

Fraud, financial management and accountability in the Queensland public sector

**An examination of how a \$16.69 million fraud
was committed on Queensland Health**

September 2013

CRIME AND
MISCONDUCT
COMMISSION



QUEENSLAND

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CMC vision:

That the CMC make a unique contribution to protecting Queenslanders from major crime, and promote a trustworthy public sector.

CMC mission:

To combat crime and improve public sector integrity.

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September 2013

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The Honourable Fiona Simpson MP
Speaker of the Legislative Assembly
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Mrs Liz Cunningham MP
Chair
Parliamentary Crime and Misconduct Committee
Parliament House
George Street
BRISBANE QLD 4000

Dear Minister, Madam Speaker and Mrs Cunningham

In accordance with section 69(1)(b) of the *Crime and Misconduct Act 2001*, the Crime and Misconduct Commission hereby furnishes you its report *Fraud, financial management and accountability in the Queensland public sector. An examination of how a \$16.69 million fraud was committed on Queensland Health.*

The Commission has adopted the report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Levy', with a long, sweeping flourish extending to the right.

Dr Ken Levy RFD
Acting Chairperson

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ACRONYMS AND ABBREVIATIONS

ABN	Australian Business Number
AO	Administrative Officer
CM Act	<i>Crime and Misconduct Act 2001</i>
CPCA	<i>Criminal Proceeds Confiscation Act 2002</i>
CMC	Crime and Misconduct Commission
COMPASS	The Crime and Misconduct Commission's complaints management database
CSP Division	Community Services Purchasing Division
CSP team	Community Services Purchasing team
DDG	Deputy Director-General
DG	Director-General
ESU	Ethical Standards Unit (QHealth)
FMPM	<i>Financial Management Practice Manual</i>
GPV	General Purpose Voucher
HES	Health Executive Service
HIC	Healthy Initiatives and Choices
MGIA	Minister's Grants in Aid program
NGOS	Non Government Organisation Support
PBA	Post Budget Adjustment
PFO	Principal Finance Officer
PID	Public Interest Disclosure
QAO	Queensland Audit Office
QHealth	Queensland Health (now the Department of Health)
QPS	Queensland Police Service
SES	Senior Executive Service
SO	Senior Officer
SSP	(QHealth) Shared Service Partner
The Muse	Muse Business Inspiration

INTRODUCTION

On 23 June 2011 the Queensland Audit Office (QAO) tabled in Parliament its Report No. 5 for 2011,¹ which considered a number of issues, including the appropriateness of several departments' internal financial controls.² The report stated:

There appears to have been a loss of focus across the public sector on maintaining basic financial controls with the number of agencies failing to maintain these controls increasing. This trend has the potential to expose the public sector as a whole to a significant risk.³

In particular, the audit found that the management and monitoring of controls and procedures relating to vendor information required significant improvement and noted:

Poor controls over vendor information can potentially expose departments to significant losses if there is fraudulent manipulation of this information. Although no instances of fraud were identified during the audit, the poor vendor controls provide the potential for fraudulent activity to occur.⁴

On 8 December 2011, six months after that report was tabled, Queensland Health (QHealth) identified a fraudulent transaction of \$11 million of public funds paid to Healthy Initiatives and Choices (HIC), a trading name registered to one of its own employees, Hohepa Morehu-Barlow (Barlow). Further investigation identified this transaction to be the latest in a series of 65 fraudulent transactions totalling \$16.69 million and committed over a four-year period commencing October 2007.

Barlow's fraud may be the single largest fraud ever committed in the Queensland public sector. The real cost to the State would be even greater, not only in the initial loss of millions of dollars of public money, but also in the cost of the multiple agencies required for follow-up investigations and recovery action, and in the damage to public confidence in financial management across the public sector.

Given the enormity of the fraud perpetrated against QHealth, two key questions arise:

- How equipped were QHealth's management systems and internal controls to handle the risk posed by an employee intent on committing fraud?
- What can other public sector agencies learn from the QHealth experience?

This report gives an account of the fraud committed by Barlow over those four years. It provides a narrative of the main events surrounding Barlow's fraudulent activities between September 2007 and December 2011, and describes the impact of that discovery. It is directed to Parliament and the general Queensland community and, most of all, to senior managers and other employees in the Queensland public service. It aims to:

1. highlight public servants' responsibilities — and accountability — as stewards of public money
2. raise their awareness of the potential for fraud in the workplace, of their own responsibilities to prevent it and, finally, of the high cost of managerial inaction.

For that reason, the report includes a summary of the lessons to be learned from the QHealth experience — the factors that allowed the fraud to be committed and remain undetected for so long, as well as recommendations to managers and staff of public agencies.

1 Queensland Audit Office, *Results of audits at 31 May 2011*, Report No. 5 for 2011, June 2011. See the full report at <www.qao.qld.gov.au/Report-No-5-for-2011>.

2 QHealth was not included in these audits.

3 Queensland Audit Office, *Results of audits at 31 May 2011*, page 3.

4 Ibid.

1 THE REAL COST OF FRAUD: INTER-AGENCY RESPONSE TO THE EVENTS AT QHEALTH

To illustrate the real impact of public sector fraud, this chapter outlines the extent of corrective action required after the discovery of a significant fraud. Barlow's criminal activity was confined within one department and his method of defrauding it was relatively straightforward, as the following chapter will show. However, the breadth of issues raised by it meant that corrective action and investigation would take the work of multiple agencies.

On 8 December 2011, QHealth reported Barlow's suspected fraud to the Queensland Police Service (QPS) and the QPS commenced a criminal investigation. The following day, the QPS sought assistance from the Crime and Misconduct Commission (CMC) to identify, seize and restrain all property owned or disposed of by Barlow since he began employment with QHealth. The CMC commenced action to restrain his assets on the same day.

On 10 December 2011, the then Minister for Health convened an Inter-agency Taskforce of senior representatives from the QPS, QHealth, the Department of the Premier and Cabinet, the CMC, the QAO and the law firm Clayton Utz to coordinate the multiple investigations and procedural reviews required. In addition to the action already under way, the Taskforce undertook to simultaneously:

- identify why existing internal controls and procedures at QHealth did not prevent the alleged fraud occurring or, failing that, detect it earlier
- develop improved measures to address any practices exploited by Barlow in committing his fraud
- investigate any alleged official misconduct by other staff of QHealth in relation to Barlow's frauds.

Criminal investigation

The QPS led the subsequent criminal investigation into Barlow's activities, identifying a series of 65 fraudulent transactions totalling \$16.69 million and committed over a four-year period commencing October 2007. On 12 December 2011, Barlow was arrested and he was subsequently charged with fraud-related offences.

On 19 March 2013, he pleaded guilty to the following fraud-related offences:

- two counts of fraud as an employee to the value of \$30,000 or more (ss. 408C(1)(c), 2(b), (d) and 568(3) Criminal Code)
- two counts of fraudulently falsifying a record (s. 430(e) Criminal Code)
- uttering a forged document (ss. 488(1)(b) and 568(5) Criminal Code).⁵

Barlow was sentenced to 14 years imprisonment and will be eligible for parole in December 2016.⁶

⁵ Barlow was convicted of other offences, which do not relate to QHealth and will not be discussed in this report.

⁶ Barlow will be eligible for parole after serving five years. At the time of sentencing, he had already served 464 days in pre-sentence custody.

Action taken to recover money

The CMC's Proceeds of Crime team worked closely with the QPS and QHealth's Ethical Standards Unit (ESU) to identify all property owned or disposed of by Barlow since he began employment with QHealth. It restrained extensive assets as a result of nine separate restraining orders since December 2011. The CMC believes that it identified all Barlow's material assets.

About Proceeds of Crime legislation

The *Criminal Proceeds Confiscation Act 2002* (CPCA) commenced on 1 January 2003. Three separate confiscation schemes are contained within the CPCA — a conviction-based scheme, a civil confiscation (non-conviction-based) scheme and a serious drug offender confiscation order scheme (commenced 6 September 2013). The CMC administers the civil confiscation scheme and serious drug offender confiscation order scheme for Queensland and has a dedicated Proceeds of Crime team which is part of the CMC Crime function.

The scope of the civil confiscation scheme is limited to the recovery of proceeds derived from illegal activity, although recovery can be made even in the absence of a conviction.

Proceedings under the CPCA are civil proceedings conducted in the Supreme Court and issues of fact are decided on the balance of probabilities. All assets forfeited under the scheme are realised by the Public Trustee of Queensland and paid to the Consolidated Fund.

Outcome of the confiscation proceedings

During the course of the matter, orders were made by the Supreme Court for most of the restrained assets to be sold by the Public Trustee of Queensland, with the net sale proceeds to be held in trust pending final determination of the confiscation proceedings.

After the criminal proceedings involving Barlow were finalised, the CMC sought formal orders to have the restrained assets returned to the State, and on 13 June 2013 a forfeiture order of approximately \$11.88 million was granted by the Supreme Court in Brisbane.⁷

The Supreme Court also granted a proceeds assessment order of \$20,058,389,⁸ representing the total benefit derived from Barlow's fraud. The order offset the value of the forfeited assets against the value of the proceeds assessment order. This returns all possible assets to the State, while recognising the full cost of Barlow's fraud.

As a result of the court order, the Public Trustee of Queensland has forwarded the value of the forfeited property which has been realised to the Consolidated Fund.⁹

Review of internal controls and procedures at QHealth

Clayton Utz was engaged by QHealth to provide legal advice in relation to matters surrounding Barlow's fraudulent activities. As part of their role, they prepared a report, *Advice to Queensland Health: financial transactions and the processing of General Purpose Vouchers within the Community Services Branch*, which included advice on the relevant legislative and policy financial framework applicable to QHealth.

7 This amount was calculated after the costs of selling the property were deducted. A small number of restrained items were not sought to be forfeited. An order was made by the Supreme Court that these matters be adjourned to a date to be fixed.

8 This amount includes the total value of Barlow's fraud (\$16,690,037) and interest calculated from the date of each fraud (\$3,368,352).

9 For more information about the Proceeds of Crime action, see the media release dated 13 June 2013 on the CMC's website at <www.cmc.qld.gov.au/news-and-media/media-releases/cmc-returns-millions-to-state-coffers-in-morehu-barlow-case-2014-13.06.2013>.

Clayton Utz also engaged KPMG to provide expert support services to help them discharge their responsibilities. KPMG produced two reports, the *Factual findings report*, and the *Controls and processes report*. The purpose of these reports, as their names suggest, was to present factual findings in relation to Barlow's fraudulent activities, and identify the controls and procedures which did not prevent, and also failed to detect, the alleged fraud.

Also arising from the Taskforce, QHealth and KPMG (as engaged to assist Clayton Utz) were tasked with reviewing existing QHealth internal control measures and developing improved measures to address any practices exploited by Barlow in committing his alleged fraud.

In July 2013, the Director-General of QHealth provided the CMC with an updated report of the changes that QHealth has instituted since the discovery of the frauds. These are listed on pages 25–6.

Joint misconduct investigation

The CMC was requested to investigate any alleged official misconduct by any person relating to the misappropriation of QHealth funds by Barlow. This resulted in Operation Proxima, a cooperative misconduct operation conducted between the CMC, QHealth and the QPS to investigate multiple allegations of official misconduct by Queensland Health officers.

Role and jurisdiction of the CMC

Under the *Crime and Misconduct Act 2001* (the CM Act), the CMC has primary responsibility for continuously improving the integrity of and reducing the incidence of misconduct in the public sector.¹⁰ If a complaint raises a reasonable suspicion of official misconduct, the CMC will undertake an investigation where the nature and seriousness of the alleged misconduct warrant one and where it is in the public interest to do so.

Definition of official misconduct

According to ss. 14 and 15 of the CM Act, official misconduct is conduct relating to the performance of public sector official duties that:

- is dishonest or lacks impartiality, or
- involves a breach of the trust placed in an officer by virtue of their position, or
- is a misuse of officially obtained information.

For public servants, the conduct in question must be either a criminal offence or a disciplinary breach serious enough to justify dismissal. Section 16 (1)(c) of the CM Act provides that conduct may be official misconduct even though a person involved in the conduct is no longer the holder of an appointment.

Principles underlying CMC misconduct functions

Section 34 of the CM Act requires the CMC to exercise its misconduct function according to four principles, as follows:

- **cooperation** — as far as possible, the CMC and public agencies should work cooperatively to prevent and deal with misconduct
- **capacity-building** — a key focus of the CMC is to build the capacity of agencies to prevent and deal with cases of misconduct effectively and appropriately
- **devolution** — subject to the other principles, action to prevent and deal with misconduct in an agency should generally happen within the agency
- **public interest** — the CMC has an overriding responsibility to promote public confidence in the integrity of public sector agencies and, if misconduct does happen within an agency, in the way it is dealt with.

