

# *Public Sector Fraud Awareness Survey – Findings*

*For the Office of the  
Auditor-General*

*November 2011*





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# *Public Sector Fraud Awareness Survey – Findings*

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## ***Introduction***

### **Background**

Fraud is a fact of business life in New Zealand. According to the 2009 PwC Global Economic Crime Survey (21% of the respondents in New Zealand were public sector organisations), 42% of New Zealand respondents had suffered from an incident of economic crime in the 12-month period preceding the survey (August 2008 to August 2009) with an average cost of almost \$492,000. Of the public sector respondents in New Zealand, 50% reported that they had suffered fraud in that same period.

To compile the PwC Global Economic Crime Survey, we asked more than 3,000 senior representatives of public and private sector organisations in 55 countries about fraud and fraud risks. The survey scrutinised fraud and associated integrity risks during a period of considerable economic turmoil and investigated the root causes and the way in which they affect organisations worldwide.

As the economy declined globally, new threats emerged. When economic survival is threatened (either for the organisation or the individual), the line separating acceptable and unacceptable behaviour can, for some, become blurred. In addition, fraud and other types of economic crime have become a focus of criminal activity in recent years; people who profit from fraud view the current economic conditions as an opportunity, not a threat.

### **The Survey**

On behalf of the Office of the Auditor-General (OAG), PwC undertook an on-line fraud awareness survey to a number of New Zealand public sector organisations. The survey was open from February 2011 to June 2011.

The organisations surveyed were identified by the OAG. The survey sample comprised 1,968 individuals across 20 sectors. The number of respondents who completed the survey was 1,472, realising a pleasing 74% return.

Central Government organisations accounted for 45% of responses, followed by Schools (32.7%) and Local Government organisations (22.3%).

### **The purpose of the survey**

The OAG had identified that there would be significant benefits for the public sector in increasing its awareness of fraud risk, recognition of the benefits of preventing and detecting fraud and assessing the level of fraud prevention and detection activity.

The key objective of the survey was to establish a baseline understanding of the awareness within the public sector as to:

- Fraud risk factors, prevention, detection and response mechanisms and awareness/use of these.
- Specific incidents of fraud and quantification/evaluation of the impact of fraud.

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The results of this survey will be used to:

- Raise the awareness of fraud risk factors within the public sector;
- Inform the work of approved auditors in undertaking their statutory audit responsibilities; and
- Enable sector specific responses to fraud risks to be taken where appropriate.

### Helpful definitions

The online survey included the following definitions:

- **Fraud** – is an intentional and dishonest act involving deception or a misrepresentation, to obtain or potentially obtain an advantage for themselves or any other person (e.g. falsifying timesheets, false invoicing).
- **Theft** – to dishonestly and without claim or right, take or deal with any property with intent to deprive any owner permanently of the property or interest in it (e.g. theft of IP, theft of company property).
- **Corruption** – the abuse of entrusted power for private gain (e.g. soliciting or receiving gifts or other gratuities to perform part of an official function, or omit to perform an official duty).

Throughout this report, we use the term fraud to encompass the above definitions.

### How to read the report

The report is divided into five sections:

1. Fraud prevention (page 8)
2. Fraud detection (page 68)
3. Fraud response (page 99)
4. Incidents of fraud (page 135)
5. The Environment (page 176)

Each section contains a series of questions appropriate to the topic, the results, some comments made by respondents to the survey and PwC's observation.

Results presented in table form have been rounded and may therefore differ from any associated graphs and text commentary.

On those occasions where the number of respondents differs between tables, this is a result of the survey's skip logic (i.e. subsequent questions which are not relevant based on prior responses).

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# ***Demographics***

The following questions were asked to determine the demographics of the survey participants:

- What sector do you classify your organisation in?
- How many employees are there in your organisation?
- How long have you been with this organisation?
- How long have you been in your current role?
- What is your job title?

## Survey demographics

What sector do you classify your organisation in?		
Answer Options	Percent of Survey Respondents	Response Count
<b>Central Government</b>		
Autonomous Crown Entities (e.g. Public Trust, NZ Symphony Orchestra)	3.8%	56
Central Government - Other (e.g. Air New Zealand, Medical Council, Leadership Development Centre)	3.5%	51
Crown Agents or Companies (e.g. ACC, CAA, TVNZ)	6.0%	89
Crown Research Institutes	2.6%	38
District Health Boards	5.0%	73
Government Departments	10.4%	153
Independent Crown Entities (e.g. Commerce Commission, Privacy Commissioner, Broadcasting Standards Authority)	2.6%	38
Māori Trust Boards	0.7%	11
Rural Education Activities Programmes	0.7%	11
State-Owned Enterprises	3.4%	50
Tertiary Education Institutions (e.g. Polytechnic, University, Wananga)	6.3%	92
	<b>45.0%</b>	<b>662</b>
<b>Local Government</b>		
Airports	1.4%	20
Council Controlled Organisations or Council Controlled Trading Organisations	5.2%	77
Energy Companies	1.9%	28
Fish and Game Councils	0.5%	8
Licensing and Community Trusts	0.6%	9
Local Authorities (e.g. City Councils, District Councils, Regional Councils)	11.7%	172
Local Government - Other (e.g. Destination Marlborough, Eden Park Trust Board)	0.7%	11
Port Companies	0.2%	3
	<b>22.3%</b>	<b>328</b>
<b>Schools</b>		
Schools	<b>32.7%</b>	<b>482</b>
<b>TOTAL</b>	<b>100%</b>	<b>1,472</b>

# ***Section 1: Fraud prevention***

Question	Page
1. My organisation has a Fraud Policy.	12
2. The Fraud Policy is communicated regularly (annually or biannually).	16
3. My organisation has a staff Code of Conduct.	20
4. The staff Code of Conduct is communicated regularly (annually or biannually).	24
5. My organisation has a clear policy on accepting gifts or services.	28
6. Receiving gifts, free or heavily discounted services or preferential treatment because of my role in my organisation is <i>(You may choose more than one answer)</i> :	32
<ul style="list-style-type: none"><li>• A normal and expected part of the job</li><li>• Acceptable below a monetary limit</li><li>• Acceptable in certain circumstances (please specify)</li><li>• Must always be declared to my manager / on an internal register</li><li>• Never acceptable</li></ul>	
7. My organisation has designated a person who is responsible for fraud risks, including investigation.	34
8. I am confident that managers in my organisation understand their responsibilities for preventing and detecting the risks of fraud and corruption.	38

# ***Section 1: Fraud prevention***

Question	Page
9. I am confident that other employees understand their responsibilities for preventing and detecting the risks of fraud and corruption.	42
10. My organisation reviews its fraud controls on a regular basis (annually or bi-annually).	46
11. My organisation takes a proactive approach to preventing fraud and corruption.	50
12. New employees at my organisation undergo pre-employment screening that includes criminal history checks.	54
13. I have had fraud awareness training at my current organisation.	58
14. The fraud awareness training that I received at my current organisation was: <ul style="list-style-type: none"><li>•</li><li>• In the last 6 months</li><li>• In the last 12 months</li><li>• In the last 24 months</li><li>• Was over two years ago</li></ul>	62
15. My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.	64

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## ***Fraud prevention – the first line of defence***

Combating fraud is everyone's responsibility. Public sector leaders and senior managers are critical role models. It is important that they set the right tone at the top and ensure that all staff understand their fraud risks and that they know what to do when fraud is discovered.

Having a robust fraud control framework is critical to ensuring organisations provide adequate mitigation to minimise the risk of fraud occurring. The key components of a fraud prevention framework are outlined in Australia-New Zealand corporate governance standards specific to fraud and corruption (AS 8001-2003 & 8001-2008) in the form of prevention, detection and response mechanisms. Broadly, these mechanisms require:

- A clear and visible commitment from senior management towards fraud prevention and a zero tolerance to fraud.
- A sound policy framework and, underneath this, policies that provide clear and concise guidance to all staff on fraud and fraud-associated matters and outline clear roles and responsibilities for fraud prevention.
- Established and well-controlled processes and systems that reduce the risk of fraud occurring to a minimum. However, while an organisation will benefit from a suite of fraud prevention measures, no organisation will be able to mitigate their fraud risks to zero.
- Fraud specific procedures that allow for the identification, collation and reporting of instances of fraud and the ongoing monitoring of remedial actions arising from such instances.
- Fraud awareness-raising activities and training (in ethics or code of conduct, privacy principles, fraud control activities).

The framework in effect helps organisations document what the expected behaviours are, and how it will ensure appropriate behaviour on an on-going basis. Should staff and/or others deviate from what's expected, then the organisation is clear on how it will respond. This clarifies, for those who commit fraud and those who want to report fraud, what to expect in relation to organisational response.

The survey indicates that New Zealand public sector entities show a high awareness of the risk of fraud.

Some organisations seemingly have mature and connected policies and approaches to mitigating the risk of fraud, and in the main these appear to be the bigger agencies. However, many organisations appear to take comfort from the fact that they have not suffered fraud in the recent past and there is some additional sense that small entities do not see the need for formal policies and frameworks, tending to rely on their smallness and notion of the "trusted employee" as mitigation against fraud. Many instances of internal fraud have been committed by trusted employees.

All organisations should have a Code of Conduct. It is often the one document that sets out both the expected behaviours and the consequences for misconduct. The Code of Conduct is often the hub for other relevant policies, e.g. fraud policy. A total of 91.6% of respondents said that their organisation had a Code of Conduct. 79% of respondents said that their organisation had a specific fraud policy. However, to be effective they need to be regularly communicated, and this is often where organisations can improve. Fewer respondents indicated that their fraud policy (64.3%) and Code of Conduct (69.7%) were communicated regularly.

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## ***Fraud prevention – the first line of defence***

Organisations are often reluctant to discuss the potential for fraud, generally because it's not a "top-of-mind" risk until it occurs and sometimes because of its negative connotations. This may in some part explain a noticeable finding of the survey that 73.9% of respondents said that they had not received fraud awareness training at their current organisation. Of those who had received training, 16.5% had received training in the previous six months, 33.2% in the previous 12 months and, for a quarter of respondents, over two years ago.

Employees are an organisation's greatest weapon in the prevention of fraud. A significant amount of fraud is not detected in the early stages because of the inability of the organisation's staff to recognise early warning signs or because they were unsure how to report their suspicions.

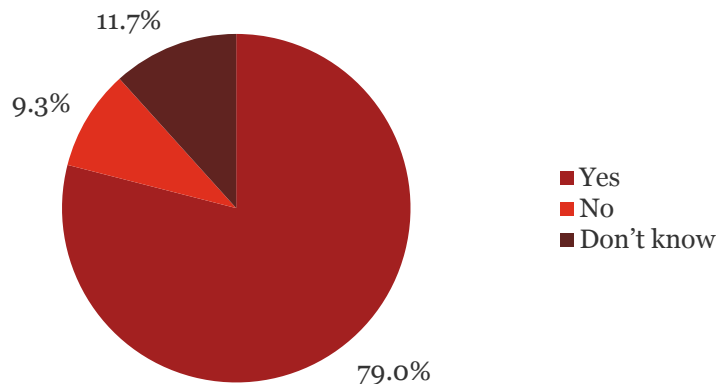
## 1. *My organisation has a Fraud Policy.*

### **Observation:**

79% of participants said their organisation had a fraud policy.

Senior staff were more aware of their organisation having a fraud policy. 84% of Chief Executives, 79% of senior managers and 73% of line managers said they had a fraud policy.

82% of administration and support staff and 68% of operational staff said their organisation had a fraud policy.



### **What some respondents have said:**

“Although we do not have a "fraud policy" we cover fraud off in other policies.”

“We have relatively good processes but no specific “Fraud Policy”. To date things seems to work well and an eye is kept on things to avoid risks in this area.”

“We are very aware of the possibility and I have used outsiders to carry out audits in addition to the normal audits. A formal policy seems over the top for an organisation of just 11 people.”

“Fraud is not an issue for our organisation and as such does not require any formal prevention measures other than being part of policy document and induction pack for new staff.”

### **PwC comment:**

A lack of clarity in policies and in management’s communication of those policies may not set the appropriate “tone at the top.” It may cause employees (especially those at lower levels) to believe that the organisation does not take such risks seriously and so may not report their concerns to management.

**1. My organisation has a Fraud Policy.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	323	84%	51	12%	11	3%	385
Member of the senior executive/leadership team or equivalent	395	79%	44	9%	58	11%	497
Line manager (if not one of the above)	162	73%	20	9%	39	18%	221
Administration/Support Services	169	82%	10	5%	26	13%	205
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	94	68%	10	7%	35	25%	139
<b>Total</b>	<b>1,143</b>	<b>79%</b>	<b>135</b>	<b>9%</b>	<b>169</b>	<b>12%</b>	<b>1,447</b>

## 1. *My organisation has a Fraud Policy.*

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	51	94%	1	2%	2	4%	54
Central Government - Other	37	79%	7	15%	3	6%	47
Crown Agents or Companies	78	90%	3	3%	6	7%	87
Crown Research Institutes	32	84%	3	8%	3	8%	38
District Health Boards	57	79%	2	3%	13	18%	72
Government Departments	118	79%	9	6%	22	15%	149
Independent Crown Entities	32	86%	1	3%	4	11%	37
Māori Trust Boards	6	55%	4	36%	1	9%	11
Rural Education Activities Programmes	8	73%	2	18%	1	9%	11
State-Owned Enterprises	40	82%	5	10%	4	8%	49
Tertiary Education Institutions	80	88%	1	1%	10	11%	91
<b>Sub-Total</b>	<b>539</b>	<b>83%</b>	<b>38</b>	<b>6%</b>	<b>69</b>	<b>11%</b>	<b>646</b>

## 1. *My organisation has a Fraud Policy.*

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	14	70%	0	0%	6	30%	20
Council Controlled Organisations or Council Controlled Trading Organisations	63	83%	9	12%	4	5%	76
Energy Companies	19	68%	7	25%	2	7%	28
Fish and Game Councils	7	88%	1	13%	0	0%	8
Licensing and Community Trusts	5	56%	4	44%	0	0%	9
Local Authorities	133	79%	19	11%	17	10%	169
Local Government - Other	4	36%	7	64%	0	0%	11
Port Companies	0	0%	2	67%	1	33%	3
Sub-Total	<b>245</b>	<b>76%</b>	<b>49</b>	<b>15%</b>	<b>30</b>	<b>9%</b>	<b>324</b>
<b>Schools</b>	359	75%	48	10%	70	15%	477
Total	<b>1,143</b>	<b>79%</b>	<b>135</b>	<b>9%</b>	<b>169</b>	<b>12%</b>	<b>1,447</b>

## 2. The Fraud Policy is communicated regularly (annually or biannually).

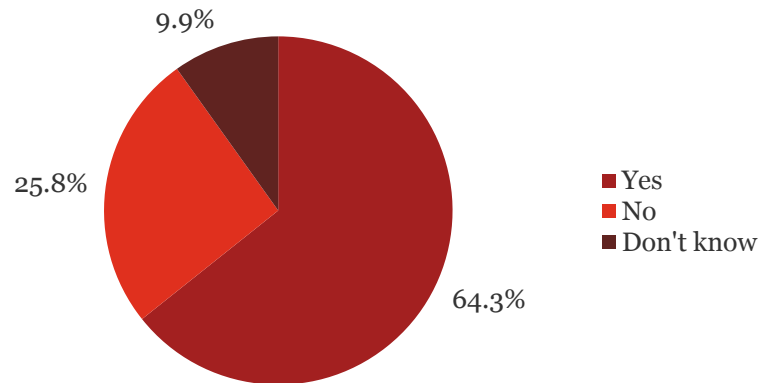
### Observation:

64.3% of respondents said their fraud policy is communicated regularly.

76% of Chief Executives indicated that their fraud policy was communicated regularly. However, only 51% of line managers and 47% of operational staff indicated similarly.

Organisations with better communication of existing fraud policies had a slightly decreased occurrence of fraud (23% compared with 28%).

Employees who had been at the organisation for a longer period have greater awareness of a fraud policy. Around 80% of employees who had been with the organisation for more than 3 years identified that their organisation had a fraud policy compared with around 60% of employees that have been at the organisation for less than a year.



### What some respondents have said:

“We don't do annual communication of fraud policy because it is communicated constantly. Fraud is only a subset of unacceptable behaviours and they are communicated together. We have other controls in place that are not picked up in your survey.”

“We have a detailed policy on sensitive expenditure and gifts. I am unaware as to how well the detail of this is understood at below line manager level, but am certain that all employees are aware of the implicit requirements of the code of conduct.”

“We have recently established a fraud policy and are due to roll out across the department including training for managers and employees. Fraud is also covered as part of the Code of Conduct training.”

“We have policy but whether our efforts to convey that to our employees is effective is not known at this stage.”

### PwC comment:

We often see a perception gap between senior managers and the rest of the organisation. Where this occurs, this may indicate that management's communication of the fraud policy has been ineffective.

**2. The Fraud Policy is communicated regularly (annually or biannually).**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	247	76%	61	19%	17	5%	325
Member of the senior executive/leadership team or equivalent	244	62%	115	29%	34	9%	393
Line manager (if not one of the above)	83	51%	57	35%	23	14%	163
Administration/Support Services	116	69%	30	18%	21	13%	167
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	45	47%	32	34%	18	19%	95
<b>Total</b>	<b>735</b>	<b>64%</b>	<b>295</b>	<b>26%</b>	<b>113</b>	<b>10%</b>	<b>1,143</b>

**2. The Fraud Policy is communicated regularly (annually or biannually).**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	37	73%	11	22%	3	6%	51
Central Government - Other	25	68%	7	19%	5	14%	37
Crown Agents or Companies	55	71%	18	23%	5	6%	78
Crown Research Institutes	19	59%	9	28%	4	13%	32
District Health Boards	32	58%	15	27%	8	15%	55
Government Departments	60	50%	42	35%	17	14%	119
Independent Crown Entities	18	56%	8	25%	6	19%	32
Māori Trust Boards	3	50%	2	33%	1	17%	6
Rural Education Activities Programmes	3	38%	4	50%	1	13%	8
State-Owned Enterprises	25	64%	10	26%	4	10%	39
Tertiary Education Institutions	61	76%	14	18%	5	6%	80
<b>Sub-Total</b>	<b>338</b>	<b>63%</b>	<b>140</b>	<b>26%</b>	<b>59</b>	<b>11%</b>	<b>537</b>

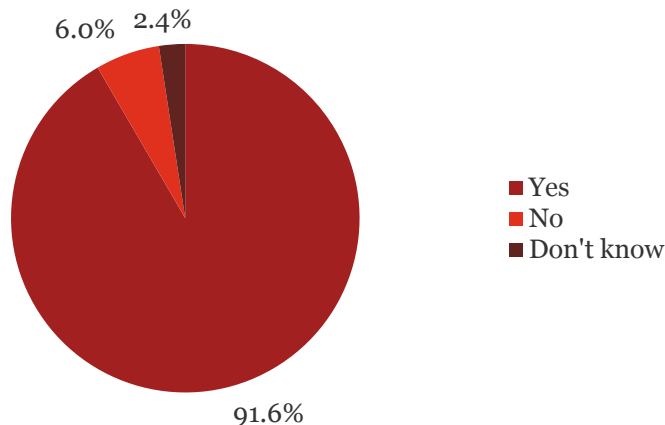
**2. The Fraud Policy is communicated regularly (annually or biannually).**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	7	50%	5	36%	2	14%	14
Council Controlled Organisations or Council Controlled Trading Organisations	44	70%	11	17%	8	13%	63
Energy Companies	11	58%	7	37%	1	5%	19
Fish and Game Councils	5	71%	2	29%	0	0%	7
Licensing and Community Trusts	2	40%	3	60%	0	0%	5
Local Authorities	66	50%	54	41%	13	10%	133
Local Government - Other	1	25%	2	50%	1	25%	4
Port Companies	0	0%	0	0%	0	0%	0
Sub-Total	<b>136</b>	<b>56%</b>	<b>84</b>	<b>34%</b>	<b>25</b>	<b>10%</b>	<b>245</b>
<b>Schools</b>	261	72%	71	20%	29	8%	361
Total	<b>735</b>	<b>64%</b>	<b>295</b>	<b>26%</b>	<b>113</b>	<b>10%</b>	<b>1,143</b>

### 3. *My organisation has a staff Code of Conduct.*

#### **Observation:**

91.6% of participants said their organisation had a Code of Conduct. Chief executives (90%), senior managers (93%), line managers (93%) and general staff indicated high awareness of a Code of Conduct in their organisation.



#### **What some respondents have said:**

“Processes have improved as the result of a fraudulent act in our work place. My workplace has zero tolerance of Fraud and a Code of Conduct.”

“I’m sure that we have some kind of system here but frankly it seems it is passive rather than active. We have our Code of Conduct online but we do not have an annual reminder. I have only seen fraud information as a general reminder to managers to be vigilant in these tough economic times.”

“Code of Conduct has embedded fraud policy requirements in it – seen as more powerful way of cementing good behaviour than separate policy.”

“We are currently reviewing our fraud policy (last reviewed in depth in 2006), to ensure it aligns with our recently updated sensitive expenditure policies and code of conduct.”

#### **PwC comment:**

All organisations should have a Code of Conduct. It is often the one document that sets out both the expected behaviours and the consequences for misconduct. The Code of Conduct is often the hub for other policies, e.g. the fraud policy.

### 3. *My organisation has a staff Code of Conduct.*

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	346	90%	34	9%	4	1%	384
Member of the senior executive/leadership team or equivalent	460	93%	27	5%	8	2%	495
Line manager (if not one of the above)	206	93%	8	4%	7	3%	221
Administration/Support Services	175	86%	14	7%	14	7%	203
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	134	96%	3	2%	2	1%	139
<b>Total</b>	<b>1,321</b>	<b>92%</b>	<b>86</b>	<b>6%</b>	<b>35</b>	<b>2%</b>	<b>1,442</b>

### 3. *My organisation has a staff Code of Conduct.*

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	54	100%	0	0%	0	0%	54
Central Government - Other	44	94%	1	2%	2	4%	47
Crown Agents or Companies	84	97%	2	2%	1	1%	87
Crown Research Institutes	35	92%	3	8%	0	0%	38
District Health Boards	68	97%	1	1%	1	1%	70
Government Departments	146	98%	1	1%	2	1%	149
Independent Crown Entities	32	86%	4	11%	1	3%	37
Māori Trust Boards	10	91%	1	9%	0	0%	11
Rural Education Activities Programmes	11	100%	0	0%	0	0%	11
State-Owned Enterprises	44	92%	3	6%	1	2%	48
Tertiary Education Institutions	83	91%	6	7%	2	2%	91
<b>Sub-Total</b>	<b>611</b>	<b>95%</b>	<b>22</b>	<b>3%</b>	<b>10</b>	<b>2%</b>	<b>643</b>

### 3. *My organisation has a staff Code of Conduct.*

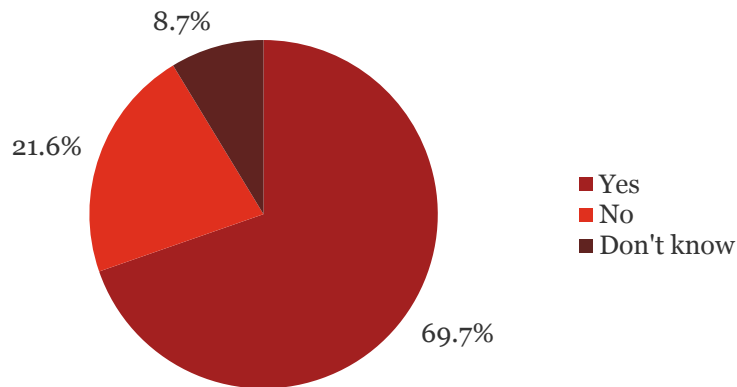
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	15	75%	4	20%	1	5%	20
Council Controlled Organisations or Council Controlled Trading Organisations	63	83%	9	12%	4	5%	76
Energy Companies	23	82%	5	18%	0	0%	28
Fish and Game Councils	7	88%	1	13%	0	0%	8
Licensing and Community Trusts	8	89%	1	11%	0	0%	9
Local Authorities	157	93%	7	4%	5	3%	169
Local Government - Other	10	91%	1	9%	0	0%	11
Port Companies	2	67%	1	33%	0	0%	3
Sub-Total	<b>285</b>	<b>88%</b>	<b>29</b>	<b>9%</b>	<b>10</b>	<b>3%</b>	<b>324</b>
<b>Schools</b>	425	89%	35	7%	15	3%	475
Total	<b>1,321</b>	<b>92%</b>	<b>86</b>	<b>6%</b>	<b>35</b>	<b>2%</b>	<b>1,442</b>

#### 4. *The staff Code of Conduct is communicated regularly (annually or biannually).*

##### **Observation:**

69.7% of respondents said their Code of Conduct is communicated regularly.

79% of Chief Executives indicated that their Code of Conduct was communicated regularly, however 62% of line managers and 54% of operational staff indicated similarly. This may indicate that communication of the Code of Conduct has been ineffective.



##### **What some respondents have said:**

“Procurement run regular training sessions on being open and transparent and HR run courses on code of conduct.”

“All employees are regularly reminded about the organisation's Code of Ethical Conduct and the Protected Disclosures Policy.”

“Awareness of fraud and expected Code of Conduct is articulated, however there are improvements that could be made but it is a principle of diminishing returns for the extra effort.”

“It would be useful for our organisation to refresh us on our code of conduct every year and publish our fraud policy and who and what gets done... this may act as a deterrent to those considering the risks v the gains of committing fraud. Thanks for the opportunity to participate.”

##### **PwC comment:**

The Code of Conduct and related fraud policies should be discussed with staff on a regular (annual or biannual) basis.

**4. The staff Code of Conduct is communicated regularly (annually or biannually).**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	273	79%	60	17%	13	4%	346
Member of the senior executive/leadership team or equivalent	325	71%	97	21%	38	8%	460
Line manager (if not one of the above)	127	62%	60	29%	19	9%	206
Administration/Support Services	124	70%	30	17%	22	13%	176
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	72	54%	39	29%	23	17%	134
<b>Total</b>	<b>921</b>	<b>70%</b>	<b>286</b>	<b>22%</b>	<b>115</b>	<b>9%</b>	<b>1,322</b>

**4. The staff Code of Conduct is communicated regularly (annually or biannually).**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	43	80%	7	13%	4	7%	54
Central Government - Other	23	53%	15	35%	5	12%	43
Crown Agents or Companies	61	73%	15	18%	8	10%	84
Crown Research Institutes	25	71%	8	23%	2	6%	35
District Health Boards	41	60%	21	31%	6	9%	68
Government Departments	103	71%	35	24%	8	5%	146
Independent Crown Entities	18	56%	8	25%	6	19%	32
Māori Trust Boards	6	60%	3	30%	1	10%	10
Rural Education Activities Programmes	7	64%	3	27%	1	9%	11
State-Owned Enterprises	30	68%	9	20%	5	11%	44
Tertiary Education Institutions	56	67%	19	23%	8	10%	83
<b>Sub-Total</b>	<b>413</b>	<b>68%</b>	<b>143</b>	<b>23%</b>	<b>54</b>	<b>9%</b>	<b>610</b>

**4. The staff Code of Conduct is communicated regularly (annually or biannually).**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	7	47%	3	20%	5	33%	15
Council Controlled Organisations or Council Controlled Trading Organisations	44	70%	11	17%	8	13%	63
Energy Companies	11	48%	12	52%	0	0%	23
Fish and Game Councils	5	71%	2	29%	0	0%	7
Licensing and Community Trusts	6	75%	2	25%	0	0%	8
Local Authorities	86	54%	58	37%	14	9%	158
Local Government - Other	4	40%	5	50%	1	10%	10
Port Companies	0	0%	2	100%	0	0%	2
Sub-Total	<b>163</b>	<b>57%</b>	<b>95</b>	<b>33%</b>	<b>28</b>	<b>10%</b>	<b>286</b>
<b>Schools</b>	345	81%	48	11%	33	8%	426
Total	<b>921</b>	<b>70%</b>	<b>286</b>	<b>22%</b>	<b>115</b>	<b>9%</b>	<b>1,322</b>

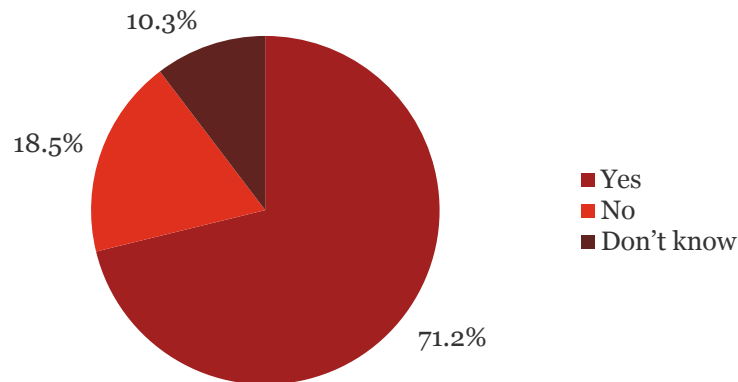
## 5. *My organisation has a clear policy on accepting gifts or services.*

### Observation:

71.2% of respondents indicated that their organisation has a gifts policy.

29.8% said receiving gifts was never acceptable (see question 6).

63% of Chief Executive said they had a clear gifts policy. More line managers (86%), senior executive (76%) and operational staff (73%) said that their organisation had a clear gifts policy.



### What some respondents have said:

“Acceptable provided it is below monetary limits as outlined in gift policy, is declared to manager and/on internal register and does not place you in a position whereby your financial decision making is influenced. For example: not acceptable to accept before or during contract negotiations.”

“Cannot be seen as compromising integrity.”

“Value limits are placed on any gifts in addition to restrictions due to any real or perceived undue influence that might arise as a result of a gift (e.g. gifts received when a contract is in the process of being tendered).”

“Children often thank teachers with small gifts. Parents sometimes give the school small gifts.”

### PwC comment:

The giving and receiving of gifts, especially for public entities, needs to be carefully managed and transparent. If not, questions about conflicts of interest can arise. Staff need to clearly understand what types of gift and entertainment, and under what circumstances, are acceptable.

**5. My organisation has a clear policy on accepting gifts or services.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	243	63%	123	32%	18	5%	384
Member of the senior executive/leadership team or equivalent	374	76%	68	14%	52	11%	494
Line manager (if not one of the above)	190	86%	15	7%	16	7%	221
Administration/Support Services	117	58%	43	21%	42	21%	202
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	101	73%	17	12%	21	15%	139
<b>Total</b>	<b>1,025</b>	<b>71%</b>	<b>266</b>	<b>18%</b>	<b>149</b>	<b>10%</b>	<b>1,440</b>

**5. My organisation has a clear policy on accepting gifts or services.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	53	98%	1	2%	0	0%	54
Central Government - Other	36	78%	6	13%	4	9%	46
Crown Agents or Companies	84	97%	1	1%	2	2%	87
Crown Research Institutes	33	87%	2	5%	3	8%	38
District Health Boards	63	90%	3	4%	4	6%	70
Government Departments	144	97%	2	1%	3	2%	149
Independent Crown Entities	35	95%	2	5%	0	0%	37
Māori Trust Boards	6	55%	3	27%	2	18%	11
Rural Education Activities Programmes	4	36%	6	55%	1	9%	11
State-Owned Enterprises	44	92%	3	6%	1	2%	48
Tertiary Education Institutions	77	85%	4	4%	10	11%	91
<b>Sub-Total</b>	<b>579</b>	<b>90%</b>	<b>33</b>	<b>5%</b>	<b>30</b>	<b>5%</b>	<b>642</b>

**5. My organisation has a clear policy on accepting gifts or services.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	14	70%	2	10%	4	20%	20
Council Controlled Organisations or Council Controlled Trading Organisations	64	84%	6	8%	6	8%	76
Energy Companies	22	79%	6	21%	0	0%	28
Fish and Game Councils	5	63%	1	13%	2	25%	8
Licensing and Community Trusts	2	22%	6	67%	1	11%	9
Local Authorities	137	81%	20	12%	12	7%	169
Local Government - Other	4	36%	6	55%	1	9%	11
Port Companies	2	67%	1	33%	0	0%	3
Sub-Total	<b>250</b>	<b>77%</b>	<b>48</b>	<b>15%</b>	<b>26</b>	<b>8%</b>	<b>324</b>
<b>Schools</b>	196	41%	185	39%	93	20%	474
Total	<b>1,025</b>	<b>71%</b>	<b>266</b>	<b>18%</b>	<b>149</b>	<b>10%</b>	<b>1,440</b>

## 6. *Receiving gifts, free or heavily discounted services or preferential treatment because of my role in my organisation is ...*

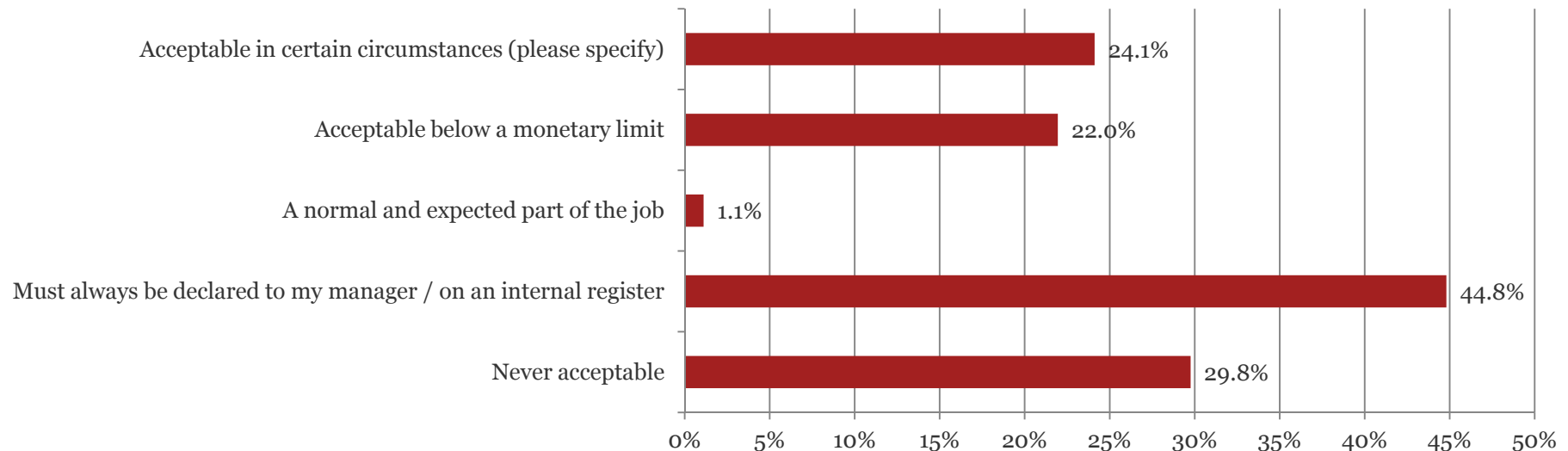
### Observation:

Respondents could select more than one answer for this question.

