

FRAUD CONTROL STRATEGY

POLICY®

DOCUMENT SUMMARY/KEY POINTS

- This Policy documents the Sydney Children's Hospitals Network's (SCHN) Fraud Control Strategy which is designed to reduce or where possible eliminate the incidence of fraud within the organisation. It does this by defining the responsibilities by certain areas and groups, promoting education and setting systems of reporting and investigation of fraud.
- The strategy communicates the SCHN position of not tolerating any act of fraud or corruption and emphasises that fraud prevention and control is the responsibility of all staff.
- It is the responsibility of managers to make their staff aware of this policy.
- All managers are nominated Fraud Prevention Mangers.
- This Policy has been updated to incorporate the 10 key attributes of fraud control contained in the NSW Auditor-General Better Practice Guide Fraud Control Improvement Kit: Managing your fraud control obligations (2015).
- The 10 attributes of best practice are:
 - Leadership
 - Ethical framework
 - Responsibility structures
 - Fraud control policy
 - Prevention systems

This document reflects what is currently regarded as safe practice. However, as in any clinical situation, there may be factors which cannot be covered by a single set of guidelines. This document does not replace the need for the application of clinical judgement to each individual presentation.

Approved by:	Director, Clinical Governance	
Date Effective:	1st April 2017	Review Period: 3 years
Team Leader:	Manager	Area/Dept: Finance

- Fraud awareness
- Third party management systems
- Notification systems
- Detection systems
- Investigation systems

Relevant SCHN Policies *(as amended or updated from time to time)*

- Code of Conduct
- Business Ethics
- Public Interest Disclosures
- Conflicts of Interest and Received Gifts and Benefits – Reporting
- Corrupt Conduct - Reporting to the Independent Commission Against Corruption (ICAC)

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CHANGE SUMMARY

- Updated to incorporate the 10 key attributes of fraud control contained in the NSW Auditor-General Better Practice Guide Fraud Control Improvement Kit: Managing your fraud control obligations (2015).
- Updated to comply with NSW Ministry of Health PD2016_027 "Public Interest Disclosures".

READ ACKNOWLEDGEMENT

- All SCHN staff should be aware of this document.
- Managers and supervisors should read and acknowledge this document.

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1 Introduction

The Sydney Children's Hospitals Network (SCHN) promotes an organisational culture that does not tolerate any act of fraud or corruption. This Fraud Control Strategy Policy aims to foster an environment that actively discourages fraudulent activities in order to protect the SCHN assets, interests and reputation, and to provide a transparent framework for reporting and investigating fraud should it occur.

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

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

This Fraud Control Strategy sets out the fraud control and prevention policies and procedures of the SCHN. It details the SCHN approach to the prevention, detection, reporting and investigation of fraud and corruption. It also identifies current activities that may be susceptible to fraud and corruption, and provides strategies for better management and control of those activities.

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

2 Definition of Fraud and Corruption

Fraud and corruption can be distinguished from other forms of unethical behaviour. The following definitions are based on the NSW Health Policy Directive PD2016_027 "Public Interest Disclosures".

Corrupt Conduct

'Corrupt conduct' is broadly defined in Sections 8 and 9 of the *Independent Commission Against Corruption (ICAC) Act 1988* (NSW). The main element of corruption is the misuse of public office. Commonly corruption involves the dishonest or partial use of power or position resulting in one person being advantaged over another. Corruption can take many forms including (but not limited to):

- A public official improperly uses the knowledge, power or resources of their position for personal gain.
- A public official dishonestly or improperly exercises their functions, breaches public trust or misuses information or resources acquired during the course of their official functions.
- A member of the public influences, or tries to influence, a public official to use his or her position in a way that is dishonest biased or breaches public trust.

Fraud

An intentional, dishonest act or omission done with the purpose of deceiving.

Examples of fraud and corruption

The following list is not exhaustive but includes some of the 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 printers, photocopiers, telephones and fax machines
 - The SCHN or Departmental 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
- **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
 - 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
- Unauthorized and /or deceptive electronic transfer of funds

3 The Fraud Control Strategy Framework

Within the SCHN fraud control strategy framework are ten key attributes of fraud control. How these attributes apply to SCHN and the impact has been outlined below with reference to the overarching themes of Prevention, Detection and Response.



3.1 Leadership (Prevention)

The Chief Executive and Senior Management are committed to managing fraud risks. Where appropriate, responsibility for driving fraud control processes are contained within the individual performance appraisals of the Chief Executive and Senior Managers.

