FRAUD AND CORRUPTION CONTROL FRAMEWORK

Implementation document for the Fraud and Corruption Control policy

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	2013	First publication as Fraud and Corruption Control Procedures.	
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1.0.1	19/04/2020	Minor review.	Director, Fraud Prevention and Corporate Reporting
1.0.2	24/06/2020	Updated to current branding.	Director, Fraud Prevention and Corporate Reporting
1.1.0	03/11/2020	Updated to align with updated standard, AS8001-2021. Document amalgamated with Corruption Prevention Framework, which is no longer active.	Executive Director, Chief Risk Office
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1   Introduction

The Department of Education is committed to effectively managing fraud and corruption risks and supporting the delivery of our objectives through the Fraud and Corruption Control Framework. This contributes to higher levels of confidence and trust from government and the public.

All employees need to be aware of fraud and corruption risks in their workplace. Employees must take all reasonable and practical steps to avoid or manage those risks and must report all suspected cases of fraud and corruption. Employees can make public disclosures as outlined by the Public Interest Disclosures Act 1994.

1.1   Purpose of the Fraud and Corruption Control Framework

The department's Fraud and Corruption Control Framework aims to:

- minimise opportunities for internal and external fraud and corruption
- protect public finances, assets, information and organisational and individual rights
- outline the behaviour expected of employees to report suspicion or actual fraud and corruption
- clarify accountability, responsibilities and implementation of fraud and corruption control arrangements
- maintain the effectiveness of the department's operations and fraud and corruption control systems.

The framework is based on 4 best-practice fraud and corruption control resources:

- NSW Treasury – Treasury Circular 18-02 NSW Fraud and Corruption Control Policy (TC18-02)
- NSW Independent Commission Against Corruption (ICAC) – Advice on developing a fraud and corruption control policy (ICAC advice)
- Audit Office of NSW – Fraud Control Improvement Kit
- Standards Australia – AS8001:2021 Fraud and Corruption Control.

1.2   Scope

The framework applies to the whole department, including all NSW Government schools and early childhood education centres.

It applies to all employees, as defined in the Code of Conduct and includes any person, whether remunerated or not; employed on an ongoing, temporary or casual basis; contractors; consultants; volunteers; committee members; and public officials working with the department.

Employees must inform external consultants, business associates and suppliers of the department's expectations around fraud and corruption control, prior to and during the period of their engagement.

1.3 Definitions of fraud and corruption

1.3.1 Fraud

Fraud is defined in the <u>NSW Fraud and Corruption Control Policy</u> as 'dishonestly obtaining a benefit, or causing a loss, by deception or other means[1]'.

Fraud requires dishonesty, which is proven by intent or recklessness, not simply an accident or error.

1.3.2 Corruption

Corrupt conduct is defined in the <u>Independent Commission Against Corruption Act 1988</u>. It can be simply described as the deliberate conduct of any individual, whether a public official or not, that adversely affects (or could adversely affect), either directly or indirectly, the honest and impartial exercise of functions by a public official.