66.8% of respondents indicated it was reasonable to accept a gift provided it was of a nominal value and their manager was made aware of the gift. Subject to the organisation's policy, the gift should be recorded in a gift register.

### Some "please specify" answers include:

"We allow staff to keep corporate gifts received at Xmas provided they are below a prearranged limit. Where staff are offered gifts over the limit (i.e. trip to a rugby game in another city) the CEO is the sole approver. He assesses each case on its merits providing there is no opportunity or likelihood of influence on that officer."



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## **6. *Receiving gifts, free or heavily discounted services or preferential treatment because of my role in my organisation is ...***

### **Some "please specify" answers include:**

“Below \$60, cash never to be accepted, letter of thanks, shared amongst team where for team effort and declared to manager.”

“Exceptions can be made with approval of a Group General Manager”.

“Acceptable, but then go into a pool and given to staff at Christmas, have to tell the giver that this is our policy.”

“Must be declared to my manager when over a certain limit and added to an internal register for any gifts received. Clear guidelines in policy when gifts will not be accepted irrespective of monetary value.”

“Students or parents occasionally give gifts at end of year as thank you - unsolicited and not accepted if expensive.”

### **Some "please specify" answers include:**

“It needs to be acceptable (without having to declare to manager) when students bring in small gifts for teachers, that are either to be shared in class (students sometimes bring food) or are gifts of appreciation (i.e. not a gift for a hoped for benefit). It is in fact very hard to decline such gifts and doing so can cause offence that may affect a student's continuing attendance . Other than that, gifts need to be declared.”

“Visiting overseas delegations will offer and present a gift which is accepted, as it is appropriate to do so within the culture of the visitors and to do otherwise would offend.”

### **PwC comment:**

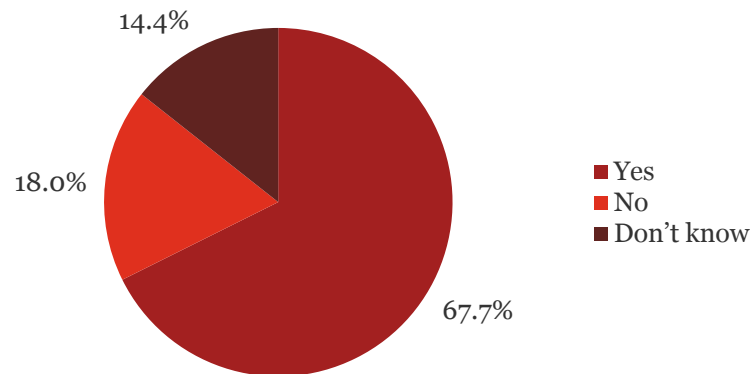
The receipt of gifts or entertainment by public entities is a matter of significant public interest in New Zealand. It is important that entities have clear guidelines and policies on what their staff are allowed to receive, and in what circumstances. The receipt of gifts should not, under any circumstances, be seen as a reward or inducement that could place the employee under an obligation to a third party.

## 7. ***My organisation has designated a person who is responsible for fraud risks, including investigation.***

### **Observation:**

67.7% of respondents knew who was responsible for managing fraud risk including investigation in their organisations.

This was stronger among Chief Executives (73%), senior managers (72%) and line managers (66%). It was less known by administration and support staff (60%) and operational staff (50%).



### **What some respondents have said:**

“We don't have a specific fraud policy or Manager tasked to prevent Fraud however it is a major component of numerous roles within our organisation”.

“The fraud policy was introduced in 2009. A Fraud Investigation Group, Chaired by the Assurance Advisor and consisting of members of the executive and HR Manager consider all allegations of suspected fraud and determine the appropriate course of action.”

“Since 2009 procurement practices have improved and greater attention is given to screening suppliers for conflicts of interests etc. Some staff, mainly front line, are screened for criminal records, but not all. And a gift register was introduced in 2010.”

### **PwC comment:**

By not fully formalising the process, an inconsistent approach may be taken to investigations, which may not comply with legislation or acceptable forensic methodologies. Only people with appropriate training or skills should be used and any legislative requirements should be strictly adhered to.

**7. My organisation has designated a person who is responsible for fraud risks, including investigation.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	281	73%	91	24%	11	3%	383
Member of the senior executive/leadership team or equivalent	354	72%	87	18%	51	10%	492
Line manager (if not one of the above)	145	66%	27	12%	49	22%	221
Administration/Support Services	122	60%	32	16%	48	24%	202
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	69	50%	21	15%	47	34%	137
<b>Total</b>	<b>971</b>	<b>68%</b>	<b>258</b>	<b>18%</b>	<b>206</b>	<b>14%</b>	<b>1,435</b>

**7. My organisation has designated a person who is responsible for fraud risks, including investigation.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	47	87%	5	9%	2	4%	54
Central Government - Other	33	72%	8	17%	5	11%	46
Crown Agents or Companies	67	77%	10	11%	10	11%	87
Crown Research Institutes	26	68%	6	16%	6	16%	38
District Health Boards	52	74%	6	9%	12	17%	70
Government Departments	99	67%	21	14%	27	18%	147
Independent Crown Entities	26	70%	3	8%	8	22%	37
Māori Trust Boards	4	36%	5	45%	2	18%	11
Rural Education Activities Programmes	5	45%	3	27%	3	27%	11
State-Owned Enterprises	40	83%	3	6%	5	10%	48
Tertiary Education Institutions	73	80%	3	3%	15	16%	91
<b>Sub-Total</b>	<b>472</b>	<b>74%</b>	<b>73</b>	<b>11%</b>	<b>95</b>	<b>15%</b>	<b>640</b>

**7. My organisation has designated a person who is responsible for fraud risks, including investigation.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	13	68%	1	5%	5	26%	19
Council Controlled Organisations or Council Controlled Trading Organisations	50	66%	17	22%	9	12%	76
Energy Companies	17	61%	9	32%	2	7%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	3	33%	6	67%	0	0%	9
Local Authorities	107	63%	34	20%	28	17%	169
Local Government - Other	2	18%	9	82%	0	0%	11
Port Companies	2	67%	1	33%	0	0%	3
<b>Sub-Total</b>	<b>202</b>	<b>63%</b>	<b>77</b>	<b>24%</b>	<b>44</b>	<b>14%</b>	<b>323</b>
<b>Schools</b>	297	63%	108	23%	67	14%	472
<b>Total</b>	<b>971</b>	<b>68%</b>	<b>258</b>	<b>18%</b>	<b>206</b>	<b>14%</b>	<b>1,435</b>

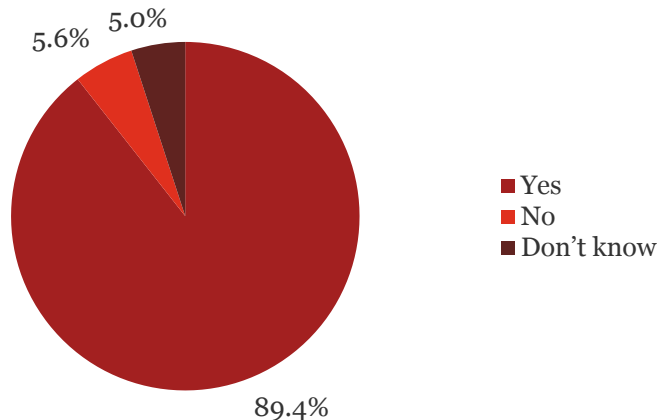
## 8. *I am confident that managers in my organisation understand their responsibilities for preventing and detecting the risks of fraud and corruption.*

### Observation:

89.4% of respondents were confident that their managers understood their responsibilities in relation to fraud.

Senior management answered this question more positively. Around 95% of executives and senior management answered “Yes” to this question. Around 80% of line managers or below answered “Yes”.

Of the management group, line managers indicated they were less confident of knowing what their responsibilities for preventing and detecting fraud were.



### What some respondents have said:

“Clear tone from the top supporting the organisation's fraud policy.”

“We have not had any incidents of fraud and/or corruption. However, it is a regular staff topic, and the CEO makes clear that his and any staff member's computer, work phones or desks etc can be accessed at any time; and from time to time does do so as part of ensuring that he can undertake other people's task in their absence; and staff are encouraged to report suspicions regarding the CE or directors (including Chair) to another person with authority to act (staff also have access to our auditor).”

“Being small makes it even more important that we have a culture of absolute accountability and transparency.”

“CEO and Board Chair appear to be a close team.”

### PwC comment:

By not clearly articulating line managers' responsibility in the management of fraud risks, there is potential for line managers to not understand their role and not be held accountable should fraud occur.

**8. *I am confident that managers in my organisation understand their responsibilities for preventing and detecting the risks of fraud and corruption.***

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	367	96%	11	3%	5	1%	383
Member of the senior executive/leadership team or equivalent	437	89%	35	7%	20	4%	492
Line manager (if not one of the above)	176	80%	22	10%	23	10%	221
Administration/Support Services	185	92%	5	2%	11	5%	201
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	117	85%	7	5%	13	9%	137
<b>Total</b>	<b>1,282</b>	<b>89%</b>	<b>80</b>	<b>6%</b>	<b>72</b>	<b>5%</b>	<b>1,434</b>

**8. *I am confident that managers in my organisation understand their responsibilities for preventing and detecting the risks of fraud and corruption.***

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	50	93%	2	4%	2	4%	54
Central Government - Other	44	96%	0	0%	2	4%	46
Crown Agents or Companies	81	93%	5	6%	1	1%	87
Crown Research Institutes	33	87%	2	5%	3	8%	38
District Health Boards	59	84%	5	7%	6	9%	70
Government Departments	126	86%	10	7%	11	7%	147
Independent Crown Entities	34	92%	0	0%	3	8%	37
Māori Trust Boards	8	73%	3	27%	0	0%	11
Rural Education Activities Programmes	10	91%	1	9%	0	0%	11
State-Owned Enterprises	44	92%	2	4%	2	4%	48
Tertiary Education Institutions	76	84%	11	12%	4	4%	91
<b>Sub-Total</b>	<b>565</b>	<b>88%</b>	<b>41</b>	<b>6%</b>	<b>34</b>	<b>5%</b>	<b>640</b>

**8. I am confident that managers in my organisation understand their responsibilities for preventing and detecting the risks of fraud and corruption.**

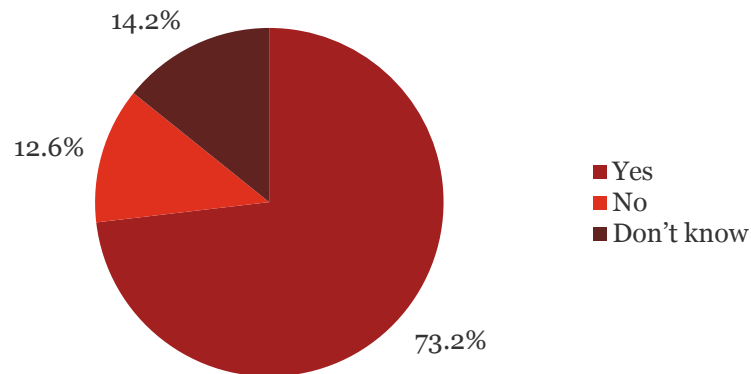
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	16	84%	1	5%	2	11%	19
Council Controlled Organisations or Council Controlled Trading Organisations	67	89%	3	4%	5	7%	75
Energy Companies	26	93%	1	4%	1	4%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	7	78%	2	22%	0	0%	9
Local Authorities	135	80%	18	11%	16	9%	169
Local Government - Other	9	82%	1	9%	1	9%	11
Port Companies	2	67%	0	0%	1	33%	3
Sub-Total	<b>270</b>	<b>84%</b>	<b>26</b>	<b>8%</b>	<b>26</b>	<b>8%</b>	<b>322</b>
<b>Schools</b>	447	95%	13	3%	12	3%	472
<b>Total</b>	<b>1,282</b>	<b>89%</b>	<b>80</b>	<b>6%</b>	<b>72</b>	<b>5%</b>	<b>1,434</b>

## 9. *I am confident that other employees understand their responsibilities for preventing and detecting the risks of fraud and corruption.*

### Observation:

73.2% of respondents were confident that other employees understood their responsibilities.

Line managers (62%) and operational staff (65%), however, were less confident than senior managers about other employees understanding their responsibilities for preventing and detecting fraud.



### What one respondent has said:

“I'm not in a management position and so I'm not involved in fraud prevention or policy. However, we are all aware of our responsibilities and are kept well-informed by our corporate services manager and other managers. I am comfortable discussing any issues regarding appropriate conduct etc. with the relevant managers and I'm certain that our organisation is run 'by the book'.”

### PwC comment:

Combating fraud is everyone's responsibility. Public sector leaders and senior managers are critical role models. It is important that they set the right tone at the top and ensure all staff understand their responsibilities and know what to do when fraud is discovered.

**9. *I am confident that other employees understand their responsibilities for preventing and detecting the risks of fraud and corruption.***

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	313	82%	37	10%	33	9%	383
Member of the senior executive/leadership team or equivalent	350	71%	71	14%	71	14%	492
Line manager (if not one of the above)	136	62%	41	19%	44	20%	221
Administration/Support Services	161	80%	11	5%	29	14%	201
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	89	65%	21	15%	27	20%	137
<b>Total</b>	<b>1,049</b>	<b>73%</b>	<b>181</b>	<b>13%</b>	<b>204</b>	<b>14%</b>	<b>1,434</b>

**9. I am confident that other employees understand their responsibilities for preventing and detecting the risks of fraud and corruption.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	43	80%	5	9%	6	11%	54
Central Government - Other	35	76%	4	9%	7	15%	46
Crown Agents or Companies	67	77%	10	11%	10	11%	87
Crown Research Institutes	27	71%	5	13%	6	16%	38
District Health Boards	37	53%	18	26%	15	21%	70
Government Departments	105	71%	18	12%	24	16%	147
Independent Crown Entities	29	78%	2	5%	6	16%	37
Māori Trust Boards	8	73%	2	18%	1	9%	11
Rural Education Activities Programmes	9	82%	1	9%	1	9%	11
State-Owned Enterprises	34	71%	6	13%	8	17%	48
Tertiary Education Institutions	53	58%	19	21%	19	21%	91
<b>Sub-Total</b>	<b>447</b>	<b>70%</b>	<b>90</b>	<b>14%</b>	<b>103</b>	<b>16%</b>	<b>640</b>

**9. I am confident that other employees understand their responsibilities for preventing and detecting the risks of fraud and corruption.**

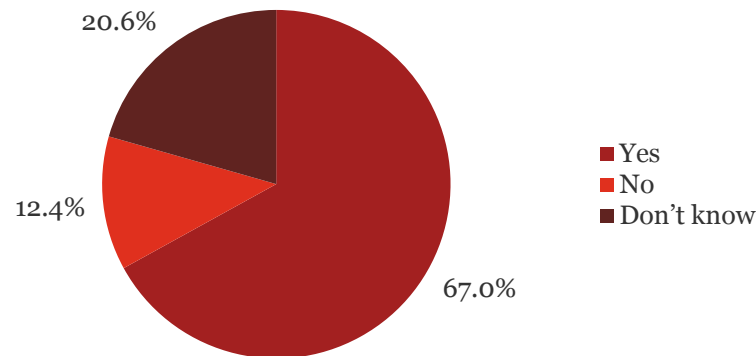
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	14	74%	2	11%	3	16%	19
Council Controlled Organisations or Council Controlled Trading Organisations	56	75%	6	8%	13	17%	75
Energy Companies	20	71%	5	18%	3	11%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	5	56%	3	33%	1	11%	9
Local Authorities	109	64%	35	21%	25	15%	169
Local Government - Other	9	82%	2	18%	0	0%	11
Port Companies	1	33%	0	0%	2	67%	3
Sub-Total	<b>222</b>	<b>69%</b>	<b>53</b>	<b>16%</b>	<b>47</b>	<b>15%</b>	<b>322</b>
<b>Schools</b>	380	81%	38	8%	54	11%	472
<b>Total</b>	<b>1,049</b>	<b>73%</b>	<b>181</b>	<b>13%</b>	<b>204</b>	<b>14%</b>	<b>1,434</b>

## 10. My organisation reviews its fraud controls on a regular basis (annually or biannually).

### Observation:

67% say that their organisation reviews their anti-fraud controls regularly.

80% of Chief Executives had confidence that their organisation's fraud controls were reviewed regularly. Only 49% of operational staff and 52% of line managers responded in the same way.



### What some respondents have said:

“Board has an active Audit Committee, annually reviews fraud policy and also sensitive expenditure policy, and is considering a Fraud contingency response programme so as to have a system in place to respond to a fraud event.”

“It is managed through our Board Finance committee which reviews our Fraud policy every 2 years. I discuss with auditors each year when they visit, as does my Executive Officer. The policy is included in our policy manual which has a copy in the staffroom, but staff do not read and we do not take up time at staff meetings going over such matters - at a managerial level and at Board level we discuss and oversee what happens and be careful to prevent any fraud or corruption.”

“We have many checks in our system, but this survey has highlighted the need for us to regularly review our processes.”

“As a relatively small organisation, we do not have extensive processes for fraud prevention and awareness raising. However, we have simple checks such as clear authorisation procedures and management awareness of signs of potential fraud. These are considered by external audit to be appropriate for the size of our organisation.”

### PwC comment:

Work environments can often be in a constant state of change and fraud controls need to stay aligned to organisational changes and evolving fraud trends. Any inadequacy in controls provides an opportunity for fraud to be committed.

**10. My organisation reviews its fraud controls on a regular basis (annually or biannually).**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	306	80%	58	15%	19	5%	383
Member of the senior executive/leadership team or equivalent	337	68%	72	15%	83	17%	492
Line manager (if not one of the above)	115	52%	23	10%	82	37%	220
Administration/Support Services	135	67%	14	7%	52	26%	201
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	67	49%	11	8%	59	43%	137
<b>Total</b>	<b>960</b>	<b>67%</b>	<b>178</b>	<b>12%</b>	<b>295</b>	<b>21%</b>	<b>1,433</b>

**10. My organisation reviews its fraud controls on a regular basis (annually or biannually).**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	43	80%	4	7%	7	13%	54
Central Government - Other	36	78%	2	4%	8	17%	46
Crown Agents or Companies	68	78%	5	6%	14	16%	87
Crown Research Institutes	30	79%	3	8%	5	13%	38
District Health Boards	45	64%	6	9%	19	27%	70
Government Departments	78	53%	16	11%	53	36%	147
Independent Crown Entities	25	68%	1	3%	11	30%	37
Māori Trust Boards	7	64%	3	27%	1	9%	11
Rural Education Activities Programmes	8	73%	1	9%	2	18%	11
State-Owned Enterprises	37	79%	0	0%	10	21%	47
Tertiary Education Institutions	72	79%	2	2%	17	19%	91
<b>Sub-Total</b>	<b>449</b>	<b>70%</b>	<b>43</b>	<b>7%</b>	<b>147</b>	<b>23%</b>	<b>639</b>

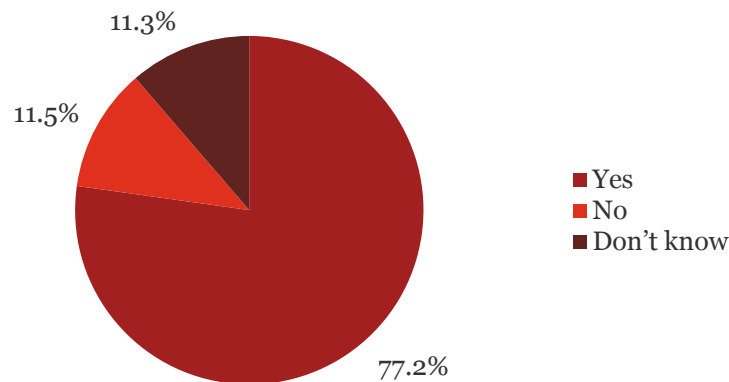
**10. My organisation reviews its fraud controls on a regular basis (annually or biannually).**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	7	37%	3	16%	9	47%	19
Council Controlled Organisations or Council Controlled Trading Organisations	54	72%	11	15%	10	13%	75
Energy Companies	16	57%	8	29%	4	14%	28
Fish and Game Councils	6	75%	2	25%	0	0%	8
Licensing and Community Trusts	6	67%	2	22%	1	11%	9
Local Authorities	85	50%	37	22%	47	28%	169
Local Government - Other	8	73%	2	18%	1	9%	11
Port Companies	0	0%	2	67%	1	33%	3
Sub-Total	<b>182</b>	<b>57%</b>	<b>67</b>	<b>21%</b>	<b>73</b>	<b>23%</b>	<b>322</b>
<b>Schools</b>	329	70%	68	14%	75	16%	472
Total	<b>960</b>	<b>67%</b>	<b>178</b>	<b>12%</b>	<b>295</b>	<b>21%</b>	<b>1,433</b>

## 11. My organisation takes a proactive approach to preventing fraud and corruption.

### Observation:

77.2% say their organisation takes a proactive approach to prevention. Management responded more favourably to their organisation having a proactive approach to preventing fraud, while only 66% of operational staff shared the same view.



### What some respondents have said:

“We are a very small team of three full time and one part time employees. We work closely together and support each other and are aware of each others work. We have a policy on Discipline and on Fraud. We have an Audit and Risk Board Committee and a schedule of checks and balances. I consider we manage our risk very well.”

“Over 2 years ago we dealt with a most unfortunate case within the staff and as a result of our swift and transparent resolution of the matter, and a public prosecution and conviction, there continues a very high level of vigilance and awareness of the Council's clear resolve to deal firmly with any transgressions. Also we have reviewed our systems and procedures to ensure we have a reduced risk profile. I would offer a view that notwithstanding our efforts to maintain a culture of trust and integrity into our operation, and despite our best endeavours to have failsafe systems, we will always be vulnerable to the predations of those who deliberately set out to offend.”

### PwC comment:

Fraud risks change within an organisation. Periodic and regular assessments of the organisation's fraud risks and the likelihood and consequences of those risks will help mitigate the organisation's exposure to fraud risk. On-going targeted staff surveys should also be considered.

**11. My organisation takes a proactive approach to preventing fraud and corruption.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	323	84%	47	12%	13	3%	383
Member of the senior executive/leadership team or equivalent	386	79%	64	13%	41	8%	491
Line manager (if not one of the above)	147	67%	27	12%	46	21%	220
Administration/Support Services	158	79%	12	6%	30	15%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	91	66%	14	10%	32	23%	137
<b>Total</b>	<b>1,105</b>	<b>77%</b>	<b>164</b>	<b>11%</b>	<b>162</b>	<b>11%</b>	<b>1,431</b>

**11. My organisation takes a proactive approach to preventing fraud and corruption.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	50	93%	2	4%	2	4%	54
Central Government - Other	38	84%	2	4%	5	11%	45
Crown Agents or Companies	71	82%	8	9%	8	9%	87
Crown Research Institutes	30	79%	3	8%	5	13%	38
District Health Boards	53	76%	7	10%	10	14%	70
Government Departments	104	71%	18	12%	25	17%	147
Independent Crown Entities	30	81%	4	11%	3	8%	37
Māori Trust Boards	9	82%	2	18%	0	0%	11
Rural Education Activities Programmes	8	73%	2	18%	1	9%	11
State-Owned Enterprises	33	70%	3	6%	11	23%	47
Tertiary Education Institutions	68	75%	10	11%	13	14%	91
<b>Sub-Total</b>	<b>494</b>	<b>77%</b>	<b>61</b>	<b>10%</b>	<b>83</b>	<b>13%</b>	<b>638</b>

**11. My organisation takes a proactive approach to preventing fraud and corruption.**

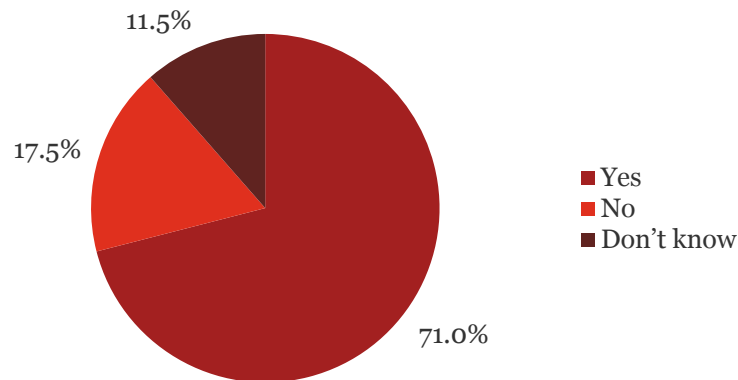
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	14	74%	1	5%	4	21%	19
Council Controlled Organisations or Council Controlled Trading Organisations	60	80%	7	9%	8	11%	75
Energy Companies	22	79%	5	18%	1	4%	28
Fish and Game Councils	7	88%	1	13%	0	0%	8
Licensing and Community Trusts	6	67%	2	22%	1	11%	9
Local Authorities	104	62%	38	22%	27	16%	169
Local Government - Other	8	73%	2	18%	1	9%	11
Port Companies	1	33%	0	0%	2	67%	3
Sub-Total	<b>222</b>	<b>69%</b>	<b>56</b>	<b>17%</b>	<b>44</b>	<b>14%</b>	<b>322</b>
<b>Schools</b>	389	83%	47	10%	35	7%	471
<b>Total</b>	<b>1,105</b>	<b>77%</b>	<b>164</b>	<b>11%</b>	<b>162</b>	<b>11%</b>	<b>1,431</b>

## 12. *New employees at my organisation undergo pre-employment screening that includes criminal history checks.*

### Observation:

71% of respondents said that their organisation has pre-employment screening.

78% of Chief Executives said that their organisations had pre-employment screening processes that included criminal history checks.



### What some respondents have said:

“While we do not undertake formal criminal record checks for every prospective employee we do make provision for doing this if deemed necessary.”

“My answer was yes but only some new employees have their criminal history checked.”

“Fraud awareness training is underway with key managers, and a rationalisation of suppliers is underway which will assist any the reduction in opportunities to defraud or collude with suppliers and specific probity checks are carried on a regular cycle and on key executives or people in certain positions if any resignations of such positions.”

“Depends on the position.”

### PwC comment:

A less than robust pre-employment screening process can lead to organisations employing someone who may pose a risk to its reputation or financial wellbeing. We recommend credit history and bankruptcy checks for all appointments where a person will have a financial delegation or an authority to spend. Criminal history checks should be considered for all new appointments.

**12. New employees at my organisation undergo pre-employment screening that includes criminal history checks.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	297	78%	70	18%	16	4%	383
Member of the senior executive/leadership team or equivalent	341	69%	104	21%	46	9%	491
Line manager (if not one of the above)	138	63%	41	19%	41	19%	220
Administration/Support Services	160	80%	17	9%	23	12%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	80	58%	19	14%	38	28%	137
<b>Total</b>	<b>1,016</b>	<b>71%</b>	<b>251</b>	<b>18%</b>	<b>164</b>	<b>11%</b>	<b>1,431</b>

**12. New employees at my organisation undergo pre-employment screening that includes criminal history checks.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	29	54%	18	33%	7	13%	54
Central Government - Other	19	42%	19	42%	7	16%	45
Crown Agents or Companies	51	59%	24	28%	12	14%	87
Crown Research Institutes	20	53%	11	29%	7	18%	38
District Health Boards	53	76%	10	14%	7	10%	70
Government Departments	109	74%	21	14%	17	12%	147
Independent Crown Entities	17	46%	12	32%	8	22%	37
Māori Trust Boards	9	82%	2	18%	0	0%	11
Rural Education Activities Programmes	11	100%	0	0%	0	0%	11
State-Owned Enterprises	31	66%	9	19%	7	15%	47
Tertiary Education Institutions	45	49%	22	24%	24	26%	91
<b>Sub-Total</b>	<b>394</b>	<b>62%</b>	<b>148</b>	<b>23%</b>	<b>96</b>	<b>15%</b>	<b>638</b>

**12. New employees at my organisation undergo pre-employment screening that includes criminal history checks.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	12	63%	1	5%	6	32%	19
Council Controlled Organisations or Council Controlled Trading Organisations	33	44%	27	36%	15	20%	75
Energy Companies	14	50%	9	32%	5	18%	28
Fish and Game Councils	7	88%	1	13%	0	0%	8
Licensing and Community Trusts	4	44%	3	33%	2	22%	9
Local Authorities	83	49%	51	30%	35	21%	169
Local Government - Other	5	45%	5	45%	1	9%	11
Port Companies	2	67%	1	33%	0	0%	3
Sub-Total	<b>160</b>	<b>50%</b>	<b>98</b>	<b>30%</b>	<b>64</b>	<b>20%</b>	<b>322</b>
<b>Schools</b>	462	98%	5	1%	4	1%	471
Total	<b>1,016</b>	<b>71%</b>	<b>251</b>	<b>18%</b>	<b>164</b>	<b>11%</b>	<b>1,431</b>

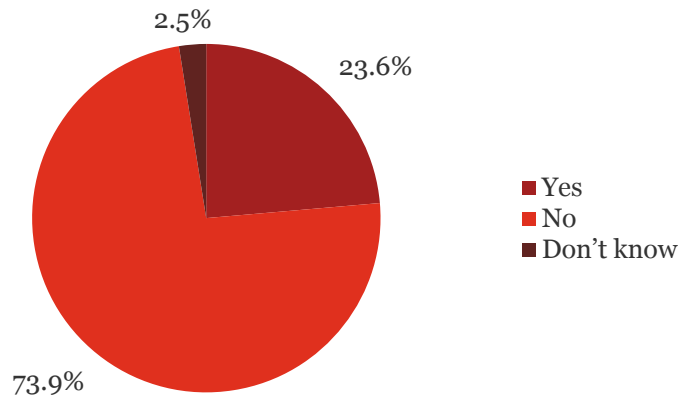
### 13. I have had fraud awareness training at my current organisation.

#### Observation:

73.9% of respondents said that they had not received fraud awareness training at their current organisation.

This lack of training was reflected across all roles and levels of organisations.

Of those who had received training, 16.5% had received training in the previous six months and 33.2% in the previous 12 months. A quarter of respondents indicated that they last received training over two years ago.



