invaluable assistance. The guidelines were prepared for publication by the CMC's Communications Unit.

# Introduction

## What is meant by fraud and corruption?

Fraud and corruption can take many forms. Fraud is normally characterised by some form of deliberate deception to facilitate or conceal the misappropriation of assets, whereas corruption involves a breach of trust in the performance of official duties.

Fraudulent and corrupt conduct by public officials may fall within the category of 'official misconduct' under the *Crime and Misconduct Act 2001*. Official misconduct is defined as conduct by a public official, related to the official's duties, that is dishonest or lacks impartiality, involves a breach of trust, or is a misuse of officially obtained information. The conduct must amount to a criminal offence or be serious enough to justify dismissal.

Many forms of fraud and corruption are offences under the *Criminal Code 1899*. These include offences such as extortion, false claims, stealing, misappropriation of property, false pretence, receipt or solicitation of secret commissions, forgery, revenue evasion, election fraud, currency violation and drug dealing.

This publication does not treat fraud and corruption separately, nor does it give one priority over the other. Similarly, it does not deal with all the possible dimensions of fraud and corruption.

## The objectives of these guidelines

These CMC guidelines are intended to help agencies plan effectively to control fraud and corruption. They present an integrated approach that includes proactive measures designed to enhance system integrity (prevention measures) and reactive responses (reporting, detecting and investigating activities).

The objective is to facilitate development of programs that will achieve a comprehensive and integrated treatment of the dominant issues and attendant responsibilities relating to fraud and corruption.

## The CMC 10-element model

The CMC recommends a best-practice control model comprising 10 key elements. The structure is consistent with Australian and overseas best practices and builds on earlier models developed by the CMC. The elements are interrelated, with each one playing an important role.

Each element is covered separately, but the importance of an integrated agency response is emphasised. No one element should be considered in isolation. To produce the most effective outcomes, a fraud and corruption control program must be holistically planned and executed, must carry the full support of management, and must be universally promoted and accepted.

The proposed elements are:

- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness.

According to the Commonwealth Attorney-General's Department (2002), a fraud and corruption control program should contain:

- ▶ an outline of the structure of the agency
- ▶ a statement of the agency's philosophy and approach to fraud control (see Section 1)
- ▶ a summary of the risks identified in the risk assessment process (see Section 2)
- ▶ details of the strategies that will address these risks, including (see Section 3):
  - allocation of responsibility for implementing the strategies
  - timeframes, including expected start and completion dates, for implementing the strategies
  - mechanisms for monitoring the implementation of the strategies
- ▶ details of the strategies to ensure compliance with other elements in the guidelines, including:
  - strategies and timetables to ensure the agency meets the training and awareness requirements (see Sections 9 and 10)
  - strategies for collecting and reporting on fraud and corruption
  - details of how employees, service providers, contractors and members of the public can report fraud against the agency (see Sections 4, 5 and 6).

An agency fraud and corruption control program, once developed, must be readily available to all stakeholders, always bearing in mind any confidentiality and security implications.

The program must be periodically reviewed and amended as necessary. How often it is reviewed depends on the environment in which the agency operates. An agency that is subject to rapid changes in legislation, organisational structure or technology may need to review its program more often than one operating under relatively static conditions would need to.

These reviews should assess program performance against predetermined objectives (or targets), and identify any reasons for non-compliance in order to pinpoint any deficiencies and make improvements (Standards Australia 2003).



Accountability for the implementation and ongoing monitoring of the program should be assigned to an individual (e.g. a fraud and corruption control officer) or a committee/team appointed for the purpose. They must have appropriate skills and experience, and be given the authority, time and other resources to discharge this responsibility properly.

## How to use these guidelines

The 10 sections of the guidelines (each covering an element of the fraud and corruption control strategy) provide a strategic overview of relevant fraud and corruption issues.

Each section includes a statement of current perceived 'best practice', supplemented by a series of model questions as a self-evaluation checklist. The checklist can be used to assess the adequacy of the agency's planning and implementation status for that element.

In many cases, when developing an agency program, it may be best to begin with the checklist, and then work through the supporting text to address any identified deficiencies or shortfalls. Agencies should modify the checklists to suit their own circumstances and then regularly evaluate their progress in implementing the program and achieving best practice.



- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Agency-wide integrated policy

Writing it down helps.

## Why have a fraud and corruption control policy?

Leadership has many faces. Among the important roles of any public sector agency is the maintenance of high standards of ethics, conduct and fiduciary responsibility. Having a clear overall policy will demonstrate the agency's resolve to combat fraud and corruption wherever it is found. It will communicate the agency's commitment to best practice and create a holistic framework that minimises the risks of fraud and corruption and strengthens organisational integrity.

## What goes into the policy?

A well-written policy makes clear to all parties why the agency wants to develop that policy, as well as delivering a concise statement of its intent and expected outcomes. The policy tells the reader how the organisation intends to operate (Campbell 1998, p. 1).

The function of a policy is to tell 'who', 'what' and 'why'. Related procedures will then tell 'how'. A policy should outline its scope and how it will be applied at all levels of the organisation. It should carry the essential information for those who must comply with the policy or its related procedures.

A policy provides guidelines that regulate the agency's actions and the conduct of its people, including any necessary tasks, functions and operating parameters. A policy also includes details such as who is covered, eligibility criteria, timelines and enforcement measures (Campbell 1998, p. 10).

## Shaping the overall fraud and corruption control policy

Fraud and corruption control planning should cover all significant factors likely to affect the agency's exposure to fraud and corruption risk.

The fraud and corruption policy should:

- ▶ clearly communicate the agency's values and business practices
- ▶ articulate the commitment of the CEO and senior management to these principles
- ▶ be based on a risk-management philosophy
- ▶ contain appropriate responses to identified threats.

A fraud and corruption control policy should identify the key factors that influence fraud and corruption risk. It should provide an integrated framework to deal with fraud and corruption risks, and bring together related and subsidiary policies to control the incidence and impact of those risks.

In formulating a generic fraud and corruption control strategy, the CMC has consolidated various determinants of fraud and corruption into discrete but related groups, in the form of the 10-element model on which these guidelines are based. The model provides a logical structure for policy and procedural development, and a firm basis for monitoring progress against best-practice targets.

### The CMC's 10-element model:

- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness.

An agency's fraud and corruption control program will benefit from a consistent and integrated treatment of all these elements rather than undue focus on any single element.

## The policy development process

Policy development is best carried out by an individual or a small taskforce with the support of a suitable policy planning and review committee. The responsible person or group should have suitable experience in risk management and policy formulation as well as practical operational experience.

Good policy development requires an in-depth knowledge of an agency's operations, a clear understanding of the relevant issues, and a good grasp of the ethical principles that underpin the policy objectives in each area.

The impact of the fraud and corruption control policy will be felt at all levels throughout the agency. The policy development person or team must therefore be seen to carry appropriate authority, and will most likely be drawn from senior management level.

Because the policy will involve risk management issues, the responsible people should be active members of the agency's corporate governance or risk management committee, or should have ready access to risk management expertise (either internally or externally).



Although the policies of different agencies will have much in common, each agency will also have its own special requirements. Variations will arise from the agency's size, the nature of its operating environment and its organisational role (e.g. regulatory, enforcement, service, works-oriented).

## Managing the agency's overall fraud and corruption control program

Depending on the size of the agency, the fraud and corruption control program may warrant different levels of response. These may involve establishing one or more of the following:

- risk management committee
- fraud and corruption control committee
- fraud and corruption control coordinator and/or manager.

### Risk management committee

This committee:

- ensures that the agency maintains effective risk management practices across all its activities
- oversees the development of a systematic and coordinated risk management framework
- monitors the external risk environment
- assesses the impact of any changes on the agency's risk profile.

### Fraud and corruption control committee

A larger agency may also establish a fraud and corruption control committee to deal specifically with fraud and corruption issues. This committee should have a broadly based (cross-functional) membership to ensure that it can cover all areas at risk. It should carry a clearly defined responsibility for overseeing the effective implementation of fraud and corruption control measures.

### Fraud and corruption control coordinator or manager

Change management is more likely to be successful where there is accountability for the commitment of human and financial resources and for the outcomes. Nominating a responsible person, position or small taskforce as a 'champion' to drive the program and bring about change is one of the best ways to ensure success.

Policy should never be developed in isolation, and the important role played by staff makes them key players in the policy development process. Wide consultation with staff will make it possible to formulate policy guidelines that not only are suitable for the purpose but also carry grassroots support.

The policy should be subjected to searching review by management. Input should also be sought through a consultative process with key stakeholders, before endorsement by any relevant fraud and corruption control committee and approval by the chief executive officer (CEO).

Setting the tone starts at the top, and the CEO plays a pivotal role in providing ethical leadership as well as operational vision. A strong and visible commitment to ethical practices from senior management is a precursor to a successful fraud and corruption control program.

The agency's management team must transmit the message of ethical behaviour throughout the organisation and down the chain of command. Management must match words with deeds, and always display high personal standards that uphold the code of conduct.

## Framework for writing a fraud and corruption control policy

There is no prescribed CMC format for preparing a policy or procedures document. Using an existing agency-wide format may be appropriate.

A policy should have a logical structure that enables the reader to identify the principal issues and the direction to take. For completeness it should also provide certain 'maintenance' or 'housekeeping' details such as:

- any underlying legislation
- links with related policies and procedures
- responsibilities, accountabilities, version control and review arrangements.

The following is a suggested framework for writing a global fraud and corruption control policy.

### 1 Statement of purpose or objectives

This is a statement of intent and outlines why the policy is being written. It explains the intended outcomes of the policy.

### 2 Introduction

This may outline the meaning and impact of fraud and corruption to the agency in the context of its operating environment. To remove any doubt, it may be beneficial to include a clear statement of the agency's zero-tolerance stance on fraud and corruption.

### 3 Policy statements

The key features of the agency's policy should be summarised as a series of direct, unambiguous statements. These statements should outline what the agency will do to control fraud and corruption from both internal and external sources.

### 4 Applicability

There should be a concise description of who will be affected by the policy, including both internal and external stakeholders.

It may incorporate bullet points listing the people or bodies to whom the policy is relevant or on which it imposes particular requirements.

It may outline individual responsibilities, as well as the links between stakeholders.

## 5 Definitions

Specific terms or key principles used throughout the policy should be defined. This will clarify meaning and avoid any ambiguity when the policy is applied.

## 6 Procedures

It is usual to outline the various areas covered by the policy. The elements that the CMC has identified for a fraud and corruption control policy are:

- risk assessment
- internal controls
- internal reporting
- external reporting
- public interest disclosures
- investigations
- code of conduct
- staff education and awareness
- client and community awareness.

## 7 References or authority

This lists the relevant legislation, or government directives or standards under which the agency operates and which are relevant to the policy.

## 8 Administrative details

All policies should list the following:

- author's name
- author's position
- approver's name
- approver's position
- date approved
- suggested review date.

## Policy awareness

Policy development is only part of the overall process of implementing an effective fraud and corruption control program.

Agency officers and other stakeholders are more likely to embrace the underlying ethical principles of a fraud and corruption control policy if they believe that there is a universal commitment to high standards of integrity. The policy thus needs to be communicated effectively to all stakeholders and be seen to carry the wholehearted endorsement of senior management.

Training may be only one of several initiatives employed by the agency to develop awareness in staff, stakeholders and the community that fraud and corruption are not acceptable, and that the agency operates on a zero-tolerance basis.

Section 9 of these guidelines covers staff training and awareness issues in greater detail.

Separate communication programs may be required to suit the various staff levels and job roles, and to cater for regional factors and operational cultures within a single agency. These extension programs should send a clear message that responsibility for implementing the policy extends throughout the agency and to all levels of management.

The agency's external communication programs (see Section 10) should broadcast its commitment to honest and ethical business practices. Outlining the measures that have been adopted to prevent and detect both internal and external fraud and corruption should raise the level of awareness of the agency's business philosophy among suppliers, clients and the community.

## What else needs to be done?

Articulating a fraud and corruption control policy is a vital step, but a policy will only be effective if it is implemented with the support of appropriate procedures and operating guidelines.

The overall control policy will have its own set of procedures. In addition, the related policies that underpin each of its component elements (e.g. internal controls, investigations, reporting) will in turn rely on its own raft of supporting procedures.

Developing the framework for an appropriate and cost-effective fraud and corruption control policy requires a detailed understanding of the agency and its activities.

## Keeping things up to date

The fraud and corruption control policy and each of its subsidiary policies and procedures need to be reviewed on a regular basis. These reviews should involve a thorough evaluation of the agency's requirements.

The frequency of these reviews will depend on the agency's operating environment. An agency that is affected by rapidly changing legislation, or has to cope with changes in organisational structure and fast-moving technology, may need more frequent reviews than one operating under less turbulent conditions.

## Evaluating progress

Policy changes and procedural recommendations arising from periodic reviews must be prioritised and implemented. Once again, the best way to ensure that this is done properly is to make their implementation the responsibility of a specific person or group. Progress in implementing the program should be monitored through setting targets and using suitable self-evaluation checklists.

## Best-practice target



- ▶ Each agency should have a fraud and corruption control policy that outlines the agency's stance on fraud and corruption. While this may take the form of separate policy statements, the best way to ensure a comprehensive approach is to develop an overall policy that provides a holistic control framework.
- ▶ The agency's policy should incorporate the 10 elements recommended by the CMC.
- ▶ The policy should be based on an integrated risk management approach that caters for areas such as internal controls, public interest disclosures, internal reporting, investigation and training.
- ▶ The policy should be developed in consultation with stakeholders and staff at all levels, and its purpose clearly communicated to relevant parties.
- ▶ The responsibility for policy development and implementation should be assigned to a nominated senior officer, supported by suitable advisory committees.
- ▶ Once developed and implemented, the policy should be reviewed frequently to ensure its continued relevance.



# Checklist to evaluate the agency's policy status

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Has the agency developed a clear overall fraud and corruption control policy?
- ☐ If there is no overall fraud and corruption control policy, has the agency made plans either to develop one or to achieve the same goals in another way?
- ☐ Is any overall policy well documented?
- ☐ Do any policies and procedures (i.e. associated with fraud and corruption control) complement each other and operate in an integrated and cohesive manner?
- ☐ Have all relevant stakeholders been involved in contributing to and developing the overall policy?
- ☐ Does the overall policy address the following fraud and corruption control elements recommended by the CMC:
  - ☐ risk assessment
  - ☐ internal controls
  - ☐ internal reporting
  - ☐ external reporting
  - ☐ public interest disclosures
  - ☐ investigations
  - ☐ code of conduct
  - ☐ staff education and awareness
  - ☐ client and community awareness?
- ☐ Do the overall policy and any related subsidiary policies and procedures reflect the specific needs of the agency?
- ☐ If a fraud and corruption control policy exists, when was it last reviewed?
- ☐ Are there standing arrangements to review the policy on a periodic basis?
- ☐ Is there a structured approach to implementing significant review recommendations?
- ☐ Have the recommendations for any changes or improvements to policy and operational procedures been prioritised or implemented?
- ☐ Are there effective communication or extension programs to raise awareness of the agency's fraud and corruption control policy?
- ☐ Is the policy easily accessible to all relevant parties?
- ☐ Do the overall policy and its components clearly show the commitment of senior management to its principles?
- ☐ Is there a designated person or group responsible for 'ownership' and administration of the fraud and corruption control policy?



- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Risk assessment

Fraud and corruption risk analysis must consider not only current threats from internal and external sources but also potential and emerging threats.

## Taking a risk-based approach

Developing an effective fraud and corruption control program requires a comprehensive understanding of an agency's vulnerabilities. Identifying an agency's key fraud and corruption risks is therefore one of the major tasks to be undertaken under risk-based management principles. This section of the guidelines explains the risk assessment and evaluation process.

## What does risk management mean in practice?

Risk management consists of several related steps, beginning with the identification and analysis of risk. It proceeds from threat assessment to threat evaluation, through to the final selection of appropriate counter-measures. It establishes an agency's risk profile and the nature of the operating environment so that cost-effective practices can be established to contain or minimise each risk.

Risk management provides a logical development framework and methodology, from which flow many of the other elements of a fraud and corruption control plan – internal controls, reporting systems, the conduct of investigations, and training and awareness activities.

Risk management is an integral part of good management practice. It is not an 'optional extra', to be considered in isolation. It should permeate the agency's activities as an operational philosophy. The integration of philosophy and practice should be so complete that risk management becomes the business of everyone within the agency (Attorney-General's Department 2002, p. 8).

## The legislative background

The importance of risk management is highlighted in the *Financial Administration and Audit Act 1977* (FAA Act) and the Financial Management Standard 1997 (FMS). This legislation requires accountable officers to establish processes and controls that effectively manage the agency's risks in delivering its services.

The FMS (s. 72) requires that:

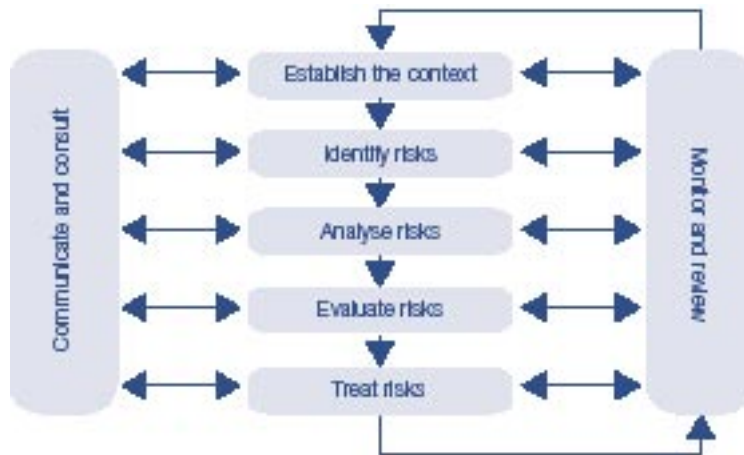
- ▶ an agency carry out an appraisal or risk assessment of each system every three years
- ▶ if a risk assessment of a system indicates an appraisal of the system is required, an appraisal of the system must be carried out within three months after the risk assessment is carried out
- ▶ following this, if action is required, it must occur as soon as practicable.

