Fraud and Corruption Control Framework

NSW GOVERNMENT

Health
Illawarra Shoalhaven
Local Health District

Fraud & Corruption Control Framework

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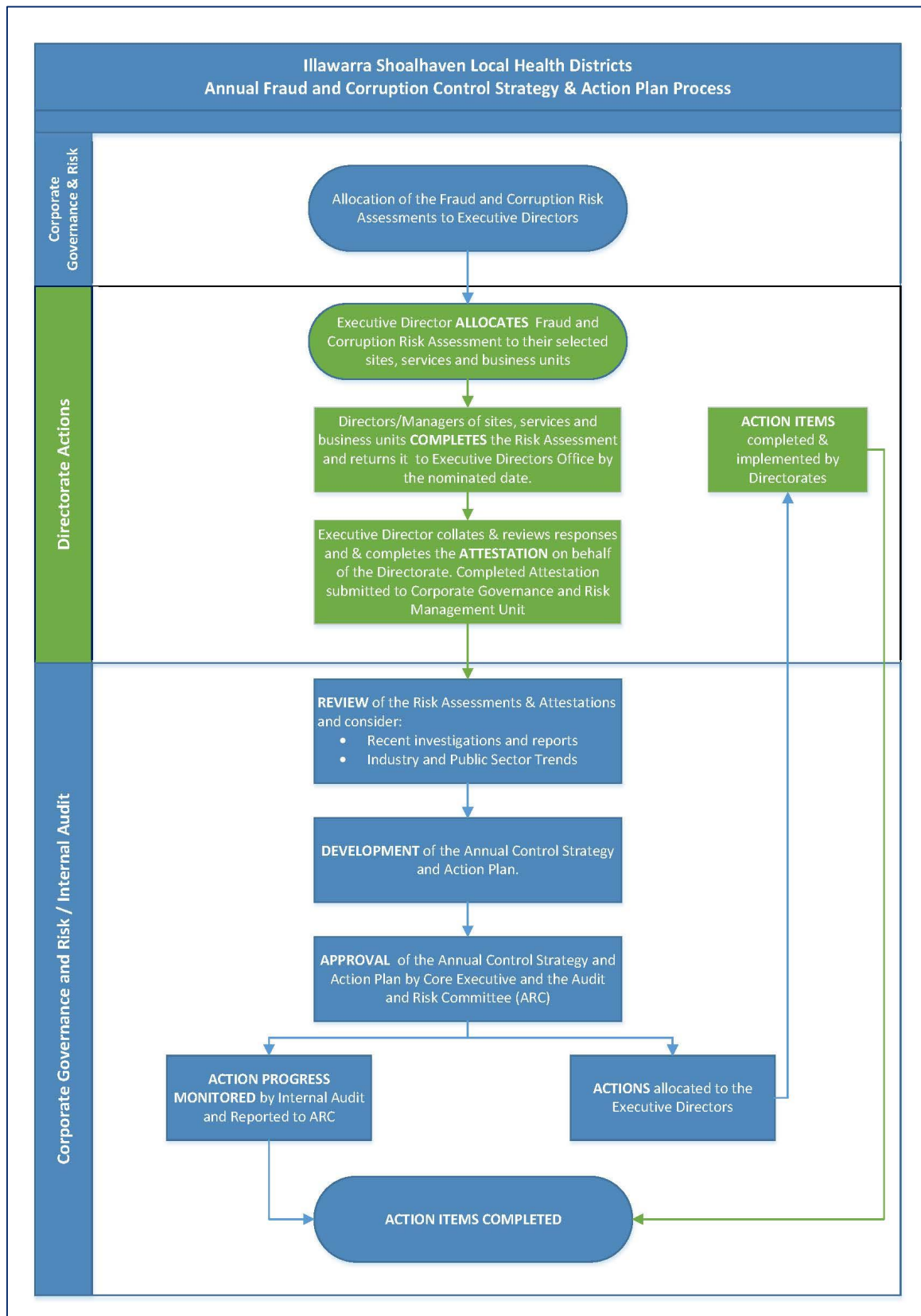
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This table lists the document revision history.

Version	Issue Date	Comments
Draft	1/08/2018	Authored by Senior Corporate Governance Co-ordinator & Director Corporate Governance and Risk
1	13/11/2018	Approved by CORE Executive
1	6/12/2018	Approved by Audit & Risk Committee
1	4/2/2019	Approved by ISLHD Board
2	29/06/2021	Minor Updates to Processes – Senior Corporate Governance Co-ordinator
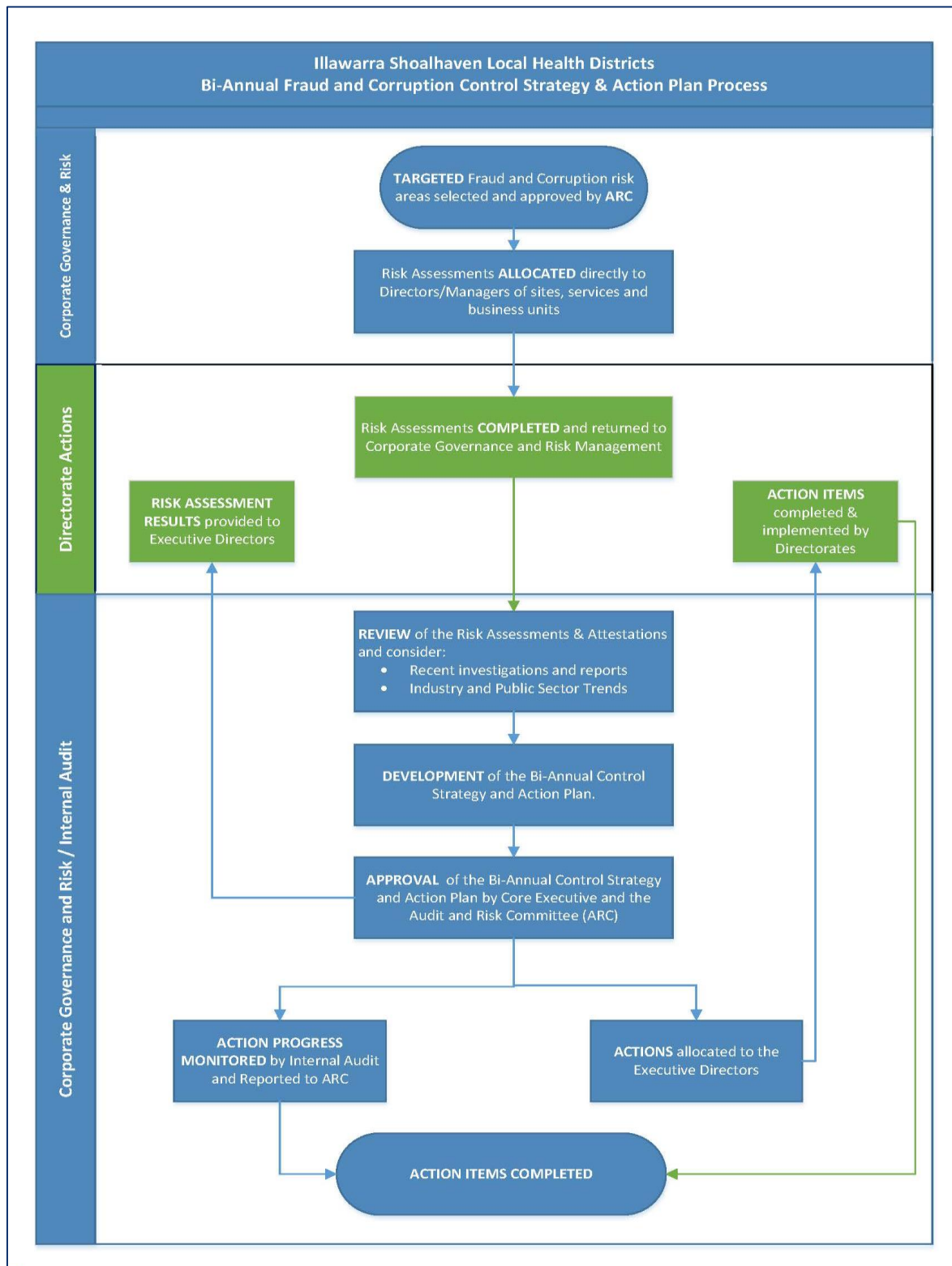Approved by Director Corporate Governance and Risk

