

Fraud Policy (District)

This policy outlines the irregularities that constitute fraud, as well as the responsibilities of Southern District Health Board (Southern DHB) employees and board members regarding fraud.

SCOPE PURPOSE & DEFINITIONS

Policy Applies to	<p>This policy applies to all Southern District Health Board (Southern DHB) employees, including temporary employees and contractors.</p> <p>It also applies to:</p> <ul style="list-style-type: none"> • Any person who is involved in the operation of Southern DHB, including board members, joint appointments with third parties, volunteers and those people with honorary or unpaid staff status • Any person or provider contracted to Southern DHB.
Policy Purpose	<p>The purpose of this policy is to:</p> <ul style="list-style-type: none"> • Define fraud and provide examples of fraudulent activity • Convey Southern DHB's attitude towards fraud • Set out responsibilities for the detection and reporting of fraud. • Provide clarity about what to do if you suspect fraud • Outline the strategic framework for fraud prevention • Raise awareness about fraud and its consequences.
Definitions	<p>DHB; Southern DHB, hereafter, will be referred to as the DHB.</p> <p>Fraud; for the purposes of this policy, “fraud” shall include all acts of deception, misrepresentation or omission committed to gain an unjust or illegal financial advantage or to cause an unjust or illegal loss or disadvantage.</p> <p>Examples of actions constituting fraud, misappropriation, and other fiscal wrongdoings include, but are not limited to:</p> <ul style="list-style-type: none"> • Knowingly submitting a false time sheet, leave form or expenses claim; • Using purchase cards (eg petrol cards) for personal gain; • Presenting false credentials or qualifications; • Unauthorised use of facilities, vehicles or equipment for personal gain; • Misappropriation or improper disposal of assets, including cash, funds and supplies;

- Forgery or unauthorised alteration of any document belonging to the DHB with a view to personal gain or gain for another person;
- Accepting or offering anything of material value (including bribes or inducements) from suppliers, contractors or persons, including before, during or after, any procurement processes;
- Granting a contract, or engineering the granting of a contract, to a particular third party with a view to direct or indirect personal gain;
- Disclosing confidential information to third parties with a view to personal gain or gain for another person;
- Using official position to secure unwarranted benefits, privileges or profit;
- Knowingly giving approval for payment of false or deliberately misleading invoices;
- Knowingly issuing false or deliberately misleading purchase orders;
- Manipulating reporting to obscure impropriety;
- Profiteering for personal or another person or entities' gain as a result of insider knowledge of the DHB's activities;
- Unapproved destruction, removal or inappropriate use of records, furniture, fixtures, and equipment;
- Supporting others in, or in any way being party to, fraud or not reporting fraud;
- Any, of the above for personal gratification and/or edification, whether or not there is pecuniary gain.

Fraud Control Officer: the Fraud Control officer is the Executive Director Finance, Procurement & Facilities (EDFP&F).

Significant Fraud: solely for the purposes of a threshold for reporting fraud to the Board and Finance, Audit and Risk Committee (FARC), a significant fraud will usually involve the theft or misuse of DHB assets with a value of more than \$1,000 or be of a nature that has the potential to impact on the reputation of the DHB.

Management: refers to all employees who have other employees reporting to them.

PRINCIPLES

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DHB Attitude to Fraud

Southern DHB regards fraud as unacceptable and will apply a principle of 'zero tolerance' to fraudulent behaviour.

All employees are required to act honestly and with integrity and to safeguard the public resources for which the DHB is responsible.

Employees who commit fraud will be subject to the DHB's disciplinary procedures.

Involvement of Police

Matters of suspected fraud may be referred to the New Zealand Police.

Recovery

Third parties and contractors who commit fraud, or are suspected of fraud, will be subject to remedies available under contract and common law.

Recovery of money or property fraudulently obtained will be pursued wherever possible and practical. The criteria for this will be assessed using cost/benefit analysis and where the benefit of recovery exceeds the cost the DHB will seek to recover.