<u>Appendix 1</u> contains other relevant and useful definitions.
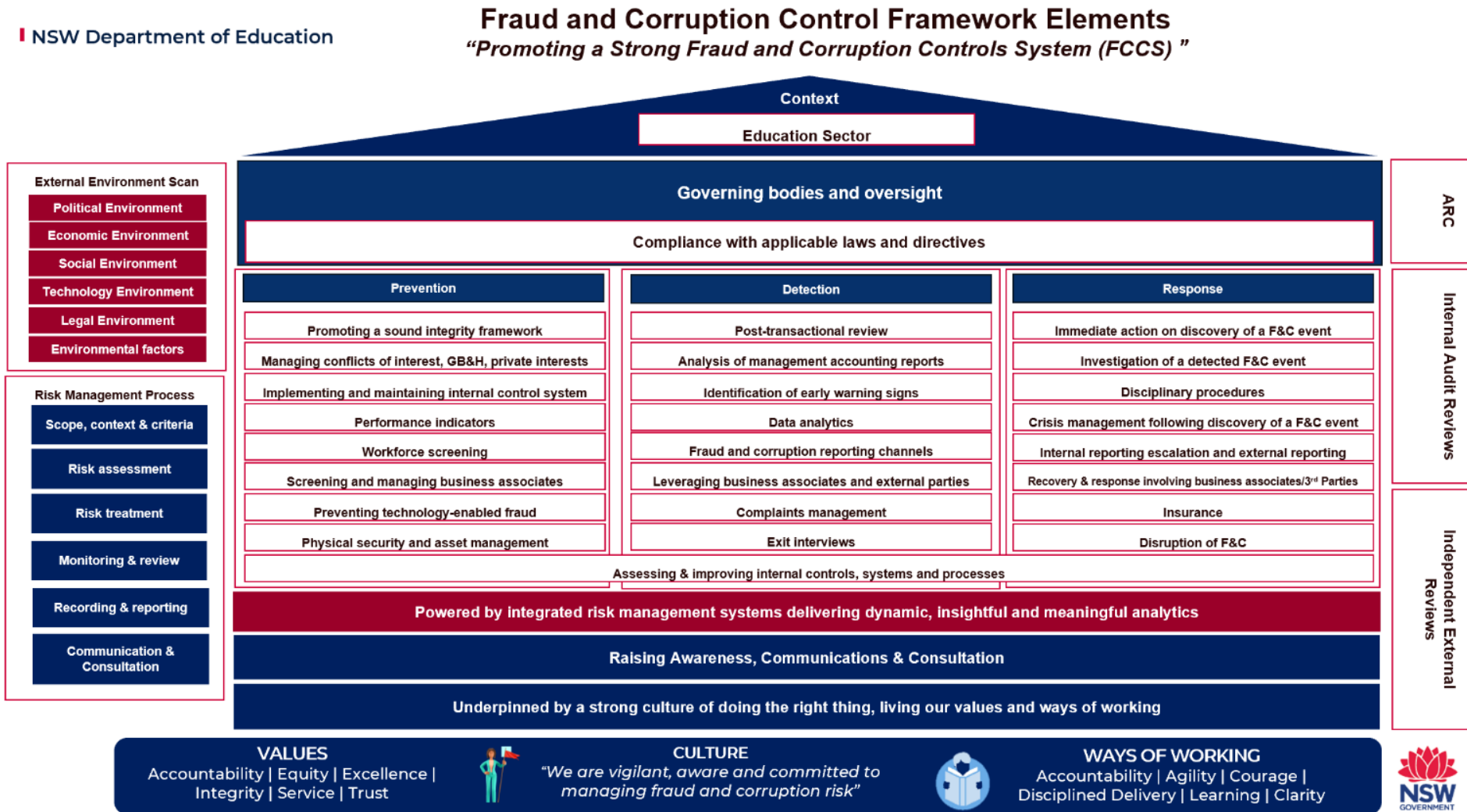
2 Fraud and Corruption Control Framework

The department's Fraud and Corruption Control Framework is underpinned by its fraud and corruption control systems and framework elements. The department is committed to promoting a strong system to ensure fraud and corruption control. Table 1 outlines the key elements of the department's framework and Figure 1 illustrates the overall framework elements.

Table 1 Key elements of the department's fraud and corruption control framework

Foundations	Prevention	Detection	Response
- Fraud and corruption risk management - External environment scan - Conduct policies - Roles and accountabilities (three lines model) - Awareness programs – employees, community and third party	- Integrity framework - Managing conflicts of interest, private interests and gifts and benefits - Internal control systems - Performance targets - Screening: - workforce - business associates - Preventing technology-enabled fraud - Physical security and asset management	- Detection systems: - Post-transactional review - analysis of reports - early warning signs - data analytics - reporting channels - Internal notification systems - Complaint management - Exit interviews	- Investigation system - Disciplinary procedures - Internal and external reporting - External notification systems - Recovery and review - Insurances

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[1] Commonwealth Attorney General's Fraud Control Framework Guidance – 'Resource Management Guide No. 201 – Preventing, detecting and dealing with fraud' reissued in August 2017

Figure 1 Fraud and corruption control framework elements

Fraud and Corruption Control Framework Elements
"Promoting a Strong Fraud and Corruption Controls System (FCCS)"

3   Foundations for fraud and corruption control

3.1   Fraud and corruption risk management

Fraud and corruption can have serious consequences including direct financial loss, wasted resources, damage to the department's reputation and loss of confidence in public education.

Fraud and corruption risk is managed in accordance with the principles outlined in the Enterprise Risk Management (ERM) policy and ERM framework, and the ISO 31000 standard. The risk management process includes facilitating fraud and corruption risk assessments, risk treatment, monitoring and review, recording and reporting, communication and consultation. Fraud and corruption risk management also includes risk-based, intelligence-lead controls that prevent, detect and respond to fraud and corruption.

3.2   External environment scan

In addition to internally focused risk reviews, business areas need to scan and monitor the external environment to identify fraud and corruption risks to which the department may be exposed. These include:

- political environment – government leadership, budget position and lobbying interests
- economic environment – interest rates, inflation, unemployment, monetary and fiscal policies
- social environment – demographics, significant world events and integrity issues
- technology environment – technological advancements, social media platforms
- legal environment – industry specific regulations, case law
- environmental factors – environmental issues that may affect the department.

3.3   Implementing and monitoring the Fraud and Corruption Control Framework

The Audit and Risk Committee periodically reviews the framework. The department will promote, implement and monitor the framework, ensuring that employees are aware of:

- indicators of fraud and corruption
- expectations and reporting requirements when they identify or suspect fraud and/or corruption
- actions taken about reported fraud and corruption.

