

**FIRE +
RESCUE**

FRAUD AND CORRUPTION POLICY AND PREVENTION CONTROL PLAN 2022-2025

Professional Standards Branch
PEOPLE AND CULTURE DIRECTORATE

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CONTENTS

Statement of Commitment from the Commissioner	3
POLICY	4
1. Introduction	5
2. Scope and application	5
3. Legal and policy framework	6
4. Definitions	7
5. Policy principles	8
6. Roles and responsibilities	9
7. About fraudulent and corrupt conduct	12
8. Fraud and corruption risks	14
9. Impact of fraud and corruption	16
10. Prevention of fraud and corruption	16
PROCEDURES	17
11. How to report fraud and corruption	18
12. How FRNSW deals with reports of fraud and corruption	20
13. Breaches of policy	21
14. Monitoring and review	21
15. Training and support	22
16. Further information	22
APPENDIX 1 FRAUD AND CORRUPTION PREVENTION CONTROL PLAN	23
1. Introduction and purpose	24
2. Preventing fraud and corruption	26
3. Detecting fraud and corruption	28
4. Reporting fraud and corruption	29
5. Monitoring, reporting and evaluating	30
6. Future initiatives	31

STATEMENT OF COMMITMENT FROM THE COMMISSIONER



The potential for fraud and corruption exists in every organisation and Fire and Rescue NSW (FRNSW) is no exception. As employees and representatives of FRNSW, we are trusted by our community and our colleagues to act with the utmost integrity.

Trust is at the heart of everything we do at FRNSW. To be worthy of this trust, we must hold ourselves to the highest standard of ethical and accountable conduct and protect our organisation from fraud and corruption.

Fraudulent and corrupt activity not only damages our reputation in the community, it ruins relationships, and wastes valuable public money and resources intended to protect the people, environment and economy of NSW.

The most effective weapon against fraud and corruption is a well-informed workforce - one that is prepared and supported to report corrupt behaviour irrespective of the person's rank or status. Report

We all have a duty to be aware of the potential for fraud and corruption and to report anything that we feel is not right. Staff who report incidents of wrongdoing are helping to promote integrity and accountability. Please be assured that any information provided will be treated appropriately and followed up diligently.

Our updated Fraud and Corruption Policy and Prevention Control Plan for the period 2022-2024, sets out FRNSW's approach to preventing, detecting and responding to concerns about fraud and corruption. In committing to this Policy, we are all empowered to uphold a culture of accountability and trust for ourselves and our community of NSW.

Paul Baxter
Commissioner

POLICY

1. INTRODUCTION

Fire and Rescue NSW (FRNSW) is committed to the highest standards of ethical conduct and strictly prohibits fraudulent behaviour, including corrupt conduct and other forms of wrongdoing. The management of fraud and corruption is an integral part of good governance and management practice and forms an essential part of the FRNSW Risk Management Framework.

The purpose of this policy is to define what constitutes fraudulent and corrupt conduct, why it occurs and outline the responsibilities of employees in identifying and reporting such conduct. This policy also incorporates a Fraud and Corruption Control Plan which details FRNSW's integrated approach to preventing, detecting and reporting on fraud and corruption exposure at strategic and operational levels throughout the organisation.

2. SCOPE AND APPLICATION

This policy applies to all FRNSW employees including but not limited to permanent and retained firefighters; administration and trades employees, and other staff including consultants, contractors and sub-contractors; volunteers and students gaining work experience (henceforth referred to as employees).

3.

LEGAL AND POLICY FRAMEWORK

3.1 LEGAL FRAMEWORK

- *Crimes Act 1900*
- *Data Sharing Act (Government Sector 2015)*
- *Fire Brigade Regulation 2014*
- *Government Sector Employment Act 2013 (GSE Act)*
- *Government Sector Employment Regulation 2014*
- *Government Sector Employment (General) Rules 2014*
- *Government Sector Finance Act 2018*
- *Independent Commission Against Corruption Act 1988 (ICAC Act)*
- *Ombudsman Act 1974*
- *Privacy and Personal Information Protection Act 1998*
- *Government Sector Finance Act 2018*
- *Public Interest Disclosures Act 2022*
- *Public Works and Procurement Act 1912*

3.2 POLICY FRAMEWORK

- *Public Service Commission's Behaving Ethically Handbook*
- *FRNSW Code of Conduct and Ethics*
- *FRNSW Conflict of Interest Policy and Procedure*
- *FRNSW Employment Screening Policy and Procedure*
- *FRNSW Managing Gifts, Benefits and Hospitality Policy and Procedure*
- *FRNSW Procurement Policy*
- *FRNSW Public Interest Disclosures Policy and Procedure*
- *FRNSW Resolving Workplace Complaints Policy and Procedure*
- *FRNSW Secondary or Other Employment Policy*

4.

DEFINITIONS

4.1 CORRUPT CONDUCT

Corrupt conduct, as defined in the *Independent Commission Against Corruption Act 1988* (“the ICAC Act”), is deliberate or intentional wrongdoing, not negligence or a mistake. It has to involve or affect a NSW public official or public sector organisation.

The full definition of corruption is detailed in sections 7, 8 and 9 of the ICAC Act. Under section 8 corrupt conduct is defined as:

- any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly, the honest or impartial exercise of official functions by any public official, any group or body of public official, any group or body of public officials or any public authority, or
- any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or
- any conduct of a public official or former public official that constitutes or involves a breach of public trust, or
- any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or for the benefit of any other person.

For further information about the definition of corrupt conduct in its entirety, please refer to the ICAC website.

