



NHMRC FRAUD AND CORRUPTION CONTROL FRAMEWORK

2023-2025

Document Control

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Revision History

Date	Version	Revision Description	Area Making Change
October 2023	5.1	Updated Fraud and Corruption Control Officer and contact details	Governance and Legal Section
July 2023	5	Extension of current policy and amendments to demonstrate compliance with the NACC Act ¹	Governance, Regulation and Secretariat Support Section
January 2023	4	Extension of current policy and minor editorial amendments to reflect new resource (AS8001:2021) guidance	Governance, Regulation and Secretariat Support Section (<i>previously: Strategic Projects and Support</i>)
January 2020	3	Updated Commonwealth Fraud Control Framework	Strategic Projects and Support Section
November 2017	2	Extension of current policy and minor revisions	Strategic Projects and Support Section
April 2015	1	New policy	Ethics and Governance Section

¹ The National Anti-Corruption Commission (NACC) seeks to prevent corruption in the Commonwealth government. It is an independent agency that prevents, detects, investigates and reports on serious or systematic corruption in the Commonwealth public sector. The *National Anti-Corruption Commission Act 2022* (NACC Act) provides for the establishment of the NACC and for all related purposes.

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1. Introduction

The National Health and Medical Research Council (NHMRC) will not tolerate fraud and corruption at any level and has a commitment to high ethical, moral, and legal standards. Officers of NHMRC will act with integrity and fairness and uphold the values of the Australian Public Service (APS) in their dealings with NHMRC's Ministers and all stakeholders.

To build and maintain a strong ethical culture within NHMRC, NHMRC staff will adhere to the following APS values:

Impartial	We are apolitical and provide the Government with advice that is frank, honest, timely and based on the best available evidence.
Committed to Service	We are professional, objective, innovative and efficient, and work collaboratively to achieve the best results for the Australian community and the Government.
Accountable	We are open and accountable to the Australian community under the law and within the framework of Ministerial responsibility.
Respectful	We respect all people, including their rights and their heritage.
Ethical	We demonstrate leadership, are trustworthy, and act with integrity, in all that we do.

1.1 Objectives of this Fraud and Corruption Control Framework

The NHMRC Fraud and Corruption Control Framework 2023–2025 (the Framework) has been developed in accordance with the Commonwealth Fraud Control Framework 2017 and the Australian Standard on Fraud and Corruption Control AS 8001:2021. A key focus of the Framework is to raise awareness among NHMRC staff and other people who deal with NHMRC, to assist in the prevention, detection, and reporting of suspected fraud and corruption. Other objectives are to:

- inform the NHMRC Fraud and Corruption Control Plan 2023–2025 (the Plan)
- reduce the opportunities for fraud and corruption to occur within or against the NHMRC
- establish and define responsibility structures for identifying and managing fraud and corruption risks and a regime of regular related risk assessments
- ensure that NHMRC staff and external service providers and contractors are aware of the relevant fraud and corruption risk indicators and engage with NHMRC's reporting mechanisms
- increase awareness and vigilance, and promote reporting mechanisms to improve the likelihood that suspicions of fraudulent activity and corruption within or against NHMRC will be promptly reported
- ensure that appropriate action is taken when fraud, corruption or other misconduct is detected, including:
 - investigation of allegations of fraud, corruption, and misconduct
 - referral, where appropriate, to an external organisation such as the Australian Federal Police (AFP)
 - referral, where appropriate, to the Commonwealth Director of Public Prosecutions for decision to prosecute
 - referral, where appropriate, to the National Anti-Corruption Commission (NACC)
 - notification, where appropriate, to the Australian Signals Directorate of any IT security breaches within the NHMRC
 - comply with investigations undertaken by NACC on suspected serious or systemic corrupt conduct, and mandatory reporting obligations under the NACC Act

- recovery of fraudulently obtained money and/or assets.

1.2 Definitions of Fraud and Corruption

Fraud

The Commonwealth Fraud Control Framework 2017 defines fraud against the Commonwealth to be: **Dishonestly obtaining a benefit, or causing a loss, by deception or other means**².

This definition contains several elements:

- dishonesty³: acting against the interests of the organisation.
- obtaining a benefit or causing a loss: this can be both financial or non-financial and includes avoiding a debt.
- by deception or other means: some sort of action to deceive the organisation into departing with the asset, avoiding detection or simply intentionally not drawing an error to the attention of the appropriate authority.

Fraud against the Commonwealth includes (but is not limited to):

- theft or misuse of information (including procurement information and personal records)
- accounting fraud (e.g., false invoices, misappropriation)
- misuse of Commonwealth credit cards
- unlawful use of, or unlawful obtaining of, property, equipment, material or services
- causing a loss, or avoiding and/or creating a liability
- providing false or misleading information to the Commonwealth, or failing to provide information when there is an obligation to do so
- misuse of Commonwealth assets, equipment or facilities
- cartel conduct
- making or using, false, forged or falsified documents
- wrongfully using Commonwealth information or intellectual property
- any offences of a like nature to those listed above.

Corruption

- Corruption is defined as: Any conduct that does, or could, compromise the integrity, accountability or probity of public administration⁴. This includes:
 - conduct by any person that adversely affects the proper exercise of an official function, power or duty by an entity or official, including conduct that does or could, affect the honesty or impartiality of an official; and/or
 - an official breaching public trust; and/or
 - abuse of office; and/or

² This definition is based on the fraudulent conduct offences under part 7.3 of the *Criminal Code Act 1995*, in addition to other relevant offences under chapter 7 of the Criminal Code.

³ The meaning of dishonesty is set out in section 130.3 of the Criminal Code as follows:

(a) dishonest according to the standards of ordinary people, and

(b) known by the defendant to be dishonest according to the standards of ordinary people.

⁴ This definition encompasses corrupt conduct within the meaning of section 8 of *National Anti-Corruption Commission Act 2022* to assist entities in understanding their obligations to refer certain matters to the National Anti-Corruption Commission (NACC) as required.

- misusing official information.

An official engages in serious or systemic corrupt conduct against the Commonwealth if:

- they are a public official, and they breach public trust
- they are a public official, and they abuse their office as a public official
- they are a public official or former public official, and they misuse information they have gained in their capacity as a public official, or
- they do something that could cause a public official to behave dishonestly or in a biased way when they carry out their official duties. Any person can engage in this type of corrupt conduct.

The benefits referred to in the above definitions are not limited to material assets, but can also be intangible, such as the misuse of privileged information.

- Fraud and corruption can be perpetrated and committed by NHMRC staff (internal) or by people external to NHMRC (external). It may also be committed jointly between an employee and an outsider. Offences of fraud and corruption against the Commonwealth can also constitute offences under the *Criminal Code Act 1995* or the *Crimes Act 1914*.

1.3 NHMRC's Exposure to Fraud and Corruption

NHMRC has assessed its exposure to fraud and corruption as most likely to arise from actions of staff, actions by Members appointed Council and NHMRC committees, and actions taken by people seeking or receiving research funding from NHMRC.

Assessment of areas of fraud and corruption risk have identified that the controls and measures outlined in the Plan, have created low to medium levels of risk of incidents occurring. NHMRC's assessments also indicate that it is unlikely that either a fraud or corruption incident would not be detected.

1.4 The Legislative Framework

Fraud and corruption are both considered as criminal offences under chapter 7 of the Criminal Code. Section 10 of the PGPA Rule provides a legislative basis for the Commonwealth's fraud and corruption control arrangements and sets out fraud and corruption control requirements to assist Accountable Authorities to meet their obligations under the PGPA Act. Breaches of the Rule may attract a range of criminal, civil, administrative, and disciplinary remedies (including under the PGPA Act, the *Public Service Act 1999*, the *Criminal Code Act 1995* and the *Crimes Act 1914*).

A number of other relevant pieces of legislation, external standards, NHMRC policies and procedures should be read in conjunction with this Framework (detailed in Table 1).