The Principal Fraud Risk Officer maintains the Fraud and Corruption Control Plan. The plan drives implementation of the framework and enhancements to our systems, processes, controls, capabilities and practices so they remain fit-for-purpose for the department's fraud and corruption exposure and needs. The relevant fraud and corruption controls will be included in the annual internal control assessment and certification by the Chief Financial Officer of the effectiveness of internal controls over financial information.

3.4 Conduct policies underpin integrity

The department maintains policies, procedures and guidelines that collectively underpin an integrity framework. The Fraud and Corruption Control policy should be read in conjunction with to the following documents.

Ethical framework

- Code of Conduct (includes Conflicts of Interest)
- Gifts, Benefits and Hospitality procedures
- Statement of Business Ethics
- Public Interest Disclosures (PID) Internal Reporting Policy and PID Management Guidelines.

Procurement framework

- Code of conduct for procurement activities
- Procurement policy
- Procurement manual and guidelines for goods and services.

Recruitment

- Recruitment policies and guides.

Technology and cyber security

- Cyber security policy
- Cyber security strategy.

3.5 Roles and responsibilities

The framework outlines the accountability and responsibility structure for implementing and monitoring the department's Fraud and Corruption Control Framework. Refer to Appendix 1 for an overview of roles and responsibilities.

Our governance structure is aligned to Treasury Policy TPP20-08 NSW Internal Audit and Risk Management Policy and the Institute of Internal Auditors' '**three lines model**'. Figure 2 illustrates the three lines model as it applies to the department.

Figure 2 Department of Education three lines model
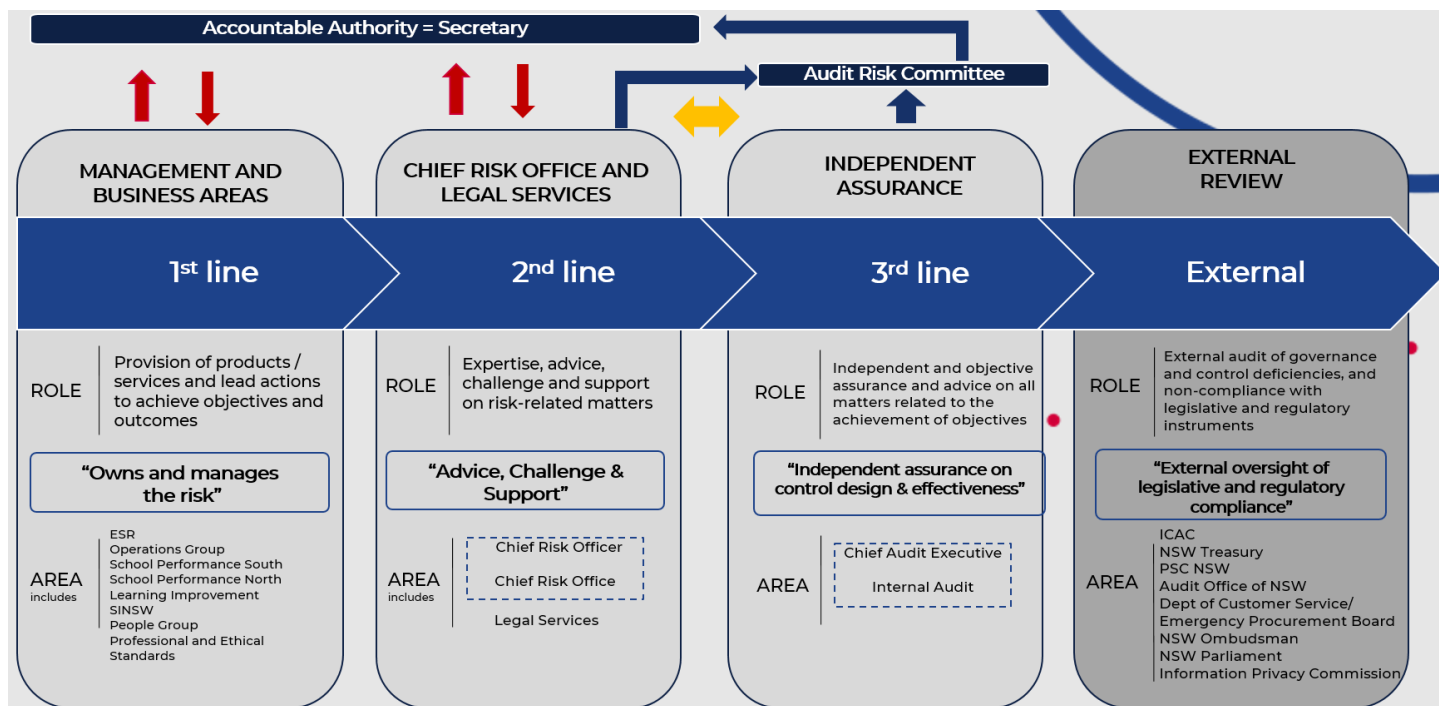
3.6 Awareness programs

The department coordinates fraud and corruption awareness programs to promote employee, supplier and community awareness of their fraud and corruption risks and how to respond if they detect or suspect a fraud and corruption event.

