Fraud Control Arrangements in Employment, Education, Training and Youth Affairs

Australian National
Audit Office

Canberra ACT
22 July 1999

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit of Fraud Control Arrangements in Employment, Education, Training and Youth Affairs in accordance with the authority contained in the *Auditor-General Act 1997.* I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Fraud Control Arrangements in Employment, Education, Training and Youth Affairs.*

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage— http://www.anao.gov.au.

Yours sincerely

P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

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Contents

Abbreviations/Glossary

AFP	Australian Federal Police
ANAO	Australian National Audit Office
APS	Australian Public Service
A-Gs	Attorney-Generals Department
CEO	Chief Executive Officer
CLEB	Commonwealth Law Enforcement Board
DEETYA	Department of Employment, Education, Training and Youth Affairs
DETYA	Department of Education, Training and Youth Affairs
DEWRSB	Department of Employment, Workplace Relations and Small Business
DoFA	Department of Finance and Administration
DPP	Director of Public Prosecutions
FMA Act	*Financial Management and Accountability Act 1997*
FPU	Fraud Prevention Unit
IT	Information technology
KPI	Key performance indicator
MCOs	Mandatory corporate obligations
NSW	New South Wales
Qld	Queensland
SLAs	Service level agreements

Summary and Recommendations

Audit summary

Introduction

1.   Preventing, as well as dealing with, fraud are important issues for all government agencies. Fraud is defined as:

…inducing a course of action by deceit or other dishonest conduct, involving acts or omissions or the making of false statements, orally or in writing with the object of obtaining money or benefits from or evading liability to the Commonwealth.[1]

2.   Under the *Financial Management and Accountability Act 1997* (*FMA Act*), Chief Executive Officers are responsible for the implementation of a fraud control plan and reporting to the Portfolio Minister on fraud control. This requirement of the *FMA Act* reflects the Government's commitment to fraud control, as follows:

The Commonwealth Government is committed to protecting its revenue, expenditure and property from any attempt, either by members of the public, contractors, sub-contractors, agencies, intermediaries or its own employees to gain by deceit financial or other benefits. This policy is designed to protect public money and property, protect the integrity, security and reputation of our public institutions and maintain a high level of services to the community consistent with the good government of the Commonwealth.[2]

3.   Although the value of fraud committed in Australia is not known, either in the private sector or for each level of government, estimates place it at $3.5 billion per year[3]. Fraud is therefore a significant concern for all Australians. It is against this background that this specific audit has been undertaken.

4.   In particular, leading up to this audit the former Department of Employment, Education, Training and Youth Affairs (DEETYA) had undergone significant changes to its structure and operating environment. Therefore, DEETYA provided a good case study to test the elements of a sound fraud control framework reflective of the significant changes which

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[1]   Taken from the Interim Ministerial Direction on Fraud Control issued in 1994 which is included in the Commonwealth Law Enforcement Board (CLEB) Guide, *Best Practice for Fraud Control*, Canberra, 1994.

[2]   Fraud Control Policy of the Commonwealth in *Best Practice for Fraud Control,* CLEB, AGPS. Canberra 1994. p1.

[3]   Australian Institute of Criminology, *Australian Crime*, Facts and Figures 1998.

had occurred. By way of background the level of fraud reported in DEETYA's Annual Report for 1997–98 is shown in Table 1.

Table 1

Fraud control activities reported in DEETYA's Annual Report 1997–98

Fraud control activities undertaken by DEETYA during 1997–98	No.
Number of allegations of possible fraudulent activities that were investigated.	228
Number of cases finalised.	433
Number of finalised cases confirmed as having involved fraud.	205
Number of cases referred to the Australian Federal Police.	6
Number of briefs of evidence referred to the Director of Public Prosecutions.	63
Number of clients or service providers that the courts found to have committed fraud under Commonwealth or State legislation.	63

5. Following on from this specific audit of the former DEETYA, a series of audits of fraud control arrangements in various Commonwealth government agencies is planned to be undertaken by the ANAO over the next few years because of its importance, particularly in the higher risk environment created by significant changes in the public sector.

Changes to administrative arrangements

6. During the course of this audit administrative changes[4] were made to the department being audited. DEETYA and the Department of Workplace Relations and Small Business were abolished and replaced by the Department of Education, Training and Youth Affairs (DETYA) and the Department of Employment, Workplace Relations and Small Business (DEWRSB). A major change was the transfer of employment responsibilities to DEWRSB. The audit will be relevant to both DETYA and DEWRSB since the findings relate to fraud control matters within their current responsibilities.

Audit objective, scope and criteria

7. The objective of this audit was to establish whether the Department had developed a sound fraud control framework by examining the arrangements for:

• policy and planning;

• performance assessment;

• quality assurance; and

• training and awareness raising.

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[4]   Administrative Arrangements Order of 21 October 1998.

8. For the purposes of this audit, the ANAO examined each of these areas against the key better practice principles established by the Commonwealth Law Enforcement Board (CLEB) and sound management practice generally. For example, in relation to planning, we sought to establish whether an overall plan for fraud control for the Department had been developed and was based on appropriate risk assessment.

9. In establishing audit criteria, the ANAO had regard to the key elements of fraud control, that is, prevention, management, detection and investigation. It is particularly important to have robust prevention arrangements in place which will serve to reduce the actual incidences of fraud occurring and the attendant costs involved.

Audit methodology

10. The audit fieldwork was undertaken between July 1998 and April 1999. Interviews with key staff and reviews of documents and files were undertaken at National office. As well, the ANAO visited two State offices, New South Wales (NSW) and Queensland (Qld). The main purpose of the visits was to examine compliance issues in the Fraud Control Units located in State offices using indicative samples. Compliance issues were also examined at National office through an assessment of the work of the specialist fraud control units in that office.

Audit conclusion

11. The ANAO concluded that the Department generally had established a sound fraud control framework to prevent, as well as to manage fraud. However, the quality assurance component of that framework had not been established. Further, in a number of cases, there was a lack of compliance with the systematic approach set out in the Manual for Officers of the Department's Fraud Prevention Units and with better practice generally. As a result, the effectiveness could have been improved in terms of ensuring allegations and actual cases of fraud were dealt with promptly and that records were both up-to-date and accurate. Consequently, there was a risk that delays in taking action would inhibit the achievement of successful investigations and/or prosecution of fraud cases.

12. Particular arrangements which worked well in practice in the Department, up to the time of the administrative changes in late 1998, are as follows:

• the Secretary had issued policy statements which outlined his commitment to fraud control and clearly identified the responsibilities

of all officers and management generally for fraud prevention in line with CLEB guidelines;

- the Department had developed and used a risk assessment methodology which had been identified by CLEB as an example of good practice; and

- the Department established a fraud control plan covering the prescribed (by CLEB) issues and associated actions for all areas of medium to high risk.

Where relevant, both departments should continue such arrangements in the future.

13. Arrangements for business planning and performance assessment that required improvement to achieve better practice are as follows:

- the Department had developed business plans for each level responsible for fraud control based on a risk assessment but, in moving quickly to adopt the new outcomes and outputs approach[5], had not defined fraud control outcomes appropriately in a way which fully met the requirements of the Department of Finance and Administration's definition;

- performance indicators which allowed an assessment of the results of strategies in the fraud control plan had been developed. However, the fraud control performance indicators in the Division and Branch plans did not provide the range of indicators necessary for a balanced assessment in relation to price, quantity and quality (required by the outputs/outcomes approach). Many indicators were not measurable and/or assessable because terms such as quality and timely had not been defined specifically for each indicator;

- some aspects of fraud control monitoring were undertaken appropriately for example, the provision of required reports to relevant internal and external stakeholders. The Department advised that ongoing monitoring against Division and Branch plans had generally occurred in an informal way but this had not been documented and consequently there was no audit trail for management purposes; and

- a range of fraud awareness raising activities and investigation training had been undertaken appropriately. However, more general training was not targeted to higher risk areas nor was it evaluated to test its effectiveness.

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[5] As outlined in the Department of Finance and Administration's, *Specifying Outcomes and Outputs, Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework,* Canberra, 1998.

14.   While it is important that DETYA and DEWRSB have regard to the audit findings and conclusions, the principles underlying better practices and lessons learned outlined in this report, will also be relevant to other Australian Public Service agencies and bodies.

DETYA's response

15.   DETYA agreed to all four recommendations and commented as follows:

> *a number of issues relevant to DETYA arising from those recommendations have been taken up in the structuring of the new Department and its revised fraud control operations. The creation of a smaller more tightly focused DETYA portfolio has enabled us to establish mechanisms for better and more rapid accountability responses and closer monitoring of the fraud control aspects of our responsibilities.*

DEWRSB's response

16.   DEWRSB agreed to the four recommendations and noted that "*action consistent with the recommendations either has already been taken or will be taken in the course of normal DEWRSB business*". As well, they noted that "*where applicable, those arrangements representing good practice have been incorporated into this Departments' corporate governance framework*".

Key findings

Policy and planning

17.   The ANAO found that Departmental policy statements which outlined, among other things, the Secretary's commitment to fraud control and clearly identified responsibilities for all officers and management generally for fraud prevention. These statements met the CLEB requirements and generally represented sound practice.

18.   In relation to fraud risk assessment, the Department's methodology was sound and appropriate training had been provided. It allowed an assessment of relative risk and identified actions for dealing with the various types of risk in each program.

19.   A fraud control plan had been developed and was linked to the Department's other corporate documents. It contained strategies to address risks identified in the fraud risk assessment. CLEB evaluated the fraud control plan as having met the necessary requirements. Action plans had been developed for all programs rated as medium to high risk, as required by departmental policy. These had specified a responsible officer and timetable for implementation. Implementation of the action plans had been monitored to some extent but it was not always comprehensive and systematic. Consequently, the Department could not be sure of the effectiveness of its performance in this area in practice.

Performance assessment framework for fraud control

20.   In relation to the fraud control plan, the ANAO found that the Department had developed performance indicators for the strategies it contained. These would enable the Department to satisfactorily assess the achievement of the strategies in the majority of cases.

21.   Performance indicators relating to fraud control at National office level had been developed and were included in the Division and Branch plans. Because outcomes and one of the two outputs for fraud control had not been defined appropriately in these plans, it was difficult to establish whether the indicators that had been developed were suitable. As well, as the Government's outcomes and outputs requirements were relatively new, the Department had not yet developed the full range of indicators to measure fraud outputs in terms of price, quantity and quality (including client satisfaction, timeliness and accuracy).

22.   Many existing fraud control indicators were not able to be assessed or measured because terms such as quality, timely and effective had not been defined specifically for each indicator. As well, targets and standards had not been included, where necessary, as a basis of comparison and assessment.

23.   The service level agreements established between National program and State office managers (regarding activities undertaken on behalf of National office by State offices, including fraud control) contained appropriate key performance indicators for fraud control. However, approximately half of these indicators were not included, either directly or indirectly, in the National office Division and Branch business plans. This means there was a risk that the area with major responsibility for fraud control did not have all the information necessary to provide overall assurance, relating to fraud activities for the agency as a whole, to the Executive.

24.   In relation to the majority of fraud control monitoring and reporting activities, the ANAO found that these were being undertaken satisfactorily. However, at National office level, some monitoring against Division and Branch business plans had been undertaken within the responsible areas but this had not been conducted systematically or formally. Consequently, there was no audit trail for management purposes. This is an important issue for all agencies as systematic monitoring, and documenting the outcomes of that monitoring, will assist with ensuring appropriate accountability for fraud control. In this way, the Department would have been able to consistently ascertain whether fraud control arrangements were working in practice so that early action could be taken to resolve any problems cost effectively.

Quality assurance mechanism for fraud control

25.   The ANAO found that, in a number of cases, the information in the management information system (FAIMIS) was not up-to-date and that there was a lack of documentation of decisions made in relation to such matters as priorities. Some of these matters will have been addressed by changes to the management information system (FAIMIS2) and others could be addressed by a robust quality assurance system.

26.   However, the Department did not have in place a quality assurance system for fraud control, other than AFP reviews which examined investigations. As well, there had not been any recent audits undertaken and none was planned in relation to fraud control. The compliance testing undertaken by the ANAO highlights the need for the Department to implement a system of quality assurance.

Training and awareness raising

27.   The ANAO found that the Department had undertaken a range of fraud awareness raising and other training activities for its staff. In relation to much of the training provided, it was not specifically targeted to those staff in high risk areas and, except for the National Training Priorities, had not been evaluated as to its effectiveness. On the other hand, investigations training and on-the-job assessments had been undertaken appropriately.

Recommendations

Set out below are the ANAO's recommendations with the Report paragraph reference. The ANAO considers that the Department should give priority to Recommendation Nos. 3 and 4.

Recommendation No.1 Para. 2.40

The ANAO *recommends* that comprehensive monitoring arrangements should be established in relation to the implementation of fraud control action plans to inform the Departments' Executive of the effectiveness of fraud control arrangements for the Departments as a whole. Progress in implementing these arrangements should be periodically and formally reported to, and reviewed by, the Audit Committee and/or the Fraud sub-Committee.

DETYA's response: Agree.

DEWRSB's response: Agree

Recommendation No. 2 Para. 3.37

To improve performance assessment, the ANAO *recommends* that, when the business plans for those areas of the Departments with fraud control responsibilities, are next reviewed, the Departments:

- develop a full range of fraud control indicators as required under the framework specified by Department of Finance and Administration in *Specifying Outcomes and Outputs, Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework,* Canberra, 1998;

- define terms, such as quality and timely, and include targets and standards where this would assist assessment or measurement; and

- include all fraud control indicators from State and Territory agreements in the Division and Branch plans so that an overall assessment for the agency can be made of all aspects of fraud prevention and control.

DETYA's response: Agree.