4.2 FRAUD

According to the *Australian Standard on Fraud and Corruption Control AS 8001-2021* fraud may be defined as:

“dishonest activity causing actual or potential gain or loss to any person or organisation including theft of moneys or other property by persons internal and/or external to the organisation and/or where deception is used at the time, immediately before or immediately following the activity. Property in this context also includes intellectual property and other intangibles such as information.

Fraud also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.

While conduct must be dishonest for it to meet the definition of “fraud”, the conduct need not necessarily represent a breach of the criminal law.

The concept of fraud within the meaning of this Standard can involve fraudulent conduct by internal and/or external parties targeting the organisation or fraudulent or corrupt conduct by the organisation itself targeting external parties”.

It is important to note that fraud is a criminal offence and is defined in the NSW *Crimes Act 1900* in sections 192E, s192F, s192G, s192H, s192J-L and s253-256. The maximum penalty is imprisonment for 10 years.

5. POLICY PRINCIPLES

5.1 PROMOTING INTEGRITY, ACCOUNTABILITY AND TRANSPARENCY ACROSS FRNSW

FRNSW strives to embed a culture of honesty and transparency based on the core values of FRNSW and the NSW Government sector. By guiding decision making and behaviour, values underpin how employees interact with their colleagues, the government, stakeholders and members of the community. FRNSW requires its employees to act in accordance with the organisation's values and standards of behaviours prescribed in the *Code of Conduct and Ethics*.

5.2 DEVELOPING AN ORGANISATIONAL CULTURE THAT EFFECTIVELY IDENTIFIES FRAUD

Proactive measures to prevent fraud and corrupt conduct are much more effective and desirable than responding to actual incidents. It is often the vigilance of employees (or members of the public) that enable detection of fraud or corrupt conduct. As outlined above, having a culture in which employees are comfortable in raising any concerns about possible fraudulent or corrupt conduct with their managers, should also encourage an ethical working environment and help protect FRNSW.

A key component of FRNSW fraud and corruption prevention is the Fraud Risk Assessment which helps identify fraud risks in the workplace environment. Areas throughout FRNSW are encouraged to be vigilant and to assess risks inherent to their specific environment and work function. As outlined in the *Fraud Control Plan*, FRNSW has implemented proactive initiatives to build and sustain an ethical culture, which will help identify and deal with fraudulent or corrupt conduct as early as possible.

5.3 ENCOURAGING AND SUPPORTING EMPLOYEES TO COME FORWARD IF THEY HAVE WITNESSED SUSPECTED FRAUDULENT OR CORRUPT BEHAVIOUR.

FRNSW supports employees to speak out in circumstances of suspected or actual fraud and/or corrupt conduct without fear of reprisal or intimidation. The *Public Interest Disclosures Act 1994* (PID Act) provides protection for people who report such behaviour. To enable employees to make a report in a confidential and supportive environment, FRNSW has designated several positions as Nominated Disclosure Officers, including the Commissioner. The positions accept disclosures from employees who believe their report should be a public interest disclosure.

All reports involving suspected fraud or corrupt conduct are, as far as is possible, treated confidentially and where appropriate, in accordance with the provisions of the PID Act. FRNSW will not tolerate any retaliatory action, reprisals, or victimisation (or threats of) against an employee. Any attempt to take detrimental action against a person who raises a legitimate concern will be treated seriously and may result in disciplinary action. It is a criminal offence to take reprisal against a whistleblower under Section 20 of the PID Act, where a disclosure falls within the scope of that Act.

For further information please see FRNSW Public Interest Disclosure Policy.

6.

ROLES AND RESPONSIBILITIES

The prevention and detection of fraud and corruption is everyone's responsibility. Employees are often in the best position to identify fraud and corruption risks and any potentially suspicious behaviour which warrants further investigation.

6.1 ALL EMPLOYEES

All employees are expected to be aware of fraud and corruption risks within their day-to-day responsibilities, and are required to:

- Act with the highest standards of ethical conduct and behaviour at all times;
- Report risks that are not adequately addressed by internal controls to the supervisor or manager;
- Not engage in, assist in, cover up or tolerate any fraudulent or corrupt activity;
- Always put the public interest above their own personal or private interests;
- Comply with this policy, the *Code of Conduct and Ethics* and other relevant policies;
- Maintain adequate records to support any decisions made;
- Identify and declare immediately any suspicion of fraudulent or corrupt conduct to a Disclosure Officer or Professional Standards;
- Not seek or accept any payment, gift or benefit outside of their employment agreement for either them or a family member;
- Cooperate and assist with the investigation of any reported or suspected fraud or corruption;
- Be aware of, and take action to, prevent any real, potential or perceived conflicts of interest;
- Not taking detrimental action against, and protecting from detrimental action, any people who disclose fraud or corruption in accordance with FRNSW policies and procedures; and
- Maintain awareness of safe cyber privacy and security concepts and behaviour.

6.2 MANAGER RESPONSIBILITIES

In addition to the points listed above, Managers/supervisors must lead by example and are responsible for:

- Modelling the highest standards of ethical conduct and behaviour at all times;
- Always put the public interest above their own personal or private interests;
- Reviewing their areas of activity to identify risks and to develop strategies to address those risks;
- Ensuring that employees are aware of the principles contained in the *Code of Conduct and Ethics* and the established procedures for addressing ethical problems;
- Ensuring that appropriate referee checks and pre-employment criminal record checks are completed for new employees;
- Supporting and protecting employees who report, in good faith, instances of potentially unethical or corrupt practices;
- Participating in any management strategies developed or recommended by Professional Standards or Area/Zone management;
- Ensuring effective and correct use of delegations of authority; and
- Monitoring the work of employees and the risks they are exposed to in relation to conflicts of interest issues, and taking appropriate action when necessary.



