

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2014-15

Finance Portfolio

Department/Agency: Finance

Outcome/Program: 1/1.1

Topic: Overview of public sector fraud and financial error

Senator: Xenophon

Question reference number: F147

Type of question: Written

Date set by the committee for the return of answer: Friday, 11 July 2014

Number of pages: 2

Question:

Is the Department of Finance able to give a definitive overview of Australian Government public sector fraud and financial error in 2011-12 and 2012-13? If not, why not?

Answer:

Agencies reported 12,798 instances of non-compliance with the financial management framework in 2011-12 and 14,027 instances in 2012-13. This aggregate number includes serious issues such as fraud, financial errors and minor technical breaches. The nature of the information collected does not enable an overall figure for fraud to be determined. Further information is contained in the 2012-13 Certificate of Compliance Report to the Parliament.

Chief Executives of FMA Act agencies are responsible for managing the affairs of the Agency in a way that promotes the proper use of the Commonwealth resources for which the Chief Executive is responsible. This general duty includes ensuring appropriate controls are in place to prevent and detect instances of fraud and error.

The Attorney General's Department is responsible for issuing the Commonwealth Fraud Control Guidelines. These guidelines outline the Australian Government's requirement that government agencies put in place a comprehensive fraud control program that covers prevention, detection, investigation and reporting strategies.

If a breach is identified by a Chief Executive that relates to fraud or a criminal matter, he/she is expected to undertake an internal investigation and, based on the results, refer the matter to the Australian Federal Police where appropriate. Employees of FMA Act agencies, subject to the *Public Service Act 1999*, must comply with the APS Code of Conduct which requires them to behave honestly and with integrity in the course of their employment, comply with applicable Australian laws and use Commonwealth resources in a proper manner. Under the Public Service Act, a Chief Executive is required to establish procedures for determining whether an agency employee has breached the Code of Conduct and has the power to sanction an employee found to be in breach. Available sanctions range from a reprimand to termination of employment. Similar provisions exist in other Commonwealth employment frameworks, such as the *Australian Federal Police Act 1979* and the *Defence Act 1903*.

Agencies are also required to report non-compliance with the financial management framework, including the FMA Act and related Regulations, in their annual Certificate of Compliance. Finance coordinates the annual Certificate of Compliance process and prepares a report on the consolidated Certificate results to the Parliament. The Certificate process identifies non-compliance with elements of the financial management framework but does not identify individual instances of fraud or financial error.