

Fraud and Corruption Control Policy and Procedure

February 2016

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1 Executive Summary

The AMES Australia Board and Management will not tolerate instances of fraud. Management is committed to the detection and prevention of fraud within AMES Australia.

Fraud and Corruption Control Management is an integral component of effective corporate governance, building upon the requirement for transparent and accountable processes, consistent with sound business practices and organisational standards of compliance. Embedding these requirements into day-to-day operations will protect AMES Australia's current profile as a good corporate citizen and reduce the likelihood of financial loss or reputation damage as a result of misconduct by staff and others.

The *Fraud and Corruption Control Policy* applies to:

- All AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members
- Any external party involved in providing services, with or without re-imburement, to any part of AMES Australia, e.g. contractors, consultants, outsourced service providers, suppliers and volunteers

The *Fraud and Corruption Control Policy* and related documents are reviewed every two years, in line with Commonwealth Fraud Control Guidelines

The purpose of this document is to:

- Provide a clear statement regarding AMES Australia's position on Fraud and Corruption
- Inform management of their key leadership responsibilities regarding fraud and corruption prevention
- Inform all AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members of their responsibilities regarding Fraud and Corruption, and detail the actions required when fraud is suspected
- Summarise AMES Australia's anti-fraud and anti-corruption strategies

All AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members:

- are expected to adhere to AMES Australia policies and procedures
- have an obligation to:
 - support AMES Australia fraud prevention and detection initiatives
 - report all instances of suspected fraud or corruption

2 Definitions and Responsibilities

2.1 Definition of Fraud

Fraud is dishonest activity causing actual or potential financial loss to AMES Australia including theft of monies or other property by all AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members or persons external to AMES Australia, whether or not deception is used at the time, immediately before or immediately following the activity. This includes the deliberate falsification, concealment, destruction or use of falsified documentation, used or intended for use for a normal business purpose, or the improper use of information or position.

[Adapted from the Australian Standard *AS8001-2008 Fraud and Corruption Control*]

2.2 Definition of Corruption

Corruption is dishonest activity in which an employee, volunteer, partner, subcontractor, Board member or Board Committee member of AMES Australia acts contrary to the interests of AMES Australia and abuses his/her position of trust in order to achieve some personal gain or advantage for himself / herself or for another person or organisation.

[Adapted from the Australian Standard *AS8001-2008 Fraud and Corruption Control*]

Examples of Fraud	Examples of Corrupt Conduct
Obtaining property by deception	Payment or receipt of secret commissions
Obtaining a financial advantage by deception	Collusive tendering
Causing a loss (or avoiding or creating a liability) by deception	Receiving inappropriate gifts or entertainment
Theft of funds (including cash) or assets	Leaking of confidential or private information
	Selective provision of information to benefit one tenderer over another

2.3 Policy

AMES Australia is strongly committed to an environment of sound governance, robust internal controls and a culture that will safeguard funds and property. Safeguarding property against loss through fraud, corruption or negligence is a key responsibility of management and all AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members, who all have an obligation to support fraud and corruption control efforts. While the risk of fraud and corruption cannot be fully eliminated, AMES Australia's *Fraud and Corruption Control Policy* is designed to reduce the overall risk. It reflects management's commitment to promoting ethical and honest behaviour in the workplace.

AMES Australia does not tolerate fraudulent or corrupt conduct by its employees, volunteers, partners, subcontractors, Board members, Board Committee members or suppliers. The *Fraud and Corruption Control Policy* supports the investigation of all suspected instances of fraud and corruption. Where there is proven evidence of fraud or corruption, appropriate disciplinary action will be taken in accordance with Human Resources policies and procedures. Criminal proceedings and civil action aimed at the recovery of misappropriated public property will be at the discretion of the CEO, after consultation with the Audit and Risk Management (ARM) Committee.

2.4 Code of Conduct

All AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members are bound by the Code of Conduct for Victorian Public Sector Employees as stated in the *Public Administration Act 2004*. The

Code of Conduct clearly outlines the standards for ethical behaviour expected of all employees, as well as their obligations regarding reporting unethical behaviour and declaring conflicts of interest.

2.5 Relationship with other AMES Australia Policies

Various AMES Australia policies and procedures contain specific issues relating to fraud and corruption control and should be read in conjunction with this document. These include:

- Protected Disclosure Policy and Procedure
- Risk Management
- Policies and schedules covering Financial Delegations
- Purchasing policies
- Use of Corporate Card Policy
- Grievances and Disciplinary Action
- Code of Conduct for Victorian public sector employees

2.6 Roles and Accountabilities for Fraud Control

AMES Australia Board:

The AMES Australia Board is committed to the pro-active prevention of corrupt or fraudulent activities in a systematic way in order to enhance the operation and reputation of AMES Australia.