Fraud & Corruption Control Framework

Table of Contents

Fraud & Corruption Control Framework

Illawarra Shoalhaven Local Health Districts
Annual Fraud and Corruption Control Strategy & Action Plan Process

Corporate Governance & Risk

Allocation of the Fraud and Corruption Risk Assessments to Executive Directors

Directorate Actions

Executive Director **ALLOCATES** Fraud and Corruption Risk Assessment to their selected sites, services and business units

Directors/Managers of sites, services and business units **COMPLETES** the Risk Assessment and returns it to Executive Directors Office by the nominated date.

Executive Director collates & reviews responses and & completes the **ATTESTATION** on behalf of the Directorate. Completed Attestation submitted to Corporate Governance and Risk Management Unit

ACTION ITEMS completed & implemented by Directorates

Corporate Governance and Risk / Internal Audit

REVIEW of the Risk Assessments & Attestations and consider:
- Recent investigations and reports
- Industry and Public Sector Trends

DEVELOPMENT of the Annual Control Strategy and Action Plan.

APPROVAL of the Annual Control Strategy and Action Plan by Core Executive and the Audit and Risk Committee (ARC)

ACTION PROGRESS MONITORED by Internal Audit and Reported to ARC

ACTIONS allocated to the Executive Directors

ACTION ITEMS COMPLETED

21

Fraud & Corruption Control Framework

Illawarra Shoalhaven Local Health Districts
Bi-Annual Fraud and Corruption Control Strategy & Action Plan Process

22

1. Background

Illawarra Shoalhaven Local Health Districts (ISLHDs) Fraud and Corruption Control Framework (the Framework) provides high level guidance for controlling fraud and corruption activities throughout the District. The Framework details the processes the District will follow in devising and implementing an Annual Fraud and Corruption Control Strategy (Appendix 1).

Treasury Circular - TC18-02 - NSW Fraud and Corruption Control Policy 2018 mandates all NSW Public Sector agencies must have a Fraud and Corruption Control Framework in place. The Framework also ensures the District complies with AS 8001-2008 - Australian Standard for Fraud and Corruption Control.

The Framework was developed after current practices were reviewed against relevant legislation, policy directives and industry standards. The review identified a number of gaps and risks. In order to address these areas of improvement, an Annual Fraud and Corruption Control Strategy is developed (*Appendix 1).*

The Annual Control Strategies are developed after a risk assessment exercise is completed across District sites and services and the results are assessed along with current investigations and emerging trends in the public sector.

2. Purpose

The District has a zero tolerance approach to fraud and corruption. The best defence against fraud and corruption is a committed and accountable executive implementing effective processes and controls to prevent and mitigate incidents of fraud and corruption.

Staff at all levels should be educated to report any and all suspected corrupt and fraudulent behaviour immediately upon detection. To do this, a focus needs to be on building a reporting culture. To ensure this occurs, it is imperative that Directors and Managers act on all reports, conducting appropriate investigations in line with relevant legislation and policy.

The Fraud and Corruption Control Framework aims to:

- Implement a stringent framework that will reduce the likelihood of fraud and corruption risks developing.
- Build a reporting culture by ensuring our Directors and Managers act on all fraud and corruption related reports.
- Implement an annual Fraud and Corruption Control Strategy and Action Plan which is based on risk assessments, current and emerging trends and recent investigations.
- Provide a strong framework that will progress with the changing environment and emerging risks.
- Ensure resources are in place for staff to be able to detect and report corrupt or fraudulent activity.
- Ensure an alignment of fraud and corruption related risk practices with strategic objectives.

3. Definitions

Term	Definition
Attestation	A formal statement that you officially state is true.
Corrupt Conduct	The Independent Commission Against Corruption (ICAC) Act 1988 - SECT8 defines the general nature of corrupt conduct as: • "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 • Any conduct of a public official that constitutes or involves the dishonest or partial exercise of any of his or her official functions, or • Any conduct of a public official or former public official that constitutes or involves a breach of public trust, or • 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" Fraud and corruption can be distinguished from other forms of unethical behaviour. The following definitions are based on those contained in AS 8001-2008.
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 from him or herself or for another person or entity.
Data Mining	Data mining is the analysis of (often large) observational data sets to find unsuspected relationships and to summarise the data in novel ways that are both understandable and useful to the data owner (Hand et.al, 2001).
Framework	A supporting structure around which something can be built.
Fraud	Dishonest activity, by health employees, contractors, volunteers, work experience students or external persons, causing actual or potential financial loss to the ISLHD, including theft of monies 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.
Risk Assessment	The identification, evaluation, and estimation of the levels of risks involved in a situation, their comparison against benchmarks or standards, and determination of acceptable levels of risk.

4. Fraud and Corruption Control Framework

The Audit Office of NSW, recommends organisational fraud control frameworks and plans incorporate ten key attributes (Table 1). Each key attribute is essential for the creation of a sound fraud control environment.

The Framework incorporates the ten key control attributes and is also consistent and compliant with Australian Standard - AS 8001-2008 Fraud and Corruption Control.

Implementation of the framework is achieved through risk assessment and strategy development which focus on identified high and emergent risk areas.

