GPC Policy - Fraud and Corruption Prevention

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| Policy Intent | This policy applies to Directors, employees and contractors of Gladstone Ports Corporation (GPC).

The policy sets out the manner in which GPC plans to prevent fraud occurring through managing the risk of fraud and corruption. It incorporates GPC's implementation of the elements of a sound fraud and corruption risk management policy set out in the Crime and Misconduct Commission's *Fraud and Corruption Control, Guidelines for Best Practice,* Australian Standard AS8001:2008 Fraud and Corruption Control and other better practice guidelines. |
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| **GPC's Objective** | These guidelines have been developed to assist GPC management and employees in the discharge of their responsibilities, by setting out the procedures for managing fraud and corruption. By doing so, GPC will reduce the incidence of fraud and minimise its impact on the assets and reputation of GPC and its impact on employees, customers and the general community. |
| **Financial and Legal Framework** | GPC is a Government Owned Corporation (GOC) and is subject to the Government Owned Corporations Act 1993 (Qld), the Crime and Misconduct Commission Act 2001 (Qld) and the Corporations Act 2001(Cwlth) and to a lesser extent certain other Queensland legislation such as the Public Interest Disclosure Act 2010 (Qld). |
| **GOC Corporate Governance Guidelines** | The need to address fraud control is included as a component of Principle 7 of the Queensland Government's *Corporate Governance Guidelines for Government Owned Corporations* issued by the Queensland Treasury.

The Guidelines recommend that GOCs:

• Ensure risk management is undertaken as part of normal business practice and not as a separate set of tasks;

• Undertake a risk assessment to identify any high-risk fraud areas and develop strategies to mitigate any significant fraud risks;

• Implement policies and procedures which include:

  - Staff responsibilities in relation to fraud prevention and identification;
  - Responsibility for fraud investigation once a fraud has been identified;
  - Processes for reporting on fraud related matters to management;
  - Reporting and recording processes to be followed to record allegations of fraud;
  - Requirements for staff training to be conducted on fraud prevention and identification; and
  - A reference to the GOC's code of conduct for ethical behaviour.

• Implement a fraud control plan for ongoing monitoring and coordination of fraud control activities, which identifies fraud risk, incorporates control strategies, action plans and a timetable for implementation and sets out |

	responsibilities and accountabilities for fraud controls at all levels of the GOC.
Corporations Act Requirements	As a GOC, the Directors and senior officers of GPC are subject to Chapter 2D of the Corporations Act 2001. This Chapter relates to the Duties and Liabilities of Directors and Other Officers. The Corporations Act provides for framework for Directors to manage material personal interests in the context of their role as Directors. Chapter 2D sets out the requirements for directors in relation to: • exercising care and diligence; • exercising duties in good faith and for a proper purpose; • misuse of their position; and • misuse of information. Some sections of Chapter 2D also apply to GPC employees. Among other things, employees, Directors and senior officers must not use their position or GPC information to gain an advantage for themselves or cause detriment to GPC. Where there is fraud involved, such conduct may constitute a criminal offence and include a term of imprisonment as a possible penalty. In pursuing such matters a person may be investigated by ASIC as well as any relevant law enforcement agency.
Definitions of Fraud and Corruption	Fraud and corruption describe a range of improper conduct, which is addressed in this policy. Other forms of misconduct will be dealt with under GPC's Discrimination and Workplace Harassment Policy and/or the Policy on Reporting Misconduct and Wrongdoing. Any general reference to fraud in this policy should be taken to include corruption.
Meaning of "Fraud" ASA240 and AS8001:2008	The term "fraud" refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. Fraud involving one or more members of management or those charged with governance is referred to as "management fraud"; fraud involving only employees of the entity is referred to as "employee fraud". ASA240 - *The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report. Paragraph 9* For the purposes of this policy, "fraud" also includes the theft of property belonging to GPC where deception is not used, the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for a normal business purpose and the improper use of information or position for personal financial benefit. AS8001:2008 *Fraud and Corruption Control* Section 1.7.8.

