

**MEDIA RELEASE****3 March 2022****Fraud prevention**

Auditor-General, Mr Michael Harris, today presented a report on **Fraud Prevention** to the Speaker for tabling in the ACT Legislative Assembly. The audit considered the effectiveness of fraud prevention activities in three ACT Government agencies: Community Services Directorate, Transport Canberra and City Services Directorate and Access Canberra. The audit considered fraud prevention planning and monitoring, the management of conflicts of interest and the provision of training and related fraud awareness activities.

The audit found that the agencies undertake activities designed to prevent or minimise the risk of internal fraud, including developing and implementing Fraud and Corruption Prevention Plans and reviewing fraud and corruption risks on a regular basis. The agencies have also established assurance mechanisms for the management of fraud and corruption risks, including oversight by audit committees and regular reporting from the Senior Executive Responsible for Business Integrity Risk (SERBIR).

Expectations of ACT public servants to declare real and perceived conflicts of interest is set out in legislation and whole-of-government policy. Mr Harris said ‘the effectiveness of agencies’ conflict of interest practices is largely determined by employees recognising and knowing what to do when a conflict of interest exists, and managers having the tools to actively manage those conflicts. A shift towards ‘positive reporting’, which requires employees to declare that they do or do not have a conflict of interest, would help to ensure that conflicts of interest don’t go undeclared’.

The agencies undertake activities designed to foster fraud awareness among employees, including through training and awareness-raising activities. However, further work could be done to ensure that training is tailored, learning is tested and staff completion of relevant training is recorded and tracked. More could also be done to measure staff perceptions of fraud and corruption risks and test the effectiveness of the communication and training activities on staff awareness.

The summary of **Fraud Prevention: Report No 2/2022**, with audit conclusions and key findings are attached to this media release.

Copies of **Fraud Prevention: Report No 2/2022** are available from the ACT Audit Office’s website [www.audit.act.gov.au](http://www.audit.act.gov.au). If you need assistance accessing the report please phone 6207 0833.

# SUMMARY

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Fraud in the public sector takes resources away from the services on which the public depend and undermines the integrity of government.

In the last five years there have been 131 allegations of fraud being perpetrated by ACT public servants, of which 42 were substantiated. While the cost of fraud to the ACT Public Service is unknown, these acts damage the ACT community's trust in the integrity of the ACT Public Service and its capacity to effectively protect public resources.

The Commonwealth Fraud Prevention Centre, in the Commonwealth Attorney-General's Department, advises that fraud is often underestimated and unchecked in government and can be a costly and challenging problem to address. The Centre also advises that prevention measures are the most cost-effective way to limit the size and impact of an organisation's fraud risk.

This audit considers the fraud prevention measures of three ACT Government agencies: Community Services Directorate (CSD), Transport Canberra and City Services Directorate (TCCS) and Access Canberra (Chief Minister, Treasury and Economic Development Directorate (CMTEDD)). It considers fraud prevention planning and monitoring, the management of conflicts of interest and the provision of training and related fraud awareness activities.

## Conclusions

### FRAUD PREVENTION PLANNING

The agencies considered as part of the audit undertake activities designed to prevent or minimise the risk of internal fraud. This includes developing and implementing Fraud and Corruption Prevention Plans and reviewing fraud and corruption risks on a regular basis. The Plans are effective in providing a clear indication of how the agency will address allegations of fraud, and the roles and responsibilities of employees and senior management in minimising fraud and corruption risks. The agencies have also implemented effective assurance mechanisms for the management of fraud and corruption risks, which include oversight by audit committees and regular reporting from the Senior Executive Responsible for Business Integrity Risk (SERBIR).

### CONFLICTS OF INTEREST

The expectations of agencies in relation to the management of conflicts of interests is set out in whole-of-government policy. There are also whole-of-government policies for activities that have a higher risk of conflicts of interest, such as when public servants hold second jobs or receive gifts, benefits and hospitality and undertake recruitment.

The effectiveness of agencies' conflict of interest practices is in large part determined by employees being transparent about when a conflict of interest exists and managers having the tools available

to actively monitor the conflict. A shift towards ‘positive reporting’, which puts the onus on employees to declare that they do not have a conflict of interest, may assist this.