Table 1 – Fraud Control Ten Key Attributes

|	
Attribute 1 Leadership	Attribute 6 Fraud Awareness
Attribute 2 Ethical Framework	Attribute 7 Third Party Management Systems
Attribute 3 Responsibility Structures	Attribute 8 Notification Systems
Attribute 4 Fraud Control Framework	Attribute 9 Detection Systems
Attribute 5 Prevention Systems	Attribute 10 Investigation Systems

5. The Fraud and Corruption Control Model

ISLHDs Fraud and Corruption Control Model ensures effective control of fraud and corruption. The model represents the Audit Office ten key attributes within the themes of prevention; detection and response *(refer to Figure 1)*:

- **Prevention** – The initial defence in reducing the risk of fraud and corruption from occurring
- **Detection** – The identification of fraud and corruption through monitoring, review and analysis
- **Response** – Investigating and subsequently resolving the damage caused by fraudulent and corrupt behaviour.

Fraud & Corruption Control Framework

Figure 1 – ISLHD Fraud and Corruption Control Model

Fraud & Corruption Control Framework
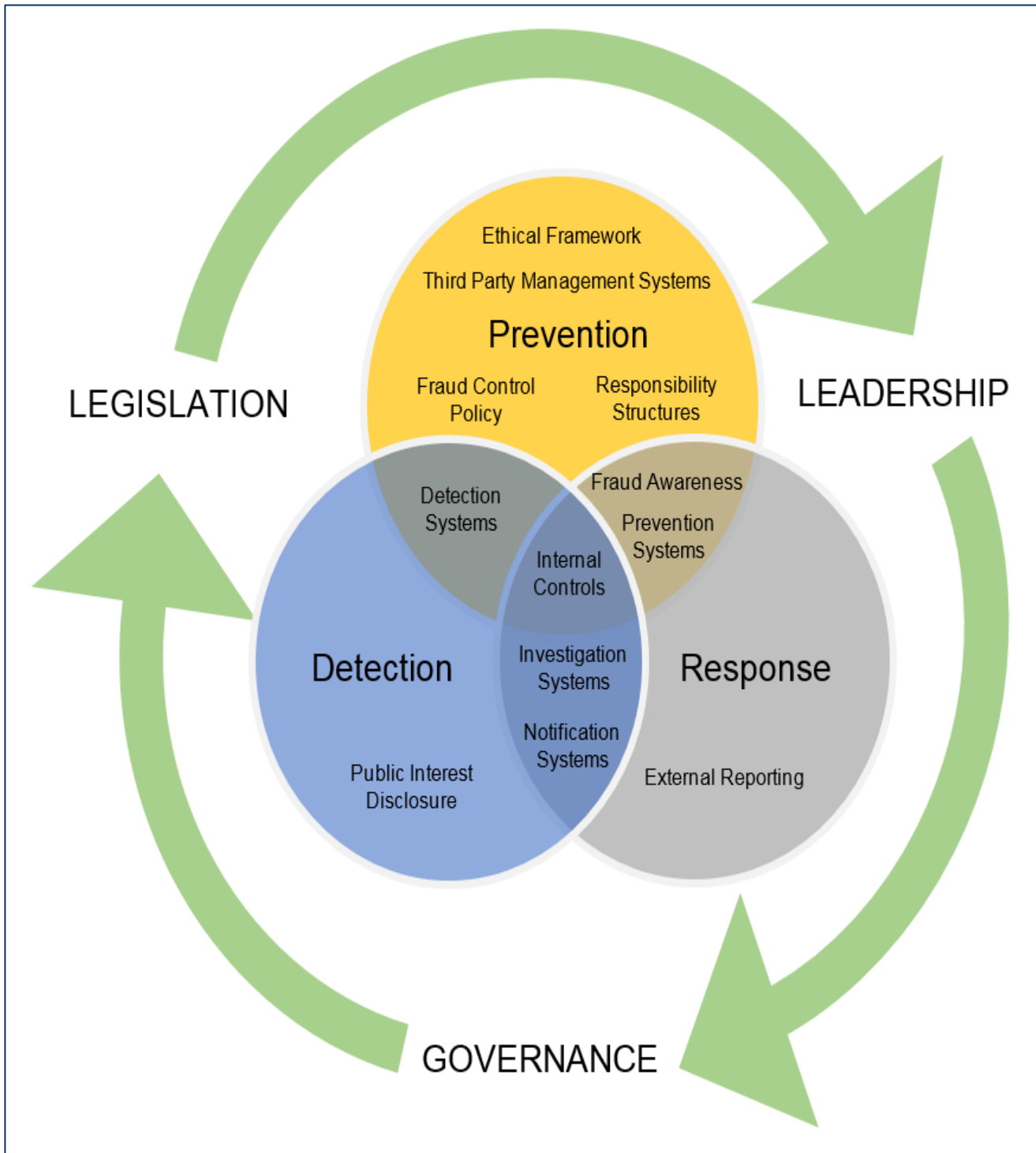
The following table summarises the key controls necessary to successfully combat fraud and corruption. The table includes a detailed description of each key control in relation to prevention (P) detection (D) and response (R) (*refer to Table 2).*

Table 2 – Fraud and Corruption Controls

Key Controls		Categories			Description
		P	**D**	**R**	
5.1	**Leadership**	X	X	X	Demonstrate senior management's commitment, accountability and responsibility to managing fraud and corruption.
5.2	**Ethical Behaviour Framework**	X			Set out expectations and standards of ethical behaviour and demonstrate compliance to an ethical behaviour framework.
5.3	**Responsibility Structures**	X			Define responsibilities for implementing and monitoring fraud and corruption risk assessments and fraud control strategies.
5.4	**Fraud & Corruption Control in Policy**	X		X	Embed fraud and corruption control processes in ISLHD's Policy Directives and related processes to provide a defence against fraud and corruption.
5.5	**Prevention Systems**	X		X	Identify systems, processes and mechanisms to implement that will reduce the risk of fraud and corruption occurring (Fraud and Corruption Control Strategy).
5.6	**Fraud Awareness**	X		X	Action plans (Fraud and Corruption Control Strategy) to deliver effective education and resources that will provide fraud and corruption awareness that will assist staff to recognise and respond to the risks of fraud and corruption.
5.7	**Third Party Management Systems**	X			Introduce or enhance processes for raising awareness and identifying responsibility for managing fraud, in relation to third parties.
5.8	**Notification Systems**		X	X	Implement or enhance processes for staff to report potential fraudulent or corrupt activities and other alleged wrong doing.
5.9	**Detection Systems**		X		Improve current processes and introduce new systems and methods to detect fraudulent or corrupt activity.
5.10	**Investigation Systems**		X	X	Ensure allegations of fraud and corruption are appropriately and competently actioned and investigated.
5.11	**Public Interest Disclosures**		X		Manage all allegations of wrongdoing received appropriately as per relevant legislation, regulation & procedure.
5.12	**External Reporting**			X	Ensure all any reported any suspected fraudulent or corrupt activity to the appropriate external agency.
5.13	**Internal Controls**	X	X	X	Identify and implement local mechanisms to eliminate or reduce the risk of corrupt or fraudulent activity from occurring.
5.14	**Legislation and Standards**	X	X	X	Ensure the framework adheres to relevant Legislation, MoH and NSW Government Policies, and Australian Standards.
5.15	**Governance**	X	X	X	Ensure governance arrangements are in accordance with the MoH Corporate Governance & Accountability Compendium.