¹⁰ Section 4, CM Act.

Conduct of the investigation

Forty-five interviews were conducted with current and former QHealth officers and several hundred documents were reviewed as part of the operation. The CMC also engaged with Queensland Treasury Corporation, the QAO and the Public Service Commission as part of the operation.

Operation Proxima determined that Barlow acted alone in the commission of his multiple frauds while employed within two separate business areas of QHealth. However, it also determined that significant financial governance and supervisory failures by other QHealth officers (managers and staff) across both business areas appear to have contributed to Barlow's offending. Officers failed to comply with existing policy and procedures and, in so doing, defeated a number of internal controls which may have otherwise prevented Barlow's offending or led to it being identified much earlier.

Actions in relation to individual conduct

Although the CMC investigation identified numerous examples of staff failing to comply with policy and procedure, the decision was made to only investigate significant or repeated breaches by individuals. Ultimately, 45 allegations against 11 QHealth employees (subject officers) were raised during the course of Operation Proxima. The allegations related to the misappropriation of QHealth funds as well as breaches of QHealth policies, procedures and the Code of Conduct.

The CMC is satisfied there is sufficient evidence to substantiate 24 of those allegations against nine subject officers (including Barlow).

Some of the subject officers are no longer employed in the public service. The CMC has made no specific recommendation in relation to these officers; however, QHealth may consider making disciplinary declarations, pursuant to s. 188A of the *Public Service Act 2008*.¹¹

The CMC has recommended that QHealth consider taking disciplinary action in relation to the subject officers who are still employed in the public service.

The CMC has provided the Director General of QHealth with a detailed investigation report outlining the evidence, findings and recommendations in relation to all allegations against the subject officers.

Review of agency handling of complaints about Barlow

On 12 December 2011, after the discovery of Barlow's frauds, the Director-General of QHealth asked the CMC to investigate his agency's treatment of information received in August 2010 which alleged that Barlow was defrauding QHealth. For transparency and fairness, the CMC widened the scope of the original request to include all parties involved in the processing of the information, and therefore considered the roles of the CMC, QHealth and the QPS.

The investigation identified:

- Concerns with the way the complaint was dealt with by some of the people involved in the matter. The CMC recommended that consideration be given to taking action in relation to officers who failed to discharge their duties in a way that would be reasonably expected.
- A lack of timeliness in the way the CMC dealt with the complaint, as well as some issues with complaints handling at QHealth. Recommendations were made to address these issues.

The following chapter draws together the findings of these multiple investigations into Barlow's activities, with particular emphasis on the work environment within which he operated.

11 A "disciplinary declaration" means a declaration of (a) the disciplinary findings against the former public service employee, and (b) the disciplinary action that would have been taken against the employee if the employee's employment had not ended (see s. 188A(10) *Public Service Act 2008*).

2 EVENTS RELATING TO BARLOW FRAUD AT QHEALTH (2004–11)

Joseph Hikairo Barlow was born in New Zealand on 13 February 1975.

The curriculum vitae Barlow provided to QHealth stated that he received a number of tertiary qualifications¹² and academic awards¹³ in New Zealand between 1995 and 1999.

However, inquiries conducted by the QPS confirm that Barlow does not, in fact, possess any tertiary-level qualifications. A Transcript of Academic Record from Victoria University shows that in 1996 Barlow commenced, but failed to complete, a Bachelor of Commerce and Administration and a Graduate Diploma in Professional Accounting. There is no evidence he received any academic awards.

On 4 August 1999, Barlow was convicted and sentenced in the Wellington District Court for “theft as a servant” and “using a document”.¹⁴ The offences occurred while Barlow was employed in the New Zealand Internal Revenue Department.

On 10 May 2001, Barlow changed his name by deed poll to Hohepa¹⁵ Hikairo Morehu-Barlow, and on 31 March 2003 he left New Zealand and moved to Australia.

In July and August 2003, Barlow was recorded as being wanted in New Zealand for questioning in relation to a fraud committed while employed as a private contractor to a steering group funded by a New Zealand Government department, and in relation to another fraud committed after his employment with a private business was terminated due to theft.

2004–07

Barlow’s initial employment with Queensland Health

Barlow was employed by QHealth in 2004 as an AO3 contractor in a position obtained through an employment agency. In September 2005, he accepted a temporary position as AO4 Assistant Finance Officer. Both positions were in work units within the Corporate Services Division, which was responsible for the primary financial functions of QHealth.

A former colleague said that when Barlow started working for QHealth in 2004 his lifestyle was beyond the means of his QHealth wage. He said Barlow told QHealth employees that he was Tahitian royalty and made it known that he had a trust fund but needed to have a job to access it.¹⁶

12 Diploma in Business Studies, Certificate in Management and Certificate in Information Technology from Taranaki Polytechnic, Plymouth, New Zealand (1996). Bachelor of Laws and Bachelor of Commerce and Administration from Victoria University, Wellington, New Zealand (1999).

13 The Victoria University League Study Award, awarded annually to a commerce student who receives the highest aggregate mark for Commercial Law (1995); the Inland Revenue Dept Te Tari Take Scholarship, awarded annually to the best Maori Commerce student enrolled in universities throughout New Zealand (1996–98).

14 Barlow was sentenced to a term of 8 months non-residential periodic detention for the offence of theft as a servant and a one-year suspended sentence for an offence of using a document for pecuniary advantage. The latter offence involved a reparation order of \$31,764.50.

15 “Hohepa” is a Maori equivalent of the English name “Joseph”.

16 CMC interview, 2 February 2012.

RELEVANT QHEALTH OFFICERS

Individuals are referred to in this report as “he” or “his” for the purpose of de-identifying them. In the CMC’s view, it is more important to demonstrate learnings through identifying the relevant actions, rather than identifying particular individuals.

Non-executives

Manager 1	Manager 1 was Barlow’s direct and indirect supervisor until July 2009, when Barlow’s work unit was moved into the Finance Branch. His position was at the AO8 level.
Manager 2	Manager 2 was Barlow’s direct supervisor when his work unit was moved into the Finance Branch. His position was at the SO2 level.
Finance Officer 1	Finance Officer 1 was a member of Barlow’s team and certified a number of Barlow’s General Purpose Vouchers (GPVs). He held various finance-related positions at the AO4 and AO5 level.
Finance Officer 2	Finance Officer 2 worked in Barlow’s work unit and a signature purporting to be his appears on a number of Barlow’s GPVs. He held various administrative and finance-related positions at the AO2, AO3 and AO4 level.
Finance Officer 3	Finance Officer 3 worked in Barlow’s work unit. He held various finance-related positions at the AO6 and AO7 level.
SSP Officer	The SSP Officer worked in QHealth’s Shared Service Partner or SSP (an agency established to provide financial processing services for QHealth) and processed a number of Barlow’s GPVs. He held various finance-related positions at the AO2 and AO3 level.

Senior executives

Manager 3	Manager 3 was Manager 2’s supervisor and Barlow’s indirect supervisor when his work unit was moved into the Finance Branch. His position was at the HES level.
Manager 4	Manager 4 was Barlow’s indirect supervisor when he worked in the Finance Branch and became his direct supervisor when he moved into the Manager, Governance role. His position was at the HES level.
Senior Director	The Senior Director had indirect supervision of Barlow while he was in the Finance Branch. At times while he was relieving in other positions, the Senior Director was Barlow’s direct supervisor. His position was at the HES level.
Senior Executive	The Senior Executive held an SES position.

Email extracts, quotes from transcripts and statements throughout the report have been reproduced exactly. Spelling and grammatical errors have not been identified.

Over the next couple of years Barlow worked in various positions in different sections at QHealth and on numerous occasions was given the opportunity to perform higher duties. The majority of these positions were finance-related roles. In January 2007, he was permanently appointed as an AO4 Assistant Finance Officer. In this position his indirect supervisor was Manager 1, who had also been his indirect supervisor in a number of temporary roles from November 2005.

In July 2007, Barlow was authorised to have access to a QHealth corporate credit card. His financial delegation (the amount of expenditure he was entitled to authorise) for business-related expenditure was \$1000 per day, with a monthly limit of \$10,000.

QHealth ESU receives first complaint about Barlow

On 29 August 2007, QHealth’s ESU received a complaint alleging that Barlow (under the name Hohepa Morehu-Barlow) had misused an official QHealth vehicle. It was alleged Barlow did not return the vehicle on the date specified in the log book and used the vehicle for an unauthorised purpose. The complaint arose out of a speeding fine.

According to the complaints management arrangement in place at the time between QHealth and the CMC, QHealth reported the complaint to the CMC on 4 October as a matter of routine. The matter was referred to QHealth to deal with, and the CMC was to be advised of the outcome of the matter once it

was finalised. There was nothing in the first complaint against Barlow that would have identified him as a potentially serious fraud risk.

However, due to an extensive delay in QHealth's handling of this complaint, it was not until December 2010 that Barlow received a letter from an Acting Deputy Director-General (DDG) asking him to explain the allegation. (The outcome is detailed on page 20.)

Barlow promoted to Acting AO7, Principal Finance Officer

From September 2007, Barlow began to perform higher duties as an AO7 in the position of Principal Finance Officer (PFO).¹⁷ In this position, Barlow gained reporting and monitoring responsibility for QHealth grants cost centres, including the Minister's Grants in Aid (MGIA) and Non Government Organisation Support (NGOS) cost centres.¹⁸ Manager 1 became his direct supervisor.

First fraudulent payment to "Muse Business Inspiration"

On 3 October 2007, 12 days after commencing as the PFO, Barlow established Muse Business Inspiration (The Muse) as a QHealth vendor.¹⁹ The Muse was a business registered to Barlow's neighbours, established to work in the areas of strategy, communications, policy and advocacy, and dealing mainly with not-for-profit organisations and small businesses.

Barlow signed the vendor set-up form for The Muse as authorising officer. No vendor address was included in the form and no Australian Business Number (ABN) search was attached to the form.

The following day, Barlow authorised the first fraudulent payment of \$2200.61²⁰ to The Muse using a GPV. He authorised subsequent fraudulent payments to The Muse on 29 October (\$2200.61) and 10 December (\$6601.80), bringing the total of money defrauded from QHealth at the end of 2007 to \$11,003.02.

General Purpose Vouchers

QHealth grants could be paid through General Purpose Vouchers (GPVs). A GPV includes the vendor's name and address, expenditure amount, cost centre codes and the particulars and value of the goods or services received. GPVs are to be supported by original invoices and, where possible, appropriate source documents should be attached. The main procedures are:

- A *delegated approval officer* (with an appropriate level of delegation) reviews and approves the GPV.
- The GPV is signed by an *authorised accounting officer*, who certifies that the claim complies with the *Financial Management Practice Manual* (FMPM) and verifies the seven-point check set out on the GPV form.
- The GPV and related invoice are sent for processing by the SSP, which confirms that the GPV complies with the FMPM, including that the dates and amounts are correct, that the GPV is supported by a corresponding invoice, and that the delegation limit of the delegated approval officer is appropriate.
- The payment is then processed.

When interviewed by the CMC, Barlow said he used GPVs to process his fraudulent invoices because other means that could be used to process payments were "more or less impossible to defraud because you need a series of five to seven people to be involved".²¹

17 Around this time, a Queensland public servant in an AO7 position would have been paid in the range of \$69,000 to \$75,000.

18 Cost centres and their related codes provide a way to assign resources to particular programs and activities, and to monitor and manage the associated expenditures.

19 To receive payments from QHealth, organisations must be established as QHealth vendors. A vendor set-up form is completed, which includes the vendor's information and payment terms. The form is prepared by a finance officer in the relevant business unit and authorised by another officer.

20 All amounts referred to in this report include GST and are rounded to the nearest cent.

21 CMC interview, 30 December 2011.

Complaints about Barlow’s conduct and work performance while working in PFO position

Relatively early in his employment, staff began voicing concerns about Barlow’s poor attendance and work performance. This would be a recurring pattern throughout his time at QHealth.

