



Harbour Foreshore Authority

Fraud and Corruption Prevention Strategy Policy

Corporate Services

Sydney Harbour Foreshore Authority

Document Control

Approved by:	Audit and Risk Management Committee
Date of Approval:	August 2008
Review Cycle	Biennial
Review Date:	August 2010
Division Originating:	Corporate Services
Officer Responsible:	Corporate Secretary

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1 GENERAL

1.1 OVERVIEW

This document was prepared by Sydney Harbour Foreshore Authority in response to specific issues relevant to requirements of the Premier's Department as well as an organisational desire to ensure a high standard of conduct by the Authority's employees and contractors.

This policy is based on *Fraud Control – Developing an Effective Strategy* produced by the Audit Office of NSW and the Office of Public Management NSW Department of Premier and Cabinet. It also references various ICAC publications.

For further information, contact the Corporate Secretary, telephone (02) 9240 8852.

1.2 PURPOSE

The purpose of this policy is to provide a framework to effectively implement a fraud and corruption strategy across all the Authority's work units.

Through consistent application of this policy, the Authority aims to maintain long term staff awareness in all areas of the fraud control environment covered by the strategy.

1.3 RESPONSIBILITIES

All employees have a commitment in relation to the policy. This includes The Board and CEO.

1.4 DOCUMENT HISTORY

Date	Author	Modifications
August 2006	Corporate Governance Manager	
August 2008	Corporate Secretary	

1.5 POLICY STATEMENT

This policy is intended to provide employees, clients and the community with a clear understanding of the Authority's strategy to reduce the opportunity for fraud and corruption within the Authority. It aims to provide employees with guidelines and support mechanisms for detecting and reporting any corrupt activities while performing their role as public servants. This policy clearly outlines all of the roles and responsibilities within this framework and references other useful publications to enable further understanding of the seriousness of Authority employee obligations.

2 INTRODUCTION

2.1 BENEFITS OF THE FRAUD AND CORRUPTION PREVENTION STRATEGY

The purpose of the Fraud and Corruption Prevention Strategy is to foster within the Authority an ethical climate that permeates all of its activities. This involves integrating a corruption prevention focus within a framework that:

- Increases and maintains awareness of the high ethical standards of accuracy, honesty and accountability expected of every Authority employee,
- minimises corrupt conduct through the promotion, development and implementation of appropriate policies, procedures mechanisms and controls, and
- facilitates the detection, reporting and investigation of corrupt activities.

This document aims to provide employees, clients and the community with a clear understanding of the Authority's strategy to reduce the opportunity for fraud and corruption within the Authority.

2.2 TERMINOLOGY

2.2.1 Fraud

There are many definitions of "fraud" available. At its simplest, fraud could be regarded as any practice which involves the use of deceit to grant some form of financial benefit upon the perpetrator (either directly or indirectly) AND which results in some form of material loss to the person or entity defrauded. More complex and technical definitions are readily available which may give different perspectives upon fraud. A definition which has been used by the Audit Office is:

"Fraud can be defined as a deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority. The type of events include: acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other acts of deception".

2.2.2 Corruption

A concise definition of "corruption" is even more difficult. In general terms corruption involves:

- improper acts or omissions,
- improper use of influence or position, and/or
- improper use of information.

This is not an exhaustive definition. Forms of corruption can be identified which do not clearly involve both material gain to the perpetrator and material loss to the subject entity. As such, corruption is often regarded as the broader issue with fraud representing a major subset within it.

This policy deals with both fraud and corruption from a balanced, holistic approach.

2.3 BACKGROUND TO THE POLICY

In keeping with its high standards of probity and accountability, the NSW Government requires all Government agencies to implement and maintain a strategy for the prevention of internal and external fraud.

3 STRATEGY

3.1 INTEGRATED MACRO POLICY

The Authority has developed an integrated policy to promote ethical practices by its employees in its dealings with clients, the community and government. This includes Codes of Conduct for both staff and Board members (see Appendices 1 and 2), that set standards of behaviour to be followed by employees, Board members and those transacting business with the Authority.

The Authority also publishes a document titled *The Protected Disclosures Act, Rights and Responsibilities Explained* (Appendix 2) outlining the scope of the *Protected Disclosures Act 1994*, and the rights and responsibilities of staff under the *Act*.

The Fraud and Corruption Prevention Strategy is integrated into many other Authority policies and embedded in position descriptions and performance indicators of senior management.

3.2 RESPONSIBILITY STRUCTURES

The key groups who have responsibility within the Authority's corruption prevention framework are:

- the Board
- the Chief Executive Officer
- the Audit and Risk Management Committee
- line management
- all employees.

