# Treasurer’s Directions (mandatory)

| Purpose | To establish a minimum standard for managing the risk and incidence of fraud. |
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| **Last reviewed** | May 2021 |
| **Operative date** | Commencing from May 2021Not retrospective |
| **References** | * Guidance document – Fraud control **(recommended to be read in conjunction with this Treasurer’s Direction)**
* Treasurer’s Direction – G2-2 Internal controls
* Treasurer’s Direction – Part 3 Section 2 Internal audit
* Treasurer’s Direction – Part 3 Section 3 Audit committees
* Treasurer’s Direction – Part 5 Section 5 Losses
* *Independent Commissioner Against Corruption Act 2017* (ICAC Act)
* Mandatory reporting directions and guidelines for public officers, bodies and the community – pursuant section 22 of the ICAC Act)
* *Public Sector Employment and Management Act 1993* (PSEMA)
* PSEMA code of conduct
* *Procurement Act 1995*
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# Scope

## Definition of fraud

For the purposes of this Treasurer’s Direction:

1. Fraud is defined as obtaining (or attempting to obtain) a financial benefit, or causing (or attempting to cause) a **financial** loss, by deception.
2. Obtaining a financial benefit includes obtaining for oneself, another person, or a third party.
3. Fraud requires more than carelessness, accident, or error – in these cases, an incident may be non‑compliance rather than fraud.
4. Fraud may arise from improper conduct such as corrupt conduct, misconduct, unsatisfactory conduct and anti-democratic conduct where paragraphs 1 to 3 are satisfied.

## Other

1. Not all improper conduct satisfies the definition of fraud as per this Treasurer’s Direction, however, an accountable officer must comply with reporting obligations pursuant to section 22 of the ICAC Act including those that are beyond the scope of this Treasurer’s Direction.

# Zero tolerance

1. The Northern Territory Government has zero tolerance of fraud.

# Fraud control – prevention

1. An accountable officer shall establish and maintain reasonable measures to prevent fraud in his or her agency, which at a minimum must include:
	1. a **fraud control policy** and **fraud control procedures** for managing the risk and incidence of fraud
	2. **fraud risk assessments** conducted at least once every two years and when there is a substantial change in the structure, functions or activities of the agency
	3. a **fraud control plan** that deals with identified risks as soon as practicable after conducting a fraud risk assessment
	4. internal controls that assist in the prevention of fraud.

## Fraud control policy

1. A **fraud control** policy, at a minimum, must:
	1. outline the overarching principles for the agency’s approach to fraud risk assessments and controls
	2. promote an ethical culture consistent with the PSEMA code of conduct and other relevant policies and legislative requirements
	3. mandate risks of fraud are taken into account in planning and conducting the activities of the agency
	4. commit to raising fraud awareness regularly in the agency
	5. mandate employees responsible for fraud control activities who possess or attain relevant qualifications, training or experience to effectively carry out their duties
	6. identify roles and responsibilities in relation to fraud controls
	7. mandate that fraud matters are managed by a person, group or entity who has the appropriate level of authority and is independent of the area of responsibility in which fraud is suspected or alleged to have occurred.

# Fraud control – detection

1. An accountable officer shall establish and maintain reasonable measures to detect fraud in his or her agency, which at a minimum must include:
	1. processes and systems to detect incidents of fraud or warning signs that fraud may be occurring
	2. internal controls to aid in the detection of fraud
	3. processes and mechanisms to enable employees and third parties to report suspicions or allegations of fraud.