- Finance Officer 3 said Barlow was never in the workplace before 10 am and was a very inconsistent worker. He would disappear for lunch breaks for hours on end and didn’t complete timesheets. Often he would not turn up for meetings. He also generated more workload for other staff members as he didn’t respond to requests. Finance Officer 3 said he mentioned his concerns to Barlow’s supervisor, Manager 1, on a number of occasions²² and was aware other staff had complained about Barlow’s conduct.²³
- An officer who worked with Barlow in 2007 said Barlow was very difficult to deal with:
... because of his spotty attendance at work and he wasn’t very responsive ... For a whole year that I was involved with budgets, we had many meetings with Ho²⁴ ... He would say he would sort it out, but wouldn’t and in the end we would go through the same thing again and it was never sorted ...²⁵
- Finance Officer 2 said Barlow bullied him and other staff and recalled a number of staff members crying because of the way Barlow treated them. He said Barlow did not complete timesheets, regularly started work late and sometimes left early, and took a lot of leave without pay in block periods; however, he appeared to be on top of his work requirements.²⁶
- Sometime in 2008, Manager 1 asked an officer to reconcile a budget previously managed by Barlow. The officer identified that there were no controls over the payments being made and told Manager 1 that “budgeting wasn’t Barlow’s strong point”. Once he had reconciled the budget, the officer said Barlow bought him a new iPhone to thank him for not making an official complaint about Barlow’s mismanagement of the budget. However, he had refused to accept the gift.
The officer also said Barlow regularly arrived at work between 12 and 3 pm, and treated junior staff with contempt — for example, telling them to pick up his dry cleaning and get him coffee.
The officer reported both the gift and his concerns about Barlow’s conduct to Manager 1 and another senior officer. He said Barlow’s supervisors tried to deal with his conduct, but Barlow would just take leave to avoid the issue.²⁷

Manager 1 did not remember any complaints about Barlow’s ability to do his job, but recalled speaking to Barlow twice about his unexplained absences. After Barlow was chastised, his attendance improved for a period of time but then deteriorated. When Manager 1 again raised the issue, Barlow explained that he had a serious illness and was having some difficulty coping with the resulting mental and physical demands. Manager 1 said he gave Barlow considerable latitude with leave because of his alleged illness.²⁸

The considerable extent of Barlow’s leave can be seen in QHealth records: during the period from December 2005 to July 2009, in addition to over 16 weeks of recreation leave, he took over 11 weeks of “other” leave.²⁹

22 Manager 1 remembered Finance Officer 3 complaining about Barlow’s attendance.

23 CMC interview, 31 January 2012.

24 Barlow was regularly referred to as “Ho” by QHealth staff.

25 QPS statement, 11 January 2012.

26 CMC interview, 20 January 2012; QPS statement, 30 December 2011.

27 CMC interview, 14 February 2012.

28 CMC interview, 14 February 2012.

29 “Other leave” consists of bereavement leave, carer’s leave without pay, concessional leave, sick leave, sick leave without pay, special leave without pay.

Despite these recurring performance and conduct issues, Barlow was:

- approved by Manager 1³⁰ to relieve in his position at AO8 level³¹ on five separate occasions between December 2007 and April 2009
- permanently appointed as PFO on 22 May 2009; Manager 1 was on the selection panel.

2008

Continuing fraudulent behaviour by Barlow

Throughout 2008, Barlow continued to engage in fraudulent behaviour:

- He authorised two further fraudulent payments to The Muse on 15 February (\$7700.77) and 20 March (\$15,400).
- On 5 May, Barlow signed a letter to Queensland Transport in relation to demerit points accumulated by a friend and referred to himself as a “solicitor” and “legal counsel”. In an undated letter to the Fortitude Valley Police Station related to this matter, Barlow also referred to himself as a solicitor for the state government.³²
- He authorised fraudulent payments to The Muse on 22 May (\$15,400) and 6 August (\$27,500).

MGIA cost centre — a new target for Barlow’s fraud

The August payment was the final one Barlow authorised to The Muse.³³ It was also the first payment to be made from the Minister’s Grants in Aid (MGIA) cost centre.

As described above, as PFO Barlow had responsibility for the MGIA cost centre. This cost centre became the primary target of Barlow’s offending, with all but seven of the fraudulent transactions being paid from it.

The MGIA cost centre had been established as a discretionary fund for the Minister for Health to provide one-off payments to fund health-related priorities. To make a grant, the Minister would give the area in charge of the MGIA written approval identifying the grant recipient, the funding amount and the purpose of the funds. On receipt of the approval, the responsible unit coordinated payment of the grant and the Minister’s office was advised once the grant was paid; there were no contract or service level agreements and no assessment of outcomes. There was no payment limit, but the budget gradually increased from \$250,000 in 2007–08 to \$406,000 in 2011–12.³⁴

Non-compliance with procedures regarding supporting documentation

For his final payment to The Muse, Barlow attached supporting documentation which included:

- an invoice from The Muse for \$27,500
- a letter dated 13 February 2008 seeking \$25,000 funding on behalf of a legitimate community organisation³⁵ (referred to in this report as Organisation X)

30 Manager 1 advised that usual practice would be that his manager, the person to whom Barlow would be reporting, would also authorise Barlow to relieve in Manager 1’s position.

31 Around this time, a public servant in Queensland in an AO8 position would have been paid in the range of \$77,000 to \$81,000.

32 There is no evidence that QHealth staff were aware of this letter. This information has been included to demonstrate Barlow’s continuing fraudulent conduct.

33 On 19 March 2013, Barlow was convicted of fraud as an employee relating to payments to The Muse.

34 QHealth advises that there has been significant review of the grants administration process and the MGIA cost centre and process are no longer used.

35 Organisation X was a not-for-profit volunteer organisation providing dental health services to Aboriginal and Torres Strait Islander communities. QHealth records indicate two legitimate payments were made to this organisation.

- an unsigned and undated Ministerial letter, purportedly from the then Minister for Health, which referred to the approval of non-recurrent funding of \$25,000 for Organisation X (Ministerial letter 1).

The staff who certified and processed the payment did not appear to question the fact that the two letters attached to the invoice referred to funding for Organisation X and made no reference to The Muse.

Method of making payments to The Muse

GPVs were located for six of the seven fraudulent payments made to The Muse. They were all approved by Barlow as delegated approval officer, and co-signed by a number of different QHealth staff as authorised accounting officer. Barlow later acknowledged that he exploited the trust of the staff he asked to sign the forms, saying to CMC investigators:

... they all knew me as ... the Prince ... so what would I want with a lousy \$200,000 dollars ... So for them you know, maybe trust was a big issue.³⁶

The first six fraudulent payments were made from cost centres attached to the Oral Health Unit Mobile Dental Clinic and Health Contact Services.³⁷ These payments related to “consultancy services” and did not include any supporting documentation, apart from an invoice.

All the fraudulent payments to The Muse were paid into Barlow’s neighbours’ joint bank account.³⁸ The QPS identified that, shortly after a payment was made into the account, a significant portion of the payment was electronically transferred to Barlow’s bank account. Barlow’s neighbour said he never gave Barlow access to or control of this account but said Barlow had the opportunity to obtain the internet banking details and a copy of The Muse’s electronic letterhead when he looked after their apartment in 2006.

Barlow acknowledged knowing both neighbours but said they had no involvement in, or knowledge of, his offending.

Barlow sets up “Healthy Initiatives and Choices” as a vendor

On 26 September, Barlow prepared and authorised the vendor set-up process to establish “Healthy Initiatives and Choices” (HIC) as a QHealth vendor.³⁹ HIC was a trading name registered to Barlow as the individual operator and owner, and was registered to his home address. The entity name “Healthy Initiatives and Choices” in the ABN search attached to the vendor set-up form appears to have been manually inserted in place of the actual entity name of “Hohepa Hikairo Morehu-Barlow”. Further, the ABN was registered two days *after* the date of the HIC invoice attached to the vendor set-up form. The QPS established that Barlow opened the bank accounts associated with HIC and had sole access to them.

When interviewed by CMC officers, Barlow confirmed he established HIC for the sole purpose of perpetrating frauds against QHealth. When asked what he considered to be the likelihood of being caught submitting the vendor set-up form for HIC, Barlow said:

... a simple ABN search would have stopped this in the beginning

and later,

... it could of easily been found out and stopped had the Finance Business Centre done its due diligence.

³⁶ CMC interview, 30 December 2011.

³⁷ Barlow’s employment history indicates he had previously relieved in positions directly associated with these cost centres.

³⁸ Sometime in October 2007, one of the neighbours in Barlow’s apartment complex arranged for Barlow to sub-lease his Porsche, and gave him bank account details so he could deposit the car repayments. Barlow’s neighbour said he did not regularly monitor the account but was aware of payments being made into the account.

³⁹ On 19 March 2013, Barlow was convicted of fraudulently falsifying a record, relating to the HIC vendor set-up form.

Asked what would have happened if the checks had been done, Barlow said “I would of had to deal with it but it was a gamble”. He said that he thought there was a very good chance the form wasn’t going to get through, but he was prepared to take that risk.⁴⁰

Beginning of fraudulent payments to HIC

Shortly after HIC was authorised as a QHealth vendor, Barlow processed the first fraudulent payment to HIC; it was an amount of \$33,000,⁴¹ larger than any of the payments sent to The Muse. He authorised five further payments to HIC in 2008, each of \$33,000.⁴²

All payments to HIC except one would be made from the MGIA cost centre.⁴³ QHealth located GPVs for 52 of the 58 fraudulent payments made to HIC. Barlow’s name and signature appear as delegated approval officer on all the located GPVs, which were co-signed by various QHealth staff.

Barlow authorised the GPVs using various position titles. Some of these either no longer existed within the organisation, or never existed, and accordingly were not included in the relevant delegation register. That Barlow was able to successfully use non-existent position titles demonstrates that staff did not check his delegation limit before certifying the GPVs and processing the payments.

As per The Muse transactions, Barlow used Ministerial letter 1 as supporting documentation with the GPVs for the payments to HIC between 29 September 2008 and 17 June 2010. Again, it should be noted that:

- Ministerial letter 1 referred to the approval of non-recurrent funding; however, multiple GPVs were submitted for payment using this letter
- Ministerial letter 1 approved payment of \$25,000 and the GPVs were for varying amounts
- Ministerial letter 1 and the letter requesting funding referred to Organisation X and made no reference to HIC.

None of these discrepancies appear to have been noted or questioned by the staff who certified and processed the payments.

By the end of 2008, Barlow had defrauded QHealth of \$264,000.77 over the 12 months, with a total of \$275,003.78 having been defrauded since October 2007.

2009

Significant organisational changes in QHealth

In January, QHealth received an organisational review report and a working group was formed to implement the review recommendations.

Between January and May, Barlow authorised nine fraudulent payments to HIC totalling \$379,500.⁴⁴

According to QHealth advice, the Minister for Health relinquished responsibility for the MGIA cost centre by email dated 17 June, and transferred responsibility for it to the Director-General, QHealth.

In June, Barlow authorised another two fraudulent payments to HIC from the MGIA cost centre,⁴⁵ bringing his total fraudulent gains in the first half of 2009 to \$482,494.10, nearly half a million dollars.

40 CMC interview, 30 December 2011.

41 The payment was made on 29 September 2008.

42 Payments were made on 21 October, 10 and 26 November, 9 and 16 December.

43 One payment was made on 13 July 2009 from the Corporate Office Rebate Budget.

44 8 January, \$33,000; 20 January, \$66,000; 10 February, \$33,000; 20 February, \$16,500; 3 March, \$33,000; 26 March, \$33,000; 6 April, \$33,000; 27 April, \$66,000; 20 May, \$66,000.

45 18 June, \$68,796.20 and 24 June, \$34,197.90.

By the end of June, the majority of the review recommendations had been implemented, resulting in significant organisational change. As part of the review, finance roles and functions were progressively centralised within the Finance Branch. Sometime in 2009, Barlow's team was re-named the Community Service Purchasing (CSP) team, and at the end of July it was transferred to the Finance Branch.

A member of the working group established to implement the review recommendations said it was expected that the CSP team's former supervisors would speak to the new managers to discuss roles and responsibilities, work output and the transition process. The evidence suggests this did not occur. The CSP team did not physically relocate to the Finance Branch until late in 2009 and it seems that during this time Barlow's team was unsupervised.

From late 2009, when the CSP team physically moved to the Finance Branch, Manager 2 was Barlow's direct supervisor and Manager 3 was Manager 2's supervisor.

After July 2009 and coinciding with the transfer of the CSP team, MGIA transactions began to be recorded in a single financial management system. Due to access restrictions, Barlow's CSP team was relied upon to monitor the system and report on the overall expenditure of the MGIA.

From July to September, seven fraudulent payments were made to HIC totalling \$378,379.10.⁴⁶

Similar fraud by another QHealth employee identified

Between October 2008 and September 2009, a QHealth hospital employee fraudulently authorised the payment of 15 GPVs totalling about \$139,000 for services rendered by his partner's business. In September 2009 the frauds were identified by means of routine checks within that work unit.

