

Corruption prevention, fraud and technology

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Crime and Corruption Commission

The CCC is an independent agency dedicated to **combating major crime** and **reducing corruption** in the public sector for the **benefit of the Queensland** community.

Our vision is to have **safe communities** supported by **fair and ethical** public institutions.

About us



29 YEARS

of independent oversight



57M

Annual budget

About our work

MAJOR CRIME INVESTIGATIONS



22

people arrested
129 charges



85

investigations
finalised



\$9.4M

cash and assets
forfeited to the State

CORRUPTION INVESTIGATIONS



38

people charged
176 offences



56

investigations
finalised



5

police officers
charged



19

recommendations for
disciplinary action

COMPLAINTS



3098

complaints
received

3602

complaints
assessed

HEARINGS



322

days of private
hearings

13

days of public
hearings

INTELLIGENCE



250+

intelligence
reports sent to
law enforcement

WITNESS PROTECTION



100%

of witnesses kept
safe to give
evidence

The four horsemen of the public sector apocalypse :

- Corruption
- Laziness
- Indifference
- Incompetence



Know your enemy – areas of risk

Conflicts of interest

Most commonly involve:

- Family and close associates
- Secondary employment
- Previous employment
- Asset ownership (e.g. property, investments)
- Memberships (e.g. political, professional, sporting, social or cultural organisations).

Managing and responding to conflicts of interest involving council employees



- Audit of 13 Councils
- 2015 -2017
- 43 complaint files

Diagram 1 – position of subject officer

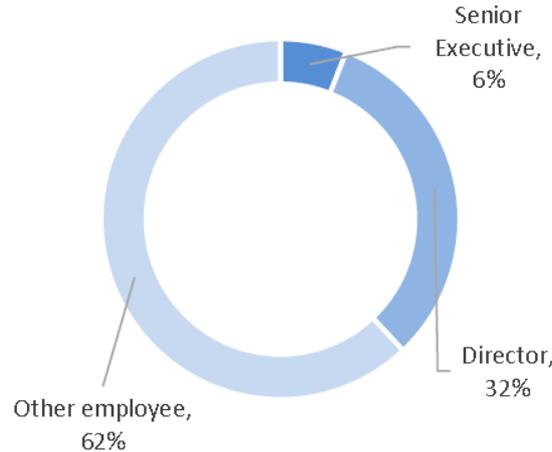


Diagram 2 – cause of failure

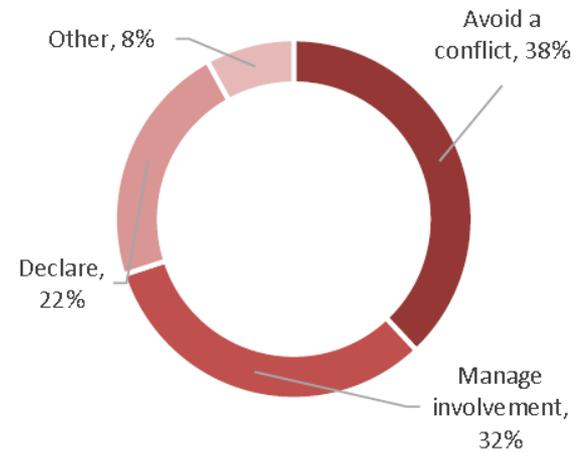


Figure 3 – alleged area impacted

Contracting, tendering and procurement	33%
Recruitment and selection activities	28%
Planning and development applications	8%
Dealing with individuals	6%
Issuing certificates or licenses	6%
Other (once off areas)	19%

