

## Proposal for Consultation: Changes to National Investigations Unit

### Introduction

Today we are commencing consultation on a proposal for a new structure for the National Investigations Unit (NIU) including a change in unit name, business group reporting line, and operating model.

This proposed change directly supports ACC's organisational objectives of Financial Sustainability and Governance by ensuring we have in place strong internal and external fraud prevention, detection and response capability. As part of an independent review of ACC's counter-fraud capability completed in late 2013, a new organisational Counter-Fraud Outcomes Model has been endorsed by the Executive. This model sets the framework for ACC to deliver on its desired counter-fraud outcomes and have a more robust approach to the wide range of potential third party and employee-focused threats it faces. A copy of this model can be seen in Section Two of this proposal.

One of the key findings of the review was ACC has almost an exclusive focus on client (external) fraud, which has been to the detriment of achieving prevention, deterrence, and detection outcomes with providers and levy payers. This proposal seeks a greater holistic view to countering fraud and corruption risk, focusing not just on investigations but also prevention and detection initiatives. This more balanced strategy includes catering for employee fraud and corruption risk, whilst also supporting our organisational principle of having an integrated business.

By providing visible deterrence and low tolerance for fraud, ACC will increase New Zealanders' trust and confidence that the organisation is being governed and safeguarded to prevent financial losses.

This document sets out a proposed new structure to provide the capacity and capability needed to deliver the new Counter-Fraud Outcomes Model.

In summary we are proposing to:

- Develop a stronger focus on the prevention and detection of fraud and corruption internally and externally;
- Align with ACC's 'three lines of defence' model;
- Move from investigations to a more balanced and holistic fraud model;
- Change the name of the unit from National Investigations Unit to Integrity Services;
- Move the unit from the Claims Management Group to the Actuarial and Risk Group;
- Improve cross-agency collaboration and prosecutions;
- Focus the unit on achieving higher value outcomes and increase visibility and presence of ACC's fraud activity both internally and externally to increase deterrence of potential fraud;
- Establish six new positions and relocate three current positions;
- Disestablish seven positions; and
- Align detection and intelligence capabilities for a more efficient service.

This proposal sets out the background and rationale for change, the impact on roles and reporting lines, timeframes, and support available for people affected by the proposed changes.

This is a key initiative for ACC and we welcome your views and feedback – please send this to [NIUconsultation@acc.co.nz](mailto:NIUconsultation@acc.co.nz).

Consultation on the proposal closes at 5pm on Wednesday 7 May 2014, after which we will consider all feedback and make final decisions.



**Sid Miller**  
**General Manager, Claims Management**

**10 April 2014**

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## 1. Background

The NIU is currently based within Claims Management Group (CMG). An independent review of the NIU was commissioned in 2007, which resulted in changes to the structure and focus of the unit to achieve greater alignment between the Fraud Unit and the wider organisation.

Since then, the unit's focus has been to investigate situations where there are indicators that clients are acting dishonestly towards ACC for the purposes of financial or personal gain.

A further independent review was commissioned and undertaken by Deloitte between March and September 2013. The scope was to review the following key areas:

- Internal Fraud Capability;
- Fraud & Corruption Risk Assessment; and
- Review of the ACC National Investigations function.

A copy of the report from this review dated 28 November 2013 is provided as Appendix A.

The 2013 review included:

- An assessment of the NIU's implementation of agreed changes following the 2007 review;
- A gap analysis on how ACC currently approaches internal and external fraud and corruption risk, compared to other organisations considered to reflect best practice in this area;
- An action plan to close these identified gaps;
- A proposed organisational model (the Counter-Fraud Outcomes Model) to better manage fraud and corruption risks; and
- A proposed organisational structure to better position ACC to manage fraud and corruption risks internally and externally, aligned to the Counter-Fraud Outcomes Model.

The review also identified there was not a planned and structured approach to managing internal employee fraud. It recommended ACC seek further information about best practice organisational approaches to the management of internal fraud from a range of public and private sector organisations.

The benchmark organisations used, who are considered to reflect best practice risk management in this field, included the Ministry of Social Development, Inland Revenue, Ministry of Business, Innovation and Employment and New Zealand Police.

