



Australian Government
Department of Foreign Affairs and Trade



FRAUD CONTROL & ANTI-CORRUPTION PLAN

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SECRETARY'S FOREWORD

Fraud against the Commonwealth is an extremely serious matter for all Commonwealth entities and for the community. Not only is it a criminal offence, but fraud and corruption reduce the funds available for delivering priority programs and services and undermine public confidence in the department and the Australian Government.

The Department of Foreign Affairs and Trade works in a complicated and fast paced domestic and international environment which exposes us to a unique set of fraud and corruption risks.

The Fraud Control and Anti-Corruption Plan sets out the overall context and arrangements for the management of fraud and corruption risks in DFAT, meeting our legislative requirements under the *Commonwealth Fraud Control Framework 2014*.

Underpinning the Plan is the principle that the most effective way to prevent or deter fraud and corruption is through the thorough and rigorous design of policy and programs and detailed planning prior to implementation. This principle is reflected in the training, policies and written guidance promulgated by the department on managing and mitigating risk, including the risk of fraud and corruption in our Australian and overseas operations.

The Plan is designed to inform and assist staff and managers at all levels of DFAT's operations. Given our shared responsibility for preventing and detecting fraud and corruption, the Plan is mandatory reading for all staff.

I encourage all staff to use the Plan as an important reference tool and to advise the department's dedicated fraud and corruption control areas of any identified or emerging fraud and corruption risks.

Mr Peter N Varghese AO
Secretary
Department of Foreign Affairs and Trade

INTRODUCTION

Under section 10 (b) of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule), the Department of Foreign Affairs and Trade (DFAT) must develop and implement a Fraud Control Plan.

This document is DFAT's plan to control fraud and corruption. This document is developed in accordance with the *Commonwealth Fraud Control Framework 2014* and PGPA Rule.

DFAT has conducted a fraud and corruption risk assessment which underpins this plan.

DFAT'S OPERATING CONTEXT

DFAT is a complex global organisation with a variety of operations subject to a multitude of fraud and corruption risks. As a consequence of the nature and location of work, DFAT is far more exposed to fraud, infiltration and corruption risk. In formulating this Plan, DFAT has had regard to the specialised nature of our diplomatic, trade, consular, passport and aid program operations. Each presents its own particular challenges and risks.

The department operates globally through 95 posts located in 77 countries, as well as in Australian State and Territory offices and our Canberra headquarters. To develop and deliver a wide range of functions, programs and services the department employs over 6000 people comprising Australian Public Service (APS) staff, overseas locally engaged staff (LES) and contractors.

As outlined in the 2015-16 Portfolio Budget Statements, DFAT's departmental appropriation totals \$1,686.8 million and DFAT's administered appropriation totals \$3,594.4 million.

With significant expenditure, a large network of offices and staff, programs and functions spanning a variety of legal and cultural environments, the department's fraud and corruption risks are unique for a Commonwealth department.

Due to the complexity of DFAT's operating environment, the department has constructed a comprehensive approach to combatting fraud and corruption. The Plan details approaches to prevention, detection, investigation and response, as well as monitoring and evaluation, which make up DFAT's fraud and corruption control framework.

FRAUD AND CORRUPTION

WHAT IS FRAUD AND CORRUPTION?

Definition of Fraud

The *Commonwealth Fraud Control Framework 2014* defines fraud as 'dishonestly obtaining a benefit or causing a loss by deception or other means'. This includes:

- › Theft;
- › Obtaining property, a financial advantage or any other benefit by deception;
- › Causing a loss, or avoiding or creating a liability by deception;
- › Providing false or misleading information to the Commonwealth, or failing to provide information where there is an obligation to do so;
- › Making, using or possessing forged or falsified documents;
- › Bribery, corruption or abuse of position;
- › Unlawful use of Commonwealth computers, vehicles, telephones and other property or services;
- › Divulging confidential information to outside sources;
- › Hacking into, or interfering with a Commonwealth computer system; and
- › Any offences of a like nature to those listed above.

Fraud can be perpetrated by anyone: DFAT staff, departmental clients or other external persons, contractors or service providers and third party providers including non-government organisations (NGOs), multilateral organisations, the private sector, or staff of other Australian government agencies or foreign governments.

DFAT has responded to the added risks of delivering functions, programs and services in challenging overseas environments by adding to the Commonwealth definition, to expressly forbid all facilitation payments.

Facilitation payments are defined under section 70.4 of the *Australian Criminal Code Act 1995*. The code defines these as payments to foreign public officials for the 'sole or dominant purpose of expediting or securing the performance of a routine government action of a minor nature.'

Facilitation payments are indistinct from bribes in many jurisdictions and pose a serious reputational risk to DFAT and the Australian Government.

Definition of Corruption

DFAT defines corruption as the abuse of entrusted power for private gain. Corruption can be large or small scale, political in nature and usually perpetrated for financial gain.

- › Large scale corruption can consist of acts that distort policies or the general functioning of the State.
- › Small scale corruption refers to the abuse of power by lower to mid-level government officials.

- › Political corruption refers to the abuse of power to manipulate policies of institutions for political gain.

Often in practice there is an overlap between situations captured by these fraud and corruption definitions.

DFAT'S POLICY ON FRAUD AND CORRUPTION

The management of fraud and corruption risk is a collective responsibility of all Commonwealth officials or persons otherwise engaged by the Commonwealth. Everyone in a Commonwealth entity is responsible for the proper management of public resources, whether working on policy, program delivery, or other functions.

