Summary of our fraud survey results for government departments

Cleanest public sector in the world: Keeping fraud at bay

Contents

Key terms in this report

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

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

We also refer to the **public sector** 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 where 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 government departments doing well?

Respondents from government departments told us that their departments have the essentials in place. Departments:

- have mature and connected policies and approaches to mitigate fraud risks;
- have a clear commitment from their governing bodies and management team to preventing fraud; and
- are receptive environments for talking about fraud.

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; and
- tell all staff when an incident of fraud is resolved, so staff know that you have a "zero tolerance" for fraud and any associated misconduct.

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;
- carry out due diligence checks on potential employees and any suppliers that you deal with – and tell staff that these checks are carried out; and
- tell your appointed auditor about all suspected or detected fraud, as soon as you suspect or detect it.

All other staff

As a public servant, 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 government departments:	153
Number of government departments represented in the results:	36 of 38

Survey terms:

- **fraud** 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;
- **theft** 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
- **corruption** 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).

Part 2
Detailed results for government departments

Preventing fraud

Setting the right tone with clear and consistent messages

Policies, and management's communication of policies, can set the "tone at the top". It is important that messages from managers about fraud – including the policies – are clear and consistent.

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

The survey results confirm that many government departments have mature and connected policies and approaches to mitigating the risk of fraud. Government departments continue to provide good frameworks through their fraud policies (79%) and a code of conduct (98%).

Policies and guidance are a positive start to building a culture of fraud prevention – but they can be effective only if staff know about them. Most senior managers (79%) and chief executives (84%) were aware of policies and guidance, but fewer operational staff (68%) were aware of them.

Only 50% of the government department respondents said that they received regular communication about their fraud policy. This percentage was lower than that of central government respondents (63%) and all

public sector respondents (64%). Interestingly, 71% of the government department respondents said that their Code of Conduct was communicated regularly – a result similar to that for central government and all of public sector respondents.

Regularly told about fraud policy?

Yes	No	Don't know
50%	35%	14%
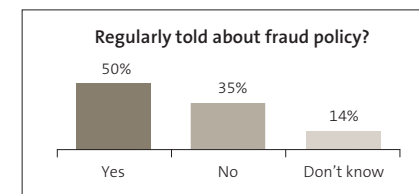
For small entities, a specific fraud policy may seem excessive – what is most important is that clear guidance is accessible and understood by all staff.

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. Only 71% of government department respondents said they understood their responsibilities and would know if they discovered 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 government departments (from the chief executive through to operational and administration staff) felt confident that managers understood their roles and responsibilities for preventing and detecting fraud. Senior managers understood well the importance of building an anti-fraud culture and regularly communicating with staff

about incidents – but only 22% of respondents said that managers told staff about incidents of fraud.

Due diligence checks

Most often, it is trusted employees who commit fraud. Government departments need to safeguard themselves against this risk. Most departments carry out pre-employment screening but 53% of the respondents said either that their department does not carry out these checks or that they were unaware whether the checks were carried out. Trusting employees is important, but to trust without first ensuring that it is appropriate to do so exposes departments to unnecessary risk.

Due diligence checks

46%

12%

41%

Yes   No   Don't know
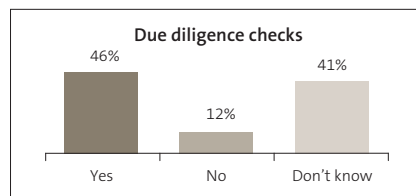
Even the most diligent employees might not identify a fraud if they have not had training. Knowing where to look and what to look for can be difficult. Most respondents (73%) had not received any fraud awareness training at their current organisation. For more than a quarter of the respondents who had received training, it was more than two years ago.

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.

Only 46% of respondents were certain that their government department was completing checks like this. More than half of the operational staff who responded did not know whether these sorts of checks occurred in their entity. A further 41% did not know whether their government department carried out due diligence checks on new suppliers.

Although operational staff should be carrying out these checks, they were less aware than senior management and chief executives of the checks and their purpose.
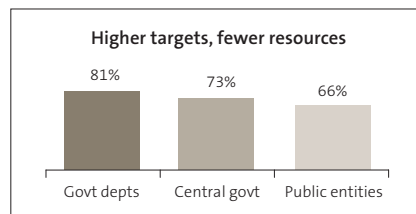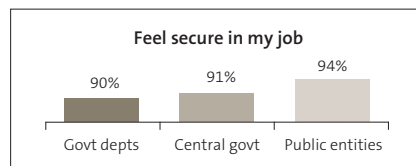
When combining due diligence checks with awareness training and internal controls, any entity can foster a strong anti-fraud culture. Raising awareness of fraud helps build a culture that is receptive to conversations about fraud and encourages employees to come forward if they suspect anything.

Almost all government department respondents (97%) said that their entity had a clear policy on accepting gifts or services. However, this question in the survey still 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 department's policy. In our view, the most important matter is the conflict of interest risk – government department 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.

Greater risk during tougher economic times

We note that 69% of respondents 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, government department employees felt relatively secure in their jobs (90%), but had one of the lowest rates of the central government entities. The number of government department employees who felt that they were required to achieve higher targets with fewer resources was significantly higher than average (81%, compared with 73% for the wider central government sector and 66% for all public entities).

Feel secure in my job

90%	91%	94%
Govt depts	Central govt	Public entities

Higher targets, fewer resources

81%	73%	66%
Govt depts	Central govt	Public entities

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

Detecting fraud

Regularly reviewing 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, but 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 prevention controls align with the business should be an ongoing exercise. The only way to successfully achieve this is a proactive approach to reviewing controls, training staff, and reducing risks.

Only 53% of respondents said that their department regularly reviews the fraud controls. This suggests that some systems and processes could be outdated and no longer effective. This result was lower than the percentages for all central government entities (70%) and all of the public sector (67%).

Fraud controls reviewed regularly?

53%	11%	36%
Yes	No	Don't know
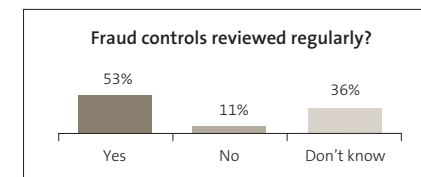
In our view, all departments could carry out regular reviews of their fraud controls to ensure that those controls remain effective. It could be that government departments do regularly review their fraud controls, but their staff are not aware of this. If staff knew that controls were reviewed,

it could help improve perception about whether their department takes a proactive approach to preventing fraud.

Making it easy for staff to raise concerns

Most government departments (95%) have a culture where staff can raise issues and do not fear retaliation. Respondents who said they worked in an environment where staff were willing to raise concerns (86%) were also working in departments where respondents reported fewer incidents of fraud.

All public entities are required to have a protected disclosures policy. A quarter of the respondents said that either their department did not have such a policy or they were unsure whether their department had such a policy. Staff might not know that their department has such a policy if they are not regularly reminded.

Almost all of the surveyed government departments (95%) were creating the right environment by being receptive to staff speaking up about any concerns. Most respondents (92%) had confidence that their department would take proactive steps to reduce the risk of fraud if fraud was discovered in their department.

