

The Auditor-General  
Audit Report No.42 2009–10  
Performance Audit

# **Fraud Control in Australian Government Agencies**

**Attorney-General's Department**  
**Australian Institute of Criminology**

Australian National Audit Office

© Commonwealth  
of Australia 2010

ISSN 1036-7632

ISBN 0 642 81134 2

## **COPYRIGHT INFORMATION**

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth.

Requests and inquiries concerning reproduction and rights should be addressed to:

Commonwealth Copyright  
Administration  
Attorney-General's Department  
3-5 National Circuit  
Barton ACT 2600

**<http://www.ag.gov.au/cca>**



Canberra ACT  
27 May 2010

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Attorney-General's Department and the Australian Institute of Criminology in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure. The report is titled *Fraud Control in Australian Government Agencies*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name and title.

Ian McPhee  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:  
**The Publications Manager**  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Telephone:** (02) 6203 7505  
**Fax:** (02) 6203 7519  
**Email:** [webmaster@anao.gov.au](mailto:webmaster@anao.gov.au)

ANAO audit reports and information about the ANAO are available at our internet address:

<http://www.anao.gov.au>

---

**Audit Team**  
Adam Thomas  
Steven Lack

# Contents

Abbreviations.....	8
<b>Summary and Recommendations .....</b>	<b>9</b>
Summary .....	11
Background .....	11
Audit approach .....	14
Conclusion .....	15
Key findings by chapter.....	17
Summary of agencies' responses .....	25
Recommendations .....	26
<b>Audit Findings and Conclusions .....</b>	<b>29</b>
1. Introduction .....	31
Background .....	31
Audit objective, scope and methodology .....	34
Previous audits.....	38
Structure of the report .....	38
2. Defining and Measuring Fraud.....	39
Introduction .....	39
Defining fraud.....	40
3. Agency Roles and Responsibilities.....	46
Introduction .....	46
The Commonwealth Fraud Control Guidelines and their applicability.....	46
The role of central agencies in administering the Australian Government's fraud control policy.....	49
Assessment of how the AGD and AIC fulfil their roles.....	51
Recommendation No.1 .....	54
4. Fraud Prevention.....	57
Introduction .....	57
Governance structures.....	57
Fraud policy statement.....	62
Fraud risk assessment.....	64
Fraud control plans .....	67
Procedures and guidelines to assist fraud control .....	71
5. Fraud Awareness and Training.....	73
Introduction .....	73
The legal framework underpinning 'values' in FMA Act agencies and CAC Act bodies.....	73
Fraud awareness-raising .....	76
Training in ethics/Codes of Conduct, privacy requirements, and fraud control .....	79

Fraud investigation staff qualifications .....	83
6. Detection, Investigation and Response .....	86
Introduction .....	86
Detecting fraud .....	87
Investigating fraud .....	92
Responding to fraud .....	94
7. Performance Monitoring, Reporting and Evaluation .....	97
Introduction .....	97
Information systems to support internal reporting .....	98
External fraud reporting .....	100
Cost data and related performance information .....	102
Fraud evaluations .....	104
Recommendation No.2 .....	106
<b>Appendices .....</b>	<b>107</b>
Appendix 1: Departmental responses .....	109
Appendix 2: Survey of fraud control arrangements in Australian Government agencies .....	114
Appendix 3: Measurement of fraud .....	135
Appendix 4: An overview of FMA/CAC Act agencies and CAC Act bodies .....	137
Appendix 5: Other legislation relevant to the management of fraud .....	139
Appendix 6: Detecting fraud .....	140
Appendix 7: Bibliography .....	144
Index .....	145
Series Titles .....	146
Current Better Practice Guides .....	150
<b>Tables</b>	
Table S 1 Agencies that answered 'YES' to having implemented oversight fraud prevention mechanisms .....	20
Table S 2 Agencies that answered 'YES' to having undertaken fraud awareness and training activities .....	22
Table S 3 Agencies that answered 'YES' to complying with the Guidelines' external reporting requirements .....	24
Table 1.1 Size of FMA/CAC Act agencies that completed the ANAO's 2009 fraud survey .....	37
Table 2.1 Agencies that answered 'YES' to using the Commonwealth definition of fraud .....	41
Table 4.1 Agencies that answered 'YES' to having a fraud policy statement ....	63
Table 4.2 Agencies that answered 'YES' to having a fraud risk assessment ....	65
Table 4.3 Agencies that answered 'YES' to having a fraud control plan .....	68
Table 4.4 ANAO assessment of agencies' progress in implementing and monitoring key fraud risk treatment strategies .....	71

Table 4.5	Agencies that answered 'YES' to having procedures and guidelines that covered all fraud matters.....	72
Table 5.1	Fraud investigation staff with qualifications .....	84
Table 6.1	Agencies that answered 'YES' to having established procedures and guidelines for the conduct of fraud investigations that were in line with the AGIS .....	94
Table 6.2	Agencies that answered 'YES' (in all cases or in some cases) to documenting the reasons when a decision is taken to not refer a brief of evidence to the CDPP .....	95
Table 7.1	Agencies that did not comply with the mandatory external fraud reporting requirements .....	102
Table 7.2	Breakdown of evaluations by type, what was evaluated, and whether cost-effectiveness was considered.....	105

## Figures

Figure 1.1	Number and type of agencies that completed the ANAO's 2009 Fraud Survey .....	37
Figure 4.1	Agency responsibilities for fraud control.....	61
Figure 5.1	Fraud awareness-raising initiatives .....	78

# Abbreviations

---

ACFE	Association of Certified Fraud Examiners
AFP	Australian Federal Police
AGD	Attorney-General's Department
AGIS	Australian Government Investigation Standards
AIC	Australian Institute of Criminology
ANAO	Australian National Audit Office
APS	Australian Public Service
BPG	Better Practice Guide
CAC Act	Commonwealth Authorities and Companies Act 1997
CASA	Civil Aviation Safety Authority
CDPP	Commonwealth Director of Public Prosecutions
CEO	Chief Executive Officer
Finance	Department of Finance and Deregulation
FMA Act	Financial Management and Accountability Act 1997
GPO	General Policy Order
The Guidelines	Commonwealth Fraud Control Guidelines
PS Act	Public Service Act 1999
PSM	Protective Security Manual
RET	Department of Resources, Energy and Tourism



# **Summary and Recommendations**



# Summary

---

## Background

1. Australian Government agencies are responsible for administering significant levels of revenue and expenditure including: collecting taxes; purchasing physical assets; providing assistance via grants and subsidies; and delivering payments and services to Australian citizens. These activities involve contact with a broad range of clients and citizens and, increasingly, involve the extensive use of information and communication technologies. In this environment, the prevention and management of fraud is an important component of public sector governance.
2. Fraud against the Commonwealth includes fraud perpetrated by: an employee against an Australian Government agency or its programs; an agency client or external individual against such an agency or its programs; or by a contractor or service provider against an agency or its programs. Behaviours that may be defined as fraud include: theft, providing false and misleading information to the Commonwealth, failing to provide information when there is an obligation to do so, bribery, and corruption or abuse of office. The benefit obtained may be tangible or intangible.<sup>1</sup>
3. According to the Australian Institute of Criminology (AIC) fraud is estimated to have cost the Australian community \$8.5 billion in 2005.<sup>2</sup> The total value of fraud reported in KPMG's 2008 survey of a broad cross-section of public and private sector organisations in Australia and New Zealand was \$301.1 million, with an average value for each organisation of \$1.5 million.<sup>3</sup>
4. However, because varying definitions of fraud are used across Australian Government agencies, this data should be used with care. In essence, the measurement of the actual level of fraud is difficult, if not impossible. As well, the nature of fraud is changing as agencies adopt new approaches to deliver government services and make greater use of e-commerce, including the Internet.

---

<sup>1</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002.

<sup>2</sup> Australian Institute of Criminology, *Counting the Costs of Crime in Australia: a 2005 update*, p. 41.

<sup>3</sup> KPMG, *Fraud Survey 2008*, p. 4.

5. Fraud is an ongoing risk to the Commonwealth, and the increasing focus on responsive and flexible programs to meet community expectations can expose the Commonwealth to new areas of fraudulent activity that need to be managed. For instance, desired aspects of a policy or program, such as flexibility in service delivery, affect the inherent integrity of the program. These risks, including the proposed method of delivery, reinforce the imperative for agencies to consider program integrity and fraud control measures during the program design phase.

## **Governance structures and effective fraud control**

6. Fundamental to sound fraud management is an overall governance structure that appropriately reflects the operating environment of an agency. In broad terms, governance refers to the processes by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation. Establishing an ethical culture is a key element of sound governance and is an important factor in preventing fraud and helping to detect it once it occurs. An effective agency control structure, which includes fraud control, will assist an agency to: promote ethical and professional business practices; improve accountability; and contribute to quality outcomes.

## **Commonwealth Fraud Control Guidelines**

7. To combat fraud, the Australian Government first released its fraud control policy in 1987. As a result of a review undertaken in 1999, the then Minister for Justice and Customs issued new *Commonwealth Fraud Control Guidelines* (the Guidelines) in May 2002 under Regulation 19 of the *Financial Management and Accountability Regulations 1997*.

8. The Guidelines apply to:

- all agencies covered by the *Financial Management and Accountability Act 1997* (FMA Act); and
- bodies covered by the *Commonwealth Authorities and Companies Act 1997* (CAC Act) that receive at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency.<sup>4</sup>

---

<sup>4</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para. 1.5.

9. The Guidelines clearly define the Government's requirement that all FMA Act agencies, and relevant CAC Act bodies, put in place practices and procedures for effective fraud control.<sup>5</sup>

### The role of central agencies

10. The Attorney-General's Department (AGD) is responsible for providing high-level policy advice to the Government about fraud control arrangements within the Commonwealth. This includes developing and reviewing general policies of Government with respect to fraud control, currently embodied in the Guidelines, and advising Commonwealth agencies about the content and application of those policies. The AGD advised the ANAO that work was underway to review the current fraud control policy and subsequently revise the Guidelines.

11. Under the Guidelines, the AIC is responsible for conducting an annual fraud survey of Australian Government agencies.<sup>6</sup> The Guidelines mandate that FMA Act and relevant CAC Act agencies are required to collect information on fraud and provide it to the AIC on an annual basis. The AIC is also responsible for producing a report each year on fraud against the Commonwealth, and fraud control arrangements within Australian Government agencies. This report is known as the *Annual report to government: Fraud against the Commonwealth*, and, as mandated by the Guidelines, is to be provided to the Minister for Home Affairs.<sup>7</sup>

### Previous audit coverage

12. In 2002, the ANAO conducted a survey of fraud control arrangements in Australian Government agencies to establish the extent to which the then new Guidelines had been incorporated into agency fraud control arrangements. Based on the 2002 survey, the ANAO tabled an audit on fraud control arrangements in Australian Government agencies.<sup>8</sup> This audit

---

<sup>5</sup> The Department of Finance and Deregulation advised the ANAO that relevant CAC Act bodies are only legally obliged to comply with the Guidelines when they are subject to notification by their responsible Minister that the Guidelines apply to them as a general policy of the Australian Government.

<sup>6</sup> The AIC has the primary role to conduct criminological research. It is a Commonwealth statutory authority within the Attorney-General's portfolio.

<sup>7</sup> This report is not publicly released. It is classified 'in-confidence' and distributed to the heads of Commonwealth agencies.

<sup>8</sup> ANAO Audit Report No.14 2003–04, *Survey of Fraud Control Arrangements in APS Agencies*.

concluded that most agencies did not fully comply with the Guidelines. Particular issues identified were in the areas of: defining and measuring fraud; performing risk assessments; fraud control planning; and fraud control operations and reporting.

## Audit approach

### Objective and scope

13. The objective of this audit was to assess key aspects of Australian Government agencies' fraud control arrangements to effectively prevent, detect and respond to fraud, as outlined in the Guidelines. The scope of the audit included 173 agencies subject to the FMA Act or the CAC Act.

14. Reported progress in fraud control arrangements made by agencies since the ANAO's 2002 fraud control survey was also tracked. In addition, the ANAO examined how the AGD and the AIC fulfilled their roles as assigned in the Guidelines.

### Methodology

15. The audit methodology involved a survey supported by targeted assurance. The ANAO requested 173 FMA and CAC Act agencies to complete the fraud control survey. Responses were received from 160 agencies, representing a response rate of 92 per cent.

16. Agencies were required to provide supporting evidence to substantiate claims made in the survey. For ten per cent of the responses, the ANAO assessed the claims made in the survey against the supporting documentation that the agencies had provided. This provided a level of assurance as to the quality of the survey responses.

17. The ANAO also supplemented its high-level analysis of documents submitted by agencies with targeted assurance work. This involved a small number of agencies and focussed on how they implemented key aspects of their fraud control plans, including the treatment and monitoring of current and emerging fraud risks identified by the relevant agency.<sup>9</sup>

---

<sup>9</sup> The Australian Customs and Border Protection Service; the Department of Resources, Energy and Tourism; and the Civil Aviation Safety Authority.

18. In conducting this audit, the ANAO was mindful of the effort, in terms of time and cost, required for agencies to collate responses to surveys. For this reason, the ANAO obtained access to relevant data held by the AIC and did not request agencies to provide certain fraud information already provided to the AIC.

## Conclusion

19. The prevention, detection and management of fraud are matters of ongoing importance for the public sector. Australian Government agencies administer significant levels of revenue and expenditure and officials engage with a wide range of stakeholders, clients and citizens. Accordingly, agencies need to consider program integrity and fraud control measures as an integral part of program design and operation.

20. The *Commonwealth Fraud Control Guidelines* (the Guidelines) define the Government's requirement that all *Financial Management and Accountability Act 1997* (FMA Act) agencies, and relevant *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies, put in place practices and procedures for effective fraud control. The Guidelines emphasise that sound corporate governance for fraud control is assisted by having an overall policy and planning regime to prevent fraud, detect fraud when it occurs, and to deal with new and emerging fraud risks.

21. To gauge the reported level of compliance with the current Guidelines over time, the ANAO has undertaken two cross-agency fraud surveys (in 2002 and 2009) involving FMA Act and CAC Act agencies. Since the ANAO's 2002 survey, the reported level of compliance with the Guidelines has improved, particularly the oversight arrangements put in place by agencies to prevent fraud.

22. Overall, agencies reported that they have: established governance structures and allocated staff with responsibilities for fraud control; a specific policy on fraud control; undertaken a fraud risk assessment in the past two years to underpin fraud control planning; developed a fraud control plan, based on their fraud risk assessment; and provided fraud awareness raising and training for staff. In addition, targeted assurance conducted by the ANAO in a small number of agencies indicated that these agencies had made significant progress in implementing and monitoring the key fraud risk treatment strategies outlined in their fraud control plans.

23. Notwithstanding this indication of improvement, a key area of fraud management requiring greater attention by agencies is the evaluation of specific fraud control strategies.

24. In the ANAO's 2009 fraud survey, 54 per cent of agencies indicated that they had conducted an evaluation into the effectiveness of their fraud prevention and/or detection strategies. Most agencies indicated to the ANAO that the process of reviewing their most recent fraud control plan included an assessment of the effectiveness of the strategies and controls in place. However, only 12 per cent of agencies provided examples of evaluations of specific fraud control strategies, and only one of these evaluations considered the cost-effectiveness of fraud controls implemented.

25. In situations where, for example, an agency has: undergone changes to its structure or function; introduced a new program; changed the means of delivery of an existing program; or observed through the analysis of its fraud performance information that fraud levels have changed (such as an increase in the number of fraud allegations made through 'tip-off' mechanisms); then it would be beneficial for the agency to evaluate its fraud control strategies to determine if they are still effective.

26. At the broader whole-of-government level, the Attorney-General's Department (AGD) is responsible for administering the Australian Government's fraud control policy, and at the time of the audit, was reviewing the Guidelines. To ensure that revised guidance takes into account the matters being raised by agencies, the following known issues could be considered during the review: the definition of fraud as provided in the Guidelines; the applicability of the Guidelines to CAC Act bodies; and the opportunities available to Australian Government agencies to exchange practical experience on fraud control.

27. The Guidelines mandate that specific Australian Government agencies are required to collect information on fraud and provide it to the Australian Institute of Criminology (AIC) on an annual basis. The AIC, through its conduct of the annual fraud survey, has identified that 'the definition of fraud as provided in the Guidelines is more inclusive and general than used in practice by agencies'.

28. The AIC also reported in its *Annual report to government 2007–08: Fraud against the Commonwealth*, that not all agencies are classifying fraud incidents in the same way. The use of common definitions for fraud and categories of fraud activities would improve reporting on fraud trends. Of particular interest



would be improved time series information with a focus on: has the amount of fraud against the Commonwealth increased or decreased; trends in categories of fraud such as identity fraud; and which controls are proving more effective in the treatment of fraud. The ANAO has made a recommendation that the AGD, as part of its review of the Guidelines, consider approaches that will allow the AIC to collect, analyse and disseminate fraud trend data on a more consistent basis.

**29.** The Guidelines state that they apply to: all agencies covered by the FMA Act; and bodies covered by the CAC Act that receive at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency. However, the Department of Finance and Deregulation (Finance) advised that CAC Act bodies are only legally obliged to comply with the Guidelines when they are subject to notification by their responsible Minister, under the CAC Act, that the Guidelines apply to them as a general policy of the Australian Government. Accordingly, the ANAO has made a recommendation that the AGD continue to work with Finance to clarify which CAC Act bodies are subject to the Guidelines.

**30.** A trend in the ANAO's 2009 survey data was that small agencies (those with less than 249 employees) generally comprised the largest percentage of agencies that indicated they were not meeting the mandatory fraud external reporting requirements and were less likely to have fraud prevention oversight arrangements in place. While exposure to internal and external fraud risks will vary according to agency size and role (for example, policy, procurement, payment, or service delivery), the mandatory requirements as outlined in the Guidelines, should be adopted so that specific fraud risks are addressed. As the potential for fraud increases, fraud control arrangements should reflect the fraud risk profile of an agency or particular program. For these reasons, there is scope for the AGD in its review of the Guidelines to consider the merits of establishing an approach to the provision and exchange of practical fraud control advice to smaller Australian Government agencies in particular.

## Key findings by chapter

### Defining and measuring fraud (Chapter 2)

**31.** The Australian Government has an interest in trend information regarding the level and type of fraud being committed against the Commonwealth, at the agency and whole-of-government level. The integrity of such trend information is contingent upon common definitions for fraud. In

the ANAO's 2009 fraud survey, 97 per cent of agencies reported that they used the definition of fraud as specified in the Guidelines. This represents an improvement in reported levels since the ANAO's 2002 fraud survey, where only 50 per cent of agencies reported using the definition.

32. While most surveyed agencies indicated that they did not experience difficulties in applying the Guideline's definition of fraud, the AIC, through its conduct of the annual fraud survey, identified that the definition of fraud as provided in the Guidelines is more inclusive and general than used in practice by agencies, and that not all agencies are classifying fraud incidents in the same way. Owing to agencies' differing applications of the definition of fraud, Australian Government agencies are reporting incomplete and inconsistent data on the extent of fraud to the AIC in its Annual Reporting Questionnaire.

33. Australian Government agencies commenced annual reporting on fraud in 1995–96.<sup>10</sup> The AIC advised that since this date there has not been an opportunity to produce fraud trend information owing to the poor quality of data reported by agencies, and the inconsistencies present in the use of units of measurement and categories.<sup>11</sup> The AIC indicated that a major revision of the reporting requirements would be required in order for sufficient accuracy to be obtained from reporting so that trends could be identified from year-to-year in the future.

### **Agency roles and responsibilities (Chapter 3)**

34. The AGD is responsible for providing high-level policy advice to the Government about fraud control arrangements within the Commonwealth. This includes developing and reviewing the general policies of Government with respect to fraud control, currently embodied in the Guidelines, and advising Commonwealth agencies about the content and application of those policies.

35. The Guidelines outline the Government's requirement that all agencies covered by the FMA Act, and those bodies covered by the CAC Act that receive at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency, comply with the Guidelines.

---

<sup>10</sup> The AGD was responsible for the collection and reporting of fraud data up until 2006–07, when the responsibility was transferred to the AIC.

<sup>11</sup> The Australian Institute of Criminology's response to ANAO Issue Papers 4 February 2010.

36. However, relevant CAC Act bodies are only legally obliged to comply with the Guidelines when they are subject to notification by their responsible Minister that the Guidelines apply to them as a general policy of the Australian Government.<sup>12</sup> The AGD indicated that it does not maintain a record of those CAC Act bodies directed by Ministers to comply with the Guidelines. As a result, there is a lack of visibility as to which CAC Act bodies have (or have not) received a notification (from their responsible Minister) to apply the Guidelines. Given the review of the Guidelines, the AGD is working with Finance to address the issues surrounding the applicability of the Guidelines to CAC Act bodies.

37. While the overall trend in the ANAO's 2009 survey was a reported improvement in the use of fraud controls, a theme was that smaller agencies (those with fewer than 249 employees) were less likely to have the oversight arrangements in place to prevent fraud and were less likely to meet mandatory fraud external reporting requirements. Recent reports on fraud trends across both the public and private sectors indicate that fraud remains a prevalent and serious problem.<sup>13</sup> With the revision of the Guidelines currently in process, there is an opportunity for the AGD to consider the merits of establishing an approach for the provision of fraud control advice and information to Australian Government agencies, particularly to smaller sized agencies. Such an approach would facilitate a better understanding of the type and scale of fraudulent activities occurring across Commonwealth agencies and provide a vehicle for the exchange of information on operational fraud control practices that have proven to be successful over time and/ or in a significant number of cases.

## **Fraud prevention (Chapter 4)**

38. A central objective in fraud control is to minimise the risk of fraud occurring. Ongoing and emerging fraud risks identified by agencies completing the ANAO's 2009 fraud survey included: unauthorised or inappropriate use of information technology; the unauthorised access and release of information; the forgery or falsification of records; identity fraud; and opportunities for fraud arising from the way in which government

---

<sup>12</sup> Advice from the Department of Finance and Deregulation.

<sup>13</sup> See Association of Certified Fraud Examiners, *2008 Report to the Nation on Occupational Fraud & Abuse*, Austin, USA, 2008. KPMG, *Fraud Survey 2008*, 2009. PricewaterhouseCoopers, *Economic Crime: People, Culture and Controls. The 4<sup>th</sup> biennial Global Economic Crime Survey*, 2007.

conducts business such as the outsourcing of service delivery to external service providers, the introduction of new policy initiatives and programs, the introduction of internet-based transactions, and electronic information exchange.

39. The Guidelines state that CEOs are responsible for developing an overall fraud control strategy for the agency, including operational arrangements for dealing with fraud. As part of this strategy, agencies are required to have: established governance structures and allocated staff with responsibility for fraud issues; established a specific policy on fraud; undertaken a fraud risk assessment in the past two years (or as necessitated by changing conditions); and developed a fraud control plan based on the fraud risk assessment. It is also good practice for agencies to have procedures and guidelines that assist employees to deal with fraud matters.

40. Since the ANAO’s 2002 survey, agencies’ reported compliance with the Guidelines’ requirements for fraud prevention has improved. The ANAO’s fraud survey results for 2009 and 2002 are compared in Table 1.

**Table S 1**

**Agencies that answered ‘YES’ to having implemented oversight fraud prevention mechanisms**

Mechanism	2002 ANAO Survey (%)	2009 ANAO Survey (%)
Governance structures and staff allocated responsibilities	94	100
Fraud policy statement	80	90
Fraud risk assessment	69	88
Fraud control plan	70	86
Procedures and guidelines <sup>a</sup>	71	96

Note: <sup>a</sup> Not a mandatory requirement of the Guidelines.

41. The Guidelines require agencies to devise (and document in their fraud control plans) fraud risk treatment strategies that will address the fraud risks identified. To ensure the strategies are acted upon, agencies need to allocate responsibility and set timeframes for implementation. The ANAO undertook additional targeted assurance in three agencies: the Australian Customs and Border Protection Service; the Department of Resources, Energy and Tourism; and the Civil Aviation Safety Authority. Overall, these agencies had made significant progress in implementing and monitoring the key fraud risk treatment strategies outlined in their fraud control plans.

42. The Guidelines also state that an agency must review its fraud risk assessment if it has undergone a substantial change in structure or function. A new assessment of fraud risk would, for instance, be required when an agency introduces a new program, undergoes changes to its structure, loses or inherits functions, or changes the means of delivery of an existing program.

43. When considering the features of a new government policy or program, the design characteristics will influence the inherent capacity of the initiative to be delivered with a high level of integrity. Factors that affect the potential for fraudulent activity include the degree of flexibility in the eligibility rules and schedule of services to be provided. The method of delivery of a government policy or program can also affect the risk of fraud. For example, approaches to deliver government services increasingly use third party providers and make greater use of e-commerce, including the Internet. While these arrangements provide for ease of access to government services, they may also increase the Government's exposure to fraud.

## **Fraud awareness and training (Chapter 5)**

44. When managing the risk of fraud within an agency, it is important to create an ethical workplace and support this culture through fraud awareness-raising and training. The Guidelines require that all agency employees and contractors take into account the need to prevent and detect fraud as part of their normal responsibilities. Ensuring that staff are aware of the standards of conduct expected of them, and are alert to the responsibilities they have in relation to fraud prevention and control, is achieved through agencies undertaking fraud awareness-raising initiatives.

45. The Guidelines also encourage the training of all employees in ethics and privacy principles, and promote the specialised training of employees involved in fraud control activities. Results of the ANAO's fraud survey for 2009 and 2002 are compared in Table 2.

**Table S 2****Agencies that answered ‘YES’ to having undertaken fraud awareness and training activities**

Mechanism	2002 Survey (%)	2009 Survey (%)
Fraud awareness-raising activities	94	98
Training in ethics/Code of Conduct <sup>a</sup>	n/a	90
Training in privacy principles <sup>b</sup>	n/a	81
Training to employees involved in fraud control activities <sup>c</sup>	n/a	66

Source: 2009 ANAO Fraud Survey and 2002 ANAO Fraud Survey

Note: <sup>a,b,c</sup> Not a mandatory requirement of the Guidelines.

<sup>a,b</sup> Figures represent training provided to selected or all staff.

46. The survey results for 2009 show that agencies have given consideration to general fraud awareness-raising initiatives and training in ethics/Code of Conduct and privacy principles. However, only 66 per cent of agencies reported that they provided specific training to staff directly involved in fraud control activities. For an agency’s managers and staff to be able to identify, and thereby, prevent and control fraud requires a high level of awareness of fraud related matters. Training is an effective way of ensuring that managers and staff, particularly those appointed direct responsibility for fraud control, are well equipped to deal with all fraud matters.

47. For those staff directly responsible for investigating fraud, the Guidelines outline mandatory fraud investigation training requirements. In the ANAO’s 2009, fraud survey agencies were asked about the qualifications of their fraud investigation staff. Agencies reported that 923 of the 1119 fraud investigators have relevant qualifications, including a Diploma in Government (Investigation), Certificate IV in Government (Investigation) or another relevant qualification as outlined in the Guidelines.

**Detection, investigation, and response (Chapter 6)**

48. The Guidelines state that:

The Federal Government is determined to ensure that fraud against the Commonwealth is minimised and that, where it does occur, it is rapidly

detected, effectively investigated, appropriately prosecuted and that losses are minimised.<sup>14</sup>

49. The Guidelines indicate that agencies are to implement a fraud control program that covers both prevention and detection. While the Guidelines do not specify the detection mechanisms to be used, it is good practice to implement mechanisms, such as fraud 'tip-off' lines, to facilitate members of the public to report suspected fraudulent activity by an agency's customers, employees or contractors. Such initiatives are particularly valuable for agencies that deliver services and payments to the community. The Australian Government Services Fraud Tip-Off line is an example of a mechanism that provides members of the public with a place to report allegations of fraud against the Pharmaceutical Benefits Scheme, the Child Support Agency, Centrelink, and Medicare.

50. In the ANAO's 2009 fraud survey, 95 per cent of agencies reported that they had a mechanism in place to deal with fraud allegations made by employees and contractors. Mechanisms to deal with fraud allegations made by members of the public were less common.

51. While for some time, large service delivery agencies have used fraud 'tip-off' lines, a prominent result from the ANAO's survey was that only 45 per cent of agencies indicated that they had such mechanisms in place to facilitate reports from members of the public of alleged fraud. Mechanisms that allow the public to report fraud are particularly valuable for service delivery and 'client-facing' agencies. Such mechanisms also provide an important conduit for detecting potential fraud during the roll-out of new programs or where service delivery arrangements have substantially changed.

52. Making formal fraud reporting mechanisms available to members of the public, during the implementation of new or revised programs, can assist agencies to monitor 'spikes' in fraud allegations (including their characteristics and geographical spread) that serve to provide a useful early warning system about the design of the program and appropriate fraud controls. In cases where detection mechanisms, such as tip-off lines, indicate increased levels of fraud, it will be appropriate to evaluate the effectiveness of the existing fraud control strategies.

