



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Submission Cover Sheet

Inquiry into Auditor-General's Performance
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**THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY**

**ACT GOVERNMENT RESPONSE TO ACT AUDITOR-GENERAL'S
REPORT NO. 2/2022
FRAUD PREVENTION**

**Presented By
Andrew Barr MLA
Chief Minister
1 July 2022**

ACT Government Response to Auditor-General's Report: Fraud Prevention

Introduction

The ACT Government welcomes the Auditor-General's performance audit report No. 2 of 2022 on fraud prevention (the Report). The Report was presented to the Speaker on 3 March 2022, for out-of-session circulation to members of the Legislative Assembly.

The Report focuses on the fraud prevention measures of three ACT Government agencies: Community Services Directorate (CSD), Transport Canberra and City Services Directorate (TCCS) and Access Canberra (Chief Minister, Treasury and Economic Development Directorate (CMTEDD)).

The three main themes explored in the Report include fraud prevention planning and monitoring, the management of conflicts of interest and fostering a culture of fraud prevention with fraud awareness activities and training.

The Report acknowledges the significant work of the ACT Government to minimise the risk of internal fraud and to improve fraud prevention measures across the ACT Public Sector (ACTPS). Each agency has developed and implemented a Fraud and Corruption Prevention Plan, with mechanisms for the management of fraud and corruption risks. This includes oversight by audit committees and regular reporting from the Senior Executive Responsible for Business Integrity Risk (SERBIR).

The management of conflicts of interest is outlined in whole-of-government policies including ACTPS Conflict of Interest Policy; Gifts, Benefits and Hospitality Policy; Second Jobs, and Volunteering Policy; and ACTPS Recruitment Policy and Guidelines. The Report notes the effectiveness of agency conflict of interest practices is largely dependent on employees being transparent about when a conflict of interest exists, and managers having the tools available to actively monitor the conflict.

The ACT Government is committed to strengthening fraud prevention measures and fostering fraud awareness across the ACTPS. The ACTPS Integrity Framework has recently been reviewed and updated to align with the establishment of both the Public Sector Standards Commissioner (PSSC) and the ACT Integrity Commission (ACTIC) and provides guidance on expectations of integrity and fraud in the ACTPS. The ACTPS Integrity Framework was updated and distributed to staff on 23 May 2022. In addition, integrity and fraud training are available to new employees and regular communications in the form of all-staff emails about identifying risks, and procedures for reporting corruption and fraud.

The Report has made six recommendations, all of which the Government agrees, or agrees in principle.

Government Position on Recommendations

Recommendation 1: Fraud and Corruption Plans and Reporting

CMTEDD should provide clarity on the purpose of Fraud and Corruption Prevention Plans and the requirements for annual reporting of fraud and corruption issues. This may be achieved through the current review of the ACTPS Integrity Policy (2010), which is scheduled for completion in early 2022.

Government Position

AGREE

The ACT Government agrees with the Auditor-General's recommendation. The ACT Government understands that CMTEDD has already undertaken a review and revised the ACTPS Integrity Framework and the ACTPS Integrity Governance Policy. The revised ACTPS Integrity Framework and ACTPS Integrity Governance Policy was issued to all staff on 23 May 2022 and addresses fraud and corruption prevention plans, and the requirements for annual reporting of fraud and corruption issues.

As stated in the ACTPS Integrity Framework, each agency is required to appoint an individual as the Senior Executive Responsible for Business Integrity Risk (SERBIR). The SERBIR has primary responsibility for the implementation of the Integrity Framework, risk management and reporting of integrity and fraud and corruption prevention.

Under Part 2.3 of the Public Sector Management Standards 2006¹, agencies are required to develop and implement a Fraud and Corruption Prevention Plan which forms part of the agencies' formal risk assessment. The agencies' respective Audit and Risk Committee has oversight over the effectiveness of the integrity arrangements. The ACTPS Integrity Governance Policy provides further information as to what is required in a Fraud and Corruption Prevention Plan. Directors-General (DGs) and Chief Executive Officers (CEOs) must ensure the Fraud and Corruption Prevention Plan is assessed and reviewed every two years. There are also reporting requirements in the Annual Report Directions, whereby agencies must provide information on fraud prevention policies and practices and fraud detection strategies including the number of reports or allegations of fraud or corruption received and investigated during the year.

Recommendation 2: Conflict of Interest Registers

CMTEDD should provide guidance to ACT Government agencies on requirements for the documentation and recording of conflict of interest declarations. The guidance should address:

- a) whether conflict of interest declarations are expected to be recorded in a centralised register in the agency; and
- b) if they are, the circumstances in which the information in the register is to be used and for what purpose.

¹ Section 113 of the Public Sector Management Standards 2016 provides that Part 2.3 of the Public Sector Management Standards 2006 continues to apply despite the repeal of the Public Sector Management Standards 2006.

