FRAUD AND CORRUPTION CONTROL FRAMEWORK

Implementation document for the Corruption Prevention policy

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1 Fraud and corruption control framework

The department’s Fraud and Corruption Control Framework (the Framework) is based on Standards Australia Fraud and Corruption Control Standard AS8001-2008 and incorporates the ten key attributes of fraud control contained in the Audit Office of New South Wales Fraud Control Improvement Kit February 2015.

There are three themes within the Framework. They are illustrated below:

Prevention

Detection

Response

The Framework has ten key attributes which sit within the three themes above. The ten attributes are:

1. Leadership
2. Ethical framework
3. Responsibility structures
4. Fraud control policy
5. Prevention systems
6. Fraud awareness
7. Third party management systems
8. Notification systems
9. Detection systems
10. Investigation systems
The ten attributes can be illustrated across the three themes as below:

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The Fraud Prevention and Corporate Reporting team and the Employee Performance and Conduct Directorate (EPAC) are responsible for the implementation of the Framework. The Framework applies to all staff. The Fraud Prevention and Corporate Reporting team sits within the Governance and Government Services Directorate (GGS).

Progress on the implementation of strategies to promote ethical behaviour and the minimisation of corrupt conduct are monitored by the Audit and Risk Committee and the Serious Misconduct and Investigation Team.

The fraud control policy does not operate in isolation and has strong links to other ethical behaviour policies (such as the Code of Conduct).

## 2 Ten attributes of the Fraud and Corruption Control Framework

### 2.1 Attribute one: Leadership

The Secretary and the department's Executive and Senior Managers are committed to managing fraud risks. The Secretary has endorsed the corruption prevention eLearning course (via MyPL). The department's Executive and Senior Managers are also held accountable for implementing the Framework. Where appropriate, responsibility for driving fraud control
processes are contained within the individual performance agreements and work plans of the Senior Managers.

2.2 **Attribute two: Ethical framework**

The department has clear policies and procedures which set out the acceptable standards of ethical behaviour. These policies include the department’s *Code of Conduct* and *Private and Secondary Employment Policy*. The department has also made available the *Fraud and Corruption Risk Guide* to assist managers on the assessment of risks as they relate to fraud and corruption. Policies are reviewed annually to ensure they are up to date and in line with the relevant standards.

2.3 **Attribute three: Responsibility structure**

There is a clear accountability and responsibility structure for implementation and monitoring of departmental corruption prevention strategies. The structure is made known to staff across the department. The responsibility for the prevention of fraud and corruption rests with senior management. However, all staff have a role to play in preventing, detecting and reporting fraud.

Whilst the primary responsibility for the identification of fraud and corruption rests with management, internal audit examines the adequacy of internal controls over high-risk processes and evaluates the potential for fraud to occur.

The department uses specific examples and relevant case studies as part of an ongoing education and awareness campaign. Managing fraud risks is included in business plans to demonstrate fraud management is integrated with the department's core business. The department uses specific examples and relevant case studies as part of an ongoing education and awareness campaign.

The primary responsibility for the prevention and detection of fraud rests with the governing body and management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying risks of fraud, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud. The governing body is responsible for ensuring that management is carrying out the tasks assigned to them in relation to fraud risk and prevention, as well as understanding the environment to determine if management can override or influence the controls in place.

2.4 **Attribute four: Fraud control policy**

The department has corruption prevention strategies, policies, procedures and systems in place to minimise corruption. These policies, procedures and systems respond, and are proportionate, to the corruption risks faced by the department. The *Corruption Prevention Policy* incorporates the ten attributes of fraud control contained in the *Audit Office of New South Wales Fraud Control Improvement Kit February 2015*.

The *Corruption Prevention Policy* does not operate in isolation and has strong links to other ethical behaviour policies. All senior executives, principals, managers and supervisors are responsible for monitoring and evaluating the operation of the policy within their area of responsibility.
2.5 **Attribute five: Prevention systems**

The department’s senior management is committed to controlling fraud and corruption risks. Fraud and corruption risk assessments are undertaken by the department in accordance with industry standards and quantify the level, nature and form of the risks to be managed. Improvements to internal control systems are made to mitigate risks identified in fraud and corruption risk assessments and are monitored for effectiveness over time.

