ENABLING A
WORLD CLASS
PUBLIC SERVICE

FRAUD AND CORRUPTION CONTROL POLICY AND GUIDELINES

NSW GOVERNMENT

Public
Service
Commission

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1. Policy

1.1. Introduction

Message from the Public Service Commissioner

The NSW Government sector, the public, our fellow employees and other people we deal with are entitled to expect that the Public Service Commission (**PSC**) will act with integrity and protect NSW Government and PSC resources, finances, information, reputation and the public interest.

The PSC is committed to an honest and ethical environment free of fraud and corruption. We have a zero-tolerance approach to fraud and corruption. However, the potential for fraud and corruption exists in every organisation and we are no exception.

One of my primary functions as Public Service Commissioner is to promote and maintain the highest ethical standards of integrity, trust, service and accountability across the government sector. Not only must we be a custodian of the expected standards in these areas, but also set an example for the rest of the sector. Demonstrating the highest ethical standards is critical to the effective performance of our work and to establishing and maintaining community, stakeholder and Government confidence in the PSC.

Fraud and corruption are incompatible with our values and present an unacceptable risk to the achievement of our objectives and the provision of our services to the public.

This Fraud and Corruption Policy and Guideline (**Policy**) forms part of the PSC's fraud and corruption framework.

The Public Service Commissioner as well as the PSC's Management Board, Chief Risk Officer, Chief Audit Executive, Director Governance and Risk/CFO, Senior Leadership and Managers each have key responsibilities in relation to PSC's fraud and corruption strategy, as described in the Policy.

However, all PSC staff share responsibility for guarding against fraud or corruption by complying with and carrying out their responsibilities under the Policy.

I encourage you to familiarise yourself with the Policy and to participate in and contribute to PSC's fraud and corruption control framework.

Kathrina Lo

Kathrina Lo
Commissioner

1.2. Purpose

The Fraud and Corruption Policy and Guidelines provide guidance to staff on what fraud and corruption is, how the PSC prevents and controls fraud and corruption, and how staff can report suspected fraud and corruption.

Compliance with the Policy and Guidelines will:

- ensure public finances and assets are adequately protected;
- ensure accountability in the implementation of fraud and corruption control arrangements;
- protect the PSC's reputation;
- increase confidence in the PSC by the Government, public sector and community;
- protect assets including equipment, cash and information;
- help to meet corporate objectives; and
- support staff morale, engagement and performance.

1.3. Scope

This Policy applies to fraud and corruption against PSC as well as fraud or corrupt conduct by PSC's staff members.

The Policy applies to all ongoing, temporary or casual PSC staff and includes contractors, consultants, outsourced service providers and volunteers.

These persons are referred to as 'staff members' for the purpose of the Policy.

'Contractors' include staff members of any firm or company contracted to perform work for or on behalf of the PSC. Contractors are also required to comply with the NSW Government Supplier Code of Conduct.

A 'manager' is defined as any person responsible for supervising or managing an individual staff member or group of staff members.

1.4. What is fraud and corruption

Fraud

Fraud is defined in slightly different ways, depending on the legal context in which it is used. The NSW *Fraud and Corruption Policy* (TC18-02) defines fraud as "dishonestly obtaining a benefit, or causing a loss, by deception or other means".

In a Public Service context, fraud can involve, for example, a staff member making a false claim for reimbursement of an expense, or improperly transferring

agency money or property to themselves or another person. Fraud can also include submitting timesheets which falsely represent hours worked. Fraud can also involve cyber fraud through emails impersonating a trusted person or online hoaxes requesting information or to change a supplier's bank account number.

Corruption

Corrupt conduct can involve a wide range of different behaviours and situations. However, corrupt conduct occurs when:

- a public official improperly uses, or tries to improperly use the knowledge, power or resources of their position for personal gain or the advantage of others;
- a public official dishonestly or improperly exercises their official functions in a partial manner, breaches public trust or misuses information or material acquired during the course of their official functions; or
- a member of the public influences, or tries to influence, a public official to use their position in a way that affects the probity of the public official's exercise of functions.[1]

Corrupt conduct is formally defined in sections 7, 8 and 9 of the *Independent Commission Against Corruption Act 1988* (ICAC Act).

Corruption can include, for example, dishonestly or improperly awarding a contract for provision of services to the PSC to a supplier in breach of applicable procurement policies, or selling information gained while working in an official capacity.

1.5. Legislative context

Relevant legislation and policy resources are listed below and discussed throughout in this Policy.

GSE Act and PSC Code of Ethics and Conduct

Part 2 of the *Government Sector Employment Act 2013* (GSE Act) details the four government sector core values (integrity, trust, service and accountability) and the 18 principles that guide their implementation. The GSE Act is a primary driver of ethical conduct in the sector, and the legislative basis for the Policy.

The PSC's Code of Ethics and Conduct (PSC Code of Ethics) specifies the standards of conduct expected of all PSC staff, and the actions to be taken in the event of misconduct, and is also based on the GSE Act. The PSC has adopted the Code of Ethics and Conduct for NSW government sector employees (the Government Sector Code of Ethics) in its entirety.

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[1] See https://www.icac.nsw.gov.au/about-corruption/what-is-corrupt-conduct.

