



Natural  
Resources  
Commission

# FRAUD CONTROL PLAN

**July 2019**

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## 1 Statement of principle

The Natural Resources Commission (the Commission) is entrusted by the community and government to protect our facilities, assets, revenues and expenditure. We have a responsibility to guard against attempts by any person to gain by deceit – money, assets, information or other inappropriate benefit or advantage.

A fraud control plan is a building block to an ethical and successful organisation. Fraud prevention and control must be the responsibility of all staff and all levels of management, and not just selected people or units within the Commission. This Fraud Control Plan (the Plan) outlines the framework for the Commission's approach to the prevention, detection, reporting and handling of fraud in the workplace.

The Plan will be achieved by implementing these concepts with a rigorous standard of investigation into allegations of misconduct, including fraud.

## 2 Client and community awareness and involvement

It is important that the Commission, stakeholders, service providers and the community generally, not only are aware of our initiatives to address the fraud problem, but also are able to play a part in the process.

The Plan has been written principally to guide our staff and management in the prevention, detection, reporting and handling of fraud. Some references, such as the *Protected Disclosures Act 1994*, relate only to government employees.

Nevertheless, we believe that the Plan has a potentially broader readership than staff and management alone. By making this document available publicly, we aim to demonstrate to the general community our commitment to detecting and addressing fraud. Further, there are some aspects of our Plan that do seek the involvement of people other than staff and management.

The Plan aims to involve the broader community in reporting of actual or suspected fraud. While the Plan encourages staff and management to report fraud and provides options for doing so, we also invite members of the public, including our stakeholders and service providers, to do the same. If you are not employed by the Commission, but you suspect fraud that involves the Commission in some way, please report your suspicions to either the:

- Commissioner of the Natural Resources Commission on 02 9228 4844
- Independent Commission Against Corruption on 02 8281 5999
- Audit Office of NSW on 02 9285 0155
- NSW Ombudsman on 02 9286 1000
- Police on 1800 622 571.

### **3 Definition of fraud**

The NSW Audit Office defines fraud as a deliberate and premeditated act which involves using deception to gain advantage from a position of trust and authority. Fraud is actually one type of corrupt conduct. Broadly, corrupt conduct is defined as the conduct of any person that could adversely affect the honest and impartial exercise of official functions by a public official.

Fraudulent acts may involve theft, the making of false statements, evasion, the manufacturing of information or acts of omission.

Examples of fraud include:

- using the Commission's funds for private benefit
- falsifying travel claims or cab charge vouchers
- falsifying timesheets
- conspiring unfairly with others to get a tender
- running a private business in working hours
- stealing equipment or supplies from work
- accepting bribes or favours for turning a blind eye to a service provider who does not provide an appropriate service
- as a contractor, sending false invoices
- as an employee of a service provider (e.g. a third party provider to the Commission) failing to process staff transactions, such as leave for friend or relatives who work at the Commission
- misappropriating funds and avoiding detection by not processing transactions.

### **4 The fraud problem**

Fraud can weaken any organisation and hurt individuals, workmates, friends, families and stakeholders. It affects morale, reputation and professionalism. Fraud wastes resources, not only through the fraud itself, but also the time and effort spent dealing with its consequences.

Fraud can:

- erode confidence in the Commission
- deprive stakeholders of their resources (e.g. a service provider's employee who misappropriates funds intended to provide a service to the community e.g. stakeholder forums)
- reduce the effectiveness of the Commission's assets and equipment (e.g. a Commission employee who inappropriately obtains exclusive use of equipment intended for official business, and uses it for personal use)
- damage staff morale.

### **5 Fraud is also a crime under the Crimes Act**

Fraud against the government may be perpetrated by both government employees and people outside the public sector.

The Commission has an obligation not only for good stewardship of our own expenditure and assets but also to ensure that funds allocated to our service providers are spent appropriately and in the best interests of our stakeholders.

## **6 Prevention**

### **6.1 Management and staff responsibilities**

The Commission does not tolerate or condone fraudulent conduct.

The most effective weapon against fraud is a well-informed workforce, prepared to disclose corrupt behaviour.

The Commission's Code of Ethics and Conduct and the Public Interest Disclosure Policy encourage staff to report all incidents of suspected corrupt conduct (including fraud), misconduct, serious mismanagement or substantial waste of public resources.

The Commission's Directors and staff are expected to create and promote an ethical workplace culture. They can best do this by ensuring that they themselves always act ethically and follow correct procedures.

The Directors are required to assess the risk of fraud occurring in their areas and implement appropriate controls. They should ensure that fraud measures are updated as work places change and that staff understand their individual responsibilities in preventing fraud.

The Directors and staff need to work together to establish an ethical and effective workplace which can identify and implement fraud prevention and control measures.

## **7 Fraud risk assessment**

A fraud risk assessment measures the vulnerability of an organisation to fraud and is essential for fraud prevention and control.

