

# Summary of our fraud survey results for licensing and community trusts

Cleanest public sector in the world: Keeping fraud at bay

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## Key terms in this report

In the text, tables, and graphs in this report, when we refer to **central government entities** or the wider **central government sector**, we mean the 11 different types of entities that we grouped together for analysis. They were:

1. autonomous Crown entities;
2. central government – other;
3. Crown agents or companies;
4. Crown research institutes;
5. district health boards;
6. government departments;
7. independent Crown entities;
8. Māori Trust Boards;
9. Rural Education Activities Programmes;
10. State-owned enterprises; and
11. tertiary education institutions.

When we refer to all **local government** entities or the wider **local government sector**, we mean the eight different types of entities that we grouped together for analysis. They were:

1. airport companies;
2. council-controlled organisations and council-controlled trading organisations;
3. electricity lines businesses;
4. fish and game councils;
5. licensing trusts and community trusts;
6. local authorities;
7. local government – other; and
8. port companies.

We also refer to **public entities** and **all public entities**, which means results from respondents in all the types of entities covered by our survey – local and central government and respondents who work in schools.

# Part 1

## Overview

New Zealand generally has a “clean” image when it comes to fraud. We consistently rank highly in international and domestic surveys that measure public trust in government and the effectiveness of systems and processes that deal with fraud and corruption. We attribute the general absence of systemic large-scale corruption in the private and public sectors to the integrity of our standards and controls, underpinned by strong and shared common values within a small and cohesive society.

However, we cannot be complacent if we are to keep our good record of keeping fraud at bay. It is particularly important to be vigilant in the current global economic climate, because there is an increased risk of fraud when people struggle to make ends meet.

The Auditor-General commissioned a survey on fraud awareness, prevention, and detection to gain better insight into fraud in the public sector. The results confirm a strong commitment within the public sector to protecting public resources.

Minimising the opportunity and removing the temptation to commit fraud are the best ways that entities can protect the public’s resources. Building a culture where governance, management, and staff are receptive to talking about fraud is important. Our findings confirm that the incidence of fraud is lowest where a public entity’s culture is receptive to these discussions, communication is regular, and incidents are reported to the relevant authorities.

Fraud always attracts a great deal of interest – irrespective of its scale. Invariably, questions are asked about how the fraud took place and whether the controls designed to stop fraud were operating effectively.

Fraud awareness, prevention, and detection are **the responsibility of each entity’s governing body and its management**. Through our audit work, we seek to promote discussion and awareness of fraud risks within entities, and between entities and their auditors. We hope that better sharing of information about fraud experiences will lead to better understanding of risks and the steps that we can all take to actively protect the public purse.

### What are licensing and community trusts doing well?

The nine respondents from licensing and community trusts told us that their licensing and community trusts have some of the essentials in place. The trusts:

- have codes of conduct;
- encourage staff to raise concerns; and
- have senior managers who understand their roles and responsibilities.

## What to focus on

### Chief executives

As chief executive, you should:

- maintain an environment where staff are willing to talk about fraud risks and senior managers are receptive to those discussions;
- ensure that senior managers put all the essentials in place (such as having and reminding staff about policies, reviewing fraud controls, and providing regular fraud awareness training); and
- make your “zero tolerance” position on fraud well known.

### Senior managers

As a senior manager, you should:

- support the chief executive in maintaining an environment where staff are willing to talk about fraud risks;
- make sure you have a protected disclosures policy and that staff know about it;
- provide all staff with regular training on preventing, identifying, and responding to fraud;
- regularly circulate your fraud policy and check that staff have read and understood it; and
- tell your appointed auditor about all suspected or detected fraud, as soon as you suspect or detect it.

### All other staff

You should:

- recognise that you have a role in preventing, identifying, and responding to fraud;
- be vigilant, because the risk of fraud is higher in tough economic times;
- be willing to raise any concerns you might have; and
- carry out due diligence checks on any suppliers that you deal with.

### Key facts

Survey date:	From 14 February to 3 June 2011
Total respondents:	1472
Total response rate:	74%
Number of respondents in a licensing or community trust:	9
Number of licensing and community trusts represented in the results:	5 of 11
Survey terms:	
	<ul style="list-style-type: none"><li>• <b>fraud</b> means an intentional and dishonest act involving deception or misrepresentation by a person, to obtain or potentially obtain an advantage for themselves or any other person;</li><li>• <b>theft</b> means 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; and</li><li>• <b>corruption</b> is the abuse of entrusted power for private gain (such as soliciting or receiving gifts or other gratuities to perform an official duty or omit to perform an official duty).</li></ul>

## Part 2

# Detailed results for licensing and community trusts

### Preventing fraud

Having the right framework to prevent fraud means having a code of conduct and policies about fraud, protected disclosures, receiving gifts, and using credit cards. It means making it safe and easy for staff to talk about fraud and raise any concerns or suspicions. It also means having fraud controls that are reviewed regularly, carrying out due diligence checks of suppliers, doing pre-employment screening, and providing staff with fraud awareness training.