Fraud and Corruption Control Framework

This Policy forms part of PSC's fraud and corruption control framework to prevent, detect and respond to fraud and corruption, in compliance with the *NSW Fraud and Corruption Control Policy*.

At a minimum, an agency's fraud and corruption control framework must contain the following elements (Treasury Circular TC18-02):

- a fraud and corruption control policy;
- clearly defined responsibilities for managing fraud and corruption;
- risk-based preventative and detective controls;
- policies, systems and processes to respond to, investigate and report suspected fraud and corruption;
- employee awareness/education measures;
- robust third party management systems; and
- regular review of the fraud and corruption control framework and reporting.

This Policy has been revised in light of the Independent Commission Against Corruption (ICAC) *Advice on developing a fraud and corruption control policy*, January 2021. The Policy also reflects the Audit Office of NSW Fraud Control Improvement Kit February 2015 and the Fraud and Corruption Control Australian Standard 8001-2008.

1.6. Related resources

Policies

- *Behaving Ethically: a guide for NSW government sector employees* (including the *Code of Ethics and Conduct for Government Sector Employees*), (Public Service Commission 2014)
- PSC Code of Ethics and Conduct
- PSC Complaint Handling Policy
- PSC Finance policies
- PSC Gifts & Benefits Policy
- PSC Public Interest Disclosures Policy
- PSC Guidelines: Inquiries into the Administration and Management of Government Sector Agencies
- PSC Risk Appetite Statement, Risk Management Policy and Risk Management Framework
- PSC Conflict of Interest Form

- Audit Office of NSW Fraud Control Improvement Kit February 2015 – Managing your fraud control obligations
- Australian Standard 8001-2021 – *Fraud and corruption control*
- Australian Standard 8001-2008 – *Fraud and corruption control*
- ICAC publications at https://www.icac.nsw.gov.au/prevention/corruption-prevention-publications
- NSW Government Supplier Code of Conduct available at https://buy.nsw.gov.au/policy-library/policies/supplier-code-of-conduct

Relevant legislation
- *Crimes Act 1900*
- *Government Sector Employment Act 2013*
- *Government Sector Finance Act 2018*
- *Independent Commission Against Corruption Act 1988*
- *Ombudsman Act 1974*
- *Public Finance and Audit Act 1983*
- *Public Interest Disclosures Act 1994*

Mandatory Directions
- *Commissioner Direction 1 of 2014: "Managing Gifts and Benefits: Minimum Standards"*
- *Commissioner Direction 1 of 2015: "The Code of Ethics and Conduct for NSW government sector employees"*
- *NSW Treasury Circular TC18-02 (Treasury Circular for NSW Fraud and Corruption Policy)*.

1.7. Policy approach

The PSC is committed to an agency-wide fraud and corruption control framework that aligns to better practice and is consistent with the NSW *Fraud and Corruption Control Policy* (Treasury Circular 18-02).

PSC will:

- as part of its framework, implement internal controls that prevent, detect and respond to fraud and corruption;
- assess its fraud and corruption risks at least every two years;
- ensure all staff, including contractors, are aware of relevant fraud and corruption risks and are trained to understand PSC's values, codes, policies and expectations of behaviour;

- report annually to PSC's Audit and Risk Committee on the status of the fraud and corruption control framework;
- treat all complaints about, and instances of, fraud and corruption seriously.
- cooperate with all relevant investigative and regulatory bodies, and take fair, proportionate disciplinary action against any employee or third party found to have engaged in fraud or corruption; and
- wherever practical, align to better practice advice issued by organisations such as the NSW Independent Commission Against Corruption, the NSW Ombudsman and Audit Office of NSW.

1.8. Key responsibilities

The Commissioner has overall responsibility for ensuring that an effective fraud and corruption control strategy is in place that identifies potential risks and takes action to mitigate such risks, modelling the highest standards of ethical behaviour and ensuring compliance with all relevant legal obligations.

The most important factor to ensure the success of the strategy is the commitment and attitude of staff. All Senior Leaders, Managers and staff have a key role in fostering, encouraging and contributing to an ethical environment that is committed to preventing, detecting and reporting fraud and corruption, and to implementing the relevant control mechanisms.

Specific responsibilities for fraud and corruption control across the PSC are as follows:

The Commissioner is responsible for:

- ensuring systems are in place so that managers and staff members are aware of their responsibilities under the Policy;
- ensuring systems are in place so that managers and staff are aware that fraud and corruption will not be tolerated and all suspected instances of fraud and corruption will be investigated and if substantiated, reported to the ICAC, and where appropriate to NSW Police;
- ensuring an effective risk management system is operating;
- ensuring identified fraud and corruption risks are fully addressed;
- receiving reports on suspected cases of fraud and corruption and approving action plans to address any such cases. Where appropriate, appointing an officer or other person to conduct an internal investigation, considering their report and taking any necessary action;
- ensuring systems are in place to support and protect staff who report fraud or corruption; and

- establishing an organisational culture that promotes ethical conduct and prevents unethical conduct (such as fraud and corruption).