A Fraud and Corruption Control Management Plan that outlines the department’s actions in implementing and monitoring fraud and corruption prevention detection and response initiatives is reported to the department’s Executive, and the Audit and Risk Committee, annually.

All reports of fraud, action taken and outcomes are managed by EPAC. Pre-employment screening is conducted for all new employees of the department.

The department’s Information System’s Unit has developed a number of Information Security Strategies as part of the information and communications technology and Corporate Strategic Planning process.

2.6 **Attribute six: Fraud awareness**

Every employee has a responsibility to contribute to eliminating fraud and corruption. The department’s *Code of Conduct* and training and awareness programs are provided to assist departmental staff in understanding the expected standards of ethical conduct. A *Corruption Prevention e-Learning Course* is provided to staff on the identification of fraud and corruption risks faced by staff in their workplace, the fraud and corruption control accountabilities of line management and how to respond if fraud or corruption is suspected.

The *Statement of Business Ethics* is provided to customers, suppliers and the community, and sets out the expected standards of behaviour of departmental staff when conducting business with customers, suppliers and community members.

2.7 **Attribute seven: Third party management systems**

The incidence of fraud and corruption can be reduced through the education of customers, suppliers and the community about acceptable standards of behaviour expected of DoE staff, and of the customers, suppliers and community members that interact with DoE. As expectations about standards of behaviour can differ, it is important that DoE outlines its expectations to external parties with whom it interacts.

All staff can develop understanding through training and the inclusion of fraud and corruption prevention information in newsletters, letters, invoices, contracts, tenders and on DoE internet and intranet sites.

Resources such as the *Simple Procurement Guide* and the *Procurement Governance Manual* explains how staff are to conduct procurement activities for goods, services and construction, thus ensuring that the department employs consistent procurement processes that are aligned with current NSW Government policy. These resources ensure that staff remain aware of the fraud risk and complexities for procurement services.

The standards of behaviour expected by DoE in business relationships with external parties are outlined in the *Statement of Business Ethics*.
2.8 **Attribute eight: Notification systems**

Policies, systems and procedures are in place to enable reporting of suspected fraud, corrupt conduct and child protection issues. Fraud and corruption notification systems give the complainant the opportunity to report the suspected fraud or corrupt conduct anonymously. Any employee who makes a report of suspected fraud or corrupt conduct is protected from reprisal by the department via the *Code of Conduct* and the protections afforded by the *NSW Public Interest Disclosure Act 1994* and the Commonwealth *Public Interest Disclosure Act 2013*. Policies, systems and procedures give equal opportunities to managers, staff, students, contractors, consultants, customers and suppliers to notify the organisation of suspected fraud, corrupt conduct or child protection issues. A confidential database of all suspected fraud, corrupt conduct and child protection issues is maintained by the department. The report of allegations of fraud and corruption is reported to the Secretary via EPAC.

Departmental policies outline the rights of employees to externally report suspected fraud and corruption. Departmental policies also identify the nature of suspected fraud and corruption which require reporting to the NSW Police, the Independent Commission Against Corruption, the Audit Office of New South Wales, and to other external agencies. External notification takes place as required in light of the above legal and policy requirements.

2.9 **Attribute nine: Detection systems**

Available data is analysed and reviewed to ensure that irregularities and warning signals are identified at an early stage and flagged for further review. The department’s management is responsible for implementing control mechanisms that minimise the risk of fraudulent transactions and corrupt behaviour. Internal audits/reviews regularly examine samples of medium and high risk processes across the department to detect irregularities. Outcomes of audits/reviews are reported to the department’s Executive, and the Audit and Risk Committee, on a quarterly basis.

2.10 **Attribute ten: Investigation systems**

Investigations are conducted by appropriate staff in accordance with widely used and recognised investigation standards. Alleged or suspected fraud and corrupt conduct by department staff is investigated by EPAC and/or senior management.

An assessment is undertaken to determine whether or not the allegation meets the threshold for investigation, local management or does not warrant EPAC investigation. Where matters do not meet the EPAC threshold for investigation, these are either referred back to the local manager to handle the matter or a record is kept of the report as an inquiry. Some matters are also referred to appropriate areas for handling under the department’s *Staff Complaint Procedure*.

The department’s *Code of Conduct* is provided to assist staff in understanding the expected standards of ethical conduct. Disciplinary standards relevant to the department set out the behaviours that constitute a breach of discipline and how that breach will be dealt with.