The Commission completed the Audit Office of NSW recommended fraud risk assessment in 2015. The completed assessment is filed in TRIM. Future assessments should be completed using the Fraud Control Improvement Kit available from the Publications section of the [Audit office of NSW](#) website.

Specifically, the purpose of assessment is to:

- define the Commission's fraud risk profile
- determine the effectiveness of existing control measures
- enable judgements to be made on any required fraud counter-measures.

Where fraud risk ratings are assessed as high for particular controls, strategies need to be put in place to address the risk.

The fraud risk assessment process does not replace existing manuals or procedures, but is additional and complementary.

## **8 Detection**

### **8.1 Good controls**

Fraud can be detected by establishing effective accounting and system controls, and by recognising variations from standard practice.

Staff are important in detecting fraud because of their detailed knowledge of work practices and accountabilities. Staff cooperation and initiative prevents and detects a significant amount of fraud.

### **8.2 Fraud signals**

Directors and staff should be alert to the common signs of fraud. Signals for potential fraud include:

- illogical excuses and reasons for unusual events or actions
- senior staff involved in routine process work, such as purchasing, ordering and receiving of goods
- staff evidently living beyond their means, who have access to funds or control or influence over service providers
- excessive staff turnover
- staff who do not take holidays for extended periods
- potential conflicts of interest not declared
- excessive number of duties (e.g. both processing and approving the same transaction) residing with one person
- undue secrecy, or excluding people from available information
- staff who treat controls and standard practice as challenges to be overcome or defied
- evidence of failure to conduct reference checks on staff prior to employment
- unauthorised changes to systems or work practices
- missing documentation relating to stakeholder or agency financial transactions
- “blind approval,” where the person signing does not sight supporting documentation
- “duplicates only” of invoices
- alterations of documents, such as invoices, time sheets.

## **9 Reporting**

### **9.1 Where to report**

You should report any suspicions of fraudulent behaviour first to your line manager, or alternatively to:

- Director Corporate Services
- Executive Director
- Commissioner
- the Independent Commission Against Corruption, Audit Office of NSW, NSW Ombudsman or the Police.

You should report your suspicions to only those people who absolutely need to know. This protects people from allegations that may not be proven and prevents the possible destruction of evidence.

## 9.2 Protected disclosures

If you report suspected corrupt conduct through the appropriate channels, as set out above, you will be protected from detrimental action by the *Public Interest Disclosures Act 1994*. This Act provides the framework for the protection of government employees who report corrupt conduct. Information received as a protected disclosure is strictly confidential, and includes the:

- identity of the person making the disclosure
- nature of the disclosure
- identity of the person or persons against whom the disclosure has been made.

Consequently, staff wishing to report fraud are encouraged **NOT** to make anonymous complaints.

## 10 Handling

### 10.1 Investigating fraud

Investigations into alleged fraud will be conducted according to natural justice principles, which mean people subject to the allegations:

- are presumed to be innocent until proven guilty
- have a right to respond to allegations and to be represented during any formal disciplinary proceedings.

The Plan is supported by the Commission's Code of Ethics and Conduct. The principles outlined in the Code encourage an ethical climate where all staff protect public funds and property, and report any corrupt behaviour. Staff alleged to have committed fraud may expect to face disciplinary procedures under the *Government Sector Employment Act 2013*.

The Director Corporate Services is responsible for initiating investigations into allegations of suspected fraud that concern staff. The conduct of disciplinary procedures is guided by the expertise of Department of Premier and Cabinet's Procedures for Dealing with Misconduct as a Disciplinary Matter.

Where particular forensic or financial skills are required, the Commission's contracted internal audit firm can be used.

Fraud alleged to have occurred in connection with service providers is closely monitored by the Commission through appointed investigators.

The Commission's Shared Audit and Risk Committee actively monitors instances of fraud.

### 10.2 Advice to line managers, project managers and Directors

Fraud or suspected fraud can cause stress and disruption in the workplace. Information on fraud investigations should be on a strict "need to know basis".

Who needs to know will vary from case-to-case. Often, people in a work area will not even know an investigation is occurring. As a line manager, you should not promote or tolerate idle gossip.

You or others may be required to give evidence, and evidence based on gossip rather than fact can impede an investigation.

Briefing staff after an investigation can be positive and improve morale. A useful source of information on how to manage a workplace during a corruption investigation is the ICAC publication "Managing an organisation through an ICAC investigation: practical advice for management".

## 11 External notifications

The *Independent Commission Against Corruption Act 1988* requires the Commissioner to report allegations of corrupt conduct, including fraud to the ICAC Commissioner. The Director Corporate services organises the report to the ICAC and also reports suspected fraud to the police when sufficient information has been obtained to confirm the likelihood of fraud.

## 12 Document control

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Approving Officer	Commissioner