

FRAUD CONTROL AND CORRUPTION POLICY

Date	Custodian	Approved	Approving Authority	Delegation Instrument
14/02/2006	Chief Financial Officer	Audit & Risk Committee - 02 March 2006		
12/02/2009	Acting General Manager Commercial	Audit & Risk Committee – 26 February 2009		
February 2010	General Manager Commercial	Corporate Governance Review		
23/04/2010	General Manager Commercial	Board of Directors	Audit & Risk Committee	Board Resolution – 28 May 2010
23/08/2013	General Manager Commercial	Audit & Risk Committee Review		
19/08/2016	Chief Financial Officer	Audit & Risk Committee Review		

TABLE OF CONTENTS

1	EXECUTIVE SUMMARY	3
1.1	Introduction	3
1.2	Policy Objectives	3
1.3	Definition of Fraud	3
1.4	Definition of Corruption.....	4
1.5	Statement of Attitude to Fraud and Corruption	4
1.6	Code of Conduct	4
1.7	Related Policies/Procedures/Legislation	4
1.8	Roles and Accountabilities	5
2	SUMMARY OF FRAUD AND CORRUPTION CONTROL STRATEGIES	6
2.1	External Assistance to the Fraud Control Officer.....	6
2.2	Fraud Control Responsibilities	6
2.3	Fraud Risk Management	6
2.4	Fraud Awareness.....	6
2.5	Fraud Detection	6
2.6	Investigation of Fraud and Other Improper Conduct	7
2.7	Internal Control Review following suspected or proven fraud.....	7
2.8	Fidelity Guarantee and Criminal Conduct Insurance	7
2.9	Internal Audit Program	7
3	FRAUD AND CORRUPTION RISK ASSESSMENT	8
3.1	Fraud Risk Assessment.....	8
4	PROCEDURES FOR REPORTING FRAUD AND CORRUPTION	8
4.1	Reporting Process	8
4.2	Protection of Employees reporting Suspected Fraud	8
4.3	External Anonymous Reporting	9
4.4	Recovery of Proceeds of Fraudulent Conduct	9
4.5	Reporting Requirements.....	9
5	PROCEDURES FOR FRAUD INVESTIGATION	10
5.1	Internal Investigations	10
5.2	External Investigations.....	10
5.3	Documentation of the Results of Investigation	10
6	EMPLOYMENT CONDITIONS	11
6.1	Pre-Employment Screening	11
7	CONFLICT OF INTEREST.....	11
7.1	Code of Employee Conduct.....	11
8	INTERNAL AUDIT STRATEGY	11
8.1	Internal Audit Capability	11

1 Executive Summary

Better practice Risk Management and Corporate Governance includes policies and procedures for assessing and controlling fraud and corruption risk.

1.1 Introduction

Far North Queensland Ports Corporation Limited (trading as Ports North) aims to foster a culture within the organisation that will not tolerate any act of fraud or corruption. The policy aims to raise awareness of fraud and its prevention in the Ports North environment and to give guidance to both the reporting of suspected fraud and how the investigation of that report will proceed.

1.2 Policy Objectives

- To ensure management is aware of its responsibilities for identifying exposures to fraudulent activities and for establishing controls and procedures for preventing such fraudulent activity and/or detecting such fraudulent activity when it occurs;
- To provide employee guidance as to action required if fraud is suspected;
- To provide a clear statement forbidding misconduct including fraud;
- To provide guidance of responsibilities when conducting an investigation into suspected fraud;
- To provide assurance that fraud will be fully investigated; and
- To outline protection guidelines for those reporting suspected fraud.

1.3 Definition of Fraud

Fraud is defined as dishonest activity occasioning actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and whether or not deception is used at the time, immediately before or immediately following the activity. It also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of the information or position.

Examples of fraud:

- Theft of plant and equipment by employees
- False invoicing
- Accounts receivable fraud (misappropriation of remittances received by a corporation)
- False accounting (falsification of the entity's accounting records in order to mislead the readers of financial statements or to obtain some form of improper benefit)

1.4 Definition of Corruption

Corruption involves dishonest activity in which a person in a fiduciary relationship with an entity (such as an employee, manager or director) acts contrary to the interests of the entity in order to achieve some personal gain or advantage of him or herself or for another person or entity.

