



National Housing Finance
and Investment Corporation

FRAUD CONTROL POLICY

February 2022

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1. SCOPE

This policy applies to all NHFIC Staff. This policy sets out:

- the objectives of the fraud control policy;
- the fraud risks that NHFIC faces;
- NHFIC's approach to fraud prevention and detection; and
- other elements that make up NHFIC's control strategy.

2. ABOUT NHFIC

NHFIC's operations are governed by the *National Housing Finance and Investment Corporation Act 2018* (Cth) (NHFIC Act) and the Investment Mandate (available via www.nhfic.gov.au).

Under the NHFIC Act, NHFIC's primary purpose is to improve, directly or indirectly, housing outcomes for Australians.

NHFIC's functions under the NHFIC Act are:

- a) to make loans, investments and grants to improve, directly or indirectly, housing outcomes;
- b) to determine terms and conditions for such loans, investments and grants;
- c) to provide, to registered community housing providers, business advisory services and other assistance in capacity building;
- d) to issue guarantees to improve housing outcomes;
- e) to undertake research into housing affordability in Australia;
- f) to undertake any other functions conferred on the NHFIC by the NHFIC Act or any other Commonwealth law; and
- g) to do anything incidental or conducive to the performance of the above functions.

If you would like further information about the products and services we offer, please contact us at: inquiries@nhfic.gov.au.

3. DEFINITIONS

In this policy:

Fraud against the Commonwealth is defined as¹ 'dishonestly obtaining a benefit, or causing a loss, by deception or other means'. This definition is based on the dishonesty offences under chapter 7 of the Criminal Code.

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

- theft
- 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, and/or
- wrongfully using Commonwealth information or intellectual property.

Fraud requires intent. It requires more than carelessness, accident or error. When intent cannot be shown, an incident may be non-compliance rather than fraud.

A benefit is not restricted to a material benefit, and may be tangible or intangible, including information. A benefit may also be obtained by a third party.

Internal fraud is where fraud against an entity is committed by its officials or contractors. Fraud by an official is likely to represent significant non-compliance with the finance law as the official would have breached the general duty of an official under section 26 of the PGPA Act to act honestly, in good faith and for a proper purpose in perpetrating the fraud.

External fraud is where fraud comes from outside the entity from external parties such as clients, service providers, other members of the public or organised criminal groups.

Complex fraud involving collusion between NHFIC officials and external parties. Complex fraud can include instances when an official or group of officials:

- are targeted and succumb to exploitation by external parties (bribery, extortion, grooming for favours or promises), or
- initiate the misconduct (including through external parties infiltrating the entity)

¹ Paragraph viii. Commonwealth Fraud Control Policy

Trivial fraud (less significant) refers to matters that may technically meet the definition of fraud but are not serious enough to warrant any formal action beyond a managerial response. NHFIC will take a common sense approach to handling trivial fraud matters.

Staff means persons employed by or operating under an employment or similar contract with NHFIC including full time or part time employees, consultants and contractors of NHFIC and full or part time secondees to NHFIC.

4. POLICY OBJECTIVE

NHFIC has a zero tolerance policy² in relation to fraudulent conduct or behaviour on the part of its Staff, recipients of loans, investments, grants or other assistance from NHFIC or any other third parties that it deals with. To effectively manage the risk of fraud and to ensure that Staff understand their obligations and responsibilities, NHFIC has established this formalised policy of controls and measures to:

- Establish a targeted and risk-based approach to minimise and prevent the incidence of fraud; and
- establish a clear set of procedures for detecting and dealing with instances of fraud.

4.1 SPECIFIC OBJECTIVES

More specifically, the objectives of this policy are defined as:

- communicating the need for an effective 'fraud control environment' within NHFIC and to instil in Staff the desire for such an environment;
- defining the responsibilities of Staff in ensuring fraud control measures are in place for each risk area;
- establishing an on-going system of regular risk assessment and reporting to ensure that Heads of Department regularly review their unit's exposure to fraud risk, particularly within the context of industry and organisational change;
- establishing a mechanism for the effective communication to Staff of changes and developments in policies and procedures in relation to fraud;
- clearly communicate to Staff how to report fraud and NHFIC's policy of protecting those who report fraud; and
- disciplining those who commit fraud.