6.3 SENIOR EXECUTIVES

Strong and visible leadership is a critical factor in demonstrating ethical conduct in FRNSW. Senior Executives, including the Commissioner, Deputy and Assistant Commissioners, Executive Directors, and Directors have a responsibility to lead and promote an organisational culture that values high ethical standards and behaviour.

In addition to the points above, the Senior Executive are responsible for:

- Setting the tone from the top by demonstrating commitment to the highest standard of ethical conduct and leading by example;
- Commitment at the highest level to the prevention and detection of fraudulent and corrupt conduct at FRNSW;
- Ensuring that strategic decisions are aligned to FRNSW values;
- Coordinating FRNSW's overall approach towards fraud control and investigation of fraud and corruption;
- The oversight and implementation of the *Fraud and Corruption Prevention* policy; and
- Satisfying all legislative requirements and other relevant directives.

6.5 INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. FRNSW has a combined internal audit function incorporating both in-house risk and assurance activities and resources in the Legal and Regulatory Services Directorate and audit expertise offered by an external audit service provider.

The FRNSW Internal Audit program is an integral component of the fraud and corruption control framework. Under the FRNSW Internal Audit Charter, the internal audit program is responsible for:

- Evaluating the design, implementation, and effectiveness of the organisation's ethics-related objects, programs and activities;
- Evaluating the potential for the occurrence of fraud and corruption and how the organisation manages fraud and corruption risk;
- Auditing the fraud and corruption control policy and plan.
- Assisting management to identify the risks of fraud and corruption, and develop fraud and corruption prevention; and
- Monitoring the results of investigation and fraud and corruption strategies.



6.6 THE AUDIT AND RISK COMMITTEE (ARC)

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

- Providing independent assistance by overseeing and monitoring governance, risk and control frameworks, and external accountability requirements;
- Identifying whether management has in place a current and appropriate 'enterprise risk management' process, and associated procedures for the effective identification and management of financial and business risks, including fraud and corruption;
- Reviewing FRNSW's Fraud and Corruption Policy and Prevention Control Plan and satisfying itself that there are appropriate processes and systems in place to capture and effectively investigate fraud related information; and
- Determining whether management has taken adequate steps to embed a culture which is committed to ethical and lawful behaviour.

6.7 STRATEGY PLANNING AND PERFORMANCE

The Strategy and Risk Branch of the Strategy, Planning and Performance Directorate is responsible for the oversight of the Fraud and Corruption Risk Assessment program. This program identifies common risk scenarios for the business and supports application of corruption risk assessment tools. The tools provide a platform for the process of fraud and corruption risk identification and support the detailed Directorate risk assessment programs.

6.8 PROFESSIONAL STANDARDS

The Professional Standards Branch is responsible for examining incidents of suspected fraudulent or corrupt conduct and in consultation with appropriate decision makers, initiating further action as appropriate. Matters requiring formal investigation as allegations of misconduct will be managed in accordance with relevant legislation and associated disciplinary procedural guidelines. Professional Standards will liaise with central agencies such as ICAC, NSW Ombudsman and the NSW Audit Office regarding issues of fraud.

Professional Standards is also responsible for developing and promoting strategies to enhance a respectful and ethical culture within FRNSW.

7. ABOUT FRAUDULENT AND CORRUPT CONDUCT

7.1 EXAMPLES OF FRAUDULENT AND CORRUPT CONDUCT

The following list is not exhaustive but includes some of the more common examples of fraudulent and corrupt conduct in FRNSW, and the wider government sector:

7.1.1 FRAUD

General

- Theft of funds, assets, plant, equipment or information (including selling or obtaining benefit from)
- Unauthorised use of FRNSW equipment or materials for personal benefit
- False invoicing (involving a staff member creating a fictitious invoice claiming payment for goods or services not delivered exaggerating the value of goods delivered or services provided)
- Accounts receivable fraud (misappropriation or misdirection of remittances received from a debtor)
- Unauthorised use of a credit card, including use of purchasing card to buy goods or services for personal use
- Providing false or misleading information
- Making false or misleading financial reports
- Release of, or use of, misleading or inaccurate information for the purposes of deceiving or misleading, or to hide wrongdoing
- Misuse of position in order to gain some form of financial advantage
- Theft of intellectual property or other confidential information.

Payroll/timesheet fraud

- Falsification of records, including SAM and GARTAN, flex sheets etc
- Time in lieu claimed but not worked
- Overtime claimed but not worked
- Misuse or falsification of travel claims
- Not recording leave taken on timesheet
- Forgery of manager's signature
- Fraudulent medical certificates.

Unauthorised use of FRNSW assets

- Unauthorised private use of vehicles
- Sharing of passwords
- Confidential information
- Equipment, including photocopiers, telephones and fax machines
- FRNSW name or logo e.g. through use of letterhead or employee access card
- Taking supplies for private use
- Taking equipment for private use.

Recruitment fraud

- Fake qualifications
- Fictitious former employers
- Fake references.

Manipulation of computer programs for improper purposes, such as:

- Unauthorised approval to pay
- Diversion of proceeds or writing off debts
- Cyber crime.