Example of corruption:

- Release of confidential information for other than a proper business purpose sometimes in exchange for some form of non-financial benefit or advantage accruing to the employee releasing the information
- Payment or receipt of secret commissions (bribes) – the secret commissions/bribes can be paid in money or in some other form of value to the receiver (e.g. building projects completed at an employee's private residence) and can relate to a specific decision or action by the receiver or generally

1.5 Statement of Attitude to Fraud and Corruption

Ports North will not tolerate any act of fraud or corruption, and has effective processes for the prevention, detection and management of fraud and corruption. Ports North aims to create an environment and culture in which employees believe that dishonest acts will be detected and investigated.

1.6 Code of Conduct

An '*Employee Code of Conduct*' has been developed to ensure all employees understand what conduct is expected of them and what rights and obligations employees have.

1.7 Related Policies/Procedures/Legislation

The associated policies/legislation/procedures at Ports North for the prevention, detection, management and reporting of fraud and corrupt conduct have several elements, including:

- Code of Employee Conduct
- Financial Management Practice Manual
- Gift Policy
- Crime and Misconduct Act 2001

1.8 Roles and Accountabilities

A Governance Committee is responsible for the control and administration of Ports North's Fraud Control and Corruption Policy. The Committee consists of three members including:

- Chief Executive Officer
- Chief Financial Officer
- General Manager Corporate Services

In addition the group shall be empowered to co-opt the services of other persons as appropriate.

The Fraud Control Officer is the Chief Financial Officer who has the following responsibilities:

- Develop systems to investigate and detect fraud and corruption
- Ensure the Governance Committee's initiatives are implemented and monitored
- Coordinate fraud and corruption risk assessment process
- Record and collate fraud and corruption incident reports and associated documentation
- Maintain a Register of reports and follow up action taken
- Coordinate annual review and investigations into allegations of fraud and corruption

Senior Management has a responsibility to identify early and report any fraud or corruption or suspected fraudulent or corrupt activity.

2 SUMMARY OF FRAUD AND CORRUPTION CONTROL STRATEGIES

2.1 External Assistance to the Fraud Control Officer

External assistance will be sought from suitably qualified entities for the purpose of reviewing the Fraud Control and Corruption Policy and investigations of allegations at the discretion of the Governance Committee.

2.2 Fraud Control Responsibilities

Section 28 of the Financial and Performance management Standard 2009 requires that an agency must manage its strategic and operational risks to operations to mitigate the risk of unacceptable costs or losses. Fraud control is one of the risks that requires consideration when assessing agency risk and exposure.

2.3 Fraud Risk Management

A Fraud Risk Assessment is to be undertaken by an independent external resource every three years. The effectiveness of Fraud Control and Corruption Policy and Procedures is assessed periodically by internal audit.

2.4 Fraud Awareness

The Governance Committee will ensure employees are provided with information and guidance on fraud and corruption, and Ports North's policy and procedures.

2.5 Fraud Detection

Ports North's strategy in relation to fraud detection is achieved through:

- fostering a culture within the organisation that will not tolerate any act of fraud or corruption;
- ensuring employees are aware of their responsibility to report any fraud or corruption or suspected fraudulent or corrupt activity;
- strategic use of the internal audit function;
- periodic management reviews instigated by the management team;
- development of specific detection strategies for action by management; and
- ongoing assessment of internal risk factors.

2.6 Investigation of Fraud and Other Improper Conduct

The Governance Committee will adhere to the investigation process as outlined in clause 5 *Procedures for fraud investigation* for all reports of suspected or known fraudulent or corrupt activities.

2.7 Internal Control Review following suspected or proven fraud

Where fraud is suspected or proven, the Fraud Control Officer and the Governance Committee will reassess the adequacy of the internal control environment and consider whether improvements are required.

2.8 Fidelity Guarantee and Criminal Conduct Insurance

Ports North maintains an insurance policy against the risk of loss arising from internal fraudulent conduct.

2.9 Internal Audit Program

An Internal Audit Plan is adopted each financial year and covers several aspects including:

- Review and appraisal of systems and operation to ascertain that these are functioning as intended;
- Reporting directly to the Audit & Risk Committee on how the operations and systems are currently functioning; and
- Recommending any improvements that are required.

