FRAUD, CORRUPTION AND OTHER LOSSES CONTROL POLICY

30 December 2019

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INTRODUCTION

PURPOSE

The purpose of the Fraud, Corruption and Other Losses Control Policy (the Fraud Policy) is to:

- provide a definition of fraud, corruption and other losses
- describe the relevant legislative obligations of the Department
- state the Department's position on fraud and corruption
- describe the Department's management model for the control of fraud, corruption and other losses
- describe the Department's reporting requirements
- set out employee responsibilities in relation to fraud, corruption and other losses.

The Department is committed to a comprehensive and systematic approach to preventing, detecting and responding to fraud, corruption and other losses.

An essential part of this commitment is the maintenance and monitoring of an effective policy that sets out the Department's position on suspected, alleged or detected fraud, corruption and other losses.

The Fraud Policy is supported by the Fraud, Corruption and Other Losses Control Operational Guide (the Operational Guide) which outlines the Department's activities, structures and reporting requirements to prevent, detect and respond to fraud and corruption.

DEFINITIONS

The Department has adopted the following definitions of **fraud** and **corruption** as set out in Australian Standard: Fraud and Corruption Control AS 8001-2008.

Fraud is defined as:

> [d]ishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a non-business purpose or the improper use of information or position for financial benefit.

Corruption is defined as:

> [d]ishonest activity in which a director, executive manager, manager, or employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.

SCOPE

The Fraud Policy applies to all Department employees, contractors, volunteers and any individuals undertaking activity for or on behalf of the Department, including in Victorian government schools.

The Fraud Policy applies to employees of Victorian government school councils and school council members.

Statutory authorities are required to have their own fraud, corruption and other losses policy and plans, including reporting requirements to the Department.

Organisations that receive funding from the Department via a Whole of Victorian Government Common Funding Agreement have a responsibility to ensure the funds provided by the Department

are used for the purposes that they are provided for (and are not subject to loss through fraud, corruption or theft).

LEGISLATIVE FRAMEWORK

The Fraud Policy has been developed in accordance with the following legislative framework:

- *Financial Management Act 1994* (Financial Management Act)
- *Financial Management Regulations 2004*
- Standing Directions 2018 under the Financial Management Act (Standing Directions)
- Instructions Supporting the Standing Directions of the Minister for Finance 2018
- AS8001-2008 Fraud and Corruption Control Standard
- *Public Administration Act 2004* and the Code of Conduct for Public Sector Employees (Code of Conduct)
- *Education and Training Reform Act 2006*
- *Education and Training Reform Regulations 2017*
- *Independent Broad-based Anti-corruption Commission Act 2011*
- *Public Interest Disclosures Act 2012*
- *Audit Act 1994.*

POLICY STATEMENT

The Department does not tolerate fraud or corruption.

Instances of fraud or corruption significantly impact the Department by causing financial loss, reputational damage, and eroding the Department's ability to deliver its strategic vision. The Department requires all employees and contractors to act honestly, with integrity and to safeguard the public resources for which the Department is responsible.

The Department is committed to implementing and maintaining an effective Fraud Policy and Operational Guide to set out the approach, structures and processes to prevent, detect and respond to fraud and corruption, and meet the requirements of the Standing Directions.

The Department is committed to ensuring employees feel confident to speak up about suspected fraud and corruption and maintains a confidential whistle-blower service to assist employees. The Department does not tolerate detrimental action being taken in reprisal against employees who speak up about their concerns.

MANAGEMENT MODEL

MANAGEMENT MODEL FOR MINIMISING THE RISK OF FRAUD AND CORRUPTION

The Department's model for minimising the risk of fraud and corruption recognises that our leaders consistently demonstrating the Department's Values and fostering an ethical culture are key workplace controls.

The Department's approach to building and maintaining the Department's ethical leadership and ethical culture is set out in the Department's Integrity Strategy, Raising the Bar: Valuing Integrity 2018-2021.

THREE LINES OF DEFENCE

Maintaining the three lines of defence is the key to the Department's fraud and corruption control objectives of preventing, detecting and responding to fraud, corruption and other losses. The Department's Risk Management Framework, informed by the three lines of defence model, sets out a framework for the ownership, accountabilities, resources and governance for risk management activities.

The **first line** of defence is each and every one of us managing risk in our area of responsibility as part of our everyday work.

The **second line** supports us to comply with our obligations and mitigate risks through policies, advice and systems, and by monitoring the adequacy and effectiveness of controls.

The **third line** provides independent assurance that the risk management and internal control framework is working as designed.