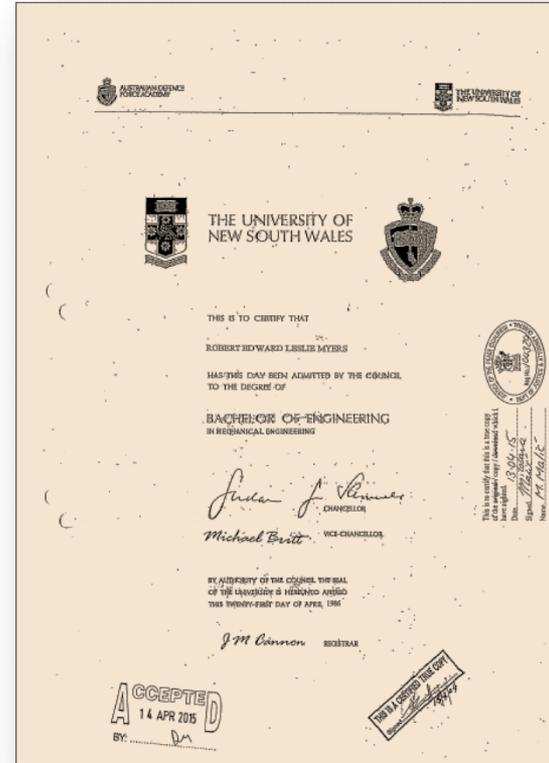
Figure 4 – alleged type of private interest

Family or close personal relationship	43%
Family or private business	17%
Self-benefit	17%
Secondary employment	6%
Other	6%
Unknown (not evident in files)	11%

Risks in recruitment

Check :

- Qualifications and professional memberships
- Tertiary qualifications
- Background via publically available information
- Criminal history
- References from previous employers



Risks in recruitment

Operation Proxima

\$16 million from Queensland Health

Commenced in October 2007

Occurred over a 4 year period

Over 65 individual transactions

Final transaction of \$11 million in December 2011.

Improper access to public sector databases

**Computer hacking
and misuse:**

**It's a criminal
offence!**

Vulnerabilities

- Employees are unaware of the organisation's attitude to improper use of information
- Employees are unclear about what constitutes improper access to information
- Prevention measures are not integrated into information systems
- It is difficult to detect improper access to information

ICT procurement

- See Prevention in Focus: *ICT procurement – what are the corruption risks?*
- See also *Transparency of ICT procurement is in the interests of the public and vendors alike*, Carlton, D; ‘The Mandarin’, 11 October 2018.



ICT procurement (from *The Mandarin* article)

- *Our research [citation omitted] suggests that the greatest risk comes not from technical experts in the ICT procurement chain, rather it comes from senior staff placed into positions of influence and authority for which they lack technical understanding and competence. It is these senior individuals that are most exposed to be unreasonably influenced.*
- 

ICT procurement cont...

- *The primary relationship between the vendor and the government agency is usually held not by technically competent persons, rather they are most often sales people. Their job is precisely what the Crime and Corruption Commission is concerned with – building relationships to ensure procurement decisions are taken which benefit the vendor....*



ICT procurement cont...

- *The anecdotal evidence would suggest that vendors are not inconvenienced in the slightest by poor project outcomes. The viability of a project and the likelihood of achieving a successful outcome needs to be of far greater concern at the procurement stage. Technically competent people, accountable first and foremost to the public sector and with responsibility for a successful outcome, need to be able to challenge the sales and marketing claims and be involved in the very earliest stages of the procurement phase.*



PWC's 2018 Global Economic Crime and Fraud Survey: Australian Report

- Majority of fraud and economic crime in Australia – 60% - was committed by someone close to the organisation (employee, customer, supplier, consultant or agent).
- “Why are employees, suppliers and customers biting the proverbial hand that feeds them?”



PWC report cont...

- *“One of the biggest drivers is the increasing availability of new technologies to facilitate fraud. For example, there is a rise in the use of ‘off the shelf’ editing apps to change documentation, make fraudulent IDs, credit card applications and insurance claims. People are also turning to the ‘dark web’ to source information about economic crimes and finding tools to help them. This easy access to technology is making the threat environment wider than ever.”*
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PWC: Fighting fraud in the public sector

- Vast majority of economic crime in Australia falls into the following categories:
 - Asset misappropriation
 - Procurement fraud
 - Bribery and corruption
 - Cybercrime
 - Accounting fraud
 - Human resources fraud (payroll fraud, nepotism and hiring of unqualified individuals).



PWC: Fighting fraud in the public sector cont...

