INTEGRITY GOVERNANCE FRAMEWORK AND ASSESSMENT TOOL

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Disclaimer

CONTENTS

AN INTEGRITY GOVERNANCE FRAMEWORK BETTER PRACTICE ASSESSMENT AND REPORTING TOOL

The Integrity Governance Framework Better Practice Assessment and Reporting Tool is designed to be used by health services to guide better integrity practice through a simple self-assessment process that also provides direction on suggested practice. The tool focuses on four key practice domains or 'pillars' at risk of integrity breach within a health service: employment principles and personnel, procurement, contract and project management, finance and governance. The principles of integrity governance and the tool can equally be applied more broadly to other functional or practice areas where the health service identifies a need.

The tool is not intended to be prescriptive but rather aids organisations seeking to improve their integrity systems, strengthen and embed a positive integrity culture and lift their capability to prevent fraud and corruption. The suggested processes may apply to more than one key practice area.

However for simplicity, the tool ascribes suggested actions to the area of greatest alignment. The processes are intended as a prompt to review practice and there will be other responses that maybe appropriate. The tool also allows health services to insert local practices for each line of defence in each pillar to ensure organisations are able to effectively record the systems and processes employed within their service to safeguard integrity.

Key elements include:

- Better integrity practice requirements
- Integrity governance practice ratings
- Integrity governance map
- Suggested processes and practice to implement a three lines of defence risk management model
- Action planning template to direct improvement activities.

Assessment ratings and gap analysis

The tool is designed to allow organisations to review their local controls and systems for the four organisational pillars against each of the three lines of defence better practice statements. There is an extra line at the bottom of each section to encourage organisations to insert additional local integrity practices.

Organisations self assess and rate their operational practice in response to each practice statement, including local practices added, as 'never', 'inconsistently' or 'consistently'.

These responses auto-populate an **Integrity Governance Map**, providing an overall view of the integrity results in each line of defence for each pillar. A final overarching integrity map populated with the tally for each line of defence is then complied across all four pillars allowing organisations to see an integrated view of their integrity systems.

The results show the spread of integrity controls and systems within each pillar for each line of defence and the consistency of process application.

The integrity governance maps provide a snapshot that highlights potential gaps or vulnerabilities in integrity practice. It provides the basis for a deeper dive to understand the nature of the integrity risk and the effectiveness of practices and controls. In turn, this will inform the area of focus and priority for the **Integrity Governance Action Plan.**

Organisations are encouraged to aim for results that reflect the application of better integrity processes that are consistently in practice for all three lines of defence, in each pillar. Thus higher results in the top third of the map suggests stronger controls within a line of defence due to consistent application of a wide range of integrity processes. Results stretched across the top third of the map suggest consistent integrity practice across multiple lines of defence. Conversely, results that cluster in the lowest third of the map indicate that an organisation has some gaps in integrity practice that may expose a vulnerability to fraud and corruption.

The integrity practice results are not intended for comparison across organisations due to the subjective nature of the self assessment process and the potential variability of results where organisations have added local practices to the self assessment. The results allow health services to baseline internal systems, identify gaps in the lines of defence and to track and monitor improvement over time.

The tool provides an overall view of the health service's integrity practice and therefore, offers a degree of assurance as to the integrity culture and broader integrity capability of the organisation. It is not a compliance checklist and should be considered in conjunction with mandatory practice requirements and checks such as the Department of Treasury and Finance Financial Management Compliance Framework, HealthShare Victoria self-assessment and other external reporting obligations.

Completion of the self – assessment

The assessment is intended to be completed at a high level and is not meant to be a detailed audit tool. Ideally it would be completed at a senior management level by staff with a good working knowledge of practice in the four operational domains. Completion of the tool results in an integrity governance map that rates the level of practice in each line of defence for each operational pillar. The map identifies gaps in integrity defence and highlights opportunities for improvement to strengthen the integrity culture and capability of the organisation.