Oversight bodies, including the Independent Broad-based Anti-corruption Commission (IBAC), the Victorian Ombudsman (Ombudsman), the Victorian Auditor-General and Victoria Police hold the Department to account for its performance and investigate allegations of fraud or corruption where appropriate. These oversight bodies also provide insight for continuous improvement of controls and strategies to prevent fraud, corruption and other losses.

First Line - Functions that own and manage risk

Leaders

School and Department leaders are responsible for demonstrating their commitment to building and maintaining an ethical culture in schools and the Department, modelling the Department's Values, treating risks of fraud, corruption and other losses effectively and creating an organisational environment hostile to fraudulent and corrupt behaviour.

All employees

Part 3.6 of the Code of Conduct requires all employees to report workplace behaviour that violates any law, rule or regulation, or represents corrupt conduct, mismanagement of public resources, or is a danger to public health or safety, or to the environment. All employees, contractors, and volunteers of the Department and of schools (including school council members) are responsible for reducing the risk of fraud corruption and other losses by:

- understanding and applying the Department's policies, procedures and guidelines
- reporting all cases of suspected internal and external fraud and corruption perpetrated against the Department
- maintaining the security of the Department's money and assets.

The Operational Guide outlines the avenues available to report fraud, corruption and other losses.

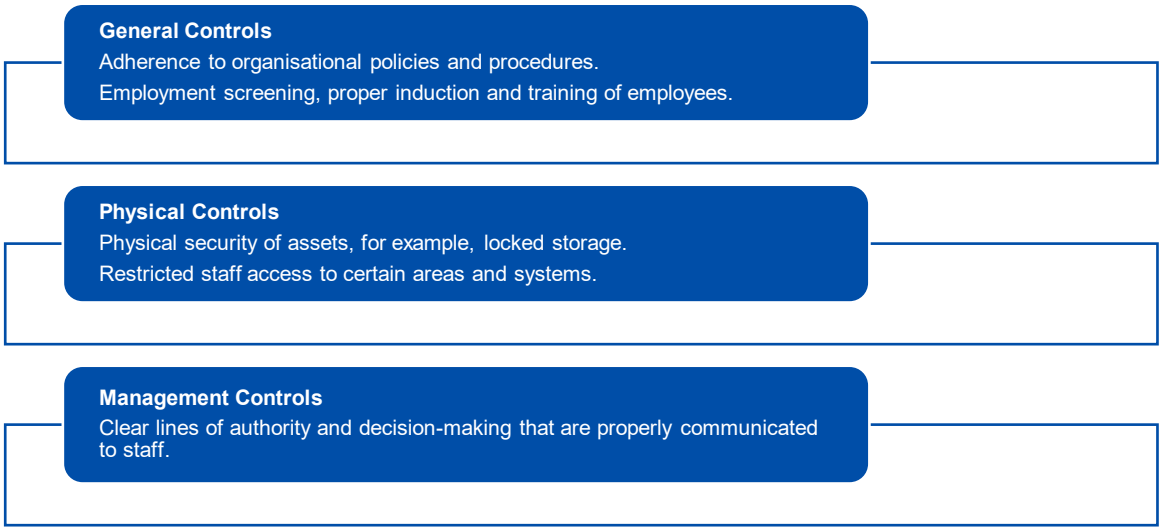
Second Line - Functions that oversee and support risk management

The Department supports its employees to comply with obligations and mitigate the risks of fraud, corruption and other losses through policies, advice, systems and training.

Business areas must ensure appropriate internal controls are implemented to address the risks of fraud, corruption and other losses. While some controls will be common across the whole of the Department, others may be unique and tailored to specific business area functions and the school environment. In order to ensure they are effective, controls must be well documented, monitored, regularly reviewed and updated, and understood by all staff.

Some examples of common controls are listed in Figure 1 below.

Figure 1 - Examples of fraud, corruption and other losses controls



Third Line - Functions that provide independent assurance

The Department's Assurance Branch considers fraud and corruption risks when planning and performing audits, and will, as required by Standing Direction 3.2.2.2 (d), include in its annual plan audits of business processes or units likely to be vulnerable to fraud, corruption or other losses.

REPORTING OBLIGATIONS

Public interest disclosures

Under the *Public Interest Disclosures Act 2012,* the Department must establish procedures to facilitate making and handling disclosures. Under those procedures, the Department appoints a Public Interest Disclosure Coordinator, who must assess reports of suspected fraud and corruption to determine whether they may be public interest disclosures. Matters that the Public Interest Disclosure Coordinator considers may be public interest disclosures must be referred to IBAC. The Public Interest Disclosures system provides whistle-blowers with protections from reprisals, and requires strict confidentiality of these reports be maintained.