All staff, program delivery partners and contractors are required to promptly report all cases of suspected or detected fraud or corruption in accordance with this policy.

Zero Tolerance – More Than Just Compliance

DFAT has a policy of zero tolerance towards fraudulent and corrupt activity or behaviour. This applies to departmental staff (including LES) and external parties that receive Australian Government funds, including all aid program funds. Accordingly the policy applies to contractors, third party service providers, multilateral organisations, NGOs, partner governments and other recipients of DFAT funds.

DFAT's approach to fraud and corruption control is based on prevention, detection, investigation and response. DFAT's business inherently involves high levels of operational risk, so in professionally carrying out its functions DFAT needs to engage with and effectively manage risk. This means designing business activities to most effectively prevent and deter corruption and fraud. In practice, 'zero tolerance' means DFAT will:

- › investigate all alleged instances or reports of fraud to determine the nature and extent of the fraud;
- › apply appropriate administrative or contractual penalties, including termination of engagement;
- › seek prosecution of offenders and the application of appropriate penalties, including through referral to local law enforcement authorities overseas and/or the Australian Federal Police; and
- › seek the recovery of misappropriated funds or assets.

A zero tolerance approach to fraud and corruption does not mean that all fraud and corruption can be avoided or prevented. Instead a zero tolerance approach represents a set of principles and actions that are applied by DFAT to prevent, detect, investigate and respond to fraud and corruption in order to effectively manage associated risks. These principles and actions form part of DFAT's fraud and corruption control framework.

KEY ROLES AND RESPONSIBILITIES

All staff have an ongoing responsibility to ensure the efficient and effective use of public monies and assets.

Specific responsibilities for fraud control and corruption within DFAT are allocated to a range of separate areas of the department as detailed below.

Principal Fraud Officers

The principal fraud officers including the Director FCS (External Fraud) are responsible for the maintenance of the Plan and underlying anti-fraud and corruption strategies.

Fraud Control Section (FCS)

FCS oversees the management of fraud and corruption committed by external parties against DFAT including in relation to the Australian aid program. FCS coordinates the development of the department's Fraud Control and Anti-Corruption Plan and Fraud Risk Assessments and the department-wide fraud reporting including the annual report to the Minister on fraud and DFAT's response to the annual Australian Institute of Criminology survey.

Conduct and Ethics Unit (CEU)

CEU's primary role is to investigate internal fraud and corruption.

Passport Fraud Section (PFS)

PFS is responsible for managing and investigating offences relating to passport fraud.

Ethics Committee

The DFAT Ethics Committee meets regularly to review ethics policy and conduct issues. The Committee's terms of reference are to:

- › Promote high standards of ethical behaviour;
- › Prevent misconduct;
- › Ensure that investigations are carried out fairly and promptly; and
- › Provide clear and consistent guidance on standards of conduct.

Audit and Risk Committee

The DFAT Audit and Risk Committee reviews the department's corporate governance, risk management and control framework to advise the Secretary. It also provides independent assurance on the department's external accountability and other legislative compliance responsibilities. One of its specific functions is to review the process of developing and implementing DFAT's fraud and corruption control arrangements and to ensure that DFAT has appropriate processes and systems in place to prevent and detect fraud and corruption as well as investigate and respond to instances of alleged fraud and corruption.

Heads of Mission

The Head of Mission (HOM) is responsible for effective, efficient, economical and ethical use of Commonwealth resources, including aid funding at Post. HOMs must ensure that all staff understand the statutory and departmental requirements related to the performance of their duties and their responsibilities in relation to fraud and corruption control.

Managers

Departmental managers have an ongoing requirement to be vigilant in relation to the possibility of fraud and corruption and to respond accordingly. In undertaking their duties managers should:

- › Ensure that risk treatments and general fraud and corruption awareness practices in their areas are regularly reviewed to ensure a satisfactory level of risk management;

- › Advise the relevant DFAT fraud area of any significant changes in functional area responsibilities and operating environments that result in new fraud or corruption risks; and
- › Ensure staff are aware of the fraud and corruption control policies and measures that are to be observed in their area and, where applicable, the broader department.

Staff working with Australian aid program funds

Staff working with Australian aid program funds have responsibilities to:

- › Identify and document fraud and corruption risks when developing risk registers and aid risk management plans;
- › Monitor implementing partners' compliance with their agreed responsibilities relating to fraud, conflict of interest and corruption;
- › Regularly review the risk register and risk management plan developed during investment design to monitor the progress of treatment strategies and identify new potential risks early so action can be taken to avoid or mitigate risks; and
- › Report all suspected or detected fraud and corruption involving Australian aid program funds to FCS where the suspect(s) and/or perpetrator(s) are not DFAT staff.