### FOSTERING A CULTURE OF FRAUD PREVENTION

The agencies considered as part of the audit undertake activities designed to foster fraud awareness among employees. Common activities include making policies and procedures available on the intranet and regularly releasing all-staff emails reminding employees about fraud and corruption procedures or emerging risks. The SERBIR and other members of the agency’s Executive have a strong presence in these messages. Differences in how these communications are designed and delivered reflect attention to the operating environment and workplace profile unique to each of the agencies.

All three agencies have developed and provide training about integrity to new employees. CMTEDD and CSD provide this training online, while TCCS provides it online and in person to accommodate the diversity of its workforce profile. In CSD and CMTEDD, further work could be done to ensure the training is tailored to the agency’s unique business risks, the effectiveness of the learning is tested and participation numbers recorded and tracked.

More could be done to measure staff perceptions of fraud and corruption risks in the agency, and test the effectiveness of the communication and training activities on staff awareness. The annual staff survey is one means of achieving this.

## Key findings

### FRAUD PREVENTION PLANNING

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The *ACTPS Integrity Policy (2010)* has provided a sound basis for fraud and corruption prevention activity in the ACT Government since 2010. However, the framework for fraud and corruption prevention has developed and evolved since this time and the Policy contains outdated and incorrect references. A review of the Integrity Policy is currently underway and a revised policy is expected in early 2022.

2.7

The three agencies considered in this audit each have a Fraud and Corruption Prevention Plan, which has been updated every two years. The coverage of topics in these Plans is broadly similar. The Plans provide a statement of commitment to prevent fraud and corruption, and outline for staff the legislative and policy obligations for ACT government agencies and public servants, the various roles and responsibilities for fraud and corruption prevention and the avenues for reporting and processes for responding to allegations of fraud and corruption. The three agencies’ Plans do not contain time-bound action items that address specific fraud and corruption risks, which is a requirement of the Integrity Policy. However, the Plans serve the useful purpose of providing a contemporary overview of each agency’s approach to minimising fraud and corruption. Further, there is a need to review the Integrity Policy and whether its requirements remain fit for purpose.

2.21

<p>Implementation of an agency's Fraud and Corruption Prevention Plan is led by the agency's SERBIR, who is identified as the 'champion' of integrity and the contact point for staff on fraud and corruption matters. SERBIRs are not formally recruited, trained or resourced for this role, and undertake the role in addition to their substantive responsibilities. SERBIRs are assisted by internal teams with expertise in audit, risk and security, and by the Community of Practice established by the ACT Integrity Commission. TCCS has established an internal SERBIR Support Network, which meets every 6 weeks. It is made up of senior representatives from the legal and contracts, human resources, governance, and security areas of TCCS. This is a positive initiative that is likely to enhance the SERBIR's capacity to deliver on their responsibilities.</p>	2.26
<p>The three agencies' fraud and corruption risks have been documented in a fraud and corruption or integrity risk register that is updated at least biennially, with input from a variety of business areas. The three agencies have developed their risk registers using different tools (Word, Excel, software); however, each describes the source, implications, and treatment options to mitigate specific fraud and corruption risks. The three agencies' risk registers recognise internal fraud risks that are common to the public sector (e.g. falsifying time-keeping records, or the misuse of credit cards) as well specific risks to the agency's operations (e.g. misappropriation of rent from public housing tenants, conflicts of interest influencing a decision to issue a permit).</p>	2.40
<p>The COVID-19 pandemic significantly affected the ACT Public Service's operating environment and the policy and program priorities of some areas of government. As envisaged by the Integrity Policy, the three agencies considered in this audit actively responded by either reviewing their risk profiles and associated documents, or raising staff awareness of the risks and challenges these changes posed and reminding them of their obligations in relation to fraud and corruption prevention.</p>	2.47
<p>The SERBIRs of the three agencies considered in this audit report to the audit committee on fraud and corruption control activities multiple times a year. The reports provide updates on fraud and corruption prevention activities and the number and nature of allegations of fraud and corruption that have been received, including public interest disclosures. This information assists audit committees to fulfill a responsibility to oversee the agency's Fraud and Corruption Prevention Plan and identify areas for audit or compliance review.</p>	2.58
<p>The recent work programs of the agencies' audit committees show that they undertake a number of assurance activities annually that focus on business activities or processes that are vulnerable to internal fraud such as payment of entitlements, use of credit cards and grants management. This is a positive indication that agencies have an assurance program that includes functions that may be vulnerable to internal fraud.</p>	2.59
<p>The three agencies considered in this audit are publicly reporting most of the information required by legislation and policy in relation to fraud case numbers and prevention activities. The 2006 Standards and the <i>Annual Reports (Government Agencies) Directions</i> also require the details of fraud and corruption risk assessments</p>	2.67

