

Operation Liverpool

Bendigo Health Care Group Response to Recommendations

September 2017

Background

In March 2017, the Independent Broad-based Anti-Corruption Commission (IBAC) Operation Liverpool Report was tabled in the Victorian Parliament. This report was the culmination of an extensive investigation into two officers of Bendigo Health, Mr Adam Hardinge and Mr John Mulder. The full report is available on the IBAC website.

Purpose

The purpose of this report is to publicly convey the responses of the Bendigo Health Care Group (BHCG) to the 5 Recommendations contained in the Operation Liverpool Report that BHCG is required to respond to in accordance with recommendation 6:

That Bendigo Health report back to IBAC on action taken in relation to recommendations 1 to 5 by 30 September 2017. This report will be published on IBAC's website.

Recommendations and Responses

Upon receipt of the Operation Liverpool Report in March 2017, Bendigo Health initiated responses to the Recommendations by the preparation of an Action Plan that detailed the array of activities required, the timelines for response and the person responsible for undertaking the action. Progress on this Action Plan has been monitored by the Acting CEO and reported to the Board of Directors on a monthly basis.

Within BHCG all staff have access to "PROMPT", the online searchable repository of Policies, Protocols and Forms. All such materials reviewed as part of response to recommendations have been revised and uploaded to PROMPT. Specific information and education sessions pertaining to amended documentation has been directed to all managers.

Following is a detailed account of the actions taken in relation to each of the five Operation Liverpool recommendations.

Recommendation 1

That Bendigo Health thoroughly review its integrity and corruption prevention policies and procedures in the following areas to ensure the vulnerabilities identified in Operation Liverpool have been addressed, and that employees fully understand their obligations:

- a. code of conduct and values
- b. gifts, benefits and hospitality
- c. conflict of interest
- d. audit and risk management.

Response

The Code of Conduct and Values, Gifts, Benefits and Hospitality policies and related documents have been reviewed. The Conflicts of Interest Policy and reporting form have been amended in response to Recommendation 2 below.

It is now a requirement that the Financial Code of Practice (FCOP) be completed by relevant staff members annually. The FCOP is also part of further manager training and information sessions presented at the August 2017 Business Managers Meeting. The FCOP is available on PROMPT, along with the Financial Accountability and Compliance Framework.

BHCG has reviewed, revised and adopted Terms of Reference for the Board Audit and Risk Committee. This Committee oversees a comprehensive audit program undertaken in accordance with the Strategic Internal Audit Plans (SIAP) developed by RSM Bird Cameron (BHCG appointed Internal Auditors).

The SIAP 2016 – 2018 has been reviewed and additional Audits have been included in the 2017/18 SIAP. Specifically, the Board have commissioned an Audit Review of Executive Salary and Government Sector Executive Remuneration Panel reporting.

Risk Management Policy and Framework have been reviewed against both the DHHS documents and against other organisations and no specific gaps identified or changes have been recommended.

Additional training in risk identification and management has been conducted by the Victorian Managed Insurance Authority (VMIA) for Board of Directors, Executives and Directors (Senior Managers). The VMIA are also engaged to conduct a Risk Management workshop in November 2017 as part of the Board of Directors Strategic Planning process.

Bendigo Health met the requirements of the Financial Management Compliance Framework (FMCF). This is completed annually and applies for the entire year, (not just the reporting date). The FMCF is confirmed as being compliant with Standing Directions that are issued by the Minister for Finance under section 8 of the Financial Management Act 1994 (FMA).

Bendigo Health continually review and apply the requirements of the Minister of Finance Financial Reporting Directions and make changes as required.

Recommendation 2

That Bendigo Health consider the introduction of a 'declarable associations' policy to require employees to identify, declare and manage associations that may be incompatible with an employee's professional responsibilities.

Response

BHCG reviewed the matter of declarable associations as recommended and have revised the Conflict of Interest Policy and related documents to include the requirement for staff to advise declarable associations. Education on this change has been provided to Business Managers across BHCG.

Recommendation 3

That Bendigo Health thoroughly review the policies, procedures and practices in the following areas to ensure the corruption vulnerabilities identified in Operation Liverpool have been addressed:

- a. procurement
- b. asset management
- c. information security, particularly in relation to tendering information for major projects.

Response

BHCG has reviewed policies and protocols as recommended. Alongside the review of these policies and protocols BHCG has also ensured compliance with Legislative Requirements. Legislative compliance and compliance declaration is a regular ongoing corporate activity.

Key to strengthening BHCG's ability to prevent and to respond to allegations of fraud and corruption the Board of Directors have adopted a comprehensive Fraud and Corruption Prevention Framework. This Framework is modelled on the Framework provided by the Department of Health and Human Services (DHHS), which satisfies the requirements of the relevant Australian Standard (AS 8001-2008).

