SESLHD POLICY COVER SHEET

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EXECUTIVE SPONSOR or EXECUTIVE CLINICAL SPONSOR	Director, Internal Audit
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FUNCTIONAL GROUP(S)	Corporate Governance Conduct and Ethics
KEY TERMS	Fraud, Corruption, Prevention
SUMMARY	Outlines the approach of SESLHD and the responsibilities of staff in relation to the prevention of corrupt, dishonest and fraudulent conduct.

1. POLICY STATEMENT

SESLHD has zero tolerance to corrupt, dishonest or fraudulent behaviour and is committed to deterring and preventing such behaviour.

Fraud and corrupt conduct are ongoing and pervasive risks faced by all organisations and are more likely to flourish in an environment of ignorance and neglect. For this reason, fraud and corruption prevention must be an ongoing activity.

2. AIMS

This policy is designed to protect public funds, assets, the integrity, security and reputation of SESLHD and its employees, maintain a high level of services to the community and to provide a transparent framework for reporting and investigating fraud /corruption should it occur.

Staff at all levels are aware of their responsibility to report all suspected corrupt and fraudulent behaviour immediately upon detection.

Effective implementation of this strategy will help ensure that public confidence in the integrity of SESLHD is maintained and our ability to minimize the loss of resources due to fraud can assist us to achieve our strategic goals.

3. TARGET AUDIENCE

All SESLHD staff (including permanent, temporary and casual employees), contractors, consultants, volunteers, work experience students and associated external parties (e.g. suppliers).

4. DEFINITIONS

Fraud	Dishonest activity with the intent of gaining advantage by SESLHD employees, contractors, volunteers, work experience students or associated external persons (such as suppliers), causing actual or potential financial loss to the District. This includes the theft of monies or other property, 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	Examples of types of fraud and corruption are provided in **Appendix 1**.
	
	Corrupt conduct is defined in Sections 8 and 9 of *ICAC Act 1988* :
	(1) Corrupt conduct is:
	   (a) any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly, the honest or impartial exercise of official functions by any public official, any group or body of public officials or any public authority, or
	   (b) any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or
	   (c) any conduct of a public official or former public official that constitutes or involves a breach of public trust, or
	   (d) any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or for the benefit of any other person.
	
	(2) Corrupt conduct is also any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly, the exercise of official functions by any public official, any group or body of public officials or any public authority and which could involve any of the following matters:
	
	   (a) official misconduct (including breach of trust, fraud in office, nonfeasance, misfeasance, malfeasance, oppression, extortion or imposition),
	   (b) bribery,
	   (c) blackmail,
	   (d) obtaining or offering secret commissions, (e) fraud,
	   (f) theft,
	   (g) perverting the course of justice, (h) embezzlement,
	   (i) election bribery,
	   (j) election funding offences
	   (k) election ,fraud,
	   (l) treating,
	   (m) tax evasion,
	   (n) revenue evasion,
	   (o) currency violations,
	   (p) illegal drug dealings
	   (q) illegal gambling
	   (r) obtaining financial benefit by vice engaged in by others
	   (s) bankruptcy and company violations
	   (t) harbouring criminals,
	   (u) forgery,
	   (v) treason or other offences against the Sovereign, (w) homicide or violence,
	   (x) matters of the same or a similar nature to any listed above, (y) any conspiracy or attempt in relation to any of the above.

(2A) Corrupt conduct is also any conduct of any person (whether or not a public official) that impairs, or that could impair, public confidence in public administration and which could involve any of the following matters:
(a) collusive tendering,
(b) fraud in relation to applications for licences, permits or other authorities under legislation designed to protect health and safety or the environment or designed to facilitate the management and commercial exploitation of resources,
(c) dishonestly obtaining or assisting in obtaining, or dishonestly benefiting from, the payment or application of public funds for private advantage or the disposition of public assets for private advantage,
(d) defrauding the public revenue,
(e) fraudulently obtaining or retaining employment or appointment as a public official.