Meaning of "Corruption" and "Official Misconduct"	Dishonest activity in which a director, executive manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. AS8001:2008 *Fraud and Corruption Control.* Section 1.7.4. A related concept is "official misconduct", which is defined in the Crime and Misconduct Commission Act 2001. In practical terms, official misconduct means serious dishonesty, bias, breach of public trust or misuse of information or material.
Key areas of fraud risk and examples of Fraud	The risk of fraud is increased when a potential perpetrator has: - The opportunity to act fraudulently (eg. poor or missing internal controls) - The incentive or pressure to act fraudulently (eg. personal financial difficulties) - A rationalisation for fraudulent conduct (eg. "everyone does it"). Consequently, fraud is commonly found in areas such as: - Procurement and contracting - Planning, regulatory and licensing functions - Financial functions such as revenue collection and payment, payroll and entertainment expenses - Cash handling - Management of confidential information - Remotely based or unsupervised operations. Some examples of fraud are: - Theft of plant, equipment and inventory and cash - False Invoicing - Diversion of funds through electronic banking - Credit card fraud - Loans made outside lending rules or based on false documentation - False accounting - Material and deliberate misstatement of accounting information - Overcharging for goods and services - Recording credits for goods and services provided and refunding for personal benefit - Solicitation, receipt and payment of bribes - Insider Trading

Attitude to Fraud	Fraud is a business risk that must be actively managed. All officers and employees are responsible for the detection and prevention of fraud within GPC. Serious fraud and corruption will damage the reputation of GPC and may impair its operational viability. They will not be tolerated within GPC. GPC through its Board and senior management is committed to maintaining a work environment free of fraud and corruption. Fraud may amount to a criminal offence that, following assessment, will be referred to the police and the Crime and Misconduct Commission. All incidents of fraud involving employees will be regarded as serious misconduct. As part of a process for fraud incident response, management must review systems and procedures to ensure that similar frauds will not recur.
Responsibility for Fraud Risk Management	The GPC Board is responsible for ensuring high standards of corporate governance within the Corporation. The CEO is appointed to manage the Corporation under the Board. The Audit and Compliance Committee of the board will monitor corporate risk assessment and the adequacy of the internal controls established to manage identified risks; including as they relate to the management of the risk of fraud and corruption within GPC. Responsibility for ensuring effective fraud and corruption risk management will rest with the CEO and Senior Managers. All managers are responsible for the operation of GPC internal control systems that minimise the opportunity for fraud in their areas of responsibility. They are responsible for ensuring that these controls are brought to the attention of GPC employees under their supervision. Regular internal audit reviews will be conducted into the effectiveness of internal controls generally. The results of these audits will be reviewed by the Fraud Control Officer, the Commercial General Manager and the CEO for their implications for the management of fraud risk and appropriate action taken to control those risks.
Fraud Control Officer	The Company Secretary will be responsible for reviewing and amending this policy at least every two years. The Company Secretary will be the Fraud Control Officer for the purposes of this policy. The Fraud Control Officer will be responsible for: • Preparing a Fraud and Corruption Control Plan and updating it at least every two years; • Receiving fraud and related loss reports; • Reporting significant fraud incidents to the CEO as soon as practicable; • Ensuring there is an ongoing fraud training and awareness program;