The Audit and Risk Committee (ARC) is responsible for:

- reviewing whether management has in place a current and appropriate 'enterprise risk management' process, and associated procedures for effective identification and management of the PSC's financial and business risks, including fraud and corruption;
- reviewing the PSC's fraud control arrangements and satisfying itself that the PSC has appropriate processes and systems in place to capture and effectively investigate fraud related information;
- reviewing whether the PSC management's approach to maintaining an effective internal control framework, including coverage of external parties such as contractors and advisors, is sound and effective;
- reviewing whether management has in place relevant internal control policies and procedures that are periodically reviewed and updated;
- determining whether appropriate processes are in place to assess, at least once a year, whether internal control policies and procedures are complied with;
- reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations;
- considering how management identifies any required changes to the design or implementation of internal controls;
- reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour;
- reviewing the financial statements and providing advice to the Commissioner (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommending their signing by the Commissioner;
- satisfying itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls;
- reviewing the effectiveness of the system for monitoring the PSC's compliance with applicable laws and regulations, and associated government policies;
- reviewing the internal audit coverage and annual work plan, ensuring the plan is based on the PSC's risk management plan and recommending approval of the plan by the Commissioner;

- reviewing all audit reports and providing advice to the Commissioner on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice; and
- providing advice to the Commissioner on action taken on significant issues raised in relevant external audit reports and better practice guides.

The Management Board is responsible for:

- taking a leadership role in promoting ethical behaviour and culture and promptly addressing any signs of possible unethical conduct; and
- approval of this Policy and any changes to this Policy.

The Chief Risk Officer is responsible for:

- designing the PSC's risk management framework and the oversight of activities associated with coordinating, maintaining and embedding the framework in the PSC;
- reporting directly to the PSC's ARC when fulfilling CRO duties; and
- receiving public interest disclosures as PSC's Public Interest Disclosures Coordinator.

The Chief Audit Executive heads the internal audit function and is responsible for:

- providing strategic leadership and managing the internal audit function within the PSC;
- documenting any conflicts of interest (perceived or actual) concerning the other operational roles held by the CAE;
- reporting directly to the PSC's ARC when fulfilling CAE duties;
- assigning the role usually performed by the CAE during an audit assignment of any operational area which is also the responsibility of the CAE, to another member of the PSC Management Board who is independent of the internal audit function of the agency and retains the same level of seniority of the CAE;
- where the audit assignment concerns any operational areas which are also the responsibility of the CAE, ensuring that internal audit project briefs are reviewed by the ARC to ensure adequate coverage of the proposed audit;
- providing mechanisms for PSC's service providers to raise any identified or perceived conflicts of interest with the Commissioner and then, if appropriate, the ARC; and
- periodic review of internal audit charters to reflect changes in roles and responsibilities.

The Director, Governance and Risk/Chief Financial Officer is responsible for:

- fraud and corruption prevention and the coordination and implementation of this Policy;
- performing as the PSC's Fraud Prevention Manager;
- regular review of the Policy;
- conducting the annual Internal Controls Questionnaire (ICQ) survey;
- arranging for reviews of risk assessments following any structural or system changes that may result in new fraud or corruption risks;
- receiving and acting on claims of suspected fraud and corruption, including recommending an action plan to the Commissioner and reporting to external bodies, as necessary;
- referring claims where necessary and appropriate to one of the PSC's nominated Public Interest Disclosure Co-ordinators for action under the Public Interest Disclosures Policy (**PID Policy**);
- providing advice to management and staff on matters relating to fraud and corruption;
- reporting any suspected or proven fraud event(s) to the Audit and Risk Management Committee;
- including third party corporate support providers in the control framework by ensuring the Service Partnership Agreements through GovConnect include that third party providers will have appropriate internal control systems operating designed to prevent, detect and report fraud and corruption relating to the services provided to the PSC; and
- ongoing staff fraud control training and awareness raising.

The General Counsel is responsible for:

- legal review of this Policy and related PSC policies supporting the PSC's fraud and corruption control framework;
- legal review of all proposed PSC contracts which are high risk or have a total contract value above $30,000 (ex GST) prior to execution to ensure that relevant clear accountabilities for managing fraud risks exist;
- management of legal issues in relation to external complaints to the PSC;
- management of legal issues in relation to Public Interest Disclosures (PIDs), requests under the *Government Information (Public Access) Act 2009* (GIPA), and privacy matters, including compliance with applicable legislation and policy requirements;
- management of legal issues in relation to PSC staff misconduct, professional standards/conduct management; and

- management of legal issues in relation to conflicts of interest, and gifts, benefits and hospitality.

The Associate Director, People & Engagement is responsible for:

- management of the PSC Code of Ethics and learning and development in relation to PSC's Code, ethics, culture and integrity;
- employment screening;
- management of Gifts Benefits and Hospitality Policy and Internal Complaints policies;
- investigating misconduct and professional standards/conduct management; and
- management of register of conflicts of interest and gifts, benefits and hospitality.

The Associate Director, ICT & Business Solutions is responsible for:

- management of the PSC Information Security Management Systems Framework (ISMS), including management of IT security and Physical security.