DEWRSB's response: Agree

Recommendation No.3 Para. 4.39 To facilitate the appropriate management of allegations and cases of fraud the ANAO *recommends* that the Departments should implement a system of quality assurance as soon as possible to improve compliance with relevant procedures and guidelines established to assist fraud control.

DETYA's response: Agree.

DEWRSB's response: Agree

Recommendation No. 4 Para. 5.22 The ANAO *recommends* that the Departments assess training needs in relation to fraud control so that it is targeted to staff in areas with the highest potential for fraud and that systematic evaluation of training activities is undertaken to test their usefulness in relation to fraud prevention.

DETYA's response: Agree.

DEWRSB's response: Agree

Audit Findings
and Conclusions

1. Introduction

This chapter describes the background to the audit, sets out the objective and methodology and provides some information on the general fraud control framework in the Department and that established for Commonwealth government agencies more generally.

Background—fraud control

1.1 Preventing, as well as dealing with, fraud are important issues for all government agencies. Fraud is defined as:

…inducing a course of action by deceit or other dishonest conduct, involving acts or omissions or the making of false statements, orally or in writing with the object of obtaining money or benefits from or evading liability to the Commonwealth.[6]

1.2 Under the *Financial Management and Accountability Act 1997* (*FMA Act*), Chief Executive Officers (CEOs) are responsible for the implementation of a fraud control plan and reporting to the Portfolio Minister on fraud control. This requirement of the *FMA Act* reflects the Government's commitment to fraud control, as follows:

The Commonwealth Government is committed to protecting its revenue, expenditure and property from any attempt, either by members of the public, contractors, sub-contractors, agencies, intermediaries or its own employees to gain by deceit financial or other benefits. This policy is designed to protect public money and property, protect the integrity, security and reputation of our public institutions and maintain a high level of services to the community consistent with the good government of the Commonwealth.[7]

1.3 Although the value of fraud committed in Australia is not known, either in the private sector or for each level of government, estimates place it at $3.5 billion per year[8]. Fraud is therefore a significant concern for all Australians. It is against this background that this specific audit has been undertaken.

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[6] Taken from the Interim Ministerial Direction on Fraud Control issued in 1994 which is included in the Commonwealth Law Enforcement Board (CLEB) Guide, *Best Practice for Fraud Control*, Canberra, 1994.

[7] Fraud Control Policy of the Commonwealth in *Best Practice for Fraud Control,* CLEB, AGPS. Canberra 1994. p1.

[8] Australian Institute of Criminology, *Australian Crime*, Facts and Figures 1998.

1.4   In particular, leading up to this audit the former Department of Employment, Education, Training and Youth Affairs (DEETYA) had undergone significant changes to its structure and operating environment. Therefore DEEYTA provided a good case study to test the elements of a sound fraud control framework reflective of the significant changes which had occurred. By way of background the level of fraud reported in DEETYA's Annual Report for 1997–98 is shown in Table 1.

Table 1

Fraud control activities reported in DEETYA's Annual Report 1997–98

Fraud control activities undertaken by DEETYA during 1997–98	*No.*
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Number of clients or service providers that the courts found to have committed fraud under Commonwealth or State legislation.	63

1.5   Following on from this specific audit of the former DEETYA, a series of audits of fraud control arrangements in various Commonwealth government agencies is planned to be undertaken by the ANAO over the next few years because of its importance, particularly in the higher risk environment created by significant changes in the public sector.

Changes to administrative arrangements

1.6   During the course of this audit administrative changes[9] were made to the department being audited. The Department of Employment, Education, Training and Youth Affairs (DEETYA) and the Department of Workplace Relations and Small Business were abolished and replaced by the Department of Education, Training and Youth Affairs (DETYA) and the Department of Employment, Workplace Relations and Small Business (DEWRSB). A major change was the transfer of employment responsibilities to DEWRSB. The audit will be relevant to both DETYA and DEWRSB since the findings relate to fraud control matters within their current responsibilities.

1.7   The ANAO acknowledges that changes to fraud control arrangements are being made in both DETYA and DEWRSB to reflect the transfer of responsibilities in late 1998. However, an understanding of the arrangements in the former DEETYA is relevant because it provides

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[9]   Administrative Arrangements Order of 21 October 1998.

the context within which fraud was managed at the time of the audit, lessons learned and best practices which should be taken forward in the new arrangements. Background on the former DEETYA's structure and approach to fraud control is set out in paragraphs 1.13 to 1.21.

1.8 By discussing the approach used by the former DEETYA, the ANAO is not suggesting that there is one best model. Agencies will need to tailor their arrangements to suit their particular circumstances and responsibilities. Whatever approach an agency chooses, there is a need to ensure that it operates effectively.

Audit objective, scope and criteria

1.9 The objective of this audit was to establish whether the Department had developed a sound fraud control framework by examining the arrangements for:

- policy and planning;
- performance assessment;
- quality assurance; and
- training and awareness raising.

1.10 For the purposes of this audit, the ANAO examined each of these areas against the key better practice principles established by the Commonwealth Law Enforcement Board (CLEB) and sound management practice generally. For example, in relation to planning, we sought to establish whether an overall plan for fraud control for the Department had been developed based on appropriate risk assessment.

1.11 In establishing the criteria, the ANAO had regard to the key elements of fraud control, that is, prevention, management, detection and investigation (these are set out in Figure 1). It is particularly important to have robust prevention arrangements in place which will serve to reduce actual incidences of fraud occurring and the attendant costs involved. Various aspects of prevention: such as undertaking risk assessment; monitoring to identify weaknesses in processes; providing appropriate training; and awareness raising activities are discussed throughout this report.

Figure 1
Elements of effective fraud control
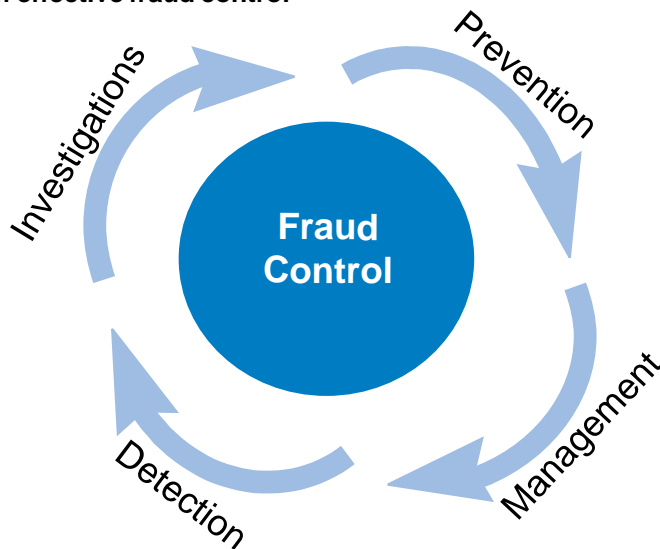
Audit methodology

1.12 The audit fieldwork was undertaken between July 1998 and April 1999. Interviews with key staff and reviews of documents and files were undertaken at National office. As well, the ANAO visited two State offices, New South Wales (NSW) and Queensland (Qld). The main purpose of the visits was to examine compliance issues in the Fraud Control Units located in State offices using indicative samples. Compliance issues were also examined at National office through an assessment of the work of the specialist fraud control units in that office.

Departmental arrangements for fraud control

Fraud Policy

1.13 The Department's operating environment and responsibilities have been subject to substantial change over recent years with, among other things, the transfer of functions to Centrelink and the creation of the new employment market. In these circumstances, it is important that there is a clearly articulated policy on fraud control and that associated structures flow from that statement. Subsequent to these changes, in May 1997, the Departmental Secretary provided a further statement[10] regarding the management of fraud control in the [then]

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[10]   The Secretary's Management and Financial Instruction (SMFI 34) on handling fraud set out fraud policy. This was first issued in 1992–93 and was translated into the Chief Executive Instruction 1.4 and Procedural Rule 1.4 in the Financial Management Manual (FMM) when the *Financial Management and Accountability Act 1997* came into effect.

DEETYA. This statement highlighted the need to tailor arrangements to suit departmental responsibilities, roles of key players such as the fraud areas of the department and State offices, and the Executive's commitment to fraud control.

1.14 Some of the arrangements, such as plans for fraud control, had changed again in 1998 so some arrangements had only been established for a year or less. The ANAO has taken this into account when commenting on the effectiveness of those arrangements.

Management framework

1.15 In the former DEETYA, responsibilities relating to monitoring fraud control had been allocated to the Audit Committee which reported directly to the Secretary. The Audit Committee was comprised of the two Deputy Secretaries and an external member. A Fraud sub-Committee had been established as a sub-committee of the Audit Committee. The Fraud sub-Committee's membership was one Deputy Secretary, the First Assistant Secretary of one program division (at the time of the audit, Vocational Education and Training Division) and General Counsel, Legal and Review Division. The Fraud sub-Committee reported to the Audit Committee on fraud matters, related compliance and debt management issues.

Operational framework

1.16 The Department had established an organisational structure to specifically manage fraud control, being the Fraud Prevention Branch within the Legal and Review Division. The responsibilities of the Division/Branch included:

- managing the fraud risk assessment process;

- developing and promulgating the fraud control plan;

- liaising with the Australian Federal Police (AFP), the Director of Public Prosecutions (DPP) and CLEB;

- managing internal investigations; and

- managing resources available for fraud control activities and advising the Secretary on the distribution of these resources within National and State offices.[11]

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[11] Taken to include the Territories where necessary.

1.17 Within National office, there were two investigation units which reported to the Fraud sub-Committee:

- one was responsible for investigations of all allegations of fraud made against departmental officers; and

- the other investigated more complex cases of fraud, including where offences have occurred in more than one State.

1.18 As well, these units were responsible for managing the prosecution process through the DPP. These two separate units were combined in the latter part of 1998.

1.19 Fraud prevention units had been established in mid 1992 and had operated as outposted National offices until July 1997. In July responsibility had been placed with State offices and the fraud units then reported directly to the State Manager. Service level agreements (SLAs) between State and National Program managers were developed to allow monitoring of the operations of State offices, including in relation to fraud.

1.20 The State units were responsible for:

- reducing the potential for the misdirection or improper use of funds;

- pursuing suspected cases of actual fraud by clients and/or staff; and

- managing the prosecution process through the DPP.

1.21 As well as any arrangements which Commonwealth agencies put in place, there are three external agencies which have very specific roles and responsibilities in relation to fraud. These are CLEB, the AFP and the DPP. Each of these is discussed briefly below.

Commonwealth Law Enforcement Board (CLEB)

1.22 CLEB is a non-statutory body which was established in 1994 following a review of Commonwealth Law Enforcement Arrangements in 1994[12]. Its objectives are to:

- improve the quality of policy for law enforcement and information and related advice to government;

- improve communication and priority setting between government and law enforcement agencies;

- provide standards to enhance the management and performance of law enforcement agencies; and

- facilitate improvements in coordination between agencies.

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[12] *Review of Commonwealth Law Enforcement Arrangements,* Australian Government Publishing Service, Canberra, 1994.

1.23   The Board currently has five members: the heads of each of the following agencies—the Attorney-General's Department (A-Gs), the AFP, the National Crime Authority, the Australian Transaction Reports and Analysis Centre and an Executive Member. The Board is serviced by the Law Enforcement Coordination Division of A-Gs.

1.24   In order to improve the consultative and coordination processes between Commonwealth agencies as a whole, wide-ranging consultative mechanisms have been established which use national and regional Fraud Liaison Committee meetings of the Heads of Commonwealth Operational Law Enforcement Agencies. These meetings include those agencies with major fraud control responsibilities and relevant unions. The consultative process is one of the mechanisms used in the development of fraud control measures, including the Best Practice for Fraud Control.

Australian Federal Police (AFP)

1.25   The AFP has responsibility for the investigation of serious fraud against the Commonwealth and, as the Commonwealth's primary law enforcement agency, also provides police services in relation to:

- laws of the Commonwealth;
- property of the Commonwealth (including Commonwealth places) and of Commonwealth authorities;
- the safeguarding of Commonwealth interests; and
- anything incidental or conducive to the performance of its functions.

1.26   These responsibilities include preventing, detecting and investigating criminal offences against Commonwealth laws, its revenue, expenditure and property, including both internal fraud and external fraud committed on Commonwealth programs.

Director of Public Prosecutions (DPP)

1.27   The primary responsibility of the DPP is to prosecute people who commit offences against Commonwealth law, including the Corporations Law, and to conduct related criminal assets recovery. All prosecution and related decisions are made in accordance with the guidelines set out in the Prosecution Policy of the Commonwealth.

1.28   The DPP conducts all prosecutions for offences against Commonwealth law except for purely private prosecutions. In some summary prosecutions, for reasons of convenience, other agencies also conduct prosecutions by arrangement with the DPP.

1.29   While the DPP does not conduct criminal investigations itself, it is available to provide advice to investigators. The DPP is the appropriate

agency to provide advice on questions of law, the sufficiency of evidence, the requirements of a brief of evidence and the proceedings to recover the proceeds of crime. The DPP is also the appropriate agency to advise on issues arising under the Prosecution Policy of the Commonwealth.

1.30 While agencies are responsible for establishing an enforcement strategy that sets priorities for investigative activities and adopts appropriate remedies, the DPP can provide advice, if needed, at the stage where a decision is made on whether an alleged offence should be the subject of a criminal investigation or dealt with by some other process. Agencies need to ensure that the AFP is also consulted in these circumstances.

The report

1.31 Chapter 2 of this report discusses fraud control, policy and planning, including risk assessment. As well, it examines supporting business plans for all responsible levels of administration relating to fraud to assess whether they contribute sound fraud control arrangements. Chapter 3 discusses the performance assessment arrangements, including performance indicators contained in the various planning documents and the monitoring arrangements which have been established. Chapter 4 assesses compliance with the Manual for Officers of (the then) DEETYA's Fraud Prevention Units (the Manual) and other principles for sound management which have been put in place. The related issues of quality assurance and the role of internal audit are also discussed. Training and awareness raising in relation to fraud control are discussed in Chapter 5.