All DFAT Staff

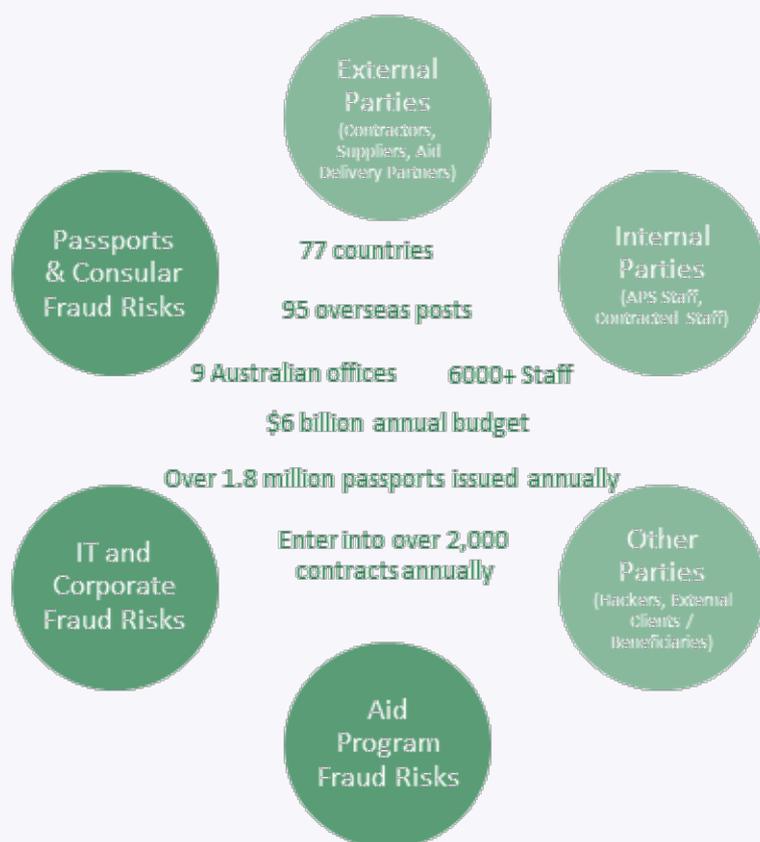
All DFAT staff have a responsibility to:

- › Seek to promote professional and ethical practice by other staff and clients by setting an appropriate example and recognising the contributions of others;
- › Take appropriate action in relation to suspected fraudulent or improper conduct within their area of responsibility;
- › Implement fraud and corruption risk management strategies and participate fully in activities relating to fraud control;
- › Undertake and complete all required fraud control and anti-corruption training within required timeframe;
- › Act in accordance with the APS Values and Code of Conduct including notification of any conflict of interests;
- › Immediately advise their supervisor and/or the relevant DFAT fraud area where they hold any concern, suspicion or information regarding fraudulent, corrupt or improper conduct, and encourage others to do the same;
- › Assist with all reports of fraud or improper conduct in a professional and prompt manner;
- › Not knowingly make a false or misleading report of suspected fraud or corruption;
- › Not act in a retaliatory, discriminatory or otherwise adverse manner in regard to a person, on account of that person making a genuine report or providing assistance in a relevant inquiry; and
- › Not hinder or impede an investigation, and give every courtesy and assistance to any person authorised by management to conduct an investigation.

FRAUD CONTROL AND ANTI-CORRUPTION FRAMEWORK

DFAT’s Fraud and Corruption Control Framework is designed to respond to several major categories of fraud and corruption risk. These risks arise from DFAT’s unique operating environment, in which a range of internal and external actors may potentially commit fraud or act corruptly. See Figure 1.

Figure 1 – DFAT’s Operating Environment



ACTORS WHO CAN COMMIT FRAUD

As illustrated above, internal and external actors, in conjunction with the operating environment, are sources of fraud and corruption risk to DFAT. The interrelationship between these may also heighten fraud and corruption risk for DFAT.

ELEMENTS OF THE FRAUD AND CORRUPTION CONTROL FRAMEWORK

Consistent with the PGPA Rule — a legislative instrument binding all Commonwealth entities setting out the key requirements of fraud control — DFAT’s fraud and corruption control framework is based on:

- › Thorough, regular assessment of risks particular to DFAT’s operating environment and the programs the department administers;
- › Development and implementation of processes and systems to effectively prevent, detect and investigate fraud and corruption;
- › Application of appropriate criminal, civil, administrative or disciplinary action to remedy the harm from fraud and corruption;
- › Recovery of the proceeds from fraudulent activity;
- › Training officials and relevant program delivery partners in fraud and corruption awareness and specialised training of officials involved in fraud and corruption control activities; and
- › External scrutiny of fraud and corruption control activities by the Australian National Audit Office (ANAO) to provide accountability to Parliament.

DFAT implements this framework using the Prevent, Detect, Investigate and Respond model which underpins the Australian Standard on Fraud and Corruption Control AS8001:2008 and the ANAO Better Practice Guide on Fraud Control in Australian Government Agencies.

Figure 2 – DFAT’s Fraud and Corruption Control Framework



LEADERSHIP AND ETHICAL CULTURE

The first line of protection for DFAT against fraud and corruption is a robust internal culture that promotes awareness of fraud and corruption risks and effective action to address them. An important driver in preventing and detecting fraud and corruption is an organisation's ethical environment. Good corporate governance within a sound ethical culture reduces the risk of fraudulent or corrupt activity occurring. DFAT's senior executive supports those activities that promote a strong ethical culture within the organisation.

The Secretary and the Departmental Executive place the highest priority on effective fraud and corruption control and ethical behaviour. They provide leadership in implementing this plan and applying a zero tolerance approach to fraud and corruption and the maintenance of appropriate governance arrangements.

Fraud control is the responsibility of all DFAT staff. This is underpinned by the APS Values and Code of Conduct and augmented by DFAT specific values and code of conduct policies including the DFAT Values Statement.

PREVENTION

This chapter outlines the major internal controls and the elements which comprise DFAT's approach to fraud prevention.

