

## Fraud

### Policy Responsibilities and Authorisation

<b>Department Responsible for Policy</b>	Finance
<b>Document Facilitator Name</b>	Rowan Cramond
<b>Document Facilitator Title</b>	Director Finance Operations
<b>Document Owner Name</b>	Maureen Chrystall
<b>Document Owner Title</b>	Executive Director Corporate Services
<b>Target Audience</b>	All staff
<b>Committee Approved</b>	Audit & Risk Management Committee
<b>Date Approved</b>	24 May 2017
<b>Committee Endorsed</b>	Waikato DHB Board
<b>Date Endorsed</b>	26 July 2017
<p><b>Disclaimer:</b> This document has been developed by Waikato District Health Board specifically for its own use. Use of this document and any reliance on the information contained therein by any third party is at their own risk and Waikato District Health Board assumes no responsibility whatsoever.</p>	

## Fraud

### Policy Review History

Version	Updated by	Date Updated	Summary of Changes
5	Rowan Cramond	10 March 2017	<ul style="list-style-type: none"> <li>• New policy format</li> <li>• Changes in position titles</li> <li>• Changes in anonymous fraud phone line and email details</li> <li>• Update incident form to Datix incident report in the process flow chart</li> <li>• Policy exclusion added for special circumstances</li> <li>• Define “fraud of a serious nature”</li> <li>• Recognise the ability of a manager with Level 4 delegation or above to determine the Lead Investigator</li> </ul>

## Fraud

### Contents

1. Introduction .....	4
1.1 Purpose.....	4
1.2 Scope.....	4
1.3 Exclusions.....	4
2. Definitions .....	4
3. Policy Statements .....	6
4. Policy Processes .....	6
4.1 Reporting of fraud .....	6
4.2 Referral .....	7
4.3 Investigation.....	7
4.4 Remedial action .....	8
4.5 Responsibilities.....	9
4.6 Fraud process flow chart .....	10
5. Audit.....	11
5.1 Success Indicators.....	11
6. Legislative Requirements .....	11
6.1 Legislation.....	11
7. Associated Documents .....	11

**Fraud**

**1. Introduction**

**1.1 Purpose**

The purpose of the Waikato District Health Board (DHB) Fraud policy is to ensure that all instances of fraud are dealt with appropriately and in an equitable and consistent manner.

**1.2 Scope**

This policy seeks to facilitate the prevention and detection of fraud as well as outline the appropriate steps to be taken if fraud is detected, thus demonstrating that fraud is not tolerated at Waikato DHB.

The policy applies to the following people:

- Current or former employees of Waikato DHB
- Volunteers of Waikato DHB
- Board members of Waikato DHB
- Individuals seconded to Waikato DHB
- Individuals and organisations acting as agents for, engaged with or contracted to Waikato DHB

If members of the public are involved in defrauding Waikato DHB the principles of this policy outlined in section 2 apply to them.

**1.3 Exclusions**

This policy excludes any investigative process regarding a member of the Case Management Team or Chief Executive. For a member of the Case Management Team, the manager of the person concerned is to consult with the Chief of Staff and agree any appropriate action and identify the people required to undertake any investigative process. For the Chief Executive, the Chair of the Board or the Chair of the Audit and Corporate Risk Management Committee is to consult with the Chief of Staff and agree any appropriate action and investigative process.

**2. Definitions**

<b>Fraud</b>	<p>Fraud is any deliberate action or omission designed to deceive so as to derive some direct or indirect personal gain, benefit or advantage.</p> <p>Examples of fraud may include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Forgery or alteration of cheques, EFTPOS payments, direct credit payments or other documents</li> <li>• Misappropriation or theft of funds, intellectual property, assets or supplies (including any consumable, pharmaceutical or piece of equipment purchased and or owned by the DHB)</li> <li>• Irregularity in the handling or reporting of money</li> <li>• Manipulation of information or documents</li> </ul>
--------------	--