Receptive culture?

95%

2%   3%

Yes   No   Don't know
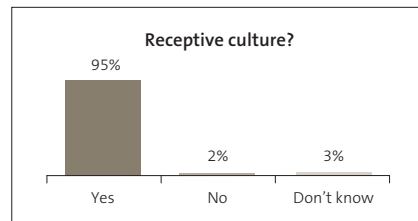
Note: Percentages have been rounded.

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

The public sector has an obligation to have no tolerance of fraud. The survey responses provide some assurance that government departments have good policies and procedures, and that staff have confidence that steps are taken to reduce risks before they occur. Despite this, government departments could respond better to incidents of fraud.

Told when fraud discovered?

46%

22%   32%

Yes   No   Don't know
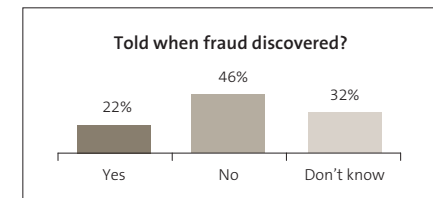
As many as 78% of government department respondents said that management had not communicated about fraud incidents after they were resolved (or if management had, the staff were not aware of it). This is higher than the average for other central government entities and for the survey overall. By not communicating their responses to fraud, management can discourage staff from raising concerns.

Senior managers should consider communicating incidents of fraud to their staff when they occur (subject to any legal constraints). This will help to promote the message that fraud and any associated misconduct are taken seriously. Informing staff about fraud is a vital part of building a culture that promotes fraud awareness. The actions that managers take set the tone in any entity, and poor decisions can erode staff confidence.

Referring suspected fraud to the appropriate authorities

Most respondents said that their department dealt with incidents of fraud internally. Matters were referred to the appropriate law enforcement agency only if they were significant enough or there was evidence available.

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 sector entities are expected to consider reporting fraud to the appropriate authorities. We encourage all government departments to do this.

Credit card and expense claim fraud

Although most respondents said that their department took credit card spending (81%) and expense claims (80%) seriously, the percentages were lower than those of other central government entities and lower than the overall survey results. Similarly, a number of government department respondents did not know whether inappropriate credit card expenditure (17%) or fraudulent expense claims (18%) were taken seriously.

Government department staff also had the lowest confidence level (84%) within central government and of all of the public sector 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.

In our view, government departments also need to review their internal controls after any fraud investigation to ensure that those controls are still appropriate. When a control weakness is identified, government departments should strengthen the controls to prevent any repeated fraud and communicate with their staff about it.

Controls reviewed after fraud?

Yes	No	Don't know
60%	2%	38%
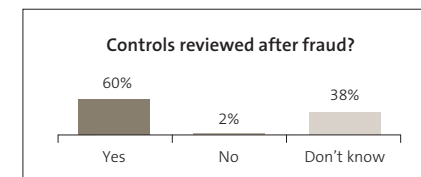
Questions 23 to 31 in Appendix 1 set out the survey response data about fraud responses.

Part 3
Incidents of fraud in government departments

Despite our generally "clean" image, fraud is a fact of business life in New Zealand: 38% of government departments were aware of at least one incident of fraud or corruption in their entity 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. Nearly 85% of the incidents in government departments were committed by one internal person acting alone, typically at an operational or administration/support staff level.

Incidents of fraud or corruption in last 2 years?

62%

38%

No instances   1 or more
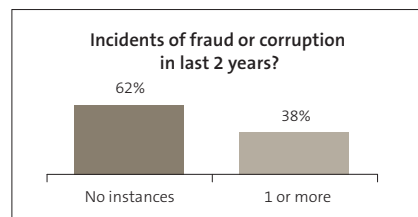
The value of the most recent fraud noted by respondents in government departments was mostly low, with 38% of frauds being for amounts of less than $1,000. There was no monetary loss for 7% of fraud incidents, and 22% were between $1,000 and $10,000. One fifth of the respondents who answered this question did not know how much money was lost.

These trends in low dollar values were common to all sectors in the survey. It is not always possible to accurately establish how much money has been lost in a fraud because sometimes the records and the investigation are incomplete.

The most frequent types of fraud within government departments were reported to be:

- fraudulent expense claims (22%);
- fraudulent misuse of credit cards (17%); and
- theft of property, plant, and equipment, or inventory (11% combined).

Government departments also experienced theft of cash (9%), payroll fraud (such as falsifying timesheets or annual leave) (9%), and conflicts of interest fraud (such as making or receiving payments, or receiving undeclared gifts or services, to influence a decision or give preferential treatment) (7%).
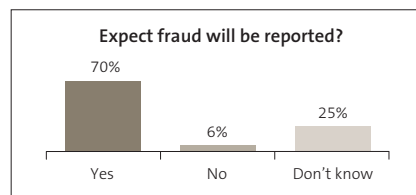
Respondents said that the fraud occurred because internal controls, policies, or procedures were not followed (39%), and that the perpetrator did not think they would get caught (38%).

Internal control systems were government departments' most successful mechanism for detecting fraud, with 39% of the frauds detected in this way. Internal tip-offs (other than through a formal whistle-blower system) identified 19% of fraud incidents.

Strong internal controls and an anti-fraud culture have proven most successful in preventing and later detecting fraud, should it occur.

Respondents said that none of the fraud incidents were detected by the external auditor. This is not surprising, because detecting fraud is not the purpose nor the focus of an external audit.

Although 70% of government department respondents felt confident that incidents of fraud would be reported to the appropriate law enforcement agency, this was the lowest percentage for any of the central government entity types and for all of the public sector.

Expect fraud will be reported?

70%	6%	25%
Yes	No	Don't know

When fraud had occurred, respondents said that 44% of these incidents were actually reported to the appropriate law enforcement agency. This percentage was in keeping with that of other central government entities and all of the public sector.

Fraud incidents actually reported?

44%	30%	26%
Yes	No	Don't know
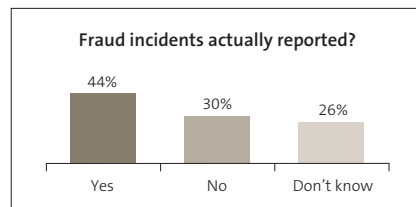
Any decision made not to report or respond to fraud can erode staff confidence in the senior management team. It can create a perception that managers are not committed enough to preventing fraud and discourage staff from reporting their concerns. Not reporting fraudulent behaviour also increases the risk that an employee suspected of committing fraud could move to another public entity and continue their dishonest behaviour.

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 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 always is 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 government department survey data

Government departments were within our central government sector, which was made up of 11 different entity types. The other 10 entity types were district health boards, Crown agents, autonomous Crown entities, independent Crown entities, central government – other, Maori Trust Boards, Rural Education Activities Programmes, Crown research institutes, tertiary education institutions, and State-owned enterprises.

These 11 entity types made up 45% of the total number of respondents from all public entities. The other respondents were working in schools (32.7%) and local government entities (22.3%).