The Chief Risk Office and the Professional and Ethical Standards directorate, as the department's specialist fraud and corruption resources, support the implementation of these programs and the provision of advice.

3.6.1 Employee awareness

Key awareness initiatives for employees include:

- mandatory training programs in the subject areas of Code of Conduct, Fraud and Corruption Control and Declaration of Private Interests
- targeted training and awareness initiatives on high-risk areas such as conflicts of interest, gifts, benefits and hospitality, recruitment and procurement, and cyber security
- fraud and corruption risk management resources, as well as advisory support, are available on the Chief Risk Office intranet.

3.6.2 Customer, community and third-party awareness

Employees must inform external consultants, business associates and suppliers of the department's expectations relating to fraud and corruption control and standards for behaving ethically, prior to and during the period of their engagement. This includes upholding high ethical standards, promoting awareness and providing a copy of applicable integrity frameworks.

Employees must also provide them with the department's Statement of Business Ethics, which outlines the standards of behaviour expected in business relationships with external parties.

Preventing fraud and corruption

Preventing fraud and corruption is the most effective control strategy. The department's prevention strategies include financial and operational controls that are underpinned by a strong culture of integrity and business ownership.

Integrity framework

A key component for managing fraud and corruption within the department is maintaining a sound integrity framework. The department's integrity framework comprises the following elements:

- example setting and commitment – Executive and management lead a strong ethical culture and actively demonstrate commitment to minimising and managing fraud and corruption risks
- Code of Conduct and related conduct policies – describe standards of professional conduct that promote adherence to the department's and NSW Public Sector's values, providing a framework to support their day-to-day ethical decision-making
- allocating responsibility – responsibility structures clearly identify roles and responsibilities for fraud and corruption management
- risk-based approach – the framework is aligned with risk management practices as outlined in the department's Enterprise Risk Management framework.

3.7   Managing conflicts of interest and declaring private interests

Conflicts of interest arise when personal interests conflict with the duty to act in the public interest. Fraud and corruption may occur because a conflict of interest has been concealed, understated or mismanaged. Employees must be objective and impartial and be seen to be so.

The department's Code of Conduct requires that employees declare and manage any actual, potential or perceived conflicts of interest. Managers who receive conflict of interest declarations are responsible for appropriately managing conflicts of interest.

Additionally, public service senior executive (PSSE) officers are required to make a written declaration of private financial, business, personal or other interests or relationships that have the 'potential to influence or could be perceived to influence decisions made or advice given'. The department requires PSSE officers to declare a nil return, or declare their relevant private interests, when commencing employment with the department and:

- annually thereafter
- if assigned a new role or responsibility
- if their relevant private interests change significantly.

3.8   Managing gifts, benefits and hospitality

The offering and acceptance of gifts, benefits or hospitality has the potential to compromise employees by creating a sense of obligation and undermining their impartiality. Employees must be open and transparent about offers of gifts, benefits or hospitality. The department's Gifts, Benefits and Hospitality procedures outline employee responsibilities in relation to accepting and declaring gifts, benefits or hospitality.

3.9 Internal control systems

The department's internal control environment is a critical component of this framework. In accordance with the three lines model, managers and principals have a responsibility to understand and manage their fraud and corruption risks within their operations and ensure that internal control systems are in place and operating effectively ('pressure testing'). Risks need to be identified, assessed, managed and monitored. Review processes and controls monitoring program should confirm that controls are adequately designed and operating, including independent assurance reviews.

3.10 Managing performance-based targets

Goal, target and performance indicator setting may unintentionally incentivise employees, suppliers and business associates to meet targets by dishonest means.

In developing such targets, the focus should be to promote ethical conduct and implement measures that:

- avoid or minimise reliance on measures that can be easily falsified or cannot be accurately independently verified, as well as those that disproportionately penalise minor failure
- use data analytics to identify implausible or suspicious performance outcomes
- maintain the right to audit or verify performance claims.

3.11 Screening

A thorough screening process is an effective way of reducing the department's potential exposure to internal and external fraud and corruption.

3.11.1 Employee screening

The People Group manage the department's employment screening function (probity). A condition of working for the department is that potential employees are subject to workforce screening that includes employee disclosures.

Screening needs to be risk based, appropriate to the role and include:

- educational, trade, industry or other qualifications claimed
- search of company register
- ABN and bank account confirmation
- director bankruptcy search
- disqualified director search
- assessment of credit rating
- trading address verification.

3.11.2 Business associate screening

Employees responsible for engaging contractors, suppliers and consultants need to conduct screening based on a risk assessment, the services provided and the terms of engagement.