Importantly, within this framework is the establishment of a key, new role for BHCG, that of Manager, Corporate Integrity. This role has assigned responsibility for:

- prevention activities including fraud risk assessments and improvement of controls;
- monitoring the handling of reports related to fraud where those reports are made to managers and/or other identified reporting points within the Group;
- accepting reports of fraud where those reports are made to supervisors and/or other identified reporting points within the Group;

- initiating investigations with regard to fraud or corruption;
- reporting to the Audit and Risk Management Committee through the Chief Executive Officer on matters relating to fraud and corruption;
- keeping informed of current developments and issues in fraud and corruption control generally and disseminating relevant best-practice information throughout the organisation as appropriate;
- sharing knowledge and facilitating the adoption of better practices on fraud and corruption related risk management across the Group;
- developing training and communication initiatives to support ongoing fraud and corruption related risk awareness;
- reviewing this plan and framework and considering any changes that would enhance fraud and corruption related risk management in the Group;
- maintaining the following de-identified records and statistical data to support reporting purposes, and the evaluation of the effectiveness of fraud and corruption control strategies including:
 - the number of reports and/or allegations of fraud and/or corruption received; and
 - details of how the matters were progressed (review and reform of administrative processes/procedures, disciplinary action or criminal prosecution).

Importantly, this Framework provides clear and straightforward direction and guidance to staff of BHCG in the reporting of suspected Fraud and Corruption.

There has been a widespread promotion and education related to this new Framework across BHCG, including video messaging from the Board Chair and Acting CEO.

The BHCG Risk Register has been reviewed and one strategic risk and three operational risks have been included in the Risk Register.

Bendigo Health has committed to the employment of a Manager, Systems and Data Integrity to oversee and manage the implementation of the DHHS Cyberthreat security strategy which requires annual reporting to DHHS on progress to meet all 72 security controls.

In addition, where data is stored on, or accessible by, infrastructure and devices that are not managed by Bendigo Health, Bendigo Health are working to align those entities to also adhere to DHHS 72 Cyberthreat security controls.

Recommendation 4

That Bendigo Health review its training to ensure employees' understanding of relevant policies and procedures. Further, that training specifically addresses corruption risks and ethical dilemmas, and is tailored for employees in identified high-risk positions (such as employees with responsibility for procurement).

Response

A comprehensive review of BHCG training has been undertaken with a number of new and reviewed educational modules pertaining to fraud and corruption instituted, including:

- The Code of Conduct is now direct linked to BHCG Staff Home page of our intranet. Regular newsletter messaging has been implemented;
- Review of Corporate Orientation has occurred and clear VSPC Code of Conduct is emphasised for all new BHCG employees;
- BHCG employs the Studer Framework of Leadership and Cultural Change within the organisation. The internal Studer Coach role has been revised to provide a central focus of embedding knowledge and understanding of expectations in relation to probity, conduct and the identification and reporting of fraud and corruption;
- Manager education sessions on Procurement were conducted throughout April and May 2017 and are now a standing module in the BHCG Online Learning system;
- Fraud and Corruption education has been included in Business Managers Forum (which has mandatory attendance by BHCG Business Managers) agenda sessions from April and will continue on a regular and routine basis;
- A VPSC Code of Conduct module is now available within the BHCG Online Learning system. A communication strategy has been instituted to ensure staff complete the module and compliance and completion rates are now monitored by the Board People and Culture Committee; and
- To support monitoring and reporting of compliance with mandatory training requirements across BHCG, including training related to preventing and reporting fraud and corruption, BHCG has procured a new online Learning Management System. This new system is currently being procured, with completion scheduled for late November 2017.

Recommendation 5

That Bendigo Health confirm that all goods and services provided to Mr Mulder in a private capacity have been paid for in full.

Response

BHCG has undertaken a detailed review of goods and services provided to Mr Mulder in a private capacity to ensure all such services were appropriately invoiced and paid for in full. As a result further invoices were generated and paid in full by Mr Mulder for:

- Works relating to a pump motor and electrical works
- One for the manufacture of a small part for a motorcycle and the second for repairs to a trailer.

The total amount was \$1,139.

Summary

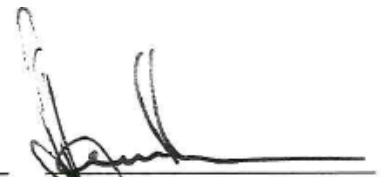
BHCG has taken the recommendations of the Operation Liverpool Report most seriously and has undertaken a comprehensive review of systems, processes and organisation guidance materials with a view to greatly enhancing fraud and corruption prevention and reporting. The changes made and the emphasis placed on this by BHCG leadership has positioned the organisation with strong controls, enhanced staff awareness and mechanisms of response to any and all instances of suspected or alleged fraud and corruption.



Hon Bob Cameron
Board Chair



Adam Woods
Chair Audit and Risk Committee



Mr Peter Faulkner
Acting CEO