#### What some respondents have said:

“We have a very small and senior staff with an extremely low turnover record - hence the limited training needed. Although we do not have a formal Staff Code of Conduct we do have a disciplinary policy and there is reference in our fraud policy which has relevance.”

“We are a bit "hit and miss" - sometimes we provide fraud awareness training, but it isn't consistent.”

“It would appear from these questions that communication of fraud policy is lacking and training is required in respect of what it covers and how to apply and overcome fraud.”

“Where does a Principal get training to identify fraud?”

“I don't think fraud is a significant issue, but more focused training on probity and conflict-of-interest management is required to avoid probity issues caused by naivety.”

Would benefit from stronger leadership expectation setting that it is unacceptable and regular communication about that.”

#### PwC comment:

Employees are an organisation's greatest weapon in the prevention of fraud and corruption. A significant amount of fraud is not detected in the early stages because of the inability of the organisation's staff to recognise early warning signs or because they were unsure how to report their suspicions.

**13. I have had fraud awareness training at my current organisation.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	87	23%	291	76%	5	1%	383
Member of the senior executive/leadership team or equivalent	132	27%	350	71%	9	2%	491
Line manager (if not one of the above)	53	24%	164	75%	3	1%	220
Administration/Support Services	48	24%	141	71%	11	6%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	18	13%	111	81%	8	6%	137
<b>Total</b>	<b>338</b>	<b>24%</b>	<b>1,057</b>	<b>74%</b>	<b>36</b>	<b>3%</b>	<b>1,431</b>

**13. I have had fraud awareness training at my current organisation.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	16	30%	38	70%	0	0%	54
Central Government - Other	10	22%	33	73%	2	4%	45
Crown Agents or Companies	26	30%	55	63%	6	7%	87
Crown Research Institutes	7	18%	30	79%	1	3%	38
District Health Boards	20	29%	50	71%	0	0%	70
Government Departments	34	23%	108	73%	5	3%	147
Independent Crown Entities	4	11%	31	84%	2	5%	37
Māori Trust Boards	2	18%	9	82%	0	0%	11
Rural Education Activities Programmes	1	9%	10	91%	0	0%	11
State-Owned Enterprises	14	30%	33	70%	0	0%	47
Tertiary Education Institutions	35	38%	55	60%	1	1%	91
<b>Sub-Total</b>	<b>169</b>	<b>26%</b>	<b>452</b>	<b>71%</b>	<b>17</b>	<b>3%</b>	<b>638</b>

**13. I have had fraud awareness training at my current organisation.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	7	37%	11	58%	1	5%	19
Council Controlled Organisations or Council Controlled Trading Organisations	17	23%	56	75%	2	3%	75
Energy Companies	12	43%	15	54%	1	4%	28
Fish and Game Councils	3	38%	5	63%	0	0%	8
Licensing and Community Trusts	1	11%	8	89%	0	0%	9
Local Authorities	38	22%	129	76%	2	1%	169
Local Government - Other	1	9%	10	91%	0	0%	11
Port Companies	1	33%	2	67%	0	0%	3
Sub-Total	<b>80</b>	<b>25%</b>	<b>236</b>	<b>73%</b>	<b>6</b>	<b>2%</b>	<b>322</b>
<b>Schools</b>	89	19%	369	78%	13	3%	471
Total	<b>338</b>	<b>24%</b>	<b>1,057</b>	<b>74%</b>	<b>36</b>	<b>3%</b>	<b>1,431</b>

## 14. The fraud awareness training that I received at my current organisation was ...

### Observation:

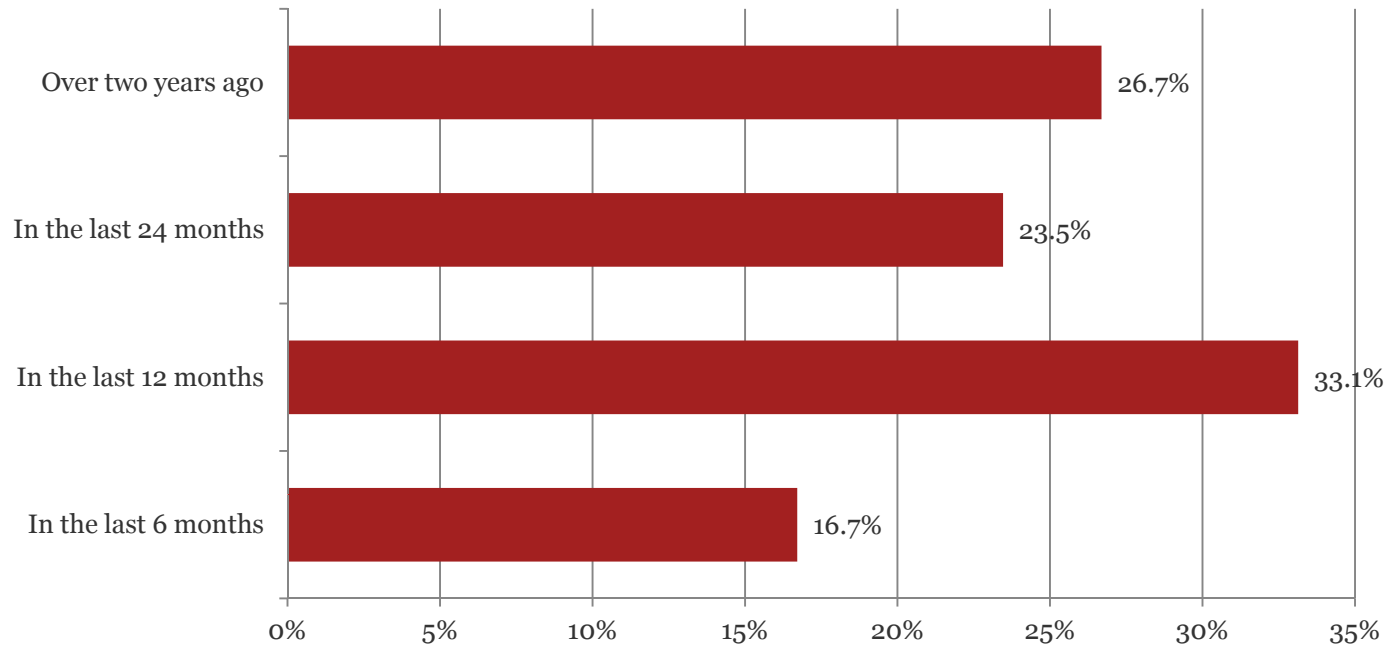
More than half of respondents indicated that it had been more than 12 months since they had received fraud awareness training.

Organisations with fraud training reported higher occurrences of fraud in the past 2 years than those that did not have such training (32% compared with 20%). This could be attributed to staff knowing how to recognise fraud and what to do when they suspect or observe fraud occurring.

### What some respondents have said:

“Fraud is not an expected occurrence therefore it is not given great consideration.”

“Awareness of fraud and expected code of conduct articulated, however there are improvements that could be made but it is a principle of diminishing returns for the extra effort.”



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**14. *The fraud awareness training that I received at my current organisation was ...***

**What some respondents have said:**

“The governing body and executive set the appropriate 'tone from the top' but the issue is maintaining the awareness of staff within the organisation particularly when there is changes and for staff that have been around for a number of years.”

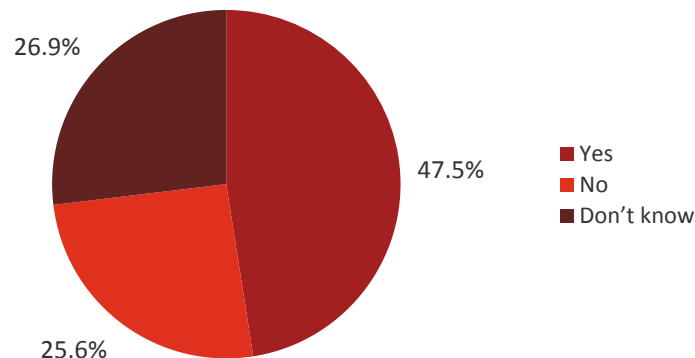
**PwC comment:**

In order to provide an organisation with the best opportunity to mitigate its fraud risks, it is important that its employees receive regular fraud awareness training. Ideally, this should be annually.

## 15. *My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.*

### Observation:

47.5% of respondents say that they carry out due diligence checks on new suppliers.



### What some respondents have said:

“Some checks are done regarding conflicts of interest but only of the elected members and senior management. Declarations are completed every year and a search is done of the Companies Register for elected members who have shareholdings or are directors.”

“All suppliers are checked for conflict of interest in my directorate. Some may have credit checks, but this is not routine.”

“Fraud awareness training is underway with key managers, and a rationalisation of suppliers is underway which will assist any/the reduction in opportunities to defraud or collude with suppliers and specific probity checks are carried on a regular cycle and on key executives or people in certain positions if any resignations of such positions.”

“We are a bit "hit and miss" - sometimes we check new creditor details - sometimes not.”

### PwC comment:

Knowing who your suppliers are and where your money is going is as important as knowing your staff. We have seen significant fraud occurring through the use of “false” suppliers or through suppliers that have a close relationship with an organisation’s employees. A sound preventative measure is to undertake appropriate due diligence checks on any new suppliers.

**15. My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	213	56%	115	30%	55	14%	383
Member of the senior executive/leadership team or equivalent	257	52%	119	24%	115	23%	491
Line manager (if not one of the above)	88	40%	46	21%	86	39%	220
Administration/Support Services	81	41%	60	30%	59	30%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	41	30%	26	19%	70	51%	137
<b>Total</b>	<b>680</b>	<b>48%</b>	<b>366</b>	<b>26%</b>	<b>385</b>	<b>27%</b>	<b>1,431</b>

**15. My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	21	39%	19	35%	14	26%	54
Central Government - Other	20	44%	17	38%	8	18%	45
Crown Agents or Companies	47	54%	14	16%	26	30%	87
Crown Research Institutes	29	76%	3	8%	6	16%	38
District Health Boards	41	59%	8	11%	21	30%	70
Government Departments	68	46%	18	12%	61	41%	147
Independent Crown Entities	12	32%	8	22%	17	46%	37
Māori Trust Boards	8	73%	3	27%	0	0%	11
Rural Education Activities Programmes	3	27%	4	36%	4	36%	11
State-Owned Enterprises	28	60%	6	13%	13	28%	47
Tertiary Education Institutions	51	56%	14	15%	26	29%	91
<b>Sub-Total</b>	<b>328</b>	<b>51%</b>	<b>114</b>	<b>18%</b>	<b>196</b>	<b>31%</b>	<b>638</b>

**15. My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	9	47%	5	26%	5	26%	19
Council Controlled Organisations or Council Controlled Trading Organisations	43	57%	15	20%	17	23%	75
Energy Companies	16	57%	6	21%	6	21%	28
Fish and Game Councils	4	50%	3	38%	1	13%	8
Licensing and Community Trusts	5	56%	3	33%	1	11%	9
Local Authorities	68	40%	39	23%	62	37%	169
Local Government - Other	4	36%	7	64%	0	0%	11
Port Companies	0	0%	2	67%	1	33%	3
<b>Sub-Total</b>	<b>149</b>	<b>46%</b>	<b>80</b>	<b>25%</b>	<b>93</b>	<b>29%</b>	<b>322</b>
<b>Schools</b>	203	43%	172	37%	96	20%	471
<b>Total</b>	<b>680</b>	<b>48%</b>	<b>366</b>	<b>26%</b>	<b>385</b>	<b>27%</b>	<b>1,431</b>

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## ***Section 2: Fraud detection***

Question	Page
16. My organisation encourages staff to come forward if they see or suspect fraud or corruption.	71
17. The culture at my organisation is such that that I would be willing to raise any concerns that I may have regarding fraud or corruption and I know that my concerns will be taken seriously and I would not suffer any retaliation.	75
18. My organisation has a Protected Disclosures Policy (or similar).	79
19. There is a whistleblower hotline at my organisation.	83
20. When fraud or corruption risks are raised at my organisation, my organisation takes proactive steps to reduce the risk	87
21. Credit card expenditure is closely monitored.	91
22. Staff expenses are closely monitored.	95

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## ***Fraud detection – having the right environment***

The opportunity for fraud to be committed is usually a result of inadequate controls and/or non-compliance by staff with policy and procedures. Although organisations should be able to trust their employees to do the right thing, having trusted employees is not a fraud control. Many instances of fraud have been committed by trusted employees. Organisations need to be able to verify that their staff are complying with policies and procedures, and include fraud risk management as a component of business-as-usual risk management.

**How is fraud being detected?** Of the 22.5% of respondents who indicated being aware of one or more frauds having been committed against their organisation, 45% of respondents indicated the fraud was detected through internal controls, 25% by internal tip-off, 12.5% by external tip-off and 5.3% by accident.

Combating fraud is everyone's responsibility. The prospect of being discovered is a strong deterrent for most people contemplating wrongdoing. There are a number of actions an organisation can take to reduce the risk of fraud. We outline below some of the actions that an organisation could consider:

- ***Having an environment that encourages staff to come forward if they suspect fraud.*** Pleasingly, 88% of respondents indicated that their organisation did have this. This appears to be reinforced by 95% of respondents indicating that the culture at their organisation is such that they also know their concerns will be taken seriously.

Respondents who said that the culture of their organisation is such that they would be willing to raise any concerns they have regarding fraud (and they know their concerns would be taken seriously and they would not suffer any retaliation) were significantly less likely

to experience a fraud than those who said they didn't have such a culture.

Although it is encouraging to know that organisations do encourage their staff to speak up about their concerns, the ongoing success will rest on the organisation's response.

- ***Having a Protected Disclosure Policy.*** This is not the same as having a proper whistleblower system, including a hotline, in place. There will be occasions when it might be appropriate for staff to make a protected disclosure if the staff member has a concern for their wellbeing. Public sector organisations must have a Protected Disclosures Policy that allows staff to raise concerns of serious wrongdoing, safely and without fear of retribution.

All staff, regardless of level, should know how and where to access an organisation's protected disclosure/whistleblower regime. This survey's results suggest otherwise. Although 71.2% of respondents said that their organisation had a Protected Disclosure Policy, the awareness was highest at the Chief Executive level (82%) and lowest at the operation staff level (53%). This awareness gap between management and general staff is something we frequently see in organisations and is often a symptom of ineffective internal communication.

- ***Having a whistleblower hotline.*** Surprisingly, only 3.8% of fraud was detected through the organisations' whistleblower systems. This may be explained by the fact that 74.7% of respondents (across all roles and sectors) said that their organisation did not have a whistleblower hotline and a further 13.7% did not know if their organisation had one.

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## ***Fraud detection – having the right environment***

We believe a well-communicated whistleblower system is one of the best tools that an organisation can employ to help mitigate the risks of fraud and other reputational harm. However, the success (or otherwise) of a whistleblower system depends to a large degree on how it is set up, operated, communicated and accepted by the organisation.

According to the Association of Certified Fraud Examiners' 2010 Global Fraud Study, those organisations that have a whistleblower hotline in place had a 59% reduction in median fraud losses.

- ***Being proactive.*** Organisations can be proactive in detecting fraud, for example, by ensuring that there is a high level of awareness of the potential for fraud to occur; having clear policies and statements and ensure these are known to all staff; conducting data analytics across financial systems and having a process for following up suspicious transactions; keeping staff safe by ensuring segregation of duties where appropriate; monitoring areas of potential fraud risk such as sensitive expenditure, use of credit cards, travel expenses, gifts and rewards.

Line managers need to have a good understanding of their role and responsibility in managing fraud risks, and know that they are accountable should fraud occur in their area.

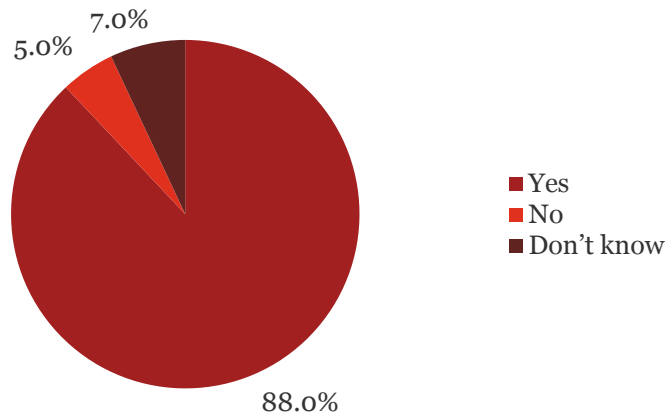
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## 16. *My organisation encourages staff to come forward if they see or suspect fraud or corruption.*

### Observation:

88% of respondents said their organisation encouraged staff to come forward if they see or suspect fraud.

Confidence was high across all positions and sectors that organisations did encourage staff to come forward and report their concerns for fraud.



### What some respondents have said:

“I'm not aware of all of the options for reporting fraud, but it's not something I've ever seen here and so I'm not overly concerned about it. If I was concerned about something I think that I would feel comfortable expressing my concerns.”

“Clique management culture discourages detection or reporting.”

### PwC comment:

Organisations should strive to create an environment where staff are actively encouraged to come forward and report any concerns that they have.

**16. My organisation encourages staff to come forward if they see or suspect fraud or corruption.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	361	94%	7	2%	15	4%	383
Member of the senior executive/leadership team or equivalent	437	89%	22	4%	32	7%	491
Line manager (if not one of the above)	179	82%	20	9%	20	9%	219
Administration/Support Services	174	87%	11	6%	15	8%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	107	78%	12	9%	18	13%	137
<b>Total</b>	<b>1,258</b>	<b>88%</b>	<b>72</b>	<b>5%</b>	<b>100</b>	<b>7%</b>	<b>1,430</b>

**16. My organisation encourages staff to come forward if they see or suspect fraud or corruption.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	49	91%	5	9%	0	0%	54
Central Government - Other	40	89%	3	7%	2	4%	45
Crown Agents or Companies	78	90%	4	5%	5	6%	87
Crown Research Institutes	35	92%	1	3%	2	5%	38
District Health Boards	60	86%	5	7%	5	7%	70
Government Departments	125	86%	6	4%	15	10%	146
Independent Crown Entities	31	84%	2	5%	4	11%	37
Māori Trust Boards	9	82%	1	9%	1	9%	11
Rural Education Activities Programmes	11	100%	0	0%	0	0%	11
State-Owned Enterprises	39	83%	2	4%	6	13%	47
Tertiary Education Institutions	79	87%	7	8%	5	5%	91
<b>Sub-Total</b>	<b>556</b>	<b>87%</b>	<b>36</b>	<b>6%</b>	<b>45</b>	<b>7%</b>	<b>637</b>

**16. My organisation encourages staff to come forward if they see or suspect fraud or corruption.**

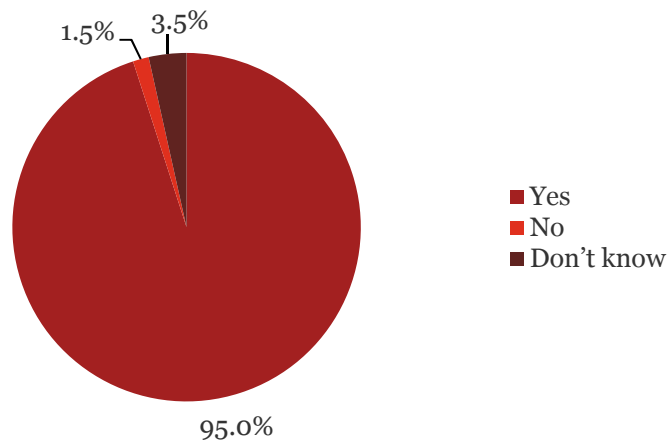
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	16	84%	0	0%	3	16%	19
Council Controlled Organisations or Council Controlled Trading Organisations	65	87%	4	5%	6	8%	75
Energy Companies	26	93%	2	7%	0	0%	28
Fish and Game Councils	7	88%	1	13%	0	0%	8
Licensing and Community Trusts	9	100%	0	0%	0	0%	9
Local Authorities	148	88%	9	5%	12	7%	169
Local Government - Other	10	91%	1	9%	0	0%	11
Port Companies	2	67%	1	33%	0	0%	3
Sub-Total	<b>283</b>	<b>88%</b>	<b>18</b>	<b>6%</b>	<b>21</b>	<b>7%</b>	<b>322</b>
<b>Schools</b>	419	89%	18	4%	34	7%	471
Total	<b>1,258</b>	<b>88%</b>	<b>72</b>	<b>5%</b>	<b>100</b>	<b>7%</b>	<b>1,430</b>

**17. The culture at my organisation is such that I would be willing to raise any concerns that I may have regarding fraud or corruption and I know that my concerns will be taken seriously and I would not suffer any retaliation.**

**Observation:**

95% indicated that they worked in a sufficiently safe environment in which to raise concerns.

Like the previous question, confidence was high across all positions and sectors that organisations did encourage staff to come forward and report their concerns for fraud.



**What some respondents have said:**

“I'm not aware of all of the options for reporting fraud, but it's not something I've ever seen here and so I'm not overly concerned about it. If I was concerned about something I think that I would feel comfortable expressing my concerns.”

“I believe we have a good culture in relation to preventing and reporting of potential or actual fraud.”

“It is poor and there have been a number of things that senior management are aware of but have not followed through with an investigation. They don't take it seriously or see the flow on effects.”

“As personal circumstances are challenged staff may resort to fraudulent acts. A staff member has come forward to self report a time when she felt that she was tempted to try and use her fuel card for her own use because of her personal circumstances. This was checked but we found that no fraud had been committed.”

**PwC comment:**

Combating fraud is everyone's responsibility. However, managers have an additional obligation to ensure strategies are in place that allow staff to report their concerns, in a manner that ensures that all good faith reports will be treated seriously and investigated thoroughly. The conduits can be internal, external or both.

**17. The culture at my organisation is such that I would be willing to raise any concerns that I may have regarding fraud or corruption and I know that my concerns will be taken seriously and I would not suffer any retaliation.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	379	99%	0	0%	4	1%	383
Member of the senior executive/leadership team or equivalent	470	96%	8	2%	12	2%	490
Line manager (if not one of the above)	205	94%	6	3%	8	4%	219
Administration/Support Services	185	93%	3	2%	12	6%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	118	87%	4	3%	14	10%	136
<b>Total</b>	<b>1,357</b>	<b>95%</b>	<b>21</b>	<b>1%</b>	<b>50</b>	<b>4%</b>	<b>1,428</b>

**17. The culture at my organisation is such that I would be willing to raise any concerns that I may have regarding fraud or corruption and I know that my concerns will be taken seriously and I would not suffer any retaliation.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	53	98%	1	2%	0	0%	54
Central Government - Other	45	100%	0	0%	0	0%	45
Crown Agents or Companies	85	98%	0	0%	2	2%	87
Crown Research Institutes	37	97%	0	0%	1	3%	38
District Health Boards	62	89%	3	4%	5	7%	70
Government Departments	138	95%	3	2%	5	3%	146
Independent Crown Entities	36	97%	0	0%	1	3%	37
Māori Trust Boards	11	100%	0	0%	0	0%	11
Rural Education Activities Programmes	11	100%	0	0%	0	0%	11
State-Owned Enterprises	44	94%	1	2%	2	4%	47
Tertiary Education Institutions	82	90%	4	4%	5	5%	91
<b>Sub-Total</b>	<b>604</b>	<b>95%</b>	<b>12</b>	<b>2%</b>	<b>21</b>	<b>3%</b>	<b>637</b>

**17. The culture at my organisation is such that I would be willing to raise any concerns that I may have regarding fraud or corruption and I know that my concerns will be taken seriously and I would not suffer any retaliation.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	16	84%	0	0%	3	16%	19
Council Controlled Organisations or Council Controlled Trading Organisations	74	99%	0	0%	1	1%	75
Energy Companies	26	93%	0	0%	2	7%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	9	100%	0	0%	0	0%	9
Local Authorities	154	91%	5	3%	10	6%	169
Local Government - Other	11	100%	0	0%	0	0%	11
Port Companies	2	100%	0	0%	0	0%	2
Sub-Total	<b>300</b>	<b>93%</b>	<b>5</b>	<b>2%</b>	<b>16</b>	<b>5%</b>	<b>321</b>
<b>Schools</b>	453	96%	4	1%	13	3%	470
Total	<b>1,357</b>	<b>95%</b>	<b>21</b>	<b>1%</b>	<b>50</b>	<b>4%</b>	<b>1,428</b>

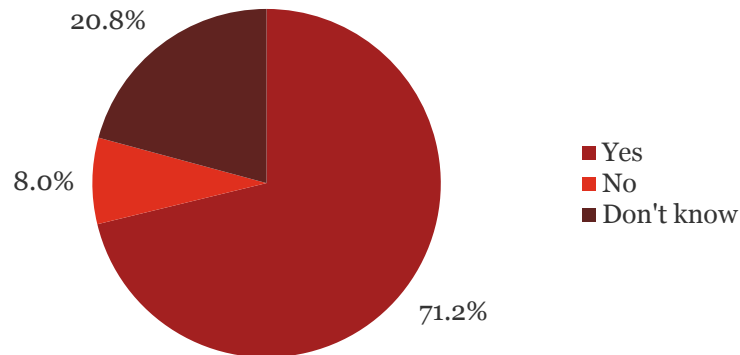
## 18. My organisation has a Protected Disclosures Policy (or similar).

### Observation:

71.2% of respondents said that their organisation had a protected disclosure policy.

Chief Executives (82%), senior managers (72%) and line managers (73%) had greater awareness of the policy than did general staff.

Organisations that had a protected disclosure policy reported more incidences of fraud. Of those that answered "Yes" to this question, 25% reported instances of fraud over the past 2 years compared with 19% of those that answered "No".



### What some respondents have said:

"We have a Whistleblower policy but not a hotline."

"Don't have a whistleblower hotline but do have a policy and contact people to make disclosures to."

"While there is not a whistleblower hotline, there are nominated staff in the policy that can be approached to raise issues under this policy."

"While we do not have a "whistle blower" hot line we have a Protected Disclosure Policy that sets out the approach for staff that may have the need to lodge a formal complaint."

"Current policy on protected disclosure is in draft form. Hotline is though Crimestoppers dedicated line but would hope that internal reporting policy will be the primary route for disclosure."

### PwC comment:

Public sector organisations must have a protected disclosures policy and operating regime that allows staff to raise concerns of serious wrongdoing, safely and without fear of retribution. It is our experience that many organisations do not properly communicate their protected disclosures regime to their staff.

**18. My organisation has a Protected Disclosures Policy (or similar).**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	314	82%	37	10%	32	8%	383
Member of the senior executive/leadership team or equivalent	352	72%	52	11%	86	18%	490
Line manager (if not one of the above)	159	73%	8	4%	52	24%	219
Administration/Support Services	120	60%	11	6%	69	35%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	72	53%	6	4%	58	43%	136
<b>Total</b>	<b>1,017</b>	<b>71%</b>	<b>114</b>	<b>8%</b>	<b>297</b>	<b>21%</b>	<b>1,428</b>

**18. My organisation has a Protected Disclosures Policy (or similar).**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	47	87%	1	2%	6	11%	54
Central Government - Other	28	62%	8	18%	9	20%	45
Crown Agents or Companies	66	76%	5	6%	16	18%	87
Crown Research Institutes	33	87%	1	3%	4	11%	38
District Health Boards	45	64%	4	6%	21	30%	70
Government Departments	110	75%	6	4%	30	21%	146
Independent Crown Entities	23	62%	4	11%	10	27%	37
Māori Trust Boards	3	27%	4	36%	4	36%	11
Rural Education Activities Programmes	5	45%	3	27%	3	27%	11
State-Owned Enterprises	40	85%	0	0%	7	15%	47
Tertiary Education Institutions	75	82%	2	2%	14	15%	91
<b>Sub-Total</b>	<b>475</b>	<b>75%</b>	<b>38</b>	<b>6%</b>	<b>124</b>	<b>19%</b>	<b>637</b>

**18. My organisation has a Protected Disclosures Policy (or similar).**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	11	58%	3	16%	5	26%	19
Council Controlled Organisations or Council Controlled Trading Organisations	37	49%	14	19%	24	32%	75
Energy Companies	13	46%	8	29%	7	25%	28
Fish and Game Councils	4	50%	3	38%	1	13%	8
Licensing and Community Trusts	2	22%	6	67%	1	11%	9
Local Authorities	129	76%	10	6%	30	18%	169
Local Government - Other	3	27%	7	64%	1	9%	11
Port Companies	0	0%	2	100%	0	0%	2
Sub-Total	<b>199</b>	<b>62%</b>	<b>53</b>	<b>17%</b>	<b>69</b>	<b>21%</b>	<b>321</b>
<b>Schools</b>	343	73%	23	5%	104	22%	470
<b>Total</b>	<b>1,017</b>	<b>71%</b>	<b>114</b>	<b>8%</b>	<b>297</b>	<b>21%</b>	<b>1,428</b>

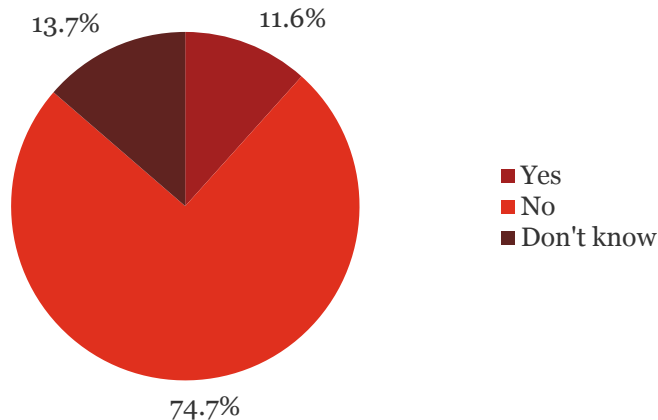
## 19. *There is a whistleblower hotline at my organisation.*

### Observation:

74.7% of respondents said that their organisation did not have a whistleblower hotline.

The lack of a whistleblower hotline was reflected across all roles and levels of organisations and all sectors.

Organisations with a whistleblower hotline reported more instances of fraud. Of those that answered “Yes” to this question, 38% reported instances of fraud in the past 2 years, compared with 21% of those that answered “No”.



### What some respondents have said:

“There haven't been any whistleblower, theft or fraud cases surface in the three years I have been in the organisation.”

“While there is not a whistleblower hotline, there are nominated staff in the policy that can be approached to raise issues under this policy.”

“While we do not have a "whistle blower" hot line we have a Protected Disclosure Policy that sets out the approach for staff that may have the need to lodge a formal compliant.”

“We are a small organisation and some processes such as whistle blower hotline are not necessarily needed.”

“Too small to have a whistleblower hotline - but all staff have access to the chairman and Board directors, including work and cell-phones and also can access them anonymously.”

“Current policy on protected disclosure is in draft form. Hotline is though Crimestoppers dedicated line but would hope that internal reporting policy will be the primary route for disclosure.”

### PwC comment:

A well-communicated whistleblower system is one of the best tools that an organisation can employ to help mitigate the risks of fraud and other reputational harm. However, the success (or otherwise) of a whistleblower system depends to a large degree on how it is set up, operated, communicated and accepted by the organisation's staff.