Their responsibilities are described as follows:

3.2.1 The Board

As part of its fiduciary duties, the Board is ultimately responsible for ensuring that the Authority meets all legislative and regulatory requirements. Unethical conduct poses a real risk that the Board must mitigate in order to maintain a successful business. The Board is accountable for ensuring that an ethical business environment is maintained and that a system to effectively minimise corruption is established and maintained within the Authority.

3.2.2 The Chief Executive Officer

The Chief Executive Officer is responsible for the effective and economical use of the Authority's resources and for determining appropriate controls against corrupt conduct. This responsibility is appropriately delegated to Executive Directors and senior staff as detailed in the Authority's Schedule of Delegations. Explicit in this responsibility is the need to:

- safeguard all assets
- assure the efficient use of resources
- satisfy all legislative requirements and other relevant directives
- facilitate effective and transparent accountability.

Under *Section 11* of the *Independent Commission Against Corruption Act 1988*, the Chief Executive Officer is required to report to ICAC any matter that he suspects, on reasonable grounds, concerns or may concern corrupt conduct.

3.2.3 The Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in fulfilling its responsibilities as to accounting policies and reporting practices of the Authority. It is the Board's principal agent in assuring the independence of the Authority's auditors, the integrity of management and the adequacy of disclosures to the public.

The Committee's objective is to provide independent assurance and assistance to the Board on the Foreshore Authority's risk, control and compliance framework, fraud control strategies and its external accountability requirements.

The Committee does not take over the responsibilities that the Chief Executive Officer has under the *Public Finance and Audit Act 1983*.

3.2.4 Line Management

Line managers are required to take a leadership role in promoting ethical behaviour within the Authority. They are responsible for:

- identifying all factors in their workplaces that may contribute to unethical conduct and for implementing measures to address them,
- creating and maintaining a work environment that supports ethical conduct and accountability for risk management,
- ensuring that staff are aware of and implement the Authority's policies and procedures to prevent corruption,
- including fraud prevention responsibilities in all job descriptions and statements of duties,
- maintaining appropriate internal controls to minimise risk,
- monitoring the effectiveness of internal controls, and
- reporting any suspected fraud.

Managers are alerted to the fact that fraud in a public sector agency can result in:

- a poor reputation and public image,
- a lack of business credibility,
- low employee morale and performance,
- poor dividend returns,
- an inability to meet short term commitments, and
- an inadequate capital base for future expansion.

Managers should read Appendix 3 "Guidelines for Auditors & Managers on Fraud Control.

3.2.5 All employees

All Authority employees, including the Chief Executive Officer, Executive Directors, managers and staff, are required to promote an ethical work culture by:

- understanding the responsibilities of their positions
- familiarising themselves with all approved Authority policies and procedures and adhering to them at all times
- being open with their colleagues
- leading others by example

- understanding the risk factors that can lead to corrupt conduct
- demonstrating by actions and statements that the Authority does not condone or tolerate corrupt conduct
- encouraging ethical conduct
- taking corrective action before a situation escalates.

They are also expected to act in a professional manner at all times by:

- complying with all legislative requirement and the Authority's Policies and Procedures, including the Code of Ethics
- performing their duties with skill, care, diligence, honesty, integrity and impartiality at all times
- avoiding misuse or waste of the Authority's resources
- planning the use of the Authority's information, money, property, goods or services, so that use is efficient and economical
- taking proper care of the Authority's property
- using official Authority information for authorised and official purposes only
- dealing with the public, colleagues and other stakeholders in an ethical manner that fosters positive perceptions of the Authority
- reporting any corrupt activity, even if it is based only on a suspicion.

3.3 FRAUD RISK ASSESSMENT

The Authority is committed to ensuring that high standards of Corporate Governance apply and are seen to apply to the management of its business. Strategic initiatives in this regard include:

- conducting an annual fraud health survey and taking appropriate action in response to outcomes
- Undertake specific fraud risk assessments of high risk areas such as procurement, accounts payable and accounts receivable
- ongoing monitoring of and reporting to the Board on the effectiveness of its Corporate Plan and associated Operational Plans through Key Performance Indicators
- regular meetings of the Audit and Risk Management Committee and an audit plan that includes regular assessment of the Authority's internal controls supporting key business activities.
- implementation and monitoring the effectiveness of a wide range of policies and procedures developed to satisfy statutory requirements, Government policies and the organisational fulfilment of all probity and accountability requirements.
- Utilising technology to review accounts payable and payroll transactions, for tax and relational compliance with the Authority's code of conduct

The Authority is also committed to the development of a "Risk Management" approach to business which is aligned with business imperatives, mitigates risks within the Authority's Corporate Governance framework and creates an environment where managers are accountable for risk management. Strategic initiatives in this regard include:

- monitoring the effectiveness of risk management in the implementation of key strategies and project based proposals

- developing and monitoring the effectiveness of a framework of key policies and procedures to guide the risk management process
- developing risk management planning that links corporate risks to risk mitigation actions and performance indicators in the Operational Plans of business units throughout the Authority as part of the corporate planning process.