5.1 Leadership

Senior management commitment to fraud and corruption control is as follows:

- ISLHDs Board has oversight for promoting and monitoring the ethical culture throughout the District. The Audit and Risk Committee (ARC) is directly responsible and accountable to the Board, providing independent assurance through monitoring, reviewing and providing advice about the Fraud and Corruption Control Framework, including external accountability obligations.
- Chief Executive, Executive and Senior Staff are responsible for the implementation of the Framework, including:
  - o **Demonstrating** a strong, ongoing commitment to fraud and corruption prevention, detection and response within their respective directorates and relevant business areas.
  - o **Allocation** of Fraud and Corruption Risk Assessments on an annual basis to their Tier 3's within their directorates (*refer to Appendix 2*), followed by a thorough review and analysis of the results, and subsequent submission of Fraud and Corruption Directorate Attestations (*refer to Appendix 3*).
  - o **Implementation** of fraud control strategies within their directorates and relevant business areas. Completion of the Annual Fraud and Corruption Risk Assessments will support timely review and revision of existing controls along with development of additional strategies based on identified areas of risk.
- Designated Fraud and Corruption Control Officer(s) will ensure awareness programs are established within ISLHD and all suspected fraudulent or corrupt conduct is reported internally and externally as per legislation and policy.
- Other specific responsibilities for managing fraud and corruption risks are outlined within ISLHD Fraud and Corruption Control Strategy (*refer to Appendix 1*).

5.2 Ethical Behaviour Framework

PD2015_049 - NSW Health Code of Conduct refers to several important areas relevant to the Framework where there is zero tolerance such as:

- Corruption
- Fraud
- Maladministration
- Serious or substantial waste.

A breach of the Code of Conduct may result in formal disciplinary action. Suspected corrupt conduct, including criminal acts such as fraud, will be reported to the relevant government agency, i.e. Independent Commission Against Corruption (ICAC).

In addition to complying with the NSW Health Code of Conduct, the Framework complies and aligns with the following MoH Policy Directives:

- MoH Corrupt Conduct – Reporting to the Independent Commission Against Corruption (ICAC) Policy – PD2016_29
- MoH Conflicts of Interest and Gifts and Benefits Policy – PD2015_045
- MoH Public Interest Disclosures Policy – PD2016_027

The Framework is also strengthened by the CORE values of Collaboration, Openness, Respect and Empowerment. All ISLHD staff members are required to demonstrate these values by operating with transparency in the course of their duties.

To assist our staff to be open, honest and transparent, ISLHD now has an Online Reporting System for all staff to declare any Conflicts of Interest and Gifts and Benefits. All declarations are treated confidentially. The approval process for conflicts of interest includes a mandatory management plan.

The process of reporting a conflict of interest is mandated in MOH Policy PD2015_045 - Conflicts of Interest and Gifts and Benefits and in NSW legislation. As government employees, it is in every staff member's interests to declare any gifts or benefits, regardless of whether it is an offer or if it has already been accepted. Declaring any offer or accepted gift minimises the risk to individuals and the District of being accused of unethical or corrupt conduct.

5.3 Responsibility Structures

All ISLHD staff members are integral in the detection, control and prevention of fraud and corruption. Responsibilities are as follows:

ISLHD Board

- Oversight and monitoring of the effective operation of the Fraud and Corruption Control Framework through the Audit and Risk Committee.

Audit and Risk Committee (ARC)

- Independent monitoring of ISLHDs Fraud and Corruption Control Framework.
- Periodic review of the fraud and corruption control policy, risk assessment, strategies and their implementation.
- Review the annual Fraud and Corruption Control Strategies and to ensure there are appropriate fraud control processes and systems in place.

Chief Executive

- The Chief Executive will provide formal assurance to the Ministry of Health that there is an effective system of internal control over the financial and related operations of ISLHD and report to the Independent Commission Against Corruption (ICAC) any matter that is suspected, on reasonable grounds, to be corrupt conduct.

Chief Financial Officer (CFO)

- The CFO will provide an annual Letter of Certification as to the effectiveness of the system of internal control over financial information.
- The CFO Letter of Certification will be supported by an Internal Control Questionnaire.

District Executives

- All District Executives will model and promote ethical conduct and compliance with the Code of Conduct and related policies and procedures.
- Ensure effective fraud risk management strategies and staff awareness programs are established in their area of responsibility.
- Act on any report of suspected fraudulent or corrupt conduct and advise the Director Internal Audit of any reports received.

Internal Audit

- Be alert to the possibility for fraud or corruption within ISLHD.
- Examine and evaluate the adequacy and effectiveness of internal controls, risk management and governance relative to the framework.
- Conduct follow-up reviews to ensure necessary improvements to controls have been actioned in a timely manner.

- The Director Internal Audit will report to the ISLHD Board via the ARC any matters involving suspected fraudulent or corrupt behaviour to ensure compliance with external reporting obligations.
- As the designated Public Interest Disclosures Coordinator (PID Coordinator), the Director Internal Audit will provide six-monthly public interest disclosure reports to the NSW Ombudsman in accordance with section 6CA of the PID Act. They will also provide a copy of each report to the Compliance Unit, MoH.

Managers and Supervisors

- Provide staff with notification on updates to the Code of Conduct and related policies.
- Identify and understand the risks of fraud in their area of responsibility.
- Implement and maintain appropriate internal controls to reduce fraud and corruption risks to an acceptable level.
- Ensure staff have undertaken appropriate ethics, training (code of conduct training which addresses professional and ethical behaviour considerations such as fraud and corruption is mandatory for all new starters).
- Receive and pass on reports of suspected fraud or corruption to Public Interest Disclosure Officers and/or Director Internal Audit.

Staff, Contractors, Consultants, Volunteers and other Officials

- Act in an ethical manner consistent with the values and principles of NSW Health Code of Conduct and ISLHD Health Excellence framework.
- Be vigilant in their work to prevent and detect fraud or corruption.
- Not engage in, assist or tolerate any fraudulent or corrupt activity.
- Report any fraud or corruption of which they become aware or suspect on reasonable grounds.
- Maintain awareness of responsibilities in relation to fraud control.
- Cooperate with and assist in any investigations of fraud as required.
- Refrain from any activity that is, or could be perceived to be, victimisation or harassment of a person who makes a report of fraud or corruption.
  Disclose conflicts of interest and secondary employment.
- Ensure the welfare of staff involved in an allegation of fraudulent or corrupt conduct is appropriately addressed and that any breaches of conduct and behaviour are properly managed within the disciplinary system.