The DHB has crime/fidelity insurance cover. The DHB's insurer may also seek recovery and may have differing criteria for recovery.

POLICY

Prevention

The DHB will not tolerate fraudulent behaviour, and will investigate all instances of alleged or suspected fraud.

The DHB will proactively take all reasonable steps to prevent fraud by developing and maintaining a policy framework that sets out clearly procedures, processes and expectations of behaviour and promotes robust internal controls for all aspects of the protection of assets, procurement, purchasing, payroll, treasury and cash management.

This will include but is not limited to:

- Regular fraud awareness training for all staff;
- Ensuring that the code of conduct that sets out the expectations for employee behaviour is clear and visible to all employees;
- Pre-employment screening that includes checking for criminal convictions for staff where appropriate;
- Ensuring that staff appointed to positions of responsibility are appropriately qualified, experienced and aware of their obligations in regard to fraud and the protection of assets of the DHB;

- Induction processes for new staff that include fraud awareness and code of conduct training;
- Segregation of duties in accordance with best practice;
- Appropriately robust monthly physical and financial reporting that provides information about results against budget, benchmarks and expected key performance indicators;
- Robust processes around the confirmation of new suppliers;
- Centralised Contract Register;
- An Internal Audit Policy, Plan and Programme of work carried out by external parties;
- Regular Fraud Risk Assessments by external parties;
- Regular suspicious transaction analysis, and
- A fair, documented and widely available process for employees to report suspected fraud.

The DHB’s fraud prevention framework is set out in Appendix II.

Fraud Control Officer

The FCO is the person who has overall responsibility for fraud matters at the DHB. Specific responsibilities include:

- Developing and maintaining fraud awareness amongst employees, contractors and others who deal with the DHB,
- Training programmes for new and existing employees, including employees promoted to managerial roles,
- Acting on all reports of suspected fraud in line with this policy and fraud procedures including notification, investigation and reporting responsibilities as set out in Appendix I.

Management Responsibilities

Managers of public entities have a duty to conduct their affairs in a fair, business-like manner, with reasonable care, skill, caution and with due regard to the interests of taxpayers and others they serve.

Day to day responsibility for the prevention and detection of fraud, misappropriation and other inappropriate conduct rests with Managers.

Managers are responsible for:

- Demonstrating the highest standards of ethical behaviour;
- Identifying the risks to which systems, operations and procedures are exposed;

- Developing and maintaining effective internal controls to ensure effective stewardship of funds and to prevent and detect fraud;
- Ensuring these internal controls are being complied with;
- Strictly adhering to delegations of authority (including the "one up" approval principle and the amount they can authorise);
- Ensuring compliance with all corporate and network policies, procedures and guidelines; and
- An awareness and sense of responsibility for the types of impropriety that may occur within their respective areas and being alert for any indication of irregularity.

Employee Responsibilities

All employees, including Managers are responsible for:

- Being scrupulously fair and honest in their dealings with the DHB, patients, suppliers, contractors, other health service providers and their fellow employees;
- Taking reasonable steps to safeguard DHB funds and assets against fraud, theft, unauthorised use and misappropriation;
- Strictly adhering to all system security measures, segregation of duties and delegations;
- Reporting immediately to the Fraud Control Officer or other appropriate person if they suspect or believe that there is evidence of irregular or improper behaviour, that a fraud may have been committed, or that there is a breakdown in internal control systems.

Reporting is covered in the reporting section and Appendix I.

Contractor Provider Responsibilities

The DHB's contract with a provider specifies services to be delivered and the terms and conditions for payment for those services. It is the DHB's expectations that the provider:

- Delivers a quantity and quality of services that at least meet the terms and conditions of its contract;
- Claims only that funding that the terms and conditions of the contract entitle it to claim.

