



Australian Government
**Department of Industry,
Innovation and Science**

Dr Heather Smith PSM
Secretary
Department of Industry, Innovation and Science
Industry House
10 Binara Street
CANBERRA CITY ACT 2601

Dear Secretary

Fraud control measures

The *Public Governance, Performance and Accountability Rule 2014*, paragraph 17AG(2)(b) requires that the department's annual report include certification from the accountable authority that fraud risk assessments and fraud control plans have been prepared, appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud are in place, and all reasonable measures have been taken to deal appropriately with fraud.

The **enclosed** Fraud Control Report will be presented to the Executive Board in September 2018. It describes that the department has:

1. a 2017-18 Fraud and Corruption Control Plan,
2. conducted fraud risk assessments and established measures to mitigate identified fraud risks, and
3. established mechanisms to prevent, detect, investigate, record and facilitate reporting of fraud incidents, including:
 - a strategic assessment of the department's fraud control framework and methodology
 - development of an active detection capability, and
 - an enterprise fraud risk profile.

The Audit and Assurance Committee received and noted a copy of the Fraud Control Report at their meeting on 31 August 2018.

The Fraud Control report demonstrates that the department has undertaken all reasonable measures to deal appropriately with fraud in 2017-18 and I recommend that you sign the fraud compliance statement.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sacha Moran'.

Sacha Moran
General Counsel

3 September 2018

Meeting date	31 August 2018	Agenda item
Title	Fraud Control Mechanisms 2017-18	
Purpose	Provide an update on each aspect of the fraud control program, and provide assurance as to compliance with the Commonwealth Fraud Control Framework.	
Recommendation(s)	That the Committee: 1. Note the report	
Attachments	Attachment A – Certificate of Compliance	
Responsible officer	Sacha Moran, General Counsel, Corporate Division	

Commonwealth Fraud Control Framework

1. The *Public Governance, Performance and Accountability Act 2013* sets out the regulatory framework for the proper use and management of public resources by Commonwealth entities. The Commonwealth Fraud Control Framework 2017 (the framework) outlines the requirements for fraud control, including management of a comprehensive fraud control program that covers prevention, detection, investigation and reporting strategies.
2. The Fraud Control Officer and the fraud team established a fraud control and anti-corruption framework, providing mature mechanisms to detect, prevent and respond to fraud during 2017-18. The framework incorporates the following measures:

Fraud prevention and risk management in the Department of Industry, Innovation and Science

3. The department has a mature fraud and corruption risk management program. Divisional Fraud Risk Assessments are completed for each division every two years and embedded into a rolling program. As part of this program, divisions with fraud risk assessed as **high** are monitored by the fraud team on a quarterly basis, and the fraud team provides risk assessment reports and fraud risk profile to responsible Deputy Secretaries.
4. Divisional Fraud Risk Assessments inform the development of the department's Fraud and Corruption Control Plan, Enterprise Fraud Risk Exposures and further fraud control planning activities. Divisional Fraud Risk Assessments undertaken in 2017/18 revealed:
 - no **very high** fraud risks assessed by divisions and
 - **Section 47E(a)**

The **high** rated fraud risks consist of the following categories

Internal Fraud Risks

External Fraud Risks

Section 47E(a)

Ongoing Monitoring and Review

5. The fraud team is coordinating a review of the Divisional Fraud Risk Assessments and fraud risk treatments. The review will focus on:

- a. identifying new or emerging fraud risks, changes in fraud risk levels, or organisational changes impacting on fraud risk ownership
- b. supporting Divisional reporting on the implementation of fraud risk treatments
- c. providing progress updates to the Executive Board on the implementation of the fraud risk treatments, and
- d. identifying fraud risks for further analysis and development of the department's Enterprise Fraud Risk Register, to provide a consolidated list of the fraud risk information and treatments.

Fraud and Corruption Control Plan

6. The department's current ***Fraud and Corruption Control Plan 2016-18*** is under review. It is anticipated the ***Fraud and Corruption Control Plan 2018-20*** will be released later in 2018.

Fraud Detection

7. The fraud team is supporting the Department's vision to build our data and analytic capability to inform evidence-based advice and policies by developing new data analytics tools to support traditional fraud detection methodologies using active and reactive detection capabilities.

Reactive Detection

8. The department has clear reporting guidelines and mechanisms for reporting suspected fraud, including a fraud hotline, Fraud Control Officer in-box, *Whispli* reporting tool (a new tool that supports anonymous fraud and corruption reporting). The Fraud Control Officer receives reports of fraud from staff, members of the public and referrals from internal and external stakeholders.

Active Detection – A range of tools

9.

Section 47E(a)

The active interrogation of data will support the identification of indicators of fraud, and is intended to provide insights and support on how best the department can identify risks of fraud and corruption, from internal and external threats.

Fraud detection in Grants Administration

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Section 47E(a)

11. In conjunction with the Business Grants Hub team, the fraud team is examining these issues to identify potential fraudulent activities or data anomalies.