The Internal Audit Plan provides details on:

- Legislative Requirements
- Internal Audit Methodology and Approach
- Internal Audit Process
- Auditable Areas and Suggested Timeframes

3 FRAUD AND CORRUPTION RISK ASSESSMENT

3.1 Fraud Risk Assessment

A risk assessment will be conducted every three years, with a review undertaken as part of the annual audit process. An external resource will be contracted to conduct the risk assessment in accordance with *Risk Management Standard (AS/NZS 4360)*.

4 PROCEDURES FOR REPORTING FRAUD AND CORRUPTION

4.1 Reporting Process

Reports can be made verbally or in writing directly to the employee's supervisor, manager or Fraud Control Officer. Anonymous reports will only be accepted if accompanied by sufficient documentation supporting the complaint.

The officer receiving the report should ensure:

- the report is received in writing or should prepare a written summary of the meeting if the report is received verbally;
- confidentiality is maintained; and
- the report is referred to the Governance Committee in a timely manner.

All reports made to the Governance Committee are to be investigated consistent with Section 5 *Procedures for Fraud Investigation*.

4.2 Protection of Employees reporting Suspected Fraud

Ports North supports and assures employees that they will not be victimised or disadvantaged by making a report. Ports North has developed a Whistleblowers Policy which outlines whistleblower support and protection.

4.3 External Anonymous Reporting

External anonymous reports will only be accepted if accompanied by sufficient documentation supporting the report. In the case where an external anonymous report is received without supporting documentation, it will be at the discretion of the Governance Committee if further investigation is required.

Anonymous reports often prove to be correct but are to be treated with scepticism until investigated.

Anonymous reports in many cases will justify a preliminary examination and investigation of the available evidence but a more complete investigation should only proceed if the information received from anonymous sources is appropriately supported by evidence.

4.4 Recovery of Proceeds of Fraudulent Conduct

Ports North has a requirement that recovery action will be undertaken where there is clear evidence of fraud or corruption and where the likely benefits of such recovery will exceed the funds and resources invested in the recovery action.

4.5 Reporting Requirements

The Fraud Control Officer:

- records and collates fraud and corruption incident reports and associated documentation; and
- maintains a Register of reports and follow up action taken.

The Chief Executive Officer has a responsibility to report under the *Crime and Misconduct Act 2001* as stated in *Chapter 2 Part 3 – Duty to Notify*.

5 PROCEDURES FOR FRAUD INVESTIGATION

All reports of fraudulent and corrupt activities will be investigated. The Governance Committee determines whether the investigation is conducted by either an internal or external means or whether the matter is referred directly to a law enforcement agency.

5.1 Internal Investigations

An internal investigation is conducted by the Governance Committee, with or without personnel or managers independent of the work area in which the alleged fraudulent or corrupt conduct occurred.

5.2 External Investigations

An external party may be engaged to assist with the conduct of the investigation. All persons engaged should be appropriately qualified to deliver the work contemplated.

Requirements of external parties include:

- Entering into a binding agreement in relation to the release of confidential information coming to his or her possession during the course of the investigation.
- Investigations are to be conducted in an atmosphere of transparency at all times ensuring that the rules of natural justice are observed.
- Investigations should comply with all relevant legislation in the jurisdiction in which action will or could be initiated.

Where a matter is referred directly to a law enforcement agency, the Governance Committee will nominate a staff member who will act as the primary contact with that agency and coordinate all activities and information exchanges with the agency.

5.3 Documentation of the Results of Investigation

Adequate records are to be made and kept in accordance with legal, best practice or privacy management guidelines.

6 EMPLOYMENT CONDITIONS

6.1 Pre-Employment Screening

Prospective employees will undergo the following screening requirements:

- Reference checks
- Verification of qualifications
- Request for explanation on employment gaps

Employees are required to provide a Drivers licence upon commencement of employment if required to drive a company vehicle.

7 CONFLICT OF INTEREST

7.1 Code of Employee Conduct

The issue of 'Conflict of Interest' is addressed in the *Code of Employee Conduct*. The code explains to employees the meaning of conflict of interest and the requirement for reporting of such to their direct supervisor and or manager.

8 INTERNAL AUDIT STRATEGY

8.1 Internal Audit Capability

The internal audit is required to:

- identify and assess the risks to which Ports North's operations are exposed;
- prepare audit plans to lessen the identified risks and then develop a work program for all internal audit activities of Ports North ;
- liaise with the external auditor during the course of the year.