SLHD Policy

Fraud	
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Fraud

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SLHD Fraud Policy

1. Introduction

Sydney Local Health District promotes an organisational culture that will not tolerate any act of fraud or corruption. This Fraud Control Strategy aims to foster an environment that actively discourages fraudulent activities in order to protect the District's assets, interests and reputation, and to provide a transparent framework for reporting and investigating fraud should it occur.

Fraud prevention and control must be the responsibility of all staff and all levels of management, and not just selected people or units within the District. The District acknowledges that our staff are the best defence against fraudulent activity and play a critical role in preventing and detecting fraud. Staff are encouraged to familiarise themselves with the District's fraud control strategy and to be aware of the role they can play.

Any instances of fraud detected, as being perpetrated against the District, will be fully investigated and the perpetrators prosecuted to the maximum extent allowed under the law.

This Policy should be read in conjunction with the following:

- NSW Health, NSW Health Code of Conduct (PD2015_049)
- NSW Health, Public Interest Disclosures (PD2016_027)
- NSW Health, Corrupt Conduct – reporting to the Independent Commission Against Corruption (PD2016_029)
- NSW Health, Conflicts of Interest and Gifts and Benefits (PD2015_045)

This Policy is in line with SLHD's Strategic Goals:

- *For our organisation to make the most effective use of resources and ensure financial sustainability*
- *For our organisation to provide good governance, effective risk management, strong performance monitoring and excellent planning*

2. The Aims / Expected Outcome of this Policy/Procedure/Guideline

- To document the District's approach to the prevention, detection, reporting and investigation of fraud and corruption.
- To maintain public confidence in the integrity of the District.
- To minimize the loss of resources due to fraud to support the achievement of SLHD strategic goals.

3. Risk Statement

SLHD Enterprise Risk Management System (ERMS) Risk # 33 – Corporate Systems and Safety:

Manage our systems to control fraud, particularly in relation to the prevention of:

- Loss of District Assets
- Reduced confidence in the Health System
- Reputational damage
- Tolerance of fraud becomes acceptable within LHD culture

4. Policy Statement

The District promotes an organisational culture that does not tolerate any act of fraud or corruption. This Fraud Policy is designed to put this principle into practice.

Apart from the legal consequences of fraud and corruption, improper acts have the potential to damage the District's public image and reputation. Unresolved allegations can also undermine an otherwise credible position and reflect negatively on innocent individuals.

All staff must be above fraud and corruption. Sanctions will apply to those who are not. In addition, staff must act so they are not perceived to be involved in such activities. Through transparent and accountable decision-making, together with open discussion by staff and managers about the risks of fraud and corruption, the District seeks to foster an organisational climate that does not tolerate fraud or corruption.

The District will deal fairly with all parties in the course of investigating allegations of fraud or corruption. However, if fraud or corruption is proven, appropriate sanctions and/or disciplinary proceedings under the Public Sector Employment and Management Act 2002 will be applied. Matters referred to the Independent Commission Against Corruption (ICAC) or NSW Police may lead to criminal proceedings. Offenders can expect to be required to repay the full cost of any theft, misappropriation or improper benefit, including interest. If the offender has monies owing by the District, such sums may be offset against any inappropriate benefit obtained.

The prevention of fraud and corruption requires that all staff members act ethically and professionally in accordance with the NSW Health, NSW Health Code of Conduct (PD2015_049).

5.   Scope

This document applies to all SLHD Staff.

6.   Resources

Within existing resources supplied by Internal Audit.

7.   Implementation

- Distribution of Policy to SLHD Executive
- Education undertaken by Internal Audit Team
- Orientation address Internal Audit
- Continuous improvement through Audit Reviews and recommendations made
- Ongoing improvement through Internal Audit involvement in SLHD procurement processes.

8.   Key Performance Indicators and Service Measures

- In all cases where Fraud is identified, the procedures outlined in this document are completed and appropriate measures are put in place to eliminate and/or reduce opportunities for further instances of Fraud.

9.   Definitions

Fraud and corruption can be distinguished from other forms of unethical behaviour. The following definitions are based on those contained in the Australian Standard for Fraud and Corruption Control (AS 8001-2003).

Examples of fraud and corruption are provided in **Appendix 1.**

Fraud	Dishonest activity, by District of Health employees, contractors, volunteers, work experience students or external persons, causing actual or potential financial loss to the District, including the theft of moneys or other property. This includes the deliberate falsification,

	concealment, destruction or improper use of documentation used for a normal business purpose or the improper use of other information or position.
Corruption	Dishonest activity in which a director, executive, manager, employee, contractor, volunteer or work experience student acts contrary to the interests of the District and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.

10. Procedures

10.1 Roles and responsibilities

10.1.1 Chief Executive and Executive

The Code of Conduct and Ethics for Public Sector Executives sets out the following responsibilities for the Chief Executive and the District Executive:

- To maintain public confidence in the integrity of the public sector, it is essential that public sector executives exhibit, and are seen to exhibit, the highest ethical standards in carrying out their duties. Executives must pursue, and be seen to pursue, the best interests of the people of New South Wales.
- Public officials are expected to act in the public interest and to demonstrate ethical behaviour in carrying out their official duties. Executives have special responsibilities by virtue of their positions of authority and their high levels of accountability for decision-making and leadership.
- The successful development of an ethical environment relies upon Chief Executive and senior management leading ethical behaviour and ethical work practices in their organisations.

