

FRAUD AND CORRUPTION CONTROL POLICY

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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 Policy and Plan (the Plan) outlines the Commission's approach to the prevention, detection, reporting and handling of fraud in the workplace.

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.

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

2 Policy Statement

The Commission has zero tolerance for any form of fraud and corruption. Fraud and corruption can negatively impact the Commission's financial operations and damage its reputation. It is expected that all Staff members representing the Commission set and meet the highest standards of professionalism and conduct.

No level of fraud or corruption will be tolerated, and immediate action will be taken whenever such activity is detected.

This Plan is intended to:

- provide the outline for dealing with fraud and corruption risks faced by the Commission
- provide guidance to staff in the risk-based approach adopted by the Commission for control of fraud and corruption
- ensure all staff are aware of their responsibilities in regard to fraud and corruption, including how to report wrongdoing.

3 Who does this Plan apply to?

The Plan applies to Commission members (Commissioners and all staff members including:

- ongoing - permanent staff
- temporary staff
- casual staff
- other Government sector employees who are on secondment or assigned to the Commission

- contractors
- consultant
- volunteers
- employees of organisations who provide services under contract to the Commission.

For the purposes of this Plan,

- “Staff member” refers to all people to whom this Plan applies.
- “Senior executive” refers to assignment to the following roles:
 - Executive Director
 - Director.

4 Key responsibilities

4.1 Commissioner

The Commission as the Agency head is ultimately responsible for the Fraud and Corruption Policy and Plan and management of the implementation within the Commission.

4.2 Commission

Members must always act lawfully, ethically and honestly, and in accordance with the Commission’s Code of Ethics and Conduct.

4.3 Executive Director

Responsible for ensuring fraud and corruption risks are addressed by the Commission.

4.4 Directors and other managers

A Director or manager responsible for supervising or managing an individual or group of staff, is responsible for:

- ensuring this Plan is implemented
- ensuring effective risk management and internal control systems are operating
- taking a leadership role in promoting ethical behaviour
- considering new risks on a regular basis and adjusting systems where necessary
- ensuring staff understand the purpose of, and comply with, the internal control systems.
- reporting suspected cases of fraud and corruption.

4.5 Public Interest Disclosure Officer

When receiving any allegations of fraud and corruption, Public Interest Disclosure Officers are responsible for:

- dealing with disclosures impartially
- complying with the confidentiality obligations outlined in the Commission’s Public Interest Disclosures Policy and Procedure
- supporting public officials who make public interest disclosures and take all reasonable steps to protect them from victimisation, harassment or any other form of reprisal
- ensuring officers who are the subject of a disclosure are treated fairly and reasonably
- assessing each disclosure to determine whether the disclosure appears to be a public interest disclosure within the meaning of the *Public Interest Disclosures Act 1994*

- determining the appropriate action to be taken in relation to the disclosure
- if considered appropriate, carrying out or coordinating any internal investigation arising out of a disclosure
- reporting on the findings of any investigation and recommending or determining any further action.

4.6 All staff

All staff have a responsibility to:

- always act lawfully, ethically and honestly, and in accordance with the Commission's Code of Ethics and Conduct
- understand and comply with internal control systems, policies and procedures
- act within their delegated authority
- report instances of suspected fraud and corruption
- provide assistance in investigations when requested.

4.7 Service Providers

GovConnect and the Commission are responsible for:

- maintaining the confidentiality, integrity and availability of information in its custody
- maintaining the segregation of functions under the instructions of the Commission
- periodically analysing client activity
- monitoring access to information and reporting any suspected fraudulent behaviour.

5 What is fraud and corruption?

For full definitions refer to sections 8 and 9 of the *Independent Commission Against Corruption Act 1988*. In summary, this includes the definitions below:

ICAC definitions of fraud and corruption include:

- Fraud: the dishonest obtaining of a financial or other benefit by deception
- Corruption: improper acts or omissions, proper use of influence or position and/or improper use of information.

Categories of fraud or corruption include:

- theft of equipment, consumables/stores, funds, information, intellectual property
- unauthorised use of equipment, staff resources, consumables/stores, system passwords, building access cards, corporate credit cards, corporate identity, confidential information, intellectual property
- falsification/fabrication of information, e.g., leave and attendance records, travel claims, petty cash claims, academic qualifications, records of work experience, purchase orders and payment vouchers
- misuse of position or authority for personal gain or benefit of associates, e.g., seeking of bribes, providing biased advice to the NSW Government, nepotism in staff appointments, favouring uncompetitive suppliers, failure to obtain competitive quotes, accessing restricted areas, ordering of equipment or stores for personal use.

Examples of fraud include:

- using the Commission's funds for private benefit
- falsifying travel or expense claims

- falsifying timesheets
- conspiring unfairly with others to get a tender
- running a private business in working hours
- stealing equipment or supplies from work
- withholding information that forms part of the advice the Commission provides to government
- falsifying public submission data
- accepting bribes
- accepting 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.

6 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 and damage its reputation
- 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.

7 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.

8 Prevention

8.1 Risk assessment

The Commission undertakes periodic risk assessment of its fraud and corruption controls systems, through its internal audit process.

Senior executive managers and the Commission through the audit and risk management reporting monitor fraud and corruption control, in addition to other organisational risks. Should any internal or external audit findings be presented to the Commission, they will be managed and overseen by the Executive Director.