The government department respondents represented 10.4% of the total respondents. The following graphs and tables compare the government department results with the wider central government sector and the public sector overall.

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.
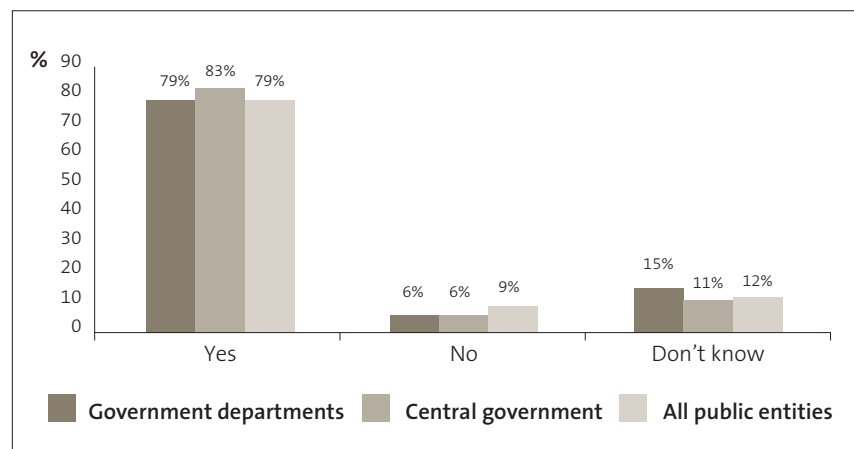
	Yes		**No**		**Don't know**		**Total**
Government departments	118	79%	9	6%	22	15%	149
Central government	539	83%	38	6%	69	11%	646
All public entities	1143	79%	135	9%	169	12%	1447

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

3. My organisation has a staff Code of Conduct.
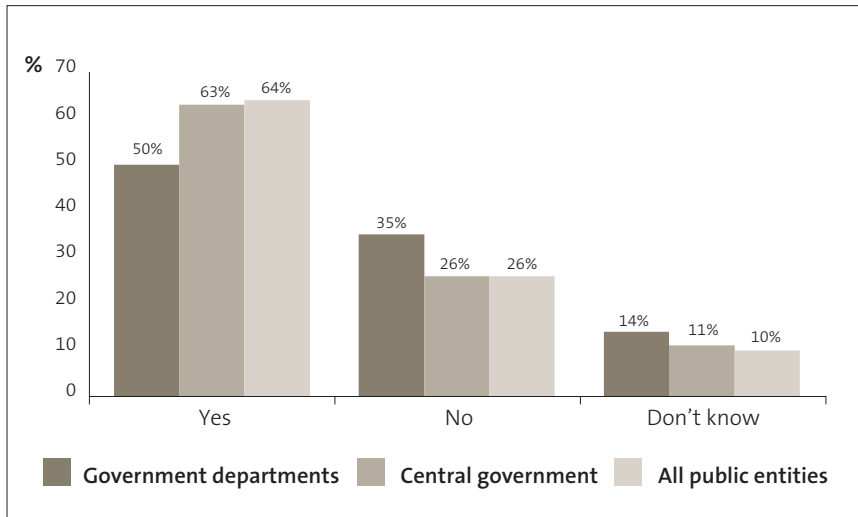
	Yes		No		Don't know		Total
Government departments	60	50%	42	35%	17	14%	119
Central government	338	63%	140	26%	59	11%	537
All public entities	735	64%	295	26%	113	10%	1143
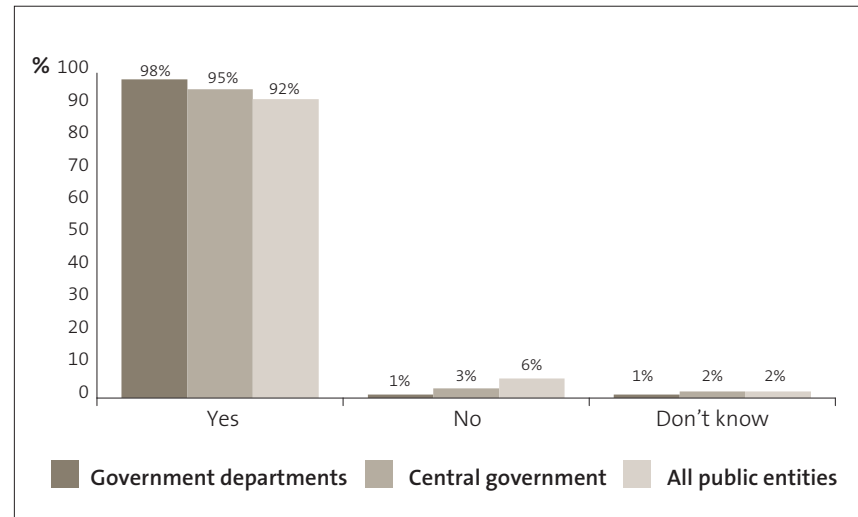
	Yes		No		Don't know		Total
Government departments	146	98%	1	1%	2	1%	149
Central government	611	95%	22	3%	10	2%	643
All public entities	1321	92%	86	6%	35	2%	1442

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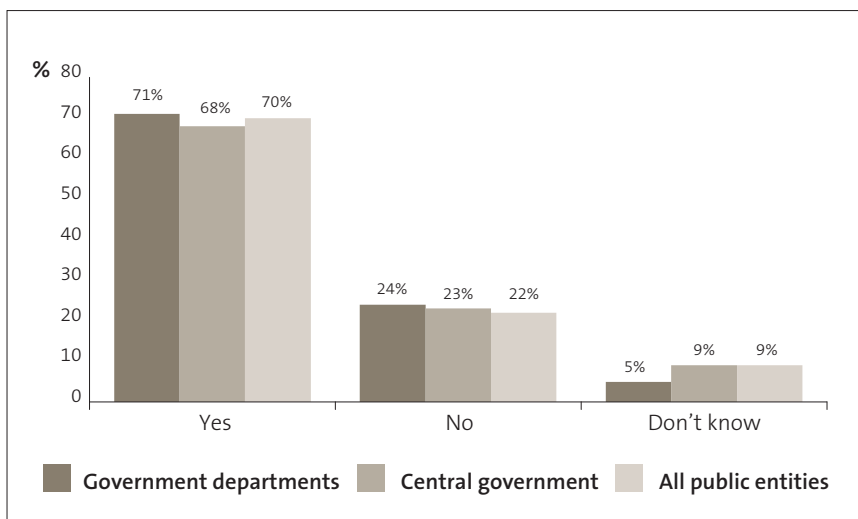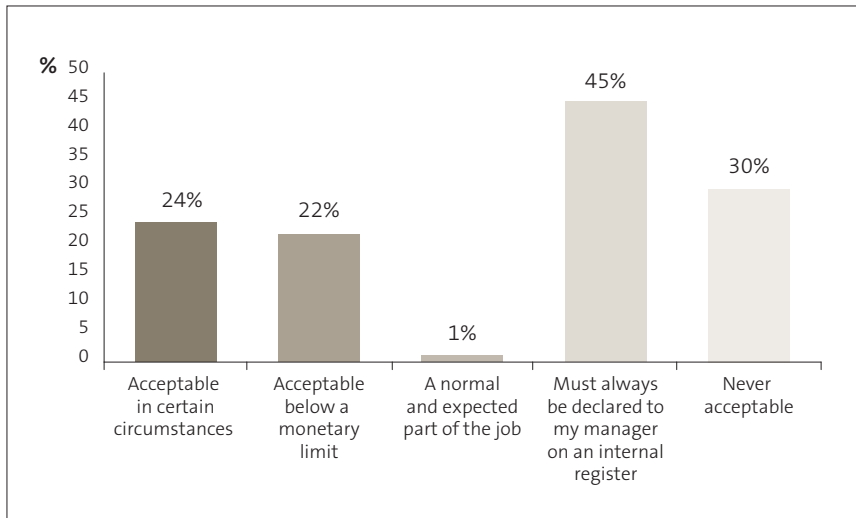