7.1.2 CORRUPTION

- An individual approving requests to waive fees for FRNSW services to themselves friends, relatives, associations/businesses, community groups, rivals and enemies
- An individual assessing tenders from companies in which they have an interest and/or their friends, relatives, associations/businesses, community groups, rivals and enemies
- Seeking and obtaining bribes or other gifts in exchange for favourable treatment
- Targeting external parties or other internal parties in seeking to gain an improper benefit
- Payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the receiver (e.g. building projects completed at an employee's private residence)
- Release of confidential information for other than a proper business purpose in exchange for some form of non-financial benefit or advantage accruing to the employee releasing the information
- Solicitation of donations
- Senior personnel acting in their own self-interest rather than the interests of FRNSW (e.g. failing to declare a conflict of interest in a decision)
- Serious nepotism and cronyism where the appointee is inadequately qualified to perform the role to which he or she has been appointed
- Manipulation of the procurement process by favouring one tenderer over others or selectively providing information to some tenderers. This may involve allowing tenderers to resubmit a 'non-complying' tender after being provided with the details of other bids
- Gifts or entertainment intended to achieve a specific or generic commercial outcome in the short or long-term - in breach of FRNSW's Gifts, Benefits and Hospitality policy and procedure.



8.

FRAUD AND CORRUPTION RISKS

An important part of fraud and corruption prevention is understanding where the areas of risk are in relation to FRNSW's responsibilities and functions. Based on studies by ICAC, the functions that are perceived to have the highest fraud and corruption risk ratings are an organisation's financial and purchasing functions.

8.1 FINANCIAL FUNCTIONS AND ACTIVITY

The financial functions performed by individuals on behalf of an organisation are very vulnerable to the risk of fraud. This includes:

- Payroll function
- Account management
- Cash handling (including petty cash)
- Credit card usage and control.

8.2 PROCUREMENT

NSW public sector agencies routinely procure a wide range of goods and services, which can include specialised products such as construction services and information and communication technology. Potential areas of risk with procurement can include relationships between public officials and suppliers (including collusion), improper use of organisational information or breaches of confidentiality, bias or favouritism in supplier selection, poor contract management and inadequate training.

It is the responsibility of Purchasing Officers to arrange the efficient and effective procurement of any goods and services necessary to support FRNSW activities within the limits of their delegated authority, while ensuring full compliance with NSW Government and FRNSW purchasing policies, guidelines and directives. Further information is available in the *FRNSW Procurement Policy and Manual*.

8.3 CYBER ACTIVITY

Cyber activities: Cyber-criminal activities such as payment redirection, where cybercriminals impersonate a business to deceive you into transferring money or sensitive information to them presents a high risk. Following practices, such as confirming payments with your direct contact over the phone, can prevent this. It is important to note these may occur inadvertently, through user misunderstanding. What is important, however, is to appropriately identify and report any activities immediately.

8.4 GIFTS, BENEFITS AND HOSPITALITY

Although gifts or benefits may be offered as gestures of goodwill for a job performed well, they may also be offered as a form of influence. As such, gifts or benefits may present a corruption risk to FRNSW, due to their potential to compromise and affect the impartiality and integrity of employees. It also compromises the brand, image, and reputation of FRNSW, our employees, and the organisation's position of trust and respect in the community.

At the extreme, gifts and benefits could be perceived as a bribe, which is an offence under Section 249 of the *Crimes Act 1900* and could potentially result in 10 years imprisonment and/or fines of up to \$1 million depending on the seriousness of the bribe. Further information is available in the *FRNSW Gifts, Benefits and Hospitality Policy*.

8.5 RECRUITMENT AND SELECTION

Recruitment and employment practices can be particularly vulnerable to corruption risks. If recruitment selection and vetting processes are questionable or corrupt, then agencies are unlikely to be able to recruit or keep people who will improve the ethical climate of the agency.

Improperly conducting recruitment and selection can constitute corrupt conduct as defined by the *Independent Commission Against Corruption Act 1988*. ICAC has investigated a number of instances where managers have failed to undertake sufficient levels of pre-employment screening of potential candidates as well as recruitment processes where clear conflicts of interest including favouritism, discrimination and nepotism have taken place.

8.6 CONFLICTS OF INTEREST

A conflict of interest occurs when the private interests of a FRNSW employee or contractor interferes with or influences, or appears to interfere or influence, their official duties and responsibilities. It includes situations where official decisions may be influenced by private interests in social, professional or business activities with individuals or groups. This includes private interests held jointly with, or held separately by friends, relatives, associations/ businesses, community groups, and rivals. The public interest must come first on all such occasions.

It is important to note that a conflict of interest can arise in many situations and is not necessarily wrong or unethical. What is important, however, is to appropriately identify, report and effectively manage any actual, perceived or potential conflict of interest in a timely manner.

Non-disclosed conflicts of interest that affect impartial decision-making may constitute corrupt conduct and result in disciplinary action up to, and including, dismissal and/or criminal charges. Failing to disclose an actual, perceived or potential conflict of interest contrary to FRNSW's Conflict of Interest Policy or failing to actively manage a disclosed conflict of interest, can do great damage to the performance and reputation of FRNSW and its staff. Further information is available in the *FRNSW Conflict of Interest Policy*.

9.

IMPACT OF FRAUD AND CORRUPTION

The impact of fraudulent or corrupt conduct is significant. It wastes scarce resources, weakens organisational performance, lowers morale and productivity and damages FRNSW's reputation, image and standing in the community. Losses due to fraud, theft or corrupt practices have a direct effect on the level and quality of service provision.

Fraudulent and corrupt conduct wastes resources, not only through the act itself, but also the time and effort spent dealing with its consequences. Therefore, all employees must be vigilant in the prevention and detection of all potential forms of fraud and corruption.

