Fraud and Misconduct Risk Assessment (Procurement)
Recommendations Implementation Status

Fraud and Misconduct Risk Assessment (Procurement)
Recommendations Implementation Status

No	Fraud Risk Area	Residual Risk Rating	No. of Proposed Actions	Proposed Actions Recommended by KPMG in Final Report (December 2015)	Status	City Comment
1	**Creation of False Demands** Where a decision is made to obtain goods or services that are not legitimately required by the City.	Low	Not Applicable	Not Applicable	Not Applicable	Internal controls still relevant and in operation
2	**Payment of Fictitious Invoices** Where the City pays for goods and services that are not actually received.	Low	2	Consider periodically conducting data analytics on procurement and finance data to identify potential anomalies or red flags that may indicate possible payment of false invoices.	Partially Implemented	In-house testing has taken place using data from phase one (January 2015 to June 2016); ongoing testing will occur using 2017-18 data.
				The data analytics recommended should be extended to include identification of changes in bank account numbers, allowing for confirmation of changes by authorised persons.	Partially Implemented	In-house testing has taken place using data from phase one (January 2015 to June 2016); ongoing testing will occur using 2017-18 data.
3	**Overcharging by Suppliers** Where hire companies, contractors and suppliers overcharge for goods or services. This maybe where the item is not supported by contractual rights, not calculated in accordance with the contract, or based on false information.	Moderate	2	The data analytics recommended should be extended to identify rates charged and test for both variations in these per contractor and with reference to the contract agreed rates.	Partially Implemented	In-house testing has taken place using data from phase one (January 2015 to June 2016); ongoing testing will occur using 2017-18 data.
				Staff should be trained in specific requirements relating to the oversight of services provided by contractors, to help manage any potential shortfall due to lack of experience or process understanding.	Partially Implemented	This was also a recommendation from a recent Procurement and Contract Management Review which is still under consideration.

No	Fraud Risk Area	Residual Risk Rating	No. of Proposed Actions	Proposed Actions Recommended by KPMG in Final Report (December 2015)	Status	City Comment
4	**Preferential Selection of Suppliers** The selection or continued use of suppliers without merit, inappropriate sole sourcing, or a lack of appropriate competitive process within procurement.	Low	1	Risk associated with inappropriate supplier relationships, including conflicts of interest will be reduced by strengthening conflict of interest requirements by maintaining a Conflict of Interest Register that records all actual and potential declarations and how they have been managed, including the principles to be applied in managing them.	Partially Implemented	Conflict of interests are recorded as part of the tender process; it is not deemed practical to maintain a register for non-tender purchases. Inappropriate employee/supplier relationships are being tested.
				Bribery and corruption risks are only briefly covered in the City's Code of Conduct. The City should expand its coverage of this topic both from a policy/framework perspective (i.e. implement a fraud and corruption control policy and plan, if not already in place) and a training and induction perspective.	Implemented	-
5	**Inappropriate Giving or Receiving of Gifts** Where the declaring of gifts has not been declared, or the accepting of gifts when they should not have been accepted. Requesting a gift from a supplier, or the providing of a gift to a third party when it is not appropriate.	Low	Not Applicable	Not Applicable	Not Applicable	The receipt of gifts by employees and Elected Members has been subject to recent internal audits and is continually under review. The introduction of an electronic system for recording gifts has improved controls in this area including live monitoring.

No	Fraud Risk Area	Residual Risk Rating	No. of Proposed Actions	Proposed Actions Recommended by KPMG in Final Report (December 2015)	Status	City Comment
6	**Conflicts of Interest** The failure to declare actual or perceived conflicts of interest, or failure to adequately respond in managing an identified conflict of interest.	Moderate	3	Strengthen conflict of interest requirements by maintaining a Conflict of Interest Register that records all actual and potential declarations and how they have been managed, including the principles to be applied in managing them.	Partially Implemented	Conflict of interests are recorded as part of the tender process; it is not deemed practical to maintain a register for non-tender purchases.
				Year-end confirmation by all staff as to actual/potential conflict of interest being registered and decisions recorded.	Partially Implemented	With the current controls this action is not considered necessary.
				The attendance at training should be monitored and non-attendance should be followed up. Content should be tailored for City staff.	Implemented	-
7	**Inappropriate use of Purchase Order Process** The completing of retrospective purchase orders, initiating purchase orders for 'normal' amounts that are later substantially increased, exceeding delegated authority approval limits, or splitting purchase orders to avoid triggering authority approval thresholds.	Low	1	Consider periodically conducting data analytics on procurement and finance data to identify spending patterns that indicate attempts by employees to split purchase orders or remain under thresholds, particularly the $5,000 threshold.	Partially Implemented	In-house testing has taken place using data from phase one (January 2015 to June 2016); ongoing testing will occur using 2017-18 data.