	Yes		No		Don't know		Total
Government departments	103	71%	35	24%	8	5%	146
Central government	413	68%	143	23%	54	9%	610
All public entities	921	70%	286	22%	115	9%	1322

5. My organisation has a clear policy on accepting gifts or services.
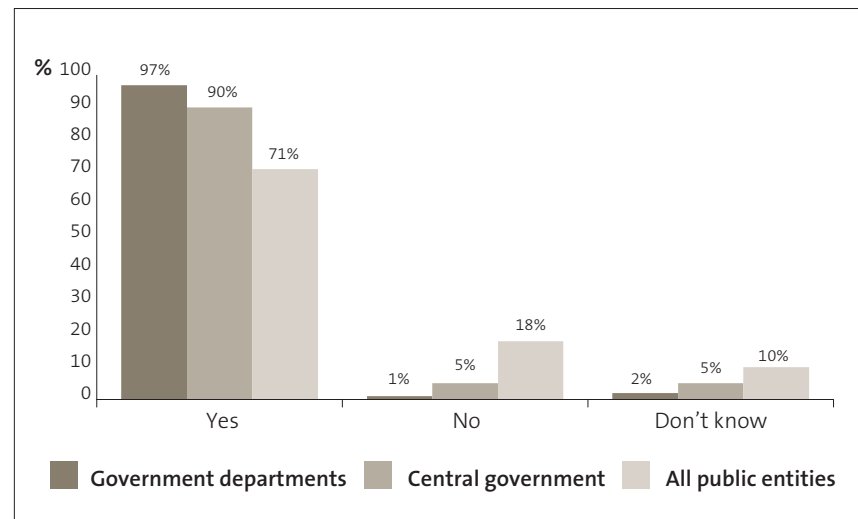
	Yes		No		Don't know		Total
Government departments	144	97%	2	1%	3	2%	149
Central government	579	90%	33	5%	30	5%	642
All public entities	1025	71%	266	18%	149	10%	1440

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

Note: The "right" answer to this question is a response that is in keeping with the relevant organisation's gifts policy.

7. My organisation has designated a person who is responsible for fraud risks, including investigation.
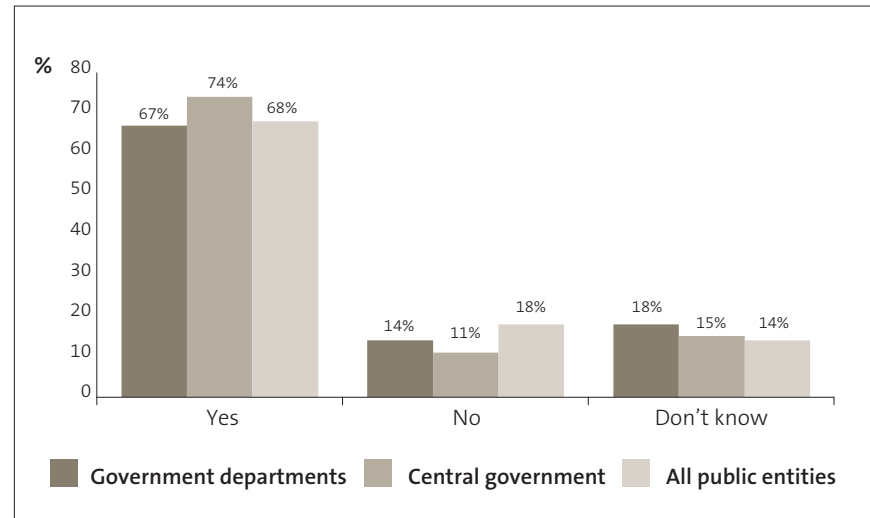
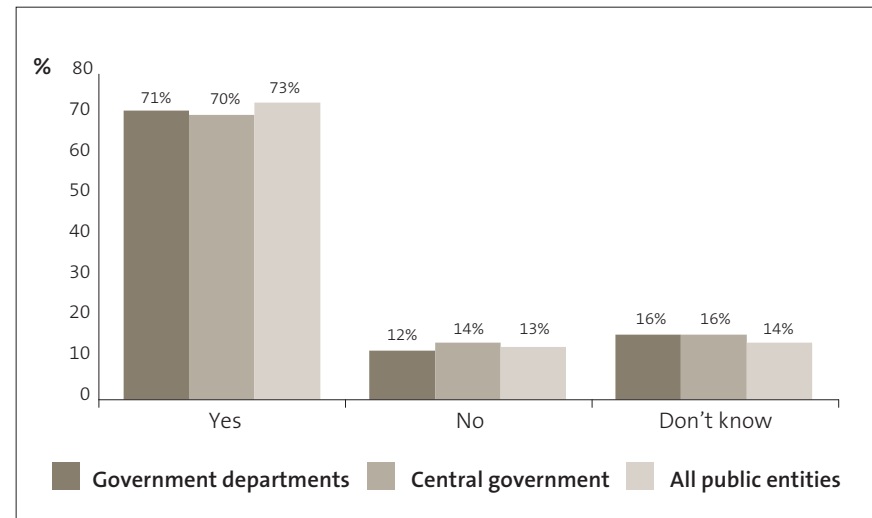|	Yes		No		Don't know		Total
Government departments	99	67%	21	14%	27	18%	147
Central government	472	74%	73	11%	95	15%	640
All public entities	971	68%	258	18%	206	14%	1435