FRAUD RISK ASSESSMENT

Regular and comprehensive assessments of fraud risk are a critical element in preventing fraud. Under the *Public Governance Performance and Accountability Act 2013* (PGPA Act), DFAT is obliged to maintain appropriate systems of risk management. The PGPA Act also requires departments to develop and implement a fraud control plan that deals with fraud risks. As part of this Fraud Control Plan, officers are expected to take into account the risk of fraud in planning and conducting activities. DFAT undertakes a program of comprehensive, rolling risk assessments.

DFAT's risk management approach involves mitigating fraud risk to a tolerable level, recognising that DFAT works in high risk environments and that every officer in the department has a role to play in managing risks. Additionally, the department recognises that risk management is a dynamic activity. Officers should remain alert to changes in the department's operating environment and circumstances, and continue to consider risks and opportunities. The relevant timeframes for formally monitoring and reviewing risk management will vary depending on the circumstances e.g. level of risk, size and importance of the program/activity/project, the degree of change and/or dynamics of the situation.

DFAT has undertaken a comprehensive fraud risk assessment and developed the Plan in accordance with paragraph (b) of section 10 of the PGPA Rule that meets legislative requirements.

The Plan covers fraud risks relating to fraudulent or corrupt conduct perpetrated by departmental staff as well as fraud by persons outside the department—including customers, funding recipients, contractors, third parties and the general public.

In developing the Plan, the department also considered several key policy and better practice documents including the:

- › *Australian Standard on Fraud and Corruption Control (AS:8001-2008)*;
- › *Fraud Control in Australian Government Entities, Australian National Audit Office Better Practice Guide – March 2011*;
- › *Public Service Act 1999*, including APS Values and Code of Conduct and APS Employment Principles;
- › *Australian/New Zealand Standard AS/NZ ISO 31000-2009 Risk Management – Principles and Guidelines*; and
- › *DFAT's A Guide to Better Risk Management Handbook*.

Under the *Commonwealth Fraud Control Framework*, fraud risk assessments are required to be reviewed every two years.

DFAT STAFF SCREENING

DFAT is guided in its employment practices by the relevant articles of the *Public Service Act 1999* and accompanying regulations and directions. DFAT will meet the Australian Standard on Employment Screening, AS4811:2006 which involves an assessment of Identity, Credentials and Integrity.

All DFAT personnel are required to hold a recognised Australian Government Security Vetting Agency (AGSVA) security clearance prior to receiving a formal employment offer, and are required to maintain this clearance throughout the duration of their employment with DFAT.

FRAUD AWARENESS TRAINING

DFAT is committed to providing up-to-date awareness training on fraud, corruption and integrity to all staff within the department.

DFAT provides additional training for specific areas within the department that are subject to heightened risk including passports and the Australian aid program.

The CEU in conjunction with the Australian Passport Office (APO) has developed an outreach training program for all regional offices in Australia. This initiative will provide specific training to APO staff on fraud awareness and ethical decision making.

An enhanced outreach training program is being developed by the CEU and is targeted towards overseas posts and LES. Its aim is to provide guidance to staff who may be unfamiliar with DFAT's guidelines on handling and reporting internal fraud and misconduct. The training will also provide guidance on the *Public Interest Disclosure Act 2013*.

DFAT conducts three levels of training for staff:

- 1) Awareness Training – mandatory eLearning for all DFAT staff
- 2) Operational Training – face to face training for staff working in a specific area such as:
 - a. Australian Aid Program
 - b. Australian Passport Office
 - c. Public Information Disclosure
 - d. Diplomatic Security Branch
- 3) Expert Training – training that is required for staff who work in a specialised area:
 - a. Certificate IV in Government (Fraud Control)
 - b. Diploma of Fraud Control
 - c. Certificate IV in Government (Investigations)
 - d. Diploma of Investigations
 - e. Certificate IV in Government (Security)
 - f. Diploma of Government Security

SUPPLIER CONTROLS

Procurement encompasses the whole process of procuring *goods* and services including conducting risk assessments and the ongoing management of agreements. DFAT staff and implementing partners must comply with the *Commonwealth Procurement Rules* of which due diligence assessments are a component.

DFAT is committed to preventing external fraud by ensuring that its suppliers including contractors, partner governments, NGOs and multilateral organisations are subject to a wide range of due diligence supplier vetting before entering into agreements, particularly complex and high value agreements.

Due diligence assessments are undertaken in accordance with the department's Due Diligence Framework, which provides a structured approach for the identification and assessment of implementing partner risks prior to entering into agreements. A risk based approach is used to determine what due diligence is conducted and the scope of assessment.

DFAT communicates and enforces its expectations, relating to fraud and corruption control via contractual agreements with its delivery partners. DFAT's commercial contracts and grant agreements include standard fraud clauses which detail the responsibilities of DFAT's commercial and NGO partners. The standard fraud clauses place the obligation on implementing partners to investigate allegations and suspected fraud cases in the Australian aid program. These standard clauses also require commercial and NGO partners to repay funds or replace assets lost to fraud if the fraud was committed by:

the organisation or an employee of the organisation; or

an implementing partner or subcontractor of the organisation or employees of implementing partners or subcontractors of the organisation.

DFAT uses these clauses to recover funds where appropriate. Other arrangements cover partner governments and multilateral organisations. Additionally, as part of due diligence checks, suppliers are required to present a code of conduct, fraud control policy and anti-corruption/bribery policy.

CONFLICTS OF INTEREST REGIME

All DFAT APS staff (ongoing and non-ongoing) must sign an Annual Declaration of Conflicts of Interest, acknowledging that they have read and understood the department's policy on conflicts of interest. This is a separate requirement to the Disclosure of Private, Financial and Other Interests form which designated staff are also required to complete. Designated staff include all SES staff and equivalents, all non-SES APS staff who hold designated positions, all contractors and any APS staff/LES who has a real or apparent conflict of interest or, who has reasonable grounds to think he or she has such a conflict.

