



Fraud and Corrupt Conduct Control Guidelines

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INTRODUCTION

Port of Townsville Limited (POTL) is a company Government Owned Corporation (GOC) established in its current form on 1 July 2008 under the *Government Owned Corporations Act 1993* (as amended by the *Government Owned Corporations Amendment Act 2007*).

There are a number of statutes with which POTL is required to comply, however the following set out the core legislative framework in which POTL operates:

- *Government Owned Corporations Act 1993* (Qld) and Regulations;
- *Transport Infrastructure Act 1994* (Qld) and Regulations;
- *Financial Accountability Act 2009* (Qld); and
- *Corporations Act 2001* (Cth).

As a GOC, POTL is expected to adhere to similar levels of transparency and accountability as those that apply to public sector agencies and is therefore subject to the *Integrity Act 2009* (Qld), *Public Interest Disclosure Act 2010* (Qld) and the jurisdiction of the Crime and Corruption Commission (CCC).

Fraud and Corrupt Conduct against POTL or other parties will not be tolerated in any form or degree. These Guidelines have been developed for use by POTL to prevent, detect, control and manage Fraud and Corrupt Conduct at POTL.

DEFINITIONS

Corrupt Conduct is defined in the *Crime and Corruption Act 2001* (Qld) as:

“conduct of a person, regardless of whether the person holds or held an appointment, that:

- (a) *Adversely affects, or could adversely affect, directly or indirectly, the performance of functions or the exercise of powers of:*
 - (i) a unit of public administration; or
 - (ii) a person holding an appointment; and
- (b) *results, or could result, directly or indirectly, in the performance of functions or the exercise of powers mentioned in paragraph (a) in a way that:*
 - (i) *is not honest or is not impartial;*
 - (ii) *or involves a breach of the trust placed in a person holding an appointment, either knowingly or recklessly; or*
 - (iii) *involves a misuse of information or material acquired in or in connection with the performance of functions or the exercise of powers of a person holding an appointment; and*
- (c) *is engaged in for the purpose of providing a benefit to the person or another person or causing a detriment to another person; and*
- (d) *would, if provided, be:*
 - (i) a criminal offence; or
 - (ii) a disciplinary breach providing reasonable grounds for terminating the person’s services, if the person is or were the holder of an appointment.

Examples under the *Crime and Corruption Act 2001* (Qld) of Corrupt Conduct include:

- abuse of public office;
- bribery, including bribery relating to an election;
- extortion;
- obtaining or offering a secret commission;
- fraud;
- stealing;
- forgery;

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- perverting the course of justice;
- an offence relating to an electoral donation;
- loss of revenue of the State;
- sedition;
- homicide, serious assault or assault occasioning bodily harm or grievous bodily harm;
- obtaining a financial benefit from procuring prostitution or from unlawful prostitution engaged in by another person;
- illegal drug trafficking; and
- illegal gambling.

The Australian Standard on Fraud and Corrupt Conduct Control (AS 8001-2008 Corporate Governance – Fraud and Corruption Control) defines Corruption as “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”.

Fraud

is a deliberate, intentional and premeditated dishonest act or omission acted out with the purpose of deceiving to gain advantage from a position of trust and authority. It includes acts such as:

- theft;
- making false statements/representation;
- evasion;
- manipulation of information;
- criminal deception; or
- abuse of POTL’s property or time.

The Australian Standard on Fraud and Corruption Control defines Fraud as “dishonest activity causing 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. This 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 information or position”.

Some of the more common examples of Fraud may include:

- theft/stealing;
- unauthorised and/or illegal use of assets, information or services for private purposes;
- abuse of position and power for personal gain;
- manipulation and misuse of account payments;
- falsification of records; or
- manipulation of computer programs for improper purposes.

It is noted that the above list is not intended to be exhaustive. Hypothetical examples of Fraud are also contained in **Appendix A**.

Compliance

is meeting obligations under laws, regulations, codes or internal policies.

Whistleblower

A person being a director, manager, employee or contractor of an entity who, whether anonymously or not, makes, attempts to make or wishes to make a report in connection with reportable conduct and where the Whistleblower wishes to avail themselves of protection against reprisal for having made the report. A Whistleblower may or may not wish to remain anonymous.