PSC Senior Leadership Team (SLT) and Managers Group (PSC Leaders) are responsible for:

- taking a leadership role in promoting and sustaining the ethical culture of the PSC;
- ensuring staff are aware of the Policy and their responsibilities;
- ensuring all staff complete relevant training and are aware of fraud and corruption risks;
- ensuring all agreed controls aimed at preventing, detecting and responding to fraud and corruption are implemented within their area;
- ensuring effective risk management is operating in their teams, including identifying risks, alerting the Policy Owner and other relevant PSC Leaders and staff to any undocumented or emerging fraud and corruption risks, and developing appropriate internal control systems to mitigate those risks;
- considering new and emerging risks on a regular basis and where necessary adjusting systems for control of these risks;
- ensuring that where relevant, all agreed fraud controls aimed at preventing, detecting and responding to fraud and corruption are properly implemented and acted upon, and reflected in business plans as necessary;
- ensuring suppliers and contractors are aware of PSC's policies and expectations in relation to fraud control;

- ensuring all proposed PSC contracts or contractual variations or extensions which are high risk or have a total contract value above $30,000 (ex GST) are referred to PSC Legal for review prior to execution;
- ensuring staff understand the purpose of internal controls;
- ensuring staff are complying with internal controls;
- reporting suspected fraud or corrupt conduct; and
- referring any staff member making what they believe to be a Public Interest Disclosure in accordance with the PSC PID Policy.

PSC Staff members are expected to cooperate with all initiatives aimed at preventing, detecting and responding to fraud and corruption, and are responsible for:

- fulfilling their responsibilities under the Policy;
- conducting themselves and performing their duties in accordance with the principles of the Government Sector Code of Ethics and the PSC Code of Ethics ;
- complying with the PSC's internal control systems, policies and procedures;
- participating in risk assessments, audits and investigations and the design and implementation of controls;
- reporting suspected cases of fraud and corruption to their manager, or if this is not practical, to either the Director Governance and Risk/CFO, the Deputy Commissioner, or the Commissioner; and
- participating in fraud control training and awareness activities.

Internal Audit (Outsourced by PSC) is responsible for the following, with oversight from the CAE, Director Governance and Risk/CFO and Associate Director, People and Engagement:

- processes to assist the PSC by assessing the adequacy and effectiveness of internal controls and reporting on deficiencies and weaknesses that require corrective action. This achieved through a risk weighted internal audit program that addresses the high risk activities of the PSC;
- evaluating the potential for the occurrence of fraud and how the PSC manages fraud risk; and
- assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies.

PSC's Shared Service Provider through GovConnect is responsible for:

- providing financial, human resource, office and information technology services for the PSC. The fraud and corruption risks which exist within the

PSC are shared with GovConnect to the extent that their prevention and detection may rely on the capacity of GovConnect staff and control systems to identify fraudulent behaviour and to bring it to the attention of the PSC.

Policy owner

It is the responsibility of the Policy owner to develop and maintain any procedures and documentation necessary to ensure PSC compliance with the Policy is practicable as well as to report and provide assurance for the Policy and its implementation.

The Policy owner is also responsible for providing advice on the interpretation and application of the Policy.

1.9. Breaches

Failure to report suspected fraud or corruption or otherwise comply with responsibilities under this Policy may undermine compliance with the PSC's legislative obligations, and damage the reputation of the PSC and its relationships with its stakeholders.

Breaches may result in disciplinary procedures for misconduct, with consequences ranging from a caution to termination of employment as well as criminal prosecution.

1.10. Further information

Further information about this Policy and fraud and corruption control is included in the Guidelines accompanying this document.

Please contact the Chief Risk Officer, Chief Audit Executive, Director Governance and Risk/CFO, or PSC Legal or visit the website of the ICAC at www.icac.nsw.gov.au for more information.

2. Guidelines

2.1. Key considerations

2.1.1 Leadership & Culture

An important element of the PSC Fraud and Corruption Policy is the leadership shown and initiatives taken by the PSC Management Board, SLT and Managers Group (together, **PSC Leaders**), as key influencers of culture, to make sure that we all share the same values and demonstrate ethical conduct in the workplace.

The PSC Leaders provide leadership to all PSC employees through making ethical decisions and demonstrating ethical conduct in all their dealings with staff and others. PSC Leaders also hold regular staff meetings promoting the importance of PSC having an ethical culture and employees displaying conduct that demonstrates integrity, trust, service and accountability.

The PSC Code of Ethics requires that all PSC Leaders and other staff declare any interests that may create or be capable of being seen as a conflicting with their official duties.

Additionally, PSC Leaders use findings from the People Matter Employee Survey to track employee views on the extent to which these values are operating in practice in PSC.

The PSC Leaders are committed to making sure employees are recruited against capabilities which include demonstrating the Ethical Framework core values of integrity, trust, service and accountability. These values are reinforced in inductions which include awareness sessions on the PSC Code of Ethics and guidance from PSC Finance and other units on financial delegations, legal obligations of PSC employees, risk management and standards and procedures in using PSC IT and other resources. The twice-yearly My Performance sessions between staff and managers include discussion of the importance of working in ways that are consistent with the PSC Code of Ethics.

The PSC's ARC reviews the PSC's internal audit coverage and annual work plan to independently assess the adequacy of the PSC's control environment, including controls against fraud, ensuring the plan is based on the PSC's risk assessment work plan. This will include a formal Fraud Risk Assessment being conducted every two years. The ARC recommends the internal audit plan for the Commissioner's approval, and seeks assurance from Management and internal audit as to the adequacy and effectiveness of internal controls.

Every PSC Leader is responsible for overseeing the adequacy of controls within their branches and teams, and focusing on ensuring activities with inherently high fraud risks, such as procurement, are effectively risk mitigated.

