

WAIS Fraud and Corruption Prevention and Detection Policy

Owner: Audit and Risk Committee

Version: 1.1

Approved by: WAIS Board

Resolution: 04/2015

Next review date: June 2018



WESTERN AUSTRALIAN INSTITUTE *of* SPORT

CONTENTS

1. Purpose	3
2. Policy Statement.....	3
3. Scope.....	3
4. Standards	3
5. Responsibilities	3
6. Definitions.....	4
7. WAIS Fraud and Corruption Prevention and Detection Procedures.....	5
8. Fraud and Corruption Prevention and Response Strategy	7
9. Risk Assessment.....	7
10. Implementation of Proposed Actions.....	8
11. Review of Effectiveness of Strategies	8
12. Related Policies	9
13. Reporting Suspected Fraud or Corruption Incidents .	9

1. PURPOSE

To define the controls that supports the prevention and detection of fraud and corruption within WAIS.

2. POLICY STATEMENT

WAIS provides opportunities for talented Western Australian Athletes to achieve excellence in elite sport with support from their home environment. To maintain integrity in this role it is important that WAIS is regarded as being ethical in all aspects of its operation and that its reputation or financial position is not impacted by fraudulent events.

3. SCOPE

This Policy applies to all Directors, employees, contracted coaches and athletes in relation to their work with/for/in representation of WAIS.

4. STANDARDS

- 4.1 WAIS has a zero-tolerance attitude towards fraud and corruption.
- 4.2 Organisational culture is the basis for prevention of fraud and corruption at WAIS.
- 4.3 WAIS recruitment processes will ensure appropriate consideration of candidate personal values.
- 4.4 WAIS induction processes will include education on the WAIS fraud and corruption policy.
- 4.5 WAIS will maintain and periodically review and update a documented fraud and corruption detection and prevention plan and routinely monitor its implementation.
- 4.6 The WAIS strategic and operational risk processes will include assessment of fraud and corruption risks.
- 4.7 WAIS will document and implement internal controls to provide reasonable assurance that WAIS operations are free of fraud and corruption.
- 4.8 Any identified potential breach of this policy will be investigated by the “reporting process” documented within the fraud and corruption prevention and detection procedures.
- 4.9 WAIS will maintain a register of confirmed fraud and corruption occurrences and report these to the Board on an annual basis.
- 4.10 Upon initial suspicion of fraud or corruption incidents, it is the responsibility of the WAIS Executive Director to promptly advise the WAIS Audit and Risk Committee.
- 4.11 WAIS will continue upholding safe and ethical practices while supporting and protecting whistle-blowers’.

5. RESPONSIBILITIES

The responsibilities for the prevention and detection of fraud and corruption exist at all levels of the organisation, with specific responsibilities assigned as follows:

- 5.1 The Board is the owner of the ‘WAIS Fraud and Corruption Prevention and Detection Policy’ and is responsible for monitoring and reviewing this policy and the effectiveness of the WAIS Fraud and Corruption Prevention and Detection Plan. These responsibilities are carried out with the assistance of the WAIS Audit and Risk Committee.
- 5.2 The Executive Director is responsible for the implementation of this Policy.

- 5.3 It is the responsibility of Directors, employees, contracted coaches and athletes to undertake their obligations diligently and to report any activities that may be or appear to be irregular or suspicious. (Refer to “Reporting Suspected Fraud or Corruption Incidents” documented within the fraud and corruption prevention and detection Procedures).

6. DEFINITIONS

Terms used in this Policy are:

Fraud *Dishonestly obtain or arrange a benefit by deception or other means:*
Examples include:

- 6.1 Theft such as stealing property, petty cash, funds, gifts, donations or corporate assets;
- 6.2 Falsification of records, accounts or documents to deceive;
- 6.3 Dishonestly destroying or concealing accounts or records;
- 6.4 Embezzlement or misappropriation of funding or other assets;
- 6.5 Misuse of assets or property for personal benefit (e.g. vehicles); and
- 6.6 Forgery or issuing false or misleading statements with intent to obtain financial advantage or deceive.