Section 74 outlines specific requirements in relation to the necessary documentation of this process.

## What are the essential elements of risk management?

Standards Australia uses the model shown in Figure 2.1 (below) to represent the various steps and to show the iterative nature of the risk management process (AS/NZS 4360:2004, p. 9).

Figure 2.1: Risk management overview



Source: AS/NZS 4360:2004, p. 9.

The same approach can be applied to the overall fraud and corruption control program within an agency – except that in this case the risks to be identified and treated relate to fraud and corruption. The components of this approach are briefly described below.

### Establishing the context

Different agencies face different fraud and corruption risks, and the first step is to establish the context of an agency's risk exposure.

AS/NZS 4360:2004 sets down a number of factors for consideration, which fall essentially into three areas:

- ▶ **The strategic context.** What is the current relationship between the agency and its environment and interested stakeholders? What are the crucial elements that may affect how the agency manages the risks it faces?
- ▶ **The organisational context.** What are the current goals, objectives and strategies of the agency?
- ▶ **The task or activity context.** What are the risks associated with the specific outcomes of the activity or function to which the risk management process is being applied?

### Identifying the risks

A full understanding of the agency's exposure to risk will only come from a comprehensive search for potential risks from the viewpoint of all stakeholders. The broader the range of stakeholders involved in the process, the more likely it is that all risks will be identified.

Several references are available for this task, each of which highlights what can go wrong – as well as when, where and how risks can arise. The CMC



has produced a number of publications that deal with specific risk areas, and the CMC survey of public sector agencies in Queensland (CMC 2004c) provides an overview of potential risk exposure.

Using a variety of techniques helps to determine all the risks. The important thing is to adopt a systematic and comprehensive approach so that all potential risks are identified, regardless of their source or controllability. Unidentified risks cannot be planned for and treated.

The search for potential risks may include interviews with clients; analysing audit outcomes, checklists, records of prior losses and process flow charts; SWOT (Strengths, Weaknesses, Opportunities and Threats) and gap analysis; control risk assessment, group discussions, scenario analysis and brainstorming.

A lively imagination is invaluable in identifying risks. No possible risks should be overlooked or filtered out by premature judgments. All reasonable risks should be included to ensure that their significance is assessed and evaluated.

### Analysing the risks

Simply knowing the risks is not enough. Further analysis is needed to evaluate their significance. Analysis enables minor risks to be separated from major risks and provides data to place them into context.

Qualitative risk analysis is most common, with the application of experience, judgment and intuition to determine the level and nature of each risk. Past records are valuable, because they show where agency control processes have failed, and what the impact was on the agency.

The likelihood or frequency of each risk can be considered in conjunction with the outcomes, and ranked in terms of potential consequences. Combining these two factors can give a qualitative risk criteria matrix (Figure 2.2). The matrix can then be used to assign levels of priority of treatment (or urgency of action) to each of the identified risks by using a simple risk evaluation and assessment worksheet (Figure 2.3, p. 17).

**Figure 2.2: A sample qualitative risk criteria matrix**

Likelihood label	Consequences label				
	I	II	III	IV	V
<b>A</b>	Medium	High	High	Very high	Very high
<b>B</b>	Medium	Medium	High	High	Very high
<b>C</b>	Low	Medium	High	High	High
<b>D</b>	Low	Low	Medium	Medium	High
<b>E</b>	Low	Low	Medium	Medium	High

*Note:* The relationship between consequences and likelihood will differ for each application. The level of risk assigned to each cell needs to reflect this (HB 436:2004, p. 55).

Every agency should examine its own operational context when setting its risk criteria. Users of the original AS/NZS 4360:1999 tended to follow the risk criteria tables of the standard; consequently they ran the danger of having criteria that were not entirely relevant to their organisation. The 2004 standard omits such examples in order to emphasise the individual nature of agency risks.

## Areas of risk to explore

The CMC survey *Profiling the Queensland public sector* (CMC 2004c) provides an insight into operational areas and functions perceived to have high fraud and corruption risk, including:

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

## Evaluating the risks

Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered (HB 436:2004, p. 63). This can be done by evaluating each risk against the agency's risk criteria matrix, taking into account the impact of the risk on the organisation, and the existing and available controls.

The assessment criteria should not be based solely on monetary considerations. There are other factors that need to be considered, such as the agency's reputation and staff morale.

---

If you lose money for the firm ... I will be very understanding. If you lose reputation for the firm, I will be ruthless.

— Warren Buffett (letter to Salomon Brothers employees, 1985)

---

The risk evaluation process will help agencies decide on the course of action to take, including:

- ▶ whether a risk needs treatment
- ▶ whether an activity should be undertaken
- ▶ priorities for treatment (HB 436:2004, p. 64).

Applying the risk criteria consistently will identify those risks that need further treatment, and will result in a prioritised list of risks that require action in the current period (AS/NZS 4360:2004, pp. 19–31).

### Treating the risks

Identifying, analysing and evaluating risks will not protect an agency against fraud and corruption. They are simply steps along the way. Risk management also involves determining the measures available for treating the risks, assessing the treatment options, and preparing and implementing suitable risk treatment plans (AS/NZS 4360:2004, p. 20).

Risks are commonly treated using one or more measures that involve:

- ▶ accepting the risk
- ▶ reducing the likelihood of the risk occurring
- ▶ reducing the consequences if the risk occurs
- ▶ transferring the risk in full or in part (to another party)
- ▶ avoiding the risk.

The treatment to be applied to each risk depends on the feasibility and benefit–cost balance of the available control measures. Every available option should be explored, rather than adopting the first or most obvious answer. The outcome will be a prioritised treatment plan that documents the chosen options and how they will be implemented.

The risk treatment plan should include details of the:

- ▶ proposed actions
- ▶ resource requirements
- ▶ responsibilities
- ▶ timing
- ▶ performance measures
- ▶ reporting and monitoring requirements (AS/NZS 4360:2004, p. 22).

When dealing with integrity risk, focus on reducing the likelihood rather than accepting the risk.

Figure 2.3 (facing page) is a sample worksheet for recording details during risk assessment and evaluation. Recording the assumptions, methods, data sources, analyses, results and reasons for decisions is an important part of the risk management process (AS/NZS 4360:2004, p. 23).

### Monitoring the process

Few risks remain static, and organisational systems and operating environments change. To deal with these changes, risk identification and assessment (including any treatment plans, strategies and control mechanisms) need to be part of a continual process of review rather than a one-off event (AS/NZS 4360:2004, p. 39).

Figure 2.3: Sample risk assessment worksheet

# Risk assessment worksheet

IDENTIFICATION		ANALYSIS			EVALUATION	RISK TREATMENTS
Area being assessed	Specific risks	Risk degree			Current controls or mitigating factors	Control improvements
		Likelihood	Consequences	Risk rating		

**Likelihood**

- A = Almost certain
- B = Likely
- C = Moderate
- D = Unlikely
- E = Rare

**Consequences**

- I = Insignificant
- II = Minor
- III = Moderate
- IV = Major
- V = Extreme

**Risk exposure**

- VH = Very high risk — immediate action required
- H = High risk — senior management attention required
- M = Medium risk — management responsibility must be specified
- L = Low risk — manage by routine procedures

*Note:* These likelihood and consequences labels are a variation of the descriptions provided in the 1999 Standard. Each agency should develop label descriptions to suit its own business processes and operating environment.

Good risk management practices involve regular evaluation of an agency's risk exposure and the effectiveness of its risk control measures. This iterative process of monitoring and review will ensure that the risk criteria are critically examined and the control mechanisms improved with each cycle of review (see Figure 2.1, p. 13).

All risks need to be regularly monitored and reviewed to take account of changing circumstances and the operating environment.

Standards Australia recommends a comprehensive review of fraud and corruption risks every two years, depending on circumstances (AS 8001:2003, p. 14). These risk reviews should consider not only the current environment and threats from both internal and external sources, but also emerging risks. The Financial Management Amendment Standard (No. 1) 2004 requires that an appraisal or risk assessment of each system be conducted at least every three years [s. 72(2)].

## Communicating and consulting with stakeholders

Good communication and extensive consultation with internal and external stakeholders at each stage of the process are very important. The success of the program as a whole depends on the extent to which everyone contributes to the assessment of risk and embraces the philosophy of actively managing it. Everyone needs to share a common vision and speak the same language.

Given the diversity of risk and its impact on different stakeholders, strong communication programs are needed to guarantee good levels of understanding and consistent operational practices. Education, awareness and communication issues are covered in Sections 9 and 10.

## Recording the outcomes

All decisions made during the risk assessment process need to be recorded, together with the reasons for those decisions. Good records will ensure that the methodology can be replicated and fine-tuned to deal with future developments.

The FMS (s. 74) sets the legislative basis for documenting the risk assessment process. It requires that the following be documented:

- ▶ the results of the appraisal or risk assessment
- ▶ the action required as a result of the appraisal or risk assessment
- ▶ recommendations for follow-up action
- ▶ (if an appraisal or a risk assessment of the system has previously been carried out) an evaluation of the actions, if any, taken as a result of the last appraisal or risk assessment.

The process of identifying and analysing risks can produce a wealth of information about how those risks could be reduced or eliminated. Well documented, this information can also provide the means for satisfying independent audit.

## Implementing the risk management approach

There is no single 'template' or model of risk assessment. AS 8001:2003 suggests a separate approach for every exercise, but that may not be feasible. The essential requirement is that the method used meets the needs of the agency — and every agency is unique.

Appropriate resourcing and stewardship will be needed to make risk assessment effective, and overall responsibility for the program should be assigned to a senior staff member (or team leader) as a full-time job or as part of their normal duties. That person should be a member of any general risk management committee that the agency sets up.

A risk management committee can also be a good source of advice in building an integrated approach to risk management. The committee can be responsible for:

- ▶ developing integrated and cost-effective risk management plans
- ▶ implementing control and risk mitigation plans
- ▶ monitoring the effectiveness of risk management programs
- ▶ reporting to senior management on risk-related issues
- ▶ integrating fraud and corruption matters with the agency's overall risk profile
- ▶ disseminating information on risk issues throughout the agency.

Clearly designated responsibility for the agency's fraud and corruption control initiatives will greatly assist communication with all stakeholders. It will facilitate developing, implementing, maintaining and reviewing every aspect of the program.

## Fraud and corruption risk management policy

Fraud and corruption risk management is an important subset of the agency's overall risk management framework. Existing agency policy and procedures should be examined to make sure they are comprehensive enough to deal with fraud and corruption risks, or to determine where additional coverage is needed.

Even if all or part of the risk assessment and policy development tasks are outsourced, the program should preferably be overseen by a senior officer within the agency. The responsible officer can play an important role in ensuring that the methodology is appropriate, and can help to improve corporate understanding and commitment to the process.

Outsourcing the risk assessment process does not reduce the responsibility of the CEO and management to deal with fraud and corruption risks.

## Where to start

An agency may face major challenges in determining the best way to categorise its risks. In some cases, an agency's context and the industry environment may highlight particular functions or make some classifications of risk more applicable than others. One starting point is to identify the agency's major activities, such as:

- ▶ service outputs and deliverables
- ▶ operational areas and functions
- ▶ revenue generation and collection activities
- ▶ expenditure programs and financial management
- ▶ supplier interfaces and other service inputs
- ▶ asset utilisation, acquisition and disposal
- ▶ client records and support.

Another approach is to build on the work of others and seek out similar bodies that may be willing to share experiences. Consulting firms also often have industry-based and sector-based checklists and classifications that can be useful.

## Best-practice target



- ▶ The agency should regularly assess fraud and corruption risks to establish the level and nature of its exposure to internal and external threats. This assessment should cover all discrete functions and operations of the agency. To ensure an integrated and consistent approach, the fraud and corruption risk assessment should form part of the agency's overall risk management strategies.
- ▶ The process of risk evaluation should be based on a comprehensive understanding of the agency's risk profile within the context of its particular operating environment.
- ▶ The agency should allocate sufficient resources to carry out the risk identification and assessment tasks so as to capture all likely risks. A specific person or group should be made responsible, to ensure effective leadership, coordination and accountability for this process.
- ▶ The agency should incorporate the outcomes of these risk reviews and control responses into the overall corporate risk strategy to ensure that risk is managed in an integrated manner.

# Checklist to evaluate the agency's risk assessment

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Does the agency have a specific fraud and corruption risk assessment policy (or does the agency's general risk management policy cover these aspects adequately)?
- ☐ Does the agency have a comprehensive program of fraud and corruption risk assessment?
- ☐ Does any program of risk assessment use a methodology consistent with the Standards Australia risk management guidelines?
- ☐ Is the agency's risk review and assessment process thoroughly documented?
- ☐ If a risk assessment (adequately covering fraud and corruption risks) **has not** been carried out, does the agency plan one in the future?
- ☐ If a fraud and corruption risk assessment has been performed, did it:
  - ☐ capture all of the agency's at-risk functions (such as those outlined in CMC and other publications)
  - ☐ establish the vulnerability of business processes and related tasks/activities
  - ☐ identify likely internal and external threats
  - ☐ rate the probable risks appropriately
  - ☐ assess the extent and adequacy of the controls proposed to compensate for such risks
  - ☐ ensure adequate communication and supporting documentation
  - ☐ take account of both current and possible future threats
  - ☐ actively involve all relevant stakeholders?
- ☐ Is there a nominated person (or designated taskforce) responsible for overseeing the assessment of fraud and corruption risks and any relevant control program?
- ☐ Is there a representative and knowledgeable advisory committee to oversee risk management and provide advice and support to any nominated officer or group?
- ☐ If a comprehensive risk assessment was carried out more than (say) two years ago, has it been reviewed since?
- ☐ Are there indications that reviews of risk exposure should be carried out more frequently than every two years?
- ☐ Are there any major changes to the agency structure, functions or operating environment that have not been captured by a risk review process?
- ☐ Are there mechanisms to generate a risk review in the event of legislation changes?
- ☐ Is there a system for recording and monitoring fraud and corruption incidents?
- ☐ Are the fraud and corruption incident records examined regularly to analyse trends and identify emerging threats in association with normal (and regular) risk assessments?





- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Internal controls

Internal control is considered by many to be the first line of defence in the fight against fraud (AS 8001:2003, p. 28).

## The significance of internal controls

Once an agency has established its risk profile through a comprehensive risk assessment process, it can establish internal controls that will eliminate or minimise those risks.

An internal control system consists of the policies, structure, procedures, processes, tasks and other tangible and intangible factors that enable an agency to respond appropriately to operational, financial, compliance or any other type of risk. An effective system should safeguard agency assets, facilitate internal and external reporting and help the agency comply with relevant legislation.

Organisational and accountability structures are important internal controls. They also provide the framework for other control measures that maintain the integrity of the agency's systems.

Internal controls need to cover more than just an agency's financial operations. They must cater for other aspects of operational performance, compliance and 'corporate health'.

Internal control systems must suit the individual agency. Although many internal control practices have a common application — such as the separation of functions and a well-developed system of accountability — there is no 'one-size-fits-all' set of internal controls that can simply be applied across all agencies.

## The legislative background

The *Financial Administration and Audit Act 1977* (FAA Act) and the *Financial Management Standard 1997* (FMS) impose significant responsibilities on accountable officers for managing the agency's risks [FMS 1997, Division 5; FAA Act, s. 36; Financial Management Amendment Standard (No. 1) 2004, ss. 72, 74]. The FMS also requires each agency to establish an internal control structure that contributes to the efficient and effective management of agency operations (FMS 1997, Division 2).

Paying lip service to applying controls is not enough. Managers must not only be committed to agency-wide fraud and corruption control; they must also be *seen* to be committed.

## Internal controls are more than a management obligation

Everyone in the agency has a role to play in making sure that internal controls are working properly, although it is managers who are primarily responsible for implementing the controls and monitoring their effectiveness.

Every staff member should contribute to the development of better systems and procedures that will improve the agency's resistance to fraud and corruption. To realise this objective, they need to know about the risks faced by the agency and be encouraged to develop and adopt effective controls.

Line managers and supervisors are often in the best position to identify system deficiencies that facilitate fraud and corruption. Their job descriptions should reflect this responsibility.

## Emphasising accountability

Fraud and corruption issues can be highlighted by making their consideration an integral part of both annual and long-term business unit planning. Responsibility for implementing controls can be included within position descriptions so that it becomes part of regular performance reviews. Performance indicators for management positions can incorporate measures showing evidence of:

- ▶ preparation and implementation of fraud and corruption control plans
- ▶ adoption of appropriate risk management strategies
- ▶ the nature and number of preventable cases of fraud and corruption.

---

'The buck stops here.'

— US President Harry S Truman (1884–1972)

---

## The essentials of internal control

Internal controls can range from simple procedures that limit physical access, to more direct and intrusive supervision such as video surveillance of cash handling activities. More sophisticated controls may include data mining techniques that analyse expenditure patterns and uncover discrepancies in claims and payments.

The FMS (ss. 68–71) requires that the internal control structure provide for the following:

- 1 control environment, comprising:
  - lines of accountability
  - resource management
  - organisational structure
  - suitably qualified staff

- 2 information, communication and technology (ICT) systems, comprising:
  - the transactions, records, operating programs and systems producing ICT information
  - data collection and exchange
  - internal and external communications
  - human and physical resources
  - reporting, including adequate audit trails (Queensland Treasury 2002, p. 11)
- 3 internal control procedures, comprising:
  - the basic checks and balancing activities that are carried out to ensure the completeness, relevance, accuracy and timeliness of the agency's accounting and other transactions
  - records that act to safeguard its assets and comply with any prescribed requirements (Queensland Treasury 2002, p. 12).