Section 47E(a)

12.

Section 47E(a)

13. This project is linked to the Data Strategy 2018-20 and the Digital Strategy 2017-20. To ensure high-level strategic oversight, the project is governed by the department's Data and Analytics Governance Board. Project management is provided by the delivery team in alignment with the best practices supported by the PMO.

Fraud response - Assessment and Investigation

14. **Section 47E(a)**
These staff are responsible for dealing with reported incidents of fraud or suspected fraud.
15. If there is sufficient evidence or information provided to support criminal investigation and potential prosecution, the investigation is referred to the Investigations Manager to undertake a Case Prioritisation Assessment and to submit an Investigations Plan to the Fraud Control Officer for approval.
16. Fraud staff deal with reported incidents of fraud or suspected fraud. On receipt of an allegation, the referral is recorded in the Case Management System ^{Section 47E(a)} and allocated a FIM reference. A case officer is allocated the assessment and is responsible for providing advice to the complainant or referral area.
17. An initial assessment is completed of the allegation and a decision reached as to the nature of the complaint and appropriate steps necessary to manage the complaint. The fraud team comply with the investigation practices as recommended by the Australian Federal Police (AFP) – *Australian Government Investigation Standards*. Internally the fraud team have developed a Case Prioritisation Model and investigation processes and practices which comply with legislation and the investigation standards applicable to all non-corporate entities.

Enterprise Fraud Risk Profile (EFRP) - 2016-18¹

Enterprise Fraud Risk Statement		Enterprise Current Fraud risk Ratings ²			Enterprise Residual Fraud Risk Ratings ³			Enterprise Fraud Risk Owner (lead) ⁴
		Current Likelihood	Current Consequence	Current fraud risk rating	Residual Likelihood	Residual Consequence	Residual Fraud Risk rating	
No.	Description	Almost Certain	Insignificant	Low	Almost Certain	Insignificant	Low	
		Likely	Minimal	Minor	Likely	Minimal	Minor	
		Possible	Moderate	Medium	Possible	Moderate	Medium	
		Unlikely	Substantial	High	Unlikely	Substantial	High	
		Rare	Severe	Very High	Rare	Severe	Very High	
<i>Internal fraud risk type:</i>								
1	Unauthorised access to, use of, and/or disclosure, modification or release of information including providing false or misleading information.	<h1>Section 47E(a)</h1>						Chief Information Officer (CIO), Digital Strategy & Operations (DS&O) and Chief Operating Officer (COO), Corporate Divisions
2	Theft or misuse of departmental property, equipment or facilities including misuse or unauthorised use of Commonwealth motor vehicles (and fuel cards), computer equipment, electronic devices, awards or gifts, or improper disposal of assets.							CIO, DS&O and COO, Corporate Divisions
3	Misuse or theft of corporate credit cards, Cab charge, or other cash cards.							COO, Corporate Division
4	Staff fraudulently claim entitlements (including expenses, allowances, travel or leave), misuse of travel claims, or payroll fraud etc.							COO, Corporate Division
5	Fraudulent accounting practices including staff fraudulently circumventing accounts payable, accounts receivable, goods receiving, debt recovery, cash or accountable forms controls or fraudulent vendor invoicing etc.							COO, Corporate Division
6	Fraudulent procurement practices, contract management or policy activities.							COO, Corporate Division
7	Fraudulent recruitment practices or vetting (insider threat).							CIO, DS&O and COO, Corporate Divisions
8	Corruption including Foreign Bribery, abuse of office, accepting bribes or kickbacks, misuse or theft of Intellectual Property or trade secrets, serious failure to disclose or abuse of conflict of interest, undue influence, deliberate compromise or manipulation of investigations, or other serious or organised crime.							CIO, DS&O and COO, Corporate Divisions
<i>External fraud risk type:</i>								
9	External unauthorised access, use, theft, disclosure, modification or release of departmental information including cybercrime or hacking to ICT systems.							CIO, DS&O Division
10	Applicants, recipients, third party providers or other external parties fraudulently claim for services, or financial assistance including submission of false information or identity, or deliberate omission of information for grant funding.							HoD Business Services Division and HoD Innovation Programmes Division
11	Applicants, recipients, third party providers or other external parties fraudulently misuse, or misappropriate grant funding, gifts, ex-gratia payments, sponsorships or other benefits etc.							HoD Business Services Division and HoD Innovation Programmes Division
12	Any other fraud risks against the administration of departmental programmes/activities including revenue collection (e.g. royalties/licensing fee receipts), Anti-Dumping Commission System or National Offshore Petroleum Titles Administrator etc.							Chair, Programme Assurance Committee (supported by Mike Lawson, Deputy Secretary and relevant HoD) ⁸

1. The Enterprise fraud risks for ongoing monitoring and reporting against the department's Fraud Control and Corruption Plan 2016-18.