It is also useful for the Board to undertake the assessment as it will have a different perspective which can provide practical insight regarding the third line of defence. For example, does the Board feel confident that the first and second line controls are in place and effective, and if not, it allows a conversation about whether there is a substantive issue requiring attention or more simply a reporting and communication gap.

As this is a self-assessment, the **results are not directly comparable to those of other health services** as different organisations and individuals will calibrate their responses based on their particular circumstances and understanding. However, by undertaking the self-assessment annually, an organisation can get a picture of its integrity governance over time having regard to changing requirements, maturing understanding and practice, and the implementation of prior year action plan priorities. It provides a structure for a regular conversation about how integrity and controls are understood and lived throughout an organisation.

Action planning

An action plan template has been provided to document and monitor the remedial actions and intended improvement activities to enhance integrity practice. This is included as a separate template so that it may be used as a working document and a tool to monitor and track the progress of actions monitored as required.

Priorities

The self-assessment will provide a high-level indication of areas requiring further attention and possible intervention. The rating scale offers an indication of relative significance and can be used to inform the action plan. Inevitably time and resources are finite and not all potential 'gaps' represent the same imperative or risk. Therefore, organisations will need to prioritise their action items having regard to circumstance, risk, impact, capacity and capability – this is a journey of continuous improvement. Two questions that may assist prioritising:

- What am I / we most anxious about and why?

- If I / we had five percent of our budget available to spend on integrity governance, what are the first 3-5 things I / we would do?

Reporting

The tool is not designed or intended to be used as an external reporting device nor as a definitive measure of the effectiveness or validation of an organisation's integrity systems. It is recommended that the self-assessment and action plan are used by Management/Executive and Boards as tools that provide insights, identify areas for deeper investigation and discussion, identify potential weaknesses in controls and practice, and to plan and prioritise improvement actions. The long-term goal of the self-assessment and action planning process is for the health service to build integrity capability by aiming to achieve consistent and improving practice across all three lines of defence for the four operational pillars: employment principles and personnel, procurement contract/ project management, finance and governance. It is recommended that the assessment process be completed on an annual basis to monitor progress and ensure appropriate practice is maintained.

INTEGRITY GOVERNANCE MAP

Objectives

- Map current practice against the three lines of defence in the four key operational pillars

- Highlight better practice integrity gaps and identify potential integrity vulnerabilities

- Identify areas for improvement and assist in prioritising remedial actions

Limitations

- The self-assessment is based on a subjective review of current integrity practice **and therefore results are not intended for comparison or benchmarking with other health services.**

- The assessment is not a measure of the quality or effectiveness of a practice

- The results are a self-assessed snapshot at a point in time and not an indicator of compliance

BETTER PRACTICE ASSESSMENT AND REPORTING TOOL

Employment principles and personnel

A culture of integrity is at the core of the organisation's ability to reduce the likelihood of fraud and corruption. The organisation's values and Code of Conduct should set the integrity standard for all interactions, decisions and behaviours within the health service. Leaders must model these values and behaviours and ensure that all personnel are aware of and understand their role in applying these values in the workplace. There must be a clear pathway to raise issues of concern, and address behaviour and actions that sit outside of the code of conduct. Employment practices should reflect the public sector employment principles.

FIRST LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
All staff are provided with a copy of the organisation Code of Conduct and orientated to the expected behaviours and values	never inconsistently consistently	Code of Conduct and values form an integral part of the organisational and local induction process	
All personnel are evaluated against the Code of Conduct and organisational values annually	never inconsistently consistently	Occurs as part of the performance appraisal/review process	
Conversations regarding the integrity of processes and decisions are a regular occurrence	never inconsistently consistently	Integrity discussions are a standard process in team meetings	
Integrity breaches are reported and addressed	never inconsistently consistently	There is a documented process for reporting and investigating breaches of the code of conduct and unacceptable employee behaviour	
The recruitment processes ensures the appropriate application of the public sector employment principles	never inconsistently consistently	All vacancies are advertised internally and externally Staff are trained and have tools to support capability, values and behavioural based recruitment techniques Pre-employment checks are completed including qualifications, employment history, discipline and criminal histories	
Staff in high risk or integrity sensitive positions are regularly rotated and leave is appropriately managed	never inconsistently consistently	A policy of rotating staff in high risk/sensitive positions is implemented and a leave management process occurs to ensure that staff in these roles take leave at appropriate intervals	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