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OBJECTIVES AND STRATEGIC OVERVIEW

POTL is committed to protecting its revenue, expenditure and property from attempts by employees and external parties to gain financial or other benefits through Fraud and/or Corrupt Conduct. These Guidelines have been developed to protect POTL's property, ensure legislative Compliance and also to protect POTL's integrity, security and reputation.

In line with the above obligations and the Australian Standard on Fraud and Corruption Control, the objectives of these Guidelines are to:

- ensure internal and external instigated Fraud and Corrupt Conduct against POTL is eliminated;
- ensure that instances of Fraud and Corrupt Conduct against POTL are detected in the event that control measures fail;
- ensure all property dishonestly appropriated is recovered or compensation equivalent to any loss suffered as a result of Fraudulent or Corrupt conduct is received;
- ensure that Fraud and Corrupt Conduct by POTL against any other entities is suppressed;
- ensure that responsibilities for Fraud and Corrupt Conduct are defined, and that the Board, Senior Management, employees and others are aware of their responsibilities in relation to the ethical conduct of themselves and employees that they may be responsible for;
- ensure appropriate mechanisms are in place for training and awareness, reporting, employee protection and investigations, and these are communicated;
- ensure that regular assessments of the risks of Fraud and Corrupt Conduct are undertaken and Fraud and Corrupt Conduct control plans are developed;
- reinforce the requirement for all employees and others to refrain from Fraudulent and Corrupt Conduct and encourage the reporting of any breaches; and
- ensure that appropriate mechanisms are in place for the reporting of instances of Fraudulent and Corrupt Conduct which amounts to 'Corrupt Conduct' to the CCC.

Strategies to prevent Fraud and Corrupt Conduct include:

- adopting appropriate internal controls in response to Fraud and Corrupt Conduct risk assessment, including the development of Fraud and Corruption Control Plans incorporating identified risks and associated control measures.
- ensuring POTL's attitude towards Fraudulent and Corrupt Conduct is clearly articulated in its policies and procedures;
- ensuring disciplinary actions and sanctions that may be imposed because of a breach (i.e. counselling, investigations, termination of employment, forwarding evidence to external enforcement agencies, etc.) are well established and communicated to act as a deterrent;
- subject to confidentiality restrictions, publicising outcomes of investigations where Fraud and Corrupt Conduct is found to have occurred to act as a deterrent and prevent recurrence;
- communication and education programs to raise and maintain awareness of employees, contractors, consultants, customers and the community of POTL's Fraud and Corrupt Conduct control framework.

Strategies to detect any occurrences of Fraud and Corrupt Conduct include:

- ensuring reporting and investigation mechanisms are established and clearly communicated;
- providing guarantees to employees of their protection for protected disclosures;
- maintaining a Fraud and Corrupt Conduct incident register to analyse trends; and
- ensuring effective investigations are carried out and that the appropriate external agencies such as the CCC are involved for more serious offences.

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RESPONSIBILITIES

The roles and responsibilities are detailed below:

(a) Board of Directors

The Board is responsible for setting an organisational culture that supports the management of Fraud and Corrupt Conduct risks and encourages and facilitates the disclosure of Fraud and/or Conduct and provides appropriate protection to disclosers.

The Board is ultimately responsible for ensuring a framework is in place for the management of Fraud and Corrupt Conduct risks, reporting of wrongdoings and protection of disclosers in accordance with POTL's Public Interest Disclosure (Whistleblower) Policy (POT 685).

(b) Audit and Risk Management (ARM) Committee

The ARM Committee plays an integral role in monitoring and reviewing the effectiveness of corporate governance mechanisms in POTL. As a part of the audit function, the ARM Committee will review the operation and management of risk within POTL, including an assessment of the effectiveness of the Fraud and Corrupt Conduct control framework.

The ARM Committee is also responsible for oversight of internal investigations into suspected acts of Fraud and Corrupt Conduct and ensuring appropriate implementation of protection mechanisms for disclosers of wrongdoings in accordance with the requirements of the *Public Interest Disclosure Act 2010* (Qld), where relevant.