## Fraud

	<ul style="list-style-type: none"> <li>• Omission or fraudulent treatment of accounting records</li> <li>• Misrepresentation of timesheets and expense claims</li> <li>• Abuse of a conflict of interest</li> <li>• Trading on confidential or inside information</li> <li>• Accepting or granting of a kickback or bribe</li> <li>• Involvement in the rigging of a bid or price fixing</li> <li>• Hacking or other security breaches</li> <li>• Information Systems related fraud such as manipulation of data, equipment, programmes, or substituting records</li> <li>• Duplicate billing or attempting to procure payment by sending false invoices as a phantom vendor</li> <li>• Inappropriate use of Waikato DHB assets including motor vehicles</li> <li>• Falsification of employment credentials</li> </ul> <p>The above examples are indicative only and may also fall within the coverage of other policies or legislation.</p>
<b>Fraud of serious nature</b>	<p>Consideration of if fraud is of a serious nature includes one or more of the following:</p> <ul style="list-style-type: none"> <li>• the nature and consequences of the alleged fraud, such as whether a large number of people have been impacted by the alleged offending or if it has had a significant impact on a victim or victims or if it has the impact of impeding patient or staff safety ; and/or</li> <li>• the scale of the alleged fraud, including whether the alleged offending is likely to undermine public confidence in the integrity of Waikato DHB; and/or</li> <li>• the factual, financial or legal complexity of the alleged fraud, including whether an investigation is beyond the resources of an HR Consultant or internal resources identified by CMT; and/or</li> <li>• the nature of the public interest in the alleged fraud.</li> </ul>
<b>Case Management Team (CMT)</b>	<p>Team consisting of one HealthShare employee and two Waikato DHB employees, being the HealthShare Internal Audit Manager, Property Security Manager and Director of People &amp; Performance or delegate. Others may be seconded as appropriate.</p>
<b>Investigator</b>	<p>Person assigned by the CMT or Manager to lead any formal investigation into cases of suspected fraud. The Investigator can be a member of the CMT.</p>
<b>Internal Audit</b>	<p>Waikato DHB appointed Internal Audit department.</p>
<b>Manager</b>	<p>Refers to a Manager holding a minimum level four delegation</p>

## Fraud

### 3. Policy Statements

The Waikato DHB policy for fraud is that:

- Fraud is not tolerated at Waikato DHB.
- Any suspected fraud perpetrated against Waikato DHB must be reported.
- All incidents of suspected fraud of a serious nature must be reviewed, and unless there are reasonable grounds not to the suspected fraud must be investigated.
- All incidents of suspected fraud must be reported to the Case Management Team (CMT) as soon as practicable.
- All suspected misconduct by employees relating to fraudulent activity must be managed in accordance with the Waikato DHB Performance Management and Discipline Policy.
- Referral to the police for prosecution and/or dismissal may result.
- All established cases of fraud shall be recorded in the Waikato DHB Fraud Database.
- Waikato DHB will seek recovery of all losses arising from fraud where viable.
- Managers shall include fraud risk assessment and mitigation in their risk management processes.
- The CMT will have an operational oversight of investigations into suspected fraud.

### 4. Policy Processes

#### 4.1 Reporting of fraud

- Fraud is any deliberate action or omission designed to deceive so as to derive some direct or indirect personal gain, benefit or advantage (refer Appendix B1 for examples). A fraud therefore will typically have three elements; intent, deceit and gain.
- In the interests and welfare of the organisation, any person suspecting fraud must report it immediately to one of the following:
  - Level 3 Executive Director
  - Level 4 Director/Manager
  - HealthShare Internal Audit Manager, Property Security Manager or Employee Relations Manager
  - Chief Executive Officer
  - Contact the Ministry of Health – Health Integrity Line (or equivalent) by freephone 0800 424 888 or email anonymously online at [www.crimestoppers-nz.org](http://www.crimestoppers-nz.org)
- An independently operated Health Integrity Line is available as a reporting option for both members of the public or employees. This option allows for greater anonymity of disclosure of suspected fraud.
- The person above receiving the report on suspected fraud must then promptly inform the Case Management Team (CMT). The CMT consists of the HealthShare Internal Audit Manager, Property Security Manager and Director of People and Performance (or nominee).