**19. There is a whistleblower hotline at my organisation.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	45	12%	320	84%	18	5%	383
Member of the senior executive/leadership team or equivalent	78	16%	362	74%	50	10%	490
Line manager (if not one of the above)	23	11%	153	70%	43	20%	219
Administration/Support Services	16	8%	142	71%	42	21%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	4	3%	90	66%	42	31%	136
<b>Total</b>	<b>166</b>	<b>12%</b>	<b>1067</b>	<b>75%</b>	<b>195</b>	<b>14%</b>	<b>1,428</b>

**19. There is a whistleblower hotline at my organisation.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	8	15%	42	78%	4	7%	54
Central Government - Other	3	7%	35	78%	7	16%	45
Crown Agents or Companies	11	13%	64	74%	12	14%	87
Crown Research Institutes	8	21%	28	74%	2	5%	38
District Health Boards	11	16%	43	61%	16	23%	70
Government Departments	20	14%	93	64%	33	23%	146
Independent Crown Entities	1	3%	29	78%	7	19%	37
Māori Trust Boards	0	0%	11	100%	0	0%	11
Rural Education Activities Programmes	0	0%	11	100%	0	0%	11
State-Owned Enterprises	9	19%	29	62%	9	19%	47
Tertiary Education Institutions	22	24%	53	58%	16	18%	91
<b>Sub-Total</b>	<b>93</b>	<b>15%</b>	<b>438</b>	<b>69%</b>	<b>106</b>	<b>17%</b>	<b>637</b>

**19. There is a whistleblower hotline at my organisation.**

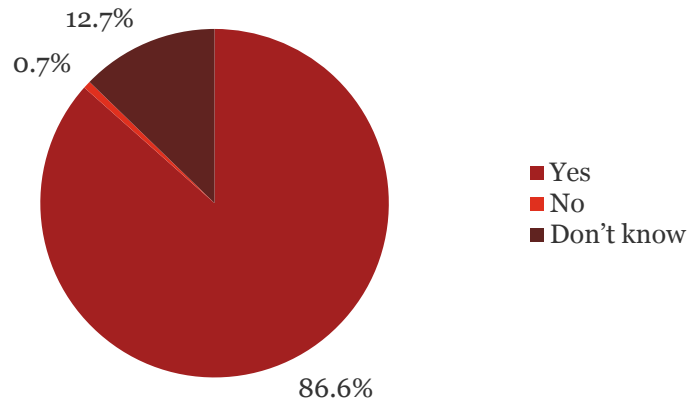
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	1	5%	13	68%	5	26%	19
Council Controlled Organisations or Council Controlled Trading Organisations	10	13%	59	79%	6	8%	75
Energy Companies	6	21%	21	75%	1	4%	28
Fish and Game Councils	0	0%	7	88%	1	13%	8
Licensing and Community Trusts	0	0%	9	100%	0	0%	9
Local Authorities	22	13%	128	76%	19	11%	169
Local Government - Other	0	0%	11	100%	0	0%	11
Port Companies	0	0%	2	100%	0	0%	2
Sub-Total	<b>39</b>	<b>12%</b>	<b>250</b>	<b>78%</b>	<b>32</b>	<b>10%</b>	<b>321</b>
<b>Schools</b>	34	7%	379	81%	57	12%	470
Total	<b>166</b>	<b>12%</b>	<b>1,067</b>	<b>75%</b>	<b>195</b>	<b>14%</b>	<b>1,428</b>

## 20. When fraud or corruption risks are raised at my organisation, my organisation takes proactive steps to reduce the risk.

### Observation:

86.6% of respondents say their organisation takes proactive steps to reduce fraud risk.

This view was shared by senior managers and staff alike and across all sectors.



### What some respondents have said:

“Our CEO is proactive on these matters and he reminds staff about the need for staying alert to fraud and corruption issues regularly at staff meetings.”

“I believe the risks for this organisation are very low, we are a medium size business with a large number of transactions being processed through automated approval system with approved suppliers.”

“We run electronic detection software over accounts payable and payroll data on a regular basis searching for irregularities and fraud.”

“We do work on a high trust model. But I think there are enough checks in place through audit and the Finance person on the Board and Our school Manager and accounts person.”

“We have checks in place by separate staff in most areas where fraud could occur. We also are audited each year by Audit NZ. We have reduced the number of solo roles and have backup people to carry out everyone's jobs except for one position which we also intend to ensure that person does not hold all the intellectual information alone.”

### PwC comment:

Although organisations should be able to trust their employees to do the right thing, having trusted employees is not a fraud control. Many instances of fraud have been committed by trusted employees. Organisations need to be able to verify that their staff are complying with policies and procedures, and include fraud risk management as a component of business-as-usual risk management.

**20. When fraud or corruption risks are raised at my organisation, my organisation takes proactive steps to reduce the risk.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	359	94%	1	0%	23	6%	383
Member of the senior executive/leadership team or equivalent	453	92%	4	1%	33	7%	490
Line manager (if not one of the above)	161	74%	3	1%	55	25%	219
Administration/Support Services	167	84%	1	1%	32	16%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	96	71%	1	1%	39	29%	136
Other (please specify)	<b>1,236</b>	<b>87%</b>	<b>10</b>	<b>1%</b>	<b>182</b>	<b>13%</b>	<b>1,428</b>

**20. When fraud or corruption risks are raised at my organisation, my organisation takes proactive steps to reduce the risk.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	51	94%	0	0%	3	6%	54
Central Government - Other	45	100%	0	0%	0	0%	45
Crown Agents or Companies	84	97%	1	1%	2	2%	87
Crown Research Institutes	37	97%	0	0%	1	3%	38
District Health Boards	55	79%	1	1%	14	20%	70
Government Departments	134	92%	2	1%	9	6%	145
Independent Crown Entities	35	95%	0	0%	2	5%	37
Māori Trust Boards	10	91%	1	9%	0	0%	11
Rural Education Activities Programmes	11	100%	0	0%	0	0%	11
State-Owned Enterprises	46	98%	0	0%	1	2%	47
Tertiary Education Institutions	87	96%	0	0%	4	4%	91
<b>Sub-Total</b>	<b>595</b>	<b>94%</b>	<b>5</b>	<b>1%</b>	<b>36</b>	<b>6%</b>	<b>636</b>

**20. When fraud or corruption risks are raised at my organisation, my organisation takes proactive steps to reduce the risk.**

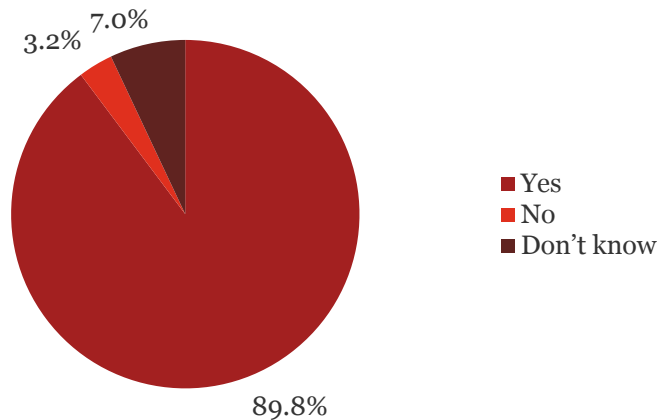
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	14	74%	0	0%	5	26%	19
Council Controlled Organisations or Council Controlled Trading Organisations	62	83%	1	1%	12	16%	75
Energy Companies	25	89%	0	0%	3	11%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	8	89%	0	0%	1	11%	9
Local Authorities	145	86%	3	2%	21	12%	169
Local Government - Other	9	82%	0	0%	2	18%	11
Port Companies	2	100%	0	0%	0	0%	2
Sub-Total	<b>273</b>	<b>85%</b>	<b>4</b>	<b>1%</b>	<b>44</b>	<b>14%</b>	<b>321</b>
<b>Schools</b>	422	90%	4	1%	44	9%	470
Total	<b>1,236</b>	<b>87%</b>	<b>10</b>	<b>1%</b>	<b>182</b>	<b>13%</b>	<b>1,428</b>

## 21. Credit card expenditure is closely monitored.

### Observation:

89.8% of respondents said credit card expenses are closely monitored in their organisation.

This view was shared by senior managers and staff alike and across all sectors.



### What some respondents have said:

“Credit card and staff expenses are monitored closely and any irregularities followed up with the employee concerned. Where appropriate, monies are recovered, however while the employee concerned may be advised of the inappropriateness of their behaviour, it may not always lead to formal disciplinary actions.”

“The school doesn't have credit cards, the only staff member with an expenses type account is the Principal that is monitored and reviewed as are all department expenses they are cross checked and signed off by 3 staff members.”

### PwC comment:

Recent scrutiny of sensitive expenditure demands that public sector organisations remain vigilant to inappropriate spending of public monies.

**21. Credit card expenditure is closely monitored.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	346	91%	26	7%	10	3%	382
Member of the senior executive/leadership team or equivalent	468	96%	5	1%	16	3%	489
Line manager (if not one of the above)	193	88%	3	1%	23	11%	219
Administration/Support Services	166	83%	10	5%	24	12%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	107	79%	2	1%	27	20%	136
<b>Total</b>	<b>1,280</b>	<b>90%</b>	<b>46</b>	<b>3%</b>	<b>100</b>	<b>7%</b>	<b>1,426</b>

## 21. Credit card expenditure is closely monitored.

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	51	94%	0	0%	3	6%	54
Central Government - Other	45	100%	0	0%	0	0%	45
Crown Agents or Companies	84	97%	1	1%	2	2%	87
Crown Research Institutes	37	97%	0	0%	1	3%	38
District Health Boards	55	79%	1	1%	14	20%	70
Government Departments	134	92%	2	1%	9	6%	145
Independent Crown Entities	35	95%	0	0%	2	5%	37
Māori Trust Boards	10	91%	1	9%	0	0%	11
Rural Education Activities Programmes	11	100%	0	0%	0	0%	11
State-Owned Enterprises	46	98%	0	0%	1	2%	47
Tertiary Education Institutions	87	96%	0	0%	4	4%	91
<b>Sub-Total</b>	<b>595</b>	<b>94%</b>	<b>5</b>	<b>1%</b>	<b>36</b>	<b>6%</b>	<b>636</b>

## 21. Credit card expenditure is closely monitored.

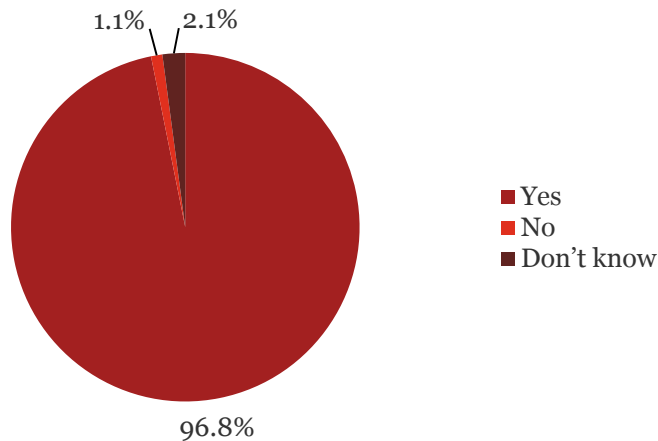
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	16	84%	0	0%	3	16%	19
Council Controlled Organisations or Council Controlled Trading Organisations	73	97%	0	0%	2	3%	75
Energy Companies	25	89%	0	0%	3	11%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	7	78%	1	11%	1	11%	9
Local Authorities	150	89%	2	1%	17	10%	169
Local Government - Other	9	82%	1	9%	1	9%	11
Port Companies	2	100%	0	0%	0	0%	2
Sub-Total	<b>290</b>	<b>90%</b>	<b>4</b>	<b>1%</b>	<b>27</b>	<b>8%</b>	<b>321</b>
<b>Schools</b>	395	84%	37	8%	37	8%	469
Total	<b>1,280</b>	<b>90%</b>	<b>46</b>	<b>3%</b>	<b>100</b>	<b>7%</b>	<b>1,426</b>

## 22. Staff expenses are closely monitored.

### Observation:

96.8% of respondents say staff expenses are closely monitored in their organisation.

This view was shared by senior managers and staff alike and across all sectors.



### What some respondents have said:

“Credit card and staff expenses are monitored closely and any irregularities followed up with the employee concerned. Where appropriate, monies are recovered, however while the employee concerned may be advised of the inappropriateness of their behaviour, it may not always lead to formal disciplinary actions.”

“We have strong practices and expectations in place that "front guard" this area. All claims are checked (twice) in the approval process, with questions etc meaning the claim is referred back to the employee. Only senior staff and staff in key purchasing roles have credit cards (total = 6 cards) which are issued under clear policy guidance and require "next person up" approval (e.g. for the principal this is the Chairperson of the BOT).”

### PwC comment:

Recent scrutiny of sensitive expenditure demands that public sector organisations remain vigilant to inappropriate spending of public monies.

## 22. *Staff expenses are closely monitored.*

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	377	99%	3	1%	2	1%	382
Member of the senior executive/leadership team or equivalent	484	99%	2	0%	3	1%	489
Line manager (if not one of the above)	207	95%	6	3%	6	3%	219
Administration/Support Services	188	94%	2	1%	10	5%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	125	92%	2	1%	9	7%	136
<b>Total</b>	<b>1,381</b>	<b>97%</b>	<b>15</b>	<b>1%</b>	<b>30</b>	<b>2%</b>	<b>1,426</b>

## 22. *Staff expenses are closely monitored.*

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	53	98%	0	0%	1	2%	54
Central Government - Other	45	100%	0	0%	0	0%	45
Crown Agents or Companies	86	99%	1	1%	0	0%	87
Crown Research Institutes	37	97%	1	3%	0	0%	38
District Health Boards	66	94%	1	1%	3	4%	70
Government Departments	139	96%	1	1%	5	3%	145
Independent Crown Entities	36	97%	1	3%	0	0%	37
Māori Trust Boards	10	91%	1	9%	0	0%	11
Rural Education Activities Programmes	11	100%	0	0%	0	0%	11
State-Owned Enterprises	47	100%	0	0%	0	0%	47
Tertiary Education Institutions	86	95%	1	1%	4	4%	91
<b>Sub-Total</b>	<b>616</b>	<b>97%</b>	<b>7</b>	<b>1%</b>	<b>13</b>	<b>2%</b>	<b>636</b>

## 22. *Staff expenses are closely monitored.*

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	18	95%	0	0%	1	5%	19
Council Controlled Organisations or Council Controlled Trading Organisations	73	97%	0	0%	2	3%	75
Energy Companies	24	86%	1	4%	3	11%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	8	89%	0	0%	1	11%	9
Local Authorities	157	93%	4	2%	8	5%	169
Local Government - Other	11	100%	0	0%	0	0%	11
Port Companies	2	100%	0	0%	0	0%	2
Sub-Total	<b>301</b>	<b>94%</b>	<b>5</b>	<b>2%</b>	<b>15</b>	<b>5%</b>	<b>321</b>
<b>Schools</b>	464	99%	3	1%	2	0%	469
<b>Total</b>	<b>1,381</b>	<b>97%</b>	<b>15</b>	<b>1%</b>	<b>30</b>	<b>2%</b>	<b>1,426</b>

## ***Section 3: Fraud response***

Question	Page
23. Should a fraud or corruption incident occur at my organisation, the investigation is conducted by ( <i>you may choose more than one answer</i> ): <ul style="list-style-type: none"><li>• Internal Investigator</li><li>• External Investigator</li><li>• Line Manager</li><li>• HR Representative</li><li>• Don't know</li><li>• Other</li></ul>	101
24. Management communicates incidents of fraud to all staff at my organisation.	102
25. I am aware of fraud or corruption incidents in the last two years that have gone unreported by my organisation.	107
26. I am aware of fraud or corruption incidents in the last two years that have gone unpunished by my organisation.	111
27. Inappropriate or personal credit card expenditure is taken very seriously and results in disciplinary action.	115
28. Inappropriate expenses claims or expense claims for personal purchases, is taken very seriously and results in disciplinary action.	119
29. I am confident that my organisation will take all reasonable action to recover any money lost through fraud or corruption.	123
30. I am confident that incidents of fraud and corruption that occur at my organisation will be reported to Police.	127
31. Internal controls are reviewed as part of every fraud investigation.	131

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## ***Response to fraud – sending the right message***

We would expect public sector organisations to have a “zero tolerance” approach to fraud. Those organisations that do not apply appropriate sanctions may be sending an incorrect message to their staff.

Respondents indicated that their organisation tended to address matters of fraud internally. Only if there is sufficient materiality or evidence available do they refer the matter to the appropriate agency, usually the Police. It is our experience that many organisations are reluctant to bring criminal charges against employees, not only because of materiality, but also because of the time and costs of developing a case; the time it takes for matters to be resolved in the Courts and a perception that fraud is a low priority for Police.

To help alleviate these issues, we would advise organisations to have (or have access to) suitably skilled people with a working knowledge of investigation (including interview techniques) and relevant legislation. This will help ensure that the Police receive information that has been correctly gathered to the required evidential standards.

The Auditor-General expects public sector organisations to consider reporting matters of fraud to an appropriate authority. In the main, this will be the Police and/or the Serious Fraud Office. 78% of respondents say that they are confident that their organisation will report incidents of fraud to the Police.

The survey also showed that organisations that report incidents of fraud to the Police experienced less incidents of fraud than those organisations that did not report to the Police.

Any decision poorly made not to report fraud can erode staff confidence in management. It may bring about a perception that management are not sufficiently committed to addressing such matters and may discourage staff from reporting concerns.

It also brings the risk that an employee suspected of committing fraud may go on to another organisation and continue their fraudulent behaviour. We are aware of numerous instances of that occurring.

Management should consider communicating instances of fraud to staff when they occur (subject to any legal constraints) to help promote the message that fraud and associated misconduct is taken seriously and appropriate action has and will be taken.

### 23. *Should a fraud or corruption incident occur at my organisation, the investigation is conducted by ...*

#### **Observation:**

Respondents could select more than one answer for this question.

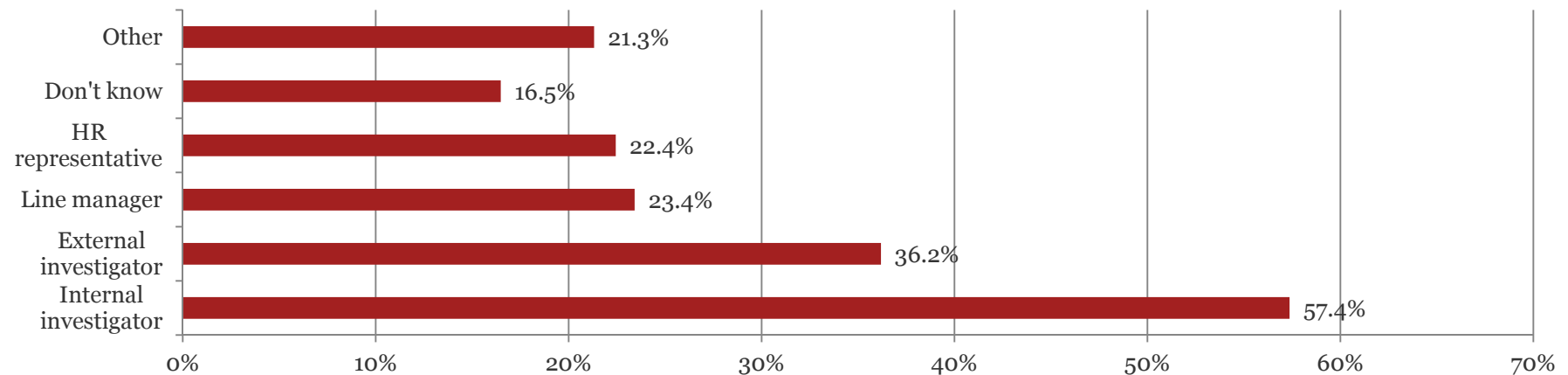
Over half of respondents indicated that their organisation used internal resources to investigate incidences of fraud.

#### **What some respondents have said:**

“It would depend on who the incident involved.”

“Our fraud policy requires the CEO, Chair of our Finance & Audit Committee, and External Auditors to be made aware, and appropriate investigation is then undertaken.”

“Has not occurred yet, but internal auditor might advise on course of action.”



#### **PwC comment:**

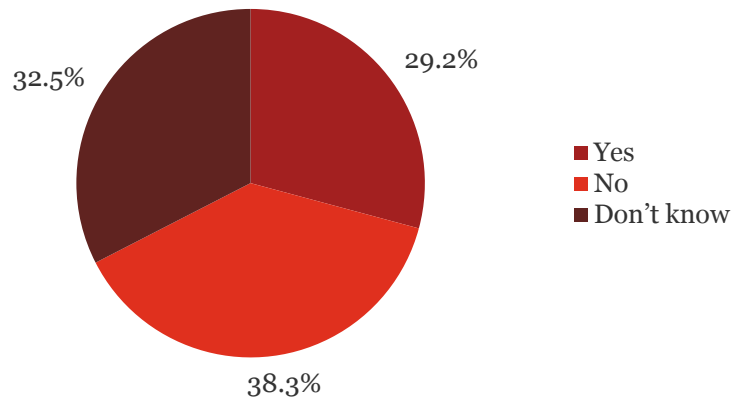
We would expect public sector organisations to have access to suitably skilled people with a working knowledge of investigation (including interview techniques) and the relevant legislation to investigate matters of fraud. This will help ensure that the Police receive information that has been correctly gathered to the required evidential standards.

## 24. Management communicates incidents of fraud to all staff at my organisation.

### Observation:

Communication of fraud incidents is poor (with 70.8% of respondents answering “No” or “Don’t know”) at all levels and across all sectors.

Organisations that had communicated previous incidents of fraud to staff, in general, suffered fewer incidents of fraud.



### What some respondents have said:

“We report to our governance, but not necessarily to our staff. This is due to a number of the incidents quickly becoming linked to employment processes and their confidentiality. But, the informal grapevine is well fed, in my observation.”

“I am aware, through indirect sources, (whispered chit-chat with colleagues) that there has been recent serious fraud against the organisation from an external source. However, I am not sure of the details or what eventuated. I understand it was reported somewhere in the media but I didn't see it and haven't heard anything further.”

“We do not publish details of fraud cases where staff privacy may be compromised nor do we report cases in detail that give staff details out.”

“We introduced a new fraud and corruption policy two years ago. We made the decision at that time that any future fraud detected would be communicated widely to staff.”

### PwC comment:

Management should consider communicating instances of fraud when they occur (subject to any legal constraints) to help promote the message that fraud and associated misconduct is taken seriously and appropriate action has and will be taken.

**24. Management communicates incidents of fraud to all staff at my organisation.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	169	44%	140	37%	73	19%	382
Member of the senior executive/leadership team or equivalent	148	30%	202	41%	139	28%	489
Line manager (if not one of the above)	31	14%	105	48%	83	38%	219
Administration/Support Services	45	23%	54	27%	101	51%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	23	17%	45	33%	68	50%	136
<b>Total</b>	<b>416</b>	<b>29%</b>	<b>546</b>	<b>38%</b>	<b>464</b>	<b>33%</b>	<b>1,426</b>

**24. Management communicates incidents of fraud to all staff at my organisation.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	19	35%	18	33%	17	31%	54
Central Government - Other	19	42%	14	31%	12	27%	45
Crown Agents or Companies	31	36%	33	38%	23	26%	87
Crown Research Institutes	10	26%	8	21%	20	53%	38
District Health Boards	19	27%	34	49%	17	24%	70
Government Departments	32	22%	66	46%	47	32%	145
Independent Crown Entities	8	22%	9	24%	20	54%	37
Māori Trust Boards	6	55%	3	27%	2	18%	11
Rural Education Activities Programmes	7	64%	0	0%	4	36%	11
State-Owned Enterprises	12	26%	25	53%	10	21%	47
Tertiary Education Institutions	12	13%	49	54%	30	33%	91
<b>Sub-Total</b>	<b>175</b>	<b>28%</b>	<b>259</b>	<b>41%</b>	<b>202</b>	<b>32%</b>	<b>636</b>

**24. Management communicates incidents of fraud to all staff at my organisation.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	7	37%	5	26%	7	37%	19
Council Controlled Organisations or Council Controlled Trading Organisations	33	44%	12	16%	30	40%	75
Energy Companies	12	43%	12	43%	4	14%	28
Fish and Game Councils	6	75%	1	13%	1	13%	8
Licensing and Community Trusts	5	56%	4	44%	0	0%	9
Local Authorities	43	25%	78	46%	48	28%	169
Local Government - Other	5	45%	2	18%	4	36%	11
Port Companies	0	0%	1	50%	1	50%	2
Sub-Total	<b>111</b>	<b>35%</b>	<b>115</b>	<b>36%</b>	<b>95</b>	<b>30%</b>	<b>321</b>
<b>Schools</b>	130	28%	172	37%	167	36%	469
Total	<b>416</b>	<b>29%</b>	<b>546</b>	<b>38%</b>	<b>464</b>	<b>33%</b>	<b>1,426</b>

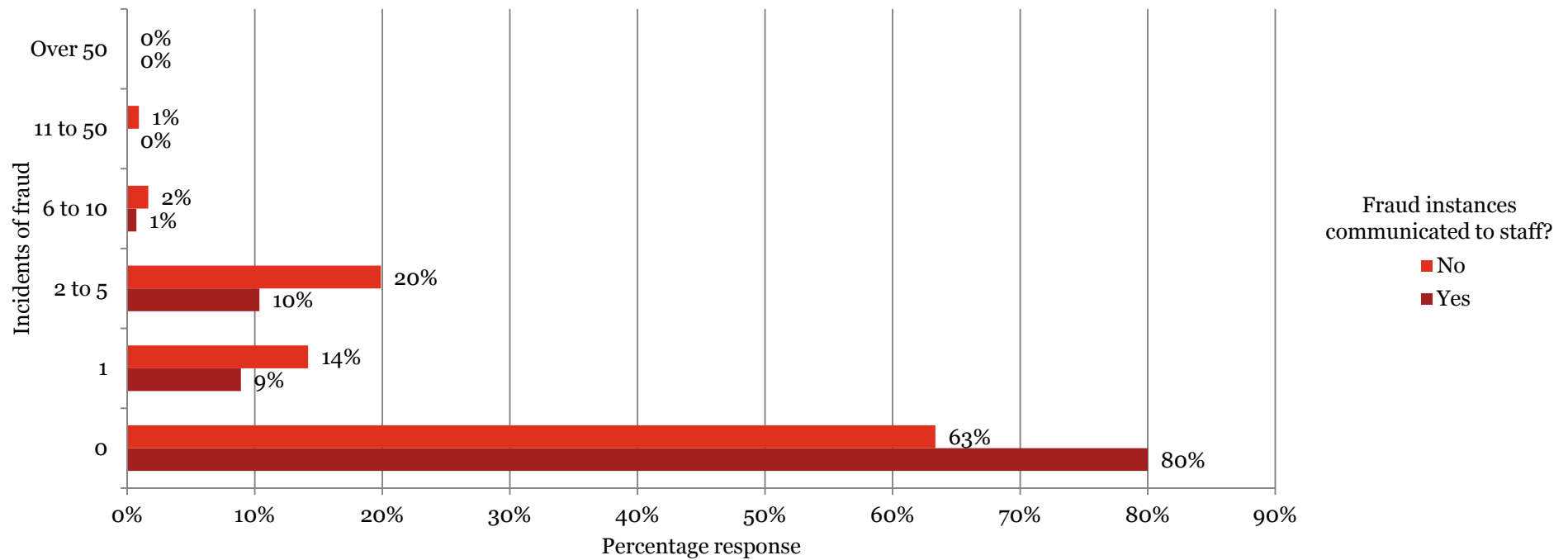
## 24. Management communicates incidents of fraud to all staff at my organisation.

### Observation:

Organisations that had communicated previous incidents of fraud to staff, in general, suffered fewer incidents of fraud.

### PwC comment:

We believe communicating instances of fraud when they occur (subject to any sub judice or suppression constraints) helps staff have confidence in management's treatment of fraud. It is also a way of acknowledging that no organisation can be immune to the risk of fraud.

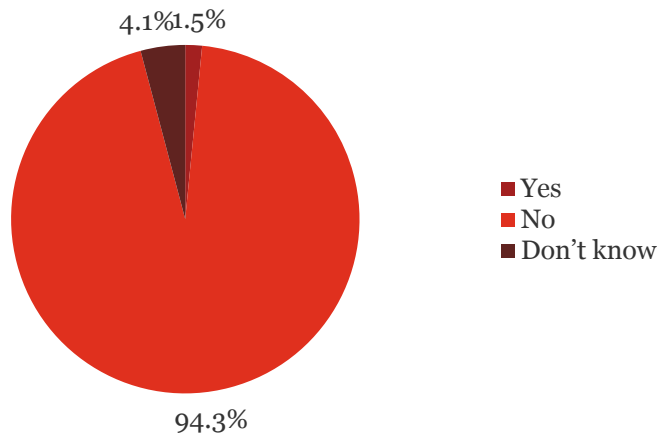


## 25. *I am aware of fraud or corruption incidents in the last two years that have gone unreported by my organisation.*

### Observation:

94.3% of respondents are not aware of any fraud that has gone unreported by their organisation.

This view was shared by senior managers and staff alike and across all sectors.



### What some respondents have said:

“We have had two instances of fraud, in my time with the organisation, both of which have involved significant amounts of money and we have chosen to handle the process internally without involving the police. These have been related to time sheet fraud.”

“It is poor and there have been a number of things that senior management are aware off but have not followed through with an investigation. They don't take it seriously or see the flow on effects.”

“The decision to report frauds to Police or not is interesting... we had a case where an employee was falsifying cyclical stock count records - in our eyes a breach of the managers responsibilities and prima facie evidence of more sinister fraud. However, we were unable to prove more serious fraud - and indeed did not suspect the employee. However, the action was regarded as gross misconduct and the employee dismissed. The point is that there are areas of grey and it is not always completely obvious. If a staff member took a packet of biscuits the police would not be informed but the staff would be dismissed.”

### PwC comment:

Any unexplained decision not to report fraud or corruption can erode staff confidence in management and bring about a perception that they are not sufficiently committed to addressing such matters.

**25. I am aware of fraud or corruption incidents in the last two years that have gone unreported by my organisation.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	6	2%	368	96%	8	2%	382
Member of the senior executive/leadership team or equivalent	6	1%	469	96%	14	3%	489
Line manager (if not one of the above)	6	3%	197	90%	16	7%	219
Administration/Support Services	1	1%	187	94%	12	6%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	3	2%	124	91%	9	7%	136
<b>Total</b>	<b>22</b>	<b>2%</b>	<b>1,345</b>	<b>94%</b>	<b>59</b>	<b>4%</b>	<b>1,426</b>

**25. I am aware of fraud or corruption incidents in the last two years that have gone unreported by my organisation.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	1	2%	51	94%	2	4%	54
Central Government - Other	0	0%	44	98%	1	2%	45
Crown Agents or Companies	2	2%	81	93%	4	5%	87
Crown Research Institutes	0	0%	36	95%	2	5%	38
District Health Boards	1	1%	64	91%	5	7%	70
Government Departments	3	2%	134	92%	8	6%	145
Independent Crown Entities	0	0%	36	97%	1	3%	37
Māori Trust Boards	1	9%	10	91%	0	0%	11
Rural Education Activities Programmes	0	0%	11	100%	0	0%	11
State-Owned Enterprises	1	2%	40	85%	6	13%	47
Tertiary Education Institutions	2	2%	83	91%	6	7%	91
<b>Sub-Total</b>	<b>11</b>	<b>2%</b>	<b>590</b>	<b>93%</b>	<b>35</b>	<b>6%</b>	<b>636</b>

**25. I am aware of fraud or corruption incidents in the last two years that have gone unreported by my organisation.**

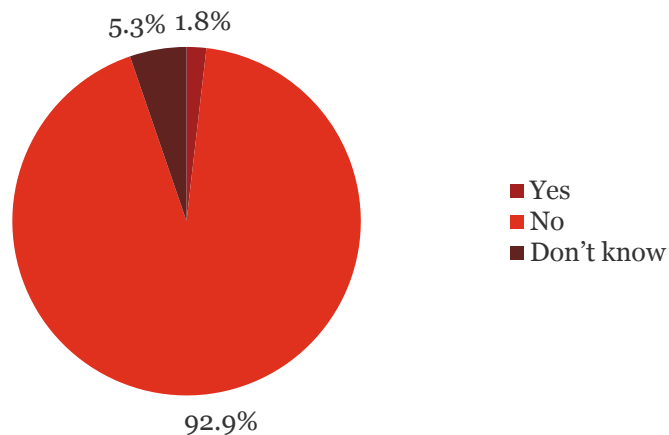
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	0	0%	18	95%	1	5%	19
Council Controlled Organisations or Council Controlled Trading Organisations	1	1%	73	97%	1	1%	75
Energy Companies	0	0%	28	100%	0	0%	28
Fish and Game Councils	0	0%	8	100%	0	0%	8
Licensing and Community Trusts	0	0%	8	89%	1	11%	9
Local Authorities	7	4%	160	95%	2	1%	169
Local Government - Other	0	0%	11	100%	0	0%	11
Port Companies	0	0%	2	100%	0	0%	2
Sub-Total	<b>8</b>	<b>2%</b>	<b>308</b>	<b>96%</b>	<b>5</b>	<b>2%</b>	<b>321</b>
<b>Schools</b>	3	1%	447	95%	19	4%	469
<b>Total</b>	<b>22</b>	<b>2%</b>	<b>1,345</b>	<b>94%</b>	<b>59</b>	<b>4%</b>	<b>1,426</b>

## **26. I am aware of fraud or corruption incidents in the last two years that have been reported but gone unpunished by my organisation.**

### **Observation:**

92.9% of respondents are not aware of any fraud that has gone unpunished in their organisation.

This view was shared by senior managers and staff alike and across all sectors.



### **What some respondents have said:**

“I believe that fraud and corruption is viewed seriously but the extent of the disciplinary measures maybe some what lacking or inconsistent across the organization.”

“I am aware of one issue of fraud that led to the early resignation of an individual over 5 years ago. I learnt about this through unofficial channels (i.e. the cafeteria), and have not heard of any other such incident since.”

