CCLHD FRAUD & CORRUPTION CONTROL ACTION PLAN 2015 – 2018

1. Introduction

1.1 Commitment to Fraud and Corruption Control

"The Central Coast Local Health District ("the District") has a responsibility to have systems and processes in place to ensure that staff and contractors are aware of and abide by the NSW Health Code of Conduct and relevant professional registration and licensing requirements. The District must also have policies, procedures and systems in place to ensure that any alleged breaches of recognised standards of conduct or alleged breaches of legislation are managed efficiently and appropriately.

The District should ensure that:

- *The Board and Chief Executive lead by example in order to ensure an ethical and professional culture is embedded within the District, which reflects the CORE values of the NSW Health system.*
- *Staff and contractors are aware of their responsibilities under the NSW Code of Conduct and the obligations are periodically reinforced."*

(NSW Health Corporate Governance and Accountability Compendium – Section 2 "Good Governance")

The District has a zero tolerance for corrupt conduct or fraudulent activities. This is supported by a hierarchy of governance and controls which will continue to build an ethical organisational culture. Suspected fraud or corruption will be reported, investigated and resolved in accordance with internal policies and legislation.

The Fraud and Corruption Control Action Plan represents the Districts commitment to effective fraud and corruption risk management and prevention. The desired outcome of this commitment is to minimise the potential for fraud or corrupt behaviour whether by District personnel or persons external to the District.

Studies have shown that sound ethical practices contribute not only to an organisation's integrity, but also to its operational effectiveness. Optimising ethical performance will not only protect the public interest and improve resistance to corruption, but is also likely to enhance the organisations:

- Reputation
- Competitiveness
- Ability to attract and retain quality staff
- Career prospects of staff
- Ability to meet new challenges
- Ability to serve the community well

1.2 Application of the Fraud and Corruption Control Action Plan

The Plan aims to draw together the District's fraud and corruption prevention and detection initiatives and actions into one document. It forms a critical part of the District's Risk Management Framework and has three major components:

- ❖ **Prevention** – initiatives to deter or minimise the opportunities for fraud or corruption
- ❖ **Detection** – initiatives to detect fraud or corruption as soon as possible after it occurs; and
- ❖ **Response** – initiatives to deal with detected or suspected fraudulent or corrupt behaviour.

The Fraud and Corruption Control Framework is based around the ten key attributes of the Audit Office of NSW Fraud Control Improvement Kit. The attributes sit within the themes of prevention, detection and response.

In preparing the Fraud and Corruption Control Action Plan the District's Internal Audit Unit conducted the Fraud Control Health Check in order to gain a high–level understanding of the extent of employee awareness of fraud and corruption control. The Internal Audit Unit then objectively considered the District's position against the ten attributes of the Audit Office's Fraud Control Framework using the "Fraud Control Checklist". This assessment was conduct by analysis of policies, procedures and discussions with a range of personnel and managers. The Plan identifies activities and initiatives to further strengthen the District's ethical culture and fraud and corruption controls in relation to each of the ten attributes.

The summarised results of the Fraud and Corruption Control Health Check and the Fraud Control Checklist are included in Attachment 1. This Attachment also identifies actions required to address any shortcomings identified in the District's Fraud and Corruption Control Framework resulting from the above assessments.

The District's Fraud and Corruption Control Framework as they map to the themes are mapped below:

ATTRIBUTE	PREVENTION	DETECTION	RESPONSE
1. Leadership			
2. Ethical Framework			
3. Responsibility Structures			
4. Fraud & Corruption Control Policy			
5. Prevention Systems			
6. Fraud & Corruption Awareness			
7. Third Party Management Systems			
8. Notification Systems			
9. Detection Systems			
10. Investigation Systems			

1.3   Accountability

The Actions included in this Action Plan with due dates on or before June 2016 will be managed in a working document and quarterly reports on progress will be provided to the Audit and Risk Management Committee. This process will continue each year to track progress in achieving the Action Plan.

1.4   Definition and examples of fraud

Fraud:

"Dishonest activity causing actual or potential financial loss to any person or entity including theft of monies or other property by employees or persons external to the entity and whether or not deception is used at the time, immediately before or immediately following the activity."

Examples:

- Theft of plant, equipment, inventory or intellectual property
- Theft of funds or cash
- Manipulating expense claims or salary payments
- Theft of corporate information by employees or external hackers
- Release or use of misleading or inaccurate information for the purposes of deceiving, misleading or to hide wrong-doing

1.5   Definition and examples of corruption

Corruption:

"Dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his / her position of trust in order to achieve some personal gain or advantage for him or herself or another person or entity."