Queensland Treasury has published general guidelines that cover these components (Queensland Treasury 2002), and their guidelines include appendixes that outline common internal controls. The Treasury document is available at <[www.treasury.qld.au/office/knowledge/docs/internal-control/internal-control.pdf](http://www.treasury.qld.au/office/knowledge/docs/internal-control/internal-control.pdf)>.

Standards Australia also notes that the agency's internal controls should be:

- ▶ appropriately documented
- ▶ subject to continuous improvement
- ▶ risk-focused
- ▶ effectively communicated to all stakeholders
- ▶ accessible to all personnel (AS 8001:2003 p. 28).

### The control environment

A sound control environment is fostered by clearly stated policies and procedures and well-defined responsibilities that ensure the appropriate use of agency assets. A healthy organisational culture is further reinforced by routine monitoring and assessment against agreed best-practice targets and performance standards.

Creating a suitable internal control environment involves a number of components including the following:

- ▶ **Emphasis on accountability** – this refers to the overall environment in which the agency operates, the need for effective leadership, and high standards of ethical and professional conduct.
- ▶ **Organisational structure and design** – a good organisational structure provides clarity by enabling staff to have a clear understanding of the activities, processes and outputs for which they are responsible and accountable, and to whom they must report.
- ▶ **Internal audit** – this is an essential function which significantly strengthens the control environment.
- ▶ **Corporate health** – this includes realistic goals, objectives and expectations; appropriate organisational structure; delegations that clearly assign responsibility and accountability; and participative and transparent management style (for the full list, see Queensland Treasury 2002, pp. 7–8).

- ▶ **Assessment of current and emerging issues** – this refers to any issues likely to affect the agency, including its financial and operational performance.
- ▶ **Relationship between internal and external audit** – a recognition of the limitations of external audit and its links with internal audit and compliance activities.
- ▶ **The audit committee** – this body provides an objective and independent forum for dialogue between the accountable officer or statutory body and executive management groups to discuss issues identified by the internal and external audit functions.
- ▶ **Competency of agency personnel** – agency staff are the people who make the internal control systems work effectively.
- ▶ **Controlled entities or agencies** – where a department or statutory body controls another entity, the operations of that entity also must be monitored regularly.
- ▶ **External influences** – agencies should ensure that external controls and regulatory processes are not used as expedient substitutes for their own internal control processes (Queensland Treasury 2002, pp. 5–11).

### Information, communication and technology systems

An agency's physical and financial resources are only some of the assets that are protected by a comprehensive fraud and corruption control program. Secure management of information resources lies at the heart of most agency operations, and the management information and accounting systems are critical components of an agency's internal control systems.

Information and its supporting technology are valuable assets, and good information governance will continue to grow in importance. This covers not only the raw data and transaction records, but also how that information is stored and processed, and how it is used in the agency's decisions. Agency control processes must ensure that the application of information is always legitimate, relevant and impartial in serving the public interest.

The Queensland Audit Office (QAO) has stressed the importance of safeguarding information assets (Auditor-General of Queensland 2002, p. 4). It has identified various forms of access as a priority matter, involving the following three main control risks:

- ▶ users being granted inappropriate levels of access
- ▶ poor user-maintenance procedures
- ▶ inadequate controls over passwords.

Reference should be made to the Auditor-General's report (2002) for more details, including available control mechanisms. Other useful references on information controls are the CMC publications *Cyber traps* (George 2004), *Confidential information* (CMC 2004f), *Retention and disposal of council records* (CMC 2004g) and *Information security* (CMC 2005).

Avoid having unduly restrictive controls. This can lower productivity and increase bureaucracy, thereby inviting noncompliance and shortcuts that increase risk.

## Internal control procedures

Internal controls can take many forms. Some of the most effective controls can be quite straightforward. For example, simply adopting transparency of operations can have a powerful control impact, both internally and with external stakeholders.

Examples of transparency include well-defined and publicised service standards, performance pledges and other information provided at service counters, on websites and other locations. These will alert clients to any discrepancies in operational practices and forestall attempts at extortion. The control function comes from the deterrent provided by improved awareness, as well as better opportunities for clients to provide feedback.

In the same way, transparency in decision-making can be a powerful internal influence by highlighting potential cases of nepotism, favouritism or conflict of interest.

Internal control procedures need to suit the agency. To formulate them, begin with the identified set of fraud and corruption risks and proceed to an assessment of the possible internal control measures matching those risks. Various control checklists may be helpful, but nothing substitutes for a detailed risk assessment and treatment process tailored to the agency and its operating environment.

## Some commonly used controls

Appropriate **separation of functions** is a well-known control principle that can be applied to nearly all business processes and systems. It works by ensuring that no one person has complete control over all aspects of a transaction, record or resource. The separation principle can be applied in various ways and to many activities. It may involve physical access controls, the division of duties or giving people different security access levels for information.

A complementary control is an organisational climate that recognises the importance of supervisory accountability. Senior management provides a powerful role model in setting the ethical tone of the work environment and in maintaining an appropriate **internal control culture**. As noted earlier, this is achieved by managers demonstrating through words and actions that they enforce and monitor the agency's controls, and are themselves subject to similar control constraints.

## The limitations of control

Any control system is subject to limitations. There is always the risk that:

- ▶ two or more people may collude to circumvent the controls
- ▶ circumstances may cause a particular control to be omitted on cost-benefit grounds (a conscious risk-treatment decision)
- ▶ errors of judgment may still occur, though effective controls will help detect and minimise any such occurrences.

An internal control system is not a guarantee of success, but it provides a cost-effective way of minimising fraud and corruption risks.

## Implementing internal controls

The CEO carries ultimate responsibility for an agency's system of internal control. He or she must rely on the support of management in fulfilling this role through well-structured lines of accountability.

Creating a suitable control climate is facilitated by clear lines of accountability and appropriate organisational structures, suitable value statements, unambiguous position descriptions and service protocols, and effective operating policies and procedures.

3

## Compensating controls for small agencies

Small agencies, just like larger ones, must control fraud and corruption – though the practical arrangements may differ. Hands-on management can provide good control and compensate for the absence of more formal control arrangements.

Managers will often be able to identify incorrect data and significant variances from what they expect, and their direct knowledge of client concerns and extemporaneous communication can quickly draw attention to operating or compliance problems.

Small agencies may find it difficult to achieve an appropriate segregation of duties. Whenever possible, duties should be assigned so as to provide suitable checks and balances. If this is not possible, management may need to supervise operations more directly. For example, expenditure authorisation might be restricted to the manager.

A manager must 'reach down' further into the operational activities of a smaller organisation and carefully review supporting documentation, bank reconciliations, invoices, orders, bank statements and other matters. The way information is received and handled may need review; for example, certain external statements and reports may need to be delivered unopened to a manager.

## How do you know the controls are working?

Continual monitoring and review of the agency's internal control mechanisms should be part of the normal management process. Monitoring activities should include an annual reporting and audit program that assesses the controls and their effectiveness under any changed conditions or in the face of reported weaknesses.

To ensure an objective review that is beyond reproach, the agency's audit program must be independent of any direct role in implementing internal controls or the fraud and corruption control program. These latter functions always remain a shared responsibility of line management.



If the agency does not have an internal audit function, the need for one should be regularly reviewed. This can be done at the same time as evaluating outsourced audit arrangements and other internal compliance activities that contribute to the monitoring of controls.

The agency audit program should regularly review internal controls as well as auditing other more general procedural and compliance matters.

## 3

### Tell the world what's happening

The agency should provide a regular (annual) statement of its risk management and control status, to assure the public that all significant risk factors have been taken into account and that appropriate controls are operating. The level of disclosure must be comprehensive enough to give a true picture of the actual situation.

### A final word on internal controls

No discussion of internal controls would be complete without mention of the Committee of Sponsoring Organisations of the Treadway Commission (COSO): <[www.coso.org](http://www.coso.org)>. The body of work sponsored by COSO has resulted in many standard internal control terms. One of the most significant COSO developments was the issue in 1992 of the definitive study *Internal control: integrated framework*. Another landmark undertaking by COSO is the recent publication of *Enterprise risk management: conceptual framework*.

### Best-practice target



- ▶ The agency should have appropriate internal controls, designed to cope with its own operating environment and set of specific risks.
- ▶ The agency should systematically appraise its risk exposure, identify risks, and create control measures to deal with those risks. The control measures may often arise out of, and be developed in conjunction with the risk identification and assessment process.
- ▶ Day-to-day responsibility for implementing and monitoring internal controls should be shared between management and staff. Managers should bear the primary responsibility for leadership and for implementing and monitoring the control systems.
- ▶ The control systems should incorporate feedback and review functions that evaluate the effectiveness of the agency's internal controls against updated risk assessments.
- ▶ The agency audit program should independently review the adequacy of the control arrangements on a regular basis.

# Checklist to evaluate the agency's internal controls

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Has the agency undertaken a detailed assessment of fraud and corruption risk aligned to its own needs?
- ☐ Have appropriate internal control measures been implemented to deal with all the identified fraud and corruption risks?
- ☐ Have all stakeholders been made aware of the relevant risks and agency control mechanisms?
- ☐ Are there systems or procedures to regularly monitor and evaluate each of these controls? If not, are there plans to set up suitable review arrangements?
- ☐ Does the agency review its internal controls regularly enough to cater for changing circumstances?
- ☐ Are the responsibilities for fraud and corruption control clearly documented in agency policies, procedures and job descriptions?
- ☐ Are the delegations, authorities and supervisory roles of management clearly defined? Do the staff members in these positions consciously accept their control responsibilities?
- ☐ Are agency delegations routinely reviewed and staff advised of relevant changes?
- ☐ Does each work unit or business process comply with all policy obligations for delegations and organisational review?
- ☐ Is there any duplication, overlap, conflict or lack of coverage that is likely to reduce the effectiveness of the agency's fraud and corruption controls?
- ☐ Are managers and staff consulted about specific investigations which may involve any control lapses in their areas of operation?
- ☐ Do any affected supervisors review interim or final investigation reports as part of the control review process?
- ☐ Does the agency actively involve senior executives and line managers in reviewing operational practices and controls to prevent and detect fraud and corruption?
- ☐ Is there a nominated senior officer (or group) responsible for overseeing the agency fraud and corruption control program?
- ☐ Are there established lines of authority and suitable coordination mechanisms to manage the fraud and corruption control program?



- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Internal reporting

Staff members play a crucial role in reporting and controlling fraud and corruption.

## Reporting wrongdoing

An agency must have ways for people to report suspicious actions or potential wrongdoing. An effective internal reporting system is a powerful tool for the early identification of fraud and corruption. It can be invaluable in identifying areas of risk and obtaining suggestions for system improvements.

The range of matters that should be reported is much wider than those involved in public interest disclosures (PIDs). (See Section 6 of these guidelines.)

A successful reporting system needs staff members who are aware of the threats from fraud and corruption and feel confident about using the agency's reporting mechanisms. This confidence will come from well-publicised and readily accessible systems that encourage them to take appropriate action, secure in the knowledge that supporting arrangements will protect individuals and preserve their confidentiality (as far as possible).

Simply having a reporting system is not enough. The system must provide an open and receptive process that captures the hearts and minds of staff and invites their actions.

## What does the legislation require?

Reporting requirements are covered in various forms in a range of state legislation, including:

- ▶ *Financial Administration and Audit Act 1977* (FAA Act)
- ▶ *Financial Management Standard 1997* (FMS)
- ▶ *Crime and Misconduct Act 2001* (CM Act).

These Acts and associated regulations (as well as specific agency legislation) impose significant responsibilities on accountable officers to establish effective reporting mechanisms.

## Who is responsible?

All employees have a role to play in internal reporting. Nonetheless, management carries the principal responsibility for setting up suitable systems, and for taking action when reports are received.

## What kind of policy approach is needed?

The agency should have a policy for internal reporting of fraud and corruption. This may stand alone or form part of a more general reporting policy covering the full range of reporting requirements. Whichever is the case, the policy should include:

- ▶ what constitutes reportable conduct, behaviour or risks
- ▶ how to make a report
- ▶ to whom a report should be made
- ▶ what should be done by the person receiving the report
- ▶ how the reports are documented and the records managed
- ▶ how false, vexatious or mischievous reports will be dealt with
- ▶ procedural arrangements for appropriate responses and feedback
- ▶ a guarantee of fair and objective treatment of everyone involved
- ▶ a commitment to protect any relevant parties from reprisals.

## Designing the internal reporting system

The internal reporting system should encourage a free flow of information through the normal supervisory and management channels. The system must:

- ▶ receive information about identified risks and suggestions for system improvements
- ▶ receive information about suspected acts of fraud and corruption
- ▶ maintain the confidentiality of the parties involved (as far as possible)
- ▶ pass information on to the relevant officer (supervisor or manager)
- ▶ ensure appropriate assessment and investigation
- ▶ ensure compliance with additional external reporting requirements
- ▶ provide feedback to the informant, demonstrating that the information was taken seriously and acted upon.

Staff must be made aware of all the available reporting procedures. Guidelines on how and where to report suspected fraud and corruption can be included in a code of conduct or in a separate policy document. Information sheets or brochures can be developed and distributed to staff.

When designing an internal reporting system, it is important to take account of the size of the agency, its structure and function, and its geographic reach. Further information on the key factors that shape misconduct reporting is available in the CMC publication *Speaking up* (Brown et al. 2004).

## Practical reporting arrangements

Under normal circumstances, reporting to immediate supervisors or managers should be encouraged. Supervisory staff, in turn, are responsible for reporting to more senior management. The most effective way to encourage this process is through the development of a climate of trust and accountability in which employees know that confidentiality will be maintained (as far as possible) and appropriate action taken to deal with their concerns.

How the reporting system is perceived determines the likelihood of its success. It should be seen to operate fairly and objectively regardless of the source of the report or the particular management personnel. The perception of objectivity can be enhanced by establishing a recognised neutral party within the agency to receive reports – for example, an ethics or compliance officer or other suitably qualified senior staff member.

The size of the agency will dictate the nature of the reporting system. A larger agency might have a dedicated corporate integrity or ethical standards unit, as well as several nominated contact officers and a hotline to receive and deal with initial reports. In a small agency, on the other hand, direct reporting to the accountable officer (CEO) may be appropriate.

When reporting is not directed to the CEO, the receiving officer(s) must nonetheless have an unrestricted line of access to the CEO. The CEO has legislative responsibility for reporting to external bodies in particular circumstances (CM Act, s. 38). Consequently the CEO must ensure that there are appropriate arrangements to receive timely and effective advice of any likely reportable situations so that he or she can fulfil this obligation.

## Other reporting avenues

Employees may be reluctant to report their concerns to an immediate supervisor, even if the complaint does not involve that person. Other reporting channels should therefore be identified, such as the option of reporting to a more senior manager, a nominated receiving officer, a corporate integrity unit (see above) or the CEO, or through a hotline. Staff also need to be made aware that they can make a complaint about misconduct at any time directly to the CMC.

### Hotlines

A hotline is usually a dedicated telephone or facsimile number that gives people a means of contacting the agency at minimal personal risk. The hotline can be an email service such as hotmail or another anonymous email client.

A hotline arrangement enables staff members (and others) to communicate their concerns and obtain advice before making decisions that may have significant legal or ethical implications (such as the making of a PID). It can provide anonymity, though it is a good idea to always obtain the complainant's name or as many supporting details as possible to enable better follow-up of a report.

A hotline serves both deterrent and control functions. In some jurisdictions, not having a hotline is now regarded as a deficiency in internal control.

A hotline has the advantage of being perceived as being independent of management. This perception can be enhanced and 24-hour access provided by using a third-party provider (e.g. by outsourcing the hotline to a specialist professional group or a central liaison body). Affiliated agencies or groups, such as smaller local governments, may find such an approach useful.

## Keeping track

All stages of the reporting process must be adequately documented. Every report must be able to be traced from initial receipt; through the agency's process for investigation, follow-up and resolution; to notification of the complainant and any relevant internal oversight committees; and finally to providing information for annual reporting purposes.

To achieve these objectives, the agency's management information systems must capture and maintain comprehensive records of all reportable incidents. The information must be able to be analysed so that trends and control weaknesses can be identified. In conjunction with regular internal audit, this incident analysis can provide a useful insight into the effectiveness of the reporting process and corporate health.

## Establishing targets and evaluating effectiveness

Reports can send hidden messages. A close examination of reported incidents can often show more deep-seated systemic or managerial problems, and reports and more formal complaints are good indicators of where to look. The incidence of reports may enable actionable targets to be set, as an incentive to improve control systems and ultimately minimise the opportunities for fraud and corruption.

Checking the user-friendliness and effectiveness of the reporting system from time to time helps to gauge the program's value. Past records will generally show whether people believe they are encouraged to report, and whether they have developed greater confidence in the process as a result of the response they received.

Surveys of employees, clients, suppliers and other groups are useful in assessing their willingness to use the available reporting arrangements. Calls to a hotline depend on the initiative of individuals, so a review of the number and content of calls can indicate the effectiveness of the system.

## Developing the right skills and attitudes

The willingness to report depends on an awareness of the significance and adverse impact of fraud and corruption and the ability to recognise whether some observed behaviour is inappropriate or not. Ignorance and uncertainty can discourage an individual from reporting — especially if others in the workgroup or elsewhere in the agency condone or ignore the activity.

A common understanding of public sector ethics principles and typical indicators of fraud and corruption can be developed through a code of conduct and suitable training and awareness programs. (See Sections 8 and 9 of these guidelines.)