5.4 Fraud and Corruption Control Policy

The Framework reflects ISLHDs commitment to managing the risks of fraud and corruption in a manner that complies with Audit Office of NSW guidelines and Standard AS 8001-2008 (Fraud and Corruption Control).

Fraud and corruption control principles (preventing – see 5.5; detecting – see 5.9; reporting; public interest disclosures – see 5.11; remedial and disciplinary actions) will be a consideration during the development of any Policy Directive within ISLHD.

Executive sponsors of a policy or procedure will seek input, from the Director of Internal Audit and/or Director Corporate Governance and Risk, to ensure necessary references to fraud and corruption control are included prior to the respective document being published.

5.5 Prevention Systems

Fraud and corruption risk assessments

The annual Fraud and Corruption Risk Assessment exercise identifies any fraud and corruption risks within the organisation. After all of the completed risk assessments are analysed the top risks are used to develop the Districts top fraud and corruption risks.

The identified top fraud and corruption risks form the basis of the Fraud and Corruption Control Strategy for the next year. The Control Strategy also includes an Action Plan aimed at reducing the identified risks and improving controls in those areas.

Fraud control planning and review

The ARC is responsible for monitoring the Fraud and Corruption Control Framework and satisfying itself that appropriate procedures and systems are in place to:

- Effectively capture and investigate fraud related information.
- Review the propriety of management responses to each report.

Reports on fraud and corruption related investigations are to be routinely provided by Internal Audit to the ARC. Internal Audit will report to the ISLHD Board, via the ARC, any areas of significant or emergent risk.

Pre-Employment Screening

Pre-employment screening is completed as per the NSW Health Recruitment and Selection of Staff Policy Directive PD2017_040.

Segregation of Duties

ISLHD will continue to ensure that approvals processes in relation expenditure (and receipt) of public monies is separated from the actual expenditure or receipt of any public monies. Review of delegations and record keeping in relation to finances will be included in the Annual Fraud and Corruption Risk Assessment exercise.

IT Security Strategy

IT Security is maintained as per the NSW Health Electronic Information Security Policy Directive PD2013_033 and NSW Health Privacy Manual for Health Information.

5.6 Fraud Awareness - Awareness and Education Strategy

ISLHDs zero tolerance approach to fraud and corruption is supported by the ethical actions of staff in the course of their duties. This zero tolerance message is to be consistently reinforced by leaders at all levels to ensure every staff member demonstrates transparency in their duties. Benefits will include strong community confidence in our ethical processes and procedures.

Post-publication of the Fraud and Corruption Control Strategy, the Corporate Governance and Risk Management Unit will educate ISLHD staff on the key focus areas and industry standards at Risk Management information sessions regularly conducted across the District, along with issuing internal communications at annual intervals or in response to a significant event (e.g. media report, criminal charges/prosecution).

5.7 Third Party Management Systems

Services are increasingly being delivered by third parties, adding additional layers of complexity and risk to fraud and corruption control strategies. Each business area within ISLHD that engages third party providers is required to introduce, or enhance processes, to guarantee sufficient awareness and accountability in managing fraud by or against third parties. Inherent in this expectation is an obligation to educate third party providers in relation to their rights and obligations if they identify suspected fraud in their dealings with ISLHD.

Procurement and purchasing related functions continue to be a high risk area within ISLHD and will be considered annually as part of the Annual Fraud and Corruption Risk Assessment and Attestation process. MoH Goods and Services Procurement Policy – PD2019_028 and subordinate policies, procedures and risk assessment tools will be applied in all instances of procurement within ISLHD.

5.8 Notification Systems

Mechanisms for reporting suspected fraud and corruption incidents

ISLHD promotes a work place culture of zero tolerance towards any corrupt, dishonest or fraudulent behaviour. Staff that know or reasonably suspect a fellow staff member, third party provider or member of the public have defrauded ISLHD have an obligation to report it. Staff are encouraged to raise their concerns at any time with their line manager or Workforce managers. Staff also has the option to make a public interest disclosure (see 5.11 below).

Corrupt conduct is reported to the Independent Commission Against Corruption (ICAC) as per NSW Health Corrupt Conduct Reporting to ICAC Policy Directive (PD2016_029).

5.9 Detection Systems

Data Mining

There are a range of third party systems that will continue to be used in order to analyse and protect ISLHDs data (transactions - both descriptive and predictive) such as:

- HealthShare's Procurement Card System.
- Meal and Entertainment Card (Westpac Banking Programs).

Internal Audit

ISLHD's Internal Audit is an integral component in detecting fraud and corruption, contributing to the improvement of governance, risk management and control processes. The specific fraud and corruption control activities undertaken by Internal Audit include:

- Evaluation of potential occurrences of fraud and how the District manages fraud and corruption risks.
- Investigation of fraudulent activity, including:
  - Identification of related risks.
  - Development of prevention and monitoring strategies.
  - Recommendation of control improvement processes.
- Development of strategies, including enhancement of management controls, to prevent and detect corruption across ISLHD.
- Co-ordinating ICAC notifications, including notification of minor matters and management of PID.

- Facilitate investigations of corrupt conduct assigned to and undertaken by site managers to ensure they are conducted to a standard acceptable to ICAC and other relevant investigation authorities.
- Maintain an Internal Audit investigations register as a resource to analyse and periodically report trends to the ISLHD Board via the ARC.
- Respond in a timely manner and lead consultation regarding policies allocated to the Internal Audit Unit for review and revision. This includes;
  - o Fraud Control Policy.
  - o Public Interest Disclosures Policy.
  - o Reporting Public Interest Disclosures (Internal and External channels).
  - o Nominated disclosure officers.
- Assist staff at all levels to identify and evaluate risks, supporting the development of risk mitigation and monitoring strategies in accord with NSW Health and ISLHD Enterprise Risk Management commitments (see PD2015_043 - Risk Management - Enterprise-Wide Risk Management Policy and Framework – NSW Health.
- Provide assurance that risk exposures relating to ISLHD's governance, operations and information systems are correctly evaluated including:
  - o Reliability and integrity of financial and operational information.
  - o Effectiveness, efficiency and economy of operations.
  - o Safeguarding of assets.
- Evaluate the design, implementation and effectiveness of ISLHD's ethics-related objectives, programs and activities.
- Assess whether the information technology governance of ISLHD sustains and supports its strategies and objectives.

External auditor's role in the detection of fraud

The affairs and operations of a public health organisation, as disclosed in its accounts and associated financial and other records, shall be audited in respect of each financial year. The Audit Office of NSW undertakes the external audit function for NSW public health organisations.

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort. Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and facilitate coordination. External audit will have full and free access to all internal audit plans, working papers and reports.

Following an audit, the Audit Office of NSW issues a report giving their opinion on the truth and equality of financial reports, comments on compliance with certain laws, regulations and Government Directives. The Audit Office may also comment on financial prudence, integrity and waste and recommend improvements, including areas where there may be high risk of fraud or corruption.

