

## EHA Fraud Policy

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### 1. Purpose

The purpose of this policy is to address the risk of internal fraud committed by trusted persons and to lay out the actions the Board of Environment Hubs Aotearoa (EHA) will take when any suspected fraud is reported or discovered and should be read in conjunction with the other policies on financial control and management.

The purpose of this policy is to also produce an environment that actively discourages fraudulent behaviour, and protects the integrity of the organisation's charitable purposes, and the integrity of the people involved in producing the charitable outputs.

Preventing fraud is also important to protect the mana of the organisation and those connected with it, aligning with our values of Collective Good, Intent and Leadership.

We expect all those within our organisation to act with integrity, and uphold all our legal obligations fairly, honestly and in good faith.

### 2. Organisational Scope

2.1 This is an EHA-wide policy, which applies to the following trusted persons:

- (a) employees of EHA;
- (b) volunteers of the EHA; including Board members,
- (c) any other persons providing contract services to EHA (e.g. independent contractors).

NB: This Internal Fraud policy does not cover external fraud committed by persons not deemed to be in a "trusted" relationship. Fraud against the organisation may still be committed by known or unknown people to the governance, who are not employees, volunteers or contractors.

#### 2.2 External Fraud

External Fraud may occur where information has been hacked or stolen, or fraudulent information has been provided for payments and staff have paid these in good faith.

In this situation staff must immediately;

- a) Notify Kiwibank and take appropriate action as instructed by the business team (such as putting a block on or cancelling a card)
- b) Notify the CoChairs & Treasurer of the situation
- c) Notify the Police if appropriate

Subsequent actions;

- a) Keep the CoChairs & Treasurer updated on developments

- b) The EO will report the fraud to the Board at the next meeting including a review of Financial Policies, including Procedures and Processes to ensure the organisation is up to date with best practice
- c) The EO will facilitate any necessary updates to Policy and carry out any actions required to support adherence to these policies.
- d) Following step C, Staff will report the issue to the Auditor including any updated policies and actions taken.

### **3. Definitions**

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

Fraud is defined as any dishonest act or omission that causes loss to EHA or results in an unauthorised benefit or advantage, whether to the person acting or omitting or to a third person; and is deliberate or reckless in relation to the harm caused or the benefit or advantage obtained.

Fraud includes, but is not limited to:

- a) forgery or alteration of documents;
- b) misappropriation of EHA property;
- c) deliberately altering or reporting incorrect financial or personal information;
- d) seeking or accepting gifts from vendors, consultants or contractors doing business with EHA except where amounts greater than \$100 value are disclosed to the EO and Board Chairs, or the nature and amount of the gift, for example a lunch, would appear to be minor (less than \$100), relationship building, not impair judgement of value to the organisation for the business or service, and not appear to be a personal benefit.
- e) unauthorised use of EHA property, equipment, materials or records for personal advantage or gain;
- f) authorising or receiving payment for goods or services not received or performed;
- g) authorising or receiving payment for time not worked;
- h) any claim for reimbursement of expenses that are not incurred for the benefit of EHA;
- i) fabrication or falsification of data, plagiarism or other dishonest practices;
- j) bribery; and k) identity theft.

### **4. Policy Content and Guidelines**

The Board values the integrity of staff and volunteers, and relies on them to act at all times in an ethical and honest manner. It does not tolerate fraud and the concealment of fraud.

#### **4.1 Duty to Report**

(a) An individual who is aware of or suspects fraudulent activity must promptly report such activity to the Executive Officer (EO) (or a CoChair, if the EO is compromised by the suspected activity).

(b) An individual who reports a suspicion of fraud regarding another individual or the organisation in good faith will in no circumstances be threatened, intimidated, or dismissed because he or she has acted in accordance with this policy.

(c) The EO or a CoChair, will notify the board, as appropriate, of the suspected fraud.

(d) If the EO or a CoChair, the board, determines that an investigation is warranted, an investigation team will be established.

#### **4.2 Investigations**

(a) The investigation team will have appropriate levels of independence and objectivity and include 2 of the following; EO, CoChair or Treasurer, excluding any parties implicated in the fraudulent behaviour. The team is responsible for collecting all relevant information in respect of the fraud allegation.