SECOND LINE OF DEFENCE

Better practice integrity	Rating (Please check the box next to the appropriate response)	Suggested processes	Comments
Policies and procedures are underpinned by the Code of Conduct / ethics and organisational values	never inconsistently consistently	Organisational policies and procedures articulate how the Code of Conduct and behavioural values are applied in the enactment of the policy	
Integrity sensitive and high risk positions receive appropriate training and support in fraud and corruption prevention	never inconsistently consistently	Personnel working in finance, procurement and commercial management areas receive regular education on integrity better practice principles, legislative and government accountabilities and expectations of their operational practice	
Management regularly reviews performance metrics on the culture and values of the organisation	never inconsistently consistently	Relevant data is collated and reported at the management level such as: • Performance appraisal completion rates • People matters survey results in relation to organisational culture • Staff integrity / anti-fraud and corruption training records • Policies reviewed and audited regarding integrity • Rotation data and annual leave uptake for staff in sensitive high risk positions • Complaints and reports of integrity breaches	
Management regularly reviews the integrity risk profile of the organisation	never inconsistently consistently	Areas susceptible to a breach of integrity are captured in the organisational risk management process Risks are formally assessed and rated Risk controls and treatments are regularly reviewed and updated	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

THIRD LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
Accountability for organisational culture and behaviour is held by the Executive, CEO and Board	never inconsistently consistently	Organisational culture and people performance objectives are included in executive and CEO performance plans The Board reviews organisational culture / behavioural data and sets performance targets The Board's culture and performance is reviewed annually	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

Procurement, contract and project management

Procurement and contract management are high risk areas for an integrity breach. Key personnel must be suitably qualified and experienced in the requirements of government compliant procurement and contract management practice. All purchasing and commercial activity must meet the requirements for appropriate use of public funds and should ensure value for money. Due to the vulnerabilities in this area, systems must exist to make sure that continuous monitoring and oversight of practice and effectiveness of risk management controls occurs at all levels of the organisation.

FIRST LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
Procurement officers, contract managers and other key integrity personnel are appropriately qualified, credentialed and experienced	never inconsistently consistently	Position descriptions state minimum standards in regard to qualifications, skills and experience Recruitment practices ensure applicants meet or exceed minimum position requirements Appropriate checks of employment history, discipline and criminal history for personnel in high risk positions are completed as part of the recruitment process Personnel in these positions undertake regular professional development to ensure they are up to date with legislative and government policy requirements	
New staff are educated on local integrity systems	never inconsistently consistently	A formal induction process is applied to new employees in integrity sensitive positions to ensure that they are educated on the practice requirements, expectations and accountabilities of their role	
Staff with purchasing authority are appropriately trained in the organisation purchasing process and requirements	never inconsistently consistently	Organisational procedures and documents facilitate sound purchasing processes consistent with organisational policies and compliant with competition requirements Frontline purchasing behaviour is regularly reviewed by management and procurement officers to ensure compliance Breaches of policy or inappropriate purchasing are investigated and addressed	

