



Report on misconduct risks in Health Support Services and North Metropolitan Health Service

19 September 2019



ISBN: 978-0-6483047-8-4

© 2019 Copyright in this work is held by the Corruption and Crime Commission (“the Commission”). Division 3 of the *Copyright Act 1968* (Cth) recognises that limited further use of this material can occur for the purposes of ‘fair dealing’, for example, study, research or criticism. Should you wish to make use of this material other than as permitted by the *Copyright Act 1968* please write to the Commission at the postal address below.

This report and further information about the Commission can be found on the Commission website at www.ccc.wa.gov.au.

Corruption and Crime Commission

| | | | |
|-----------------------|---|---------------------|--|
| Postal Address | PO Box 330 Northbridge Post Shop WA 6865 | Email | info@ccc.wa.gov.au |
| | | Website | www.ccc.wa.gov.au |
| Telephone | (08) 9215 4888 1800 809 000 (toll free for callers outside the Perth metropolitan area) | Twitter | @CCCWestAus |
| | | Office Hours | 8.30 am to 5.00 pm, Monday to Friday |
| Facsimile | (08) 9215 4884 | | |

Special Needs Services

If you have a speech or hearing difficulty, contact the Commission via the National Relay Service (NRS) on 133 677 for assistance or visit the NRS website, www.relayservice.com.au. NRS is an Australia-wide telephone service available at no additional charge. The Commission’s toll-free number is 1800 809 000.

If your preferred language is a language other than English, contact the Translating and Interpreting Service (TIS) for assistance on 13 14 50. TIS provides a free, national, 24 hours a day, seven days a week telephone interpreting service. TIS also provide on-site interpreters for face-to-face interviews by contacting 1300 655 082.

TABLE OF CONTENTS

| | |
|---|-----------|
| INTRODUCTION | 1 |
| CHAPTER ONE..... | 3 |
| WA Health | 3 |
| Health Support Services | 3 |
| CHAPTER TWO..... | 5 |
| Overtime claims by Ms Judith Innes-Rowe | 5 |
| Entitlement to overtime | 5 |
| Ms Judith Innes-Rowe | 6 |
| Lack of formal approval..... | 7 |
| No entitlement to claim overtime..... | 8 |
| Late starts not taken into account | 9 |
| No evidence of attending the Clinical Trials Unit | 10 |
| Special Purpose Account | 11 |
| Conclusion | 11 |
| CHAPTER THREE..... | 13 |
| Annual Leave Ms Judith Innes-Rowe..... | 13 |
| Ms Judith Innes-Rowe | 14 |
| CHAPTER FOUR..... | 17 |
| Serious misconduct risks | 17 |
| Detecting and tackling misconduct | 17 |
| CHAPTER FIVE..... | 19 |
| Conclusion | 19 |

INTRODUCTION

- [1] Serious misconduct comes in many different forms but the individuals often conform to a profile. When they are presented with opportunity, driven by greed or financial pressure, serious misconduct may occur.
- [2] The human resources department in any organisation is vulnerable to fraud, necessitating strong internal controls. Moreover individuals can exploit weak systems to claim benefits to which they are not entitled. The bigger the organisation or agency, the greater the risk. Technology in place to enhance support services may itself create the weaknesses or becomes the enabler.
- [3] Once a benefit has been obtained, often in plain sight, a pattern of behaviour is established. It may go on for a very long period until it is discovered. Individuals rarely engage in misconduct on only one occasion. They may even consider their behaviour to have been endorsed by its success.
- [4] Those who fit the profile will generally be very intelligent, a part of the executive, middle management or their trusted support staff. They may have control issues and an unwillingness to share their duties with others. They may be secretive, with a sense of entitlement arising from longevity. 'The rules don't apply to them'.
- [5] While weak internal controls facilitate misconduct, strong internal controls can also be circumvented where there is a lack of immediate oversight or misplaced trust.
- [6] In December 2018, the Commission received a notification from the North Metropolitan Health Service (NMHS) of potential serious misconduct by a public officer engaged at Sir Charles Gairdner Hospital (SCGH). The officer concerned was able to obtain significant benefits by exploiting payroll systems over a long period of time.
- [7] While this report centres on the actions of one employee of NHMS, it is relevant to all government departments with large payroll responsibilities.
- [8] Concerned about the serious misconduct risks arising out of the systems in place around working hours, leave and overtime claims at NMHS, the Commission decided to investigate and report its findings.
- [9] Western Australia's public health system shares support services provided by a separate statutory authority, Health Support Services (HSS). The Commission has identified some weaknesses in HSS Payroll