Contracted staff are also required to disclose to their supervisors any real or perceived conflicts of interests or any circumstances which may be perceived as involving a conflict as soon as they arise.

In accordance with DFAT's procurement policy, staff members involved in evaluating an open tender are formally appointed to an evaluation committee by an appropriate DFAT delegate. Prior to appointment, staff members are provided with written terms and conditions which outline probity requirements particularly confidentiality and conflict of interest requirements. Staff members must read and agree to abide by these terms and conditions in writing as a condition of their appointment to the evaluation committee.

It is the responsibility of all staff to manage their own conflicts of interest in accordance with the APS Code of Conduct and DFAT's conflicts of interest policy stipulated in the department's Conduct and Ethics manual.

INFORMATION ASSET CONTROLS

Structural defences against fraud and security breaches are embedded in the department's systems. These information management systems provide:

- › An effective separation of powers in the performance of financial management functions;
- › Restrictions on access to and transfer of classified information based on the need-to-know principle; and
- › Centralised monitoring, and audit of, financial and security functions.

The function of the Information Technology Steering Committee (ITSC) is to approve the ICT strategy ensuring alignment with business priorities; assess and oversee the management of strategic ICT risk; review outcomes and measurable benefits; authorise ICT policies and standards; and support whole-of-government policies. The committee meets quarterly and reports to the Departmental Executive on the operations of DFAT's IT systems, including associated risks.

The policies and procedures outlined in the department's Security Instructions, and summarised in the Annual Declaration of Information Security, are vital to the safeguarding of official information and are reinforced through targeted training courses.

FINANCIAL AND PHYSICAL ASSET CONTROLS

The department recognises that regular accountable documentation and financial management checks and the clear assignment of financial delegations as outlined in the Financial Management Manual are a critical line of defence against fraud.

DFAT has a number of automated and manual controls to ensure the integrity of payment procedures. These controls reinforce segregation of duties, facilitate error detection and enhance data integrity. The controls include system controls, routine checks, exception reporting, audit and management oversight.

DFAT retains an asset register and regularly undertakes stocktakes to ensure that assets are appropriately maintained. Additionally, agreements with delivery partners to manage assets include the use and maintenance of asset registers. Delivery partner asset management systems are also subject to DFAT review/audit upon request.

AID PROGRAM FRAUD PREVENTION CONTROLS

Aid programs and individual aid investments are designed to address the risk of fraud and corruption. Underpinning these designs are risk management plans which are prepared by DFAT at various phases of the aid management cycle. Risk management plans should be developed at the country/program level and documented in the aid investment plan. The aid investment plan needs to include an assessment/identification of the country or regional specific risks and how we will mitigate them. For individual aid investments, investment design quality criteria ensure aid investments are, among other things, able to manage risks and apply where necessary mitigation/management strategies. All risks should be identified and management strategies put in place before implementation. Additionally, due diligence checks on aid delivery partners ensure they have robust integrity systems in place. Contractually, implementing partners delivering aid procurements and grants are required to, within one month of the project start date, conduct a fraud risk assessment and produce a fraud control strategy. The risk assessment and strategy must contain appropriate fraud prevention, detection, investigation and reporting processes and procedures.

As part of the government's development policy and performance framework, all major country and regional aid programs are required to develop fraud control and anti-corruption strategies (FACS).

In addition to the FACS, DFAT actively works with other major international donors to combat fraud and corruption. As part of this process DFAT maintains memoranda of understanding with key aid partners to assist in combating fraud and corruption through sharing information, including on specific fraud cases. DFAT has dedicated fraud and risk management staff in Canberra and at selected posts.

Fraud and corruption awareness training is provided by FCS to DFAT staff and external partner representatives, including contractors, non-government organisations (NGOs) and partner government representatives involved in the Australian aid program.

Assets Purchased From Administered Funds By Aid Implementing Partners.

Program partners are responsible for the oversight, maintenance and management of an asset for the life of the asset or program. Following this, the asset will be transferred to the partner government, another implementing partner or otherwise dealt with in accordance with DFAT directions. Program partners are required to manage these assets in accordance with their written agreement with DFAT.

Obligations upon External Parties

A key element of DFAT's fraud control arrangements for the Australian aid program is the requirements placed upon partner organisations in relation to the management and investigation of fraud.

Contract and grant agreement obligations, on a proportional risk basis, require program delivery partners to:

- › Ensure that the partner or its personnel do not engage in any fraud and must prevent and detect fraud, including by the partners personnel.
- › Within one month of Project Start Date, conduct a fraud risk assessment and produce a fraud control strategy in compliance with the Fraud Control Framework 2014. The risk assessment and strategy must contain appropriate fraud prevention, detection, investigation and reporting processes and procedures.
- › Ensure that personnel are responsible and accountable to the delivery partner for preventing and reporting fraud as part of their routine responsibilities. This includes reporting potential fraud matters within five (5) business days.
- › In consultation with DFAT, develop and implement a strategy to investigate reports of fraud and bear the cost of the investigation.
- › Recover any DFAT funds or DFAT-funded property acquired or distributed through the fraud, including taking recovery action in accordance with recovery procedures (including civil litigation) available in the partner country.
- › Adhere to the relevant conflict of interest and confidentiality clauses.
- › Ensure that the partner or its personnel do not make or cause to be made, receive or seek to receive any offer, gift, payment or benefit of any kind, which could be construed as an illegal or corrupt act.