(c) Chief Executive Officer (CEO)

The CEO is responsible and accountable to the Board for the full and effective development and implementation of Fraud and Corrupt Conduct control policies, plans and procedures for POTL.

The CEO must ensure that:

- detailed plans, policies and procedures are developed and implemented for Fraud and Corrupt Conduct prevention, detection, investigation, management and control which are subject to appropriate levels of audit;
- plans outlining potential Fraud and Corrupt Conduct risks and the ongoing implementation of mitigation measures are reported to the ARM Committee on a regular basis for monitoring;
- the system is regularly assessed and reviewed (at least every two years);
- complaints relating to actual or suspected breaches are managed in accordance with POTL's Public Interest Disclosure (Whistleblower) Policy; and
- the CCC is notified of complaints of actual or suspected Corrupt Conduct in accordance with POTL's Integrity Framework (POT 676) and legislative requirements.

The CEO also has ultimate responsibility for establishing and fostering an environment which will ensure that effective prevention is an integral part of all activities and a core management capability, consistent with POTL's Integrity Framework, Code of Conduct (POT 219) and relevant legislation.

(d) Senior Managers

Senior Managers have responsibility for:

- fully understanding and supporting POTL's attitude, program, policies and procedures in relation to Fraud and Corrupt Conduct;
- leading by example to create a corporate culture that will ensure that effective Fraud and Corrupt Conduct prevention is an integral part of all activities and a core management capability;
- ensuring that strategies to risk assess, evaluate and manage Fraud and Corrupt Conduct risks are included in their business unit plans so that they are treated as an integral part of work activities;
- managing and controlling Fraud and Corrupt Conduct risks in their respective area;
- ensuring employees have access to information on POTL's policy and reporting options and that these are complied with;
- regularly and systematically assessing the potential within their area of responsibility for breaches;
- receiving reports of actual or suspected breaches and taking prompt and appropriate action in accordance with POTL's Public Interest Disclosure (Whistleblower) Policy; and

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- ensuring that appropriate management plans and strategies are developed to manage identified risks within their areas of responsibility.

(e) Company Secretary and Legal Counsel

The Company Secretary and Legal Counsel has the primary responsibility for:

- developing and implementing POTL's Fraud and Corrupt Conduct control policies, plans and procedures;
- preparing Fraud Control Plans and submitting to the ARM Committee every quarter;
- coordinating Fraud and Corrupt Conduct risk assessments and the implementation of control measures;
- monitoring and reviewing the Fraud and Corrupt Conduct control framework;
- maintaining a Fraud and Corrupt Conduct Incident Register;
- assisting with the assessment of complaints of actual or suspected breaches and coordination of investigations in accordance POTL's Public Interest Disclosure (Whistleblower) Policy;
- assisting external agencies with their investigations for more serious activities; and
- coordinating training and awareness programs.

(f) Manager Employee Relations

The Manager Employee Relations is responsible for overseeing human resources functions that arise from time to time, including such things as receiving reports of actual or suspected breaches and taking prompt and appropriate action in accordance with POTL's Public Interest Disclosure (Whistleblower) Policy.

(g) Risk Management Committee

The Risk Management Committee is responsible for the identification, risk assessment and management of Fraud and Corrupt Conduct risks. The Committee also assists the Company Secretary and Legal Counsel in the development and implementation of controls to prevent and/or reduce the occurrence of Fraud and Corrupt Conduct. This Committee meets at least quarterly and consists of senior representatives from each business division of POTL.

(h) All Directors and Employees

All Directors and employees are responsible for ensuring that they comply with these Guidelines and conduct themselves in a manner which is consistent with the ethical standards expected by POTL.

All Directors and employees have the responsibility to report suspected Fraudulent and Corrupt Conduct in accordance with POTL's Public Interest Disclosure (Whistleblower) Policy and provide support to those who 'do the right thing' and disclose breaches.

FRAUDULENT AND CORRUPT CONDUCT

All Directors and employees are required to refrain from Fraud and Corrupt Conduct against POTL or conduct that could result in POTL commissioning a Fraud or Corrupt Conduct act against other entities.