Claiming of payment for amounts outside the terms and conditions set out in the contract, or for services that have not been delivered, will be regarded as fraud by the DHB.

Reporting

Employees and others can report fraud in person, by phone or email.

The person to report suspected fraud to is the Fraud Control Officer. Contact details for these purposes are:

Email: julie.rickman@southerndhb.govt.nz

Phone: 027 581 5313

If it is not appropriate to report the suspected fraud to the Fraud Control Officer, then the alternates are:

- the Chief Executive Officer; or
- the Chairperson; or
- the Chair of the Finance, Audit & Risk Committee
- the National Fraud Hotline

The contact details for reporting suspected fraud to the Chair of the Finance, Audit & Risk Committee are:

Email: CoA&R@shandthomson.co.nz

Phone: 03 4180020 ext 702

Anonymous reports or calls to the National Fraud Hotline will be treated seriously and should contain sufficient information to allow further investigation.

The contact details are:

Email: fraudhotline@moh.govt.nz

Phone: 0800 424 888

These reach the Audit & Compliance section of the Ministry of Health.

Allegations can be verbal, however ideally should be in writing and include:

- A summary of the matter of concern.
- The source of the information and explanation of how the individual became aware of the matter.
- Names and positions of any employees or third parties involved.
- Any details of significant times, dates and locations relating to the matter.
- Detail of any information and evidence to support the allegation (documents, records, etc).

- Details of any other persons who may be able to assist in any investigation.

The DHB's Protected Disclosures Whistle-blowing Policy and the Protected Disclosure Act 2000 cover staff reporting suspected fraud.

Appendix I sets out the Fraud Investigation process to follow when a fraud is suspected.

Associated Documents:

- Code of Conduct and Integrity (District) (18679)
- [Disciplinary Policy \(District\)](#) (55569)
- [Delegation of Authority Policy \(District\)](#) (21584)
- [Internal Audit + NGO Auditing Policy \(District\)](#) (44704)
- [Procurement and Purchasing Policy \(District\)](#) (11400)
- [Protected Disclosures / Whistle-blowing Policy \(District\)](#) (19708)

References:

Legislation

- [Protected Disclosures Act 2000, Crimes Act 1961 and Privacy Act 1993](#)
- [The Auditor-General's Auditing Standards 2014](http://www.oag.govt.nz/2014/auditing-standards) <http://www.oag.govt.nz/2014/auditing-standards>

General Notes

Scope of Practice: Ensure you are fully qualified to perform the role specified in any document.

Deviations: If you need to deviate from any procedure, policy, or guideline, make notes and follow up.

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APPENDIX I - FRAUD PROCEDURES

Investigation Principles & Processes

Allegations of fraud will be investigated in an independent, open minded and professional manner and in accordance with to other organisational policies, e.g. the [Disciplinary Policy \(District\)](#) (55569).

The interests of the DHB, the person reporting the suspected fraud and the suspected individual will be protected as far as practicable and good employer processes will be followed at all times.

Recovery of assets and protection of insurance cover will be priorities.

External agencies may be used for investigation if this is appropriate.

Investigations will be fully documented.

If the suspicion of fraud is confirmed, the matter will be reported to the police and a complaint laid. This may result in criminal prosecution.

If following internal investigation of suspected fraud or serious wrongdoing criminal prosecution is not likely or delayed, the DHB may choose to exercise its rights of civil or contractual litigation.

The Fraud Control Officer (or if implicated one of the alternates as set out in the policy) shall maintain a log of all notifications and investigations and these shall be reported to each FARC meeting.

Notifications

Notifications can be written or verbal. If verbal notifications are made, then the person receiving the notification shall record the notification in writing, and confirm accuracy with the person making the notification.

Allegations should be documented and include:

- A summary of the matter of concern.
- The source of the information and explanation of how the individual became aware of the matter.
- Names and positions of any employees or third parties involved.
- Any details of significant times, dates and locations relating to the matter.
- Detail of any information and evidence to support the allegation (documents, records, etc).
- List of any other persons who may be able to assist in any investigation.