#### Code of conduct and policies

Five of the nine respondents said that their licensing or community trust had a fraud policy. Only two respondents said that the fraud policy was regularly communicated.

Eight of the nine said that they had a code of conduct, and six of those said that they were regularly reminded about it.

Only two of the nine respondents said that their licensing or community trust had a protected disclosures policy, even though every public entity is legally required to have such a policy.

Two respondents said that their licensing or community trust had a clear policy on accepting gifts or services. Overall, this question in the survey generated significantly more “free text” responses than any other question.

It was clear to us that many respondents have unanswered questions, regardless of the clarity of their policy.

In our view, the most important matter is the conflict of interest risk – licensing and community trust staff should always decline a gift if accepting it could influence, or be seen as influencing, their decision-making. And gifts need to be recorded in a gifts register.

Clear and consistent policies, and messages about those policies, can prevent inappropriate behaviour, provide guidance to all staff, and ensure that everyone understands their role in, and responsibility for, preventing fraud.

#### Clear roles and responsibilities

Although the culture modelled by the leaders of an entity is critical, preventing fraud is not the responsibility of any one person. Five of the licensing and community trust respondents said that other employees understood their responsibilities for preventing and detecting fraud.

In our view, all employees need to understand their roles and responsibilities so that a culture receptive to discussing fraud can be supported and maintained.

Respondents from all levels in licensing and community trusts (from the chief executive through to operational and administration staff) felt

confident that managers understood their roles and responsibilities for preventing and detecting fraud. Five of the nine respondents said that managers told staff about incidents of fraud.

### Environment receptive to conversations about fraud

All nine respondents worked in an environment where staff were encouraged to come forward if they suspected fraud. They all said that they could come forward knowing that their concerns would be taken seriously and without fear of retaliation.

### Fraud controls

Fraud most commonly occurs when controls are inadequate and when staff do not comply with policies and procedures. Although entities should be able to trust their employees to do the right thing, having trusted employees is not a fraud control. The likelihood of being discovered is often a strong deterrent for those contemplating wrongdoing, so internal controls and culture play a critical role in preventing and detecting fraud.

The pace of change in many work environments means that the process of ensuring that fraud controls align with the business should be an ongoing exercise.

Six of the nine respondents said that their licensing and community trust regularly reviews its fraud controls. If an entity does not regularly review its fraud controls, it could mean that some of the fraud controls are no longer effective, because systems and processes change over time. To work effectively, fraud controls need to be reviewed annually or every two years.

### Due diligence checks and pre-employment screening

Many frauds occur through the use of fake suppliers and suppliers with a close personal relationship with an employee. Carrying out due diligence checks can help to mitigate the risk that suppliers can pose. Some examples of due diligence checks are:

- removing unused suppliers from the system;
- requesting references or credit checks; and
- regularly monitoring the changes to supplier details.

Five of the nine licensing and community trust respondents said that due diligence checks were carried out. In our view, all public entities should be carrying out due diligence checks on new suppliers.

Most often, it is trusted employees who commit fraud. Trusting employees is important, but to trust without first ensuring that it is appropriate to do so exposes licensing and community trusts to unnecessary risk.

Only four of the nine respondents said that new employees undergo pre-employment screening that includes a criminal history check.

### Fraud awareness training

Even the most diligent employees might not identify a fraud if they have not had training. Knowing where to look and what to look for can be difficult. Only one of the licensing and community trust respondents had received fraud awareness training at their current workplace.

By combining due diligence checks with awareness training and internal controls, any entity can foster a strong anti-fraud culture. Raising

awareness of fraud helps build a culture that is receptive to fraud conversations and encourages employees to come forward if they suspect anything.

### Greater risk during tougher economic times

Of all 1472 respondents to our survey, 69% did not feel that their entity had a change in risk because of the current economic climate. Experience internationally generally confirms that recessionary economic climates – when staff feel less secure in their employment and increasingly under pressure – present a greater fraud risk. Fraud increases because of “need” rather than “greed”.