(3) Conduct may amount to corrupt conduct under subsection (1), (2) or (2A) even though it occurred before the commencement of that subsection, and it does not matter that some or all of the effects or other ingredients necessary to establish such corrupt conduct occurred before that commencement and that any person or persons involved are no longer public officials.

(4) Conduct committed by or in relation to a person who was not or is not a public official may amount to corrupt conduct under this section with respect to the exercise of his or her official functions after becoming a public official. This subsection extends to a person seeking to become a public official even if the person fails to become a public official.

(5) Conduct may amount to corrupt conduct under this section even though it occurred outside the State or outside Australia, and matters listed in subsection (2) or (2A) refer to:
(a) matters arising in the State or matters arising under the law of the State, or
(b) matters arising outside the State or outside Australia or matters arising under the law of the Commonwealth or under any other law.

(6) The specific mention of a kind of conduct in a provision of this section shall not be regarded as limiting or expanding the scope of any other provision of this section.

Limitation on nature of corrupt conduct
(1) Despite section 8, conduct does not amount to corrupt conduct unless it could constitute or involve:
(a) a criminal offence, or
(b) a disciplinary offence, or
(c) reasonable grounds for dismissing, dispensing with the services of or otherwise terminating the services of a public official, or
(d) in the case of conduct of a Minister of the Crown or a member of a House of Parliament—a substantial breach of an applicable code of conduct.

(2)   It does not matter that proceedings or action for such an offence can no longer be brought or continued, or that action for such dismissal, dispensing or other termination can no longer be taken.

5. RESPONSIBILITIES

5.1 SESLHD Board

- the SESLHD Board through the Audit and Risk Committee (ARC) are responsible for oversight and monitoring the effective operation of the Fraud and Corruption Prevention Strategy
- the ARC is also responsible for monitoring the internal control systems SESLHD has in place to ensure compliance with laws, regulations, policies and ethical requirements.

5.2 Chief Executive and District Executives

- the Chief Executive has overarching responsibility for all policies, procedures and guidelines developed in SESLHD and SESLHD's compliance with all NSW Health Policy Directives and relevant legislation
- under Section 11 of the *Independent Commission against Corruption (ICAC) Act*, the Chief Executive, as the Principal Officer, is required to report to the ICAC any matter that is suspected, on reasonable grounds, to be corrupt conduct
- Australian Auditing Standard ASA 240 requires the Chief Executive and the Director, Finance to provide its external auditors with an annual written representation that adequate systems and procedures are in place to deal with fraud effectively
- members of the district executive must ensure that effective fraud and corruption prevention risk management strategies and staff awareness programs are established in their area of responsibility. Examples of fraud and corruption prevention risk management strategies are provided in **Appendix 2**
- District executive members have an obligation to act on any report of suspected fraudulent or corrupt conduct and must advise the Director of Internal Audit of any reports received
- Chief Executive is required to sign an annual Corporate Governance Attestation Statement to confirm adequate and effective control systems are in place
- the Director, Finance should ensure that internal control activities are in place, including specific policies and procedures to prevent, detect and correct fraudulent financial reporting and should provide an annual Letter of Certification that includes the attestation of effectiveness of fraud controls in accordance with TPP17-06 Certification of the Effectiveness of Internal Controls over Financial Information.

5.3 Chief Risk Officer

- the Chief Risk Officer (CRO) provides advice to the Audit and Risk Committee, Chief Executive and executive on the portfolio of fraud and corruption risks impacting on the district
- the CRO makes available a comprehensive, enterprise risk management register which incorporates risks and corruption risks impacting the district
- the CRO provides advice and assistance to management in respect of fraud and corruption risk management strategies
- the CRO provides advice and assistance in the fraud corruption risk assessment and development of mitigation strategies
- the CRO informs the internal audit directorate on emerging risks of fraud and corruption.

5.4 Line Management

- in conjunction with the responsible district executive, line management must ensure that effective fraud and corruption prevention risk management strategies and staff awareness programs are established in their area of responsibility.
- line management have an obligation to act on any report of suspected fraudulent or corrupt conduct and must advise the responsible district executive and the Director of Internal Audit of any reports received.