## 2. Why change is necessary

One of the key findings of the review was the NIU has almost an exclusive focus on investigating client (external) fraud, which aligns with the unit's placement within the CMG. This focus has not fostered a balanced approach to managing fraud risks by achieving prevention, deterrence, and detection outcomes with clients, providers and levy payers. To address this, a more holistic view to countering fraud and corruption risk is proposed. It would focus not only on investigations but also prevention, deterrence and detection initiatives for all three groups at all levels across the unit. In addition, the review recommended the NIU leads ACC's management of internal fraud risks.

Another key finding was that the Intelligence capability is not currently well aligned to the Investigators or the business groups they support. This has resulted in inefficiencies arising through a lack of communication and shared purpose. The regional location of the Investigation teams was cited as effective in promoting greater customer centricity with the wider business.

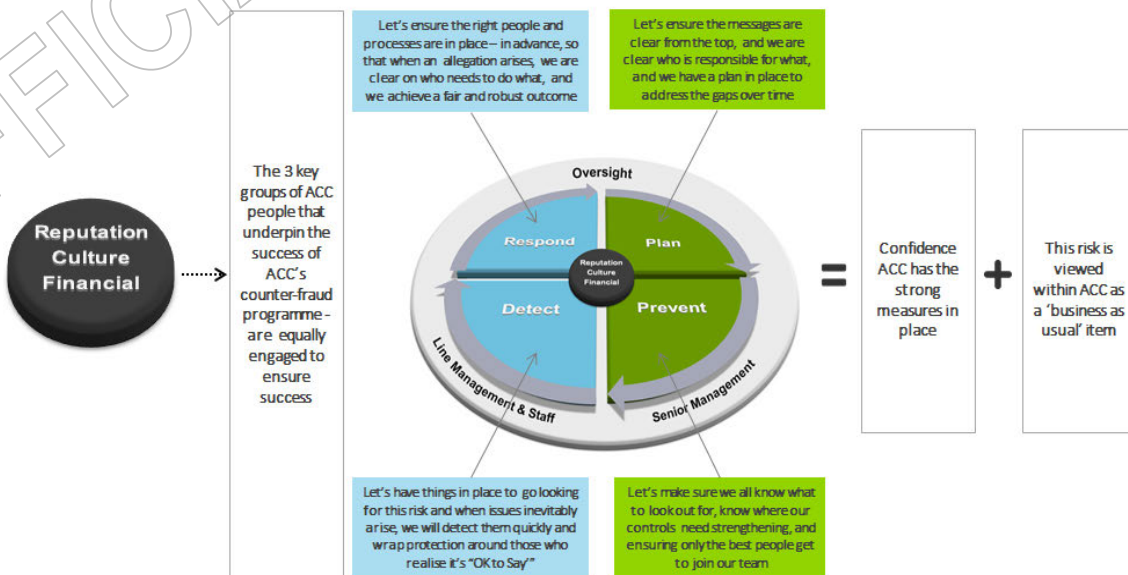
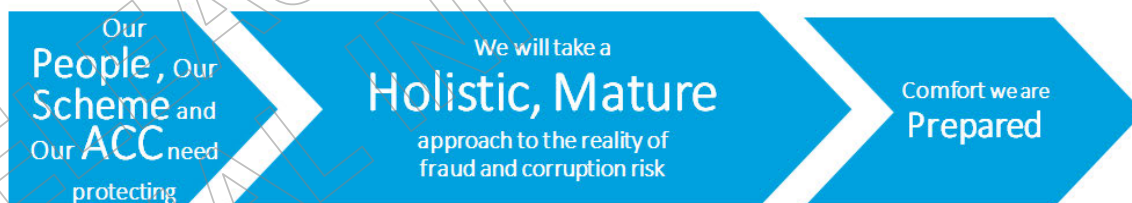
**a. Challenges with the current structure**

The review identified the following issues with the current NIU organisation structure:

- It is not aligned to ACC’s ‘three lines of defence’ risk framework;
- The multi-layered structure across some units does not provide a basis for efficient and timely decision-making;
- The centralised model for Intelligence does not meet the needs of its customers i.e. regionally based investigators;
- Clear accountability for decision-making is not embedded within the structure; and
- The structure does not support clarity around roles and responsibilities for fraud and corruption management in the organisation, i.e. what is the responsibility of the NIU and what is the responsibility of the business groups they support?