The identity of the person making a notification, and details that may identify them, shall, if requested, be confidential to the extent provided for under the DHB's Protected Disclosures Act 2000 Procedures. Anonymous notifications will be investigated to the extent practicable.

Notifications shall:

- Be reported to the FCO unless it is the FCO who is suspected of fraud.
- Be notified to:
 - the Chief Executive Officer; or
 - the Chairperson; or
 - the Chair of the Finance, Audit & Risk Committee

by the FCO as soon as is reasonably practical except where a notification involves one of the alternates (or the circumstances notified may reasonably be regarded as having the potential to involve).

Notifications of a significant nature, as defined in the fraud policy, shall be reported by the FCO to the Chair of Finance, Audit & Risk Committee (FARC) and the Board Chairperson within 48 hours and FARC no later than its next meeting.

Confidentiality

Maintaining confidentiality is particularly important and the individual(s) allegedly involved will not normally be alerted to the process of gathering and assessing evidential information. This is to protect the rights of individual(s) involved.

The employee discovering suspected fraud should not:

- discuss the suspicion with anyone other than the person they report it to, or as otherwise directed by the investigator;
- attempt to investigate their concerns themselves or contact the suspected individual(s) in an effort to determine the facts.

The DHB will make its best endeavour not to disclose any identifying information. However, confidentiality cannot be guaranteed. For example, confidentiality may not be able to be maintained where the disclosure of identifying information is in the public interest or is essential to having regard for the principles of natural justice, the effective investigation of an allegation, legal proceedings or criminal complaint.

Investigation Procedures

Procedures

Investigations will be carried out in a manner consistent with the principles set out in this Appendix.

Evidence will be protected and all reasonable steps will be taken to ensure it is not contaminated, lost or destroyed. Immediate steps will be taken to secure physical assets including computers, and paper or electronic records.

The investigation shall be carried out by the Investigating Officer who shall be the Fraud Control Officer or their delegate as determined by the CEO.

The investigation process adopted may include provision for a preliminary investigation, the purpose of which shall be to determine whether a more comprehensive investigative process should be followed.

Where the preliminary investigations reveal that there are reasonable grounds for suspicion of fraud having occurred the initial process followed will include:

- Informing, in writing, the person(s) who is the subject of the allegation of fraud of the allegation and the information gathered at this point regarding the allegation, requesting a meeting with them and, if they wish, their representative or representatives.
- Meeting with the person and their representatives to explain the complaint against them.
- Obtaining a verbal or preferably written response to the allegations (all verbal responses must be recorded as minutes of that meeting, and the accuracy of those minutes should be attested by all persons present).
- Advising the person(s) in writing of the expected processes, including whether a disciplinary process may ensue.

The investigating officer will take such advice as is prudent including:

- advice of the Executive Director People Culture & Technology (EDPC&T),
- legal advice

to ensure that appropriate employment process is observed throughout the investigation.

The services of appropriately experienced and qualified third parties can be utilised to assist or carry out the investigation.

Responsibilities

Responsible

Actions

Investigator

1. Undertake a preliminary assessment to:
 - Seek clarification and determine if there is any substance to the allegation.
 - Protect employees or contractors from false or vexatious allegations.
 - Gather and protect further evidence.
 - Provide a set of recommended actions for the CEO.
2. Follow the principles and procedures set out in this Appendix.
3. Ensure full documentation is kept of the preliminary and any subsequent full investigation and is filed/stored appropriately.

Fraud Control Officer (FCO)

1. The FCO maintains and updates a central, detailed register of all fraud incidents and reports. The register is to incorporate:
 - Parties involved.
 - Nature of event.
 - Amounts involved and / or recovered.
 - Investigation detail.
 - Recommendation / outcome.
 - Control environment issues / weaknesses.
 - Control improvements made (if any).
2. Upon advice of a suspected fraud, the FCO is to notify the appropriate persons as set out in this Appendix and:
 - the DHB’s insurers of any potential fidelity claim or incidence as required under the insurance policy;
 - the internal and/or external auditor.