The methodology of the fraud was similar to that perpetrated by Barlow and highlighted a potential weakness in the controls for the use of GPVs. However, it is worth noting that, unlike Barlow's fraud, this fraudulent behaviour was discovered in a relatively short time and by means of a review of the work unit's expenditure by staff from that unit.

Poor financial practices by other QHealth staff

In addition to the pressures and chaos caused by the restructure, Barlow's capacity to continue his fraudulent activities was assisted by poor financial practices by other QHealth staff and the lack of appropriate supervision.

In October 2009, Finance Officer 1 began working in the CSP team with Barlow as his supervisor. Between November 2009 and September 2011, he signed 15 GPVs for payment to HIC. Finance Officer 1 said that, because Barlow was his supervisor and he trusted him, he signed the GPVs without sighting any supporting documentation.⁴⁷

Others also signed fraudulent documentation at Barlow's request. An officer acknowledged that his signature is on a fraudulent GPV to HIC but cannot recall preparing or signing the GPV, saying "Ho would have come to me in a rush and asked me to countersign the GPV. At that time, I wouldn't have even known what a GPV was."⁴⁸

Another officer acknowledged signing three fraudulent GPVs, saying:

Ho would bring the documents to me and just stand there while I signed them ... I have never seen the other documents attached to the GPVs ... I would not think of going through the documents as Ho was the manager and I would have thought that it would have been accurate and appropriate to sign.⁴⁹

46 13 July, \$68,796.20; 31 July, \$68,796.20; 18 August, \$34,398.10; 26 August, \$34,398.10; 3 September, \$34,398.10; 10 September, \$68,796.20; 25 September, \$68,796.20.

47 CMC interview, 20 January 2012.

48 QPS statement, 10 January 2012.

49 QPS statement, 3 January 2012.

Finance Officer 1 said that, for the first few weeks he worked with Barlow, Barlow was rarely at work (for example, starting around 11 am and leaving as early as 2 pm) and did not have to explain sick days. He also said Barlow did not complete timesheets and took a lot of leave without pay.⁵⁰

In December, the SSP Officer became Barlow's preferred contact person in relation to the processing of GPVs. Between December 2009 and September 2011 the SSP Officer processed 25 GPVs which made payments to HIC. The SSP Officer said he checked Barlow's delegation the first few times that he received requests but admitted he did not check Barlow's delegation once he was familiar with him.⁵¹

Barlow exploited his familiarity with SSP personnel to limit their opportunity to undertake due diligence regarding the payments. Some examples of emails Barlow sent to the SSP Officer in relation to payments are:

... Yeehaa two long weekends in a row ... what to do with one's self ... Can I please put this payment through same as always ... And when you notify us of the doco number we will send you the original ... Thanks heaps Ho

... How you doing ... treasury advises me this is the last for this financial year, so the approval will have to stay the same they are in the middle of recontracting ... So Next Financial years will be on the new Approval ... Hope thats clear as Mud I don't like Mondays, tell me why I don't like Mondays ... Lordee Ho

Hey there, How you doing, i don't have a signed copy yet, that why i haven' sent the Original from the last payment, but i'm working on it ... Here's the second one ... Hopefully by the 12th we should have a signed copy aye! Haha Ho Hmmm I'm eating Chocolate ...

... Hope your well and you had a great Easter, I'm trying to tidy up loose ends before I head to the UK for Willy Wedding ... I leave tomorrow and I am back on the 2 May write in time for work ... Pretty exciting ... Oh anyway please find attached the GPV hahahaha ...

Increase in Barlow fraud in late 2009

From October to December, Barlow authorised four fraudulent payments to HIC totalling \$343,981.⁵² The payment of \$137,592.40 in December became the payment amount he used most commonly. Of the 31 payments made from December 2009 until the frauds were discovered, 28 payments were for \$137,592.40.

By the end of 2009, Barlow had defrauded QHealth of \$1,204,854 over the 12 months, with a total of \$1,479,857.98 having been defrauded since October 2007.

2010

Further organisational change at QHealth

On 21 January, management in Barlow's previous work unit were told that responsibility for the MGIA cost centre was to be transferred to the Finance Branch. A new division was created (the Community Services Purchasing Division [CSP Division]) to be responsible for the MGIA and other grant cost centres previously held by Barlow's previous work unit, such as the NGOS cost centre.⁵³ The CSP Division had no staff attached to it.

However, as noted earlier, there was also a CSP team, comprising Barlow and Finance Officer 1, which was a separate entity from the CSP Division. Barlow exploited this confusion and fostered the belief that the CSP team was responsible for the MGIA cost centre.

50 CMC interview, 20 January 2012.

51 CMC interview, 23 January 2013.

52 15 October, \$68,796.20; 4 November, \$68,796.20; 27 November, \$68,796.20; 15 December, \$137,592.40.

53 The NGOS cost centre was used as a holding centre for funds not yet distributed. It existed mainly for internal operational convenience and was subject to low or no external scrutiny. As occurred with the MGIA, the NGOS cost centre was moved into the CSP Division in 2010, after which nobody had budget accountability for it.

Barlow had made a fraudulent payment to HIC on 14 January 2010 (\$137,592.40). On 6 February, he hosted and paid for his birthday party at a Fortitude Valley bar, which was attended by some QHealth staff and was reported to have cost about \$130,000. In February and March, three fraudulent payments were authorised to HIC, each of \$137,592.40.⁵⁴

Senior management focus on new payroll system

In addition, around the time the CSP Division was established, QHealth was in the final stages of releasing a new payroll system. Staff advised that, in the months following its establishment, senior QHealth management and senior Finance Branch staff were focused on rectifying the difficult issues surrounding this system.

In April and May, Barlow authorised three more fraudulent payments to HIC, each of \$137,592.40.⁵⁵

Barlow deflects requests for documentation

On 10 May 2010 the SSP Officer emailed Barlow, questioning the age of Ministerial letter 1:

... the ministerial approval is now getting reasonably old and I can only see a period of 12 months in the documentation. Does it require an updated request, brief and approval?

As a result of this and follow-up emails between Barlow and the SSP Officer in relation to the payments between 28 July 2010 and 20 September 2011, Barlow submitted a Ministerial letter in the name of the then Deputy Premier and Minister for Health (Ministerial letter 2).⁵⁶ The letter was unsigned and undated and did not contain a payment limit.

Also in June, Finance Officer 1 questioned Barlow about the recurrent payments being made to HIC from the MGIA cost centre and asked to see the supporting documentation. Barlow told him the April payment would be the last, and did not show Finance Officer 1 the requested documentation. On 17 June and 28 July two more fraudulent payments were made to HIC, each of \$137,592.40.

In July, Finance Officer 1 discovered another GPV payment request for HIC from the MGIA cost centre. When questioned, Barlow said this was the last payment, so Finance Officer 1 processed it.

On 17 August, Barlow authorised another fraudulent payment to HIC of \$137,592.40.

Complaint about Barlow defrauding QHealth

On 5 August, the CMC received an anonymous email complaint alleging that Barlow (under the name Joseph Hikairo Barlow) was defrauding QHealth and was due to leave Australia on 24 August 2010 “to start a new life of luxury” in Paris. The complaint also listed a number of his aliases.

Based on set criteria established by the CMC, the CMC officer responsible for handling the complaint determined:

- The complaint did not meet the criteria of a Category 1 (the most serious) complaint because it did not specify that a substantial amount of money was being defrauded, did not allege that the fraud was being committed by a very senior officer, and did not indicate that the fraud was systemic.
- The matter did not involve a public interest disclosure (PID), as set out by the *Public Interest Disclosure Act 2010*. PIDs about official misconduct can only be made by public sector employees and there was no information to indicate that that was the case.

Because the complaint was made anonymously, there was no way to contact the complainant and seek further detail about the allegations.

54 Payments were made on 2 February, 25 February and 25 March.

55 Payments were made on 22 April, 10 May and 31 May.

56 On 19 March 2013, Barlow was convicted of uttering a forged document relating to Ministerial letter 2.

Criminal history checks were not done as the complaint concerned an agency whose Ethical Standards Unit included a seconded police officer who could do them. Barlow's complaints history was not checked, as this was the responsibility of QHealth under the complaints management process in place at the time.

The CMC officer did not respond in a timely way to the information in the email stating Barlow's proposed date of departure from Australia. However, that part of the anonymous complaint was not accurate, as Barlow did not in fact leave the country for Paris on that date. As a result, the complaint was not sent to QHealth until the day that Barlow was allegedly intending to leave the country.

On 24 August 2010, on the basis of the CMC officer's determination that the complaint was not a Category 1 matter⁵⁷ and did not involve a PID, it was forwarded to QHealth on an "outcome advice" basis — that is, that the CMC was to be advised of the outcome once the matter was finalised.

CMC complaints management process

Under the CM Act, the CMC has primary responsibility for dealing with official misconduct across the public sector. The Act also recognises the principle of "devolution"⁵⁸ — that it is the responsibility of a chief executive to set and maintain proper standards of conduct for their employees. In practice, this means that public sector agencies themselves have the responsibility for dealing with the majority of complaints involving their agency, subject to CMC monitoring.

Agencies and, in particular, managers will be aware of contextual information that the CMC would not have, which may be relevant to a complaint — for example, issues relating to the performance, conduct or personal circumstances of individual staff, or contributing organisational factors. As a result, agencies are often better equipped to deal with lower-level complaints about their own staff.

The CMC categorises complaints on a scale of 1 to 5, based on the information available at the time the complaint is received. The categorisation of a complaint determines the assessment process followed in relation to the matter.

Once a complaint has been categorised as Category 1 (the most serious, sensitive or high-profile), it goes for further consideration by the CMC's Misconduct Assessment Committee. Category 1 complaints may be retained for investigation by the CMC itself.

Complaints categorised as Categories 2 or 3 are either devolved to the agency to deal with, subject to CMC oversight, or the CMC may decide to take no further action in relation to the complaint where the complaint is frivolous or vexatious or lacks substance or credibility, or if dealing with the complaint would be an unjustifiable use of resources.

Devolved complaints procedure: decision to retain in CMC or devolve to agency

In 2009 QHealth became one of the first public sector agencies to participate in the CMC's Building Integrity Program, which is about increasing the capacity of public sector agencies by empowering them to deal with their own complaints. As part of the program, in February 2010 QHealth was given limited access to the CMC's complaints management database, COMPASS, and a new assessment procedure was implemented for QHealth complaints.

QHealth was endorsed by the CMC to receive, record and assess all but Category 1 complaints or complaints involving a PID. In practice, this procedure meant that, if a complaint was received by the CMC and did not fall within one of these two categories, the matter was directly forwarded to QHealth for action and the CMC would be advised of the outcome once the matter was finalised.

As an agency with access to COMPASS, QHealth would enter information in COMPASS about how the matter was dealt with and the outcome. The extent of the CMC's monitoring with respect to QHealth matters under this procedure was limited to ensuring that all the required information was entered in COMPASS and that the file was closed appropriately. The CMC does not conduct a full review of the way "outcome advice" matters are dealt with or consider the evidence upon which the findings are based.

57 The complaint was categorised as a Category 2 matter.

58 The principle of "devolution" (s. 34(c) CM Act) provides that, subject to the cooperation and public interest principles and the capacity of the unit of public administration, action to prevent and deal with misconduct in a unit of public administration should generally happen within the unit.

The complaint was received by an officer within the QHealth Ethical Standards Unit (the ESU case officer). At the time of Barlow's offending, the internal integrity and complaints management system at QHealth included a dedicated ESU staffed with experienced investigators including, as mentioned earlier, an in-house, seconded police officer (the Police Liaison Officer).

In assessing the complaint, the ESU case officer:

- Asked the Police Liaison Officer (PLO) to check if Barlow was wanted by police. The ESU case officer said the PLO later advised that Barlow had no criminal history and was not recorded as being wanted in Australia. The investigation established that the PLO did not check Barlow's New Zealand criminal history. The PLO also did not pass on some additional information about Barlow recorded in the QPS database because he did not think it was relevant.
- Advised Manager 4 (then Chief Financial Officer) that an allegation had been received that Barlow had misappropriated funds and asked him to conduct inquiries related to Barlow's capacity to do that, including whether he had access to large sums of money.
- Said that he checked whether Barlow was recorded in COMPASS or the ESU's previous complaints database, and that he was not. It is not clear why the 2007 complaint about Barlow's misuse of the vehicle was not identified.

On 27 August 2010 the ESU case officer received an email from Manager 4 stating:

Ho's position has financial delegation of \$5000 and procurement delegation of \$10,000 — which is reasonable for an officer at his level and the fact that he holds a Corporate Card — yes I have checked transactions on this there have been none over the last five months. Business support examine our accounts on a monthly basis and have noted nothing untoward being charged to the accounts. As discussed Ho administers grant expenditure (procurement decision in this area rests with Community Services in Health Purchasing and Logistics and DDG Panda for [organisation name] — so adequate separation of duties) — Grants administered far exceed Ho's financial delegation and require either sign-off by myself or a Senior Director in the Branch.