3.2 Ethical Framework (Prevention and Response)

SCHN has clear policies and procedures which set out the acceptable standards of ethical behaviour. These policies include the Code of Conduct, Public Interest Disclosure, Conflict of Interest and Received Gifts and Benefits, Corrupt Conduct – Reporting to ICAC, and Business Ethics. Policies are reviewed every 3 years or when required to ensure they are up to date and in line with the relevant standards, policy directives and legislation.

3.3 Responsibility Structures (Prevention, Detection and Response)

The SCHN **Audit and Risk Committee** is responsible for providing reasonable assurance to the Chief Executive that the SCHN is maintaining effective control against fraud. However, management is primarily responsible for fraud prevention and detection.

Whilst **Internal Audit** plays a major role in the task of developing, implementing and maintaining an effective fraud prevention strategy, the Chief Executive expects management

to take the lead, and to take prime responsibility for ensuring that all reasonable steps are taken to prevent fraud within the SCHN.

Managers (i.e. person with responsibility and control of resources; e.g. Service Director, Program Director, Departmental Manager, Supervisor and Team Leader etc.) are the **nominated SCHN Fraud Prevention Managers**. Their role as Fraud Prevention Managers, is to implement and co-ordinate fraud prevention activities at the operational level of the SCHN.

3.4 Fraud Control Policy (Prevention)

The SCHN has a Fraud Control Strategy Policy, ethical policies, procedures and systems in place to minimise corruption. These policies, procedures and systems respond, and are proportionate, to the corruption risks faced by the SCHN. The Fraud Control Strategy Policy incorporates the ten attributes of fraud control contained in the Audit Office of New South Wales Fraud Control Improvement Kit February 2015.

The Fraud Control Strategy Policy does not operate in isolation and has strong links to other ethical behaviour policies. All SCHN Fraud Prevention Managers are responsible for monitoring and evaluating the operation of the policy within their area of responsibility.

3.5 Prevention Systems (Prevention)

The Chief Executive and Senior Management at SCHN are committed to controlling fraud and corruption risks.

Fraud and corruption risk assessments are undertaken by the Internal Audit in accordance with industry standards and quantify the level, nature and form of the risks to be managed. Improvements to internal control systems are made to mitigate risks identified in fraud and corruption risk assessments and are monitored for effectiveness over time.

Criminal checks and pre-employment screening is conducted for all new employees. All reports of fraud, action taken and outcomes are managed by Internal Audit.

3.6 Fraud Awareness (Prevention and Detection)

Every employee has a responsibility to contribute to eliminating fraud and corruption. The Code of Conduct and training and awareness programs are provided to assist SCHN staff in understanding the expected standards of ethical conduct.

The Business Ethics policy provides guidance to customers, suppliers and the community by setting out the expected high standards of integrity and ethical behaviour required when conducting business with employees at the SCHN.

Refer to sections 5 and 6 for further details.

3.7 Third Party Management Systems (Prevention and Detection)

The incidence of fraud and corruption can be reduced through the education of customers, suppliers and the community about acceptable standards of behaviour expected of the SCHN staff, and of the customers, suppliers and community members that interact with the SCHN.

All staff can develop understanding through training and the inclusion of fraud and corruption prevention information in newsletters, letters, invoices, contracts, tenders, on both the SCHN and NSW Health internet and intranet sites.

The standards of behaviour expected by the SCHN in business relationships with external parties are outlined in the SCHN Business Ethics policy.

Additional resources for raising customer and community awareness can be found at ICAC publications that are available on ICAC website.

3.8 Notification Systems (Detection and Response)

Policies, systems and procedures are in place to enable reporting of suspected fraud, corrupt conduct and child protection issues. Fraud and corruption notification systems give the complainant the opportunity to report the suspected fraud or corrupt conduct anonymously. Policies, systems and procedures give equal opportunities to managers, staff, contractors, consultants, customers and suppliers to notify the SCHN of suspected fraud, corrupt conduct or child protection issues. A confidential database of all suspected fraud, corrupt conduct and child protection issues is maintained by the Internal Audit. Actual or suspected frauds are reported to the Chief Executive and Audit and Risk Committee.

SCHN policies outline the rights of employees to externally report suspected fraud and corruption.

