



NSW Police Force

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Fraud Risk: Top Tips & Self-Assessment Guide

Finance and Business Services

Fraud Risk: Top Tips & Self-Assessment Guide

Arising from the Fraud Awareness Workshops conducted by Corporate Internal Audit in March 2021 was a set of “Top Tips”.

These Top Tips capture the key fraud risk indicators that are particularly relevant to NSWPF as well as those common to large government agencies.

It is intended that the Top Tips form the foundation of a useful self-assessment guide for management and business managers.

Essential Summary

The Top Tips form the foundation of a useful self-assessment guide for management and business managers to:

1. quickly re-assess the key fraud risks in your Command or unit and focus your fraud control efforts,
2. promote your staff’s awareness of fraud risk in accordance with the NSWPF Fraud Control Plan, and
3. identify concerns that you may need to raise through the chain of Command.

Using the Self-assessment is **not** a substitute for full compliance with defined NSW Treasurer’s Directions and NSWPF mechanisms for financial and management control, accountability or the NSWPF Fraud Control Plan. Instead, the self-assessment guide can be used to assist you in your broader fraud control obligations by reminding you of some of the higher risk areas.

To get the best benefit from the Top Tips self-assessment guide, the actual “tips” have been expressed as a series of self-evaluation questions. A negative response to any of these questions could indicate potential exposure to circumstances that result in fraud. It is also important to remember that the term “staff” includes all staff resources utilised in the Command or business unit – this includes employed staff in any capacity and all variants of contingent labour.

Some of the possible fraud indicators or considerations can potentially to impact on a number of the overall fraud outcomes outlined below and are therefore repeated as appropriate.

Document Control Sheet

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1	December 2021	Financial Control	Initial issue

1. Purpose

a) What are *Top Tips*?

In March 2021, NSWPF Corporate Internal Audit hosted a series of Fraud Awareness Workshops. The workshops were widely publicised within NSWPF and were presented by an external specialist firm. This firm has previously assisted NSWPF with the development of its fraud and corruption framework and prevention measures.

The objective of the workshop was to raise awareness of the possible indicators that fraud may be occurring. The principles covered in the workshops were illustrated with real-life case studies.

The material presented and discussed in the workshops was supported by presentations and materials from Corporate Internal Audit, Professional Standards Command and Finance and Business Services – Financial Control.

Arising from the workshops was a set of “Top Tips”. These Top Tips capture the key fraud risk indicators identified by managers that are particularly relevant to NSWPF and common to large government agencies.

It is intended that the Top Tips form the foundation of a useful self-assessment guide for management and business managers to:

1. quickly re-assess the key fraud risks in your Command or unit and focus your fraud control efforts,
2. promote your staff’s awareness of fraud risk in accordance with the NSWPF Fraud Control Plan, and
3. identify concerns that you may need to raise to a more senior level for action.

Using the self-assessment is not a substitute for full compliance with the defined State and NSWPF mechanisms for financial management control and accountability, and the NSWPF Fraud Control Plan. Rather, the self-assessment guide can be used to assist you in your broader fraud control obligations by reminding you of some of the higher risk areas.

b) Where does fraud happen?

NSWPF has adopted the Audit Office of NSW definition of fraud, which is:

Dishonestly obtaining a financial or other benefit (either directly or indirectly) by deception. Fraud includes deliberate and premeditated deception to gain an advantage from a position of trust and authority. This includes acts of omission, theft, making false statements, evasion, manipulation of information and numerous other acts of deception.

In effect, this definition means most fraud is committed in plain sight. Fraudsters will generally manipulate or modify the everyday mechanisms by which value is routinely transferred from the NSWPF to a private party. These mechanisms may include purchase orders, electronic signature approvals, candidate referee reports, product performance reports as well as many others. Falsification of these or other mundane mechanisms can pervert the controls over value transfer that have established in areas such as procurement, recruitment, pay, benefits/entitlements, and accounts payable payments.