Banning Of Facilitation Payments

Facilitation payments are paid in order to expedite or secure the performance of a routine government action which should be completed without such payment. As a preventative measure, to mitigate the risk of facilitation payments being associated with bribery, DFAT funds cannot be used for facilitation payments regardless of whether it is legal in the country of payment. This provides a clear direction to DFAT staff and delivery partners to ensure bribery does not occur.

Facilitation payments undermine local anti-corruption and anti-bribery campaigns. These payments also confuse anti-bribery messages from DFAT and our partners, and from partner governments themselves. Ultimately, facilitation payments damage the reputation of Australia's aid program both at home and abroad by undermining our efforts to promote good governance.

Program Design

Risk management is required throughout the aid management cycle. It is important that the design of a new aid activity, or the redesign of an existing activity, should include consideration of the lessons learnt from previous instances of fraud. Ensuring that the lessons learnt are integrated into future design helps ensure that adequate controls and risk management strategies are built into new aid investments.

Following incidents of fraud, the Department undertakes an analysis of control failures. Corrective actions taken to address causes, control gaps or weaknesses identified in detected frauds can support the improvement of fraud controls in future aid investments.

FCS works with program areas to assist in the review of designs and investments from a fraud and corruption perspective. This review specifically addresses the strength of the fraud control approach and risk mitigation strategies.

Internal Audit Branch, as part of their ongoing audit program, liaise with FCS to identify and test risks in respect to fraud and corruption matters.

PASSPORT INTEGRITY CONTROLS

Manual and automated procedures complement each other to prevent the fraudulent issue of passports. These controls ensure passport applicants' identity and eligibility for an Australian Passport are authenticated prior to issue. Automated controls restrict APO staff user access rights. This means that staff cannot perform all passport functions including the interviewing, passport eligibility assessment and printing functions. Manual controls, including face to face interviewing of new passport applicants, further ensures passports are issued to the correct individual.

DFAT has a dedicated Passport Fraud Section (PFS) to examine and implement fraud prevention measures. PFS represents DFAT at the international level in anti-fraud working groups. These working groups discuss emerging trends, best practice and new technologies to prevent passport related fraud.

INTERNAL POLICIES

To support fraud and corruption awareness and prevention, DFAT has strong internal policies on:

- > Conflict of interest
- > Receiving gifts and other benefits
- > Secretary's Instructions on:
 - o Official Travel
 - o Commonwealth Credit Cards and Credit Vouchers
 - o Managing Public Property
 - o Use of Commonwealth vehicles
- > Transparent procurement / tendering processes

- › Use of electronic facilities, and
- › Protective security

DFAT also has similar expectations of its delivery partners, their employees, and subcontractors and includes these in contractual and funding agreements.

DETECTION

THE IMPORTANCE OF A DETECTION REGIME

DFAT recognises that no matter how comprehensive a prevention regime is it is not fool proof against fraud and corruption. Fraud detection regimes are an essential component of a rigorous anti-fraud and corruption program as both a deterrent as well as a fraud identification mechanism.

MANAGEMENT REPORTING AND DATA ANALYSIS

DFAT's Financial Management Compliance System (FMCS) provides a critical element of the department's financial assurance framework and compliance reporting.

In addition to the FMCS, DFAT undertakes monthly budget monitoring to track spending against budget and aims to identify any inconsistencies as soon as possible.

ELECTRONIC MONITORING AND DETECTION

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

SITE VISITS AND INSPECTIONS

Aid program staff conduct site visits to assess program delivery and the contractual performance of aid implementing partners. In addition, DFAT has strong standard contractual clauses with aid implementing partners. These cover the requirement for implementing partners to conduct regular audits, reviews and performance assessments.

INTERNAL AND EXTERNAL AUDIT

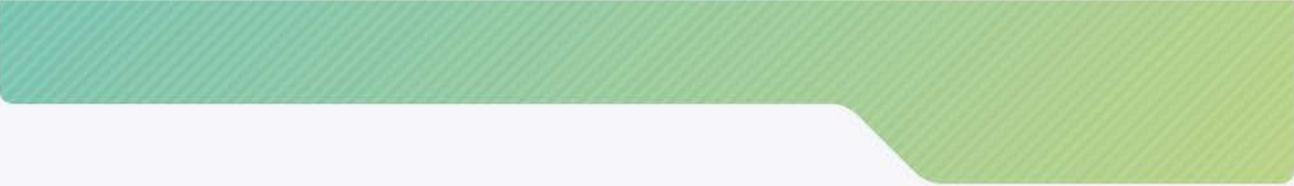
All areas of DFAT comply with departmental policies and practices and are subject to review by Internal Audit Branch (AUB).

DFAT is also subject to external audits undertaken by the Australia National Audit Office.

INTERNAL AND EXTERNAL REPORTING CHANNELS

A key obligation of staff is to report all cases of suspected, alleged or committed fraud or corruption immediately after it is identified. All cases of fraud and corruption are handled in a confidential, prompt and professional manner.

Transnational Crime Section (TNC) is responsible for liaison with the AFP in relation to the alleged commission of Australian extraterritorial offences, including bribery of foreign public officials. DFAT maintains a 'Suspected or Detected fraud – What to Report Form' to assist departmental personnel and implementing partners to report instances of alleged wrongdoing in the Australian aid program in accordance with DFAT's zero tolerance policy. Program partners must report any suspicion or detection of fraudulent activity in writing within five business days to DFAT.