processes which require updating to help protect a \$4.3 billion per year payroll.

- [10] The Commission thanks NMHS and HSS for their cooperation and assistance during the investigation.

CHAPTER ONE

WA Health

- [11] WA Health is the health authority for Western Australia's public health system. It employs 52,000¹ staff in metropolitan, regional and remote areas.
- [12] The WA health system comprises the Department of Health, HSS, PathWest Laboratory Medicine WA and five Health Service Providers:
- Child and Adolescent Health Service
 - North Metropolitan Health Service
 - South Metropolitan Health Service
 - East Metropolitan Health Service
 - WA Country Health Service.
- [13] The NMHS is the largest Health Service Provider in the metropolitan area covering 40% of the State's population. It encompasses a number of hospitals such as Osborne Park Hospital, Graylands Hospital, the Queen Elizabeth II Medical Centre and SCGH.

Health Support Services

- [14] With so many employees, WA Health requires a separate entity to deliver support services.
- [15] HSS, a Health Service Provider, is the shared service centre for the WA health system providing Information and Communications Technology (ICT), supply, workforce and financial services to the public health care system.² It is a statutory authority established under the *Health Services Act 2016* and has around 1,000 employees.
- [16] HSS Payroll is the department tasked with paying approximately 52,000 employees per fortnight with a payroll of \$4.3 billion per year.
- [17] HSS Payroll has a team of 19 individuals dedicated to looking after NMHS payroll.³ Staff are rotated within Payroll but could be with a team for a couple of years at a time. They need to be familiar with the Authorisation Schedules produced by NMHS to know whether any given claim form, such as overtime or leave, is properly authorised. It is, however, the

¹ 44,000 full time equivalent staff.

² <<https://www.hss.health.wa.gov.au>>.

³ There are 125 employees across the whole of payroll operations.

responsibility of employees within each Health Service Provider to comply with their Authorisation Schedule.

- [18] HSS Payroll uses two payroll systems, Lattice and Ascender. It also has a rostering solution, RoStar, for shift workers. Information entered into RoStar is uploaded into Lattice. Lattice is the system used by most of WA Health and is used by NMHS.
- [19] Lattice is 30 years old and uses approximately 40 forms; some electronic and some not. Some forms require manual processing. Twelve forms were built on a new platform to be smarter. The contract to further develop the platform has ended, halting any further development. HSS is currently developing a scope of work to review and redevelop the existing forms and house them on a new contemporary platform.
- [20] Ascender is a more modern payroll system used by only a small number of hospitals. During the implementation of Ascender, unforeseen complexities in the program resulted in the funding being exhausted in 2011 so it could not be progressed any further.
- [21] Prior to mid-2016, HSS was known as Health Corporate Network (HCN) and many of the forms used by HSS still refer to HCN. The process of change over is not yet complete. The CEO of HSS disputes the fact that forms still refer to HCN. However this is based on information provided by the Director and manager payroll.
- [22] HSS recognises that the Lattice system is outdated and are in the process of finalising a business case for a new HR Management Information System, a contemporary automated solution to move away from the multitude of forms and manual processing currently in place.
- [23] An updated system would significantly help in detecting and preventing fraudulent payroll claims, and should be a priority for a \$4.3 billion payroll.