“Two years ago, a person was dismissed for fraud, and despite my written recommendation, the Principal did not get the police involved. We have a new Principal, who I believe would involve the Police.”

### **PwC comment:**

We would expect all public sector organisations to have a “zero tolerance” approach to fraud. If fraud and corruption go unreported, confidence in management could be eroded and lead to a perception that fraud prevention is not taken seriously.

**26. I am aware of fraud or corruption incidents in the last two years that have been reported but gone unpunished by my organisation.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	7	2%	367	96%	7	2%	381
Member of the senior executive/leadership team or equivalent	11	2%	462	94%	16	3%	489
Line manager (if not one of the above)	5	2%	188	86%	26	12%	219
Administration/Support Services	1	1%	185	93%	14	7%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	2	1%	122	90%	12	9%	136
<b>Total</b>	<b>26</b>	<b>2%</b>	<b>1,324</b>	<b>93%</b>	<b>75</b>	<b>5%</b>	<b>1,425</b>

**26. I am aware of fraud or corruption incidents in the last two years that have been reported but gone unpunished by my organisation.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	0	0%	50	93%	4	7%	54
Central Government - Other	0	0%	43	96%	2	4%	45
Crown Agents or Companies	2	2%	79	91%	6	7%	87
Crown Research Institutes	0	0%	34	92%	3	8%	37
District Health Boards	1	1%	65	93%	4	6%	70
Government Departments	1	1%	131	90%	13	9%	145
Independent Crown Entities	0	0%	36	97%	1	3%	37
Māori Trust Boards	0	0%	10	91%	1	9%	11
Rural Education Activities Programmes	0	0%	11	100%	0	0%	11
State-Owned Enterprises	3	6%	40	85%	4	9%	47
Tertiary Education Institutions	3	3%	83	91%	5	5%	91
<b>Sub-Total</b>	<b>10</b>	<b>2%</b>	<b>582</b>	<b>92%</b>	<b>43</b>	<b>7%</b>	<b>635</b>

**26. I am aware of fraud or corruption incidents in the last two years that have been reported but gone unpunished by my organisation.**

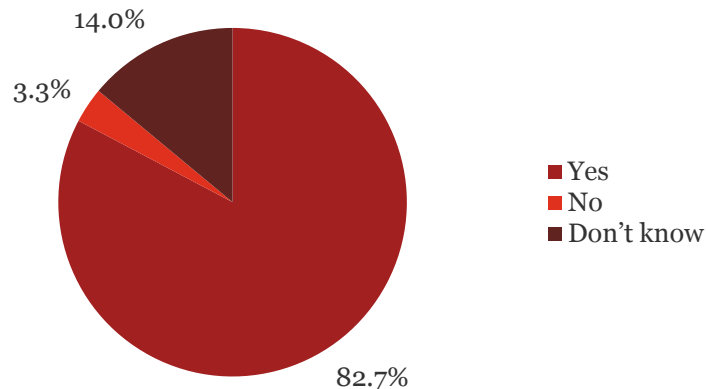
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	1	5%	16	84%	2	11%	19
Council Controlled Organisations or Council Controlled Trading Organisations	1	1%	73	97%	1	1%	75
Energy Companies	1	4%	26	93%	1	4%	28
Fish and Game Councils	0	0%	8	100%	0	0%	8
Licensing and Community Trusts	0	0%	8	89%	1	11%	9
Local Authorities	5	3%	155	92%	9	5%	169
Local Government - Other	0	0%	11	100%	0	0%	11
Port Companies	0	0%	2	100%	0	0%	2
Sub-Total	<b>8</b>	<b>2%</b>	<b>299</b>	<b>93%</b>	<b>14</b>	<b>4%</b>	<b>321</b>
<b>Schools</b>	8	2%	443	94%	18	4%	469
Total	<b>26</b>	<b>2%</b>	<b>1,324</b>	<b>93%</b>	<b>75</b>	<b>5%</b>	<b>1,425</b>

## **27. Inappropriate or personal credit card expenditure is taken very seriously and results in disciplinary action.**

### **Observation:**

82.7% of respondents indicated that inappropriate credit card expenditure is taken seriously in their organisation.

This view was shared by senior managers and staff alike and across all sectors.



### **What some respondents have said:**

“Comment re personal expenditure and disciplinary action: some action is always taken, appropriate to event. This may not be "disciplinary", but always includes recovery. Example: company credit card used in error or used in emergency and self reported does not result in disciplinary action; does result in immediate and full recovery.”

“I believe some areas in my organisation takes such incidents seriously, others might be more inclined to 'sweep it under the carpet'. In my view there needs to be more spot checks done on credit card reconciliations and expense claims than is currently the case.”

### **PwC comment:**

Recent scrutiny of sensitive expenditure demands that public sector organisations remain vigilant to inappropriate spending of public monies.

**27. *Inappropriate or personal credit card expenditure is taken very seriously and results in disciplinary action.***

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	341	90%	17	4%	23	6%	381
Member of the senior executive/leadership team or equivalent	443	91%	7	1%	39	8%	489
Line manager (if not one of the above)	166	76%	6	3%	47	21%	219
Administration/Support Services	140	70%	12	6%	48	24%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	89	65%	5	4%	42	31%	136
<b>Total</b>	<b>1,179</b>	<b>83%</b>	<b>47</b>	<b>3%</b>	<b>199</b>	<b>14%</b>	<b>1,425</b>

**27. *Inappropriate or personal credit card expenditure is taken very seriously and results in disciplinary action.***

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	51	94%	1	2%	2	4%	54
Central Government - Other	44	98%	1	2%	0	0%	45
Crown Agents or Companies	75	86%	2	2%	10	11%	87
Crown Research Institutes	32	86%	2	5%	3	8%	37
District Health Boards	53	76%	2	3%	15	21%	70
Government Departments	117	81%	4	3%	24	17%	145
Independent Crown Entities	32	86%	1	3%	4	11%	37
Māori Trust Boards	11	100%	0	0%	0	0%	11
Rural Education Activities Programmes	9	82%	0	0%	2	18%	11
State-Owned Enterprises	44	94%	1	2%	2	4%	47
Tertiary Education Institutions	80	88%	1	1%	10	11%	91
<b>Sub-Total</b>	<b>548</b>	<b>86%</b>	<b>15</b>	<b>2%</b>	<b>72</b>	<b>11%</b>	<b>635</b>

**27. Inappropriate or personal credit card expenditure is taken very seriously and results in disciplinary action.**

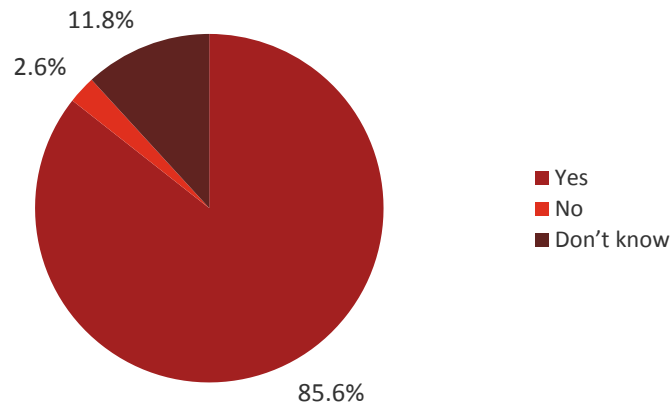
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	17	89%	0	0%	2	11%	19
Council Controlled Organisations or Council Controlled Trading Organisations	68	91%	0	0%	7	9%	75
Energy Companies	19	68%	1	4%	8	29%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	7	78%	0	0%	2	22%	9
Local Authorities	132	78%	3	2%	34	20%	169
Local Government - Other	8	73%	0	0%	3	27%	11
Port Companies	2	100%	0	0%	0	0%	2
Sub-Total	<b>261</b>	<b>81%</b>	<b>4</b>	<b>1%</b>	<b>56</b>	<b>17%</b>	<b>321</b>
<b>Schools</b>	370	79%	28	6%	71	15%	469
Total	<b>1,179</b>	<b>83%</b>	<b>47</b>	<b>3%</b>	<b>199</b>	<b>14%</b>	<b>1,425</b>

## **28. Inappropriate expense claims or expense claims for personal purchases, is taken very seriously and results in disciplinary action.**

### **Observation:**

85.6% of respondents indicated that inappropriate expense claims are taken seriously in their organisation.

This view was shared by senior managers and staff alike and across all sectors.



### **What some respondents have said:**

“Sometimes staff accidentally may claim or put personal expense on c/card due to international nature of role & other circumstances, they will report this if known, all expenses are reviewed & staff always agree to deduction from pay - so further disciplinary action not taken.”

“I believe some areas in my organisation takes such incidents seriously, others might be more inclined to 'sweep it under the carpet'. In my view there needs to be more spot checks done on credit card reconciliations and expense claims than is currently the case.”

“Management have been active in education and monitoring of sensitive expenditure, gifts and Koha. I have heard individual staff describe the fraud policy as very simple "get caught, get sacked". The organisation has also had a history of charging individuals in often talked about cases from 3-5 years ago. “

### **PwC comment:**

Recent scrutiny of sensitive expenditure demands that public sector organisations remain vigilant to inappropriate spending of public monies.

**28. Inappropriate expense claims or expense claims for personal purchases, is taken very seriously and results in disciplinary action.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	356	94%	7	2%	17	4%	380
Member of the senior executive/leadership team or equivalent	449	92%	11	2%	29	6%	489
Line manager (if not one of the above)	169	77%	7	3%	43	20%	219
Administration/Support Services	151	76%	9	5%	40	20%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	94	69%	3	2%	39	29%	136
<b>Total</b>	<b>1,219</b>	<b>86%</b>	<b>37</b>	<b>3%</b>	<b>168</b>	<b>12%</b>	<b>1,424</b>

**28. Inappropriate expense claims or expense claims for personal purchases, is taken very seriously and results in disciplinary action.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	50	93%	2	4%	2	4%	54
Central Government - Other	44	98%	1	2%	0	0%	45
Crown Agents or Companies	72	83%	2	2%	13	15%	87
Crown Research Institutes	31	84%	3	8%	3	8%	37
District Health Boards	58	83%	2	3%	10	14%	70
Government Departments	116	80%	3	2%	26	18%	145
Independent Crown Entities	31	84%	2	5%	4	11%	37
Māori Trust Boards	11	100%	0	0%	0	0%	11
Rural Education Activities Programmes	9	82%	0	0%	2	18%	11
State-Owned Enterprises	44	94%	1	2%	2	4%	47
Tertiary Education Institutions	77	85%	2	2%	12	13%	91
<b>Sub-Total</b>	<b>543</b>	<b>86%</b>	<b>18</b>	<b>3%</b>	<b>74</b>	<b>12%</b>	<b>635</b>

**28. Inappropriate expense claims or expense claims for personal purchases, is taken very seriously and results in disciplinary action.**

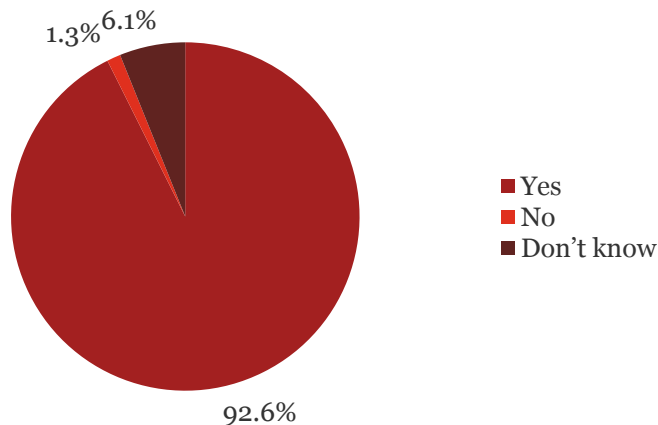
	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	17	89%	0	0%	2	11%	19
Council Controlled Organisations or Council Controlled Trading Organisations	69	92%	0	0%	6	8%	75
Energy Companies	21	75%	1	4%	6	21%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	7	78%	0	0%	2	22%	9
Local Authorities	137	81%	5	3%	27	16%	169
Local Government - Other	8	73%	0	0%	3	27%	11
Port Companies	2	100%	0	0%	0	0%	2
Sub-Total	<b>269</b>	<b>84%</b>	<b>6</b>	<b>2%</b>	<b>46</b>	<b>14%</b>	<b>321</b>
<b>Schools</b>	407	87%	13	3%	48	10%	468
Total	<b>1,219</b>	<b>86%</b>	<b>37</b>	<b>3%</b>	<b>168</b>	<b>12%</b>	<b>1,424</b>

## 29. *I am confident that my organisation will take all reasonable action to recover any money lost through fraud or corruption.*

### Observation:

92.6% said they were confident that their organisation would take steps to recover lost monies.

This view was shared by senior managers and staff alike and across all sectors.



### What some respondents have said:

“Fraud policy is back by zero tolerance - we will hand over to police and take action to recover losses.”

“Comment re personal expenditure and disciplinary action: some action is always taken, appropriate to event. This may not be "disciplinary", but always includes recovery. Example: company credit card used in error or used in emergency and self reported does not result in disciplinary action; does result in immediate and full recovery.”

“Credit card and staff expenses are monitored closely and any irregularities followed up with the employee concerned. Where appropriate, monies are recovered, however while the employee concerned may be advised of the inappropriateness of their behaviour, it may not always lead to formal disciplinary actions.”

### PwC comment:

The public would expect public sector organisations to take all reasonable steps to recover any funds misappropriated. The fact that the organisation will take all practical steps to recover any money lost through fraud is another clear sign that the organisation takes these matters seriously.

**29. I am confident that my organisation will take all reasonable action to recover any money lost through fraud or corruption.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	371	98%	3	1%	6	2%	380
Member of the senior executive/leadership team or equivalent	464	95%	6	1%	19	4%	489
Line manager (if not one of the above)	184	84%	3	1%	32	15%	219
Administration/Support Services	184	92%	4	2%	12	6%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	116	85%	2	1%	18	13%	136
<b>Total</b>	<b>1,319</b>	<b>93%</b>	<b>18</b>	<b>1%</b>	<b>87</b>	<b>6%</b>	<b>1,424</b>

**29. I am confident that my organisation will take all reasonable action to recover any money lost through fraud or corruption.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	53	98%	0	0%	1	2%	54
Central Government - Other	44	98%	0	0%	1	2%	45
Crown Agents or Companies	80	92%	2	2%	5	6%	87
Crown Research Institutes	36	97%	0	0%	1	3%	37
District Health Boards	63	90%	1	1%	6	9%	70
Government Departments	122	84%	2	1%	21	14%	145
Independent Crown Entities	35	95%	0	0%	2	5%	37
Māori Trust Boards	11	100%	0	0%	0	0%	11
Rural Education Activities Programmes	10	91%	0	0%	1	9%	11
State-Owned Enterprises	44	94%	0	0%	3	6%	47
Tertiary Education Institutions	82	90%	4	4%	5	5%	91
<b>Sub-Total</b>	<b>580</b>	<b>91%</b>	<b>9</b>	<b>1%</b>	<b>46</b>	<b>7%</b>	<b>635</b>

**29. I am confident that my organisation will take all reasonable action to recover any money lost through fraud or corruption.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	16	84%	0	0%	3	16%	19
Council Controlled Organisations or Council Controlled Trading Organisations	71	95%	1	1%	3	4%	75
Energy Companies	27	96%	0	0%	1	4%	28
Fish and Game Councils	8	100%	0	0%	0	0%	8
Licensing and Community Trusts	8	89%	1	11%	0	0%	9
Local Authorities	152	90%	3	2%	14	8%	169
Local Government - Other	9	82%	0	0%	2	18%	11
Port Companies	1	50%	0	0%	1	50%	2
Sub-Total	<b>292</b>	<b>91%</b>	<b>5</b>	<b>2%</b>	<b>24</b>	<b>7%</b>	<b>321</b>
<b>Schools</b>	447	96%	4	1%	17	4%	468
<b>Total</b>	<b>1,319</b>	<b>93%</b>	<b>18</b>	<b>1%</b>	<b>87</b>	<b>6%</b>	<b>1,424</b>

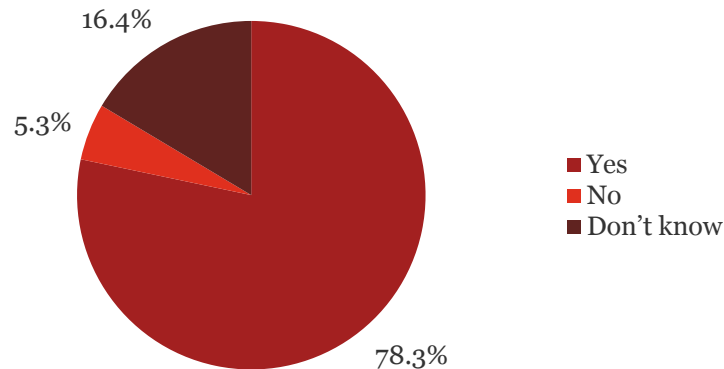
### **30. I am confident that incidents of fraud and corruption that occur at my organisation will be reported to the Police.**

#### **Observation:**

78% said that fraud in their organisation would be reported to the Police.

This view was shared by senior managers and staff alike and across all sectors.

Organisations that report matters to the Police had fewer reported incidences of fraud. Of those that answered “Yes” to the question, 21% reported incidences of fraud over the past two years. Of those that answered “No,” 49% reported incidences of fraud.



#### **What some respondents have said:**

“We would only report a case of fraud or corruption to the Police if it involved theft or some other criminal activity. For example, misuse of a credit card or an irregularity with an expense claim for a minor amount, would not automatically be referred to the police.”

“Our organisation takes fraud seriously and in situations where we have reasonable grounds to believe that fraud has occurred is obliged to report to the appropriate authority. This includes incidents of fraud that occurs with organisations that we fund.”

“Reporting to police is considered on the basis of the nature and severity of the incident, not as a matter of course.”

“We have taken on-board the Auditor General guidelines to report all instances of fraud to the police.”

“My experience is that Police accord no priority to such reported cases.”

“Incidents of fraud or corruption are reported to police if it is considered that reasonable defensible evidence is available for prosecution and that the police are likely to act on the evidence.”

#### **PwC comment:**

We would advise organisations to have access to suitably skilled people with a working knowledge of investigation (and interviewing techniques) and the relevant legislation investigate matters of fraud or corruption. This will help ensure that the Police receive information that has been correctly gathered to the required evidential standards.

**30. I am confident that incidents of fraud and corruption that occur at my organisation will be reported to the Police.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	328	86%	20	5%	32	8%	380
Member of the senior executive/leadership team or equivalent	387	79%	30	6%	72	15%	489
Line manager (if not one of the above)	157	72%	10	5%	52	24%	219
Administration/Support Services	150	75%	9	5%	41	21%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	93	68%	6	4%	37	27%	136
<b>Total</b>	<b>1,115</b>	<b>78%</b>	<b>75</b>	<b>5%</b>	<b>234</b>	<b>16%</b>	<b>1,424</b>

**30. I am confident that incidents of fraud and corruption that occur at my organisation will be reported to the Police.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	49	91%	1	2%	4	7%	54
Central Government - Other	32	71%	0	0%	13	29%	45
Crown Agents or Companies	66	76%	5	6%	16	18%	87
Crown Research Institutes	30	81%	0	0%	7	19%	37
District Health Boards	58	83%	3	4%	9	13%	70
Government Departments	101	70%	8	6%	36	25%	145
Independent Crown Entities	29	78%	0	0%	8	22%	37
Māori Trust Boards	10	91%	0	0%	1	9%	11
Rural Education Activities Programmes	9	82%	0	0%	2	18%	11
State-Owned Enterprises	34	72%	8	17%	5	11%	47
Tertiary Education Institutions	67	74%	7	8%	17	19%	91
<b>Sub-Total</b>	<b>485</b>	<b>76%</b>	<b>32</b>	<b>5%</b>	<b>118</b>	<b>19%</b>	<b>635</b>

**30. I am confident that incidents of fraud and corruption that occur at my organisation will be reported to the Police.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	12	63%	2	11%	5	26%	19
Council Controlled Organisations or Council Controlled Trading Organisations	59	79%	2	3%	14	19%	75
Energy Companies	21	75%	3	11%	4	14%	28
Fish and Game Councils	6	75%	1	13%	1	13%	8
Licensing and Community Trusts	7	78%	2	22%	0	0%	9
Local Authorities	137	81%	11	7%	21	12%	169
Local Government - Other	7	64%	1	9%	3	27%	11
Port Companies	1	50%	0	0%	1	50%	2
Sub-Total	<b>250</b>	<b>78%</b>	<b>22</b>	<b>7%</b>	<b>49</b>	<b>15%</b>	<b>321</b>
<b>Schools</b>	380	81%	21	4%	67	14%	468
<b>Total</b>	<b>1,115</b>	<b>78%</b>	<b>75</b>	<b>5%</b>	<b>234</b>	<b>16%</b>	<b>1,424</b>

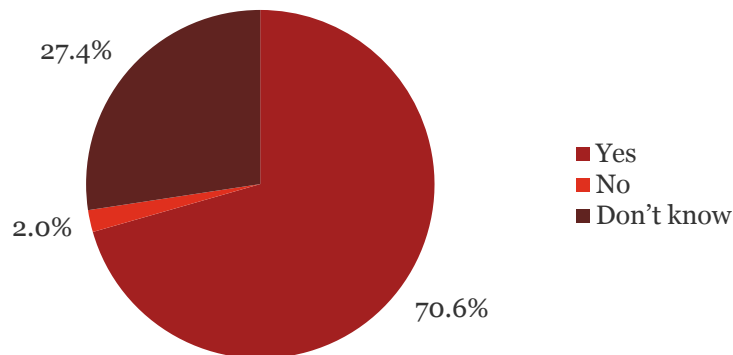
### 31. Internal controls are reviewed as part of every fraud investigation.

#### Observation:

70.6% of respondents said that their organisation reviews its internal controls as part of every fraud investigation.

Chief executives (82%) and senior managers (77%) were more confident of this occurring than line managers (55%) and operational staff (47%).

Airports (47%), Port Companies (50%), Government Departments (60%), Crown Research Institutes (62%), State-Owned Organisations (62%), “Local Government-Other” organisations (64%) and District Health Boards (67%) were among those less likely to review internal controls as part of every fraud investigation.



#### What some respondents have said:

“I do know of one case of Fraud (falling outside of the two years) that was reported to the Police and it did result in a review of credit card review of spending.”

“As an organisation with employees in countries other than NZ, incidents may not be reported to the police where it is unlikely that the Police will be in a position to investigate e.g. some Asian countries. Since disciplinary action is usually dismissal, specific incidents are not communicated to all staff. However, information uncovered during an investigation is used to improve systems and processes.”

“We have only had one reported incident in the last three years. It was thoroughly investigated. No issue of fraud was found. However it did result in process improvements being put in place.”

“We have many checks in our system, but this survey has highlighted the need for us to regularly review our processes.”

#### PwC comment:

The opportunity for fraud to be committed has usually been as a result of inadequate controls (physical) and/or non-compliance by staff with policy and procedures (behavioural). Organisations should review their control environment regularly, and particularly after fraud has occurred.

**31. Internal controls are reviewed as part of every fraud investigation.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	310	82%	14	4%	56	15%	380
Member of the senior executive/leadership team or equivalent	375	77%	6	1%	108	22%	489
Line manager (if not one of the above)	120	55%	6	3%	93	42%	219
Administration/Support Services	136	68%	1	1%	63	32%	200
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	64	47%	2	1%	70	51%	136
<b>Total</b>	<b>1,005</b>	<b>71%</b>	<b>29</b>	<b>2%</b>	<b>390</b>	<b>27%</b>	<b>1,424</b>

**31. Internal controls are reviewed as part of every fraud investigation.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	44	81%	1	2%	9	17%	54
Central Government - Other	36	80%	0	0%	9	20%	45
Crown Agents or Companies	64	74%	2	2%	21	24%	87
Crown Research Institutes	23	62%	0	0%	14	38%	37
District Health Boards	47	67%	0	0%	23	33%	70
Government Departments	87	60%	3	2%	55	38%	145
Independent Crown Entities	21	57%	0	0%	16	43%	37
Māori Trust Boards	9	82%	1	9%	1	9%	11
Rural Education Activities Programmes	8	73%	0	0%	3	27%	11
State-Owned Enterprises	29	62%	1	2%	17	36%	47
Tertiary Education Institutions	70	77%	0	0%	21	23%	91
<b>Sub-Total</b>	<b>438</b>	<b>69%</b>	<b>8</b>	<b>1%</b>	<b>189</b>	<b>30%</b>	<b>635</b>

**31. Internal controls are reviewed as part of every fraud investigation.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	9	47%	0	0%	10	53%	19
Council Controlled Organisations or Council Controlled Trading Organisations	57	76%	1	1%	17	23%	75
Energy Companies	21	75%	1	4%	6	21%	28
Fish and Game Councils	7	88%	0	0%	1	13%	8
Licensing and Community Trusts	6	67%	0	0%	3	33%	9
Local Authorities	120	71%	7	4%	42	25%	169
Local Government - Other	7	64%	1	9%	3	27%	11
Port Companies	1	50%	0	0%	1	50%	2
Sub-Total	<b>228</b>	<b>71%</b>	<b>10</b>	<b>3%</b>	<b>83</b>	<b>26%</b>	<b>321</b>
<b>Schools</b>	339	72%	11	2%	118	25%	468
Total	<b>1,005</b>	<b>71%</b>	<b>29</b>	<b>2%</b>	<b>390</b>	<b>27%</b>	<b>1,424</b>

## ***Section 4: Incidents of fraud***

Question	Page
32. How many incidents of fraud or corruption are you aware of at your organisation in the last two years?	138
33. What is the total dollar amount of all incidents of fraud and corruption that you are aware have occurred at your organisation within the last two years?	143
34. In the most recent incident of fraud or corruption within your organisation that you are aware of, the main perpetrator(s) was?	147
35. In the <u>most recent</u> incident of fraud or corruption within your organisation that you are aware of, that involved internal parties, the main perpetrator(s) was?	151
36. In the <u>most recent</u> incident of fraud or corruption within your organisation that you are aware of, what type was committed? ( <i>You may choose more than one answer</i> )	154
37. In the <u>most recent</u> incident of fraud or corruption within your organisation that you are aware of, how was it detected? ( <i>You may chose more than one answer</i> )	158
38. In the <u>most recent</u> incident of fraud within your organisation that you are aware of, what was the estimated dollar amount involved?	162
39. In the <u>most recent</u> incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?	166
40. In the <u>most recent</u> incident of fraud or corruption within your organisation that you are aware of, what action was taken against the perpetrator(s)?	171

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## ***Incidents of fraud – mostly internal and by one person acting alone***

The incidence of known fraud in the public sector appears to be relatively low, with 22.5% of respondents indicating that they were aware of at least one fraud that had occurred in the last two years. This is a pleasing result and lower than we expected.

Local Government respondents (33%) reported a higher incidence of fraud than Central Government respondents (28%). Schools reported a very low (8%) incidence of fraud.

Half of the organisations with more than 500 employees reported incidences of fraud. 9% of the organisations with fewer than 25 employees reported incidences of fraud. This correlates with the findings of PwC's 2009 Global Economic Crime Survey, where 50% of the public sector respondents (who tended to be in larger organisations) reported at least one incident of economic crime in the previous 12 months.

In this survey, of those 22.5% of respondents who reported at least one incident of fraud or corruption, 26.5% involved theft of cash while 17.1% involved fraudulent expenses claims. Interestingly, more respondents identified payroll fraud occurring than false invoicing. Often, we see the reverse occurring.

Of those respondents who said that their organisation suffered from fraud in the previous two years, most (61.2%) report that the total value of losses was less than \$10,000.

Most fraud (77.4%) was internal and committed by one person acting alone. This was consistent across Central Government (76%), Local Government (83%) and Schools (71%). There were some instances where collusion had been suspected. Internal fraud is a significant risk for all organisations. This is because staff know the organisation, know the systems and processes, know the weaknesses and are trusted.

The main perpetrator indicated by respondents was an operational (46.3%) or administration/support service person (22.2%). However, we have noted that during the current challenging economic environment, internal fraud is increasingly committed by those at managerial level and above. This is of concern because some managers can override controls and potentially better conceal their offending.

Just under half of the known frauds (45.0%) were detected by internal control systems. Internal tip-off other than through a formal whistleblower system (25.0%) was the next highest method of detection. This correlates with our own experience of how frauds tend to be discovered in New Zealand.

An established whistleblower system accounted for 3.8% of reports. This may seem surprising given how well whistleblower systems are regarded. However, this may be explained by the fact that 74.7% of respondents (across all roles and sectors) said that their organisation did not have a whistleblower hotline and a further 13.7% did not know if their organisation had one. According to the Association of Certified Fraud Examiners' 2010 Global Fraud Study, those organisations that have a whistleblower hotline in place have a 59% reduction in median fraud losses. We believe a well-communicated whistleblower system is one of the best tools that an organisation can employ to help mitigate the risks of fraud and other reputational harm. However, the success (or otherwise) of a whistleblower system depends to a large degree on how it is set up, operated, communicated and accepted by the organisation.

Organisations that had a specific fraud policy that was regularly communicated to staff, in general, suffered fewer incidents of fraud.

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## ***Incidents of fraud – mostly internal and by one person acting alone***

The survey also indicated that those organisations that had communicated previous incidents of fraud to staff, and where there was a culture in which it was safe and encouraged to raise concerns of potential fraud, also had generally fewer incidents of fraud.

According to the respondents, the main reasons for fraud occurring are that the person did not think they would be caught (40.1%) and internal controls were not followed (26.8%).

The thought that perpetrators believed they would not get caught may be symptomatic of fraud not being taken seriously by management. Many public sector organisations have been required to find cost-saving measures, which often can be found only by reducing staff numbers or utilising the available staff differently. Should this result in reduced audit activity then this may add to the sense that “no one is checking”. This was also one of the findings of the PwC 2009 Global Economic Crime Survey, which indicated a significant fall from the 2007 survey in frauds identified by internal audit. When this was explored further, it became apparent that internal audit resources were being adversely affected by cost cutting. Respondents were also keen to promote that they trusted their staff and colleagues to do the right thing. Unfortunately trust is not a fraud control. Trust needs to be verified to ensure the resources of the organisation are properly utilised and staff wellbeing is protected.

Perhaps alarmingly, given respondents indicated a high desire for matters to be reported to the Police (78% in their answers in Q30 said they would make a report), in only 26% of cases where fraud was identified was the person dismissed and a report made to the Police. The actions of some managers appear inconsistent with any messages that fraud and corruption will be treated seriously. Where fraud has occurred but goes unpunished, staff confidence in management can be seriously eroded. This may have an adverse effect on staff who would otherwise report their suspicions of fraud.

In 14.1% of the cases, the person was dismissed without any referral to the Police. This brings the risk that an employee suspected of committing fraud may go onto another organisation and continue their fraudulent behaviour. We are aware of numerous instances of this occurring.