The Board has an important role in the oversight, review and approval of policies and procedures to prevent, detect and investigate fraud. In addition, the Board review and approve policies to control or mitigate the risk of fraud or misconduct.

The Board is responsible for setting the 'tone at the top' and ensuring support is established at the highest levels for ethical and responsible business practices.

Board members not only have a fiduciary duty to ensure that AMES Australia has programs and controls in place to address the risk of wrong doing but also a duty to ensure that such programs and controls are effective.

Audit and Risk Management (ARM) Committee:

The ARM Committee is responsible for reviewing and recommending approval by the Board of policies and procedures to prevent and investigate fraud. In addition, the ARM Committee is responsible for reviewing and recommending approval by the Board of policies and procedures for controlling or mitigating the risk of fraud or misconduct.

The ARM Committee appoints independent auditors to review the effectiveness of controls and processes to mitigate and control risk.

The ARM Committee reviews all instances of reported fraud including the appropriateness and adequacy of actions resulting from investigation and changes to prevent future recurrence.

Members of the ARM Committee have the primary responsibility to endorse policies relating to:

- Assessing the risk of corruption and fraud
- Promoting awareness of ethics
- Educating all AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members about corruption and fraud prevention and detection
- Investigating fraud and outcomes of any fraud investigation

Employees:

The Corporate Governance Division has primary responsibility for the development and review of AMES Australia's *Fraud and Corruption Control Policy* and ensuring that the *Fraud and Corruption Control Policy* is implemented.

The Executive General Manager Corporate Governance is responsible for the coordination of fraud investigations and for ensuring that resources are available to respond to reported incidents.

The Executive General Manager Corporate Governance is also responsible for co-ordinating the risk management strategy and providing support to General Managers to ensure:

- A comprehensive review of fraud risks across all Divisions
- Ownership of the eventual result by divisional management
- Effective transfer to the organisation of risk control skills that can be used into the future with or without support

The CEO and Executive are responsible for assessing the risk of fraud and the implementation of effective controls to prevent fraudulent activity.

The CEO is ultimately responsible for the establishment of a cost-effective internal control structure for the organisation. Financial, administrative, information systems and service specific internal controls are all essential requirements for corruption and fraud prevention.

The CFO has primary responsibility for the implementation of effective financial controls and financial management systems that minimise the risk of fraud and corruption.

General Managers have primary leadership responsibility for risk management initiatives within their areas of responsibility. General Managers are responsible for ensuring that there are mechanisms in place to assess and treat the risks of corruption and fraud, promote awareness of ethics and educate all AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members about corruption and fraud prevention and detection.

Managers must display appropriate attitudes towards compliance with laws, rules and regulations. Managers are responsible for establishing and maintaining cost-effective internal controls within their areas of responsibility that provide for the security and accountability of AMES Australia resources and prevent/reduce the opportunity for fraud. They should ensure that they are aware of indicators/symptoms of fraudulent and corrupt conduct, or other wrongful acts and respond appropriately to such indicators.

Each manager is responsible for ensuring compliance within their respective operations.

All **AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members** have an obligation to actively support fraud detection and prevention initiatives and to report all instances of suspected fraud and improper or corrupt conduct.

3 Planning and Resourcing

3.1 Policy Review

In conjunction with the AMES Australia Executive, AMES Australia's *Fraud and Corruption Control Policy* will be reviewed every two years by the Executive General Manager Corporate Governance and submitted to the Board via the Audit and Risk Management Committee for discussion and endorsement.

Any revisions to the Policy are to be approved by the Board.

3.2 Dedicated Fraud Control Resources

The Executive General Manager Corporate Governance is the AMES Australia Fraud Control Officer.

3.3 Assistance to the Fraud Control Officer

Within approved delegation levels, the Executive General Manager Corporate Governance (Fraud Control Officer) has the authority to engage qualified external investigators or any other resource deemed necessary to assist with any investigation arising from an allegation of fraud.

3.4 Internal Audit Activity in Fraud and Corruption Control

AMES Australia recognises the Internal Audit function as a critical tool in detecting and preventing fraud and corruption.

In consultation with AMES Australia Executive, the audit plan is formally reviewed and updated each year by the Executive General Manager Corporate Governance to ensure that it reflects emerging issues and risks and is endorsed by the Board on the recommendation of the Audit and Risk Management Committee.