Table 1: Fraud and Corruption Policy Benchmark Internal and External Guidance

Key Legislation	External Standards and Guides	Policies and Procedures
National Health and Medical Research Council Act 1992	Commonwealth Fraud Control Framework 2017 ⁶	NHMRC Fraud Control Framework (the Framework)
Public Governance, Performance and Accountability Act 2023 (particularly PGPA Rule s10) ⁵	- Preventing, Detecting and Dealing with Fraud ((RMG) 201)	NHMRC Fraud Control Plan (the Plan)
Public Service Act	Australian Government Investigation Standards	APS Code of Conduct
1999 - APS Values and APS Code of Conduct	Prosecution Policy of the Commonwealth	Australian Code for the Responsible Conduct of Research
Privacy Act 1988	Australian Government Protective Security	Human Resource policies and procedures
Public Interest Disclosure Act 2013	Policy Framework	NHMRC Risk Management Policy
National Anti-Corruption Commission Act 2022	ASNZ ISO 31000:2018 Risk Management - Guidelines	Accountable Authority Instructions
	AS 8001:2021 - Fraud and Corruption Control	Financial Delegations
		Internal Control Framework
		ICT policies

1.5 Review of the Fraud and Corruption Control Framework and Fraud and Corruption Control Plan

The CEO must develop and implement “a fraud control plan that deals with identified risks as soon as practicable after conducting a risk assessment” (PGPA Rule s10(b)).

NHMRC will review both this Framework and its Plan at least once every two years as recommended in the *Commonwealth Fraud Control Framework 2017* to ensure it identifies and manages the issues most likely to contribute to fraud and corruption at NHMRC. The review should include:

- considerations of the findings of the most recent fraud and corruption risk assessments

⁵ s10 of the PGPA Rule will be amended to include corruption and three additional requirements for non-corporate entities. The rule is currently being drafted and will be available in mid-2023.

⁶ The Commonwealth Fraud Control Framework, including the Fraud Rule, the Fraud Policy and Resource Management Guide (RMG) 201 will also be amended to include corruption control within Australian Government entities following the commencement of NACC in July 2023.

- a review of changes in NHMRC's operations and environment since the previous review (including, for example, risk assessments conducted on new projects, both internal and external audit findings and recommendations, initiatives, or investments)
- primary objectives of the agency as described in the Corporate Plan
- changes in Government policy and external standards (refer Table 1)
- consideration of new fraud and corruption control strategies and the cost/benefit of implementing such strategies.

2. NHMRC's Approach to Fraud and Corruption Control

Senior management has a significant role in the development of an effective anti-fraud and corruption culture at NHMRC. A highly effective approach to fostering such a culture is ensuring that all staff have an opportunity to be involved in the development, implementation and maintenance of the Framework and Plan.

APS officials should incorporate fraud and corruption risk assessments within planning and design of processes and procedures for projects, initiatives, and investments, demonstrating NHMRC's commitment to continuously and proactively reviewing its fraud and corruption control arrangements. All NHMRC officials have a shared responsibility to detect, report and prevent fraud and corruption.

Fraud and corruption can be pervasive and sometimes difficult to detect. The NHMRC fraud and corruption control strategy is built around the three basic principles of prevention, detection, and response, which are underpinned by foundations of both internal and external controls.

Prevention

This includes actions taken to prevent fraud and corruption through the promotion of a high level of ethics and accountability in relation to fraud and corruption control.

Principal mechanisms to achieve this include:

- an ethical organisational culture
- fraud and corruption awareness training
- appropriate internal controls
- effective fraud and corruption risk assessments and risk management
- internal audit
- early intervention
- prevention methods built into policy design
- employee screening and supplier vetting.

Detection

This includes actions taken to detect fraud and corruption early and to limit exposure where it does occur.

Principal mechanisms include:

- compliance reviews
- internal reviews and audits
- monitoring high risk areas
- whistleblower reports
- complaints management
- disclosure to an Authorised Officer under the *Public Interest Disclosure Act 2013* and reporting mechanisms
- data analysis and post transaction reviews
- regular management reviews.

Response

Response actions are those taken following detection of suspected fraud and corruption, receipt of allegations or receipt of complaint to ascertain if fraud, corruption, or other illegal acts have occurred and, if so, to what extent. Principal mechanisms include referral processes and investigation procedures that meet relevant standards and guidelines.

Criteria for determining a fraud and corruption response include:

- financial impact
- impacts on industry
- public interest
- deterrence
- integrity damage.

2.1 Responsibilities

All NHMRC officials have responsibility for fraud and corruption control. Specific responsibilities are described in Table 2.

Table 2. Fraud related roles and responsibilities

Role	Responsibilities
Chief Executive Officer (CEO)	<p>Implement NHMRC's Fraud and Corruption Control Plan in accordance with the section 10 of the PGPA Rule and reporting on fraud and corruption control to the Minister for Health and Aging.</p> <p>Certify in NHMRC's Annual Report that they are satisfied that the agency has appropriately assessed its fraud and corruption risk and has a fraud and corruption control plan in place to help prevent, detect and investigate fraud and corruption occurrence.</p> <p>Appoint the Fraud and Corruption Control Officer.</p> <p>Decide on matters to be referred to law enforcement agencies.</p> <p>Foster an environment that makes active fraud and corruption control a responsibility of all staff.</p>
Audit and Risk Committee	<p>Advise the CEO on the appropriateness of NHMRC's system of risk oversight and management, including process for developing and implementing the entity's fraud and corruption control arrangements consistent with the Commonwealth Fraud Control Framework.</p> <p>Satisfy itself that NHMRC has adequate processes for detecting, capturing and effectively responding to fraud and corruption risks, and managing cases of suspected internal and external fraud and corruption.</p>
Fraud and Corruption Control Officer (FCCO)	<p>Reporting to the General Manager, oversee day to day implementation of NHMRC's Fraud and Corruption Control Plan.</p> <p>Facilitate a review of strategies as documented in the Framework and Plan and ensuring that they are implemented.</p> <p>Educate staff on the expectations of the Framework and how to manage suspected fraud and corruption, including delivery of annual mandatory training(s).</p> <p>Provide a referral point for allegations of fraud and corruption and maintain NHMRC's Fraud Incident Register and Enterprise Risk Register.</p> <p>Undertake preliminary assessment of suspected fraud and corruption and determine next steps in accordance with the Plan.</p> <p>Refer matters, where appropriate, to the CEO, Audit and Risk Committee and/or an external investigation service providers (e.g. NACC) or the Australian Federal Police.</p> <p>Making recommendations to Executive Board on proposed modifications to the internal control environment as a consequence of a fraud and corruption occurring.</p>

General Manager and Executive Directors	<p>Foster an environment that makes active fraud and corruption control a responsibility of all staff.</p> <p>Identify, manage and control fraud and corruption risks within areas of responsibility on an ongoing basis.</p> <p>Report any concern, suspicion, or information of any suspicion of fraudulent, corrupt or improper conduct to the FCCO (or CEO).</p>
Other NHMRC Officials (i.e. APS and non-APS staff)	<p>Act in a professional and ethical manner, follow legal requirements and enhance the reputation of NHMRC.</p> <p>Participate in annual mandatory training(s).</p> <p>Identify, manage, and control fraud and corruption risks within areas of responsibility on an ongoing basis.</p> <p>Report any concern, suspicion, or information of any suspicion of fraudulent, corrupt or improper conduct to the FCCO.</p>

3. Prevention

The CEO must have “an appropriate mechanism for preventing fraud, including by ensuring that officials in the entity are made aware of what constitutes fraud and the risk of fraud is taken into account in planning and conducting the activities of the entity” (PGPA Rule s10(c)).

3.1 Integrity Framework and Organisational Culture

A fundamental strategy in controlling the risk of fraud and corruption is the development and maintenance of a sound ethical culture, underpinned by effective and continuous communication of the expectations of employee conduct within NHMRC, including examples set by management.

3.2 Fraud and Corruption Control Planning

To maintain better practice in its fraud and corruption risk management strategies, NHMRC is committed to the following:

- a consistent approach is to be applied across NHMRC. Each official is required to understand their responsibilities for fraud and corruption control.
- Communication of the Executive’s strong commitment to fraud and corruption control – ensure there is regular communication promoting compliance with the Framework.
- accessibility to the Framework and Plan – documents will be accessible to all officials, including those externally engaged, and will be located on the NHMRC intranet and internet.
- regular review of the Framework and Plan.

3.3 Fraud and Corruption Awareness Training

From time to time, situations may arise that may be symptomatic of fraudulent or corrupt activity, but they are not in themselves proof that a fraud or corruption has occurred. These situations are commonly referred to as indicators of fraud and corruption, or ‘red flags’. A significant proportion of fraud and corruption goes undetected because of the inability of officials to recognise these ‘red flags’, or other early warning signs of fraudulent and corrupt activity, or alternatively they are unsure of how to communicate their suspicions. Accordingly,

NHMRC will conduct mandatory training annually to assist in raising the general level of awareness.