CHAPTER TWO

Overtime claims by Ms Judith Innes-Rowe

Entitlement to overtime

- [24] The WA Department of Health has a number of industrial awards and agreements that regulate employment in WA's public health system. The Health Service Union of Western Australia PACTS Industrial Agreement (the Industrial Agreement) binds approximately 16,341⁴ employees, employers and the Health Services Union throughout WA.
- [25] The Industrial Agreement contains provisions relating to overtime. Subject to a few exceptions, all time worked at the direction of the employer outside an employee's ordinary working hours attract overtime. An employee may also request to take time off in lieu of overtime, taken at a time convenient to the employer.
- [26] Overtime is paid at the rate of time and a half for the first three hours and double time thereafter. Double time is also paid between midnight and 6.00 am, Saturday from midday and all day Sunday. Public holidays are paid at double time and a half.
- [27] On the Lattice system, non-medical practitioners claim overtime via a P6 claim form. The form is online and has instructions how to complete it. The employee must enter their own details and that of their manager. The normal hours, meal breaks and overtime worked are also entered.
- [28] Once the form is complete, the employee is asked to click a box titled 'Email for Approval'. This button creates a new email with the P6 claim form attached. The employee must enter the name of their manager and send the form to them for approval.
- [29] Beneath the 'Email for Approval' button, is a further box titled 'Email to HSS'. Having approved the form, the manager is required to click the 'Email to HSS' button in order to email the form for payment to HSS Payroll.
- [30] All employees have a 'HE number' allocated to them when they start working for WA Health. It is used to log into the ICT systems and is a unique identifier which takes the place of a written signature.
- [31] It is possible for an employee to enter both their and their manager's HE number onto the claim form, email the form directly to HSS Payroll

⁴ WA Health System - HSUWA - PACTS Industrial Agreement 2018, Clause 5.5.

and be paid for their overtime claim without it ever having been approved.

- [32] It is then incumbent on staff at HSS Payroll to be vigilant in identifying such a claim and send it back to the applicant for proper authorisation, including where the employee simply copies their line manager into the direct email. Following an instance of this, HSS Payroll staff received training to be more vigilant. HSS have informed the Commission that this will be addressed as part of a payroll risk assessment and remediation strategy currently underway.⁵
- [33] Large overtime claims are not unusual in health services. So long as the line manager is aware and managing it, HSS Payroll are not concerned. A fortnightly Payroll Certification Statement itemising staff pay including overtime is sent to the line manager who must certify it is true and correct. Auditors check that the statements are being certified.
- [34] While a person cannot or should not be able to authorise their own payments, the Commission has identified another risk. A manager can nominate a delegated authority to approve overtime claims while they are on leave. It is possible to delegate authorisations to a person who may, as a result, be authorising their own claims. Unless HSS pick this up, the potential for misconduct is obvious. The CEO of HSS disputes this statement but the Commission's enquiries suggest it is correct.

Ms Judith Innes-Rowe

- [35] Ms Innes-Rowe gave 23 years devoted service to the Clinical Trials Unit at SCGH. As Clinical Trials Manager, she was trusted by Professor Michael Millward, Consultant Clinical Oncologist, to whom she reported operationally.
- [36] NMHS notified the Commission that Ms Innes-Rowe had claimed \$508,413.35 in overtime between July 2012 and November 2017. Her base salary, on Health Service Union (HSU) Level G-9, was approximately \$120,000 per year. From 1 July 2012 to 30 June 2017 Ms Innes-Rowe earned a total of \$1,158,144. Some of it appeared to constitute a benefit to which she may not have been entitled.
- [37] Ms Innes-Rowe did indeed work very long hours, often in excess of 60 hours per week. Professor Millward considered her to be at such a level as to determine for herself when to work. She was not required to

⁵ Letter from Robert Toms, Chief Executive, Health Support Services to the Commission, 9 September 2019.

complete a timesheet.⁶ The work was getting done and he was not in a position to know of her daily movements. He was, however, placed in a position to approve her overtime claims.