At the time of our survey, all nine respondents in licensing and community trusts felt secure in their employment. Only three of the nine felt under pressure to “do more with less”.

Questions 1 to 15 in Appendix 1 set out the survey response data about fraud prevention.

## Detecting fraud

### Responding to risks

Survey participants were asked whether their entity takes proactive steps to reduce any risks when fraud or corruption risks are raised. Eight of the nine respondents from licensing and community trusts answered “Yes” to this question.

### Monitoring credit card spending and staff expenses

Seven of the nine licensing and community trust respondents said that their organisation was closely monitoring credit card spending. Eight said that their organisation closely monitored staff expenses.

Questions 16 to 22 in Appendix 1 set out the survey response data about fraud detection.

## Responding to fraud

### Telling staff about incidents of fraud

Five of the nine licensing and community trust respondents said that their senior managers told all staff about incidents of fraud.

Communicating with staff is vital in raising awareness about fraud. Greater awareness makes it easier for staff to be vigilant, can confirm the organisation’s “zero tolerance” approach to fraud, and helps to maintain an environment where it is easy for staff to speak up about risks and raise any concerns.

### Referring suspected fraud to the appropriate authorities

Seven respondents expected that suspected fraud would be reported to the appropriate authorities. However, when asked about how their trusts had responded to actual incidents of fraud, three of the six who answered this question said that the fraud was not reported to the appropriate authorities.

We know that many entities are reluctant to bring criminal charges against their employees, because of materiality – but also because of the time and costs of preparing a case, resolving matters in the courts, and a perception that fraud is a low priority for the Police.

However, all public entities are expected to consider reporting fraud to the appropriate authorities. We encourage all licensing and community trusts to do this.

Any decision made not to respond to fraud can erode staff confidence in the senior management team. It can create a perception that managers are not committed enough to preventing fraud and discourage staff from reporting their concerns. Taking no action when fraudulent behaviour occurs also increases the risk that an employee suspected of committing fraud could move to another public entity and continue their dishonest behaviour.

### Credit card and expense claim fraud

Seven respondents were confident that their licensing and community trust would take inappropriate credit card spending seriously and discipline the person involved. Two respondents did not know whether their licensing and community trust would take inappropriate credit card spending seriously and discipline the person involved. This suggests a need for senior managers to communicate more about the fact that inappropriate credit card spending is not only discovered through monitoring but also taken seriously.

There was the same response when respondents were asked whether inappropriate expense claims were taken seriously and resulted in disciplinary action. Seven licensing and community trust respondents were confident that action would be taken to recover any misappropriated funds.

A clear process to recover funds shows the seriousness with which fraud is taken. In our view, chief executives and senior managers need to send clear messages that they will seek to recover any and all misappropriated funds.

Questions 23 to 31 in Appendix 1 set out the survey response data about fraud responses.

## Part 3

# Incidents of fraud in licensing and community trusts

Despite our generally “clean” image, fraud is a fact of business life in New Zealand: six of the nine respondents were aware of at least one incident of fraud or corruption in their licensing or community trust within the last two years.

Those who knew of an incident in the last two years were asked for details of the most recent incident.

The value of the most recent fraud noted by respondents in licensing and community trusts was mostly low. Five respondents said that the most recent fraud was for an amount less than \$10,000. The sixth respondent said that the amount of the most recent fraud was less than \$50,000.

The six respondents who were aware of fraud incidents in licensing and community trusts all said that the fraud was committed by one internal person acting alone, typically at line manager or operational staff level.

Respondents said that five of the six most recent frauds in licensing and community trusts involved the theft of cash. Three respondents said that the fraud occurred primarily because the perpetrator did not think they would get caught. The other three respondents said it was because internal control policies and procedures were not followed, because there was easy access to cash, and because someone in management over-rode the internal controls.

Internal control systems were licensing and community trusts’ most successful mechanism for detecting fraud, with three respondents saying the frauds were detected in this way. Two respondents said that internal audits discovered the frauds, and one said that the fraud was detected after a change of duties.

None of the respondents said that the fraud incidents were detected by the external auditor. This is not surprising, because detecting fraud is neither the purpose nor the focus of an external audit.

Questions 32 to 40 in Appendix 1 set out the survey response data about incidents of fraud.



## Part 4

# Where to from here?

### Always report suspected or detected fraud to your auditor

Our work on this fraud survey has brought to light that a change in emphasis within public entities would be helpful. We – all of us who work in the public sector – need to recognise that “doing the right thing” does not mean keeping quiet about suspected or detected fraud in an effort to be fair to the person or people suspected of fraud.