---

<sup>14</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, p. iii.

53. The Guidelines require that agencies’ fraud investigators be appropriately trained, and conduct investigations in line with the *Australian Government Investigation Standards* (AGIS). In the ANAO’s 2009 fraud survey, of those agencies to which the question was relevant, 89 per cent reported having procedures and guidelines in place for the conduct of fraud investigations that were in line with the AGIS.

**Performance monitoring, reporting, and evaluation (Chapter 7)**

54. Assessing the performance of fraud control activities is an important element of an agency’s accountability to key stakeholders, such as the Portfolio Minister, the Attorney-General, clients, the Australian Parliament and the general public. An effective fraud monitoring, reporting and evaluation regime provides assurance that legislative responsibilities are being met as well as assisting agencies to better manage their fraud resources, monitor short and long-term outcomes and report their performance to stakeholders.

55. The Guidelines outline the responsibilities that CEOs and their agencies have in relation to fraud external reporting. In the ANAO’s 2009 fraud survey, agencies indicated whether they had complied with the mandatory fraud external reporting requirements. The results are presented in Table 3.

**Table S 3**

**Agencies that answered ‘YES’ to complying with the Guidelines’ external reporting requirements**

Requirement	2009 Survey (%)
CEO informed Minister/Presiding Officer of all fraud control initiatives	66
Compliance statement included in Annual Report	89
Advised Australian Federal Police (AFP) of major fraud risks	46
Completed Australian Institute of Criminology (AIC) fraud questionnaire	85

Source: ANAO 2009 fraud survey

56. From a whole-of-government perspective, the ANAO’s 2009 survey results indicate that a significant number of agencies did not meet the mandatory fraud external reporting requirements. If more agencies reported on their fraud control arrangements and fraud trends, additional information would be available to assist in providing a picture of the effectiveness of the management of fraud across Australian Government agencies.



## Summary of agencies' responses

57. The AGD's full response to the audit is at Appendix 1. Its summary response is as follows:

The Attorney-General's Department welcomes the ANAO's performance audit of Fraud Control in Australian Government Agencies. AGD accepts the ANAO's recommendations, which reflect work which currently underway. The Government remains committed to protecting Commonwealth revenue, expenditure and property from any attempt to gain illegal financial or other benefits. The findings of the performance audit will assist Commonwealth agencies in minimizing their fraud risks and strengthening their organizational capacity to detect and respond to fraud.

58. The AIC's response is as follows:

The Australian Institute of Criminology is pleased to have had the opportunity to consult with your office throughout the course of this review and to be invited to offer specific comment in relation to Recommendation number 1. As a general comment, based on Institute research in the area of fraud, the ANAO's second recommendation as it applies to agencies of various type and function across the Commonwealth is appropriate.

As to recommendation No 1 specifically, the Australian Institute of Criminology agrees with this recommendation and notes that although larger agencies are less needy of fraud control advice given their internal expertise in this area, that given the nature of their programs, they are most likely to experience the most costly fraud incidents, particularly from sources external to their agencies.

# Recommendations

---

*Listed below are recommendations discussed in the body of the report.*

## **Recommendation No.1**

### **Para 3.35**

The ANAO recommends that the Attorney-General's Department, in its review of the *Commonwealth Fraud Control Guidelines* (the Guidelines), take the opportunity to:

- consult with the Australian Institute of Criminology (AIC) and consider approaches that will allow the AIC to collect, analyse and disseminate fraud trend data on a more consistent basis;
- continue to work with the Department of Finance and Deregulation to clarify which CAC Act bodies are subject to the Guidelines; and
- consider the merits of establishing an approach for the provision of fraud control advice and information to Australian Government agencies, particularly to smaller sized agencies, that facilitates the provision and exchange of practical fraud control advice.

**AGD response:** *Agreed.*

*The following recommendation is based on areas of good practice and potential improvement identified in this audit. Australian Government agencies, generally, are encouraged to assess the relevance of this recommendation in light of their own circumstances, including the extent to which it is already addressed by practices in place.*

**Recommendation  
No.2**

**Para 7.32**

The ANAO recommends that agencies reassess their fraud risks and, where appropriate, the effectiveness of existing fraud control strategies, when undergoing a significant change in role, structure or function, or when implementing a substantially new program or service delivery arrangements.



## **Audit Findings and Conclusions**



# 1. Introduction

---

*This chapter provides background to the audit, and provides an overview of the Australian Government's fraud control policy, and agency roles and responsibilities. The chapter also outlines the objective and methodology of the audit.*

## Background

### What is fraud?

**1.1** Australian Government agencies are responsible for administering significant levels of revenue and expenditure including: collecting taxes; purchasing physical assets; providing assistance via grants and subsidies; and delivering payments and services to Australian citizens. These activities involve contact with a broad range of clients and citizens and, increasingly, involve the extensive use of information and communication technologies. In this environment, the prevention and management of fraud is an important component of public sector governance.

**1.2** Fraud against the Commonwealth includes fraud perpetrated by: an employee against an Australian Government agency or its programs; an agency client or external individual against such an agency or its programs; or by a contractor or service provider against an agency or its programs. Behaviours that may be defined as fraud include: theft, providing false and misleading information to the Commonwealth, failing to provide information when there is an obligation to do so, bribery, and corruption or abuse of office. The benefit obtained may be tangible or intangible.<sup>15</sup>

**1.3** According to the Australian Institute of Criminology (AIC) fraud is estimated to have cost the Australian community \$8.5 billion in 2005.<sup>16</sup> The total value of fraud reported in KPMG's 2008 survey of a broad cross-section of public and private sector organisations in Australia and New Zealand was \$301.1 million, with an average value for each organisation of \$1.5 million.<sup>17</sup>

---

<sup>15</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 2.1.

<sup>16</sup> Australian Institute of Criminology, *Counting the Costs of Crime in Australia: a 2005 update*, p. 41.

<sup>17</sup> KPMG, *Fraud Survey 2008*, p. 4.

1.4 However, because varying definitions of fraud are used across Australian Government agencies, this data should be used with care. In essence, the measurement of the actual level of fraud is difficult, if not impossible. As well, the nature of fraud is changing as agencies adopt new approaches to deliver government services and make greater use of e-commerce, including the Internet.

1.5 Fraud is an ongoing risk to the Commonwealth, and the increasing focus on responsive and flexible programs to meet community expectations can expose the Commonwealth to new areas of fraudulent activity that need to be managed. For instance, the desired aspects of a policy or program, such as flexibility in service delivery, affect the inherent integrity of the program. These risks, including the proposed method of delivery, reinforce the imperative for agencies to consider program integrity and fraud control measures during the program design phase.

## **Commonwealth fraud control policy, and agency roles and responsibilities**

### *Fraud control policy*

1.6 The Australian Government first released its fraud control policy in 1987. As a result of a review undertaken in 1999, the then Minister for Justice and Customs issued new *Commonwealth Fraud Control Guidelines* (the Guidelines) in May 2002 under Regulation 19 of the *Financial Management and Accountability Regulations 1997*.<sup>18</sup>

1.7 The Guidelines state that they apply to:

- all agencies covered by the *Financial Management and Accountability Act 1997* (FMA Act); and
- bodies covered by the *Commonwealth Authorities and Companies Act 1997* (CAC Act) that receive at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency.<sup>19</sup>

---

<sup>18</sup> Under the current *Financial Management and Accountability Regulations 1997* (incorporating amendments up to SLI 2009 No. 268), Regulation 16A provides for the issue of fraud control guidelines (formerly Regulation 19).

<sup>19</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 1.5.



**1.8** The Guidelines state that they do not apply to a CAC Act body that does not receive the above level of funding. The Guidelines strongly encourage such agencies to comply with the best practice standards set out in the Guidelines.<sup>20</sup>

#### *Attorney-General's Department*

**1.9** The Attorney-General's Department (AGD) is responsible for providing high-level policy advice to the Government about fraud control arrangements within the Commonwealth. This includes developing and reviewing general policies of Government with respect to fraud control, currently embodied in the Guidelines, and advising Commonwealth agencies about the content and application of those policies.

#### *Australian Institute of Criminology*

**1.10** The AIC, a Commonwealth statutory authority that is part of the Attorney-General's portfolio, has the primary role to conduct criminological research. Under the Guidelines, the AIC is responsible for conducting an annual fraud survey of Australian Government agencies. The Guidelines mandate that specific Australian Government agencies are required to collect information on fraud and provide it to the AIC on an annual basis.<sup>21</sup>

**1.11** The AIC is also responsible for producing a report each year on fraud against the Australian Government, and fraud control arrangements within Australian Government agencies. This report is known as the *Annual report to government: Fraud against the Commonwealth*, and as mandated by the Guidelines, is to be provided to the Minister for Home Affairs. The role of the AIC is outlined more fully in Chapter 3 of this audit.

#### *Australian Federal Police*

**1.12** The Australian Federal Police (AFP) has the primary law enforcement responsibility for investigating serious or complex fraud against the Commonwealth. As mandated by the Guidelines, the AFP is also responsible for:

- conducting quality assurance reviews of agencies' investigations;

---

<sup>20</sup> *ibid.*, para 1.6.

<sup>21</sup> *ibid.*, para 8.13.

- maintaining the *Australian Government Investigations Standards* (AGIS); and
- providing a fraud control liaison and dissemination function.<sup>22</sup>

## Audit objective, scope and methodology

**1.13** The objective of this audit was to assess key aspects of Australian Government agencies' fraud control arrangements to effectively prevent, detect and respond to fraud, as outlined in the Guidelines. The scope of the audit included 173 agencies subject to the FMA Act and the CAC Act.<sup>23</sup>

**1.14** Reported progress in fraud control arrangements made by agencies since the ANAO's 2002 fraud control survey was also tracked.<sup>24</sup>

**1.15** The ANAO also examined how the AGD and the AIC fulfilled their roles as assigned in the Guidelines.

## Audit methodology

**1.16** A survey methodology supported by targeted assurance work was adopted. The ANAO requested 173 FMA and CAC Act agencies to complete the fraud control survey. Responses were received from 160 agencies, representing a response rate of 92 per cent.

**1.17** The survey was presented in two parts. In Part A of the survey, the ANAO sought to assess the fraud control arrangements that agencies had in place in compliance with the Guidelines, and included an examination of agencies' fraud governance, fraud prevention and fraud detection arrangements. In Part B of the survey, the ANAO sought information from agencies on the current fraud control challenges they face, the new and emerging fraud risks they have identified; and the strategies they have implemented to address these new fraud risks. In addition, the ANAO sought information from agencies on instances of fraud control better practice they had implemented.

---

<sup>22</sup> *ibid.*, para 2.14.

<sup>23</sup> To be precise, entities covered by the FMA Act are commonly referred to as 'agencies', and those entities covered by the CAC Act are referred to as 'bodies'. In order to aid in readability, in this report the term 'agencies' is used in some instances when referring to both FMA and CAC Act entities.

<sup>24</sup> ANAO Audit Report No.14 2003-04, *Survey of Fraud Control Arrangements in APS Agencies*.

**1.18** The survey was distributed to the head of each agency. The ANAO requested that the agency head ensure the overall accuracy and completeness of the survey response. Upon receipt of the survey responses, the ANAO checked any data anomalies and outlier responses.

**1.19** Agencies were required to provide supporting evidence to substantiate claims made in the survey. Evidentiary documents required from agencies included their fraud policy statement; fraud risk assessment; fraud control plan; and fraud guidelines or procedures that cover fraud matters.<sup>25</sup> For 16 selected agencies, the ANAO assessed the claims made in the survey against the supporting documentation that the agencies had provided. This provided a level of assurance on the quality of the survey responses.

**1.20** The ANAO also supplemented its high-level analysis of documents submitted by agencies with targeted assurance work. This involved a small number of agencies and focussed on how they implemented key aspects of their fraud control plans, including the treatment and monitoring of current and emerging fraud risks identified by the relevant agency.

## **Presentation of results**

**1.21** Survey responses were received from 160 agencies. In this report the ANAO refers to analysing the responses from 155 agencies, and not 160. Five agencies were not included in the analysis: responses from two agencies were received too late to be included in the analysis, and three agencies had not been in operation for the full 2007–08 financial year.

**1.22** Not all survey questions were answered by each agency. Accordingly, the reported results for each survey question relate only to the agencies that responded to the question. Information on the total number of respondents that responded to survey questions, as well as the break-down of agencies' responses, is provided as a footnote in the report where applicable.

---

<sup>25</sup> The ANAO also requested the following evidentiary documents from agencies, where applicable: three recent fraud reports provided to agency executives; evaluations of fraud prevention and/or detection strategies; three examples of documented reasons for where a decision is taken to not refer a brief of evidence to the Commonwealth Director of Public Prosecutions (CDPP); and examples of fraud control better practice activities or case studies.

## Other data sources

**1.23** In conducting this audit, the ANAO was mindful of the effort, in terms of time and cost, required for agencies to collate responses to surveys. For the ANAO's 2002 survey of fraud control arrangements, the ANAO sought information from agencies on levels of fraud allegations and cases, and on fraud related recoveries. Currently, agencies are asked to provide this type of information in the AIC's Annual Fraud Reporting Questionnaire.<sup>26</sup> Specifically, those agencies that are required to adhere to the Guidelines, are required to collect information on fraud and provide it to the AIC on an annual basis.<sup>27</sup>

**1.24** In conducting this audit, the ANAO was mindful of the effort, in terms of time and cost, required for agencies to collate responses to surveys. For this reason, the ANAO obtained access to relevant data held by the AIC and did not request agencies to provide certain fraud information already provided to the AIC.

## Characteristics of surveyed agencies

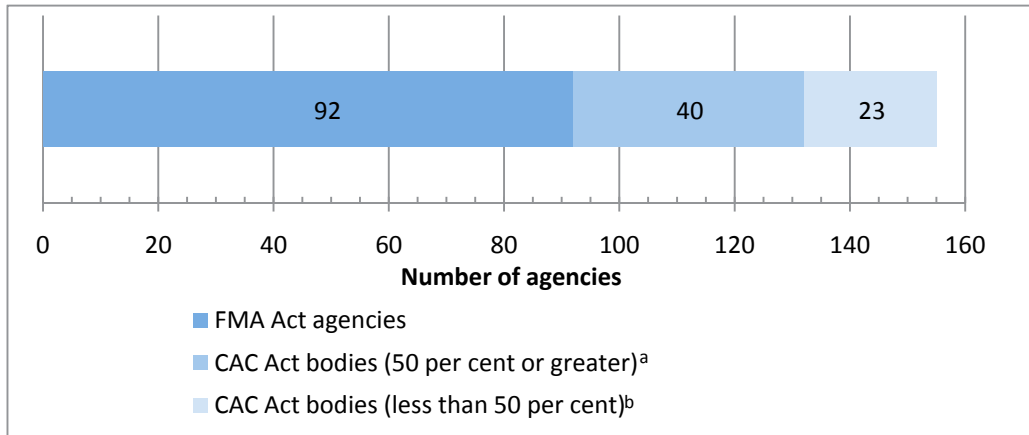
**1.25** In the ANAO's 2009 survey, agencies provided details about their structure and size. Of the surveyed agencies, 92 agencies (59 per cent) indicated that they operated under the FMA Act, and 63 bodies (41 per cent) indicated that they operated under the CAC Act.

**1.26** Of the 63 CAC Act bodies, 40 (63 per cent) indicated that they received at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency. The other 23 CAC Act bodies (37 per cent) indicated that they received less than 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency. Agency characteristics are presented in Figure 1.1.

---

<sup>26</sup> While the ANAO and AIC surveys both addressed the topic of fraud control, the ANAO's survey was distinct and separate from the annual AIC fraud reporting questionnaire. The ANAO survey was specifically designed to assess APS agencies' compliance with the Guidelines, which was not the focus of the AIC survey.

<sup>27</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 8.13.

**Figure 1.1****Number and type of agencies that completed the ANAO's 2009 Fraud Survey**

Source: 2009 ANAO Fraud Survey

Note: <sup>a</sup> CAC Act bodies that received at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency.

<sup>b</sup> CAC Act bodies that received less than 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency.

**1.27** Table 1.1 illustrates the various sizes of agencies involved in the survey, based on the number of full-time equivalent (FTE) employees agencies employed at the end of the 2007–08 financial year.

**Table 1.1****Size of FMA/CAC Act agencies that completed the ANAO's 2009 fraud survey**

Size	Number of FMA Act Agencies	Number of CAC Act Bodies
Less than 100	25	31
101 to 249	19	12
250 to 999	22	14
1 000 to 4 999	16	4
5 000 to 19 999	7	1
Over 20 000	3	1

Source: 2009 ANAO Fraud Survey

**1.28** In the ANAO's 2002 fraud control survey, by comparison, 158 agencies responded to the survey.<sup>28</sup> Of these, 74 agencies (47 per cent) operated under the FMA Act, and 84 bodies (53 per cent) operated under the CAC Act.

## Previous audits

**1.29** There are many recent and earlier ANAO reports that have content relevant to this audit, including the following:

- ANAO Audit Report No.14 2003–04, *Survey of Fraud Control Arrangements in APS Agencies*.
- ANAO Audit Report No.35 2005–06, *The Australian Taxation Office's Administration of Activity Statement High Risk Refunds*.
- ANAO Audit Report No.35 2005–06, *The Australian Taxation Office's Administration of Activity Statement High Risk Refunds*.
- ANAO Audit Report No.8 2007–08, *Proof of Identity for Accessing Centrelink Payments*.
- ANAO Audit Report No.12 2007–08, *Administration of High Risk Income Tax Refunds in the Individuals and Micro Enterprises Market Segments*.
- ANAO Audit Report No.30 2007–08, *The Australian Taxation Office's Use of Data Matching and Analytics in Tax Administration*.
- ANAO Audit Report No.7 2008–09, *Centrelink's Tip-off System*.
- ANAO Audit Report No.34 2008–09, *The Australian Taxation Office's Management of Serious Non-Compliance*.

## Structure of the report

**1.30** This report is presented in seven chapters, as outlined below:

- Chapter 1: Introduction;
- Chapter 2: Defining and Measuring Fraud;
- Chapter 3: Roles and Responsibilities;
- Chapter 4: Fraud Prevention;
- Chapter 5: Fraud Awareness and Training;
- Chapter 6: Fraud Detection, Investigation and Response; and
- Chapter 7: Performance Monitoring, Reporting and Evaluation.

---

<sup>28</sup> ANAO Audit Report No.14 2003–04, *Survey of Fraud Control Arrangements in APS Agencies*.

## 2. Defining and Measuring Fraud

*This chapter examines the consistency of definitions of fraud used by Australian Government agencies, issues associated with the measurement of fraud, and work being undertaken to categorise fraud.*

### Introduction

**2.1** The *Commonwealth Fraud Control Guidelines* (the Guidelines) state that the definition of fraud against the Commonwealth is:

Dishonestly obtaining a benefit by deception or other means.

**2.2** The 'benefit' referred to in this definition can be tangible or intangible, and, according to the Guidelines, can include the following types of offences.

The types of offences encompassed in the Commonwealth definition of fraud include:

- theft;
- obtaining property, a financial advantage or any other benefit by deception;
- causing a loss, or avoiding or creating a liability by deception;
- providing false or misleading information to the Commonwealth, or failing to provide information where there is an obligation to do so;
- making, using or possessing forged or falsified documents;
- bribery, corruption or abuse of office;
- unlawful use of Commonwealth computers, vehicles, telephones and other property or services;
- relevant bankruptcy offences; and
- any offences of a like nature to those listed above.<sup>29</sup>

**2.3** This chapter presents the results of the ANAO's 2009 fraud survey, in relation to whether agencies have adopted the current Commonwealth definition of fraud. Information is provided on the trend over the seven year period between the ANAO Fraud Control Survey undertaken in 2002 and 2009. These ANAO surveys included Commonwealth *Financial Management and Accountability Act 1997* (FMA Act) agencies and *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies.

<sup>29</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 2.2.

**2.4** Under the Guidelines, the Australian Institute of Criminology (AIC), is responsible for conducting an annual fraud survey of Australian Government agencies (see Chapter 3: Agency Roles and Responsibilities for a description of the role of the AIC).

**2.5** Using information obtained from ANAO fraud surveys and AIC data, the ANAO examined issues associated with:

- defining fraud; and
- the measurement of fraud, including trends in the type and level of fraud in Australian Government agencies.

## Defining fraud

### Agency use of the Commonwealth definition of fraud

**2.6** In the ANAO's 2009 fraud survey, agencies were asked whether they use the definition of fraud as specified in the Guidelines. Of the 155 agencies that responded to the question, 151 agencies (97 per cent) indicated that they use the definition of fraud as specified by the Guidelines.

### Trend in agency use of the Commonwealth definition of fraud

**2.7** In the ANAO's 2002 fraud survey, 50 per cent of agencies reported using the Guidelines' definition, introduced in May 2002.<sup>30</sup> In its subsequent 2003–04 report, the ANAO encouraged all agencies to adopt, as a basis for their fraud control arrangements, the Commonwealth definition of fraud 'as a matter of urgency'.<sup>31</sup> The ANAO's 2009 fraud survey indicates that agency adoption of the Guidelines' definition has improved to a large extent since the 2002 survey (see Table 2.1).

---

<sup>30</sup> ANAO Audit Report No.14 2003-04 *Survey of Fraud Control Arrangements in APS Agencies* pp. 28-30. A total of 160 FMA Act agencies and CAC Act bodies responded to the question on the definition of fraud. Some 32 per cent of agencies advised they were still using the previous Commonwealth definition, 11 per cent advised they used an agency-specific definition and 7 per cent did not supply a definition to ANAO or indicated that they considered that a definition of fraud was not applicable to their operations.

<sup>31</sup> *ibid.*, para 2.15, p. 30.



**Table 2.1****Agencies that answered 'YES' to using the Commonwealth definition of fraud<sup>32</sup>**

Survey Year	FMA Agencies (%)	CAC Bodies (%)
2009	100	94
2002	59	42

Source: 2009 ANAO Fraud Survey and 2002 ANAO Fraud Survey

**Agencies that did not use the Guidelines' definition of fraud**

**2.8** In the ANAO's 2009 fraud survey, four agencies stated that they had adopted a different definition of fraud to that specified by the Guidelines. These four agencies were categorised as CAC Act bodies.<sup>33</sup> One agency indicated that it was intending to adopt the Guidelines' definition of fraud by the end of 2009.

**Agency difficulties in applying the Guidelines' definition of fraud**

**2.9** In the ANAO's 2009 fraud survey, agencies were asked whether they had difficulties in applying the Guidelines' definition of fraud. Of the 151 agencies that responded to the question, most agencies did not report difficulties in applying the Guidelines' definition, while nine agencies stated that they have difficulties with applying the definition.<sup>34</sup> In their survey responses, these agencies indicated that there is confusion in some cases as to whether instances of theft, corruption or inappropriate use of IT facilities should be considered as fraud. The ANAO did not assess the level of consistency with which agencies applied the definition of fraud.

<sup>32</sup> In the ANAO's 2009 fraud survey, 92 FMA Act agencies and 63 CAC Act bodies (155 in total) responded to this survey question. Of the 92 FMA Act agencies, 92 reported 'yes' and no agencies reported 'no'. Of the 63 CAC Act bodies, 59 reported 'yes' and 4 reported 'no'. In the ANAO's 2002 fraud survey, 74 FMA Act agencies and 84 CAC Act bodies (158 in total) responded to this survey question. Of the 74 FMA Act agencies, 44 reported 'yes' and 30 reported 'no'. Of the 84 CAC Act bodies, 35 reported 'yes' and 49 reported 'no'.

<sup>33</sup> In the ANAO's 2009 survey, these four agencies also indicated that they were CAC Act bodies that receive less than 50 per cent of their funding for their operating costs from the Commonwealth or a Commonwealth agency. These agencies are not required to follow the Guidelines.

<sup>34</sup> In the ANAO's 2009 fraud survey, 151 agencies responded to this question. Of the 151 agencies, 141 agencies stated that they did not have problems applying the definition; nine stated that they did, and one agency responded 'don't know'.

**2.10** For agencies that must adhere to the Guidelines, the Guidelines mandate that those agencies are to collect information on fraud and provide it to the AIC in response to its Annual Reporting Questionnaire.<sup>35</sup> Agencies are to keep information on incidences of 'suspected fraud, matters under investigation, whether the fraud was proven or not, and whether the matter was dealt with by a criminal, civil or administrative remedy'.<sup>36</sup> From the data obtained via the AIC's fraud survey, combined with additional research, the AIC produces an annual report known as the *Annual report to government: Fraud against the Commonwealth*, as previously mentioned. The AIC commenced the collection and reporting of fraud data in 2006–07, following ministerial transferral of the responsibility from the AGD to the AIC in October 2006.

**2.11** While most surveyed agencies indicated that they had not experienced issues in applying the Guideline's definition of fraud, the AIC, through its conduct of the annual fraud survey, has identified that the 'definition of fraud as provided in the Guidelines is more inclusive and general than used in practice by agencies'.<sup>37</sup> The AIC reported, in its 2007–08 *Annual report to government: Fraud against the Commonwealth*, that not all agencies are classifying fraud incidents in the same way.<sup>38</sup> For instance, the AIC reported that:

- within the larger 'client-facing' agencies that deal with large volumes of non-compliance investigations, there is often a discrepancy between what these agencies define as a fraud, versus what they define as a compliance breach. The AIC considered that, under the Guidelines' definition of fraud, all such incidents should be reported by agencies. The AIC indicated that 'for operational reasons, it is likely that larger agencies that experience a high volume of incidents define and treat these matters as compliance breaches only, which means they are not then captured in their reporting of fraud';<sup>39</sup> and
- that not all agencies classify instances of theft or corruption as an instance of fraud.

---

<sup>35</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 8.13.

<sup>36</sup> Ibid.

<sup>37</sup> *Annual report to government 2007-08: Fraud against the Commonwealth*, AIC, 2009, p. 45.

<sup>38</sup> Ibid., p. 45.

<sup>39</sup> Ibid., p. 12 & 44.

**2.12** Owing to agencies' differing applications of the definition of fraud, the data being reported to the AIC in its annual fraud survey are incomplete and inconsistent. The quality of fraud data is important for accountability purposes because stakeholders, including Parliament, need to know the extent to which they can rely on performance information in relation to fraud trends and the effectiveness of agency controls. Further matters in relation to the measurement of fraud are examined in Appendix 3.

## **Fraud trend information**

**2.13** Individual agency data made available to the AIC on fraud control arrangements and fraud trends assists in providing a picture of the effectiveness of the management of fraud across Australian Government agencies.

**2.14** However, based on the data that is made available to the AIC and the information in the 2007–08 and 2006–07 annual reports to government on fraud against the Commonwealth, it is difficult to determine:

- the overall fraud trend and changes to the level of fraud across the Commonwealth; and
- changes to the levels of fraud against key risk areas identified by agencies such as: unauthorised or inappropriate use of information technology; the unauthorised access and release of information; the forgery or falsification of records; identity fraud; and opportunities for fraud arising from the way in which Government conducts business such as the outsourcing of service delivery to external service providers, the introduction of new policy initiatives and programs, the introduction of internet-based transactions, and electronic information exchange.

**2.15** Australian Government agencies commenced annual reporting on fraud in 1995–96.<sup>40</sup> The AIC advised that since this date there has not been an opportunity to produce fraud trend information owing to the poor quality of data reported by agencies, and the inconsistencies present in the use of units of measurement and categories.<sup>41</sup> The AIC indicated that a major revision of the

<sup>40</sup> The AGD was responsible for the collection and reporting of fraud data up until 2006–07, when the responsibility was transferred to the AIC.

<sup>41</sup> AIC's response to ANAO Issue Papers 4 February 2010.

reporting requirements would be required in order for sufficient accuracy to be obtained from reporting so that trends could be identified from year-to-year in the future.

**2.16** Improved reporting on fraud trends would be particularly valuable in relation to the different experiences of individual agencies. Of particular interest would be improved time series information with a focus on: has the amount of fraud against the Commonwealth increased or decreased; trends in categories such as identity fraud; and which controls are proving more effective in the treatment of fraud.

**2.17** Such trend estimates would also be useful in assisting agencies to make informed decisions regarding the most effective strategies for reducing the level of fraud, including the relative success of fraud prevention strategies (reducing the potential losses from fraud in the first instance) compared with fraud detection strategies (discovering fraud after it has occurred).

**2.18** Given the importance of the AIC being able to provide information on trends in fraud across Commonwealth agencies, the ANAO has recommended that the AGD, as part of its review of the Guidelines, consults with the AIC and consider approaches that will allow the AIC to collect, analyse and disseminate fraud trend data on a more consistent basis (see Chapter 3: Agency Roles and Responsibilities).