10.

PREVENTION OF FRAUD AND CORRUPTION

Fraud and Corruption prevention and detection programs, including risk assessments, and specific initiatives aimed at controlling the risks of corruption are all outlined in the *Prevention Control Plan*.

PROCEDURES

11.

HOW TO REPORT FRAUD AND CORRUPTION

It is mandatory for all employees to report suspected or detected instances of fraudulent activity and/or corruption.

There are a number of mechanisms in place to report:

- Making a written or verbal report to their immediate Manager/ Director, an Executive Director, Professional Standards or the Commissioner;
- Making a written or verbal report to Professional Standards on (02) 9265 2826 or at professionalstandards@fire.nsw.gov.au;
- Making a report to a Nominated Disclosure Officer or Disclosure Co-ordinator as identified in FRNSW's *Public Interest Disclosure Policy*.
- Making an external report to a body such as:
 - the ICAC (for suspicions of corrupt conduct or fraud);
 - the NSW Police (for fraud and corruption).

When reporting cases of suspected fraud, employees should observe the following guidelines:

- Keep the matter confidential. This is to ensure the principles of natural justice are preserved and to avoid alerting the person alleged to have committed the fraud.
- If there are any documents that may assist, ensure they are placed in a safe and secure place. Do not write on, mark or alter the documents in any way.

11.1 ANONYMOUS REPORTING

Whilst employee preference for anonymous reporting is respected, employees should be aware that such reporting means that FRNSW cannot collect further information from the source of the allegations and may not be able to verify information obtained. As a result, there will be some instances where an anonymous report may not be able to be pursued or any inquiries undertaken may be limited in scope.

It is important to note that an anonymous disclosure may not prevent the identity of the disclosing person from being identified. Further, if FRNSW does not know who made the report, preventing reprisal action may be more difficult.

11.2 PUBLIC INTEREST DISCLOSURES

Where the PID Act applies, reports of wrongdoing at FRNSW will be dealt with under the *Public Interest Disclosures Act 1994*. A key objective of this Act is to encourage and facilitate the disclosure, in the public interest, of corrupt conduct, maladministration, serious and substantial waste of public money and government information contravention. The PID Act provides legal protections for persons who make disclosures of such wrongdoing.

For a report to be considered a public interest disclosure it must meet the following requirements under the PID Act:

- The report must be made by a FRNSW employee, or a consultant, contractor or other individual performing public duties on behalf of FRNSW;
- The report must be about corrupt conduct (including fraud), maladministration, serious and substantial waste of public money or government information contravention;
- The internal reporter must honestly believe on reasonable grounds that the information shows or tends to show wrongdoing;
- The report must be about the conduct of a FRNSW employee, consultant, contractor, or an individual performing public duties on behalf of FRNSW, and
- The report must be made to one of FRNSW's Public Interest Disclosure Officers, as identified in the FRNSW [Public Interest Disclosure Policy](#).

The PID Act will not apply to reports that:

- Primarily question the merits of government policy
- Are made solely or substantially with the motive of avoiding dismissal or other disciplinary action.



12.

HOW FRNSW DEALS WITH REPORTS OF FRAUD AND CORRUPTION

Professional Standards is responsible for examining incidents of suspected fraudulent or corrupt conduct. The Director, Professional Standards will assess each matter to determine whether it meets the threshold for misconduct and/or is a public interest disclosure. Professional Standards may perform an initial information gathering process to determine if a full investigation is required.

12.1 EXTERNAL REPORTING

The Director of Professional Standards is responsible for informing the Commissioner of FRNSW of any matters involving suspected fraudulent or corrupt behaviour in order to ensure compliance with external reporting obligations, including to the Independent Commission Against Corruption and/or NSW Police.

12.1.2 NSW POLICE

If while assessing a report or, during the course of a disciplinary investigation, it is determined that a criminal offence may have been committed, a report will be made to the NSW Police Force. Instances of alleged theft of FRNSW money, property or any fraudulent behaviour are to be reported to the NSW Police Force as soon as possible.

12.1.3 INDEPENDENT COMMISSION AGAINST CORRUPTION (ICAC)

The Commissioner of FRNSW, as the Principal Officer of FRNSW, has a non-delegable duty to report matters, where they are suspected on reasonable grounds of involving corrupt conduct, to the independent Commission Against Corruption (ICAC), pursuant to Section 11 of the *Independent Commission Against Corruption Act 1988*.

If assessed as corrupt conduct, the ICAC will advise the appropriate action, which may include:

- Assuming responsibility for the investigation;
- Jointly managing the investigation with FRNSW;
- Referring the matter back to FRNSW to manage, with outcome advice to be provided to the ICAC.

12.2 INVESTIGATION

Matters requiring formal investigation of allegations of misconduct will be dealt with in accordance with relevant legislation and associated disciplinary procedural guidelines.

The purpose of an investigation is to gather evidence relating to specific allegations to determine the facts relating to the matter and to assist in deciding what, if any, action should be taken. In situations relating to fraud, an investigation may be undertaken by the NSW Police who, in addition to possessing appropriate skills have access to a number of important services including forensic services; fingerprint analysis and computer forensics. There may be situations where the investigation can be undertaken by FRNSW staff or other external investigators appointed by FRNSW. FRNSW will only conduct an internal investigation into a criminal allegation after receiving clearance from NSW Police.

13.

BREACHES OF POLICY

FRNSW views any breaches of this policy seriously and will consider disciplinary action against staff resulting from substantiated allegations of fraud or corruption for any employee who engages in, participates in, covers up, or in any way assists such conduct. Action may include, but is not limited to: reprimand, demotion, transfer or redeployment or termination of employment.