1.32 The audit was conducted in conformance with ANAO auditing standards at a final cost of $233 000.

1.33 The audit findings in this report draw attention to areas of good practice as well as highlighting areas where the departments with employment, education, training and youth affairs responsibilities should undertake action to achieve better practice. The findings are also relevant to other agencies.

2. Fraud control policy, planning and risk assessment

This chapter discusses fraud control policy and planning, including risk assessment. As well, it examines supporting business plans for all responsible levels of administration relating to fraud to assess whether they contribute to sound fraud control arrangements. The ANAO identified the need for outcomes and outputs to be more clearly specified when business plans are next reviewed.

Introduction

2.1   Key elements of sound corporate governance include the need to have a clear statement of an agency's policy in relation to fraud prevention and control and a comprehensive planning regime. Together, the policy direction and plans should provide a framework which sets out key responsibilities, guides particular activities, such as fraud control, and should be based on an appropriate risk assessment. The requirements of fraud risk assessments and resulting plans are prescribed by the Interim Ministerial Direction on Fraud Control[13] (the Interim Direction). The plans developed as a result of the fraud risk assessment should include both a fraud control plan for the agency as a whole and specific action plans for those areas which have been identified as having a medium to high level of risk. The fraud control plan must be reviewed by CLEB.

2.2   The fraud control plan should contain appropriate links to the corporate plan. As well as the matters covered in the fraud control plan, it is important that areas with direct responsibilities for fraud have plans to provide operational guidance to them. These plans should include mechanisms for monitoring fraud control activities against the plan, including the specification of appropriate performance indicators.

2.3   The ANAO therefore examined whether DEETYA had:

• developed an appropriate statement of overall departmental policy;

• undertaken appropriate fraud risk assessments;

• developed a fraud control plan and associated action plans linked to the corporate plan; and

• developed other relevant plans.

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[13]   This is included in the CLEB Guide, *Best Practice for Fraud Control,* Canberra, 1994.

2.4 Each of these issues is discussed under separate headings below. The Department's fraud control planning framework is set out in a diagram at Appendix 1. The establishment of mechanisms to monitor and report on fraud control matters, including performance indicators, is discussed in Chapter 3.

Policy Statement

2.5 The guide, Best Practice for Fraud Control indicates that:

Chief Executives are responsible for fostering an environment within their agencies which makes active fraud control a major responsibility for all public sector staff, for articulating clear standards and procedures to encourage minimisation and deterrence of fraud, and for the detection and prosecution of offences should they occur.

2.6 As discussed in Chapter 1, subsequent to administrative changes, the Secretary articulated a further policy in relation to the management of fraud control in the Department. This statement covers the following matters:

- the Secretary's commitment to the '*vigorous and effective management of fraud control*';
- the need for the highest possible level of technical and professional standards for fraud investigations, the independence of the fraud control function, with comprehensive powers of access and inquiry backed by the Secretary's personal authority;
- the responsibility of a central area within the Department for overall planning and direction of fraud control activities; and
- the role of local level staff (State office) in fraud control and investigation.

2.7 The statement also emphasised the role of all departmental staff in preventing fraud and of the Executive being available to receive the concerns of any staff member notwithstanding the formal lines of accountability and reporting. It noted the arrangements would be subject to annual discussion and formal review every three years.

2.8 It was specifically circulated to fraud control staff and the key messages were reinforced by statements in other widely available documents such as the corporate plan, the fraud control plan and the people management improvement plan.

Conclusion

2.9 Departmental policy statements in relation to fraud control met the CLEB requirements and represented sound practice generally.

Fraud risk assessment

2.10   The conduct of a risk assessment is essential to ensure appropriate controls are in place and resources are directed to the areas of greatest identified risk.

2.11   Risk assessments should be:

- undertaken on a regular basis and as necessitated by changing conditions; and

- based on a methodology which follows the prescribed requirements and considers all major risk factors.

2.12   Each of these elements is discussed separately below.

Timing and changing conditions

2.13   The most recent fraud risk assessments were undertaken in 1997 in line with the requirement for them to be undertaken every two years. The size and complexity of the former DEETYA means that fraud risk assessments for all programs took a considerable time to carry out appropriately and were conducted over a two year cycle. The Department undertook specific detailed risk assessments to meet the requirements of changing conditions, for example, the risks associated with establishing the new employment services market. The fraud control plan makes reference to the significant changes to departmental operations and the importance of these changes when undertaking risk assessments. As well, the plan states that all new policy proposals are to be subject to risk assessment.

2.14   In this way, the risk assessment process should have ensured that the Department's arrangements for fraud control would be tailored to meet its changing needs and allow ongoing assessment of arrangements so that they remained relevant to current conditions. This represents sound management practice.

Risk assessment methodology

2.15   The methodology used by the Department is set out in the departmental manual, *Corporate Risk—No Surprises*[14] and was used for the three most recent rounds of risk assessments. This methodology was used as an example of the criteria against which agencies should assess risk in the Interim Direction and therefore the methodology was considered to be appropriate by CLEB.

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[14]   *Corporate Risk—No Surprises* 1996 *How to assess corporate risks including fraud in your programs and then decide what you can do about it*, Department of Employment, Education, Training and Youth Affairs, June 1996.

2.16   The risk assessment process for each program was undertaken by a team of staff, including program and fraud prevention staff. Prior to the assessment being undertaken, training was provided to the staff undertaking the assessment on risk management and the Department's assessment methodology. All assessments were cleared by the relevant National Program Manager which, given they are responsible for the implementation of any actions which result from the risk assessment, was important.

2.17   The fraud risk assessment methodology adopted by the Department and endorsed by CLEB comprises a series of questionnaires relating to inherent risk (the environmental risk in which the assessed program or activity is implemented) and control risk (the risk that program or activity controls will fail to prevent fraud). Responses to the inherent risk questionnaires are in the range of very low (one) to very high (nine) and to the control risk questionnaires in the range of very low (less than 10 per cent probability that current controls will fail to detect or prevent fraud) to high (more than 40 per cent probability that current controls will fail to prevent or detect fraud). An overall control risk rating from 'very low' to 'high' is selected by the assessment team and this is then converted to a percentage figure representing the team's perception of the likelihood of controls failing to prevent fraud.

2.18   A fraud risk rating is then derived as follows:

Fraud Risk = Inherent Risk x Control Risk.

2.19   The quantitative result allows the Department to:

* identify the factors which contribute to a program's fraud risk and assess their relative importance; and

* compare the relative results obtained between the various programs and activities which have been reviewed, including any inconsistencies between similar programs and activities.

2.20   The following guide is used to rank the fraud risk ratings:

* low—less than five;

* medium—equal to or greater than five, but less than nine; and

* high—equal to or greater than nine.

2.21   Programs and activities with ratings of five and above are required to formulate fraud control action plans. Programs and activities with ratings below five are expected to implement controls for any specific high risk factors identified as part of their operational plans where this is cost effective.

Conclusion

2.22 The ANAO considered that the Department's fraud risk assessment methodology was sound in that it had been undertaken to address changing conditions and appropriate training had been provided. It allowed a comparison between programs, an assessment of relative risk and addressed the various types of risk.

Fraud control plan[15]

2.23 The fraud control plan is one part of the framework for fraud control and is aimed at addressing the overall fraud risk within an agency. The matters to be covered in the fraud control plan (as prescribed) are that it should:

- reflect risks identified in the fraud risk assessment and include strategies to rectify shortcomings. This includes the development of action plans to address the specific risks identified for each program; and

- provide a timetable and nominate action areas responsible for implementation of strategies.

2.24 As well, CLEB reviews and endorses all fraud control plans as part of the requirements for sound fraud control for the Commonwealth Government. These matters are discussed under separate headings below.

Risks and strategies

2.25 Several corporate strategies to control fraud were developed in-house and are detailed in the fraud control plan, these included:

- a requirement for all new policy proposals to be assessed for degree of exposure to fraud;

- mandatory review and clearance by the Legal and Review Division of all program guidelines and associated documentation;

- the inclusion of contractual obligations on providers engaged to deliver services for DEETYA, to protect privacy of personal information related to recipients of DEETYA funded services;

- promulgation of policies relating to protective security;

- the use of consultants to monitor the tender selection process and train staff undertaking the assessment of tenders for major tendering processes;

- use of financial viability assessments in major tendering processes;

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[15] It should be noted that the Fraud Control Plan consists not only of the actual plan itself but also of the risk assessment undertaken and the resultant fraud control action plans.

- program liaison meetings with national program managers to develop risk management approaches for systemic issues arising from program administration;

- development of Key Performance Indicators (KPIs) to monitor the performance of fraud prevention functions in National and State offices;

- promotion of risk management practices through the issue of a formal risk management policy; and

- the use of data matching and data interrogation to assist in the detection of fraud.

2.26 These strategies are designed to address weaknesses or risks identified through the assessment of inherent and control risk. If implemented appropriately, they would assist in the effective prevention and management of fraud. For example, KPIs will only be useful if they are measurable and actual performance against them is assessed. Monitoring of the implementation of these strategies is discussed in Chapter 3. The implementation of fraud control action plans is discussed in paragraphs 2.34 to 2.37.

2.27 While the ANAO noted that the fraud control plan contained a number of strategies to broadly address identified risks, it contained very little information regarding areas of _actual_ risk, except for an appendix which provided a list of those areas for which action plans had been developed. The ANAO acknowledges that the plan had been reviewed by CLEB and met the prescribed requirements and that, formally, the risk assessments and resulting action plans are part of the fraud control plan. However, the plan which is provided to all staff does not include the risk assessments or action plans and it may have been more useful and better highlighted areas of concern if a summary of the actual risk assessment was included for both low and higher risk areas. The summary could draw attention to broad areas of risk, for example, the tendering process, contract management, making payments and the management of assets. This would highlight to staff, even if they are not in a high risk area overall, that there may be aspects of their work where particular care and/or specific training is needed to reduce the risk of fraud.

2.28 The ANAO notes that the Department had identified national training priorities based on a broad assessment of risk and the sorts of tasks and challenges the [then] DEETYA would be facing. These included, among other subjects, contract management, project management and risk assessment. Training was being developed and/

or provided in these areas throughout 1998. This matter is further discussed in Chapter 5.

Action plans

2.29 As well as the more general strategies included in the fraud control plan, specific action plans for programs ranked as medium to high risk were required to be developed to assist in the prevention of fraud. The prevention of fraud is an important element in sound fraud control. The development of action plans is one part of this, other aspects of fraud prevention are discussed in Chapters 3 and 5.

2.30 In examining the action plans the ANAO sought to determine whether:

- plans were developed for each program identified as having medium to high risk;

- each plan included a timetable for implementation of the various controls and identified the responsible manager; and

- the actual implementation of action plans had been monitored.

Necessary plans developed

2.31 The fraud control plan identifies those programs for which action plans needed to be developed. The ANAO compared the results of the 1997 fraud risk assessment process against the list of programs with fraud control action plans and found that action plans had been developed for all programs that recorded a medium to high level of risk.

Responsibilities and timetable

2.32 In the arrangements established by the Department, the overall responsibility for the implementation of action plans rested with the National Manager for the relevant program (that is, responsibility for implementation did not rest with the fraud control area). A review of a selection of action plans indicated that responsibility for the implementation of fraud control strategies had been allocated to the responsible National Program Managers.

2.33 Furthermore, completion dates had been specified where necessary but in some cases implementation was noted as being ongoing. This was appropriate provided that responsible managers monitored implementation of all strategies and actions necessary to ensure appropriate fraud control.

Implementation

2.34 As discussed above, the implementation of the fraud action plans was a matter for National Program Managers. National Program

Managers were required to report to the Fraud sub-Committee on the progress of the implementation of action plans.

2.35 The Department advised that there were no specific reports on the implementation of individual items within fraud control action plans. However, a KPI had been established as one of the mandatory corporate obligations (MCOs)[16] and this relates to the implementation of fraud action plans. While the monitoring was not systematic, there was some evidence of monitoring the implementation of action plans in that:

- oral reports were provided to the Audit Committee;

- the Fraud Branch sent reminders to Program Managers regarding the need to complete and clear action plans. These reminders also highlighted that for the plans to be effective they needed to be distributed to relevant staff so they could be implemented; and

- Program Liaison meetings were held between Fraud Branch and some National Program Managers and discussed the development and implementation of action plans. These meetings also discussed weaknesses raised as a result of allegations or actual cases of fraud. This would assist in ensuring action plans were working in practice and could be improved if necessary.

2.36 The intention had been for these Program Liaison Meetings to be held regularly with all National Program Managers to discuss implementation of action plans and other matters. However, the administrative changes of late 1998 meant that they had been discontinued while priorities associated with the transfer of responsibilities were addressed.

2.37 The arrangements discussed above indicate that some monitoring had occurred but it was not always comprehensive or systematic. The Department acknowledges that this needed to occur and indicated that the KPIs had been developed to assist with more systematic monitoring. In order to ensure better practice, monitoring should be undertaken regularly, formally reported against these KPIs to the Fraud sub-Committee and Audit Committee and appropriate action taken to address any identified problems.

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[16] The purpose of mandatory corporate obligations (MCOs) was to establish indicators to measure whether corporate requirements were being met across National and State offices without the need to duplicate indicators in each agreement between National and State managers. MCOs address such matters as effective contract management and selection of contractors through certifying financial viability.

Review of fraud control plan by CLEB

2.38 The fraud control plan was approved by the Department's Executive and Audit Committee in September 1998. CLEB noted that it had been '*evaluated as meeting the overall requirements of the Fraud Control Policy of the Commonwealth*' on 3 November 1998. Both agencies with responsibilities which formerly rested with DEETYA have acknowledged the need to revise the plan as soon as possible to reflect the administrative changes and will take into account the findings of this audit as discussed during the audit fieldwork. In this regard the ANAO notes that, in an environment where change is very often the norm, a fraud control plan does not need to be a 'glossy' publication. A fraud control plan does need to be kept up to date and circulated to staff to ensure ongoing awareness of the role all staff have to play in relation to fraud control.