## **Categories of fraud**

**2.19** In the AIC's 2007–08 Annual Reporting Questionnaire, for the first time survey questions relating to fraud incidents were divided into two sections: the first was about the 'focus' or the benefit that was to be obtained,<sup>42</sup> and the second involved the 'method' that was used to carry out the alleged incident.<sup>43</sup>

**2.20** The AIC also defined five 'focus' categories: equipment; entitlements; financial; information; and other. For 'method' the AIC defined five categories: misuse of information technology; misuse of identity; misuse of documents; corruption; and other.

---

<sup>42</sup> In the 2007–08 Annual Reporting Questionnaire, the AIC defined the focus of fraud as being: 'the resource or object of benefit targeted by the alleged incident'. As an incident may involve more than one focus of fraud, the AIC requested that agencies include multiple targets where applicable.

<sup>43</sup> In the 2007–08 Annual Reporting Questionnaire, the AIC defined method as being: 'the method used to carry out the alleged fraud incident'. As an incident may involve the use of more than one method, the AIC requested that agencies include multiple methods where applicable.

**2.21** The AIC anticipates that by collecting data on fraud incidents in this manner the survey results will highlight the types of frauds that are affecting agencies as well as the methods being used to carry out the frauds.<sup>44</sup>

## AIC fraud data

**2.22** The ANAO sourced the following information from the AIC for 2007–08: the number and per cent of agencies that reported an alleged fraud incident; the number of alleged fraud incidents; the total value thought to have been lost from alleged fraud incidents; and the total value recovered.

**2.23** The AIC data distinguishes internal and external fraud. The risk of fraud can come from inside an agency, that is, from its employees. This is known as internal fraud. External fraud, on the other hand, is where the threat of fraud comes from outside the agency, that is, from external parties.

**2.24** Examples of external fraud include: customers deliberately claiming benefits from government programs that they are not eligible for; external service providers making claims for services that were not provided; and individuals or businesses intentionally evading payment of taxes to government. Cases of complex fraud may involve collaboration between agency staff and external parties.

**2.25** In the following chapters of this report, agency roles and approaches to fraud prevention, detection and response are examined.

---

<sup>44</sup> The AIC's 2007–08 data on fraud methods have not been presented by the ANAO. Of the five categories defined for fraud method, the 'other' category ranked the highest for both internal and external fraud incidents.

## 3. Agency Roles and Responsibilities

---

*The applicability of the Commonwealth Fraud Control Guidelines and the role of the Attorney-General's Department in administering the Australian Government's fraud control policy are examined in this chapter.*

### Introduction

**3.1** The Australian Parliament and the Executive Government have, historically, adopted a variety of organisational structures to conduct government business. Generally, government agencies are created under either the: *Financial Management and Accountability Act 1997* (FMA Act); or the *Commonwealth Authorities and Companies Act 1997* (CAC Act). See Appendix 4 for an overview of FMA Act agencies and CAC Act bodies.

**3.2** In terms of fraud control, all FMA Act agencies are required to have fraud control measures in place to protect Commonwealth funds as prescribed in the *Commonwealth Fraud Control Guidelines* (the Guidelines). See Appendix 5 for a summary of other legislation relevant to the management of fraud.

**3.3** Compliance with the Guidelines is also required by those CAC Act bodies that have received notice (under the CAC Act) from their responsible Minister that the Guidelines apply to them. For CAC Act bodies, where compliance with the Guidelines is not required, the Guidelines are available as a means of establishing better practice.

**3.4** In this chapter, the ANAO:

- outlines the *Commonwealth Fraud Control Guidelines* and their applicability; and
- examines the role of central agencies in administering the Australian Government's fraud control policy.

### The Commonwealth Fraud Control Guidelines and their applicability

#### Commonwealth Fraud Control Guidelines

**3.5** The Australian Government first released its fraud control policy in 1987. Changes in technology and agency operations, particularly the use of third party providers of services to the public, led to reviews of the policy in 1994 and 1999. As a result of the 1999 review, the then Minister for Justice and

Customs issued new *Commonwealth Fraud Control Guidelines* in May 2002 under Regulation 19 of the *Financial Management and Accountability Regulations 1997*.

**3.6** The Government's desired outcome of the Guidelines is to 'ensure that fraud against the Commonwealth is minimised and that, where it does occur, it is rapidly detected, effectively investigated, appropriately prosecuted and that losses are minimised'.<sup>45</sup>

**3.7** The Guidelines clearly define the Government's requirement that all FMA Act agencies, and relevant CAC Act bodies, put in place practices and procedures for effective fraud control.

### **Applicability of the Guidelines**

**3.8** The Guidelines state that they apply to:

- all agencies covered by the FMA Act; and
- bodies covered by the CAC Act that receive at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency.<sup>46</sup>

**3.9** The Guidelines also state that they do not apply to:

- a CAC Act body that does not receive the above level of funding. Such agencies are, however, strongly encouraged to comply with the best practice standards set out in these Guidelines. Agencies are responsible for determining their funding status to ascertain whether the Guidelines apply to them.<sup>47</sup>

**3.10** The ANAO obtained advice from the Department of Finance and Deregulation (Finance) regarding the applicability of the Guidelines to CAC Act bodies. Finance advised that relevant CAC Act bodies (specifically Commonwealth authorities and wholly-owned Commonwealth companies) are legally obliged to comply with the Guidelines when they are subject to notification by their responsible Minister, under (the former) sections 28 or 43

---

<sup>45</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, p. iii.

<sup>46</sup> *ibid.*, para 1.5.

<sup>47</sup> *Ibid.*, para 1.6.

of the CAC Act, that the Guidelines apply to them as a general policy of the Australian Government.<sup>48</sup>

**3.11** Amendments to the CAC Act commenced on 1 July 2008. These amendments changed the way in which general policies of the Australian Government (including the Guidelines) are applied to relevant CAC Act bodies. A finance circular released by Finance, *Finance Circular 2009/08*,<sup>49</sup> describes the amendments. In summary, as a result of these amendments:

- the Finance Minister may issue General Policy Orders (GPO) specifying the general policies of the Australian Government to be applied by relevant CAC Act bodies<sup>50</sup> if satisfied that responsible Ministers have consulted relevant CAC Act bodies in their portfolio on the application of the policy;<sup>51</sup> and
- relevant CAC Act bodies are required to comply with these GPOs (unless specifically exempted) — rather than each body needing to be directed to comply by their responsible Minister.

**3.12** The finance circular indicates that the Finance Minister will issue GPOs at the request of the relevant policy Minister.<sup>52</sup> The circular also states that the relevant policy Minister is the Minister responsible for developing and administering the general policy. In addition, the policy Minister is responsible for ensuring consultation with other relevant Ministers on the application of the general policy. In the case of the Guidelines, the relevant policy Minister is the Attorney-General.

---

<sup>48</sup> This issue also arose in ANAO Audit Report No. 44 2008-09, *Security Risk Management*.

<sup>49</sup> *Finance Circular 2009/08: Application of general policies of the Australian Government to bodies subject to the Commonwealth Authorities and Companies Act 1997 (CAC Act) - General Policy Orders*.

<sup>50</sup> Relevant CAC Act bodies refers to Commonwealth authorities and wholly-owned Commonwealth companies (where a wholly-owned Commonwealth company is a type of Commonwealth company).

<sup>51</sup> *Finance Circular 2009/08* states: Sections 28, 43 and 48A of the CAC Act provide a mechanism for applying general policies of the Australian Government to relevant CAC Act bodies. The CAC Act requires relevant Commonwealth authorities and wholly-owned Commonwealth companies to comply with GPOs, made under section 48A of the CAC Act. Section 28 of the CAC Act sets out how general policies apply to Commonwealth authorities. Note, however, that the enabling legislation for some Commonwealth authorities provides full or partial exemptions from section 28. Section 43 of the CAC Act sets out how general policies apply to a wholly-owned Commonwealth company. A company limited by shares that is controlled by the Commonwealth, but has other shareholders, is not a wholly-owned Commonwealth company. However, a Commonwealth company that is limited by guarantee is a wholly-owned Commonwealth company even if it has other members guaranteeing the company.

<sup>52</sup> *Finance Circular 2009/08* states: The policy Minister should then write to the Finance Minister requesting a GPO to be issued. The Finance Minister may issue a GPO if satisfied that responsible Ministers have consulted with relevant CAC Act bodies.



**3.13** The finance circular also states that any directions to follow the general policies of the Australian Government issued to CAC Act bodies prior to the 1 July 2008 CAC Act amendments<sup>53</sup> remain in force unless the Finance Minister determines otherwise. The AGD advised that it does not maintain a record of those CAC Act bodies directed by Ministers to comply with the Guidelines, though it is seeking to establish one as part of the current review of the Guidelines. As a result, there is a lack of visibility as to which CAC Act bodies have (or have not) received a notification (from their responsible Minister) to apply the Guidelines.

**3.14** Given the amendments to the CAC Act in 2008 and work underway to review the current fraud control policy and subsequently revise the Guidelines (see paragraph 3.35), the ANAO considers it is timely that the AGD work with Finance to address the issue surrounding the applicability of the Guidelines to CAC Act bodies. The AGD advised the ANAO in February 2010 that it is working with Finance to address this issue of the application of the Guidelines to CAC Act bodies, including in relation to using the General Policy Order mechanism. The ANAO has supported this approach in a recommendation at the end of this chapter.

## The role of central agencies in administering the Australian Government's fraud control policy

### Attorney-General's Department

**3.15** The AGD is responsible for providing high-level policy advice to the Government about fraud control arrangements within the Commonwealth. This includes developing and reviewing general policies of Government with respect to fraud control, currently embodied in the Guidelines, and advising Commonwealth agencies about the content and application of those policies.

**3.16** The current version of the Guidelines was issued in May 2002 under Regulation 19 of the *Financial Management and Accountability Regulations*. The AGD advised the ANAO that work was underway to review the current fraud control policy and subsequently revise the Guidelines.

---

<sup>53</sup> Specifically, those CAC Act bodies notified under sections 28 or 43 of the CAC Act prior to the 1 July 2008 CAC Act amendments.

**3.17** In addition, the AGD liaises with agencies with relevant expertise, including the Australian Federal Police (AFP), to ensure the provision of coordinated and comprehensive advice to Government.

### **Australian Institute of Criminology**

**3.18** The Australian Institute of Criminology (AIC), a Commonwealth statutory authority, was established in 1973, and operates under the *Criminology Research Act 1971*.

**3.19** The functions of the AIC include: conducting criminological research; communicating the results of research; conducting or arranging conferences and seminars; and publishing material arising out of the AIC's work.

**3.20** Under the Guidelines, the AIC is responsible for conducting an annual fraud survey of Australian Government agencies, known as the AIC Annual Reporting Questionnaire. The Guidelines mandate that relevant Australian Government agencies are required to collect information on fraud and provide it to the AIC on an annual basis.<sup>54</sup> In addition, the Guidelines require that the AFP and Commonwealth Director of Public Prosecutions (CDPP) provide the AIC with certain fraud related information.

**3.21** The AIC is also responsible for producing a report each year on fraud against the Australian Government, and fraud control arrangements within Australian Government agencies. This report is known as the *Annual report to government: Fraud against the Commonwealth* and, as mandated by the Guidelines, is to be provided to the Minister for Home Affairs. The AIC commenced fraud data collection and reporting in the year 2006–07, following ministerial transferral of the responsibility from the AGD in October 2006.

### **Australian Federal Police**

**3.22** The AFP has the primary law enforcement responsibility for investigating serious or complex fraud against the Commonwealth. As mandated by the Guidelines, the AFP is also responsible for: conducting quality assurance reviews of agencies' investigations; maintaining the

---

<sup>54</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 8.13.

*Australian Government Investigations Standards (AGIS); and providing a fraud control liaison and dissemination function.*<sup>55</sup>

### **Commonwealth Director of Public Prosecutions**

**3.23** The Commonwealth Director of Public Prosecutions (CDPP) is responsible for the conduct of prosecutions for offences against the laws of the Commonwealth. They are also responsible for the conduct of criminal confiscation action in relation to such offences.

### **Australian Government Fraud Liaison Forum**

**3.24** The Australian Government Fraud Liaison Forum is a cross-agency activity. The AFP chairs the Steering Committee for the Australian Government Fraud Liaison Forum, and this steering committee comprises the AFP and key Australian Government agencies. The group organises and delivers a forum at least twice a year, which provides an opportunity for government agency employees involved in aspects of fraud control to receive information relevant to the prevention, detection, investigation and prosecution of fraud. The forum has a particular interest in the investigation of fraud and facilitates discussion on the technical, legislative and best practice issues of fraud investigations.

## **Assessment of how the AGD and AIC fulfil their roles**

### **Attorney-Generals' Department**

**3.25** In the ANAO's 2009 fraud survey, agencies were asked a series of questions on how the AGD was performing in fulfilling its role (see Appendix 2 for the questions asked). Agencies responded to the questions as follows:

- 80 per cent of respondents indicated that prior to receiving this survey, their agency was aware that the AGD provides fraud control advice to Australian Government agencies<sup>56</sup>;
- 40 per cent of respondents indicated that the AGD had been effective in providing advice to their agency on implementing the Commonwealth Fraud Control Guidelines<sup>57</sup>;

<sup>55</sup> *ibid.*, para 2.14.

<sup>56</sup> Subject to rounding, 80 per cent of agencies reported 'Yes', 18 per cent reported 'No', and 2 per cent reported 'don't know' to this question.

- 34 per cent of respondents indicated that the AGD had provided timely and helpful advice to their agency in regards to fraud control;<sup>58</sup>
- 40 per cent of respondents indicated that the AGD had been effective in disseminating information on the nature and extent of fraud being perpetrated against the Commonwealth.<sup>59</sup>

## AGD advice to small agencies

**3.26** A trend in the ANAO's 2009 fraud survey was that small agencies (100 employees or less, or between 101 and 249 employees) made up the largest percentage of agencies that indicated they were not meeting the mandatory fraud external reporting requirements (refer to Chapter 7: Performance Monitoring, Reporting and Evaluation).<sup>60</sup>

**3.27** In addition, agencies that responded 'No' to having a fraud policy statement, fraud risk assessment, or fraud control plan were most likely to be smaller agencies with 100 employees or less. They were also most likely to be CAC Act bodies (refer to Chapter 4: Fraud Prevention). While not all CAC Act bodies are required to implement the Guidelines, it is good governance and better practice to implement suitable fraud control measures.

**3.28** The Association of Certified Fraud Examiners (ACFE) released a report in 2008 which indicated that businesses with 100 employees or less suffered both a greater percentage of fraud (38 per cent compared to 19 per cent for agencies with over 10 000 employees) and a higher median loss than their larger counterparts.<sup>61</sup>

---

<sup>57</sup> Subject to rounding, 40 per cent of agencies answered 'strongly agree' or 'agree' to the question, 11 per cent answered 'strongly disagree' or 'disagree', and 50 per cent did not have an opinion and answered 'don't know/not applicable' to this question.

<sup>58</sup> Subject to rounding, 34 per cent of agencies answered 'strongly agree' or 'agree' to the question, 9 per cent answered 'strongly disagree' or 'disagree', and 56 per cent did not have an opinion and answered 'don't know/not applicable' to this question.

<sup>59</sup> Subject to rounding, 40 per cent of agencies answered 'strongly agree' or 'agree' to the question, 19 per cent answered 'strongly disagree' or 'disagree', and 42 per cent did not have an opinion and answered 'don't know/not applicable' to this question.

<sup>60</sup> In the ANAO's 2009 fraud survey, agencies that indicated that they had not provided training to employees on ethics/Code of Conduct, privacy principles, or fraud control were also generally small agencies (100 employees or less or between 101 and 249 employees) (refer to Chapter 3: Fraud Prevention).

<sup>61</sup> Association of Certified Fraud Examiners, *2008 Report to the Nation on Occupational Fraud & Abuse*, Austin, USA, 2008, p. 26.

**3.29** Results from recent KPMG and PricewaterhouseCoopers (PWC) surveys also identify that fraud in smaller organisations is an ongoing problem. KPMG survey results showed that 21 per cent of agencies with 100 employees or less identified at least one case of fraud.<sup>62</sup> Similarly, PWC's survey indicated that 32 per cent of agencies with fewer than 200 employees experienced fraud.<sup>63</sup>

**3.30** To mitigate the risk of internal fraud occurring, agencies' control structures should have a basic level of preventative controls. For example, avoiding the concentration of key decision areas in the hands of a single individual is fundamental to the prevention of fraud. Although the separation of duties is a powerful internal control, it is not always feasible in small agencies. Accordingly, there should be compensating controls in place such as the Chief Executive Officer or Board approving some transactions.

**3.31** While the nature and materiality of the internal and external fraud risks faced by small public sector agencies could be expected to be different to the fraud risks faced by large 'client-facing' agencies or private sector organisations, a better practice principle for small public sector agencies is to have fit for purpose mechanisms in place to combat fraud.

**3.32** For these reasons there is scope for improving and targeting the advice given to smaller public sector agencies on fraud control, including giving guidance on aspects such as appropriate fraud control planning, prevention and detection. A mechanism that could potentially have assisted small agencies was the Fraud Trend Information Network (FTIN). Under the Guidelines the AGD, in conjunction with the AFP, were required to establish and operate a FTIN.<sup>64</sup>

**3.33** The ANAO was advised by the AGD that initial steps were taken to establish the entity, however, the FTIN was not formalised. In the interim, the Australian Government Fraud Liaison Forum has been functioning for a number of years. The AFP chairs the Steering Committee for the forum and has advised the ANAO that the terms of reference for this group are in the process

---

<sup>62</sup> KPMG, *Fraud Survey 2008*, 2009, p. 6.

<sup>63</sup> PWC, *Economic Crime: People, Culture and Controls. The 4<sup>th</sup> biennial Global Economic Crime Survey*, 2007, p. 4.

<sup>64</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 2.12, p. 6.

of being drafted. However, the primary focus of the Steering Committee is to manage the delivery of a twice-yearly forum.

**3.34** As part of the AGD's review of the Guidelines there is opportunity to consider the merits of establishing an approach for the provision of fraud control advice and information to Australian Government agencies, particularly to smaller sized agencies. This would facilitate a better understanding of the type and scale of fraudulent activities occurring across Commonwealth agencies and provide a vehicle for the exchange of information on operational fraud control practices that have proven to be successful over time and/ or in a significant number of cases.

**3.35** Similarly, working with the large agencies along the lines originally envisaged by the FTIN could assist in identifying practical measures to improve fraud information and support the AIC's research and advice to government.

## Recommendation No.1

**3.36** The ANAO recommends that the Attorney-General's Department, in its review of the *Commonwealth Fraud Control Guidelines* (the Guidelines), take the opportunity to:

- consult with the Australian Institute of Criminology (AIC) and consider approaches that will allow the AIC to collect, analyse and disseminate fraud trend data on a more consistent basis;
- continue to work with the Department of Finance and Deregulation to clarify which CAC Act bodies are subject to the Guidelines; and
- consider the merits of establishing an approach for the provision of fraud control advice and information to Australian Government agencies, particularly to smaller sized agencies, that facilitates the provision and exchange of practical fraud control advice.

### AGD response

**3.37** Agreed. AGD recognizes the importance of trend data in informing policy and program approaches to fraud at an agency and whole of government level. It will work with the AIC and with other agencies to revise the fraud reporting requirements so that trends can be identified from year to year in future.

**3.38** In regard to the CAC Act bodies, the AGD is currently establishing a directory of those which are currently required to comply with the Fraud Control Guidelines, whether because they receive at least 50% of funding for their operating costs from the Commonwealth or because they have been directed to do so by their Ministers. AGD will continue to work with the Department of Finance and Deregulation with a view to the revised Guidelines (once the current review is concluded) being considered a general policy of Government and of being applied to relevant CAC Act bodies through a General Policy Order.

**3.39** AGD recognizes the benefits of cross-agency information sharing for policy officers and investigators on fraud control, prevention and detection, and that this guidance would be of particular value for smaller agencies. AGD will work with partner agencies to develop appropriate mechanisms and resources.

### **Australian Institute of Criminology**

**3.40** The AIC undertook its first Annual Reporting Questionnaire in 2006–07. The AIC maintained the format of the survey, as was used by the AGD in previous years. As required by the Guidelines, the AIC presented its resulting report, *Annual report to government 2006-07: Fraud against the Commonwealth*, to the Minister of Home Affairs on 17 September 2008. The report, classified IN-CONFIDENCE, was distributed in March 2009 to selected agencies that had completed the questionnaire.<sup>65</sup> The remaining surveyed agencies were notified that the report was available upon request.

**3.41** Upon gaining the responsibility for the conduct of the annual fraud survey and production of the annual fraud report from the AGD in October 2006, the AIC took the opportunity to improve the survey and enhance the quality of the findings of the annual fraud report. In 2006–07, the AIC joined the Fraud Liaison Forum Steering Committee, and commenced consultation with key agencies in order to redesign the fraud reporting questionnaire.<sup>66</sup>

<sup>65</sup> Fifty-eight per cent of respondents to the ANAO's 2009 fraud survey considered that the AIC should publicly release the annual fraud report. Some 14 per cent considered that the AIC should not, and the remainder of respondents had not formed an opinion.

<sup>66</sup> The AIC also regularly presents the results of its fraud-related research at forums held by the Australian Government Fraud Liaison Forum.

**3.42** Following this period of consultation, the AIC introduced a revised fraud reporting questionnaire in July 2008, which aims to make the task of reporting clearer and less demanding for participating agencies. A key change to the 2006–07 questionnaire design was separate questions about internal and external fraud. In addition, survey questions relating to fraud incidents were divided into: ‘focus’ or the benefit that was to be obtained; and the ‘method’ that was used to carry out the alleged incident (refer to Chapter 2: Defining and Measuring Fraud).

**3.43** The AIC expects that the new design will provide more detailed information on fraud incidents and methods, and on emerging fraud risks and enable a better understanding of the type and scale of fraudulent activities occurring across Commonwealth agencies.



## 4. Fraud Prevention

---

*An effective means of preventing fraud is for agencies to implement control mechanisms to minimise the likelihood of fraud or corrupt practices occurring. The oversight arrangements put in place by Australian Government agencies to prevent fraud are examined in this chapter.*

### Introduction

**4.1** Sound corporate governance for fraud is assisted by having an overall policy and planning regime to prevent, detect, and deal with emerging areas of fraud. The *Commonwealth Fraud Control Guidelines* (the Guidelines) set out what agencies need to do when establishing their fraud control strategy. This chapter presents the results of the ANAO's 2009 survey, in relation to whether agencies:

- have established governance structures and allocated staff with responsibilities for fraud control;
- have a specific policy on fraud control;
- have undertaken a fraud risk assessment in the past two years to underpin fraud control planning;
- have developed a fraud control plan, based on their fraud risk assessment; and
- have procedures and / or guidelines relating to fraud control.

**4.2** Each of these areas is examined below and information is provided on the trend over the seven year period between the ANAO Fraud Control Survey undertaken in 2002 and 2009. These surveys included Commonwealth *Financial Management and Accountability Act 1997* (FMA Act) agencies and *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies.

### Governance structures

**4.3** The Guidelines state that Chief Executive Officers (CEOs) and/or Boards of Directors of Commonwealth agencies are accountable to their Ministers or Presiding Officers for fraud control within their agencies.<sup>67</sup> The

---

<sup>67</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 1.8.

Guidelines also state that CEOs<sup>68</sup> are responsible for 'developing an overall fraud control strategy for the agency, including operational arrangements for dealing with fraud'.<sup>69</sup> In order to ensure effective implementation of the Guidelines and related plans, agencies need to establish governance structures and allocate staff with responsibility for fraud issues.

## **Audit committee**

**4.4** Properly used, governance structures will help agencies to manage and reduce fraud and to meet their fraud control responsibilities. Such structures also provide a mechanism for agency heads to assure themselves that their agency is compliant with all Australian Government requirements.<sup>70</sup>

**4.5** An audit committee is a critical component of corporate governance. The importance of an audit committee is reflected in legislative requirements for all agencies, both FMA and CAC, to establish an audit committee. For FMA Act agencies, section 46 of the FMA Act provides that a Chief Executive must establish and maintain an audit committee. Furthermore, an audit committee is to have responsibilities which include 'helping the agency to comply with obligations under this Act, the regulations and Finance Minister's Orders'.

**4.6** For CAC Act bodies, section 32 (Commonwealth authorities) and section 44 (wholly-owned Commonwealth companies) of the CAC Act state that the directors of a Commonwealth body must establish and maintain an audit committee. Furthermore, an audit committee is to have responsibilities which include helping the Commonwealth body and its directors to comply with obligations under this Act.

**4.7** An audit committee's responsibilities, in relation to fraud risk management, would generally include:

- whether management has in place a current and comprehensive risk management framework and associate procedures for the effective identification and management of the entity's financial and business risks, including fraud; and

---

<sup>68</sup> For the purposes of the Guidelines, references to CEOs include relevant Boards of Directors of CAC Act bodies.

<sup>69</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 2.8.

<sup>70</sup> ANAO, *Fraud Control in Australian Government Agencies Better Practice Guide*, August 2004, p. 17.

- the creation of the entity's fraud control plan and satisfaction that the entity has appropriate processes and systems in place to capture and effectively investigate fraud related information.<sup>71</sup>

## Internal audit

**4.8** The role of internal audit will vary from agency to agency, however, in addition to undertaking internal audits (including reviews of entity policies, programs, operations, internal controls), internal audit may have the role to provide an advisory service.<sup>72</sup> Internal audit can assist an entity to manage fraud control by providing advice on the risk of fraud, advising on the design or adequacy of internal controls to minimise the risk of fraud occurring, and by assisting management to develop fraud prevention and monitoring strategies.

**4.9** Internal audit's responsibilities will, however, be influenced by the governance arrangements established by the entity and the existence of other separate functions with specific responsibilities for some of these matters. For instance, many agencies have specific organisational units responsible for risk management and/or fraud control. In some agencies internal audit may be called upon to assist in the formulation of fraud risk assessment and fraud control plans, and to conduct fraud investigations. Whatever role internal audit plays in risk management and fraud control, it is important that internal audit puts arrangements in place to maintain operational independence, to the extent possible.<sup>73</sup>

## Personnel specialised in fraud control

**4.10** At the operational level, it is sound practice for agencies to have arrangements in place to assist with the implementation of their fraud control framework and guide the day-to-day activities of staff involved directly with fraud control. In addition, agencies need to ensure that an appropriate level of resources is applied to controlling fraud, and this may include the allocation of specialised personnel (on a full-time or part-time basis as appropriate) to implement the agency's fraud control initiatives.

---

<sup>71</sup> ANAO, *Public Sector Audit Committees Better Practice Guide*, February 2005, p. 10.

<sup>72</sup> ANAO, *Public Sector Internal Audit Better Practice Guide*, September 2007, p. 2.

<sup>73</sup> *ibid.*, p. 12.

## **Governance structures in place**

**4.11** In the ANAO's 2009 fraud survey, agencies were asked about the governance structures, agency structures and specific individuals that had been given direct responsibility for fraud control. In completing the question, agencies were able to indicate that they allocated responsibility to more than one structure or function. Of the 155 agencies that responded to the question:

- 155 agencies (100 per cent) reported that they had an audit committee in place with a responsibility for fraud control<sup>74</sup>;
- 73 agencies (47 per cent) reported that they have allocated responsibility for fraud control to specialist staff (e.g. fraud prevention unit, fraud investigation unit);
- 24 agencies (15 per cent) reported that they have allocated responsibility for fraud control to specialist contract staff/resources;
- 58 agencies (37 per cent) reported that they have allocated responsibility for fraud control to other specific individuals or agency structures; and
- no agency indicated that they had not assigned fraud control responsibility to any governance structures or specific individuals.

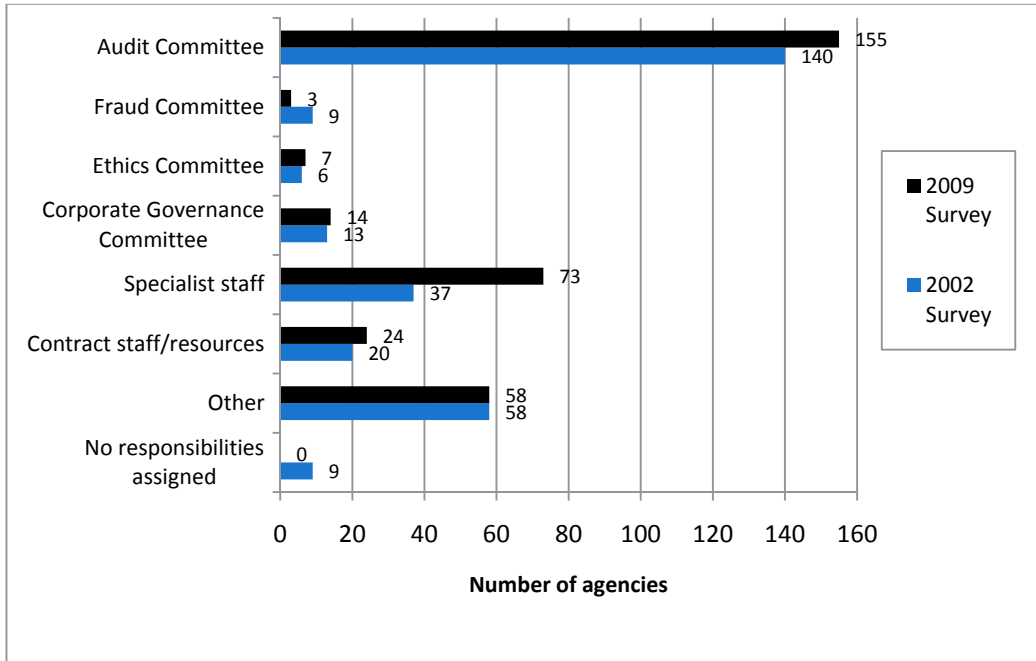
**4.12** The survey results are presented in Figure 4.1.