Instead, “doing the right thing” means speaking up, and that includes telling your appointed auditor about each and every suspected or detected fraud. A suspected or detected fraud is a sign of some success and an opportunity – it means that controls are working or that staff know what to look for and that the environment is supportive of them speaking up about any suspicions, or both.

The opportunity that a fraud presents is the chance to share information with your auditor and other public entities, so that we can all learn from each other’s experiences – and tighten our controls whenever we need to.

### Learn from the anonymous information that we will share

We will centrally collate and analyse all the fraud information shared with auditors. We will use it to publish **anonymous** and general information on our website from time to time.

You will be able to see which sorts of controls or procedures are working to identify potential fraud in workplaces similar to yours. The cumulative effect of this co-operation and sharing will be stronger controls, and our efforts to keep our public sector clean will be greatly aided.

As our sector gets better at preventing and detecting fraud, this approach should help reduce the amount of public money lost through fraud. This is always important, but especially so in tough economic climates.

### Consider reporting suspected or detected fraud to the Police

If you are a senior manager or charged with providing governance, you need to consider the public sector context when deciding how to respond to a suspected fraud. The perception of how fraud and other types of criminal or corrupt activity are dealt with in the public sector is an important part of maintaining public trust and confidence in the public sector.

In any context, a range of factors have to be balanced when deciding whether to refer suspected offending to law enforcement agencies. These may include the scale and nature of wrongdoing, the likelihood of securing a conviction if prosecuted, how long ago the event(s) took place, the attitude and situation of the alleged offender, and any reparation that has been made.

In the public sector, you also need to consider:

- maintaining the highest possible standards of honesty and integrity;
- the fact that the public sector is entrusted with taxpayer and ratepayer funds;
- the importance of transparency and accountability for use of public funds; and
- the risk of a perception that something has been “swept under the carpet”.

In effect, this means that the threshold for referring a matter to law enforcement agencies by a public entity is likely to be lower than it might be in other entities. It may not be enough for suspected fraud or wrongdoing to be resolved through an employment settlement. It can be important that an independent and transparent decision is made about whether prosecution is warranted.

The Auditor-General’s policy is that we expect the managers of public entities to **consider** carefully, in every case, whether to refer a suspected or detected fraud to law enforcement agencies.

## Appendix 1

# Tables of licensing and community trust survey data

Licensing and community trusts were within our local government sector, which was made up of eight different entity types. The other seven entity types were airport companies, council-controlled organisations and council-controlled trading organisations, electricity lines businesses, fish and game councils, local authorities, local government (other), and port companies.

These eight entity types made up 22.3% of the total number of respondents from all public entities. The other respondents were working in schools (32.7%) and central government entities (45%).

Licensing and community trust respondents represented 0.6% of all respondents. The following graphs and tables compare the licensing and community trust results with the wider local government sector and the public sector overall. With only nine respondents from licensing and community trusts, readers should not read too much into the results.

We have rounded the percentages to the nearest whole number, so the percentages may not always add to 100.

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

	Yes		No		Don't know		Total
Licensing and community trusts	5	56%	4	44%	0	-	9
Local government	245	76%	49	15%	30	9%	324
All public entities	1143	79%	135	9%	169	12%	1447

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

	Yes		No		Don't know		Total
Licensing and community trusts	2	40%	3	60%	0	-	5
Local government	136	56%	84	34%	25	10%	245
All public entities	735	64%	295	26%	113	10%	1143

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

	Yes		No		Don't know		Total
Licensing and community trusts	8	89%	1	11%	0	-	9
Local government	285	88%	29	9%	10	3%	324
All public entities	1321	92%	86	6%	35	2%	1442