Conclusion

2.39 A fraud control plan had been developed which contained strategies to address risks identified in the risk assessment. CLEB evaluated the fraud control plan as having met the necessary requirements. Action plans had been developed for all programs rated as medium to high risk, as required by departmental policy. These had specified a responsible officer and timetable for implementation. Implementation of the actions plans had been monitored to some extent but monitoring was not always comprehensive and systematic. Consequently, the Department could not be sure of the effectiveness of its performance in practice. In order to achieve better practice, comprehensive monitoring arrangements, which are periodically and formally reported to the Fraud sub-Committee and/or Audit Committee, should be established.

Recommendation No.1

2.40 The ANAO *recommends* that comprehensive monitoring arrangements should be established in relation to the implementation of fraud control action plans to inform the Department's Executive of the effectiveness of fraud control arrangements for the Departments as a whole. Progress in implementing these arrangements should be periodically and formally reported to, and reviewed by, the Audit Committee and/or the Fraud sub-Committee.

DETYA's response:

2.41 Agreed. Monitoring arrangements of the type recommended have been put in place in DETYA, with quarterly reporting to the Audit and Fraud Committee.

DEWRSB's response:

2.42 Agreed. DEWRSB's fraud control action plans are reviewed. And their implementation monitored, by the Fraud sub-Committee (FSC) of the Financial Management and Audit Committee (FMAC). The FSC reports to FMAC quarterly. Officers of the ANAO attend FMAC meetings.

Other relevant plans

2.43 There were a number of levels of the hierarchy within the Department with direct responsibilities for fraud control. As noted above, one of the key elements of sound corporate governance is to have an appropriate planning framework. Such a framework should include the development of appropriate business and/or operational plans for each level of responsibility.

2.44 Because all officers in the Department have a role to play in the prevention, detection and reporting of fraud or suspected fraud it is important that operational plans are linked to the corporate plan and fraud control plan. These plans should be linked in a way which ensures that activities included in the plans are directed to achieving the same goals in relation to fraud control. The fraud control plan was discussed above in relation to whether it met the requirements established by CLEB. However, it is discussed here in relation to whether it is linked to the corporate plan.

Links with fraud control plan

2.45 The fraud control plan was directly linked to the corporate plan. The latter referred to the need to increase accountability and to being fair, ethical and honest in all dealings. These values were reiterated in the fraud control plan which specifically notes, '*of particular relevance to fraud prevention is the leadership behaviour…*' set out in the corporate plan.

2.46 As well, the need for staff to adhere to the Australian Public Service (APS) Code of Conduct was highlighted.

2.47 A link between the corporate plan and lower level plans as well as to relevant legislation and other guidance was also made in the fraud control plan which states:

The Business Plans of the individual Divisions and Branches set out the outputs, activities, resources and performance measures that will assist DEETYA achieve the outcomes identified in the Corporate Plan. The policies and procedures that underpin the efficient, effective and ethical use of resources appropriated to DEETYA by Parliament, consistent with its obligations for sound administration under the <u>Financial Management and Accountability Act 1997</u>, are set out in <u>the Financial Management Manual</u>

*(FMM). The FMM contains the Chief Executive Instructions (CEIs)—
the "must do" and the Procedural Rules (PRs)—the "how to".*

2.48 This statement also indicated links to other procedures and rules
which clearly demonstrated that the Department had established a
comprehensive planning and guidance framework.

2.49 The inclusion of these links reinforced the role which <u>all</u> staff
play in fraud control and should assist to ensure that staff are working
to achieve stated departmental goals, including in relation to fraud.

2.50 The ANAO noted that Chapter 4 of the fraud control plan set out
a series of fraud prevention strategies. It did not contain performance
indicators which would allow an assessment of whether these strategies
were achieving the intended outcomes. We acknowledge that, given the
matters to be included in the fraud control plan are prescribed by CLEB,
it may not have been appropriate to include detailed performance
indicators. Therefore, the ANAO examined whether appropriate
indicators were included in operational plans and this is discussed in
Chapter 3.

Conclusion

2.51 The Department had established links between the fraud control
plan and other corporate documents. This is sound practice because it
helps to ensure that all parts of an agency are aware of their responsibilities
in relation to fraud prevention and control.

Operational plans

2.52 The operational plans for areas with specific responsibilities for
fraud control should be developed for each relevant level, be based on
appropriate risk assessment, use the outcomes and outputs approach
specified as part of the new accrual-based framework and contain a
performance assessment framework, including monitoring. Performance
assessment is discussed in Chapter 3.

2.53 Given that the focus of the audit was on fraud control only those
elements of the plans specially relevant to fraud control were examined.

Plans for each level

2.54 At the time of the audit fieldwork, the Legal and Review Division
and the Fraud Prevention and Benefits Control Branch (referred to
throughout this report as the Fraud Branch) were the areas with primary
responsibilities in relation to fraud control within the Department. The
Department had established business plans in July and September 1998,
respectively, using the outcomes and outputs approach. As well, States
had fraud control responsibilities. While actual operational plans had

not been developed at this level, other mechanisms which fulfilled the role of such a plan had been established. This is discussed further in paragraphs 2.65 and 2.66.

Risk Assessment

2.55 In order to develop the Division and Branch plans, the Department had held a planning day for Divisional staff and one for the Fraud Branch, involving all staff. The Branch planning day was held after that for the Division. This allowed the Branch to build on the outcomes of the higher level planning undertaken by the Division. At both levels, the Department identified a number of themes for discussion. One of these themes was an examination of the major risks facing the Division, both their identification and subsequent management. At the Branch level a detailed examination of major constraining factors and solutions to address these was undertaken. In this way the plans were based on appropriate risk assessment.

Department of Finance and Administration framework

2.56 The Department of Finance and Administration (DoFA) has provided guidelines on the Commonwealth's accrual-based output and outcomes approach[17]. The ANAO used the definitions and criteria specified in that framework to make an assessment of the Division and Branch plans. In making this assessment, the ANAO acknowledges that the Department had moved quickly to adopt the framework and that the plans have sound elements in that they contain objectives (that is, outcomes and outputs), strategies and performance indicators. As with any new approach, some problems in 'getting it right first time' were likely to occur. In the discussion using the definition and criteria used (as set out in Table 2 which follows), the ANAO has highlighted areas for improvement when the plans are next reviewed.

Table 2
DoFA definitions and criteria

DoFA definitions and criteria
Outcomes: are the results, impact or consequences of actions of the Commonwealth on the Australian community. A statement of outcomes should not be too general and should be distinguished from the agency's strategies.
Outputs: are the goods and services agencies produce on behalf of the government for external[18] organisations or individuals. These should be identified and described clearly, that is *what* service or product. They contribute to the achievement of outcomes.
Strategies: are the means to achieve outcomes.

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[17] Department of Finance and Administration, *Specifying Outcomes and Outputs, Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework*, Canberra, 1998.

[18] In this case, the services being provided were largely internal to the Department.

2.57 There must be clear, demonstrable links between outcomes specified and the outputs of Commonwealth entities. As well, the ANAO examined whether there were links between the Division and Branch plans to ensure that in relation to fraud control their outcomes and associated activities were directed to achieving the same overall outcome.

2.58 Table 3 sets out the outcomes specified in the Division and Branch plans.

Table 3

Outcomes in Division and Branch plans

Division
Outcome 1: Provide Ministers, the Executive and the Department with high quality and timely services to establish sufficient assurance that programs and activities are being undertaken in conformity with legal and financial requirements and propriety.
Outcome 2: Enable Managers in the Department to share responsibility for conformity of programs within legal and financial requirements and with propriety.
Branch
Outcome 1: Ensure Programs and services conform with legal and financial requirements and propriety, therefore ensuring value for money, high quality service and accountability. Ensure non conforming services and transactions are investigated and corrected.

2.59 None of these statements meet the requirements of the DoFA definition of an outcome, for example, outcome statement 1 does not clearly specify the results, impacts and consequences to be achieved by the Department. It could be deduced that the outcome being sought is assurance and that the rest of the statement is the strategy by which such an outcome would be achieved. A strategy using almost exactly the same words was provided in the next section of the Division plan. The same problems exist for Outcome 2 in the Division plan and the outcome statement in the Branch plan. The lack of a clear definition of outcomes means that setting strategies to achieve them, defining the outputs to be delivered and establishing performance measures (discussed in Chapter 3) would be difficult. The outcomes being sought in relation to fraud control should be clearly specified when the plans are next reviewed.

2.60   The next section of both plans listed major priorities and strategies. Some examples of these are set out in Table 4.

Table 4

Examples of strategies in Division and Branch plans

Division	
Priority 1:	Deliver effective and efficient strategic corporate support.
Associated Strategy 2:	In partnership with managers, plan, coordinate and implement fraud risk assessment.
Branch	
Priority 1:	Promoting and implementing fraud prevention and deterrence measures.
Associated Strategy 2:	Assessing and advising on fraud prevention measures to be incorporated in guidelines, contracts and other program documentation.

2.61   The strategies (and priorities) listed in both plans were strategies, that is, they were the means by which an outcome or objective could have been achieved. Some links between the strategies and elements of the outcome statement could be made. However, because there was no clear statement of outcome, it is not possible to determine if these were necessarily the appropriate strategies to achieve required outcomes.

Outputs

2.62   Table 5 sets out some examples of the outputs listed in the Division and Branch plans.

Table 5

Examples of outputs in the Division and Branch plans

Division	
Output 1:	Fraud risk assessment and fraud policy.
Output 2:	Fraud operations compliance.
Output 3:	Internal investigations.
Branch	
Output 1:	The enduring achievement of a proactive fraud prevention culture department wide. Provide a holistic investigation service that will deter, detect and defeat fraud against the Department.
Output 2:	Provide an effective, holistic investigation service that will deter, defeat and detect fraud against the Department.

2.63   In the Division plan, the outputs are defined broadly as could be expected for that level of administration. At the Branch level, the good or service to be provided by the first output is unclear. The second output states that an investigation service is to be provided. The ANAO notes

that in the previous Branch plan (dated May 1998) outputs were clearly defined as goods and services, for example, fraud control plan 1997–99, consistent fraud prevention assessment of all program guidelines, contracts and so on and investigations conducted in line with standards. When the plans are next reviewed, outputs should be clearly specified in all cases and linked to the redefined outcomes.

Links between plans

2.64   As discussed above, the outcome statements provided do not meet the requirements[19] of the DoFA definition. There are indirect links between the outcome statements in the Division and the Branch plans. However, the specific outcomes of 'assurance' and 'shared responsibility' are not mentioned in the Branch outcome statement. As well, the Branch statement introduces the issue of value for money (although no indicators to directly measure this were specified in the Branch plan but there was such an indicator in the Division plan[20]). The Department should ensure that the outcomes being sought at each level of planning are linked in a way which means that they are contributing to the achievement of the overall goal in relation to fraud control and that the achievement of outcomes can be assessed at each level.

State plans

2.65   In the Department, responsibility for some aspects of fraud control work had been devolved to other levels of administration. As discussed in paragraph 2.54, the ANAO found that business or work plans had not been developed for fraud control responsibilities at the State level. However, SLAs between all National Managers and each State Manager had been developed. The SLA contained a definition of the output relating to fraud control, that is '*Effective fraud prevention function …*', associated KPIs and an indication of how and when these would be measured. The KPIs were linked to the outputs and are further discussed in Chapter 3. The SLA was linked to the Branch plan which refers to outputs to be purchased from State offices by National office in relation to fraud control.

2.66   The SLA was not a plan which provided guidance on strategies for achieving the required outcomes and outputs. However, the Manual for Officers of DEETYA's Fraud Prevention Units (the Manual) does contain the key elements of an operational plan. For example, it contains objectives and strategies which are linked to the outcome statements in the Division and Branch Business plans. It sets out responsibilities for

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[19]   This is listed in *Specifying Outcomes and Outputs, Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework* as a mandatory element of the framework.

[20]   Performance indicators are discussed in more detail in Chapter 3.

officers directly involved in fraud work, outlines reporting requirements and refers to indicators contained within the SLAs. If used effectively, the Manual would provide an appropriate planning and monitoring document for fraud officers at State level. The content and use of the Manual is discussed further in Chapter 5.

Conclusion

2.67 The ANAO found that plans and other documents had been developed for each level of responsibility and that these provided appropriate guidance. These plans were based on a risk assessment. The Department had moved quickly to adopt the new DoFA framework but as with any new approach problems were likely to occur in the early stages. The ANAO's review identified the following problems:

- outcome statements at the Division and Branch level did not meet the requirements of the DoFA definition; and

- one of the two outputs set out in the Branch plan did not specify the good or service to be provided.

2.68 Because of these problems, the links between and within the plans were not clear. The ANAO considers that outcomes in both plans and outputs in the Fraud Branch plan should be defined more clearly when the plan is next reviewed. By specifying clearly the outcomes and outputs in the Division and Branch plans, these plans will contribute to the overall management framework for fraud. A recommendation relating to defining outcomes and outputs is included at paragraph 3.37.

3. Performance assessment

This chapter discusses the performance assessment framework in relation to fraud, including performance indicators contained in the various planning documents and the monitoring arrangements which have been established. The ANAO identified the need for more systematic and formal monitoring in relation to fraud control matters and has made one recommendation relating to defining appropriate performance indicators.

Introduction

3.1   Performance assessment arrangements in relation to fraud control are a valuable part of an agency's accountability to key stakeholders such as the Minister, clients and the public. As discussed in Chapter 1, CEOs have particular responsibilities in relation to fraud under the *FMA Act* which serves to increase the importance of monitoring performance on fraud related matters.