3.4 Internal Controls

Internal controls are often the first line of defence against fraud and corruption. NHMRC will ensure the maintenance of a strong internal control system and the promotion and monitoring of a robust internal control culture.

NHMRC will promote an internal control culture through a process of:

- example setting by management
- regular communication of the importance of internal controls to all employees
- documenting key internal controls and control policies
- adherence to internal controls as part of the performance development scheme
- internal audit programs (see section 3.6 'NHMRC Internal Audit').

3.5 Fraud and Corruption Risk Assessment

The CEO must conduct “fraud risk assessments regularly and when there is a substantial change in the structure, functions or activities of the entity” (PGPA Rule s10(a)).

NHMRC will conduct an assessment of fraud and corruption risk every two years and at times of significant change, as recommended in the *Commonwealth Fraud Control Framework 2017*. Additionally, the CEO, General Manager or Audit and Risk Committee may request that the fraud and corruption risk assessment be updated at any time.

The fraud and corruption risk assessment will be contained within the Plan. The Plan will be aligned with the other policies and legislation governing NHMRC and undertaken in accordance with the *Commonwealth Fraud Control Framework 2017*, the international risk management standard *AS/NZ ISO 31000:2021* and the *NHMRC Risk Management Policy and Framework*. The fraud and corruption risk assessment is incorporated into NHMRC’s overall risk management framework, which includes the Plan. All NHMRC branches ensure that the strategies developed during the assessment process are reviewed for effectiveness and amended as needed.

3.6 Internal Audit Program

The NHMRC internal audit program is an important element in reviewing risk management strategies and the effectiveness of the governance controls, policies, and procedures in place. The primary purpose of the internal audit program is to provide an independent and objective review and assurance to the CEO and the Audit and Risk Committee that NHMRC’s internal controls are designed to manage the organisation’s risks and achieve the entity’s objectives, and that they are operating in an efficient, effective and ethical manner.

3.7 Employee Screening and Supplier Vetting

NHMRC will apply screening procedures in accordance with the *Protective Security Policy Framework* for APS Officials. Supplier vetting procedures will be included in contractual documentation, where appropriate.

4. Detection

The CEO must have “an appropriate mechanism for detecting incidents of fraud or suspected fraud, including a process for officials of the entity and other persons to report suspected fraud confidentially” (PGPA Rule s10(d)).

All officials have a responsibility to advise the CEO via the FCCO of any concern, suspicion, or information of any suspicion of fraudulent, corrupt or improper conduct and encourage others to do the same. This includes all actions that may appear or may be an attempt to dishonestly obtain a benefit or cause a loss, by deception or other means.

4.1 Public Interest Disclosure Mechanisms and Incident Reporting

People who are prepared to speak up about suspected wrongdoing in the Commonwealth public sector are vital in ensuring its integrity and accountability. Allegations of wrongdoing made under the *Public Interest Disclosure Act 2013* are known as public interest disclosures.

NHMRC provides a number of avenues to assist officials to come forward with their concerns regarding suspected fraudulent or corrupt behaviour. APS officials may wish to, in the first instance, report the matter to their immediate supervisor. The supervisor would then be responsible for notifying the FCCO of the suspected behaviour. If, for any reason, the APS official feels that reporting the incident through this channel would be inappropriate, they should report the matter directly to the FCCO or to a Public Interest Disclosure Authorised Officer. Non-APS officials can report their concerns to the NHMRC FCCO, the CEO or a senior NHMRC official.

NHMRC will ensure all officials are aware of NHMRC's reporting policies and actively encourage all officials to report suspected cases of fraud through appropriate channels. NHMRC will also maintain an appropriate recording, reporting and analysis system to ensure that all instances of suspected fraud and corruption are satisfactorily resolved. A checklist to assist officials in the event of a suspect fraud or corruption incident is at [Appendix B](#).

Section 58(b) of the *National Health and Medical Research Council Act 1992* (NHMRC Act) also provides for the making of complaints to the Commissioner of Complaints on the basis that a reviewable action has been "induced or affected by fraud". Reviewable action is defined in the NHMRC Act, section 4, and relates to decisions to grant, or not grant, funding from the Medical Research Endowment Account (MREA).

4.2 Grants Compliance Monitoring

Provision of grant funds is a key fraud and error risk area for NHMRC. Active monitoring of grant funds expended can be effective in identifying fraudulent activity by external providers and ensuring accountability for the use of Commonwealth funds. Active monitoring activities will go beyond reviewing acquittal information to processes such as:

- seeking verification and justification of expenditure (including documentation where relevant)
- inspection of outcomes and milestones by persons with the appropriate expertise.

It is the responsibility of the CEO, the Executive and the Audit and Risk Committee to determine which monitoring procedures may be required to manage the fraud risk associated with the provision of grant funds.

NHMRC also receives notifications from Administering Institutions about institutional investigations of potential breaches of the *Australian Code for the Responsible Conduct of Research*, in line with the requirements of the [NHMRC Research Integrity and Misconduct Policy](#). Members of the public, peer reviewers and other stakeholders also sometimes raise concerns with NHMRC about research integrity matters or make allegations of research misconduct. While NHMRC is not responsible for investigating allegations of research misconduct or potential breaches of the *Australian Code for the Responsible Conduct of Research*, some breaches may include behaviours that fall within the definition of potential fraud. Behaviours that NHMRC may investigate as an allegation of fraud may include data falsification, misuse of grant funds or provision of false or misleading information to NHMRC.

4.3 Data Mining Analysis

Data mining is a process of uncovering patterns and relationships in datasets that are not otherwise apparent. Data mining uses databases to search for accounting anomalies or unusual relationships between numbers, people, and entities. For example, this might include such tests as searching accounts payable data for repeated invoice numbers to identify duplicate payments or analysing payments of claims for milestone payments by grant recipients.

4.4 Post Transaction Reviews

A review of transactions after they have been processed can be effective in identifying fraudulent activity. Such a review may uncover altered or missing documentation, falsified, or altered authorisation or inadequate documentary support. In addition to the possibility of detecting fraudulent transactions, a review can also have a significant fraud prevention effect as the threat of detection may be enough to deter an employee who would otherwise be motivated to engage in fraud.

4.5 Management Accounting Reporting Review

Using relatively straightforward techniques in analysing NHMRC's management accounting reports, trends that may be indicative of fraudulent conduct can be identified and investigated. Some examples of the types of management accounting reports that can be utilised on a compare and contrast basis are:

- budget reports for each branch
- reports comparing expenditure against industry benchmarks, and
- reports highlighting unusual trends in doubtful debts and write-offs.

4.6 External Audit

NHMRC recognises that the external audit function is an important control in the detection of fraud and corruption, which impacts on the financial statements. The CEO and CFO may consider discussions with the Australian National Audit Office (ANAO) to ensure that due consideration is given by the auditors to their consideration of fraud in the Financial Statements audit.

4.7 ICT Systems Audit

NHMRC uses a range of sophisticated software tools to monitor all activities on the NHMRC ICT system. The tools are capable of detecting a range of potentially fraudulent and corrupt behaviours, including misuse of ICT resources and wrongful use of Commonwealth information. ICT systems used to apply for and deliver research funding are also monitored, and particular transactions or modifications are logged and audited.

4.8 Whistleblower Reports

Whistleblowing is the act of reporting suspected wrongdoing or risk of wrongdoing. NHMRC recognises that whistleblower reports are useful in the detection of potentially fraudulent or corrupt conduct. NHMRC fosters an environment that encourages transparent and honest communication in the suspicion or witness of any matters of concern.

Section 16 of the *Public Service Act 1999* has provisions that provide protection for employees who make whistleblower reports of suspected misconduct. Employees who report a suspected breach of the Code to a person authorised to receive the report must not be victimised, or discriminated against because they made such a report.

Refer to section 4.1 for more details on incident reporting.

4.9 Complaints Management

The [NHMRC Complaints Policy](#) sets out NHMRC’s formal procedures for responding to complaints about its activities, policies or decision-making. The policy sets four overall objectives for the agency’s handling of complaints:

- consistent and fair management of complaints
- sensitive and respectful handling of complaints
- prompt and effective complaint resolution
- information from complaints will be used to improve policies and services.