It appears to have been common knowledge in Barlow's workplace that he used the names Joel and Joseph as well as Hohepa; he lived an extravagant lifestyle seemingly well beyond his wage; he bought gifts, often expensive ones, for people in the workplace; he claimed to be royalty; and there were persistent concerns about his conduct, attendance and work performance. None of this relevant contextual information was captured or communicated to the ESU case officer.

The ESU case officer has said that had he been made aware of the full picture about Barlow, red flags would have been raised and full inquiries conducted, rather than simply relying on the advice in Manager 4's email.

Shortly after receiving Manager 4's email, the ESU case officer replied:

Based on your advice I think I will close the file. I won't send any advice to Ho as he hasn't been interviewed nor advised of this matter.

On 30 August 2010, he finalised the matter on the CMC's complaints management database as "Not Substantiated".

Following the complaint, Manager 4 did not initiate any follow-up inquiries or monitoring of Barlow's work.

Complaints about Barlow's conduct and work performance while in Finance Branch

Barlow's conduct and performance continued to be erratic.

- An officer who worked with Barlow said he "was pretty much always late for work. I don't think he would have got to work any day before 10.00 am."⁵⁹

59 QPS statement, 10 January 2012.

- A senior officer in Barlow’s previous work unit said he complained to Manager 3 about Barlow’s poor work performance: that he failed to complete normal processes, hardly ever showed up for work, and failed to deliver on what he promised to do.⁶⁰

The senior officer also spoke to Manager 2, Barlow’s direct supervisor in Finance, about Barlow’s poor work performance. The senior officer said he believed that Barlow could not fulfil the functions of the PFO position and thought Barlow provided poor service to his unit.⁶¹ Manager 2 said the senior officer did not raise any issues with him about Barlow’s work performance.

- An officer who worked with Barlow said:

I used to think it was strange that Ho used to come to work at about eleven o’clock then leave about two and worked so little. He then got promoted to manager of governance. He also used to come into work later after we had all left. He would sign in using Facebook to let everyone know he was working late.⁶²

- Finance Officer 3 was asked to fix some budget reporting problems, which were Barlow’s responsibility. He discovered the budget reports were being “flatlined” (no variance was recorded) and did not reflect the true state of the budgets. Finance Officer 3 said he spoke to Barlow “lots of times” while he was trying to fix the budget reports, and Barlow was “not impressed” with his inquiries.⁶³
- Manager 2 said he had concerns with Barlow’s conduct including timeliness of reports, non-completion of timesheets, and hours worked. He brought these issues to Manager 3’s attention and he assumed that Manager 3 raised the issues with Manager 4.⁶⁴
- Manager 3 was aware of various issues related to Barlow’s conduct, such as working irregular hours, providing questionable reasons for his sick leave, and not providing payroll forms (such as sick leave and annual leave) despite constant requests.
- Manager 3 said he often spoke to Manager 4 about his concerns with Barlow, but Manager 4’s response was “well that’s Ho”. He believed Manager 4 defended Barlow and had faith in his abilities.⁶⁵

During the period from August 2009 to December 2010, Barlow took over four weeks recreation leave and over ten weeks of “other” leave. During that period, he was absent from work 23 per cent of the time. Manager 3 said he attempted to address Barlow’s attendance issues.⁶⁶

According to Manager 3, he met with Manager 4 sometime in late 2010 to discuss his concerns about Barlow’s performance, saying he thought he needed to put Barlow on a performance management plan. Manager 3 said Manager 4 said he was going to put Barlow into an AO8 position in Governance. According to Manager 3, Manager 4 said “leave him to me, he’s not going to be a problem anymore, we are going to put him in the Governance role”.⁶⁷ Although Manager 4 says he does not recall this conversation, this move did occur.

60 Manager 3 said the senior officer did not complain about anything specific related to Barlow (such as Barlow not working, vendors not being paid, or not receiving the monthly reports), but he did raise some general concerns. He said the senior officer made it clear he preferred to have Finance Officer 3 in the position rather than Barlow.

61 CMC interview, 25 January 2012.

62 QPS statement, 19 January 2012.

63 CMC interview, 31 January 2012.

64 CMC interview, 1 February 2012.

65 CMC interviews, 8 February and 17 October 2012. Manager 3 said he was sceptical about some of the reasons given by Barlow for his excessive amount of sick leave but the reasons were treated as plausible by Manager 4 (Manager 3’s own supervisor) so he did not challenge them.

66 Around March 2010, Manager 3 met with Barlow to discuss the latter’s poor attendance. Manager 3 said he noticed some improvement as a result, but after about three months Barlow fell back into his previous pattern of poor attendance, and they met again to discuss Barlow’s performance.

67 CMC interview, 24 January 2012.

Staff receipt of gifts from Barlow

Five fraudulent payments were made to HIC in September and October of 2010, each of \$137,592.40.⁶⁸

Barlow gave gifts to numerous QHealth employees during the period when the frauds were occurring. He gave gifts to staff he worked with (supervisors, subordinates and peers) as well as to those he had no professional relationship with. The gifts ranged from soaps, flowers and perfume, to Louis Vuitton goods, international travel, accommodation and money. He also funded QHealth Finance Branch social functions. Some gifts were solicited by staff and others were unsolicited.⁶⁹

In September, Barlow paid \$1700 towards flights for a QHealth officer.⁷⁰ In October, the officer asked Barlow for money for his holiday and in November Barlow transferred \$10,000 to the officer's bank account.

On 1 November, Barlow hosted and paid for a Christmas function at a Fortitude Valley bar which was attended by some QHealth staff. The party is estimated to have cost \$25,000.

On 11 and 23 November, fraudulent payments were made to HIC, each of \$137,592.40.

In about December 2010, Barlow paid for Finance Officer 1 and his fiancée to stay in an upmarket hotel in Hong Kong for two nights, and for a flight from Barcelona to Athens for Finance Officer 2.⁷¹

In December, four fraudulent payments were made to HIC, each of \$137,592.40.⁷² Three payments were made on 3 December 2010, the week before Barlow moved to the role of Manager, Governance, with two of these payments described as advance payments for January and February 2011.⁷³

Barlow promoted to act as Manager, Governance

On 6 December, Barlow was given higher duties to act at an AO8 level in the position of Manager, Governance, Finance Branch. He was actively seconded to this position by Manager 4, who became his direct supervisor in the new position. Finance Officer 3 relieved in Barlow's substantive position.

As Manager, Governance, Barlow's delegation limit was \$10,000 for both recurrent and non-recurrent payments. However, each of the GPVs he signed using this position title exceeded this amount.

After Barlow was seconded to the Manager, Governance role, his signature block up to March 2011 read "Manager, Governance and Manager, Community Services Purchasing Grants (CSP GRANTS) BAM,⁷⁴ Finance Branch", despite the fact that he was no longer attached to the CSP team and the position of "Manager, CSP Grants" did not exist.

He also tried to remain involved in decisions relating to the CSP team. Eventually (in February 2011) Manager 3 told Barlow he was no longer part of the work unit and queried his continuing involvement. Barlow stopped using his dual-title signature block⁷⁵ on emails to Manager 3 but continued to use it

68 Payments were made on 3 September, 16 September, 30 September, 19 October and 26 October.

69 It is important to note that the gifts provided by Barlow were not considered to be contrary to QHealth's Gifts and Benefits policy. There is no evidence to suggest Barlow deliberately used gifts to corrupt co-workers or prevent them from exposing his activities. The investigation did not identify any pattern of Barlow actively attempting to gain a benefit or advantage through giving gifts. The issue of gifts and benefits is discussed further in Chapter 4.

70 The officer said he was friends with Barlow and their professional functions did not overlap.

71 At this time, Finance Officer 2 was no longer Barlow's subordinate.

72 3 December, three payments of \$137,592.40 each; 17 December, \$137,592.40.

73 Barlow may have submitted the three extra payments knowing he was moving to being Manager, Governance, a role that would not include responsibility for the MGIA cost centre. At this time, Barlow was about to take seven weeks recreation leave and travel overseas.

74 Business Analysis Management Unit.

75 Manager, Governance; Manager, Community Services Purchasing Grants (CSP GRANTS) BAM, Finance Branch.

in emails to all other staff until 1 March, when he amended his signature block to read “Manager, Governance”.

On 23 December, Barlow paid a deposit on a waterfront property in New Farm, Brisbane, valued at \$5.65 million.

By the end of 2010, Barlow had defrauded QHealth of \$2,889,440.40 over the 12 months, with a total of \$4,369,298.38 having been defrauded since October 2007.

2011

Fraudulent payments spike at time of Queensland flood crisis

In January and February, four fraudulent payments were made to HIC totalling \$770,369.60.⁷⁶ Two payments made on 14 February were for “flood relief”, which appear to be an exploitation of the Queensland flood crisis.

In January, he paid for flights for a QHealth officer⁷⁷ from Frankfurt to New York as well as five nights accommodation in an upmarket hotel in New York City. When he returned from his holiday, the officer asked Barlow for money for his mortgage repayment. Barlow gave him \$1300 cash.

The CMC located an unsigned personal character reference for presentation to an unspecified court, dated 11 January 2011, in which Barlow stated he was a qualified solicitor admitted to the Supreme Court of Queensland and was the “1st son of the Royal Family of Tahiti”. The CMC also located a personal character reference in Barlow’s name for presentation to the Presiding Magistrate, Southport Magistrates Court in relation to a “family friend”. The document was written on official QHealth letterhead and included the qualification “LLB”⁷⁸ in his signature block.

In February, Barlow paid for a luxury gift basket at a hotel for the Senior Director.⁷⁹

2007 complaint about Barlow substantiated

In January 2011, QHealth finalised the October 2007 complaint about Barlow’s unauthorised use of an official vehicle. The allegations were substantiated. QHealth found that he had failed to return an official vehicle and used it over a weekend without authority; that he had travelled about 213 kilometres and incurred a speeding fine; and that he then falsified a log book entry to cover up his misuse.

Barlow was reprimanded by an Executive Director.⁸⁰ Manager 1, who had been Barlow’s supervisor at the time of the conduct, was given a brief summary of the outcome of the investigation.

Barlow retains control of the MGIA cost centre

Early in 2011, while Barlow was on leave, Finance Officer 3 dealt with some MGIA requests and set up an in-tray for the related correspondence. When Barlow returned from leave in about February, Finance Officer 3 noticed that this tray was missing. Finance Officer 1 told him that Barlow had taken it back. When Finance Officer 3 raised the issue with Barlow, Barlow said he was responsible for the

76 24 January, \$137,592.40; 14 February \$137,592.40, \$247,592.40, \$247,592.40.

77 This is the same person to whom Barlow previously gave \$10,000 and paid \$1700 towards holiday flights.

78 Bachelor of Laws.

79 An email from Barlow’s travel agent indicates that the gift basket Barlow paid for comprised two bottles of Dom Perignon champagne, a deluxe fruit basket, two dozen red roses, and chocolate-dipped strawberries. CMC investigators obtained a copy of the hotel’s in-suite dining prices which indicate the above items were worth a total of \$1,105. Barlow’s travel agent confirmed that Barlow paid the hotel \$1180.83.

80 The outcome in COMPASS was recorded as “Officer reprimanded or cautioned or written warning. Requested to become familiar with the Queensland Health Vehicles – Management and Use Policy and the Queensland Health Code of Conduct”.

MGIA.⁸¹ Finance Officer 3 took no further action in relation to the issue and Barlow retained responsibility for the MGIA cost centre until his frauds were discovered in December.

Internal audit raises concerns about Barlow’s corporate credit card transactions

An internal audit of corporate credit cards had commenced in December 2010. Barlow was one of the cardholders chosen at random and the audit identified the following issues with his credit card usage:

- numerous instances of transactions exceeding his \$1000 limit
- apparent payment “splitting”, where a payment exceeding the \$1000 limit was split into multiple transactions, each under the \$1000 limit
- a number of payments deemed to be suspicious due to the nature of the expenditure.

Between 9 December 2010 and February 2011, QHealth Internal Audit liaised with Manager 4 and his staff, unsuccessfully seeking documents related to Barlow’s suspicious credit card transactions.

On 17 February, QHealth Internal Audit reported their concerns about Barlow’s corporate credit card transactions and his failure to provide supporting documentation. The allegations (referring to Barlow under the name Hohepa Morehu-Barlow) were reported to the CMC on 21 February and the CMC referred the matter to QHealth to deal with.