8.2 Staff awareness

Team members are required to undertake mandatory training to gain an understanding and appreciation of:

- what fraud and corruption are
- their responsibilities for preventing, detecting and reporting fraud and corruption; and
- how they can act to address the risks of fraud and corruption.

8.3 External party awareness

Customers, suppliers and stakeholders are aware of the Commission's approach to managing fraud and corruption risks through the Commission's published policies and guidelines. These include the following policies:

- Fraud and Corruption Control Policy and Plan
- Code of Ethics and Conduct Policy
- Gifts, Benefits and Hospitality
- Engaging with Lobbyists and Business Contacts.

9 Fraud risk assessment

Conforming to this Plan will considerably reduce the following risks:

- misuse of position or authority
- loss of funds, equipment, stores and confidential information
- unauthorised use of equipment, staff resources, stores and confidential information
- damage to the Commission's reputation
- inability to meet corporate objectives
- detrimental effect on morale and performance.

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 and annually reviews the risk assessment 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.

10 Detection

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.

10.1 Fraud signals

The Commission does not tolerate any reprisal action against people who report wrongdoing.

This Policy and the following policies and procedures are in place to facilitate internal reporting of suspected fraud and conduct:

- Code of Ethics and Conduct Policy
- Public Interest Disclosures Policy
- Conflicts of Interest Policy
- Gifts, benefits and hospitality Policy.

10.2 Detection systems

Systems and data access controls are in place and regularly monitored to ensure that irregularities and early warning signals are identified at an early stage for investigation and monitoring. These include internal audit, external audit, systems to manage human resources, payroll, access control, procurement and financial transact

All staff members 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.

11 Reporting

All public officials have an obligation to report instances of suspected or detected fraud and/or corruption. Reporting actual or suspected corruption is in the public interest. It helps public officials and public sector organisations to prevention corruption and to deal with it promptly and effectively when it does occur.

11.1 Response

The Executive Director is responsible for ensuring risk management and reporting responsibilities are undertaken and will also oversee any relevant report and/or investigation into suspected fraud and corruption.

The responsible person assisting the Executive Director will ensure confidential records of all reports and actions are recorded in the Commission's records management system, with documents afforded the appropriate security settings to maintain confidentiality.

All reports of suspected fraud and corruption are managed through:

- preliminary inquiry
- investigation
- disciplinary procedures
- recovery action
- mandatory external reporting.

11.2 Confidentiality

All staff have rights and responsibilities in relation to confidentiality. Information about fraud and corruption allegations made under the *Public Interest Disclosures Act 1994* should be managed following the Public Interest Disclosures Policy and Procedures.

Failure to maintain confidentiality is a breach of the Code of Ethics and Conduct and may also breach the *Public Interest Disclosures Act 1994*. This may result in action against the relevant employee.

11.3 Procedural fairness

Decisions must be made fairly and respectfully. Before a finding of fraud or corruption is made against a person, they should be informed of the substance of the allegation against them and provided with an opportunity to be heard. Additional support mechanisms may be available for all parties where they are required.

Procedural fairness is afforded to all parties by adhering to the Commission's prescribed process, including the Public Interest Disclosures Policy and Procedures.

11.4 Where to report

You should report any suspicions of fraudulent behaviour first to your Director/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.

11.5 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.

12 Handling

12.1 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* (GSE Act).

The Executive Director is responsible for initiating investigations into allegations of suspected fraud that concern staff. The conduct of disciplinary procedures is guided by the:

- Sections 67 to 70 of the GSE Act
- Clause 14 of the GSE Regulations
- Parts 2, 7 & 8 of the GSE Rules
- PSC Guideline 2014-004, Performance Development Framework (PDF) and supporting guides.

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 actively monitors instances of fraud, through regular audit and risk management reporting.

12.2 Advice to Directors, line managers and project managers.

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".

13 Breaches of the Fraud and Corruption Policy and Plan

The Commission has zero tolerance for any form of fraud or corruption. Failing to report suspicion or detection of fraud or corruption can undermine the Commission's compliance with its statutory obligations and affect the working relationships of individual staff, as well as the Commission's reputation.

Behaviour that is contrary to this Plan must be reported to your Director or manager, or to another senior executive.

Engaging in fraud and/or corruption can result in disciplinary proceedings for misconduct, as well as criminal prosecution.

14 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.

15 Further information and resources

Internal Policies:

- Code of Ethics and Conduct Policy
- Managing Benefits and Gifts Policy
- Public Interest Disclosures Policy and Procedures
- Use of Mobile Devices Policy
- Procurement Policy
- Purchasing Cards Policy
- Risk Management Policy
- Travel Policy.

16 Legislation -NSW

- Independent Commission Against Corruption Act 1988
- Public Interest Disclosures Act 1994
- Government Information (Public Access) Act 2009
- Ombudsman Act 1974
- Public Finance and Audit Act 1983
- Government Sector Finance Act 2019
- Government Sector Employment Act 2013

17 Other resources

- Audit Office of NSW - Fraud Control Improvement Kit February 2015
- Independent Commission Against Corruption website – “About Corruption”, “Reporting Corruption” and “Preventing Corruption”

18 Support and/or advice

- Employee Assistance Program – (AccessEAP) 1800 818 728 info@accesseap.com.au
- SafeWork NSW – Information, advice or assistance 13 10 50

19 Document control

Date approved	October 2021
Review period	Biennial
Comments	<i>June 2019 – Internal audit completed on the plan. 2022 internal audit planned</i>
Responsible Officer	Director Corporate Services
Next review	March 2024
Approving Officer	Executive Director