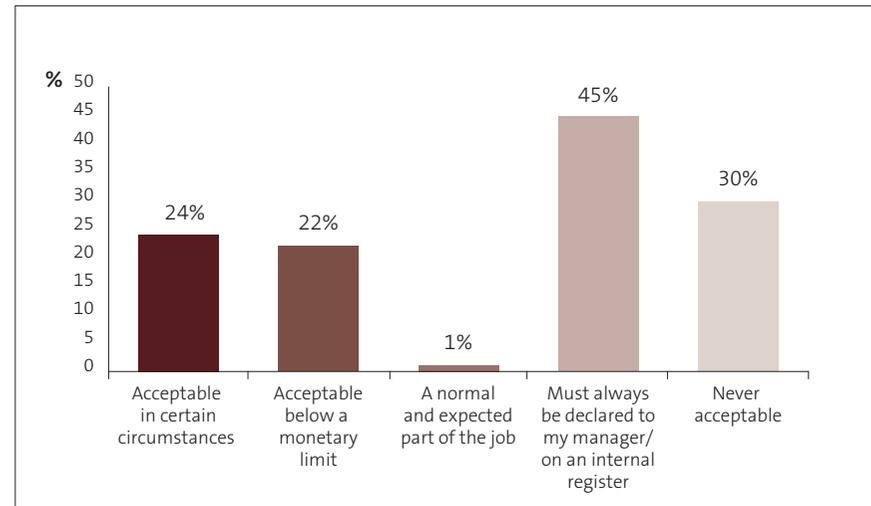
**4: The staff Code of Conduct is communicated regularly (annually or biannually).**

	Yes		No		Don't know		Total
Licensing and community trusts	6	75%	2	25%	0	-	8
Local government	163	57%	95	33%	28	10%	286
All public entities	921	70%	286	22%	115	9%	1322

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

	Yes		No		Don't know		Total
Licensing and community trusts	2	22%	6	67%	1	11%	9
Local government	250	77%	48	15%	26	8%	324
All public entities	1025	71%	266	18%	149	10%	1440

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



Note: This graph shows the results for all survey respondents, not the nine respondents in licensing and community trusts. The “right” answer to this question is a response that is in keeping with the entity’s gifts policy.

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

	Yes		No		Don't know		Total
Licensing and community trusts	3	33%	6	67%	0	-	9
Local government	202	63%	77	24%	44	14%	323
All public entities	971	68%	258	18%	206	14%	1435

**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
Licensing and community trusts	7	78%	2	22%	0	-	9
Local government	270	84%	26	8%	26	8%	322
All public entities	1282	89%	80	6%	72	5%	1434

**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
Licensing and community trusts	5	56%	3	33%	1	11%	9
Local government	222	69%	53	16%	47	15%	322
All public entities	1049	73%	181	13%	204	14%	1434

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

	Yes		No		Don't know		Total
Licensing and community trusts	6	67%	2	22%	1	11%	9
Local government	182	57%	67	21%	73	23%	322
All public entities	960	67%	178	12%	295	21%	1433

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

	Yes		No		Don't know		Total
Licensing and community trusts	6	67%	2	22%	1	11%	9
Local government	222	69%	56	17%	44	14%	322
All public entities	1105	77%	164	11%	162	11%	1431

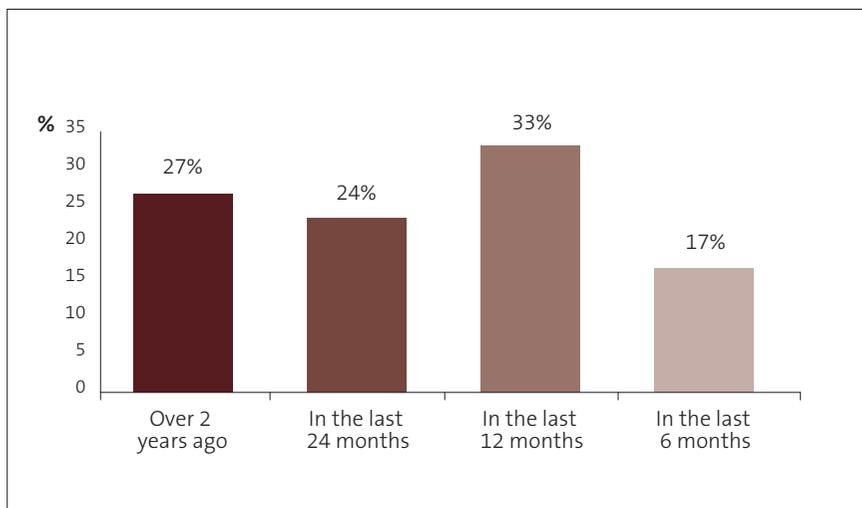
**12: New employees at my organisation undergo pre-employment screening that includes criminal history checks.**

	Yes		No		Don't know		Total
Licensing and community trusts	4	44%	3	33%	2	22%	9
Local government	160	50%	98	30%	64	20%	322
All public entities	1016	71%	251	18%	164	11%	1431

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

	Yes		No		Don't know		Total
Licensing and community trusts	1	11%	8	89%	0	-	9
Local government	80	25%	236	73%	6	2%	322
All public entities	338	24%	1057	74%	36	3%	1431

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



Note: This graph shows the results for all survey respondents, not the nine respondents in licensing and community trusts.