The Executive General Manager Corporate Governance will ensure that fraud risks are appropriately reflected in the Annual Internal Audit Plan, by sufficiently testing fraud and corruption related controls.

The Executive General Manager Corporate Governance will ensure that Internal Auditors are qualified to look for possible fraud indicators.

4 Fraud and Corruption Prevention

4.1 Senior Management Leadership for Controlling the Risk of Fraud and Corruption

All AMES Australia employees, volunteers, partners, subcontractors, Board members and Board Committee members are required to comply with the Code of Conduct (including the reporting of unethical behaviour and the declaration of conflicts of interest) for Victorian Public Sector Employees.

4.2 Line Management Responsibility for Controlling Fraud and Corruption within Business Units

The responsibility to prevent and report fraud and corruption is a component of all line manager positions. All costs resulting from a fraud related incident will be assigned to the manager's business unit.

4.3 Maintaining a Strong Internal Control System and Internal Control Culture

AMES Australia management recognises that internal controls are often the first line of defence against fraud and will ensure the maintenance of a strong internal control system and the promotion and monitoring of a robust internal control culture.

AMES Australia procedures have been designed to minimise the risk of fraudulent activities occurring and include measures such as segregation of duties and logical access to systems, approval mechanisms, and strict record keeping requirements.

4.4 Fraud and Corruption Risk Assessment

The Corporate Governance Division will maintain a fraud risk register for all divisions across AMES Australia.

The register will be distributed to General Managers and other managers where appropriate. General Managers will be assisted by the Corporate Governance Division to identify current controls that mitigate each risk and rate the residual risk. Internal controls will be analysed according to the degree of their effectiveness in either preventing or detecting fraud risk.

Management will be responsible for developing and implementing controls for all fraud and corruption risks assessed as high or medium to mitigate the risks noted.

The Executive General Manager, Corporate Governance will review these controls biennially for suitability and report material matters to the Board via the Board's Audit and Risk Management Committee.

4.5 Communication and Awareness of Fraud and Corruption

Managers are responsible for ensuring that all new employees, casual staff and volunteers reporting to them are inducted in accordance with:

- Induction Policies on the AMES Australia Quality System and HR Intranet homepage (employees and casual staff)
- AMES Australia Volunteer Policy Practices and Procedures guidelines (volunteers)

As part of this induction, all employees, casual staff and volunteers are required to read the *Code of Conduct* and the AMES Australia *Fraud and Corruption Control Policy*.

The Corporate Governance Division will ensure the *Fraud and Corruption Control Policy* and the corporate *Code of Conduct* are available on the intranet for all staff and volunteers.

The Executive General Manager Corporate Governance will facilitate the delivery of fraud awareness training.

An annual review by the Senior Manager Corporate Risk, with managers across AMES Australia, of risk management practices and related issues including fraud and corruption control has taken place since 2010.

The Corporate Governance Training and Development Coordinator has a regular schedule for site visits across AMES Australia to ensure staff are aware of fraud and corruption control processes and of their related responsibilities.

4.6 Employment Screening

AMES Australia has clearly defined recruitment procedures accessible by all staff on the Quality System and managers are responsible for ensuring that these procedures are adhered to.

Measures include:

- Verification of identity (e.g. Birth Certificate, Driver's License)
- Residency / entitlement to work status check
- Contacting referees
- A Police Record Check (where deemed appropriate by Human Resources)
- Verification of qualifications when it is required for a position

4.7 Policies Dealing with Annual Leave and Job Rotation

A possible indicator that a person is committing fraud against an organisation is their reluctance to take regular leave. AMES Australia addresses this by limiting the amount of leave an individual can accrue.

Please refer to section 31.2 of the AMES Administrative Staff Certified Agreement 2011.

31.2.1 *An Employee must ensure that the Employee's accrued entitlement to annual leave does not exceed 6 weeks (or the pro rata equivalent for Part Time Employees) at any time.*

31.2.2 *Subject to sub-clause 31.1.1, an Employee:*

- a) *must take the accrued annual leave entitlement within 2 years of the entitlement being accrued;*
- b) *may, by agreement between AMES and the Employee, defer taking their annual leave to a time later than 2 years after the entitlement accrued.*

5 Fraud and Corruption Detection

5.1 Fraud and Corruption Detection Program

A third of all frauds are detected by employees, so it is important that all AMES Australia personnel are aware of their responsibilities about fraud reporting. Management is responsible for the regular communication of the importance of internal controls to all employees and to lead by example.