	- Communicating with managers and staff about their responsibilities for preventing, detecting and reporting fraud; - Establishing a timetable within GPC's planning process for managers to conduct annual fraud risk assessments in accordance with this policy; - Preparing an Annual Report for the Audit and Compliance Committee on the management of fraud and corruption of risk in the GPC; - Reporting significant fraud incidents to each Audit and Compliance Committee meeting; - Ensuring that suspected frauds are reported and responded to effectively and in accordance with this policy and legislative requirements; - Ensuring that cultural surveys conducted by GPC include questions addressing fraud risks; - Reviewing all internal audit reports and considering identified weaknesses for inclusion in a fraud risk assessment process; - Ensuring that fraud risks are included within overall risk assessment processes for GPC; and - Ensuring that this policy is reviewed at least every two years. The Fraud Control Officer also has a number of responsibilities set out in the Policy on Reporting Misconduct and Wrongdoing.
Audit and Compliance Committee of the GPC Board	For the purposes of this policy the Audit and Compliance Committee will be responsible for: - Reviewing the GPC Fraud and Corruption Control Plan; - Receiving and reviewing a report from the Fraud Control Officer on the management of fraud risk within GPC; and - Receiving reports on fraud and related losses. The Audit and Compliance Committee also has a number of responsibilities set out in the Policy on Reporting Misconduct and Wrongdoing.
CMC Ten Elements for Fraud and Corruption Control	GPC has adapted the 10 element framework for fraud and corruption control which is described in the CMC's *Fraud and Corruption Control, Guidelines for Best Practice (2005)* in developing this policy. The manner in which we address the elements of that framework is summarised in the following 10 sections and set out in more detail below.
1. GPC-wide Integrated Policy	This policy identifies the key factors that influence fraud and corruption risk. It provides an integrated framework to deal with fraud and corruption risks, and references related policies to control the likelihood and impact of those risks.
2. Risk Assessment	Fraud and corruption risk analysis considers not only the current threats from internal and external sources but also potential and emerging threats. Risk assessments are a management responsibility and are undertaken in accordance with AS4360:2004. A program of risk assessments is set out in the Fraud and Corruption Control Plan.

3. Internal Controls	Internal controls need to cover more than just the GPC's financial operations. They must cater for other aspects of operational performance, compliance and "corporate health". Managers should be committed to high levels of internal control. Line managers and supervisors are often in the best position to identify system deficiencies that facilitate fraud and corruption. Everyone has a role to play in making sure that internal controls are working properly to reduce the opportunities for fraud and corruption to occur. GPC has a program of internal auditing which is reported to the GPC Audit and Compliance Committee of the Board.
4. Internal Reporting	Staff members play an important role in reporting and controlling fraud and corruption. Our internal reporting systems aim to provide an open and receptive process that encourages staff to take action and report suspected fraud when they become aware of it. GPC encourages staff to raise concerns with their supervisors, the Fraud Control Officer, a member of the Board or through the GPC Hotline. For more detailed information, see the Policy on Reporting Misconduct and Wrongdoing.
5. External Reporting	GPC will report all suspected official misconduct to the Crime and Misconduct Commission. GPC will also keep the Queensland Audit Office (QAO) informed of fraud related matters and criminal matters will be reported to the Queensland Police Service. GPC is also committed to complying with the Corporations Act 2001 and our reporting obligations to ASIC. Where applicable, GPC will bring possible fraud-related losses to the attention of our insurers. GPC is committed to reporting incidents and suspicions as they arise.
6. Protection of persons making disclosures	GPC encourages staff and others to raise matters of concern about fraud, corruption, contraventions of the Corporations Act or any suspected reprisal action against whistleblowers. The Public Interest Disclosure Act and the Corporations Act provide legislative protection for whistleblowers for certain types of complaint. However, GPC is committed to preventing and taking action against reprisal action whether or not this legislation applies. For more detail, see the GPC Policy on Reporting Misconduct and Wrongdoing
7. Investigations	Allegations of fraud and corruption will be handled and investigated competently. The *Facing the Facts A CMC Guide for dealing with suspected official misconduct in Queensland public sector agencies,* will be used as the basis for any assessments and investigations undertaken into incidents which are reported.