to be reported; however given that annual reports are public, it is appropriate that this information is not reported.

A consolidated report of the total number of fraud incidents reported each year is not published. It is therefore difficult to establish what the full extent, source and cost of internal fraud is to the ACT Public Service, and what new vulnerabilities may be emerging. CMTEDD and the ACT Integrity Commission may wish to consider the need for such a report. 2.68

**CONFLICTS OF INTEREST**

Paragraph

In June 2021 the *ACTPS Conflict of Interest Policy* was developed and promulgated by the CMTEDD Workforce Capability and Governance Division as a whole-of-government policy for managing conflicts of interest. The Policy provides detailed guidance to ACT public servants to enable them to meet their obligations. It also sets a ‘minimum standard’ for agencies and provides comprehensive policy and associated guidance on the nature, risks, and management of conflicts of interest. It sets an expectation the conflicts of interest are formally declared, and that this information is provided to both the supervisor and the human resources team. It also suggests that conflicts of interest are ‘reflected on platforms such as the whole of government Conflict of Interest Register’. There is, however, no further advice on what this entails, and the management considerations associated with maintaining an agency or whole of government conflict of interest register. 3.19

In addition to the *ACTPS Conflict of Interest Policy*, which was promulgated in June 2021, CMTEDD and TCCS have continued to have their own conflict of interest policies: CMTEDD has a *Conflict of Interest Policy* (February 2021) and TCCS has *Conflict of Interest Guidelines* (2016). CSD no longer has its own over-arching policy or guidelines, as it has explicitly adopted the ACTPS COI Policy. The agencies manage conflict of interest declarations differently: in CMTEDD and CSD the Disclosure Form is retained in the business area and not provided to the human resources team; in TCCS the Disclosure Form is retained in the business area and is also provided to the human resources team. The three agencies do not record conflicts of interest disclosures on a central register within the agency. TCCS’ *Conflict of Interest Guidelines* indicate that one will be established, while CMTEDD’s *Conflict of Interest Policy* is silent on this requirement. CSD has been developing a register that may be made available to all agencies as an agency or as a whole-of-government conflict of interest register. There is no further information on the timing of the development of this register, its capability or protocols associated with its use. 3.30

Consistent with the *ACTPS Conflict of Interest Policy*, the three agencies have implemented additional strategies to manage the potential for conflicts of interest in some higher risk business areas and functions. In CMTEDD there are additional declaration processes for employees involved in grants management and in CSD there is additional guidance and requirements for staff involved in child and youth protection activities. TCCS has specifically recognised the risk of conflict of interest in its licensing and permit approval processes and has documented the sources of risk, existing controls and treatment activities in its risk register. 3.36

The *ACTPS Second Jobs and Volunteering Policy* (ACTPS Second Jobs Policy) was released in July 2021. It requires employees to seek approval to undertake a second job or volunteering activities so that risks of conflict of interest (as well as work health and safety concerns) can be identified and addressed. The agencies have adopted this Policy and use induction training and/or all-staff communication activities to advise staff of its requirements. 3.41

The *ACTPS Gifts, Benefits and Hospitality Policy* was released in 2016. The Policy requires that gifts, benefits and hospitality above an estimated \$40 in value be declared and a decision made by a delegate whether it can be kept or disposed of by various means. The details of the gift, benefit or hospitality received are expected to be kept on a register. The Policy requires the SERBIR or Senior Executive to periodically review (at least annually) the register and provide the Director-General a report on compliance, highlighting any matters of concern. 3.59