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

9. I am confident that other employees understand their responsibilities for preventing and detecting the risks of fraud and corruption.
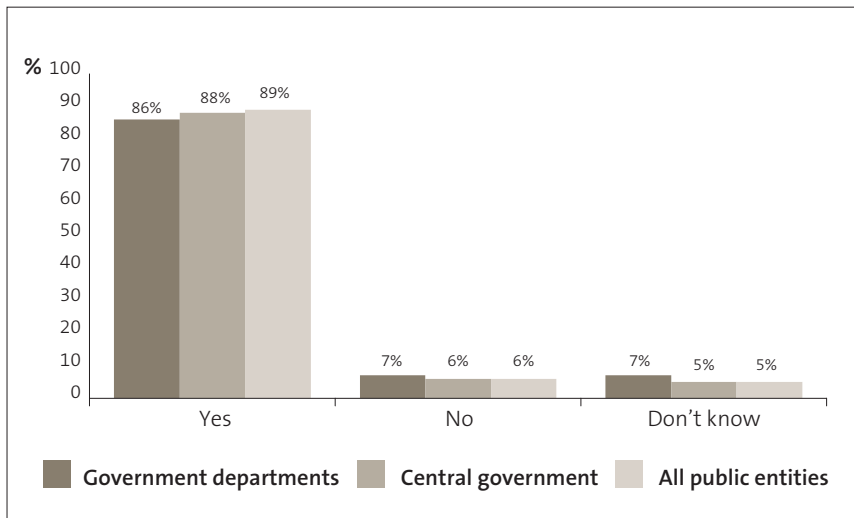
	Yes		No		Don't know		Total
Government departments	126	86%	10	7%	11	7%	147
Central government	565	88%	41	6%	34	5%	640
All public entities	1282	89%	80	6%	72	5%	1434

	Yes		No		Don't know		Total
Government departments	105	71%	18	12%	24	16%	147
Central government	447	70%	90	14%	103	16%	640
All public entities	1049	73%	181	13%	204	14%	1434

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

11. My organisation takes a proactive approach to preventing fraud and corruption.
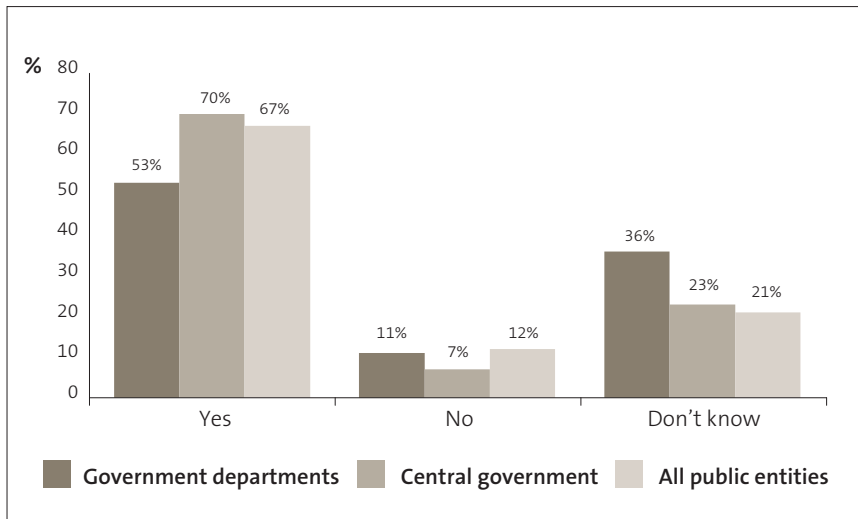
	Yes		No		Don't know		Total
Government departments	78	53%	16	11%	53	36%	147
Central government	449	70%	43	7%	147	23%	639
All public entities	960	67%	178	12%	295	21%	1433
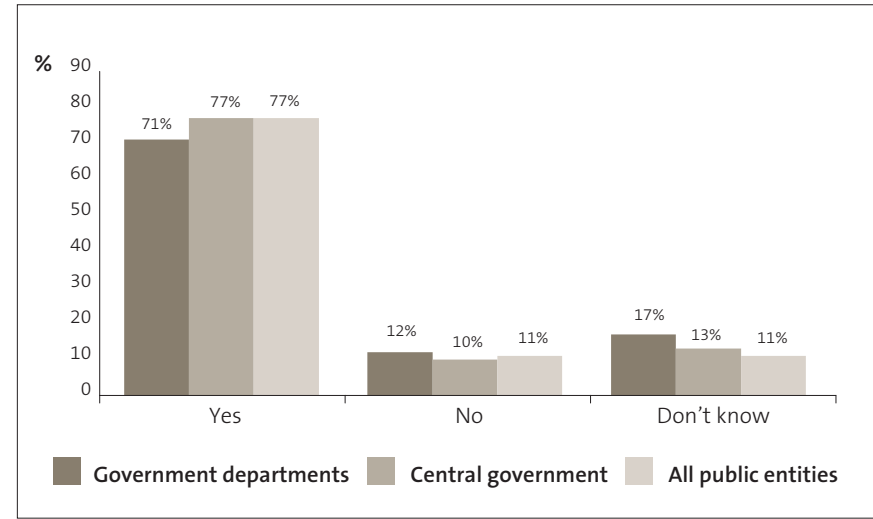
	Yes		No		Don't know		Total
Government departments	104	71%	18	12%	25	17%	147
Central government	494	77%	61	10%	83	13%	638
All public entities	1105	77%	164	11%	162	11%	1431

12. New employees at my organisation undergo pre-employment screening that includes criminal history checks.
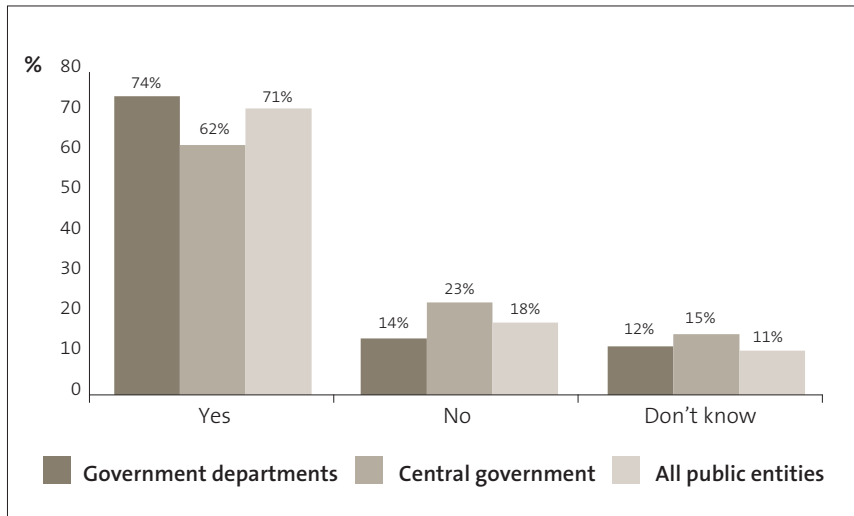
	Yes		No		Don't know		Total
Government departments	109	74%	21	14%	17	12%	147
Central government	394	62%	148	23%	96	15%	638
All public entities	1016	71%	251	18%	164	11%	1431