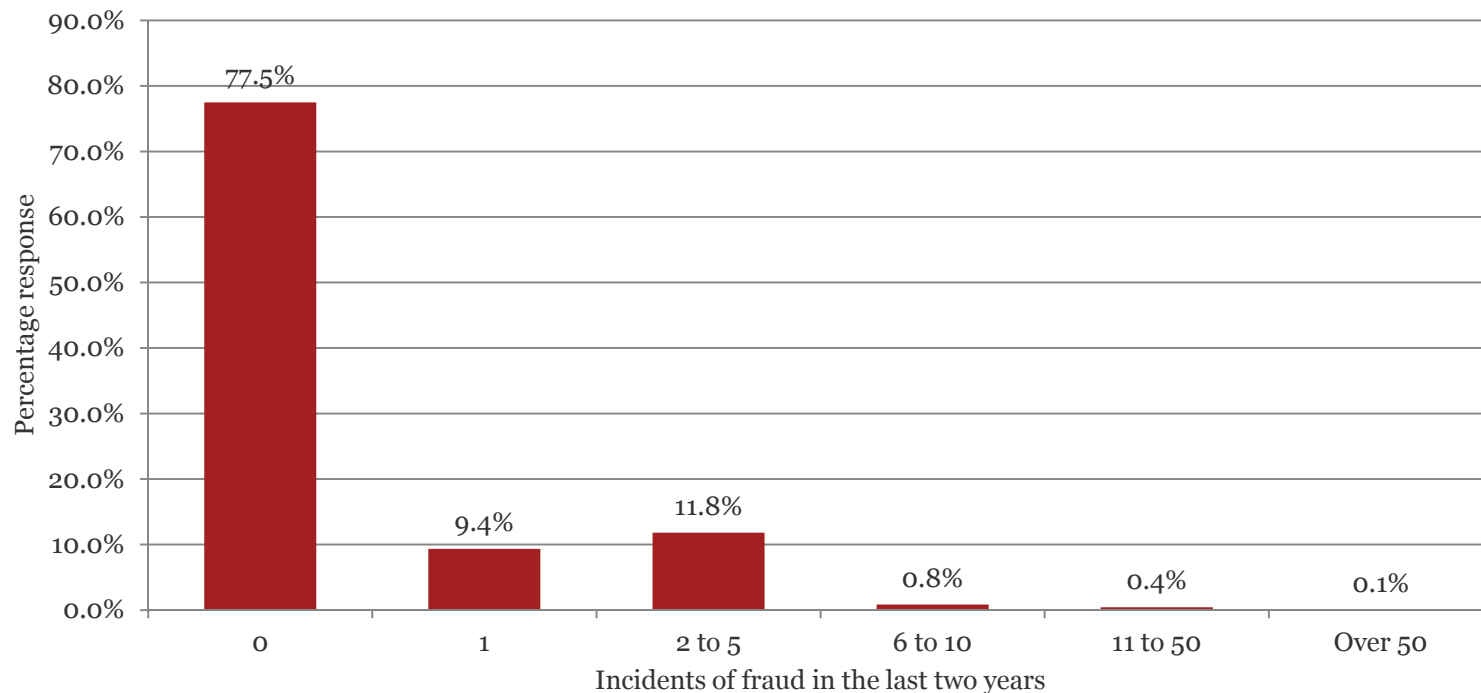
### 32. *How many incidents of fraud or corruption are you aware of at your organisation in the last two years?*

#### **Observation:**

22.5% of respondents indicated that they were aware of at least one fraud having occurred in their organisation. The tables on following pages show that in general management appeared more aware of fraud incidents in their organisation than staff. Local Government entities reported slightly higher rates (33%) than Central Government organisations (28%) and Schools (8%).

#### **PwC comment:**

While any level of fraud or corruption in the public sector is a matter of concern, the 22.5% response to this question is lower than we expected.



**32. How many incidents of fraud or corruption are you aware of at your organisation in the last two years?**

	No instances		1 or more		Total Count
Chief Executive Officer/Managing Director/Principal	301	79%	79	21%	380
Member of the senior executive/leadership team or equivalent	350	72%	138	28%	488
Line manager (if not one of the above)	156	71%	63	29%	219
Administration/Support Services	184	92%	15	8%	199
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	111	82%	25	18%	136
<b>Total</b>	<b>1,102</b>	<b>77%</b>	<b>320</b>	<b>23%</b>	<b>1,422</b>

**32. How many incidents of fraud or corruption are you aware of at your organisation in the last two years?**

	No instances		1 or more		Total
<b>Central Government</b>					
Autonomous Crown Entities	44	81%	10	19%	54
Central Government - Other	35	78%	10	22%	45
Crown Agents or Companies	64	74%	23	26%	87
Crown Research Institutes	35	95%	2	5%	37
District Health Boards	47	67%	23	33%	70
Government Departments	90	62%	55	38%	145
Independent Crown Entities	37	100%	0	0%	37
Māori Trust Boards	8	73%	3	27%	11
Rural Education Activities Programmes	9	82%	2	18%	11
State-Owned Enterprises	28	60%	19	40%	47
Tertiary Education Institutions	57	63%	33	37%	90
<b>Sub-Total</b>	<b>454</b>	<b>72%</b>	<b>180</b>	<b>28%</b>	<b>634</b>

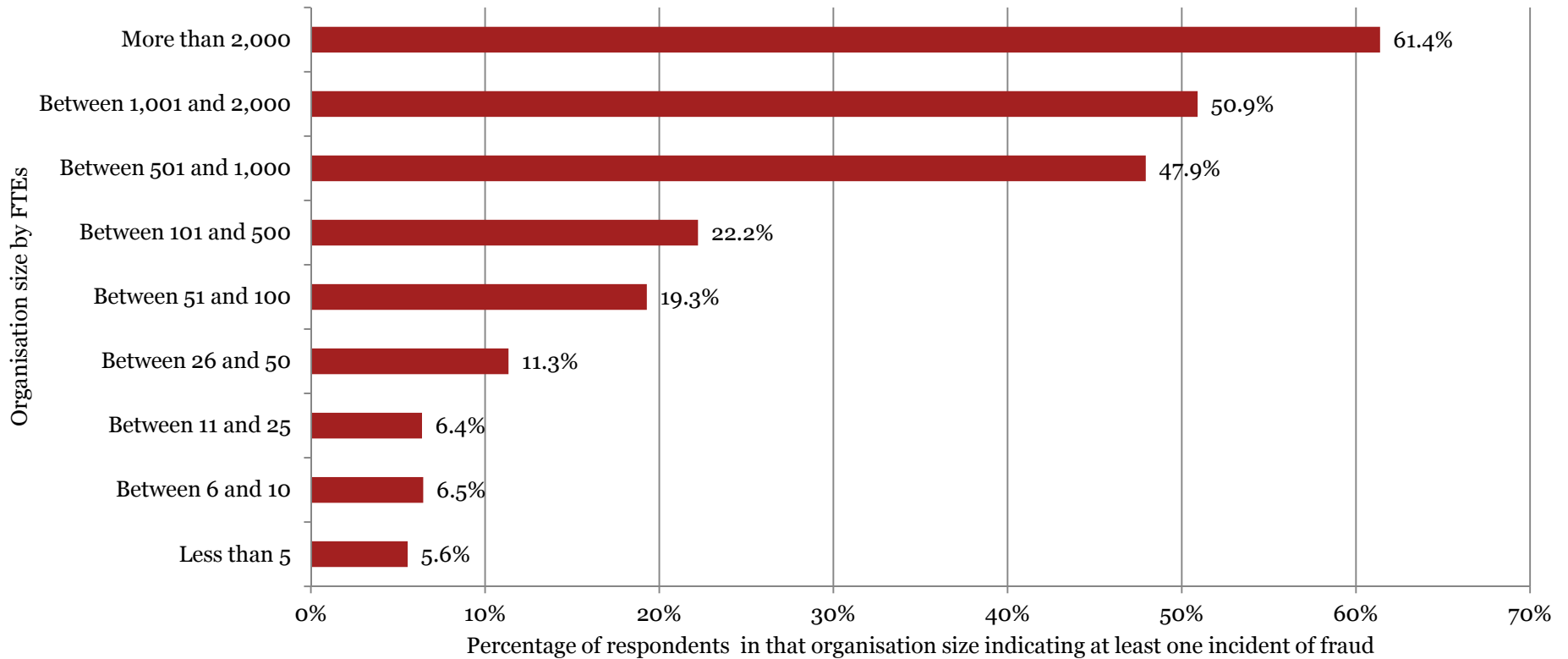
**32. How many incidents of fraud or corruption are you aware of at your organisation in the last two years?**

	No instances		1 or more		Total
<b>Local Government</b>					
Airports	13	68%	6	32%	19
Council Controlled Organisations or Council Controlled Trading Organisations	61	81%	14	19%	75
Energy Companies	14	50%	14	50%	28
Fish and Game Councils	7	88%	1	13%	8
Licensing and Community Trusts	3	33%	6	67%	9
Local Authorities	105	63%	63	38%	168
Local Government - Other	11	100%	0	0%	11
Port Companies	2	100%	0	0%	2
Sub-Total	<b>216</b>	<b>68%</b>	<b>104</b>	<b>33%</b>	<b>320</b>
<b>Schools</b>	432	92%	36	8%	468
<b>Total</b>	<b>1,102</b>	<b>77%</b>	<b>320</b>	<b>23%</b>	<b>1,422</b>

### 32. *How many incidents of fraud or corruption are you aware of at your organisation in the last two years?*

#### **Observation:**

Half of the organisations with more than 500 employees reported incidences of fraud. 9% of the organisations with fewer than 25 employees reported incidences of fraud.



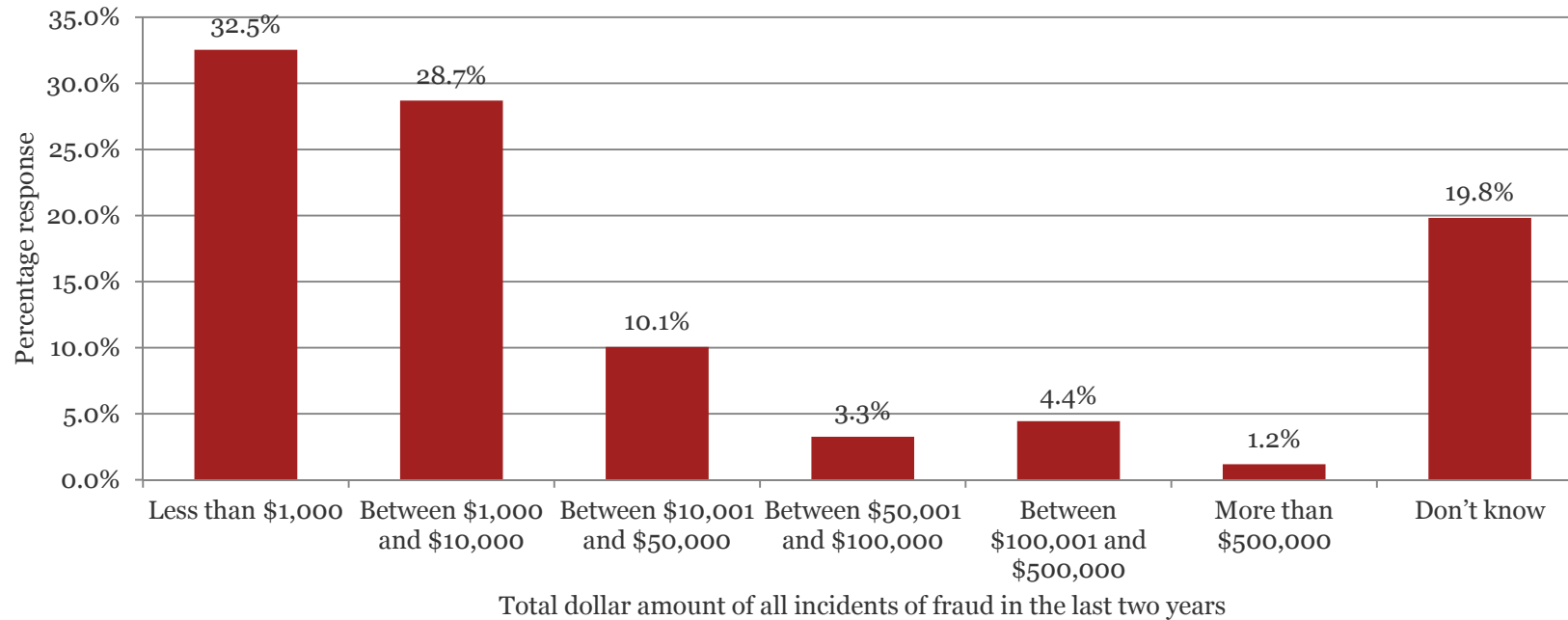
### 33. *What is the total dollar amount of all incidents of fraud and corruption that you are aware have occurred at your organisation within the last two years?*

#### **Observation:**

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, 61.2% indicated the total value of fraud committed was less than \$10,000. The breakdown was 64% for Local Government, 54% for Central Government organisations and 90% for Schools.

#### **PwC comment:**

Most respondents reported that the amount lost to fraud was relatively low. The proceeds of fraud are often accrued in small amounts over long periods. It is not always possible to establish the actual amount of a fraud because records are incomplete, or because of incomplete investigations.



**33. What is the total dollar amount of all incidents of fraud and corruption that you are aware have occurred at your organisation within the last two years?**

	Less than \$10,000		\$10,001 - \$100,000		More than \$100,000		Don't know		Total
<b>Central Government</b>									
Autonomous Crown Entities	7	70%	2	20%	0	0%	1	10%	10
Central Government - Other	6	60%	3	30%	0	0%	1	10%	10
Crown Agents or Companies	9	36%	2	8%	7	28%	7	28%	25
Crown Research Institutes	2	100%	0	0%	0	0%	0	0%	2
District Health Boards	14	56%	2	8%	3	12%	6	24%	25
Government Departments	26	45%	12	21%	3	5%	17	29%	58
Independent Crown Entities	0	0%	0	0%	1	50%	1	50%	2
Māori Trust Boards	3	100%	0	0%	0	0%	0	0%	3
Rural Education Activities Programmes	3	100%	0	0%	0	0%	0	0%	3
State-Owned Enterprises	8	42%	3	16%	2	11%	6	32%	19
Tertiary Education Institutions	24	73%	4	12%	0	0%	5	15%	33
<b>Sub-Total</b>	<b>102</b>	<b>54%</b>	<b>28</b>	<b>15%</b>	<b>16</b>	<b>8%</b>	<b>44</b>	<b>23%</b>	<b>190</b>

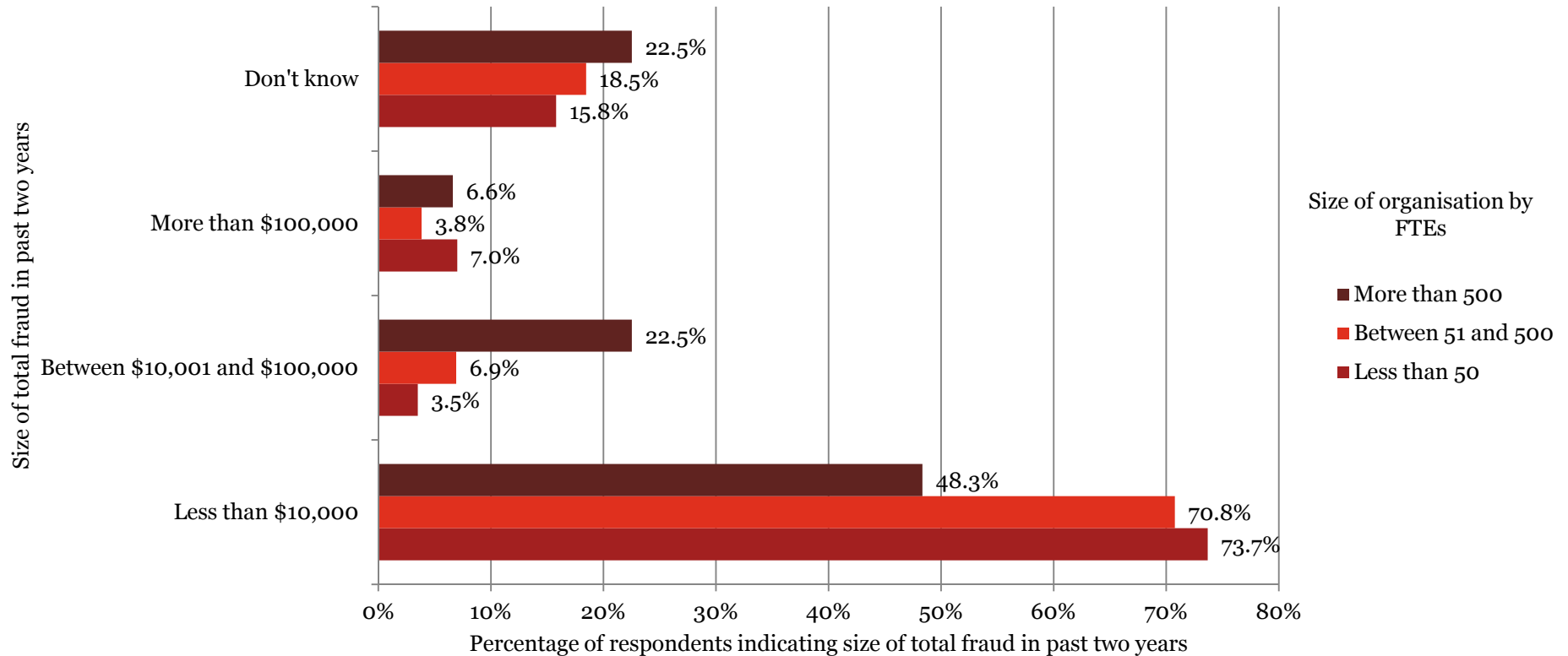
**33. What is the total dollar amount of all incidents of fraud and corruption that you are aware have occurred at your organisation within the last two years?**

	Less than \$10,000		\$10,001 - \$100,000		More than \$100,000		Don't know		Total
<b>Local Government</b>									
Airports	2	33%	1	17%	0	0%	3	50%	6
Council Controlled Organisations or Council Controlled Trading Organisations	11	79%	0	0%	1	7%	2	14%	14
Energy Companies	10	71%	3	21%	0	0%	1	7%	14
Fish and Game Councils	1	100%	0	0%	0	0%	0	0%	1
Licensing and Community Trusts	2	33%	4	67%	0	0%	0	0%	6
Local Authorities	43	64%	9	13%	1	1%	14	21%	67
Local Government - Other	0	0%	0	0%	0	0%	0	0%	0
Port Companies	0	0%	0	0%	0	0%	0	0%	0
<b>Sub-Total</b>	<b>69</b>	<b>64%</b>	<b>17</b>	<b>16%</b>	<b>2</b>	<b>2%</b>	<b>20</b>	<b>19%</b>	<b>108</b>
<b>Schools</b>	36	90%	0	0%	1	3%	3	8%	40
<b>Total</b>	<b>207</b>	<b>61%</b>	<b>45</b>	<b>13%</b>	<b>19</b>	<b>6%</b>	<b>67</b>	<b>20%</b>	<b>338</b>

**33. What is the total dollar amount of all incidents of fraud and corruption that you are aware have occurred at your organisation within the last two years?**

**Observation:**

The majority of fraud losses across all entities are less than \$10,000. Of those organisations with more than 500 FTEs, 29.1% had losses due to fraud of over \$10,000.



### 34. In the most recent incident of fraud or corruption within your organisation that you are aware of, the main perpetrator(s) was?

#### Observation:

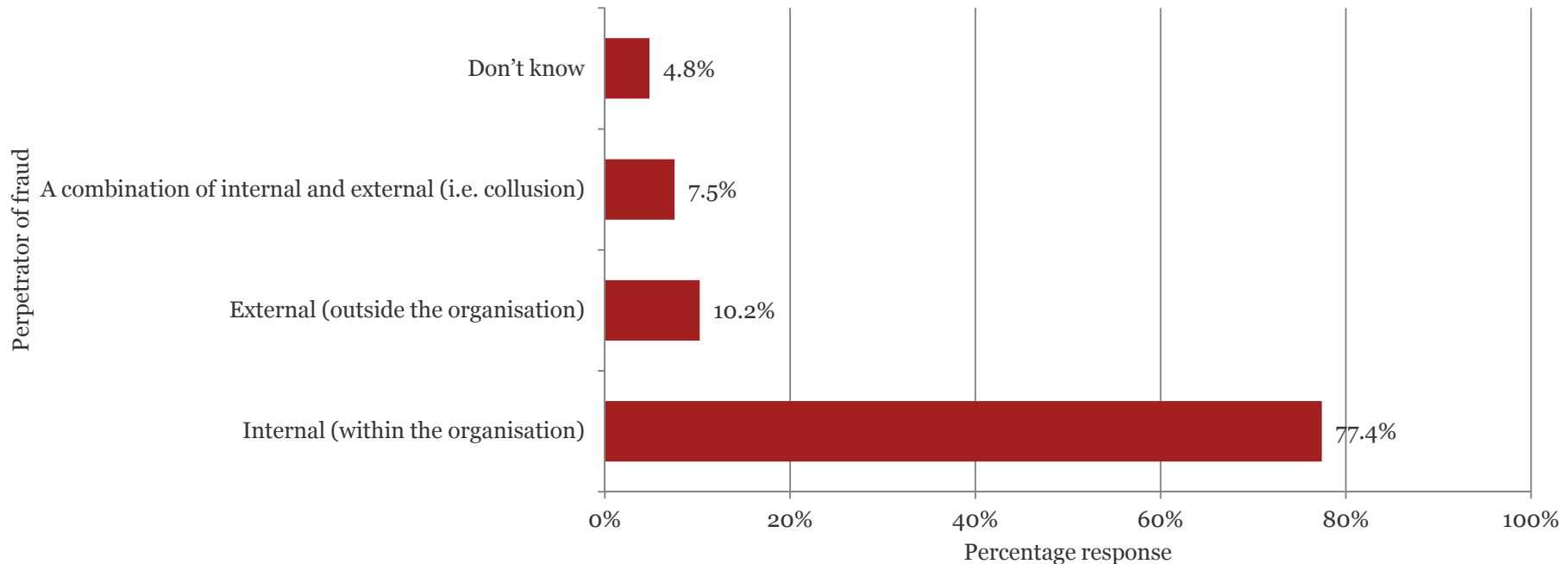
Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, 77.4% reported that the main perpetrator came from within the organisation.

This was consistent across Central Government (76%), Local Government (83%) and Schools (71%).

Respondents indicated the main perpetrator was an operational staff (46%) or administration/support service person (22%).

#### PwC comment:

Internal fraud continues to be a significant risk for all organisations. This is because staff know the organisation, know the systems and processes, know the weaknesses and are trusted.



**34. In the most recent incident of fraud or corruption within your organisation that you are aware of, the main perpetrator(s) was?**

	Internal (within the organisation)		External (outside the organisation)		A combination of external and internal (i.e. collusion)		Don't know		Total
<b>Central Government</b>									
Autonomous Crown Entities	5	50%	5	50%	0	0%	0	0%	10
Central Government - Other	9	90%	1	10%	0	0%	0	0%	10
Crown Agents or Companies	17	68%	3	12%	4	16%	1	4%	25
Crown Research Institutes	2	100%	0	0%	0	0%	0	0%	2
District Health Boards	17	68%	5	20%	1	4%	2	8%	25
Government Departments	48	83%	4	7%	2	3%	4	7%	58
Independent Crown Entities	1	50%	0	0%	0	0%	1	50%	2
Māori Trust Boards	2	67%	0	0%	1	33%	0	0%	3
Rural Education Activities Programmes	0	0%	0	0%	0	0%	2	100%	2
State-Owned Enterprises	13	68%	3	16%	3	16%	0	0%	19
Tertiary Education Institutions	29	88%	2	6%	2	6%	0	0%	33
<b>Sub-Total</b>	<b>143</b>	<b>76%</b>	<b>23</b>	<b>12%</b>	<b>13</b>	<b>7%</b>	<b>10</b>	<b>5%</b>	<b>189</b>

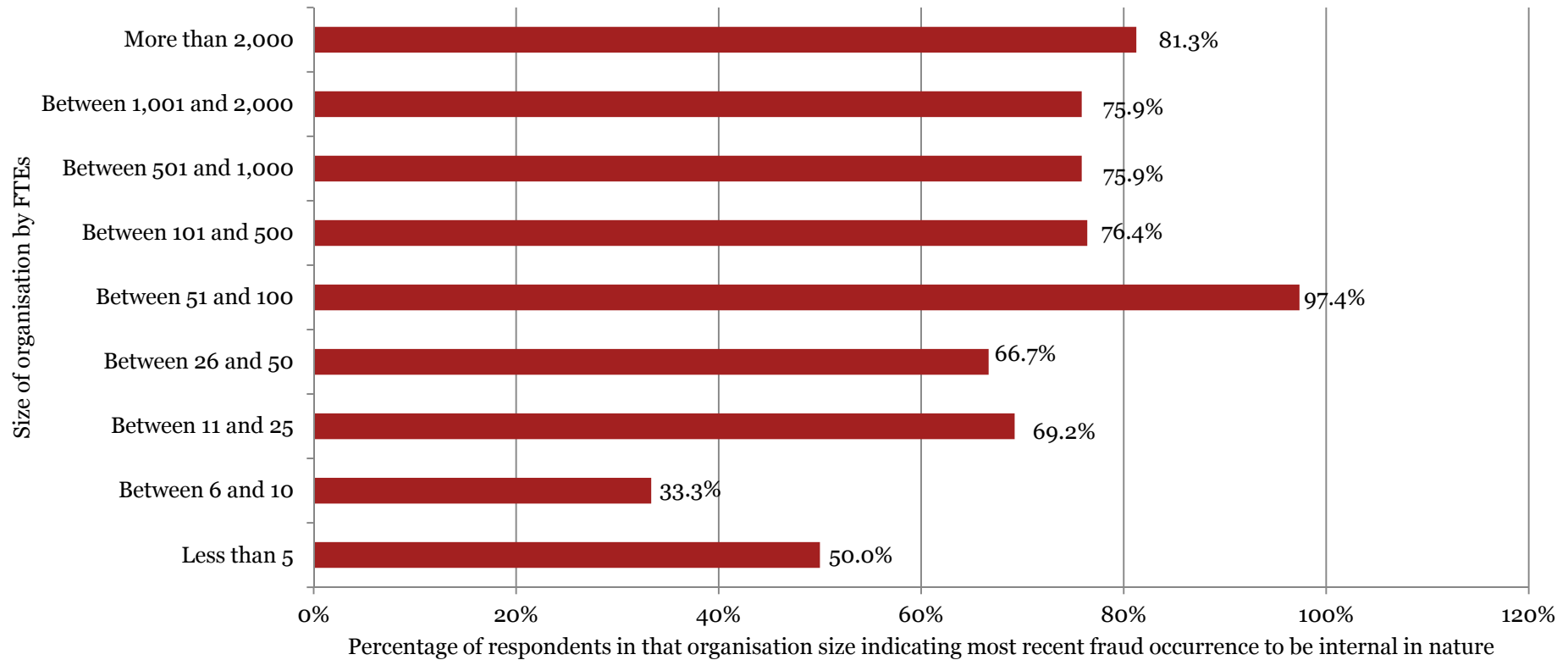
**34. In the most recent incident of fraud or corruption within your organisation that you are aware of, the main perpetrator(s) was?**

	Internal (within the organisation)		External (outside the organisation)		A combination of external and internal (i.e. collusion)		Don't know		Total
<b>Local Government</b>									
Airports	2	33%	1	17%	2	33%	1	17%	6
Council Controlled Organisations or Council Controlled Trading Organisations	11	79%	0	0%	3	21%	0	0%	14
Energy Companies	12	86%	0	0%	2	14%	0	0%	14
Fish and Game Councils	1	100%	0	0%	0	0%	0	0%	1
Licensing and Community Trusts	6	100%	0	0%	0	0%	0	0%	6
Local Authorities	55	86%	4	6%	3	5%	2	3%	64
Local Government - Other	0	0%	0	0%	0	0%	0	0%	0
Port Companies	0	0%	0	0%	0	0%	0	0%	0
<b>Sub-Total</b>	<b>87</b>	<b>83%</b>	<b>5</b>	<b>5%</b>	<b>10</b>	<b>10%</b>	<b>3</b>	<b>3%</b>	<b>105</b>
<b>Schools</b>	27	71%	6	16%	2	5%	3	8%	38
<b>Total</b>	<b>257</b>	<b>77%</b>	<b>34</b>	<b>10%</b>	<b>25</b>	<b>8%</b>	<b>16</b>	<b>5%</b>	<b>332</b>

**34. In the most recent incident of fraud or corruption within your organisation that you are aware of, the main perpetrator(s) was?**

**Observation:**

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, the size of organisation did not make it any more or less susceptible to internal fraud.



**35. In the most recent incident of fraud or corruption within your organisation that you are aware of, that involved internal parties, the main perpetrator(s) was?**

**Observation:**

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, 77.4% reported that the main perpetrator came from within the organisation.

Respondents indicated the main perpetrator was an operational staff (46%) or administration/support service person (22%).

**PwC comment:**

Internal fraud remains a significant risk for organisations. Most incidents of internal fraud reported by respondents were perpetrated by employees below manager level. However, we have noted that during the current challenging economic environment, internal fraud is increasingly committed by those at managerial level and above.

	Chief Executive Officer / Managing Director / Principal		Member of the senior executive / leadership team or equivalent		Line manager		Admin & Support Services		Operational staff		Other		Total
Chief Executive Officer/Managing Director/Principal	2	3%	2	3%	5	6%	23	29%	33	42%	14	18%	79
Member of the senior executive/leadership team or equivalent	2	1%	4	3%	13	9%	28	20%	74	53%	18	13%	139
Line manager (if not one of the above)	0	0%	0	0%	12	19%	13	20%	30	47%	9	14%	64
Administration/Support Services	0	0%	0	0%	2	12%	2	12%	6	35%	7	41%	17
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	4	15%	1	4%	4	15%	5	19%	8	31%	4	15%	26
<b>Total</b>	<b>8</b>	<b>2%</b>	<b>7</b>	<b>2%</b>	<b>36</b>	<b>11%</b>	<b>71</b>	<b>22%</b>	<b>151</b>	<b>46%</b>	<b>52</b>	<b>16%</b>	<b>325</b>

**35. In the most recent incident of fraud or corruption within your organisation that you are aware of, that involved internal parties, the main perpetrator(s) was?**

	Chief Executive Officer / Managing Director / Principal		Member of the senior executive / leadership team or equivalent		Line manager		Admin Support Services		Operational staff		Other		Total
<b>Central Government</b>													
Autonomous Crown Entities	0	0%	1	10%	0	0%	1	10%	5	50%	3	30%	10
Central Government - Other	1	10%	0	0%	1	10%	3	30%	5	50%	0	0%	10
Crown Agents or Companies	0	0%	0	0%	4	17%	10	42%	10	42%	0	0%	24
Crown Research Institutes	0	0%	0	0%	0	0%	0	0%	2	100%	0	0%	2
District Health Boards	1	4%	2	8%	2	8%	2	8%	13	52%	5	20%	25
Government Departments	1	2%	0	0%	7	13%	13	24%	27	49%	7	13%	55
Independent Crown Entities	0	0%	0	0%	0	0%	0	0%	0	0%	1	100%	1
Māori Trust Boards	0	0%	0	0%	1	33%	1	33%	0	0%	1	33%	3
Rural Education Activities Programmes	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	2
State-Owned Enterprises	0	0%	0	0%	1	5%	4	21%	12	63%	2	11%	19
Tertiary Education Institutions	1	3%	0	0%	3	9%	12	36%	12	36%	5	15%	33
<b>Sub-Total</b>	<b>4</b>	<b>2%</b>	<b>3</b>	<b>2%</b>	<b>19</b>	<b>10%</b>	<b>46</b>	<b>25%</b>	<b>86</b>	<b>47%</b>	<b>26</b>	<b>14%</b>	<b>184</b>

**35. In the most recent incident of fraud or corruption within your organisation that you are aware of, that involved internal parties, the main perpetrator(s) was?**

	Chief Executive Officer / Managing Director / Principal		Member of the senior executive / leadership team or equivalent		Line manager		Admin Support Services		Operational staff		Other		Total
<b>Local Government</b>													
Airports	0	0%	0	0%	1	17%	0	0%	3	50%	2	33%	6
Council Controlled Organisations or Council Controlled Trading Organisations	0	0%	0	0%	1	7%	2	14%	7	50%	4	29%	14
Energy Companies	0	0%	0	0%	3	21%	2	14%	6	43%	3	21%	14
Fish and Game Councils	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	1
Licensing and Community Trusts	0	0%	0	0%	3	50%	1	17%	2	33%	0	0%	6
Local Authorities	0	0%	1	2%	7	11%	13	20%	35	55%	8	13%	64
Local Government - Other	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0
Port Companies	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0
<b>Sub-Total</b>	<b>0</b>	<b>0%</b>	<b>1</b>	<b>1%</b>	<b>15</b>	<b>14%</b>	<b>18</b>	<b>17%</b>	<b>54</b>	<b>51%</b>	<b>17</b>	<b>16%</b>	<b>105</b>
<b>Schools</b>	4	11%	3	8%	2	6%	7	19%	11	31%	9	25%	36
<b>Total</b>	<b>8</b>	<b>2%</b>	<b>7</b>	<b>2%</b>	<b>36</b>	<b>11%</b>	<b>71</b>	<b>22%</b>	<b>151</b>	<b>46%</b>	<b>52</b>	<b>16%</b>	<b>325</b>

### 36. In the most recent incident of fraud or corruption within your organisation that you are aware of, what type was committed?