Examples:

- Conflict of interest
- Failure to disclose gifts or hospitality received from a supplier
- Acceptance of a bribe
- Misuse of internet or email
- Working elsewhere without approval whilst on sick leave
- Referral of patients to a private practice

2.   Prevention

2.1   Leadership

"An organisation's leaders are the key to its operational effectiveness. They are its principal motivators. They provide focus, direction and inspiration. They set its ethical tone.

The organisation's systems, policies and procedures indicate what its leaders say they want done, but the organisations culture determines what is actually done. The culture is strongly influenced by the ethical tone set by its leaders." (Boardman & Klum)

A successful fraud and corruption control framework is led by a committed and accountable Executive. The commitment to managing fraud and corruption starts at the top. Without effective engagement by Senior Management, the rest of the organisation is unlikely to follow.

Leaders can demonstrate their commitment to creating and /or maintaining a sound ethical culture by adopting five key strategies.

- Identifying appropriate organisational values.
- Acting in accordance with those values.
- Promoting the values to others.
- Ensuring that the values are built into every decision and action of the organisation.
- Striving for excellence.

ACTIONS

No	Action	Responsibility	Timeframe
1.4.1	The Director Internal Audit and the Director Workforce and Culture will work with Senior Management to assist with identifying behaviours that promote an ethical culture.	DWC & DIA	By June 2016
1.4.2	The Internal Audit Unit work with the Senior Management in Capital Works and Asset Management and Medical Imaging to promote an ethical culture and fraud and corruption control in their departments.	DIA	By December 2015
1.4.4	Director Internal Audit and the Director Workforce and Culture investigate opportunities to promote ethical behaviour through the Caring for the Coast strategy.	DWC & DIA	By June 2016

2.2   Ethical Framework

An organisation's fraud and corruption control framework is part of a much larger ethical framework that guides the values of the organisation and provides standards for behaviour and decision-making. The ethical framework sets the organisational culture that is fundamental to the success of a fraud and corruption control framework.

The culture evolves from a complex web of influences, and a strong ethical culture does not just happen nor is it instantly recognisable. This attribute focuses on the tangible influences that form the basis of an ethical framework to help shape the ethical culture.

The ethical framework must have:

- Clear policies setting out acceptable standards of ethical behaviour
- Staff and management demonstrating compliance with the ethical framework
- A clear understanding by staff and management of their obligations to ethical behaviour and the organisation's position on fraud and corruption.

ACTIONS

No	Action	Responsibility	Timeframe
2.4.1	Internal Audit will follow up with Policy owners to ensure all ethical framework policies are current.	DIA	By June 2016
2.4.3	Internal Audit will work with Workforce and Culture to introduce more regular sign off by management and staff on the key ethical framework policies.	DIA	By June 2016

2.3   Responsibility Structures

The backbone of a fraud and corruption control framework is a clear and understood responsibility structure.

It is important to define responsibility for implementing and monitoring the fraud and corruption control framework. Responsibilities at the senior management level need to be clearly set out and those of managers well defined. All staff should be aware of the responsibility structure and understand that everyone has a role to play in preventing, detecting and reporting corrupt behaviour.

The District must accept that managing the risk of fraud or corruption is a core part of business. Managing fraud and corruption risks must be included in Divisional / Department plans and identification of these risks must be included in the risk management process.

Effective fraud and corruption control structures require resourcing. Internal Audit and Workforce and Culture must allocate resources to establishing and maintaining the fraud and corruption control framework. In those departments with significant inherent fraud and corruption risks it is important that resources are identified to monitor and control these risks. It is also important that management and staff in these areas receive training in fraud and corruption control.

The Audit and Risk Management Committee must also dedicate time to reviewing the District's processes for managing fraud and corruption risk and the effectiveness of the Fraud and Corruption Control Action Plan.

ACTIONS

No	Action	Responsibility	Timeframe
3.4.1	Draft a Fraud and Corruption Policy that clearly defines the following: - Responsibility for implementing and monitoring the fraud and corruption control framework. - Responsibility of the senior management in managing fraud and corruption. - Articulate staff role in preventing, detecting and reporting fraud.	DIA	By December 2015
3.4.2	Internal Audit will work with Workforce and Culture to ensure where necessary appropriate statements relating to risk management and fraud and corruption control are included manager's position descriptions.	DIA & DWC	By December 2016
3.4.3	Internal Audit will work with the Manager Corporate Governance to formally include fraud and corruption risk in the scope of risks being monitored by the Executive Risk Management Committee.	DIA & DCG	By June 2016

2.4   Fraud and Corruption Control Policy

It is critical that the District has policies, systems and procedures in place that minimise the risk of fraud and corruption across all Sites and Divisions. There must be clear accountability and responsibility for implementation and monitoring of the fraud and corruption control plan.