Directors and other staff with key roles under the Policy are expected to have the relevant supporting actions recorded in their annual performance agreement, including the management of third party providers. Additionally, role descriptions

for these positions will reflect the skill levels required under the Personal Attributes capability 'acting with integrity'.

The PSC provide staff with access to training, including access to online and face to face seminars , often with external agencies such the Crown Solicitor, the ICAC, and the Ombudsman, to further to raise awareness of probity in public employment.

A briefing on the PSC Code of Ethics is included in the new staff induction which emphasises the PSC's approach to the core values of integrity, trust, service and accountability. Additionally, all staff will be issued with the Behaving Ethically handout which, in addition to the PSC Code of Ethics, provides staff with a supplementary easy guide to employee obligations, responsibilities, accountabilities that support the core values of the NSW Government Sector.

2.1.2   Ethical framework

The GSE Act establishes a legal requirement for all people employed in the government sector to act ethically and in the public interest. Part 2 of the GSE Act outlines the four government sector core values and the 18 principles that guide their implementation. In addition, sections 25 and 30 of the GSE Act make agency heads responsible for the ethical conduct and management of their agencies.

The PSC has produced *Behaving Ethically: a guide for NSW government sector employees* to assist employees to better understand the obligation to act ethically. Included within the Behaving Ethically guide is The Government Sector Code of Ethics . The Government Sector Code of Ethics also requires all senior executives or acting senior executives to complete a written declaration of private financial, business, personal or other interests or relationships that have the potential to influence, or could be perceived to influence, decisions made or advice given by the senior executive.

2.1.3   Fraud control policy

The Policy is part of an integrated approach to fraud and corruption control, which includes the PSC's Risk Management Policy and Framework, a PID Policy and the comprehensive Government Sector Code of Ethics that reflects the NSW public sector core values of integrity, trust, service and accountability.

While overall responsibility for the fraud and corruption control strategy rests with the Commissioner, with PSC Leaders having key roles and responsibilities, all staff members have a clear obligation to fulfil their responsibilities in implementing the strategy. This strategy includes use of the risk-based approach for fraud and corruption control, compliance with the internal control systems and reporting instances of suspected fraud and corruption.

2.2. Risk management

2.2.1 Prevention systems

The PSC uses a risk management approach for the prevention and detection of fraud and corruption. The PSC's Risk Appetite Statement, and Risk Management Policy and Risk Management Framework (the Framework) are available to all PSC staff. The Framework also defines reporting processes to ensure exposures are managed at an appropriate level across the PSC.

The risk management approach provides a structured and transparent method of managing risk across the PSC. The Framework provides a detailed methodology built upon the principles inherent in ISO 31000:2018 – Risk Management – Guidelines and NSW Treasury policy TPP 20-08 'Internal Audit and Risk Management Policy for the NSW Public Sector'. The Policy recognises the importance of agencies developing and maintaining a culture of accountability and integrity as a key strategy to prevent fraud and corruption.

The Fraud Prevention Manager (Director, Governance and Risk/Chief Financial Officer) will ensure that a fraud database recording details of all finalised fraud reports, actions taken and outcomes, is maintained on the PSC website. This is to demonstrate to staff and the public that the PSC is committed to fraud control and deals with fraud in transparent and accountable manner.

GovConnect processes are in place to check new vendors and bank details. Also, Chief Financial Officer sign off is required for all new vendors to ensure segregation of duties, and as a strong fraud prevention measure.

A **Fraud Risk Assessment** will be conducted every two years, or when there is substantial organisational change. This methodology provides for systematic and consistent identification, assessment and management of fraud risk across the PSC's functional areas. Each risk category must be evaluated for potential risk of fraud and corruption against existing controls, including the risk of cybercrime. Where residual risks remain unacceptably high improvements to the control environment must be performed, with follow up and reporting on the corrective measures.

The management of risks includes development and implementation of appropriate policies and internal control systems and communication of these requirements to staff.

All frauds, actual or suspected, will be recorded and analysed to identify any systemic issues.

The PSC's **Information Security Management System** (ISMS) defines the PSC's digital information security objectives and scope for protection of the PSC's information assets. It includes details of the governance and roles and

responsibilities for information security management in the PSC, and the risk management approach at the core of the ISMS.

The PSC's **Information Security Policy** provides guidance on the implementation of digital information security controls to support the continued function of the PSC and prevent reputational harm through loss or misuse of PSC's digital information.

Employment screening is conducted by PSC HR with designated roles subject to police checks, and academic records validated, with formal referee reports obtained for all roles.

2.2.2 Fraud awareness

The PSC recognises that the success of the Policy relies heavily on the commitment and attitude of its staff. The PSC's staff can make a significant contribution to the control of fraud and corruption, given they have a detailed understanding of how the PSC and its systems operate, what is actually happening in the workplace, what the weaknesses and failings are and where improvements can be made.

All staff members have an obligation to fulfil their responsibilities in implementing the Strategy.

The following steps are to be taken to ensure staff are aware of fraud and corruption issues:

- the Policy is to be communicated to all staff and be available on the Intranet;
- staff are to be offered training, including online or face to face seminars with suitable guest speakers from external agencies such as the ICAC, NSW Ombudsman, Audit Office of NSW, and the NSW Crown Solicitor;
- opportunities are to be taken in induction programs, online and face-to-face learning, staff development activities and team meetings to raise awareness of the risks of fraud and corruption and the related responsibilities of staff; and
- staff members are to be kept informed via email, Intranet notifications of relevant changes to PSC policies and procedures and changes affecting the public sector generally.