² Risk Appetite Statement section 6.1.2 Fraud

5. BACKGROUND

This policy aims to prevent and discourage illegal and otherwise improper conduct of NHFIC's Staff recipients of NHFIC's finance or beneficiaries of NHFIC's programs that may result in:

- financial loss to NHFIC;
- damage to NHFIC's and the Australian Government's reputation; and/or
- a negative effect on Staff morale.

Export Finance Australia (Export Finance) was initially engaged to assist NHFIC with a number of back-office functions during the first year of NHFIC's operations. From August 2019 onwards, NHFIC's Legal & Compliance became responsible for administering this policy and for reporting to the NHFIC's Audit and Risk Committee.

This policy will be reviewed and updated on a regular basis to ensure:

- adequate measures are in place to counter and prevent fraud occurring; and
- strategies are implemented to detect and investigate instances of fraud.

6. KEY ELEMENTS OF THE FRAUD CONTROL POLICY

The key elements of this policy include:

- assignment of responsibility to Staff for implementing this policy;
- implementation of NHFIC's fraud control strategy including measures to:
 - prevent fraud;
 - detect and report fraud;
 - investigate reports of fraud;
 - protect those who disclose fraud; and
 - discipline those who commit fraud;
- training for new and existing Staff to heighten awareness of fraud prevention.

7. FRAUD RISKS

The nature of NHFIC's operations means that it faces broad internal and external fraud risks in the following areas.

7.1 INTERNAL FRAUD RISKS

Despite NHFIC's best efforts, there remains opportunity for unscrupulous or opportunistic Staff to attempt to obtain a financial advantage or benefit through fraud. Some of the more serious fraud risks are set out below.

7.1.1 Conflicts of interest

Where Staff are directly involved in dealings with an organisation in which they have an interest and they use that involvement to create a personal advantage or benefit for themselves or others.

7.1.2 Misrepresentation or concealment of material facts

Where Staff provide false statements and/or deliberately conceal material facts to induce NHFIC to take a particular action in relation to:

- bond issuances,
- loan, investment, grant, capacity building applications or other assistance;
- bond issuance, loan, investment, grant or capacity building policies;
- terms and conditions associated with bond issuances, loans, investments, grants; capacity building activities or other assistance;
- claims for drawdowns under loans or grant instalments;
- applications for loans to be backed by the NHFIC's guarantee under the First Home Loan Deposit Scheme;
- selection of lenders/credit providers to participate in the First Home Loan Deposit Scheme;
- housing affordability research outcomes;
- insurance claims; and
- providing misleading business advisory services and assistance in capacity building to registered community housing providers.

7.1.3 Theft

Where Staff could take money or property from NHFIC without consent. This potentially includes by:

- processing false loan, investment, grant or capacity building applications;
- independently varying loan, investment, grant or capacity building applications;
- diverting bond issuance funds, loan funds, investment or grant funds or payments into personally controlled bank accounts; and

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- accessing the files of recipients of loans, investments, grants or assistance from NHFIC to obtain sensitive and / or confidential information;
- submitting false petty cash vouchers; and
- colluding with other Staff or third parties to steal money or property from NHFIC.

7.1.4 Bribery

Where Staff are put in a position where they are offered a thing of value to influence their business decision or behaviour. A 'thing' of value is not necessarily cash or money. Things such as gifts and entertainment may be bribes if they are offered with the intent to influence a decision or the behaviour of Staff.

7.2 EXTERNAL FRAUD RISKS

7.2.1 False Information

There are opportunities available to all third parties relied upon to supply information to NHFIC. For example, false and exaggerated information supplied by an applicant for a loan, investment, grant, guarantee or other assistance from NHFIC to induce NHFIC to approve the loan, investment, grant, guarantee or other assistance application.

Staff must be aware of this risk. To the extent possible, Staff must conduct due diligence, adopt verification measures and take all other necessary steps to confirm the integrity of third parties' information.