In practice, TCCS requires all gifts, benefits and hospitality to be recorded on its register, whereas in CSD and CMTEDD this is only required when the value is above \$40. CSD's register promotes transparency as it is visible to all staff and has useful functionality in that it can distil data about organisations providing gifts, or business areas or employees receiving gifts, to see if patterns are emerging. In TCCS the SERBIR cites all declarations of gifts, while in CSD and CMTEDD the SERBIR regularly reviews the register. 3.60

Recruitment processes in the three agencies are guided by the *ACTPS Recruitment Policy and Guidelines* (2021). The Policy acknowledges that conflicts of interest can be a risk in recruitment processes. The agencies' recruitment practices require panel members to complete a conflict of interest declaration form. CMTEDD and TCCS have a positive reporting approach in that panel members are required to declare that they don't have a conflict of interest, while CSD only requires panel members to make a conflict of interest declaration if a conflict exists. The positive reporting approach represents better practice as it places a greater onus on panel members to actively consider and recognise potential conflicts of interest. 3.68

## **FOSTERING A CULTURE OF FRAUD PREVENTION**

Paragraph

A positive workplace culture, together with leadership that exemplifies integrity, is an important control on fraud and corruption. The opening statements in each of the agencies' Fraud and Corruption Prevention Plans, which are endorsed by each agency's Director-General, illustrate the 'tone at the top' in relation to fraud and corruption. CMTEDD emphasises the legislative obligations to prevent fraud, and a commitment to protecting the agency from risks. CSD focuses on its responsibilities for the ethical use of public resources and the importance of honesty and trust in its relationship with the ACT community. TCCS focuses on personal qualities of public servants - competency, ethics and professionalism - and how these are reflected in the agency's activities. This messaging shows agency leaders seek to foster a culture of fraud awareness that aligns with the characteristics of the work force and business profile of their agency. 4.17

Over the past two years the three agencies have issued emails or news bulletins reminding staff about policies and procedures for fraud and corruption control, specifically conflicts of interest, second jobs and gifts and benefits. Messages that acknowledge the challenges of COVID-19 for ACT Public Service staff, and the heightened vulnerabilities to fraud and corruption that this may pose, are positive examples of more nuanced and context specific awareness raising messaging. Maintaining a schedule of frequent messaging from the SERBIR across a diverse range of fraud and corruption topics is a positive practice. 4.18

All three agencies provide staff with access to the Fraud and Corruption Prevention Plan and related policies and procedures on the intranet. This includes contact details for the SERBIR and instructions for reporting fraud. All three agencies use the intranet 'landing page' to communicate about fraud and corruption. Current examples include: the organisational values in relation to integrity; alerting staff to the ACT Government Conflict of Interest Policy; and reminding staff to report suspicious or unethical behaviour. CMTEDD's approach is a good example of how to use the landing page to create a high profile for integrity issues, together with bold questions and colour and imagery to attract attention. 4.22

CMTEDD and CSD have used information campaigns as an additional means of raising the profile of fraud and corruption issues for staff. The campaigns use colour, humour and imagery to attract attention in ways that may be difficult to achieve in email or intranet messages. These examples show that campaigns can also raise the profile of related activities, like the release of new fraud training modules or a new fraud control procedure. Information campaigns diversify the communication channels on fraud and corruption issues. 4.30

The three agencies provide *induction training* on integrity-related issues, with different degrees of coverage of fraud and corruption issues. CMTEDD's training includes a core module on fraud and corruption, related legislation and policy and avenues to report corrupt conduct. However, since 2019 less than 40 percent of new starters have completed this training. CSD's training includes the ACTPS Code of Conduct and conflicts of interest but does not specifically address fraud and corruption. CSD's induction training is mandatory and has been completed by 119 new starters since 2017. TCCS delivers training both online and face to face and the training includes a video that shows five fraud scenarios specific to the TCCS workplace. In 2020-21 80 percent of new starters completed this training. TCCS and CMTEDD provide *refresher training* on fraud and corruption while CSD does not, preferring to focus on messages to staff on fraud and corruption matters. TCCS and CMTEDD provide tailored fraud training as requested by different business areas as a refresher. For TCCS and CMTEDD, complete numbers of staff that have participated in *refresher training* is difficult to ascertain due to legacy record keeping arrangements. 4.55

The capacity of agencies to accurately track staff participation in fraud awareness and integrity training has been improved by the shift to online systems. The adoption of online training systems provides an opportunity to target business areas or staff cohorts that have neglected to complete training on integrity matters. TCCS is taking 4.56

the shift to a whole of government system (HRIMS) as an opportunity to further improve the tracking of training participation.