4



## Best-practice target



- ▶ The agency should have robust internal systems for reporting suspected fraud and corruption. These should be supported by appropriate policy and well-developed procedures for dealing with each step in managing a report.
- ▶ Internal reporting arrangements should suit the client base and regulatory regime, and match community expectations. The arrangements should be communicated to all stakeholders and reflect the size, structure and nature of the organisation.
- ▶ The agency should develop initiatives to keep fraud and corruption issues in the staff's consciousness, so that reporting becomes something that is both expected and accepted. The commitment to appropriate reporting should be seen as a continuing and shared responsibility of staff and management.
- ▶ Through suitable feedback and review activities, the effectiveness of the internal reporting systems should be regularly examined against updated risk assessments.

# Checklist to evaluate the agency's internal reporting

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Does the agency have policies for internal reporting that cover the full range of reporting options?
- ☐ Does the agency encourage internal reporting of fraud and corruption issues such as:
  - ☐ potential or actual risks
  - ☐ areas for improvements
  - ☐ suspect behaviour?
- ☐ Have staff members been made aware of relevant reporting policy and procedures (through suitable induction training and awareness programs)?
- ☐ Is there an ongoing program to foster awareness of the significance of fraud and corruption and their potential impacts on the agency?
- ☐ Have the procedures to report fraud and corruption been broadcast widely to reach all employees and other potential sources of reports?
- ☐ Do staff members know what to expect once they have submitted a report?
- ☐ Has the agency nominated particular officers or positions to receive reports?
- ☐ Are these officers or positions appropriate for the reporting role, given the agency's structure and the nature of its business, client base and staff?
- ☐ Does the agency have a hotline for reporting concerns?
- ☐ Does the agency have an effective management information system that captures all reports and enables evaluation of the program's effectiveness?
- ☐ Are all complaints or reports carefully reviewed and monitored?
- ☐ Do agency records indicate that reports of fraud and corruption have been considered at an appropriately senior level?
- ☐ Is strict confidentiality maintained in the receipt and processing of reports?
- ☐ Are individuals (if known) informed about the outcome of their report, including, if applicable, why an investigation might not have proceeded?
- ☐ Does the reporting system ensure that allegations, in addition to being reported to the CEO, are also reported to appropriate external bodies such as:
  - ☐ the Crime and Misconduct Commission (possible official misconduct)
  - ☐ the Queensland Police Service (possible criminal conduct)
  - ☐ the Queensland Ombudsman (possible maladministration)?



- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# External reporting

The CM Act requires that the CEO report any suspected official misconduct.

## The context of external reporting

This section outlines the external reporting mechanisms that can be used to report suspected fraud and corruption. It should be read in conjunction with Section 4, 'Internal reporting', and Section 6, 'Public interest disclosures'.

Queensland's public sector integrity framework includes three independent statutory bodies which play complementary roles in promoting good governance, accountability and integrity. These are the Queensland Audit Office (QAO), the CMC and the Queensland Ombudsman. The CMC and the Ombudsman are accountable to separate parliamentary committees.

Each of these bodies offers a range of best-practice guides and other useful resources for public sector agencies. Their integrity-building activities are supplemented by the law enforcement role of the Queensland Police Service (QPS). All four bodies play important roles in the reporting of fraud and corruption, reflecting their different responsibilities.

## Who does what?

**The CMC** receives complaints about possible misconduct and determines the most appropriate action to deal with them. While it may refer a complaint to an agency and monitor the outcomes, the CMC at all times retains the power to investigate cases of serious misconduct in the public interest. It also helps agencies to enhance their capacity to prevent and deal with misconduct. Its ambit includes the QPS and public officials including state government politicians and local government councillors (CM Act).

Misconduct means 'police misconduct' and 'official misconduct'. Official misconduct is any conduct in connection with the performance of a public official's duties that is dishonest or lacks impartiality; or involves a breach of trust; or is a misuse of officially obtained information. The conduct must be a criminal offence or a disciplinary breach serious enough to justify dismissal. Fraud falls within the definition of 'official misconduct'.

**The Ombudsman** investigates the administrative actions and decisions of public sector agencies and their staff. The Ombudsman investigates actions that may be made for an improper purpose or on irrelevant grounds; or are illegal or contrary to law; unreasonable, unjust, improperly discriminatory, based on a mistake of law or fact; made without giving reasons; or are simply wrong (see <[www.ombudsman.qld.gov.au](http://www.ombudsman.qld.gov.au)>).

**The QAO** provides independent audit services to the Queensland Parliament and all state public sector entities and local governments. By monitoring and reporting on compliance and other operational practices, it helps

make the public sector more accountable to the parliament and people of Queensland. Its recommendations can identify risks and assist agencies in forestalling fraud and corruption.

The QPS is responsible for the enforcement of law and order in Queensland, for detecting offenders (including fraud and corruption offenders) and bringing them to justice.

## Where do these organisations fit into a fraud and corruption control program?

When suspicious activities are found within an agency, appropriate action must be taken to investigate and, if necessary, bring any offenders to account. Effective internal reporting systems will provide the required responses in many cases, and enable matters to be dealt with through the administrative and justice systems.

However, there may be factors that inhibit or limit the effectiveness of internal reporting processes, such as situations where the wrongdoing appears to involve senior management, or where there is concern about how the matter may be handled. Some staff may find internal reporting too stressful to allow them to speak up openly. Internal systems also may not suit external parties who want to report their suspicions.

Providing a variety of reporting channels facilitates reporting and increases the likelihood that fraud and corruption will be detected.

The integrity agencies offer a range of external reporting channels and advice, depending on the nature and scope of the alleged conduct. They enable agency officers to report suspected fraud and corruption externally so that appropriate action can be taken.

External reporting is obligatory in some cases. While reporting to an external agency may be an option for some employees or members of the public, the CM Act (s. 38) requires a CEO to notify the CMC if they suspect a matter may involve official misconduct.

## Reporting to the CMC

Given the legislative reporting requirements, agencies must make sure that their reporting arrangements bring all suspected fraud and corruption matters to the notice of the CEO for reporting to the CMC. There are particular additional reporting requirements for the QPS.

### Reporting within the QPS

The Commissioner of Police is obliged to report to the CMC any complaint, information or matter that the Commissioner reasonably suspects may involve police misconduct. Under the *Police Service Administration Act 1990*, it is the duty of all QPS officers and staff members to report internal cases of misconduct to both the Commissioner of Police and the CMC.

Individual reports to the CMC can be made in almost any fashion and in any language, in writing (mail or email), by telephone or in person. However, at the agency level, it is best to establish a protocol or standard format for reporting to the CMC to ensure that reported matters contain as much information as possible to help in evaluation (CMC 2004a, p. 2.7).

Every report is registered by the CMC and assessed to see whether it is within the Commission's jurisdiction and what action, if any, is most appropriate to deal with the allegations. The CMC itself may investigate the matter, or may refer it to the relevant agency subject to monitoring by the CMC. (See CMC 2004a and Section 7 of these guidelines for more details.)

Alternatively, it may refer any criminal activity aspects of the conduct to the QPS and the disciplinary aspects to the relevant agency. The QPS must deal with all such matters that are referred to it by the CMC (CM Act, s. 42).

Information on individual and agency reporting obligations is available from the CMC in hard copy form or on the website <[www.cmc.qld.gov.au](http://www.cmc.qld.gov.au)>.

## Reporting to the QPS and the QAO

Once an agency or accountable officer suspects any loss to be a result of an offence under the Criminal Code or other Act, the agency or accountable officer must inform both the QPS and the QAO [FMS, s. 42(2)].

If the loss involves suspected 'official misconduct', the matter must also be reported to the CMC. The CMC then has the option of investigating the matter itself or referring it to the QPS and the agency (see above).

Actions involving suspected fraud and corruption, and committed against an agency by an external party, should be reported directly to the QPS.

## Reporting to the Ombudsman

The Ombudsman investigates complaints that are essentially of an administrative nature. The Ombudsman is not commonly involved in fraud and corruption matters, although such incidents may give rise to administrative issues in their resolution. Close liaison is maintained between the CMC and the Ombudsman to ensure that potential cross-jurisdictional matters are handled appropriately.

The Ombudsman makes recommendations to agencies to correct decisions if necessary. Agency reporting systems should outline the matters likely to be of concern to the Ombudsman, such as not acting on complaints, and unfair employment or tendering processes. For more information see <[www.ombudsman.qld.gov.au/about/what\\_we\\_do.asp](http://www.ombudsman.qld.gov.au/about/what_we_do.asp)>.

## Reporting policies and guidelines

When a matter falls within the jurisdiction of more than one external integrity body, the agency must ensure that it is reported to each one that is relevant. Agencies therefore need to develop sound reporting policies and procedures that cater for these potentially overlapping requirements –

either by specific policies and procedures or through reporting mechanisms incorporated within more general arrangements covering the full scope of agency reporting obligations.

The procedures for external fraud and corruption reporting should detail the kind of conduct to be reported, and to whom, how, and when to report. They should cater for disciplinary action if the policy requirements are not met.

Good reporting policies will include an outline of any investigative and follow-up processes (see Section 7), and what the reporting person can expect to happen after they have submitted a complaint. Effective feedback is a crucial part of the communication process (see Sections 9 and 10).

Relying on internal reporting processes alone may not be enough. External reporting channels provide alternative or 'back-up' reporting mechanisms.

## Education and awareness

Good reporting practices stem from effective education and awareness programs that spell out the dangers, highlight the benefits of reporting and outline the available reporting options in a readily accessible form.

Agencies need to keep staff aware of these issues, so that reporting becomes an expected and accepted way of operating. (Section 9 addresses staff education and awareness, while Section 10 deals with communication matters generally.)

## Best-practice target



- ▶ The agency should have clear policies and detailed procedures for the reporting of fraud and corruption to relevant external bodies.
- ▶ These policies should inform and encourage stakeholders to make them fully aware that there is always a suitable mechanism available for external reporting of wrongdoing.
- ▶ In Queensland these policies and procedures should outline how and when to report to the CMC, the QPS, the Ombudsman and the QAO.
- ▶ Agency arrangements should ensure that suspected official misconduct is always reported to the CMC and that other bodies (e.g. QPS, Ombudsman), depending on the circumstances, are also informed.
- ▶ The different external reporting actions should form part of the overall reporting arrangements developed to support the agency's overall fraud and corruption control program.



# Checklist to evaluate the agency's external reporting

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Has the agency developed a clear policy covering both mandatory and optional reporting of fraud and corruption matters to external agencies, including the:
  - ☐ CMC
  - ☐ QPS
  - ☐ QAO?
- ☐ Do established procedures ensure that internal reports of official misconduct are brought to the attention of the CEO for transmission to external bodies?
- ☐ Are there specific arrangements or operational protocols, outlining reporting criteria and individual responsibilities for external reporting?
- ☐ Are there disciplinary provisions if reporting requirements are not met?
- ☐ Do the external reporting policies and practices effectively address all legislative requirements and best-practice guidelines of the CMC for reporting of official misconduct (and similarly for other integrity agencies)?
- ☐ Are external reporting requirements and options covered by the agency's education and awareness activities?

- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Public interest disclosures

The reporting of suspected misconduct and maladministration within the Queensland public sector is fundamental to its ongoing integrity and health (Brown et al. 2004).

## Where does a public interest disclosure fit into a fraud and corruption control program?

This section of the guidelines explains an agency's responsibilities for handling allegations received under the public interest disclosure (PID) provisions of the *Whistleblowers Protection Act 1994* (WP Act). It outlines the positive aspects of disclosure and highlights the measures that should be taken to support the parties involved and protect them against any form of reprisal that might result from a disclosure.

## What are we talking about?

A whistleblower or 'discloser' is someone who discloses information as a result of a genuine concern about the possible serious misbehaviour of public officials, or of others who may be acting in a way that is not in the public interest (OPSME 2003b, p. 1).\*

Many organisations have been slow to encourage those who know about wrongdoing to come forward. Instead of being applauded, staff members who exposed misconduct, fraud, and corrupt or criminal behaviour have suffered criticism, with the loss of career prospects and even their jobs.

At the core of the whistleblowing issue is accountability — and the exercise of that accountability in the public interest. Appropriate disclosure is vital when something is seriously wrong, or when the public is put at risk. Making an internal or external PID may be the best option when the normal internal channels and management processes have broken down or do not appear to be effective.

## Why is disclosure so difficult?

Research studies and surveys consistently show that staff members form the single most potent force in detecting fraud and corruption. But there are a number of factors that appear to make whistleblower disclosures very difficult for the individual.

The major problem seems to be a clash of values between personal integrity and commitment to the public interest, and loyalty to colleagues or to the organisation.

Personal integrity means unswerving adherence to a set of values based on ethical principles which underpin the provisions of a code of conduct. In contrast, loyalty is a steadfast commitment to a group, or the notion that

\* Note: Throughout this document, the terms 'whistleblower' and 'discloser' describe the person making a PID. Both of these terms are used by various government agencies in Queensland.

one does not desert or betray others in their time of need. Loyalty is one of many interrelated factors that make up organisational culture.

Loyalty can be misplaced and might not be in the public interest.

There are other factors likely to inhibit disclosure. The statute books carry many references dealing with the unauthorised release of confidential information, but are generally silent in respect of any public interest defence. Commercial confidentiality is commonly quoted in contractual matters, and employment contracts increasingly contain confidentiality clauses making the unauthorised disclosure of information a disciplinary matter. Not surprisingly, staff members may feel they are receiving contradictory messages.

The decision to disclose should be simple. Faced with the need for transparency and disclosure on the one hand and confidentiality on the other, the overriding consideration must be the public interest. Making a PID can settle such dilemmas and creates a matching obligation on the part of the agency to ensure protection of a whistleblower from any reprisals.

## Sending the right message

Agencies must resolve these apparently conflicting demands of disclosure and confidentiality and be forthright in stating that they want people to denounce unethical and fraudulent behaviour. They must provide clear guidance to staff on how to handle the complex issues of management communications and how to deal with an ethical dilemma when faced with potential wrongdoing.

## The legislative picture

The underlying grounds for a PID come principally from the government's ethics framework (i.e. the overarching policies, Acts and directives of government), together with the agency's code of conduct and subsidiary policies. These outline the principles of public sector conduct and provide guidelines for the types of behaviour that are acceptable. Failure to comply with these requirements may then constitute reportable conduct within the meaning of a PID.

Queensland legislation covering a PID includes the following Acts:

- ▶ *Public Sector Ethics Act 1994*
- ▶ *Whistleblowers Protection Act 1994* (WP Act)
- ▶ *Crime and Misconduct Act 2001* (CM Act).

The Public Sector Ethics Act and the WP Act provide the ethical framework and spell out the protection principles. The CM Act provides an external reporting mechanism and an independent investigative and enforcement body.

The context in which a disclosure is made is crucial in determining how it will be treated under law. Agency practices must ensure that anyone making a disclosure receives the protection afforded under the WP Act to the full extent possible.

## What are the policy and procedural implications?

The WP Act provides a statutory framework that focuses on protection. It does not deal with internal reporting or investigative processes, though it does provide guidance on the expected agency outcomes. After extensive research, the New South Wales Ombudsman (2004b) has identified the primary objectives of whistleblower legislation as being to:

- ▶ encourage people to make disclosures
- ▶ ensure that disclosures are properly dealt with
- ▶ ensure appropriate protection of all parties.

The ramifications of the WP Act and its precise application are complex (WP Act, ss. 14–27). Put simply, a PID by a public official refers to any disclosure, made to a supervisor or manager, designated officer, chief executive officer, member of a governing body (if relevant) or an external investigation agency, that contains information about:

- ▶ official misconduct — as defined in the CM Act
- ▶ maladministration — as defined in the WP Act
- ▶ negligent or improper management involving a substantial waste of public funds
- ▶ conduct causing a substantial or specific danger to public health or safety, or to the environment.

## How should the agency respond?

At the agency level the PID risks are best handled by having a clear policy framework that facilitates disclosure and provides support and protection for the discloser as well as for other people who may be affected.

The PID reporting option supplements the usual processes of managerial reporting. A PID policy likewise reinforces the normal channels of communication between managers, supervisors, staff and clients. It stands apart from grievance procedures or complaints related to discrimination, harassment, bullying and similar workplace issues for which there should be separate procedures.

External parties reporting official misconduct are not covered by the WP Act, and could be disadvantaged in their ongoing relationship with an agency as a result of a disclosure. The agency's policies and procedures thus should incorporate appropriate protection measures by embracing the spirit of the WP Act in its dealings with all parties.

## Agency procedures

An advantage of established procedures is that people know what to do when the need arises. To ensure that the agency's support and protective mechanisms are always active, responsive reporting practices need to be embedded within the agency's procedural framework. For example, everyone should know instinctively that suspected fraud or corruption should be reported immediately to a supervisor, manager or nominated officer, or to the CEO.

## What constitutes a public interest disclosure?

A PID is a serious matter and the receiving officer should counsel the discloser about the ramifications of assessment, and what to expect from agency support and protection arrangements under the WP Act. The definition of a PID depends on who is making the disclosure, with the Act distinguishing between disclosures made by a public officer and those made by anyone else.

**PIDs made by public officers** fall into four groups:

- official misconduct, as defined in the CM Act
- maladministration that adversely affects anyone's interests in a substantial and specific way
- negligent or improper management by a public officer, public sector entity or a government contractor resulting or likely to result in a substantial waste of public funds, or
- conduct by another person causing a substantial and specific danger to public health or safety or to the environment.