3.11.3 Post-employment screening

The department's probity team is responsible for risk-based post-employment screening. Screening is undertaken in the following circumstances.

Where the role either:

- has inherently high risk
- requires currency of qualifications and licences.

The person:

- is promoted or moved to a different role
- acquired new responsibilities in same role
- is a contractor and becomes an employee.

3.12 Preventing technology-enabled fraud

The department remains vigilant to technology-enabled fraud, which is increasing in frequency and sophistication. The Chief Information Security Officer ensures the department regularly assesses its exposure to technology-enabled fraud. Where necessary, cyber security practices are strengthened.

All employees are obliged to be alert and vigilant to technology enabled fraud and report cases to Information Technology.

3.13 Physical security and asset management

The department must implement appropriate measures to prevent the theft of valuable tangible assets. This may include security, access controls, passwords, alarms and video surveillance. The department's School Security Unit is a specialist security service, supporting schools on a range of security and asset protection issues.

4 Detecting fraud and corruption

4.1 Detection systems

Managers are responsible for implementing controls to manage fraud and corruption risks. Detection controls support early identification of irregularities or warning signals for investigation and monitoring. The department will apply detection actions, which could include:

- post-transactional reviews to uncover altered or missing documentation or falsified authorisation that may identify fraud or corruption in high-risk activities
- analysis of management reports to examine trends that may indicate fraud or corrupt conduct such as actual to budget comparison reports
- identifying and communicating early warning signals for most common fraud events
- data analytics, including applying Computer Assisted Audit Techniques (CAATs).

4.2 Reporting channels

The following policies and procedures mandate, encourage and guide internal reporting of suspected fraud and corrupt conduct:

- Code of Conduct
- Public Interest Disclosures Management guidelines (intranet only)
- Complaints Handling policy
- Staff Complaint procedure.

Employees and interested parties can make a report (including anonymously) to either:

- the employee's immediate manager or supervisor
- Professional and Ethical Standards (PES), by:

  - phone (where recommended) on 02 7814 3722 between 8:30am and 5:00pm, Monday to Friday
  - online using the PES report form (see PES' interactive Reporting Guide)
  - email at PES@det.nsw.edu.au.

4.2.1 Public interest disclosures

The Public Interest Disclosures (PID) Act 1994 encourages and protects public sector employees who report serious wrongdoing. An employee who makes a report of suspected fraud or corrupt conduct is protected from reprisal by the department's Code of Conduct and the PID Act.

Professional and Ethical Standards (PES) is responsible for the PID system. The Executive Director, PES is the department's PID manager, and the Director Investigations is the department's PID Coordinator. PES is responsible for:

- Public Interest Disclosures Internal Reporting policy – gives the commitment and framework to support and protect employees, also known as whistle blowers who report wrongdoing
- Public Interest Disclosures Management Guidelines – sets procedures to implement the policy and identifies the roles and responsibilities of the PID coordinator, disclosure officers, and all employees in making and/or receiving a PID
- providing other information and training resources for disclosure officers on request
- reporting PID data biannually to the Ombudsman in compliance with the PID Act.

All Public Service Senior Executive officers are disclosure officers and are required to forward a PID to the Preliminary Investigation Team, PES and act in accordance with the PID policy.

4.3 Complaint management

The department values feedback to improve its operations on an ongoing basis. Complaints, compliments or suggestions are encouraged from internal and external stakeholders. PES reviews the nature and types of complaints to identify trends or spikes that may indicate fraud or corruption.

4.4 Exit interviews

Managers should perform exit interviews as they can be useful in identifying relevant information about fraudulent and corrupt events from a departing employee, including other internal persons or business associates who may have been involved.

5   Responding to fraud and corruption

5.1   Immediate action on discovery

To assist a proper and prompt response on discovery of a fraud or corruption event the responsible officer should:

- identify parties involved, suspend and deactivate accesses
- identify funds or assets including current and future exposures
- freeze financial accounts to limit loss of funds
- quarantine, capture and collate evidence
- assess consequences and activate response and recovery systems.

5.2   Investigations

The department has a range of functions across the education sector that require compliance monitoring. When identified, non-compliance is escalated for an appropriate intervention from the business. Additionally, the business unit may also be required to refer the matter to Professional and Ethical Standards (PES) for investigation or directly to a law enforcement agency.

5.3   Disciplinary procedures

The department will action all sustained allegations of fraud and corruption, including attempts, in accordance with legislative and policy requirements. The Disciplinary Advisory Panel, acting within its Terms of Reference provides advice and guidance to the Executive Director PES about disciplinary decisions that may result in the dismissing, directing to resign or demoting an employee. Where an allegation is sustained as misconduct, a de-identified report is published on the PES web page judgements and decisions.