8. Code of Conduct	The GPC Code of Conduct is regularly reviewed and updated to ensure it provides a valuable resource for guiding appropriate behaviour in GPC. It contains guidance on key components of the GPC response to the risk of fraud, corruption and official misconduct.
9. Staff Education and Awareness	Awareness of ethical principles and ethical decision-making skills are essential elements of fraud and corruption control. Staff induction and awareness programs will be built on the Code of Conduct and include relevant scenarios or case studies that encourage participation. The actions to be undertaken each year will be outlined in the Fraud and Corruption Control Plan.
10. Client and Community Awareness	Community awareness of the measures adopted to minimise the risk of fraud and corruption occurring within GPC help promote confidence in our ability to service clients with high standards of accountability, consultation and ethics. An external communication plan for clients and the community will identify appropriate groups and communication strategies to enhance the reputation of GPC and contribute to the prevention of fraud and corruption.
Fraud Risk Assessment	The Fraud Control Officer will ensure that fraud risks are included within overall risk assessment processes for GPC. Fraud risk assessments will be undertaken through periodic high level fraud risk assessments with senior officers and/or focus groups on a program outlined in the Fraud and Corruption Control Plan. Detailed assessment of the risk of fraud and corruption in individual projects and business processes will be programmed through the Fraud and Corruption Control Plan where the high level risk assessment justifies this level of review. Fraud risks will be identified through an assessment process consistent with ISO 31000 addressing inherent risk and the likelihood and consequences of identified risks. A Fraud Risk Register will address significant identified risks and will include at a minimum: • A description of the risk; • The controls for minimising that risk; and • Criteria for assessing the effectiveness of those controls. Fraud control mechanisms (where applicable) will be regularly assessed within the Risk Management Framework for the purposes of mitigating/reducing exposure within identified risks. GPC recognises that cultural values are an important component of fraud prevention. The Fraud Control Officer will ensure that cultural surveys conducted by GPC include questions addressing factors in fraud risk and that the assessment of these responses are reported to the Audit and Compliance Committee as part of the review of fraud incidents and risks.

GPC Fraud and Corruption Control Plan	The Fraud Control Officer will ensure that a GPC Fraud and Corruption Control Plan is developed, reviewed and approved at least every two years by the Audit and Compliance Committee. The GPC Fraud and Corruption Control Plan will outline action items and responsibilities for fraud control initiatives both of a general nature and in response to high level risks identified through fraud risk assessments. General issues to be addressed in the Fraud and Corruption Control Plan include: • Overview of fraud allegations and incidents including the outcomes of any actions and the disposition of matters at the end of the reporting period; • Status of action items in the Fraud and Corruption Control Plan; • Overview of internal audit reviews which impacted on the Fraud and Corruption Control Plan or which arose as a result of fraud risk assessments or incidents; • Proposed internal audit reviews which impact on the Fraud and Corruption Control Plan; • Strategies for receiving external complaints; • Awareness and training anticipated throughout the period; • Mechanisms for monitoring awareness of fraud risk and control issues; and • Results of any review of this policy. Managers and senior officers will be responsible for the completion of action items in their area unless an alternative responsibility is included in the plan. Failure to ensure the completion of action items in the Fraud and Corruption Control Plan will be considered a serious issue to be reviewed by the CEO.
Fraud Awareness and Training	The Fraud Control Officer will ensure that fraud, corruption and official misconduct awareness training is included in the GPC Induction Program. Managers are responsible for ensuring that briefings and issues aimed at maintaining awareness of GPC's policy on fraud risk management are included periodically in team and section briefings. The Fraud Control Officer will ensure that changes to the policy are promoted throughout the organisation and that significant fraud control initiatives are communicated to employees through existing channels. Actions which are to be programmed on an annual basis will be detailed in the Fraud and Corruption Control Plan.
Fraud Detection	In GPC effective fraud detection is achieved through a combination of: • Vigilance on the part of employees and line management and confidence in fraud reporting mechanisms; • Use of internal audit resources for special reviews; • Specific detective controls for significant fraud risks outlined in the Fraud and Corruption Control Plan; and • Periodic management reviews.