**PIDs made by any person** fall into three categories:

- a substantial and specific danger to the health or safety of a person with a 'disability' as defined in the *Disability Services Act 1992*
- a substantial and specific danger to the environment from contraventions of, or of conditions under, provisions of Acts listed in Schedule 2 of the WP Act
- a reprisal taken against anybody as a result of a PID.

The disclosure is still a PID and covered by the Act even if it proves not to contain this type of information, provided the discloser honestly believed on reasonable grounds that the available information showed the conduct or danger concerned.

Some disclosures are not protected by the Act, including disclosures made to the media; those made frivolously or vexatiously; those which primarily question the relative merits of government or agency policy; and those that are made substantially to avoid disciplinary action. Disclosures that are wilfully false constitute an offence under the Act.

An agency PID policy and associated procedures should cover:

- ▶ the context in which a PID is appropriate
- ▶ how, when and where to make a disclosure
- ▶ who can make a disclosure
- ▶ to whom a disclosure may be made
- ▶ assessment and investigation of disclosure allegations
- ▶ available support and protection mechanisms
- ▶ the investigation process
- ▶ the role and responsibilities of management.

This list does not cover all the components of an effective PID program. Further information is available from the CMC (CJC 1996) and OPSME (OPSME 2003a).

The potential sensitivity of issues and ingrained cultural inhibitions against disclosure warrant specific coverage of PIDs in the agency's policies, and preferably a stand-alone PID policy.

## Emphasising the importance of reporting

The CM Act places a reporting obligation on the CEO, but there is no matching requirement for other officers except for the QPS.

The importance of reporting can be emphasised by including a provision within the agency's code of conduct requiring all officers to disclose any suspected fraud, corruption and maladministration of which they become aware. This will provide an unambiguous direction to staff that may be linked with the application of the PID policy.

## Flexibility is important

Reporting arrangements need to be flexible. For example, if a person thinking about making a disclosure is concerned about an open approach to a supervisor or nominated disclosure officer, they should be able to request a meeting away from the workplace, make a complaint anonymously, or go to an external body such as the CMC (see Section 5).

## Making it work in practice

The legislation does not spell out the procedural arrangements or management practices that an agency needs to adopt in implementing the requirements of the WP Act. This is left to the agency to determine. However, it does place a particular responsibility on the agency to implement practical measures designed to achieve confidentiality and protection that cater for its particular circumstances.

Normally this will involve the agency developing policies and procedures that give guidance to management on the execution of related awareness and support and protection principles. Special training may be required for supervisors and senior management (see Section 9).

The content of the disclosure and its context govern its assessment as a PID.

## The bottom line

The most effective protection for a PID is the right organisational culture. An agency that is visibly committed to ethical and accountable behaviour and does not tolerate fraudulent or corrupt behaviour will create a positive ethical climate. This culture comes from constant reinforcement of the underlying PID principles and the aims and objectives of the WP Act. It also comes from leadership that openly recognises the significance of staff contributions and strongly encourages disclosure.

Not only disclosers are affected. Safeguarding the rights of any person who is the subject of, or is in some way associated with, a disclosure is equally important and demonstrates the agency's resolve to treat disclosures appropriately. Managing the whole process equitably will increase staff confidence and improve the likelihood of responsible reporting.

Other measures likely to contribute to successful PID support and protection objectives include:

- ▶ a case-specific formal program or a support network that comes into operation once a PID is made (these may involve designated case managers and/or support officers)
- ▶ agency-based programs for internal support and protection
- ▶ 'as-needs' management of issues by specially trained investigative staff or human resource specialists
- ▶ counselling and other forms of emotional support
- ▶ informal support networks through liaison with other disclosers and line managers.

## The critical role of management

Managers play a key role in the PID process. They help to set the organisational tone and lower the perceived barriers to effective reporting. They may receive and deal with a complaint; they may be involved with a resulting investigation; and they carry the primary responsibility for forestalling any potential reprisals within the work group. The significance of the manager's role has been highlighted by CMC-commissioned research into factors that shape staff attitudes to reporting (Brown et al. 2004).

Staff relationships are crucial in the aftermath of a PID and managerial leadership does much to set the workplace climate. The line manager is also uniquely placed to anticipate staff responses to a PID and subsequent investigation activities.

Managers and staff members must never act in a way that could be seen as victimising or harassing a discloser. They must also protect and maintain the confidentiality of any person known or suspected to have made a PID. Maintaining confidentiality is an important factor in minimising reprisals. If part or all of the disclosure does become known, early intervention is important in minimising negative staff reactions and preventing possible reprisals.

Other aspects of the manager's role in relation to a PID are to:

- ▶ minimise the stress on a discloser and provide suitable encouragement when they make a PID
- ▶ adopt appropriate risk management strategies to cater for likely fallout from a PID
- ▶ provide constructive leadership to the workgroup during any investigation
- ▶ work closely with human resources and other units to ensure the necessary level of support and protection
- ▶ ensure the preservation of all information that might be needed as evidence
- ▶ provide timely and appropriate feedback to all relevant parties.



Managers must overcome any personal concerns in meeting their obligations, especially if the allegations reflect adversely on their group. While counselling staff not to make false or malicious allegations, they must always be alert to the 'red flags' of potential fraud and corruption, and carefully examine any allegations. They must fulfil their managerial roles fairly and objectively, no matter how difficult.

Managers must make their reporting obligations clear to the discloser from the beginning. A discloser must be under no misapprehension regarding the privacy of a complaint and the likely outcomes of the disclosure and reporting process.

Any information received in relation to a disclosure is evidence that must be fully documented. If it is an oral disclosure, the manager will need to summarise the details in writing. A manager must be careful not to take any action likely to jeopardise an investigation, or be seen as self-interested. There must be no grounds for any perception that there has been an attempt to cover up, influence or prejudice the outcome of an inquiry.

The agency must show, through words and actions, that it will take all reasonable steps to provide support to disclosers and protection from any reprisal as a result of a disclosure.

## Developing awareness and support skills

Staff education and awareness programs can foster positive attitudes towards PIDs. They can clarify why employees should be prepared to come forward, and what happens when they do, as well as provide training in ethical decision-making.

As staff move into the supervisory and management ranks, they should receive more specialised training to improve their ability to receive and deal with PIDs, including the development of skills in providing appropriate support and protection. (See Sections 9 and 10 for general education and awareness issues. Section 7 addresses the training needs for investigation.)

## Best-practice target



- ▶ The agency should establish suitable mechanisms to support and protect disclosers and others, as required by the WP Act. Agency policy and procedures should exceed the legislative minimum and encourage people to come forward and report suspicions of maladministration or fraud and corruption.
- ▶ The agency PID arrangements should provide robust support mechanisms; minimise the likelihood of false and mischievous reports; offer guidance on appropriate behaviour by disclosers; and ensure protection against recrimination as a result of a disclosure.
- ▶ Any agency PID reporting structure should reflect the size, structure and nature of the organisation, its constituent work units and the staff profile. It must be consistent with the regulatory regime.
- ▶ Details of the agency PID policy and reporting structure should be widely disseminated to stakeholders (potential disclosers).
- ▶ Special education and awareness programs should be provided to ensure that PIDs are handled suitably, and that supervisors and managers properly fulfil their roles in disclosure support and protection.

# Checklist to evaluate the agency's approach to public interest disclosure

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Are the agency's PID arrangements fully compliant with the WP Act?
- ☐ Does the agency have a stand-alone PID policy? If not, are the necessary policy elements contained within other agency policies?
- ☐ If there is a PID policy, is it consistent with the agency's code of conduct and any overall fraud and corruption control policy?
- ☐ Are there programs to actively encourage an ethical work climate and an atmosphere of transparency and responsible reporting that fosters PIDs?
- ☐ Do agency officers clearly understand their obligations to report suspected fraud, corruption and maladministration? Do they:
  - ☐ have a clear understanding of what constitutes a PID
  - ☐ know how to make a PID
  - ☐ know what to do if they receive a PID in their role as a supervisor or manager?
- ☐ Are there clear agency procedures to support the agency PID arrangements, covering:
  - ☐ how, where, and when to make a disclosure
  - ☐ what to disclose
  - ☐ to whom a disclosure should be made
  - ☐ what support and protection is available for the discloser of a PID
  - ☐ the investigative process
  - ☐ staff and management responsibilities?
- ☐ Is there a formal PID reporting system, such as nominated agency officers to receive and manage PIDs? If so:
  - ☐ is this reporting system well-known and easily accessible to all staff
  - ☐ are these officers adequately trained in all aspects of the PID program?
  - ☐ are management staff given additional training in handling PIDs
  - ☐ are there sufficient designated and trained officers available to manage PIDs?
- ☐ Are there systems of support and protection in place for disclosers? If so:
  - ☐ has the agency documented these mechanisms and procedures
  - ☐ is their effectiveness regularly monitored
  - ☐ how effective have the support mechanisms proved (e.g. is there any evidence that disclosers have suffered reprisals in any manner)?
- ☐ Is there a set timeframe within which to respond to a PID?
- ☐ Have guidelines about acceptable behaviour for disclosers been formally established, documented and distributed?
- ☐ Is there an appropriate internal review mechanism for any discloser who may feel they have been disadvantaged or subjected to reprisals?

- ☐ Are disclosers (if known) informed about the outcome of the disclosure and inquiry process, including why an investigation might not have proceeded (if applicable)?
- ☐ Does the agency have a process for recording PIDs and their outcomes? If so:
  - ☐ are the PID records periodically reviewed
  - ☐ are there procedures to ensure follow-up of identified risks or deficiencies?
- ☐ Does the agency report the outcomes of PID activities at least annually? Is this report part of the annual report and linked to the agency's risk management program?
- ☐ Are the principles of the WP Act incorporated in other agency policies and procedures relating to external stakeholders, such as clients, suppliers and contractors?



- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Investigations

Allegations of fraud and corruption must be handled and investigated competently.

## The catalyst for investigation

If suspected fraud or corruption has been identified or reported, a number of processes must follow. If the conduct could possibly constitute official misconduct, there is a statutory obligation under the CM Act for the CEO to report the matter to the CMC. Since fraud and corruption fall within the definition of 'official misconduct', these matters will automatically need to be reported.

The response to misconduct will vary according to the nature and seriousness of the alleged conduct. A full investigative response is best when dealing with serious matters where the conduct, if proved, could result in dismissal or demotion. At the other end of the spectrum are complaints best dealt with by prompt managerial action.

In most cases the agency will need to manage initial receipt of the complaint and conduct preliminary inquiries to establish its substance, when determining the most appropriate action to take.

## The CMC response

On the basis of a reported complaint, the CMC may choose to investigate the matter itself, or refer it back to the agency for investigation, or work with the agency to investigate the matter (CMC 2004a). Joint investigations may be undertaken if it is in the public interest, or if particular investigative powers are required.

Any allegation involving criminal offences needs to be referred to the QPS. All matters involving suspected fraud and corruption committed against an agency by an external party should be reported directly to the QPS.

## The agency response

There is no single best way of dealing with a matter that has been referred to an agency by the CMC — there are several valid responses, depending on the nature of the particular complaint. Of crucial importance are the procedures and investigative processes adopted by the agency. It must adopt a response that reflects the nature and seriousness of the matter, and ensure that every facet of inquiry is robust enough to withstand close scrutiny.

## The investigative process

Given the importance of sound investigative practices, the CMC has published an investigation toolkit which is a companion to these guidelines.

*Facing the facts* (CMC 2004a) gives agencies clear advice on how to deal with suspected official misconduct matters. In the words of the publication:

These guidelines are designed to help CEOs and managers recognise when they need to refer a matter to the CMC and decide the best way of dealing with particular matters. They also give practical advice about conducting an investigation. They should also enable CEOs and managers to better understand the CMC's monitoring role and what we will be looking for when monitoring your agency's response. (page ix)

*Facing the facts* describes the various steps involved in conducting a formal investigation. These include:

- ▶ determining the scope and nature of any investigation
- ▶ confirming the responsibilities and powers of the investigator
- ▶ conducting the investigation
- ▶ gathering the evidence
- ▶ concluding the investigation.

### Determining the scope and nature of any investigation

This involves developing the terms of reference or the scope and purpose of the investigation, taking into account practical issues such as the available resources. The preparation of the investigation plan will in turn determine the:

- ▶ powers that will be needed for investigation
- ▶ resources needed
- ▶ authorisations required to undertake the investigation
- ▶ possible investigation outcomes.

Once the scope of the investigation is known the investigator should be chosen, either from internal resources or by outsourcing the job. Since a quick response is usually needed, some agencies have a list of approved external investigators who can be engaged when required.

### Confirming the responsibilities and powers of the investigator

The investigator is responsible for gathering all the relevant evidence and assessing the material, resulting in a report containing a set of findings and, possibly, recommendations. The investigator must fulfil these tasks objectively and with full awareness of any statutory and/or contractual requirements for confidentiality.

Partial or 'out-of-context' disclosure of facts can endanger an investigation and damage individuals.

### Conducting the investigation

At every stage of the investigation, the investigator must proceed in accordance with the rules of procedural fairness or 'natural justice'. The rules of procedural fairness require that the investigator:

- ▶ not be biased in any way
- ▶ give all parties a fair hearing



- ▶ ensure all parties are informed and allowed to comment
- ▶ take into account people's point of view on any matter that adversely affects them.

Procedural fairness is an important facet of any investigation. It involves rigorous checking of facts, painstaking identification of issues and consideration of all points of view. It also benefits the investigator by recording comments that might expose any weakness in the investigation or areas in which the investigation is likely to be probed or attacked.

Further information on the ramifications of procedural fairness are provided in Module 4 of *Facing the facts* (CMC 2004a).

Appropriate confidentiality is crucial to ensure the integrity of the inquiry and minimise the impact of the investigation. Prudent handling of materials and information minimises the risk of evidence being contaminated, possible victimisation of any discloser, or prejudgment of the outcomes.

Confidentiality has many dimensions and may include restrictions on:

- ▶ the fact that an investigation is being conducted
- ▶ the subject matter
- ▶ the source of the investigation
- ▶ information collected by the investigator
- ▶ the identity of any witnesses
- ▶ any documents collected during the course of the investigation
- ▶ discussions by witnesses about the contents of the investigation between themselves or with third parties.

The investigator must remain impartial throughout the investigation. They must not have, and must not be perceived to have, any conflict of interest in relation to the complaint, or to the people, the conduct, or the policies and procedures that are the subject of the investigation (ICAC & CMC 2004).

An investigation is not a consultative or advisory activity. It is driven by specific issues defined within the investigation brief. If a matter appears relevant but is not within the scope of the investigation, the investigator should seek approval to change the scope before proceeding.

If there is any doubt about the agency's powers to gather information, appropriate legal advice should be sought from the agency's internal resources, from Crown Law (where appropriate), from the CMC or from an external legal consultant who has been appointed under approved procurement procedures.

An investigation plan should be developed before any inquiries begin. This will clarify the methodology and help to reveal potential problems. It can also identify everyone who can assist with the investigation. (A sample investigation plan is supplied in *Facing the facts*.) If other sources of evidence become apparent, the investigation plan should be revised to suit.

All relevant witnesses should be consulted, with the complainant usually the first person to be interviewed. The order of the remaining witnesses may vary, depending on:

- ▶ the importance of their evidence
- ▶ the degree of their association with the subject
- ▶ their availability.

The subject of the complaint is usually interviewed last. This enables the investigator to collect as much information as possible before the interview. The subject officer may also be interviewed at the start of the investigation, or part-way through, to establish their version of events, which can then be proved or disproved.

Sometimes it may be appropriate to interview the subject first, because immediate exoneration will save time and effort. Each case is different and the choice of order relies heavily on the skills of the investigator.

Specialist training should be provided to investigators. Certification of training and investigative competency enhances the credibility of an investigator as a witness.

## Gathering the evidence

Investigators must have a basic understanding of the rules of evidence, and know how to gather and protect the evidence so that it will stand up in a court of law.

For example, interviews normally play a significant role in an investigation, and the way in which an interview is conducted can have a material effect on the extent and quality of information obtained. *Facing the facts* summarises some interviewing skills under the following headings:

- ▶ the art of interviewing
  - preparing for an interview
  - choosing an interview setting
  - alternatives to face-to-face interviewing
  - recording oral evidence
- ▶ planning an interview
  - developing the questions
  - dealing with difficult or uncooperative people
- ▶ suggested structure of an interview
- ▶ evaluating the outcomes of an interview.

## Concluding the investigation

At the completion of an investigation, the evidence must be analysed and assessed, a report prepared, and other housekeeping functions completed including formal documentation and filing. This work forms the agency's formal record of inquiry, which must be held securely but be readily retrievable. It may be subject to discovery processes or outside scrutiny by agencies such as the CMC or the Queensland Ombudsman. (*Facing the facts* provides a sample investigation report.)

## Agency investigation policy

The agency's policy on dealing with investigations usually forms part of its broader disciplinary policy framework. It should take into consideration:

- ▶ who has the authority to initiate the investigation
- ▶ confidentiality of information
- ▶ determining the extent of the investigation
- ▶ the conduct of interviews (with all parties and in different formats)
- ▶ attendance at disciplinary hearings
- ▶ progress reports
- ▶ investigation report
- ▶ overview by any agency organisational unit or nominated senior management.


## Education and awareness

Education and awareness programs can minimise the adverse impacts of an investigation by informing staff about what to expect if they become involved in an investigation. This knowledge is particularly important for supervisors and managers.

A publication produced by the CMC's predecessor, *Managing the impact of a CJC investigation* (CJC 2001a), presents strategies to help public sector managers and supervisors deal with the effects of an investigation. This advice has been updated in Module 9 of *Facing the facts*, which is particularly helpful for managers and supervisors faced with the realities of a potentially disruptive situation.