Corruption *Dishonestly obtain a benefit by misuse of power, position, authority or resources:*
Examples include:

- 6.7 Bribery, extortion and blackmail;
- 6.8 Secretly or openly permitting personal interests to override corporate interests;
- 6.9 Secretly or openly giving or accepting gifts and benefits in return for preferential treatment to the giver;
- 6.10 Collusion, false quotes, false invoices or price fixing;
- 6.11 Manipulating design and specifications or processes for personal gain or to conceal defects;
- 6.12 Complicity in excessive billing or submission of false support documents or concealment of documents;
- 6.13 False job qualifications or work or safety certifications;
- 6.14 Nepotism; and
- 6.15 Privacy breaches or data manipulation with intent to cause harm.

7. WAIS FRAUD AND CORRUPTION PREVENTION AND DETECTION PROCEDURES

7.1 Fraud and Corruption Prevention and Detection Plan

7.2.1 Perpetrators of Fraud and Corruption

It is possible for anyone to commit fraud and corruption. It can be done alone or in collusion with others within or from outside WAIS. Fraud or corruption could be perpetrated against WAIS by:

- 7.1.1.1 A Board Member;
- 7.1.1.2 A full-time, part-time or casual staff member;
- 7.1.1.3 A contractor or service provider;
- 7.1.1.4 An athlete; and
- 7.1.1.5 An external individual or individuals.

7.2 Application

WAIS is committed to minimising fraud and corruption and instilling a culture of:

- 7.2.1 Zero tolerance of fraudulent and corrupt behaviour;
- 7.2.2 Inquiring and investigating all suspected fraud and corruption tip-offs regardless of source or if made anonymously;
- 7.2.3 Recovery of losses sustained through acts of fraud or corruption through all available avenues; and
- 7.2.4 Reporting all incidents of fraud or corruption to external parties as appropriate.

7.3 Fraud and Corruption Awareness and Prevention

Stakeholders (primarily Board members, staff members and athletes) need to be kept informed about WAIS's Fraud and Corruption Prevention and Response Strategy and what part they are expected to play in it. WAIS will achieve this through an application of different methods, including:

- 7.3.1 Providing every employee a copy of the Staff Code of Conduct as part of their contract of employment;
- 7.3.2 Providing every appointed Board member with a copy of the Board Code of Conduct as part of their induction into the WAIS Board;
- 7.3.3 Informing new staff during induction training;
- 7.3.4 Delivering fraud awareness information and training across WAIS (both management and staff);
- 7.3.5 Making the Board Code of Conduct, Staff Code of Conduct and key attributes of the Fraud and Corruption Prevention and Response Strategy available to all Board members and staff via WAIS's network;
- 7.3.6 Incorporating reminders to staff and athletes of their obligations to ethical conduct and public duties into staff/athlete communications.

WAIS's preventative measures include:

- 7.3.7 Regular review of the integrity framework supporting a culture of integrity and intolerance of fraud and corruption;
- 7.3.8 Risk assessment as part of annual strategic and operational risk assessments;

- 7.3.9 Continual quality improvement reviews of internal control and compliance measures;
- 7.3.10 Pre-employment screening (in accordance with HR Manual section 5 'Selection and Appointment'); and
- 7.3.11 Annual update of fraud control and corruption prevention plans for resolution of shortfalls in any of these preventative measures.

7.4 Fraud and Corruption Detection

The early detection of fraud and corruption is an essential element of WAIS's prevention strategy. Staff members are the key factor in detecting fraudulent or corrupt behaviours. It should be the aim of staff members to detect fraud or corruption before or as soon as possible after it occurs. There are a number of ways in which fraud and corruption may be detected. These may include:

- 7.4.1 Monitoring high risk jobs or duties;
- 7.4.2 When internal controls are breached;
- 7.4.3 During monthly reviews of financial management reports;
- 7.4.4 Targeted post-transactional review that may indicate altered or missing documentation, falsified or altered authorisation or inadequate documentary support;
- 7.4.5 Internal audits; and
- 7.4.6 When a staff member notices changes in behaviour patterns such as unusual behaviour or expensive lifestyles of other staff members.