The ESU began its own investigation, interviewing Manager 1, Barlow’s supervisor at the relevant time, in relation to the transactions in question. Manager 1 gave them what information he could, such as the types of documentation that would be expected to accompany the transactions, and undertook to retrieve some of the relevant paperwork which had been archived.

ESU investigators were satisfied with Manager 1’s responses and returned the matter to Internal Audit to review the documents to be provided by Manager 1 and to provide the ESU with a further report.

On 21 June 2011, Internal Audit provided a report to the ESU. In relation to the suspicious purchases, Internal Audit found that, where documents were supplied, the documents indicated on face value that the transactions were of an official nature. However, Manager 1 had difficulty locating all the documents and not all the requested source documentation had been provided. Given this and the uncertainty about whether QHealth actually used one of the vendors, Internal Audit recommended the matter be referred back to the ESU to determine whether any action should be taken.

In relation to the payment “splitting”, Internal Audit found that Barlow breached the FMPM and recommended that Barlow’s use of the card to make split payments be referred to management to deal with.

It appears that no further action was taken by QHealth regarding this matter prior to Barlow’s frauds being discovered.

Post budget adjustment of \$2.38 million for MGIA budget

In April, Finance Officer 3 (who was acting in Barlow’s substantive position of PFO) identified that the MGIA cost centre was significantly overspent.⁸² Finance Officer 3 spoke to Barlow, who advised that there were sufficient funds in the NGOS cost centre to do a Post Budget Adjustment (PBA)⁸³ to balance the MGIA budget. Finance Officer 3 spoke to a superior officer about the proposed PBA and put a comment in the budget report explaining what was to occur in relation to the overspend.

81 CMC interview, 31 January 2012.

82 The MGIA’s budget was \$406,000 and the actual expenditure was over \$2.5 million.

83 The opportunity to complete a PBA occurs twice a year and coincide with the mid-year review (January) and the end of financial year (June). A PBA may be required for reasons such as performance-based adjustments to allocations; forecast revisions; and reallocations due to structural change.

On 6 and 28 April, Barlow authorised two more fraudulent payments to HIC from the MGIA, each of \$137,592.40.

On Barlow's advice, Finance Officer 3 made the PBA on 27 May. By this time, the total expenditure of the MGIA cost centre, which had a budget of \$406,000, was \$2,786,596.⁸⁴ The PBA of \$2,380,596 made from the NGOS cost centre to the MGIA cost centre had the effect of accounting for the overall expenditure, both legitimate and fraudulent — the MGIA would therefore not appear overspent and there would be no end-of-year variance. The PBA was processed without being questioned further, enabling further fraudulent transactions to be committed.

On 4 July, Barlow authorised a fraudulent payment to HIC from the MGIA of \$137,592.40.

QAO audit identified irregularities with a transaction by Barlow

Some time before July 2011, the QAO conducted a routine audit of QHealth expenditure transactions, including a sample of 25 grant transactions. The audit sample included one of Barlow's fraudulent payments to HIC.⁸⁵ As a result, the QAO sought further documentation and a response from QHealth.

Barlow told the CMC that, when he became aware the audit included one of his fraudulent transactions, he felt sick and thought "the game was over". He went on sick leave for a couple of days so he "didn't have to explain it" and was unavailable to produce the documents being requested.

Despite repeated requests for outstanding documentation, first from the QAO and then from the Office of the DDG on behalf of the QAO, it was not provided.

The QAO wrote to QHealth regarding the findings and outcome of the audit, identifying the following issues with the HIC payment:

- QHealth had not provided documentation regarding a signed Service Level Agreement or contract with the client to reflect the original approval for funding
- QHealth had not provided documentation to verify whether the grant recipient (HIC) was being monitored to ensure the terms of the Grant Agreement was being adhered to
- the expenditure approved by Barlow exceeded his delegated authority of \$10,000.

The QAO also provided an overall risk rating relating to state-wide grants expenditure as "Low"; addressed the identified control breakdowns and their implications; and made recommendations about internal control measures relating to grant payments.

The Senior Executive's response to the QAO on 29 August 2011 acknowledged the need for improvement:

The Director, Community Services Unit will review the provision of grants to better ensure consistency of process across the organisation. The requirements will then be communicated across the Divisions and Districts.

QHealth had scheduled an audit of grant funding to commence in December 2011;⁸⁶ however, Barlow's frauds were discovered before the audit commenced.

Complaints about Barlow's conduct and work performance while in Manager, Governance position

Staff at various levels continued to have concerns about Barlow's conduct and performance after he was moved into the Manager, Governance role.

84 \$210,000 had been paid out in legitimate payments and \$2,576,596 in fraudulent payments to HIC.

85 The payment of \$247,592.40 was made on 14 February 2011.

86 In March, the Senior Executive arranged an audit of grants to be included in the 2011–12 Annual Plan. The terms of reference for the audit of grants were finalised on 26 October.

- The Senior Executive said that a number of Barlow’s executive-level briefing notes were of poor quality, contained grammatical errors and overall inaccuracies, and had to be returned several times for correction. The Senior Executive thought Barlow was incompetent at his job, and that his attendance at work at much later hours than other staff was intolerable. He also believed Barlow was receiving favourable treatment from Manager 4, but did not raise this issue with Manager 4.
- The Senior Executive and another officer said they spoke to Manager 4 about the poor quality of Barlow’s briefs, his poor attendance, general frustrations with the timeliness of his work, and his inability to undertake the role of Manager, Governance.
- When the Senior Executive was advised Barlow was travelling to England to attend the royal wedding, he asked an officer to research Barlow’s claim to royal lineage. The officer reported back that he had done some research and confirmed that Barlow was Tahitian royalty. After Barlow’s frauds were discovered, the officer advised that he had not been able to find anything on the internet to confirm Barlow’s claims and so had relied on information provided by his co-workers in the Finance Branch.
- The Senior Executive told CMC investigators he “often got annoyed that employees would regularly accept gifts” from Barlow, although he also said he was not aware of the full extent of the gift giving. In mid-2011, the Senior Executive said he spoke to the Senior Director about his concerns with staff being compromised by accepting gifts from Barlow but did nothing further to enforce appropriate workforce behaviours by Barlow. The Senior Director said he was not discouraged by senior managers, including Manager 4 and the Senior Executive, from accepting gifts from Barlow.⁸⁷
- Another officer said dealing with Barlow was very frustrating as he did not meet deadlines, provided incorrect information, had no clear understanding of what was required, and would often arrive late to work. The officer continually had to fix Barlow’s work or follow up with others, so he began to bypass Barlow and speak directly with the senior management teams for information. On two occasions he told the Senior Executive that dealing with Barlow as a key contact person was not working and he hoped Barlow would be removed.⁸⁸
- An officer who had known Barlow since 2004 returned from extended leave and said he became aware of Barlow’s “royal heritage”. He spoke to Barlow about the apparent change in his circumstances and Barlow said his trust fund had “kicked in”. Barlow also told him that “due to work commitments” he had to work irregular hours, and the officer believed that “as he was my manager it was not my place to question his working arrangements”.⁸⁹ The officer said he discussed his concerns about Barlow with Manager 4 — in particular, that he found working with Barlow difficult because of his lack of reliability.⁹⁰
- An officer said that, while Barlow was in the Manager, Governance role, he would attend work anywhere from 10 am to midday. Barlow’s excuses for the late starts included waiting for tradesmen, personal training sessions and that he was working from home. The officer would brief Manager 4 when Barlow was going to be late. He said Barlow’s regular absences and tardiness in attending to correspondence adversely impacted on his ability to meet deadlines, so he started bypassing Barlow and going directly to the relevant senior officer for the required information or signature.⁹¹
- An officer who began to work with Barlow in mid-2011 said that Barlow would arrive at work at about 11.30 am or midday each day, and everyone seemed to laugh it off because “it was Ho”.⁹²

87 CMC interview, 30 January 2012.

88 CMC interview, 9 February 2012.

89 CMC interview, 5 January 2012. QPS statement, 4 January 2012.

90 Manager 4 told CMC investigators that he recalled the conversation but remembered the complaint as being about Barlow’s sick leave rather than his work attendance.

91 CMC interview, 30 January 2012.

92 QPS statement, 11 January 2012.

Notwithstanding all the concerns or dissatisfaction with Barlow being expressed at every level, the managers at QHealth, rather than performance-manage him, appeared to reward his poor behaviour. For example, one officer said he was told Barlow was allowed to come into work late so he could write his royal correspondence in the mornings.⁹³ Also, to make Barlow more easily contactable, in June he was provided with a QHealth Blackberry smartphone. Manager 4 and the Senior Executive approved his application for the Blackberry.

Barlow's absence from the workplace increased when he moved into the Manager, Governance role. He was absent from work for over a quarter of the year in which he acted in the position (28 per cent of the time), taking 11 days of recreation leave and 62 days of other leave in the twelve-month period.

Question about regular payments to HIC

In a meeting between Manager 3, Finance Officer 1 and another finance officer around August, the finance officer told Manager 3 that he had questioned Barlow about the regular payments made to HIC from the MGIA cost centre and Barlow had advised that the contract was about to end and it would no longer be an issue.⁹⁴ On 20 September, Barlow authorised a fraudulent payment of \$137,592.40 to HIC from the MGIA cost centre.

In October 2011, Manager 3 attended the Rugby World Cup in New Zealand after receiving four "platinum" level tickets from Barlow worth several thousand dollars.⁹⁵

Final fraudulent payment of \$11 million to HIC

On 16 November, Barlow sent the SSP Officer an "urgent" GPV for payment from the MGIA to HIC of \$11 million, related to the establishment of a dental school at a university. Barlow later admitted to altering the legitimate Capital Funding Agreement relating to the dental school.⁹⁶

Barlow said that when he prepared the GPV and approached the Senior Executive to sign the form "I got him purposely in a fleeting moment when he was in a hurry".⁹⁷ The Senior Executive denies signing the GPV and has said the signature on the GPV is not his. The SSP Officer processed the payment. On 22 November, Barlow finalised the purchase of a property in New Farm, Brisbane for \$5.65 million.

The \$11 million payment was the final fraudulent payment made to HIC.⁹⁸ Barlow told CMC investigators:

I was tired of living a double [life] you know [being] His Royal Highness ... so I prepared an \$11 million dollar payment I've sent it to my ... own staff ... who I've trained ... to check through [documents] ... [Finance Officer 3] would have checked the ABN seen it was registered to me and then ... you know the game's up ... I'm glad my staff picked it up.⁹⁹

Over the 12 months of 2011, Barlow had defrauded QHealth of \$12,320,739.20, with a total of \$16,690,037.58 gained since his fraud began in October 2007. When asked how he kept track of how much money he was taking from QHealth, Barlow replied "I didn't, if I ran out of money I'd submit another invoice".¹⁰⁰

93 CMC interview, 1 November 2012.

94 QPS statement, 11 January 2012.

95 The CMC has not been able to ascertain the exact tickets that Manager 3 was given and is therefore unable to determine the exact amount they were worth. Barlow told CMC investigators the tickets were platinum corporate box tickets to the Rugby World Cup semi-finals, which he estimated were worth \$20,000. The Rugby World Cup website priced similar semi-final tickets between \$9797 and \$10,995 (NZD) each. Bank records reveal one transaction from Barlow's bank account to a company partnered with the Rugby World Cup for the amount of \$13,391 (\$18,159 NZD) referenced "WRC Finals".

96 On 19 March 2012, Barlow was convicted of fraudulently falsifying a record, relating to the \$11 million GPV.

97 CMC interview, 30 December 2011.

98 On 19 March 2013, Barlow was convicted of fraud as an employee relating to payments to HIC.

99 CMC interview, 30 December 2011.

100 CMC interview, 30 December 2011.

8 December 2011

Identification of the frauds

On 8 December, Finance Officer 3 received a copy of the November spreadsheet for CSP grants to provide commentary on the cost centres he was responsible for. While trying to determine why his budget was significantly overspent, Finance Officer 3 identified the \$11 million payment made from the MGIA cost centre to HIC. He made some inquiries in relation to the payment, including seeking advice from a superior officer and requesting a copy of the GPV. He also searched for HIC in the Australian Business Register and discovered that the trading name HIC was registered to Barlow. He and his supervisor then gathered the relevant paperwork and raised the matter with Manager 4.

Barlow told the CMC that he'd come in about midday that day. Checking his meetings later in the afternoon, he realised that Manager 4 should have been at the payroll meeting but that he'd been called over urgently to Finance Officer 3's area.

So I knew then that [Finance Officer 3] had done [his] job properly ... That's when I realised that my electronic access had been cut, my blackberry was wiped ...