Better practice integrity	Rating (Please check the box next to the appropriate response)	Suggested processes	Comments
The organisation has a clear policy and process to manage supplier and contractor behaviour	never inconsistently consistently	Policy and procedure documents ensure suppliers and contractors behave in a manner consistent with the organisational values and behavioural expectations External contracts include a code of conduct as a standard part of the terms and conditions Supplier and contractor behaviour is monitored and any issues or breaches of the code of conduct are addressed	
Adherence to required practice is monitored	never inconsistently consistently	Policy and practice implementation is evaluated via: • Integrity Moments at the commencement of a meeting / project • Regular review of delegation of authority and segregation of duties • Regular rotation and review of compliance with the annual leave policy for relevant staff • Process checklists • Registers of activity • Compliance audits • Practice self-assessments • Audits of corruption risks • Monitoring of and actions in response to complaints and concerns	
The disposal of assets is managed through a process consistent with Victorian health policy and funding guidelines and is in accordance with the principles of probity, taking into consideration the cost of disposal to achieve the best value outcome	never inconsistently consistently	The organisational policy on disposal of assets meets government requirements The organisation maintains an up to date asset register The health service process to dispose of an asset addresses the issues of probity, security, sustainability and transparency as well as environmental and social factors	

FIRST LINE OF DEFENCE CONTINUED			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
Breaches of practice and integrity concerns are reported and addressed	never inconsistently consistently	There is a documented process for reporting and investigating breaches of procurement or commercial activity policies / processes and suspected integrity issues	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

SECOND LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
Procurement and contract policies and procedures meet government and legislative requirements	never inconsistently consistently	Organisational policies and procedures are annually reviewed to ensure alignment with HSV and the Standing Directions for the Minister for Finance	
Management regularly reviews compliance with expected integrity policy and practice	never inconsistently consistently	Relevant data is collated and reported at management level such as: • Compliance audits and action plans • Self-assessments • Regular rotation and review of compliance with the annual leave policy for staff in sensitive positions • Complaints and reports of integrity breaches • Complaints from contractors and other commercial bodies • Decision and approval process for key contracts and procurement activities	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

THIRD LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
The organisation has a strategic procurement policy	never inconsistently consistently	The Executive and Board develop and implement a procurement and contract management strategy for the organisation, aligned with HSV and legislative requirements that guides commercial activity	
Management completion of attestations is fully informed	never inconsistently consistently	The Executive and Board review strategic procurement plans annually Integrity compliance and self-assessment data is reviewed by the Executive and Board Executive and Board actively engage in and monitor mandatory reporting requirements	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

Finance

Finance functions are particularly vulnerable to fraud and corruption. Robust systems must be in place to safeguard public funds and ensure that all spending is legitimate and meets public expectations. Clear delegations of authority and regular audit of financial transactions must be in place, supported by detailed financial reporting and review of spend at all tiers of the organisation.

FIRST LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
Chief Financial Officer, responsible officer, and finance staff are appropriately qualified, credentialed and experienced	never inconsistently consistently	Position descriptions state minimum standards in regard to qualifications, skills and experience Department structure has clear lines of accountability and reporting Recruitment practices ensure applicants meet or exceed minimum position requirements Appropriate checks on qualifications, employment, discipline and criminal histories are completed during the recruitment process Personnel in these positions undertake regular professional development to ensure they are up to date with legislative and government policy requirements	
New staff are educated on local integrity systems	never inconsistently consistently	A formal induction process is applied to new employees in integrity sensitive positions to ensure that they are educated on the practice requirements, relevant legislation, proper use of public resources and expectations of their role New employees are educated on the organisation delegations of authority, segregation of duties and processes for payment of salaries and expenses to individuals	

Better practice integrity	Rating (Please check the box next to the appropriate response)	Suggested processes	Comments
Effective policies and procedures are in place to support financial systems that are compliant with legislation, government and organisational requirements Systems and processes are effective in the mitigation of fraud and corruption	never inconsistently consistently	Policy and practice implementation is evaluated via: • Integrity Moments at the commencement of meetings • Regular review of delegation of authority and segregation of duties • Regular rotation and review of compliance with the annual leave policy for staff in sensitive positions • Process checklists • Registers of activity • Compliance audits • Practice self-assessments • Monitoring of and actions in response to complaints and concerns	
Breaches of financial policies and processes and / or concerns regarding integrity are reported and addressed	never inconsistently consistently	There is a documented process for reporting and investigating breaches of financial policy and practice, delegations of authority and suspected integrity issues	
Appropriate financial management software is in place	never inconsistently consistently	Electronic finance systems have appropriate security measures in place and provide financial reports that support management oversight of financial transactions and auditing functions	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