WAIS's detective measures include:

- 7.4.7 Finance Manager (acting as a Compliance Officer) awareness during reviews and random spot checks;
- 7.4.8 Whistle-blower protection; and
- 7.4.9 Auditor awareness during internal and external audits.

7.5 Fidelity Guarantee Insurance

WAIS is covered by Special Risks insurance. The insurance is renewed on an annual basis (currently 1 March each year). This insurance covers physical loss, destruction or damage to all real and personal property of every kind and description belonging to WAIS or for which WAIS is responsible or has assumed responsibility to insure prior to the loss. The two components relevant to this strategy include fidelity and burglary or theft. The policy covers any person acting as an employee of WAIS carrying out duties for WAIS. The Special Risks insurance policy is maintained by the Finance Department.

7.6 Fraud and Corruption Risk Management

- 7.6.1 Strategic External Audit Plan
A strategic external audit plan is prepared each year by an external audit firm and signed off by the Finance Manager. This plan outlines audit and risk management audit activities for the ensuing year.

7.6.2 Internal Audit Plan

An internal audit plan is prepared by KPMG and plays a crucial role in the prevention and detection of fraud and corruption within WAIS. WAIS outsources its internal audit on a three-year cycle. The internal audit function conducted by KPMG reports to the Finance Manager and ultimately the WAIS Audit and Risk Committee. In relation to fraud and corruption control, WAIS's internal audit reviews the controls within WAIS including:

- 7.6.2.1 The effectiveness of controls – how they are implemented in practice – via observation, interview of key staff, review of records and sample testing;
- 7.6.2.2 Systems testing – detailed walkthrough of significant processes; and
- 7.6.2.3 Special audits where particular areas of concern have been identified.

8. FRAUD AND CORRUPTION PREVENTION AND RESPONSE STRATEGY

8.1 WAIS's prevention and response strategy and measures include:

- 8.1.1 Amendment of the Fraud and Corruption Prevention and Detection Plan;
- 8.1.2 Revision and update of policies to rectify deficiencies;
- 8.1.3 Maintenance of an internal investigative capability mainly implemented through the Finance Manager and the Finance Department;
- 8.1.4 Internal reporting of outcomes and escalation where appropriate;
- 8.1.5 Review of internal controls after every confirmed incident;
- 8.1.6 Application of disciplinary procedures for detected incidents;
- 8.1.7 Civil action to recover losses where appropriate;
- 8.1.8 Maintenance of insurance policies;
- 8.1.9 Public reporting of incidents as appropriate;
- 8.1.10 Media management involvement as appropriate;
- 8.1.11 Reporting to funding agencies of incidents and rectifications measures where appropriate; and
- 8.1.12 Referral to external organisations and agencies, such as Police.

9. RISK ASSESSMENT

WAIS aims to conduct fraud and corruption risk assessment at least once every year. Where appropriate, WAIS may introduce a rolling program of risk assessments. When WAIS undergoes a substantial change in structure or function, or where there is a significant transfer in function (for example, as a result of outsourcing), WAIS may undertake further fraud risk assessment in relation to the changed functions. This fraud and corruption risk assessment may form part of a general business risk assessment exercised through the annual strategic and operational risk assessments.

WAIS's risk assessment must consider fraud and corruption risks from both within WAIS and from external factors. Risk assessments must also consider potential fraud risks that may emerge in the future. For example, WAIS needs to be aware of the evolving nature of fraud arising from the greater use of external service providers and development in information technology.

Core areas that a fraud risk assessment should consider include:

- 9.2 Information technology and information security;
- 9.3 Electronic commerce and the internet;
- 9.4 Outsourced functions;

- 9.5 Grants and other payments or benefits;
- 9.6 Tendering processes, purchasing and contract management;
- 9.7 Intellectual property;
- 9.8 Revenue collection;
- 9.9 Use of WAIS credit cards;
- 9.10 Travel and other common allowances;
- 9.11 Payments, including salaries;
- 9.12 Property and other physical assets, including physical security.