**b. Implementing the new Counter-Fraud Outcomes Model**

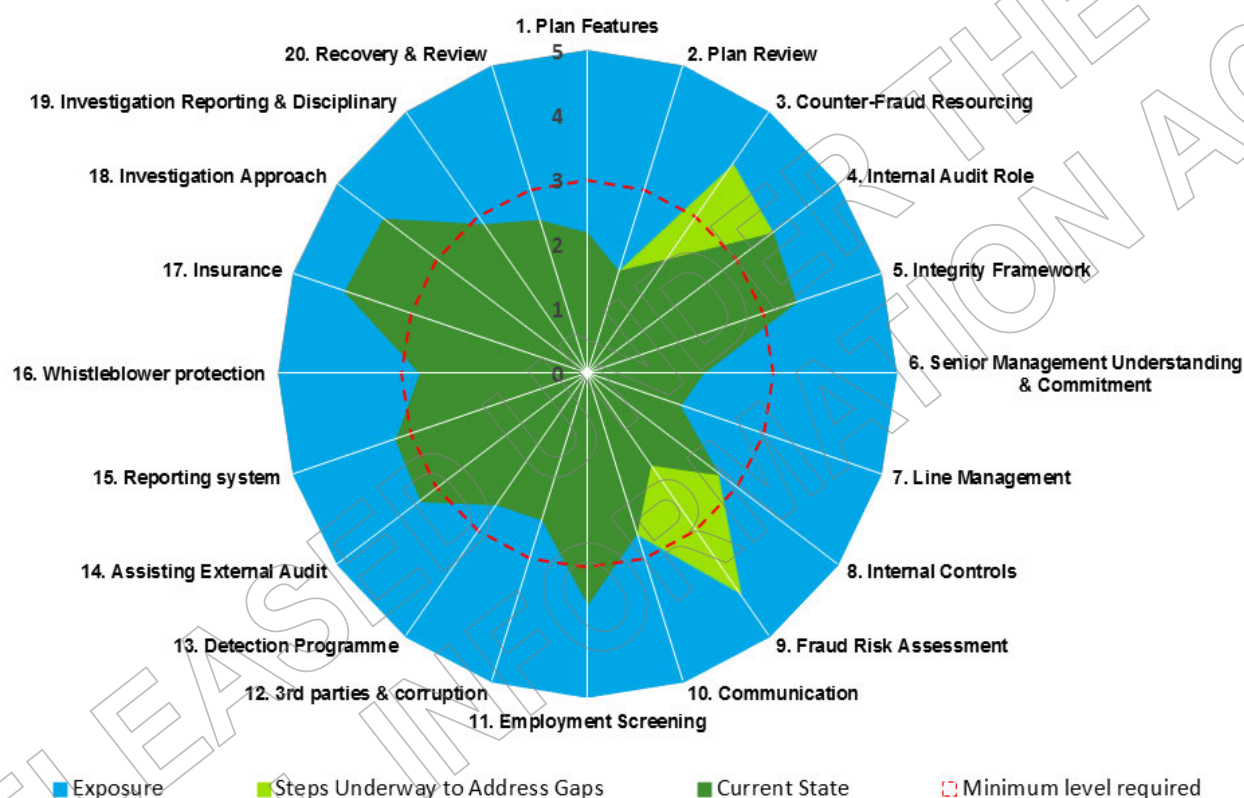
As part of the review, a new Counter-Fraud Outcomes Model was designed. This has been endorsed by the Executive. The new model will work alongside ACC’s existing risk management function to provide greater leadership and an effective framework for how we behave towards fraud moving forward.





### c. Improving fraud and corruption risk management

The review included a gap analysis of ACC's management of fraud and corruption risks, compared to best practice. It assessed ACC's performance against each of 20 best practice features of an effective fraud and corruption management system. A score of five represents best practice, with three the 'industry minimum acceptable level' that would be expected. The results are shown pictorially below.