Further information about public interest disclosures can be found in the Department's Making, handling and managing public interest disclosures - procedures, or on the IBAC website.

Mandatory notifications

Under the *Independent Broad-based Anti-corruption Commission Act 2011*, the relevant principal officer must notify IBAC of any matter which they suspect on reasonable grounds involves corrupt conduct occurring or having occurred, irrespective of whether the incident is considered serious or systemic. The Secretary is the relevant principal officer of the Department. The Secretary's obligation to notify IBAC of suspected corrupt conduct extends to other organisations connected with the Secretary's duties, functions and exercise of powers, including TAFEs. School principals are relevant principal officers in relation to school councils and school council employees. Matters referred to IBAC as potential public interest disclosures do not need to be notified as mandatory notifications.

Further information about mandatory notifications can be found in the Department's Mandatory Notification FAQs or on the IBAC website.

Reporting of Significant or Systemic incidents

Under the Standing Directions, the Department must notify all cases of "Significant or Systemic" fraud, corruption and other losses to the Responsible Minister, the Department's Audit and Risk Committee and the Victorian Auditor-General. The Department must also provide information about remedial action to be taken in relation to each matter reported.

For the purposes of reporting under the Standing Directions, the Department's defined value thresholds above which an actual or suspected fraud, corruption or other loss is considered "significant" are $5,000 in money, $50,000 in other property, and $1,000 for purchasing cards.

Criminal offences

Internal and external fraud, theft or other criminal offences that are perpetrated against the Department or a school council that result in financial loss must be reported to Victoria Police.

In relation to external fraud, the Executive Director of the business area that sustained the loss is responsible for ensuring the matter is reported to Victoria Police. The Department's Fraud and Corruption Control Unit (FCC Unit) can provide support to business areas if required.

In relation to fraud and corruption perpetrated by a Department or school council employee, the FCC Unit in conjunction with the Employee Conduct Branch will liaise with the relevant business area regarding notification to Victoria Police.

The Operational Guide sets out how the Department will comply with its reporting obligations, and how reports should be made to Victoria Police.

Recording fraud, corruption and other losses

All employees must notify Integrity, Assurance and Executive Services Division (IAESD) of any instance of fraud, corruption or other losses. IAESD will record all such matters in the Fraud and Corruption Control Case Register for the purpose of monitoring and reporting. This information will be kept securely and limited to staff within the FCC Unit.

CONSEQUENCES AND RECOVERY

Investigation

The FCC Unit will assess all allegations of fraud or corruption that are referred to it. In some circumstances this may lead to investigation by the FCC Unit. The Department may be prevented from taking action as a result of matters being subject to assessment or investigation by IBAC, the Ombudsman or Victoria Police.

Adverse findings of investigations conducted by the FCC Unit will be referred to the manager of the employee to whom the allegations relate and may lead to the commencement of disciplinary action in accordance with the Department's Guidelines for Managing Complaints, Misconduct and Unsatisfactory Performance. Employee Conduct Branch provides support and advice in relation to employee misconduct.

Recovery

The Department will take action to recover losses caused by fraud or corruption, or other losses (where avenues for recovery exist), where there is clear evidence of who is responsible for the loss and taking into account whether the likely benefit of such action will exceed the resources required for that action.

RESPONSIBILITIES AND ACCOUNTABILITIES

The Department has governance structures to ensure risks are identified and managed across the Department. The following are specific responsibilities and accountabilities in relation to fraud and corruption risks. An individual's responsibilities are established by considering all roles relevant to them. For example, managers will have responsibilities as both a manager and an employee.

Figure 2 - Responsibilities and accountabilities - Corporate

Role	Responsibilities and accountabilities
Secretary	• Approves the Fraud Policy • Fosters and maintains the highest standards of ethical behaviour • Establishes and maintains a culture of risk awareness and management • Implements the requirements of the Financial Management Act and the Standing Directions • Notifies IBAC of corrupt conduct in accordance with the mandatory notification provisions of the *Independent Broad-based Anti-corruption Commission Act 2011*

Executive Board	• Provides input to the Secretary in relation to approval of:
	  ○ actions required to mitigate significant organisational risks
	  ○ all matters identified as high or critical risks in Group risk registers

Audit and Risk Committee	• Assists the Secretary in fulfilling their statutory responsibilities by independently reviewing and assessing the effectiveness of the Department's systems and controls for financial management, performance and sustainability, including risk management
Integrity Committee	• Provides assurance to the Secretary that the Department has a robust framework for managing integrity risks and lifting integrity performance. The Committee does this by overseeing the development and delivery of integrity reforms which strengthen the Department's three lines of defence for risk management
Executive Director, IAESD / Public Interest Disclosure Coordinator	• Provides leadership and oversight to the development and review of the Fraud Policy • Approves the Fraud, Corruption and Other Losses Operational Guide • Oversees the Department's prevention, detection and investigation activities with respect to fraud and corruption