(For more information on education and awareness matters see Sections 9 and 10)

## Best-practice target

- 
- ▶ The agency should have robust complaints-handling and investigation policies and procedures, which outline the roles and responsibilities of management and investigating staff. These policies and procedures should be communicated throughout the agency.
  - ▶ There should be clear guidelines to remove any uncertainty or confusion about the complaints-handling and investigative processes. These guidelines must be designed to avoid prejudicing or hindering further investigation.
  - ▶ Well-trained and experienced investigators, with specialist training in fraud and corruption investigative techniques, should be involved in more complex investigations.
  - ▶ The agency's policy protocols or standards for reporting and investigation should provide suitable direction in determining the best-practice approach for any investigation.
  - ▶ The investigative standards should be no less stringent than those outlined in the CMC publication *Facing the facts*.

# Checklist to evaluate the agency's investigation management

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Does the agency have policies and procedures to address the investigation process? If so, do they cover:
  - ☐ authority to initiate investigations
  - ☐ scope or extent of investigation
  - ☐ confidentiality matters
  - ☐ conducting interviews
  - ☐ security of evidentiary materials
  - ☐ attendance at disciplinary hearings
  - ☐ progress or status reports
  - ☐ the investigation report
  - ☐ overview by any organisational integrity unit or designated executive?
- ☐ If the agency has no formal investigation policy, are there plans to develop such a policy?
- ☐ Do preliminary complaints-handling arrangements minimise the risk of prejudicial actions or potential hindrances to any further investigation?
- ☐ Are trained agency officers, or suitably qualified external investigators, responsible for conducting investigations?
- ☐ Are there clear procedures as to when and how investigators are briefed and instructed to proceed in any given fraud, corruption or misconduct situation?
- ☐ Is particular attention given to procedural rigour, security and relevant expertise in taking and securing evidence?
- ☐ Are agency investigators selected appropriately, with the required independence and freedom from any conflict?
- ☐ Do the agency's investigation and review procedures meet or exceed the minimum standards for best-practice investigations as outlined in the relevant CMC guidelines?
- ☐ Are the agency's investigative guidelines reviewed regularly (e.g. within the last three years)?
- ☐ Are there appropriate education and awareness programs for staff and management about the nature and impact of investigations?
- ☐ Is specialist training provided for and/or required of investigators?
- ☐ Are there adequate reporting systems to keep management, and any other relevant parties (e.g. the CMC) informed of the ongoing status of investigations?
- ☐ Are responsibilities clearly assigned and relevant systems developed, to ensure that full and complete records are maintained of all potential fraud and corruption investigations?
- ☐ Are records of all reports of fraud and corruption investigations held securely, with minimal opportunities for tampering or unauthorised removal?



- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Code of conduct

There's more to a code of conduct than the written word.

## How does a code of conduct relate to a fraud and corruption control program?

A code of conduct can help develop the expectations and standards of ethical behaviour within an agency. Fraud and corruption can result from departures from the expected standards of behaviour, and the code provisions underpin many of the operational practices designed to minimise these integrity risks.

## Why is a code of conduct so important?

A code of conduct provides an ethical roadmap for staff. It supports the agency's mission by documenting and supplying guidance about minimum standards of expected behaviour.

The code is a tool that broadcasts the agency's ethical standards and, where necessary, provides the benchmarks against which disciplinary action may be taken. Effective codes anticipate likely situations or questions that employees might face, and provide clear direction as to what the organisation allows and what it prohibits.

Most agencies already have a code of conduct. Even so, an agency's code should be reviewed on a regular basis to keep it current and to ensure its continued relevance.

## What is the legislative framework?

Having a code of conduct is mandatory under the *Public Sector Ethics Act 1994*. The code of conduct must be consistent with current legislation, and with the ethical principles and obligations defined by the Public Sector Ethics Act or other relevant legislation (e.g. the agency's own statute). It must also comply with the CM Act and WP Act.

## Who is responsible?

Under the Public Sector Ethics Act, the CEO is responsible for developing and maintaining the agency code of conduct. The CEO has several statutory obligations, and must consult with all relevant parties, have the code approved by the responsible authority, ensure that the code is accessible to all agency officials, and ensure that appropriate education and training is provided (Public Sector Ethics Act, ss. 15–17, 19, 21).

## What should a code of conduct contain?

A code of conduct must be practical. Managers and staff must be able to understand its requirements and be able to readily identify the relevant standards of conduct that apply to them.

The Public Sector Management Commission (PSMC) has provided guidance in its publication *Guidelines for the development of codes of conduct: Public Sector Ethics Act 1994*. This document outlines the content of a model code of conduct (PSMC 1995).

In addition to the provisions covering the five ethical principles outlined in the Public Sector Ethics Act, the code of conduct may contain broader guidelines and procedures that are relevant to fraud and corruption control. Sometimes, however, it may be more appropriate to cover these topics in separate policy documents, in which case reference should be made to those policies in the code.

### A framework for a code of conduct

The CMC does not prescribe any specific format for a code of conduct, but it does provide advice. The code should be consistent with relevant legislation, be linked to related policies and procedures, and detail the standards of behaviour expected of staff. The code should use positive statements, personal voice and plain language, and it should define any unfamiliar terms.

The following framework may be used as a guide to writing a code of conduct:

Part 1 Statement of values and management's commitment to those values

Part 2 Applicability — including:

- who the code applies to, how it applies and when
- what happens if there is a breach of the code
- where to report improper conduct.

Part 3 Definitions

Part 4 Standards of conduct consistent with the *Public Sector Ethics Act 1994*:

- respect for the law and system of government
- respect for others
- integrity
- diligence
- economy and efficiency.



Part 5 Specific areas of fraud or corruption risk, such as:

- conflicts of interest
- use of information and resources
- gifts, hospitality and benefits
- concurrent or secondary employment
- post-employment engagement
- professional responsibilities (staff, senior/executive managers, board members)
- dealing with the media, lobbyists and interest groups.

Part 6 Ethical decision-making models, case studies and/or frequently asked questions

Part 7 Details of responsibilities, accountabilities, version control and review date.

## What are the resource implications?

Developing and implementing a code of conduct involves some costs — but usually far less than the likely cost of not having an effective code. The main resource implications of a code and its integration within a wider fraud and corruption control program come from:

- ▶ drafting of the code
- ▶ consulting with staff and other stakeholders
- ▶ induction training of agency officers to ensure a minimum level of understanding
- ▶ training of existing officers in the application of any new code provisions
- ▶ regular ethics awareness and staff development programs.

Of these costs, the drafting and introduction of a code is normally a one-off expense, although a code should be regularly reviewed and updated, which will involve some minor costs.

Costs that are minimised in the long term by having an effective code include:

- ▶ investigations of alleged misconduct
- ▶ implementation of disciplinary action.

In larger agencies, full-time staff may be available to prepare the agency code and to service any extension programs for ethics development and awareness. Smaller agencies could look for good models and adapt them to their particular needs.

An agency should never look at developing and adopting a code of conduct from the viewpoint of a mere compliance activity or without extensive consultation with stakeholders (despite the time and patience this requires). To approach the matter half-heartedly is to risk poor commitment to the code principles. It carries the risk of potentially greater long-term losses

through fraud and corruption, and the associated costs of investigations and possible disciplinary action.

Understanding and commitment come from consultation and affirmation.

## How to maintain commitment to the code's principles

Preparing a suitable code of conduct can be relatively straightforward. Maintaining staff and organisational commitment and promoting the values of the code can present far greater challenges.

A number of methods can be used as constant reminders to reinforce the code's principles. These include regular management counselling and mentoring, education and awareness programs, leading by example, and rewarding good behaviour. (Sections 9 and 10 provide more information about education, awareness and communication issues.)

## Codes of conduct are more than an internal control process

Codes of conduct are sometimes seen as just another internal control process, along with other financial and administrative requirements. However, codes of conduct are much more than that. They reflect an agency's values and philosophy, and show how it wishes to do business.

Preparing or reviewing an agency's code of conduct involves setting the ethical compass and defining the corporate culture. This may involve substantial change.

Introducing change usually takes time — time for discussion and consultation, time for communication and assimilation, and time for attitudinal change and execution. Remember that rule, and spend more time communicating and implementing the code than writing it.

## Code contraventions

The CEO is responsible for ensuring that agency officials are aware of their rights and obligations in relation to any contravention of the code of conduct (Public Sector Ethics Act, s. 21).

Disciplinary matters involving breaches of the code should be dealt with in accordance with relevant legislation and agency policies and procedures. Action should be taken without delay once there is a reasonable suspicion of fraud, corruption or misconduct. The value of a code as a deterrent to wrongdoing depends substantially on the perception that the code provisions are enforced swiftly and equitably.

A code of conduct alone will not guarantee an honest and corruption-free agency. However, with proper education and leadership it can promote integrity and encourage ethical behaviour, which in turn strengthens the agency's resistance to fraud and corruption.

## Best-practice target



- ▶ The agency should have a code of conduct dealing with ethical conduct and disciplinary matters. The code should be supported by complementary policies, procedures and standards covering all reasonable operational issues.
- ▶ The code should be reviewed on a regular basis to ensure its continued relevance.
- ▶ Staff should be encouraged to participate in the development and regular review of the code of conduct in order to foster a greater sense of ownership and commitment.
- ▶ The code should send a clear message that fraud and corruption will not be tolerated and that a breach of the code will lead to prompt and impartial disciplinary action.
- ▶ To maintain staff and agency commitment and to reinforce the principles embodied in the code, the agency should implement a variety of extension and awareness programs, including periodic refresher and/or staff development programs.

# Checklist to evaluate the agency's code of conduct

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Does the agency have a formal code of conduct?
- ☐ Is the code consistent with the principles of the *Public Sector Ethics Act 1994* and other relevant legislation?
- ☐ Does the code of conduct and/or other policies clearly outline the agency's zero-tolerance attitude towards fraud and corruption?
- ☐ Does the code of conduct address the full range of fraud and corruption issues likely to affect the agency?
- ☐ If the code does not address the full range of fraud and corruption issues, are there other relevant policies and documents that serve this purpose?
- ☐ Was the code of conduct developed following a comprehensive process of consultation?
- ☐ Is the code reviewed periodically?
- ☐ Does the agency consult widely with stakeholders during any review of the code?
- ☐ Are there wide-ranging training, extension and awareness strategies covering the code of conduct?
- ☐ Are external parties (e.g. customers or contractors) issued with the agency's code of conduct on appropriate occasions?
- ☐ Do the disciplinary policies and standards within the code complement the agency's fraud and corruption control program and associated policies and procedures?
- ☐ Have the agency's values and disciplinary processes been formally documented and communicated in writing to all stakeholders?
- ☐ Has the agency employed a variety of communication initiatives to ensure wide knowledge of the agency's zero-tolerance approach to fraud?
- ☐ Have the disciplinary procedures associated with the code of conduct been fully developed and documented to enable immediate activation if required?
- ☐ Have all organisational roles and responsibilities associated with the code of conduct been clearly defined? Are these responsibilities properly understood and accepted by those involved?



- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Staff education and awareness

An integrity regime internalises ethical values and a commitment to accountability so that fraud and corruption prevention becomes a way of life — something that everyone knows so well that they no longer have to think about it — it's simply 'the way we do things around here'.

## What does staff education and awareness involve?

This section of the guidelines encourages agencies to think beyond induction and code-of-conduct training to broader staff development programs that foster an ethical organisational culture. Creating an environment that resists fraud and corruption and rewards integrity requires a range of educational and awareness strategies.

Education, training and internal communication have different but complementary goals. Education is oriented towards awareness and understanding of principles, whereas training normally focuses on applications and operational issues. Communication provides the means to deliver positive messages that consistently and constantly reinforce the agency's approach to fraud and corruption.

Suitably integrated education and awareness programs will ensure a well-informed workforce with a greater capacity to recognise and respond to the risks of fraud and corruption. The end result will be an agency with a strong ethical corporate culture that is better equipped to detect and prevent wrongdoing.

---

The value of well-informed stakeholders in detecting suspected fraud and corruption was highlighted in the KPMG 2004 Fraud Survey. Respondents reported that employees were responsible for detecting 19 per cent of all major fraud, and external stakeholders were responsible for detecting an additional 12 per cent.

— KPMG 2004

---

## What are the legislative requirements?

The *Public Sector Ethics Act 1994* requires agencies to provide appropriate education and training for their employees.

## How do we get started?

An education and awareness program will benefit from the application of normal project management principles. Once again, a holistic approach is best, with the adoption of a strategic point of view. **Start by planning any program** to meet the overall communication needs and look beyond the idea of one-off training sessions.

Use a variety of programs during an employee's time with the agency. For example, use a combination of induction programs, code of conduct and ethical decision-making training. Provide specialist and specific training for high-risk functions and for different staff groups such as those responsible for audit, financial functions or investigations. Table 9.1 (p. 79) lists a range of programs to consider for different staff groups.

**Adopt a detailed communication plan** to promote the agency's values and reinforce the messages provided by the ethical development programs. (See Section 10 for more about communication plans.)

**Demonstrate management's commitment** to the program by setting the tone at the top — with senior executives leading by example and participating in training sessions. The involvement of management is a key factor in the success of internal awareness programs.

**Tackle the issue of fraud and corruption from the beginning.** Start by giving information about the values and ethical standards of the agency to prospective or new employees. Ensure that recruitment and selection processes carry the message through job advertisements, key selection criteria and promotional materials.

Make certain that new officers understand their obligations, by providing suitably structured induction programs. Induction training provides the opportunity to start with a level playing field — with all new personnel receiving first-hand notice of the agency's attitude towards fraud and corruption control.

**Reinforce the message at every opportunity.** Don't stop at induction training. Follow up with regular development programs to suit the circumstances and the particular group. Constantly bring home to everyone the benefits of a workplace that is resistant to fraud and corruption.

---

Official policies specify what management want to happen. Corporate culture determines what actually happens, and which rules are obeyed, bent or ignored.

— Committee of Sponsoring Organisations for the Treadway Commission 1992

---

**Find innovative ways of delivering the agency's integrity-building messages.** Search for new training products and delivery methods. Talk to other agencies to see what has worked for them. Use both formal and informal linkages to share information (such as the Corruption Prevention Network Queensland and Transparency International). The CMC has a range of educational resources on its website <[www.cmc.qld.gov.au](http://www.cmc.qld.gov.au)> with links to other sources.

Choose real-life examples and situations that personalise the issues. Engaging in 'ethics conversations' and 'hypotheticals' in small groups or in staff meetings provides immediacy and relevance that can be more effective than giving a lecture.

**Reward and recognise ethical behaviour.** Take time to congratulate agency officers for a job well done or for their vigilance in detecting fraud and corruption. Focus on the positive steps the agency has taken to minimise



risk. After any investigation, develop an action plan or prevention response to minimise the risk of similar events in the future. Always involve the relevant staff in developing these plans so they gain a sense of ownership.

**Enforce the messages fairly and fearlessly.** How the agency reacts to suspected fraud or corruption is a vital factor in the success of your training and awareness programs. Actions speak louder than policies and procedures. If the messages are not upheld by appropriate actions at the crucial moment, much of the effort in developing awareness will be wasted.

**Reap the benefits of a holistic risk-based approach.** Informed employees who can recognise and deal with fraud and corruption are more likely to unearth other situations that can decrease performance and cost money. A comprehensive approach to fraud and corruption control will generate benefits across many areas of the agency.

Awareness of ethical principles and ethical decision-making skills are essential elements of fraud and corruption control. Staff development programs should build on the code of conduct and include relevant scenarios or case studies that encourage participation.

## What should an awareness and training program look like?

The main aim of training for fraud and corruption control is to ensure that all agency officers have access to sufficient information to enable them to identify, prevent and report potential wrongdoing.

The content and time allowed for any training session will depend on the audience, and the size and function of the agency. Induction in a small agency may involve a one-on-one discussion between a manager and a new employee; larger agencies may offer a series of information sessions over a period of time.

A suggested approach to awareness, development and training is given below.

- 1 **Develop an agency strategy.** Explore how to introduce the program so as to achieve the highest probability of endorsement by management and acceptance by staff, and a long-term commitment to implementation.
- 2 **Provide training with a focus on identification of ethical principles and values.** Consider what content is needed, and find the most relevant case studies, scenarios and exercises.
- 3 **Provide training with a focus on ethical decision-making models.** Determine what decision-making models and processes are relevant.
- 4 **Apply reinforcement strategies.** Apply techniques that help institutionalise an ethics regime, so the effects are felt long after any training workshop.