It was the afternoon so I said to [his assistant] that I was going to get something to eat ... and left the building and went home.¹⁰¹

Later that day, QHealth made a complaint to the QPS, which commenced its investigation into Barlow's activities.

Postscript: Action taken by QHealth since discovery of Barlow's fraud

Grants administration

QHealth advises that significant work has been done and continues to be done to define the department's grant program. The grants administration process closely follows State procurement practices, including calls for proposals, assessment criteria and formal assessment, service agreements and conditions including budgets. Service agreements include reporting on the achievement of agreed targets and future payments are dependent on both the reporting of delivery and the satisfactory delivery according to the agreement. Grants payments are to be made through a specified system with a monthly reconciliation of payments to budgets and formal sign-off.

Vendor master data

QHealth advises that, prior to the identification of Barlow's fraud, the department had begun a process of data matching between employee data and vendor master data. HIC was not identified due to the false vendor name, the fact that Barlow used a different bank account from his nominated payroll bank account, and the variation between the way Barlow recorded his address in his employee file and the vendor address.

QHealth advises that significant work has been undertaken in relation to the verification of vendor data and more sophisticated data matches are now possible. The process of data matching between employee data and vendor master data has been amended so it now will identify "fuzzy" matches in details such as addresses. QHealth advises that no further areas of concern have been identified in relation to the verification of vendor data.

Organisational change

QHealth advises that the department has undergone significant structural and organisational change in the past 12 months, as a result of the national health reform process. During this process, the department's risk management framework has been updated and a more hands-on approach has been taken by the new Risk Unit. The Executive Management Team is provided with regular updates on the department's risk profile and risk management processes are encouraged at the divisional, branch and work unit level.

101 CMC interview, 30 December 2011.

Response to QAO report 5 of 2012 (see page 34)

QHealth advises that the following action has been taken:

- The Chief Finance Officer provided briefings to the Audit and Risk Committee in October and December 2012 and will provide a further update in relation to the progress of implementation of recommendations in August 2013.
- The Director-General of QHealth has written to all statutory bodies in the Health Minister's portfolio reiterating the importance of internal controls and providing a summary of legislative requirements.
- The Governance and Finance branches have worked collaboratively to document and assess the effectiveness of the department's internal control framework.
- The financial delegations are being reviewed and updated.

Response to QAO report 9 of 2012–13 (see page 34)

QHealth advises that all four of the Auditor-General's recommendations have been implemented.

QHealth advises that significant work has continued in relation to the expenditure and control processes in the department, including a major review of fraud risk and control. In the last half of 2012, QHealth conducted a Fraud Risk and Control Improvement Project. The project delivered:

- a number of internal documents (Fraud Control Policy; Implementation Standard for Fraud Control Governance, Prevention and Detection and Response; The Guide to Fraud and Corruption Control)
- a comprehensive fraud risk assessment and centralised fraud risk register
- a fraud awareness training program and integrated fraud control education program
- increased employee fraud awareness during February–March 2013 with the Ethics and Fraud Awareness Month activities.

A Fraud, Control and Corruption Working Group was established which regularly reports on fraud-related matters to the Audit and Risk Committee, through the ESU. The Working Group shares recent fraud incidents (including fraud trends), risk registers and best practice to ensure that all parts of the organisation have adequate fraud control coverage.

A "Fraud Control" page has been established on the department's intranet site which contains examples of fraud and related "red flags" of fraud, and links to material related to fraud awareness.

3 LESSONS FROM THE QHEALTH EXPERIENCE

The situation at QHealth detailed in the previous chapter demonstrates that an agency having in place a full range of governance systems, management mechanisms and regulatory frameworks could still be subject to fraud by an employee intent on subverting the system.

Given this situation, which could occur in any agency, the larger questions for the public sector are:

- How does an agency ensure that its frameworks are robust enough to manage high-risk employees (or situations)?
- What can other agencies learn from QHealth's experience and apply to their own workplaces?

The previous chapter demonstrated the specific mechanisms by which Barlow committed the frauds and the organisational factors within QHealth that facilitated them. This chapter is framed in terms of some key learnings for more general application across the public sector.

Any agency can harbour a high-risk employee

How does an agency identify a high-risk employee? In Barlow's case, when he came to work for QHealth he already had a criminal record and was wanted for questioning in New Zealand in relation to fraud.¹⁰² While not all agencies will perform criminal history checks, particularly overseas checks,¹⁰³ on potential employees, Barlow also provided a fabricated CV which does not appear to have been verified by QHealth. Nor does he appear to have provided QHealth with his official academic transcript or formal professional credentials.¹⁰⁴

From the outset, Barlow's conduct in the workplace manifested signs of chronic unreliability, characterised by:

- an obvious lack of respect for the workplace and a propensity to take advantage of the service conditions
- consistently poor attendance, erratic work hours unrecorded on timesheets and excessive amounts of leave taken without proper records kept
- poor-quality work not to the standard required of his seniority level, requiring other staff to complete or re-do his tasks.

Barlow gained detailed knowledge of the different financial systems and mechanisms involved in disbursing large amounts of funding in one of Queensland's largest and most complex departments. However, rather than work diligently in the interest of the agency, he used this knowledge to his own advantage when he:

- identified and deliberately used inappropriate payment mechanisms — designed for one-off rather than recurring expenditure — that would be subject to much less scrutiny than others would have been

102 QHealth advises that it is a requirement for all QHealth staff who are being appointed permanently or for a period of more than three months to undergo a criminal history check; further, that under the policy in place at the time of Barlow's appointment, criminal history checking was restricted to the Australian jurisdiction only.

103 On 29 January 2012, the Prime Ministers of Australia and New Zealand announced a six-month trial testing the sharing of criminal history information between Australia and New Zealand. On 30 May 2010, the Minister for Home Affairs and Minister for Justice announced that, under the six-month trial commencing in July 2012, New Zealand will be able to seek criminal records from all Australian jurisdictions and Queensland will be able to seek criminal records from New Zealand. After a successful six-month trial, the trial was extended to July 2013. After the trial, consideration will be given to expanding the arrangements to enable all Australian jurisdictions to make requests for criminal records from New Zealand.

104 QHealth advises that there is no requirement for officers appointed to administrative positions within the administrative stream to have formal qualifications.

- manipulated budgets by various means, including irregular reporting, frequent budget alterations, exclusion of critical information, and masking of over-expenditure by electronic journal entries and post budget adjustment
- took advantage of organisational confusion brought about by restructure and unclear supervisory arrangements.

Further, he successfully camouflaged his criminal activity by:

- creating a smokescreen persona — in this case, misrepresenting himself as a wealthy “Tahitian prince” — that appears to have disarmed suspicion and effectively forestalled management action
- taking advantage of relationships with colleagues — in particular, by exploiting the trust of subordinate staff
- avoiding awkward questions about required documentation or his work performance by taking sick or other leave and working irregular hours.

All agencies will at some time encounter a high-risk employee. They will manifest themselves in a variety of ways — not all will be as flamboyant as Barlow. They may not even be intentionally malicious; it may simply be that their conduct exposes an agency to risk. In any case, supervisors, managers, colleagues and subordinates should be alert to patterns of inappropriate or difficult behaviours and manage them promptly and objectively, advising HR when necessary and putting in place formal corrective action. Staff who evidence problem behaviours cannot simply be put in the “too hard” basket or have their behaviour dismissed as personal idiosyncrasies.

Internal weaknesses will put agencies at risk

Barlow admitted he actively intended to defraud QHealth. However, the frauds could not have succeeded or continued for so long if it were not for a range of factors within QHealth itself. These included:

1. low levels of compliance with existing policy and procedures by other staff
2. failures of financial management and accountability
3. failures in supervision and management
4. inadequate change management processes that failed to identify risk and failed to provide an effective follow-up review process
5. low awareness of the risk of fraud among staff at all levels
6. failure to properly investigate information provided in audits and complaints and evaluate it in a wider context.

It was this aggregation of factors that exposed QHealth to a long-term and continuing fraud. To some extent they overlapped, demonstrating their interdependence.

The following are important messages for all public sector employees, whatever their agency.

1. Compliance with policy and procedures is a strong defence against fraud

The assessment of QHealth policies and procedures, including those relating to grants, showed that they were broadly adequate to ensure a reasonable level of probity. However, Barlow profited from the fact that staff failed either to follow policies and procedures in relation to approving expenditure or, even more importantly, to understand the principles they represented.

Staff did not see the importance of thorough cross-checking and the requirement for two signatures on forms as a fraud control mechanism. When given non-compliant documents for payment, there is no evidence that the staff *whose responsibility it was to check them* followed agency policies and procedures for verification of supporting documentation or appropriate financial delegation. They appear to have signed documents without checking, simply because someone they knew asked them to.

Staff who are responsible for signing or countersigning documents need to understand that each signature amounts to a statement by the signer that they have checked the details of the proposal and are satisfied that it is legitimate and in accordance with the proper business and procedures of the agency. When two signatures are required, the purpose is to minimise the risk that one of the signers has made an error or is seeking to achieve an improper result.

To function properly, agencies must have not only appropriate policies and procedures, but also staff who understand and conscientiously adhere to them, and managers who can identify and effectively manage non-compliance.

2. Public servants are accountable officers under the Financial Accountability Act

Senior management failed to understand and/or act in accordance with their responsibilities as “owners” of QHealth’s financial reports and as accountable officers as specified in the *Financial Accountability Act 2009*.

Barlow was, effectively, allowed to side-step normal financial reporting processes when supervisors failed to challenge his failure to submit reports, and when he retained control of a cost centre after leaving the position responsible for it. Further, as in the case of the MGIA cost centre, he was permitted to be both the officer with budget accountability and the officer responsible for preparing the budget reports, even though the separation of these functions is regarded as a key financial control mechanism that is essential to preventing fraud. Had managers questioned Barlow’s work practices and reports more closely, his manipulation of the financial systems would have been exposed.

It is vital that managers, or workplaces and agencies as a whole, hold themselves accountable for providing accurate, reliable financial reports and demonstrate due diligence in identifying and querying any irregularities. They must set standards of personal and professional accountability for themselves and instil that ethos in others.

3. Proactive, engaged supervision is fundamental to public sector integrity

The fundamental function of supervisors and managers is to ensure that the conduct and work performance of those employed at public expense are of a satisfactory quality. To do so, managers must be able to *objectively* assess the performance of those they supervise or deal with, ensure that personal conduct and work performance are acceptable, and initiate corrective action where required.

In Barlow’s case, no-one appears to have been able to separate Barlow’s professional performance and obligations, for which he was accountable to the department, from his personal issues and manage him accordingly. On the contrary, Barlow was effectively rewarded for poor behaviour — with opportunities to perform higher duties, promotions, extensive unpaid leave granted, and tolerance of his irregular hours. Subordinate staff commented on the fact that he was promoted despite highly irregular and clearly sub-standard performance.

Inappropriate workplace behaviour should not be dismissed as personal eccentricity (for example, by saying “That’s just Ho”). Instead, proactive supervisors must be alive to how such conduct weakens the perceived integrity of senior management and compromises the standards of the whole workplace.

4. Effective change management should identify emerging risks or vulnerabilities

Any organisational restructure which leads to changes in roles and responsibilities should, as a matter of course, include a clarification of roles and responsibilities, an analysis of changes in procedure and workflow following from it, and a detailed analysis of the risk exposures which the change entails.

In the case of QHealth, the change management process put in place in relation to the restructure of the CSP team to Finance Branch in mid-2009 appears to have been deficient, with insufficient consultation occurring between sections to ensure clear governance arrangements for new areas

and associated understanding on the part of staff. As a result, the roles and responsibilities of Barlow's team were not clearly understood by the new supervisors in the Finance Branch.

The change management process in relation to the transfer of responsibility for the MGIA to the CSP Division also appears to have been deficient. In the absence of a clear governance framework and any structured or effective supervision, Barlow was able to retain responsibility for the MGIA cost centre and to continue offending.

5. Fraud awareness and prevention is the responsibility of all employees

Perhaps most seriously, Barlow's associates, both supervisors and subordinates, failed to consider the possibility of misconduct or internal fraud by a staff member. Although his conduct, and questions about it, appear to have been a frequent topic of discussion among senior managers, this was never translated into more probing questions being raised about his trustworthiness and his fitness to manage public funds.

In fact, Barlow consistently displayed behaviours generally regarded as indicators of probable fraudulent activity. These included:

- repeated submission of "urgent" payment requests without adequate documentation
- continuing failure to produce appropriate documentation despite serious questions being raised by the audit of his credit card and by the complaint relating to the misuse of his credit card in 2011
- jealous retention of functions or files related to a previously held position
- poor workplace conduct and performance generally, including erratic attendance, missed deadlines and poor-quality work.