Post-transactional reviews are conducted periodically by AMES Australia's contracted internal auditors using an effective analytical software package that identifies potential fraud indicators, specifically in purchasing and payroll. These reviews will continue to be developed to incorporate possible new fraud schemes as they are identified.

5.2 The External Auditor's Role in the Detection of Fraud

As a Victorian Public Sector agency, AMES Australia is required by the Victorian Auditor General's Office to report annually on compliance with the *Financial Management Act 1994*. The audit of these reports can potentially detect material misstatements that can arise from fraudulent acts.

5.3 Mechanisms for Reporting Suspected Fraud and Corruption Incidents

Concerns about fraud or corruption must be reported to:

The relevant manager

or

If there is reason to believe that the relevant manager may be involved, or discomfort making the disclosure to the relevant manager,

Executive General Manager Corporate Governance

Phone: (03) 9938 4767
Address: Level 4, 1 Little Collins Street, Melbourne 3000
Email: thomasp@ames.net.au

or

IBAC

Phone: 1300 735 135
Fax: (03) 8635 6444
Address: Level 1, North Tower, 459 Collins Street,
Melbourne, VIC 3001
or: GPO Box 24234, Melbourne, VIC 3000
Email: Use the enquiry form on <http://www.ibac.vic.gov.au/contact-us>
or: <https://www.ibac.vic.gov.au/report-corruption-or-misconduct/online-form>

or

AMES/Deloitte Ethics Line

Click on the link in the Quick Links list on the home page of the intranet.

Username: AMES
Password: Deloitte#1

These are generic login details; you cannot be individually identified in any way.

or

For suspicion of activity that may be a breach of the Deed a provider has signed with the Department of Employment:

Phone: 1300 874 536 (Monday to Friday, 9.00 am to 5.00 pm AEST, excluding national public holidays)

Email: ESTipoff@employment.gov.au

For information about suspected fraudulent or unethical behaviour relating to the provision of jobactive services:

Email: fraud@employment.gov.au.

For information relating to suspected fraud or undeclared earnings by job seekers:

Phone: 13 1524

Web: Australian Government Services Fraud Tip-Off Line; or
www.centrelink.gov.au/wps/portal/clk_common/TORS

For general enquiries relating to jobactive fraud reporting:

Phone: 1300 488 064, 8am to 5pm nationally

The reporting employee, volunteer, partner, subcontractor, Board member or Board Committee member is not to discuss the matter with anyone other than those to whom the disclosure has been made or those who are investigating the matter, and is not to conduct any preliminary investigations.

Managers receiving reports from employees, volunteers, partners, subcontractors, Board members or Board Committee members regarding a suspicious activity or the occurrence of fraud or corruption are to immediately:

- Notify their General Manager
- Notify the Executive General Manager Corporate Governance

Managers are not to discuss the matter with anyone other than those to whom the disclosure has been made or personnel who are involved in investigating the matter.

Managers are not to conduct any preliminary investigations prior to making the report.

5.4 Implementing a Protected Disclosure Program

In 2012 the Victorian Government introduced the *Protected Disclosure Act 2012* which applies to all public bodies, including AMES Australia.

The purposes of this Act are to:

- (a) encourage and facilitate reporting of:
 - (i) improper conduct by public officers, public bodies and other persons
 - (ii) detrimental action taken in reprisal for a person making a disclosure under the Act
- (b) provide protection for:
 - (i) persons who make those disclosures
 - (ii) persons who may suffer detrimental action in reprisal for those disclosures
- (c) provide for the confidentiality of the content of those disclosures and the identity of persons who make those disclosures

Under the Act, a person who makes a protected disclosure is not subject to any civil or criminal liability, or any liability arising by way of administrative process (including disciplinary action) for making the disclosure.

A person must not be punished for reporting improper conduct.

AMES Australia is committed to ensuring that all AMES Australia employees, volunteers, partners, subcontractors, Board members or Board Committee members making disclosures under the *Protected Disclosure Act 2012* are protected from reprisals.

All AMES Australia employees, volunteers, partners, subcontractors, Board members or Board Committee members seeking to disclose a suspected fraudulent activity can seek protection by means of this Act, and should refer to AMES Australia's *Protected Disclosure Policy and Procedure* for further information and contact details.

6 Responding to Reported or Detected Fraud and Corruption Incidents

6.1 Procedures for the Investigation of Detected or Suspected Incidents of Fraud

Where an incidence of fraud, corruption or associated improper conduct is reported that may require an investigative response, the Chief Executive Officer and the Executive General Manager Corporate Governance shall meet to assess and decide on next steps.