**Table 9.1: Corporate integrity awareness and training programs**

	<b>Induction</b>	<b>General awareness training</b>	<b>Specific training</b>	<b>Specialist training</b>	<b>Communication strategy</b>
<b>Audience:</b>	New agency officers, including volunteers, agents and contractors	All officers including elected members	Senior management Board members or elected members Staff who work in high-risk functional areas identified in the agency risk assessment (see Section 2 of these guidelines)	Officers responsible for detection, investigation and prevention Internal audit Corporate governance Human resources Legal	All officers, agents, volunteers, contractors  Clients and external stakeholders (see Section 10 of these guidelines)
<b>Frequency:</b>	Within first month of appointment	About once every two years  When policies, systems or legislation change  If fraud, corruption or misconduct occurs	On appointment  When policies systems or legislation change  If fraud, corruption or misconduct occurs	Predetermine at recruitment and selection  On appointment  When policies, systems or legislation change	Regular, constant and consistent messages to reinforce training and foster ethical culture
<b>Type:</b>	One-off induction session  Series of formal in-house sessions  One-on-one  NB: Senior management should be involved	In-house sessions  External providers  Self-tutoring  Professional development courses  Staff meetings	In-house sessions  External providers including registered training providers and accredited courses  Self-tutoring  Professional development courses  Tertiary education	Registered training providers of accredited courses  Tertiary education  Programs sponsored by professional bodies	Deliver positive messages through senior management actions  Range of communication and delivery methods
<b>Content:</b>	Basic introduction to agency's values, policies, code of conduct and reporting arrangements  Where to get further information  PIDs	Building on induction and previous training sessions  Introducing new, innovative and interesting topics  Case studies and techniques to further develop ethical decision-making skills  PIDs	Risk areas identified in risk assessment  Case studies and techniques to further develop ethical decision-making skills  For supervisors — how to deal with complaints received or fraud detected  Handling PIDs	Policy development  Industrial relations  Human resources  Evidence collection  Investigating techniques  Witness statements  Corporate governance  Risk management	Positive slogans  Value statements  Targets  Performance indicators  Status of investigations or preventive measures proposed
<b>Supported by:</b>	Policies and procedures  Orientation manual  Promotional brochures  Intranet  Self-tutoring guides  Written acknowledgment of policies and procedures	Risk assessment  Policies and procedures  Performance reviews  Considered as part of professional development  Consultation	Risk assessment  Policies and procedures  Job and position descriptions  Performance reviews  Required as part of professional development or employment contract  Consultation	Prerequisite qualification  Mandatory as part of professional development	Acknowledged through reward and recognition schemes  Management behaviour and attitudes  Agency response and communications when fraud is detected  Consultation  Workplace surveys

### Tips for training

- Always consider the profile of your audience.
- Use case studies to illustrate points and generate discussion.
- Encourage participation.
- Use a variety of visual aids.
- Take a positive approach and outline the benefits of an integrity regime.
- Avoid any implication that participants are unethical.
- Ensure that participants acknowledge receipt of any policy or code of conduct.
- Use evaluation sheets to provide feedback and drive program improvement.
- Ensure that participants sign an attendance sheet.

## Promoting awareness

Awareness programs should focus on a range of fraud and corruption issues and use all reasonable communication means, to ensure that control and prevention principles remain always at the forefront of employees' minds. Some ways of achieving this include the use of:

- ▶ agency publications
- ▶ simple policy statements or policy briefs on at-risk areas
- ▶ material in the agency's staff newsletters
- ▶ appropriate use of the agency's intranet
- ▶ general awareness strategies
- ▶ regular integrating strategies (e.g. induction or management training)
- ▶ reports on the outcomes of investigations (where appropriate).

(See Section 10 for more ideas on raising awareness.)

## Best-practice target

- ▶ The agency should have an effective education and awareness program that brings fraud and corruption control to the attention of all agency officers.
- ▶ A series of different programs should be developed to suit different groups or operational cultures within the organisation. These should take a variety of formats and be placed in different contexts to be most effective.
- ▶ Specialist training should be provided for agency groups such as investigators, or others performing identified higher-risk functions.
- ▶ Complementary best-practice guides should be developed for particular agency activities (e.g. complaints management, procurement, Internet use). These may assist in identifying potential improvements to operational practices and control arrangements.
- ▶ Systems should be in operation to monitor and evaluate training and awareness programs.

# Checklist to evaluate the agency's staff education and awareness program

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Does the agency have a structured education and awareness program designed to assist employees to recognise, detect and prevent fraud and corruption?
  - ☐ Does the agency's induction program:
    - ☐ address fraud and corruption issues
    - ☐ include a statement from the CEO outlining the agency's attitude to fraud and corruption
    - ☐ cover relevant legislation
    - ☐ include a treatment of agency policies and procedures such as:
      - ☐ using official resources
      - ☐ reporting official misconduct
      - ☐ handling confidential information
      - ☐ using Internet and email
      - ☐ undertaking secondary or external employment
      - ☐ dealing with conflicts of interest
      - ☐ disposing of scrap and low-value assets
      - ☐ gifts and benefits
      - ☐ purchasing and tendering
      - ☐ electronic and information fraud
      - ☐ identity fraud
      - ☐ using corporate credit cards?
- ☐ Is there an ongoing training and development program to address:
  - ☐ specific needs as they arise
  - ☐ specific agency functions (e.g. audit, investigations, PID disclosures)?
- ☐ Is ethics and ethical decision-making training provided on an ongoing basis?
- ☐ If ethics and ethical decision-making are not covered, will future training needs be evaluated and revised accordingly?
- ☐ Do the agency awareness programs take advantage of communication channels such as:
  - ☐ agency publications
  - ☐ regular policy statements or policy briefs on key at-risk areas
  - ☐ relevant material in the agency's staff newsletters
  - ☐ general awareness strategies?
- ☐ Are the staff education and awareness strategies (and related training programs) evaluated regularly to determine their effectiveness?
  - ☐ If not, will they be evaluated in the future?
  - ☐ If so, have the results of the evaluations been acted upon?

## Framework for a training session

Training sessions should be structured to provide a useful learning experience. They usually comprise:

- introduction and housekeeping matters, including an opening address by the CEO or a senior executive staff member on the agency's values and attitude to fraud and corruption
- introduction to the agency's fraud and corruption control program, with particular mention of the code of conduct and ethical decision-making, using selected examples or scenarios relevant to the workplace
- definitions of fraud, corruption and official misconduct
- legislative requirements or obligations, such as the requirement under the CM Act that the CEO report official misconduct
- special areas of risk (e.g. functional areas such as cash handling, regulatory functions or purchasing), enlivened by case studies if possible
- a reminder that fraud and corruption control is everyone's business
- action plan detailing what to do if fraud or misconduct is suspected
- internal and external reporting options, including the role of the CMC
- whistleblower support programs
- positive steps taken by the agency in response to fraud or corruption
- question-and-answer discussion, and conclusion.

- 1 Agency-wide integrated policy
- 2 Risk assessment
- 3 Internal controls
- 4 Internal reporting
- 5 External reporting
- 6 Public interest disclosures
- 7 Investigations
- 8 Code of conduct
- 9 Staff education and awareness
- 10 Client and community awareness

# Client and community awareness

To maintain public trust, the community must be confident that agencies and their officers are behaving ethically.

## What is client and community awareness?

Client and community awareness means a wide-ranging knowledge and supportive understanding of the agency's standards of corporate and staff behaviour. Such awareness of the agency's stance on fraud and corruption and its policies and practices is not something that happens automatically among stakeholders — effective communication programs are needed.

Developing strategies to create good awareness requires an understanding of the various stakeholders' communication needs, perceptions and constraints. It involves effective promotion of the agency's views and attitudes while providing avenues for dialogue and feedback. It involves good communication, which will help to ensure that any fraud and corruption prevention measures are focused on clients and outcomes.

## Why be concerned about external awareness issues?

Client and community awareness is important. It serves several purposes and deserves effective communication programs. It ensures that external stakeholders receive clear messages about the agency's stance on fraud and corruption and are given unambiguous guidance about acceptable and unacceptable business practices. It is good corporate common sense.

Other benefits that come from good communication of the agency's values and practices include:

- ▶ forestalling potentially unacceptable practices
- ▶ increasing the likelihood of detecting suspected fraud and corruption
- ▶ increasing service standards and satisfaction among all stakeholders
- ▶ improving the agency's standing within the community.

Emphasising that the agency is committed to probity and will not tolerate fraud and corruption has other benefits, such as raising morale and productivity inside the agency and improving the commitment of staff to higher standards of performance overall.

---

It is significant that in 16 per cent of cases reported in the 2004 survey, the largest single fraud was detected by an outsider.

— KPMG 2004, p. 19

---

## Other external impacts

While awareness programs work to inform stakeholders, they also send effective messages to potential wrongdoers. Knowing about the agency's control measures and penalties for fraud or corruption may deter corrupt behaviour or discourage people who are considering bribery or other forms of influence-peddling when dealing with a public official.

Better informed people are better positioned to recognise and report untoward situations. By fostering transparency and drawing attention to acceptable policies and practices, an agency is more likely to hear about inappropriate practices from clients and other members of the community.

## Some common dangers in developing awareness

Pitfalls to avoid include:

- ▶ defining the communication and awareness process too narrowly
- ▶ not thinking strategically in defining the messages, targets and delivery mechanisms
- ▶ treating awareness and communication as an afterthought or optional add-on
- ▶ committing insufficient resources to the task
- ▶ inappropriately using communications, or 'spin-doctoring'.

## Communication and awareness as change agents

Good communication is significant in developing and maintaining core values, and in any behavioural change process. The process normally involves several steps:

- ▶ The agency creates awareness of the desired behaviour through suitable communications (including education and marketing).
- ▶ The agency creates attitudinal change through communication that demonstrates personal, organisational or community benefits to the target audience.
- ▶ The target audiences begin to deliver behaviour change.
- ▶ The agency maintains communication, assesses the environment in which the messages are being sent, works to maintain the behavioural change, and adjusts the messages and/or the method of delivery as necessary.

Agency communication objectives need to consider both the internal and the external environment when dealing with fraud and corruption. For example, the risks of fraud and corruption will be lowered by a change in the external environment where potential clients, or suppliers and contractors, observe honest and ethical business practices and there is sufficient awareness of standards and practices that people recognise and report unacceptable behaviour.

Strategic communication can achieve these goals through a combination of public awareness, attitudinal change and behavioural change.



## How do we go about creating client and community awareness?

Communication techniques for creating awareness may range from general communication practices used across the public sector to targeted campaigns to meet specific needs, such as particular client groups or higher-risk functions. Larger agencies with corporate communication units can develop independent communication plans and awareness strategies using their own resources. Small agencies (and large ones) can make the most of their facilities by working together, sharing ideas and materials, or using available CMC materials and other resources.

A carefully developed communication plan will help to focus on what the agency wants to achieve and the right strategies and tools for the purpose. It will ensure that:

- ▶ correct messages are conveyed to the right audiences
- ▶ materials are client-focused (or target-oriented)
- ▶ materials are properly disseminated and easily accessible
- ▶ messages are delivered that convey a consistent approach
- ▶ messages are delivered in a timely fashion, and in a variety of formats to suit the different target audiences.

## How often should we communicate?

It is important to remember that communication is an ongoing and two-way process. The agency and its staff constantly interact with stakeholders and send messages in subtle ways that influence attitudes and beliefs. The process never stops. However, from a practical viewpoint, communication programs normally consist of specific activities or discrete projects or events.

Messages are reinforced by repetition. Their frequency and method of delivery will depend on:

- ▶ the type of communication
- ▶ the relevance of the message to the person receiving it
- ▶ the financial or other impact of the desired behaviour change.

The key to having the receiver retain messages is to send them in a variety of creative and cost-efficient ways, while maintaining a consistent philosophical approach.

## Who are the target groups?

The target groups will include those stakeholders (client groups, contractors, suppliers, consultants, community) who deal with the agency and are likely to have an impact on its operations. They include those who may be affected in some way by fraud and corruption within the agency because of their client relationship.

The outcomes of the risk identification and assessment process provide good starting points (see Section 2). They will give a picture of the potential risks as well as likely audience groups and their links with various agency activities or functions.

Once these risks and groups are defined, the delivery mechanisms and desired messages about the agency's stance on fraud and corruption should

be matched with the audience. In many cases there will be overlaps, and practical resource considerations will always govern the scope of these activities. The important thing to remember is always to communicate with the audience at the grassroots level and in a way that it most readily understands and accepts.

## What goes into a communication plan?

A well-targeted communication and awareness plan usually contains the following:

### **An introduction**

- What is it that you intend to communicate to others? (Can you state this simply and concisely in one meaningful sentence?)

### **Statement of objectives**

- What outcome do you wish to achieve through your awareness strategies (e.g. change attitudes or behaviours; enhance the organisation's standing)?

### **Key issues**

- What are the constraints or other issues that affect the plan (e.g. sensitivities, budget, opportunities)?

### **The target audience**

- Who should be receiving/reading/using this information?
- Who is likely to have an interest in the topic?
- Who are the different groups you want to communicate with?

### **Key messages (and selling points)**

- What significant things do you want all of your target groups to know?
- What do you want to say to each particular group?

### **Awareness strategies**

- What are the things you plan to do to make sure you get your messages across?
- What are the particular needs, perceptions and constraints of each target audience group?
- Are the strategies you're proposing appropriate for the target audience?
- What other events or activities can you use to help communicate with the target audiences?

### **Required resources/budget**

- What budget has been allocated to cover the costs of the communication program?
- Is the budget realistic for what you hope to achieve?

### **Evaluation methodologies**

- How will you evaluate the effectiveness of your awareness activities?

## What sort of messages should be given?

Fraud and corruption control awareness should be built around a variety of messages, presented in ways that ensure freshness and consistency. The messages should stand alone as well as being embedded in all agency communications and interactions with the external community.

Some of the basic functions of these messages should be to:

- ▶ promote positive values and the benefits of ethical business practices
- ▶ show that the agency is committed to best practice and honest and equitable services
- ▶ outline steps the agency has taken to prevent and detect fraud and corruption, regardless of where the threats may arise
- ▶ demonstrate the agency's resolve to take forthright and impartial action against any party that breaches acceptable best practice in their dealings with the agency
- ▶ outline the opportunities for reporting unacceptable practices.

## What are some of the communication methods to use?

The communication strategies should be tailored according to the agency's specific risks, its stakeholders and the target audience. The CMC website and prevention portal give examples of promotional and training materials and links to other useful sites. The CMC also provides expert advisory services on policy, communication and change management through its experienced prevention staff.

A small selection from the many communication options includes:

- ▶ issuing codes of conduct and/or ethical practices and values statements
- ▶ incorporating suitable messages in external presentations, such as leadership and service group speeches, in agency promotional materials and in annual reports
- ▶ sponsoring appropriate community activities that promote good governance
- ▶ incorporating ethical standards and requirements in job advertisements
- ▶ clearly indicating expected agency responses and procedures for clients (e.g. procedures for receiving cash payments, timelines for decisions and performance pledges)
- ▶ prompting clients to question any procedures until they are satisfied that there has been no inappropriate behaviour by the agency or its officers
- ▶ including explanatory best-practice statements in documentation to contractors and suppliers
- ▶ incorporating 'claw back' and other ethical practice provisions in contracts
- ▶ providing responsive advisory and client relation services including a public hotline
- ▶ providing prevention-oriented stories in client communications and for the media
- ▶ creating agency websites that incorporate suitable fraud and corruption control materials

- ▶ taking suitable action when encountering wrongdoing, and being honest and transparent in acknowledging the issues and the corrective measures that are being taken.

### Providing clear guidelines to external service providers

The Australian National Audit Office recommends the following best-practice measures to help organisations ensure that external service providers meet expected standards of accountability:

- Develop appropriate contractual conditions and access provisions to ensure that performance, financial and security requirements are met.
- Provide the organisation's fraud control policy to external service providers.
- Establish monitoring and reporting arrangements, providing a flow of information between the parties, so that agencies are well placed to assess their performance under contractual arrangements.

(Attorney-General's Department 2002, p. 20)

## Walking the talk

Regardless how effective the external awareness program may be, its impact will be diminished if the agency or its staff behave unethically, or if the community thinks that the agency does not 'practise what it preaches'.

Conversely, when stakeholders have first-hand experience and see direct evidence of ethical behaviour on the part of the agency and its staff, the reputation of the agency is enhanced. Good performance strengthens public confidence in the organisation, its staff and its activities.

The agency's real behaviour — good or bad — and not the rhetoric of the communications program will be the ultimate determinant of the agency's reputation and ability to serve the public interest.

## Monitoring the outcomes

External communication effectiveness can be monitored by asking for feedback from target groups. This should be designed to explore their understanding of the agency's stance on fraud and corruption and what control and prevention measures exist.

Awareness is an exceptionally fluid concept, and the communication plans or awareness-raising programs should be subject to regular review to ensure they retain their relevance. These reviews, as well as feedback from the wider community, can identify areas for improvement. These improvements may extend beyond the agency's communication activities, and include better ways of recognising and addressing potential fraud and corruption issues as they arise.

## Best-practice target



- ▶ The agency should have an ongoing external awareness program that broadcasts its commitment to honest and ethical business practices and the measures it has adopted to prevent and detect both internal and external fraud and corruption.
- ▶ The agency's external communication and awareness activities should target all stakeholder groups, including suppliers, clients and the general community. They should form an ongoing program that uses a variety of delivery mechanisms, to ensure freshness of the underlying messages despite repetition.
- ▶ The messages conveyed by these programs should make it clear that:
  - the agency is committed to and rewards best practice
  - fraud and corruption are not acceptable
  - the agency has a zero-tolerance philosophy for fraud and corruption
  - wrongdoers will be subject to appropriate disciplinary action and prosecution.
- ▶ The awareness program should be structured to suit different target groups and to achieve specific communication goals relating to fraud and corruption. The content should include the enhancement of ethical practices generally, as well as focused programs to address the specific needs of client or industry groups, or particular agency functions.
- ▶ The awareness program should be designed to address the range of identified agency risks and be tailored to match these risks with the target audiences.
- ▶ The agency awareness and communication strategies should be regularly monitored and evaluated to ensure their continual improvement.

# Checklist to evaluate the agency's external awareness program

The following questions are indicative only. Each agency should develop its own checklist to reflect its specific needs and particular risk environment. The checklist should be re-examined and updated as necessary.