Disciplinary and/or remedial processes will apply in all cases where department employees have perpetrated or been involved with the perpetration of fraud or corruption, or have tolerated and not reported fraud or corruption. Consequences include, but are not limited to:

- dismissal or direction to resign
- placed on the department's not-to-be-employed list
- demotion, fine, caution and reprimand
- repayment of misappropriated funds and other costs
- referral to the Independent Commission Against Corruption (ICAC), and/or prosecution agencies.

In addition to the Code of Conduct and related procedures, disciplinary standards for department employees are contained in various pieces of legislation that set out some of the behaviours that constitute a breach of discipline and how that breach will be dealt with.

The relevant legislation includes:

- Government Sector Employment Act 2013
- Government Sector Employment (General) Rules 2014
- Teaching Service Act 1980
- Teaching Service Regulation 2017
- Education (School Administrative and Support Staff) Act 1987
- Education (School Administrative and Support Staff) Regulation 2018.

5.4 Crisis management

When a suspected case of fraud or corruption is detected with a potential for serious or sensitive consequences, it remains the manager's responsibility to ensure the department responds appropriately according to all protocols including consideration for internal and external communication.

5.5 Internal reporting and escalation

The Code of Conduct requires employees to immediately report to their supervisor any suspected fraud, corrupt conduct, maladministration or serious and substantial waste. Those who are reluctant to make a report to an immediate supervisor, can report to a more senior manager or PES. Fraud and corruption allegations must be handled in a confidential, prompt and professional manner. Reports must be assessed and investigated as appropriate.

Public Service Senior Executive officers, principals, managers and public interest disclosures (PID) officers must report to PES all cases of suspected fraud and corrupt conduct. If for any reason an employee does not wish to report internally, they have a right to make the following reports externally:

- corrupt conduct to the ICAC
- maladministration to the NSW Ombudsman
- serious and/or substantial waste to the NSW Audit Office.

The department's high-risk functional areas must capture, report, analyse and escalate detected fraud and corruption events. The information and intelligence should be used to:

- validate that the fraud and corruption control are operating effectively
- identify trends and themes to inform improvements to the fraud and corruption control system and focus areas.

The department has statutory obligations to report instances of fraud and corruption to external agencies as set out below:

- Crime – Section 316 of the Crimes Act 1900 requires employees to report serious crimes (crimes punishable by 5 or more years in prison) to the NSW Police Force. Workplace managers must report actual or suspected crime to PES who will assess the report and ensure it is properly reported to police.
- Corrupt conduct – Section 11 of the ICAC Act requires the Secretary to report to the ICAC any matter that the they suspect concerns or may concern corrupt conduct.
- Financial statement discrepancies – The Secretary, with the assistance of Internal Audit, must report any serious discrepancies that might affect the department's annual financial audit and departmental Annual Financial Statements to the Audit Office of NSW.

5.6 Recovering stolen funds or property

The department will consider legal action to recover department funds or resources improperly taken and prosecution of those involved in criminal actions where the benefits are considered worthwhile.

5.7 Responding to fraud and corruption committed by business associates

In circumstances where fraud or corruption is committed by a business associate (including contractors and subcontractors), the department's action will be in accordance with what is prescribed in:

- legislation (mandatory referral to enforcement or regulatory authorities)
- contracts (penalty, renegotiation, termination, for recovery of damages (including via a claim on the insurer of the business associate)
- department procedures (civil recovery, escalated monitoring, declining future engagements).

5.8 Insurance

The department will periodically undertake a review of its overall insurance program. This includes reviewing insurance coverage associated with cyber security, and the loss associated with theft and malicious damage.

5.9 Post-event internal control review

Following the detection of a fraud and corruption event, the responsible manager must reassess the adequacy of the internal controls and consider whether remediation or enhancements to existing controls are required.

5.10 Impact on third parties and notification

The department's responses to fraud and corruption should consider an impact assessment on third parties including:

- students, parents and carers and the broader community
- suppliers, commercial partners, and clients
- partner or related government agencies.

Where third parties are impacted by a fraud or corruption event, the department will consider whether it is appropriate to notify affected third parties (even when there is no legal obligation to do so).

5.11 Disruption initiatives

The department shall consider and, where appropriate, implement disruption initiatives that further reduce the likelihood and consequences of fraud and corruption events.

Appendix 1 – Definitions

Corrupt conduct – The Independent Commission Against Corruption defines corrupt conduct generally as the conduct of any individual, whether a public official or not, that adversely affects (or could adversely affect), either directly or indirectly, the honest and impartial exercise of public official functions.

Corruption prevention – Corruption prevention includes all organisational features designed to resist or limit fraud and corrupt conduct. These features include accountability and effective and efficient administration. Corruption prevention focuses on improving systems and procedures, changing the attitudes of employees and improving the overall integrity and performance of the organisation. It involves management commitment, employee commitment, resources and networking.