13. I have had fraud awareness training at my current organisation.
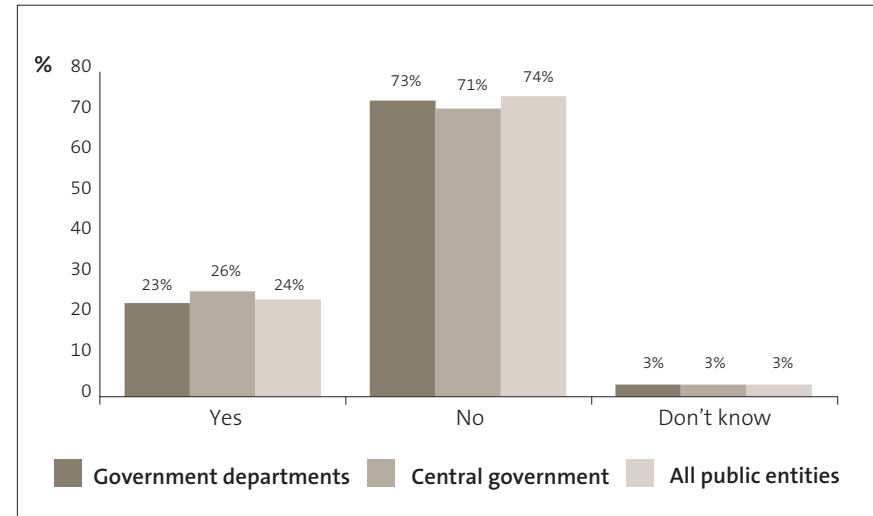
	Yes		No		Don't know		Total
Government departments	34	23%	108	73%	5	3%	147
Central government	169	26%	452	71%	17	3%	638
All public entities	338	24%	1057	74%	36	3%	1431

14. The fraud awareness training that I received at my current organisation was ...
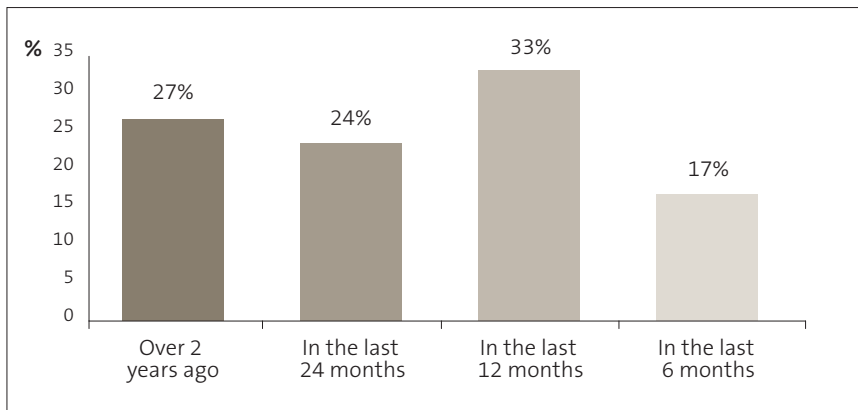
15. My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.
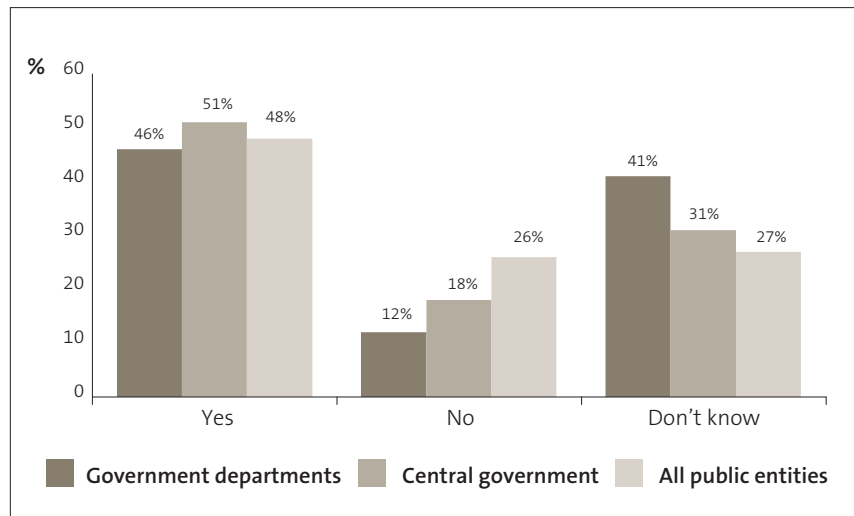
	Yes		No		Don't know		Total
Government departments	68	46%	18	12%	61	41%	147
Central government	328	51%	114	18%	196	31%	638
All public entities	680	48%	366	26%	385	27%	1431

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

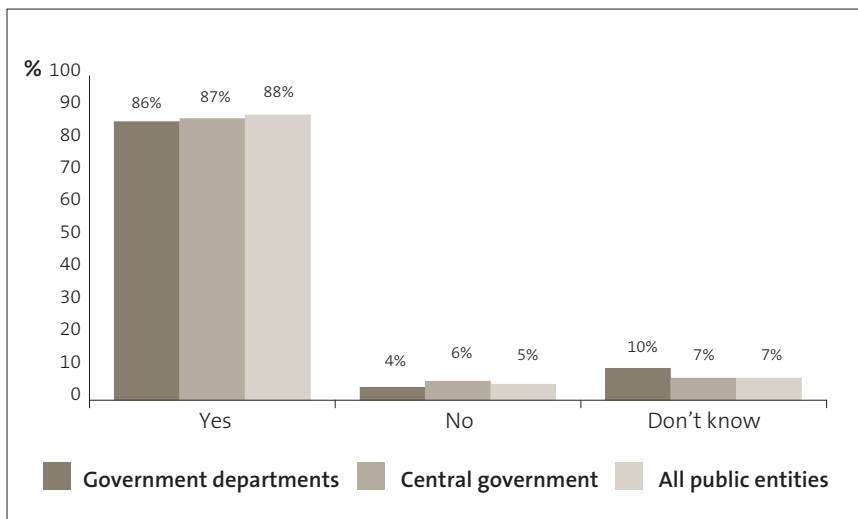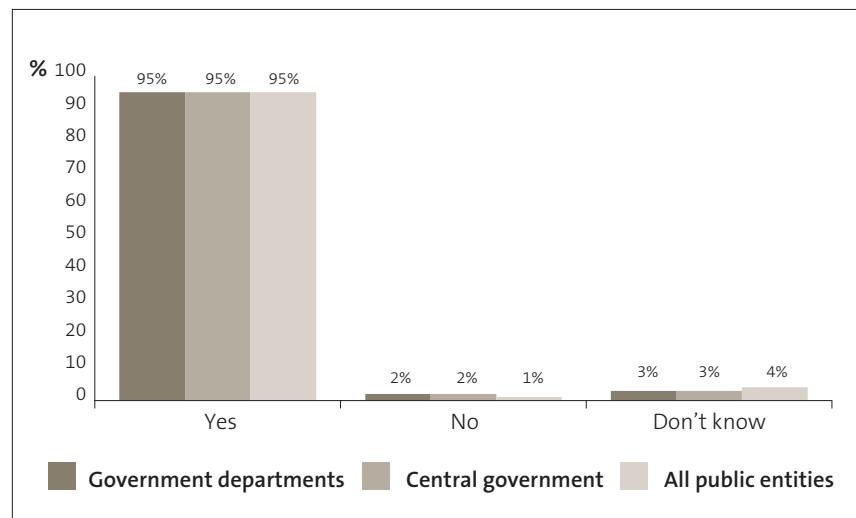|	Yes		No		Don't know		Total
Government departments	125	86%	6	4%	15	10%	146
Central government	556	87%	36	6%	45	7%	637
All public entities	1258	88%	72	5%	100	7%	1430