This Policy outlines a process for complaints related to the following two areas:

- general complaints about NHMRC, including those relating to our policies, services, guidelines and advice
- complaints about NHMRC administrative processes related to research funding.

Complaints received are analysed on an annual basis as part of NHMRC’s quality assurance process.

5. Response

The CEO must have “an appropriate mechanism for investigating or otherwise dealing with incidents of fraud or suspected fraud” (PGPA Rule s10(e)) and “an appropriate mechanism for recording and reporting incidents of fraud or suspected fraud” (PGPA Rule s10(f)).

NHMRC is committed to the investigation of all reports and suspicions of fraud and corruption and the FCCO is responsible for coordinating response strategies. Officials of NHMRC are not authorised to investigate fraud and corruption unless directed by the FCCO. All responses to fraud and corruption incidents must be coordinated through the FCCO.

NHMRC is a small agency and does not employ qualified fraud and corruption investigators to respond to suspicious incidents.⁷ The investigation of fraud and corruption can be a complex and, at times, technical process and staff should be aware of the consequences of a poorly conducted investigation, including:

- denial of natural justice
- defamation
- inadmissible or poor control over the collection of evidence – for example making physical alterations to documents or data
- destruction of physical evidence.

APS officials may only take action related to the area in which fraud and corruption is suspect as a normal part of their duties in consultation with the FCCO.

Officials should not attempt to undertake any investigation, collect evidence, or interview any person about a possible offence. Procedures relating to these activities are subject to legal requirements, and, as indicated above, must only be carried out by investigators with a minimum

⁷ Investigative guidance may be obtained from the Australian Government Investigation Standards package (available from the AFP) if required. However, it should be noted that the Commonwealth Fraud Control Framework 2023 mandates minimum mandatory qualifications for people who investigate allegations of fraud and corruption.

mandatory qualification. Failure to follow proper procedures could result in evidence being lost or not accepted by the courts.

5.1 Handling a Fraud and Corruption Report

Should an official become aware of fraudulent or corrupt conduct, they should complete a Fraud and Corruption Incident Report (see [Appendix A](#)) and forward this to the FCCO at the earliest opportunity. Where the official does not consider that this approach is appropriate (for example, allegations that involve the CEO or FCCO), they should refer to the Public Interest Disclosure guidance and the Procedures for Whistleblower Reports.

For incidents of suspected corruption, NHMRC complies with mandatory referral obligations under the NACC Act to refer conduct that could be either serious or systemic corrupt conduct to the NACC Commissioner. For mandatory referrals, the referrer must provide NACC with:

- All relevant information that is in their possession or control at the time they make the referral
- Why the referrer suspects it could involve serious or systemic corrupt conduct.

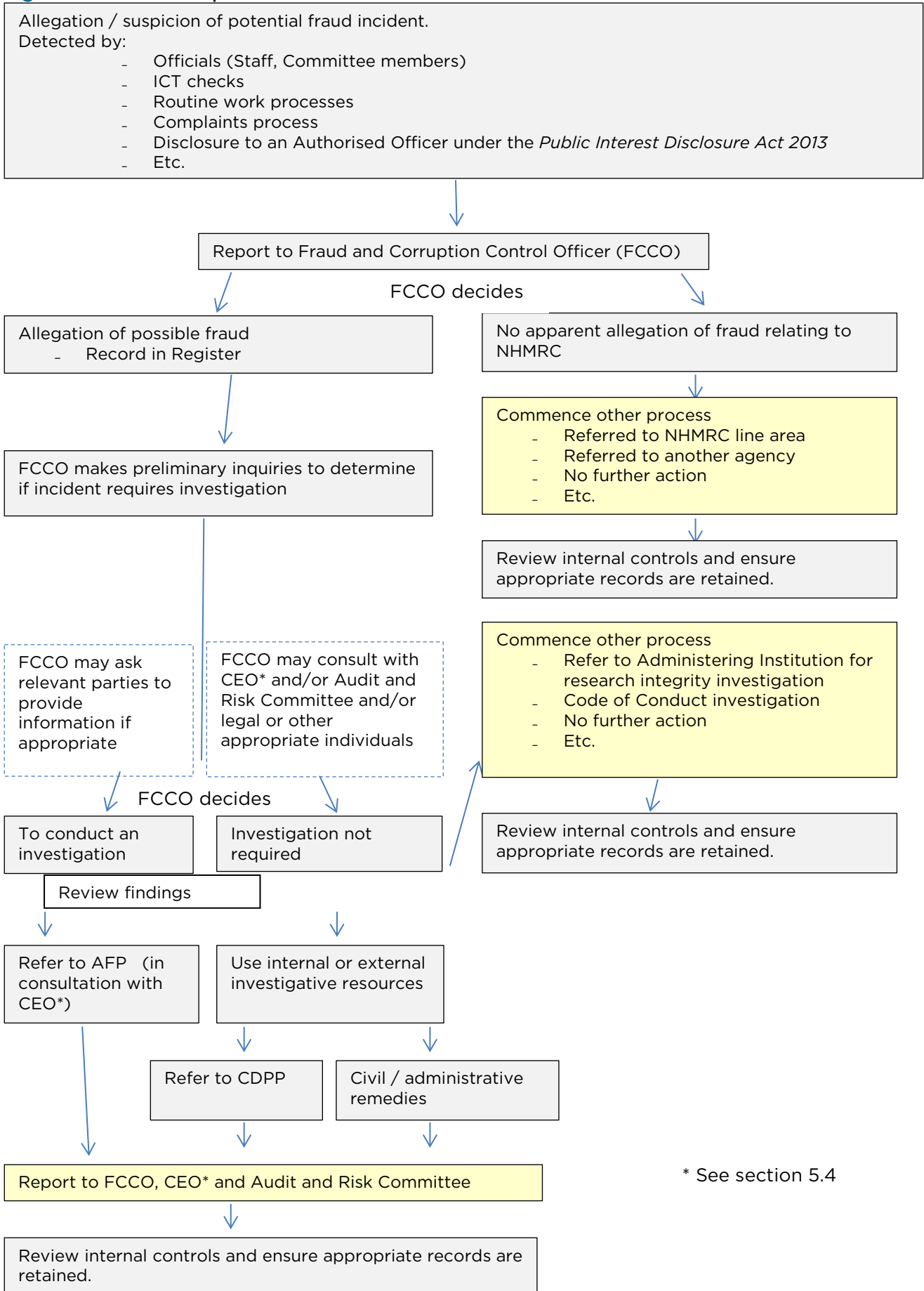
Allegations of fraud and corruption received should be communicated as soon as practicable.

A flowchart that describes the key process is at [Figure 1](#). Officials should also review the checklist of issues ([Appendix B](#)) to ensure appropriate actions and issues are considered when a potential fraud matter is identified.

5.1.1 Fraud and Corruption Incident Register

The FCCO will maintain a Fraud and Corruption Incident Register. The Fraud and Corruption Incident Register records a summary of reported fraud and corruption incidents, regardless of their outcome, and is used as a basis for providing quarterly reports to the Audit and Risk Committee and annual reports to the Australian Institute of Criminology (AIC) by 30 September each year.

Figure 1: NHMRC Response to a Potential Fraud Event: Flowchart



* See section 5.4

5.2 Decision to Conduct an Investigation

On receipt of an allegation of fraud, the FCCO will make preliminary inquiries to ascertain whether the matter warrants further investigation. Being cautious of privacy obligations, the FCCO may seek information from any relevant party, including NHMRC staff, contractors, committee members, researchers, and Administering Institutions. The FCCO may consult with other Executive and/or the Audit and Risk Committee in determining the appropriate course of action. In any event, the FCCO must inform the CEO and the Audit and Risk Committee as soon as practicable regarding receipt of an allegation of fraud and the action taken to respond to the matter.

On receipt of an allegation of fraud or corruption, NHMRC management will consider any apparent or real conflicts of interest with the handling of the matter and will act with due diligence in recognising any interests that could or are likely to affect the decision to conduct an investigation.

NHMRC maintains vigilance over its employees' declaration of interest (DOI) process; staff are required to complete the DOI Form on an annual basis and within 30 days of commencing with NHMRC or changing roles within the agency. NHMRC must also comply with mandatory referral obligations under the NACC Act to refer conduct that could be serious or systemic corrupt conduct to the NACC Commission for further investigation⁸.