- [38] In November 2017, changes were made to the NMHS Authorisation Schedule. From this point onwards, all claims submitted by Ms Innes-Rowe would need the authorisation of a Tier 3 manager, of which Professor Millward was not. Ms Innes-Rowe stopped claiming overtime at that point.

Lack of formal approval

- [39] Ms Innes-Rowe was able to bypass the approval system in place. She entered Professor Millward's HE number onto the overtime claim forms, effectively his signature, and emailed them directly to HSS Payroll copying him in. She considered that Professor Millward could choose to stop the payments if he wished to do so. She told the Commission in private examination that "he has that moment to say I don't approve them".⁷ She was unsure how often he looked at them.
- [40] Professor Millward told the Commission that he "wouldn't regularly look at them".⁸ The claims were effectively approved by his inaction.
- [41] The Commission analysed the building swipe access and parking records for Ms Innes-Rowe, alongside the overtime claims and made some concerning discoveries. The records did not corroborate the extent of her claims.
- [42] Ms Innes-Rowe described the HE number system as not being secure. She could pay an invoice for hundreds of thousands of dollars using that number alone.
- [43] Professor Millward received a Payroll Certification Statement each fortnight. It reflects the gross salary paid including overtime for each employee on the statement. He confirmed reviewing these "as carefully as [he] could"⁹ and he would certify that they were true and correct.
- [44] He was therefore aware of Ms Innes-Rowe's excessive hours even if it was after the overtime had been paid. Aside from the cost implications, this should have raised a red flag from a fatigue management perspective. HSS Payroll correctly considered the management of excessive working hours as a matter for the line manager.

⁶ Of note, a record of attendance must be kept for public sector employees in accordance with the *Industrial Relations Act 1979 s 49D(2)*.

⁷ J Innes-Rowe, private examination, 28 June 2019, p 42.

⁸ M Millward, private examination, 27 June 2019, p 84.

⁹ M Millward, private examination, 27 June 2019, p 73.

- [45] HSS Payroll settled the claims received directly from Ms Innes-Rowe without realising that they had not been formally approved. This went on for at least five years.
- [46] For a period of time in 2014, Ms Innes-Rowe emailed the forms directly to HSS Payroll without sending a copy to Professor Millward.
- [47] On 26 November 2014, she received an email from HCN Payroll General Queries,¹⁰ stating that the attached overtime claim form was invalid as 'it needs to be sent by the delegated authority who signed off on this'. Ms Innes-Rowe replied the same day saying:

Please be advised that I have been submitting these and all other overtime forms for our staff for the past ten years without query. HCN records will show this and that I am authorised to do so.

Dr Millward's name is on the form, he is aware of my management and he receives a copy of these transactions in the monthly SPA report plus the employee costing report for 0402059 which we are both signatories to. Such as that shown above where I am noted as the authorising officer. Professor Millward is often absent from site and therefore unavailable. Hence he has employed and formally empowered a Clinical Trials Manager as his delegate.

I hope this explanation helps.

- [48] Professor Millward was not copied into the email. It appears that the officer at HCN Payroll General Queries accepted its contents.

No entitlement to claim overtime

- [49] Ms Innes-Rowe was paid at HSU Level G-9. The Industrial Agreement¹¹ states that an employee whose salary exceeds the maximum payable to an employee at Level G-8 can only benefit from the overtime provisions if rostered to work regular overtime or instructed by the employer to hold themselves on-call. Ms Innes-Rowe was neither.
- [50] Professor Millward's evidence was that he had not prepared any roster. He "considered her position senior enough that, she would work in - at her own direction to achieve what needed to be done."¹²
- [51] Professor Millward did not realise that at a Level G-9 she was not entitled to claim overtime without a roster in place. HSS Payroll are aware that there may be exceptions where a manager will approve over and above what is in the Industrial Agreement to meet a specific need. As a result, HSS Payroll would not turn their mind to what level a person is on when

¹⁰ Email from Employee Benefits Officer - NMHS, Health Corporate Network to Judith Innes-Rowe, 26 November 2014.