All Directors and employees are bound by and obliged to comply with these Guidelines, POTL's Code of Conduct, Integrity Framework, Public Interest Disclosures (Whistleblower) Policy and applicable legislation which set out acceptable standards of behaviour and provide guidance for difficult ethical scenarios.

Copies of these Guidelines, related policies and procedures and the Code of Conduct are readily accessible from POTL's intranet and/or website.

Failure to comply with POTL's policies, plans and procedures relating to ethics and Fraud and Corrupt Conduct control may increase POTL's exposure to Fraud and Corrupt Conduct or result in a Fraudulent or Corrupt Conduct act against POTL and/or other entities.

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REPORTING & INVESTIGATIONS

Fraudulent and/or Corrupt Conduct will, in most instances, amount to 'Corrupt Conduct' and is therefore considered a 'public interest disclosure' as defined in the *Public Interest Disclosure Act 2010* (Qld).

Accordingly, the mechanisms for reporting actual or suspected Fraudulent and/or Corrupt Conduct (internally and/or externally) and the manner in which POTL will conduct investigations into the matter will be in accordance with POTL's Public Interest Disclosures (Whistleblower) Policy which is available on POTL's intranet or website. Directors, employees and members of the general public are encouraged to refer to this Policy for further information on how to make a complaint.

Disclosers are encouraged to use the Report of Suspected Fraud and Corrupt Conduct Form (POT 1075) specifically for matters concerning actual or suspected Fraud and Corrupt Conduct. This form is also available on POTL's intranet and website.

POTL will address the issue raised promptly once a report has been received and inform the discloser on an ongoing basis (subject to confidentiality restrictions) as to how the report is being investigated or managed.

Confidentiality is critical in an inquiry or investigation to protect the person making the report, ensure investigations into the matter are not compromised and to protect the reputation of innocent people. Confidentiality cannot be completely guaranteed in every circumstance. Principles of natural justice and procedural fairness may require disclosure of the original report or POTL may be required to disclose information by way of responding to a subpoena or other court order, search warrant, notice to produce, a direction by a Parliamentary Committee or court proceedings. In instances where the conduct amounts to 'Corrupt Conduct', the CEO is also obligated to report the matter to the CCC.

Managers and supervisors are to note that when a PID relates to a potential breach of *Corporations Act 2001* (Cth), it is a requirement under the whistleblowing provisions of that Act that consent be obtained from the Discloser to the provision of that information to POTL's CEO and to the CCC.

The fewer people who know about the disclosure before it is made the more likely POTL will be able to maintain confidentiality, and provide support to both the discloser and the subject officer(s). Disclosers are discouraged from discussing the disclosure with work colleagues.

POTL is committed to ensuring that Whistleblowers are not personally disadvantaged by having made the report by dismissal, demotion, any form of harassment, discrimination or current/future bias providing the disclosure has been made in good faith and on reasonable grounds. The *Public Interest Disclosure Act 2010* (Qld) provides statutory protection mechanisms for Whistleblowers where disclosures amount to a 'public interest disclosure'. Further information on the protection mechanisms available to Whistleblowers is outlined in POTL's Public Interest Disclosures (Whistleblower) Policy.

DISCIPLINARY ACTION, PENALTIES AND PROSECUTION

All employees are accountable to the CEO for the fulfilment of their responsibilities under these policies, plans and procedures. The CEO is accountable to the Board. Non-compliance will be taken as a serious matter and may result in disciplinary action being taken against the employee. Disciplinary action will be dealt with in accordance with the disciplinary procedures outlined in POTL's Code of Conduct and may result in the employee being subject to verbal or written warnings, termination of employment, a change in duties, forfeiture or deferral of a remuneration increment in pay, etc., depending on the circumstances of the incident.

The Board is accountable to shareholding Ministers. The Chairperson and all other Directors will determine the appropriate action to be taken in the event of non-compliance by a Director and a recommendation made to shareholding Ministers.

In the case of more serious offences and criminal activity by a Director or employee, in addition to reporting the matter to the CCC, POTL will provide the necessary information and evidence to the appropriate external agencies. Prosecution and/or penalties may result in these circumstances. POTL will pursue those who have committed Fraudulent or Corrupt Conduct to recover any assets lost, and seek criminal or civil restitution whenever possible.

