


Title	Fraud, Corruption and Other Losses			
Department	Corporate	Section	Organisation	
Approved by	CEO	Document Type	Policy	

PURPOSE

The purpose of this Policy/Guideline is to outline SGHs' approach to maintain an effective fraud, corruption and other losses policy to ensure that all of its resources including financial and non-financial are used for the intended purpose that the Health Service has determined.


The objectives of this policy are:

- To ensure that management is aware of its responsibility to identify fraudulent activity and to establish controls and procedures for preventing such fraudulent activity or corrupt conduct and/or detecting such fraudulent activity or corrupt conduct when it occurs.
- To provide guidance to employees as to action which should be taken where they suspect any fraudulent activity or corrupt conduct.
- To provide a clear statement to staff forbidding any illegal activity, including fraud and corruption.
- To provide clear guidance as to responsibilities for conducting investigations into fraudulent activity.
- To provide assurances that any and all suspected fraudulent activity or corrupt conduct will be fully investigated.
- To provide adequate protection and guidance as to appropriate action to employees in circumstances where they are victimised as a consequence of reporting, investigating or being witness to, fraudulent activity or corrupt conduct.
- To provide a suitable environment for employees to report matters that they suspect may concern corrupt conduct, criminal conduct, criminal involvement or serious improper conduct.

POLICY

- The Health Service is committed to installing appropriate controls and procedures to prevent, detect, deter and deal with fraud and unethical conduct.
- All Board Members and staff will at all times act with integrity and must not engage in fraudulent activity of any kind, this includes fraudulent activity and corrupt conduct which may benefit the Health Service.
- All Board members and staff have a responsibility to report suspected fraud or corrupt conduct and potentially damaging events to the CEO, the Chair of the Board or the Independent Broad-based Anti-Corruption Commission (IBAC).
- Board Members and staff are encouraged to be constantly vigilant and report in confidence, without fear of reprisal, any matter that they regard as suspicious. Responsibility for ensuring that appropriate investigations are undertaken rests with the CEO and the Chair of the Board if disclosure relates to the CEO. Board Members and staff are required to assist with any investigations undertaken. The CEO will inform the Board of any fraudulent activity.
- The Health Service will, after a proper internal investigation, report any reasonably suspected fraudulent activity or corrupt conduct to the Police, the Audit and Risk Management Committee and the Department of Health and Human Services.
- The Health Service may pursue the recovery of any financial loss through civil proceedings.
- Workforce Capability and Culture policies and induction procedures will ensure that all staff are kept informed of this policy and the related Guidelines on Fraud Identification and Management.
- All new staff are expected to read a copy of this Fraud, Corruption and Other Losses Policy and the Financial Code of Practice Policy as part of the induction process.

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Related Policies

- [Gifts, Benefits and Hospitality Policy](#)
- [Public Interest Disclosures](#)
- [Conflict of Interest](#)
- [Code of Conduct](#)
- [Financial Code of Practice](#)

GUIDELINE

Purpose

This procedure sets out the processes to be followed in dealing with allegations of fraud and/or fraudulent behaviour.

Scope

This procedure applies to all staff of SGH and to all activities under the control of SGH.

Value Threshold

Any fraudulent activity or corrupt conduct which involves a value of \$5,000 in money or \$50,000 in other property is considered significant, CEO must be immediately notified. If activity or conduct is relating to CEO then Chair of Board must be notified.

Definitions

[Fraud]: theft, intentional waste or abuse of SGH funds, property or time.

[Corruption]: dishonest activity in which an employee of SGH acts contrary to the interests of the health service and abuses his/her position of trust in order to achieve some personal gain or advantage for him/herself or for another person or SGH, typically involving bribery.

[Fraudulent behaviour/Corrupt conduct]: conduct of a person (whether or not an employee of the SGH) that adversely affects the SGH functions. An employee of the SGH acting dishonestly; conduct that amounts to the misuse of information or material acquired in the course of the performance of their duties; or a conspiracy or attempt to engage in any of the above conduct.

[Health Service funds]: cash, cheques, or other negotiable instruments belonging to the SGH, or for which the SGH has responsibility.


[Health Service property]: any tangible item owned by the SGH.