**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
Licensing and community trusts	5	56%	3	33%	1	11%	9
Local government	149	46%	80	25%	93	29%	322
All public entities	680	48%	366	26%	385	27%	1431

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

	Yes		No		Don't know		Total
Licensing and community trusts	9	100%	0	-	0	-	9
Local government	283	88%	18	6%	21	7%	322
All public entities	1258	88%	72	5%	100	7%	1430

**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
Licensing and community trusts	9	100%	0	-	0	-	9
Local government	300	93%	5	2%	16	5%	321
All public entities	1357	95%	21	1%	50	4%	1428

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

	Yes		No		Don't know		Total
Licensing and community trusts	2	22%	6	67%	1	11%	9
Local government	199	62%	53	17%	69	21%	321
All public entities	1017	71%	114	8%	297	21%	1428

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

	Yes		No		Don't know		Total
Licensing and community trusts	0	-	9	100%	0	-	9
Local government	39	12%	250	78%	32	10%	321
All public entities	166	12%	1067	75%	195	14%	1428

**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
Licensing and community trusts	8	89%	0	-	1	11%	9
Local government	273	85%	4	1%	44	14%	321
All public entities	1236	87%	10	1%	182	13%	1428

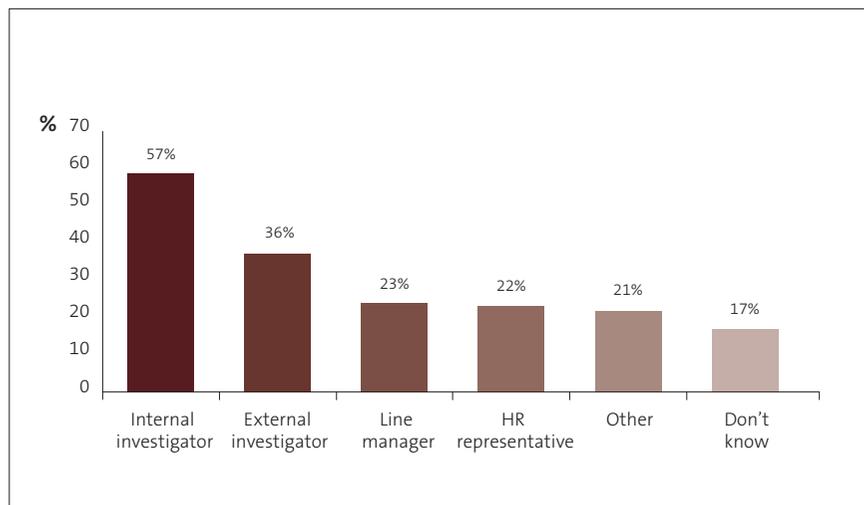
**21: Credit card expenditure is closely monitored.**

	Yes		No		Don't know		Total
Licensing and community trusts	7	78%	1	11%	1	11%	9
Local government	290	90%	4	1%	27	8%	321
All public entities	1280	90%	46	3%	100	7%	1426

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

	Yes		No		Don't know		Total
Licensing and community trusts	8	89%	0	-	1	11%	9
Local government	301	94%	5	2%	15	5%	321
All public entities	1381	97%	15	1%	30	2%	1426

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



Note: This graph shows the results for all survey respondents, not the nine respondents in licensing and community trusts.

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

	Yes		No		Don't know		Total
Licensing and community trusts	5	56%	4	44%	0	-	9
Local government	111	35%	115	36%	95	30%	321
All public entities	416	29%	546	38%	464	33%	1426

**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
Licensing and community trusts	0	-	8	89%	1	11%	9
Local government	8	2%	308	96%	5	2%	321
All public entities	22	2%	1345	94%	59	4%	1426

**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
Licensing and community trusts	0	-	8	89%	1	11%	9
Local government	8	2%	299	93%	14	4%	321
All public entities	26	2%	1324	93%	75	5%	1425

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

	Yes		No		Don't know		Total
Licensing and community trusts	7	78%	0	-	2	22%	9
Local government	261	81%	4	1%	56	17%	321
All public entities	1179	83%	47	3%	199	14%	1425

**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
Licensing and community trusts	7	78%	0	-	2	22%	9
Local government	269	84%	6	2%	46	14%	321
All public entities	1219	86%	37	3%	168	12%	1424