All line managers are responsible for:

- completing an annual fraud risk assessment
- a Fraud Risk Assessment tool developed by the Audit Office of NSW (See Section 10 – References) is available to assist Managers to assess the adequacy of existing controls and to determine if additional fraud measures are required
- 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's advice on conflict of interest situations should be emphasized 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 staff performing high fraud risk roles take at least two weeks continuous leave in any period of 12 months
- ensuring that appropriate structured referee checks and pre-employment criminal record checks are completed for every recruitment action
- 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.

5.5 Internal Audit Directorate

- the internal audit directorate periodically assesses the adequacy and effectiveness of internal control systems and reports to management, the ARC and the Board any matters requiring corrective action
- the directorate provides advice and assistance to management undertaking investigations of possible fraud and corrupt conduct. Where the suspected fraud or corrupt conduct is considered more systemic and extensive the Directorate may undertake the investigation. Internal Audit is responsible for liaison with external bodies such as the ICAC, NSW police or the NSW ombudsman in respect of fraud

or corruption investigations
- a register of all reported fraud and corrupt conduct incidents should be maintained by the directorate and quarterly reports provided to the ARC
- the Director Internal Audit is also the district's nominated Public Interest Disclosures Coordinator
- the internal audit directorate delivers staff education and awareness programs at the request of management and ensure that the presentation is updated on regular basis to reflect emerging risks or compliance requirements in relation to fraud impacting on the district.

5.6 SESLHD Staff and External Parties
- fraud and corruption prevention is the responsibility of all staff, not just selected people or units within the district. SESLHD's staff are its best defence against fraudulent activity and play a critical role in preventing and detecting fraud
- all staff, contractors, consultants, volunteers, work experience students and associated external parties (eg; suppliers) must act ethically and not engage in, assist or tolerate any fraudulent or corrupt activity
- if a person knows about, or has good reason to suspect possible corrupt conduct, including fraudulent activity, within the Department, he/she must report that information. *The Public Interest Disclosures Act 1994* offers public officials protection from reprisal when reporting fraudulent or corrupt activity
- further information regarding reporting channels and protections available can be found in SESLHDPD/266 - Reporting Policy (Internal and External Channels).

6 FRAUD AND CORRUPTION RISK MANAGEMENT

6.1 Areas at Risk of Fraud
To effectively prevent fraud and corruption it is necessary to understand the areas of risk in relation to the districts responsibilities and functions.

Previous studies conducted by the ICAC (NSW) indicate that the following public sector operational areas 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
- licensing functions: such as the issue of qualifications or licences to indicate proficiency or enable the performance of certain activities
- 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).

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

6.2 Regular Fraud Risk Assessment

Internal Audit will consider risks of fraud in the area being audited according to the Internal Audit Plan, however managers are responsible for annually reviewing their areas of activity to assess potential fraud and corruption risks, develop a to address those risks and implement effective control mechanisms.

Risk assessments should be conducted on the activities outlined in business and operational plans with mitigating strategies and control mechanisms integrated into work practices and procedures. Regular discussions should also be held with staff.

The Chief Risk Officer and Internal Audit Directorate are available to provide advice and assistance to managers in completing a fraud risk assessment. To further assist managers, the Fraud Control Improvement Kit developed by the Audit Office of NSW includes Fraud Risk Assessment Tool which can be found in pages 24-41. See Section 10 - References.

This tool can assist managers and staff to assess the adequacy of existing controls and to determine whether additional measures are required.

7   REPORTING AND INVESTIGATION

7.1 Reporting Fraud and Corruption

It is the responsibility of each member of staff, contractors, consultants, volunteers, work experience students and associated external parties to comply with the provisions outlined in this policy.

Failure of staff to comply with the provisions set out in this policy will constitute a breach of the Code of Conduct and may be considered misconduct and result in disciplinary and/or legal action.

Staff are encouraged to raise their concerns at any time with their managers but as an alternative they have the option of making a public interest disclosure, the *Public Interest Disclosures Act 1994* offers protection from reprisal when reporting corrupt or fraudulent activity.