The PSC's Complaint Handling Policy will incorporate a statement advising of the PSC's commitment to ethical business conduct, and avenues that members of the public can pursue if they have any probity concerns regarding the behaviour of staff or contractors.

2.2.3 Supplier management systems

All recommended suppliers, unless sourced from a NSW Government Pre-Qualification Scheme, must be subject to a risk-based due diligence assessment as required by the Senior Advisor – Procurement. This assessment is to accompany any recommendation to a delegate to offer a contract for goods or services.

Any PSC staff member involved in a procurement activity in which they have an existing or potential conflict of interest must declare it in writing to their Manager and relevant SLT member. This requirement extends to instances where there is no actual conflict but the potential for a conflict to be perceived internally or externally. This requirement applies regardless of the value of the procurement, applying to very low through to high value procurements, and whether payment is made via Pcard or otherwise. SLT members will notify the Fraud Prevention Manager (Director, Governance and Risk/CFO) in each instance. The SLT member and Fraud Prevention Manager will satisfy themselves that the conflict has been managed and will ensure such declarations are maintained in a register.

All proposed PSC contracts which are high risk or for which the total contract value (including any extensions and variations) is above $30,000 (ex GST) are to be vetted by PSC Legal prior to execution. Legal review should ensure that relevant clear accountabilities for managing fraud risks exist, including provision for the termination of the contract if a third party breaches its fraud management obligations.

The PSC Code of Ethics is to be referenced or attached to all Requests For Quotes (RFQs)/Requests for Tenders (RFTs) and contracts unless sourced from a NSW Government Pre-Qualification Scheme, or otherwise determined unnecessary by the PSC General Counsel. Adherence to the PSC Code of Ethics by contractors is to be a standard condition of all PSC contracts, and this includes notifying the PSC if they suspect fraud has occurred.

The Fraud Prevention Manager is responsible for the dissemination of advice concerning targeted training opportunities with entities such as the ICAC for PSC employees with responsibilities for dealing with third party providers.

The Senior Advisor – Procurement is responsible for ensuring that staff dealing with procurement/contract management matters have access to appropriate training.

2.2.4 Notification systems

The PSC has introduced the following systems to allow staff members, clients and the community to report suspected fraud and corruption.

Reporting by staff members

The PSC Code of Ethics requires that if a staff member suspects another staff member of committing a criminal offence, acting corruptly or engaging in misconduct then it is the responsibility of the staff member to report such behaviour, as follows:

- reports should generally be made to the staff member's immediate manager or another manager in the work area. Staff members are encouraged to provide a written summary of the matter;
- the manager in turn reports the matter to their relevant SLT manager and Chief Audit Executive or the Deputy Commissioner/Chief Risk Officer, who will then report it to the Commissioner; and
- the Commissioner will ask the Director, Governance and Risk/Chief Financial Officer to prepare an action plan to address the matter.

Staff members may have legitimate concerns about reporting such matters to an immediate manager or another manager, even where the matter does not involve that person. In these cases reports may be made directly to one of the following:

- the Director, Governance and Risk/Chief Financial Officer;
- their relevant SLT manager;
- the Chief Audit Executive;
- the Deputy Commissioner/Chief Risk Officer; or
- the Commissioner.

Reports can also be made directly to the ICAC. Information on reporting to the ICAC can be found at: www.icac.nsw.gov.au.

The Director, Governance and Risk/Chief Financial Officer will receive, record and action reports of alleged fraud and corruption. Under section 11(2) of the ICAC Act, there is a duty on various persons such as the principal officer of a public authority to notify the ICAC of possible corrupt conduct. In regard to fraud, where it is considered that a criminal offence has occurred the matter is to be reported to NSW Police.

Reports should be made as soon as there is reasonable suspicion that fraudulent or corrupt conduct has occurred.

In all cases the staff member who made the report will be advised of the outcome of the review. All reports will be treated confidentially and staff making genuine reports will not be prejudiced in their employment.

The PSC's PID Policy explains how staff members can report suspected fraud and corruption in such a way as to obtain protection under the *Public Interest Disclosures Act 1994* (PID Act) (see below). Under the PID Act it is a punishable

offence to take detrimental action against a staff member who makes a Public Interest Disclosure.

Public Interest Disclosures

The PSC has a clear and unequivocal commitment to supporting and protecting all staff members who have acted in good faith in disclosing fraud and corruption within the PSC.

A disclosure will be protected if it is made in accordance with the provisions of the PID Act and the PSC's PID Policy. Public Interest Disclosures can be made to:

- the Commissioner;
- a PSC nominated Public Interest Disclosure Coordinator;
- the ICAC;
- the Ombudsman; or
- the Auditor-General.

Staff are encouraged to report matters that show or tend to show incidences of corrupt conduct, maladministration or serious and substantial waste. The PSC will take all reasonable steps to provide protection to staff members from any detrimental action in reprisal for making a Public Interest Disclosure in accordance with the PID Act and the PID Policy.

Staff members must familiarise themselves with the PID Policy as there are sanctions against false or misleading disclosures or breaches of confidentiality.

Staff making reports will be kept informed of the progress/outcome of any disclosures.