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
Government departments	138	95%	3	2%	5	3%	146
Central government	604	95%	12	2%	21	3%	637
All public entities	1357	95%	21	1%	50	4%	1428

18. My organisation has a Protected Disclosures Policy (or similar).
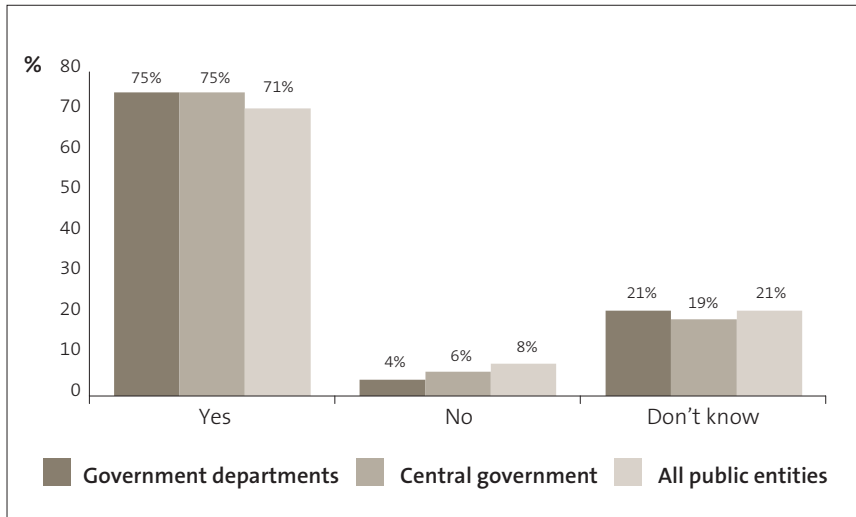
	Yes		No		Don't know		Total
Government departments	110	75%	6	4%	30	21%	146
Central government	475	75%	38	6%	124	19%	637
All public entities	1017	71%	114	8%	297	21%	1428

19. There is a whistleblower hotline at my organisation.
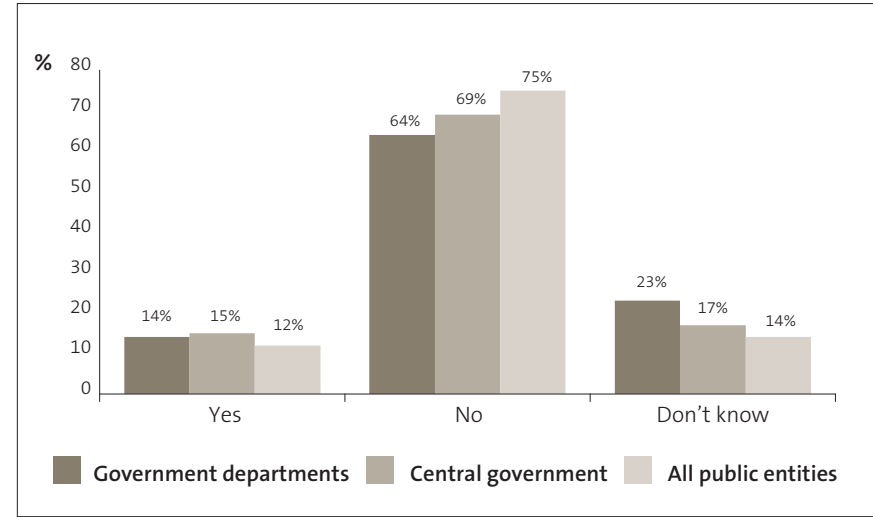
	Yes		No		Don't know		Total
Government departments	20	14%	93	64%	33	23%	146
Central government	93	15%	438	69%	106	17%	637
All public entities	166	12%	1067	75%	195	14%	1428

20. When fraud or corruption risks are raised at my organisation, my organisation takes proactive steps to reduce the risk.
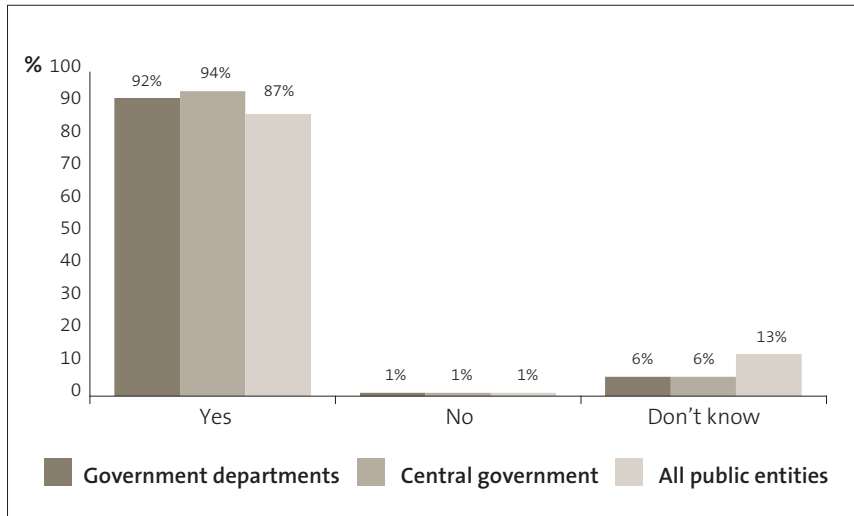
21. Credit card expenditure is closely monitored.
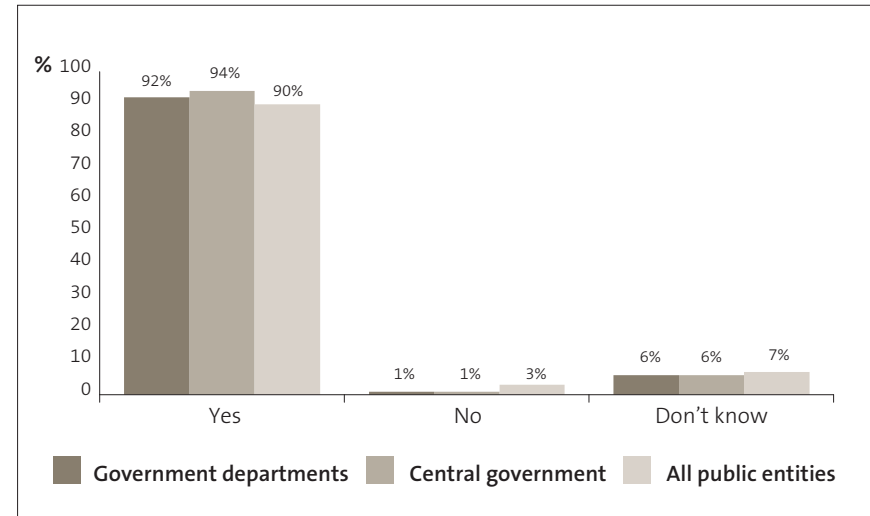
	Yes		No		Don't know		Total
Government departments	134	92%	2	1%	9	6%	145
Central government	595	94%	5	1%	36	6%	636
All public entities	1236	87%	10	1%	182	13%	1428