Further, formal complaints about his conduct or performance were made on three occasions by parties external to his immediate workplace.

None of these matters led to the identification of the frauds. In part, this was because none of the complaints, whether formal or informal, were adequately followed through by his co-workers, managers or supervisors. Managers and supervisors in particular appeared to handle any complaint or issue concerning Barlow in isolation rather than connecting the issues and considering the potential implications within a larger context.

6. Information from complaints and audits are important early warnings

Over four years, important indicators of Barlow's fraudulent activities were received within QHealth: three formal complaints about his honesty as well as internal and external audits that identified financial irregularities or non-compliance with policies. However, none of these brought his fraudulent activities completely to light.

The fact that three complaints lodged against Barlow and other questions raised about his credit card use and handling of grant expenditures still did not reveal his fraud was due in some degree to the failure to:

- link all complaints about an officer (for example, by thoroughly searching all relevant complaint databases)
- conduct thorough inquiries (such as criminal history checks if warranted or relevant information at work-unit level)
- identify potential patterns of questionable behaviour (such as the recurring absence of appropriate documentation and absences to avoid questioning)
- consider a complaint in the context of all the information available in a workplace, rather than responding to issues in isolation
- recognise that complaints are not just a matter for an ethical standards unit, but are of equally vital concern to supervisors, managers and senior managers
- be alert to the possibility that even a longstanding and familiar staff member might be committing fraud.

4 CONCLUSION AND RECOMMENDATIONS

The events surrounding the Barlow fraud serve as an important reminder of the responsibilities and vigilance expected of public servants in the public interest. Public servants are entrusted, on behalf of the people of Queensland, with responsibility for the sound functioning of the state's institutions. According to their level of seniority, they are invested with increasing degrees of authority to make decisions and exercise powers. As employees of the state, they are both recipients and stewards of public funds. As such, the government and the people of Queensland are entitled to expect them to discharge their obligations diligently and effectively in the best interests of the community. To this end, the Queensland Government has clearly signalled its expectations of performance, accountability and outcomes across the public sector.

Arising out of an instance of fraud at QHealth, this report identified five main areas in which agencies should be particularly vigilant:

- Financial management
- Managerial standards and accountability
- Acceptance of gifts and benefits
- Managing risk in a context of organisational change
- Fraud awareness and prevention.

Although the events detailed in this report occurred in a government department, they could apply equally within local government, statutory authorities, government-owned corporations and universities.

The CMC recommends that agencies consider and address these issues at all levels of their organisation including, but not limited to, executive management, with particular consideration by members of risk and audit committees. All managers and supervisors are encouraged to review their local processes and practices in order to identify any emerging issues.

Financial management

Agencies should actively promote a culture of responsible financial management to all staff. It is important to reinforce the obligations of due diligence — and the impact of maladministration on the community — to public servants as custodians of public assets.

Public funds are provided to agencies in order to purchase services, goods or activities *for the benefit of the community*. Whether paying staff salaries, allocating grants or investing in capital works, any agency disbursing monies must be able to demonstrate clearly *what* has been purchased, and that the public has received fair value for the money spent.

Agency staff must therefore ensure that no greater expenditure of resources occurs than is necessary, that the government gets what it pays for, and that the assets under their control are safeguarded. These obligations sit with every individual within the management hierarchy, regardless of pay grade. All employees in the public sector, especially managers or those involved with procurement, must ensure that:

- All spending is done to meet an identified and demonstrable need. Managers who approve expenditure are certifying that there is a real and genuine need to purchase the requested goods or services, and that the goods or services being purchased will meet the needs of the agency.
- Due diligence checks are done on the credentials and delivery capability of the vendor. The existence, identity and track record of potential suppliers of goods and services should be verified before they are registered on the Accounts systems.

- Requested goods and services are delivered, to specification and to the required standard, before expenditure.

The preceding is not an exhaustive list of all the financial precautions that agencies should take. Rather, it is a reminder that managers are responsible for ensuring that there are adequate verification mechanisms at each stage of the procurement process. They also have obligations to periodically test that these mechanisms are working and to take corrective action if they are not. Given the recommendations of the Costello report,¹⁰⁵ and the foreshadowing by government of greater use of outsourcing and external contractors to provide goods and services to the community, the obligation to demonstrate that public money is being spent responsibly in the public interest is even greater.

Recommendation

That agencies redesign their grants/outsourcing/expenditure arrangements, to include due diligence to establish that organisations receiving public monies are suitable for, and capable of, delivering the required services.

Recommendation

That agencies redesign their grants/outsourcing/expenditure payment processes, to ensure that payments of public monies cannot be made or continue to be made without clear demonstration that detailed delivery requirements have been met.

Managerial standards and accountability

Managerial accountability involves more than just overseeing the functional aspects and deliverables of defined roles. The experience of QHealth clearly demonstrates the importance of proactive, energetic management as the first line of defence against improper or potentially criminal action by public service employees.

To be effective leaders, managers must demonstrate, and instil in their staff, an ethos of professional and personal accountability. The degree to which staff respect relevant laws, policies and procedures often reflects the example set for them by their immediate — or higher level — managers. Managers should have sufficient experience and objectivity to identify vulnerabilities in individuals, teams or work areas; they also must be able to challenge inappropriate conduct and move quickly to mitigate risk.

Most of all, managers should not, by their inaction, themselves constitute a risk to their agency by abrogating their responsibility. Failure to properly manage the staff under their control could constitute a failure in performance and may attract disciplinary action under s. 187 of the *Public Service Act 2008* for performing their duties carelessly, incompetently or inefficiently. In the case of sustained dereliction of duty, managers or supervisors may expose themselves to disciplinary action for official misconduct under the CM Act.

How can agencies ensure that their managers can fulfil all the expectations placed upon them?

1. To begin with, agencies must recognise reciprocal responsibilities. Those responsible for employing or internally promoting people to management positions must look for people management skills as well as technical and/or professional skills.
2. Those moving into new roles must be apprised not just of key deliverables but also of their obligations as staff supervisors.
3. All staff should be clearly informed of performance expectations, including consequences of non-performance. Where appropriate, these should be formalised in position descriptions, performance appraisal documents or employment contracts.

¹⁰⁵ Queensland Commission of Audit Final Report, February 2013 and Queensland Government's response to the Commission of Audit's final report, *A plan: better services for Queenslanders*, 30 April 2013.

Key documents for all public servants are the Code of Conduct for the Queensland Public Service; the *Public Sector Ethics Act 1994*; and the *Public Service Act 2008*.

Recommendation

That agencies implement policies and programs to ensure that:

1. Candidates for roles with management or supervisory responsibilities are positively vetted for a skill-set appropriate to the role.
2. Existing officers with supervisory or management roles have proper skills in and understanding of the function and duties of effective supervision.
3. Agencies initiate programs to manage and remedy the performance of managers who fail to effectively perform their supervisory functions.

Acceptance of gifts and benefits

Across the public sector, most departments and agencies should have policies governing public servants' acceptance of gifts and benefits. These are intended to reduce the risk, or perception, of improper influence by members of the public upon government decision making — in short, to prevent bribery of public officials.

The current *Public Service Directive 22/09 Gifts and Benefits* is the key document in this regard; in general, most public servants are well aware of the restrictions it places on their acceptance of gifts and benefits from outside the public sector. However, while the directive covers both giving and receiving gifts, it only applies where gifts are given to public officials “when they are acting in their official capacity”.¹⁰⁶ The current policy framework does not specifically deal with the issue of gifts given or accepted by colleagues within the workplace.

The potential for inappropriate influence is obvious when the offer of a gift or benefit comes from an external party and so caution is exercised. In the CMC's view, the same prudence should be exercised in accepting gifts, benefits or hospitality within the workplace. It is not advocating that there should be no gift-giving between colleagues; in most workplaces presents are given and accepted without any adverse impacts or larger implications. Nonetheless, public servants when considering whether or not to accept a gift or offer — whether from a peer, subordinate or superior— should ask themselves, “Why am I being offered this gift, and could my integrity or the integrity of my agency be compromised if I accept it?”

Consideration should be given, particularly by managers, to the potential implications of such offers, particularly in relation to the value of the item, the frequency of the gift-giving, and the power and/or hierarchical relationship between the giver and the recipient. Managers who accept gifts or other benefits, particularly from those they supervise, may find their authority and objectivity compromised. They also have an obligation to maintain appropriate standards of conduct and professionalism in the workplace.

Certainly managers should *never* attempt to solicit gifts, benefits or services from those they supervise or those in less senior positions in the organisation, regardless of personal circumstances. In extreme cases, such conduct may constitute workplace harassment.

The CMC has requested that the Public Service Commission consider amending the *Public Service Directive 22/09 Gifts and Benefits*, in particular in relation to acceptance of gifts and benefits within the workplace.

106 Section 6 “Definitions”.

Managing risk in a context of organisational change

All organisations undergo change. In the public sector, this may take the form of machinery-of-government changes or restructures designed to promote greater efficiencies. As discussed in Chapter 3, organisations must ensure that major structural or workplace change includes a full review of all relevant policies, delegations, protocols and reporting arrangements. Such a review ensures that corporate governance requirements are appropriate to the new structure and relationships, and provide guidance and authoritative reference to the affected employees.

In particular, any move of business units or functions should be supported by a full risk assessment of the post-restructure environment. Where risks are identified, these must be analysed at the design phase and supported during implementation by appropriate organisational controls. These should be communicated to and discussed with managers taking on responsibility for the new functions; implementing practical work-area-based oversight mitigates the identified risks and sets a clear direction in line with organisational controls.

In addition, given increasing workforce mobility, greater movement of staff between the public and private sectors, and consequent turnover in staff, agencies should ensure organisational continuity by regular review and refresher training in policies and procedures.

Recommendation

That agencies undertaking restructures or other organisational changes implement a strict productivity and risk based analysis of work flows, procedures and accountabilities to ensure that local and overall efficiency is not compromised.

Fraud awareness and prevention

QAO reports tabled in Parliament since the discovery of the Barlow frauds show that public sector agencies may still be putting themselves at risk by not engaging actively enough with the issue. In its report published in June 2012, six months after Barlow was arrested, the QAO found that the number of control issues identified during its audits demonstrated that significant scope remained for improvement in the area of fundamental governance responsibility. The QAO also found that:

The internal control issues identified during our audit, such as lack of criminal history checking, controls over preventing duplicate payments, missing reports and documentation, and inadequate monitoring and checking that controls were operating effectively, also contribute to an environment where fraud can occur and remain undetected.¹⁰⁷

As recently as March 2013,¹⁰⁸ the QAO assessed fraud controls at three departments, including QHealth, and again identified deficiencies. The CMC quotes part of that report here as a reminder of the importance of corporate will, and the key role of senior leadership, in safeguarding public assets from fraud:

While senior management is committed to fraud control, this is not being supported by visible processes to actively prevent, detect and respond to fraud. This means the risk of fraud occurring and going undetected is unacceptably high ...

Having policies, plans and reporting and investigation procedures alone is not sufficient. What is missing and is much needed is a targeted campaign of fraud prevention and detection ...

There is also little evidence that agency culture reinforces the message that fraud management is a core responsibility of every employee. There is little fraud specific education and awareness training. As a result,

107 Queensland Audit Office, *Results of audits: internal control systems*, Report No. 5 for 2012, June 2012, page 1. See the full report at <www.qao.qld.gov.au/files/file/Report5for2012-Resultsofaudits-A7-clearerPDFs.pdf>.

108 Queensland Audit Office, *Fraud risk management*, Report No. 9 for 2012–13, March 2013. See the full report at <www.qao.qld.gov.au/report-9--2012-13>.

employees are less likely to be alert to, and aware of, fraud risks, or to know what to do if they suspect fraud.¹⁰⁹

The QAO also outlined some of the key elements of an effective fraud prevention blueprint:

- strong organisational commitment to good governance
- active senior management engagement
- visibility of control mechanisms
- reinforcement of fraud awareness through employee education and training.

As the QHealth experience has demonstrated, fraud is a live issue that must be factored into agency planning and risk management. Given the high cost to the public sector — and ultimately to taxpayers — of trying to repair the damage done by an instance of fraud, agencies must take early and informed preventative action.

Recommendation

In light of the QAO reports and Queensland Health investigation, that agencies, as a matter of urgency:

1. Undertake a full review of their fraud control and awareness policies and procedures, ensuring that these are up to date and that there is effective alignment between governance controls and actual work processes.
2. Undertake a systematic implementation of fraud awareness training for all staff, appropriate to their function and level.

109 Ibid., page 1.

CRIME AND
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