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AWARENESS & TRAINING

(a) Internal

Directors and employees will receive training on the requirements of these Guidelines at the commencement of their employment with POTL as part of POTL's induction program. Employees will also be required to read and sign a copy of these Guidelines at the commencement of their employment, a copy of which will be held on the relevant personnel file.

Training sessions will also be conducted every three (3) years as a refresher or where there are significant changes to legislative requirements. Information bulletins will also be distributed on a 6-monthly basis which will include a component on Fraud and Corrupt Conduct.

Fraud and Corrupt Conduct control awareness programs will be implemented by way of posters displayed internally that highlight ethical considerations for employees during their daily routine.

Where appropriate, contractors will have received the benefit of an induction program appropriate to the work they are to perform at the Port, and relevant sections or terms of the Code of Conduct will be incorporated into the terms of their contract.

Senior Managers are responsible for maintaining awareness amongst their employees within their respective areas of the requirements of these Guidelines and the Fraud and Corrupt Conduct risks identified in that area.

(b) Senior Managers/Risk Management Committee

All Senior Managers and members of POTL's Risk Management Committee are to attend a Fraud and Corrupt Conduct awareness session upon their appointment which has more specific components in relation to dealing with reports of Fraud and Corrupt Conduct, and the investigation process and disciplinary actions. The sessions will discuss the following Fraud and Corrupt Conduct issues:

- the incidence and risk of Fraud and Corrupt Conduct within POTL generally;
- the types of Fraud and Corrupt Conduct common within the industry sector in which POTL operates and the losses typically associated with conduct of this type;
- the robustness of POTL's internal control environment in terms of its ability to prevent and detect the types of Fraud and Corrupt Conduct likely to occur;
- a knowledge of the types of Fraud and Corrupt Conduct that have been detected in the entity in the last five (5) years and how those matters were dealt with in terms of disciplinary action and the internal control enhancement;
- the entity's own Fraud and Corrupt Conduct prevention and control strategy;
- knowledge of new technology tools for detecting and preventing Fraudulent activity and Corrupt Conduct;
- investigation methods and procedures to ensure that they are adequately informed to carry out investigations into reports of Fraudulent activity and Corrupt Conduct; and
- reporting to external agencies for more serious offences and disciplinary actions.

(c) External

POTL's Directors and employees are expected to demonstrate honesty in all dealings and at all times conduct themselves in a professional and ethical manner when providing services to our customers or dealing with suppliers or the general public.

Details of POTL's Fraud and Corrupt Conduct control framework will be communicated to our customers, suppliers and the general public through such mechanisms as the external website. POTL will also include information on POTL's stance on Fraud and Corrupt Conduct in its annual reports.

IDENTIFYING, ASSESSING AND MANAGING RISKS

The most effective means of minimising Fraud and Corrupt Conduct is to implement control mechanisms aimed at minimising opportunities for Fraud and/or Corrupt Conduct. This can be achieved by identifying actual and potential threats to functions and processes, evaluating them in light of internal controls and measuring the potential effects of risks from a probability and consequence perspective. Risks can then be

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prioritised for action to mitigate/manage them to an acceptable level, or to eliminate threats entirely where management is not a practicable option.

Typical areas that should be included in risk assessments include:

- manipulation of freight manifests;
- invoicing;
- information technology and information security;
- electronic commerce, electronic service delivery and the Internet;
- grants and other payments or benefits programs;
- tendering processes, purchasing and contract management;
- services provided to the community;
- revenue collection;
- use of credit cards;
- payroll, travel allowance and other common allowances; and
- property and other physical assets including physical security.

POTL will engage an independent risk assessor every two-five (2-5) years to undertake a comprehensive identification and assessment exercise of Fraud and Corrupt Conduct risks within POTL.

The Risk Management Committee is responsible for the monitoring of Fraud and Corrupt Conduct risks identified by the independent risk assessor. The Risk Management Committee will meet at least quarterly to identify whether new risks have entered POTL’s risk environment and will continually track the implementation of controls for identified risk factors and assess the need for further controls to be developed in light of any incidents. A listing of some internal control mechanisms that may assist in the control, prevention and/or reduction of Fraud and Corrupt Conduct are included in **Appendix C** and **Appendix D**.