In this context, the Authority is able to readily identify areas of potential or actual corruption risk and promptly develop policies and procedures which are conveyed to all employees and monitored carefully.

To date, the following policies and procedures have been implemented to assist corruption prevention in the Authority:

- Code of Conduct for Staff Members
- Code of Conduct for Board Members
- Delegations Manual
- Electronic Procurement System
- Engagement of Service Contractors and Consultants
- Financial policies and procedures
- Grievance Policy and Procedures
- Issue of Equipment Policy
- Performance Management System
- Procurement of Legal Services
- Procurement Policy and procedures
- Protected Disclosures Act – Rights and Responsibilities Explained (Appendix 2)
- Privacy Management Plan
- Use of Electronic and Communication Devices
- Use of Taxis and Fleet Vehicles
- Gift Register.

Fraud Risk Assessments will be conducted on a routine basis to assess and rank the nature and extent of fraud vulnerability.

All areas of risk will be ranked by their vulnerability factor. Factors used to assess risk exposure include:

- fraud history for the activity or function
- concerns of management
- internal and external audit risk assessment ratings for the area
- the potential for fraud to flow into the other areas
- the last time the activity or function was reviewed
- staff attitudes and values
- management attitudes and values
- quality of management
- pace and extent of recent growth or change for the area

- extent of effective reporting mechanisms
- degree of operational complexity
- overall size, scope and value of activities.

3.4 EMPLOYEE AWARENESS

The Authority's policies and procedures are readily available to all Authority staff via the Intranet in the Resources folder. As part of their induction, new employees to the Authority are advised of the existence of the Authority's policies and procedures and where they can be accessed. They are given a copy of the Code of Ethics and the Fraud and Corruption Prevention Strategy and are required to sign a document verifying that they have received the documents and will implement all requirements contained therein.

Mandatory fraud prevention awareness training is conducted for all new employees and supplemented with annual refresher training for all staff. The aim of this training is to ensure that staff:

- become aware of the different types of fraud that can occur in the workplace and how to detect it
- embrace an ethical workplace culture
- recognise and value the importance of personally contributing to fraud control
- develop an understanding of good work practices, systems and controls
- keep abreast of best practice for preventing fraud.

3.5 CUSTOMER AND COMMUNITY AWARENESS

The Authority's standards regarding ethical behaviour are principally conveyed to customers, stakeholders and the community through the manner in which its employees conduct business with them. This is the strongest and most effective means of demonstrating ethical standards.

The Authority will include in its Annual Report a statement from the Chief Executive Officer about the Authority's stance on fraud and corruption and provide an outline of its fraud prevention strategy.

3.6 FRAUD REPORTING SYSTEMS

The Authority has an obligation to inform the police when a fraud is established. There is no discretion in this matter.

The Chief Executive Officer has a statutory obligation to report to ICAC any matter that he suspects, on reasonable grounds, concerns or may concern corrupt conduct.

It is therefore a requirement within the Authority that any matter that falls within the description of fraud or corrupt conduct be reported immediately to the Chief Executive Officer.

The report should include:

- a complete description of the allegations
- the name and position of any public official/s alleged to be involved
- the name and role of any other person/s relevant to the matter

- an indication as to whether the conduct appears to be a one-off event or part of a wider pattern or scheme
- the date the allegation was made or the date on which the reporting officer became aware of the conduct
- what the agency has done about the suspected conduct, including notification to any other agency (police, Ombudsman)
- what further action is proposed by the agency
- approximate amount of money, if any, involved
- any other information deemed relevant to the matter.

3.7 PROTECTED DISCLOSURES

The rights and responsibilities of Authority employees under the *Protected Disclosures Act 1994*, along with the Authority's internal reporting system relating to the *Act*, are outlined in the Authority's Protected Disclosures Policy. This is an essential 'companion document' to the Fraud and Corruption Prevention Strategy.

The Protected Disclosures Act 1994 is intended to provide protection from reprisals for public officials (including public sector employees) in NSW who voluntarily disclose information about corrupt conduct, maladministration and serious and substantial waste in the public sector.

It also provides for those disclosures to be properly investigated, dealt with and for you to be given feedback on the action taken or proposed to be taken in response to disclosure.

The objective of the *Act* is to encourage and facilitate the disclosure of corrupt conduct, maladministration and serious and substantial waste in the public sector.

3.8 EXTERNAL NOTIFICATION

The Chief Executive Officer is responsible for reporting to the Independent Commissioner Against Corruption any matters that, on reasonable grounds, concerns or may concern corrupt conduct.

The CEO is also obliged to inform the police of the occurrence of fraud. There is no discretion in this matter.