PUBLIC INTEREST DISCLOSURES AND PROTECTIONS

The *Public Interest Disclosure (PID) Act 2013* was introduced to encourage public officials to report suspected wrongdoing in the Australian public sector.

The department sees public interest disclosures as an important fraud detection mechanism and takes its responsibilities under the PID Act seriously. The PID Act promotes the integrity and accountability of the Commonwealth public sector.

INVESTIGATE AND RESPOND

DFAT'S INVESTIGATION PROTOCOL

Wherever suspected fraud or corruption is reported or identified, DFAT is committed to investigate and, if confirmed, respond with appropriate administrative, civil or criminal action.

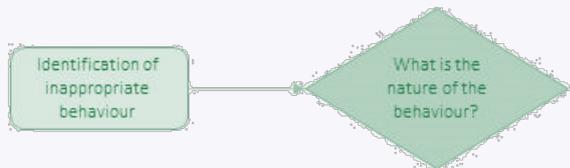
DFAT has three investigative groups who are responsible for facets of fraud investigations. These are:

- › FCS: is responsible for the investigation of fraud perpetrated by external parties, and fraud perpetrated against Australia's aid program in cooperation with relevant program divisions;
- › PFS: is responsible for managing and investigating offences relating to passport fraud; and
- › CEU: is responsible for the investigation of internally perpetrated fraud and other misconduct.

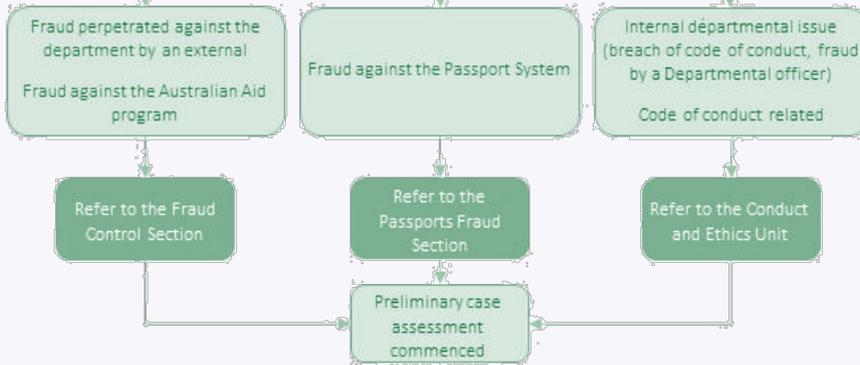
DFAT's investigation protocol is shown in the following diagram:

Figure 3 – DFAT's Investigation Process

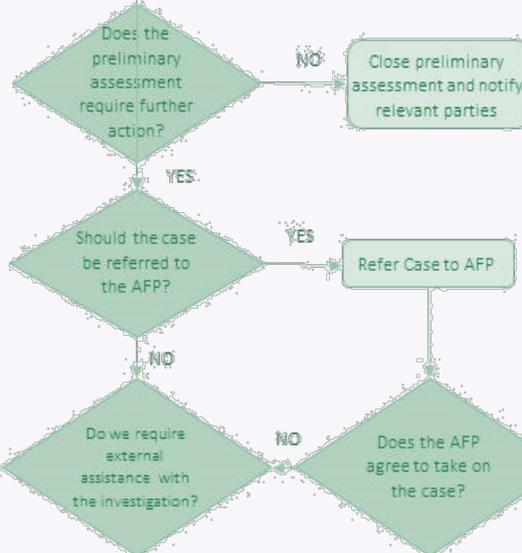
IDENTIFICATION



PRELIMINARY EVALUATION



ALLOCATION



INVESTIGATION



REMEDATION



INTERNAL INVESTIGATIVE RESOURCES

As required by the PGPA Rule, DFAT officials primarily engaged in fraud and corruption control activities including investigating and training must meet the fraud control competency requirements set out in the Australian Government Investigation Standards (AGIS). These staff must possess relevant qualifications.

Fraud Control Section

FCS oversees external fraud against the department. External fraud includes fraud against the Australian aid program. In line with contractual agreements, aid implementing partners are required to investigate detected, suspected or attempted fraud in line with the principles set out in AGIS. FCS oversees (and may direct) the management of fraud allegations and investigations by aid implementing partners to ensure value for money, compliance with contractual obligations and due process.

Passport Fraud Section

PFS investigates offences under the *Australian Passports Act 2005*. These offences are indictable and can attract terms of imprisonment of up to 10 years or 1000 penalty units, or both. PFS prioritises and selects those matters for investigation that present the most serious threat to DFAT's objectives.

Conduct and Ethics Unit

CEU investigate allegations of fraud and misconduct against DFAT staff and contracted staff fairly and expeditiously in accordance with AGIS and departmental investigation guidelines and procedures for determining breaches of the APS Code of Conduct.

EXTERNAL SUPPORT AND ESCALATION PROTOCOLS

In the event that DFAT's own investigative resources are unable to investigate, DFAT can access supplementary external resources:

- › DFAT may contract investigators drawn from government procurement panels;
- › Matters of particular sensitivity, involving bribery or significant fraud may be referred to the AFP in line with the AFP's Case Categorisation and Prioritisation Model; and

Where PFS, FCS and/or CEU require additional resources to conduct an investigation, priority will be given to using other investigators within DFAT.