Fraud – Broadly defined in the NSW Fraud and Corruption Control policy as 'dishonestly obtaining a benefit, or causing a loss, by deception or other means[2]'

Fraud is specifically established as an offence in section 192E of the Crimes Act 1900.

Internal fraud is where the fraud is committed by employees or other persons internal to the department and commonly arises from serious or continued breaches of the various conduct policies and procedures and/or non-compliance with statutory obligations.

External fraud is where the party or parties complicit in the fraud are external to the department including suppliers, the public or organised criminal groups.

Fraud and corruption risk assessment – The overall process of fraud and corruption risk identification, analysis, evaluation and treatment.

Internal control – A process that provides reasonable assurance of the achievement of the following:

- effectiveness and efficiency of operations including business objectives and safeguarding of resources
- reliability of financial reporting including operating information
- compliance with applicable laws, regulations, policies and procedures.

Maladministration – Conduct that involves action or inaction of a serious nature that is contrary to law, unreasonable, unjust, oppressive, improperly discriminatory and based wholly or partly on improper motives.

Private interests – Private interests are those interests that can bring benefits or disadvantages to public officials as individuals, or to others whom public officials may wish to benefit or disadvantage. Private interests are not limited to pecuniary interests or to interests that can bring direct personal gain or help avoid personal loss. They also include many social and professional activities and interests.

Private interest declaration – A mandatory written declaration made by public service senior executives and nominated employees disclosing their private financial, business, personal or other interests or relationships that have the potential to influence, or could be perceived to influence, their decisions or advice.

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[2] Commonwealth Attorney General's Fraud Control Framework Guidance – 'Resource Management Guide No. 201 - Preventing, detecting and dealing with fraud' reissued in August 2017

Public Interest Disclosure – An allegation of corruption, serious maladministration, serious and substantial waste, or breach of the Government Information (Public Access) Act 2009 made by a public official about a public official and made under the provisions of the Public Interest Disclosure Act 1994, which provides protections to whistle-blowers.

Public official – For the purposes of the Independent Commission Against Corruption Act 1998, section 3 defines a public official as an individual having public official functions or acting in a public official capacity, this includes all department employees.

For the purposes of the Public Interest Disclosures Act 1994, section 4A defines a public official as an individual who is an employee of or otherwise in the service of a public authority, and includes (without limitation) a public service employee.

Risk management – The coordinated activities to direct and control an organisation with regard to risk.

Serious and substantial waste – Uneconomical, inefficient or ineffective use of government resources, authorised or unauthorised, which results in significant loss or wastage of public funds or resources.

Serious crime – Defined in the Crimes Act 1900 as a crime carrying a maximum penalty of five or more years in prison. In general, acts (including attempts whether successful or not) of criminal dishonesty including theft, fraud, and secret commissions.

Appendix 2 – Roles and responsibilities overview

Table 2 Roles and responsibilities for managing risk in the department

Role	Responsibility
Secretary	• has ultimate responsibility and accountability for risk management in the department • promotes a positive risk culture and adhere to all requirements • manages compliance with conduct policies • maintains an appropriate fraud and corruption control system with the objective to ensure public finances and assets are adequately protected, to guarantee accountability in the implementation of fraud and corruption control arrangements • ensures that managers and decision makers at all levels in the department understand that they are accountable for managing risk within their sphere of authority and in relation to the decisions they take • ensures all employees are aware they are accountable for managing risks in their day-to-day roles, including carrying out their roles in accordance with policies, frameworks and procedures, identifying risks and inefficient and ineffective controls and reporting these to the appropriate levels of management • manages appropriately all fraud and corruption risks including conflicts of interest disclosed to them.
Senior management including (deputy secretaries, executive directors and directors)	• have accountability for managing risk within their sphere of authority and in relation to the decisions they take • promote a positive risk culture and adhere to all requirements • manage compliance with conduct policies • have accountability to oversee the effective implementation of the Fraud and Corruption Control Policy and this Framework within their business area. Demonstrate commitment and compliance including allocating appropriate resources to adequately manage their fraud and corruption risks • manage appropriately all fraud and corruption risks including conflicts of interest disclosed to them • Public Service Senior Executive officers shall report all cases of suspected corrupt conduct to Professional and Ethical Standards.
Line management including (supervisors, managers and principals)	• have accountability for managing risk within their sphere of authority and in relation to the decisions they take • promote a positive risk culture and adhere to all requirements • manage compliance with conduct policies • take appropriate action in response to reported suspected fraud and corruption including conflicts of interest disclosed to them.
All employees	• have responsibility for managing risks including fraud and corruption risks in their day-to-day roles and responsible for the decisions they take. Take practical steps to avoid or manage risks associated with fraud and corruption in the workplace. This includes identifying risks, inefficient or ineffective controls and reporting these to the appropriate level of management • act lawfully, ethically and honestly and in accordance with the department's Code of Conduct, conduct policies and encourage the reporting of fraud and corruption • comply with all legal requirement and all departmental policies, procedures and guidelines, including acting within their delegated authority • promptly report instances of suspected fraud and corruption in accordance with reporting requirements • be aware of, understand and comply with the department's Fraud and Corruption Control Framework, including the Fraud and Corruption Control policy • contribute to the development of improved systems, processes and capabilities to enhance the department's prevention, detection and responsiveness to fraud and corruption