Reporting by clients and the community

The PSC Complaint Handling Policy contains guidelines on how to lodge a complaint made to PSC about decisions made by staff, the conduct of staff members and the practices, policies and procedures of the PSC, and how the PSC handles such complaints.

The Commissioner is responsible for determining any action to be taken in response to any complaints properly within the Commissioner's functions and which merit further consideration by the PSC. The Commissioner's Office is responsible for overseeing the handling of complaints received by the PSC. Any complaints received involving fraud or corruption are to be referred to the Director, Governance and Risk/Chief Financial Officer. Any complaints raising legal issues are to also be referred to PSC's General Counsel for legal review.

External Reporting

When matters come to attention that have the potential to be investigated, the PSC is required to report such matters to the appropriate external body, such as the ICAC, NSW Police, Ombudsman or Audit Office of NSW.

It is important that reporting takes place as soon as there are reasonable grounds to suspect corruption or a criminal offence has occurred or is about to occur. Staff members may also make reports directly to these external bodies.

Independent Commission Against Corruption (ICAC)

Under section 11(2) of the ICAC Act the Commissioner must report to the ICAC any matters that, on reasonable grounds, concern or may concern corrupt conduct.

The ICAC may be contacted at:

> Independent Commission Against Corruption
> GPO Box 500
> SYDNEY NSW 2001
>
> Telephone: (02) 8281 5999
>
> Facsimile: (02) 9264 5364
>
> Email: icac@icac.nsw.gov.au

NSW Police

The Commissioner must report to NSW Police any matters that, on reasonable grounds, concern or may concern a criminal offence. This includes fraud.

Under section 316 of the *Crimes Act 1900*, in some circumstances it may be an offence not to report a serious criminal offence to NSW Police.

NSW Police may be contacted at:

> The Rocks Local Area Command
> 132 George Street
> THE ROCKS NSW 2000
>
> Telephone: (02) 8220 6399
>
> Facsimile: (02) 8220 6303

Audit Office of NSW

Under section 52D(1) of the *Public Finance and Audit Act 1983* a public official may complain to the Auditor-General that "there has been a serious and substantial waste of public money by an authority or an officer of an authority".

Serious and substantial waste is any uneconomical, inefficient or ineffective use of resources which results in a significant loss or wastage of public funds. The conduct that led to the waste may be authorised or unauthorised. It includes expenditure that should not have been incurred, that exceeded what was required or had no benefit for the organisation.

The Audit Office of NSW may be contacted at:

Level 19
Darling Park Tower 2
201 Sussex Street
Sydney New South Wales 2000 Telephone: (02) 9275 7100

Facsimile: (02) 9275 7200

Email: mail@audit.nsw.gov.au

Ombudsman NSW

Under section 12(1) of the *Ombudsman Act 1974*, "any person (including a public authority) may complain to the Ombudsman about the conduct of a public authority". Conduct that will be investigated is listed under section 26(1) of the *Ombudsman Act 1974* as being conduct that is:

- contrary to law;
- unreasonable, unjust, oppressive or improperly discriminatory;
- in accordance with any law or established practice but the law or practice is, or may be, unreasonable, unjust, oppressive or improperly discriminatory;
- based wholly or partly on improper motives, irrelevant grounds or irrelevant consideration;
- based wholly or partly on a mistake of law or fact;
- conduct for which reasons should be given but are not given;
- otherwise wrong.

The NSW Ombudsman may be contacted at:

Level 24
580 George Street
SYDNEY NSW 2000

Telephone: (02) 9286 1000

Facsimile: (02) 9283 2911

Email: nswombo@ombo.nsw.gov.au

2.2.5   Detection systems

The main features of the detection system used by the PSC are as follows:

1.   the Commissioner and the Audit and Risk Committee make decisions on systems and functions to be audited based on risk assessments;

2.   formal Fraud Risk Assessments will be conducted every two years to identify and manage risks;

3.   management of risks includes development and implementation of appropriate policies and internal control systems;

4.   PSC Finance is responsible for establishing necessary segregation of duties is maintained with SAP access levels and financial delegations;

5.   Staff involved in performing key financial transactions in SAP must take a minimum of two weeks leave annually, and be relieved in that role;

6.   PSC Finance is responsible for coordinating with third party providers to perform data mining on anomalous transactions appearing within the SAP General Ledger;

7.   assurance that effective systems of internal control are operating is gained through management supervision of those systems and assessment by internal audit;

8.   reports are prepared to identify trends and performance measures which are reviewed by management, with any abnormalities investigated;

9.   notification systems allow for reports on suspected fraud and corruption to be made by staff members, clients and members of the community;

10.   PSC Leaders are responsible for ensuring compliance with legislation and PSC policies within their business units, as well as ensuring that regular monthly reviews of expenditure transactions against their cost centre(s) is performed; and

11.   PSC's Shared Service Providers through GovConnect must attest quarterly and annually to the SLT on the efficacy of its internal control environment.

2.2.6   Investigation systems

Corruption

The Director, Governance and Risk/Chief Financial Officer is responsible for receiving and actioning reports of alleged fraud and corruption. This action will include coordinating investigations within the PSC.