---

<sup>74</sup> Other key governance structures mentioned by agencies included: Ethics Committees, Fraud Committees, Executive Management Committees, Risk Committees, Security Management Committees, and Internal Audit groups.

**Figure 4.1**

**Agency responsibilities for fraud control**



Source: 2009 ANAO Fraud Control Survey and 2002 ANAO Fraud Control Survey

Note: In responding to this question, agencies were able to indicate that they allocated responsibility to more than one structure. In the ANAO's 2009 survey, 155 agencies responded to this survey question. In the ANAO's 2002 survey, 157 agencies responded to this survey question.

**Trend in fraud control responsibilities**

**4.13** In the ANAO's 2002 fraud survey agencies were asked a similar question, and were able to indicate that they allocated responsibility to more than one structure. Overall, the survey results show that there has been an increase in agencies assigning fraud control responsibilities to governance structures and specialist staff between the survey periods.<sup>75</sup> Moreover, in the 2002 survey, nine agencies reported that they had not assigned fraud control

<sup>75</sup> In the ANAO's 2002 fraud survey, 157 agencies responded to the question. Of the 157 agencies: 140 agencies reported that they had an audit committee, and that it was the main body responsible for fraud control; 37 agencies reported that they had allocated responsibility for fraud control to specialist staff (e.g. Fraud Prevention Unit, Fraud Investigation Unit); 20 agencies reported that they had allocated responsibility for fraud control to specialist contract staff/resources; 58 agencies reported that they had allocated responsibility for fraud control to other specific individuals or agency structures; and 9 agencies indicated that they had not assigned responsibility for fraud control to any governance structures or specific individuals.

responsibility to any governance structures or specific individuals. In the ANAO's 2009 fraud survey, all agencies reported that they had assigned fraud control responsibility to one or more governance structures or specific individuals.

## Fraud policy statement

**4.14** A fraud policy statement assists employees to understand what fraud is, their agency's attitude to fraud, and what to do if they suspect fraud is being perpetrated. Typically, a fraud policy statement is part of other corporate documentation, such as Chief Executive Instructions (CEIs), and includes: the definition of fraud; an outline of the agency's position on fraud; its commitment to investigating and prosecuting fraud; and an assurance that allegations and investigations will be handled confidentially.

**4.15** As part of fostering an environment that encourages fraud prevention and control, the Guidelines provide that 'agencies are to prepare and widely distribute ... a statement of their approach and policy towards fraud'.<sup>76</sup>

**4.16** In the ANAO's 2009 fraud survey, agencies were asked whether they had issued a fraud policy statement that outlines the agency's position on fraud. Of the 153 agencies that responded to this question, 138 agencies (90 per cent)<sup>77</sup> reported that they had such a fraud policy statement. All 138 agencies reported that this policy had been issued in some manner to all employees.

## Trend in currency of fraud policy statements

**4.17** The number of agencies with a fraud policy statement in place has increased since the ANAO's 2002 fraud survey, in which 125 agencies (80 per cent)<sup>78</sup> reported having a fraud policy statement in place. The survey results for 2009 and 2002 are compared in Table 4.1.

---

<sup>76</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 3.2.

<sup>77</sup> In the ANAO's 2009 fraud survey, 153 agencies responded to this survey question. Of the 153 agencies: 138 agencies reported 'yes', 13 agencies reported 'no', and 2 agencies reported 'don't know'.

<sup>78</sup> In the ANAO's 2002 fraud survey, 157 agencies responded to this survey question. Of the 157 agencies: 125 agencies reported 'yes', and 32 agencies reported 'no'.

**Table 4.1****Agencies that answered 'YES' to having a fraud policy statement<sup>79</sup>**

Survey Year	FMA Agencies (%)	CAC Bodies (%)
2009	95	84
2002	92	69

Source: 2009 ANAO Fraud Survey and 2002 ANAO Fraud Survey

**Areas where agencies could improve**

**4.18** The ANAO's 2009 fraud survey findings indicate that 13 agencies (8 per cent)<sup>80</sup> had not developed or issued a fraud policy statement. Of these 13 agencies, five were classified as FMA Act agencies and the other eight were CAC Act bodies. Of particular note is that 12 of the 13 agencies were relatively small and employed less than 249 employees.

**4.19** Leadership is an important enabler in fraud control, and a fraud policy statement that is signed by a CEO and distributed throughout an agency assists in defining the culture of the agency and the behaviour of its staff. Ethical behaviour and a focus on minimising fraud are also strongly influenced by leadership practices or the 'tone at the top'. This view underlines the importance of not only documenting a fraud policy statement but also communicating and demonstrating ethical work practices.

**4.20** Irrespective of the size of an agency, fraud prevention involves managers and staff working together to ensure honesty, professionalism and fairness in an agency's dealings, both internally and externally. Such an environment is supported by a clearly stated fraud policy combined with effective communication and demonstrable ethical leadership.

<sup>79</sup> In the ANAO's 2009 fraud survey, 92 FMA Act agencies and 61 CAC Act bodies (153 in total) responded to this survey question. Of the 92 FMA Act agencies, 87 reported 'yes' and 5 reported 'no'. Of the 61 CAC Act bodies, 51 reported 'yes' and 8 reported 'no'. In the ANAO's 2002 fraud survey, 74 FMA Act agencies and 83 CAC Act bodies (157 in total) responded to this survey question. Of the 74 FMA Act agencies, 68 reported 'yes' and 6 reported 'no'. Of the 83 CAC Act bodies, 57 reported 'yes' and 26 reported 'no'.

<sup>80</sup> In the ANAO's 2009 fraud survey, 153 agencies responded to this survey question. Of the 153 agencies: 138 agencies reported 'yes', 13 agencies reported 'no', and 1 agency reported 'don't know'.

## Fraud risk assessment

**4.21** A central objective in fraud control is to minimise the risk of fraud occurring. This objective is best achieved by adopting a risk management approach to fraud control by: identifying ongoing, new and emerging fraud risks; defining strategies to control those risks; and determining responsibility for implementing those strategies against an agreed timetable.

**4.22** The Guidelines state that ‘agencies are to conduct fraud risk assessments at least every two years’ and ‘where appropriate may introduce a rolling program of updating risk assessments’.<sup>81</sup> The timely conduct of fraud risk assessments is important because it allows agencies to focus on contemporary challenges affecting an agency’s operations and business.

**4.23** To be most effective, risk management should become part of an organisation’s culture and be integrated into its philosophy, practices and business plans rather than be viewed or practised as a separate program. The Guidelines state that when risk management is integrated into the agency’s practices, it becomes the business of everyone in the organisation.<sup>82</sup>

**4.24** The Guidelines also state that risk assessments must consider fraud risks to the agency from both within the agency (internal) and from external factors, as well as risks that may emerge in the future given the changing nature of fraud.<sup>83</sup> In addition, undertaking such risk assessments, with the use of emerging information and systems and the involvement of employees at all levels, can serve to raise staff awareness of fraud risks and fraud issues.

**4.25** In the ANAO’s 2009 fraud survey, agencies were asked whether they had undertaken a fraud risk assessment in the past two years. Of the 155 agencies that responded to the question, 137 agencies (88 per cent)<sup>84</sup> reported that they had undertaken a fraud risk assessment in the past two years.

---

<sup>81</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General’s Department, 2002, para 3.12.

<sup>82</sup> *ibid.*, para 3.3.

<sup>83</sup> *ibid.*, para 3.8.

<sup>84</sup> In the ANAO’s 2009 fraud survey, 155 agencies responded to this survey question. Of the 155 agencies: 137 agencies reported ‘yes’, and 18 agencies reported ‘no’.



## Trend in currency of fraud risk assessments

**4.26** The ANAO survey results reporting the currency of fraud risk assessments in 2009 and 2002 are compared in Table 4.2. This comparison indicates an improvement since the 2002 ANAO survey, in which 107 agencies (69 per cent)<sup>85</sup> reported having undertaken a fraud risk assessment in the past two years.

**Table 4.2**

### Agencies that answered 'YES' to having a fraud risk assessment<sup>86</sup>

Survey Year	FMA Agencies (%)	CAC Bodies (%)
2009	93	81
2002	86	54

Source: 2009 ANAO Fraud Survey and 2002 ANAO Fraud Survey

## Substantial changes in structure or function

**4.27** The Guidelines require that agencies conduct a fraud risk assessment at least every two years. They also state that an agency must review its fraud risk assessment if it has undergone a substantial change in structure or function.<sup>87</sup> Therefore an agency must undertake a new assessment of fraud risk, for instance, if it has introduced a new program, undergone changes to its structure, lost or inherited functions, or changed the means of delivery of an existing program.

**4.28** When considering the features of a new government policy or program, the design characteristics will influence the inherent capacity of the initiative to be delivered with a high level of integrity. Factors that affect the potential for fraudulent activity include the degree of flexibility in the eligibility rules and schedule of services to be provided. The method of delivery of a government policy or program can also affect the risk of fraud. For example, approaches to

<sup>85</sup> In the ANAO's 2002 fraud survey, 155 agencies responded to this survey question. Of the 155 agencies: 107 agencies reported 'yes', and 48 agencies reported 'no'.

<sup>86</sup> In the ANAO's 2009 fraud survey, 92 FMA Act agencies and 63 CAC Act bodies (155 in total) responded to this survey question. Of the 92 FMA Act agencies, 86 reported 'yes' and 6 reported 'no'. Of the 63 CAC Act bodies, 51 reported 'yes' and 12 reported 'no'. In the ANAO's 2002 fraud survey, 73 FMA Act agencies and 82 CAC Act bodies (155 in total) responded to this survey question. Of the 73 FMA Act agencies, 63 reported 'yes' and 10 reported 'no'. Of the 82 CAC Act bodies, 44 reported 'yes' and 38 reported 'no'.

<sup>87</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 3.13.

deliver government services increasingly use third party providers and make greater use of e-commerce, including the Internet. While these arrangements provide for ease of access to government services, they may also increase the Government's exposure to fraud.

**4.29** In these cases, the risk of fraud will need to be assessed against desirable aspects of successful program implementation, such as timeliness, accessibility, and the level of personal information required from recipients. Where the risk of fraud is high, it will be appropriate to introduce controls, such as increased requirements for personal and other relevant information to establish eligibility and the appropriate level of payment, in order to reduce the potential for fraud.

### **Areas where agencies could improve**

**4.30** The ANAO's 2009 fraud survey findings indicate that 18 agencies (12 per cent) had not undertaken a fraud risk assessment in the past two years. Of the 18 agencies, six were categorised as FMA Act agencies and the other 12 were CAC Act bodies. In particular, five of these agencies reported that they had never undertaken a fraud risk assessment. Of note is that 15 of the 18 agencies were relatively small and employed less than 249 employees.

**4.31** The absence of an up-to-date fraud risk assessment hampers agencies' capacity to undertake effective fraud control planning and to treat and minimise fraud risk. An agency's fraud risk assessment process should be up to date and sufficiently robust to enable the key fraud risks to be identified. To be effective, fraud risk assessments need to be: undertaken at least every two years, or as necessitated by changing conditions; address both the internal and external environments; and establish the level, nature, form and likelihood of risk exposures.

**4.32** It is also important that fraud risks are considered in the broader context of overall agency risk so that fraud risk assessments take into account agency-wide strategic planning. There is often considerable overlap between enterprise risk, business risk, audit risk, security risk and fraud risk. Other risk management approaches may have already highlighted changes in strategic directions that will affect future fraud risk profiles and control frameworks.

## Fraud control plans

**4.33** A fraud control plan is a specific requirement of both the Guidelines and the FMA Act.<sup>88</sup> A fraud control plan details the measures and actions considered by an agency as the most appropriate ways of managing the risk of both internal and external fraud to the agency. The Guidelines set out the key features to be covered in a fraud control plan including ensuring that it takes account of new or emerging risks, and provides the details of the strategies to address these risks.<sup>89</sup>

**4.34** In the ANAO's 2009 fraud survey, agencies were asked whether they had developed a fraud control plan in the past two years. Of the 155 agencies that responded to the question, 134 agencies (86 per cent)<sup>90</sup> reported that they had developed a fraud control plan in the past two years.

### Trend in currency of fraud control plans

**4.35** The number of agencies with an updated fraud control plan has increased since the ANAO's 2002 fraud survey, in which 109 agencies (70 per cent)<sup>91</sup> reported having developed and/or reviewed a fraud control plan in the preceding two years. The survey results for 2009 and 2002 are compared in Table 4.3.

---

<sup>88</sup> Section 45 of the FMA Act requires CEOs to implement an agency wide fraud control plan that includes and addresses fraud by external parties as well as internal fraud.

<sup>89</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 3.14, p. 10. The Guidelines do not specifically state that the fraud control plan must be developed/revised at least every two years, however this is implied by para 3.14.

<sup>90</sup> In the ANAO's 2009 fraud survey, 155 agencies responded to this survey question. Of the 155 agencies: 134 agencies reported 'yes', and 21 agencies reported 'no'.

<sup>91</sup> In the ANAO's 2002 fraud survey, 155 agencies responded to this survey question. Of the 155 agencies: 109 agencies reported 'yes', and 47 agencies reported 'no'.

**Table 4.3****Agencies that answered ‘YES’ to having a fraud control plan<sup>92</sup>**

Survey Year	FMA Agencies (%)	CAC Bodies (%)
2009	93	76
2002	84	57

Source: 2009 ANAO Fraud Survey and 2002 ANAO Fraud Survey

**Areas where agencies could improve**

**4.36** In the ANAO’s 2009 fraud survey, 21 agencies (14 per cent) reported that they had not developed a fraud control plan. Of the 21 agencies, six were classified as FMA Act agencies and the other 15 were CAC Act bodies. In particular, seven of these agencies reported that they had never developed a fraud control plan. Of additional note is that 17 of the 21 agencies reported that their size was of the survey category ‘100 employees or less’ or ‘between 101 and 249 employees’.

**4.37** The survey findings indicated that these 21 agencies had not developed a recent fraud control plan. It is not only important that agencies have a fraud control plan, but agencies should base it on the most recent fraud risk assessment undertaken by the agency. In particular, fraud control plans need to identify the most appropriate way of dealing with current and emerging risks.

**4.38** Ongoing and emerging fraud risks identified by agencies completing the ANAO’s 2009 fraud survey included: unauthorised or inappropriate use of information technology; the unauthorised access and release of information; the forgery or falsification of records; identity fraud; and opportunities for fraud arising from the way in which government conducts business such as the outsourcing of service delivery to external service providers, the introduction of new policy initiatives and programs, the introduction of internet-based transactions, and electronic information exchange.

<sup>92</sup> In the ANAO’s 2009 fraud survey, 92 FMA Act agencies and 63 CAC Act bodies (155 in total) responded to this survey question. Of the 92 FMA Act agencies, 86 reported ‘yes’ and 6 reported ‘no’. Of the 63 CAC Act bodies, 48 reported ‘yes’ and 15 reported ‘no’. In the ANAO’s 2002 fraud survey, 74 FMA Act agencies and 82 CAC Act bodies (156 in total) responded to this survey question. Of the 74 FMA Act agencies, 62 reported ‘yes’ and 12 reported ‘no’. Of the 82 CAC Act bodies, 47 reported ‘yes’ and 35 reported ‘no’.

## **Outsourcing of fraud risk assessments and fraud control planning**

**4.39** Risk assessment and fraud control planning requires considerable expertise, particularly in the increasingly complex context in which Australian Government agencies are operating. Accordingly, the decision whether or not to conduct fraud risk assessments, and/or the development of fraud control plans, in-house or to outsource the work, is a matter for agencies to consider on a case-by-case basis. However, it is important to ensure that relevant corporate knowledge within the agency is appropriately captured and taken into account during the risk assessment and fraud control planning processes.

**4.40** In both its 2009 and 2002 fraud surveys, the ANAO sought to establish whether agencies undertook their fraud risk assessments and fraud control planning in-house, or whether agencies partly or completely outsourced these activities.

**4.41** Over the seven year period the trend has been:

- less agencies using outsourced providers to prepare their fraud risk assessments – decreasing from 64 per cent in 2002 to 59 per cent in 2009; and
- less agencies using outsourced providers to prepare their fraud control plans – decreasing from 61 per cent in 2002 to 55 per cent in 2009.

**4.42** As with fraud risk assessments, agency input into, and oversight of, the formulation of its fraud control plan is extremely important if agencies are to ensure that the plan is tailored to meet the specific needs of the agency, and that it reflects the findings of the agency's risk assessment. Involvement by agency employees at all levels in the identification of the agency's risks is important even if consultants are engaged to provide expert guidance on the development of the actual fraud control plan.

## **Review of agencies' progress in implementing and monitoring key fraud risk treatment strategies**

**4.43** A risk management process involves the identification and analysis of risks, and is followed by the preparation and implementation of risk treatment plans. The Guidelines state that details of fraud risk treatment strategies are to be included in agencies' fraud control plans. Agencies are to document: who has been allocated responsibility for implementing the strategies; the

timeframes for implementing the strategies; and the mechanisms for monitoring the implementation of the strategies.<sup>93</sup>

**4.44** In a robust risk management process, following the implementation of fraud risk treatment strategies, risks are monitored and reviewed. Monitoring and review would generally include actions to: review the treatment strategies implemented to evaluate their effectiveness and cost-efficiency; review the assessments given to likelihood and consequences of risks, and the level of the overall risk ratings; and monitor the occurrence of the risk events through the capturing, analysis and reporting of fraud incident data.

**4.45** The ANAO undertook additional targeted assurance in three agencies, and assessed these agencies' progress in implementing and monitoring the key fraud risk treatment strategies outlined in their fraud control plans. The agencies selected consisted of both FMA and CAC Act agencies, and included: the Australian Customs and Border Protection Service (Customs and Border Protection); the Department of Resources, Energy and Tourism (RET); and the Civil Aviation Safety Authority (CASA).<sup>94</sup>

**4.46** The results of the ANAO's assessment are presented in Table 4.4.

---

<sup>93</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 3.15.

<sup>94</sup> The Australian Customs and Border Protection Service is a large sized FMA Act agency; the Department of Resources, Energy and Tourism is a medium sized FMA Act agency that was established in December 2007; and the Civil Aviation Safety Authority is a medium sized CAC Act body. In the ANAO's 2009 fraud survey the Civil Aviation Safety Authority indicated that they receive at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency.

**Table 4.4****ANAO assessment of agencies' progress in implementing and monitoring key fraud risk treatment strategies**

	Fraud risks identified	Treatment strategies detailed in fraud control plans	Treatment strategies implemented for key fraud risks	Key fraud risks monitored
Department of Resources, Energy, and Tourism (FMA)	✓	✓	✓	✓
Australian Customs and Border Protection Service (FMA)	✓	✓	✓	✓
Civil Aviation Safety Authority (CAC)	✓	✓	✓	✓

Source: ANAO analysis    ✓ = substantially met; ✗ = largely not met

***Active monitoring of fraud risk treatments***

**4.47** While all three agencies monitored their fraud risk treatments, CASA took a particularly active approach. Following on from a fraud risk assessment, CASA produced a fraud control plan in March 2009. Risks rated as high in the fraud control plan were considered during CASA's development of its annual strategic risk management and audit plan.

**4.48** In response to one particular fraud risk, an internal audit was scheduled, and completed in June 2009. The internal audit assessed a range of matters, including adherence with legislation, and agency policies and procedures.

**4.49** In addition, testing was undertaken to determine whether appropriate controls had been implemented and were operating effectively, including those controls designed to prevent and detect fraud. Using the results and information gained from the internal audit, CASA was able to reassess the likelihood, consequence and rating that was initially given to the particular fraud risk.

**Procedures and guidelines to assist fraud control**

**4.50** Procedures and guidelines that assist employees to deal with fraud are an important element of effective fraud control. They are particularly useful in

large agencies where fraud control arrangements are more likely to be devolved, and in agencies with high levels of fraud. These should be kept up to date and made available to all employees, particularly those with direct responsibilities for fraud control.

**4.51** In addition to providing guidance to staff on ways to deal with or report suspected fraud, these procedures and guidelines also serve to raise awareness of fraud matters such as conflict of interest, accepting gifts, use of credit cards, and whistle blowing.

**4.52** In the ANAO’s fraud 2009 survey, agencies were asked whether they had developed specific guidelines or procedures that covered all fraud matters. Of the 153 agencies that responded to the question, 147 (96 per cent)<sup>95</sup> of agencies had developed procedures that covered all fraud-related matters.

**Trend in currency of procedures and guidelines**

**4.53** The ANAO survey results for 2009 and 2002 that examined the availabilities of guidelines to assist fraud control are provided in Table 4.5.

**Table 4.5**

**Agencies that answered ‘YES’ to having procedures and guidelines that covered all fraud matters<sup>96</sup>**

Survey Year	FMA Agencies (%)	CAC Bodies (%)
2009	100	92
2002	82	61

Source: 2009 ANAO Fraud Survey and 2002 ANAO Fraud Survey

**4.54** This comparison indicates a reported improvement since the 2002 ANAO survey, in which 107 agencies (71 per cent)<sup>97</sup> had developed procedures that covered all fraud matters.

<sup>95</sup> In the ANAO’s 2009 fraud survey, 153 agencies responded to this survey question. Of the 153 agencies: 147 agencies reported ‘yes’, 5 agencies reported ‘no’, and 1 agency reported ‘don’t know’.

<sup>96</sup> In the ANAO’s 2009 fraud survey, 91 FMA Act agencies and 61 CAC Act bodies (153 in total) responded to this survey question. Of the 91 FMA Act agencies, 91 reported ‘yes’ and no agencies reported ‘no’. Of the 61 CAC Act bodies, 56 reported ‘yes’ and 5 reported ‘no’. In the ANAO’s 2002 fraud survey, 73 FMA Act agencies and 77 CAC Act bodies (150 in total) responded to this survey question. Of the 73 FMA Act agencies, 60 reported ‘yes’ and 13 reported ‘no’. Of the 77 CAC Act bodies, 47 reported ‘yes’ and 5 reported ‘no’.

<sup>97</sup> In the ANAO’s 2002 fraud survey, 150 agencies responded to this survey question. Of the 150 agencies: 107 agencies reported ‘yes’, and 43 agencies reported ‘no’.



## 5. Fraud Awareness and Training

---

*This chapter considers the importance of creating an ethical workplace and supporting this culture through fraud awareness-raising and training in order to assist staff to prevent and manage fraud.*

### Introduction

**5.1** A key feature in managing the risk of fraud within an agency is the establishment of a sound, healthy and sustainable ethical culture. A strong ethical culture goes hand-in-hand with other fraud preventative measures, including fraud awareness-raising and training. In this chapter, the ANAO outlines the relevant legal framework underpinning ‘values’ in *Financial Management and Accountability Act* (FMA Act) agencies and *Commonwealth Authorities and Companies Act* (CAC Act) bodies and presents the results of the ANAO’s 2009 fraud survey in relation to:

- fraud awareness-raising;
- training in ethics/Codes of Conduct, privacy requirements, and fraud control; and
- specific fraud investigations training and the qualifications of staff.

### The legal framework underpinning ‘values’ in FMA Act agencies and CAC Act bodies

#### FMA Act agencies

**5.2** The FMA Act covers departments and agencies that are legally and financially part of the Commonwealth. The Government’s policy regarding the ethical behaviour of officials is supported legally by: section 44 of the FMA Act; and *the Public Service Act 1999* (PS Act).

#### *FMA Act*

**5.3** The FMA Act specifies the responsibilities and powers of Chief Executive Officers (CEOs) and officials, including the responsibilities associated with the expenditure of public monies. Section 44 of the FMA Act requires a CEO to manage the affairs of the agency in a way that promotes the efficient, effective, and ethical use of the Commonwealth resources for which the CEO is responsible. This legislation places the onus on CEOs to promote

ethical behaviour in their agencies and recognises that leading from the top is important in establishing the ethical tone in an organisation.

### *Australian Public Service Values and Code of Conduct*

**5.4** The Australian Public Service (APS) Values provide the philosophical underpinning of the APS and articulate its culture and ethos. The Values reflect the Australian community's expectations of public servants and are directly relevant to procurement. The PS Act requires that APS employees at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS.<sup>98</sup> The APS Values, described in section 10 of the PS Act, require APS employees to: have the highest ethical standards; be openly accountable; and deliver services fairly, effectively, impartially and courteously.

**5.5** The obligation of APS employees to conduct government business in an ethical manner, are complemented by the requirements of the APS Code of Conduct, which is set out in section 13 the PS Act. Amongst other things, the Code requires that all APS employees:

- behave honestly and with integrity in the course of their employment in the APS;
- disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with their employment in the APS;
- use Commonwealth resources in a proper manner;
- not make improper use of inside information or the employee's duties, status, power or authority in order to gain, or seek to gain, a benefit or advantage for the employee or for any other person; and
- at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS.

### *Sanctions for failure to comply with requirements*

**5.6** Commonwealth officers may be liable to criminal or other sanctions for inappropriate behaviour in the course of their employment. Legislation that is of particular relevance to procurement is:

---

<sup>98</sup> The PS Act applies to most FMA Act agencies, and some CAC Act bodies. Refer to <<http://www.finance.gov.au/publications/flipchart/index.html>> [accessed 15 April 2010].

- sections 14 and 41 of the FMA Act make it a criminal offence for a Commonwealth officer to misapply, or improperly dispose of or use public money or property; and
- the *Criminal Code Act 1995* establishes a range of offences, including theft of Commonwealth property, fraud, abuse of public office, bribery and unauthorised access to (or modification of) restricted data.

**5.7** The PS Act also provides for the imposition of sanctions on an APS employee who is found to have breached the APS Code of Conduct. Possible sanctions include: termination of employment; reduction in classification; re-assignment of duties; reduction in salary; deductions from salary, by way of fine; or a reprimand.

## **CAC Act bodies**

**5.8** The CAC Act applies to statutory corporations that are both legally and financially separate from the Commonwealth. This means they are established as bodies corporate, for a public purpose, with the ability to hold money on their own account. They are more independent from the Commonwealth in a financial sense, but powers of direction can also apply to these bodies in other important ways.

**5.9** The CAC Act imposes a number of obligations on officers and employees of Commonwealth authorities to exercise care and diligence and to act in good faith. As well as this general duty of care, the CAC Act imposes a number of additional obligations. For example, an officer or employee of a Commonwealth authority must not:

- improperly use his or her position to gain an advantage for him or her or someone else (section 24(1)); and/or
- improperly use information obtained as an officer or employee of a Commonwealth authority to gain advantage for him or her or someone else or cause detriment to the Commonwealth authority or to another person (section 25(1)).

**5.10** In addition, an officer of a Commonwealth authority must exercise his or her powers and discharge his or her duties in good faith in the best interests of the Commonwealth authority and for a proper purpose.<sup>99</sup> An officer or

---

<sup>99</sup> *Commonwealth Authorities and Companies Act 1997*, s. 23.

employee of a Commonwealth authority may be liable to criminal sanctions where these obligations are breached (section 26(2)(a)).

**5.11** The CAC Act also contains rules relating to the disclosure of conflicts of interest by directors of a Commonwealth authority. For example:

A director of a CAC Act entity who has a material personal interest in a matter that relates to the affairs of the authority must give other directors notice of this interest (section 27F(1)). Subject to specific conditions, a directors who has a material personal interest in a matter that is being considered at a directors' meeting, must not be present while the matter is being considered (section 27J(1)).

## Overall expectations

**5.12** While the legal and compliance obligations of FMA Act agencies and CAC Act bodies differ, the Australian community expects business in the public sector to be conducted ethically, displaying honesty, integrity, diligence, fairness, trust, and respect when dealing with others. For these reasons it is advisable that agencies, whether FMA Act or CAC Act, put mechanisms in place to assist and train their staff to understand ethical issues and develop the judgement and skills needed to deal appropriately with fraud or other misconduct.