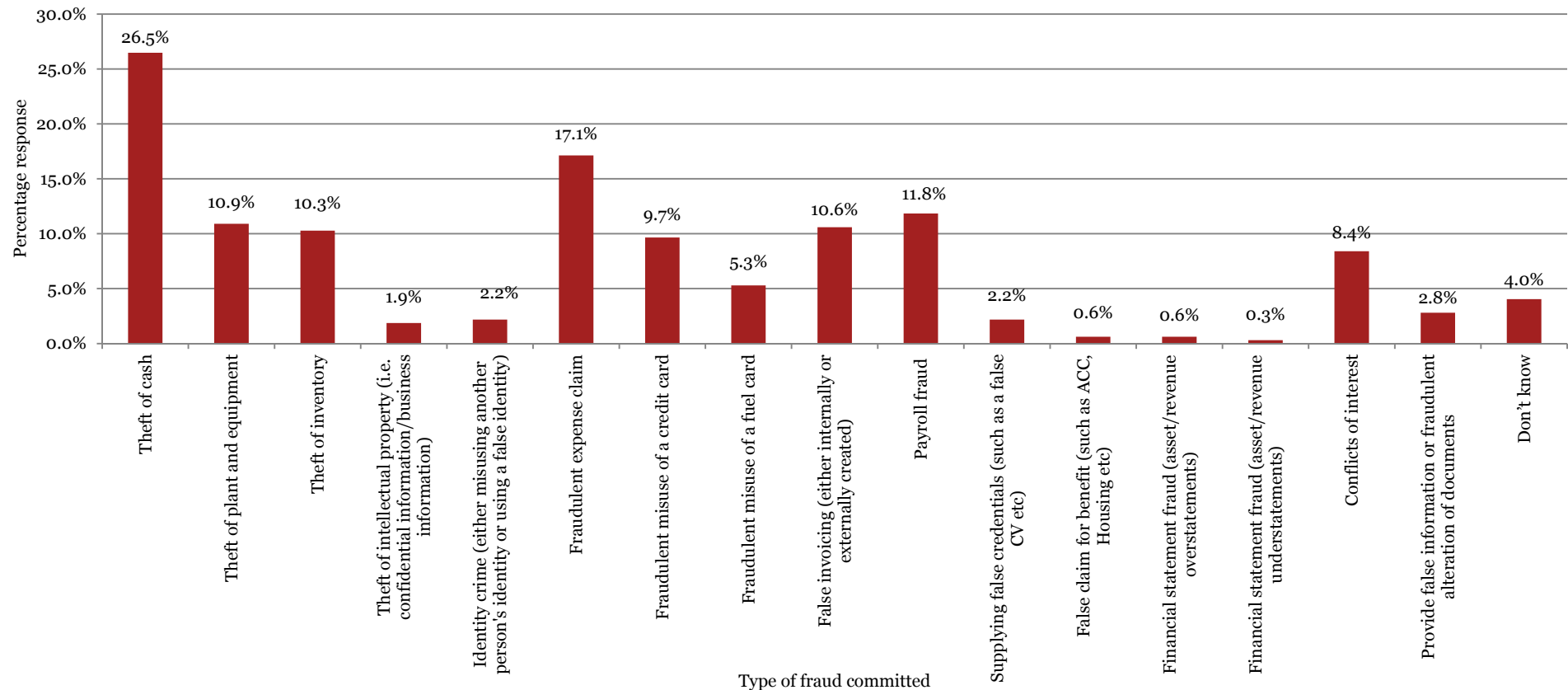
#### Observation:

Respondents could select more than one answer for this question.

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, the two most prevalent types of incident reported were theft of cash (26.5%) and fraudulent expense claims (17.1%).

#### PwC comment:

In the main, fraud in New Zealand largely relates to misappropriation of assets, particularly money. In many other countries, fraud includes financial mis-statement, revenue recognition and other forms of “accounting fraud”.



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### **36. In the most recent incident of fraud or corruption within your organisation that you are aware of, what type was committed?**

#### **Note:**

To help simplify the detailed tables, which depict the responses by sector, the types of fraud committed are in four groups:

1. Theft, encapsulating:
  - Theft of cash
  - Theft of plant and equipment
  - Theft of inventory
  - Theft of intellectual property
2. Fraudulent claims, encapsulating:
  - Identity crime
  - Fraudulent expense claim
  - Fraudulent misuse of a credit card
  - Fraudulent misuse of a fuel card
  - Payroll fraud
  - False claim for benefit
3. Falsifying documents, encapsulating:
  - False invoicing
  - Supplying false credentials
  - Financial statement fraud (asset/revenue over statements and under statements)
  - Provide false information or fraudulent alteration of documents
4. Conflicts of interest

#### **Some examples provided by respondents:**

“Using school phone by cleaner from external cleaning company supplier to call family overseas”

“Fraudulent use of phone system (international calls)”

“Regular use of a spare company car park without approval - and a deception to continue that use.”

“Falsification of research data”

“Misuse of plant and equipment without authority.”

“Booking travel for personal use”

“Failure to obtain approval in advance for purchase resulting in unapproved expenditure breaching policy via p-card rather than fixed asset system (value <\$1000)”

“Committing the organisation to a contract outside delegation.”

**36. In the most recent incident of fraud or corruption within your organisation that you are aware of, what type was committed?**

	Theft		Fraudulent claims		Falsifying documents		Conflicts of interest		Don't know		Total
<b>Central Government</b>											
Autonomous Crown Entities	2	17%	8	67%	1	8%	0	0%	1	8%	12
Central Government - Other	4	31%	5	38%	2	15%	2	15%	0	0%	13
Crown Agents or Companies	4	15%	13	50%	5	19%	4	15%	0	0%	26
Crown Research Institutes	0	0%	0	0%	2	100%	0	0%	0	0%	2
District Health Boards	8	27%	15	50%	6	20%	1	3%	0	0%	30
Government Departments	17	25%	38	55%	7	10%	5	7%	2	3%	69
Independent Crown Entities	0	0%	0	0%	0	0%	0	0%	0	0%	0
Māori Trust Boards	3	100%	0	0%	0	0%	0	0%	0	0%	3
Rural Education Activities Programmes	2	100%	0	0%	0	0%	0	0%	0	0%	2
State-Owned Enterprises	12	44%	8	30%	2	7%	4	15%	1	4%	27
Tertiary Education Institutions	16	43%	12	32%	7	19%	1	3%	1	3%	37
<b>Sub-Total</b>	<b>68</b>	<b>31%</b>	<b>99</b>	<b>45%</b>	<b>32</b>	<b>14%</b>	<b>17</b>	<b>8%</b>	<b>5</b>	<b>2%</b>	<b>221</b>

**36. In the most recent incident of fraud or corruption within your organisation that you are aware of, what type was committed?**

	Theft		Fraudulent claims		Falsifying documents		Conflicts of interest		Don't know		Total
<b>Local Government</b>											
Airports	2	40%	1	20%	0	0%	1	20%	1	20%	5
Council Controlled Organisations or Council Controlled Trading Organisations	8	42%	6	32%	2	11%	1	5%	2	11%	19
Energy Companies	8	47%	7	41%	0	0%	2	12%	0	0%	17
Fish and Game Councils	0	0%	1	100%	0	0%	0	0%	0	0%	1
Licensing and Community Trusts	7	70%	0	0%	3	30%	0	0%	0	0%	10
Local Authorities	45	56%	17	21%	9	11%	5	6%	5	6%	81
Local Government - Other	0	0%	0	0%	0	0%	0	0%	0	0%	0
Port Companies	0	0%	0	0%	0	0%	0	0%	0	0%	0
<b>Sub-Total</b>	<b>70</b>	<b>53%</b>	<b>32</b>	<b>24%</b>	<b>14</b>	<b>11%</b>	<b>9</b>	<b>7%</b>	<b>8</b>	<b>6%</b>	<b>133</b>
<b>Schools</b>	21	44%	19	40%	7	15%	1	2%	0	0%	48
<b>Total</b>	<b>159</b>	<b>40%</b>	<b>150</b>	<b>37%</b>	<b>53</b>	<b>13%</b>	<b>27</b>	<b>7%</b>	<b>13</b>	<b>3%</b>	<b>402</b>

### 37. In the most recent incident of fraud or corruption within your organisation that you are aware of, how was it detected?

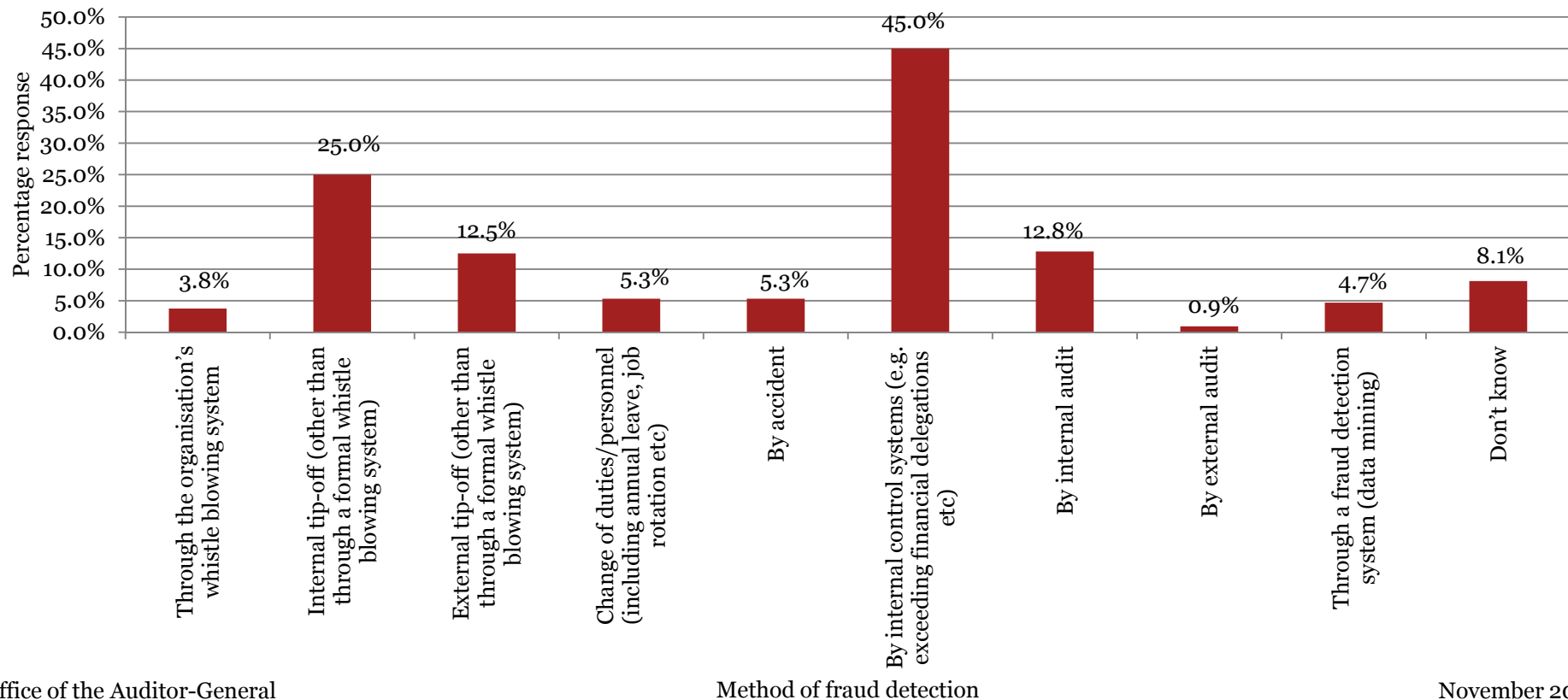
**Observation:**

Respondents could select more than one answer for this question.

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, most incidents were detected by internal controls (45%) and as a result of an internal tip-off (25%). Of all the methods of fraud detection, external audit was the least likely method to detect fraud.

**PwC comment:**

A quarter of the frauds were detected by some form of tip-off. This reinforces our view that organisations should consider having a formal whistleblower system that allows staff to report their concerns – anonymously if necessary.



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**37. In the most recent incident of fraud or corruption within your organisation that you are aware of, how was it detected?**

**Note:**

To help simplify the detailed tables, which depict the responses by sector, the methods of fraud detection are in five groups:

1. Whistleblowing or tip-off, encapsulating:
  - Through the organisation whistleblowing system
  - Internal tip-off (not whistleblower)
  - External tip-off (not whistleblower)
2. Changes of duties or personnel
3. By internal control systems (e.g. exceeding financial delegation)
4. Internal/external audit or fraud detection systems, encapsulating:
  - Internal audit
  - External audit
  - Through a fraud detection system (data-mining)
5. By accident

**Some other examples provided by respondents:**

“Utilisation of security camera”

“Call back to customer”

“Reviewing of staff email accounts following tip off”

“Manager noticed document damage in expense claim, checked previous claims and discovered same damage, so investigated further”

“An external inquiry prompted the employee's manager to look at the file and the altered document was found, together with the new colour photocopy.”

**37. In the most recent incident of fraud or corruption within your organisation that you are aware of, how was it detected?**

	Whistle blowing or tip-off		Changes of duties or personnel		Internal control systems		Internal / external audit or fraud detection system		By accident		Don't know		Total
<b>Central Government</b>													
Autonomous Crown Entities	3	23%	2	15%	7	54%	1	8%	0	0%	0	0%	13
Central Government - Other	3	25%	1	8%	4	33%	1	8%	1	8%	2	17%	12
Crown Agents or Companies	10	34%	3	10%	11	38%	3	10%	0	0%	2	7%	29
Crown Research Institutes	0	0%	0	0%	2	100%	0	0%	0	0%	0	0%	2
District Health Boards	10	32%	2	6%	10	32%	7	23%	1	3%	1	3%	31
Government Departments	23	33%	2	3%	27	39%	9	13%	4	6%	5	7%	70
Independent Crown Entities	0	0%	0	0%	0	0%	0	0%	0	0%	0	#0%	0
Māori Trust Boards	3	75%	0	0%	1	25%	0	0%	0	0%	0	0%	4
Rural Education Activities Programmes	1	50%	0	0%	1	50%	0	0%	0	0%	0	0%	2
State-Owned Enterprises	7	27%	0	0%	7	27%	8	31%	1	4%	3	12%	26
Tertiary Education Institutions	16	44%	1	3%	14	39%	2	6%	2	6%	1	3%	36
<b>Sub-Total</b>	<b>76</b>	<b>34%</b>	<b>11</b>	<b>5%</b>	<b>84</b>	<b>37%</b>	<b>31</b>	<b>14%</b>	<b>9</b>	<b>4%</b>	<b>14</b>	<b>6%</b>	<b>225</b>

**37. In the most recent incident of fraud or corruption within your organisation that you are aware of, how was it detected?**

	Whistle blowing or tip-off		Changes of duties or personnel		Internal control systems		Internal / external audit or fraud detection system		By accident		Don't know		Total
<b>Local Government</b>													
Airports	2	40%	0	0%	1	20%	0	0%	1	20%	1	20%	5
Council Controlled Organisations or Council Controlled Trading Organisations	3	18%	0	0%	7	41%	3	18%	1	6%	3	18%	17
Energy Companies	4	25%	0	0%	8	50%	2	13%	1	6%	1	6%	16
Fish and Game Councils	0	0%	0	0%	1	100%	0	0%	0	0%	0	0%	1
Licensing and Community Trusts	0	0%	1	17%	3	50%	2	33%	0	0%	0	0%	6
Local Authorities	36	49%	3	4%	16	22%	9	12%	2	3%	7	10%	73
Local Government - Other	0	0%	0	0%	0	0%	0	0%	0	0%	0	#0%	0
Port Companies	0	0%	0	0%	0	0%	0	0%	0	0%	0	#0%	0
<b>Sub-Total</b>	<b>45</b>	<b>38%</b>	<b>4</b>	<b>3%</b>	<b>36</b>	<b>31%</b>	<b>16</b>	<b>14%</b>	<b>5</b>	<b>4%</b>	<b>12</b>	<b>10%</b>	<b>118</b>
<b>Schools</b>	11	21%	2	4%	24	46%	12	23%	3	6%	0	0%	52
<b>Total</b>	<b>132</b>	<b>33%</b>	<b>17</b>	<b>4%</b>	<b>144</b>	<b>36%</b>	<b>59</b>	<b>15%</b>	<b>17</b>	<b>4%</b>	<b>26</b>	<b>7%</b>	<b>395</b>

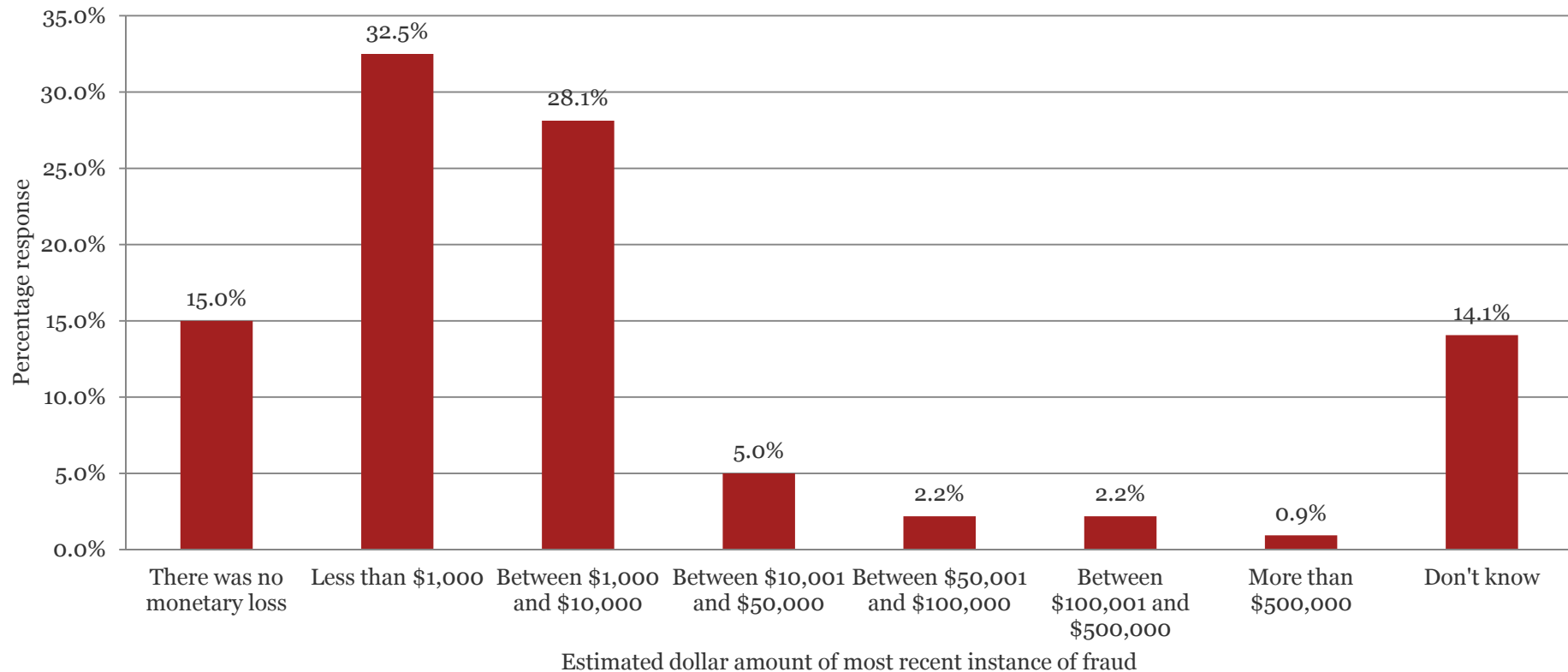
**38. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the estimated dollar amount involved?**

**Observation:**

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, three-quarters (75.6%) of respondents indicated that the estimated value of the most recent fraud was less than \$10,000. 15% indicated that there had not been any monetary loss.

**PwC comment:**

The proceeds of fraud are often accrued in small amounts over long periods. It is not always possible to establish the actual amount of a fraud because records can be incomplete, and because of incomplete investigations.



**38. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the estimated dollar amount involved?**

	There was no monetary loss		Less than \$10,000		Between \$10,000 and \$100,000		More than \$100,000		Don't know		Total
<b>Central Government</b>											
Autonomous Crown Entities	1	10%	7	70%	2	20%	0	0%	0	0%	10
Central Government - Other	3	30%	6	60%	1	10%	0	0%	0	0%	10
Crown Agents or Companies	5	22%	9	39%	2	9%	3	13%	4	17%	23
Crown Research Institutes	2	100%	0	0%	0	0%	0	0%	0	0%	2
District Health Boards	4	17%	12	52%	1	4%	2	9%	4	17%	23
Government Departments	4	7%	33	59%	5	9%	3	5%	11	20%	56
Independent Crown Entities	0	0%	0	0%	0	0%	0	0%	0	0%	0
Māori Trust Boards	0	0%	3	100%	0	0%	0	0%	0	0%	3
Rural Education Activities Programmes	0	0%	2	100%	0	0%	0	0%	0	0%	2
State-Owned Enterprises	1	5%	11	58%	0	0%	1	5%	6	32%	19
Tertiary Education Institutions	6	18%	21	64%	2	6%	0	0%	4	12%	33
<b>Sub-Total</b>	<b>26</b>	<b>14%</b>	<b>104</b>	<b>57%</b>	<b>13</b>	<b>7%</b>	<b>9</b>	<b>5%</b>	<b>29</b>	<b>16%</b>	<b>181</b>

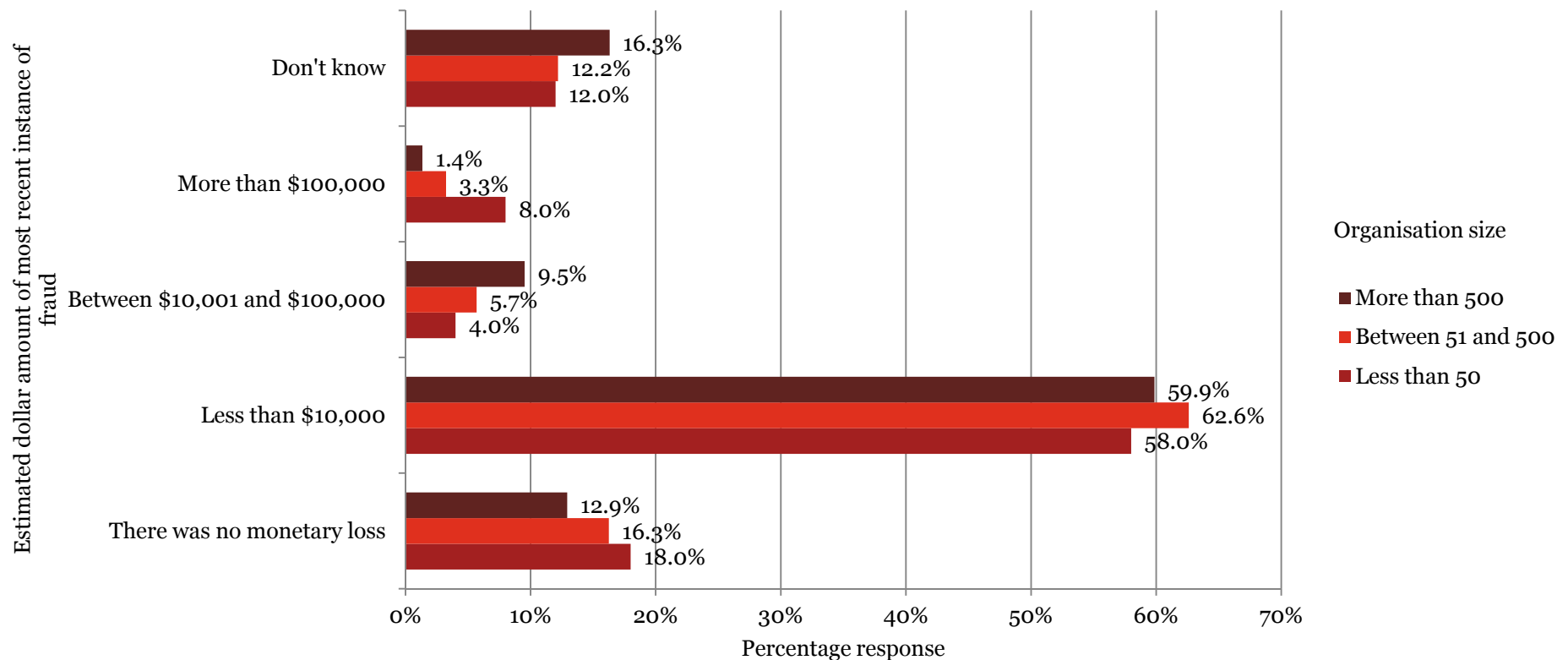
**38. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the estimated dollar amount involved?**

	There was no monetary loss		Less than \$10,000		Between \$10,000 and \$100,000		More than \$100,000		Don't know		Total
<b>Local Government</b>											
Airports	0	0%	3	60%	1	20%	0	0%	1	20%	5
Council Controlled Organisations or Council Controlled Trading Organisations	0	0%	10	71%	1	7%	1	7%	2	14%	14
Energy Companies	2	14%	11	79%	0	0%	0	0%	1	7%	14
Fish and Game Councils	0	0%	1	100%	0	0%	0	0%	0	0%	1
Licensing and Community Trusts	0	0%	5	83%	1	17%	0	0%	0	0%	6
Local Authorities	7	11%	38	60%	6	10%	0	0%	12	19%	63
Local Government - Other	0	0%	0	0%	0	0%	0	0%	0	0%	0
Port Companies	0	0%	0	0%	0	0%	0	0%	0	0%	0
<b>Sub-Total</b>	<b>9</b>	<b>9%</b>	<b>68</b>	<b>66%</b>	<b>9</b>	<b>9%</b>	<b>1</b>	<b>1%</b>	<b>16</b>	<b>16%</b>	<b>103</b>
<b>Schools</b>	13	36%	22	61%	1	3%	0	0%	0	0%	36
<b>Total</b>	<b>48</b>	<b>15%</b>	<b>194</b>	<b>61%</b>	<b>23</b>	<b>7%</b>	<b>10</b>	<b>3%</b>	<b>45</b>	<b>14%</b>	<b>320</b>

**38. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the estimated dollar amount involved?**

**Observation:**

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, more than half indicated that the estimated dollar amount involved was \$10,000 or less. This result was true for organisations of all sizes.



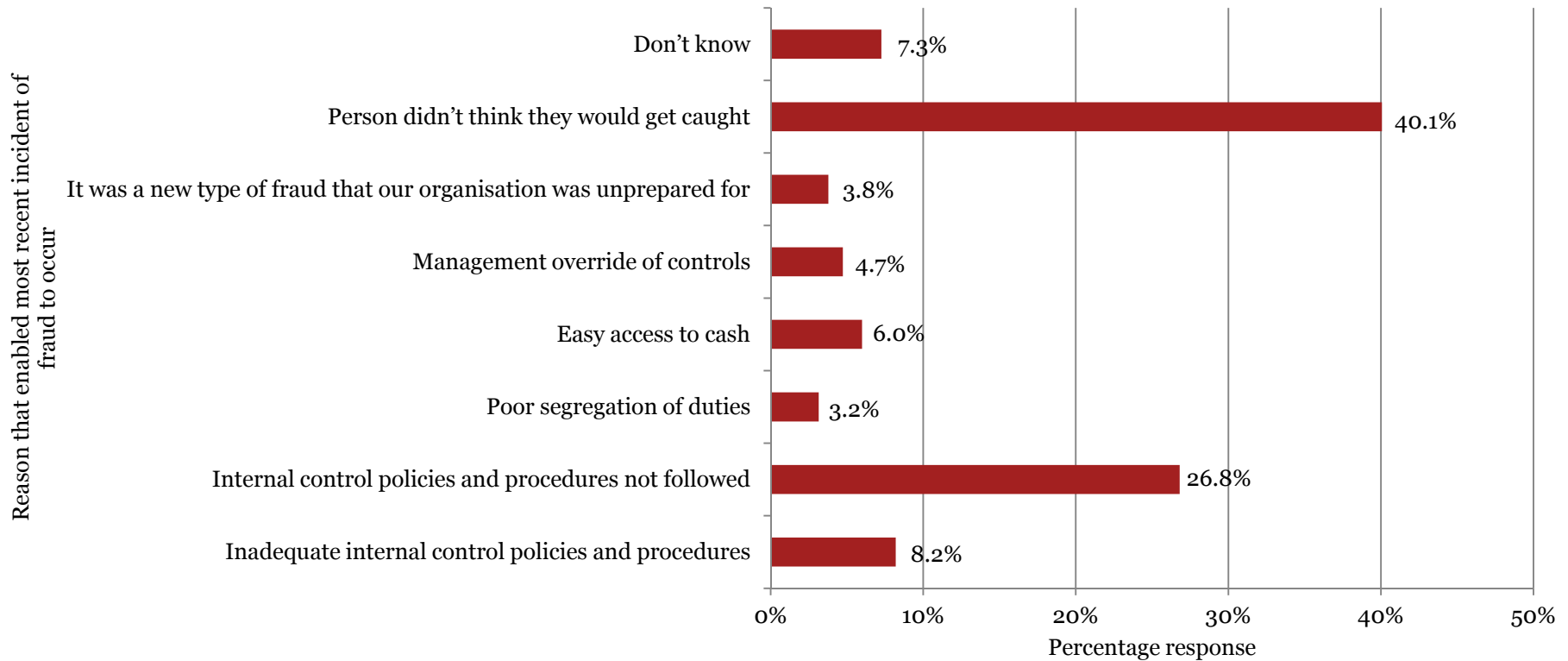
### 39. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?

#### Observation:

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, 40.1% indicated that the reason for the fraud was that the perpetrator didn't think they would be caught. 26.8% indicated it was a result of internal controls not being followed.

#### PwC comment:

Perpetrators believing that they would not be caught could indicate that fraud is not taken seriously and is not seen by management as a "top-of-mind" risk. It could also indicate that affected organisations may not have sufficiently robust anti-fraud controls.



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**39. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?**

**Note:**

To help simplify the detailed tables, which depict the responses by sector, the main reason that enabled the fraud to occur are in four groups:

1. Inadequate controls or organisation unprepared, encapsulating:
  - It was a new type of fraud that our organisation was unprepared for
  - Inadequate internal control policies and procedures
2. Internal controls not followed or overridden, encapsulating:
  - Management override of controls
  - Internal control policies and procedures not followed
3. Poor segregation, easy access to cash
  - Easy access to cash
  - Poor segregation of duties
4. Person didn't think they would get caught

**Some other examples provided by respondents:**

“Employee kept hiding creditor statement and invoice”

“Hadn't considered the possibility of a person on paid leave to continue spending”

“This person used their knowledge of the tax system to fraudulently apply for rebates”

“Use of business Credit Card instead of personal credit card, as personal one left at home - person thought would use and pay back - would not get caught”

“An unofficial tip jar being used to square up cash float unders / overs - small amounts of money.”