FRNSW may undertake an internal investigation regardless of the outcome at criminal or civil court.

14.

MONITORING AND REVIEW

Professional Standards will monitor compliance with this Policy to ensure its ongoing effectiveness. Reported incidents of fraud and corrupt conduct will be monitored to identify and action areas of risk.

15. TRAINING AND SUPPORT

Training and support is available from Professional Standards regarding any aspect of this policy via professionalstandards@fire.nsw.gov.au or (02) 9265 2826.

16. FURTHER INFORMATION

For further information please contact the Professional Standards Branch on (02) 9265 2826 or professionalstandards@fire.nsw.gov.au

APPENDIX 1
FRAUD AND
CORRUPTION
PREVENTION
CONTROL PLAN

1. INTRODUCTION AND PURPOSE

Fire and Rescue NSW (FRNSW) is committed to the highest standards of conduct, ethical behaviour and accountability. FRNSW does not tolerate fraudulent behaviour, corrupt conduct, or other forms of dishonesty and wrongdoing.

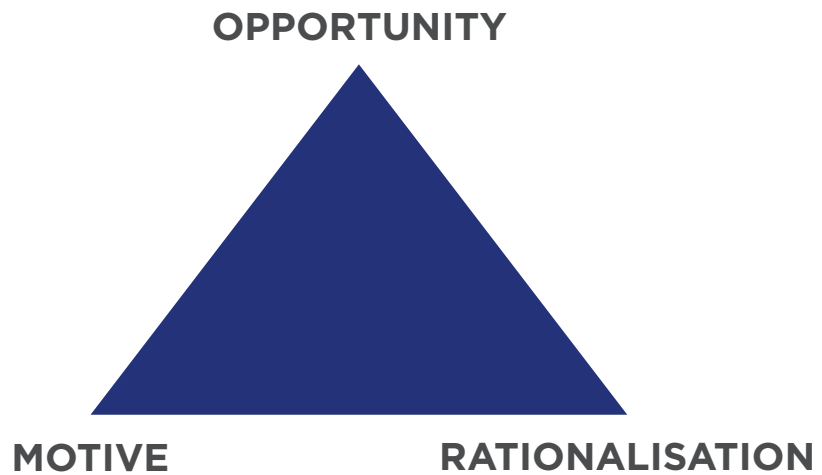
Complementing FRNSW'S *Fraud and Corruption Prevention Policy*, this *Fraud and Corruption Prevention Control Plan* outlines FRNSW's action in preventing, detecting and responding to fraud and corruption exposure at strategic, tactical and operational levels throughout the organisation.

This Control Plan is structured to focus on four key areas:

- Fraud and corruption prevention
- Fraud and corruption detection
- Fraud and corruption response
- Fraud and corruption monitoring, reporting and evaluation

UNDERSTANDING WHY PEOPLE COMMIT FRAUD AND CORRUPTION

There are usually three factors that commonly co-exist when a person commits fraud, as shown in the diagram below.



People commit fraud when they have the opportunity, the motivation (incentive) and they rationalise or justify their actions.

Raising awareness of the above three elements can support an ethical culture and assist staff in recognising early warning signs of fraudulent activity (red flags).

1.1. OPPORTUNITY

There are many opportunities that enable employees to engage in fraudulent or corrupt conduct, particularly the lack of, or weak, internal organisational controls.

Examples include:

- Failure to enforce controls;
- Excessive trust in key employees;
- Incompetent or inadequate supervision by a manager or supervisor; and
- Inattention to detail.

For example - regarding the issue of petty cash at fire stations, relevant questions about the control systems would be:

- How is the petty cash stored at your station?
- Is it locked up securely - or is it easily accessible?
- Does everyone know how to access it?
- Does everyone know how much money is in petty cash?
- Are there any controls to limit access and availability?

1.2. MOTIVE

The motive to commit fraud often originates from some specific financial pressure placed on the person contemplating the fraud (either real or perceived). Common pressures are financial, lifestyle pressures and emotional, as shown in the table below.

Financial pressures, for example:

- Credit card usage;
- Large debts;
- Bankruptcy;
- Business dealings

Emotional pressures, for example:

- Conflict with partner or divorce;
- Extra-marital affairs;
- Problems with children;
- Physical isolation

Lifestyle pressures, for example:

- Drug problems/addiction;
- Alcohol problems/addiction;
- Gambling problems/addiction

Internal pressures, for example:

- Peer pressure from other colleagues to be involved in, or cover up, fraudulent or corrupt conduct.

1.3. RATIONALISATION

An individual will justify his/her conduct in committing fraud, for example:

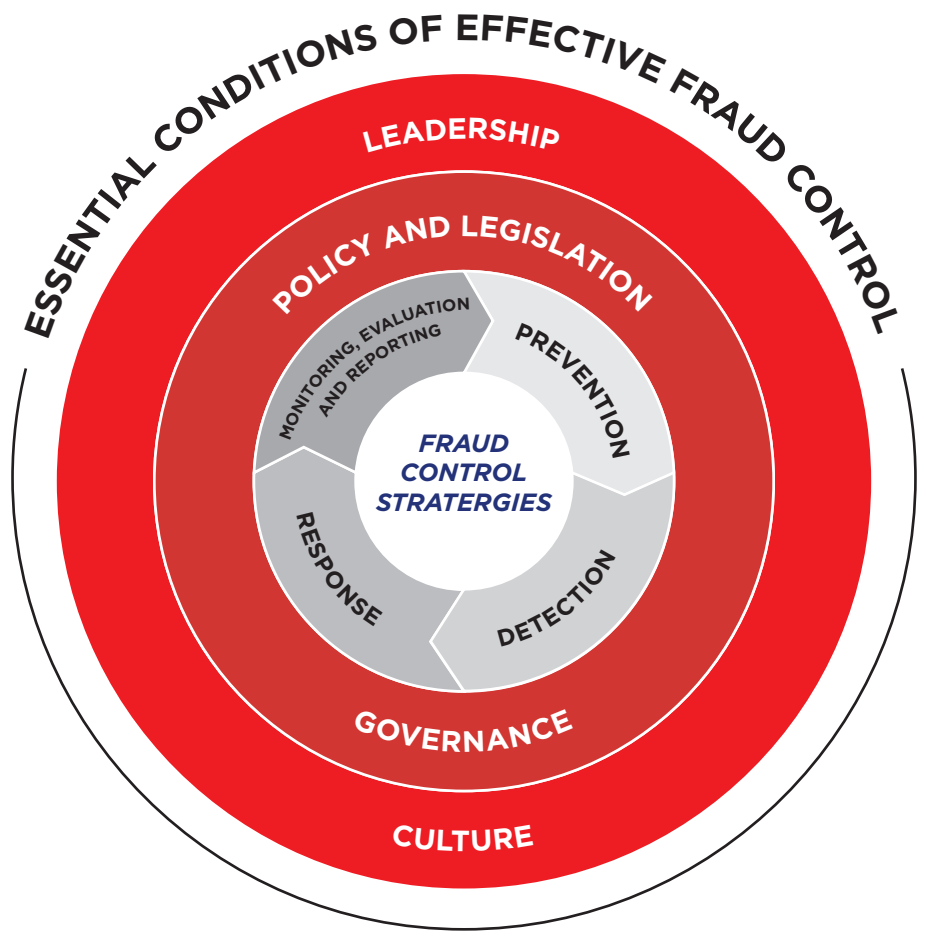
- I need this money more than FRNSW;
- I deserve this money because I didn't get that promotion I was entitled to; and
- My child is sick in hospital and I have a lot of bills, I will stop this practice when the bills are paid off.

2. PREVENTING FRAUD AND CORRUPTION

FRNSW recognises that proactive measures to prevent fraud and corrupt conduct are the first line of defence and are far more effective and desirable than responding to actual incidents.

To be effective, fraud and corruption prevention within an organisation requires a number of contributory elements, including an ethical organisational culture, a strong awareness of fraud among employees, suppliers and clients, and an effective internal control framework - illustrated to the right in Diagram 1.

FRNSW has a suite of prevention strategies that are targeted at building a strong culture of accountability within FRNSW, as shown on the following page. Please note that this plan does not seek to describe every fraud and corruption prevention across FRNSW - management relies on a mix of controls to manage internal and external fraud and corruption risks.



**AN ORGANISATIONAL
CULTURE OF HONESTY
AND INTEGRITY**

A strong ethical culture is a critical driver in preventing fraudulent and corrupt conduct. The Commissioner and Senior Executive are committed to leading an organisational culture that promotes a high standard of accountability and is based on the core values of the NSW government and FRNSW's values of respect, integrity, service and courage.

**ROBUST CODE OF
CONDUCT AND ETHICS**

FRNSW employees, and contractors working on behalf of the organisation, are obligated to act in accordance with the standards of behaviours set out in the *Code of Conduct and Ethics*. The *Code* establishes the standards of professional and ethical conduct required of all staff at FRNSW and includes specific mention of fraud and corruption as examples of conduct that will not be tolerated within FRNSW.

**STRONG POLICY
FRAMEWORK**

FRNSW has a comprehensive policy framework, which covers relevant areas which may be exposed to potential fraudulent or corrupt behaviour, for example Procurement, Conflicts of Interest, Secondary Employment, Gifts and Benefits and Travel.

**MANDATORY
REPORTING OF
UNETHICAL AND
CORRUPT CONDUCT**

Employees and contractors must report any suspected fraud or corruption to a supervisor or manager in accordance with the FRNSW *Code of Conduct and Ethics*. The mechanisms for reporting suspected unethical, corrupt or fraudulent behaviour is outlined in the *Fraud and Corruption Policy*.

**REGULAR FRAUD AND
CORRUPTION RISK
ASSESSMENT**

All Directors and Managers are responsible for reviewing their areas of activity to identify risks and to develop strategies to address those risks. This includes assessing controls in place to identify and prevent fraud and corruption.

Detailed fraud and corruption risk assessments are rolled out for all FRNSW directorates to assess fraud and corruption risks and provide assurance that mitigation strategies are in place.

**FRAUD AND
CORRUPTION
AWARENESS AND
TRAINING**

FRNSW communicates policies regarding fraud and corruption prevention to employees through Induction sessions, the FRNSW intranet, FR360 and other information forums.

Tailored training is provided for specific areas within the organisation that are identified as potentially high risk of fraud or corruption, for example commercially sensitive areas with significant financial responsibility.

**STRONG INTERNAL
CONTROLS ACROSS
THE ORGANISATION**

FRNSW has a wide range of strong internal controls, which consist of policies, structures, procedures, processes, tasks and other tangible and intangible factors that enable FRNSW to respond appropriately to operational, financial, compliance or any other type of risk.

FRNSW retains an asset register and regularly undertakes stocktakes to ensure that assets are appropriately maintained.