Doc ID:	3274	Version:	5	Issue Date:	1 AUG 2017	Review	1 AUG 2020
Facilitator Title:	Director Finance Operations			Department:	Finance		
IF THIS DOCUMENT IS PRINTED, IT IS VALID ONLY FOR THE DAY OF PRINTING							Page 6 of 11

## Fraud

- Where a person who reports suspected fraud invokes the protection provided by the Protected Disclosures Act 2000, they must be afforded the degree of confidentiality required by section 9 of that Act. (See Waikato DHB Protected Disclosure policy).

### 4.2 Referral

- The CMT shall discuss all suspected fraud brought to its attention and may separately determine if a formal investigation is to be conducted. An important determinant is if the suspected fraud is of a serious nature which is considered on a case-by-case basis.
- Nothing in the paragraph above shall prevent, a Manager initiating their own investigation. Such investigations will be assisted by Internal Audit, People & Performance directorate, or Property Security Manager as appropriate. CMT must be notified of the formal investigation into suspected fraud to be conducted.
- The CMT or Manager (as appropriate) shall notify the Chief Executive of any investigations of a serious nature that are to be undertaken.
- If an investigation not regarding an employee is to take place, the CMT or Manager will determine if the investigation will be undertaken by internal resources and/or by a relevant external party.
- Any other person may be informed of the suspected fraud at the discretion of the Chief Executive or CMT, such as the Chairperson of the Audit & Risk Management Committee, the Chairperson of the Board, Level 3 Managers or the Manager of the service affected.
- Under the terms of the ACC Partnership Programme, Waikato DHB Health and Safety must inform ACC of all suspected work-related ACC fraud.
- Depending on the circumstances of the case and in accordance with People & Performance policies, strict confidentiality may be required while investigating any suspected fraud.

### 4.3 Investigation

- If it is suspected that an employee of Waikato DHB is involved in fraud, the investigation process must comply with the Waikato DHB Performance Management and Discipline Policy.
- Where CMT or Manager decides on an external investigator, the Investigator will agree the terms of reference of the investigation with the CMT or Manager prior to the commencement of the investigation.
- The Investigator's plan for the investigation must include determining the necessary steps for obtaining, securing and safeguarding evidence, the possible prevention of further fraud, the timeframe for the investigation, and the need to ensure process does not compromise any subsequent action taken against perpetrator whether in a criminal or civil jurisdiction.

Doc ID:	3274	Version:	5	Issue Date:	1 AUG 2017	Review	1 AUG 2020
Facilitator Title:	Director Finance Operations			Department:	Finance		
IF THIS DOCUMENT IS PRINTED, IT IS VALID ONLY FOR THE DAY OF PRINTING							Page 7 of 11

## Fraud

- The Investigator must obtain and secure all documentary evidence as early as possible in the investigation in order to preserve the evidence.
- The Investigator may recommend to the CMT that external specialists be engaged to assist in the investigation.
- The Investigator will review the relevant systems and procedures and advise on any improvements necessary to prevent recurrence of the fraud or similar acts in the future.
- The Investigator will report the results of the investigation to the Manager and CMT.
- Investigations into external health providers managed by the Strategy and Funding department are conducted by HealthShare Limited and the Audit and Compliance Unit of the Ministry of Health. The results are reported to the Executive Director Strategy and Funding and to the Chief Executive of Waikato DHB.
- Investigations that occur outside the process stipulated above, may be subsequently validated by the CMT or Manager as appropriate.

### 4.4 Remedial action

- On receiving the results of an investigation carried out under section 3, or after determining that a suspected fraud is not of a serious nature and therefore does not require investigation under section 2, the CMT must determine the appropriate remedial action, if any, to be taken.
- If an investigation has concluded that fraud has taken place, the CMT or Manager must advise the Chief Executive of this.
- If an investigation has concluded that fraud has taken place, the CMT or Manager must (in determining the remedial action to be taken) consult with either the Chief of Staff or Executive Director Corporate Services. Action may include:
  - Dismissal (in the case of an employee)
  - End of contract (in the case of a supplier/contractor/volunteer)
  - Referral to the Police for prosecution unless there are specific mitigating circumstances.
- Where an investigation identifies misconduct relating to fraudulent activity of a current employee, the offender will be managed in accordance with the Waikato DHB Performance Management and Discipline policy.
- Recovery of all losses will be sought if financially viable.
- All proven incidents of fraud and the remedial action taken must be recorded by Internal Audit on their Fraud Database. The Fraud Database is a requirement of a statement from the Auditor General “AG-206: Auditor-General’s Statement of the Auditor’s Responsibility to Consider Fraud in an Audit of a Financial Report” which stipulates that the database must contain information of the fraud including the nature of the fraud, the name and position of the person involved and the estimated dollar value of the fraud.