# Fraud control – response

1. An accountable officer shall establish and maintain reasonable measures to respond to a fraud matter, which, at a minimum, must include policies and procedures for:
	1. determining, in respect of a person suspected of committing or alleged to have committed fraud, whether there are reasonable grounds to the suspicion or allegation (see paragraph 12)
	2. reporting to internal parties and protocols for escalation (see paragraph 13)
	3. reporting to external parties, including the Office of the Independent Commissioner Against Corruption, the Northern Territory Police Force and other relevant regulatory or statutory bodies (see paragraphs 14 to 15)
	4. assessing a fraud matter for administrative and or disciplinary actions (see paragraph 17)
	5. recovery of financial losses in accordance with the Treasurer’s Direction on losses
	6. documenting fraud matters (see paragraph 18).
2. Policies and procedures must give due consideration to ensuring any action taken by the agency:
	1. does not prematurely alert a person suspected of having, or alleged to have, committed fraud
	2. does not compromise a Northern Territory Police Force or Office of the Independent Commissioner Against Corruption investigation.

## Reasonable grounds to suspect fraud

1. Measures to determine if there are reasonable grounds to suspect a person of fraud must, at a minimum, include assessment:
	1. if the alleged conduct would tend to show that fraud may have occurred
	2. if there is reasonable basis to believe the information in respect of the alleged conduct.

## Reporting

### Internal

1. Systems for internal reporting must, at a minimum, require reporting of all fraud matters to the agency’s internal audit and risk assessment functions, the nominated recipient(s) of the agency or directly to the Office of the Independent Commissioner Against Corruption.

### External

1. Where an accountable officer determines there are reasonable grounds to suspect a person of fraud, the accountable officer must, as soon as practicable, inform and provide relevant details to:
	1. the Office of the Independent Commissioner Against Corruption
	2. the Northern Territory Police Force
	3. the Northern Territory Auditor-General subject to reporting threshold outlined in
	Treasurer’s Direction - Part 5 Section 5 Losses
	4. the Under Treasurer
	5. any other regulatory or statutory body (as required by an Australian law)
	6. an organisation, where an investigation discloses potential criminal activity involving that organisation’s activities or programs, to the extent possible subject to relevant requirements of any Australian law.
2. Pursuant to paragraphs 14.c and 14.d, an accountable officer must provide regular updates to the Northern Territory Auditor-General and Under Treasurer.

### Portfolio minister and Treasurer

1. An accountable officer must, as soon as practicable, advise their relevant portfolio minister and the Treasurer of suspicions, allegations or incidents of fraud, if the fraud matter:
	1. is complex
	2. is significant or systemic
	3. involves corrupt conduct
	4. or is considered politically sensitive.

## Administrative and disciplinary actions

1. Pursuant to paragraph 10.a, an accountable officer must assess all fraud matters and take administrative and or disciplinary action, if and when deemed appropriate, and in accordance with relevant legislation.

## Documenting fraud matters

1. Processes for documenting fraud matters must require:
	1. recording all fraud matters in a fraud incident register (refer to recordkeeping)
	2. documenting critical stages in managing fraud matters, including key decisions, the basis on which these decisions were made, actions taken and outcomes.

# Fraud control – monitoring and evaluation

1. An accountable officer shall establish and maintain reasonable measures to monitor and evaluate fraud controls, which at a minimum must include:
	1. regular review of the agency’s fraud-related policies, procedures and fraud control plans to determine if they are suitable, up to date and effective
	2. evaluating all fraud matters and taking action to address a breakdown or lack of internal controls that may have contributed to the occurrence of fraud, carelessness, accident or error, within a reasonable timeframe.

# Fraud control – recordkeeping

1. An accountable officer is responsible for keeping records regarding managing risks and incidents of fraud in his or her agency and, at a minimum, must:
	1. establish processes to collect and manage information gathered about fraud matters
	2. ensure records of fraud matters are maintained in a fraud incident register.
2. A fraud incident register is not required where an agency has never:
	1. had an incidence of fraud
	2. suspected a person of committing fraud
	3. received an allegation of a person committing fraud against the agency.
3. An accountable officer must retain records relating to or forming part of a fraud investigation, for the specified minimum period, in accordance with the agency’s records disposal schedule.

# Change history

| Version | Date | Author | Change details |
| --- | --- | --- | --- |
| 1.0 | 1 July 2018 | DTF Financial Policy | Initial version |
| 1.1 | May 2021 | DTF Financial Policy  | Included requirements under the ICAC Act |