[Retaliation]: when an individual is discriminated against or penalized for reporting fraud or for cooperating, giving evidence, or participating in any manner in an audit/investigation, proceeding, or hearing.

[Public Interest Disclosures Act 2012]: Amendments to Public Interest Disclosures Act 2012(2012) Jan 2020, which replaced the Whistle Blowers Protection Act 2001. This Act provides for the disclosure of improper conduct by public bodies and public officials and the protection for those come forward with a disclosure. It also provides for the investigation of disclosures that meet the legislative definition of a protected disclosure.

The Act recognises that improper or corrupt conduct by employees, officers or other staff within the public services or actions that involve reprisals against any person making a protected disclosure will not be tolerated.

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The Act makes it clear that protected disclosures are about serious wrongdoing. SGH is a public body and as such cannot receive disclosures. It has an obligation to protect people against detrimental action that might be taken against individuals who choose to make a protected disclosure.

Responsibilities and Action

All Employees/Members of the Board (including Audit and Risk Management Committee)

Any employee or member of the Board of SGH who has knowledge of an occurrence of fraud or corruption, or has reason to suspect that a fraud or corruption has occurred, will immediately notify the CEO. If activity or conduct is relating to CEO then Chair of Board must be notified. Every employee will co-operate with investigations. The employee will not discuss the matter with anyone other than the CEO, or the Chair of the Board if the alleged fraud involves the CEO, or the Independent Broad-based Anti-Corruption Commission (IBAC).

CEO

Upon notification or discovery of a suspected fraud, the CEO will arrange to investigate and inform the Board (including Audit and Risk Committee), Responsible Minister, Portfolio Department and Audit-General of the suspected fraud, corruption and other losses, outcome of the investigation and remedial action to be taken. The CEO is to keep records of all actual and suspected Fraud, Corruption and Other Losses, including remedial actions planned and taken. On request, provide Responsible Minister, Portfolio Department or Audit and Risk Committee with a copy of records kept.

Investigation Procedures

Record

Security

A successful audit/investigation can only be performed if the documentation relating to an alleged fraud is available for review in its original form. Therefore, once a suspected fraud or corruption is reported, the CEO or the Chair of the Board will take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud or corruption from having access to the records.

Contacts/Protocols

After an initial review and a determination that the suspected fraud warrants additional investigation, the CEO or the Chair of the Board will co-ordinate the investigation with the police, and will report any findings as described below.

CEO to notify, as soon as is practicable, the Audit and Risk Management Committee, the Responsible Minister, Portfolio Department and Auditor-General of the incident, outcome of the investigation and the remedial action to be taken.


Confidentiality

All participants in a fraud or corruption investigation will keep the details and results of the investigation confidential except as expressly provided in this administrative procedure. However, the CEO or the Chair of the Board may discuss the investigation with any person if such discussion would further aid the investigation.

Actions

If a suspicion of fraud or corruption is substantiated, disciplinary action will be taken in accordance with the Health Service's Grievance/Disciplinary Policy. A false and vindictive allegation of fraud is a violation of this administrative procedure. All violations of this administrative procedure, including

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violations of the confidentiality provisions, will result in disciplinary action up to and including termination.

Media Issues

If the media becomes aware of a fraud or corruption investigation, the CEO or the President of the Board will deal with the matter. The alleged fraud and audit investigation will not be discussed with the media other than through the CEO or the Chair of the Board.

Retaliation

It is a violation of this administrative procedure for any individual to be discriminated against for reporting fraud or for co-operating, giving evidence, or participating in an investigation, proceeding or hearing. Staff seeking to disclose a suspected fraud can seek coverage by means of the Health Service's Protected Disclosures Policy which covers the disclosure of suspected fraudulent acts against the SGH.

Public Interest Disclosures Act 2012

SGH has a Public Interest Disclosures Policy (to replace Whistleblowers Protection Policy) incorporating the Guidelines enunciated in the *Public Interest Disclosures Act 2012*, with which it is obliged to comply.

A copy of the policy is available on prompt.

Disposition of Investigation

At the conclusion of the investigation the CEO or the Chair of the Board will document the results in a confidential report. If the report documents that criminal offences may have occurred the Police will be notified and copies will also be sent to Police. In all cases where a fraud has been committed the Police are to be called in to undertake any action they consider appropriate.