- The percentage of perpetrators of economic crime who are internal to an organisation varies from year to year – between around 40% to 60%.
- Internal fraudster in the public sector: junior or middle management; 41-50 years; male; qualified graduate; 3-5 years service.



PWC: Fighting fraud in the public sector cont...

- Most procurement fraud involves an external party bribing an internal employee in order to secure a contract, pay a fraudulent invoice or falsify expenses.
- Economic crime in public sector organisations globally is most commonly detected by monitoring suspicious transactions, followed by accidental detection and then by routine internal audit.



Risks arising from technology

(The substantial assistance of the ICAC publication, *Exploiting emerging technology corruptly in the NSW public sector*, is acknowledged in relation to this part of the presentation.)

- Inappropriate accessing, use and disclosure of sensitive information.
 - Governance, security and audit systems have to play catch-up (e.g. audit, data integrity and information security programs).
 - Face-to-face interaction is reduced.
 - Opportunistic theft of high-value assets (e.g. laptop computers).
- 

Risks arising from technology cont...

- Immediacy of transactions – a fraudulent transaction can be completed before anyone notices.
- Increased power to manipulate data.
- Acceptance of identity when already verified by another organisation.



Risks arising from technology cont...

- Intangible assets (e.g. proprietary software, sensitive commercial information, personal information) can be stolen or corrupted without the organisation being aware that anything improper has occurred.
- General network security issues (where is the information stored?).



Risks arising from technology cont...

- Employees not taking password security seriously.
 - Employees inappropriately using technology.
 - Enterprise Resourcing Planning (ERP) systems – integrate a number of previously separate systems (HR, accounting, resource planning etc..) – leads to a lack of segregation of duties.
- 

Risks arising from technology cont...

- Counterfeiting of identities and financial instruments using scanners and desktop publishing.
- Portability and easy accessibility.



Operation Tudor (NSW)

- Fraudulent alteration of student records by a student liaison officer (SLO) at the University of Technology, Sydney (UTS).
 - SLO had improperly removed failures from the academic records of certain students – he had received money (up to \$2,000 each) and other favours from the students concerned.
- 

Operation Tudor (NSW) cont...

- Systemic weaknesses in the administration of student records and computer security at UTS and other NSW universities were revealed.
 - Absence of full audit trails and inadequate monitoring of staff access to records.
 - Also found weaknesses in the processes used to determine exemptions from previous study.
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Example, Cth Defence Department

- A member of staff at a major defence establishment defrauded nearly \$200,000 (in around 40 payments) through the creation of a number of false vendors in one of the department's key financial management systems.
 - Although there were a number of identities, the ultimate destination of the money, in each case, was the same bank account.
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Example, Cth Defence Department cont...

- Opportunities for developing the fraudulent scheme were enhanced by staffing problems which led to her assuming two roles which should have been mutually exclusive.
- Also able to use colleagues' usernames and passwords.



It's not all bad

- Technology presents many opportunities in terms of corruption and fraud prevention.
- Monitoring of transactions and activities.
- Evidence.
- Data analytics.



Data analytics

- Science of examining raw data with the purpose of drawing conclusions about that information.
 - Involves applying an algorithmic or mechanical process to obtain insights.
 - Persons: *'I believe the future of auditing will be almost entirely data analytic in nature. Specifically, data analytics will transform the accountability business wherever "gut" instincts or audit process inefficiencies lay.'*
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Data analytics cont...

- Example – text mining of a thousand documents.
- Persons: Data analytics will never be a decision-making system, but will remain a decision-supporting system.



Data analytics and procurement

- Information available includes:
 - Disclosures by public servants (income and assets, company board memberships, business interests, share holdings).
 - Company information (ASIC).
 - Procurement data (processes, public servants involved, names of suppliers, successful and unsuccessful tenderers).



Data analytics and procurement cont...

- Tendering patterns:
 - Front company continuing to submit faulty bid.
 - Collusion between tenderers.
 - Coercion.
 - Connections between tenderers and public servants involved in the process.



Select bibliography

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Questions



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