The risk assessment process that is to be used to identify, record and manage Fraud and Corrupt Conduct risks is detailed in POTL’s Risk Management Guidelines (POT 442) which is consistent with the International Risk Management Standard (ISO31000:2009).

The Board and CEO are ultimately responsible for the establishment of a cost-effective internal control structure for POTL (*Financial and Performance Management Standard 2009* (Qld)).

Biannual Fraud and Corrupt Conduct Control Plans will identify each risk factor, risk levels, existing controls and the actions taken by the Risk Management Committee in implementing further controls necessary. The Fraud and Corrupt Conduct Control Plans will be maintained by the Company Secretary and Legal Counsel and submitted biannually to the CEO and the ARM Committee for their consideration and review.

Senior Managers are responsible for daily operations and for maintaining cost-effective internal control structure within their areas of responsibility.

FRAUD AND CORRUPTION DETECTION

Fraud and Corrupt Conduct detection may be achieved through –

- i. encouraging a work environment that supports the reporting of Fraud and Corrupt Conduct;
- ii. vigilance on the part of management, who must be aware of their responsibility to identify early and report any actual or suspect Fraud or Corrupt Conduct;
- iii. strategic use of the internal audit function;
- iv. the development of specific detection strategies for action by management; and
- v. periodic management reviews instigated by the entity’s management team.

A list of possible indicators of Fraud and Corrupt Conduct is contained in **Appendix B**.

The Company Secretary and Legal Counsel, in collaboration with the Risk Management Committee, will be responsible for implementing Fraud and Corrupt Conduct control detection programs when the results of internal audit and independent Fraud and Corrupt Conduct risk assessment indicate the need for such programs to be developed.

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Such programs may include:

- a program for post-transaction review;
- data mining;
- real-time computer system analysis;
- a program for the strategic analysis of management accounts to identify trends that may be indicative of Fraudulent or Corrupt Conduct; and
- ongoing assessment of internal risk factors (for example, personal, cultural, structural and business risks).

REVIEW OF FRAUD & CORRUPTION CONTROL STRATEGIES

An external audit of the Fraud and Corrupt Conduct framework will be organised every three-five (3-5) years.

The Company Secretary and Legal Counsel will ensure that controls implemented for each Fraud or Corrupt Conduct risk is reviewed by the Risk Management Committee and ARM Committee for effectiveness and amended where necessary on an ongoing basis.

Controls will also be reviewed after detection of a Fraud or Corrupt Conduct incident to determine how a breakdown in control occurred and what control measures need to be implemented to prevent reoccurrence.

POTL's Fraud and Corrupt Conduct Control Policy (POT 1093) and these Guidelines will be reviewed at least every three (3) years in accordance with POTL's Control of Documents Procedure (POT 108). Other Fraud and Corrupt Conduct control continuous improvement activities will include:

- keeping abreast of best practices, both locally and overseas;
- employing people who have experience and commitment to the continuous improvement of Fraud and Corrupt Conduct control; and
- encouraging innovation in Fraud and Corrupt Conduct control development, procedures and processes.

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APPENDIX A – HYPOTHETICAL EXAMPLES OF FRAUD / CORRUPT CONDUCT

The following items are presented to illustrate some hypothetical examples of Fraudulent and Corrupt Conduct. They are presented to assist POTL's employees in maintaining awareness of potential circumstances where such behaviour may occur. As with the indicators of Fraud and Corrupt Conduct (**Appendix B**), the list is neither definitive nor exhaustive.

- An employee responsible for arranging advertising awards graphic design contracts to a company he and his wife own or have a substantive interest in or awards contracts to acquaintances (or corporations associated with acquaintances) without due process having been applied.
- Several laptops are delivered to the IT department and the laptops 'disappear'. The signature on the delivery docket, verifying that the goods were delivered, is illegible.
- An employee obtains employment under false pretences by falsely claiming to have the required qualifications.
- An employee uses without permission POTL's equipment and material after hours for his or her own business.