If the fraud has resulted in a loss to SGH, the CEO or the Chair of the Board will institute action for the restitution for any property loss. Upon completion of the investigation and all legal and personnel actions, records will be retained.

CEO to notify, as soon as is practicable, the Responsible Minister, Audit and Risk Committee, Portfolio Department and Auditor-General of the incident, outcome of the investigation and the remedial action to be taken. On request, provide Responsible Minister, Portfolio Department or Audit and Risk Committee with a copy of records kept.

A review of relevant policies, procedures and internal controls applicable to the area where the fraud occurred will be undertaken to assess whether these need to be revised and strengthened.

GUIDELINES ON FRAUD IDENTIFICATION AND MANAGEMENT


Background

Studies have shown that "red flags" of fraud within an organisation were ignored by the organisation in almost 50% of the reported frauds. Downsizing and repositioning of an organisation increases the risk of fraud. Strong internal controls are the best method of preventing fraud whereas poorly written procedures and relaxed internal controls allow the most fraud to occur.

Fraud or corruption may occur as a result of:

- poor internal controls;
- management override of internal controls;
- collusion between employees and third parties;
- poor or non-existent organisational ethical standards; and
- lack of control over staff by their managers.

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The most frequently cited "red flags" of fraud are:

- changes in an employee's lifestyle, spending habits or behaviour;
- poorly written or poorly enforced internal controls, procedures, policies or security;
- irregular or unexplained variances in financial information;
- inventory shortages;
- failure to take action on results of internal/external audits or reviews;
- frequent complaints from customers;
- missing files; and
- ignored employee comments concerning possible fraud.

Perpetrators of fraud and corruption typically live beyond their reasonably available means. Other indicators of fraud include the borrowing of small amounts of money from co-workers, collectors or creditors appearing at the place of business, excessive use of telephone to stall creditors, falsifying records, refusing to leave custody of records during the day, working excessive overtime, refusing annual leave, and excessively rewriting records under the guise of neatness.

The following internal controls aid in the prevention of fraud:


- adherence to all organisational procedures, especially those concerning documentation and authorisation of transactions;
- physical security over assets such as locking doors and restricting access to certain areas;
- proper induction and training of employees;
- independent review and monitoring of tasks by managers;
- separation of duties so that no one employee is responsible for a transaction from start to finish;
- clear lines of authority that have been adequately communicated to staff;
- conflict of interest statements that are enforced;
- rotation of duties in positions more susceptible to fraud;
- ensuring that employees take their leave entitlements; and
- regular independent audits of areas susceptible to fraud.

Responsibilities with Regard to Fraud Prevention and Awareness

Responsibility for fraud control which includes fraud prevention, detection and deterrence is primarily a management responsibility. Whilst the CEO has overall responsibility, Directors are responsible for their respective divisions and Managers are responsible for their departments. It is the responsibility of all managers to ensure there are mechanisms in place within their area of control to:

- assess the risk of fraud;
- promote employee awareness of ethics; and
- educate employees about fraud prevention.

Internal audit has a role in fraud and corruption prevention, detection, reporting and deterrence. It provides a constructive service to management by assessing the adequacy and effectiveness of the system of internal control and reports on omissions, weaknesses or deficiencies to management to facilitate corrective action. It must be noted that internal controls are not the responsibility of Auditors but are subject to audit.

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Reporting Possible Fraudulent Behaviour/Corrupt Conduct

If an employee or a member of the board of SGH knows about or has good reasons to suspect possible corrupt conduct, including fraudulent activity, the employee or the member of the board must report it immediately to the CEO, or the Chair of the Board, if the disclosure relates to the CEO, or make a disclosure under the Public Interest Disclosures Act 2012 to the Independent Broad-based Anti-Corruption Commission (IBAC) (see Instructions to Staff).