8. FRAUD CONTROL STRATEGY

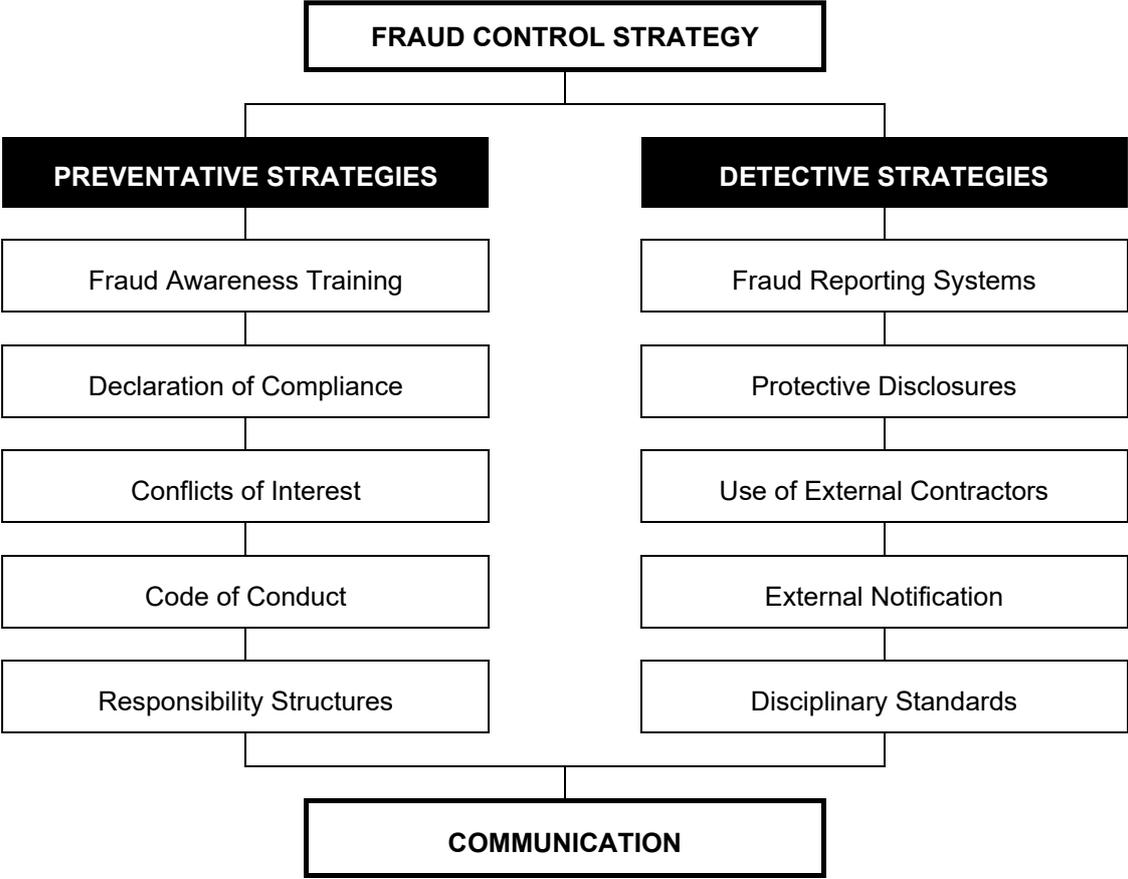
8.1 OVERVIEW

NHFIC will manage its fraud risk exposure by using a combination of preventive and detective strategies.

Preventive strategies are actions planned and implemented which are designed to counter the risk of fraud and prevent it occurring. Preventive measures are "signposts" which clearly signal to those who may contemplate fraud that it is not acceptable. They also ensure that there are mechanisms in place to detect fraud and take action because this in itself has a deterrent effect.

Detective strategies principally relate to a program which identifies, investigates and penalises those who choose to ignore the preventive measures and commit fraud. Detective strategies in themselves form an important component of an overall fraud prevention strategy. As preventive measures are concerned with informing Staff of their obligations and warning them against fraud, detective strategies focus on having processes and penalties in place to detect and discipline those who choose to ignore the signposts.

Investigations and sanctions against individuals who have committed fraud have a deterrent effect on the individual and create a fraud awareness culture within NHFIC as those who do not comply are seen to be punished. The diagram below depicts the major components of NHFIC's fraud control strategy.



8.2 PREVENTIVE STRATEGIES

NHFIC has implemented the following fraud prevention strategies to help manage its fraud risk exposure.