The FCCO may use internal or external resources as required, taking into consideration the requirements of the *Commonwealth Fraud Control Framework 2017* (as indicated in section above). If an allegation of fraud or corruption is investigated, the FCCO will be responsible for overseeing the investigation, except for those matters referred to the AFP (refer to section below). In consultation with the FCCO, internal and external investigators may seek advice from external experts (e.g., legal advice).

5.2.1 Referral to Australian Federal Police

The AFP has the primary law enforcement responsibility for investigating criminal offences against Commonwealth laws. Under the *Commonwealth Fraud Control Framework 2017*, agencies must refer all instances of potential serious or complex fraud and corruption offences to the AFP. If the FCCO determines that serious or complex fraud and/or corruption is likely to have been committed, they will brief the CEO who may refer the matter to the AFP for investigation. In order to determine whether the matter is serious or complex, the FCCO and the CEO will refer to the following criteria:

- significant monetary or property loss to the NHMRC
- damage to the security, standing or integrity of the NHMRC
- harm to the economy, resources, assets, environment, or well-being of Australia
- a serious breach of trust by an NHMRC employee or NHMRC contractor
- the use of sophisticated techniques to avoid detection
- evidence of a criminal conspiracy
- bribery or attempted bribery of an NHMRC employee or contractor
- known or suspected criminal activity against more than one Commonwealth agency.

Any criminal activity likely to have politically sensitive implications is also to be referred to the AFP. The [Government Department or Agency Report of an allegation of criminal conduct](#) section on the AFP website provides information on how to make a referral to the AFP.

⁸ The investigative powers of the NACC Commissioner are outlined in the NACC Act 2022.

If the AFP declines to accept the matter, the CEO, in conjunction with the FCCO will determine the most appropriate option for resolving the matter. The matter must be managed in accordance with the Australian Government Investigation Standards. In most cases, NHMRC will engage external investigators to provide specialised investigative services for a matter that was considered sufficiently serious or complex to refer to the AFP.

5.2.2 External Investigative Resources

The appointment of third-party investigative resources must be approved by the CEO to ensure segregation of duties in the appointment process. Consistent with the requirements of the *Commonwealth Fraud Control Framework 2017*, external providers engaged by the NHMRC to undertake fraud investigations must meet at least the minimum competency requirements of a Certificate IV in Government (Fraud Control Investigation) or Diploma of Government (Fraud Control Investigation).

External investigations of corruption are led by a NACC Commissioner, supported by their Deputy Commissioners. Consistent with the NACC Act, the NACC holds the power to investigate suspected cases of either serious, or systemic corruption that involves, or could involve, a public official⁹. It is up to the Commissioner to decide whether the allegation of corruption is serious or systemic, and the Commissioner can only investigate corrupt conduct if they are of the opinion that it could be serious or systemic.

5.3 Civil and Administrative Remedies

There are numerous civil and equity law remedies and administrative processes available to NHMRC to deal with people who engage in unethical or unlawful behaviour (be it fraud, corruption or misconduct). The FCCO should obtain legal advice as to the remedies available in relation to a particular matter.

For external fraud and corruption, NHMRC may take action against individual researchers, Administering Institutions, or other interested parties which may include, but is not limited to:

- restrictions from participation in peer review
- restrictions in relation to the receipt of NHMRC funding
- recovery, suspension or termination of funding
- other civil remedies.

For internal fraud and corruption, NHMRC may take administrative action under the *Public Service Act 1999*. Remedies available include, but are not limited to:

- reprimand
- suspension from employment
- transfer / reassignment of duties
- demotion
- termination
- penalty
- financial recovery
- counselling
- loss of privileges, and greater scrutiny / increased controls.

⁹ Under the NACC Act 'Public Officials' are: members of the Australian Parliament and ministers in the Australian Government, and the people who work for them and staff members of Commonwealth agencies including employees of Commonwealth government agencies, Commonwealth companies and statutory bodies and contracted service providers.

5.4 Allegations Involving the Chief Executive Officer

Allegations involving the CEO should be reported to the FCCO or an NHMRC Public Interest Disclosure (PID) Authorised Officer. The FCCO will follow the general process for investigating the allegation, in consultation with the Audit and Risk Committee. The FCCO must not advise the CEO of the allegation if there is any possibility this could jeopardise the investigation. At any time, the FCCO, Audit and Risk Committee or PID Authorised Officer may determine that the allegation should be referred to the AFP, in accordance with paragraph 10.14 of the *Resource Management Guide No. 201 - Preventing, detecting, and dealing with fraud*.

5.5 Framework Interaction with other Policies and Processes

5.5.1 Research Integrity

NHMRC Administering Institutions are required, under the Funding Agreement, to provide NHMRC with information relating to research misconduct allegations in line with the requirements of the [NHMRC Research Integrity and Misconduct Policy](#). The Administering Institution is required to investigate the allegations in accordance with the requirements of the *Australian Code for the Responsible Conduct of Research*. NHMRC may take precautionary action before the final outcome of a research integrity matter is determined by an institution and consequential action in response to findings of a serious breach of the Code (including research misconduct). This process is described in the *NHMRC Research Integrity and Misconduct Policy*, or equivalent as amended from time to time.

The *NHMRC Research Integrity and Misconduct Policy* specifies that Administering Institutions must also notify NHMRC if they have received an allegation of fraud and corruption that relates to NHMRC funding (as defined in the policy).

At any time following the receipt or suspicion of an allegation that may involve fraudulent or corrupt behaviours, NHMRC has an obligation to commence the procedures described in this Framework. Officials may detect potentially fraudulent or corrupt behaviours in the course of their work and should report these potential incidents to the FCCO. Officials should not attempt to investigate or seek further information without agreement from the FCCO.

5.5.2 Code of Conduct

As well as prosecution under the Criminal Code, APS officials who commit fraud and corruption are in breach of the APS Code of Conduct and may be subject to suspension with or without pay and misconduct action under the Public Service Act.

Where an employee's behaviour is both a breach of the Code and a criminal offence, misconduct action need not be delayed until the fraud or criminal processes have been completed. NHMRC Officials must seek advice from the FCCO before alerting an employee of any allegations of misconduct. A key consideration is the need to avoid prejudicing any fraud and corruption investigation process.

If there is some risk of prejudicing the fraud or criminal proceedings, agencies may initiate a misconduct action (putting the employee on notice that an action will ensue) but may immediately suspend the Code of Conduct investigation, pending the outcome of the fraud or criminal proceedings.

The Commonwealth Fraud Control Framework 2017 makes it clear that agencies must refer all allegations of serious or complex fraud and corruption involving Commonwealth interests to the AFP.

5.6 Reporting Investigation Outcomes

The investigator (in conjunction with the FCCO) is to submit a written report to the CEO detailing the allegation, the investigation procedures undertaken and the investigation findings. The FCCO will report regularly on the status and results of all investigations to the NHMRC Audit and Risk Committee.

The CEO, in consultation with the FCCO, is responsible for deciding what action will be taken at the conclusion of an investigation, such as referring the matter to the Commonwealth Director of Public Prosecutions, pursuing any other civic or administrative remedies, conducting disciplinary action and/or recovering fraudulently obtained money or assets.

5.7 Follow-up of Risk Assessment and Internal Controls

At the conclusion of a fraud and corruption investigation, the details of the circumstances that allowed the fraud and corruption to occur will be reported back to the Executive. The previous risk assessment that was conducted in the area in which the fraud and corruption occurred will be reassessed and the ratings that were earlier applied in this risk assessment will be reviewed and amended accordingly. Similarly, the circumstances that allowed the fraud and corruption to occur will be considered in the context of the wider NHMRC operations, and risk assessments conducted or amended as required. In each instance where fraud and corruption is detected, NHMRC will reassess the adequacy of the internal control environment (particularly those controls directly impacting on the fraud and corruption incident and potentially allowing it to occur) and consider whether improvements are required. Where improvements are required, they should be implemented as soon as practicable.

5.8 Recovery and Other Remedies

NHMRC is committed to actively pursuing the recovery of any money or property lost through fraud and corruption, although an assessment should be made of the likely costs and benefits of recovery. The decision to pursue recovery actions will be determined by the CEO.