¹¹ WA Health HSUWA PACTS Industrial Agreement 2011, 2014, 2016 and 2018.

¹² M Millward, private examination, 27 June 2019, p 79.

processing an overtime claim. This is a serious misconduct risk. HSS is expected to have controls to ensure overtime is only paid to those entitled to it.

Late starts not taken into account

- [52] Ms Innes Rowe considered her core hours to be from 8.30 am to 4.30 pm. She could not explain to the Commission why she thought these were her core hours. They were the hours she expected her staff to keep.
- [53] The Commission did not conduct an audit of Ms Innes-Rowe's overtime claims over the full period of her employment. Instead it concentrated on specific years. If NHMS wish to take action, it will have to perform the audit.
- [54] In the 2016-2017 financial year, Ms Innes-Rowe arrived at work by 8.30 am on only four occasions despite entering 8.30 am as her start time on every overtime claim during that period. On 71 occasions she arrived after 9.30 am and on 20 of those occasions she arrived after 10.00 am. Ms Innes-Rowe claimed overtime from 4.30 pm no matter what time she arrived.
- [55] In the 2017-18 financial year, Ms Innes-Rowe never attended the hospital by 8.30 am. On 115 occasions she arrived after 9.30 am and on 31 of those occasions she arrived after 10.00 am. She entered 8.30 am as her start time on her overtime claims until she stopped claiming overtime in mid-November 2017. Again overtime claims started from 4.30 pm.
- [56] In a private examination Ms Innes-Rowe explained that she might take 10 to 12 phone calls at home before attending the hospital. This is despite an earlier claim that she did not do a lot of work from home as she did not want to turn her home into a workplace. She later changed her evidence to say that these were mostly SMS messages to pharmaceutical companies.
- [57] Ms Inness-Rowe also said that on occasion she may have to go to the Lions Eye Institute (Nedlands), SKG Radiology (Nedlands) or PathWest (at SCGH) on the way to work. However, these 'drop-offs' or collections were "maybe once a month".¹³
- [58] Ms Innes-Rowe also claimed that she may not have swiped her card every day because she often followed someone into the department or that she may have spent an hour or so in the oncology clinic before swiping into the secure Clinical Trials Unit area. The car park access times do not corroborate these claims.

¹³ J Innes-Rowe, private examination, 28 June 2019, p 44.

[59] The Commission analysed Ms Innes-Rowe's telephone records. They show mostly SMS rather than telephone call activity early in the morning, but not to the extent claimed. To take a random example, during the week of 9 to 13 October 2017, Ms Innes-Rowe was a total of 5 hours and 8 minutes late, and sent or received only 11 text messages prior to attending work across the whole week.

No evidence of attending the Clinical Trials Unit

[60] In the 2016-2017 financial year Ms Innes-Rowe claimed overtime at double time and a half on seven public holidays when there was no evidence of her attending the hospital. On 14 weekend days she claimed overtime at double time, when there is no evidence of her attending the hospital. This came at a cost of approximately \$16,000 from the Special Purpose Account from which Clinical Trials staff are paid.

[61] While Ms Innes-Rowe rarely claimed overtime for a Saturday, when she did she claimed for hours in the afternoon when the rate went from time and a half to double time. On other occasions she would be absent from work on a weekday without explanation and then work overtime at the weekend at double time.

[62] In February and March 2017 there is a time when Ms Innes-Rowe claimed to have worked every day for a 33 day period save for one day, a Saturday. Records show that on seven of those days she did not attend the hospital.

[63] Ms Innes-Rowe only had remote access to her hospital emails from mid-2018. While she could email or take paper copies of work home "it was the exception rather than the rule".¹⁴ In evidence she said that she would prefer to work on a Sunday when the office was quiet. She told the Commission that "it is easier to work from my office, given that I live next door to the hospital, than it is to do a lot of work from home".¹⁵

[64] The Industrial Agreement makes provision for working from home.¹⁶ Such an arrangement can be considered by the employer and requires a risk assessment to be undertaken. Professor Millward did not recall authorising her to work from home.

