



Policy: Fraud

Policy Facilitator: Assistant to CFO	Classification: Administration and Clinical
Authorised by : Chief Financial Officer	© Waikato DHB March 2007

1. Purpose and Scope

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

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 apply to them.

*Reference to Waikato DHB in this section means Waikato DHB and its wholly owned entity i.e. Mental Health Building Ltd.

2. Policy

The Waikato DHB Policy on Fraud is:

- **Fraud is not tolerated at Waikato DHB**
- **Any suspected fraud perpetrated against Waikato DHB once detected must be reported.**
- **All incidents of suspected fraud of a serious nature must be investigated.**
- **All misconduct relating to fraudulent activity must be managed in accordance with the Waikato DHB Progressive Disciplinary Policy. Referral to the police for prosecution and/or dismissal may result.**
- **All proven cases of fraud shall be recorded in the Fraud Database.**
- **Waikato DHB will seek recovery of all losses arising from fraud.**
- **Managers shall include fraud risk assessment and mitigation in their risk management processes.**

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3. Authorisation

Authorised on behalf of Waikato DHB by:



Brent Wiseman (Sponsor)
Chief Financial Officer
Waikato District Health Board


12th March 2007
Date

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Appendix A: Policy Process

1. Reporting of Fraud


- In the interests and welfare of the organisation, any person suspecting fraud must report it immediately to one of the following:
 - Level 3 Manager (Direct report to the Chief Executive)
 - Level 4 Manager (Direct reports to Level 3 Manager)
 - The Internal Auditor
 - Chief Executive Officer.
- The person above receiving the report on suspected fraud (if not the Chief Executive) must then ensure the Chief Executive is promptly informed.
- Where a person who reports suspected fraud invokes the protection provided by the Protected Disclosure Act 2000, they must be afforded the degree of confidentiality required by section 9 of that Act. (See Waikato DHB Incident / Accident / Near Miss Notification and Management Policy that includes procedure for making a Protected Disclosure).

2. Referral

- The Chief Executive shall refer all suspected fraud for investigation if they consider it to be of a serious nature.
- If an investigation is to take place, the Chief Executive will determine if the investigation will be undertaken by internal audit or by a relevant external party.
- Any other person may be informed of the suspected fraud at the discretion of the Chief Executive such as the Chairman of the Group Audit Committee, the Chairman of the Board, the Chief Financial Officer, the Board Secretary, other Executive Managers, the Communications Manager or the Manager of the service affected.
- Under the terms of the ACC Partnership Programme, the Waikato DHB Health and Safety Service must inform ACC of all suspected work related ACC fraud.
- Depending on the circumstances of the case and in accordance with HR Policy, strict confidentiality may be required while researching the circumstances of the suspected fraud.
- All requests for information on any suspected fraud must be referred to the Chief Executive.

3. Investigation

- If it is suspected that an employee of Waikato DHB is involved in fraud, the investigation must comply with the Waikato DHB Progressive Disciplinary Management Policy.
- If an investigation is to take place, the party instructed to carry out the investigation (the investigator) will agree the terms of reference of the investigation with the Chief Executive prior to the commencement of the investigation.
- The investigator's plan for the investigation must include


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determining the necessary steps for obtaining, securing and safeguarding evidence, the possible prevention of further fraud and the timeframe for the investigation.

- The investigator may recommend to the Chief Executive 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.
- The investigator will report the results of the investigation to the Chief Executive.

4. Remedial Action

- On receiving the results of an investigation carried out under 3 above, or after determining that a suspected fraud is not of a serious nature and therefore does not require investigation under 2 above, the Chief Executive must determine the appropriate remedial action, if any, to be taken.
- If an investigation has concluded that fraud has taken place, the Chief Executive must consult in determining the remedial action to be taken with any person at the Chief Executive's discretion but as a minimum must consult with either the Board Secretary or the Chief Financial Officer (CFO). (If the Chief Executive has delegated their responsibilities under this policy to either the Board Secretary or the CFO then the delegated person must consult the other person regarding the remedial action).
- Where an investigation identifies misconduct relating to fraudulent activity of a current employee, the offender will be managed in accordance with the Waikato DHB Progressive Disciplinary Management Policy. Action may include dismissal and referral to the Police for prosecution.
- The Board Chairman, the Chair of the Group Audit Committee or any other relevant party may be informed, at the discretion of the Chief Executive, prior to any matter being referred to the Police.
- Recovery of all losses will be sought if financially viable.
- All proven incidents of fraud and the remedial action taken must be recorded by the Internal Auditor on the 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 including the nature of the fraud, the name and position of the person involved and the estimated dollar value of the fraud.
- The Group Audit Committee and the external auditors will be informed via written report 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.