The *Public Finance and Audit Act 1983* stipulates that there is an obligation to report discrepancies of serious proportions to the Auditor-General as they may affect the annual audit and certification of the agency's financial statements.

At his discretion, the CEO may also find it prudent to refer matters to such bodies as the Crown Solicitor, Ombudsman or Director of Public Prosecutions. This action would most likely be taken after consultation with Board or the Audit and Risk Management Committee.

Appendices 5, 6 and 7 should be read prior to any external notification.

3.9 INVESTIGATION STANDARDS

It is vital that once fraud is detected, it is handled and investigated competently. Fraud is a criminal offence and must be treated as such from the outset.

In the first instance, once fraud is suspected, the Corporate Secretary should be consulted. At the Corporate Secretary's discretion, the matter will be referred to the CEO or referred for further investigation.

The Department of Premier and Cabinet's Personnel Handbook suggests that (Division 3, Part 2, Section 2.3.6):

“the department ought only to investigate sufficiently to form this view (i.e., that a criminal offence may have been committed) leaving further investigation to the police themselves”.

In any investigation, management should be aware that their role is one of guidance. Management should not become directly involved in the investigation process nor should management attempt to unduly influence the report. Inquiries are specialised undertakings and require true independence to operate efficiently and effectively.

3.10 CONDUCT AND DISCIPLINARY STANDARDS

Corrupt conduct in any of its forms, would impact heavily on the Authority’s reputation, operating efficiency, finances and service obligations. Therefore, the Authority will not tolerate corrupt conduct in any of its forms and requires that, if it should occur, it be detected, reported and dealt with expeditiously.

Perpetrators of corrupt conduct may face legal and/or disciplinary action in accordance with the provisions of the relevant *Acts*.

Any questions as to whether a particular action might constitute corrupt conduct or the reasonableness of grounds for suspecting corrupt conduct should be referred immediately to either the Board Secretariat or to the Chief Executive Officer.

4 REVIEW MANAGEMENT PLAN

Aspect	Frequency	Outcome	Responsibility
1. Review of Fraud and Corruption Prevention Strategy	Biennially	Ensure relevancy to new laws, community expectations and Government directives.	Corporate Secretary
2. Employee fraud awareness training	Upon induction Annual refresher	Raise staff awareness of potential fraud risks and means of risk management.	Corporate Secretary
3. Fraud prevention awareness written into position descriptions	Whenever position descriptions are reviewed or written	Reinforce the Authority's culture of high ethical standards.	Human Resources Manager
4. Monitoring the effectiveness of a 'risk management' approach to business	Annually, or more frequently if indicated	Test the effectiveness of the 'risk management' strategy to ensure a robust and effective approach	Manager, Risk and Logistics
5. Report on fraud control in the annual report	Annually	To convey to customers, stakeholders and the community the Authority's attitude to fraud	Manager, Corporate Affairs
6. Report to the Audit and Risk Management Committee	Quarterly	Ensure that the Committee is fully informed of corporate governance procedures in relation to fraud and corruption prevention	Corporate Secretary
7. Report to the Board	Annually, or more frequently if indicated	Ensure that the Board is fully informed of corporate governance procedures in relation to fraud and corruption prevention and that it is able to review procedures	Corporate Secretary
8. Conduct annual Fraud Health Check	Annually	To determine areas of risk and to test the effectiveness of policy and procedures	Corporate Secretary

5 CONTACTS/REFERENCES

5.1 CONTACTS

For further information or clarification of this policy, please see the Corporate Secretary.

5.2 REFERENCES

5.2.1 Relevant Legislation

Protected Disclosures Act 1994

Public Finance and Audit Act 1983

Independent Commission Against Corruption Act 1988

5.2.2 Other relevant policies/publications

Fraud Control Improvement Kit: Meeting your fraud control obligations

Audit Office of NSW

www.audit.nsw.gov.au (Reports, Guides & Publications)

Fighting Fraud – Guidelines for State and Local Government

Independent Commission Against Corruption

www.icac.nsw.gov.au (Publications)

ICAC and public sector organisations: Guidelines for principal officers

Independent Commission Against Corruption

www.icac.nsw.gov.au (Publications)

Good Conduct and Administrative Practice

NSW Ombudsman

www.nswombudsman.nsw.gov.au (Publications. Guidelines)

Protected Disclosure Guidelines

NSW Ombudsman

www.nswombudsman.nsw.gov.au (Publications. Guidelines)

Personnel Handbook

NSW Department of Premier and Cabinet

www.dpc.nsw.gov.au

File: data/groups/administration/policy/Fraud and Corruption Prevention Strategy

6 APPENDICES

- 1 Code of Conduct for Staff Members
- 2 Code of Conduct for Board Members

- 3 Protected Disclosures Policy
- 4 ICAC Act – Selected extracts relating to corrupt conduct