The Director Internal Audit must consider and approve all policies and procedures relating to the control and investigation of fraud and corruption. Any documents developed at a Service or Facility level must follow consultation with the SLHD Director Internal Audit.

The Chief Executive has a duty to report to the Independent Commission Against Corruption any matter that is suspected on reasonable grounds to be corrupt conduct.

Auditing Standard AUS210 requires the Chief Executive and the Chief Financial Officer to provide the Audit Office of NSW with an annual written representation that they have in place the systems and procedures to deal effectively with fraud.

All reasonable suspicions of fraud or corruption are reported to the Director, Internal Audit who, in conjunction with the Chief Executive, decides what action should be initiated to assess the concerns raised.

All fraud and corruption investigation reports are referred back to the Chief Executive who then decides what action is necessary to address the investigation findings. Options available to the Chief Executive include disciplinary action, referral to the Police for prosecution and appropriate recovery action.

10.1.2 Internal Audit Unit

Internal Audit Unit provides service to management by assessing the adequacy and effectiveness of the systems of internal control in the District and reports to management on omissions, weaknesses or deficiencies that require corrective action.

The Unit undertakes investigations of possible fraud that it detects and also investigates allegations of fraudulent activity reported to the District if the allegation relates solely to the District and does not involve other public health organisations.

The Unit also provides assurance to the Chief Executive through the Audit and Risk Management Committee that fraud control procedures are in place and operating effectively. This is achieved by conducting a compliance review of major risks areas within a 3 year cycle.

The Director, Internal Audit reports all incidents of significant fraud to the Audit and Risk Management Committee setting out:

- Date of report
- Details of the incident
- Circumstances surrounding the events
- Identified business process and internal control weaknesses or deficiencies

The Director, Internal Audit maintains a register of all reported fraud incidents.

10.1.3 Managers

Managers at all levels of the District are primarily responsible for fraud prevention and detection.

All Unit Directors are responsible for:

- Monitoring their workplaces to identify and address situations that are likely to raise ethical dilemmas;
- Ensuring that staff are not placed in potentially difficult or compromising situations;
- Being available and supportive to staff who require guidance on conflicts of interest and other ethical dilemmas;
- Fostering a work environment free of harassment, discrimination, victimisation, corruption, mal-administration and waste;
- Ensuring that staff are aware of the principles contained in the Code of Conduct and the established systems and procedures for addressing ethical problems. The Code of Conduct's advice on conflict of interest situations should be emphasised to all staff;
- Supporting and protecting staff who report, in good faith, instances of potentially unethical or corrupt practices;
- Ensuring that staff are treated fairly, equitably and in accordance with relevant legislation and policy;
- Ensuring effective and correct use of delegations of authority;
- Ensuring that all staff involved in contact with individuals or organisations external to the District properly record their actions, comments and undertakings on District files. This is a safeguard against false and malicious allegations against officers;
- Ensuring that appropriate structured referee checks and pre-employment criminal record checks are completed for every recruitment action in compliance with NSW Health Policy Directive, Employment Checks - Criminal Record Checks and Working with Children Checks (PD2016_047);
- Setting a good example in actions and deeds;
- Supporting and providing assistance through the Employee Assistance Program, to staff identified as having "personal issues" such as substance abuse, addictions and gambling.

10.1.4 All District Staff

All staff, contractors, consultants and volunteers must act ethically and not engage in, assist or tolerate any fraudulent or corrupt activity. If an employee is aware of, or has good reason to suspect possible corrupt conduct, including fraudulent activity within the District, he/she

must report that information to the Director, Internal Audit or their immediate manager or another manager or to I.C.A.C.

The Protected Disclosures Act 1994 offers employees protection from reprisal when reporting fraudulent activity. Further details on reporting and protection from reprisal are described in NSW Health, Corrupt Conduct – reporting to the Independent Commission Against Corruption (PD2016_029) and NSW Health, Public Interest Disclosures (PD2016_027).

10.2 Fraud and Corruption Risk Management

10.2.1 Areas at Risk of Fraud

An important part of fraud and corruption prevention is understanding where the areas of risk are in relation to the District's responsibilities and functions. Based on studies by I.C.A.C and the Queensland Crime and Misconduct Commission, the following public sector operational areas and functions are perceived to have high fraud and corruption risk ratings:

- *Financial functions* — such as the receipt of cash, revenue collection and payment systems, salaries and allowances, and entertainment expenses
- *Construction, development and planning functions* — ranging from land rezoning or development applications to construction and building activities
- *Regulatory functions* — involving the inspection, regulation or monitoring of facilities and operational practices, including the issue of fines or other sanctions
- *Demand driven or allocation-based functions* — where demand often exceeds supply, including the allocation of services or grants of public funds, or the provision of subsidies, financial assistance, concessions or other relief
- *Procurement and purchasing functions* — including e-commerce activities, tendering, contract management and administration
- *Other functions involving the exercise of discretion*, or where there are regular dealings between public sector and private sector personnel (especially operations that are remotely based or have minimal supervision).