5.10 Investigation Systems

The Fraud Control Officer for ISLHD is the Director Internal Audit. The Fraud Control Officer is responsible for ensuring all allegations of fraud are appropriately assessed and the investigation approach determined. In doing so, the Fraud Control Officer will employ the resources of ISLHD for assessing or reporting on, either internally or externally, any matter involving an incident of fraud. Due process is followed in the course of investigating all allegations as per PD2018_031 - NSW Health Policy - Managing Misconduct.

In the majority of instances, investigations will be conducted by management within the Directorate where the fraud and/or corruption is believed to have occurred, with advice and support provided by Internal Audit. Where the conduct is considered more systemic and extensive the Fraud Control Officer is authorised to employ external specialist assistance for the purpose of investigating any fraud incident, if they consider it to be in the public interest.

5.11 Public Interest Disclosures

ISLHD strives to create a culture where staff are confident that they will be protected from any action as a result of reporting suspected fraudulent or corrupt conduct.

HOW DO STAFF REPORT SUSPECTED FRAUD OR CORRUPTION?

- Reports can be made verbally or in writing as advised in ISLHD CORP PD 35 - ISLHD Reporting of corrupt conduct, fraud and Public Interest Disclosures (Also see NSW Health PD2016_027).
- Public officials that make a Public Interest Disclosure as defined under the NSW Public Interest Disclosures Act 1994 No 92 (PID Act) have additional protections.

5.12 External Reporting

The Chief Executive is required to report any matter that is suspected, on reasonable grounds, to be corrupt conduct to the ICAC pursuant to Section 11 of the Independent Commission Against Corruption Act 1988. Staff are required to report suspected fraud or corrupt conduct to the Director Internal Audit to facilitate this process.

The Compliance Unit, MoH will compile a consolidated annual statistics report for all NSW Health. The statistics are subsequently published in the NSW Health Annual Report in accordance with the annual reporting requirements of the PID Act.

Due process will be followed in the course of investigating all allegations of suspected fraud. If the allegation is proven appropriate disciplinary proceedings will be commenced. 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 or the NSW Ombudsman in respect of fraud and/or corruption investigations.

5.13 Internal Controls

Treasury Policy and Guidelines Paper TPP17-06 - Certifying the Effectiveness of Internal Controls over Financial Information – outlines the requirements that agencies must adopt to ensure financial control operations are implemented, maintained and routinely reviewed. As per the above policy the CFO will provide the Chief Executive with an annual Letter of Certification as to the effectiveness of the system of internal control over financial information. Once the Letter of Certification is accepted by the Chief Executive, the CFO must ensure that a copy is

provided to NSW Treasury. The CFO Letter of Certification must be supported by an Internal Control Questionnaire designed to assess the overall adequacy of the existing system of internal control over financial information.

Internal Audit is responsible for the assessment and, when appropriate, investigation of incidents of suspected fraud or corrupt conduct deemed. Where systemic weaknesses or failures are identified that requires corrective action Internal Audit will report details, including any recommended improvements, to the ISLHD Board through the ARC.

The ARC will monitor the action taken to implement identified systematic improvements in order to ensure sufficient internal controls are established and risk of further fraud or corrupt practice is diminished.

The Fraud and Corruption Risk Assessment and Attestation exercise is an additional internal control that facilitates identification of fraud and corruption risks/activity.

5.14 Legislation and Standards

The framework is supported by Legislation, NSW Government policies, MoH policies, Australian Standards and industry best practice guidelines, including:

- NSW Treasury Circular TC18-02.
- AS 8001-2008 Fraud and Corruption Control.
- Audit Office of New South Wales, Fraud Control Improvement Kit – February 2015.
- Australian National Audit Office, Fraud Control in Australian Government Entities – Better Practice Guide March 2011.
- Independent Commission Against Corruption Act 1988 (NSW).
- Ombudsman Act 1974 (NSW).
- Public Finance and Audit Act 1983 (NSW).
- Public Interest Disclosures Act 1994 (NSW).
- Health Administration Act 1982 (NSW).
- Crimes Act 1900 (NSW).
- Health Services Act 1997 (NSW).

5.15 Governance

ISLHD must publish an annual Corporate Governance Attestation Statement that outlines governance arrangements and includes key information on operations in accordance with MoH Corporate Governance & Accountability Compendium.

The Corporate Governance & Risk Management Unit provides (through the ARC) the ISLHD Board with the Corporate Governance Attestation Statement for review and endorsement annually.

6. Fraud and Corruption Control Strategy

6.1 Annual Fraud and Corruption Risk Assessment

The ISLHD CORP F 181 - ISLHD Annual Fraud and Corruption Prevention Risk Assessment - Departments, Services & Units will be forwarded to each Executive Director, for subsequent distribution to their Tier 3's, at the commencement of the Annual Fraud and Corruption Risk Assessment period (*refer to Appendix 2*).

An annual review of the Fraud and Corruption Risk Assessment template will be conducted prior to dissemination.

6.2 Annual Fraud and Corruption Attestation Statement

After receiving completed Fraud and Corruption Risk Assessment Templates from each service and department, Executive Directors will complete an ISLHD CORP F 182 - Annual Fraud and Corruption Prevention Risk Assessment - Directorate Attestation for their respective Directorate.

The Attestation Statement will be sent out to each year at the commencement of the assessment period (*refer to Appendix 3*).

6.3 Bi-Annual Fraud and Corruption Risk Assessment

ISLHDs ARC determined bi-annually the Risk Assessments will be a targeted approach based on the Districts top risk factors. The targeting will also apply to the internal Directorates and Business Units within the District.

Corporate Governance and Risk in consultation with Internal Audit Unit, will determine the ISLHD Directorates and Business Units that will need to complete a Risk Assessment.

6.4 ISLHD Fraud and Corruption Control Strategy

The Fraud and Corruption Control Strategy (Annual) is developed after the annual Risk Assessment and Attestation exercise has been conducted and the results evaluated. The strategy will include the top 5 fraud and corruption risks that have been identified along with emergent risks based on internal and external sources.