APPLICATION OF APPROPRIATE PENALTIES AND RECOVERY OF FUNDS

The department will take appropriate criminal, civil or administrative action to recover losses or seek recovery for damages and seek the application of appropriate other penalties. The decision regarding appropriate action takes into account the deterrent value of recovery, other follow up actions, the reputation of the department, the likelihood of success and the costs of recovery/follow up action.

Where appropriate, DFAT will seek to recover losses:

- › By withholding final payment or termination benefits via payroll;
- › Contractually from partner organisations including through damages for breach of agreement;
- › Through civil remedies such as a demand for payment;
- › Criminally via a restitution order flowing from a criminal conviction;
- › Under *the Proceeds of Crime Act 2002*; or
- › By other legally available methods.

DFAT will also seek application of appropriate administrative or contractual penalties. These can include:

- › Termination of Employment; and/or
- › Termination of Contract.

ACTIONS FOLLOWING AN INCIDENT / INVESTIGATION

Following incidents of fraud or corruption, the department will undertake an analysis of the control failures which allowed the fraud to occur and institute corrective action where systemic issues are identified.

The responsibility for undertaking the control failure analysis lies with the investigating unit (ie. FCS, PFS, CEU). They are in the best position to understand the elements leading to the fraud and recommend corrective action.

MONITORING AND EVALUATION

MONITORING THE EFFECTIVENESS OF FRAUD CONTROL ACTIVITIES

Periodic Fraud Reporting

FCS, CEU and PFS all report periodically to a range of internal departmental governance bodies including, the Departmental Executive, the Audit and Risk Committee and Ethics Committee. Data analysis is used to identify emerging trends and to assist with identifying future mitigation strategies.

DFAT participates in the Australian Public Service Commission's annual State Of The Service Survey and the Australian Institute of Criminology's Annual Fraud Survey. Emerging risks, trends and issues from these surveys are used to guide future fraud control activities at the Commonwealth wide level.

Summary information on instances of fraud and corruption related to the Australian aid program is reported published via the annual fact sheet.

Aid Program Fraud

A range of regular processes review and report on the management of fraud within individual aid programs, as appropriate. These include program health checks (approximately every three years) and Annual Aid Program Performance Reports (APPRs). APPRs provide frank, evidence-based assessments of programs' progress against the Australian aid objectives set out in Aid Investment Plans and include proposals for management action.

FCS conducts ongoing monitoring of fraud statistics including the number of case referrals, cases by fraud type, location and dollar value. This process informs future actions and provides the basis for regular senior management review of current departmental fraud and anti-corruption initiatives.

Program Partner Performance

DFAT's program partners are subject to annual performance assessments to ensure they deliver the services required under their aid agreements.

DFAT program managers are required to conduct partner performance assessments annually on all aid investment agreements with NGOs, commercial suppliers and multilateral organisations with a total value over \$3 million (except for core contributions to multilateral organisations). This assessment covers the effectiveness of systems for identifying, managing and reporting risk, fraud and corruption as well as the adequacy of program partners' communication with DFAT on risks/issues that may adversely affect timing, cost or quality of services as agreed.

Aid Quality Checks

DFAT program managers are required to complete an annual Aid Quality Check (AQC) for all aid investments with a total value over \$3 million. AQCs assess how well aid investments have performed against eight standard criteria over a 12 month period. Under one of these criteria, aid investments are assessed for the effectiveness and appropriateness of measures in place to prevent, detect and deal with fraud and corruption.

Passport Fraud

PFS maintains ongoing monitoring of fraud statistics including the number of case referrals and emerging trends. PFS collaborates with the five nation anti-fraud working group to identify emerging trends, best practice and new technologies to prevent passport related fraud. This information is used to undertake an annual review of indicators.

Internal Fraud

The CEU reports on any emerging trends or systemic problems. The CEU reports on any adverse findings directly to the department's Ethics Committee on a quarterly basis. Where necessary, the CEU also reports to Commonwealth Director of Public Prosecutions, the Australian Federal Police and the Commonwealth Ombudsman.

Whole of Agency Reporting

In accordance with the Commonwealth Fraud Control Policy, DFAT collects information on fraud and provides it to the Australian Institute of Criminology by 30 September each year. DFAT's response is aggregated together with other Commonwealth agencies' responses into one report. This report is provided to the Minister for Justice and is used by the Attorney-General's Department to inform Commonwealth wide risks assessments, policy development and compliance activities.

FCS also provides an annual report to the Minister for Foreign Affairs and Trade at the end of each financial year on all fraud matters, both internally and externally.

APPENDIX A - FURTHER RESOURCES

Legal and policy requirements

The *Commonwealth Fraud Control Framework 2014* brings together the Commonwealth legal and policy requirements, which are set out in three documents:

- › Section 10 of the *Public Governance, Performance and Accountability Rule 2014*
- › The *Commonwealth Fraud Control Policy 2014* (the Fraud Policy); and
- › Department of Finance- Resource Management Guide No. 201 – Preventing, detecting and dealing with fraud.

Other relevant legal and policy requirements that DFAT must follow are listed below:

- › The *Australian Passports Act 2005*;
- › The *Foreign Passports (Law Enforcement and Security) Act 2005*;
- › The *Australian Passports Determination 2015*;
- › The Prosecution Policy of the Commonwealth;
- › Part 1C of the *Crimes Act 1914*;
- › *Criminal Code Act 1995*;
- › The *Freedom of Information Act 1982*; and
- › The *Privacy Act 1988*.
- › The *Public Interest Disclosure Act 2013*.