Exit interviews and exit checklist procedures should be performed in the event of dismissal from NHMRC for fraud, corruption, or misconduct. This is necessary to ensure those factors that contribute to the dismissal can be managed as a process of mitigating fraud and corruption risk.

5.8.1 Insurance

NHMRC maintains and will continue to maintain annual insurance policies issued through Comcover.

5.9 Crisis and Media Management

NHMRC is committed to preserving its reputation in the event of a fraud or corruption allegation concerning NHMRC entering the public domain. Should fraud and corruption be detected, the FCCO, in conjunction with the CEO should assess communication needs in relation to the fraud and corruption. Where external investigative agencies are involved, NHMRC will consult those agencies in relation to the communication activities.

In all other circumstances, the receipt of a fraud or corruption allegation, or conduct of a fraud or corruption investigation, is to be treated in the strictest confidence to ensure procedural fairness and the integrity of the investigation. All NHMRC staff involved in a fraud or corruption investigation will be briefed by the FCCO on their privacy and information security obligations.

5.10 Recording the Fraud and Corruption Control Process and other related Issues

All NHMRC fraud and corruption management activities are to be recorded and traceable according to NHMRC record keeping policies and procedures. All NHMRC APS officials should use the NHMRC-agreed templates and checklists (see [Appendices A and B](#)).

All officials must comply with the requirements of the *Privacy Act 1988* and must ensure fraud and corruption-related information is only provided to staff with a demonstrated 'need to know'. APS officials must ensure appropriate security classification and Dissemination Limiting Markers

(DLMs) are applied to fraud and corruption-related documents which may contain personal or sensitive material.

6. Fraud and Corruption Risks and Specific Control Actions

The key fraud and corruption risks to NHMRC are identified in the Plan. The Plan also identifies specific fraud and corruption control actions that will be implemented to further reduce fraud and corruption risk. These specific actions align with NHMRC's general objectives for the prevention and detection of fraud and corruption:

General Prevention Objectives (ongoing)

- maintain awareness of the risk of fraud and corruption, conflicts of interest and the importance of security (physical and IT)
- foster an ethical culture
- maintain awareness of fraud and corruption mitigation processes and assist with promoting effective fraud and corruption control communication across NHMRC Branches and functions
- communicate and explain fraud and corruption control responsibilities for staff, committee members and contractors of the NHMRC
- ensure a strong and appropriately targeted post-award compliance regime to ensure the appropriate use of public funds by funded institutions and researchers
- ensure effective conflict of interest management through active conflict checking
- reduce the risk of a conflict of interest going un-declared and un-noticed
- ensure adequate safeguards and post payment monitoring is undertaken to mitigate the risk of fraud and corruption perpetrated through the RBA Link process.

General Detection Objectives (ongoing)

- maintain a program of pro-active data analysis over the Accounts Payable function to identify potential duplicate payments, unauthorised payments, or other Accounts Payable anomalies
- institute regular monitoring of electronic logs for unauthorised activity to increase the ability of the NHMRC to detect inappropriate access and minimise the extent of fraud
- strengthen contract management and increase post-transaction reviews
- assist NHMRC in complying with the Commonwealth Procurement Guidelines
- enable legal review of contracts.

7. Fraud Control and Corruption Officer

The NHMRC FCCO is the Director, Governance and Legal. To contact the FCCO or their Deputy, please email governance@nhmrc.gov.au.

Secretariat support for this function is provided by the Governance and Legal section.

Appendix A: Fraud and Corruption Incident Report

To be completed for all allegations of fraud, corruption or misconduct reported to the Fraud and Corruption Control Officer (FCCO).

All Officials have a responsibility to report any concern, suspicion, or information of any suspicion of fraudulent or corrupt conduct and encourage others to do the same. This includes all actions that may appear or may be an attempt to dishonestly obtain a benefit or cause a loss, by deception or other means.

Date report completed	
Details of person making report (If the report originally came from an external party, include details of the external party as well as the NHMRC staff member completing this form)	

Allegation

Date/s of alleged activity	
Details of person/s potentially involved in alleged activity (name/s, contact details etc.)	
Allegation (Include details of the concern, suspicion, or information relating to potentially fraudulent or corrupt conduct. Include how the incident/conduct was detected. Specify when and where the matter occurred, if known)	
Further comments from person making report (Include sensitivities, if any)	

Fraud and Corruption Control Officer – Comment/s & Decision:

FCCO to complete

- Please add this to the fraud and corruption register
- Please provide a M2FCCO with further information
- Please arrange a meeting with me to discuss this matter further

Fraud and Corruption Support Officer’s use only

Date received	Date provided to FCCO	Date of FCCO response
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Appendix B: Fraud and Corruption Reporting Checklist

The checklist below is to be used to assist Officials in the event of a possible fraud and corruption incident.

Action	Completed
Read the Fraud and Corruption Control Framework (the Framework) to gain an understanding of fraud and corruption, the reporting processes, and the possible investigation processes.	
Do not approach the suspect.	
Report the incident to the Fraud and Corruption Control Officer (FCCO) or a person nominated in the NHMRC Procedures for Whistleblower Reports and Public Interest Disclosure guidance.	
In consultation with the FCCO, identify any documentation that relates to the incident, and where appropriate secure documentation. Where documentation is possessed by the suspect, do not seize documentation.	
Maintain confidentiality. Incidents should not be discussed with any person except those to whom the matter is reported and for those who are responsible for investigating the incident.	
Ensure that all relevant matters are documented in a file note such as dates, persons, and conversations. An employee may be required to make a statement if the matter is investigated.	
Assist the investigation team as required.	

Appendix C: Fraud and Corruption Control - The Basics

The *Commonwealth Fraud Control Framework 2017* acknowledges that technology has created new and more significant exposures to fraud and corruption. It also noted that a dynamic response in a dynamic environment is more likely to succeed than a prescriptive approach. All staff need to be aware of fraud and corruption control issues and actively implement fraud and corruption reduction strategies in the execution of their day-to-day activities. NHMRC promotes various learning and development initiatives, including fraud awareness, Code of Conduct, and risk management training, to cultivate a knowledgeable and vigilant workforce dedicated to preventing, detecting, and addressing fraud and corruption.

In addition to the *Commonwealth Fraud Control Framework 2017*, the *Public Governance, Performance and Accountability Act 2013* designates the Chief Executive Officer (CEO) as responsible for the implementation of a Fraud and Corruption Control Plan, and for reporting on fraud and corruption control to the Minister for Health and Aging.

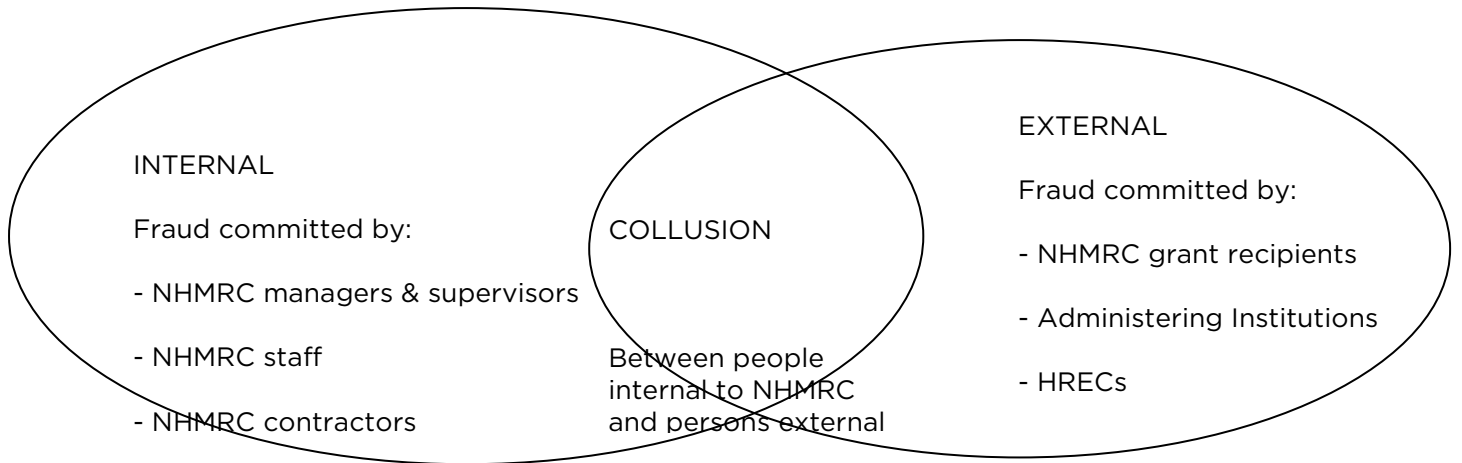
The *Commonwealth Fraud Control Framework 2017* recommends that a fraud and corruption risk assessment be conducted at least every two years, the outcomes of which should form the basis for the continuous improvement of fraud and corruption control strategies. This recommendation is based on the fact that new technology and business processes expose organisations to new risks, and the need to actively tackle the inherently pervasive nature of fraud and corruption. NHMRC actively pursues improvements, such as strengthening internal controls, enhancing reporting mechanisms, and improving training and awareness, to minimise risk, promote transparency, and safeguard integrity. The performance of a regular fraud and corruption risk assessment also provides the opportunity to assess our progress in managing fraud and corruption and to identify the effectiveness of our strategy.