**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
Licensing and community trusts	8	89%	1	11%	0	-	9
Local government	292	91%	5	2%	24	7%	321
All public entities	1319	93%	18	1%	87	6%	1424

**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
Licensing and community trusts	7	78%	2	22%	0	-	9
Local government	250	78%	22	7%	49	15%	321
All public entities	1115	78%	75	5%	234	16%	1424

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

	Yes		No		Don't know		Total
Licensing and community trusts	6	67%	0	-	3	33%	9
Local government	228	71%	10	3%	83	26%	321
All public entities	1005	71%	29	2%	390	27%	1424

**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
Licensing and community trusts	3	33%	6	67%	9
Local government	216	68%	104	33%	320
All public entities	1102	77%	320	23%	1422

**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?**

	Licensing and community trusts		Local government		All public entities	
	Count	Percentage	Count	Percentage	Count	Percentage
Less than \$10,000	2	33%	66	64%	199	62%
\$10,001 - \$100,000	4	67%	17	16%	45	14%
More than \$100,000	0	-	2	2%	17	5%
Don't know	0	-	19	19%	59	18%
<b>Total</b>	<b>6</b>		<b>104</b>		<b>320</b>	

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

	Licensing and community trusts		Local government		All public entities	
	Count	Percentage	Count	Percentage	Count	Percentage
Internal (within the organisation)	6	100%	87	83%	255	80%
External (outside the organisation)	0	-	5	5%	34	11%
A combination of external and internal (i.e. collusion)	0	-	10	10%	24	7%
Don't know	0	-	2	2%	7	2%
<b>Total</b>	<b>6</b>		<b>104</b>		<b>320</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 ...**

	Licensing and community trusts		Local government		All public entities	
	Count	Percentage	Count	Percentage	Count	Percentage
Chief executive officer/ managing director/principal	0	-	0	-	8	3%
Member of the senior executive/leadership team or equivalent	0	-	1	1%	7	2%
Line manager	3	50%	15	14%	36	11%
Admin/support services	1	17%	18	17%	71	22%
Operational staff	2	33%	54	52%	148	46%
Other	0	-	16	16%	50	16%
<b>Total</b>	<b>6</b>		<b>104</b>		<b>320</b>	

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

	Licensing and community trusts		Local government		All public entities	
	No.	%	No.	%	No.	%
Theft of cash	5	50%	39	29%	85	21%
Theft of plant and equipment	0	-	14	11%	35	9%
Theft of inventory	2	20%	15	11%	33	8%
Theft of intellectual property	0	-	2	2%	6	1%
Identity crime	0	-	0	-	7	2%
Fraudulent expense claim	0	-	8	6%	55	14%
Fraudulent misuse of a credit card	0	-	4	3%	31	8%
Fraudulent misuse of a fuel card	0	-	6	5%	17	4%
False invoicing	1	10%	9	7%	34	8%
Payroll fraud	0	-	14	11%	38	9%
Supplying false credentials	0	-	1	1%	7	2%
False claim for benefit	0	-	0	-	2	0%
Financial statement fraud (overstatements)	1	10%	1	1%	2	0%
Financial statement fraud (understatements)	0	-	1	1%	1	0%

	Licensing and community trusts		Local government		All public entities	
	No.	%	No.	%	No.	%
Conflicts of interest	0	-	9	7%	27	7%
Provide false information or fraudulent alteration of documents	1	10%	2	2%	9	2%
Don't know	0	-	8	6%	13	3%
<b>Total</b>	<b>10</b>		<b>133</b>		<b>402</b>	

**Notes:**

- Theft of plant and equipment – such as computers, personal items.
- Theft of intellectual property – such as confidential information/business information.
- Identity crime – either misusing another person's identity or using a false identity.
- False invoicing – either internally or externally created.
- Payroll fraud – such as falsifying electronic or physical documents such as timesheets, annual leave returns, student numbers, payroll forms.
- Supplying false credentials – such as a false CV.
- False claim for benefit – such as ACC, Housing.
- Conflicts of interest – such as paying or receiving backhanders, receiving undeclared gifts or services to influence decision-making or in return for preferential treatment.