## Fraud awareness-raising

**5.13** Fraud awareness-raising initiatives are an effective way of ensuring that staff are aware of the standards of conduct expected of them, and are alert to the responsibilities they have in relation to fraud prevention and control. The *Commonwealth Fraud Control Guidelines* (the Guidelines) state that 'All agency employees and contractors to Commonwealth agencies must take into account the need to prevent and detect fraud as part of their normal responsibilities'.<sup>100</sup>

**5.14** Creating awareness of the risk of fraud, and ensuring employees are aware of their obligations concerning fraud and misconduct, is achieved by practical communication and training. To be effective, fraud awareness-raising initiatives should be regular and cover the relevant employee population.

---

<sup>100</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 1.14.

**5.15** Information regularly communicated to staff would generally include, for example:

- clear definitions of the types of behaviour and activities that constitute fraud;
- the requirement for employees to behave ethically, and uphold relevant values and codes of conduct;
- the clear message that fraudulent practices within the agency will not be tolerated;
- the role employees have in relation to fraud control;
- the types of fraud detection measures that are in place; and
- how staff can report their fraud suspicions.<sup>101</sup>

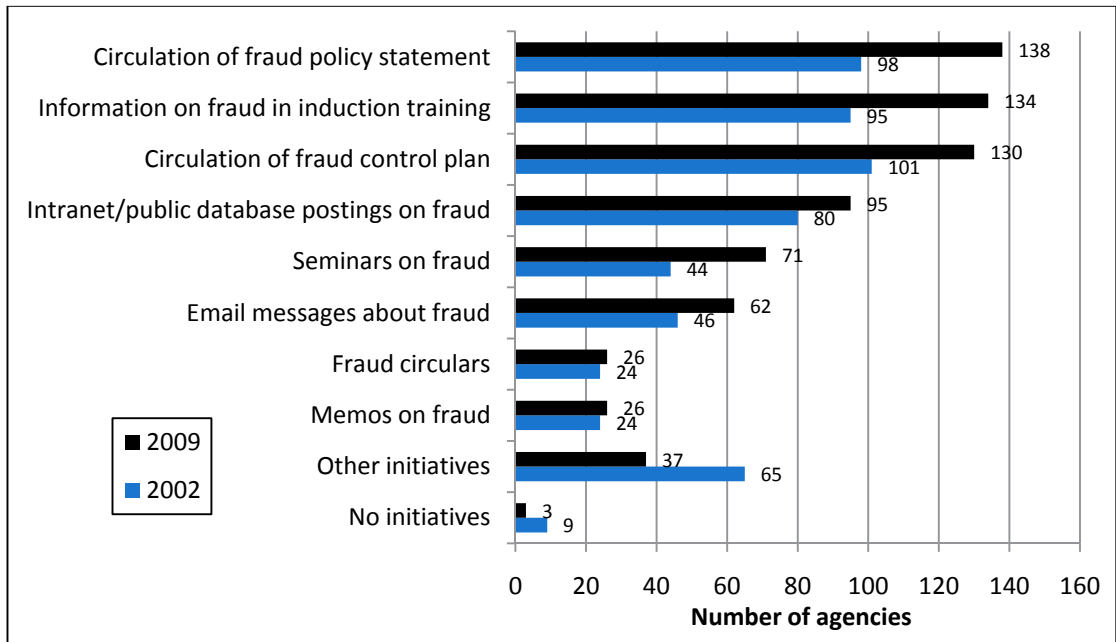
**5.16** In the ANAO's 2009 fraud survey, agencies were asked to provide details on the initiatives undertaken to raise staff awareness of fraud control. In answering the question, agencies were able to indicate that they undertook more than one initiative. Of the 155 agencies that responded to the question, 152 (98 per cent) indicated that they carried out one or more fraud awareness-raising initiative. Only three agencies reported that they had not conducted any awareness-raising activities. The survey results are provided in Figure 5.1.

---

<sup>101</sup> *Fraud and Corruption Control*, Standards Australia, 2008.

**Figure 5.1**

**Fraud awareness-raising initiatives**



Source: 2009 ANAO Fraud Survey and 2002 ANAO Fraud Survey

Note: In responding to this question, agencies were able to indicate that they had undertaken more than one awareness-raising initiative. In the ANAO's 2009 survey, 155 agencies responded to this survey question. In the ANAO's 2002 survey, 147 agencies responded to this survey question.

**Trend in use of awareness-raising initiatives**

**5.17** In the ANAO's 2002 fraud survey, 147 agencies responded to this question. Some 138 (94 per cent) indicated that they undertook one or more fraud awareness-raising initiatives, and nine agencies reported that they had undertaken no awareness-raising activities.<sup>102</sup>

**Areas where agencies could improve**

**5.18** To facilitate staff understanding of fraud control, agencies should provide information and conduct awareness-raising sessions on an ongoing basis in order to ensure that visibility and awareness of fraud issues is maintained. The following are examples of awareness-raising activities that agencies reported undertaking in the ANAO's 2009 fraud survey.

<sup>102</sup> In the ANAO's 2002 fraud survey, 147 agencies responded to this survey question. Of the 147 agencies: 138 agencies reported 'yes', and 9 agencies reported 'no'.

- distributing wallet cards containing details of the fraud reporting channels;
- showing videos on fraud control staff;
- printing fraud awareness articles in staff newsletters;
- producing wall posters / pamphlets / brochures / booklets / bookmarks and fact sheets;
- including inserts with fortnightly pay slips;
- making fraud/risk/audit committee meeting minutes available to staff;
- maintaining specific security and fraud control intranet websites;
- publishing an abridged version of the fraud control plan;
- including information on fraud matters in the CEO message (weekly email to all staff);
- using guest speakers to deliver presentations to staff;
- establishing a fraud control officer network; and
- publicising information on fraud prosecutions and outcomes.

Source: 2009 ANAO Fraud Survey

**5.19** The use of these approaches should be ‘fit for purpose’. That is, the degree or extent of uptake should be commensurate with the fraud risks associated with a particular initiative or program.

## Training in ethics/Codes of Conduct, privacy requirements, and fraud control

**5.20** An important step in creating an ethical workplace culture – specifically one that does not tolerate fraud – is to ensure ethical behaviour is integrated into the way employees operate. This can be achieved by providing staff with clear information on the expected standards of behaviour, as well as providing appropriate training. Accordingly, the Guidelines encourage the training of all employees in ethics and privacy principles.<sup>103</sup>

### Training in ethics/Code of Conduct

**5.21** In the ANAO’s 2009 fraud survey, agencies were asked whether they had trained employees in ethics/Code of Conduct. Of the 148 agencies that

<sup>103</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 2.4.

responded to this question, 55 agencies (37 per cent) reported that all employees had been trained in ethics/Code of Conduct. Some 78 agencies reported that specific employees had received training in ethics/Code of Conduct, with the most common delivery method being the incorporation of relevant training material into the induction courses held for new employees. Some 15 agencies stated that they had not provided any form of ethics/Code of Conduct training to staff.

## **Areas where agencies could improve**

**5.22** The ANAO's 2009 fraud survey findings indicate that 15 agencies (10 per cent) had not provided any form of ethics/Code of Conduct training to staff.

**5.23** Of these 15 agencies, seven were classified as FMA Act agencies and the other eight were CAC Act bodies. Of particular note is that 12 of the 13 agencies reported that their size was of the survey category '100 employees or less' or 'between 101 and 249 employees'. The other three agencies reported that their size was of the survey category 'between 250 and 999 employees'.

**5.24** Agencies need to provide staff with appropriate training and supervision to allow them to understand and implement the Public Service Values and/or related Codes of Conduct. To assist in fostering an ethical workplace and in preventing fraud, staff need to:

- be aware of, and have access to, the agency's procedures for determining whether an employee has breached the Code of Conduct;
- understand and adopt the standards of conduct required by the Code of Conduct; and
- know the consequences of breaching the Code of Conduct.

**5.25** Agencies should also ensure that staff involved in managing suspected breaches of the Code of Conduct in their agency are equipped with, or have access to, the appropriate skills and training to perform this role.

## **Training in privacy requirements**

**5.26** The *Privacy Act 1988* was passed by federal Parliament at the end of 1988 and governs the management of personal information collected and held by government entities and most private sector organisations.

**5.27** In the Australian government sector, the Privacy Act has the objectives of protecting personal information in the possession of federal government



departments and agencies and safeguarding for the collection and use of tax file numbers. The Act contains eleven Information Privacy Principles (IPPs), which set out strict safeguards for any personal information that is handled by federal government agencies. The IPPs principally cover the collection, storage, access, use and disclosure of this information.

**5.28** In December 2000, the *Privacy Amendment (Private Sector) Act 2000* was passed by federal Parliament and extended coverage of the Act to most private sector organisations. National Privacy Principles set out how private sector organisations should collect, use and disclose, keep secure, and provide access to personal information. The principles give individuals a right to know what information an organisation holds about them and a right to correct that information if it is wrong.<sup>104</sup>

**5.29** In the ANAO's 2009 fraud survey agencies were asked whether they had trained employees in the privacy principles. Of the 147 agencies that responded to this question, 19 agencies (13 per cent) reported that all employees had been trained in the privacy principles. Some 100 agencies reported that specific groups of employees had received training in the privacy principles, and 28 agencies stated that they had not provided any form of privacy principle training to staff.

## **Areas where agencies could improve**

**5.30** The ANAO's 2009 fraud survey findings indicate that 28 agencies (19 per cent) had not provided any form of privacy principle training to staff.

**5.31** Of these 28 agencies, 16 were classified as FMA Act agencies and the other 12 were CAC Act bodies. Of particular note is that 22 of the 28 agencies reported that their size was of the survey category '100 employees or less' or 'between 101 and 249 employees'. The other six agencies reported that their size was of the survey category 'between 250 and 999 employees'.

**5.32** Agencies can assist employee awareness of their obligations and responsibilities with respect to privacy in a number of ways. Depending upon the nature of an agency's business, these could be general in nature or provide specific instructions for staff directly involved with the privacy of customers or informants.

---

<sup>104</sup> Office of the Privacy Commissioner website, <<http://www.privacy.gov.au/materials/types/law/view/6892>> [accessed 15 April 2010].

**5.33** General guidance for all staff includes reminding employees regularly of the privacy and confidentiality requirements. This can be achieved via the conduct of privacy awareness sessions, circulating privacy advices, distributing privacy training modules, and using screen based messages to promote key privacy issues.

**5.34** For staff directly involved with the privacy of customers or informants, more targeted controls provide greater assurance where necessary including:

- providing relevant staff with detailed privacy, confidentiality and security obligations that reflect the importance associated with maintaining public confidence in the agency's ability to protect individual privacy; and where appropriate
- requiring relevant employees to sign a Declaration of Privacy/Confidentiality.

## **Training in fraud control**

**5.35** Training is an important mechanism to ensure that all staff, particularly those in areas of higher risk and in areas with direct responsibility for fraud control, are well equipped to prevent and manage fraud. The Guidelines encourage the 'specialised training of employees involved in fraud control activities'.<sup>105</sup> For those staff directly responsible for investigating fraud, the Guidelines outline mandatory fraud investigation training requirements. This is examined in the section 'Fraud investigation staff qualifications'.

**5.36** In the ANAO's 2009 fraud survey, agencies were asked whether they had provided any training to employees involved in fraud control activities. Of the 149 agencies that responded to this question, 99 agencies (66 per cent) reported that training had been provided to employees involved in fraud control activities. Some 46 agencies (31 per cent)<sup>106</sup> reported that they had not provided training to employees.

---

<sup>105</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 2.4.

<sup>106</sup> In the ANAO's 2009 fraud survey, 149 agencies responded to this survey question. Of the 149 agencies: 99 agencies reported 'yes', 46 agencies reported 'no', and 4 agencies reported 'don't know'.

## Areas where agencies could improve

**5.37** Of the 46 agencies that had not provided training, 25 were classified as FMA Act agencies and the other 21 were CAC Act bodies. Of particular note is that 38 of the 46 agencies reported that their size was of the survey category '100 employees or less' or 'between 101 and 249 employees'. The other eight reported that their size was of the survey category 'between 250 and 999 employees'.

**5.38** For an agency's managers and staff to be able to identify, and thereby, prevent and control fraud, requires a high level of awareness of fraud related matters. An effective way of ensuring that managers and staff are aware of the standards of conduct expected of them and others, including third-party providers, is for agencies to provide fraud control training sessions on a regular basis. This encourages an awareness of the responsibilities staff have in relation to fraud prevention and control.

**5.39** Fraud training typically involves educating management and staff on: the risk of fraud to the agency; fraud prevention and detection techniques; reporting procedures; updates and changes to fraud-related policies, including Codes of Conduct and procedures.

**5.40** Induction training is an important mechanism to ensure that new starters, permanent and temporary, are aware of an agency's corporate culture and expected standards of conduct. The provision of training for managers in relation to fraud control is important because of the supervisory responsibilities exercised and the example that should be set by managers.

## Fraud investigation staff qualifications

**5.41** The Guidelines state that 'agencies are responsible for investigating routine and minor instances of fraud against them or their programs' and that 'Compliance with the fraud investigation training requirements ... is mandatory'.<sup>107</sup> The Guidelines go on to explain that it is mandatory for employees who are primarily engaged in preventing, detecting or investigating fraud to gain the Certificate IV in Government (Investigation). In addition, those employees primarily engaged in the coordination and conduct

---

<sup>107</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 4.6 and para 6.1.

of fraud control investigations are required to gain the Diploma of Government (Investigation).

**5.42** Although agencies have been given a level of responsibility for investigations under the Guidelines, the ability and capacity to investigate fraud varies widely between individual agencies. The nature and extent of fraud against an agency, as well as expertise and resource constraints, are factors that can have a significant impact on the ability of an agency to undertake investigations in-house.

**Agencies with fraud investigation staff**

**5.43** In the ANAO’s 2009 fraud survey agencies were asked to provide details of the number of fraud investigation staff they employed as at 30 June 2008. Of the 155 agencies that responded to the question, 45 agencies (29 per cent) reported employing staff who are primarily engaged in the investigation of fraud. Of the 45 agencies, 32 were FMA Act agencies and 13 were CAC Act bodies. The combined total of fraud investigation staff employed as at 30 June 2008 was 1119 across the 45 agencies.

**Fraud investigation staff qualifications**

**5.44** In the ANAO’s 2009 fraud survey agencies were also asked about the qualifications of their fraud investigation staff. Agencies reported that 923 of the 1119 fraud investigators have relevant qualifications, including a Diploma in Government (Investigation), Certificate IV in Government (Investigation) or another relevant qualification as outlined in the Guidelines. A further 104 fraud investigators were in the process of being trained, while 92 investigators were yet to be trained. For those staff yet to commence acquiring a qualification as required by the Guidelines, the ANAO asked agencies what steps they were taking to ensure that these staff undertake the mandated training. All eight agencies that responded to the question replied that all nominated staff are already undertaking training or will be in the near future.

**5.45** The survey results for 2009 and 2002 are compared in Table 5.1.

**Table 5.1**

**Fraud investigation staff with qualifications**

Survey year	Fraud investigation staff with qualifications	Percentage of total (%)
2009	923 (of 1119)	82
2002	694 (of 2383)	29

Source: 2009 ANAO Fraud Survey and 2002 ANAO Fraud Survey

## **Trend in fraud investigation staff qualifications**

**5.46** In the ANAO's 2009 survey, agencies reported a smaller number of better trained/qualified fraud investigation staff (923 of 1119 [82 per cent]) compared with the 2002 survey when agencies reported that fewer fraud investigators were qualified (only 694 of 2383 [29 per cent]).<sup>108</sup> In the 2002 survey, 1309 fraud investigators were in the process of being trained while 327 were yet to be trained.

---

<sup>108</sup> In the ANAO's 2002 survey, one agency included a large number of compliance staff (greater than 1000) in their response to the question on total number of fraud investigation staff. In the 2009 survey, this agency only reported fraud investigation staff numbers. This explains the drop in the total reported APS fraud investigation staff numbers from 2002 to 2009.

## 6. Detection, Investigation and Response

---

*The central concepts involved in detecting, investigating and responding to fraud are considered in this chapter. Undertaking these activities requires agencies to adhere to specific legislation and standards.*

### Introduction

**6.1** Fraud detection, investigation and response are key elements of the overall fraud control framework. Carrying out these fraud control processes provides employers and external stakeholders with reasonable assurance that perpetrators of fraudulent acts are identified, and appropriate remedies applied.

**6.2** The detection, investigation and response to fraud involve complex interventions and the adherence to relevant legislation and standards including the: *Commonwealth Fraud Control Guidelines* (the Guidelines); *Australian Government Investigation Standards* (AGIS); *Prosecution Policy of the Commonwealth*; *Crimes Act 1914*; *Privacy Act 1988*; and *Public Service Act 1999* (PS Act).

**6.3** As indicated in Chapter 5, appropriate training and guidance should be provided to internal investigating personnel to avoid any uncertainty or confusion as to how allegations of fraud should be handled. Particular care needs to be taken to ensure that competent fraud investigation procedures are implemented and that evidence gathering and handling does not compromise the investigation process. This includes handling official information in accordance with the Information Privacy Principles in the *Privacy Act 1988*.

**6.4** In this chapter, the ANAO used the responses to its 2009 fraud survey to obtain an overview on the uptake and use of standards and guidelines put in place to assist agencies to:

- detect fraud;
- investigate fraud; and
- respond to fraud.

## Detecting fraud

**6.5** Each Australian Government agency is susceptible to fraud, and no system of preventative controls can provide absolute assurance against fraud. Agencies can never eliminate the risk of fraud entirely – there are always some people who are motivated to commit fraud when opportunities arise.

**6.6** The Guidelines state that:

The Federal Government is determined to ensure that fraud against the Commonwealth is minimised and that, where it does occur, it is rapidly detected, effectively investigated, appropriately prosecuted and that losses are minimised.<sup>109</sup>

**6.7** To this extent, the Guidelines require that agencies put in place a fraud control program that covers both prevention and detection.<sup>110</sup>

**6.8** Detection activities, techniques and programs are designed to identify fraud that is occurring or has occurred. They are different to prevention activities and controls, which are designed to reduce the risk of fraud from occurring. There are a range of detective controls that agencies can use to identify fraud once it has occurred. For information on techniques commonly used to detect internal and external fraud, refer to Appendix 6.

**6.9** One way agencies can detect fraud is through encouraging employees and contractors, and, where relevant, members of the public to report their suspicions of fraud. In the next section, the ANAO used the responses to its 2009 fraud survey to obtain an overview on agency uptake and use of mechanisms that deal with fraud allegations.

### Mechanisms to deal with fraud allegations

**6.10** Allegations made by employees, contractors, and members of the public can often lead to the uncovering of fraud. It is good practice for an agency to have a well-publicised mechanism (such as a ‘tip-off’ or hotline number) that enables fraud allegations to be reported to a designated area. Depending on the size and type (for example, policy, procurement, payment, or service delivery) of the agency, this may be a person or office, an

<sup>109</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, p. iii.

<sup>110</sup> *ibid.* para 1.2.

investigation area, or an independent hotline facility. There are a range of mechanisms an agency could use, including: a telephone line, manned by an appointed delegate; an email or postal address, which allegations could be sent to; an electronic mechanism, for example, a form available on the Internet that could be submitted electronically; a person, who could be met with face-to-face; and a fraud hotline facility, managed in-house or outsourced to a service provider, where operators can receive phone calls, emails or written mail (see the section on hotline facilities for further information).

## **Mechanisms to deal with fraud allegations made by employees and contractors**

**6.11** Within Australian Government agencies, all staff and contractors have a role to play in the reporting of suspected fraud. This includes fraud potentially being committed by internal staff or by external parties. The Guidelines indicate that 'All agency employees and contractors to Commonwealth agencies must take into account the need to prevent and detect fraud as part of their normal responsibilities'.<sup>111</sup>

**6.12** If an agency has mechanisms available to deal with fraud allegations, these mechanisms need to be visible and accessible so that people will use them. As well, employees wishing to report fraud allegations have to be sure that the information provided will be treated in confidence, and that their concerns will be dealt with objectively. To enhance the perception of objectivity, it may be beneficial for agencies to use a neutral party within the entity, or engage an external service provider, to deal with allegations.

**6.13** For those agencies under the PS Act, the Act provides protection for an APS employee who makes a whistleblowing report. Whistle blowing refers to the reporting, in the public interest, of information which alleges a breach of the APS Code of Conduct (including fraud) by an employee within an agency.<sup>112</sup> In addition, for those agencies under the PS Act, agency heads are required to establish procedures to manage whistleblowing reports.<sup>113</sup>

---

<sup>111</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 1.14.

<sup>112</sup> Section 16 of the *Public Service Act 1999* prohibits victimisation of, or discrimination against, and APS employee who makes a whistleblowing report.

<sup>113</sup> Regulation 2.4 of the *Public Service Regulations 1999* requires that agency heads establish procedures to manage whistleblowing reports. The procedures must meet the minimum requirements, as set out in regulation 2.4.



**6.14** In the ANAO's 2009 fraud survey, agencies were asked whether they had mechanisms in place to deal with fraud allegations made by employees and contractors. Of the 154 agencies that responded to the question, 147 agencies (95 per cent)<sup>114</sup> indicated they had such mechanisms in place. This demonstrates a good result for Australian Government agencies.

*Awareness-raising of mechanisms to deal with fraud allegations made by employees and contractors*

**6.15** As examined in Chapter 5: Fraud Awareness and Training, an agency should regularly communicate to staff the expectation that suspected fraud be reported immediately. By articulating the culture of the organisation, the behaviour expected of its staff, and undertaking awareness raising initiatives, agencies can encourage employees to report their suspicions of fraud more readily – which can result in an increase in the level of fraud detected. An agency should also communicate information on the protections offered to individuals who report suspected fraud – that is, information on the agency's whistleblower policies.

**6.16** In the ANAO's 2009 fraud survey, agencies reported using the following methods to raise awareness among employees and contractors of the mechanisms available to make fraud allegations: promotion of the fraud policy statement and fraud control plan, which contain details of the mechanisms; the intranet; brochures and pamphlets; and inclusion of information in induction and other training programs, such as fraud awareness, IT security, and code of conduct training.

## **Mechanisms to deal with fraud allegations made by the public**

**6.17** Members of the public (including an agency's customers, suppliers and other stakeholders) can play a role in reporting suspected fraud. These parties may be aware of fraud occurring within an agency, or being committed against an agency by an outside party. The Australian Government Services Fraud Tip-Off line is an example of a mechanism that provides members of the public with a place to report allegations of fraud against the Pharmaceutical Benefits Scheme, the Child Support Agency, Centrelink, and Medicare.

---

<sup>114</sup> In the ANAO's 2009 fraud survey, 154 agencies responded to this survey question. Of the 154 agencies: 147 agencies reported 'yes', 6 agencies reported 'no', and 1 agency reported 'don't know'.

**6.18** In the ANAO's 2009 fraud survey, agencies were asked whether they had implemented mechanisms to deal with fraud allegations made by members of the public. Of the 154 agencies that responded to the question, 69 agencies (45 per cent)<sup>115</sup> indicated that they had such mechanisms in place.

**6.19** Of the 69 agencies, most indicated that the mechanisms they had implemented were aimed at receiving 'tip-offs' of customer or external service provider fraud, and most of these agencies were large FMA Act agencies that provided services and benefit payments to the public.<sup>116</sup>

*Awareness-raising of mechanisms to deal with fraud allegations made by the public*

**6.20** In the ANAO's 2009 fraud survey, agencies were asked how they publicised the mechanisms they had put in place to deal with fraud allegations made by the public. Agencies reported using these awareness-raising methods: the Internet; ministerial press releases; media advertising; their Annual Report; frontline staff; and brochures and posters displayed at public sites.

*Areas where agencies could improve*

**6.21** The Guidelines indicate that agencies are to implement a fraud control program that covers both prevention and detection. While the Guidelines do not specify the detection mechanisms to be used, it is good practice to implement mechanisms, such as fraud 'tip-off' lines, to facilitate members of the public to report suspected fraudulent activity by an agency's customers, employees or contractors. Such initiatives are particularly valuable for agencies that deliver services and payments to the community.

**6.22** A well-publicised mechanism (such as a hotline number) enables members of the public to report fraud allegations. Agencies are encouraged to assess whether a 'tip-off' facility would assist in the uncovering of fraud; for example, fraud being conducted against an agency's programs by its customers, third party providers or employees.

---

<sup>115</sup> In the ANAO's 2009 fraud survey, 154 agencies responded to this survey question. Of the 154 agencies: 69 agencies reported 'yes', 81 agencies reported 'no', and 4 agencies reported 'don't know'.

<sup>116</sup> In the ANAO's 2009 fraud survey, very few agencies indicated that they had established mechanisms that provided a place for members of the public to provide 'tip-offs' of APS employee fraud.

## Hotline facilities

**6.23** A hotline facility typically provides a method whereby employees and other parties can communicate concerns about potential fraud. A hotline is sometimes referred to as a tip-off line. In the ANAO's 2009 fraud survey, a number of agencies indicated that they had adopted the use of a hotline facility as a key mechanism to deal with fraud allegations.

**6.24** Industry research indicates that fraud reporting hotlines are effective in uncovering fraudulent activity.<sup>117</sup> KPMG, in its *Australia/New Zealand Fraud Survey 2008*, reported that tip-offs from an entity's employees accounted for 22 per cent of fraud cases detected.<sup>118</sup> Tip-offs from 'external parties' accounted for 23 per cent of fraud cases detected, showing a rise since KPMG's 2006 fraud survey, where 15 per cent of cases were detected due to tip-offs received from 'external parties'.

**6.25** The United States Association of Certified Fraud Examiner's (ACFE) 2008 *Report to the Nation on Occupational Fraud and Abuse* found that tip-offs were the most frequent way in which fraud was detected (46 per cent), with internal controls responsible for 19 per cent of detected fraud.<sup>119</sup> Focusing on the U.S. government agencies involved in the study, the ACFE found that: for those U.S. government agencies that had a hotline (available to employees and external parties) the median fraud loss was \$100 000 and the fraud was discovered in a median time of 21 months after the initial incident; and for those agencies that did not have a hotline the median fraud loss was \$121 000, with a median time of 30 months to discover the fraud.

---

<sup>117</sup> KPMG, *Fraud Risk Management: Developing a Strategy for Prevention, Detection, and Response*, 2006, p 14. PricewaterhouseCoopers, *Economic crime: people, culture and controls*, USA, 2007, p 10. Association of Certified Fraud Examiners, *2008 Report to the Nation on Occupational Fraud & Abuse*, Austin, USA, 2008, p 19.

<sup>118</sup> KPMG, *Fraud Survey 2008*, Australia, 2008, p. 19.

<sup>119</sup> Association of Certified Fraud Examiners, *2008 Report to the Nation on Occupational Fraud & Abuse*, Austin, USA, 2008, p 19.

**6.26** The following are the key features of a hotline facility.

A hotline is a single point of contact for staff members (and others) to report information on suspected fraud. It gives people a means of contacting the agency at minimal personal risk. A hotline arrangement also enables staff to obtain advice and information.

A hotline facility has the advantage of being perceived as being independent of management. Agencies may find it beneficial to outsource the hotline service to a third-party provider.

The hotline facility, while predominantly telephone based, can also sometimes receive reports via other channels, such as email or mail.

A well designed hotline provides access to a trained interviewer, operates 24 hours a day, supports a multilingual capability, provides a phone number that is toll-free, and applies consistent protocols for gathering and recording relevant information.

Matters reported via the hotline are normally treated confidentially, to the fullest extent possible. It can provide anonymity, though it is a good idea to obtain the complainant's name or as many supporting details as possible to enable better follow-up of an allegation.

An agency can use the data on fraud allegations to analyse trends and address emerging risks.

Source: ANAO analysis of industry publications.

**6.27** The Internet is also a useful option that can be made available to informants to facilitate tip-offs. An agency's website can provide advice to informants about the kind of allegations that could be referred to the agency, including whether the tip-off concerns a member of staff, a customer, or a business or organisation. An agency's website can also facilitate reporting in cases where a member of the public may be reluctant to talk via telephone.

## Investigating fraud

**6.28** The Guidelines require agencies to:

- investigate routine or minor instances of fraud against them or their programs; and
- refer all alleged incidents of serious or complex fraud against the Commonwealth interests to the Australian Federal Police (AFP) for advice or investigation.<sup>120</sup>

---

<sup>120</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 1.12.

**6.29** The investigation of fraud is crucial to effective fraud control. It is essential that fraud investigators be appropriately trained, and conduct investigations in line with the AGIS.<sup>121</sup> The AGIS provides better practice case handling standards for all fraud investigations, and chart the various stages of a fraud investigation:

- witness statements;
- interviews;
- the handling of evidence;
- the use of surveillance;
- the use of informants; and
- the use of legislated powers, such as coercion, and the execution of search warrants.

**6.30** The AGIS also outlines the written procedures and guidelines that an agency should have in place and follow in order to perform an effective and efficient fraud investigation.<sup>122</sup>

**6.31** The AGIS were designed to make a significant contribution to the provision of high quality investigative practices across Commonwealth agencies. The AGIS are the standards used by the AFP when undertaking quality assurance reviews as required by the Guidelines. To be effective, the AGIS require the existence of, and adherence to, a range of fraud investigation procedures that agencies are required to put in place.