3.9 Detection Systems (Detection)

Data is analysed and reviewed to ensure that irregularities and warning signals are identified at an early stage and flagged for further review. The SCHN management is responsible for implementing control mechanisms that minimise the risk of fraudulent transactions and corrupt behaviour. Internal Audit regularly examines samples of medium and high risk processes across the SCHN to detect irregularities. Outcomes of audits are reported to the SCHN's Board and Audit and Risk Committee.

3.10 Investigation Systems (Response)

The SCHN has appropriate policies and mechanisms in place to investigate allegations of fraud and discipline the perpetrators of fraud.

Refer to section 9 for further details.

4 Fraud Risk Assessment

A fraud risk assessment is a vital element in the control of fraud and is management's responsibility.

Internal Audit will conduct fraud risk assessments during routine audits. However, Managers are primarily responsible for fraud prevention and detection. They should conduct fraud risk assessments on an ongoing basis in their areas of responsibility. A forward plan generated from the fraud risk assessment will subsequently define areas where specific action may be required.

NSW Health has developed a Fraud Risk Assessment Tool to assess the adequacy of existing controls and to determine whether additional fraud countermeasures are required. This tool is available on the NSW Health intranet: <http://internal.health.nsw.gov.au/audit/fraud.html>.

5 Staff Member Awareness

Managers are to ensure that staff members are to be made aware that fraud, in any form, is unacceptable to the SCHN. Staff members should also be made aware of their responsibility to report any fraud situations they may become aware of to either their Manager or the SCHN Internal Auditor, whichever is appropriate. Refer to the Public Interest Disclosures Policy for more information.

Managers are to ensure that staff members are aware of this document and are also required to make the document readily available to them.

The NSW Health Code of Conduct is provided to each new staff member on employment. All new employees are required to acknowledge acceptance of the Code of Conduct prior to commencement of their employment with the SCHN. New staff orientation program will also include references to the Code of Conduct.

6 Customer and Community Awareness

There is a need to promote community awareness that fraud committed against the SCHN is not acceptable. It is in the best interest of the SCHN to demonstrate honest, ethical and professional provision of services to the patients and customers through efficient policies which prevent both internal and external fraud. SCHN policies are available on both internet and intranet sites.

Any instance of suspected fraud against the SCHN by suppliers of goods and services to the SCHN or SCHN customers should be promptly brought to the attention of management and appropriate action instigated.

7 Fraud Reporting System

Reporting fraud is not a matter of "dobbing-in" mates. To ignore fraud (in whatever form) is tantamount to endorsing it. Ignoring fraud or turning a blind eye can lead to it becoming acceptable behaviour that can taint whole sections of the organisation. Reporting fraud is an obligation imposed by honesty.

Under the *ICAC Act 1988* (NSW), the SCHN Chief Executive must report every instance of possible corrupt conduct which he/she becomes aware. Fraud is but one of many possible forms of corrupt conduct.

It is management's responsibility to ensure that every staff member is aware of the Public Interest Disclosures Policy and understands that the SCHN requires every staff member to carefully observe and comply with the Public Interest Disclosures Policy.

The Manager Internal Audit is to ensure that the Audit and Risk Committee receives reports on fraud investigations, whether performed by the Internal Audit or other officers or

departments of the SCHN.

8 Protected Disclosure

Refer to the SCHN Public Interest Disclosures Policy for details.

9 Investigation Standards

Suspected or alleged fraud is usually be investigated by the SCHN Internal Audit. This may involve investigations in co-operation with an external investigation authority (e.g. NSW Police Service and the ICAC).

Where the Chief Executive reasonably believes that a criminal offence has been committed, the matter will be referred to the Police. In such cases the SCHN will only investigate sufficiently to form this view leaving further investigation to the Police.

Only the Chief Executive may determine where no further action on any fraud investigation, including non-referral to the Police / ICAC, is required. The Chief Executive will formally document reasons in such cases.

10 Code of Conduct and Disciplinary Standards

It is management's responsibility to ensure that every staff member is aware of and has access to a copy of the Code of Conduct. Every SCHN staff member is required to carefully read, understand, observe and comply with the Code of Conduct.

Information regarding the Code of Conduct is to be provided to each new staff. The matter is to be included in the agenda on new employee induction programs.

Fraud against the SCHN is unacceptable and offender(s) will face disciplinary action. In appropriate cases, criminal prosecution can be initiated as well as civil action to recover any losses of the SCHN monies and/or property.

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