- ☐ Has the agency implemented an external awareness program covering the control and prevention of internal and externally initiated fraud and corruption?
- ☐ Is this awareness program a comprehensive and pervasive approach that caters for different identified target groups?
- ☐ Does the agency use a variety of presentation and delivery mechanisms for the program?
- ☐ Does the annual report include a clear statement of the agency's stance on fraud and corruption as well as its fraud and corruption control program and any initiatives taken during the year in question?
- ☐ Does the agency highlight ethical considerations in job advertisements and position statements?
- ☐ Do appropriate public spaces of the agency carry notices about organisational values, probity or performance pledges consistent with a transparent and accountable agency?
- ☐ Has the agency enhanced its public information and community relations role by publishing information about:
  - ☐ actions taken in response to identified fraud and corruption situations
  - ☐ economies and/or improvements to performance or levels of service as a result of improved fraud and corruption control practices?
- ☐ Has the organisation enhanced its fraud and corruption management by engaging (either as an agency or through the commitment of individuals) in more general public information activities and promotional ventures oriented towards minimising fraud and corruption risk?
- ☐ Has the agency developed a supplier and contractor document covering best practice in business dealings with the organisation?
- ☐ Is a copy of the agency's code of conduct provided as part of tendering documentation?
- ☐ Does the agency tender and contract documentation carry appropriate warnings against fraud or corruption such as the suspension or recall of contracts for improper business practices?
- ☐ Does the agency monitor its awareness program through surveys and other means to determine whether awareness and attitude change activities have been effective in:
  - ☐ enhancing the agency's image generally, and with stakeholder groups in particular
  - ☐ enhancing the self-esteem and job satisfaction of staff
  - ☐ deterring and/or detecting externally initiated fraud and corrupt approaches from suppliers, contractors or other external groups?



# References

- Adams, G, Hayes, S & Weiarter, S 2003, *Regulatory risks: minimising misconduct risks in agencies with regulatory functions*, Building Capacity Series, no. 2, CMC, Brisbane.
- Attorney-General's Department 2002, *Commonwealth fraud control guidelines 2002*, Australian Government, Canberra.
- Audit Office of New South Wales 1994, *Fraud control: developing an effective strategy*, Office of Public Management, New South Wales Premier's Department, Sydney.
- Auditor-General of Queensland 2002, *Information governance and access controls briefing*, Queensland Audit Office, Brisbane.
- Bange, R & Hayes S 2003, *Answering the charges: guidelines for using corporate cards*, Building Capacity Series, no. 1, CMC, Brisbane.
- Boyd, J 2002, *Preventing corruption in sponsorship*, CMC, Brisbane.
- Brown, AJ, Magendanz, D & Leary, C 2004, *Speaking up: creating positive reporting climates in the Queensland public sector*, Building Capacity Series, no. 6, CMC, Brisbane.
- Campbell, NC 1998, *Effective policies and procedures: a step-by-step resource for clear communication*, American Management Association, New York.
- CJC, see Criminal Justice Commission.
- Clarke, M 2004, *In your interest: managing material personal interests*, Building Capacity Series, no. 4, CMC, Brisbane.
- CMC, see Crime and Misconduct Commission.
- Committee of Sponsoring Organisations for the Treadway Commission 1992, *Internal control – integrated framework*, American Institute of Certified Public Accountants, Jersey City.
- Crime and Misconduct Commission 2002, *Making a complaint against a public official*, CMC, Brisbane.
- Crime and Misconduct Commission 2004a, *Facing the facts: a guide for dealing with suspected official misconduct in Queensland public sector agencies*, CMC, Brisbane.
- Crime and Misconduct Commission 2004b, *Fraud and corruption control: an integrated approach to controlling fraud and corruption within the workplace*, Building Capacity Series, no. 5, CMC, Brisbane.
- Crime and Misconduct Commission 2004c, *Profiling the Queensland public sector: risks and misconduct resistance strategies survey*, CMC, Brisbane.
- Crime and Misconduct Commission 2004d, *The roles of Queensland's public sector integrity agencies*, information sheet in Councillor Information Kit, CMC, Brisbane.



Crime and Misconduct Commission 2004e, *The Crime and Misconduct Commission: who we are and what we do*, CMC, Brisbane.

Crime and Misconduct Commission 2004f, *Confidential information: how to keep it confidential*, Prevention Pointer no. 7, CMC, Brisbane.

Crime and Misconduct Commission 2004g, *Retention and disposal of council records*, Prevention Pointer no. 11, CMC, Brisbane.

Crime and Misconduct Commission 2005, *Information security: keeping sensitive information confidential*, Building Capacity Series, no. 7, CMC, Brisbane.

Crime and Misconduct Commission & Queensland Police Service 2002, *Making a complaint against a police officer*, CMC & QPS, Brisbane

Criminal Justice Commission 1996, *Exposing corruption: a CJC guide to whistleblowing in Queensland*, CJC, Brisbane.

Criminal Justice Commission 2001a, *Managing the impact of a CJC investigation: a guide for Queensland public sector managers and supervisors*, CJC, Brisbane.

Criminal Justice Commission 2001b, *The grassroots of ethical conduct: a guide for local government staff and councillors*, CJC, Brisbane.

Deloitte 2004, *Corporate fraud on the rise, Deloitte survey reveals*, Deloitte Touche Tohmatsu Australia.

George, N 2004, *Cyber traps: an overview of crime, misconduct and security risks in the cyber environment*, Building Capacity Series, no. 3, CMC, Brisbane.

ICAC, see Independent Commission Against Corruption.

Independent Commission Against Corruption 2004, *Developing a statement of business ethics: a guideline to building ethical relationships between NSW public sector organisations and the private sector*, ICAC, Sydney.

Independent Commission Against Corruption & Crime and Misconduct Commission 2004, *Managing conflicts of interest in the public sector*, ICAC & CMC, Sydney and Brisbane.

KPMG 2004, *Forensic fraud survey 2004 Australia*.

New South Wales Office of Public Management 1994, *Fraud control: developing an effective strategy*, vol. 2, NSW Premiers Department, Sydney.

New South Wales Ombudsman 2004a, *Adequacy of the Protected Disclosures Act to meet its objectives*, NSW Ombudsman, Sydney.

New South Wales Ombudsman 2004b, *Protected disclosures guidelines*, 5th edition, NSW Ombudsman, Sydney.

New South Wales Ombudsman 2004c, *Issues paper: adequacy of the Protected Disclosures Act to meet its objectives*, NSW Ombudsman, Sydney.

New South Wales Ombudsman 2004d, *Thinking about blowing the whistle: public sector agencies*, NSW Ombudsman, Sydney.

OPSME, see Office of Public Service Merit and Equity.

Office of Public Service Merit and Equity 2003a, *Managing for a public interest disclosure: checklist for complying with the Whistleblowers Protection Act 1994*, OPSME, Brisbane.

Office of Public Service Merit and Equity 2003b, *Whistleblowing: answering your questions about making a public interest disclosure*.

Office of Public Sector Merit and Equity, undated, *Best practice in reviewing codes of conduct*, OPSME, Brisbane, <<http://www.opsme.qld.gov.au/ethics/bestpracticeinreviewing.doc>>.

Price Waterhouse Coopers 2002, *Key elements of antifraud programs and controls: a white paper*, <[www.pwc.com](http://www.pwc.com)>.

PSMC, see Public Sector Management Commission.

Public Sector Management Commission 1995, *Guidelines for the development of codes of conduct: Public Sector Ethics Act 1994*, PSMC, Brisbane.

Queensland Audit Office 2002–03, *Auditor-General of Queensland report no. 10*, QAO, Brisbane.

Queensland Treasury 2002, *Cost effective internal control guidelines: underpinning agency performance*, <[www.treasury.qld.gov.au/office/knowledge/docs/internal-control/internal-control.pdf](http://www.treasury.qld.gov.au/office/knowledge/docs/internal-control/internal-control.pdf)>.

Zipparo, L 1999, 'Encouraging public sector employees to report workplace corruption', *Australian Journal of Public Administration*, vol. 58, no. 2, pp. 83–93.

## Websites

Committee of Sponsoring Organisations of the Treadway Commission, <[www.coso.org](http://www.coso.org)>

Crime and Misconduct Commission (CMC), <[www.cmc.qld.gov.au](http://www.cmc.qld.gov.au)>

HM Treasury (United Kingdom), <[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)>

New South Wales Ombudsman, <[www.ombo.nsw.gov.au](http://www.ombo.nsw.gov.au)>

Office of Public Service Merit and Equity, <[www.opsme.qld.gov.au](http://www.opsme.qld.gov.au)>

Queensland Audit Office, <[www.qao.qld.gov.au](http://www.qao.qld.gov.au)>

Queensland Ombudsman, <[www.ombudsman.qld.gov.au](http://www.ombudsman.qld.gov.au)>.

Queensland Police Service, <[www.police.qld.au](http://www.police.qld.au)>

Queensland Treasury, <[www.treasury.qld.gov.au](http://www.treasury.qld.gov.au)>

Standards Australia, <[www.standards.com.au](http://www.standards.com.au)>

World Bank Institute, <[www.worldbank.org/wbi/governance/capacitybuild/diagnostics.html](http://www.worldbank.org/wbi/governance/capacitybuild/diagnostics.html)>

## Australian Standards

AS 8001:2003, Corporate Governance — Fraud and Corruption Control

AS 8002:2003, Corporate Governance — Organizational Codes of Conduct

AS 8003:2003, Corporate Governance — Corporate Social Responsibility

AS 8004:2003, Corporate Governance — Whistleblower Protection Programs for Entities

AS/NZS 4360:2004, Risk Management

HB 436:2004 Risk Management Guidelines — Companion to AS/NZS 4360:2004

## Legislation

*Crime and Misconduct Act 2001* (CM Act)

*Criminal Code 1899*

*Financial Administration and Audit Act 1977* (FAA Act)

Financial Management Standard 1997 (FMS)

Financial Management Amendment Standard (No. 1) 2004

*Police Service Administration Act 1990*

*Public Sector Ethics Act 1994*

*Whistleblowers Protection Act 1994* (Qld)

# Index

- accountability xii, 26, 29, 34
  - standards of 89
- accounting systems 27
- administrative issues 44
- advisory committees 8, 21
- agency-wide integrated policy 2–8
- allegations, false or malicious 54
- assessment criteria 15
- AS/NZS 4360:2004 13, 16
- attitudinal change 85
- audit trails 26
- awareness, see client and community awareness
- behavioural change 85
- best practice xiii
  - guidelines 46, 80
  - targets 8, 20, 30, 38, 45, 55, 64, 72, 80, 90
- breach of trust xi, 42
- change agents 85
- change management 4
- checklists xiii, 9, 21, 31, 39, 46, 56, 65, 73, 81, 91
- client and community awareness xii, 84–91
  - strategies 87, 90
  - target groups 86
- CMC, see Crime and Misconduct Commission
- code of conduct xii, 5, 56, 68–73
  - maintaining commitment to 71
- communication
  - channels 81
  - external 7
  - internal 76
  - needs 4
  - options 88
  - plans 77, 87
  - programs 84
  - strategic 85
- complaints 37, 45
  - handling policies and procedures 64
- compliance 24
  - officer 36
- confidentiality xii, 39, 49
  - contractual requirements 61
- conflict of interest 62
- contact officers 36
- contractual conditions 89
- control environment 25, 26
- control, limitations of 28
- control mechanisms 27
  - separation of functions 28
- control weaknesses 37
- controlled entities 27
- controls 15, 18
  - internal xii, 24–31
- consultation with stakeholders 4, 8, 18
  - see also stakeholders
- coordination mechanisms 31
- core values 85
- corporate culture 71, 76
  - see also organisational culture
- corporate governance committee 3
- corporate health 26
- corporate integrity unit 36
- Corruption Prevention Network Queensland 77
- Crime and Misconduct Act 2001* (CM Act) xi, 34, 42, 49, 60
- Crime and Misconduct Commission (CMC)
  - educational resources 77, 88
  - in context of external reporting 42–45
  - 10-element model xi
  - website, facilities through 88
- Criminal Code 1899* xi
- criminal offence 42
  - allegations involving 60
- cross-jurisdictional matters 44
- Criminal Justice Commission (CJC) 64
- decision-making
  - ethical 54, 78
  - transparency in 28
- disciplinary action 68
- disciplinary policy framework 64

discloser, see whistleblower  
 disclosure 48  
     level of 30  
     unauthorised 49

education 45  
     see *also* staff education

ethical dilemma 49

ethical leadership 4, 76

ethical principles 3  
     in Public Sector Ethics Act 69

ethical standards 36, 68

ethics regime 78

evaluation  
     of agency's requirements 7  
     of controls 31  
     of progress xiii  
     of training 80

external communication 7

external reporting xii

external service providers 89

*Facing the facts* (CMC publication) 61, 63

feedback 30, 53, 84

*Financial Administration and Audit Act 1977* (FAA Act) 12, 24, 34

Financial Management Amendment Standard (No. 1) 2004 18

Financial Management Standard (FMS) 12, 24, 34

follow-up processes 45

fraud and corruption  
     indicators of 37  
     reporting of 44

fraud and corruption control  
     committee 4  
     coordinator 4  
     policy 2, 56  
     programs, review of xii  
     strategy, integrated 3  
     threats of 2

government directives 6

grievance procedures 50

high-risk functions 77

holistic approach xi, 76

hotlines 36

ICT, see information, communication and technology

incident analysis 37

indicators of fraud and corruption 37

individual responsibilities 5

induction training 39, 76, 77, 79

information assets 27

information, communication and technology systems 26, 27

information governance 27

information resources, management of 27

integrated strategy, see fraud and corruption control

integrity-building activities 42

integrity, commitment to 6

integrity risk 16

internal audit 26, 30

internal awareness programs 77

internal controls, see controls

internal oversight committees 37

internal reporting xii

internal review mechanism 56

interviewing skills 63

investigations xii, 31, 60–65  
     conducting, advice on 61  
     joint 60

investigation plan 62

investigation policy 64

investigation toolkit 60

investigators  
     external 61  
     specialist training 63

jurisdiction, see cross-jurisdictional matters

leadership 30, 53, 71, 77

legislative framework 68

legislative requirements 46

line management 29

loyalty 48

maladministration 48, 50

management  
     information systems 37  
     role in the PID process 53  
     roles of 31  
     senior 6, 28

*Managing the impact of a CJC investigation*  
(publication) 64

misconduct

official 42, 44, 50, 60

police 42, 43

monitoring 3, 18, 29, 31

and reporting arrangements 89

natural justice 61

objectives, statement of 5

Office of Public Sector Merit and Equity 52

official misconduct, see misconduct 42

Ombudsman, see Queensland Ombudsman

operating guidelines 7

operational cultures 7

OPSME, see Office of Public Sector Merit and Equity

organisational culture 26, 52, 71

organisational structure 26

changes in 7

ownership, sense of 72, 78

performance indicators 25

personal integrity 48

PIDs, see public interest disclosures

planning, holistic xi

police misconduct, see misconduct

*Police Service Administration Act 1990* 43

policies and procedures 5, 35

policy awareness 6, 7

policy development 3–6

policy implementation 7

policy statements 8, 8

positive statements, in code of conduct 69

prejudgment 62, 65

procedural arrangements 35, 50

procedural fairness 61, 65

program performance, assessment of xii

progress, evaluation of 7

protection principles 49

PSMC, see Public Sector Management Commission

public interest disclosures (PIDs) xii, 34, 48–57

policy 50, 56

reporting system 56

support and protection 53–55

*Public Sector Ethics Act 1994* 49, 68, 69

Public Sector Management Commission (PSMC) 69

public trust 84, 89

Queensland Audit Office (QAO) 42, 44

Queensland Ombudsman 42, 44

Queensland Police Service (QPS) 42, 44

Queensland Treasury 26

recruitment and selection processes 77

reporting

channels 43

commitment to 38

external 39, 42–46

internal 34–39

policies and guidelines 44

procedures 45

requirements 35

statutory obligation 60

reprisal 48

resources, allocation of 20

reviews 5, 18, 29, 30

reviews of fraud and corruption control programs xii

risk

areas of 15, 82

identification of 13, 14

mitigation 19

profile 12

treatment plans 16

risk analysis 14, 15

qualitative 14

risk assessment xii, 12–22

methodology 12

worksheet 17

risk-based approach 12

risk criteria 14

matrix 14, 15

risk exposure 3

appraisal of 30

organisational context 13

strategic context 13

task (activity) context 13

risk management 13, 19

committee 3, 4

framework 4

outsourcing 19

risks, unidentified 14

- security xii
- self-evaluation checklists, *see* checklists
- senior management, *see* management
- separation of functions 24
- service providers, external 89
- shared responsibility (staff and management) 29, 38
- staff development programs 76, 77
- staff education and awareness xii, 7, 72, 73, 76–82
- stakeholders
  - external 18, 57, 86, 90
  - importance of consultation 70
  - internal 18
- Standards Australia xii, 6, 13
- standards of conduct 68
- statutory obligations 68
- strategy, integrated, *see* fraud and corruption control
- supervisory accountability 28
- surveys 37
  
- technology, effect of changes in 7
- threats of fraud and corruption 2
- training
  - for fraud and corruption control 78, 79
  - of investigators 63
  - tips for 80
- transparency 28, 49
- Transparency International 77
- trust, breach of xi
  
- unauthorised disclosure, *see* disclosure
- victimisation 62
  
- whistleblowers 48
- Whistleblowers Protection Act 1994* (WP Act) 48, 49
- witnesses, protection of identity 62
  
- zero-tolerance stance (to fraud and corruption) 5, 73





Fraud and corruption pose serious risks to the public sector, and these risks cannot be ignored. The potential damage extends well beyond financial loss, and is a constant challenge for public sector management.

These guidelines will help public sector agencies plan effectively to control fraud and corruption. They present an integrated approach that includes both prevention measures and reactive responses.

CRIME AND MISCONDUCT COMMISSION  
140 Creek Street, Brisbane  
Queensland, Australia 4000

GPO Box 3123  
Brisbane Qld 4001

Tel.: (07) 3360 6060  
Toll Free: 1800 061 611  
Fax: (07) 3360 6333

Email: [mailbox@cmc.qld.gov.au](mailto:mailbox@cmc.qld.gov.au)  
Website: [www.cmc.qld.gov.au](http://www.cmc.qld.gov.au)