**6.32** In the ANAO's 2009 fraud survey, relevant agencies were asked whether they had established procedures and guidelines for the conduct of fraud investigations that were in line with the AGIS. Of the 45 agencies that the question was applicable to,<sup>123</sup> 44 responded to the question. Of the 44 agencies, 39 agencies (89 per cent) reported that they had procedures and guidelines in

---

<sup>121</sup> *ibid.*, para 4.5.

<sup>122</sup> Copies of the AGIS can be sourced from the AFP.

<sup>123</sup> For the ANAO's 2009 fraud survey, this question was only applicable to those agencies that conducted investigations internally or jointly with an outsourced provider, and employed one or more fraud investigation staff.

place for the conduct of fraud investigations that were in line with the AGIS.<sup>124</sup> The ANAO survey results are presented in Table 6.1.

**Table 6.1**

**Agencies that answered ‘YES’ to having established procedures and guidelines for the conduct of fraud investigations that were in line with the AGIS<sup>125</sup>**

Survey Year	FMA Agencies (%)	CAC Bodies (%)
2009	94	75

Source: 2009 ANAO Fraud Survey

## Responding to fraud

**6.33** Any fraud control regime must include consideration of its enforcement mechanisms. The Australian Government’s policy in relation to prosecution of criminal offences is set out in the *Prosecution Policy of the Commonwealth*.<sup>126</sup> Agencies should consider prosecution in appropriate circumstances and pursue those cases worthy of prosecution. Agencies are expected to pursue vigorously the recovery of monies and of property lost, irrespective of whether a prosecution is undertaken.<sup>127</sup>

**6.34** Where a prosecution is not undertaken, agencies should consider other available remedies. In appropriate circumstances, agencies may use administrative remedies. In the case of external fraud this can include the recovery of overpayments that are the result of invalid benefit claims. In the case of internal fraud, remedies can include action against employees under the PS Act (which covers Code of Conduct matters) or similar mechanisms to pursue financial and other penalties, demotion and/or dismissal.<sup>128</sup>

<sup>124</sup> In the ANAO’s 2009 fraud survey, 44 agencies responded to this survey question. Of the 44 agencies, 39 agencies reported ‘yes’, 4 agencies reported ‘no’, and 1 agency reported ‘don’t know’. Of the 44 agencies, 32 were categorised as FMA Act agencies and the other 12 were CAC Act bodies.

<sup>125</sup> In the ANAO’s 2009 fraud survey, 32 FMA Act agencies and 12 CAC Act bodies (44 in total) responded to this survey question. Of the 32 FMA Act agencies, 30 agencies reported ‘yes’, 1 reported ‘no’, and 1 reported ‘don’t know’. Of the 12 CAC Act bodies, 9 reported ‘yes’, and 3 reported ‘no’.

<sup>126</sup> The *Prosecution Policy of the Commonwealth* can be sourced from the CDPP Internet site: <http://www.cdpp.gov.au/prosecutions/policy/>

<sup>127</sup> *ANAO Better Practice Guide - Fraud Control*, 2004, p. 44.

<sup>128</sup> *ibid.*

**6.35** The Guidelines state that agencies should consider prosecution in appropriate circumstances, in accordance with the *Prosecution Policy of the Commonwealth*, as criminal prosecutions are vital to deterring future instances of fraud and to educating the public generally about the seriousness of fraud.<sup>129</sup> Agencies should also be committed to recovering losses caused by illegal activity through the proceeds of crime and civil recovery processes and, in the absence of criminal prosecution, to applying appropriate civil, administrative or disciplinary penalties.<sup>130</sup> In particular, agencies are required to document the reasons where a decision is taken to use civil, administrative or disciplinary penalties, or to take no further action.<sup>131</sup>

**6.36** In the ANAO's 2009 fraud survey, agencies were asked whether they specifically documented the reasons for when a decision is taken to not refer a brief of evidence to the Commonwealth Director of Public Prosecutions (CDPP). Of the 45 agencies that the question was applicable to,<sup>132</sup> 38 agencies (84 per cent) reported that they had in all cases, or in some cases, documented the reasons when a decision was taken to not refer a brief of evidence to the CDPP.<sup>133</sup> The ANAO survey results are presented in Table 6.2.

**Table 6.2**

**Agencies that answered 'YES' (in all cases or in some cases) to documenting the reasons when a decision is taken to not refer a brief of evidence to the CDPP<sup>134</sup>**

Survey Year	FMA Agencies (%)	CAC Bodies (%)
2009	88	77

Source: 2009 ANAO Fraud Survey

<sup>129</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 4.2.

<sup>130</sup> Ibid. para 4.3.

<sup>131</sup> Ibid. para 4.4.

<sup>132</sup> For the ANAO's 2009 survey, this question was only applicable to those agencies that conducted investigations internally or jointly with an outsourced provider, and employed one or more fraud investigation staff.

<sup>133</sup> In the ANAO's 2009 fraud survey, 45 agencies responded to this survey question. Of the 45 agencies: 31 agencies reported 'yes – in all cases', 7 agencies reported 'yes – in some cases', 4 agencies reported 'no', and 1 agency reported 'don't know'.

<sup>134</sup> In the ANAO's 2009 fraud survey, 32 FMA Act agencies and 13 CAC Act bodies (45 in total) responded to this survey question. Of the 32 FMA Act agencies, 23 agencies reported 'yes – in all cases', 5 reported 'yes – in some cases', 3 reported 'no', and 1 reported 'don't know'. Of the 13 CAC Act bodies, 8 reported 'yes – in all cases', 2 reported 'yes – in some cases', and 3 reported 'no'.

## Areas where agencies could improve

**6.37** The ANAO's 2009 fraud survey findings indicate that six agencies (13 per cent) had not specifically documented the reasons why a decision is taken to not refer a brief of evidence to the CDPP. Of the six agencies, three were categorised as FMA Act agencies and the other three were CAC Act bodies<sup>135</sup>.

**6.38** Maintaining the integrity of Commonwealth operations requires effective deterrent mechanisms to promote voluntary compliance and to discourage attempted fraud. Collecting information on the reasons used to justify why, in progressing an allegation of fraud, a decision was undertaken to either use: civil action; administrative action; disciplinary action; or to take no further action would assist agencies to better target their compliance and education activities to individuals with higher risk characteristics.

---

<sup>135</sup> Of the three CAC Act bodies: one indicated that they receive at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency; and two indicated that they receive less than 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency.



## 7. Performance Monitoring, Reporting and Evaluation

---

*The reporting and evaluation frameworks put in place by agencies to monitor their performance in managing fraud against the Commonwealth, including the use of business systems to provide relevant and reliable information against which fraud control strategies can be tracked over time, are examined in this chapter.*

### Introduction

**7.1** Assessing the performance of fraud control activities is an important element of an agency's accountability to key stakeholders, such as the Portfolio Minister, the Attorney-General, clients, the Parliament and the general public. An effective fraud monitoring, reporting and evaluation regime provides assurance that legislative responsibilities are being met as well as promoting accountability in responsible areas within agencies by providing information that demonstrates their contribution towards compliance and in achieving agency specific fraud control strategies.

**7.2** The ANAO, therefore, examined whether agencies had established mechanisms to assess the effectiveness of their fraud control functions, including whether:

- agencies have information systems that provide a picture of fraud control activities undertaken and support internal reporting;
- external reports are provided that meet the requirements specified in the *Commonwealth Fraud Control Guidelines* (the Guidelines); and
- agencies evaluate their fraud control activities with a view to being able to assess the cost-effectiveness of particular fraud control strategies.

### Fit for purpose approach

**7.3** The resources that an agency commits to fraud performance monitoring, reporting and evaluation should be commensurate with its fraud risk profile. The following considerations can be used to guide the extent of fraud performance monitoring, reporting and evaluation to be undertaken:

- the materiality and trend in the level of fraud being experienced by an agency as indicated by, for example, its value, scope, scale, and complexity;

- whether the fraud function(s) within an agency absorb substantial resources, have considerable policy significance, or are significant in achieving government objectives;
- whether the agency manages a program that, by intent, was designed for flexibility in delivery and, therefore, has implications for the integrity of payments; and
- whether the agency has undergone changes to its structure or function, introduced a new program, or changed the means of delivery of an existing program.

**7.4** Fraud performance monitoring, reporting and evaluation should be structured and proportionate to the above risk profile. Other dimensions include the agency role, (for example, policy, procurement, payment, service delivery); most common type of fraud (for example, internal versus external); and agency size.

## Information systems to support internal reporting

**7.5** The Guidelines state that ‘...Agencies are to have information systems in place to manage information gathered about fraud against the agency’. This not only supports sound decision making at the management level, but also helps agencies to identify and address any systemic issues that are relevant to fraud. In addition, the Guidelines specify the type of fraud information that agencies are to collect.<sup>136</sup>

**7.6** Such information systems, whether they be manual or computerised, can be used for the purposes of recording information and monitoring all aspects of fraud control.

**7.7** In the ANAO’s 2009 fraud survey, agencies were asked whether they had an information system (either manual or computerised) to manage information gathered about fraud against the agency. Of the 154 agencies that responded to the question, 122 agencies (79 per cent) reported having an information system in place.<sup>137</sup>

---

<sup>136</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General’s Department, 2002, para 8.1, p. 28 & para 8.14, p. 30.

<sup>137</sup> In the ANAO’s 2009 fraud survey, 154 agencies responded to this question. Of the 154 agencies, 122 agencies reported ‘yes’, 31 agencies reported ‘no’, and 1 agency reported ‘don’t know’.

**7.8** The ANAO also asked agencies whether their fraud information system was manual, computerised or a combination of both. Of the 122 agencies that reported having a fraud information system:

- 62 agencies (51 per cent) reported that their information system was manual;
- 41 agencies (34 per cent) reported that their information system was a combination of both manual and computerised systems; and
- 19 agencies (16 per cent) reported that their information system was computerised.

### **Areas where agencies could improve**

**7.9** The ANAO's 2009 fraud survey findings indicate that 31 agencies (20 per cent) did not have an information system in place, either manual or computerised, to manage information gathered about fraud against the agency.

**7.10** The data in fraud information management systems forms the basis of regular reports on current investigations and fraud trends to the agency's executive, audit committee, and relevant program areas. Typically, such reports are provided quarterly and include: number of fraud allegations; fraud cases by type and their value; summaries of investigations and audits undertaken by the agency; details of matters being investigated by the Australian Federal Police (AFP); details of remedies being administered for proven cases of fraud; and data on fraud trends over time against key risk areas identified by the agency in its fraud control plan, for example, particular programs prone to integrity problems.

**7.11** The fraud data that is collected, collated and analysed should be of sufficient quality and reliability to be able to support performance information that enables an assessment of the effectiveness of an agency's fraud control function on an ongoing basis.

**7.12** Any information including fraud related data that is developed, received, or collected by, or on behalf of, the Government, through its agencies and contractors, is official information. In particular, information collected for

the purposes of a criminal prosecution should be security classified at an appropriate level in accordance with the Protective Security Manual (PSM).<sup>138</sup>

## External fraud reporting

**7.13** The Guidelines outline the responsibilities that Chief Executive Officers (CEOs) and their agencies have in relation to fraud external reporting:

- CEOs of agencies are to keep their Ministers or Presiding Officers<sup>139</sup> informed of all relevant fraud control initiatives undertaken by their agencies;<sup>140</sup>
- CEOs of agencies are to certify to their Minister or Presiding Officer in their agency's annual reports that they are satisfied that their agency has prepared fraud risk assessments and fraud control plans, and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency and comply with the Guidelines;<sup>141</sup>
- agencies are to advise the AFP annually of their current identified major fraud risks. Agencies can do this by providing to the AFP either copies of their fraud risk assessments and fraud control plans or by entering into bilateral arrangements with the AFP for access to relevant information; and
- agencies are to collect information on fraud and provide it to the Australian Institute of Criminology (AIC) by 30 September each year.

**7.14** In the ANAO's 2009 fraud survey, agencies were asked whether they had undertaken the mandatory fraud external reporting requirements. The results are as follows:

---

<sup>138</sup> The PSM, which has government endorsement, is the principal means for disseminating Australian Government protective security policy and better practice guidelines for all Commonwealth agencies. Unless specifically directed to do so by their Minister, *Commonwealth Authorities and Companies Act 1997* bodies are not required to comply with the PSM. Notwithstanding this, the adoption of the measures contained in the PSM, where cost effective, is good protective security practice.

<sup>139</sup> Ministers for FMA Act agencies and Presiding Officers for CAC Act bodies.

<sup>140</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 1.8, p. 2 and the *Financial Management and Accountability Orders 2008*.

<sup>141</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 1.9.

- 85 agencies (66 per cent)<sup>142</sup> reported that their CEO had informed the Minister/Presiding Officer within the last two years of all relevant fraud control initiatives undertaken by their agency;
- 117 agencies (89 per cent)<sup>143</sup> reported that their 2007–08 Annual Report made a statement on the extent to which their agency complied with the Guidelines;
- 58 agencies (46 per cent)<sup>144</sup> reported that they had advised the AFP in 2007–08 of the identified major fraud risks, or had entered into bilateral arrangements with the AFP for access to relevant information; and
- 110 agencies (85 per cent)<sup>145</sup> reported that they had provided the AIC with fraud control information for the AIC annual fraud reporting questionnaire 2007–08.

### **Areas where agencies could improve**

**7.15** The above survey results indicate that, for the period in question, a significant number of agencies did not meet the mandatory fraud external reporting requirements. The results of the ANAO's fraud survey are summarised in Table 7.1.

---

<sup>142</sup> In the ANAO's 2009 fraud survey, 128 agencies responded to this question. Of the 128 agencies, 85 agencies reported 'yes', 32 agencies reported 'no', and 11 agencies reported 'don't know'.

<sup>143</sup> In the ANAO's 2009 fraud survey, 131 agencies responded to this question. Of the 131 agencies, 117 agencies reported 'yes' and 14 agencies reported 'no'.

<sup>144</sup> In the ANAO's 2009 fraud survey, 127 agencies responded to this question. Of the 127 agencies, 58 agencies reported 'yes', 63 agencies reported 'no', and 6 agencies reported 'don't know'.

<sup>145</sup> In the ANAO's 2009 fraud survey, 130 agencies responded to this question. Of the 130 agencies, 110 agencies reported 'yes', 14 agencies reported 'no', and 6 agency reported 'don't know'.

**Table 7.1****Agencies that did not comply with the mandatory external fraud reporting requirements<sup>146</sup>**

	FMA agencies reporting non-compliance (n)	CAC bodies reporting non-compliance (n)	Total (n)
CEO informed Minister/Presiding Officer	22	21	43
Compliance statement in Annual Report	6	8	14
Advised AFP of major fraud risks	43	26	69
Completed AIC fraud questionnaire	8	12	20

Source: 2009 ANAO Fraud Control Survey

**7.16** A trend in the data was that small agencies ('100 employees or less', or 'between 101 and 249 employees') generally comprised the largest percentage of agencies that indicated they were not meeting the mandatory fraud external reporting requirements.

**7.17** From a whole-of-government perspective, the ANAO's 2009 survey results indicate that a significant number of agencies did not meet the mandatory fraud external reporting requirements. If more agencies reported on their fraud control arrangements and fraud trends, additional information would be available to assist in providing a picture of the effectiveness of the management of fraud across Australian Government agencies.

## Cost data and related performance information

**7.18** Performance information can assist agencies to manage their resources effectively, monitor short and long-term outcomes, and report their performance to Parliament and the general community. In regard to the management of fraud, the development of a sound performance monitoring and reporting framework includes appropriate data on costs.

<sup>146</sup> For this table, totals include those agencies that reported that they did not meet the mandatory fraud external reporting requirements and those agencies that reported 'don't know' as a response.

## Methodologies used to cost fraud control activities

**7.19** In the ANAO's 2009 fraud survey, agencies were asked whether they had costed any aspects of their fraud control activities. Of the 155 agencies that responded the question, 31 agencies (20 per cent) indicated that they had costed aspects of their fraud control activities.<sup>147</sup> Some 123 agencies (79 per cent) indicated that they had not.

**7.20** As part of the ANAO's survey, agencies were asked to describe these costs estimates. Information provided by agencies was brief, and did not enable a rigorous analysis. Of the details provided by the 21 agencies that responded:<sup>148</sup>

- 15 agencies reported that they were able to estimate the direct costs of staff involved in fraud control activities;
- 5 agencies reported that they were able to estimate the costs of fraud related training;
- 5 agencies reported that they were able to estimate the costs of undertaking fraud investigations (including costs of staff and travel); and
- 7 agencies reported that they were able to estimate the costs of undertaking fraud risk assessments and developing fraud control plans.

**7.21** Sound financial information on the costs associated with fraud control is an important tool for management and accountability purposes. It can provide, alongside non-financial data, a picture of how an agency's fraud control program is operating, including the efficiency of operations and cost-effectiveness. The breakdown, collection, monitoring and reporting of the costs associated with fraud control should be 'fit for purpose' and reflect the fraud risks associated with a particular agency, initiative or program.

---

<sup>147</sup> In the ANAO's 2009 fraud survey, 153 agencies responded to this survey question. Of the 153 agencies: 31 agencies reported 'yes', 123 agencies reported 'no', and 1 agency reported 'don't know'.

<sup>148</sup> In the details provided, some agencies indicated that they were able to cost more than one aspect of their fraud control activities.

## Fraud evaluations

**7.22** Evaluations of an agency's fraud outcomes can assist managers and other decision makers to: assess the continued relevance and priority of fraud strategies in the light of current and emerging risks; test whether fraud strategies are targeting the desired population; and ascertain whether there are more cost-effective ways of combating fraud.

**7.23** Evaluations also have the capacity to establish causal links and, over time, an evaluation strategy has the potential to provide insights into:

- the appropriate balance between fraud prevention and detection strategies; and
- the relative weighting of agency incentives that focus on reducing the potential losses from fraud in the first instance, as opposed to discovering fraud after it has occurred.

**7.24** In the ANAO's 2009 fraud survey, agencies were asked whether they had assessed the effectiveness of key fraud prevention and/or detection strategies that they had implemented. Of the 154 agencies that responded to the question, 83 agencies (54 per cent) indicated that they had conducted an evaluation into their fraud prevention and/or detection strategies.<sup>149</sup>

**7.25** As part of the survey, the ANAO requested that agencies submit documentation providing evidence that the agency had undertaken such an evaluation. Most agencies indicated to the ANAO that the process of reviewing their most recent fraud control plan included an assessment of the effectiveness of the strategies and controls that were in place. Only 19 agencies (12 per cent) provided ANAO with evidence that an evaluation had recently been conducted that was outside of the usual fraud risk assessment and fraud control planning process.

**7.26** A breakdown of the 19 agencies that provided evaluations on the effectiveness of key fraud prevention and/or detection strategies is presented in Table 7.2.

---

<sup>149</sup> In the ANAO's 2009 fraud survey, 154 agencies responded to this survey question. Of the 154 agencies: 83 agencies reported 'yes', 68 agencies reported 'no', and 3 agencies reported 'don't know'.



**Table 7.2****Breakdown of evaluations by type, what was evaluated, and whether cost-effectiveness was considered**

Number of evaluations	Type	Did it evaluate prevention, detection or response strategies	Did it consider the cost effectiveness of the strategies or controls
12	Internal and external fraud control reviews that include identifying, evaluating and determining best practice	Prevention only (1); detection only (2); prevention and detection (7); detection and response (1); prevention, detection and response (1)	1 review took into account forecasted savings from the added controls
3	Agency-wide fraud awareness e-survey	Prevention	No
4	Fraud awareness training feedback survey	Prevention	No
2	AFP quality assurance review on internal fraud matters	Detection and response	No

Source: 2009 ANAO Fraud Control Survey.

Note: Nineteen agencies provided documented evidence of evaluations, with two agencies providing two examples

**The scope and frequency of fraud evaluation activity**

**7.27** The scope and frequency of evaluation activities will depend primarily on an assessment of fraud risks and the effectiveness of ongoing fraud monitoring procedures. For instance, a key risk is when an agency introduces a significant new program, or changes the means of delivery of an existing program. Moreover, the Guidelines state that an agency must review its fraud risk assessment if it has undergone a substantial change in structure or function.<sup>150</sup>

**7.28** Evaluations should be additional to, and complement, the regular and ongoing monitoring of fraud by program managers against performance information. In determining an approach to the need for an evaluation strategy, agencies could also benchmark themselves against agencies of similar size and function. This would assist those agencies that consistently report low

<sup>150</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General's Department, 2002, para 3.13.

levels of fraud, but the reported level of fraud is based on a relatively low level of resources being used to prevent and detect fraud.

### **Areas where agencies could improve**

**7.29** In the ANAO's 2009 fraud survey, 54 per cent of agencies indicated that they had conducted an evaluation into the effectiveness of their fraud prevention and/or detection strategies. Most agencies indicated to the ANAO that the process of reviewing their most recent fraud control plan included an assessment of the effectiveness of the strategies and controls in place. However, only 12 per cent of agencies provided examples of evaluations of specific fraud control strategies, and only one of these evaluations considered the cost-effectiveness of fraud controls implemented.

**7.30** In situations where, for example, an agency has: undergone changes to its structure or function; introduced a new program; changed the means of delivery of an existing program; or observed through the analysis of its fraud performance information that fraud levels have changed (such as an increase in the number of fraud allegations made through 'tip-off' mechanisms); then it would be beneficial for the agency to evaluate its fraud control strategies to determine if they are still effective.

**7.31** The following recommendation is based on areas of good practice and potential improvement identified in this audit. Australian Government agencies, generally, are encouraged to assess the relevance of this recommendation in light of their own circumstances, including the extent to which it is already addressed by practices in place.

### **Recommendation No.2**

**7.32** The ANAO recommends that agencies reassess their fraud risks and, where appropriate, the effectiveness of existing fraud control strategies, when undergoing a significant change in role, structure or function, or when implementing a substantially new program or service delivery arrangements.

---



Ian McPhee  
Auditor-General

Canberra ACT  
27 May 2010

# Appendices



## Appendix 1: Departmental responses

### AGD response

AUDIT-IN-CONFIDENCE



Australian Government  
Attorney-General's Department

Secretary

4 May 2010

Mr Matt Cahill  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office

Dear Mr Cahill

#### **ANAO Performance Audit – Fraud Control in Australian Government Agencies**

I refer to your letter of 7 April 2010 to the Secretary, Mr Roger Wilkins AO. You sought comments from the Attorney-General's Department to the proposed audit recommendations and a short summary for the report and brochure.

The Department accepts the report's recommendations.

The performance audit is both welcome and timely. It will make a valuable contribution to the review of the Fraud Control Guidelines that is currently underway.

Formal Departmental comments are at Attachment A, and summary comments are at Attachment B. I understand that there have been discussions between our respective agencies about the proposed report, and that written comments with additional commentary have been sent separately.

We would be happy to provide any necessary clarification or further information as you are finalising the report for tabling in Parliament. Should you have any questions, please contact Dr Dianne Heriot, Assistant Secretary, Border Management and Crime Prevention, on 6141 2771.

Finally, I would like to express my appreciation for the ANAO's willingness to engage with officers in the Department on issues arising from the audit in such a cooperative and constructive manner.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Renée Leon'.

Renée Leon  
Acting Secretary

AUDIT-IN-CONFIDENCE

3-5 National Circuit, Barton ACT 2600 Telephone (02) 6141 6666 www.ag.gov.au ABN 92 601 124 436

## **ATTORNEY-GENERAL'S DEPARTMENT COMMENTS ON PROPOSED AUDIT REPORT – FRAUD CONTROL IN AUSTRALIAN GOVERNMENT AGENCIES**

### **FULL RESPONSE**

The Attorney-General's Department welcomes the ANAO's performance audit of Fraud Control in Australian Government Agencies. AGD accepts the ANAO's recommendations, some of which reflect work currently underway. Fraud is currently estimated to be the most expensive category of crime in Australia. The Government remains committed to protecting Commonwealth revenue, expenditure and property from any attempt to gain illegal financial or other benefits. Management of fraud risk should be integrated into an agency's philosophy, practices and business plans and reflect an agency's individual needs. The findings of the performance audit will assist Commonwealth agencies in minimizing their fraud risks and strengthening their organizational capacity to detect and respond to fraud. The performance audit will make a valuable contribution to the current review of the Fraud Control Guidelines.

### **RECOMMENDATION 1**

**The ANAO recommends that the Attorney-General's Department, in its review of the *Commonwealth Fraud Control Guidelines* take the opportunity to:**

- **Consult with the AIC and consider approaches that will allow the AIC to collect, analyse and disseminate fraud trend data on a consistent basis;**
- **Continue to work with the Department of Finance and Deregulation to clarify which CAC Act bodies are subject to the Guidelines; and**
- **Consider the merits of establishing an approach for the provision of fraud control advice and information to Australian Government agencies, particularly to smaller sized agencies, that facilitates the provision and exchange of practical fraud control advice.**

**AUDIT-IN-CONFIDENCE****AGD Response**

AGREED.

AGD recognizes the importance of trend data in informing policy and program approaches to fraud at an agency and whole of government level. It will work with the AIC and with other agencies to revise the fraud reporting requirements so that trends can be identified from year to year in future.

In regard to the CAC Act bodies, the AGD is currently establishing a directory of those which are currently required to comply with the Fraud Control Guidelines, whether because they receive at least 50% of funding for their operating costs from the Commonwealth or because they have been directed to do so by their Ministers. AGD will continue to work with the Department of Finance and Deregulation with a view to the revised Guidelines (once the current review is concluded) being considered a general policy of Government and of being applied to relevant CAC Act bodies through a General Policy Order.

AGD recognizes the benefits of cross-agency information sharing for policy officers and investigators on fraud control, prevention and detection, and that this guidance would be of particular value for smaller agencies. AGD will work with partner agencies to develop appropriate mechanisms and resources.

**AUDIT-IN-CONFIDENCE**

**Attachment B**

**SUMMARY OF THE ATTORNEY-GENERAL'S DEPARTMENT  
COMMENTS ON THE PROPOSED AUDIT REPORT – FRAUD  
CONTROL IN AUSTRALIAN GOVERNMENT AGENCIES**

The Attorney-General's Department welcomes the ANAO's performance audit of Fraud Control in Australian Government Agencies. AGD accepts the ANAO's recommendations, which reflect work which is currently underway. The Government remains committed to protecting Commonwealth revenue, expenditure and property from any attempt to gain illegal financial or other benefits. The findings of the performance audit will assist Commonwealth agencies in minimizing their fraud risks and strengthening their organizational capacity to detect and respond to fraud.



## AIC response



**Australian Government**  
**Australian Institute of Criminology**

Telephone +61 2 6260 9205  
Facsimile +61 2 6260 9278  
GPO Box 2944  
Canberra ACT 2601 Australia  
[www.aic.gov.au](http://www.aic.gov.au)

7 May 2010

Mr Matt Cahill  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office

Dear Mr Cahill

### **Fraud Control in Australian Government Agencies**

Thank you for your letter of 7 April 2010 enclosing the above draft Report.

The Australian Institute of Criminology is pleased to have had the opportunity to consult with your office throughout the course of this review and to be invited to offer comment. With regard to recommendation No 1, the Australian Institute of Criminology agrees with this recommendation. However, we would note that although larger agencies are in less need of fraud control advice given their internal expertise in this area, given the nature of their programs, they are still more likely to experience the most costly fraud incidents, particularly from sources external to their agencies.

With regard to the ANAO recommendation No 2, the Institute's view, based on our research in the area of fraud, is that this recommendation is appropriate as it applies to agencies of various type and function across the Commonwealth.

Should you seek any further information, please contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AT', followed by a long horizontal line.

(Dr) Adam Tomison  
Director

## Appendix 2: Survey of fraud control arrangements in Australian Government agencies

### ANAO Survey of Fraud Control Arrangements in APS Agencies – June 2009

#### Survey Contents

The survey consists of two parts: Part A and Part B.

#### Part A – Compliance with the Commonwealth Fraud Control Guidelines

In Part A the ANAO is assessing the fraud control arrangements that agencies have in place to comply with the *Commonwealth Fraud Control Guidelines* (the Guidelines). Based on your responses to the survey questions, your agency is requested to provide appropriate evidentiary documentation to support your survey responses. Following analysis of the survey results and identification of themes or issues warranting closer inspection, the ANAO plans to undertake field work in a selected number of agencies.

#### Part B – Capturing APS Better Practice

The *Auditor-General Act 1997* provides the authority for the Auditor-General to provide information to public sector bodies. To respond to this mandate, the ANAO has developed a program of Better Practice Guides. Better Practice Guides aim to improve public administration by providing a vehicle for better practices employed in some agencies to be promulgated more broadly to the whole of the Australian Public Service.