3.2   Performance assessment arrangements, including performance indicators, should be included in the responsible area's business plan(s). As discussed in Chapter 2, the Department had a fraud control plan to guide the overall arrangements for fraud across the Department and the Division and Branch with specific responsibility for fraud control had established business plans. It is these fraud control performance assessment arrangements, including performance indicators which are discussed in this chapter.

3.3   Performance assessment arrangements for fraud should set out a balanced range of indicators which measure key aspects of performance. As well, agencies need to establish monitoring arrangements, which include appropriate reporting on fraud matters. Each of these areas is discussed under separate headings below.

Performance indicators

3.4   The ANAO examined whether the Department had established the following:

- indicators to measure or assess the achievement of the strategies included in the fraud control plan; and
- performance indicators related to fraud in Division and Branch plans and those included in the SLAs to measure State office performance in relation to fraud control.

Indicators for strategies in the fraud control plan

3.5   As discussed in paragraphs 2.25 and 2.26, fraud prevention strategies were included in the fraud control plan but no associated indicators were provided to allow the assessment of whether these strategies were being achieved effectively. The ANAO therefore examined whether appropriate indicators for these strategies were provided in other planning documents. The results of this examination are set out in Table 6, using examples of the indicators available in the Division and Branch plans.

Table 6

Fraud prevention strategies and associated indicators

	Strategies	*Examples of related fraud indicators listed in plans*
1	Systematic fraud risk assessment of programs.	Development and implementation of effective risk management and fraud control plans by Divisions. Submission of fraud risk assessment to CLEB.
2	Assessment of new policy proposals for degree of exposure.	Provision of quality and timely advice to National Program Managers.
3	Clearance of all program guidelines and associated documentation from a fraud perspective.	Program guidelines include fraud preventative and deterrence measures.
4	Privacy provisions.	Training and awareness for staff involved in privacy and Freedom of Information (FOI) issues. Department's interests are properly and effectively represented in dealings under the *Privacy* and *FOI Acts*.
5	Protective security measures.	No relevant indicator present.
6	Information technology security.	Development and implementation of effective risk management and fraud control plans by Divisions.
7	Special fraud provisions for major tendering.	Contractors have financial resources to meet their commitments to DEETYA and to deliver the contracted service to their clients. Contractors remain financial during the life of the contract.
8	Financial viability assessments of potential providers of services.	As above in 7. Department is aware of contractors who are experiencing financial difficulties.
9	Program Liaison meetings with National Program Manager.	Effective liaison with Program Manager on implementation of fraud control action plans. Fraud liaison meetings conducted with National Program Managers.

10	Key performance indicators for fraud prevention developed.	A range of KPIs have been developed and are contained in Division and Branch plans.
11	Promotion of risk management practices.	Increased awareness of fraud amongst departmental staff and contracting organisations.
12	Data matching and data interrogation.	Data matching to support compliance and investigation activity. Detection of high risk claims and anomalous patterns of activity for investigation.

3.6   Appropriate indicators had been developed for the majority of the strategies included in the fraud control plan. However, for strategies 2 and 6 in Table 6, the indicators were only indirect. Indicators which directly measure the effectiveness of these strategies should be developed. In the case of the strategy relating to protective security, no indicator could be identified in the planning documents.

3.7   One strategy was that KPIs for fraud prevention should be developed. As discussed below, a number of indicators relating to risk assessment and the provision of fraud awareness and other training had been developed. These would have assisted in measuring aspects of fraud prevention. The Department had therefore undertaken the necessary tasks required by this strategy. The adequacy of these performance indicators is addressed as part of the general discussion of performance indicators in this chapter.

Indicators in Division and Branch plans

3.8   In reviewing the fraud control performance indicators in the Division and Branch Business plans, the ANAO assessed whether they would assist with the assessment of the effectiveness of various fraud control activities by having:

• adequate links to outcome and output statements;

• a balance of measures in terms of input, process, output, outcome and quality and the requirements of the new framework, that is, cost, quantity and quality; and

• measurable indicators or ones which are able to be assessed and targets and/or standards where this would assist measurement.

3.9   The key performance indicators relating to fraud control in the SLAs between National office program managers and State office managers were also assessed to determine if they were measurable. As the SLAs cover only those components of the outputs for State fraud management activities, the ANAO considers that a balance of measures is not essential. These State indicators should contain targets and standards.

Links to outcomes and outputs

3.10   The ANAO found that the Department had established a number of fraud control indicators, namely indicators of success and KPIs, contained in the Division and Branch plans and the KPIs in the SLAs.

3.11   In both the Division and Branch plans, the indicators of success were directly linked to the strategies included in these plans. Some examples of this are set out in Table 7.

Table 7

Links between indicators of success and strategies

Division plan	
Strategies	*Indicators of success*
Provide high quality, cost effective and timely audit, legal, investigation, debt recovery and related services, including expert advice on program guidelines.	• Positive feedback from clients, including Ministers, Executive, National office and State-based clients within DEETYA. • Program guidelines include fraud preventative and deterrence measures.
In partnership with managers, plan, coordinate and implement the DEETYA portfolio legislation program, fraud risk assessment and audit plans.	• Legal and Financial requirements are met and Department's activities conducted with propriety. • Development and implementation of effective risk management and fraud control plans by Divisions.
Promote to managers the need for effective risk management, effective fraud prevention and legal compliance.	• Increased awareness of the risk of fraud amongst departmental staff and contracting organisations.
Branch plan	
Strategies	*Indicators of success*
Developing, promulgating and monitoring risk assessment and fraud control plans.	• Submission of fraud risk assessments to CLEB. • Effective liaison with program managers on the implementation of fraud control action plans.
Assessing and advising on fraud prevention measures to be incorporated in guidelines, contracts and other program documentation.	• Take up of suggested changes to documents[21].
Deliver a service which provides financial viability and legal identity checks on external providers with whom the Department proposed to contract.	• Contractors have financial resources to meet their commitments to DEETYA and to deliver the contracted service to their clients • Contractors remain financial during the life of the contract.

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[21]   This indicator is stated more in terms of an activity to be undertaken and may be better expressed as 'agreed changes incorporated in documents'.

3.12 The examples set out in Table 7 demonstrate that links could be made between the identified indicators of success and the strategies included in the Division plan. As discussed in the previous chapter, the outcome statements for fraud control had not met the requirements of the DoFA definition but did contain reference to assurance and shared responsibility. These could be taken to be the outcomes or impacts to be achieved, that is assurance that fraud control arrangements were effective and responsibility for these arrangements was shared by all managers and staff across the Department. If these are the outcomes being sought, then links between these outcomes and the indicators of success could be implied. For example, the '*development and implementation of effective risk management and fraud control plans by Divisions*' would be one aspect of providing assurance.

3.13 In relation to the Branch plan, there were direct links between indicators of success for fraud control and strategies. Again because the outcome was not appropriately defined links had to be inferred. The Department had listed one of the outcomes to be achieved as '*conformity with legal and financial requirements*'. There were a number of relevant indicators linked to this statement of results to be achieved, for example, '*contractors remain financial during the life of the contract*'.

3.14 As well as the indicators of success, the plans contained key performance indicators. These were listed against outputs for fraud control. Examples of links between these outputs and KPIs are set out in Table 8.

Table 8

Links between outputs and KPIs in Division plan

Outputs—core services provided by Division	*Examples of Related KPIs*
Fraud Risk Assessment and fraud policy.	• DEETYA fraud control plan 1997–99 cleared by Minister and CLEB and distributed to all staff.
Fraud operations.	• Implementation of fraud control action plans.
Compliance.	• Detection of high risk claims and anomalous patterns of activity for identification.
Internal investigations.	• Investigations conducted to Commonwealth Fraud Investigation Standards.

3.15 At the Division level, the relevant KPIs had been established and were linked to the outputs specified. The issue of whether they are able to be measured or assessed is discussed below.

3.16 The Branch plan lists two statements as outputs. These and KPIs established by the Department to measure their delivery are set out in Table 9.

Table 9

Outputs and KPIs in the Branch plan

Outputs	Examples of KPIs
The enduring achievement of a proactive fraud prevention culture department wide.	• The Department's fraud control arrangements, including its biennial fraud control plans, meet CLEB's Quality Assurance Guidelines. • The Department retains its standing as the Commonwealth agency to which CLEB refers other Commonwealth agencies for advice on the development of fraud control arrangements.
Provide an effective holistic investigation service that will deter, detect and defeat fraud against the Department.	• Fraud Unit operations to be monitored for consistency with the Fraud Prevention Unit (FPU) Manual. • 80 per cent of Department staff to receive fraud awareness information every 12 months • All Fraud Unit cases to be assigned to an investigator within two weeks, 80 per cent of cases received to be accepted for actioning by another agency or the Fraud Committee, or completed to the DPP or Legal Group referral or closure within six months of the date of assignment to an investigating officer.

3.17   An examination of this table highlights the following issues:

• the first output statement does not define an output and it is therefore difficult to make a link to the stated KPIs; and

• the second output statement contains an output, that is, an investigation service and KPIs listed are directly linked to this output.

Balance of Measures

3.18   Given the DoFA outcomes and outputs framework was a new approach at the time the Department was developing the plans, the ANAO assessed fraud control performance indicators against the both the balance required by the previous framework[22] and the current one.

3.19   Prior to the establishment of the outcomes and outputs framework, better practice in relation to performance indicators required that a balance of measures covering input, process, output, outcome and quality of service was to be specified. The ANAO found that the focus of the Division and Branch business plans was on fraud control outcomes and outputs given the Department was adopting the new framework. In addition, the plans contained inputs in the form of average staffing levels and running costs and a number of measures addressed process (FPU operations consistent with FPU Manual) and the quality of services (investigations conducted to Commonwealth Fraud Investigation standards) being provided. In this way, the plans contained a balance of

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[22]   This framework is discussed in *'Performance Information Principles',* Better Practice Guide, ANAO and DoFA, November 1996.

fraud control measures in that they dealt with input, process, output, outcome and quality.

3.20 In relation to the DoFA framework, the requirements are that the price, quantity and quality (including customer satisfaction, accuracy and timeliness) of departmental outputs should be able to be measured as appropriate. It is acknowledged that the Department had moved quickly to adopt the outcomes and outputs framework.

3.21 However, the Department had not yet fully embraced all components of the framework by developing fraud control indicators for outputs in terms of their price, quantity and quality. While some of the indicators specified would measure aspects of price, quantity and quality, the full range of fraud control indicators will need to be developed in order to meet the requirements of the DoFA framework.

Measurable indicators in Division and Branch plans

3.22 Only some of the indicators included in the Division and Branch plans were able to be measured, for example,

fraud allegations recorded and investigated in accordance with Commonwealth Fraud Investigation Standards and contractors remain financial during the life of the contract.

3.23 A number of fraud control indicators were not able to be measured or assessed either quantitatively or qualitatively because the terminology used had not been defined or targets or standards had not been included, for example:

- provision of quality and timely advice—quality standards would need to be established, timely defined or a specific timeframe set;
- effective performance reporting and more powerful investigative capacity—effective and more powerful require definition, for example, does more powerful mean, more cases processed in a shorter time, more investigators trained, a higher success rate in prosecutions; and
- improved client satisfaction (the current level of satisfaction would need to be known and a decision on the level of improvement to be made taken).

3.24 As well, few of the fraud related indicators contained standards and targets to assist measurement. For example, 'stakeholder satisfaction' would need to have associated targets, satisfaction increased from 80 percent to 95 percent and reduce average age of registered debt would need a target of by 30 days, for the indicator to be measurable.

3.25 When the indicators are being revised to meet the requirements of the DoFA framework, terms should be defined and targets or standards included where necessary to assist measurement.

KPIs in SLAs

3.26   Table 10 sets out the fraud related KPIs contained in the SLAs between all National Program Managers and each State Manager.

Table 10
Key performance indicators in service level agreements*

	Output	Indicator
1	Effective fraud prevention function in accordance with obligations under Section 1.4 of the C.E.Is and P.Rs (FMM), the Commonwealth Fraud Investigation Standards and the FPU Manual.	All FPU cases to be assigned to an investigator within 2 weeks, 80% of FPU cases received to be accepted for actioning by another agency or completed to DPP referral or closure within 6 months of date of assignment to investigating officer.
2	Effective fraud prevention function consistent with obligations under Section 1.4 of the CEIs and PRs (FMM), the Commonwealth Fraud Investigation standards and the FPU Manual.	Data input to FAIMIS is up to date, accurate and complete, all allegations/ cases are registered in FAIMIS within 2 working days of receipt in FPU.
3	Effective fraud prevention function consistent with obligations under Section 1.4 of the CEIs and PRs (FMM), the Commonwealth Fraud Investigation Standards and the FPU Manual.	FPU operations consistent with DEETYA FPU Manual.
4	Effective fraud prevention function in accordance with obligations under Section 1.4 of the CEIs and PRs (FMM), Commonwealth Fraud Investigation Standards and the FPU Manual.	General Counsel or representative to hold consultations with State Manager and State office staff on site no less than twice yearly.
5	Effective fraud prevention function in accordance with obligations under Section 1.4 of the CEIs and PRs (FMM), Commonwealth Fraud Investigation Standards and the FPU Manual.	General Counsel or representative to conduct consultations for FPU Managers (State Managers attendance welcomed) twice yearly.
6	Effective fraud prevention function in accordance with obligations under Section 1.4 of the CEIs and PRs (FMM), Commonwealth Fraud Investigation Standards and the FPU Manual.	Fraud Prevention and Benefits Control Branch in conjunction with Systems Division to upgrade FAIMIS reporting system by 31 March 1999.
7	Effective fraud prevention function in accordance with obligations under Section 1.4 of the CEIs and PRs (FMM), Commonwealth Fraud Investigation Standards and the FPU Manual.	Fraud Operations Section Director to respond to all case closure recommendations within 5 working days of receipt.