SESLHD has developed and published a reporting policy to facilitate the reporting of suspected fraud or corrupt conduct, including Public Interest Disclosures. Staff should familiarise themselves with the content of SELSHDPD/266 - SESLHD Reporting Policy (Internal and External Channels).

7.2 Investigating Allegations of Fraud and Corruption

SESLHD will investigate all allegations of fraud and corrupt conduct. All allegations should be notified to the Director Internal Audit who will assess the issues involved and determine the appropriate investigation approach. This may include making preliminary enquiries and reviewing relevant documents.

In the majority of instances it is likely that investigations will be conducted by management with advice and support from Internal Audit. Where the conduct is considered more systemic and extensive internal audit may undertake the investigation or appoint an external investigator.

Due process will be followed in the course of investigating all allegations. If the allegation is proven, appropriate sanctions and\or disciplinary proceedings may result. Restitution will be sought for all proven matters where theft, misappropriation or improper benefit has occurred.

Internal Audit will liaise with external bodies such as the ICAC, NSW police and the NSW ombudsman in respect of fraud and/or corruption investigations. Matters referred to NSW police may result in criminal charges.

8   COMMUNICATION OF FRAUD AND CORRUPTION PREVENTION STRATEGY

Communication of the strategy will occur as follows;

- a link to the strategy on the Managers Help Centre
- inform part of ongoing ethics, values and corruption prevention training
- reference the strategy in the CE newsletter, on an ad hoc basis
- inclusion of the strategy and a fraud risk assessment tool on the internal audit intranet page

9   RELATED POLICIES
- NSW Heath Policy Directive PD2007_070 - Fraud Control Strategy
- NSW Health Policy Directive PD2015_045 - Conflict of Interest and Gifts and Benefits
- NSW Health Policy Directive PD2015_049 – NSW Health Code of Conduct
- NSW Health Policy Directive PD 2016_027 - Public Interest Disclosures
- NSW Health Policy Directive PD 2016_029 - Corrupt Conduct - Reporting to the Independent Commission Against Corruption (ICAC)
- NSW Health Policy Directive PD2018_031 - Managing Misconduct
- SESLHDPD/266 - SESLHD Reporting Policy (Internal and External Channels)

10   REFERENCES
- Australian Standard AS 8001 – 2008 Fraud and Corruption Control
- Australian Auditing Standard ASA 240
- Fraud Control Improvement Kit, Audit Office of NSW, Sydney, 2015
- NSW Independent Commission Against Corruption – various resources
- Independent Commission against Corruption (ICAC) Act
- Public Interest Disclosures Act 1994

11   REVISION AND APPROVAL HISTORY

Date	Revision No.	Author and Approval
June 2013	1	Kylie McRae, Director Internal Audit
September 2016	2	Kylie McRae, Director Internal Audit
November 2016	3	George Deletaris, Director Internal Audit
February 2019	4	Minor review. Added Chief Risk Officer. Added specific roles of prevention and detection to Line Managers responsibilities. Updated references, links and legislation. Changed board committee titles. Alan Ngo, Director Internal Audit.
February 2022	5	Minor review, change of position titles, purpose refined, hyperlinks checked and updated. Approved by Executive Sponsor.

APPENDIX 1

EXAMPLES OF TYPES OF FRAUD AND CORRUPTION

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
- meal entertainment (salary packaging) claims
- 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.

APPENDIX 2

EXAMPLES OF FRAUD AND CORRUPTION RISK MANAGEMENT STRATEGIES

The following list is not exhaustive, but includes some of the more common examples of fraud and corruption risk management strategies:

- completion of an annual fraud risk assessment

- monitoring of workplaces to identify and address situations 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, including;

    - maintenance of registers detailing conflicts of interest and gifts and benefits.

    - requiring annual secondary employment declarations by 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 all staff take at least two weeks continuous leave in any period of 12 months

- ensuring that appropriate structured referee checks and pre-employment criminal record checks are completed for every recruitment action

- setting a good example in actions and deeds

- supporting and providing assistance through the Employee Assistance Program to staff who identify as having "personal issues" such as substance abuse, addictions and gambling.