Judgement should be exercised in considering potential Fraudulent and Corrupt Conduct. In some circumstances, a one-off instance may constitute Fraudulent and Corrupt Conduct. In other circumstances, on-off instances of some behaviour may not be considered Fraudulent and Corrupt Conduct, however, ongoing recurrences of that behaviour that become material or serious in nature will be regarded as potentially Fraud or Corrupt Conduct.

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APPENDIX B – POSSIBLE INDICATORS OF FRAUD AND/OR CORRUPT CONDUCT

The following list contains some of the possible indicators of Fraud and/or Corrupt Conduct. They are presented to heighten employee awareness of potential control lapses that make an environment more conducive to Fraud and/or Corrupt Conduct. These indicators can be viewed in isolation or in total combination, although the latter will generally indicate that circumstances of Fraudulent or Corrupt Conduct are a distinct possibility.

Employees need to proceed with caution, as the presence of one or more of the following indicators of Fraud or Corrupt Conduct does not mean that such behaviour is occurring. Such lapses in control may be the result of other factors. As a consequence, these indicators should be viewed from a wider context. The scope of these Guidelines must alone be given appropriate consideration when analysing these factors to determine potentially Fraudulent or Corrupt Conduct. Further, these indicators should not be taken to be exhaustive or definitive as they are only a guide.

Work Practices

- Missing expenditure vouchers and unavailable official records
- Crisis management coupled with a pressured business environment
- Excessive variations to budgets or contracts
- Bank reconciliations are not maintained or cannot be balanced
- Excessive movements of cash funds
- Unauthorised changes to systems or work practices
- Lowest tenders or quotes passed over with minimal explanation recorded
- Lost assets
- Absence of controls and audits trails
- Lack of clear financial delegation

Employee Behaviour

- Refusal, evasion or excessive delays in producing files, minutes or other records
- Unexplained employee absences
- Gambling while at work
- Borrowing money from fellow employees while at work
- Placing undated or post-dated cheques in petty cash
- Personal creditors appearing at the workplace
- Covering up inefficiencies
- Excessive staff turnover in any specific position
- Employees with outside business interests or other jobs that conflict with their duties, other than those approved in connection with the Disclosure of Interest Policy
- Signs of excessive drinking or drug abuse
- Managers bypassing subordinates, subordinates bypassing managers
- Secretiveness
- Marked character changes
- Excessive or apparent total lack of ambition
- Excessive control of records by one officer
- Refusal to comply with normal rules and practices

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APPENDIX C – EXAMPLES OF FRAUD / CORRUPTION CONDUCT INTERNAL CONTROLS

Some internal control mechanisms that may assist Senior Managers in preventing and reducing the likelihood of Fraud and Corrupt Conduct within their areas of responsibility include:

- ensuring suitable recruitment procedures are in place (e.g. verifying transcripts, conducting pre-employment criminal background checks, contacting referees etc.)
- ensuring segregation of incompatible duties (e.g. issuing invoices and receiving payments)
- maintaining appropriate levels of security (physical and information systems)
- ensuring appropriate levels of supervision and internal checks (more frequent and/or closer scrutiny)
- ensuring appropriate levels of delegations of powers and authorities
- conducting reconciliations
- ensuring appropriate monitoring and control of budgets under their control
- conducting regular reviews of management reports
- ensuring clear reporting lines are specified and followed
- requiring an authorisation check
- conducting regular reviews of processes
- regularly reviewing accounting and administrative controls
- properly documenting procedures
- conducting regular audits and Compliance programs (including ensuring a strong audit presence)
- including structured training and other education programs
- project management with comparison against plans
- quality assurance, management and standards
- rotating employees and shifts where feasible and economical
- ensuring continued awareness of the Fraud and Corrupt Conduct control framework, and disciplinary actions for breaches
- ensuring employees in high risk areas take regular leave and are subject to higher levels of scrutiny
- reviewing suppliers and external consultants (e.g. conducting background checks, reviewing credit reports etc.)