8	Effective fraud prevention function in accordance with obligations under Section 1.4 of the CEIs and PRs (FMM), Commonwealth Fraud Investigation Standards and the FPU Manual.	FPU Manual to be continually revised, major update by 31 March 1999 subject to Government changes to Fraud Control Policy of the Commonwealth.

*Only those indicators relating to fraud control are discussed here.

3.27 The ANAO examined these KPIs to determine if they were included in, or linked to, Division and Branch plans. Such links would allow that part of the Department with major responsibility for fraud to have an overall view of fraud matters for all areas of the Department.

3.28 Indicators 1 to 3 are included in the Branch plan under services to be purchased from State Managers. Indicators 2 and 3 were assessed by the compliance testing using an indicative sample in two State offices. This is discussed in the next chapter.

3.29 Indicators 5 and 6 were indirectly linked to indicators in the Branch plan. For example, indicator 6 regarding the upgrade of systems could be linked to systems meet needs of Fraud Prevention Branch.

3.30 Indicators 4 and 6 to 8 were not included in either the Division and Branch plan including in the list of services to be purchased from the States. The ANAO recognises these were the responsibility of the States. However, not including these KPIs in Division and Branch plans may mean that appropriate activities will not be monitored by the Fraud Branch, thereby making it difficult to have an overall understanding of fraud control in the department.

3.31 All fraud related KPIs were able to be measured or assessed.

Conclusion

3.32 In relation to the fraud control plan, the ANAO found that the Department had developed performance indicators for the strategies it contained. These indicators were specified in the Division and Branch plans rather than in the fraud control plan itself, but would enable the Department to assess the achievement of the strategies in the majority of cases.

3.33 Performance indicators at the National office level had been developed. These were indicators of success and KPIs. Because the fraud control outcomes had not been defined and one of the outputs in the Branch plan was not a good or service it was difficult to establish whether the indicators that had been developed were appropriate.

3.34 Under the framework which existed prior to the DoFA outcomes and outputs approach, a balance of fraud control measures which covered

input, process, output, outcome and quality had been included in the Division and Branch plans. However, because the DoFA approach was relatively new, the Department had not yet developed the full range of indicators to measure fraud control outputs in terms of price, quantity and quality (including client satisfaction, timeliness and accuracy).

3.35   As well, many of the existing fraud control indicators were not able to be assessed or measured because terms such as quality, timely and effective had not been defined specifically for each indicator and targets or standards had not been included, where necessary, to assist measurement.

3.36   The Department had put in place service level agreements (SLAs) between National Program and State office Managers regarding the activities undertaken by State offices on behalf of National office. This included responsibilities in relation to fraud control with related KPIs which were measurable in all cases. National Program Managers were required to assess achievements using the KPIs in the SLAs. As well, as the Fraud Branch had responsibility for all fraud matters for the Department as a whole, all fraud control indicators in the SLAs should have been included in the Division and Branch plans of the area responsible for fraud control so that the Branch could provide the overall assurance on fraud control matters. The ANAO found that not all indicators were included (either directly or indirectly) to allow this overall assessment to be made.

Recommendation No.2

3.37   To improve performance assessment, the ANAO *recommends* that, when the business plans for those areas of the Departments with fraud control responsibilities, are next reviewed, the Departments:

• develop a full range of fraud control indicators required under the framework specified by Department of Finance and Administration in *Specifying Outcomes and Outputs, Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework,* Canberra, 1998;

• define terms, such as quality and timely, and include targets and standards where this would assist assessment or measurement; and

• include all fraud control indicators from State and Territory agreements in the Division and Branch plans so that an overall assessment for the agency can be made of all aspects of fraud prevention and control.

DETYA's response:

3.38 Agreed. Since the AAO changes of October 1998 DETYA has centralised its fraud control function in National office. The Legal and Fraud Branch, which houses the fraud control function in Canberra, has re-cast its Branch Business Plan to increase the level of quantification of its targets and standards. DETYA substantially complies with the framework specified by the Department of Finance and Administration in, *Specifying Outcomes and Outputs, Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework* and Legal and Fraud Branch has been brought within that framework.

DEWRSB's response:

3.39 Agreed. The Department has developed an outcomes and outputs framework which meets the DoFA guidelines. Key performance indicators have been specified which address issues of quality, timeliness and quantity at the output level and targets and standards are progressively being specified. Work will shortly commence on developing lower level indicators in the context of developing business plans for 1999–2000. The process of identifying the most effective indicators is an iterative one subject to continuous improvement.

Monitoring

3.40 The ANAO sought to establish whether action to implement the various fraud plans and the SLAs was being monitored and reported appropriately. A number of monitoring requirements were identified. The fraud control plan highlights the need for the Fraud Branch to liaise with Divisions to ensure the implementation of action plans. The liaison undertaken to ensure implementation of action plans was discussed in Chapter 2. The fraud control plan also specifies the responsibilities for reporting to the Fraud sub-Committee and Audit Committee.

3.41 At National level, the Division and Branch plans set out fraud control KPIs. While these plans do not indicate the nature and frequency of monitoring, the principles of good management and sound corporate governance indicate the need to monitor performance regularly. At State level the SLAs indicate the monitoring to be undertaken against the KPIs which they contain.

3.42 The Department is also required to include information regarding fraud in its Annual Report and there are a number of reporting obligations to CLEB and the AFP contained in the fraud control plan.

3.43 As well as these monitoring activities, the Department had a number of mechanisms in place to assist further with fraud prevention. Monitoring activity in each of these areas is discussed below.

Audit Committee and Fraud sub-Committee

3.44   The ANAO found that regular reports (quarterly) were provided to the Audit Committee. These reports covered such matters as expanded responsibilities of the Internal Fraud Committee, clearance of the fraud control plan and data on case numbers and progress with them. These reports drew on data from the management information system. This system is discussed further in the next chapter.

3.45   Reports to the Fraud sub-Committee discuss details of specific cases as well as matters such as the completion of fraud risk assessments, the clearance of the fraud control plan, and associated fraud awareness activities. At the time administrative responsibilities were being changed, the Fraud sub-Committee was moving towards ensuring that reports were reviewed against KPIs and MCOs. As well, reports were to include information to allow the systematic analysis of trends, reasons for numbers of investigations by regions, weakness reports, how these weaknesses had been dealt with by program managers, and links back to the fraud control plan. These reporting requirements were being established at the time the administrative changes were being made to the Department. These proposed requirements represented sound practice and the Departments should continue with them.

Monitoring against Division and Branch plans and SLAs

3.46   The ANAO found that some monitoring had occurred against the indicators included in the Division and Branch plans. This occurred through the conduct of Program Liaison Meetings, that is meetings held with National Program Managers to discuss, among other things, the completion of risk assessments, implementation of fraud control action plans and any weaknesses identified in fraud control arrangements. As well, a review of the Branch plan had occurred in September 1998. The Department advised that they identified whether appropriate activities were being undertaken at that time. The ANAO also notes that at the time when formal monitoring had been most likely to have been undertaken that resources were being directed to planning and implementing the changes required by the transfer of the employment function.

3.47   As well, the ANAO acknowledges that monitoring very often occurs but this is not always documented. This is a problem for many agencies. While it is important to undertake formal monitoring, it is equally important that it does not become overly onerous. Documentation of monitoring undertaken can take the form of notes of regular meetings held, annotations on a master copy of the plan and so on. In this way, agencies can meet the requirements of sound corporate

governance in a cost effective way including the provision of an audit trail for management purposes. The Departments should, in future, ensure systematic monitoring is undertaken and documented appropriately.

3.48 State offices were required to provide monthly reports against all the KPIs in the SLAs, including fraud. The ANAO found that these reports were being prepared and all fraud activities in the SLAs were being monitored. As well, a quarterly consolidated report was produced. These reports covered whether, and to what extent, fraud KPIs had been met for each State as well as listing resources available and problems encountered.

3.49 National Program Managers were required to make an assessment of these quarterly reports and to consult on any action required to be taken by State offices to bring about improvements in fraud control arrangements. This represented sound practice.

3.50 The Department advised that National office staff from the fraud area also undertook visits to the States in order to discuss issues of importance and to conduct some quality control activities.

Other preventative mechanisms

3.51 Much of the monitoring undertaken was aimed at ensuring that fraud prevention measures were being implemented and to identify any weaknesses in arrangements. In this way, the Department had been aiming to control and prevent fraud.

3.52 As well as monitoring these activities, the Department had a number of other mechanisms in place to assist with fraud prevention[23]. These were:

- clearance of guidelines and contracts to ensure that they included deterrence measures and were framed in a way that discouraged the occurrence of fraud;

- assessments of financial viability were undertaken to ensure that contractors have the resources to provide the services required by the Department; and

- data mining and compliance activity. This involved the Compliance Section (within the Fraud Branch). In the first instance, they drew on risk assessments to identify higher risk areas. They then conducted their own analysis of data in various systems and, taking account of information gathered during other discussions, examined payments

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[23] Some of these activities have been included in tables in this report as examples of outputs, strategies and indicators. They are discussed here in more detail from the specific viewpoint of being fraud prevention measures.

to detect any anomalous patterns of activity. If any unusual payments were identified, a compliance project was established in the Selection, Monitoring and Review System (SEMORE) as a first step to verify the facts of the case and to determine whether it was one of an overpayment or an actual case of fraud.

3.53   These activities represent sound management practice.

Annual Report

3.54   The Department of Prime Minister and Cabinet issues departmental annual report requirements to assist departments provide sufficient information in their annual reports for Parliament to make a fully informed judgment on departmental performance, including in relation to fraud control. The Department's Annual Report for 1997–98 includes information on fraud prevention, the fraud control plan and on the numbers of cases and progress made with them. Therefore, the ANAO considered that the Department had met the requirements of the Department of Prime Minister and Cabinet's guidelines in relation to fraud matters.

Reporting to the AFP and CLEB

3.55   There are a number of matters where CLEB seeks reports under its quality assurance guidelines. As well, the AFP requires information on some matters. These are:

- reporting of information on prima facie cases of fraud to the Commonwealth Fraud Information Database; and
- annual reporting to CLEB, including reporting on training of Commonwealth fraud investigators and on fraud prevention training for agency staff.

3.56   In relation to reporting to the AFP, the Department advised that information on referred cases (that is, those which involve investigation officers) had been provided to the AFP. The Department had adopted a definition of prima facie which meant that cases were only reported when they had reached a point in the process where it had been concluded that an investigation was warranted. This is a matter which needs to be clarified so that all agencies are reporting comparable data which would then provide useful information regarding fraud at the Commonwealth level.

3.57   An annual report for 1997–98 was provided to CLEB in January 1999. This involved completing a pro-forma to indicate whether particular activities had or had not been undertaken. The pro forma covered for example, the conduct of risk assessments, the existence of a fraud control plan, staff awareness, information on referrals and prosecutions.

3.58   As well, the Department provided CLEB with a copy of their annual report and the fraud control plan, including risk assessments. Fraud control action plans had been reviewed by CLEB.

Conclusion

3.59   In relation to one aspect of monitoring, the ANAO found that reports and information were provided to the Audit Committee and Fraud sub-Committee to allow appropriate monitoring of many fraud arrangements for the Department as a whole.

3.60   At National office level some monitoring against Division and Branch plans had been undertaken but this had not been systematic or formal. This is an important matter for all agencies and, undertaking both systematic monitoring and documenting the outcomes of that monitoring, will assist with ensuring appropriate accountability. In this way the Department would ensure fraud control arrangements are working in practice or that early action could be taken to resolve any problems.

3.61   At State office level, monthly reports were prepared against fraud related KPIs in the SLAs. A quarterly consolidation of these reports was also prepared and consultations were held to address any problems or weaknesses. This represented sound management practice.

3.62   The Department had also undertaken a number of other preventative activities, including, among other things, program guidelines being assessed in all cases to identify any weaknesses which may create the opportunity for fraud to occur. These activities also represent sound management practice.

3.63   The Department had met its annual reporting obligations and those to the AFP and CLEB.

4. Manual of fraud control and compliance

This chapter discusses the assessment of compliance with the Manual for Officers (the Manual) of DEETYA's Fraud Prevention Units and other principles for sound management which have been put in place. The related issues of quality assurance and the role of internal audit are also discussed. The ANAO has made one recommendation in relation to the establishment of a quality assurance mechanism.

Introduction

4.1   A manual or set of procedures is an important part of an overall framework for fraud control and is a document through which awareness of fraud matters can be raised and specific detailed guidance on how to prevent and deal with these matters can be provided to officers especially those with direct responsibilities to manage fraud.

4.2   The ANAO examined whether the Manual for Officers of DEETYA's Fraud Prevention Units (the Manual) provided: appropriate guidance; had been distributed to those who needed it; and was reviewed and updated regularly. As well, the ANAO tested compliance by the Specialised Fraud Control Units with some key elements[24] of the Manual. In undertaking this compliance testing, some elements of compliance with the SLA were also examined. The information technology (IT) support system and, in some cases, the possible impact of the lack of compliance on the accuracy of data used to measure performance indicators are discussed below.

The Manual

4.3   The ANAO found that the Manual was readily available to all appropriate staff and was updated regularly. The content of the Manual was comprehensive and covered all relevant matters, such as roles and responsibilities, the legal basis for fraud matters, protocols and liaison arrangements with relevant bodies, links to debt management, IT support

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[24]   During this audit the ANAO did not focus on whether actual investigations were carried out in line with the Manual because this required specialist expertise. The focus was on whether the Department itself had put in place arrangements to ensure investigations were undertaken appropriately. These are discussed under investigator training in Chapter 5.

and management information systems, training and operational guidance, including the steps in the process from dealing with allegations through to the completion of an investigation.

4.4   The Manual was cross-referenced to other documents such as the CLEB Guide, business plans and the APS code of conduct. In this way, it provided comprehensive guidance on operational matters for staff directly involved in fraud control.