(b) Depending on the nature and seriousness of the alleged fraud, the Investigation Team may consult with, or engage the services of, other persons (such as technical experts with IT or forensic accounting skills) as well as external agencies (e.g. the Police and EHA's Insurer).

(c) The investigation team will have:

(i) free and unrestricted access to all EHA records; and

(ii) the authority to examine, copy, and/or remove all, or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities, within the scope of the investigation.

(d) If the investigation team concludes that the evidence it has collected does not support the allegation of fraud, that outcome shall be reported confidentially to the individual who was suspected of fraud and to the complainant. A confidential report will be provided to the EO and CoChairs as appropriate that sets out the investigation process undertaken and the conclusions reached. The disclosure of that report or any part of that report to any other person will be determined by the EO and CoChairs.

(e) If the investigation team concludes that there is sufficient evidence to support the allegation, it will provide the EO and CoChairs with a confidential report which includes a recommended course of action and any recommended improvements to internal controls that are identified as a result of the investigation. A summary of this report will be provided to the Board.

#### **4.3 Disciplinary Processes**

The Board will follow the relevant disciplinary procedures (set out in the Schedule for Policies in respect of persons suspected of having committed fraud. i.e. Termination of Employment Policy

#### **4.4 Actions Following Proved Fraud**

Where a suspected fraud is proved, the Board will:

(a) Direct the EO, to put controls into place to mitigate further losses and prevent reoccurrence of similar misconduct.

(b) Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud;

(c) Advise the Board's insurers as appropriate (depending on the nature of the fraud);

(d) Keep all other relevant personnel suitably informed about the incident and the institution's response.

(e) Where the suspected fraud concerns the EO, a Board Chair/Co-Chair will undertake this process and appropriate employment measures.

#### **4.5 Recovery of Loss**

Recovering losses of money or property is a major objective of the Board following any fraud investigation. The amount of any loss will be quantified as far as possible and repayment or reparation will normally be sought.

#### **4.6 Dealing with the Media**

Any person contacted by the media with respect to any fraud investigation shall refer the media to the EO and CoChairs.

### **5. Legislative Compliance**

The Board is required to manage its policy documentation within a legislative framework. The legislation directing this policy is the:

Relevant Legislation, but not necessarily all applicable legislation:

- o Crimes Act 1961
- o Employment Relations Act 2000, and amendments
- o Protected Disclosures Act 2000
- o Privacy Act 1993

### **6. References**

Other policies that relate to and should be annually reviewed in relation to this fraud policy are:

- Staff Personal Expenses Claims
- Employment contracts including Termination of Employment; Leave – Annual and other leave; Travel

### **7. Annual Risk analysis of transactions types and risk situations**

7.1 The EO & the Board will consider the extent of risk to such transactions, for example but not limited –

- (a) Completeness of cash income recording, and the risk that cash may not all be banked
- (b) Completeness of billing of all goods and services provided, and the authorisation of credits or returns
- (c) Income contract performance being in line with the contracted outcomes
- (d) Grant or donation income with correct accountability reporting reflecting the authorised purpose
- (e) Staff reimbursements being documented and authorised
- (f) Large supplier payments and the value of the service, and the potential of backhanders, and unknown conflicts of interest
- (g) Use of a business credit card for personal expenditure
- (h) Excessive accrued annual leave, or where leave is taken but recorded as ordinary time
- (i) Authenticity of supplier documentation and the verification process of goods and/or services provided. i.e. payments for goods and services where there is either no value or less than a fair market value.

7.2 The Board will consider the extent of risk situations, for example but not limited to –

- (a) Ill health of persons in a trusted financial role
- (b) Known financial losses, employment grievances, or relationship breakdowns incurred by persons in a trusted financial role

- (c) Large expenditure events, for example but not limited to, build projects, conferences, marketing, or any unusual events
- (d) Not including in the EO performance appraisal questions around additional measures taken in regard to changes in the risk situations identified in 7.1 & 7.2.
- (e) Not discussing the transaction & situation risk analysis with internal or external audit.

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Policy to be reviewed annually