SECOND LINE OF DEFENCE

Better practice integrity	Rating (Please check the box next to the appropriate response)	Suggested processes	Comments
Financial management is aligned with organisational strategic and business objectives	never inconsistently consistently	Budgets are set in line with approved strategic and business plans Financial decisions are assessed to determine alignment with the achievement of strategic and business objectives Management regularly review and discuss budget performance and risks	
Finance policies and procedures are regularly reviewed to ensure they meet government and legislative requirements	never inconsistently consistently	Organisational policies and procedures are annually reviewed to ensure alignment with the Standing Directions for the Minister for Finance and government guidelines in relation to the use of public funds	
Management regularly reviews compliance with expected finance policy and practice	never inconsistently consistently	Relevant data is collated and reported at the management level such as: • Policy and delegation of authority compliance audits and action plans • Self-assessments • Compliance with rotation and the annual leave policy for staff in sensitive positions • Complaints and reports of financial policy and / or integrity breaches • Complaints from external bodies such as creditors and /or debtors • Decision and approval process for significant financial transactions	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

	THIRD LINE OF DEFENCE		
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
A financial management strategy guides the overarching practice of the organisation	never inconsistently consistently	The Executive and Board develop and implement a strategic financial strategy that provides the framework to build financial policies and procedures that will assist the organisation in achieving budget and business objectives	
Management completion of attestations is fully informed Executive and Board are engaged in the completion and approval of the annual report	never inconsistently consistently	The Executive and Board review strategic business and financial plans annually A comprehensive financial reporting program which includes regular review of performance against budget and major expenditure, flows through the Audit and Risk Committee to the Board Integrity compliance, self-assessment and internal audit data is reviewed by the Executive and Board The Executive and Board actively engage in and monitor mandatory reporting requirements	
The internal audit program is used as an assurance and improvement mechanism for financial management and governance	never inconsistently consistently	The Executive and Board • Ensure that the internal audit program is completed by appropriately qualified independent professionals • Use information provided by internal audit to inform the completion of annual attestations • Ensure deficiencies identified have a remedial action plan • Ensure recommendations from internal audit are incorporated into an improvement plan to enhance financial systems	

Better practice integrity	Rating (Please check the box next to the appropriate response)	Suggested processes	Comments
External audit programs such as those conducted by the Victorian Auditor General's Office, Department of Health and/or their sub-contractors are used as an assurance and improvement mechanism for financial management and governance	never inconsistently consistently	The Executive and Board • Ensures results of external audit programs are reviewed and discussed at the Executive and through the governance process of the organisation • Use information provided by external audit to inform the completion of annual attestations • Ensure deficiencies identified have a remedial action plan • Ensure recommendations from external audits are incorporated into an improvement plan to enhance financial systems	
Significant and / or serious incidents of financial misconduct, fraud or corruption are appropriately investigated and addressed	never inconsistently consistently	The Executive and Board • Review data and monitor complaints and reports of financial misconduct • Ensure appropriate improvement action is taken to address breaches of policy and practice • Ensure staff implicated in financial misconduct are managed appropriately including disciplinary action if required • Escalate episodes of fraud and corruption to the DH and IBAC as required	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

Governance

Governance refers to the processes and mechanisms in place to support and implement decisions. It encompasses policies, procedures, systems and behaviours through which the organisation's authority is administered exercised and maintained. Governance processes must be aligned with the public sector code of conduct and reflect the values of the organisation.