Independent Broad-based Anti-Corruption Commission: Level 1, North Tower, 459 Collins Street, Melbourne, VIC 3000 GPO Box 24234 Melbourne, VIC 3001
Phone 1300 735 135
Fax (03) 8635 6444

Fraud Deterrence

All employees should be aware that SGH will vigorously investigate suspected instances of fraud. Investigations are usually conducted by the CEO, or his nominated representative, according to the procedures laid down in the Protected Disclosures Policy (to replace Whistleblowers Protection Policy), and may involve investigations in cooperation with the Victoria Police. Where there is evidence of fraud, appropriate disciplinary action in accordance with the provisions of the Health Service's Grievance/Disciplinary Policy will be implemented. Criminal prosecution may also be instituted as well as civil action to recover any losses of public money or property.

VMIA (Victorian Managed Insurance Authority) Stances on Fraud

The Insurance Manual for the Department of Health (Public Hospitals) indicates that limited coverage exists for material damages such as thefts or losses of money on premises and losses stemming from fraudulent embezzlement or misappropriation. Coverage does not extend to "property" that does not belong to the Health Service. For example, patient's effects such as jewellery and cash are specifically excluded other than when the Health Service has taken these "effects" into their care, custody or control.

Instructions to Staff


You should be assured that there will be no recriminations against staff who report reasonably held suspicions. Victimising or deterring staff from reporting concerns is a serious disciplinary matter. Any contravention of this policy should be reported to the CEO or Chair of the Board. Equally however, abuse of the process by raising malicious allegations could be regarded as a disciplinary matter.

If you believe you have good reason to suspect a colleague, patient or other person of a fraud or an offence involving the Health Service's trust, or a serious infringement of the Health Service's rules, you should discuss the matter confidentially: by telephone; in writing; in person with the CEO or Chair of the Board; or **IBAC** under the Protected Disclosures Policy or the Public Interest Disclosures Act 2012. (For further information please refer to the Fraud Procedure.)

Reference

Bairnsdale Regional Health Service, Fraud, Corruption and Other Losses policy, Prompt BRH1, v 3.0, 4 July 2016. Updated by CEO March 2021

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Template letter and report format for reporting significant or systemic Fraud, Corruption and Other Losses

The following letter and report template should be used by Agencies when reporting significant or systemic Fraud, Corruption and Other Losses in accordance with Direction 3.5.3 of the 2018 Standing Directions under the *Financial Management Act 1994* and Instructions 3.5 and 3.6.

Note: the letter should be addressed to the Agency's relevant Portfolio Minister **not** the Assistant Treasurer (unless the Agency's relevant Minister) with a copy to the Agency Audit Committee Chair, the relevant Portfolio Department Accountable Officer/Secretary or advised delegate and the Auditor-General.

A soft copy can also be provided to the relevant Portfolio Department compliance manager.

A sample completed report is attached to indicate the level of detail required when reporting.

Relevant Directions and Instructions

Fraud, Corruption and Other Losses

Direction 3.5.3 – Where an Agency is made aware of an actual or suspected Significant or Systemic Fraud, Corruption or Other Loss, the Accountable Officer must:

- notify, as soon as is practicable, the Responsible (Portfolio) Minister, Audit Committee, Portfolio Department and Auditor-General of the incident and remedial action to be taken;
- ensure that the persons notified are kept informed about the incident, including the outcome of investigations; and
- ensure that the Agency takes appropriate action to mitigate against future Fraud, Corruption and Other Losses.

Instruction 3.5, Clause 1.2 – The Fraud, Corruption and Other Losses prevention and management policy under [Direction 3.5.1\(b\)](#) must include a **defined value threshold**, above which an actual or suspected Fraud, Corruption or Other Loss is considered 'significant' for the purpose of reporting under [Direction 3.5.3](#)¹. The threshold **must not exceed \$5 000** in money or **\$50 000** in other property

¹ [Direction 1.6](#) includes a definition of 'Significant or Systemic' (see above). The defined value threshold under Instruction 3.5 only impacts on the interpretation of the meaning of 'significant' in relation to actual or suspected Fraud, Corruption or Other Loss. Different reporting thresholds for 'significant' apply to purchasing and prepaid debit cards misuse under Instruction 3.6. Where an actual or suspected Fraud, Corruption or Other Loss is deemed **systemic**, it should be reported regardless of value.


Purchasing and prepaid debit cards

Instruction 3.6 , Clause 7.1 – The program administrator must **define a value threshold**, above which an actual or suspected Fraud, Corruption or Other Loss in relation to purchasing and prepaid debit cards is considered 'significant' for the purpose of [Direction 3.5.3](#). The threshold **must not exceed \$1,000**.