Fraud and Corruption: Internal vs. External

Fraud and corruption can be broadly classified into the following three categories based on who is involved:

- internal fraud and corruption
- external fraud and corruption
- fraud and corruption committed by collusion between staff and persons outside the organisation.
-
- Although the nature of NHMRC's role as a funding body and regulator does not provide significant opportunities for serious fraud against the Commonwealth, there are nevertheless several tangible and intangible benefits that might be obtained by deceiving NHMRC (Figure 1).

Figure 1 – Possible fraud and perpetrators and benefits¹⁰



Examples of tangible benefits:

- Goods for personal use purchased with corporate credit card
- NHMRC stationery/equipment appropriated for personal use
- Gifts or other benefits received for influencing policy/funding decisions

Example of intangible benefits:

- Family/friend employed as a result of undue influence over

Examples of tangible benefits:

- NHMRC grants used to fund unrelated research
- Successful grant application as a result of undue influence over application process

Example of intangible benefits:

- Unlawfully obtained information about competing grant applicants

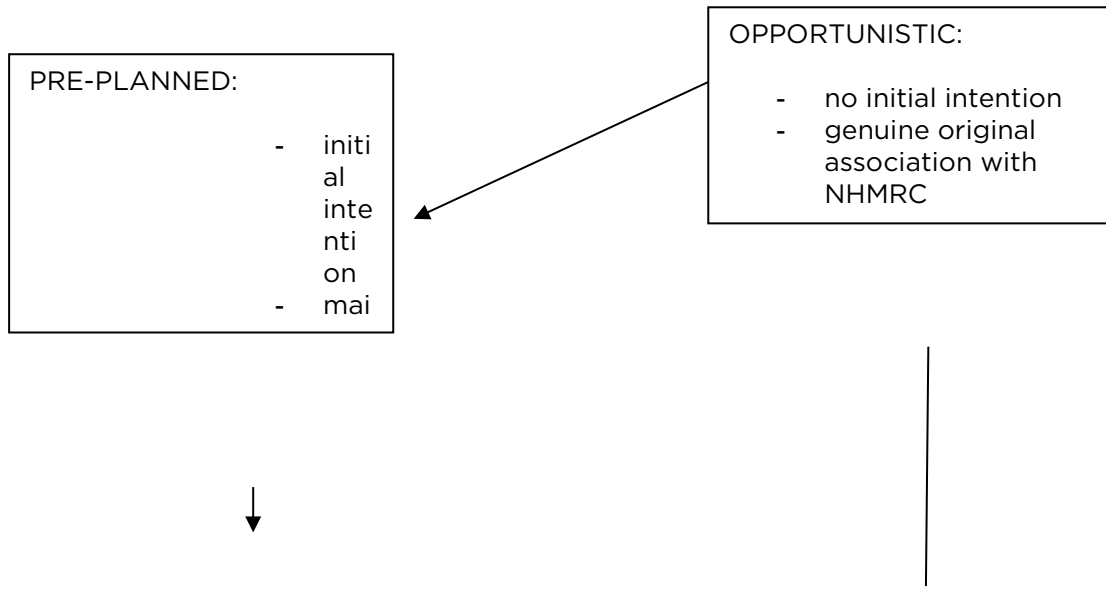
¹⁰ The NHMRC comprises the CEO, the Council and Committees and the staff of the NHMRC. For the purposes of the finance law within the meaning of the PGPA Act, Council and Committee Members are considered as officials of the NHMRC <https://www.legislation.gov.au/Details/C2014C00364>

There is a clear distinction between those who intentionally commit fraud and corruption in a pre-planned manner and those who had no plan to commit the misconduct but do so when the opportunity arises.¹¹ In the case of those who set out to defraud the organisation, misconduct forms the basis of their association with the organisation. However, NHMRC is unlikely to attract professional fraudsters because of the nature of its business and the relatively small size of this public sector organisation. In other words, NHMRC is unlikely to offer a significant tangible benefit to those who make a living from fraud and corruption.

Corporate culture in the fight against fraud and corruption

In the NHMRC context, fraud and corruption are most likely to be of an opportunistic nature. This means that the person who commits the fraud and corruption did not become associated with NHMRC specifically to deceive the organisation. However, the commission of opportunistic fraud and corruption against NHMRC may lead to systemic misconduct (Figure 2). This changes the relationship with the organisation entirely: the fraud and corruption now become an intentional activity and the person's association with NHMRC changes and is now based on the commission of further fraud and corruption and hiding the associated evidence.

Figure 2 – Fraud and Corruption: pre-planned vs. opportunistic



¹¹ The Chartered Institute of Management Accountants (2016) *Fraud Risk Management – A guide to good practice*. <http://www.cimaglobal.com>



Limiting opportunities for fraud and corruption to be committed against an organisation must form a key aspect of any fraud and corruption control plan. Generally, opportunity for fraud and corruption is created by a weak internal control environment and a poor anti-fraud and corruption culture within the organisation. An analysis of misconduct in the public sector led the Commonwealth Law Enforcement Board to conclude that:

“Fraud flourishes in an administrative environment where opportunities exist for waste, abuse and mismanagement. The Government is convinced that its emphasis on fraud prevention as part of its financial management and law enforcement policies will reduce these opportunities for waste, abuse and mismanagement.”¹²

The principal influence on organisational culture is ethical conduct by management, and in particular by the Chief Executive Officer (CEO). Studies conducted on the impact of management behaviour on the attitudes of staff showed that staff were more likely to do what they see their supervisor doing than adhere to ethics policy.¹³ Other research conducted into the impact of CEO opinions on ethical behaviour showed that statements from the CEO on his or her stance on ethics have more impact on staff decision making than do the staff member’s own ethical goals or beliefs.”¹⁴

The *Commonwealth Fraud Control Framework 2017* recognises the particularly important role that the CEO can play in an organisation’s anti-fraud and corruption culture. Under the guidelines, CEOs are fully accountable to their respective Ministers for the implementation of fraud and corruption control policy in their agency.

In addition to the prescriptive requirements of the *Commonwealth Fraud and Corruption Control Policy 2024*, Commonwealth CEOs also have a legislative requirement under the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act).

The fraud triangle

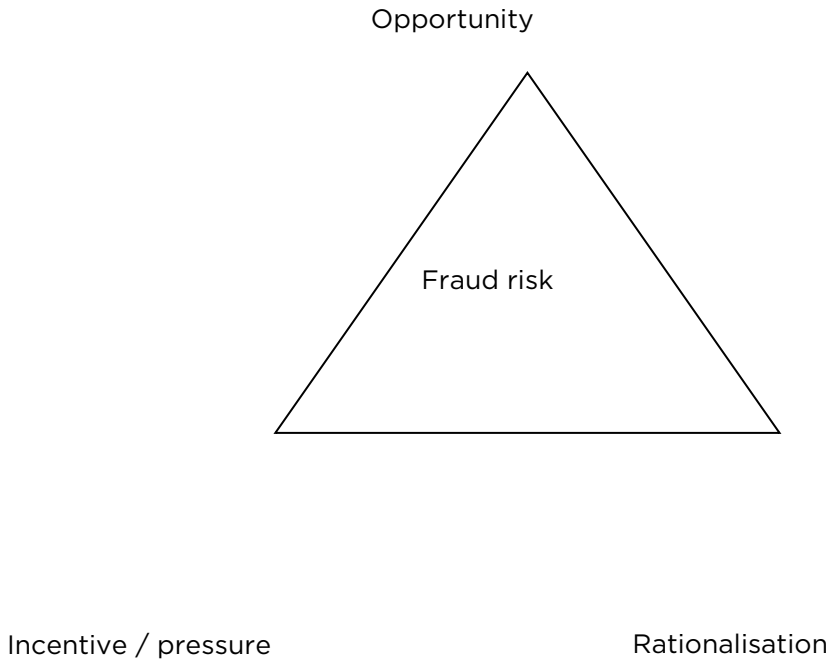
¹² Commonwealth Law Enforcement Board (1994) Best Practice for Fraud Control – Fraud Control Policy of the Commonwealth.