NHFIC’s more detailed strategies, on a per program basis, are outlined in the NHFIC’s internal Fraud Control Plan.

8.2.1 Code of Conduct

NHFIC has established a Code of Conduct which outlines the obligations and responsibilities of Staff in relation to their employment or engagement with NHFIC. The Code of Conduct states that in performing their official duties, Staff are required to be impartial and not pursue personal interests which may conflict with NHFIC’s interests.

The Code of Conduct specifies employee obligations in relation to:

- financial and other private interests;
- use of information;
- use of NHFIC’s computers; and
- personal behaviour.

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NHFIC's Code of Conduct requires all Staff to make a written declaration of their private interests which may, or may be perceived, to conflict with NHFIC's interests. If a Staff member is unsure as to whether a conflict exists, the situation should be declared regardless.

Staff have a responsibility to be aware of all aspects of the Code of Conduct to ensure they perform their duties in an appropriate manner.

8.2.2 Fraud Awareness Training

Training will be held at induction for new Staff and periodically approximately every 2 years for existing Staff to heighten fraud awareness and help create a 'control consciousness' within NHFIC. Training will provide information to Staff that:

- makes them aware that fraud does occur;
- explains how fraud could occur;
- explains what Staff should do about suspected fraud;
- identifies what their roles are in relation to the prevention and detection of fraud; and
- describes mechanisms NHFIC has in place to deal with fraud.

The Compliance Function will be responsible for overseeing and co-ordinating appropriate fraud awareness training.

8.2.3 Conflict of Interest Policy

NHFIC's Conflicts of Interest Policy sets out NHFIC's approach to the effective identification and management of conflicts of interest that affect it and its Staff. NHFIC's Conflict of Interest Policy provides guidance to Staff on the mechanisms for managing conflicts of interest in five particular contexts (Staff, legal staff, service provider and transactional conflicts of interests).

8.2.4 Declaration of Compliance

Staff are required to submit a bi-annual declaration of compliance which confirms they have complied with NHFIC's policies and procedures, including this Fraud Control Policy, and undertaken training relevant to their role, including the requisite fraud awareness training.

8.2.5 Responsibility Structures

All Staff are subject to ongoing monitoring and oversight in their roles, according to NHFIC's responsibility structures and reporting lines.

8.3 DETECTIVE STRATEGIES

The following fraud control strategies are to be implemented to assist NHFIC in the detection and investigation of fraud.

8.3.1 Fraud Detection and Reporting

All Staff are obliged to report cases of fraud to NHFIC as soon as they are detected in accordance with this policy, NHFIC's Public Interest Disclosure Policy or NHFIC's Incident Reporting Policy.

The cases to be reported include, but are not limited to Staff:

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- submitting false statements or documents in connection with:
 - a bond issuance, an application for a loan, investment, grant, capacity building or other assistance; or
 - a claim for a drawdown under a loan;
 - an application for a loan to be backed by the First Home Loan Deposit Scheme
 - an insurance claim;
- theft of property belonging to NHFIC or under NHFIC's control;
- misuse of NHFIC credit cards;
- misuse of assets, equipment or facilities belonging to NHFIC or under NHFIC's control, including plant, vehicles and computing equipment;
- providing false or misleading information to NHFIC, or failing to provide information where there is an obligation to do so;
- disclosing confidential information obtained during the course of their employment to any person not entitled to receive such information;
- deliberately falsifying any entry in any book, record or computer data base maintained by NHFIC; and
- corruptly soliciting or receiving a secret commission, kickback or gratuity from any person in connection with their employment with NHFIC.

All Staff are to co-operate fully in the investigation process.

8.4 INVESTIGATION OF FRAUD AND OTHER IMPROPER CONDUCT

All Staff must report any suspicion or allegation of fraud in accordance with NHFIC's Public Interest Disclosure Policy or NHFIC's Incident Reporting Policy.

All cases involving credible evidence of suspected fraud are, subject to the Commonwealth Fraud Control Framework, to be reported to the Australian Federal Police.

NHFIC's management should periodically communicate to Staff any recent instances of fraud, the sanctions that have been applied and reiterate NHFIC's intolerance of fraud.