**ROBUST MANAGEMENT
ACROSS FRNSW**

Employees with managerial responsibility are also responsible for ensuring that employees are adequately supervised and that internal controls in their area of responsibility are properly operated and complied with. They must also be diligent in their responsibilities as managers, particularly in exercising their authority in authorising transactions such as timesheets, expense claims, purchase orders, returns and contracts.

**COMPREHENSIVE
RECRUITMENT AND
PRE-EMPLOYMENT
SCREENING**

A key element in the prevention of fraud and corruption is to ensure that FRNSW recruits employees of the appropriate quality and integrity. Procedures are in place to ensure that their identity, employment, and references of prospective employees are satisfactory, genuine and verified. All prospective employees are subject to a pre-employment National Criminal History Check prior to engagement to ensure that any identified relevant criminal convictions may be assessed in terms of potential risk.

ICT SECURITY

FRNSW IT Department has a number of security provisions and controls designed to protect FRNSW and its employees. This includes cyber controls to prevent and protect FRNSW from external attacks, a robust password protection policy (passwords are required to be changed on a regular basis), limiting access to IT systems to current employees with a legitimate need to access the relevant information or service and regularly testing firewalls and other security systems.

3. DETECTING FRAUD AND CORRUPTION

Detection controls are an essential component of a rigorous anti-fraud and corruption program, as both a deterrent as well as a fraud identification mechanism. As such, FRNSW has implemented systems aimed at assisting with the detection of fraud as soon as possible after it has occurred, in the event that FRNSW's preventative systems fail.

EMPLOYEE REPORTING

The mandatory requirement for employees to report suspected corrupt conduct is outlined in the FRNSW Code of Conduct and Ethics.

RISK MANAGEMENT PROCESS

Risk management is a crucial element to fraud control and an important tool to identify and manage fraud risks in line with the FRNSW fraud control framework.

MANAGEMENT REPORTING AND DATA ANALYTICS

FRNSW's Finance Directorate provides a critical element of FRNSW's financial assurance framework and compliance reporting. FRNSW undertakes strict budget monitoring to track spending against budget and

aims to identify and examine any significant variances and inconsistencies as soon as possible.

FRNSW also performs:

- Proactive data mining analytics - uncovering patterns and relationships in datasets that appear unrelated and discrepancies which may indicate fraud and irregular behaviour
- Analysis of suspicious transactions, for example, duplicate payments or claims
- Identification of unusual relationships, for example, employee bank account matches a vendor bank account
- Identification for regular trends over period of time, for example, supplier favouritism.

Robust accounting, reconciliation and data access controls are in place and are regularly monitored to ensure that irregularities are warning signals are identified at an early stage and flagged for further review. All key SAP system has transactional auditing and transactional history enabled for review.

EXTERNAL ELECTRONIC MONITORING AND DETECTING

FRNSW has a system of electronic monitoring and detection which protects the organisation from external cyber-attack and identifies inappropriate use of departmental systems.

INTERNAL AUDIT

FRNSW has a risk focused Internal Audit function, and all areas of FRNSW are subject to review by Internal Audit. Operational Improvement and Assurance provide input audits of systems or processes that may have a higher risk of potential fraud and corruption. They also utilise data analytics programs to aid in the detection of financial and other behavioural anomalies giving rise to fraud and corruption risk.

4. REPORTING FRAUD AND CORRUPTION

In accordance with the FRNSW Code of Conduct and Ethics, employees and contractors must report all incidents of suspected or potential fraud immediately. FRNSW can also receive reports of alleged fraud from internal audits and reviews, members of the public, external contractors, service providers and other Government agencies, including law enforcement bodies.

Further information is available on FRNSW's response to reporting of suspected fraud is dealt with in Section 6 of the Policy.





5. MONITORING, REPORTING AND EVALUATING

To ensure that any control weaknesses are rectified, a review of the internal control environment should be performed by senior management, after an incident of fraud has occurred. Internal Audit should also conduct an internal control review to evaluate the effectiveness of the internal controls in preventing further such incidences.

Review outcomes may include the need for:

- new or strengthened controls;
- revised policy or procedure;
- additional staff training; and/or
- increased frequency of Internal Audit review.

Incidents of suspected fraud and/or corruption reported to Professional Standards will be recorded and tracked, including those managed in accordance with the FRNSW Public Interest Disclosure Policy.

Effective monitoring and evaluation of FRNSW fraud and corruption controls assist in:

- assessing the continued relevance and priority of fraud and corruption strategies in the light of current and emerging risks;
- test whether fraud and corruption strategies are targeting the desired population;
- ascertain whether there are more cost-effective ways of combating fraud and corruption.

A review of this Policy and Control Plan will be performed every two years to identify systemic control weaknesses and to take into account changes to business operations, legislation or any other significant development.

6. FUTURE INITIATIVES

Further initiatives planned for the period of this plan include:

- Utilisation of available media to disseminate fraud awareness materials, including newsletters, intranet information, emails, leaflets;
- Roll out of fraud and corruption risk assessment programs;
- Development of an ethical portal on the intranet, containing a suite of information on fraud and corruption, including fact sheets, details of ICAC etc;
- Ensuring updates and changes to relevant policies and procedures are communicated to all staff;
- Communicating de-identified outcomes of investigations as appropriate in order to deter further incidents of fraud occurring;
- Development of guidance material that focus on real life situations including ethical dilemmas and how to address them;
- Continuation of refresher Public Interest Disclosure training to PID Officers; and
- Roll-out of e-Learning package where possible.

For further information, please contact Professional Standards on 9265 2826 or by emailing professionalstandards@fire.nsw.gov.au