Internal Audit	Internal Audit does not have as its primary focus the detection of fraud. However, because of its focus on reviewing the internal control environment and compliance with regulations, it will identify weaknesses in internal control, which if left unchecked may leave GPC exposed to a higher risk of fraud. The Fraud Control Officer, Commercial General Manager and the CEO will review all internal audit reports and include any identified weaknesses in the fraud risk assessment process. Where Internal Audit identifies weaknesses in controls that are part of the Fraud and Corruption Control Plan, the Fraud Control Officer and the responsible manager will ensure as far as practical, that an appropriate review is undertaken to ensure that those weaknesses have not been exploited by an actual fraud incident.
Detection Systems	Systems to detect fraud should be cost effective and proportionate to the risk identified. In developing systems to detect fraud, managers should consider: • Post transaction review controls (including exception reports on changes to high risk data, review of access logs and controls); • Analysis of transactional data for anomalies (including the use of computer assisted auditing techniques); and • Scrutiny of variances in management accounts against budget and in year to year trends.
Management Oversight	Managers should also assess other indicators relating to the possible incidence of fraud, these may include: • *Personal risks* – leave accumulations, uncharacteristic lifestyle changes, sudden changes in behaviour; • *Cultural risks* – performance pressure, attitudes to internal control; • *Structural risks* – changes to corporate structure, supervision of remote locations; and • *Business risks* – changes to business strategy, corporate reputation.

Fraud Reporting	Employees are vital to the successful implementation of measures against fraud. GPC encourages employees to report any concerns they have, without fear of being penalised. Employees who have concerns about any improper conduct should, where appropriate, raise those concerns with their immediate Manager. Managers should review the substance of the concerns without contacting the employee about whom the concerns are raised. Where concerns about improper conduct are not immediately dismissed to the satisfaction of the officer raising the concern, say through obvious misunderstanding or incorrect facts, then the matter should be reported to the Fraud Control Officer. However, managers in receipt of any matter that could constitute a public interest disclosure, an act of reprisal or a breach of the Corporations Act, must bring it to the attention of the Fraud Control Officer. See the Policy on Reporting Misconduct and Wrongdoing for more information.
GPC Hotline	Reports may also be made through the **GPC Hotline 1800 063 408** managed by an independent service provider based in Brisbane who will receive information confidentially and forward that information to the relevant officer in GPC. In circumstances where it is felt to be inappropriate to report concerns about fraud, corruption or serious misconduct to a member of the senior management group, the concern should be reported to the Chair of the GPC Audit and Compliance Committee, j.reynolds@sothertonsgladstone.com.au.
Reports are Confidential	All concerns reported will be treated in confidence and fully assessed. If anonymity is requested, every effort will be made to ensure such confidentiality. For more details see the Policy on Reporting Misconduct and Wrongdoing.
Recording Fraud Reports	Any allegation of fraud received by a member of GPC should be recorded when received or as soon as practicable thereafter. The Fraud Control Officer will ensure that GPC establishes, either independently or in conjunction with a GPC general incident reporting system, a system for recording and reporting the incidence of fraud and the response made. The Fraud Control Officer will ensure that a record is made of the full particulars of an allegation, in accordance with the Policy on Reporting Misconduct and Wrongdoing.
Reports to Management and the Board	Except in the circumstance where a report of a concern about fraud concerns these persons, the Fraud Control Officer will ensure that a report of all significant incidents or concerns about fraud is made to the Chairman, Chairperson of the Audit and Compliance Committee, Chief Executive Officer and where appropriate to the Manager of the area to which the concern relates as soon as it is practical to do so.