The strategy will incorporate education and information dissemination as well as additional preventative action as deemed necessary. The strategy development process is shown in *Appendix 1 for both the Annual and Bi-Annual Risk Assessment and Control Strategy Process.*

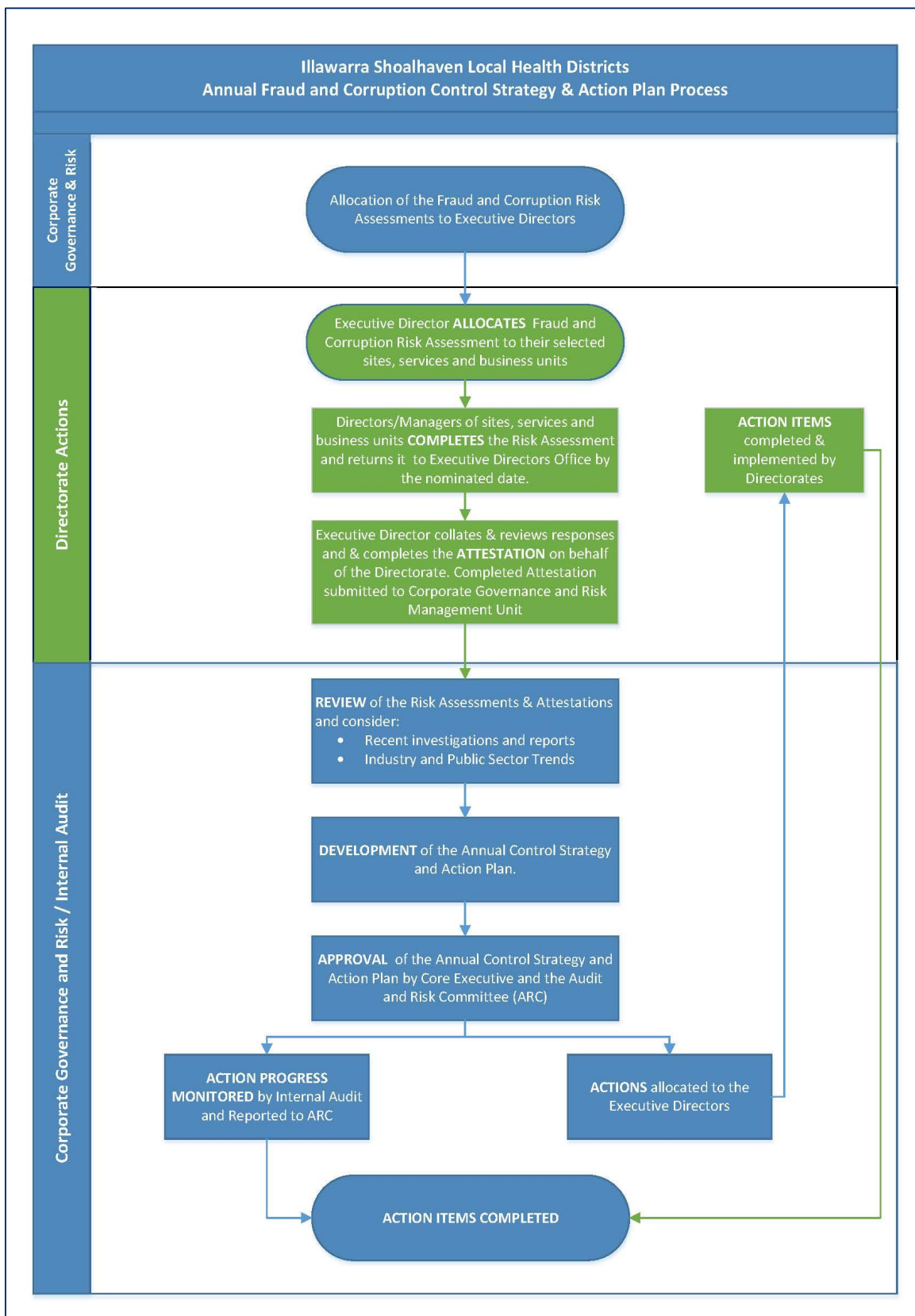# 7. Monitoring, Review and Continuous Improvement

The activities undertaken by ISLHD to facilitate continuous improvement of the Framework include:

- Ad-hoc review by Corporate Governance and Risk Management Unit, in conjunction with Internal Audit, of any applicable District, NSW Health or broader public sector fraud/corruption event and application of the 'lessons learnt' at the local level
- Annual Fraud and Corruption Risk Assessment and Attestation exercise conducted and results reviewed, including analysing the effectiveness of control strategies to ensure suitable levels of prevention, detection and response capabilities
- ISLHD ARC, under the direction of the Board, conducting a formal review of the Framework every three years
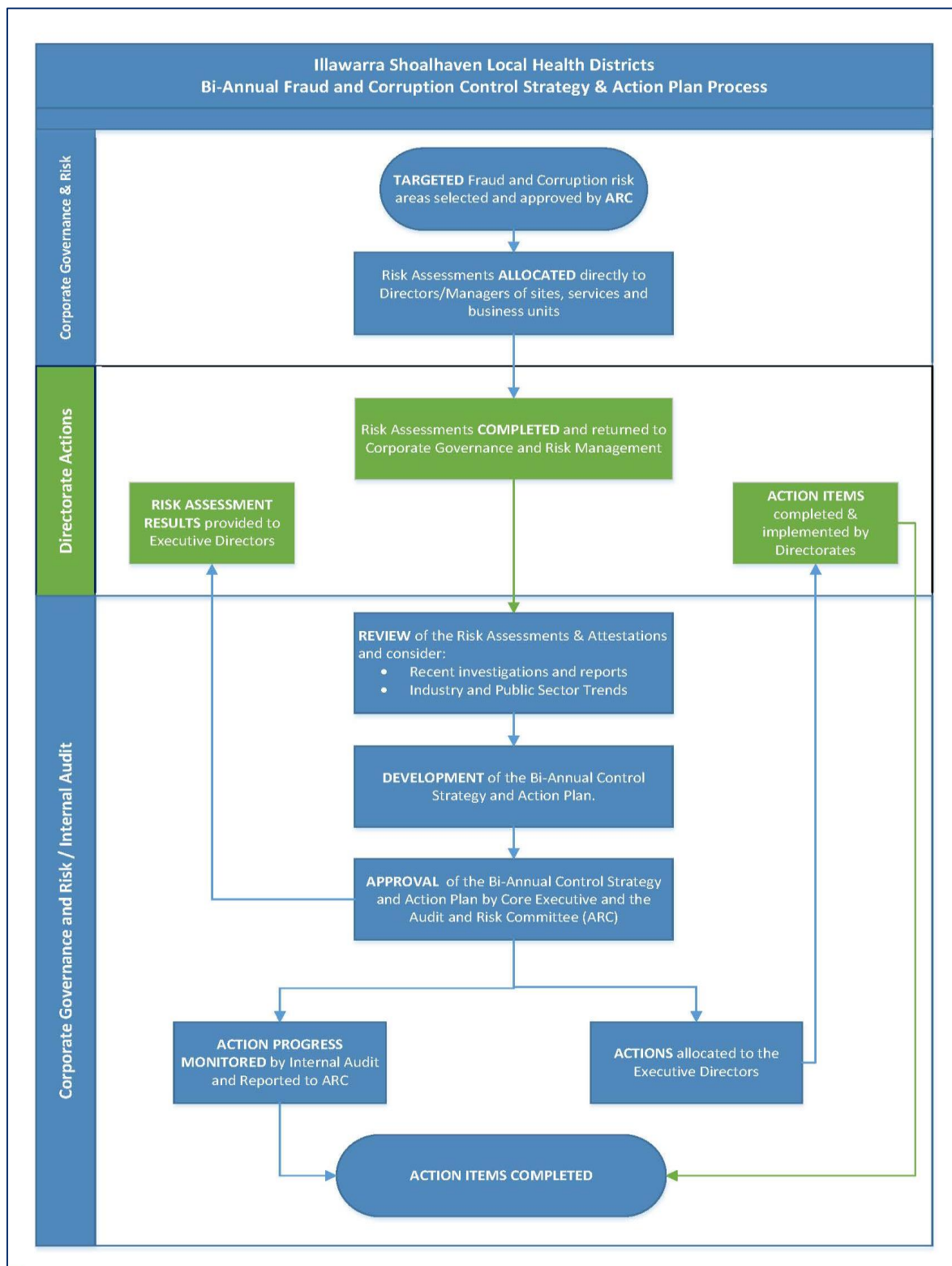
8. References and Resources