Fraud is effectively ***hiding inappropriate value transfer in plain sight:***

- Pay too much

- Overcharged on goods
- Entitlement “rights”
- Inappropriate promotion
- Buy in excess of need
 - Scope expansion
 - Over-order
 - Unnecessary variations
 - Unnecessary overtime
- Under-delivery
 - Timesheet manipulation
 - Low quality work
 - Goods not provided
- Pay wrong entity
 - Fake vendor
 - Employment not on merit
 - Contract to the wrong company

In many cases though, the deception is not perfect and succeeds because the falsified documents have been accepted despite irregularities, or the control system has been bypassed for speed, by password sharing and segregation beaches, by senior direction or by persuasion.

Because fraud often can be detected if you know where to look, the self-assessment guide has been developed to help you assess your level of fraud exposure and to provide insight into where action may be appropriate.

c) Possible fraud outcomes and contributing indicators: be aware

To get the best benefit from the Top Tips self-assessment guide, the actual “tips” have been expressed as a series of self-evaluation questions. A negative response to any of these questions could indicate potential exposure to circumstances that result in fraud. It is also important to remember that the term “staff” includes all staff resources utilised in the Command or business unit – this includes employed staff in any capacity and all variants of contingent labour.

Some of the possible fraud indicators or considerations have the potential to impact on a number of the overall fraud outcomes outlined below and are therefore repeated as appropriate.

2. Self-Assessment Guideline

Instructions

In any instance where a response to a question below is “**No**”, the officer should:

1. **Identify** the potential fraud risk.
2. **Report** the potential fraud risk to your supervisor.
3. The Supervisor should assess the situation and take **appropriate action**.
4. If **actual** fraud is identified, it should be **reported** to the Misconduct Prevention Unit and Corporate Internal Audit.

Possible fraud outcomes and contributing indicators	Response	
	Yes	No
<p>1. Behavioural issues</p> <ol style="list-style-type: none"> 1. My section’s recruiting activities substantiate CV qualifications. 2. My section’s recruiting activities effectively apply vetting to contractors and employees. 3. My staff are regularly engaged regarding their personal commitment to integrity and ethics. 4. Staff are fully aware of the fraud reporting mechanisms. 5. Staff complaints/reports in my section are acted upon promptly. 6. In my section any staff complaints over work equity are recognised and addressed. 7. In my section there is effective management review over supervisory performance. My section’s supervisory and management review procedures would detect supervisors directing subordinate actions in the approval process. 8. If it came to their attention, management of my section would be aware of the fraud risk posed by staff who appear to: <ol style="list-style-type: none"> a. be living beyond means b. have a heavy gambling habit c. be suffering personal financial difficulties d. have an unusually close relationship with vendors or customers. 9. Management of my section would be aware of the fraud risk posed by a staff member who has: <ol style="list-style-type: none"> a. a series of poor performance assessments b. excessive absenteeism/personal life issues c. presented as “Mr Fixit/wheeler-dealer”; and can get anything done d. an unusual number of emergency transactions e. been unwilling to share duties. 		