Everyone in the District has a role to play in effective fraud and corruption management. The responsibilities and accountabilities must be clearly documented and known by staff at all levels across the District.

No	Action	Responsibility	Timeframe
4.4.1	Internal Audit will draft a District Fraud and Corruption Control Policy that covers the following: • CE and Executive attitude to fraud and corruption. • The District's approach to fraud and corruption • Clear statements of responsibilities of management and staff in relation to fraud and corruption control. • How the District addresses the ten attributes of Fraud and Corruption Control. (See also 3.4.1)	DIA	By December 2015
4.4.2	The approved Fraud and Corruption Control Policy should be widely promulgated and publicised via the Intranet and email and any other suitable media.	DIA	By March 2016
4.4.3	Internal Audit will investigate with Workforce & Culture options for improved access to the ethical framework policies on the Intranet.	DIA & DWC	By June 2016
4.4.4	The Director Internal Audit will review the Fraud and Corruption Control Policy every two years to ensure it remains current.	DIA	By December 2017
4.4.5	Internal Audit will conduct a Fraud and Corruption Health Check Survey in May/June 2018 in order to evaluate the effectiveness of the 2015/18 Fraud and Corruption Control Plan.	DIA	By June 2018

2.5. FRAUD AND CORRUPTION PREVENTION SYSTEMS

Fraud and corruption prevention systems are a cost effective way to minimise fraud and corruption. Prevention strategies used to combat fraud and corruption should be proportionate to the fraud and corruption risks involved.

Periodic conducting of a comprehensive assessment of the risks around fraud and corruption is a critical prevention strategy. At a minimum this assessment should be conducted every two years but the frequency may vary depending on changes in structure, management or technology. Fraud and corruption risk assessments should be integrated into the enterprise risk management process.

A fraud and corruption database should be in place containing all reports of fraud and corruption, action taken and outcomes.

It is important that the District employs staff whose values are aligned with the District's values. Pre-employment screening, effective reference checks, interview questioning and exercises based around behaviour and values, are important.

An information technology security strategy aligned to the District's business strategy is a key control in preventing fraud and corruption. This reflects the District's reliance on technology and the potentially serious consequences for breaching IT security.

ACTIONS

No	Action	Responsibility	Timeframe
5.4.1	Internal Audit will work with the Manager Corporate Governance to have fraud and corruption risk assessments included in the District's Enterprise Risk Management Program, including the documenting of fraud and corruption risks in the Risk Register. (The Fraud and Corruption Control Policy will also establish responsibilities for managers to conduct periodic fraud and corruption risk assessments.)	DIA	By June 2016
5.4.2	Internal Audit will prepare fraud and corruption checklists to assist managers identify potential fraud and corruption risks and the controls that should be in place and operating to mitigate these risks.	DIA	By June 2016
5.4.3	Internal Audit will prepare the 2015-18 CCLHD Fraud and Corruption Control Action Plan. The Action Plan will schedule the activities to be undertaken to further strengthen the fraud and corruption control framework. The Action Plan will be signed off by the Audit and Risk Management Committee.	DIA	By September 2015, 2016 & 2017
5.4.4	Internal Audit will compile a de-identified listing of the previous year's incidents of fraud and corruption. This data will be included on the Audit Intranet page.	DIA	By September 2016, 2017 & 2018
5.4.5	Internal Audit will liaise with Workforce Recruitment to identify strategies to consider candidate values and behaviours in the selection process.	DIA & DWC	By June 2017
5.4.6	Internal Audit will undertake the review of compliance with ISO27001 Information Security Management in 2015/16. (In the 2015/16 Audit Plan)	DIA	By June 2016
5.4.7	ICT management and Internal Audit will evaluate the District's cyber security risks and preparedness for a cyber-attack. The security risks will be evaluated and included on the District's Risk Register.	DIA & DICT	By June 2017
5.4.8	The Audit and Risk Management Committee will obtain assurance from eHealth on the strategies in place to mitigate security risks within the network and structures under their management.	DIA	By June 2016, 2017 & 2018

2.6   Fraud and Corruption Awareness

A critical element of an organisation's fraud and corruption control program is awareness of the various aspects of fraud and corruption risk management including early warning signs and how to respond if fraud and corruption is suspected.

It is also important for all management and staff to have a clear understanding of the types of activities that the organisation regards as fraudulent or corrupt. This awareness must also be supported by a clear understanding on how to report suspected fraud or corruption.