[65] No explanation was forthcoming as to why overtime was claimed on so many days when there was no sign of her attending the Clinical Trials Unit.

¹⁴ J Innes-Rowe, private examination, 27 June 2019, p 40.

¹⁵ J Innes-Rowe, private examination, 31 July 2019, p 30.

¹⁶ Clause 10, 2016.

Special Purpose Account

- [66] The staff in the Clinical Trials Unit are paid from a Special Purpose Account. That account is funded by sponsors in the pharmaceutical industry, biotechnology companies, clinical research organisations and collaborative groups. It is intended to be used for cancer clinical trials. The trust placed in Ms Innes-Rowe, coupled with the weaknesses in the authorisation and processing of overtime claims, came at a significant cost to those sponsors. While sponsors are not billed based on time worked, the funds were diverted all the same.

Conclusion

- [67] Despite two internal NMHS reports recommending disciplinary action against Ms Innes-Rowe, she was re-engaged via a recruitment agency in January 2019 with her timesheets being approved remotely by Professor Millward while he was on long service leave. He had no way of knowing whether the hours had been worked or not. The Commission's investigation did not extend to this period and it was not put to Professor Millward in examination.
- [68] The Commission has formed an opinion of serious misconduct in respect of Ms Innes-Rowe's unsubstantiated overtime claims. A finding or opinion that misconduct has occurred, is not to be taken as, a finding or opinion that a particular person is guilty of or has committed a criminal offence or disciplinary offence.¹⁷
- [69] The risks highlighted by the investigation into Ms Innes-Rowe are open to exploitation by any employee in the WA public health system using the Lattice system, if there is no adequate oversight.

¹⁷ *Corruption, Crime and Misconduct Act 2003* (CCM Act) s 217A(3).

CHAPTER THREE

Annual Leave Ms Judith Innes-Rowe

- [70] Any health employee under the Lattice system, who is not a shift worker using RoStar, must submit a leave form for any single day or extended period of leave, no matter what the type of leave.
- [71] There are two forms available: an L2 and an eL3. The older L2 form works in a similar manner to the P6 overtime claim form discussed earlier. It is attached to an email to the line manager for approval before being forwarded to HSS Payroll.
- [72] The eL3 is a smarter electronic form which does not require the HE number. It knows who the line manager is and once completed and submitted, the line manager receives a notification stating that a task requires action. Once the leave application has been approved, the employee receives an automated email notification of that approval. There is a digital record of the actions taken.
- [73] There is better security around the eL3 form but if a hospital does not have the required technology, employees must use the L2 form.
- [74] HSS Payroll send a monthly Leave Balance Report to the authorising officer. An excessive leave balance is shown in red. If an employee does not reduce their leave balances, it creates a debt for the hospital.
- [75] Lengthy periods without leave may be an indicator, with others, of misconduct.
- [76] It is the responsibility of the authorising officer to discuss excessive leave balances with staff members and encourage them to reduce their balances. More than two years of accrued annual leave triggers the red flag. Long service leave is flagged when balances are more than two or three years post accrual.
- [77] An employee can check their leave balances by looking at the summary on their fortnightly payslips, contacting their payroll officer or asking the authorising officer in possession of the Leave Balance Report.
- [78] When staff are appropriately oversights, the eL3 form along with the Leave Balance Report works well. Where there is a lack of effective oversight, an employee could simply take a day or days off work without submitting any form at all and this may go unnoticed.

[79] When an employee's contract comes to an end, HSS Payroll complete an audit of leave balances and payout whatever entitlements have accrued. For large payouts, HSS Payroll officers check each other's calculations but do not consult with the individual's manager, relying on the information in the system. If the information is tainted, such as where a person has taken time off without submitting a form, the final payout effectively amounts to 'double-dipping'.

Ms Judith Innes-Rowe

[80] NMHS became aware there were no records of any leave applications submitted and approved for Ms Innes-Rowe for a three year period between July 2015 and September 2018, save for one day. Ms Innes-Rowe told the Commission that she had taken very little leave in the past few years.