FIRST LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
Board members are provided with a copy of the organisation Code of Conduct and orientated to the expected behaviours and values	never inconsistently consistently	Code of Conduct and values form an integral part of the organisational and local induction process for Board members	
Governance is understood and supports effective decision making with appropriate controls, monitoring and oversight to ensure effective delivery of services compliant with legislation, government and organisational requirements	never inconsistently consistently	Practice is guided by policies that outline key elements of governance including • Decision making delegation of authority • Declarable interests and conflicts of interest • Gifts, benefits and hospitality • Bullying and harassment • Fraud and corruption • Public Interest Disclosures	
Other: Please add any local practices that support effective processes in this line of defence	0-never 1-inconsistently 2-consistently		

SECOND LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
The effectiveness of governance policies is monitored and reviewed	never inconsistently consistently	Policy and practice implementation is evaluated via: • Integrity Moments at the commencement of meetings • Regular review of delegation of authority and segregation of duties • Annual completion of Declaration of Interest statements by key personnel • Regular audit of the Gift Register • Practice compliance audits • Practice self-assessments • Monitoring and review of actions in response to complaints and concerns	
Other: any local practices that support effective processes in this line of defence	never inconsistently consistently		

THIRD LINE OF DEFENCE			
Better practice integrity	**Rating** (Please check the box next to the appropriate response)	**Suggested processes**	**Comments**
Management completion of attestations is fully informed	never inconsistently consistently	The Executive and Board review governance processes annually and update as required Integrity compliance, self-assessment and internal audit data is reviewed by the Executive and Board The Executive and Board actively engage in and monitor compliance with key governance processes including the declaration of conflicts of interest and management of gifts, benefits and hospitality	
The Board receives independent advice on the effectiveness of governance processes within the health service	never inconsistently consistently	The Board holds regular in camera sessions with internal auditors The Board completes an annual review of Board performance and sets improvement goals The Board receives and considers contemporary advice from governance authorities including the VPSC, VAGO and the DH to ensure better practice is maintained	
Other: Please add any local practices that support effective processes in this line of defence	never inconsistently consistently		

INTEGRITY MAPS

GOAL: Consistent application of better practice in all levels of defence for all pillars of integrity management

The results displayed in the following integrity maps, show the spread of integrity controls and systems within each pillar for each line of defence and the consistency of process application.

Organisations are encouraged to aim for results that reflect the application of better integrity processes that are consistently in practice for all three lines of defence, in each pillar. Thus higher results in the top third of the map suggest stronger controls within a line of defence due to consistent application of a wide range of integrity processes. Results stretched across the top third of the map suggest consistent integrity practice across multiple lines of defence. Conversely, results that cluster in the lowest third of the map indicate that an organisation has some gaps in integrity practice that may expose a vulnerability to fraud and corruption.

PURPOSE

• Maps self assessed current practice against three lines of defence

• Highlights better practice integrity gaps and identifies potential integrity vulnerabilities

• Highlights areas for improvement and assists in prioritising an action plan

LIMITATIONS

• Self-assessment based on a subjective review of current integrity practice and therefore results are not intended for comparison or benchmarking with other health services

• Not a measure of the quality or effectiveness of a practice

• Snapshot at a point in time and not a compliance checklist

Employment principles & personnel

Better Practice Application

Consistent			
Inconsistent			
Never			
	1st Line of Defence	2nd Line of Defence	3rd Line of Defence

Risk Management

Procurement, contract & project management

Better Practice Application

Consistent			
Inconsistent			
Never			
	1st Line of Defence	2nd Line of Defence	3rd Line of Defence

Risk Management

Finance

Better Practice Application

	1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Consistent			
Inconsistent			
Never			

Risk Management

Governance

Better Practice Application

	1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Consistent			
Inconsistent			
Never			

Risk Management

OVERALL INTEGRITY GOVERNANCE

	1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Consistent			
Inconsistent			
Never			

Better Practice Application (vertical axis)

Risk Management