



\$17m hospital scam: Business must learn from governance failure

The National Business Review 2008 - 12 December 2008

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Fraud cases like those involving Michael Swann and Kerry Harford highlight the need for employers to more rigorously verify the backgrounds of their employees.

"New Zealanders are very trusting. We don't expect people to put one over us in this way," said Craig Gubbins, a principal of Auckland-based forensic pre-employment screening company Personal Verification Ltd.

Mr Gubbins was a 26-year veteran of the Security Intelligence Service (SIS) and in the 1990s was seconded to an intelligence unit within the Immigration Service.

The Swann-Harford case, and others like the case of former Immigration Service head Mary-Anne Thompson, who is before the courts on three fraud charges relating to her CV, were becoming more common, he said.

"The cases that appear in the media are only the ones that generally go to court and have a high profile because they are of political interest.

"There are many, many other cases that never see the light of day because employers don't want the embarrassment," Mr Gubbins said.

"It's not good for business and it's not good for profitability if people know that a company was outsmarted by one of its own employees."

An "aggravating feature" of the Otago case was that the health board failed to ensure that Swann was a "fit and proper person" to have control of such large sums of public money, and its failure to monitor his delegated authorities over such a long period of time, he said

When Swann was being considered for appointment, the board should have been aware that he was a recent former bankrupt.

"We do not know whether they were or not, (but) had they engaged a professional pre-employment screening company, they certainly would have been," Mr Gubbins said.

"Having taken that precaution, the board may have avoided the stigma of becoming the victim of the largest employee fraud ever reported in this country."