Compliance issues

4.5   As discussed above, the investigation of fraud was conducted through specialised fraud control units established in the State and Territory offices as well as within the Fraud Branch in the National office.

4.6   The ANAO examined the compliance of these units with keys aspects of the Manual and the SLAs using an indicative sample, that is the findings are not based on a representative sample and the focus was on key elements which could be assessed quantitatively. As discussed above, the ANAO visited two State offices, NSW and Qld, as part of this examination. The findings of this work and that undertaken at National office are discussed below.

4.7   In discussing the ANAO's findings, reference is made to the information technology system which supports the control of fraud in the Department. The data base application in which all cases of fraud are entered is known as FAIMIS.[25] The Department had identified a number of problems with FAIMIS and in November 1998 upgraded the system to address these. The upgraded system is known as FAIMIS2 and the effect of its introduction on the problems identified during the compliance testing are discussed where necessary as part of the audit findings.

4.8   The findings of the compliance testing are provided in Table 11. Each area is discussed in the paragraphs following the table. As discussed above, the testing was based on an indicative sample. The findings indicate that there were issues which required attention by the Department but they did not necessarily indicate that these problems occurred in every State or to the same degree in all cases.

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[25] Fraud Analysis and Investigation Management Information System.

Table 11

Key elements of compliance testing

Key Attributes	State offices	National office	Total [a]
Case entered into FAIMIS within two days.	9 of 18	3 of 7	12 of 25
Priority order assessment of cases undertaken.	0 of 18	0 of 7	0 of 25
Cases allocated to officer within two weeks.	9 of 18	6 of 7	15 of 25
Relevant managers informed of new cases.	5 of 18	7 of 7	12 of 25
Monthly Reports contained all required information.	18 of 18	N/A	18 of 18
FAIMIS entries up to date, accurate and complete eg. Case running sheet.	17 of 17	7 of 7	24 of 24
Case Management Report prepared and forwarded to Manager ICU.	14 of 18	7 of 7	21 of 25
Case Findings Report completed within 10 days of completion of case. [b]	0 of 1	4 of 7	4 of 8

a. The figures in the table above, for example 5 of 18 indicate that the first number is the number of cases that complied with the key attribute; and the second number is the total number of cases tested.

b. The low number of cases tested in relation to the existence of case findings reports resulted from the fact that this key attribute could only be examined for completed cases included in the indicative sample.

Allegations

4.9   The Manual states that allegations should be entered into FAIMIS as a case of fraud '*within two working days of receipt in accordance with the two hour rule*'. The two hour rule relates to the fact that the allegation should be entered into FAIMIS if it cannot be resolved within a total of two hours elapsed staff time.

4.10   It is important to note that, in addition to more specific allegations of fraud, Fraud Units received complaints, inquiries, concerns regarding administrative matters and queries. These more general matters were not required to be recorded in FAIMIS and, in some cases, it was obvious that matters would be dealt with by a course of action other than recording an allegation of fraud. As well, it would have been difficult to record an allegation of fraud in many cases because insufficient information was provided to allow an appropriate entry on the system. The Department advised that all these matters were '*consciously assessed*' and, '*where it was not apparent that the matter was purely an administrative issue*' within the two hour requirement, the matter would have been noted on file and recorded on FAIMIS. These assessments and/or analysis had not been formally documented.

4.11   Because at the time of the audit not all matters were recorded in FAIMIS it was not possible to test compliance with the two hour rule.

This problem will be addressed by the requirement to record all matters in FAIMIS2. In relation to the two day rule it was possible to determine compliance for those allegations which proceeded to fraud cases. The testing undertaken was based on the understanding that, when a case is entered into FAIMIS, a date received must also be entered. On the assumption that this date was accurate the ANAO found that 12 out of the 25 cases tested had not complied with the two day rule.

4.12   A requirement now exists that all allegations are entered into FAIMIS2. This includes information where, for example, a suspect or other details has not been identified. This, like other requirements discussed below, must be complied with to ensure complete and up-to-date records which will allow comprehensive analysis and reporting on fraud control matters. In relation to allegations it is particularly important that staff understand the necessity of recording all allegations as the first step in the process and to assist with fraud prevention.

4.13   As well, under FAIMIS2 records will be available to allow analysis of issues raised by allegations to identify broader problems or trends, such as systemic fraud across States, programs or activities (such as, travel). In order to ensure that such analysis occurs and the results are used to improve fraud control a record should be maintained (on file or in the system) to demonstrate what has occurred.

Conclusion

4.14   The Department advised that all matters referred to Fraud Units had been assessed to determine if they should be raised as allegations but the ANAO found this had not been documented. Records of such analysis should be maintained either on file or on the system to allow assessment of systemic issues. In relation to the two day rule a number of cases examined had not complied with this requirement, that is all allegations were to be entered into FAIMIS within two working days of receipt. This and other concerns outlined below highlight the need to have a quality assurance system as part of a robust fraud control framework.

Fraud cases

4.15   When the decision has been made that an allegation requires further investigation it is entered into FAIMIS as a fraud case. The ANAO examined 25 cases against key attributes for the successful conduct of fraud cases as set out in the Manual and/or service level agreements. The findings (set out in Table 11) in relation to each of these attributes are discussed under separate headings below.

Priority assessment

4.16   The Manual sets out the identified priorities (as at 9 April 1998) against which potential cases of fraud should be assessed. The ANAO found that there was no evidence, for the 25 cases examined, that any priority assessment had taken place. The Department advised that:

- meetings were held within the State Fraud Units at which the priorities were assessed but these were not documented; and

- individual investigation officers also assess priorities but no record of this was found.

4.17   Establishing priorities would assist in the allocation of work to investigators in a way which ensures that those cases with the highest priority can be dealt with promptly. As well, it will assist with resource allocation because establishing overall priorities helps to determine the resources needed and should ensure that one particular officer does not receive all high priority cases. In order to ensure that agreed priorities are addressed, the discussions and assessments of priorities should be documented and should cover the action officer and time frame agreed to address a particular priority. The need to undertake priority assessments and to document them has not been changed by the introduction of FAIMIS2.

Case allocation

4.18   The SLA between National Program and State Managers states that all fraud cases are '*to be assigned to an investigator within two weeks of the allegation being received*'. The ANAO noted that the 'date investigator assigned' could be changed in FAIMIS and is automatically updated if a new investigator takes over a case. Adherence to the requirement was therefore difficult to confirm but was possible from file records.

4.19   Using the FAIMIS allegation received date, as used in the testing of the two working day requirement above, the ANAO found that in only nine of the 18 cases reviewed at State office had been allocated to investigation officers within two weeks of the allegation being received. The ANAO also noted that responsibility for the operational management of some cases had not been allocated to an investigation officer at all. One State had had a system in operation in which some cases were assigned to a 'holding' designation until an officer became available. In other instances cases had not as yet been assigned or were assigned to investigation officers no longer working in the ICU.

4.20   Failure to assign cases to an officer within two weeks increases the risk of unnecessary delays in the investigation of fraud cases and

makes it more difficult to identify relevant records and/or interview staff who may have left when, and if, an investigation actually occurs.

4.21 In FAIMIS2 the field for an investigator is a mandatory field and when the fraud unit manager approves a recommendation to proceed to a fraud case an investigator must be assigned. This should address the problem provided that investigators no longer with the Department cannot be assigned to a case.

New cases

4.22 The Manual states that Fraud Prevention Units' Managers should develop a process to '*advise State Managers of new allegations and cases on a regular basis …*'. At National office, the ANAO found that section heads were informed of new cases as they arose. However, of the 18 cases examined at State offices the ANAO found that State Managers were only informed of five of these cases. This could have been a result of some confusion in the Manual as Appendix 21, which sets out requirements for monthly reports, indicates that for new cases the following information should be provided in those reports:

- number of cases grouped by program;
- total number; and
- comments and names of individual cases required <u>only for those of interest</u>.

4.23 This could have been interpreted to mean that only those new cases deemed to be 'of interest' should be advised to the State Manager. The Department should clarify the purpose of providing advice on new cases, review the manual accordingly and provide guidance on what would constitute a case of interest if this is to remain a requirement.

Entry of information into FAIMIS

4.24 In relation to running sheets, the Manual indicates that '*running sheets are mandatory and must be entered onto FAIMIS*'. While the information in FAIMIS was an accurate reflection of the status of the cases examined, it showed that in 13 cases no action had been undertaken for a long period of time. The Department advised that managers had direct access to the files themselves and other FAIMIS reports and all of these were used to analyse workload and priorities. Despite this access and availability of reports, the lack of action on the cases examined raises the concern that long delays may jeopardise successful outcomes for investigations. As well, the ANAO found that there were problems with documentation of decisions made in relation to such matters as priorities.

Case management report

4.25   The Manual indicates that these reports are the means by which approval is sought for a recommended course of action (except case closure), guidance or at critical stages of the investigation. These reports are generated from FAIMIS. In four of the 18 cases examined in the fraud units these reports had not been prepared. This means that appropriate authority may not be given or that management is not informed of progress with a case so that any necessary action can be taken to ensure appropriate progress is made.

4.26   FAIMIS2 requires that recommendations are forwarded to managers at key points in the process. When managers log on they are prompted to address the recommendations which indicate progress and allows approval of courses of action. This will overcome the problem with case management reports.

Monthly report

4.27   The Manual specifies the need for monthly reports and details the format in Appendix 21. The ANAO found that monthly reports met the requirements specified in the Manual. Their role in monitoring State office performance in relation to fraud control was discussed in the previous chapter.

Case findings reports

4.28   The Manual states that case findings reports must be produced '*for all cases within 10 working days of case closure*'. The ANAO was advised during the audit fieldwork that these reports need not be provided for simple routine cases. The Manual has not been changed to reflect this. In testing compliance with the Manual, if the case was considered to be routine by the ANAO it was treated as not requiring a case findings report. As well, of the eight completed cases, four did not have a case findings report and/or an indication that a report was not required.

4.29   Given these reports are the main source of identifying systemic issues, internal control weaknesses and provide feedback on the appropriateness of the risk assessment it is important that they are completed and then used by program areas to improve controls, performance and so on. In addition, the Manual should be amended to reflect the agreed treatment of routine cases.

4.30   In FAIMIS2 a case cannot be closed without a case findings report being completed. This should assist to address the problem.

Conclusion

4.31 The ANAO found that, in a number of cases, the information in FAIMIS was not up-to-date and that there were problems with documentation of decisions made in relation to such matters as priorities. Furthermore, even when records such as running sheets were up-to-date, the lack of action on the cases examined raises the concern that long delays may jeopardise successful outcomes for investigations. A number of these matters will have been addressed by the introduction of FAIMIS2. However the need for keeping records up-to-date and accurate should be stressed to all staff. Priorities must be established, and documented, so that sufficient resources can be allocated to ensure successful outcomes are achieved. As well, reports or weaknesses identified must be used by program managers to reassess risk assessments, improve controls and/ or procedures and performance generally.

4.32 As previously discussed (para.3.50), the Department had undertaken some quality control activities. This had not prevented the problems identified above occurring. These activities should be formalised and broadened to encompass a comprehensive quality assurance framework for greater effectiveness.

Quality assurance

4.33 The Fraud Control Policy of the Commonwealth states that quality assurance reviews are the responsibility of the Australian Federal Police. However, the ANAO found that only two reviews had been undertaken in the last two years. Each review covered one State and focused on investigations. While these reviews can provide assurance in relation to investigations[26], they do not provide assurance to the Department on many aspects of fraud control.

4.34 A departmental system of quality assurance which complements AFP reviews is necessary. It would assist to address the problems identified above though monitoring compliance with procedures and rules. As well, findings from quality assurance review should be used to improve performance by highlighting problems with policies, planning, procedures, systems and so on in a formal way.

4.35 The Department should implement a system of quality assurance as soon as possible for greater effectiveness.

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[26] As stated previously, actual investigations were not examined as part of this audit.

Role of Internal Audit

4.36   The Fraud Control Policy of the Commonwealth '*recognises that Internal Audit is closely linked to fraud control and that all Commonwealth agencies should ensure that the linkage is maintained*'. Section 25 of the Department's Audit Charter refers to the Internal Audit Branch's responsibility to promote risk management and assist managers meet their risk management and quality assurance responsibilities. These areas are of particular importance in identifying risk and ensuring compliance with procedures. In this way the work of Audit Branch is complimentary to that of the Fraud Branch. The Audit Branch had assisted with fraud investigations where financial expertise has been required.

4.37   The Audit Branch had not performed any audits within the Fraud Prevention Branch, including any quality assurance activity, in recent years and did not undertake any fraud related reviews in the 1998–99 financial year because of other priorities. In discussions with the Audit Branch, officers indicated that they would be able to make sufficient resources available to assist with quality assurance reviews. This would assist in establishing an appropriate system of quality assurance.

Conclusion

4.38   The ANAO found that the Department did not have a quality assurance system, other than AFP reviews, in place. As well, there had not been any recent audits undertaken and none was planned in relation to fraud control. The compliance testing discussed above highlights the need for the Department to implement a system of quality assurance.

Recommendation No.3

4.39   To facilitate the appropriate management of allegations and cases of fraud the ANAO *recommends* that the Departments should implement a system of quality assurance as soon as possible to improve compliance with relevant procedures and guidelines established to assist fraud control.

DETYA's response:

4.40   Agreed. With the centralising of the fraud control functions in DETYA, quality assurance is now an integral part of the responsibilities of the Director and Assistant Directors of the Fraud Policy and Operations Section. Key components of the quality assurance process include FAIMIS entries, file records, preparation of briefs of evidence and compliance with investigation technical standards and the Fraud Control Policy of the Commonwealth.

DEWRSB's response:

4.41   Agreed. A quality assurance system will be implemented in 1999–2000. This will be oversighted by the DEWRSB Fraud sub-Committee which has requested that proposals be brought forward for articulating relationships on professional and resourcing issues between Central and State/Territory offices within the fraud control arrangements. Those proposals will be developed through consultation in the Department.