If required, appropriate investigators will be determined, for example IBAC, an external fraud investigation service, or internal auditors. If a report is deemed to be a protected disclosure, IBAC will conduct the investigation. Legal advice may also be sought.

Considerations include:

- Whether the matter may be a protected disclosure
- An organisational reaction proportionate to the seriousness of the incident
- The need to investigate immediately
- Security of assets or funds owned or controlled by AMES Australia
- Securing of relevant evidence; valuable computer evidence may be overwritten or destroyed if securing is delayed
- Privacy and confidentiality of reporter and suspect
- Dealing with suspect(s), e.g. supervising, withdrawing access to property and systems, suspending
- Assessing AMES Australia's financial and reputation exposure
- Logistics and the cost and benefit of particular courses of action
- Preparing for handling media, regulatory, employee, customer and supplier enquiries
- Clarifying insurance (e.g. any fidelity insurance) held and informing insurers as relevant
- Notifying regulators and police as relevant and necessary (reliant on incident seriousness; it may be more prudent to investigate to determine the extent prior to regulator and/or police involvement)

In the event that there is a perception of involvement, or an allegation of involvement, of the Executive General Manager Corporate Governance in alleged fraud or corruption, the Chief Executive Officer (CEO) is to be informed and is to be responsible for the management of the investigation. In the event that there is a perception of involvement, or an allegation of involvement, of the CEO in alleged fraud or corruption, the Board or its delegate, the Audit and Risk Management Committee is to inform the Victorian Auditor General's Office and appropriate management of the investigation discussed.

6.2 Disciplinary Procedures

Where there is proven evidence of fraud or corruption, appropriate disciplinary measures will be taken at the discretion of the CEO in accordance with Human Resources procedure *Disciplinary/Performance Management Policy*, and after consultation with the Board via the Board's Audit and Risk Management Committee. A violation of AMES Australia's policies and procedures may result in disciplinary action up to and including dismissal and/or reporting to the relevant authorities.

6.3 Reporting

Where fraudulent activity has been identified as criminal, the CEO in conjunction with the Executive General Manager Corporate Governance will determine how the police, IBAC and any other relevant authorities are notified.

Under the *Standing Directions of the Minister for Finance Section 4.5.4*, AMES Australia must ensure that all cases of suspected or actual theft, arson, irregularity or fraud in connection with the receipt or disposal of money, stores or other property are notified to the Minister for Finance and the Auditor-General.

A copy of any report to be provided to the Minister and the Auditor General's Office under the Standing Directions of the Minister for Finance will be forwarded to the Audit and Risk Management Committee for noting.

The Audit and Risk Management Committee will be informed if a significant event occurs necessitating an incident report within 2 months. Material matters will also be reported to the Finance Committee and the Board.

6.4 Policy for Civil Proceedings to Recover the Proceeds of Fraud or Corruption

Civil action aimed at the recovery of misappropriated public property will be at the discretion of the CEO after consultation with the Board via the Board's Audit and Risk Management Committee.

6.5 Internal Control Review following Discovery of Fraud

Following an investigation where fraud was substantiated, the Executive General Manager Corporate Governance will conduct a review of the relevant controls and determine at which point the system of internal control failed and whether corrective action needs to be taken.

7 References

Australian Standard AS8001-2008 *Fraud and Corruption Control*

<http://www.saiglobal.com/PDFTemp/Previews/OSH/AS/AS8000/8000/8001-2008.pdf>

<http://infostore.saiglobal.com/store/results2.aspx?searchType=simple&publisher=AS&keyword=fraud>

Commonwealth Fraud Control Guidelines

<http://www.comlaw.gov.au/Details/F2011L00511/Download>

Public Administration Act

http://www.austlii.edu.au/au/legis/vic/consol_act/paa2004230/

Victorian Public Sector Commission

<http://vpsc.vic.gov.au/about-vpsc/>

Financial Management Act 1994

[http://www.legislation.vic.gov.au/Domino/Web_Notes/LDMS/LTObject_Store/LTObjSt6.nsf/DDE300B846EED9C7CA257616000A3571/C292C66E42B19E04CA2579F3000500BA/\\$FILE/94-18a062bookmarked.pdf](http://www.legislation.vic.gov.au/Domino/Web_Notes/LDMS/LTObject_Store/LTObjSt6.nsf/DDE300B846EED9C7CA257616000A3571/C292C66E42B19E04CA2579F3000500BA/$FILE/94-18a062bookmarked.pdf)

<http://www.legislation.vic.gov.au/>

Independent Broad-based Anti-corruption Commission Act 2011

<http://www.ibac.vic.gov.au/resources/legislation>

Protected Disclosure Act 2012