In August 2004, the ANAO released the Better Practice Guide *Fraud Control in Australian Government Agencies*. This Better Practice Guide focused on: governance structures for fraud control; fraud prevention; awareness-raising and training; detection, investigation and response. Given that the fraud control landscape has changed since 2004, the ANAO is keen to ensure the currency of its fraud control Better Practice Guide. To make sure that the updated Better Practice Guide reflects current practices being used to prevent and deal with fraud, the ANAO is seeking information from agencies on contemporary fraud control better practices.

In Part B of the survey the ANAO is requesting information about: the current challenges for fraud control management; instances of fraud control better practice that your agency has implemented; the changing external fraud environment; the usefulness of the ANAO's 2004 Better Practice Guide on Fraud Control; and the Attorney-General's Department's performance in providing fraud control advice and information.

Using the information gathered in Part B of the survey, the ANAO intends to revise its 2004 Better Practice Guide on Fraud Control. Therefore, it would be appreciated if your agency could bring to the ANAO's attention the instances of fraud control better practice that your agency has implemented.

## Structure of the Survey

The survey consists of 11 sections.

### Part A: Compliance with the Guidelines

1. The size, structure and function of your agency
2. The management framework for fraud control including:
  - the Commonwealth definition of fraud; governance arrangements; fraud information systems; fraud external reporting; and fraud control effectiveness.
3. Fraud prevention including:
  - fraud policy statement; fraud risk assessment; fraud control plan; an ethical culture; fraud awareness raising; and external service providers.
4. Fraud detection including:
  - fraud reporting mechanisms.
5. Fraud response including:
  - fraud investigation standards; fraud investigator training; and criminal prosecutions.

### Part B: Capturing Better Practice

6. Current challenges for fraud control management
7. Fraud control better practice
8. The changing external fraud environment
9. The usefulness of the ANAO 2004 Better Practice Guide
10. The Attorney-General's Department's fraud advice
11. Required Document Checklist

### Part A – Compliance with the Guidelines

#### 1. About your agency

1. Name of agency \_\_\_\_\_
2. Please indicate whether your agency operates under the *Financial Management and Accountability Act 1997* (FMA Act) or the *Commonwealth Authorities and Companies Act 1997* (CAC Act).
  - ☐ *Financial Management and Accountability Act 1997* (FMA Act) [Please go to question 4]
  - ☐ *Commonwealth Authorities and Companies Act 1997* (CAC Act)
  - ☐ Don't know [Please go to question 4]
3. If your agency operates under the CAC Act, what percentage of your agency's operating costs are Commonwealth budget funded?
  - ☐ At least 50% or more
  - ☐ Less than 50%

4. How many full-time equivalent (FTE) employees did your agency employ at the end of the 2007–08 financial year? (Do not include contractors or non-ongoing employees. Two part-time employees individually working half the hours of a full-time employee should be counted as one FTE.)
- ☐ 100 or less
  - ☐ 101 to 249
  - ☐ 250 to 999
  - ☐ 1,000 to 4,999
  - ☐ 5,000 to 19,999
  - ☐ Over 20,000
  - ☐ Don't know
5. During the 2007–08 financial year, how many individual contractors did your agency utilise? (For the purposes of this survey, the ANAO defines the term 'contractor' to mean: an individual who is not an employee of the agency; a person working independently, under a contract; a self-employed person.)
- ☐ None. Do not use contractors.
  - ☐ Less than 10
  - ☐ 11 to 100
  - ☐ 101 to 249
  - ☐ 250 to 999
  - ☐ Over 1,000
  - ☐ Don't know
6. What was your agency's Departmental expenditure for the 2007–08 financial year (available in your agency's Annual Report)? \$\_\_\_\_\_
7. What was your agency's Administered expenditure for the 2007–08 financial year (available in your agency's Annual Report)? \$\_\_\_\_\_
8. During the 2007–08 financial year, approximately how many external service providers did your agency utilise in order to deliver government services to the community on behalf of your agency? (For the purposes of this survey, the ANAO defines the term 'external service provider' to mean: where government services are delivered to the community on behalf of your agency by other Commonwealth agencies, State, Territory, or non-government organisations.)
- ☐ None. Do not use external service providers.
  - ☐ Less than 10
  - ☐ 11 to 100
  - ☐ 101 to 249
  - ☐ 250 to 999
  - ☐ Over 1,000
  - ☐ Don't know
9. For the 2007–08 financial year, what Administered expenditure did your agency deliver through external service providers (including other Commonwealth agencies, State, Territory, or non-government organisations)? \$\_\_\_\_\_

## 2. Management Framework for Fraud Control

In this section of the survey the ANAO is seeking information about the management framework that your agency has implemented to support the prevention, detection and investigation of fraud. The questions directly relate to the mandatory clauses in the Commonwealth Fraud Control Guidelines.

### Commonwealth definition of fraud

Guideline 2.1 defines fraud against the Commonwealth as ‘dishonestly obtaining a benefit by deception or by other means’. Guideline 2.2 provides a list of behaviours included in this definition, and notes that the benefits obtained can be tangible or intangible.

10. Does your agency use the definition of fraud as specified in the Guidelines? (Guideline 2.1-2.3)
- ☐ Yes *[Please go to question 12]*
  - ☐ No
  - ☐ Don't know
11. If no, what is your agency's definition of fraud? \_\_\_\_\_
12. Has your agency had any difficulties in applying the Guideline's definition of fraud?
- ☐ Yes. Please give an example of where it has been difficult for your agency to apply the Guideline's definition of fraud. \_\_\_\_\_
  - ☐ No
  - ☐ Don't know

### Governance arrangements

13. In your agency, which specific individual(s) or agency structure(s) are responsible for fraud control? [tick any boxes that apply]
- ☐ Audit Committee
  - ☐ Fraud Committee
  - ☐ Ethics Committee
  - ☐ Corporate Governance Committee
  - ☐ Specialist Staff (e.g. Fraud Prevention Unit, Fraud Investigation Unit). Please specify \_\_\_\_\_
  - ☐ Specialist contract staff/resources. Please specify \_\_\_\_\_
  - ☐ Other. Please specify \_\_\_\_\_
  - ☐ Have not identified any specific individual(s) or agency structure(s) responsible for fraud control

### Fraud information system

The Guidelines outline mandatory information management and reporting requirements. Specifically, Guideline 8.1 states that agencies are to ensure that they have information systems in place to manage information gathered about fraud against the agency. To facilitate the process of annual reporting to government, agencies are to collect information on fraud which includes: suspected fraud, matters under investigation, and completed matters, whether the fraud was

proven or not, and whether the matter was dealt with by a criminal, civil or administrative remedy.

14. Does your agency have an information system (either manual or computerised) in place to manage information gathered about fraud against the agency? (Guideline 8.1)
- ☐ Yes
  - ☐ No *[Please go to the instructions before question 18]*
  - ☐ Don't know *[Please go to the instructions before question 18]*
15. Is this fraud information system:
- ☐ Manual
  - ☐ Computerised
  - ☐ A combination of both manual and computerised systems
16. Is information from the fraud information system(s) reported to relevant executives within your agency?
- ☐ Yes
  - ☐ No
  - ☐ Don't know
17. For what other purpose is the information from the fraud information system(s) used? (For example, annual fraud reporting to the Australian Institute of Criminology, fraud intelligence, input into Annual Reports etc.) \_\_\_\_\_

### **Fraud external reporting**

The Guidelines outline the responsibilities that CEOs and their agencies have in relation to fraud external reporting:

- CEOs of agencies are to keep their Ministers or Presiding Officers informed of all relevant fraud control initiatives undertaken by their agencies (Guideline 1.8 and FMA Orders 2008);
- CEOs of agencies are to certify to their Minister or Presiding Officer in their agency's annual reports that they are satisfied that their agency has prepared fraud risk assessments and fraud control plans, and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency and comply with the Guidelines (Guideline 1.9);
- agencies are to advise the Australian Federal Police (AFP) annually of their current identified major fraud risks. Agencies can do this by providing to the AFP either copies of their fraud risk assessments and fraud control plans or by entering into bilateral arrangements with the AFP for access to relevant information (Guideline 3.4); and
- agencies are to collect information on fraud and provide it to the Australian Institute of Criminology (AIC) by 30 September each year (Guideline 8.13).

	Yes	No	Don't know
18. Which of the following external reporting activities have been undertaken by your agency?			
a. CEO informed the Minister/Presiding Officer within the last two years of all relevant fraud control initiatives undertaken by the agency? (Guideline 1.8 and FMA Orders 2008)	1	2	3
b. The 2007-08 Annual Report makes a statement on the extent to which your agency complies with the <i>Commonwealth Fraud Control Guidelines</i> ? (Guideline 1.9)	1	2	3
c. Agency advised the AFP in 2007-08 of the identified major fraud risks, or has entered into bilateral arrangements with the AFP for access to relevant information? (Guideline 3.4)	1	2	3
d. Agency provided the AIC with fraud control information for the AIC annual fraud reporting questionnaire 2007-08? (Guideline 8.13)	1	2	3

## Fraud control effectiveness

Guideline 2.8 states that CEOs are responsible for ensuring that appropriate fraud prevention and detection procedures and processes are in place. Furthermore, CEOs are responsible, under section 44 of the FMA Act, for promoting efficient, effective and ethical use of Commonwealth resources.

19. How has your agency ensured that appropriate fraud prevention and detection procedures and processes are in place within the agency? (Guideline 2.8) \_\_\_\_\_
20. The ANAO is interested in whether, and how, agencies have assessed the effectiveness of key fraud prevention and detection strategies that have been implemented. Is your agency able to provide examples of recent evaluations of fraud prevention and/or detection strategies?
  - ☐ Yes
  - ☐ No
  - ☐ Don't know
21. The ANAO is interested in the methodologies used by agencies to cost various aspects of their fraud control activities (e.g. direct costs of staff involved in fraud control activities). Has your agency costed any aspects of its fraud control activities?
  - ☐ Yes
  - ☐ No *[Please go to Section 3]*
  - ☐ Don't know *[Please go to Section 3]*
22. Please describe these cost estimates and how your agency derived them. \_\_\_\_\_

## 3. Fraud Prevention

In this section of the survey the ANAO is seeking information about the fraud prevention strategies that your agency has implemented that address the risk of fraud. The questions directly relate to the mandatory clauses in the Guidelines.

### Fraud policy statement

Guideline 3.2 states that, in line with CEOs' responsibilities for developing an overall fraud control strategy, agencies are to prepare and widely distribute within their agency, a statement of their approach and policy towards fraud.

23. Has a fraud policy statement been issued by the CEO of your agency which outlines the agency's position on fraud?
  - ☐ Yes
  - ☐ No *[Please go to the instructions before question 25]*
  - ☐ Don't know *[Please go to the instructions before question 25]*



	Yes	No	Don't Know	Not Applicable*
24. Has your agency made the fraud policy statement available to: (e.g. via departmental websites or email)				
a. all employees?	1	2	3	
b. all contractors?*	1	2	3	4
c. all external service providers?*	1	2	3	4

\* i.e. your agency does not have any contractors and/or external service providers.

### Fraud risk assessment

Guideline 3.12 states that agencies are to conduct a fraud risk assessment at least every two years. Where appropriate, agencies may introduce a rolling program of updating risk assessments. Agencies are encouraged to develop dynamic risk assessment procedures and greater integration of the fraud risk assessment process with an overall general business risk approach. The ANAO will examine a sample of agency fraud risk assessments. As part of this testing the ANAO will assess whether the agency undertook the assessment in compliance with Guideline 3.

25. Has your agency undertaken a fraud risk assessment in the past two years? (Guideline 3.12)

- ☐ Yes *[Please go to question 27]*  
☐ No  
☐ Don't know

26. In what year did your agency last undertake a fraud risk assessment? \_\_\_\_\_

*[If your agency has not undertaken a fraud risk assessment in the past two years, please go to question 31]*

27. Please describe how your agency ensures that its fraud risk assessment is up-to-date.

\_\_\_\_\_

28. Is your agency able to provide a copy of its most recent fraud risk assessment?

- ☐ Yes  
☐ No. Please explain why your agency is not able to provide a copy. \_\_\_\_\_

Guideline 5.10 indicates that agencies may outsource fraud prevention and detection activities, such as preparing risk assessments and fraud control plans. However, the Guidelines state these functions should include input from relevant agency employees as specified in Guideline 3.

29. Was the fraud risk assessment conducted internally or by an outsourced provider?

- ☐ Internally
- ☐ Outsourced provider
- ☐ Jointly internal/outsourced provider
- ☐ Don't know

Guideline 3.8 states that it is essential that employees at all levels are involved in the fraud risk assessment process.

30. What steps did your agency take to ensure that 'all employees at all levels were involved in the fraud risk assessment process'? (Guideline 3.8) \_\_\_\_\_

### **Fraud control plan**

Guideline 3.14 states that agencies must develop a fraud control plan to manage the risks identified in the fraud risk assessment.

Guideline 5.10 states that agencies may outsource fraud prevention and detection activities, such as preparing risk assessments and fraud control plans. However, the Guidelines state these functions should include input from relevant agency employees as specified in Guideline 3.

The ANAO will examine a sample of agency's fraud control plans and, as part of this testing, the ANAO will assess whether the agency prepared the plan in compliance with Guideline 3.

31. Has your agency developed a fraud control plan in the past two years? (Guideline 3.14)
- ☐ Yes *[Please go to question 33]*
  - ☐ No

32. If no, in what year did your agency last produce a fraud control plan? \_\_\_\_\_

*[If your agency has not produced a fraud control plan in the past two years, please go to question 35]*

33. Was the fraud control plan developed internally or by an outsourced provider?
- ☐ Internally
  - ☐ Outsourced provider
  - ☐ Jointly internal/outsourced provider
  - ☐ Don't know

34. What steps did your agency take to ensure that relevant employees were involved in the development of the fraud control plan? (Guideline 5.10) \_\_\_\_\_

## An ethical culture

Guideline 2.8 states that CEOs are responsible for fostering and maintaining the highest standards of ethical behaviour to comply with the *APS Values and APS Code of Conduct (Public Service Act 1999)*. Further to this, Guideline 2.4 presents the eight principles of effective fraud control. The fifth principle of effective fraud control encourages the training of all employees in ethics, privacy and fraud awareness activities.

35. Does your agency have an agency-specific code of conduct or code of ethics?

- ☐ Yes
- ☐ No *[Please go to question 37]*
- ☐ Don't know *[Please go to question 37]*

	Yes	No	Don't know	Not Applicable*
36. Has your agency made the agency-specific code of conduct/code of ethics available to: (e.g. via departmental websites or email)				
a. all employees?	1	2	3	
b. all contractors?*	1	2	3	4
c. all external service providers?*	1	2	3	4

\* i.e. your agency does not have any contractors and/or external service providers.

37. Has your agency developed guidelines or procedures that cover fraud matters? (For example, Chief Executive Instructions (CEIs), or guidelines or procedures that cover matters such as conflict of interest, accepting gifts or gratuities, and reporting suspected fraud.)

- ☐ Yes
- ☐ No *[Please go to question 39]*
- ☐ Don't know *[Please go to question 39]*

	Yes	No	Don't know	Not Applicable*
38. Has your agency made the fraud guidelines available to: (e.g. via departmental websites or email)				
a. all employees?	1	2	3	
b. all contractors?*	1	2	3	4
c. all external service providers?*	1	2	3	4

\* i.e. your agency does not have any contractors and/or external service providers.

39. Has your agency trained employees in code of conduct or ethics? (Guideline 2.4)
- ☐ All employees have been trained. Please describe the steps your agency took to train these employees. \_\_\_\_\_
  - ☐ Some employees have been trained. Please specify which groups of employees have been trained and describe the steps your agency took to train these employees. \_\_\_\_\_
  - ☐ No employees have been trained. Please explain why no employees have been trained. \_\_\_\_\_
  - ☐ Don't know
40. Has your agency trained employees in privacy principles? (Guideline 2.4)
- ☐ All employees have been trained. Please describe the steps your agency took to train these employees. \_\_\_\_\_
  - ☐ Some employees have been trained. Please specify which groups of employees have been trained and describe the steps your agency took to train these employees. \_\_\_\_\_
  - ☐ No employees have been trained. Please explain why no employees have been trained. \_\_\_\_\_
  - ☐ Don't know
41. Has your agency provided any training to employees involved in fraud control activities? (Guideline 2.4)
- ☐ Yes. Please describe these training activities. \_\_\_\_\_
  - ☐ No
  - ☐ Don't know

**Fraud awareness raising**

Guideline 1.14 mandates that all agency employees and contractors must take into account the need to prevent and detect fraud as part of their normal responsibilities. Therefore, employees and contractors must be made aware of the role they play in fraud control.

	Yes	No	Don't know
42. Which of the following measures has your agency taken to raise employee awareness of fraud control?			
a. Circulation of Fraud Policy Statement	1	2	3
b. Circulation of Fraud Control Plan	1	2	3
c. Inclusion of information on fraud for induction of new staff	1	2	3
d. Fraud control circulars	1	2	3
e. Email messages about fraud control	1	2	3

	Yes	No	Don't know
f. Intranet/public database postings on fraud control	1	2	3
g. Seminars on fraud control	1	2	3
h. Memos on fraud control	1	2	3
i. Other (please specify) _____	1	2	3

43. What measures has your agency taken to raise the fraud control awareness of contractors engaged by your agency? \_\_\_\_\_

### External service providers

*[If your agency does not have any external service providers, please go to question 50]*

Guideline 5 discusses outsourcing of government services, and specifies the actions an agency must take when using external providers. Guideline 5.2 states that where an agency identifies that using an external service provider might result in performance benefits, the agency is to take great care to ensure that outsourcing does not compromise the agency's fraud control arrangements. Guideline 5.4 further states that agencies are responsible for ensuring that external service providers are aware of, and comply with relevant:

- legislation;
- government policy, including the *Commonwealth Fraud Control Guidelines*, the *Protective Security Manual* (PSM), and the *Australian Government Investigation Standards* (AGIS); and
- departmental policies, e.g. the fraud control and security policies developed by the agency.

For the purposes of this survey, the ANAO defines the term 'external service provider' to mean: where government services are delivered to the community on behalf of your agency by other Commonwealth agencies, State, Territory, or non-government organisations.

44. Does your agency have policies and procedures in place for ensuring that external service providers are aware of the *Commonwealth Fraud Control Guidelines*? (Guideline 5.4)

- ☐ Yes fully – your agency ensures that all external service providers are aware of the *Commonwealth Fraud Control Guidelines*. Please specify what policies and procedures your agency has in place. \_\_\_\_\_
- ☐ Yes – your agency ensures that some external service providers are aware of the *Commonwealth Fraud Control Guidelines*. Please specify what policies and procedures your agency has in place. \_\_\_\_\_
- ☐ No
- ☐ Don't know

45. Does your agency have policies and procedures in place for ensuring that external service providers comply with the *Commonwealth Fraud Control Guidelines*? (Guideline 5.4)
- ☐ Yes fully – your agency ensures that all external service providers comply with the *Commonwealth Fraud Control Guidelines*. Please specify what policies and procedures your agency has in place. \_\_\_\_\_
  - ☐ Yes – your agency ensures that some external service providers comply with the *Commonwealth Fraud Control Guidelines*. Please specify what policies and procedures your agency has in place. \_\_\_\_\_
  - ☐ No
  - ☐ Don't know
46. Does your agency have policies and procedures in place for ensuring that external service providers are aware of the *Protective Security Manual* (PSM)? (Guideline 5.4)
- ☐ Yes fully – your agency ensures that all external service providers are aware of the *Protective Security Manual* (PSM). Please specify what policies and procedures your agency has in place. \_\_\_\_\_
  - ☐ Yes – your agency ensures that some external service providers are aware of the *Protective Security Manual* (PSM). Please specify what policies and procedures your agency has in place. \_\_\_\_\_
  - ☐ No
  - ☐ Don't know
47. Does your agency have policies and procedures in place for ensuring that external service providers comply with the *Protective Security Manual* (PSM)? (Guideline 5.4)
- ☐ Yes fully – your agency ensures that all external service providers comply with the *Protective Security Manual* (PSM). Please specify what policies and procedures your agency has in place. \_\_\_\_\_
  - ☐ Yes – your agency ensures that some external service providers comply with the *Protective Security Manual* (PSM). Please specify what policies and procedures your agency has in place. \_\_\_\_\_
  - ☐ No
  - ☐ Don't know
48. Does your agency have policies and procedures in place for ensuring that external service providers are aware of your agency's fraud control statement? (Guideline 5.4)
- ☐ Yes fully – your agency ensures that all external service providers are aware of your agency's fraud control statement. Please specify what policies and procedures your agency has in place. \_\_\_\_\_
  - ☐ Yes – your agency ensures that some external service providers are aware of your agency's fraud control statement. Please specify what policies and procedures your agency has in place. \_\_\_\_\_
  - ☐ No
  - ☐ Don't know
49. Does your agency have policies and procedures in place for ensuring that external service providers comply with your agency's fraud control statement? (Guideline 5.4)

- ☐ Yes fully – your agency ensures that all external service providers comply with your agency’s fraud control statement. Please specify what policies and procedures your agency has in place. \_\_\_\_\_
- ☐ Yes – your agency ensures that some external service providers comply with your agency’s fraud control statement. Please specify what policies and procedures your agency has in place. \_\_\_\_\_
- ☐ No
- ☐ Don’t know

#### 4. Fraud Detection

In this section of the survey the ANAO is seeking information about the systems and processes that your agency has implemented to detect fraud.

The Guidelines require that agencies put in place a comprehensive fraud control program that covers prevention, detection, investigation and reporting strategies. Therefore, in this section of the survey, the ANAO will not be asking details of the detection strategies your agency has implemented, but will instead refer to your agency’s fraud control plan.

##### Fraud reporting mechanisms

Guideline 3.15 requires that agencies implement mechanisms for employees, contractors, customers or members of the public to report suspected fraud.

50. Does your agency have any mechanisms in place for employees and contractors to report suspected cases of fraud?
  - ☐ Yes
  - ☐ No *[Please go to question 53]*
  - ☐ Don’t know *[Please go to question 53]*
51. What are these fraud reporting mechanisms? \_\_\_\_\_
52. How has your agency made employees and contractors aware of the fraud reporting mechanisms? \_\_\_\_\_
53. Has your agency implemented any mechanisms to facilitate reports from customers or members of the public of suspected fraud?
  - ☐ Yes
  - ☐ No *[Please go to Section 5]*
  - ☐ Don’t know *[Please go to Section 5]*
54. What are these fraud reporting mechanisms ? \_\_\_\_\_
55. How has your agency made customers or members of the public aware of your fraud reporting mechanisms? \_\_\_\_\_

## 5. Fraud Response

In this section of the survey the ANAO is seeking information about the systems and processes that your agency has implemented for investigating and responding to fraud. The questions directly relate to the mandatory clauses in the Guidelines.

### Fraud investigation standards

Guideline 4 presents information on fraud investigation and case referral standards. Guideline 4.5 mandates that all agency investigations must be conducted according to the *Australian Government Investigation Standards (AGIS)*. Guideline 5.15 states that if agency investigations are outsourced, CEOs should be satisfied that their agency still complies with the Guidelines and AGIS.

56. Are your agency's fraud investigations conducted internally or by an outsourced provider?

- ☐ Internally
- ☐ Outsourced provider (excluding the AFP) *[Please go to question 58]*
- ☐ Jointly internal/outsourced provider
- ☐ Not applicable: have not yet had a need to undertake a fraud investigation *[Please go to Part B]*

57. Has your agency established procedures and guidelines for the conduct of fraud investigations which are in line with the AGIS? (Guideline 4.5)

- ☐ Yes
- ☐ No
- ☐ Don't know

58. What procedures has your agency established to ensure that your providers of fraud investigation services adhere to the Guidelines and the AGIS? (Guideline 5.15) \_\_\_\_\_

### Fraud investigator training

*[If your agency has not had the need to undertake a fraud investigation, please go to Part B]*

Guideline 6 states that it is mandatory for employees engaged in fraud investigations to hold minimum qualifications. These include:

- Certificate IV in Government (Investigation) for Commonwealth employees primarily engaged in the investigation of fraud; and
- Diploma of Government (Investigation) for Commonwealth employees primarily engaged in the coordination and management of fraud control investigations. Certificate IV in Government (Investigation) is a prerequisite of this course.

Guideline 5.16 states that if agencies outsource any of their fraud control activities, agencies are to ensure that all providers of fraud control services have the qualifications specified in Guideline 6.

59. If your agency undertakes fraud investigations internally, how many fraud investigation staff did your agency employ as at 30 June 2008? \_\_\_\_\_



60. Please provide a breakdown of your agency's fraud investigation staff numbers by their qualifications as at 30 June 2008. (Guideline 6.7 - 16)

(A) Total number of staff responsible for fraud investigations (sum (B)-(F)) \_\_\_\_

Number of staff responsible for fraud investigations with the following qualifications:  
(Please only include highest level qualifications for each person)

(B) Diploma of Government (Investigation) \_\_\_\_\_

(C) Certificate IV in Government (Investigation) \_\_\_\_\_

(D) Other relevant qualifications (Guideline 6.4) \_\_\_\_\_

(E) Number of fraud investigation staff in the process of gaining qualifications \_\_\_\_\_

(F) Number of fraud investigation staff yet to commence acquiring a qualification \_\_\_\_

61. For those staff yet to commence acquiring a qualification as required by the Guidelines, please indicate what steps your agency is taking to ensure that these staff undertake the mandated training. (Guideline 6.7 - 16) \_\_\_\_\_

62. If your agency uses an outsourced provider to undertake fraud investigations, what steps has your agency taken to ensure that your provider has the relevant qualifications (Guideline 5.16)? \_\_\_\_\_

### **Criminal prosecutions**

*[If your agency has not had the need to undertake a fraud investigation, please go to Part B]*

Guideline 4.2 states that agencies should consider prosecution in appropriate circumstances, in accordance with the *Prosecution Policy of the Commonwealth*, as criminal prosecutions are vital to deterring future instances of fraud and to educating the public generally about the seriousness of fraud.

Further, Guideline 4.3 states that agencies should be committed to recovering losses caused by illegal activity through proceeds of crime and civil recovery processes and, in the absence of criminal prosecution, to applying appropriate civil, administrative or disciplinary penalties.

Guideline 4.4 states that agencies are to document the reasons for where a decision is taken to use civil, administrative or disciplinary penalties or to take no further action.

63. Does your agency specifically document the reasons when a decision is taken to not refer a brief of evidence to the Commonwealth Director of Public Prosecutions (CDPP)?  
(Guideline 4.4)

- ☐ Yes – in all cases
- ☐ Yes – in some cases. Please specify \_\_\_\_\_
- ☐ No
- ☐ Don't know

## Part B - Capturing APS Better Practice

In Part B of the survey the ANAO is requesting information about: the current challenges for fraud control management; instances of fraud control better practice that your agency has implemented; the changing external fraud environment; the usefulness of the ANAO's 2004 Better Practice Guide on Fraud Control; and the Attorney-General's Department's performance in providing fraud control advice and information.

### 6. Challenges for internal fraud control management

64. Does your agency experience challenges or face issues in any of the following fraud control areas? [tick all boxes that apply]

- ☐ The management framework for fraud control (including complying with the *Commonwealth Fraud Control Guidelines*)
- ☐ Fraud prevention
- ☐ Fraud detection
- ☐ Fraud investigation and response
- ☐ None of the above [Please go to Section 7]

65. Briefly describe the challenges that your agency faces. \_\_\_\_\_

### 7. Fraud control better practice

In August 2004, the ANAO released the Better Practice Guide *Fraud Control in Australian Government Agencies*. This Better Practice Guide focused on: governance structures for fraud control; fraud prevention; awareness-raising and training; detection, investigation and response. Given that the fraud control landscape has changed since 2004, the ANAO is keen to ensure the currency of its fraud control Better Practice Guide. To make sure that the updated Better Practice Guide reflects current practices being used to prevent and deal with fraud, the ANAO is seeking information from agencies on contemporary fraud control better practices.

Better practice can be considered to be the most efficient (least amount of effort) and effective (best results) way of delivering a compliance activity, program, output or outcome based on the use of repeatable procedures that have proven to be successful over time and/or in a significant number of cases. Better practice often involves developing and following processes, checklists, and incentives that were designed to enable a desired result to be delivered while reducing the likelihood of unexpected complications.

The ANAO is seeking **examples** or **case studies** that illustrate your agency's approach to the successful management of fraud control and lessons learned. This could include fraud control techniques or methodologies that:

- i) have been proven by your agency to work;
- ii) have been found to be more efficient and effective than other activities; or
- iii) have made the requirement of complying with the *Commonwealth Fraud Control Guidelines* more straightforward.

66. Does your agency have any examples of fraud control better practice activities or case studies in relation to any of the following? [tick any boxes that apply]

- ☐ The management framework for fraud control (including complying with the *Commonwealth Fraud Control Guidelines*)

- ☐ Fraud prevention
- ☐ Fraud detection
- ☐ Fraud investigation and response
- ☐ None of the above *[Please go to Section 8]*

67. Please provide examples of better practice fraud control activities or case studies undertaken by your agency (as per Required Document Checklist at the end of this survey). The ANAO would welcome contacting your agency directly. Please provide the name of a contact officer within your agency whom the ANAO can contact for further details.