To address these gaps and achieve at least the 'industry minimum acceptable level', the following changes must be made to the way we manage fraud and corruption risks at ACC:

- ACC needs to take a more strategic focus to the management of fraud and corruption risk, focussing on prevention as well as investigation and detection. This can be achieved through implementing the Counter-Fraud Outcomes Model;
- The NIU needs to be repositioned to be a highly visible part of ACC's 'three lines of defence';
- The focus of the NIU needs to be expanded to include provider fraud, levy payer fraud, client fraud, and internal fraud;
- A clear and balanced strategy for the prevention, investigation and detection of fraud across all four fraud focus areas needs to be developed; and
- A new organisational structure needs to be introduced to drive a more holistic approach to fraud and corruption management, aligned to Risk and Assurance.

This new holistic approach to fraud will be achieved through the current unit by focusing on a smaller number of cases, with higher value outcomes.

#### **d. Greater internal fraud capability**

A current state analysis identified ACC does not have a planned and structured approach to the prevention, deterrence and detection of internal employee fraud.

Key findings were:

- Most organisations operated a focus of 40% prevention, 40% investigation and 20% detection in their approach to internal fraud;
- Key prevention initiatives included training, communication, continuous improvement to controls, and reporting to the business;
- A common intervention across other organisations was a multi-disciplinary group including HR, legal, risk and assurance and investigator meeting regularly to agree proactive and reactive fraud and corruption risks and management;
- Analysis of business as usual data enabled risks and 'red flags' to be identified; and
- There needs to be strong alignment and relationships between HR and internal fraud and corruption management.

#### **e. Greater structural alignment, leadership, and support to the business**

In order to better support the business to provide effective leadership of the new fraud model and greater customer centricity, the NIU needs increased strategic leadership capability and alignment with the wider business. This streamlines decision and communication channels across ACC's regional model, and enables the NIU to better support its new focus of prevention, deterrence and detection to the wider organisation.

#### **f. Alignment with 'Three Lines of Defence' model**

In January 2013, the Global Institute of Internal Auditors issued a position paper that reiterated the importance of the 'three lines of defence' approach in effective risk management and control. That was implemented by ACC in 2010.

<b>Role</b>	<b>Function</b>
The 1 <sup>st</sup> Line	The Business Group responsible for the monitoring and ownership of risks and controls.
The 2 <sup>nd</sup> Line	The risk management function and enterprise framework that provides risk leadership and supports Executives, Risk Committees and Business Groups.
The 3 <sup>rd</sup> Line	The Assurance Services function that provides independent assurance to the Board and Senior Management on the effectiveness of risk management, control and governance process.

The statements included in the Position Paper are consistent with ACC's strategy and focus on risk management and control. As part of the change proposal, this framework has been incorporated into the design of the future Investigation Unit to enable a greater enterprise focus to fraud.

#### **g. Greater cross-agency collaboration**

In addition to the strategic and structural changes that the review identified, ACC also wishes to improve cross-Government collaboration as part of the Better Public Services programme (Results Area Nine). For example, this would include reviewing ACC prosecution processes

against the model used within other similar prosecuting agencies as specified by the Crown Law Public Prosecutions Unit.

### **3. Key objectives of proposed change**

The key objectives of the proposed changes are to:

- Ensure the scope, objectives and structure of the unit are aligned to ACC's strategic direction and three lines of defence risk model across ACC;
- Implement strategies which achieve ongoing reduction of internal and external fraud and corruption risk to ACC;
- Position ACC to take an increasing involvement in collaboration with other agencies in tackling the risk of fraud;
- Promote and increase the level of fraud and corruption awareness within ACC;
- Create a structure which improves speed and accuracy of decision making and provides clarity around roles and responsibilities for fraud and corruption management both internally and externally;
- Create a more holistic approach to fraud, which balances prevention, deterrence and detection across all four fraud focus areas (internal, provider, client and levy fraud); and
- Improve alignment with ACC's 'three lines of defence' as part of the risk management and control framework.

### **4. Impact on National Investigations Unit**

The review outlines a proposed structure, aligned to the new Counter-Fraud Model. This structure focuses on repositioning the unit from a functional to an enterprise ACC focus by broadening its scope to introduce the Internal Investigations arm, and adding the discipline of maintaining ACC's ongoing fraud and corruption risk assessment as part of the 'three lines of defence' model.