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	• must be risk-aware, maintain knowledge and skills required to undertake their duties including actively seeking education and training to learn.
Professional and Ethical Standards directorate	• designs, develops and maintains the department's Code of Conduct, which describes the standards of professional conduct expected of employees • maintains the department's public interest disclosures system, which provides a framework to support and protect employees who report fraud and corruption and other serious wrongdoing • records, escalates and monitors alleged fraud and corruption events including coordinating internal and external reporting (criminal matters to NSW Police and corruption matters to the Independent Commission Against Corruption) • conducts, coordinates and monitors investigations into allegations of misconduct and take related risk management and disciplinary action • provides insight to the Executive and leadership teams through meaningful analytics • builds awareness and capability by providing and promoting training and awareness programs.
Chief Financial Officer (CFO)	• ensures that relevant fraud and corruption controls are included in the annual internal controls assessment and CFO certification of the effectiveness of internal controls over financial information.
Chief Risk Office	• designs and develops the department's Fraud and Corruption Control policy and framework • coordinates periodic review of the department's fraud and corruption risks • provides expertise, advice, support and challenge on fraud and corruption risk-related matters • builds awareness and capability by promoting fraud and corruption training and awareness programs.

Internal Audit	• provides assurance of the effectiveness of the risk management framework including the design and operating effectiveness of internal controls
	• assists management with the detection of suspected fraud and corrupt activities by considering, during planning and delivery of internal audit projects, that
	  – significant fraud risks are considered when developing the 'audit universe' and conducting audits
	  – appropriate mitigation strategies that align with the department's risk appetite are in place and operating
	  – changes to the level of fraud risk are identified and communicated promptly to management.

The Audit and Risk Committee (see ARC Charter)	• provides independent advice and guidance to the Secretary on the department's governance processes, risks management and control frameworks (including corruption and fraud prevention), and its external accountability requirements • periodically reviews the department's framework including the fraud and corruption control plan and be satisfied that the department has an appropriate system of fraud and corruption control.
External Audit (Audit Office of NSW)	• carries out audit procedures aimed at detecting instances of fraud, significant deficiencies in internal controls, material misstatements and major instances of non-compliance with laws and regulations that may arise from fraud or corrupt conduct • undertakes periodic reviews of internal controls and governance of large public sector agencies including high risk functions such as procurement, and declarations of gifts, benefits and hospitality.

Appendix 3 – Reference documents

The Fraud and Corruption Control Framework is part of a broader legal and policy framework constituted by:

- the <u>Independent Commission Against Corruption Act 1988</u>, which establishes mandatory corruption reporting obligations and defines corrupt conduct
- the Crimes Act 1900, which establishes criminal offences
- the <u>Public Interest Disclosures Act 1994</u>, which provides protections for public servants who report fraud and corruption
- the department's <u>Code of Conduct</u>, which clarifies the standards of behaviour expected of employees in the performance of their duties
- the <u>Public Service Commission's Behaving Ethically Guidelines 2014</u>, which provides a guide to assist employees to demonstrate ethical conduct
- the <u>Public Service Commission's Code of Ethics and Conduct for NSW Government Sector Employees</u>, which identifies mandatory requirements and best practice conduct for all government sector employees
- Treasury Circular <u>TC18-02 NSW Fraud and Corruption Control Policy</u>, which sets out the key minimum requirements necessary to establish and maintain an appropriate fraud and corruption control system
- Australian Standard AS8001:2021 Fraud and Corruption Control, which provides minimum requirements for developing, implementing and maintaining an effective fraud and corruption control system
- International Standard ISO 31000 Risk management, which provides principles, processes and a framework for managing risk
- the <u>Government Sector Audit Act 1983</u>, which establishes the Auditor-General as the independent and accountable statutory officer responsible for providing audit and audit-related services, and establishes the Audit Office of New South Wales.

Appendix 4 – Fraud and corruption examples

Examples of fraud:

accounting fraud (for example, submitting false invoices, misappropriation)

misuse of departmental assets, equipment or facilities (including purchase cards, information or intellectual property)

unlawful use of, or unlawfully obtaining of property, equipment, material or services

providing false information or failing to provide information when obliged to do so.

Examples of corrupt conduct:

inappropriate involvement with suppliers, including 'kickbacks'

failing to declare and appropriately manage conflict of interest

unlawful or unauthorised release of information

knowingly making or using forged or falsified documentation.