¹³ Soutar, G., McNeil, M.M., & Molster, C. (1994) The Impact of the Work Environment on Ethical Decision Making: Some Australian Evidence *Journal of Business Ethics* **13**(5) 327-339.

¹⁴ Hegarty, W.H., & Sims Jr. H.P. (1979) Organizational Philosophy, policies and objectives related to unethical decision behaviour: A Laboratory Experiment *Journal of Applied Psychology* **64**(3) 331-338.

Opportunity alone, however, is not likely to be sufficient motivation for the vast majority of people associated with NHMRC to commit fraud. Other conditions that are generally present when fraud occurs are incentive or pressure and rationalisation. The relationship between these conditions was first articulated by the American Institute of Certified Public Accountants¹⁵ and is represented by the fraud triangle (Figure 3).

Figure 3 - The Fraud Triangle



Condition	Definition	Prevention
Opportunity	Weakness in internal (fraud) controls	Effective internal (fraud) controls Anti-fraud culture
Incentive / pressure	Fraud is an opportunity for significant personal gain or alleviation of situational or professional pressures.	Ethical culture
Rationalisation	Personality traits, personal integrity, and the inclination or ability to rationalise unethical conduct	Ethical culture

¹⁵ American Institute of Certified Public Accountants (2002) *Consideration of Fraud in a Financial Statement Audit*. Statement on Auditing Standards No. 99. New York, NY.

There are a range of motivating factors that might drive a person to commit fraud, including:

- gaining influence over others
- increased financial return on investments
- financial pressures or greed
- gambling and other addictions
- revenge
- maintaining lifestyle
- financial support for an unrelated business
- personal debt.
-

The estimated cost of fraud against the Commonwealth has risen in recent years, from \$91.6m in 2017-18 to \$194.5m in 2019-20.¹⁶ This is despite the fact that all major corporations and Government agencies have fraud control strategies in place. Effective internal controls and an anti-fraud culture within an organisation are an integral part of any fraud control strategy, but address only one corner of the fraud triangle, namely opportunity (Figure 3).

It is clear that to target all corners of the fraud triangle effectively, the NHMRC Plan must include internal fraud controls and strategies that encourage the development of an effective ethical and anti-fraud culture. Senior management will play a vital role in this process by:

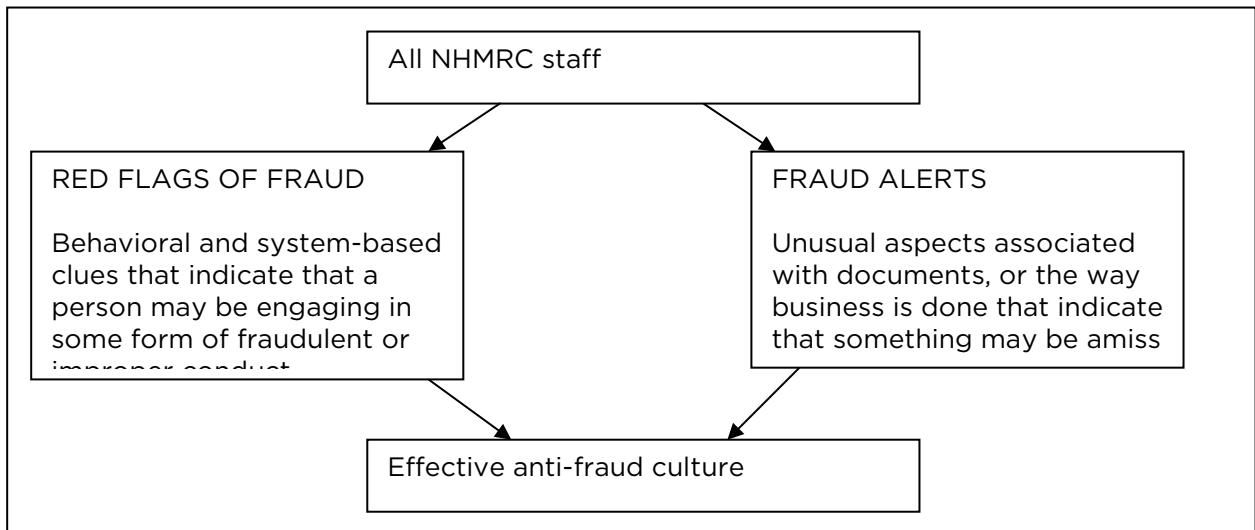
- fostering an environment within NHMRC that makes active fraud control a major responsibility for all officials
- articulating clear standards and procedures to encourage minimisation and deterrence of fraud
- implementing procedures for the detection and prosecution of offences should they occur.
-

Recognising the warning signals: fraud indicators

An effective fraud control strategy involves all staff. In particular, all staff should receive training to recognise the indicators that a fraud may have been or might be committed.

Figure 4 - Understanding the Fraud Indicators

¹⁶ McAlister M & Teunissen C 2022. Fraud against the Commonwealth 2020-21. Statistical Bulletin no. 39. Canberra: Australian Institute of Criminology. <https://www.aic.gov.au/publications/sb/sb39>



Red flags can include the following behaviours¹⁷:

- nonadherence to NHMRC policy and procedures
- high incidence of social contact between member of staff and contractor/grant recipient
- evidence of expensive gifts
- never taking holidays/working excessive hours/working weekends
- undeclared conflicts of interest
- unethical behaviour
- low employee morale
- excessive complaints from clients/stakeholders
- significant personal or family problems
- domination of specific activities
- possessiveness about custody of records/office space
- high personal debts

¹⁷ The Chartered Institute of Management Accountants (2016) *Fraud Risk Management – A guide to good practice*.
<http://www.cimaglobal.com>

- gambling and other addictions.

Fraud alerts include the following process or documentary anomalies:

- missing documentation
- non-standard replacement of documents
- sole source contracts with no justification for not following open tendering processes
- evergreen contracts (no end date or reviews)
- payment of premium prices for products or services
- poor vetting practice for job applicants
- unrealistic performance appraisals.

It is noted that for the above red flags the existence of the anomaly does not necessarily mean that a fraud has occurred or is likely to occur. For example, in the vast majority of cases, there are no fraud concerns associated with staff working excessive hours and never taking holidays. However, particularly when a number of the above red flags are present together, the risk of fraud occurring may be increased.

Examples of fraud

Some examples of fraud are obvious such as theft of items or cash. However, fraudulent behaviour may also include the following:

- engaging a friend or relative to work for NHMRC without adhering to NHMRC and Public Service recruitment policies
- purchasing a number of items of a piece of IT equipment for distribution to staff and taking one of the items that is left over for personal use
- being provided with lunch by a prospective tenderer for NHMRC work and providing the tenderer with information that would aid it in a tender process.
-

Examples of corruption

Some examples of corrupt conduct may include:

- a public official **breaches public trust** by awarding a contract to someone they know, even though other tenders represent better value for money; this action is not consistent with the responsibility to ensure the tender achieves value for money for the Commonwealth.
- a public official **abuses their office** by coercing a member of a selection panel to appoint their friend to a government board, and in return, they offer the selection panel member an internal promotion; this is an abuse of office as they have intended to gain a benefit for themselves and someone they personally know.

- a public official **misuses information** by accessing an internal database and searching for information about a person they know; this action is a misuse of information as they did not need this data to do their job effectively.
- a public official behaves **dishonestly or in a biased way** by submitting an inflated tender application to another government department and promising their friend who works there that if they are chosen as the successful applicant, they will share the profits with them; both public officials have engaged in corrupt conduct as one has caused the other to behave dishonestly, and the other has shown bias in awarding the tender to a friend for an improper purpose.