2. Enterprise fraud risk ratings (current and residual) take into account ratings provided in each DFRA. These are based on the highest level rated by a Division/s (unless indicated otherwise) and are in line with the department's Risk Reference Card.

3. Although a number of Enterprise Current Fraud Risk Ratings have not been lowered (as reflected in the Enterprise Fraud Risk Ratings), residual ratings have been identified across all relevant Divisions. Divisions identified the proposed treatment/s either lower their DFRA current risk rating and/or maintain minimising the fraud risk level. Further review of the fraud risk ratings will continue in the support provided to Divisions.

4. An appropriate lead assigned for visible fraud risk oversight in managing the Enterprise Fraud Risk (noting other fraud risk owners identified in respective DFRAs).

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8. It is noted Enterprise Fraud Risk 12 includes a range of external fraud risks related to programs administered by the department, thus the Chair, Programme Assurance Committee has been nominated as the lead (as above) for managing this enterprise wide fraud risk (noting relevant fraud risk owners have been separately identified in DFRAs including Anti-Dumping Commission, Questacon, Resources (and its National Offshore Petroleum Titles Administrator Branch), Innovation Programmes, NMI, AAO Divisions).

Attachment A – 2017-18 Certificate of Compliance

Legislation	Summary	Reportable Breaches	Division/Branch/Section	Breach Type (reportable breaches)	Additional Information	Corrective Action
PGPA Act s26, PGPA Rule s10 Fraud Control	<ul style="list-style-type: none"> A Fraud Control Plan must be implemented in line with the Commonwealth Fraud Control Framework 2017 	<ul style="list-style-type: none"> If a Fraud Control Plan was not implemented in line with the Commonwealth Fraud Control Framework 2017 If instances of fraud were not reported to the Certificate of Compliance inbox when relevant 	Department of Industry, Innovation and Science	Nil to report	Not applicable	All reasonable measures to prevent, detect and deal with fraud relating to the department have been taken during 2017-18. The department's fraud control and anti-corruption measures comply with the mandatory requirements of the PGPA Rule and the better practice measures as outlined in the <i>Commonwealth Fraud Control Framework 2017</i> and the <i>Australian Government Investigation Standards 2014</i> .
				Nil to report	Not applicable	In accordance with 10(a) PGPA Rule the department has conducted fraud risk assessments regularly, and when there was a substantial change in the structure, functions or activities of the department during 2017-18.
						In accordance with 10(b) PGPA Rule the department had developed and implemented <i>Fraud and Corruption Control Plan 2016-18</i> that deals with identified risks. That plan was in place during 2017-18 and was available on the department's internet page and intranet.
						In accordance with 10(c)(i) PGPA Rule the department had appropriate mechanisms for preventing fraud, and making staff aware of what constitutes fraud by developing and advertising the online fraud and corruption awareness online module, by participating in the International Fraud Awareness Week and by ongoing communications utilising the intranet throughout 2017-18.
						In accordance with 10(c)(ii) PGPA Rule, the risk of fraud and corruption was taken into account in planning and conducting activities of the department. This was achieved through the roll-out of fraud and corruption risk assessments across every division, the development of the SES Fraud Risk Management Guidance, Enterprise Fraud Risk Profile and treatment plans for each division.
						In accordance with 10(d)(f) PGPA Rule, the department had in place an appropriate mechanism for detecting incidents of fraud or suspected fraud, including a process for officials of the entity and other persons to report suspected fraud confidentially. These mechanisms included: <i>Passive</i> detection activities including the development and roll-out of new online two-way, anonymous reporting tool (whispli) and streamlining the fraud report process.
PGPA Act s46 Significant instances of non-compliance and the Annual Report for Commonwealth Entities	<ul style="list-style-type: none"> All significant instances of non-compliance to the framework or finance laws reported to the Minister 	<ul style="list-style-type: none"> Have there been any significant instances of fraud identified? Have these instances been reported in the department's Annual Report? 				No

MINUTE

Corporate Division

To:		Through:	
Secretary: Dr Heather Smith		Janean Richards, Chief Operating Officer	

For Information

Fraud Control Measures 2017-18

Recommendation

For noting

Purpose

To outline the department's fraud control activities to support your certification, in the letter of transmittal of the Department's annual report to Ministers, about the appropriateness of the department's fraud control activities.

Background

The *Public Governance, Performance and Accountability Rule 2014*, paragraph 17AG(2)(b) requires that the department's annual report include certification from the accountable authority that fraud risk assessments and fraud control plans have been prepared, appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud are in place, and all reasonable measures have been taken to deal appropriately with fraud.

Issues

Attachment A is my letter of assurance, as General Counsel, that the department has undertaken all reasonable measures to deal appropriately with fraud relating to the department. The attached Fraud Control Report 2017-18 (Attachment B) details those measures, and will be submitted to the Executive Board in September 2018.

Attachments

- A General Counsel's letter of assurance to Secretary
- B AAC Fraud Control Report 2017-18

Sacha Moran
General Counsel