- ISLHD Conflicts of Interest and Gifts and Benefits Procedure – OPS PROC 118
- ISLHD Reporting of Corrupt Conduct, Fraud and Public Interest Disclosures Policy – CORP PD 35
- MoH Goods and Services Procurement Policy – PD2019_028
- MoH Conflicts of Interest and Gifts and Benefits Policy – PD2015_045
- MoH Public Interest Disclosures (PID) Policy – PD2016_027
- MoH Internal Audit Policy – PD2016_051
- MoH Corrupt Conduct Reporting to the Independent Commission Against Corruption (ICAC) Policy – PD2016_029
- MoH Risk Management Enterprise-Wide Policy and Framework Policy – PD2015_043
- MoH Code of Conduct – PD2015_049
- TPP18-07 - Organisational Resilience
- TPP17-06 - Certifying the Effectiveness of Internal Controls over Financial Information
- TC18-02 - NSW Fraud and Corruption Control Policy

- MoH Corporate Governance & Accountability Compendium.
- NSW Health Privacy Manual for Health Information.

Appendix 1 – Annual Fraud and Corruption Control Strategy and Action Plan Process

Illawarra Shoalhaven Local Health Districts
Annual Fraud and Corruption Control Strategy & Action Plan Process

Corporate Governance & Risk

Allocation of the Fraud and Corruption Risk Assessments to Executive Directors

Directorate Actions

Executive Director **ALLOCATES** Fraud and Corruption Risk Assessment to their selected sites, services and business units

Directors/Managers of sites, services and business units **COMPLETES** the Risk Assessment and returns it to Executive Directors Office by the nominated date.

ACTION ITEMS completed & implemented by Directorates

Executive Director collates & reviews responses and & completes the **ATTESTATION** on behalf of the Directorate. Completed Attestation submitted to Corporate Governance and Risk Management Unit

Corporate Governance and Risk / Internal Audit

REVIEW of the Risk Assessments & Attestations and consider:
- Recent investigations and reports
- Industry and Public Sector Trends

DEVELOPMENT of the Annual Control Strategy and Action Plan.

APPROVAL of the Annual Control Strategy and Action Plan by Core Executive and the Audit and Risk Committee (ARC)

ACTION PROGRESS MONITORED by Internal Audit and Reported to ARC

ACTIONS allocated to the Executive Directors

ACTION ITEMS COMPLETED

Appendix 2 – Bi-Annual Fraud and Corruption Control Strategy and Action Plan Process

Illawarra Shoalhaven Local Health Districts
Bi-Annual Fraud and Corruption Control Strategy & Action Plan Process

Corporate Governance & Risk

TARGETED Fraud and Corruption risk areas selected and approved by **ARC**

Risk Assessments **ALLOCATED** directly to Directors/Managers of sites, services and business units

Directorate Actions

Risk Assessments **COMPLETED** and returned to Corporate Governance and Risk Management

RISK ASSESSMENT RESULTS provided to Executive Directors

ACTION ITEMS completed & implemented by Directorates

Corporate Governance and Risk / Internal Audit

REVIEW of the Risk Assessments & Attestations and consider:
- Recent investigations and reports
- Industry and Public Sector Trends

DEVELOPMENT of the Bi-Annual Control Strategy and Action Plan.

APPROVAL of the Bi-Annual Control Strategy and Action Plan by Core Executive and the Audit and Risk Committee (ARC)

ACTION PROGRESS MONITORED by Internal Audit and Reported to ARC

ACTIONS allocated to the Executive Directors

ACTION ITEMS COMPLETED

Fraud & Corruption Control Framework

Appendix 2 Fraud and Corruption Risk Assessment

The Fraud and Corruption Prevention Risk Assessment Template (ISLHD CORP F 181) will be sent to each Executive Director, for subsequent distribution to their Tier 3's at the commencement of the Annual Fraud and Corruption Risk Assessment period. The image below general template format, however the fraud risks will change yearly based on the 'Targeted Risk Area's identified, with specific instructions provided annually.

Fraud Risk Assessment - <<Enter Directorate>> <<Enter Year>>

DT18/XXXX (trim in folder IS/685)

ISLHD ANNUAL FRAUD RISK ASSESSMENT - Services/Units/Departments

Type of Fraud Risk	Existing Controls	Other Controls	Effectiveness of Existing Controls (Scale 1-5)	Fraud Risk Analysis (after existing controls)			Option for Fraud Risk - Accept or Treat	Further Treatment/Action to address fraud risk
				Fraud Likelihood Rating	Fraud Consequence Rating	Fraud Risk Rating		
Identify individual fraud risks	Examples of controls	Set out existing controls that are in place to mitigate the risk	How effective are the controls. Rate 1-5	Rare Unlikely Possible Likely Almost certain	Minimal Minor Moderate Severe Catastrophic	Low Medium High Extreme	Accept Treat	What additional action is necessary to treat the fraud risk?
1. Falsifying working papers								
Not submitting leave form	Choose an item.		Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	
False recordings on timesheets	Choose an item.		Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	
False overtime claims	Choose an item.		Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	
2. Fraud in Hiring Contractors or Consultants								
Appointing contractors/ consultants not supported by proper process	Choose an item.		Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	
Payments to contractors/ consultants when work not performed or not performed satisfactorily	Choose an item.		Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	

ISLHD CORP F XX   V1   DT18XXXX   1

Fraud & Corruption Control Framework

NSW Health
Illawarra Shoalhaven
Local Health District

Appendix 3 Directorate Attestation

After receiving completed Fraud and Corruption Risk Assessment Templates from each service and department, Executive Directors will complete the Fraud and Corruption Prevention Attestation Statement (ISLHD CORP F 182) for their respective Directorate. The image below shows what the table will look like, however the fraud risks will change yearly based on the 'Targeted Risk Area's identified. The Attestation Statement will be sent out to each year at the commencement of the assessment period.