Doc ID:	3274	Version:	5	Issue Date:	1 AUG 2017	Review	1 AUG 2020
Facilitator Title:	Director Finance Operations			Department:	Finance		
IF THIS DOCUMENT IS PRINTED, IT IS VALID ONLY FOR THE DAY OF PRINTING							Page 8 of 11

## Fraud

- The Audit & Corporate Risk Management Committee and the external auditor for Waikato DHB will be informed via written report prepared by Internal Audit, in the Audit Committee agenda, of all proven instances of fraud and the remedial action taken in each case as recorded on the Fraud Database.
- The Audit & Corporate Risk Management Committee will recommend to the Board if the matter is to be referred to the Serious Fraud Office.
- An employment reference shall not be provided by Waikato DHB to any employee dismissed for fraud. It is noted that an employment reference is different from a statement of service.

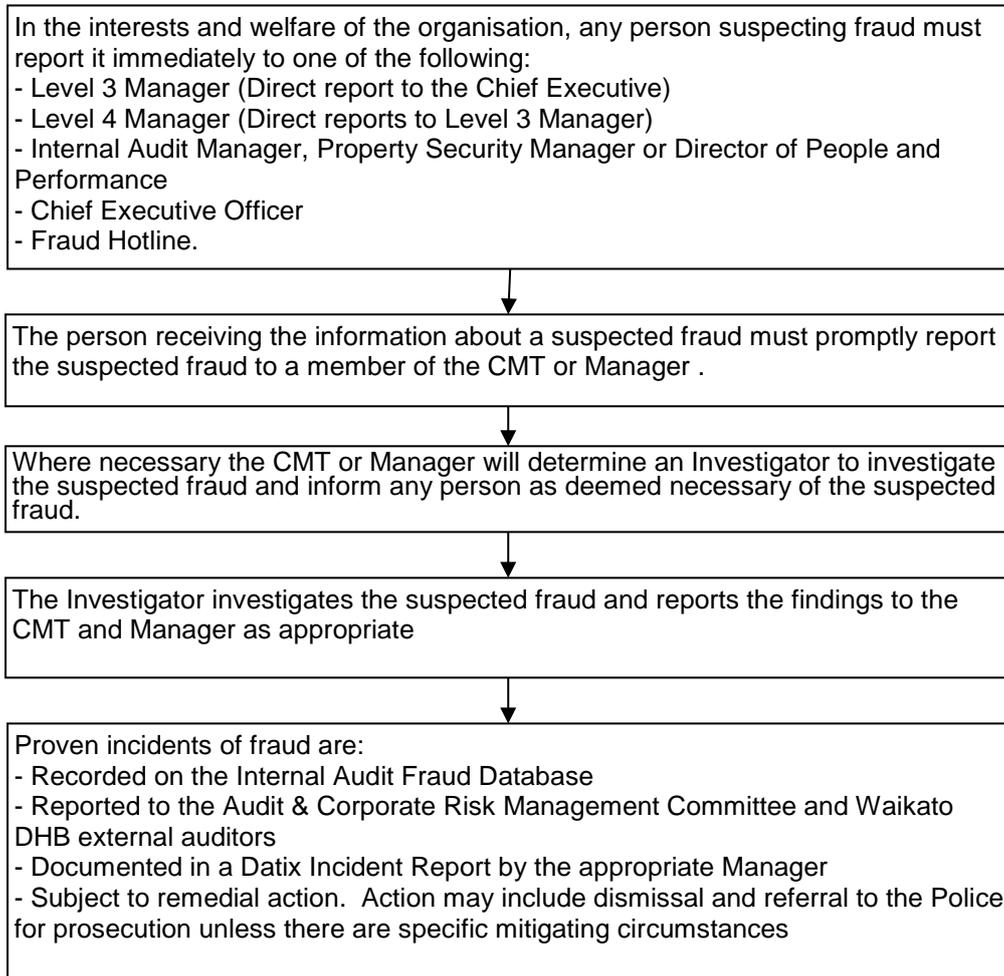
### 4.5 Responsibilities

- Managers are to have fraud risk assessment and mitigation in their risk management processes. This can include ensuring segregation of duties in processes (e.g. ensuring that staff responsible for the custodianship of assets are not also responsible for the record keeping) and providing fraud awareness training for staff.
- Managers are to ensure due diligence assessments are undertaken prior to entering into high risk, high value or complex procurement contracts with third party providers in accordance with the Procurement and Contracts Policy.
- Managers are to ensure employees provide verified copies of any qualifications and certification essential to the position in accordance with the Recruitment and Selection Policy.
- Recruitment coordinators are responsible for ensuring Police vetting or Ministry of Justice criminal conviction checks are completed (as applicable to the position) for new employees in accordance with the Recruitment and Selection Policy..
- The Executive Director Public Affairs is responsible for all external statements to the media regarding fraud.
- Managers shall implement all recommendations and preventable actions listed in any fraud investigation report.
- The manager of the department where the fraud occurred shall complete a Datix incident report for any proven case of fraud.
- Internal Audit is responsible for maintaining a fraud database.