The notifications will give due regard to privacy issues given the suspected status of the matter at this stage.

3. On completion of the preliminary and/or full investigation, the FCO:

- Reports to the above parties, as required;
- Lodges any insurance claim;
- Provides feedback to the reporting individual, where appropriate, regarding whether or not evidence was found to support the allegations, that the investigation (if any) is complete, and confirmation that appropriate actions were taken but not the detail of such actions;
- Reviews and makes corrective actions to the internal control systems where deficiencies have been identified.

**Chief Executive Officer
(CEO)**

1. The CEO, in conjunction with the Chair is responsible for:

- Notifying the Ministry of Health and where appropriate the Minister under the Ministry's 'no surprises' policy if the matter is deemed significant enough;
- Any media enquiries;
- Next actions to take, including any referral to enforcement agencies after receipt of the preliminary report.

Appendix II - Fraud Prevention Strategic Framework

Background

While it is not possible to eliminate fraud, it is possible to significantly reduce opportunities for fraud with the adoption of multiple, aligned strategies and policies that address different aspects of the control environment where potential fraud risk exposure exists. This part of the policy explores those aspects of the control environment and outlines the strategy.

Key Risk Areas

Analysis of the DHB's spend identifies the following primary areas of exposure for exploitation:

- Personnel
- Contracts with suppliers of goods and service
- Contracts with health service providers.

The DHB will be informed of key risks by reviewing the internal and external auditors' organisational risk assessments annually.

Fraud Assessment & Detection

Fraud risks are to be assessed regularly to ensure internal control procedures are reviewed as any form of business practice changes.

To assist with fraud prevention and detection, the DHB:

- Has an electronic hierarchy approvals system;
- Undertakes employee and vendor bank account checks;
- Uses data mining for irregular and suspicious transactions via internal audit;
- Maintains a centralised contracts database;
- Reports and checks high level vendor expenditure;
- Implements segregation of duties to the fullest extent practically possible;
- Has robust vendor creation approval processes;
- Undertakes fraud risk assessments;
- Has regular fraud awareness training for all staff;
- Has a dedicated telephone contact available (see 'Fraud Hotline' below).

Fraud Control Framework

The control framework sets out the strategies that form the basis for a multi-strand approach to fraud prevention and detection. The control framework will be supported by appropriate policies.

Human Resources

Human resource policies and processes will outline the behaviour expected of staff and management. They will project a clear expectation of honesty and full disclosure and support the creation and maintenance of an ethical work environment. Specific policies and processes are:

- Recruitment screening and declarations (e.g. CV checks, criminal record checks, registration checks, reference checks, credit checks, etc);
- Strong leadership expectation, messaging and maintenance of a culture of integrity;
- Induction and orientation processes that cover fraud awareness and responsibilities;
- Ongoing fraud awareness training;
- Robust payroll processes (segregation of duties, review and appropriate authorities);
- Annual payroll audit/review using forensic software (e.g. IRD number checks, duplicate bank account checks, etc);
- Staff Travel, Reimbursement and Accommodation Policy;
- Code of Conduct and Integrity policy;
- Gifts, Hospitality and Sponsorship Policy;
- Declarations of interests by employees in the interest register;
- Declarations of potential and/or perceived conflicts of interest by all staff involved in a procurement project.

Internal Audit

The [Internal Audit + NGO Auditing Policy \(District\)](#) (44704) sets out the investment required and focus of internal audit at the DHB. It will ensure that the mix of internal audit services employed is informed appropriately by an annual risk assessment.