WAIS documents the risk assessment in order to:

- 9.13 Reflect the risks across the range of functions performed by WAIS;
- 9.14 Measure risks in a comparable way;
- 9.15 Provide a supportable rating of the risks of fraud and corruption including both the likelihood of a risk occurring and consequences for WAIS if the risk did occur; and
- 9.16 Fine tune and improve the process, as appropriate.

Fraud and corruption risks are considered in the broader context of overall business risk so that fraud and corruption risk assessments take into account WAIS's strategic planning. Fraud and corruption risks should not be looked at in isolation from the general business of WAIS. There is considerable overlap between financial risk, business risk, audit risk and fraud and corruption risk. Other risk management approaches through the current strategic and operational risk assessments already highlight WAIS's risk profiles and control frameworks including fraud and corruption risks.

10. IMPLEMENTATION OF PROPOSED ACTIONS

All fraud and corruption risks rated as having an Extreme or High level of residual seriousness require one or more proposed actions aimed at achieving one or more of the following:

- 10.2 Alteration of existing internal control procedures;
- 10.3 New internal control procedures;
- 10.4 Procedures aimed at detecting fraud and corruption; and
- 10.5 Fraud and corruption prevention strategies.

WAIS may also develop proposed actions for risks assessed as being a lower residual risk. To ensure comprehensive implementation and provide a periodic check on progress, management should, where possible, allocate responsibility for achieving each action item.

11. REVIEW OF EFFECTIVENESS OF STRATEGIES

It is expected that the Finance Department reviews the results of the fraud and corruption risk assessments at least annually to ensure that strategies developed during the course of the most recent fraud and corruption risk assessment are reviewed for effectiveness and amended where necessary. The Finance Manager (acting as the Fraud and Corruption Control Officer) coordinates compliance with the annual review of fraud and corruption mitigation strategies.

12. RELATED POLICIES

Other WAIS policies related to this Policy are the:

- 12.2 WAIS Human Resources Manual;
- 12.3 WAIS Staff Code of Conduct;
- 12.4 WAIS Board Code of Conduct
- 12.5 WAIS Gifts, Benefits and Hospitality Policy
- 12.6 WAIS Public Interest Disclosure.

13. REPORTING SUSPECTED FRAUD OR CORRUPTION INCIDENTS

Suspected fraud or corruption incidents concerning WAIS are to be reported to either:

- 13.2 The WAIS Finance Manager, , acting as the Fraud and Corruption Control Officer ; or
- 13.3 The WAIS Administration Manager, acting as the Public Interest Disclosure Officer.

Should the suspected fraud or corruption incident concerning WAIS involve one of the above mentioned officers, the suspected incident is to be reported to the WAIS Executive Director.

WAIS employees are encouraged to come forward and should feel able to report a fraud or corruption concern directly without fearing potential acts of retribution by co-workers and managers. Whistle-blowers are protected by the 'WAIS Public Interest Disclosure Policy' section 3.4.1 stating 'Subject to a number of exceptions, the identity of the discloser and identity of any person to whom a disclosure relates, is to be kept confidential.'

The Fraud and Corruption Control Officer (Finance Manager) is responsible for investigating apparent or suspected fraud and corruption. Only the Fraud and Corruption Control Officer (Finance Manager) and the Executive Director can delegate the responsibility of conducting an investigation to an independent party.. The standards to be met by the independent party conducting an investigation are:

- 13.4 Appropriately skilled and experienced, who are independent of the business unit in which the alleged fraudulent or corrupt conduct occurred; and
- 13.5 Should be an external law enforcement agency, a manager or other senior person within the organisation or an external consultant operating under the direction of an independent senior person within the organisation.

If a reported suspected fraud or corruption incident is investigated and found to be true, it will automatically trigger a post incident review of internal controls. Existing internal control procedures will require a review and potential alteration so as to counter against the same type of incident reoccurring in the future.