Reports to the Audit and Compliance Committee	The Fraud Control Officer will provide a report to the Audit and Compliance Committee on a regular basis on the incidence of fraud reports and the response and results of the follow up action on those reports. This report should occur at least twice yearly. Significant matters should be advised to the Audit and Compliance Committee chairperson at the earliest opportunity.
Responding to fraud incidents	Pursuant to the Policy on Reporting Misconduct and Wrongdoing, GPC is committed to fully assessing and where appropriate, investigating all allegations of fraud. The Fraud Control Officer has responsibility for ensuring that all such allegations are assessed and for taking action to commence any investigation.
	Investigations will be undertaken in a manner consistent with the CMC's publication, *Facing the Facts: A CMC guide for dealing with suspected official misconduct in Queensland public sector agencies (2007).* Any investigator, other than the Queensland Police Service, engaged by GPC will undertake to:
	• perform their duties with professionalism and integrity;
	• observe fairness and equity in dealing with the public and officers of GPC;
	• avoid any real or possible conflict of interest and avoid situations in which their private interests, whether pecuniary or otherwise, conflict or might reasonably be thought to conflict with their public duty; and
	• perform the investigation, uninfluenced by fear or favour.
Recovery Action	Recovery action refers to action against assets and income. It may be consensual, as restitution in conjunction with a criminal action, or occur as a result of civil action.
	The Fraud Control Officer should consider, as early as possible in an investigation, the question of how amounts defrauded can be recovered. In any investigation, where it is appropriate to undertake recovery action, this should be initiated. Recovery action may be a parallel process to the investigation.
Conflicts of interest	**The impact of conflicts of interest**
	All employees shall avoid, or at least disclose and manage, any perceived or actual conflict of interest. Any actual or perceived conflict of interest can place the employee or GPC in an equivocal, embarrassing or ethically questionable position that could jeopardise the integrity of GPC.
	Failure to disclose and properly manage a perceived or actual conflict of interest can potentially amount to official misconduct and/or corruption.
	A perceived or actual conflict of interest should be assessed in terms of whether the interests or personal circumstances of the employee could influence, or could appear to influence, the performance of duties assigned to that employee (e.g. financial interests, awarding of tenders, employment decisions etc).
	Director's are subject to the Corporations Act in managing perceived or actual conflicting interests in their role as directors.

Resources	**Legislation and related guidance**
	Financial Accountability Act 2009
	Financial Management Standard 1997
	Government Owned Corporations Act 1993
	Corporations Act 2001, Chapter 2D, Chapter 9
	Crime and Misconduct Commission Act 2001
	Public Interest Disclosure Act 2010
	Auditor General Act 2009
	Financial and Performance Management Standard 2009 (s.28 Risk Management)
	Financial Accountability Handbook (Qld Treasury)
	Corporate Governance Guidelines for Government Owned Corporations (online at http://www.ogoc.qld.gov.au/goc-policies/corp-gov-guidelines.pdf)
	GPC Policies and Procedures
	Code of Conduct
	Policy on Reporting Misconduct and Discrimination and Workplace Harassment Policy
	Purchasing Policy
	Risk Management Policy
	Australian Standards 8000 series
	◆ AS8000-2003 Corporate Governance – Good governance principles
	◆ AS8001-2008 Corporate Governance - Fraud and corruption control
	◆ AS8002-2003 Corporate Governance - Organisational codes of conduct
	◆ AS8003-2003 Corporate Governance – Corporate social responsibility
	◆ AS8004-2003 Corporate Governance - Whistleblower protection programs for entities
Resources (cont.)	**Other**
	AuASB – ASA240 *The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report*. (online at http://www.auasb.gov.au/admin/file/content102/c3/ASA_240_28-04-06.pdf)
	ACFE/AICPA/IIA – *Managing the Business Risk of Fraud: A practical guide* (online at http://www.acfe.com/documents/managing-business-risk.pdf)
	Commonwealth Fraud Control Information Online (online at http://fraud.govspace.gov.au/)
	CMC, Managing the Impact of a CJC Investigation: A Guide for Queensland Public Sector Managers and Supervisors (online at http://www.cmc.qld.gov.au)
	ICAC(NSW), Fighting Fraud, Guidelines for state and local government (online at http://www.icac.nsw.gov.au)
	CMC Fraud and Corruption Control: Guidelines for Best Practice (online at http://www.cmc.qld.gov.au)

| | CMC Facing the Facts: Guidelines for dealing with suspected official misconduct in Queensland public sector agencies. (online at http://www.cmc.qld.gov.au)

CMC/NSW ICAC Managing Conflicts of Interest in the Public Sector. Guidelines and Toolkit (online at http://www.cmc.qld.gov.au) |
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| **Further Information** | Employees who require further information or need clarification of anything contained in this policy should contact the Fraud Control Officer on 07 4976 1555 or lansdellm@gpcl.com.au). |