Definitions

Direction 1.6 – 'Significant or Systemic' means an incident, or a pattern or recurrence of incidences, that a reasonable person would consider has a significant impact on the Agency or the State's reputation, financial position or financial management.

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The Hon <insert Portfolio Minister's name> MP
Minister for < insert Portfolio name>
<insert Minister's address>
MELBOURNE VIC <insert relevant postcode>

<Insert date>

Dear Minister

Report of Significant or Systemic Fraud, Corruption and Other Losses

As required under Direction 3.5.3(a) of the 2018 Standing Directions under the *Financial Management Act 1994*, please find attached a report on actual/suspected significant or systemic Fraud, Corruption or Other Losses under the control of <insert agency name>.


<Insert agency name> will keep you informed on the status of the incident/s and the outcome of any investigations.

If you require any further information, please contact <insert relevant Agency individual's contact details>.

Yours sincerely

<insert Accountable Office name>
<insert Accountable Officer title>

Cc: <insert name>, Victorian Auditor-General
<insert name> (relevant Portfolio Department Accountable Officer/Secretary or advised delegate), <insert Portfolio Department name>
<insert name>, Chair of <insert Agency name> Audit Committee

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Completed Sample (with indicative level of detail)

N.B: for a more serious significant or systemic event or incident, more detailed information should be provided.

Victorian Data Authority

Report of Significant or Systemic Fraud, Corruption and Other Losses


SPECIFY AGENCY DOLLAR THRESHOLD FOR SIGNIFICANT INCIDENTS:

Money - **\$5,000** Property - **\$50,000**

Details of event and incident report

Date of event	Money or other property affected	Description of event and/or incident	Value of assets	Review of Internal Controls	Rectification plan	Investigations, proceeds and disciplinary action	Recovery of asset
5, 19 and 28 July 2017	Stolen laptops	Three laptops have been stolen from inside the agency building at <address>. There have been three separate incidences in the last month.	\$2,000 for each laptop stolen, totalling \$6,000	A review of internal controls is underway. However, it appears that all three incidents are linked. Police have advised that someone with access to the building is the involved in all three incidents.	Stronger physical measures have been put in place e.g. additional cameras to be installed at building entrances and exits.	Incident reported to police. Investigations are currently underway. A further report on this incident will be provided once the internal audit review is complete.	Assets have not been recovered. Asset replacement value to be assessed and recovered through insurance cover.
26 July 2017	Money from Bank account	Fraudulent supplier invoices provided to Agency which were subsequently paid from Bank account.	\$6,000	Review of internal controls is being undertaken. It appears that a fraudulent supply was added to the accounts payable system without appropriate checks.	Internal audit are undertaking a thorough review of the agency's internal controls.	Incident reported to police. Investigations are currently underway. A further report on this incident will be provided once the internal audit review is complete.	Money has not been recovered as yet.

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Date of event	Money or other property affected	Description of event and/or incident	Value of assets	Review of Internal Controls	Rectification plan	Investigations, proceeds and disciplinary action	Recovery of asset
29 July 2017	Damage to office building property	Agency office building at <address> was subject to an arson incident, resulting in the temporary loss of office space.	\$65,000	Weaknesses in physical security identified.	Stronger physical measures have been put in place e.g. additional cameras to be installed.	Event reported to police. A police investigation is currently underway. The individual responsible for the arson has not been identified as yet. A further report on this incident will be provided once the police investigation is complete.	Asset replacement value to be assessed and recovered through insurance cover.

Template report (remove)

[Insert your Agency's Name]

Report of Significant or Systemic Fraud, Corruption and Other Losses

SPECIFY AGENCY DOLLAR THRESHOLD FOR SIGNIFICANT INCIDENTS:

Money - [Add \$ threshold] Property - [Add \$ threshold]

Details of event and incident report

Date of event	Money or other property affected	Description of event and/or incident	Value of assets	Review of Internal Controls	Rectification plan	Investigations, proceeds and disciplinary action	Recovery of asset
[Insert date]	[Insert details]	[Insert details]	[Insert amounts]	[Insert details]	[Insert details]	[Insert details]	[Insert details]

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