Possible fraud outcomes and contributing indicators	Response	
	Yes	No
<p>10. I have confidence that more senior individuals cannot improperly influence the promotion of staff in my section, either informally or through manipulation of the formal process.</p> <p>11. In my section all staff are required to take regular annual leave.</p> <p>12. My staff have continuing training in financial and system controls.</p> <p>13. My section has the ability to link known financial and behavioural risk factors.</p> <p>14. In my section no contract/contingent employees have access to transaction approval.</p> <p>15. Management of my section have a viable avenue to address the risk posed by any of their staff exhibiting the above fraud risks.</p>		
<p>2. Pay too much</p> <p>1. Contracts within my section are established with payment metrics that can be effectively oversighted.</p> <p>2. My section uses the broadest market approach on a regular basis to test value for money (whether it is procurement, hiring, contractor etc.)</p> <p>3. My section independently and expertly assesses procurement reasonability and value for money on a regular, sample, or special case basis. That is, the price for goods or services is reviewed by an internal independent who understands the market for those specific goods and services.</p> <p>4. My section reviews all prices arising from limited/sole tendering.</p> <p>5. My section has effective methodologies for ensuring that employee benefit claims (food, clothing, travel, sick leave, loss in the course of work, home computer needs, car use and so on) can be verified.</p> <p>6. My section's financial management practices include measuring compliance with emergency procurement requirements and independently verifying the reasonability of price.</p> <p>7. Procurement and contractor/consultant engagement practices in my section precludes purchases being made without supporting documentation.</p> <p>8. My section effectively segregates (including access control including no shared passwords, no inappropriate supervisor direction) authority for transaction approval, custody of the result and control over the outcome.</p> <p>9. In my section there is effective control of the use of electronic signatures on documents that recommend or endorse a transaction price.</p> <p>10. My section operates a formalised accountable compliance framework for procurements and purchase cards.</p> <p>11. Procurement and payment process in use in my section enables the effective three-way match of a purchase order, delivery, and invoice.</p>		

Possible fraud outcomes and contributing indicators	Response	
	Yes	No
<p>3. Buy in excess of needs</p> <ol style="list-style-type: none"> 1. My managers and I review overtime claims and awards. 2. My section independently assesses procurement size and contractor scope reasonability. 3. Strategic Procurement provides visible oversight of significant procurements. 4. My section has effective mechanisms that ensure purchase orders, overtime requests, scope changes, and flow-on engagements reflect the actual need. 5. My section complies with State and NSWPF limitations on variations, single source/limited tender limits, and flow-on engagements. 6. My section can detect insufficient time to rectify, where an initial limited procurement/engagement has been under scoped and is likely to breach the policy limits on price through extensions 7. My section's financial management practices include measuring compliance with emergency procurement requirements. 8. My section segregates authority for transaction approval, custody of the result and control over the outcome. 9. Procurement practice in my section precludes purchases being made without supporting documentation. 10. Contracts within my section are established with payment metrics that can be effectively oversighted. 		
<p>4. Under-delivery</p> <ol style="list-style-type: none"> 1. My section has mechanisms to identify timesheet fraud (or frequent skimming) and have mechanisms by which this is addressed as a cultural issue or a conduct issue as appropriate. 2. I can be sure my staff effectively overview goods and services received. 3. The assessment of the record of contract performance (quality, volume, timeliness, and cost) is independent of the influence of any contract management relationship or influence by any otherwise conflicted party. 4. My section segregates authority for transaction approval, custody of the result and verification of the outcome. 5. My section operates a formalised accountable compliance framework for procurements and credit cards. 6. Procurement and payment process in use in my section enables the effective three-way match of a purchase order, delivery, and invoice. 		

Possible fraud outcomes and contributing indicators	Response	
	Yes	No
<p>5. Pay wrong entity</p> <ol style="list-style-type: none"> 1. My section ensures recruitment, promotion, contractor engagement or procurement assessment panels have sufficient numbers, skills, and independence to ensure the award is on merit. 2. The management of my section has the capabilities to recognise and action industry intelligence on current frauds. 3. My section's procurement practices ensure effective vendor identification, due diligence, and vetting. 4. Should emergency conditions arise, vendor identification, vetting and contractual actions that occurred outside of the proper practices are subsequently confirmed. 5. Procurement practice in my section precludes purchases being made without supporting documentation. 6. My section's payment procedures prevent paying an entity not named in certified documentation segregates authority for transaction approval, custody of the result and control over the outcome. 7. In my section there is effective control of the use of electronic signatures on documents that enable payments to specific entities. 		

3. Conclusion

The above Top Tips checklist captures the key fraud risk indicators identified by managers that are particularly relevant to NSWPF as well as those common to large government agencies.

The checklist is designed to provide a useful self-assessment guide for management and business managers and can be completed by any individual in the organisation.

If any fraud risk is not satisfactorily resolved, the **risk should be reported to the Misconduct Prevention Unit and/or Corporate Internal Audit.**