Government Position

AGREE-IN-PRINCIPLE

The ACT Government agrees in-principle with the Auditor-General's recommendation. The Conflict of Interest Policy was updated in June 2021 by CMTEDD and is next due for review in June 2023. The Auditor-General's recommendation will be considered in the next review to provide centralised guidance for the documentation and recording of conflict-of-interest declarations.

The ACT Government understands several agencies already utilise a central conflict of interest register to good effect. The ACT Government notes there are considerations when determining whether an agency is to use a centralised register to record conflicts of interest. This includes ensuring staff privacy is maintained and access to the central register is strictly limited to a need-to-know basis. In addition, some staff may feel uncomfortable releasing personal information to a central register when it may be irrelevant to their typical day-to-day duties, and unlikely to ever be called upon – this may be particularly true for smaller organisations. Alternatively, this issue could be resolved through situationally specific or one-off conflict checks - for example, a recruitment round. In this scenario, an agency may find it more efficient, and secure for privacy purposes to record conflicts of interest with the documentation for that process.

Recommendation 3: Mandatory Reporting of Conflicts of Interest

Where not already in place, ACT Government agencies should require all recruitment panel members to complete a conflict of interest declaration form when taking part in a recruitment process, including that they have no known actual or potential conflicts of interest.

Government Position

AGREE

The ACT Government agrees with the Auditor-General's recommendation.

The Conflict of Interest Policy requires all members on a recruitment panel to complete a conflict of interest declaration form to ensure that all perceived, potential, or actual conflicts of interest are disclosed. The completed forms must be documented and disclosed to the delegate and any other panel members. Following the disclosure, it is then decided whether the affected employee should stand aside from the process or from consideration of that particular application.

Recommendation 4: Fraud and Corruption Induction Training

Where not already in place, ACT Government agencies should:

- a) provide mandatory induction training about the nature and risks of fraud and corruption and relevant ACT Public Service and agency policies. The training should be delivered with reference to examples and scenarios relevant to the business of the agency; and
- b) keep timely and accurate records of the number of staff completing the mandatory induction training.

Government Position

AGREE

The ACT Government agrees with the Auditor-General's recommendation. All new starters to the ACT Government must be made aware and educated about fraud and corruption through an induction process.

The ACT Government understands the additional burden this may put on smaller ACT Government agencies that already undertake annual all-staff fraud and corruption education processes that facilitate discussion as an agency – which is beneficial and goes to meeting the objective of all staff being aware of their obligations and responsibilities in relation to fraud and corruption prevention. In these circumstances, smaller agencies may benefit from utilising online learning modules already developed by CMTEDD to educate new starters.

Recommendation 5: Agency Staff Surveys

Where not already in place, ACT Government agencies should undertake staff surveys that collect information about the level of staff awareness of their fraud and corruption reporting obligations and the reporting channels they should use, as well as staff perceptions of the integrity of agency senior leadership. This information should be used to benchmark staff awareness levels and inform priorities for fraud and corruption prevention activities.

Government Position

AGREE-IN-PRINCIPLE

The ACT Government agrees in-principle with the Auditor-General's recommendation. Several ACT Government agencies currently conduct staff surveys that include questions on fraud and integrity. This creates the opportunity to use the results to benchmark and improve staff awareness levels and to inform activities for fraud and corruption prevention. As detailed in the government's response to recommendation six, the government is conscious that multiple surveys can lead to survey fatigue – this can be countered through coordination and guidance on when and how surveys are conducted if individual agencies wish to survey their staff.

The ACT Government notes that surveys may not be appropriate for smaller agencies where the survey results may identify individual staff members. In these circumstances, the ACT Government understands that other mechanisms, such as training and education, may be a preferable option to improve staff awareness of reporting obligations and understand the perception of the integrity of the particular agency's senior leadership.

Recommendation 6 Whole-of-Government Staff Survey

CMTEDD should:

- a) conduct a regular ACT Public Service survey that includes questions relating to fraud and corruption and integrity-related risks; and
- b) publicly report on the results of these surveys.

Government Position

AGREE

The ACT Government agrees with the Auditor-General's recommendation. ACT Government agencies actively participate in whole-of-government surveys such as the ACT Public Service survey in relation to fraud and corruption and integrity related risks.

It is understood that results from whole-of-government surveys are of limited benefit to smaller agencies as their results are not reported due to its sample size. The ACT Government is conscious that, coupled with recommendation five, there is a risk that staff could suffer from survey fatigue and supply answers and data that is not an accurate reflection of the actual state of the service.

To counter this, should an ACT Government agency wish to survey their staff on fraud and awareness, there should be consultation amongst ACT Government agencies to coordinate survey efforts to avoid duplication. The ACT Government recognises that individual agencies and Directorates may wish to undertake their own staff surveys to gauge staff understanding of specific fraud and corruption risks to that agency or Directorate, that may not be covered in a whole of sector survey.