\_\_\_\_\_

## 8. The changing external fraud environment

The ANAO is seeking information on any new and emerging fraud risks; the strategies your agency has implemented to address any new fraud risks; and whether the strategies are working.

68. Does your agency consider that the level of fraud risk will increase, remain unchanged or decrease over the next two years?

- ☐ Increase
- ☐ Remain unchanged
- ☐ Decrease
- ☐ Don't know

69. What are the main contributing factors for your response at Question 68? \_\_\_\_\_

70. Has your agency observed (or perhaps perceived) new types of fraud risk over the past three years?

- ☐ Yes. Please provide details. \_\_\_\_\_
- ☐ No *[Please go to Section 9]*

71. What strategies has your agency implemented to address these new fraud risks, and do the strategies appear to be effective? \_\_\_\_\_

## 9. The ANAO 2004 Better Practice Guide on Fraud Control

In addition to conducting performance and financial statement audits, the ANAO produces Better Practice Guides (BPGs). The ANAO aims to improve public administration by providing a mechanism whereby better practices employed in organisations are recognised and promulgated to all APS agencies. In August 2004, the ANAO released a BPG *Fraud Control in Australian Government Agencies*.

72. Have you used the ANAO 2004 BPG on Fraud Control?

- ☐ Yes
- ☐ No

Please indicate how much you agree with the following statements.

	Strongly agree	Agree	Disagree	Strongly disagree	Don't know / Not applic
73. The ANAO 2004 BPG on Fraud Control is a <b>useful</b> reference on fraud control.	1	2	3	4	5
74. The ANAO 2004 BPG on Fraud Control provides <b>adequate</b> advice on key fraud control issues.	1	2	3	4	5
75. You would recommend people use the ANAO 2004 BPG on Fraud Control when dealing with fraud control in APS agencies.	1	2	3	4	5

76. Please provide any suggestions you may have on how to improve the ANAO's existing BPG material on fraud control, such as issues (or BPG chapters) that you consider require more and/or clearer guidance. \_\_\_\_\_

#### 10. The Attorney-General's Department's fraud advice

The Attorney-General's Department (AGD) is responsible for coordinating fraud control policy. AGD's role is prescribed by the Guidelines, and includes providing advice to agencies on implementing the Guidelines; and collecting, analysing and disseminating information on the nature and extent of fraud being perpetrated against the Commonwealth (Guideline 2.12). Furthermore, the Australian Institute of Criminology (AIC) conducts an annual fraud control survey of APS agencies and provides an annual report *Fraud Against the Commonwealth* to the Minister for Home Affairs that summarises the findings of this survey.

77. Prior to receiving this survey, was your agency aware that the AGD provides fraud control advice to APS agencies?
- ☐ Yes
- ☐ No
- ☐ Don't know

Please indicate how much you agree with the following statements.

	Strongly agree	Agree	Disagree	Strongly disagree	Don't know / Not applic.
78. The AGD has been effective in providing advice to your agency on implementing the <i>Commonwealth Fraud Control Guidelines</i> .	1	2	3	4	5
79. The AGD has provided timely and helpful advice to your agency in regards to fraud control.	1	2	3	4	5
80. The AGD has been effective in disseminating information on the nature and extent of fraud being perpetrated against the Commonwealth.	1	2	3	4	5
81. The AIC should publicly release the annual fraud report.	1	2	3	4	5

82. If you have any comments on the advice and information provided by the AGD, please provide them here. \_\_\_\_\_

## 11. Required Document Checklist

Please ensure that your agency forwards the following documents in conjunction with submitting the completed survey. You may like to print this page and use it as a checklist.

On the online survey tool, this document list can be accessed via the 'Required Document Checklist' link on the left-hand side of the web page.

- ☐ Three recent fraud reports provided to agency executives. Please remove any information that identifies individuals. (Q16)
- ☐ Evaluations of fraud prevention and/or detection strategies (Q20)
- ☐ Fraud policy statement (Q23)
- ☐ Fraud risk assessment (Q28)
- ☐ Fraud control plan (Q31)
- ☐ Agency fraud guidelines or procedures that cover fraud matters (for example Chief Executive Instructions (CEIs), or guidelines or procedures that cover matters such as conflict of interest, accepting gifts or gratuities, and reporting suspected fraud) (Q37)

- ☐ Three examples of documented reasons for where a decision is taken to not refer a brief of evidence to the Commonwealth Director of Public Prosecutions (CDPP). Please remove any information that identifies individuals. (Q63)
- ☐ Examples of fraud control better practice activities or case studies (Q66)

## Appendix 3: Measurement of fraud

### Problems in measuring fraud

The Australian Institute of Criminology (AIC), through its conduct of the annual fraud survey, has identified that issues exist in relation to gaining an accurate measurement of fraud in Australian Government agencies. Reasons that the AIC consider contribute to the inaccurate measurement of fraud are summarised below.

- As examined in Chapter 2, 'Agency difficulties in applying the Guideline's definition of fraud', the definition of fraud as provided in the Guidelines is more general than used in practice by agencies, and not all agencies are classifying fraud incidents in the same way.<sup>151</sup> Therefore, agencies are reporting incomplete and inconsistent data on the extent of fraud to the AIC in its Annual Reporting Questionnaire.
- In order to establish consistency of the data collected across Australian Government agencies, the AIC provides definitions of terms such as incidents, losses and recoveries in its Annual Reporting Questionnaire.<sup>152</sup> The AIC expects agencies to complete the survey returns in accordance with these definitions. Given the diverse nature of the agencies compiling the data, and the varying record keeping practices, there is room for greater assurance that agencies are maintaining data based on the AIC's specific definitions and have a common understanding of the defined terms.
- In larger agencies, fraud control responsibilities may be assigned to various areas within the organisation, for example, those performing finance, human resource, IT security, internal audit, compliance, program implementation, and fraud investigation functions. When these larger agencies collate information for the AIC's Annual Reporting Questionnaire, uncertainty exists as to whether relevant and accurate information is obtained from each area of an organisation that has responsibility for collecting data. Owing to agencies' poor data collation practices, there may be a degree of under-reporting, double

---

<sup>151</sup> *Annual report to government 2007-08: Fraud against the Commonwealth*, AIC, 2009, p. 45.

<sup>152</sup> *ibid.*, p. 14.

counting, or over-reporting occurring.<sup>153</sup> In an example of this, the AIC has seen large variances in the number of alleged fraud incidents reported by two large agencies between the 2007–08 and 2006–07 reporting periods. The AIC has identified that the large changes in reported figures were not necessarily due to changing levels of fraud in these agencies, but were more likely due to changes in agencies' data collation practices for the purposes of reporting to the AIC.<sup>154</sup>

- The AIC reports in its 2007–08 *Annual report to government: Fraud against the Commonwealth* that it's well known that fraud crimes often go undetected. And for instances where offences are detected, given that the benefits gained from such offences can be tangible or intangible, it can be difficult for agencies to estimate the true impact and cost of offences.<sup>155</sup>

---

<sup>153</sup> *ibid.*, p. 46.

<sup>154</sup> *ibid.*, p. 19.

<sup>155</sup> *ibid.*, p. 5.



## Appendix 4: An overview of FMA Act agencies and CAC Act bodies

### FMA Act agencies

The *Financial Management and Accountability Act 1997* (FMA Act) covers departments and agencies that are legally and financially part of the Commonwealth. The Government's policy regarding the ethical behaviour of officials is supported legally by: the *Public Service Act 1999* (PS Act); and section 44 of the FMA Act.

The Australian Public Service (APS) Values provide the philosophical underpinning of the APS and articulate its culture and ethos. The Values reflect the Australian community's expectations of public servants. The PS Act requires that APS employees at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS. The APS Values, described in section 10 of the PS Act, require APS employees to: have the highest ethical standards; be openly accountable; and deliver services fairly, effectively, impartially and courteously.

### CAC Act bodies

The *Commonwealth Authorities and Companies Act 1997* (CAC Act) applies to Commonwealth authorities and Commonwealth companies that are both legally and financially separate from the Commonwealth. They are more independent from the Commonwealth in a financial sense, but powers of direction can also apply to these bodies in other important ways.

There are two types of CAC Act bodies:

- Commonwealth authorities created by legislation that are separate legal entities from the Commonwealth established for a public purpose and hold money on their own account; and
- Commonwealth companies under the *Corporations Act 2001* that the Commonwealth controls.

The CAC Act regulates certain aspects of:

- the corporate governance, financial management and reporting of Commonwealth authorities, that are in addition to the requirements of their enabling legislation; and
- the corporate governance and reporting of Commonwealth companies, which are in addition to the requirements of the *Corporations Act 2001*.

The CAC Act imposes a number of obligations on officers and employees of Commonwealth authorities to exercise care and diligence and to act in good faith. As well as this general duty of care, the CAC Act imposes a number of additional obligations.<sup>156</sup>

---

<sup>156</sup> The *Corporations Act 2001* contains duties for officers and employees of Commonwealth companies.

## Appendix 5: Other legislation relevant to the management of fraud

As well as the *Commonwealth Fraud Control Guidelines* (the Guidelines), the Australian Government's framework for managing fraud overlaps with other Commonwealth Acts, regulations, and policies. A summary of these arrangements is provided below.

### Australian Government's framework for managing fraud

#### Key legislation, regulations and orders

- *Financial Management and Accountability Act 1997*
- *Financial Management and Accountability Regulations 1997*
- *Financial Management and Accountability Orders 2008*
- *Commonwealth Authorities and Companies Act 1997*
- *Corporations Act 2001*
- *Public Service Act 1999*, including APS Values and Code of Conduct
- *Privacy Act 1988*

#### Other legislated requirements

- *Crimes Act 1914*
- *Criminal Codes Act 1995*

#### Commonwealth policies<sup>a</sup>

- Commonwealth Fraud Control Guidelines
- Australian Government Investigation Standards
- Australian Government Protective Security Manual
- Prosecution Policy of the Commonwealth

Source: ANAO analysis

Note: <sup>a</sup> These documents contain references to additional Commonwealth policies and guidance.

## Appendix 6: Detecting fraud

The risk of fraud can come from inside an agency, that is, from its employees. This is known as internal fraud. External fraud, on the other hand, is where the threat of fraud comes from outside the agency, that is, from external parties. Examples of external fraud include: customers deliberately claiming benefits from government programs that they are not eligible for; external service providers making claims for services that were not provided; and individuals or businesses intentionally evading payment of taxes to government. Cases of complex fraud may involve collaboration between agency staff and external parties.

This appendix outlines techniques involved in detecting:

- internal fraud; and
- external fraud.

### Techniques involved in detecting internal fraud

To mitigate the risk of internal fraud occurring, agencies' control structures should have a basic level of preventative controls. For example, avoiding the concentration of key decision areas in the hands of a single individual is fundamental to the prevention of fraud. In this regard, the separation of duties is a powerful internal control.

Conversely, detective controls provide evidence that an error or irregularity has occurred and, therefore, requires correction. While preventative controls are preferred, detective controls are also important to indicate whether the preventative controls are functioning as intended.

Detective controls include the ongoing monitoring of the payment of accounts process, including encouraging staff to identify breakdowns, redundancies, duplications and gaps in control procedures. For instance, detective controls over the payment of public monies would confirm whether delegated functions are being appropriately performed, and comply with the FMA legislative framework and relevant directions issued by the delegator.

The scope and frequency of monitoring and review activities will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring. A 'risk map' of an agency could be developed to identify the positions of officials who, because of the nature of that position, may be

especially vulnerable to fraud. For these positions, action to detect irregularities and fraud could focus on:

- regular performance appraisals, mandatory disclosure of interests, assets, hospitality and gifts; and
- close monitoring in relation to existing computer data-mining to draw attention to transactions that appear to depart from established norms.

Agencies are also required to develop clear procedures to report misconduct – see sections in Chapter 6 on mechanisms to deal with fraud allegations and hotline facilities.

## **Techniques involved in detecting external fraud**

As advised in the *Commonwealth Fraud Control Guidelines* (the Guidelines), fraud against the Commonwealth is defined as dishonestly obtaining a benefit by deception or other means. Results of the Australian Institute of Criminology's *2007-08 Annual Reporting Questionnaire*, indicate that of the external fraud incidents, the focus of the highest number of activities was on entitlements. This category includes obtaining a Commonwealth payment, for example, a social, health or welfare payment by deceit. It also includes revenue fraud, that is, deliberately avoiding obligations for payment to government, including income, customs or excise taxes.

### ***Detecting benefit payment and revenue fraud***

Benefit fraud is generally characterised by deliberate provision of incorrect information (or omission of information) in order to secure payments or payment amounts for which the recipient (customer) is not entitled. Strategies to detect such benefit payment fraud include:

- review activity, focused on customers at risk; and
- data mining or data matching, including accessing information on the recipient stored on third-party databases.

These types of strategies can also be used to detect revenue fraud, or other types of fraud where the focus is on entitlements.

Review activity, focusing on customers at risk

Most agencies that administer government payments conduct reviews across the various payment types. Based on previous experience, knowledge of their customers, and evidence from within their systems or from outside information, agencies may undertake reviews that examine a recipient's

circumstances where there is a perceived risk of fraud. The aim of such reviews is to detect a deliberate error, omission, misrepresentation or fraud on the part of a customer.

Review activity should be targeted to areas of higher risk, and an agency should pursue the most productive method for undertaking reviews. Data mining/matching is a cost-effective method of supporting reviews, including cross-agency approaches.

Data mining or data matching, including accessing information on the recipient stored on third-party databases

Compared with manual or routine record checking, technological advances in data processing allow for efficiencies in locating records and potential fraud. Where relevant information is held by other agencies, data mining/matching provides significant benefits including: uncovering and reducing fraud; encouraging better compliance; and improving the quality of data held on the systems of participating agencies.<sup>157</sup>

Agencies need to be mindful of privacy considerations and implement appropriate processes to ensure that any data mining/matching it conducts conforms to legislative requirements.<sup>158</sup>

### *Detecting fraud by external service providers*

Fraud may be: internal (perpetrated by an employee or contractor of an agency); external (perpetrated by an external service provider); or complex (for example, involve collaboration between employees, contractors, and external service providers).

Contracting (or outsourcing) is now an integral part of doing business in the public sector and the delivery of many government programs involves some contracting with private sector providers.<sup>159</sup>

External fraud includes the fraudulent conduct of service providers who charge the Commonwealth for goods or services that are not delivered, or

---

<sup>157</sup> ANAO Audit Report No.30 2007–08, *The Australian Taxation Office's Use of Data Matching and Analytics in Tax Administration*.

<sup>158</sup> Data-matching undertaken with external organisations is governed primarily by the *Data-matching Program (Assistance and Tax) Act 1990*; and the Privacy Commissioner's *Guidelines for The Use of Data-Matching in Commonwealth Administration* (Office of the Privacy Commissioner, *Guidelines for The Use of Data-Matching in Commonwealth Administration*, February 1998)

<sup>159</sup> As a result, developing and managing contracts is a skill required by Australian Government agencies.

delivered in an incomplete way.<sup>160</sup> The Guidelines state that ‘Agencies are responsible for preventing and detecting fraud against the Commonwealth including fraud within those outsourced functions performed by external service providers’.<sup>161</sup>

Most cases of external service provider fraud are discovered through day-to-day contract management and associated controls. The aim of contract management is to ensure that deliverables are provided to the required standard, within the agreed time frame, and achieve value for money. A central risk to the success of a contract is the management of external service provider performance, including the potential for fraud, or inappropriate conduct by the external service providers.<sup>162</sup>

The ANAO’s Better Practice Guide (BPG), *Developing and Managing Contracts*, provides the following suggested treatments for managing external service provider performance: establish a shared understanding of the contract and the responsibilities of each party; monitor contractor performance regularly, including deliverables and contract conditions; hold specific performance review meetings; only make payments for satisfactory performance; and ensure proper documentation and recordkeeping to provide the necessary evidence to demonstrate non-compliance or potential fraud.

Specifically, in regard to potential cases of fraud, the BPG suggests:

- discuss alleged fraud with the agency’s in-house fraud control unit;
- review the need to end the contract for breaches of conditions or non-performance; and
- seek relevant advice on possible causes of action to end the contract.<sup>163</sup>

If fraud is detected, a decision will need to be taken whether to compile a case for prosecution.

---

<sup>160</sup> Minister for Justice and Customs, *Commonwealth Fraud Control Guidelines*, Attorney-General’s Department, 2002, para 2.3.

<sup>161</sup> *Ibid.*, para 1.10.

<sup>162</sup> ANAO Better Practice Guide, *Developing and Managing Contracts*, February 2007. p. 72 – 73.

<sup>163</sup> *ibid.*

## Appendix 7: Bibliography

- Association of Certified Fraud Examiners, *2008 Report to the Nation on Occupational Fraud & Abuse*, Austin, USA, 2008.
- Attorney-General (UK), *Fraud Review: Final Report*, 2006.
- Australian Bureau of Statistics, *Personal Fraud 2007*, 2008.
- Australian Crime Commission, *Organised Crime in Australia 2009*, 2009.
- Australian Crime Commission, *Submission to: The Parliamentary Joint Committee on the Australian Crime Commission. Inquiry into: the future impact of serious and organised crime on Australian society*, 2007.
- Australian Institute of Criminology, *Annual Report to the Government 2006-07: Fraud Against the Commonwealth*, 2008.
- Australian Institute of Criminology, *Annual Report to the Government 2007-08: Fraud Against the Commonwealth*, 2009.
- Australian Institute of Criminology, *Counting the costs of crime in Australia: a 2005 update*, 2008.
- Australian Institute of Criminology, 'The Future of Technology-Enabled Crime in Australia' in *Trends & Issues in Crime and Criminal Justice*, no. 341, July 2007.
- Australian Institute of Criminology & PricewaterhouseCoopers, 'Serious Fraud In Australia and New Zealand', in *Australian Institute of Criminology Research and Public Policy Series*, No. 48, 2003.
- Ernst & Young, *Corruption of Compliance – Weighing the Costs*, 10<sup>th</sup> Global Fraud Survey, 2008.
- KPMG, *Fraud Survey 2008*, 2009.
- KPMG, *Fraud Risk Management: Developing a Strategy for Prevention, Detection, and Response*, 2006.
- National Audit Office, *Tackling External Fraud Good Practice Guide*, 2008.
- NSW Auditor-General, *Fraud Control: Current Progress and Future Directions*, 2005.
- PricewaterhouseCoopers, *Economic Crime: People, Culture and Controls. The 4<sup>th</sup> Biennial Global Economic Crime Survey*, 2007.
- QLD Crime and Misconduct Commission, *Fraud and Corruption Control: Guidelines for Best Practice*, 2005.
- Standards Australia, *AS 8001-2008: Fraud and Corruption Control*, 2008.



# Index

---

## A

Association of Certified Fraud Examiners (ACFE), 8, 19, 52, 91, 144

Attorney-General's Department (AGD), 8, 11–19, 23, 25–26, 31–36, 39, 42–44, 46–58, 62, 64–65, 67, 70, 76, 79, 82–83, 87–88, 92, 95, 98, 100, 105, 109, 115, 132–133, 143

Australian Federal Police (AFP), 8, 24, 33, 50–51, 53, 92–93, 99–102, 105, 118–119, 128, 147

Australian Government Investigation Standards (AGIS), 7–8, 24, 34, 51, 86, 93–94, 125, 128, 139

Australian Institute of Criminology (AIC), 8, 11, 13–18, 24–26, 31, 33–34, 36, 40, 42–45, 50–51, 54–56, 100–102, 112, 118–119, 132–133, 135–136, 141, 144

Australian Public Service (APS), 8, 13, 34, 36, 38, 40, 74–75, 85, 88, 90, 114, 123, 130–132, 137, 139, 149, 151

## B

Better Practice Guide (BPG), 8, 58, 59, 94, 114, 115, 130, 131, 132, 143, 150

## C

Civil Aviation Safety Authority (CASA), 8, 14, 20, 70, 71

Commonwealth Authorities and Companies Act 1997 (CAC Act), 8, 12, 13, 14, 15, 16, 17, 18, 19, 26, 32, 33, 34, 36, 37, 38, 39, 40, 41, 46, 47, 48, 49, 52, 54, 55, 57, 58, 63, 65, 66, 68,

70, 72, 73, 74, 75, 76, 80, 81, 83, 84, 94, 95, 96, 100, 115, 137, 138, 139

Commonwealth Director of Public Prosecutions (CDPP), 7, 8, 35, 50, 51, 94–96, 129, 134

Commonwealth Fraud Control Guidelines (the Guidelines), 8, 11–13, 15–18, 20–24, 26, 31–33, 36, 39, 42, 46–47, 50–51, 53–54, 57–58, 62, 64–65, 67, 69–70, 76, 79, 82–83, 86–90, 92, 95, 97–98, 100, 105, 114, 117–119, 125–127, 130, 133, 139, 141, 143

## D

Department of Finance and Deregulation (Finance), 8, 13, 17, 19, 26, 47–48, 49, 54–55, 58, 146

Department of Resources, Energy and Tourism (RET), 8, 14, 20, 70, 148

## F

Financial Management and Accountability Act 1997 (FMA Act), 8, 12–18, 32, 34, 36–41, 46–47, 57, 58, 63, 65–68, 70, 72–76, 80, 81, 83–84, 90, 94–96, 100, 115, 120, 137, 139

## G

General Policy Order (GPO), 8, 48–49, 55

## P

Public Service Act 1999 (PS Act), 8, 73–75, 86, 88, 94, 123, 137, 139

# Series Titles

---

**ANAO Audit Report No.1 2009–10**

*Representations to the Department of the Treasury in Relation to Motor Dealer Financing Assistance*

Department of the Treasury

Department of the Prime Minister and Cabinet

**ANAO Report No.2 2009–10**

*Campaign Advertising Review 2008–09*

**ANAO Audit Report No.3 2009–10**

*Administration of Parliamentarians' Entitlements by the Department of Finance and Deregulation*

**ANAO Audit Report No.4 2009–10**

*The Management and Processing of Annual Leave*

**ANAO Audit Report No.5 2009–10**

*Protection of Residential Aged Care Bonds*

Department of Health and Ageing

**ANAO Audit Report No.6 2009–10**

*Confidentiality in Government Contracts – Senate order for Departmental and Agency Contracts (Calendar Year 2008 Compliance)*

**ANAO Audit Report No.7 2009–10**

*Administration of Grants by the National Health and Medical Research Council*

**ANAO Audit Report No.8 2009–10**

*The Australian Taxation Office's Implementation of the Change Program: a strategic overview*

**ANAO Audit Report No.9 2009–10**

*Airservices Australia's Upper Airspace Management Contracts with the Solomon Islands Government*

Airservices Australia

Department of Infrastructure, Transport, Regional Development and Local Government

**ANAO Audit Report No.10 2009–10**

*Processing of Incoming International Air Passengers*

Australian Customs and Border Protection Service

**ANAO Audit Report No.11 2009–10**

*Garrison Support Services*  
Department of Defence

**ANAO Audit Report No.12 2009–10**

*Administration of Youth Allowance*  
Department of Education, Employment and Workplace Relations  
Centrelink

**ANAO Audit Report No.13 2009–10**

*Major Projects Report 2008–09*  
Defence Materiel Organisation

**ANAO Audit Report No.14 2009–10**

*Agencies' Contract Management*  
Australian Federal Police  
Austrade  
Department of Foreign Affairs and Trade

**ANAO Audit Report No.15 2009–10**

*AusAID's Management of the Expanding Australian Aid Program*  
AusAID

**ANAO Audit Report No.16 2009–10**

*Do Not Call Register*  
Australian Communications and Media Authority

**ANAO Audit Report No.17 2009–10**

*Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2009*

**ANAO Audit Report No.18 2009–10**

*LPG Vehicle Scheme*

**ANAO Audit Report No.19 2009–10**

*Child Support Reforms: Stage One of the Child Support Scheme Reforms and Improving Compliance*

**ANAO Audit Report No.20 2009–10**

*The National Broadband Network Request for Proposal Process*  
Department of Broadband, Communications and the Digital Economy

**ANAO Audit Report No.21 2009–10**

*Administration of the Water Smart Australia Program*  
Department of the Environment, Water, Heritage and the Arts  
National Water Commission

**ANAO Audit Report No.22 2009–10**

*Geoscience Australia*

**ANAO Audit Report No.23 2009–10**

*Illegal Foreign Fishing in Australia's Northern Waters*  
Australian Customs and Border Protection Service

**ANAO Audit Report No.24 2009–10**

*Procurement of Explosive Ordnance for the Australian Defence Force*  
Department of Defence

**ANAO Audit Report No.25 2009–10**

*Security Awareness and Training*

**ANAO Audit Report No.26 2009–10**

*Administration of Climate Change Programs*  
Department of the Environment, Water, Heritage and the Arts  
Department of Climate Change and Energy Efficiency  
Department of Resources, Energy and Tourism

**ANAO Audit Report No.27 2009–10**

*Coordination and Reporting Australia's Climate Change Measures*  
Department of Climate Change and Energy Efficiency  
Department of Innovation, Industry, Science and Research

**ANAO Audit Report No.28 2009–10**

*The Australian Electoral Commission's Preparation for and Conduct of the 2007 Federal General Election*

**ANAO Audit Report No.29 2009–10**

*Attorney-General's Department Arrangements for the National Identity Security Strategy*

**ANAO Audit Report No.30 2009–10**

*Management of the Strategic Regional Program/Off-Network Program*  
Department of Infrastructure, Transport, Regional Development and Local Government

**ANAO Audit Report No.31 2009–10**

*Management of the AusLink Roads to Recovery Program*  
Department of Infrastructure, Transport, Regional Development and Local Government

**ANAO Audit Report No.32 2009–10**

*Management of the Overseas Owned Estate*  
Department of Foreign Affairs and Trade

**ANAO Audit Report No.33 2009–10**

*Building the Education Revolution—Primary Schools for the 21st Century*  
Department of Education, Employment and Workplace Relations

**ANAO Audit Report No.34 2009–10**

*The Management and Use of Double Taxation Agreement Information Collected Through Automatic Exchange*

Australian Taxation Office

**ANAO Audit Report No.35 2009–10**

*Administration of the Superannuation Co-contribution Scheme*

Australian Taxation Office

**ANAO Audit Report No.36 2009–10**

*Emergency Management and Community Recovery Assistance in Centrelink*

Centrelink

The Department of Families, Housing, Community Services and Indigenous Affairs

**ANAO Audit Report No.37 2009–10**

*Lightweight Torpedo Replacement Project*

Department of Defence

**ANAO Report No.38 2009–10**

*Campaign Advertising Review July 2009 - March 2010*

**ANAO Audit Report No.39 2009–10**

*Medicare Australia's Administration of the Pharmaceutical Benefits Scheme*

Medicare Australia

Department of Health and Ageing

Department of Human Services

**ANAO Audit Report No.40 2009–10**

*Application of the Core APS Values and Code of Conduct to Australian Government Service Providers*

**ANAO Audit Report No.41 2009–10**

*Effective Cross-Agency Agreements*

# Current Better Practice Guides

---

The following Better Practice Guides are available on the Australian National Audit Office website.

## Innovation in the Public Sector

Enabling Better Performance, Driving New Directions	Dec 2009
SAP ECC 6.0	
Security and Control	June 2009
Preparation of Financial Statements by Public Sector Entities	June 2009
Business Continuity Management	
Building resilience in public sector entities	June 2009
Developing and Managing Internal Budgets	June 2008
Agency Management of Parliamentary Workflow	May 2008
Public Sector Internal Audit	
An Investment in Assurance and Business Improvement	Sep 2007
Fairness and Transparency in Purchasing Decisions	
Probity in Australian Government Procurement	Aug 2007
Administering Regulation	Mar 2007
Developing and Managing Contracts	
Getting the Right Outcome, Paying the Right Price	Feb 2007
Implementation of Programme and Policy Initiatives:	
Making implementation matter	Oct 2006
Legal Services Arrangements in Australian Government Agencies	Aug 2006
Administration of Fringe Benefits Tax	Feb 2006
User-Friendly Forms	
Key Principles and Practices to Effectively Design and Communicate Australian Government Forms	Jan 2006
Public Sector Audit Committees	Feb 2005
Fraud Control in Australian Government Agencies	Aug 2004
Better Practice in Annual Performance Reporting	Apr 2004
Management of Scientific Research and Development Projects in Commonwealth Agencies	Dec 2003

Public Sector Governance	July 2003
Goods and Services Tax (GST) Administration	May 2003
Building Capability—A framework for managing learning and development in the APS	Apr 2003
Administration of Grants	May 2002
Performance Information in Portfolio Budget Statements	May 2002
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	June 2001
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Commonwealth Agency Energy Management	June 1999
Controlling Performance and Outcomes	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997