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

	Licensing and community trusts		Local government		All public entities	
	Count	%	Count	%	Count	%
Through the organisation's whistle blowing system	0	-	2	2%	12	3%
Internal tip-off (other than through a formal whistle blowing system)	0	-	26	22%	80	20%
External tip-off (other than through a formal whistle blowing system)	0	-	17	14%	40	10%
Change of duties/personnel (including annual leave, job rotation etc)	1	17%	4	3%	17	4%
By accident	0	-	5	4%	17	4%
By internal control systems (e.g. exceeding financial delegations etc)	3	50%	36	31%	144	36%
By internal audit	2	33%	12	10%	41	10%
By external audit	0	-	1	1%	3	1%
Through a fraud detection system (data mining)	0	-	3	3%	15	4%
Don't know	0	-	12	10%	26	7%
<b>Total</b>	<b>6</b>		<b>118</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?**

	Licensing and community trusts		Local government		All public entities	
	Count	%	Count	%	Count	%
There was no monetary loss	0	-	9	9%	48	15%
Less than \$1,000	0	-	39	38%	104	33%
Between \$1,000 and \$10,000	5	83%	29	28%	90	28%
Between \$10,001 and \$50,000	1	17%	6	6%	16	5%
Between \$50,001 and \$100,000	0	-	3	3%	7	2%
Between \$100,001 and \$500,000	0	-	0	-	7	2%
More than \$500,000	0	-	1	1%	3	1%
Don't know	0	-	16	16%	44	14%
<b>Total</b>	<b>6</b>		<b>103</b>		<b>319</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?**

	Licensing and community trusts		Local government		All public entities	
	Count	Percentage	Count	Percentage	Count	Percentage
Inadequate internal control policies and procedures	0	-	10	10%	26	8%
Internal control policies and procedures not followed	1	17%	20	19%	85	27%
Poor segregation of duties	0	-	4	4%	10	3%
Easy access to cash	1	17%	11	11%	19	6%
Management override of controls	1	17%	4	4%	15	5%
It was a new type of fraud that our organisation was unprepared for	0	-	4	4%	12	4%
Person didn't think they would get caught	3	50%	41	40%	127	40%
Don't know	0	-	9	9%	22	7%
<b>Total</b>	<b>6</b>		<b>103</b>		<b>316</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)?**

	Licensing and community trusts		Local government		All public entities	
	Count	Percentage	Count	Percentage	Count	Percentage
No action was taken	0	-	6	6%	14	5%
Insufficient evidence/culprit not identified	0	-	0	-	10	3%
Decision/action pending	0	-	2	2%	15	5%
Allowed to resign and no report to relevant authorities	0	-	11	11%	35	11%
Allowed to resign but report made to relevant authorities	1	17%	7	7%	23	7%
Disciplined without any report to relevant authorities)	0	-	15	15%	40	13%
Disciplined and report made to relevant authorities	0	-	1	1%	19	6%
Dismissed without any report to relevant authorities	3	50%	21	21%	44	14%
Dismissed and report made to relevant authorities	2	33%	32	31%	81	26%
Don't know	0	-	7	7%	30	10%
<b>Total</b>	<b>6</b>		<b>102</b>		<b>311</b>	

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

	Yes		No		Don't know		Total
	Count	Percentage	Count	Percentage	Count	Percentage	
Licensing and community trusts	9	100%	0	-	0	-	9
Local government	299	94%	11	3%	9	3%	319
All public entities	1341	94%	46	3%	33	2%	1420

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

	Yes		No		Don't know		Total
	Count	Percentage	Count	Percentage	Count	Percentage	
Licensing and community trusts	3	33%	6	67%	0	-	9
Local government	194	61%	115	36%	10	3%	319
All public entities	943	66%	423	30%	54	4%	1420

## Appendix 2

# About the survey

The survey and data analysis were carried out by PricewaterhouseCoopers (PwC), on behalf of the Auditor-General. Using an online survey, PwC sought participation from public sector employees between 14 February and 3 June 2011.

The survey was sent to nearly 2000 individuals in 20 sectors. The survey response rate of 74% places the results among the most reliable information sources about perceptions and practices in detecting and preventing fraud in the public sector.

We sought responses from people in three different “levels” (where applicable) within an entity. We asked for responses from the top level of management (for example, Chief Executive Officer, Managing Director, or Principal), the next level of management (for example, members of the senior executive/leadership team or their equivalent), and two other employees chosen at random from within the entity (for example, administration or support service employees or operational staff).

Surveying respondents from a range of levels within an entity enabled us to test the extent to which attitudes and knowledge about fraud vary. The same set of questions was sent to all respondents. Respondents answered different numbers of questions, based on their responses as they progressed through the survey.

The questions aimed to measure respondents’ awareness of their entity’s fraud policies and procedures. We also wanted to gain a better understanding of entities’ frameworks for controlling fraud.