	• Provides advice and guidance to other areas of the Department and statutory authorities where required • Oversees statutory reporting of fraud, corruption and other losses in accordance with the *Public Interest Disclosures Act 2012*, *Independent Broad-based Anti-corruption Commission Act 2011* and the Standing Directions • Receives, assesses and refers potential public interest disclosures • Oversees the provision of information in relation to fraud or corruption matters to IBAC and the Ombudsman
Executives	• Oversee the implementation of the Fraud Policy in their business area • Establish and maintain a culture of integrity • Ensure fraud, corruption and other loss risks within their business area are identified and managed
Executive Directors of business areas that own integrity related policies	• Ensure appropriate second-line monitoring of policy compliance is undertaken • Ensure policies are kept up to date, are accessible, and changes to policies are communicated to staff appropriately
Manager, Fraud & Corruption Control Unit	• Receives reports of suspected fraud and corruption directly, and those referred by the Speak Up hotline, managers or external bodies • As a Public Interest Disclosure Officer, supports the Public Interest Disclosure Coordinator by receiving and assessing reports • Oversees investigations conducted by the FCC Unit investigators • Collects and provides information to IBAC and the Ombudsman • Ensures welfare support is provided to people who make public interest disclosures
Managers	• Ensure staff know about and comply with departmental policies, procedures and guidelines, including the Fraud Policy • Ensure internal controls are established and are operating effectively to mitigate fraud and corruption risks • Maintain systems, procedures and an enabling culture that supports employees to confidentially report concerns • Receive and act on reports of fraud or corruption by notifying the Public Interest Disclosure Coordinator, or any of the Department's Public Interest Disclosure

	Officers if the Coordinator is not available, and otherwise maintain confidentiality regarding the report • Facilitate and support regular workplace conversations in relation to the Department's Values and integrity at work • Notify IAESD of any suspected incidence of fraud, corruption or other losses as soon as practicable
Employees and others	• Uphold the Code of Conduct by demonstrating the Department's Values at all times in the workplace • Understand and comply with all departmental policies, procedures and guidelines • Identify, manage and mitigate fraud, corruption and other losses risks • Report suspicions of fraud, corruption and other losses to an appropriate manager, the Public Interest Disclosure Coordinator, the Secretary, or IBAC • Support and apply fraud and corruption prevention initiatives • Undertake all mandatory induction and training • Maintain the security of the Department's assets, including physical assets, data and intellectual property

Figure 2 - Responsibilities and accountabilities – Schools

Role	Responsibilities and accountabilities
Principals	In addition to the responsibilities set out in relation to Employees and others: • Oversee the implementation of the Fraud Policy in their school • Ensure fraud, corruption and other loss risks within their school are identified and managed through effective controls • Ensure staff know about and comply with departmental policies, procedures and guidelines, including the Fraud Policy • Establish and maintain a culture of integrity • Maintain systems, procedures and an enabling culture that supports employees to confidentially report concerns • Facilitate and support regular workplace conversations in relation to the Department's Values and integrity at work • Receive and act on reports of fraud or corruption by notifying the Public Interest Disclosure Coordinator, or any of the Department's Public Interest Disclosure Officers if the Coordinator is not available, and otherwise maintain confidentiality regarding the report

	• Notify IAESD of any suspected incidence of fraud, corruption or other losses as soon as practicable
Employees and others	• Uphold the Code of Conduct by demonstrating the Department's Values at all times in the workplace • Understand and comply with all departmental policies, procedures and guidelines • Identify, manage and mitigate fraud, corruption and other losses risks • Report suspicions of fraud, corruption and other losses to an appropriate manager, the Public Interest Disclosure Coordinator, the Secretary, or IBAC • Maintain the security of the Department's assets, including physical assets, data and intellectual property

POLICY OWNERSHIP AND REVIEW

The Executive Director, IAESD, is the owner of the Fraud Policy and is responsible for monitoring the implementation of the policy and reviewing its effectiveness every three years, or as otherwise required.

The Fraud Policy is approved by the Secretary. Significant amendments to the Fraud Policy must also be approved by the Secretary.

The Fraud Policy was last reviewed in December 2019.

Any queries about the Fraud Policy should be directed to the Manager – Fraud and Corruption Control Unit on 7022 0121.