Staff perceptions of the overall integrity of an agency and its leadership are an indicator of the effectiveness of an agency's activities to foster a culture of fraud and corruption prevention. Annual staff surveys are a means of collecting these insights and can provide data that can be benchmarked year on year. The agencies considered in this audit have conducted staff surveys. CSD's survey does not include questions relevant to integrity-related matters, while CMTEDD and TCCS have asked different questions relating to integrity. CMTEDD's 2019 Staff Survey identified that 80 percent of Access Canberra staff agreed that their manager acts in accordance with the ACTPS Values in their everyday work. TCCS used the results of its 2020 Staff Engagement Survey to identify an additional risk relating to perceptions of favouritism in the workplace.

4.62

A whole-of-government survey was conducted in July-August 2021 by the Strategy and Transformation Office in CMTEDD. The survey included three specific questions that are expected to provide insight into the scale and nature of fraud and corruption in the ACT Public Service. The questions ask staff whether they have witnessed any behaviour that might be viewed as corruption in the past 12 months, what the nature of the behaviour was (with reference to 12 possible descriptors) and what they did in relation to the matter (with reference to seven possible actions). The results of the survey have not yet been made available. By periodically asking these questions, relevant and useful information on ACT Public Service fraud and corruption risks is expected to be generated. This should provide agencies with information to inform their fraud and corruption prevention and control activities.

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## Recommendations

### RECOMMENDATION 1 FRAUD AND CORRUPTION PLANS AND REPORTING

CMTEDD should provide clarity on the purpose of Fraud and Corruption Prevention Plans and the requirements for annual reporting of fraud and corruption issues. This may be achieved through the current review of the *ACTPS Integrity Policy (2010)*, which is scheduled for completion in early 2022.

### RECOMMENDATION 2 CONFLICT OF INTEREST REGISTERS

CMTEDD should provide guidance to ACT government agencies on requirements for the documentation and recording of conflict of interest declarations. The guidance should address:

- a) whether conflict of interest declarations are expected to be recorded in a centralised register in the agency; and
- b) if they are, the circumstances in which the information in the register is to be used and for what purpose.



### RECOMMENDATION 3 MANDATORY REPORTING OF CONFLICTS OF INTEREST

Where not already in place, ACT Government agencies should require all recruitment panel members to complete a conflict of interest declaration form when participating in a recruitment, including that they have no known actual or potential conflicts of interest.

### RECOMMENDATION 4 FRAUD AND CORRUPTION INDUCTION TRAINING

Where not already in place, ACT Government agencies should:

- a) provide mandatory induction training about the nature and risks of fraud and corruption and relevant ACT Public Service and agency policies. The training should be delivered with reference to examples and scenarios relevant to the business of the agency; and
- b) keep timely and accurate records of the number of staff completing the mandatory induction training.

### RECOMMENDATION 5 AGENCY STAFF SURVEYS

Where not already in place, ACT Government agencies should undertake staff surveys that collect information about the level of staff awareness of their fraud and corruption reporting obligations and the reporting channels they should use, as well as staff perceptions of the integrity of agency senior leadership. This information should be used to benchmark staff awareness levels and inform priorities for fraud and corruption prevention activities.

### RECOMMENDATION 6 WHOLE-OF-GOVERNMENT STAFF SURVEY

CMTEDD should:

- a) conduct a regular ACT Public Service survey that includes questions relating to fraud and corruption and integrity-related risks; and
- b) publicly report on the results of these surveys.

## Response from agencies

In accordance with subsection 18(2) of the *Auditor-General Act 1996* entities were provided with a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report. The final proposed report was provided for further comment.

Entities provided with the draft and final proposed report were:

- Chief Minister, Treasury and Economic Development Directorate;
- Transport Canberra and City Services Directorate; and
- Community Services Directorate.

No comments were provided for inclusion in this Summary Chapter.