The initial investigation is to establish whether there is suspicion on reasonable grounds that the matter concerns or may concern corrupt conduct. If there is such suspicion then under section 11(2) of the ICAC Act there is a duty on various persons, such as the principal officer of a public authority, to notify the ICAC of possible corrupt conduct. The following provides a checklist to ensures that all appropriate matters have been covered for the purpose of reporting under section 11 of the ICAC Act.

Section 11 report checklist

(Partly derived from ICAC guidance material on section 11 reporting (see icac.nsw.gov.au for more information).

1. *Name and contact details of the person making the allegation/s (optional)*

    Anyone is entitled to make an anonymous complaint but this may affect the effectiveness of the investigation as the ICAC may need to verify matters or obtain further details, which can be difficult without contact information. In addition, the ICAC will not be able to advise the complainant of any decisions or action on the matter.

2. *Names of NSW agency and public sector officials alleged to be involved*

    Provide the full names and positions of the officials alleged to be involved if known.

3. *How you and/or your agency became aware of the matter*

    Include any relevant dates you were informed of or became aware of the matter, and the name and position of any person with whom you interacted or observed.

4. *A complete description of the matter*

    Provide a complete description of the allegations including full names, any relevant dates and/or timeframes, locations, and all other relevant information. Include an indication as to whether the conduct appears to be a one-off event or part of a wider pattern or scheme, the amount of money or value of resources involved, and any other indicators of seriousness.

5. *Other people aware of the matter*

    Include the names and contact details of other people who are relevant to the matter and who may be able to assist the ICAC.

6. *Action taken and other organisations contacted*

Outline what action has been taken in relation to the suspected conduct, if any. Provide the names of any organisations or regulators the matter was reported to, the date of contact and their response.

7. *Documentary evidence*

    Include details on any relevant documents or other information that may help the ICAC in their assessment. The actual documentation does not need to be included in the report.

8. *Private citizens and companies involved*

    Provide the names, contact details and participation of private citizens and companies involved.

9. *Consent to disclose identity (optional)*

    If the ICAC refers the complaint to another agency or decides to investigate, the complainant may need to be identified as the source of information. Please note that while the ICAC will regard any wishes for the identity to be kept confidential, if it is in the public interest to do so, the ICAC may disclose this information to another agency.

If during the initial investigation it appears the matter may involve a criminal offence such as fraud, then the investigation is to cease and NSW Police are also to be informed. Failing to report a criminal offence to the NSW Police is a criminal offence. The ICAC and the NSW Police will generally determine between themselves which organisation will have primary carriage of any subsequent investigation. PSC Legal will provide guidance as to whether a criminal offence has likely occurred.

Conducting investigations

Once a matter has been reported to the appropriate external authority then that authority will advise whether they or the PSC will complete the investigation. The Director, Governance and Risk/Chief Financial Officer must remain in contact with the reporting authority to ensure the matter is dealt with in a timely manner and agree final reporting scope and timeframes.

If an investigation is to be undertaken, options include:

- contract internal auditors;
- selected management and/or staff members;
- external auditors; or
- external investigators.

An investigation plan is to be prepared by the Director, Governance and Risk/Chief Financial Officer. Matters to be considered as part of the planning process should include:

- description of the alleged wrongdoing;
- terms of reference for the investigation;
- specific issues and matters to be examined in depth;
- details of initial inquiries;
- identification of functional areas and key staff to be involved;
- identification of specialist expertise or support required;
- expected costs and time period for the investigation;
- milestones, key review points and report back dates;
- possible outcome/s; and
- report to the person who initially raised the matter.

A PSC staff member who is the subject of fraud or corruption allegations is considered innocent unless and until proven guilty. A staff member has the right not to have details of the allegation disclosed to others or discussed by others not concerned with the matter.

Disciplinary Outcomes

Proven acts of fraud or corruption by PSC employees will not be tolerated.

Recommended sanctions to the Commissioner, pursuant to the finalisation of formal findings and having regard to the proportionate nature of any fraud or corruption, may include dismissal. Action for alleged fraudulent or corrupt conduct may be taken against a PSC employee under section 68 or section 69 of the GSE Act, **in addition** to any criminal proceedings or ICAC (or other) investigation that may occur.

It is not necessary for any separate NSW Police charges, or any ICAC (or other) inquiry, to be finalised before a recommendation may made by Director, Governance and Risk/Chief Financial Officer to the Commissioner.

Every effort is to be made to recover any losses (including under Division 9.4 of the *Government Sector Finance Act 2018*). This is subject to the requirement to notify the Treasury Managed Fund (TMF) of a fraud event, the subsequent lodgement of any claim against the PSC's insurance policy, and any related insurance guidance provided by the TMF. No undertaking not to recover any losses may be made without the express approval of the TMF.

In the event of a dismissal for fraudulent conduct the relevant details will, subject to any advice by General Counsel, be made available to all staff to foster ethical behaviour, organisational learning and transparency.

2.3. Document information

Policy owner		Chief Risk Officer
This version endorsed by		The Public Service Commission Management Board
Date endorsed		13 July 2021 (PSC Management Board)
Date effective		20 July 2021
Due for review		July 2023
Version no.	Endorsed date	Description of change
1.0	August 2018	Document created
2.0	13 July 2021	Overall review and update of Policy and separation into Policy and Guidelines. Updated to reflect new PSC policy format, PSC structure, reflect ICAC Advice on developing a fraud and corruption control policy, and to clarify and improve certain statutory references and to re-organise and clarify language.