**39. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?**

	Inadequate controls or organisation unprepared		Internal controls not followed or overridden		Poor segregation, easy access to cash		Person didn't think they would get caught		Don't know		Total
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	
<b>Central Government</b>											
Autonomous Crown Entities	1	10%	3	30%	0	0%	5	50%	1	10%	10
Central Government - Other	1	10%	4	40%	0	0%	4	40%	1	10%	10
Crown Agents or Companies	1	4%	5	22%	1	4%	16	70%	0	0%	23
Crown Research Institutes	0	0%	0	0%	0	0%	1	50%	1	50%	2
District Health Boards	4	19%	7	33%	0	0%	8	38%	2	10%	21
Government Departments	3	5%	26	46%	2	4%	21	38%	4	7%	56
Independent Crown Entities	0	0%	0	0%	0	0%	0	0%	0	0%	0
Māori Trust Boards	0	0%	3	100%	0	0%	0	0%	0	0%	3
Rural Education Activities Programmes	0	0%	1	50%	1	50%	0	0%	0	0%	2
State-Owned Enterprises	0	0%	8	44%	2	11%	5	28%	3	17%	18
Tertiary Education Institutions	8	24%	9	27%	7	21%	8	24%	1	3%	33
<b>Sub-Total</b>	<b>18</b>	<b>10%</b>	<b>66</b>	<b>37%</b>	<b>13</b>	<b>7%</b>	<b>68</b>	<b>38%</b>	<b>13</b>	<b>7%</b>	<b>178</b>

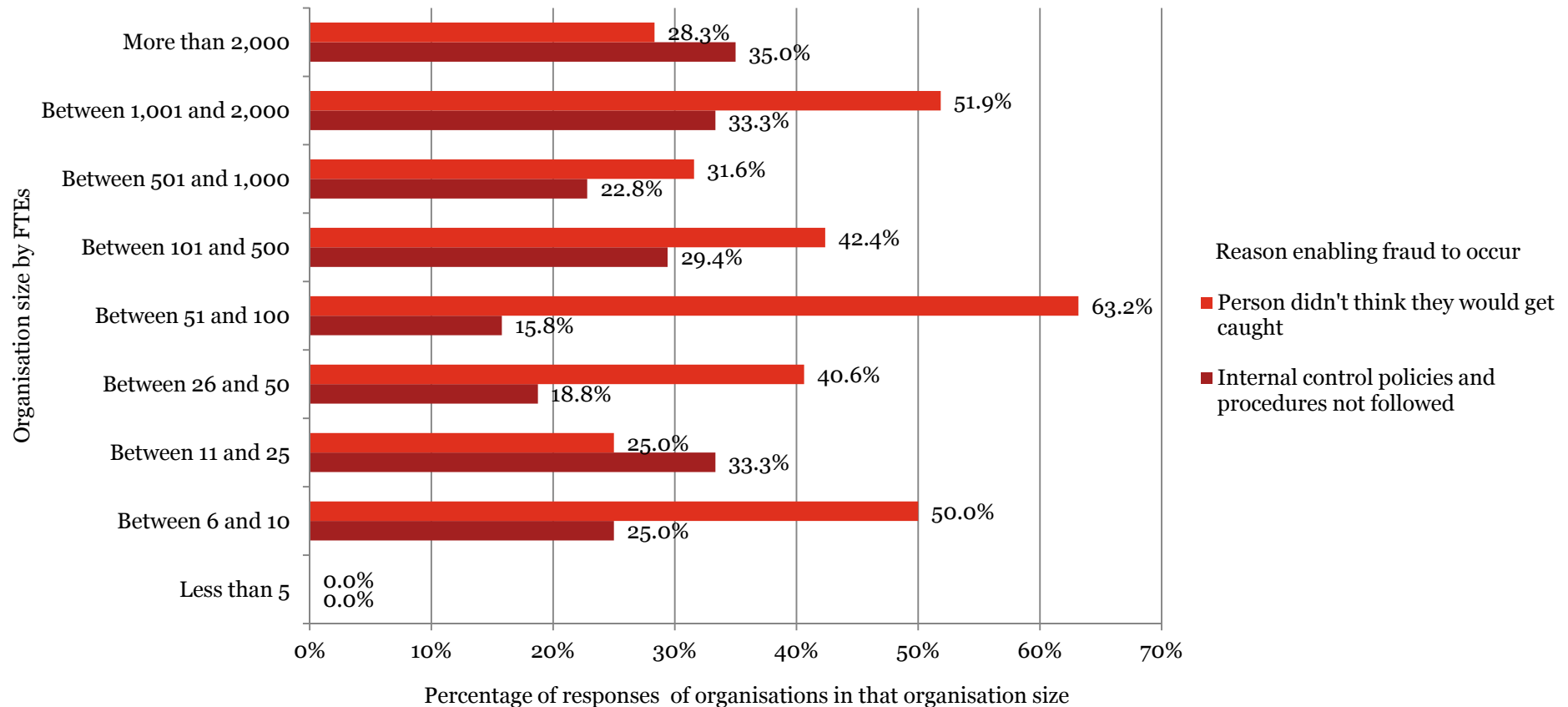
**39. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?**

	Inadequate controls or organisation unprepared		Internal controls not followed or overridden		Poor segregation, easy access to cash		Person didn't think they would get caught		Don't know		Total
<b>Local Government</b>											
Airports	1	20%	1	20%	0	0%	2	40%	1	20%	5
Council Controlled Organisations or Council Controlled Trading Organisations	1	7%	3	21%	2	14%	6	43%	2	14%	14
Energy Companies	1	7%	2	14%	1	7%	10	71%	0	0%	14
Fish and Game Councils	0	0%	0	0%	0	0%	1	100%	0	0%	1
Licensing and Community Trusts	0	0%	2	33%	1	17%	3	50%	0	0%	6
Local Authorities	11	17%	16	25%	11	17%	19	30%	6	10%	63
Local Government - Other	0	0%	0	0%	0	0%	0	0%	0	0%	0
Port Companies	0	0%	0	0%	0	0%	0	0%	0	0%	0
<b>Sub-Total</b>	<b>14</b>	<b>14%</b>	<b>24</b>	<b>23%</b>	<b>15</b>	<b>15%</b>	<b>41</b>	<b>40%</b>	<b>9</b>	<b>9%</b>	<b>103</b>
<b>Schools</b>	6	17%	10	28%	1	3%	18	50%	1	3%	36
<b>Total</b>	<b>38</b>	<b>12%</b>	<b>100</b>	<b>32%</b>	<b>29</b>	<b>9%</b>	<b>127</b>	<b>40%</b>	<b>23</b>	<b>7%</b>	<b>317</b>

**39. In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?**

**Observation:**

A person's assumption that they would not be caught appears in responses for all sizes of organisations.



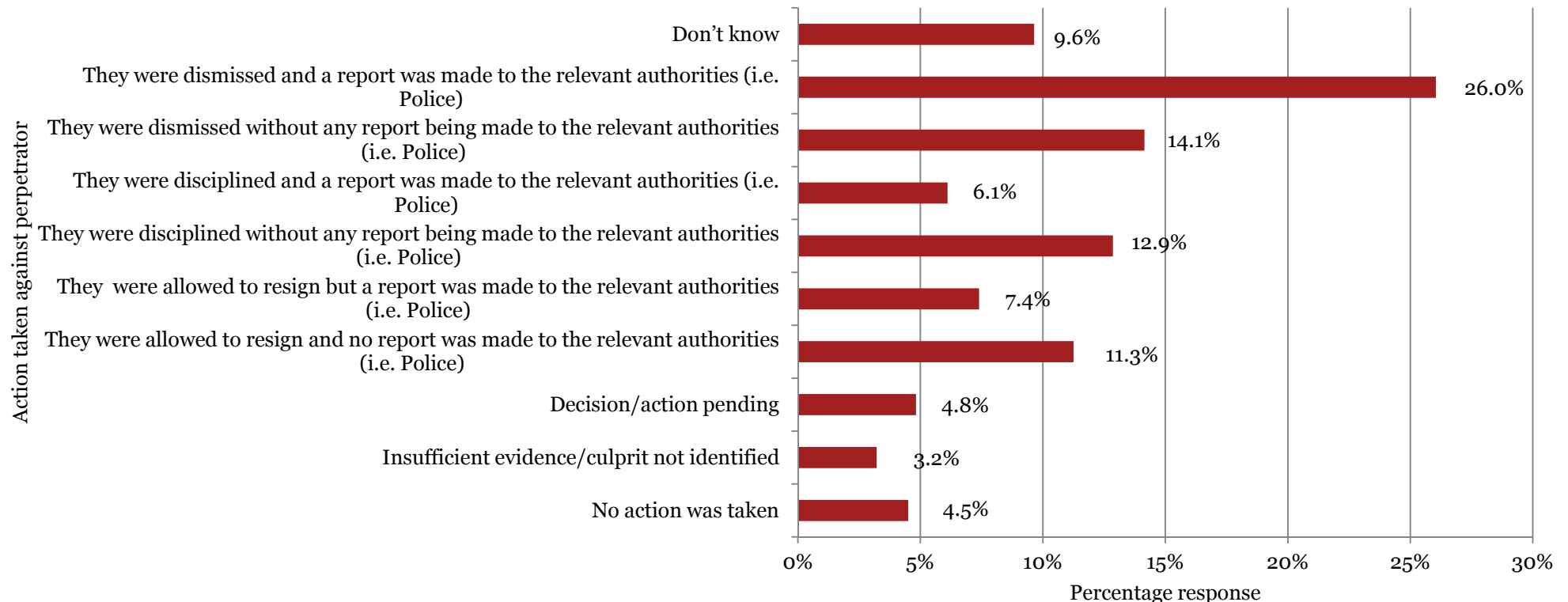
**40. In the most recent incident of fraud or corruption within your organisation that you are aware of, what action was taken against the perpetrator(s)?**

**Observation:**

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, only 26% indicated that the perpetrator was dismissed and a report made to the Police.

**PwC comment:**

We believe that organisations should seriously consider prosecution if there is prima facie evidence of fraud or corruption. Such consistent action sends a clear message that management takes fraud and corruption seriously.



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**40. In the most recent incident of fraud or corruption within your organisation that you are aware of, what action was taken against the perpetrator(s)?**

**Some examples provided by respondents:**

“Supplier removed from contract.”

“The fraud was inaccurate completion of timesheets, which did not align to vehicle GPS records. Disciplinary action undertaken through normal HR processes. As no theft had occurred, we did not report to the Police.”

“They were allowed to resign, I don't know whether report was made to relevant authorities or not.”

“Return of the items to the organisation.”

“Staff member resigned before the investigation could be completed. As no laws were broken (fraud was falsification of internal research data), no report was made to authorities. Sanction was applied via our refusal to provide a reference and our commitment to fully inform prospective employers of the facts. This would effectively end the person's career in scientific research.”

“The individual was required to make restitution and was dismissed from the organisation.”

“He was dismissed and the money repaid.”

“The case went to mediation and is confidential and no report was made to the Police, the employee left the organisation.”

“Dismissed and reparations made, not reported to police due to full recovery.”

“A verbal discussion was had with them, no report and nothing was put on their personnel file.”

**40. In the most recent incident of fraud or corruption within your organisation that you are aware of, what action was taken against the perpetrator(s)?**

	Relevant authorities (i.e. Police) not involved		Relevant authorities (i.e. Police) involved		Insufficient evidence / culprit not identified		Decision pending		Don't know		Total
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	
Theft of cash	30	37%	39	48%	8	10%	4	5%	1	1%	82
Theft of plant and equipment (such as computers, personal items etc)	16	46%	13	37%	1	3%	3	9%	2	6%	35
Theft of inventory	18	56%	11	34%	0	0%	1	3%	2	6%	32
Theft of intellectual property (i.e. confidential information/business information)	0	0%	3	50%	0	0%	2	33%	1	17%	6
Identity crime (either misusing another person's identity or using a false identity)	2	33%	2	33%	0	0%	2	33%	0	0%	6
Fraudulent expense claim	29	54%	23	43%	0	0%	0	0%	2	4%	54
Fraudulent misuse of a credit card	18	60%	8	27%	0	0%	0	0%	4	13%	30
Fraudulent misuse of a fuel card	9	53%	7	41%	1	6%	0	0%	0	0%	17
False invoicing (either internally or externally created)	7	22%	20	63%	1	3%	2	6%	2	6%	32

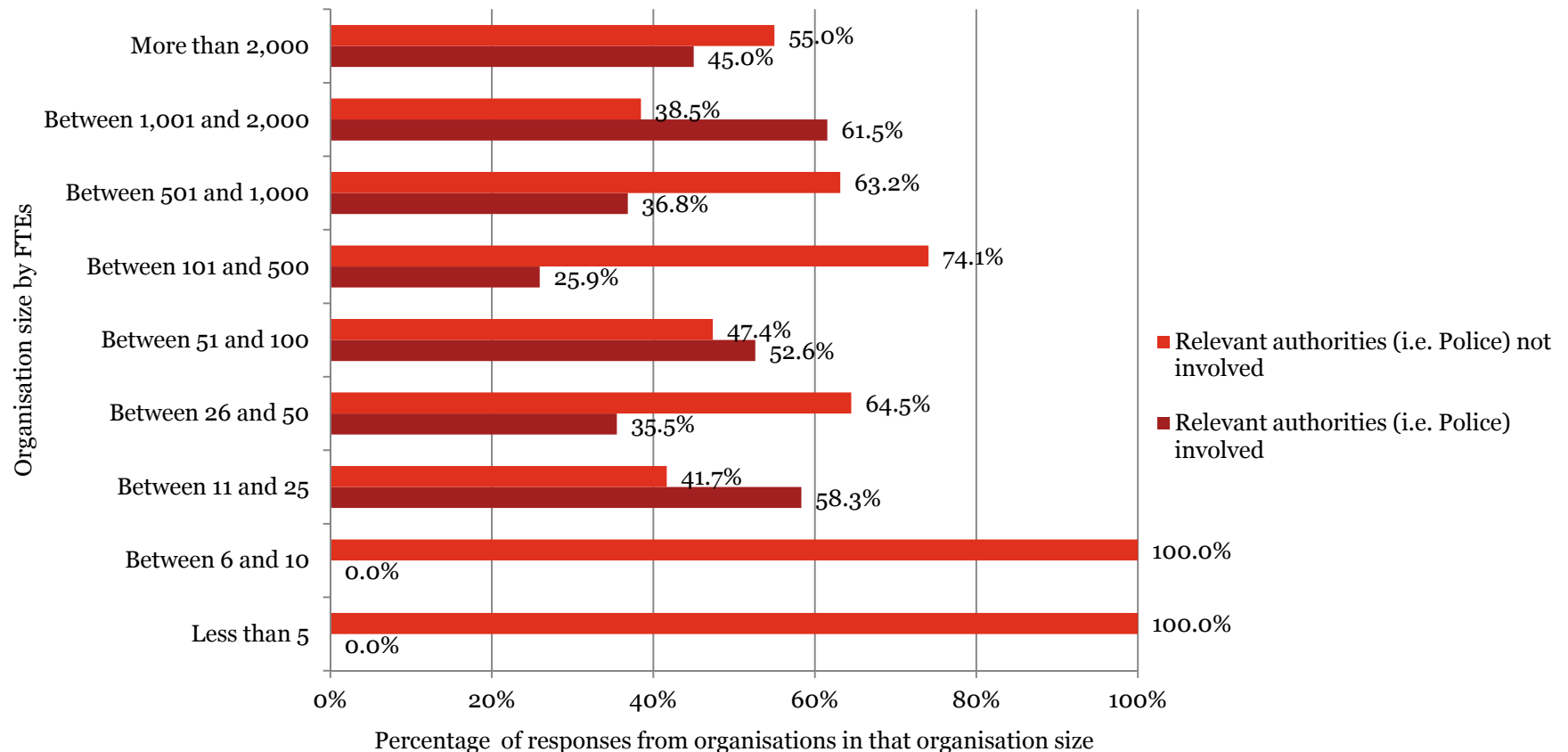
**40. In the most recent incident of fraud or corruption within your organisation that you are aware of, what action was taken against the perpetrator(s)?**

	Relevant authorities (i.e. Police) not involved		Relevant authorities (i.e. Police) involved		Insufficient evidence / culprit not identified		Decision pending		Don't know		Total
Payroll fraud (falsifying electronic or physical documents such as timesheets, annual leave returns, student numbers, payroll forms etc)	19	51%	12	32%	0	0%	1	3%	5	14%	37
Supplying false credentials (such as a false CV etc)	4	67%	1	17%	0	0%	0	0%	1	17%	6
False claim for benefit (such as ACC, Housing)	0	0%	1	50%	0	0%	0	0%	1	50%	2
Financial statement fraud (asset/revenue overstatements)	2	100%	0	0%	0	0%	0	0%	0	0%	2
Financial statement fraud (asset/revenue understatements)	1	100%	0	0%	0	0%	0	0%	0	0%	1
Conflicts of interest (paying or receiving backhanders, receiving undeclared gifts or services to influence decision making or in return for preferential treatment)	13	48%	9	33%	1	4%	1	4%	3	11%	27
Provide false information or fraudulent alteration of documents	5	56%	2	22%	1	11%	1	11%	0	0%	9
Don't know	3	23%	2	15%	0	0%	0	0%	8	62%	13
<b>Total</b>	<b>176</b>	<b>45%</b>	<b>153</b>	<b>39%</b>	<b>13</b>	<b>3%</b>	<b>17</b>	<b>4%</b>	<b>32</b>	<b>8%</b>	<b>391</b>

**40. In the most recent incident of fraud or corruption within your organisation that you are aware of, what action was taken against the perpetrator(s)?**

**Observation:**

Of the 22.5% of respondents who were aware of at least one incident of fraud in their organisation, respondents representing small organisations indicated that they were less inclined to notify the relevant authority about the fraud.



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## *Section 5: My environment*

Question	Page
41. I feel secure in my job.	178
42. Budgetary constraints mean that my team has to achieve higher targets with fewer resources.	182
43. In the current economic climate, I believe that my organisation faces:	186
<ul style="list-style-type: none"><li>• A greater risk of fraud</li><li>• A lower risk of fraud</li><li>• No change to the risk of fraud</li><li>• Don't know</li></ul>	

## ***Environmental factors – concern for job security and pressure to do more with less***

Why do people commit fraud? Fraud practitioners often point to three common factors when fraud occurs (the “fraud triangle”). First, perpetrators of fraud need an incentive or pressure to engage in misconduct. Second, there must be an opportunity to commit fraud, and third, perpetrators are able to rationalise or justify their actions.



The PwC 2009 Global Economic Crime Survey found that:

- 71% of respondents attributed fraud occurrences to increased incentives or pressure on individuals, particularly during the global economic crisis.
- 15% claimed “more opportunities” as the most likely reason for fraud occurring.
- 12% believed that people’s ability to rationalise was the main factor contributing to fraud occurring.

The PwC survey identified for the public sector that the two most commonly perceived drivers of fraud were people’s concerns about their job security; and people feeling under increasing pressure to achieve more difficult performance targets, and perceivably with fewer resources. We therefore decided to use questions related to these two issues for this survey.

However, notwithstanding the current Government drive for improved efficiencies across public sector operations (and potential job losses), we are pleased to note that 94.4% of respondents remained confident of their job security, even though there was added pressure to be more efficient with fewer resources.

Respondents from District Health Boards reported the lowest level of job security, with 20% either not feeling secure or unsure about their job security.

Against that backdrop, 69.2% of respondents did not believe the current economic climate increased their level of fraud risk. This concerns us. In our experience, in challenging economic times the risk of fraud can be greater as people cope with the added pressure to meet daily needs.

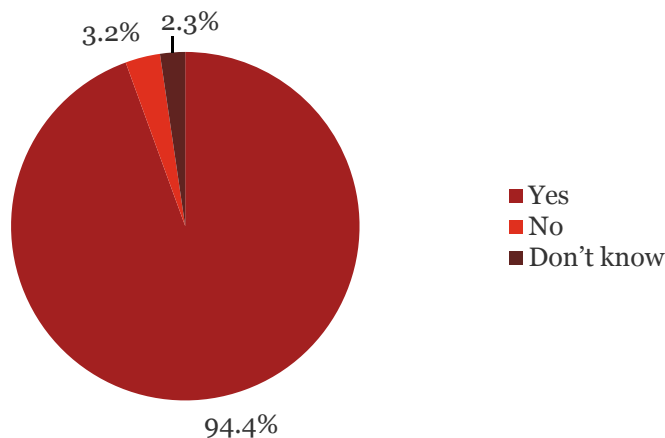
## 41. I feel secure in my job.

### Observation:

94.4% of respondents feel secure in their job and confidence of job security was generally high across all positions.

Those who felt less secure were working for District Health Boards (80%).

Organisations where people answered “Yes” to this question reported fewer incidences of fraud (22% compared with 30%).



### What some respondents have said:

“We have a very strong organisational culture which means we employ superb people. That coupled with good systems means the current economic climate is irrelevant to our fraud risk.”

“Current review of the role of Regulatory bodies and suggestion of merging into 1, has meant staff are feeling insecure about their jobs, this plus the current economic climate increases the risk of fraud.”

“We have a small staff who are treated with respect. There is no reason for them to harbour resentment or feel they are poorly paid. However, it is most unhelpful when politicians belittle public servants and based on little knowledge, make derogatory statements. They have no idea of the actual work done.”

“If people's circumstances are tougher and their engagement in the organisation reduced, then they may make bad choices. A lot of government agencies are facing significant restructuring. The less loyalty an organisation shows to its people, the less the organisation will receive in return. This may impact on how people see actions like stealing from their employer if they feel they are "owed" something.”

### PwC comment:

The 2009 PwC survey identified that, for the public sector, one of two most commonly perceived drivers of fraud was people's concern about their job security. We are pleased to note that this survey's respondents generally do not support the view that people held concerns for their job security.

**41. I feel secure in my job.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	369	97%	7	2%	4	1%	380
Member of the senior executive/leadership team or equivalent	457	94%	16	3%	14	3%	487
Line manager (if not one of the above)	201	92%	12	5%	6	3%	219
Administration/Support Services	190	95%	6	3%	3	2%	199
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	124	92%	5	4%	6	4%	135
<b>Total</b>	<b>1,341</b>	<b>94%</b>	<b>46</b>	<b>3%</b>	<b>33</b>	<b>2%</b>	<b>1,420</b>

#### 41. *I feel secure in my job.*

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	52	96%	1	2%	1	2%	54
Central Government - Other	42	93%	2	4%	1	2%	45
Crown Agents or Companies	80	92%	5	6%	2	2%	87
Crown Research Institutes	34	92%	2	5%	1	3%	37
District Health Boards	56	80%	6	9%	8	11%	70
Government Departments	131	90%	10	7%	4	3%	145
Independent Crown Entities	33	92%	1	3%	2	6%	36
Māori Trust Boards	10	91%	0	0%	1	9%	11
Rural Education Activities Programmes	11	100%	0	0%	0	0%	11
State-Owned Enterprises	45	96%	1	2%	1	2%	47
Tertiary Education Institutions	83	92%	6	7%	1	1%	90
<b>Sub-Total</b>	<b>577</b>	<b>91%</b>	<b>34</b>	<b>5%</b>	<b>22</b>	<b>3%</b>	<b>633</b>

#### 41. *I feel secure in my job.*

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	15	83%	1	6%	2	11%	18
Council Controlled Organisations or Council Controlled Trading Organisations	68	91%	4	5%	3	4%	75
Energy Companies	28	100%	0	0%	0	0%	28
Fish and Game Councils	7	88%	0	0%	1	13%	8
Licensing and Community Trusts	9	100%	0	0%	0	0%	9
Local Authorities	160	95%	6	4%	2	1%	168
Local Government - Other	10	91%	0	0%	1	9%	11
Port Companies	2	100%	0	0%	0	0%	2
Sub-Total	<b>299</b>	<b>94%</b>	<b>11</b>	<b>3%</b>	<b>9</b>	<b>3%</b>	<b>319</b>
<b>Schools</b>	465	99%	1	0%	2	0%	468
Total	<b>1,341</b>	<b>94%</b>	<b>46</b>	<b>3%</b>	<b>33</b>	<b>2%</b>	<b>1,420</b>

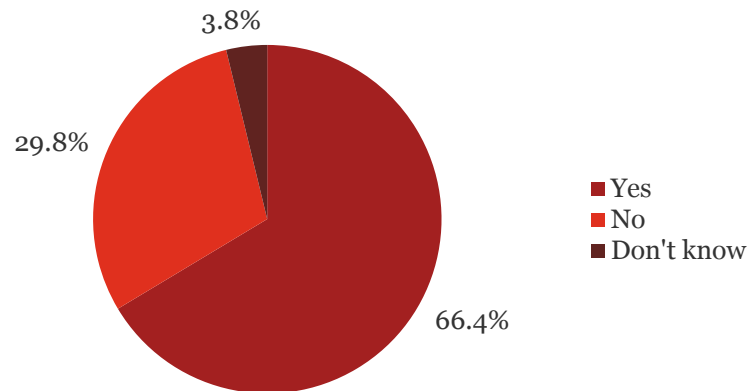
## 42. ***Budgetary constraints mean that my team has to achieve higher targets with fewer resources.***

### **Observation:**

66.4% of respondents indicate that they have to “achieve more with less”.

This was felt more by senior (71%) and line managers (74%) than other roles and felt highest in Government Departments (81%) and District Health Boards (87%).

Organisations that answered “Yes” to this question reported greater occurrences of fraud (24% compared with 20%).



### **What some respondents have said:**

“Tightening of funding for external organisations means that there is greater risk of misreporting of performance by them. The problem is our ability to gather sufficient evidence to determine that it was done with deliberate intent.”

“Money is tighter and organisations do look at structure costs.”

“The nature of tightened circumstances and the change taking place provides opportunities for individuals to abuse trust and commit fraud.”

“While our organisation has not been under significant financial pressure, inevitably some people’s home situation may have become tighter in tighter times, which increases the likelihood of someone taking up an opportunity they may have previously felt not worth the risk.”

“Resource constraints are always there - I do not think they change the culture of the Office if people think they are still being treated fairly .”

### **PwC comment:**

The 2009 PwC survey identified that, for the public sector, the second most commonly perceived driver of fraud was people feeling under increasing pressure to achieve more difficult performance targets, and with fewer resources. This survey’s respondents confirm that there are pressures to achieve more with fewer resources. Managers need to be alert to the risk that such pressures could provide an incentive and opportunity to commit fraud.

**42. Budgetary constraints mean that my team has to achieve higher targets with fewer resources.**

	Yes		No		Don't know		Total Count
Chief Executive Officer/Managing Director/Principal	254	67%	119	31%	7	2%	380
Member of the senior executive/leadership team or equivalent	346	71%	137	28%	4	1%	487
Line manager (if not one of the above)	163	74%	48	22%	8	4%	219
Administration/Support Services	96	48%	76	38%	27	14%	199
Operational staff (e.g. Teacher, Analyst, Advisor, Technician, Officer, Engineer, Accountant)	84	62%	43	32%	8	6%	135
<b>Total</b>	<b>943</b>	<b>66%</b>	<b>423</b>	<b>30%</b>	<b>54</b>	<b>4%</b>	<b>1,420</b>

**42. Budgetary constraints mean that my team has to achieve higher targets with fewer resources.**

	Yes		No		Don't know		Total
<b>Central Government</b>							
Autonomous Crown Entities	35	65%	19	35%	0	0%	54
Central Government - Other	23	51%	20	44%	2	4%	45
Crown Agents or Companies	70	80%	16	18%	1	1%	87
Crown Research Institutes	25	68%	10	27%	2	5%	37
District Health Boards	61	87%	6	9%	3	4%	70
Government Departments	118	81%	24	17%	3	2%	145
Independent Crown Entities	23	64%	11	31%	2	6%	36
Māori Trust Boards	6	55%	5	45%	0	0%	11
Rural Education Activities Programmes	7	64%	3	27%	1	9%	11
State-Owned Enterprises	28	60%	18	38%	1	2%	47
Tertiary Education Institutions	69	77%	18	20%	3	3%	90
<b>Sub-Total</b>	<b>465</b>	<b>73%</b>	<b>150</b>	<b>24%</b>	<b>18</b>	<b>3%</b>	<b>633</b>

**42. Budgetary constraints mean that my team has to achieve higher targets with fewer resources.**

	Yes		No		Don't know		Total
<b>Local Government</b>							
Airports	14	78%	3	17%	1	6%	18
Council Controlled Organisations or Council Controlled Trading Organisations	42	56%	30	40%	3	4%	75
Energy Companies	11	39%	16	57%	1	4%	28
Fish and Game Councils	5	63%	3	38%	0	0%	8
Licensing and Community Trusts	3	33%	6	67%	0	0%	9
Local Authorities	115	68%	48	29%	5	3%	168
Local Government - Other	3	27%	8	73%	0	0%	11
Port Companies	1	50%	1	50%	0	0%	2
Sub-Total	<b>194</b>	<b>61%</b>	<b>115</b>	<b>36%</b>	<b>10</b>	<b>3%</b>	<b>319</b>
<b>Schools</b>	284	61%	158	34%	26	6%	468
<b>Total</b>	<b>943</b>	<b>66%</b>	<b>423</b>	<b>30%</b>	<b>54</b>	<b>4%</b>	<b>1,420</b>

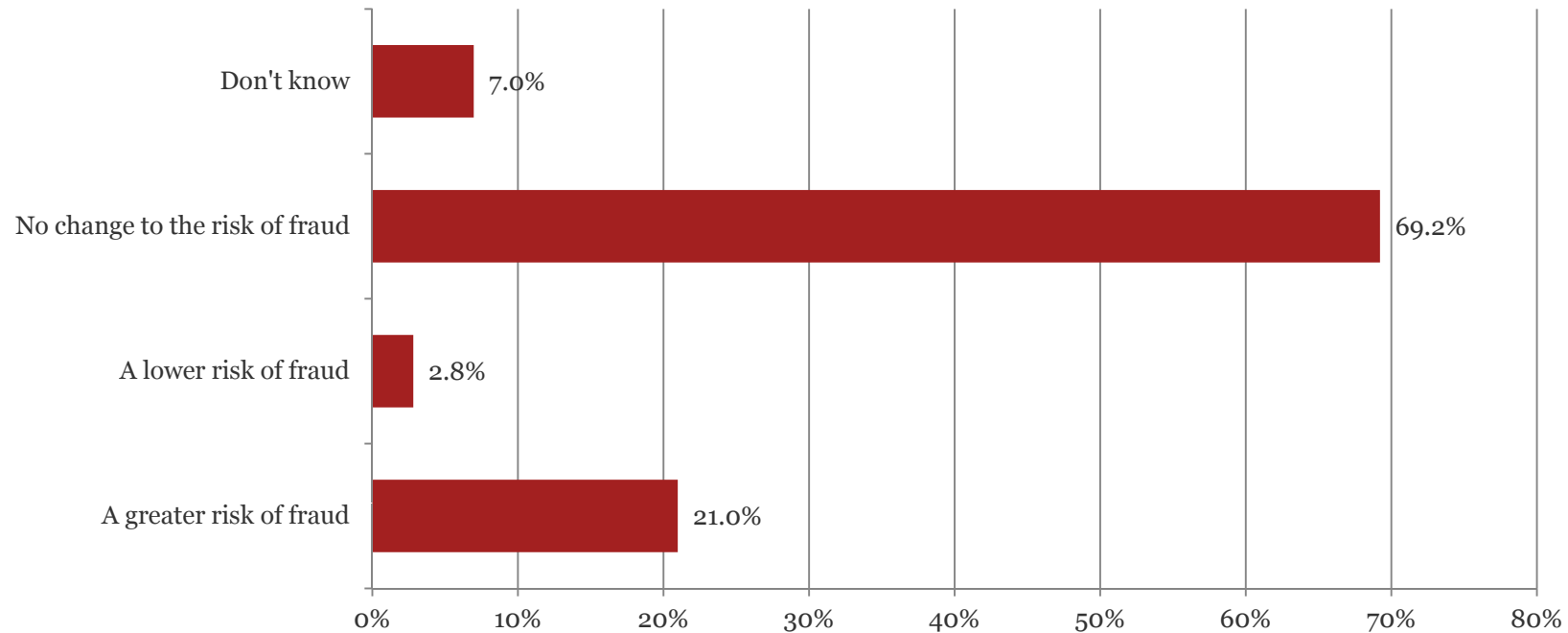
**43. In the current economic climate, I believe that my organisation faces a lower risk of fraud, a higher risk of fraud or no change to the risk of fraud?**

**Observation:**

Organisations where people do not think the economic environment will affect the risk of fraud had fewer incidences of fraud. Of those who said that the economic climate will result in no change in fraud risk, 15% reported incidences of fraud in the past two years. Of those who answered that their organisation will face a greater or lower risk of fraud, 45% reported incidences of fraud in the past 2 years.

**PwC comment:**

This result is a surprise to us. It is widely believed that the current economic climate presents a greater fraud risk to organisations. We have seen an increase in New Zealand fraud occurring – particularly for “need” rather than “greed”. We wonder if many of these respondents are overly optimistic. Time will tell.



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**43. In the current economic climate, I believe that my organisation faces a lower risk of fraud, a higher risk of fraud or no change to the risk of fraud?**

**What some respondents said:**

“Canterbury earthquake may place additional pressures on staff to commit fraud, as well as economic climate of Governmental job restructuring overall means that a higher level of alertness needs to be maintained.”

“We have a very strong organisational culture which means we employ superb people. That coupled with good systems means the current economic climate is irrelevant to our fraud risk.”

“Small organisation. Strong culture of accountability and integrity.”

“Probably because existing controls are adequate. Few staff have the opportunity to commit fraud and that hasn't changed due to the economic climate.”

“We do have a high trust model. It is not very easy for people to commit undetected fraud except for the Manager on whom we rely to be trusted.”

“We are a secondary school where finances have always been tight. The risk of fraud is always real but since we have had no cases in recent years and have a stable staff no change would be expected.”

“Externally, there is a risk that people in organisations we fund may misrepresent their situation to us in order to maintain a stream of funding. This means we need to be more vigilant around looking out for warning signs of financial difficulty. The risk internally probably remains about the same as before. Our sector is currently under review, which makes people concerned for their jobs. This may lead to increased staff turnover in a time of uncertainty but hopefully not an increase in the risk of fraud.”

“As a local authority although there is pressure to achieve more for fewer ratepayer dollars there is no culture of taking more risks or cutting corners to achieve the bottom line. I don't believe the tougher times has increased the risk of fraud.”

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## ***The PwC team***

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