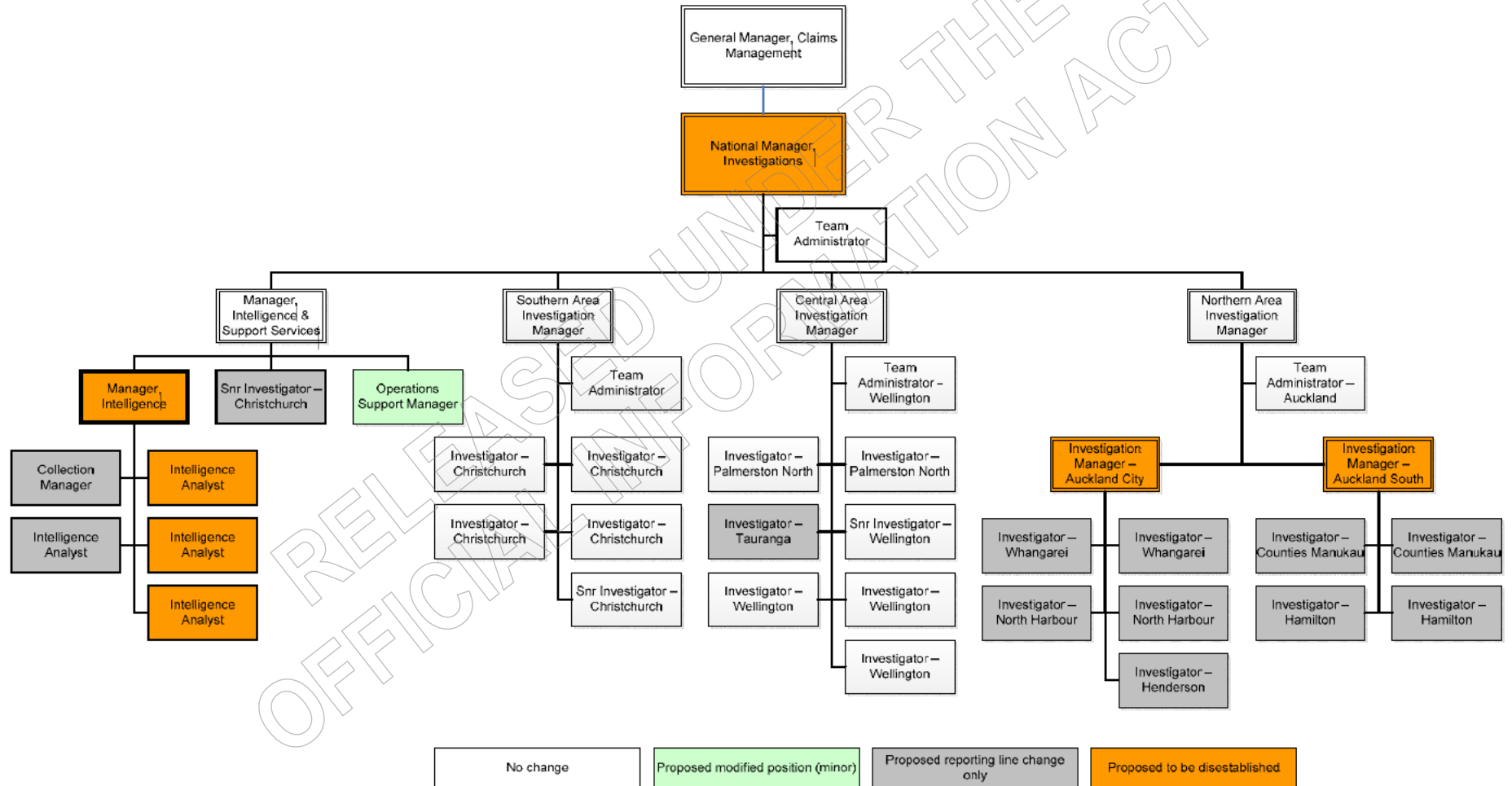
Key proposed changes from the current state are:

- The unit would be re-titled Integrity Services and moved from the Claims Management Group to the Actuarial and Risk Group;
- It would be led by a newly established position of Head of Integrity Services, reporting to the General Manager – Actuarial and Risk;
- Integrity Services will support a 'whole of the business' approach to fraud and corruption. This will require the Head of Integrity Services to work closely with the Chief Risk Officer, People & Communications, and the business groups that Integrity Services supports across ACC;
- The unit would align its structure with the four regions in the Claims Management Network (Christchurch, Wellington, Hamilton and Auckland). This includes establishing a fourth Area Investigation Manager to provide greater strategic focus for both the new region and the already established South Auckland Investigations Team; and
- Group Investigators and Intelligence staff, together with their Area Investigation Manager, will provide more tailored support across the four regions.