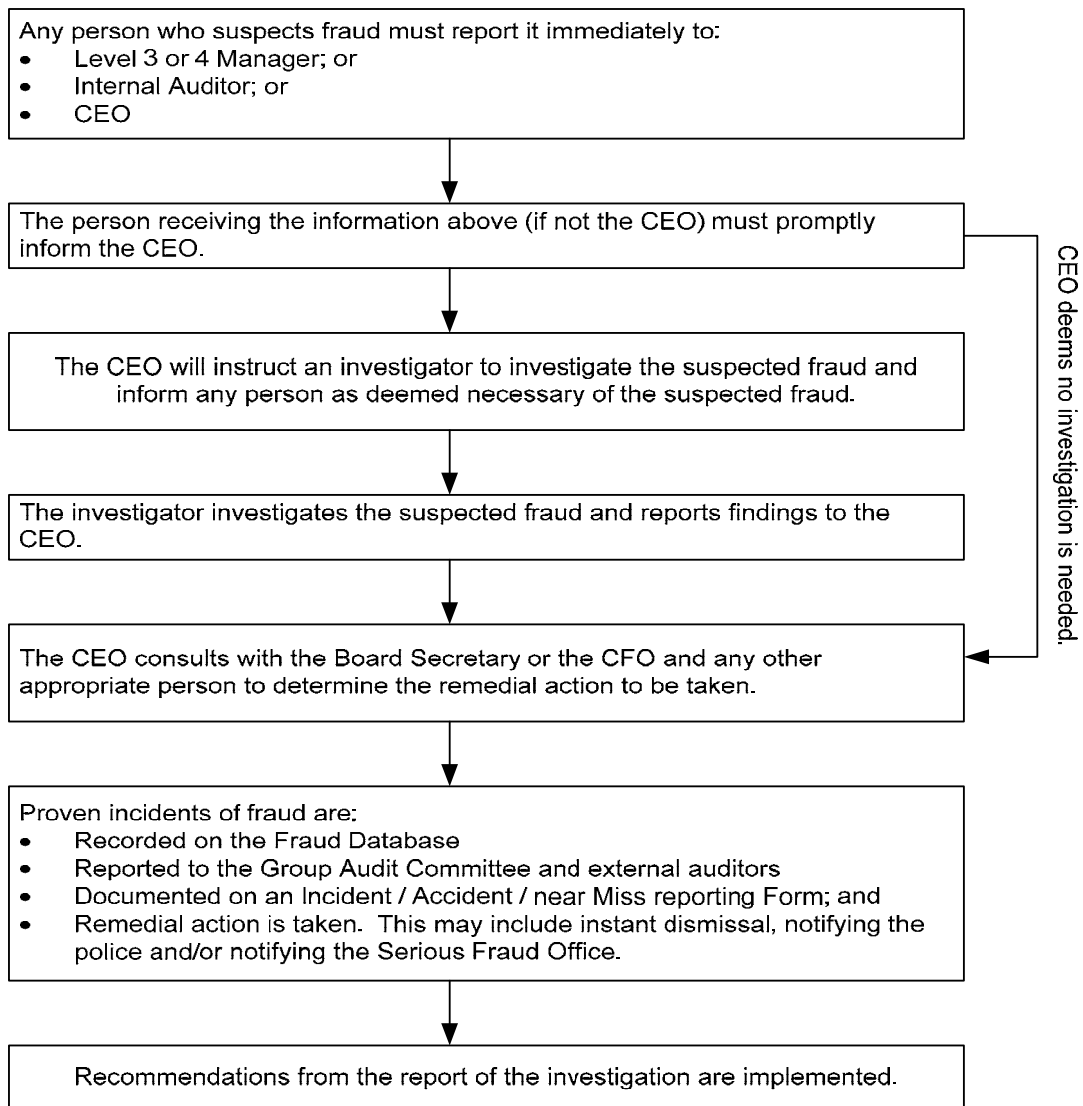
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- The Group Audit Committee will recommend to the Board if the matter is referred to the Serious Fraud Office.
- An employment reference shall not be provided by Waikato DHB to any employee dismissed for fraud. It is noted that an employment reference is different from a statement of service.

5. Responsibilities

- Service Managers are to include fraud risk assessment and mitigation in their risk management processes.
- Managers shall implement all approved recommendations made as the result of an investigation into fraud.
- Internal Audit shall complete a Waikato DHB Incident / Accident / Near Miss Form for any proven case of fraud.
- The Chief Executive, in writing, may delegate obligations under this policy to a Level 3 Manager.

6. Fraud Process Flow Chart



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- 7. 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.

Appendix B: Associated Information


1. Definition Fraud is any deliberate action or omission designed to deceive so as to derive some direct or indirect personal gain, benefit or advantage. A fraud therefore will typically have three elements; intent, deceit and gain.

Examples of fraud may include but are not limited to:

- Forgery or alteration of cheques or other documents
- Misappropriation or theft of funds, supplies or other assets including intellectual property
- Irregularity in the handling or reporting of money
- Manipulation of information or documents
- Omission or fraudulent treatment of accounting records
- Misrepresentation of timesheets and expense claims
- Evasion of a Waikato DHB liability
- Abuse of a conflict of interest
- Trading on confidential or inside information
- Accepting or granting of a kickback or bribe
- Involvement in the rigging of a bid or price fixing
- Hacking or other security breaches
- Information Systems related fraud such as manipulation of data, equipment, programmes or substituting records in accordance with the Waikato DHB Information Systems Security Policy and Protocol
- Duplicate billing or attempting to procure payment by sending false invoices as a phantom vendor
- Inappropriate use of Waikato DHB assets including motor vehicles


The above examples are indicative only and may also fall within the coverage of other policies or legislation.

- 2. Legislative Requirements**
- Employment Relations Act 2000
 - Securities Act 1983
 - Secrets Commission Act 1910
 - New Zealand Bill of Rights Act 1990
 - Fair Trading Act 1986
 - Crimes Act 1961

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3. Associated Documents

- Waikato DHB Code of Conduct/Ethics
- Waikato DHB Incident / Accident / Near Miss Notification and Management Policy
- Waikato DHB Purchasing Policy
- Waikato DHB Financial Accounting Policy
- Waikato DHB Progressive Discipline Policy
- Waikato DHB Conflict of Interest Including Secondary Employment Policy
- Waikato DHB Information Systems Security Policy and Protocol
- Waikato DHB Tenders and Contracts Policy
- Waikato DHB Protected Disclosures Procedures
- Fraud Control Programme
- AG-206: Auditor-General's Statement of the Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report

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