5. Training and awareness raising

This chapter discusses training and awareness raising in relation to fraud. The ANAO identified the need for improvement in assessment and evaluation of training by the Department and has made one recommendation relating to this.

Introduction

5.1   One of the key elements in assisting staff to understand, prevent and identify fraud is through encouraging awareness of fraud throughout the agency. As well as ensuring that staff are aware of their broad responsibilities in relation to fraud prevention and control, agencies need to provide appropriate training, particularly to those staff who work in higher risk areas. Specific training is also necessary for those staff directly involved in investigating fraud. The ANAO examined whether the Department had:

- undertaken fraud awareness raising activities for all staff;
- undertaken appropriate awareness training[27] activities for staff, particularly those in higher risk areas; and
- provided training to fraud investigators.

5.2   Each of these is discussed under separate headings below.

Awareness raising

5.3   The CLEB Guide indicates that all staff have a responsibility to make themselves aware of fraud and its implications for them in their day-to-day activities. To facilitate this, agencies should provide information to staff and conduct awareness raising sessions as appropriate.

5.4   Awareness of fraud was facilitated by all staff having access through the Department's Intranet system to the following relevant documents:

- the corporate plan which, among other things, discusses the need for staff to be '*honest, fair, ethical and trustworthy*' in all activities;
- the *Financial Management and Accountability Act 1997* in which Section 45 refers to the fraud control plan;
- the fraud control plan, which was also available in hard copy; and

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[27]   Included here because it is hard to distinguish the boundary between awareness raising activities and actual training.

- the Financial Management Manual which includes the Chief Executive Instructions and Procedural Rules which refer specifically to fraud matters.

5.5   As well, the Best Practice Guide for Fraud Control (CLEB), which includes the Interim Ministerial Direction on Fraud Control, is available on the Internet. The Department's risk manual is available to staff undertaking fraud risk assessment and highlights the importance of appropriately assessing and treating risk in relation to fraud.

5.6   Subsequent to the conduct of the risk assessment, action plans were developed involving program staff for those programs with medium to high risks. Those areas for which action plans were required were also listed in the fraud control plan so that *all* staff were aware of the potential for fraud in the particular areas. Staff have access to these plans on a need to know basis. All of this serves to highlight the importance of fraud prevention to the many staff involved.

5.7   Given the structure of the Department at the time of the audit fieldwork, awareness raising activities needed to be provided at both National and State office level (State office awareness training is discussed under the training heading below). The ANAO understands that the Department did not have a general awareness raising strategy in place at National office. However, a planned awareness raising strategy for the proposed launch of the latest fraud control plan indicated that:

- a staff circular launching the plan was to be distributed;
- the plan was to be available on the Intranet once it had the appropriate clearances and provided in booklet form to every officer; and
- a series of activities relating to making all staff aware of fraud were discussed at an Audit Committee meeting.

5.8   Although these activities did not occur in practice, because the fraud control plan had to be revised to reflect the transfer of responsibilities, they represented a sound strategy to make staff aware of the importance of the prevention and management of fraud.

Training

5.9   Training is an important mechanism in ensuring that staff in areas with direct responsibility for fraud and staff in areas with a higher risk of fraud are equipped to prevent and manage fraud:

- it should have been provided at both National and State office level; and
- it needs to be targeted and evaluated.

5.10   As discussed in Chapter 2, staff involved in undertaking fraud risk assessments were provided with training in applying the *Corporate Risk—No Surprises* methodology and participated in detailed discussions of potential fraud in their programs. Where individual fraud risk assessments were necessary, primarily because of changed conditions, small group discussions (as opposed to the biennial assessment) on fraud risk assessments were held. These sorts of discussions not only serve to raise awareness but also provide very specific advice on fraud matters to key staff. As well as discussing fraud risk assessment, matters such as guidelines and contract clearance from a fraud prevention perspective were highlighted at these meetings.

5.11   Training on the importance of preventing and managing fraud was provided for contract managers, those undertaking financial viability assessments and those responsible for the implementation of fraud control action plans for the Employment Services Market.

5.12   The fraud risk assessment training was targeted to those staff applying the *Corporate Risk—No Surprises* methodology and other training discussed above was targeted to those staff with a specific need to undertake individual risk assessments outside the biennial round.

State level training

5.13   In the two States visited, the ANAO found that they had developed and conducted their own awareness training sessions. In this way they were tailored to suit their particular circumstances and that of the different areas in the States. State offices advised that some material was exchanged between States. In an environment where responsibilities are devolved agencies should consider the value of the provision of core material to assist with ensuring consistency and to reduce the level of resources required if each separate office produces their own material. This would not prevent material being tailored by examples relevant to the circumstances of a particular State. The development of an arrangement to exchange information would also maximise the value of material developed.

Conferences

5.14   As well as these training activities, the Department held conferences in March and September 1998 for staff with direct responsibilities in relation to fraud for both National and State office levels. These conferences highlighted ongoing and emerging issues, as follows:

• the need to set priorities for cases so that resources are targeted;

- the improvements being made to information flows between National and State offices;

- the requirement for case findings reports to identify systemic weaknesses and thereby improve fraud prevention;

- the use of data mining to uncover suspect transactions; and

- the provision of information on major initiatives which have implications for fraud prevention and control, such as the establishment of the Employment Services Market.

5.15   Such conferences can assist in raising awareness of fraud issues, in keeping skills up-to-date and in highlighting common problems.

Systems training

5.16   Training in the use of systems such as FAIMIS and SEMORE are provided to relevant staff on an ongoing basis and the users had access to easy to understand manuals.

National Training Priorities

5.17   In response to moving more towards a purchaser/provider environment the Department had developed National Training Priorities. This consisted of eight skills-based modules which supported '*one or more of the Critical Success Factors*' in the corporate plan. The priorities had included contract management, risk management and project management. In this way training was provided in relation to matters where the potential for fraud was higher.

Targeting and evaluation

5.18   The Department provided estimates of the number of staff who had attended various training activities but advised that no formal evaluation to assess the effectiveness of training activities had been undertaken.

5.19   The Department advised that the Key Performance Indicators in Service Level Agreements between State Managers and the National office Program Manager for fraud control provided for fraud awareness to be targeted to staff administering Job Network and Indigenous programs where the risk rating required fraud control action plans. Training provided in National office was also targeted to contract management staff. However, the ANAO did not find evidence of such targeting occurring in practice, therefore it would be useful to record the assessment of who needs training to ensure resources (often limited) are directed where they will most assist in preventing fraud. Specific needs might be identified for people doing contract management, undertaking outsourcing activities, making payments and so on.

5.20   In relation to National Training Priorities, courses were open to all staff and attendance records for the courses offered under the National Training Priorities were kept. There was evidence that they had been evaluated.

Conclusion

5.21   The ANAO found that the Department had undertaken a range of fraud awareness and other training activities. In relation to much of the training provided, it was not specifically targeted to those in high risk areas, and except for the National Training Priorities, had not been evaluated.

Recommendation No.4

5.22   The ANAO *recommends* that the Departments assess training needs in relation to fraud control so that it is targeted to staff in areas with the highest potential for fraud and that systematic evaluation of training activities is undertaken to test its usefulness in relation to fraud prevention.

DETYA's response:

5.23   Agreed. DETYA will continue its policy of targeting fraud control training in line with its business/strategic directions. Training will be regularly evaluated.

DEWRSB's response:

5.24   Agreed. DEWRSB will provide fraud awareness training in conjunction with the release of its Fraud Control Plan and Practical Guide to Fraud Control and Public Interest Whistleblowing, targeting staff in areas with the highest potential for fraud and evaluating the effectiveness of the training.

Investigator training

5.25   The CLEB Guide states that the '*effective handling of fraud cases requires a high level of training for fraud investigators*'. Standards for fraud investigators have been established by the Commonwealth Investigation Technical Standards Committee which identifies and revises best practice benchmarks.

5.26   Training to the Department's Investigations staff had been provided in line with these standards through the AFP's National Investigation Centre. For staff to continue to work in the Department's Fraud Units they were required to undertake AFP training courses of three weeks duration which resulted in fraud investigation certificates being issued.

5.27 At the beginning of 1998, the AFP course was expanded to four weeks with an additional on-the-job assessment by approved assessors. The Competency Standards Body, Assessors and Workplace Trainers, was responsible for the accreditation of workplace assessors. The AFP discontinued the provision of courses due to resource constraints and competing priorities. However, training providers accredited by the Australian National Training Authority have provided the necessary courses since the AFP discontinued their service.

5.28 The requirement remains for investigators to be assessed in relation to on-the-job components of training. Departmental staff have therefore undertaken Workplace Assessor Courses to allow them to assess the competencies of investigations staff to complete their training requirements and this was being undertaken to an appropriate standard. In this way the Department had sound arrangements in place to ensure appropriately skilled investigation staff.

5.29 The provision of investigation training and workplace assessment was appropriate. The ANAO found that at the time of the audit fieldwork, they did not keep records which showed the current qualifications of investigations staff and identified further training required. Records were kept of attendance at courses and of on-the-job assessments completed.

Conclusion

5.30 The ANAO found that fraud investigations training and on-the-job assessments had been undertaken appropriately.
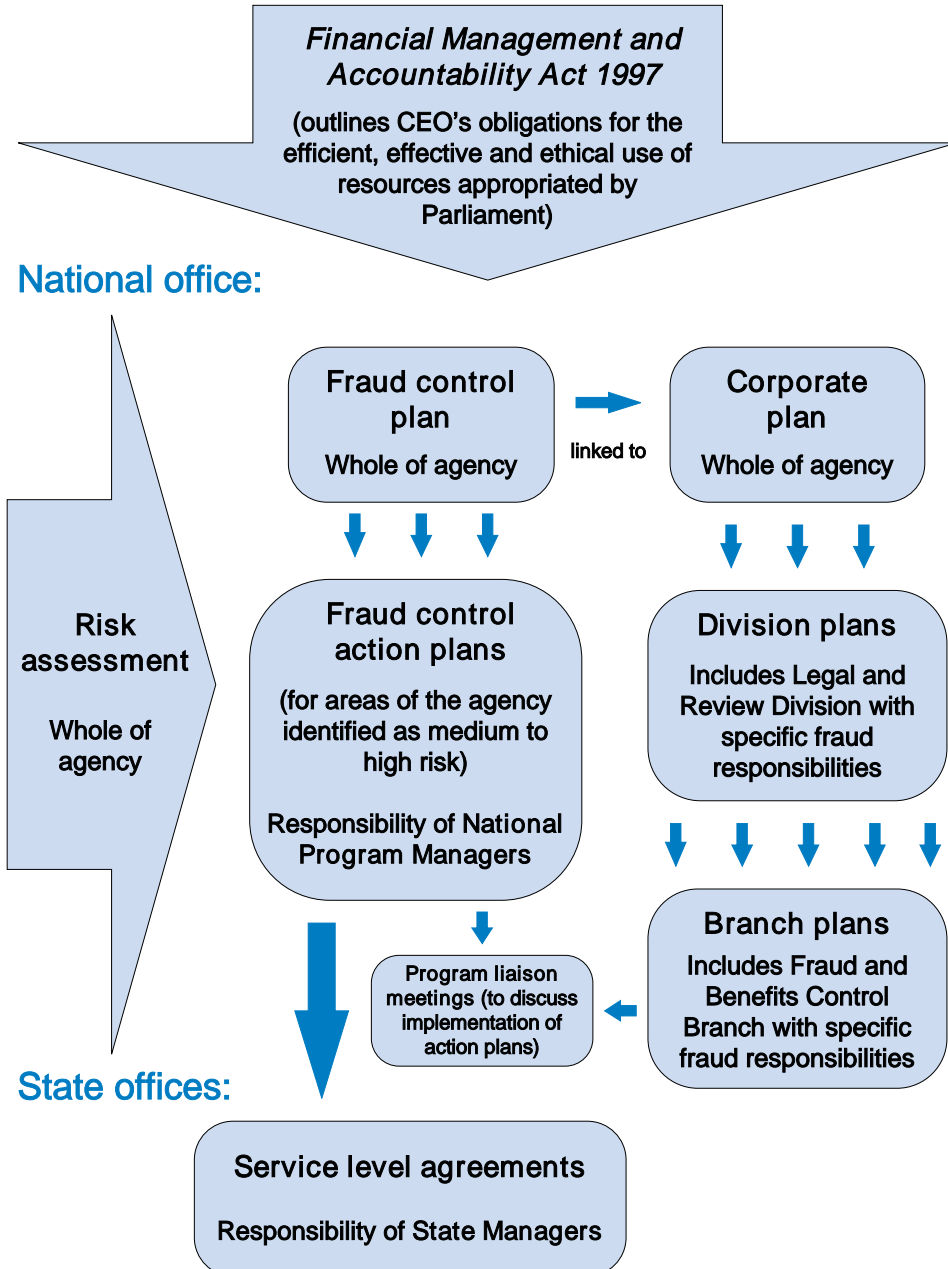
Canberra ACT
22 July 1999

P.J. Barrett
Auditor-General

Appendices

Appendix 1

Fraud control planning framework

Financial Management and Accountability Act 1997

(outlines CEO's obligations for the efficient, effective and ethical use of resources appropriated by Parliament)

National office:

Fraud control plan

Whole of agency

linked to

Corporate plan

Whole of agency

Risk assessment

Whole of agency

Fraud control action plans

(for areas of the agency identified as medium to high risk)

Responsibility of National Program Managers

Division plans

Includes Legal and Review Division with specific fraud responsibilities

Program liaison meetings (to discuss implementation of action plans)

Branch plans

Includes Fraud and Benefits Control Branch with specific fraud responsibilities

State offices:

Service level agreements

Responsibility of State Managers

Appendix 2

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