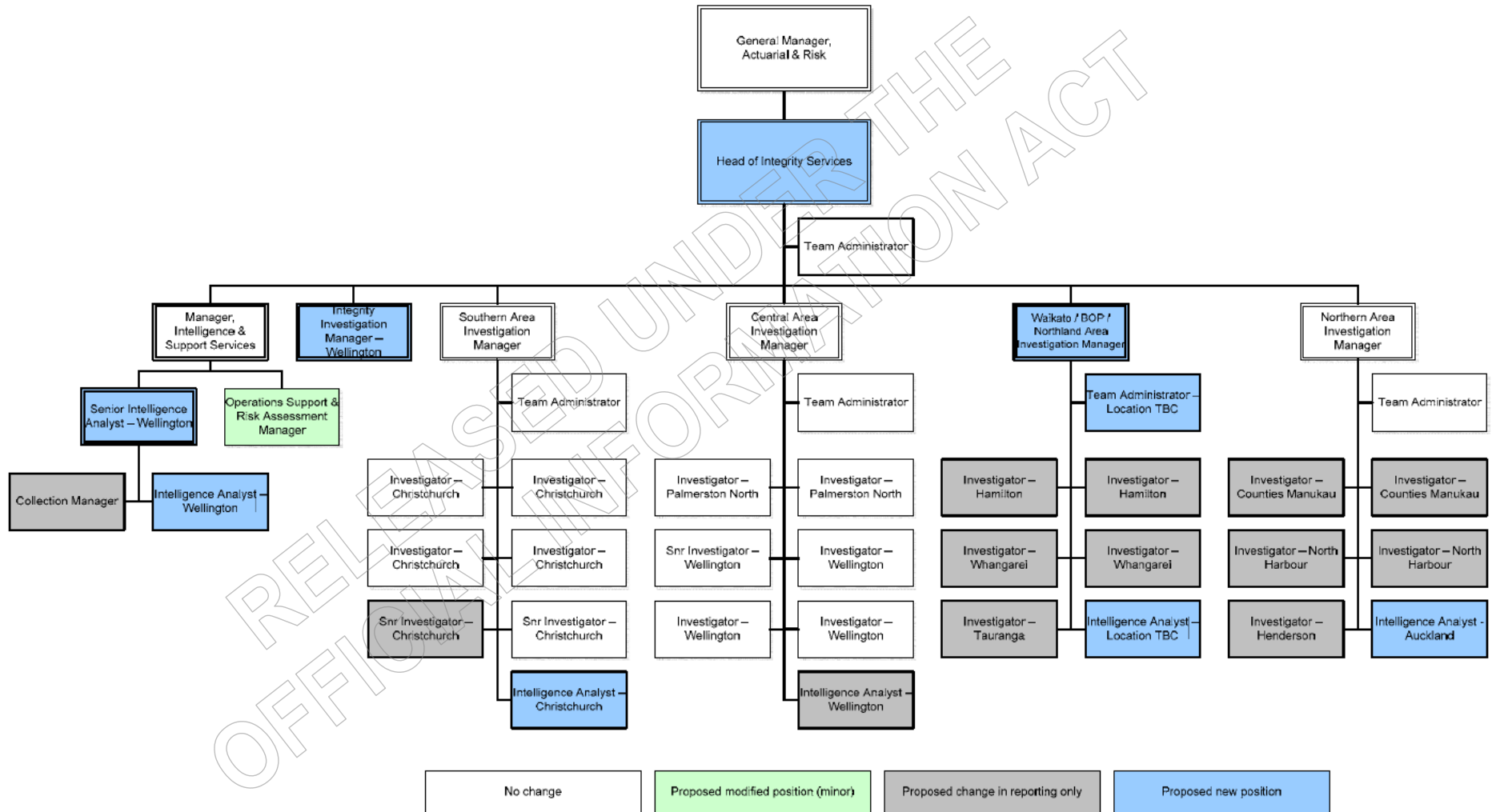


## 5. Proposed structural changes

### a. Current structure – National Investigations Unit



**b. Proposed new structure – Integrity Services Unit**



### c. Proposed new positions to be established

The following new positions are proposed to be established:

<b>Position</b>	<b>Rationale</b>
Head of Integrity Services – 1 FTE	This role will be responsible for leading the development and implementation of a new counter-fraud model for ACC, with significant focus on managing an integrated approach to the prevention and deterrence as well as detection and response across all types of fraud. This role will require significant engagement with the Executive, management teams, HR and Risk, aligning ACC strategic direction to the counter-fraud strategy for ACC.
Integrity Investigation Manager – 1 FTE	This role will be responsible for managing an integrated approach to deterrence, prevention and detection of and response to employee-related fraud, with a greater focus on communication with its customer stakeholder groups.
Area Investigation Manager – 1 FTE	It is proposed that a new position of Area Investigation Manager be established in the Waikato / BOP / Northland region. The establishment of a fourth Area Investigation Manager will provide greater strategic focus to the new region and provide greater leadership coverage across the team.
Senior Intelligence Analyst – 1 FTE	This role will be responsible for providing best practice subject matter expertise across the intelligence team. The key function will be to provide a Business Analyst function by developing and implementing robust business and reporting processes across the team.
Intelligence Analyst – 3 FTE	The four existing Intelligence Analyst roles will remain the same in scope; however three non-Wellington based roles will be established in the regions (Southern, Northern, and Waikato / BOP / Northland) to align with the Branch Network.
Intelligence Analysts – 1 FTE	An additional (fifth) Intelligence Analyst across the Unit will be established and located in Wellington. This role will however have a slightly different focus than the regional Intelligence Analysts towards a Centre of Excellence approach. It will also provide overflow support to the regional Intelligence Analysts.
Team Administrator – 1 FTE	This role will be responsible for supporting the Waikato / BOP / Northland Area Investigations Team.

### d. Proposed positions to be disestablished

The following positions are proposed to be disestablished:

<b>Position</b>	<b>Rationale</b>
National Manager, Investigations	The scope and accountabilities for this position are not sufficiently aligned to the new Counter-Fraud Model, which takes a holistic approach to the management of fraud and corruption risk. A greater focus is required at a strategic level to provide direction to the organisation regarding; prevention and detection, employee fraud, risk management and be customer facing to ACC Executive team and

	<p>staff. This significantly increases the breadth of responsibility of this role as it is not only responsible for the delivery of the fraud function, but accountable to develop and implement strategy which aligns the unit's strategies to ACC's strategic direction and enterprise Risk Management.</p> <p>These amendments constitute a significant change to the current position description.</p>
Intelligence Analysts (3)	<p>It is proposed to disperse the Intelligence Analyst positions to the regions to ensure the provision of intelligence analysis is aligned to regional needs, reporting to the Area Manager. This will enable the Intelligence Analysts and Investigators to work more collaboratively and understand one another's needs in one location/area.</p> <p>One of the four Intelligence Analyst roles will not be disestablished as the Central Area role is still based in Wellington, so will be a reporting line change only.</p> <p>Roles will be offered to existing staff in the first instance and where there is more than one person wanting to work in the same region, interviews will determine the final decision.</p> <p>The change in location for three of the Intelligence Analyst roles constitutes significant change.</p>
Manager, Intelligence	<p>This role's management responsibility for the Intelligence function would be dispersed with the Intelligence Analyst function largely decentralised to the regions. Two centralised Intelligence Analysts will now provide strategic intelligence analysis, a centre of excellence approach, and overflow support to the regional Intelligence Analysts.</p> <p>These amendments constitute a significant change to the current position description.</p>
Investigation Manager (x2)	<p>It is important in the new structure to have consistency across the management team and currently there is fifth tier level of management only in the Auckland region. There is a need for additional head count at the Area Management level to provide greater strategic support across the Branch Network. Investigators in the northern region will now report directly to the two Area Investigation Managers. This will enable improved speed, accuracy and communication of decision making.</p> <p>The change in reporting line for all Investigators in the northern region to Area Investigation Manager constitutes significant change to the current position description.</p>