10.3 Procedures for Reporting Fraud

All District staff have a duty to report suspected fraudulent activity.

The internal reporting system can be summarised as; employees can report to their immediate manager, or another manager, or Director, Internal Audit or the Chief Executive. The protected disclosure reporting system complements existing communication channels between managers and staff. Staff are encouraged to continue to raise their concerns at any time with their managers, but as an alternative they have the option of making a public interest disclosure in the manner outlined in Public Interest Disclosure Policy PD2016_027.

The Public Interest Disclosures Act 1994 offers employees protection from reprisal when reporting fraudulent activity.

10.4 Procedures for Fraud and Corruption Investigation

The decision to investigate a suspected incident of fraud is made by the Chief Executive based on the advice of the Director, Internal Audit.

The Director, Internal Audit will make an assessment of the issues and available information related to the suspected fraud before advising the Chief Executive. This may include preliminary enquiries that involve a review of relevant documentation and/or an interview with the complainant or persons related to the suspected incident.

Before an investigation commences, but following a preliminary assessment (which may involve the collection of information), the Chief Executive must receive and approve of an

investigation plan that describes the terms of reference for the investigation, the resources and methodology to be used and the anticipated timeframe for concluding the investigation.

Investigations will be undertaken by:

- Internal Audit Unit when the fraud incident is related solely to the District and does not involve other public health organisations;
- Contracted external investigators arranged and managed by the Internal Audit Unit.

Contracted investigators will be used when District investigative resources are not available or when an additional 'arms length' level of independence is required.

Fraud investigation reports are submitted to the Chief Executive who then decides what action is necessary to address the investigation findings.

The District will deal fairly with all parties in the course of investigating allegations of fraud or corruption. However, if fraud or corruption is proven, appropriate sanctions and/or disciplinary proceedings under the Public Sector Employment and Management Act 2002 will be applied. Matters referred to the Independent Commission Against Corruption (I.C.A.C) or NSW Police may lead to criminal proceedings. Offenders can expect to be required to repay the full cost of any theft, misappropriation or improper benefit, including interest. If the offender has monies owing by the District, such sums may be offset against any inappropriate benefit obtained.

10.5   Communication of Fraud Control Strategy

The SLHD Fraud Control Strategy is updated annually and presented to the Chief Executive, the Audit and Risk Management Committee and the Facility General Managers and equivalent. This document will be published to the intranet in 2017.

Communication of the Fraud Control Strategy will include the following learning and development strategies, in additional to the strategies outlined in Section 7 – Implementation:

- Ethics education will form part of the District's learning and development strategy;
- Undertaking, by staff and Directors of corruption awareness training.

10.6   Review of Fraud Control Strategy

The Director, Internal Audit has responsibility for ensuring that this Fraud Control Strategy is subject to an on-going process of continuous improvement, monitoring and adjustment to ensure its viability in addressing current fraud control issues.

11.   Consultation

Within Internal Audit, SLHD.

12.   References

NSW Health, Public Interest Disclosure Policy PD2016_027

NSW Health, NSW Health Code of Conduct (PD2015_049)

Public Interest Disclosures Act 1994

NSW Health, Corrupt Conduct – reporting to the Independent Commission Against Corruption (PD2016_029)

NSW Health, Employment Checks - Criminal Record Checks and Working with Children Checks (PD2016_047)

NSW Health, NSW Health, Conflicts of Interest and Gifts and Benefits (PD2015_045)

Appendix 1 – Examples of Fraud

The following list is not exhaustive but includes some of the more common examples of fraud and corruption in the public sector:

Theft of assets, such as:

- equipment
- consumables or supplies
- cash
- information.

Unauthorised or illegal use of assets, information or services for private purposes:

- including: computers, including email and the Internet
- motor vehicles
- clerical and other support
- confidential information
- equipment, including photocopiers, telephones and fax machines
- the District name or logo e.g. through use of letterhead or staff authority/access card.

Abuse of position and power for personal gain, such as:

- seeking and obtaining bribes or other gifts in exchange for favourable treatment
- nepotism in staff appointments.

Manipulation and misuse of account payments, such as:

- fictitious employees on the payroll
- ordering equipment for private and personal use
- favouring suppliers whose costs are not as competitive as other suppliers
- unauthorised approval to pay
- diversion of proceeds
- writing off debts.

Falsification of records, including:

- timesheets/flex sheets
- travel claims
- purchase orders
- petty cash vouchers
- certificates of competency or qualification

Manipulation of computer programs for improper purposes, such as:

- unauthorised alteration of input data
- misappropriation, destruction or suppression of output data
- alteration of computerised data
- alteration or misuse of software programs
- unauthorised and /or deceptive electronic transfer of funds