ACTIONS

No	Action	Responsibility	Timeframe
6.4.1	Internal Audit will prioritise departments based on their inherent fraud and corruption risk. An annual program of staff awareness training to be undertaken. All departments evaluated as high risk should be covered in the 3 year program.	DIA	By June 2016
6.4.2	Annually Internal Audit will provide a brief presentation at the Senior Management Forum focusing on management responsibilities in relation to fraud and corruption and conducting risk assessments.	DIA	Annually
6.4.3	Internal Audit and Workforce & Culture will develop an ethical awareness program through use of staff newsletters, email, intranet and posters.	DIA & DWC	By December 2016
6.4.4	Internal Audit will schedule a promotional week where fraud and corruption control is promoted across the District.	DIA	By June 2016 & annually
6.4.5	Internal Audit will prepare a submission that the HETI Code of Conduct training be mandated as annual compulsory training.	DIA	By June 2016
6.4.6	Internal Audit with Workforce & Culture will review the content of the Orientation Program and identifies opportunities to further promote the District's ethical framework.	DIA & DWC	By December 2016
2.4.2	Internal Audit will undertake awareness sessions at Woy Woy Hospital and in the Departments of Capital Works and Asset Management and Medical Imaging.	DIA	By March 2016

2.7. Third Party Management Systems

Increasingly the Public Health System is relying on third parties to deliver services. This adds an additional layer of complexity to controlling fraud and corruption committed by and against third parties. Third parties include joint-venture partners, distributors, agents and vendors.

Significant bribery and corruption risks can be overlooked if the right questions are not considered or due diligence is not targeting the right areas when establishing these third party agreements. Poorly established and managed third party agreements can damage an organisation's reputation through poor service provision or corrupt or fraudulent behaviour.

ACTIONS

No	Action	Responsibility	Timeframe
7.4.1	Internal Audit will include third party risks in the Fraud and Corruption Risk Checklists that are being prepared.	DIA	By June 2016
7.4.2	Third party dealings will be considered in all Internal Audits undertaken.	DIA	Ongoing
7.4.3	Internal Audit will finalise the implementation of an online facility for staff to declare conflicts of interest and gifts and benefits.	DIA	By December 2016
6.4.7	Internal Audit with the Manager Contracts and Leasing draft a District "Statement of Business Ethics" and arrange to have it posted on the District website. Liaise with Manager Contracts & Leasing to have the Statement of Business Ethics included in all contract and procurement documentation.	DIA DCS	By December 2016
6.4.8	The Manager Contracts and Leasing will work with HealthShare to revise their Business Ethics Policy and widely promote the Policy with suppliers.	DCS	By December 2016

3. Detection

3.1 Ethical Framework

The ethical framework Policies relevant to the detection of fraud and corruption include:

- Code of Conduct
- Corrupt Conduct – Reporting to the Independent Commission Against Corruption (ICAC)
- Public Interest Disclosure Reporting Procedure – CCLHD
- Public Interest Disclosures
- Managing Misconduct

Action to ensure these policies remain current and relevant is covered in Section 2.2, Action 2.4.1.

3.2 Responsibility Structures

The fraud and corruption detection responsibilities as they relate to management and staff will be included in the Fraud and Corruption Control Policy.

Action to address the detection responsibilities is covered in Section 2.3, Action 3.4.1.

3.3 Fraud and Corruption Awareness

The awareness programs proposed in Section 2.6 will also address awareness of the types of behaviour that is fraudulent or corrupt. These programs will need to remind managers to be conscious of the need to monitor the warning signs of potential fraud or corrupt behaviour.

3.4. Third Party Management Systems

Providing clear direction to third parties on the District's expectations on how business will be conducted is addressed in the Statement of Business Ethics in Section 2.7.

No	Action	Responsibility	Timeframe
7.4.4	Internal Audit will ensure that the "Statement of Business Ethics" includes guidelines of third parties to lodge complaints where they suspect corrupt or fraudulent behaviour.	DIA	By December 2016

3.5   Fraud and Corruption Notification Systems

Employees and external parties should be encouraged to report unethical behaviour. It is important for employees to be able to make such reports without fear of reprisal and with confidence the report will be taken seriously and acted upon.

The organisation must have alternative reporting mechanisms to ensure employees report all concerns and allegations. These mechanisms should be through normal reporting channels or outside the normal reporting channels (Public Interest Disclosures) or through channels external to the organisation (ICAC).