### e. Proposed changes in reporting line

The following changes are proposed to reporting lines:

Position	Currently reports to	Proposed reporting line	Rationale
Collection Manager	Intelligence Manager	Manager, Intelligence & Support Services	Aligns resources to integrated integrity approach
Senior Investigator, Christchurch	Manager, Intelligence and Support Services	Southern Area Investigation Manager	Aligns resources to regional area
Intelligence Analyst	Intelligence Manager	Central Area Investigation Manager	Aligns resources to the regions – Central Area (based in Wellington)
Investigators (Northern Area only)	Investigation Manager (both Auckland City and Auckland South)	Northern Area Investigation Manager; and Waikato / BOP / Northland Area Investigation Manager	With Investigation Manager roles proposed to be disestablished, the Investigators in the current Northern Area will now role to their respective Area Investigation Manager directly.

### f. Proposed minor change to position

The following minor changes are proposed to existing positions to better align with the new strategic direction of the unit. These are only minor changes and do not constitute significant change:

Position	Proposed changes	Rationale
Operations Support Manager	The position description would include accountabilities for risk assessment. The position would be re-titled Operations Support and Risk Assessment Manager.	A greater focus on ACC-wide risk assessment and risk profiling is needed for effective deterrence, prevention and detections of fraud.
Area Investigation Managers Manager, Intelligence & Support Services	Updated position descriptions would reference the leadership elements of the new strategic direction e.g. 'three lines of defence'; holistic approach; enterprise wide; and the four fraud focus areas.	This will ensure the new strategic direction is implemented consistently across unit, and integrated across the wider business.
Investigators	Updated position descriptions would reference elements of the new strategic direction relevant to investigators e.g. holistic approach and four fraud focus areas.	This will ensure the new strategic direction is implemented consistently across unit, and integrated across the wider business.



## 6. How to give feedback

I would like to hear your views on the proposed changes outlined in this consultation proposal. Please send your submissions and any questions regarding this proposal to [NIUconsultation@acc.co.nz](mailto:NIUconsultation@acc.co.nz) by 5pm on 7 May 2014. All submissions will be acknowledged as received.

I will fully consider all submissions received, and any questions and issues raised before making decisions on this proposal. If you have any questions about the proposal, or points of clarification, we will seek to respond before the consultation period ends. I will respond to submissions and issues raised in a decision document which will be issued to all staff, setting out the decisions I have made after considering submissions, the key themes from submissions and my comments on these.

Draft position descriptions for the proposed new positions will be available by contacting [NIUconsultation@acc.co.nz](mailto:NIUconsultation@acc.co.nz). These draft roles have not been sized and accordingly remuneration information is not available until after 7 May 2014.

## 7. Support for staff

We are keen to ensure you are fully supported through this process. If you would like support during this time please talk to your manager; or 9(2)(a) – Business Partner (04 9(2)(a)), or 9(2)(a) – Senior Consultant (04 9(2)(a)). You are entitled to seek your own independent advice regarding this proposal.

You may also wish to access the Employee Assistance Programme, EAPworks by calling 0800 SELF HELP (0800 735 343).

We recognise this proposal has significant implications. We have support services available and encourage you to use these if required.

## 8. Implementation of decisions

After decisions have been made on the proposal, any available vacancies will be advertised. Affected staff (whose positions would be disestablished) will be invited to express interest in new positions in the structure, and considered first for these positions. Selection will be by interview. Staff will be interviewed once for all positions in which they express interest, rather than attending an interview for each specific role if they express interest in multiple roles.

## 9. Indicative timelines

Consultation	10 April 2014
Submissions from staff due	7 May 2014
Decision document (indicative)	19 May 2014
EOIs – affected staff only (indicative)	21 May 2014
Interviews for affected staff (indicative)	2 June 2014
Vacant positions advertised internally and externally (indicative)	9 June 2014
New structure comes into effect (indicative)	7 July 2014

**Appendix A: Deloitte Review – ACC Investigation Capability Review (enclosed)**

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