City of Joondalup

No	Fraud Risk Area	Residual Risk Rating	No. of Proposed Actions	Proposed Actions Recommended by KPMG in Final Report (December 2015)	Status	City Comment
8	**Diversion of Goods or Services Received** The diversion of goods or services received or receivable by an employee for personal gain/benefit.	Moderate	3	As part of the data analysis recommended, identify any variations from the process, in terms of any invoices being paid without goods receipted, or invoices being paid without services provided.	Partially Implemented	In-house testing has taken place using data from phase one (January 2015 to June 2016); ongoing testing will occur using 2017-18 data.
				As part of the Code of Conduct training remind staff of relevant points (in the Code of Conduct) concerning fraud, corruption and their legal duty to act in the best interests of the City.	Implemented	-
				As part of the Code of Conduct training confirm that fraudulent or corrupt behaviour is covered in the training, that staff attend the training and that the training is suitable for City staff.	Implemented	-
9	**Failure to Adhere to Tender or Quotation Thresholds** Failure to go to tender for goods or services over $100,000 or failure to obtain the required quotations for goods: between $5,000 and $10,000, between $10,000 and $50,000, or between $50,000 and $100,000. *NOTE: Tender threshold now $150,000*	Low	3	Consider periodically conducting data analytics on procurement and finance data to identify any variations from the tender threshold, where a tender has not been undertaken.	Partially Implemented	In-house testing has taken place using data from phase one (January 2015 to June 2016); ongoing testing will occur using 2017-18 data.
				Consider periodically conducting data analytics on procurement and finance data to identify expenditure and track the number of quotations obtained. If the City's system cannot identify this, consider implementing this capability.	Partially Implemented	In-house testing has taken place using data from phase one (January 2015 to June 2016); ongoing testing will occur using 2017-18 data.
				As part of the Code of Conduct training, reminding staff of their procurement obligations. Conduct random checks on purchase orders, to identify cases where the protocol has not been followed.	Implemented	-

Fraud and Misconduct Risk Assessment (Procurement)
Recommendations Implementation Status

No	Fraud Risk Area	Residual Risk Rating	No. of Proposed Actions	Proposed Actions Recommended by KPMG in Final Report (December 2015)	Status	City Comment
10	**Release or Theft of Confidential or Commercially Sensitive Information** The releasing information to bidders or suppliers, leaking information to the press, or removal/theft of information by any employee.	Moderate	1	Review of recordkeeping protocols (both hard and soft copies) to ensure that tender related information is suitably secured and is only accessed by those with appropriate relevance and authority.	Implemented	-
11	**Bribery and Corruption** The risk that employees received bribes or kickbacks from suppliers in exchange for preferential treatment or information.	Low	1	This topic is only briefly covered in the City's Code of Conduct. The City should expand its coverage of this topic both from a policy/framework perspective (i.e. implement a fraud and corruption control policy and plan, if not already in place) and a training and induction perspective.	Partially Implemented	A Fraud, Corruption and Misconduct Control Policy was developed and adopted by Council in December 2016. An awareness program based on this policy, as well as the City's internal controls will be undertaken. The City's revised Code of Conduct is available to employees and also forms part of the City's online induction program.
12	**Excessive use of Corporate Purchasing Card or Expense** The avoiding of a competitive procurement process by procuring goods through corporate purchasing card or expense reimbursement.	Moderate	1	Periodic review by classification of spend by individual with comparative analysis.	Implemented	Internal audits have been completed for trade cards and corporate credit cards in recent years.
13	**Other Risks Raised in the Workshop** Whether there was the ability to create vendors within the City's finance system, by staff who should not have the ability to do so	Moderate	2	Ensure that the ability to create vendors and change vendor master data is limited to only those individuals authorised to do so.	Implemented	-
	Where payment is made for the procurement of goods or services that have not been processed through the purchasing system and are charged straight to the cost centres. There may not be adequate control or segregation of duties within this process.			Review the procedures for dealing with expenses that are processed outside of the purchasing system and ensure that the appropriate sign off and segregation of duties are in place.	Partially Implemented	In-house testing has taken place using data from phase one (January 2015 to June 2016); ongoing testing will occur using 2017-18 data.