Some internal control mechanisms that may assist Senior Managers in minimising the consequence of Fraud and Corrupt Conduct within their areas of responsibility include:

- ensuring that appropriate contingency plans and disaster recovery plans are developed, implemented and regularly reviewed
- ensuring appropriate insurances are in place (i.e. annual Fidelity Guarantee Insurance)
- reviewing and updating contractual conditions and arrangements
- separate or relocate the activity and/or resource
- pricing policy and controls

Some examples of poor internal control practices that increase exposure to Fraud and/or Corrupt Conduct include:

- managers and supervisors not communicating adequately
- exercising authority and delegations without checking documentation
- not undertaking regular audits
- signing blank forms in advance of use
- signing off documents without checking for accuracy and reasonableness

The following are suggested measures to ensure the effectiveness of the above internal control mechanisms:

- internal controls are appropriately documented;
- a process of continuous improvement – internal controls should be reviewed and amended regularly;
- internal controls should be developed after Fraud and Corrupt Conduct risk assessments and should be aimed at mitigating identified risks;
- internal controls should be communicated effectively to all employees appropriate to their level of responsibility and position description;
- internal controls should be accessible to employees;
- a strong internal control culture in which all employees understand the importance of adhering to internal controls; and
- an internal audit program that incorporates a review of adherence to internal control.

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APPENDIX D – FRAUD AND CORRUPT CONDUCT PREVENTION STRATEGIES

General

The following Fraud and Corrupt Conduct prevention strategies are presented to assist management with the creation of an environment that minimises Fraudulent and Corrupt Conduct within POTL. The strategies fall into three (3) categories:

- (a) Environment and Culture;
- (b) Policy Development; and
- (c) Employee Recruiting.

Environment and Culture

A key strategy in managing the risk of Fraud and Corrupt Conduct within an entity is the development and maintenance of a sound ethical culture. Fraud and Corrupt Conduct prevention strategies should be integrated into POTL's planning processes and into supplier contracts. Managers at all levels must create an environment in which employees believe that dishonest acts will be detected and investigated. To this end, management have a responsibility to ensure:

- (a) Participation in management training that deals with the implementation of the policy.
- (b) Proper monitoring supervision of employees.
- (c) Employees understand that controls are designed and intended to prevent or detect Fraudulent and Corrupt Conduct.
- (d) Encourage employees to report suspected Fraudulent and Corrupt Conduct directly to the appropriate manager without fear of disclosure or retribution.
- (e) Require suppliers and contractors to agree in writing, as part of the contracting process, to abide by POTL's policies and procedures.
- (f) That known conflicts of interest are avoided by:
 - not entering into contracts with parties known to have a conflict of interest without the express permission of the CEO; and
 - encouraging suppliers and contractors to disclose potential conflicts of interest.

Measures to prevent Fraudulent and Corrupt Conduct should be subject to POTL's continuous improvement cycle of plan, check, do and act. Process improvement as part of the continuous improvement cycle is particularly relevant as new systems, programs, processes and arrangements are introduced or modified.

Policy Development

Fraud and Corrupt Conduct prevention and detection controls are embedded in various policies of POTL.

Employee Recruiting

Recruitment policy and practice underpins Fraud and Corrupt Conduct prevention. Management at all levels must support recruitment strategies aimed at Fraud and Corrupt Conduct prevention. These strategies include:

- (a) pre-employment and on-promotion screening;
- (b) contacting previous employers and referees; and
- (c) verifying transcripts, qualifications, publications and other certificates or documentation.

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COMPLIANCE AND COMPETENCE REQUIREMENTS

Standard	
Australian Standard 8001-2008 Corporate Governance – Fraud and Corruption Control	
Legislation	
<i>Government Owned Corporations Act 1993 (Qld)</i> <i>Financial Accountability Act 2009 (Qld)</i> <i>Criminal Code Act 1899 (Qld)</i> <i>Integrity Act 2009 (Qld)</i> <i>Public Interest Disclosure Act 2010 (Qld)</i> <i>Crime and Corruption Act 2001 (Qld)</i>	
State Government Policies	
Corporate Governance Guidelines for Government Owned Corporations	
Competence	
Competency is a person's demonstrated ability to apply the necessary knowledge and skills to perform and assigned task satisfactorily.	
Competence Requirement	How is the necessary knowledge and skills assessed to ensure assigned task is performed satisfactorily
Knowledge and understanding of Fraud and Corrupt Conduct control requirements.	Assessed through audits (internal and external).

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