[81] During that three year period, there were three occasions where Ms Innes-Rowe had placed an 'out of office' message on her email account indicating that she was on leave. The Commission was able to verify that on all three occasions she had flown to New Zealand to visit her family. She gave evidence that they were not work-related trips and yet there were no leave application forms appearing on the records.

[82] Ms Innes-Rowe proffered that not all leave forms that are filed are processed. Had an eL3 form been submitted and not processed, she ought to have noticed that she had not received the automated approval notification; that her leave balance as shown on her payslip had not reduced; and that the pay for that period did not include an additional leave loading payment. All leave forms received from Ms Innes-Rowe by HCN/HSS were processed.¹⁸

[83] She said in private examination that she did not look at her payslips that closely. She was unaware that leave had not been approved and could not remember a time when leave was approved absolutely in advance. She would always have a conversation with Professor Millward about it as he would need to cover for her.

[84] When Ms Innes-Rowe's employment at NMHS ended on 14 December 2018 she was paid out for all unused entitlements including annual leave. She received approximately \$65,000 in lieu of annual leave. This is despite the fact that she was absent on many occasions without obtaining proper approval.

¹⁸ Letter from Robert Toms, Chief Executive, Health Support Services to the Commission, 9 September 2019.

- [85] Analysis of the 2012-2013 financial year shows a three week period in July and August when there is no evidence of Ms Innes-Rowe being at work and no leave form submitted. The Commission is aware that she was overseas for part of that time. She was also overseas for short periods in October 2012, December 2012 and June 2013 but no leave forms were submitted for any of those dates.
- [86] There was a pattern. In October 2014, Ms Innes-Rowe applied to have her long service leave of 29.47 weeks paid out. A HSS Payroll officer performed an audit of her leave balances which showed she had also accrued 20.49 weeks annual leave. The Payroll officer did not comment at the time that this seemed excessive.¹⁹ This matter was left to the manager/authorising officer.
- [87] Professor Millward was aware of the financial liability of accumulated leave and that senior hospital management would issue instructions to review unused leave and encourage people to take their accrued leave.
- [88] He received the monthly leave report for his staff and believed he reviewed them as carefully as he could. He does not recall Ms Innes-Rowe's accumulated leave showing up as a red figure.
- [89] Ms Innes-Rowe only recalls one conversation with Professor Millward regarding her accumulated leave which occurred when her long service leave balance reached 29.47 weeks in 2014. She does not recall him mentioning her annual leave balance at that or any other time.
- [90] The Commission completed an examination of attendance between November 2012 and November 2017. The examination considered swipe access records, car parking records, computer accesses and leave records. It identified that Ms Innes-Rowe was absent on 125 days without submitting a leave form obtaining approval.
- [91] Despite two internal NMHS reports recommending disciplinary action against Ms Innes-Rowe, a new position was created for her. On termination, her final payment included the leave benefits which were at the time in dispute.
- [92] The Commission has formed an opinion of serious misconduct in respect of Ms Innes-Rowe's unauthorised absences resulting in a false final leave payout. A finding or opinion that misconduct has occurred, is not to be taken as, a finding or opinion that a particular person is guilty of or has committed a criminal offence or disciplinary offence.²⁰

¹⁹ Email from Payroll Officer NMHS to Judith Innes-Rowe 3 September 2014.

²⁰ CCM Act s 217A(3).