- Internal Audit is responsible for evaluating the design and operating effectiveness of fraud controls.
- Internal Audit is responsible for reporting to the Audit & Corporate Risk Management Committee on internal control and fraud risk assessments, audits and fraud investigations.

Doc ID:	3274	Version:	5	Issue Date:	1 AUG 2017	Review	1 AUG 2020
Facilitator Title:	Director Finance Operations			Department:	Finance		
IF THIS DOCUMENT IS PRINTED, IT IS VALID ONLY FOR THE DAY OF PRINTING							Page 9 of 11

**Fraud**

**4.6 Fraud process flow chart**



## Fraud

### 5. Audit

#### 5.1 Success Indicators

- All episodes of reported suspected fraud of a serious nature shall be investigated.
- All proven cases of fraud shall be entered on the Fraud Database.
- Managers shall include fraud risk assessment and mitigation in their risk management processes.

### 6. Legislative Requirements

#### 6.1 Legislation

Waikato DHB must comply with the following legislation (this list is not exclusive):

- Employment Relations Act 2000
- Securities Act 1978
- Secret Commissions Act 1910
- New Zealand Bill of Rights Act 1990
- Fair Trading Act 1986
- Crimes Act 1961

### 7. Associated Documents

- Waikato DHB [Conflict of Interest](#) Policy (0006)
- Waikato DHB [Delegations of Authority](#) Policy (2175)
- Waikato DHB [Financial Accounting](#) Policy (1813)
- Waikato DHB [Incident Management](#) Policy (0104)
- Waikato DHB [Information Security](#) Policy (3153)
- Waikato DHB [Media and Communications](#) Policy (1816)
- Waikato DHB [Medication Security](#) Procedure (0003)
- Waikato DHB [Managing Behaviour and Performance](#) Policy (5250)
- Waikato DHB [Procurement & Contracts](#) Policy (0170)
- Waikato DHB [Protected Disclosure \(Whistleblower\)](#) Policy (5151)
- Waikato DHB [Receiving and Giving of Gifts](#) Policy (1829)
- Waikato DHB [Recruitment and Selection](#) Policy (0021)
- Waikato DHB [Risk Management](#) Policy (0118)
- Waikato DHB [Surveillance](#) Policy (0124)
- Waikato DHB [Treasury Management](#) Policy (0042)
- AG-206: Auditor-General's Statement of the Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report

Doc ID:	3274	Version:	5	Issue Date:	1 AUG 2017	Review	1 AUG 2020
Facilitator Title:	Director Finance Operations			Department:	Finance		
IF THIS DOCUMENT IS PRINTED, IT IS VALID ONLY FOR THE DAY OF PRINTING							Page 11 of 11