ACTIONS

No	Action	Responsibility	Timeframe
8.4.1	Internal Audit will include in manager responsibilities for managing fraud and corruption the need to forward on to Internal Audit and Workforce all reported cases of suspected corrupt or unethical conduct. Managers must also recognise and acknowledge staff who report unethical conduct.	DIA	By December 2015
8.4.2	Internal Audit will include in ethical training and awareness programs the need for managers to report all disclosures of material unethical behaviour and to recognise and acknowledge staff who report unethical conduct.	DIA	By December 2015
8.4.3	Internal Audit and Workforce will monitor progress on all investigations and ensure once investigations are finalised that reporting officers are notified that the matter has been closed.	DIA & DWC	By June 2016

3.5   Fraud and Corruption Detection Systems

The District must have in place appropriate systems to ensure the detection of internal, external or attempted fraud or corruption. Early detection is an essential element of fraud and corruption control, particularly in areas of identified high risk. It is not good enough to rely on reporting of fraud and corruption. Techniques must be considered which may include monitoring of high risk jobs or services, conducting reviews or internal audits, intrusion detection systems, activities focused on vulnerable clients, or data mining and data matching.

Members of the public can also play an important role in reporting suspected fraud or corruption. Consideration should be given to publicising mechanisms to enable members of the public or clients to report suspected fraudulent or corrupt activity by clients, employees, contractors, agents or volunteers.

ACTIONS

No	Action	Responsibility	Timeframe
9.4.1	The Director Workforce and Culture will oversee the introduction of a rostering system, with controls characterised by local input of rosters, processing of authorised changes and formal approval of rosters prior to processing.	DWC	December 2016
9.4.2	Internal Audit will undertake an audit of rostering practices to ensure that the control environment is effective and that areas of control weakness are identified.	DIA	June 2016
9.4.3	Internal Audit will monitor the implementation of HealthRoster to ensure that the application does not go live until: • it has been thoroughly tested • all business systems have been redesigned and tested • staff are trained and procedures documented • business continuity and systems restoration procedures are documented and tested • security profiles are established and implemented to support control through effective segregation of duties, and • all identified systems issues are addressed.	DIA	December 2016
9.4.4	Internal Audit will utilise reports and data analysis from the Performance and Casemix Unit to assist with Internal Audits.	DIA	December 2015
9.4.5	In Departments/systems identified as having a high fraud and corruption risk, Internal Audit will work with managers to investigate opportunities to develop reports to assist with identifying irregularities and/or possible warning signs / red flags.	DIA	December 2016
9.4.6	The Director Internal Audit will further enhance the Audit Universe and risk planning model to include all risks from the District's risk register.	DIA	June 2016

4. Response

4.1. Ethical Framework

The ethical framework Policies relevant to responding to fraud and corruption include:

- Code of Conduct
- Corrupt Conduct – Reporting to the Independent Commission Against Corruption (ICAC)
- Public Interest Disclosure Reporting Procedure – CCLHD
- Public Interest Disclosures
- Managing Misconduct

Action to ensure these policies remain current and relevant is addressed in Section 2.2, Action 2.4.1.

4.2 Responsibility Structure

The fraud and corruption response responsibilities as they related to management and staff will be included in the Fraud and Corruption Control Policy.

Action to address the response responsibilities is addressed in Section 2.3, Action 3.4.1.

4.3 Fraud and Corruption Notification Systems

With the exception of the third party notification systems, systems for management and staff are well established. The Fraud Control Health Check did provide feedback that a number of staff are not aware of the notification systems. Staff awareness will be addressed in awareness training, see Actions in Section 2.6.

The third party notifications are addressed in Section 3.4, Action 7.4.4.

4.4 Fraud and Corruption Investigation Systems

Even organisations with the most stringent fraud prevention program may suffer fraud or corruption incidents from time to time. In the event that fraud or corruption is detected or suspected, a comprehensive approach to the subsequent investigation, any disciplinary proceedings, prosecutions or recovery action should be ensured.

Investigation and disciplinary proceedings is typically the last phase of the fraud and corruption control framework. If done poorly it can undermine the entire framework.

The key to successful investigation systems are:

- Clear documented investigation procedures.
- Having investigations conducted by qualified and experienced staff.
- Decision-making protocols.
- Disciplinary systems.

No	Action	Responsibility	Timeframe
10.4.1	The Director Internal Audit will arrange to have Unit staff undertake training and gain experience in conducting investigations.	DIA	To December 2016
10.4.2	The Director Workforce and Culture and Director Internal Audit be aware of potential perceptions of bias and where considered necessary consult with the CE on engaging an external investigator.	DWC & DIA	Ongoing

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3/9/15