CHAPTER FOUR

Serious misconduct risks

Detecting and tackling misconduct

- [93] The definition of serious misconduct in the *Corruption, Crime and Misconduct Act 2003* includes fraud if committed while acting or purporting to act in an official capacity. It is a function of the Commission to report on ways to prevent and combat serious misconduct. What follows is not to be taken as a finding or opinion that a particular person is guilty or has committed a criminal offence. It is to provide assistance to departments in managing misconduct risks.
- [94] An American study in 2018 identified that the median age of a fraudster is 45, but that those above the median age who caused losses, did so to a greater amount.²¹
- [95] The same study found that 68% of frauds were committed by men, in addition to the losses being nearly four times larger. A survey by KPMG found that men tend to be higher in the organisation than female employees who cause loss.²²
- [96] Those who had been with the organisation the longest also stole significantly more.²³ An argument for job rotation.
- [97] Collusion is also dangerous, both internally and with others outside the organisation.²⁴ Collusion is more likely to circumvent controls and there is again disparity with males being the most likely to collude.²⁵
- [98] The KPMG study found that the difference in fraudulent activity between the sexes is narrowing due to women occupying more senior positions than before.²⁶
- [99] Technology often perpetrates fraud rather than detects it.²⁷ It goes without saying that technology-enabled fraudsters tend to be younger.²⁸

²¹ Association of Certified Fraud Examiners, *Report to the Nations 2018* p 14.

²² KPMG, *Global profiles of the fraudster: Technology and weak controls fuel the fraud*, May 2016 p 6.

²³ Association of Certified Fraud Examiners, *Report to the Nations 2018* p 15.

²⁴ KPMG, *Global profiles of the fraudster: Technology and weak controls fuel the fraud*, May 2016 p 6.

²⁵ *Ibid* 16.

²⁶ *Ibid* 16.

²⁷ *Ibid* 20.

²⁸ *Ibid* 21.

- [100] Fraudsters are often not concerned about being caught or believe there is a low risk because of their position.²⁹
- [101] Sometimes there is no 'driver' other than "because I can".³⁰
- [102] Employment screening with background checks are a useful tool but agencies must be alive to the fact that few employees engaging in fraud will have a prior conviction.
- [103] Strong internal controls are important but not a panacea.³¹ Strong internal controls, detection strategies and effective oversight together are the best defence. These may include:
- Reporting mechanisms either via telephone, email or web-based forms with an option to report anonymously.
 - Direct supervisor vigilance particularly around those in financial difficulties or living beyond their means.
 - Support programs for employees to help find other solutions to the driver behind potential fraud.
 - Strong internal controls including codes of conduct, and internal and external audits focussing on fraud and corruption.
 - Use technology to detect fraud rather than enable it. Use of data analysis seeking out unusual patterns or transactions.
 - Fraud training for all employees, managers and executives.
 - Fraud risk assessments and the implementation of an anti-fraud policy.³²
 - Job rotation strategies to prevent collusive relationships from forming and reduce the risks of misplaced trust or reliance.
 - Actively recovering losses when they are identified.

²⁹ Ibid 14.

³⁰ Ibid 12.

³¹ Ibid 14.

³² Association of Certified Fraud Examiners, *Report to the Nations* 2018 p 11.

CHAPTER FIVE

Conclusion

- [104] This report highlights the serious misconduct of a public officer. The amounts of money involved are significant. Whether recovery action is considered is a matter for NMHS. More importantly though, the investigation uncovered systemic risks, partly due to dated technology and partly due to lack of appropriate managerial vigilance.
- [105] HSS is currently preparing a business case on behalf of WA Health for a replacement payroll and rostering solution. This is planned for submission to Treasury as part of the 2020/21 budget process.
- [106] Without implementation of a new smart electronic payroll and rostering platform, employees may continue to bypass the controls in place to gain benefits to which they are not entitled. Relying on the vigilance of staff in HSS Payroll in a \$4.3 billion annual payroll is unrealistic. Responsibility must be shared with the employing authority.
- [107] Short term delegated authorities covering periods when a manager is on leave need to be escalated upwards rather than down to avoid any employee being in the position of approving their own benefits or payments.
- [108] There are obvious potential fraud risks arising out of the use of the HE number system for any expenditure approvals.
- [109] Termination payouts must receive greater scrutiny from managers who have direct oversight rather than simply relying upon the information contained in records which may be tainted.
- [110] Misplaced trust and familiarity can be the enemy of effective oversight, without which most controls can be circumvented.