It is envisaged that the expenditure profile of the DHB would mean there is a heavy weighting towards payroll and purchasing processes and validation. The Internal Audit policy will be reviewed biennially

and the annual internal audit work plan set by the Finance Audit & Risk (FAR) Committee, in consultation with the internal auditors.

The Internal Audit policy requires an annual internal audit work plan and includes guidance on matters such as, weightings for forensic audit spend, risk identification processes, the importance of committee only time with the internal auditors, the overall internal audit budget, required skill sets for internal audit personnel and the monitoring of compliance with all policies linked to the fraud control framework.

It is envisaged the annual work plan will include as a minimum:

- Fraud risk identification and assessment.
- Targeted forensic audit (including data mining), drawing on specialist skills based on target area (e.g. IT specialist for IT, procurement specialist for procurement, etc).
- Scheduled FAR Committee (without management present) interview with auditors.
- 'Closing the Loop' systems audit (i.e. tests for vendor approval, procurement process, contract and/or purchase order approval, invoice, payment, delegations of authority, etc).
- Audit of compliance with personnel anti-fraud controls.
- Control environment review, e.g. contract approval process, vendor creation control, rules-based invoice approval process, etc.
- Interface and interaction with the external audit programme and auditors.

In addition to the regular internal audit programme for the provider arm, a plan will be set annually for the DHB's relevant contract auditor of funder contracts. External providers may be used from time to time for issues such as the forensic audit arising out of fraud investigation.

External Audit

While external audit is primarily influenced by the Office of the Auditor General and largely focuses on providing an opinion on financial statements, opportunities to maximise the value of the audit in a fraud control context will be utilised. This includes:

- Annual FAR Committee (without management present) interview with auditors.
- Maximising the interaction between external and internal audit processes.

Delegations of Authority

The [Delegation of Authority Policy \(District\)](#) (21584) is important in a fraud control context as it sets out the authority levels for expenditure and procurement. Key to its utilisation for fraud control is the setting of appropriate levels for authorisation of expenditure and ability to contract the DHB, and then monitoring compliance with these.

The Delegation of Authority policy needs to be clear, concise and have good visibility in the organisation. The fraud control aspects therefore include:

- Annual review by the FAR Committee (for segregation of duties, expenditure levels etc).
- Appropriate linkages with internal audit.
- Annual review of high-level cumulative spend on single providers by management and the FAR Committee.

Procurement Processes

Procurement of goods and services is governed by the [Procurement and Purchasing Policy \(District\)](#) (11400), which covers many aspects of the process, including ensuring there is compliance with government good practice requirements. In the fraud control setting the procurement policy needs to ensure there are robust processes in place for the selection of suppliers and approval of contracts. It includes:

- Vendor approval processes (sign off)
- Contract review at the point of origination
- Avoidance of personal pecuniary gain and / or association
- Central contracts register
- Biennial review of the policy by the FAR Committee.
- Annual review of high use suppliers, by cumulative spend, and authorising officer, by management and the FAR Committee

Fraud Policy

This policy details the DHB's attitude towards fraud and the appropriate response to its occurrence. Included in this policy is:

- A definition of fraud
- The DHB's attitude to fraud (zero tolerance)
- The identity of the DHB's Fraud Control Officer (FCO)
- Responsibilities of employees and other parties in relation to fraud
- Who to notify when fraud is suspected
- The application of Protected disclosures

And, by way of Appendix, the procedures to follow when an alleged/suspected fraud is notified.

Role of the Finance Audit & Risk (FAR) Committee

FAR Committee members are appointed by the Southern DHB Board. The Committee's composition will support this fraud control framework by ensuring members include persons with previous experience in one or more governance / audit committees, audit generally, and financial matters.

The FAR Committee will have an annual work plan and meeting schedule that reflects the need to effectively monitor retrospective compliance with the policies associated with this fraud control framework and the need to review the related policies annually for prospective robustness. In particular, the Committee will set the Internal Audit Work Plan and review the outcomes of all internal and external audits and any fraud investigations.