8.4.1 Protected Disclosures

NHFIC is committed to supporting those who report fraud and corruption in good faith.

To the extent possible, and subject to requirements under the *Public Interest Disclosure Act 2013* (as applicable), informants will be kept anonymous during the investigation process, where this has been requested, and, where possible, informed of the outcome of the investigation, including any reasons for not furthering the investigations. If a disclosure leads to disciplinary proceedings, the informant's identity will only be revealed as is required by legislation, the Australian Federal Police or the relevant court.

NHFIC will not allow informants to be victimised. Where possible, any such behaviour will result in disciplinary action against those involved.

8.4.2 External Contractors and External Notification

NHFIC's External contractors and other third parties are able to notify NHFIC of potential fraud through NHFIC's public website.

8.5 DISCIPLINARY STANDARDS

Any Staff against whom clear evidence of fraud has been obtained, should be expected to be:

- dismissed without compensation; and
- reported to the Australian Federal Police.

Where an Australian resident, citizen or corporation, or its agent, has been or is involved in bribery in relation to an application for a loan, investment, grant or other assistance made by NHFIC, NHFIC may:

- if the loan, investment, grant, guarantee or other assistance is yet to be approved, refuse to approve the loan, investment, grant or other assistance; and
- if the loan, investment, grant, guarantee or other assistance has been approved, refuse to provide or cancel the loan, investment, grant, guarantee or other assistance or accelerate repayments, as the case may be.

NHFIC would endeavour to recover proceeds of fraudulent activity.

Trivial matters would generally not warrant inclusion in reporting to Ministers under section 19 of the PGPA Act or the AIC³ as part of its fraud survey. However, NHFIC is mindful that incidents of 'trivial fraud' could be the visible indicators of more systemic problems or vulnerabilities and reflect on the risk culture within the organisation.

³ Australian Institute of Criminology (aic.gov.au)

9. ROLES AND RESPONSIBILITIES

9.1 BOARD

NHFIC Board is responsible for approving this policy.

9.2 BOARD AUDIT AND RISK COMMITTEE

The NHFIC Board Audit and Risk Committee is responsible for reviewing this policy and the Fraud Control Plan and making recommendations to the Board regarding the approval of this policy.

9.3 CHIEF EXECUTIVE OFFICER⁴

The CEO or his delegate is to:

- provide advice to business areas on fraud matters as required
- develop and maintain the fraud control and investigations framework and related documents, including:
 - prepare and maintain, in consultation with the NHFIC Audit and Risk Committee, a Fraud Control Plan and Fraud Control Policy (both endorsed by the Board) which take into consideration the Commonwealth Fraud Control Policy and the Commonwealth Fraud Guidance;
 - report on fraud-related matters on behalf of the NHFIC (including through the annual Australian Institute of Criminology survey); and
 - coordinate the investigation of suspected fraud within the NHFIC.

9.4 NHFIC MANAGEMENT RESPONSIBILITIES

NHFIC's management is responsible for:

- implementing the controls described in this policy to deter, prevent and detect fraud;
- implementing appropriate remedial action for any failure to comply with this policy;
- ensuring that appropriate consequences of any breach of this policy are communicated to NHFIC Staff; and
- allocating appropriate resources to implement, develop and maintain this policy.

⁴ Accountable Authority Instructions – 1.3 Fraud Control

9.5 COMPLIANCE FUNCTION RESPONSIBILITIES

NHFIC's Compliance function is responsible for:

- maintaining the currency of this policy (General Counsel Policy Owner);
- maintaining the currency of NHFIC's internal Fraud Control Plan;
- arranging training for NHFIC Staff on this policy;
- providing advice to NHFIC Staff on the implementation of this policy;
- administering application and monitoring the effectiveness of this policy and reporting on this policy to the NHFIC's Board Audit and Risk Committee; and

9.6 ALL STAFF

All Staff must:

- undertake induction and ongoing fraud awareness training; and
- report any allegations, suspicions or incidents of fraud in accordance with NHFIC's procedures. The responsibility of ensuring compliance with this policy rests with all Staff.

10. UPDATING OUR PRIVACY POLICY

As necessary we will review this policy from time to time. Any amendments will be notified by posting an updated version on our website.