	Yes		No		Don't know		Total
Government departments	134	92%	2	1%	9	6%	145
Central government	595	94%	5	1%	36	6%	636
All public entities	1280	90%	46	3%	100	7%	1426

22. Staff expenses are closely monitored.
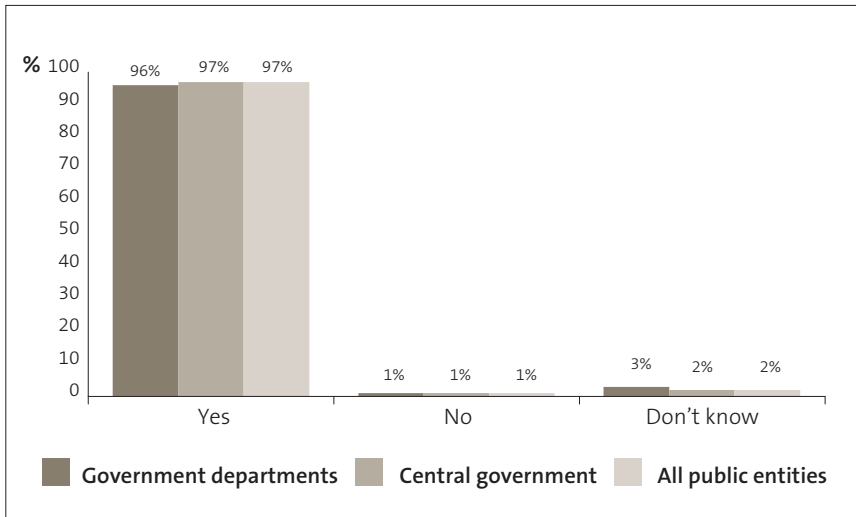
	Yes		No		Don't know		Total
Government departments	139	96%	1	1%	5	3%	145
Central government	616	97%	7	1%	13	2%	636
All public entities	1381	97%	15	1%	30	2%	1426

23. Should a fraud or corruption incident occur at my organisation, the investigation is conducted by …
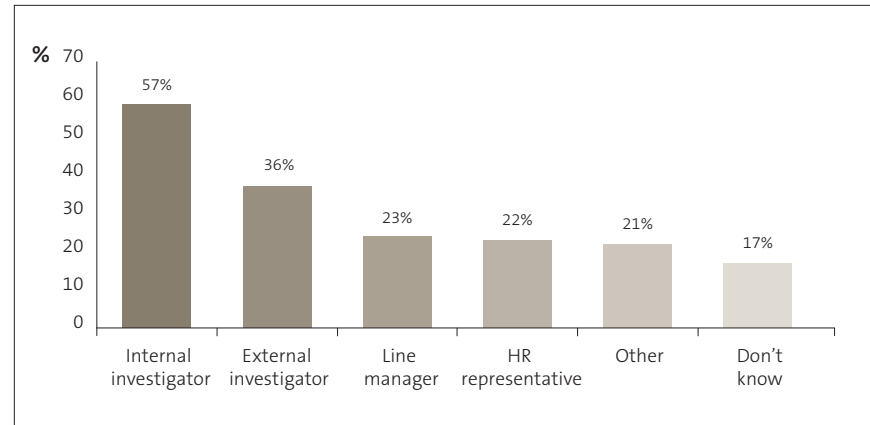
24. Management communicates incidents of fraud to all staff at my organisation.

25. I am aware of fraud or corruption incidents in the last two years that have gone unreported by my organisation.
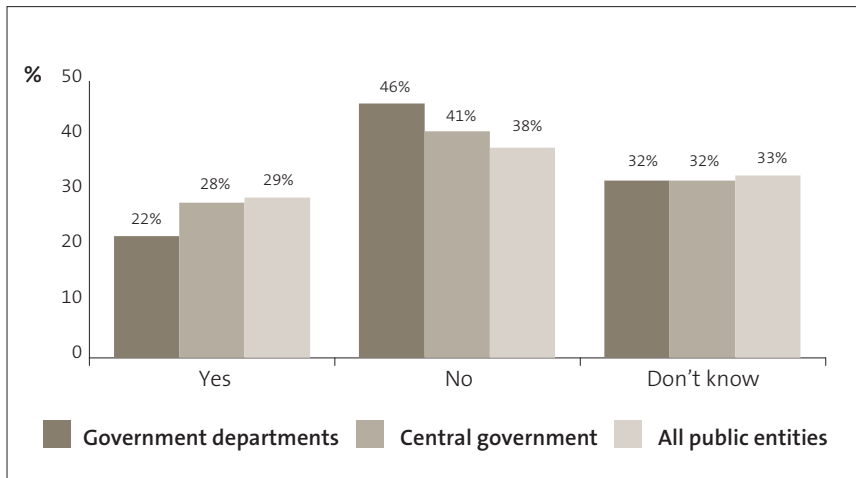
	Yes		No		Don't know		Total
Government departments	32	22%	66	46%	47	32%	145
Central government	175	28%	259	41%	202	32%	636
All public entities	416	29%	546	38%	464	33%	1426
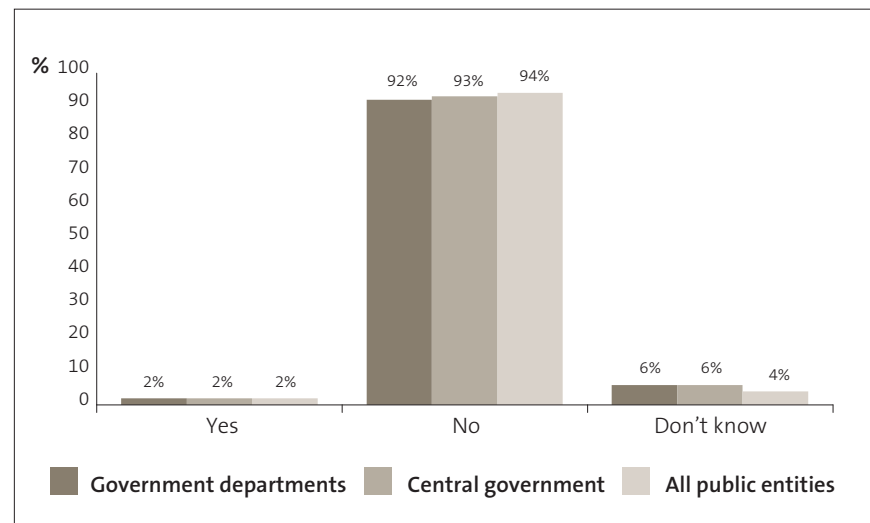
	Yes		No		Don't know		Total
Government departments	3	2%	134	92%	8	6%	145
Central government	11	2%	590	93%	35	6%	636
All public entities	22	2%	1345	94%	59	4%	1426

26. I am aware of fraud or corruption incidents in the last two years that have been reported but gone unpunished by my organisation.
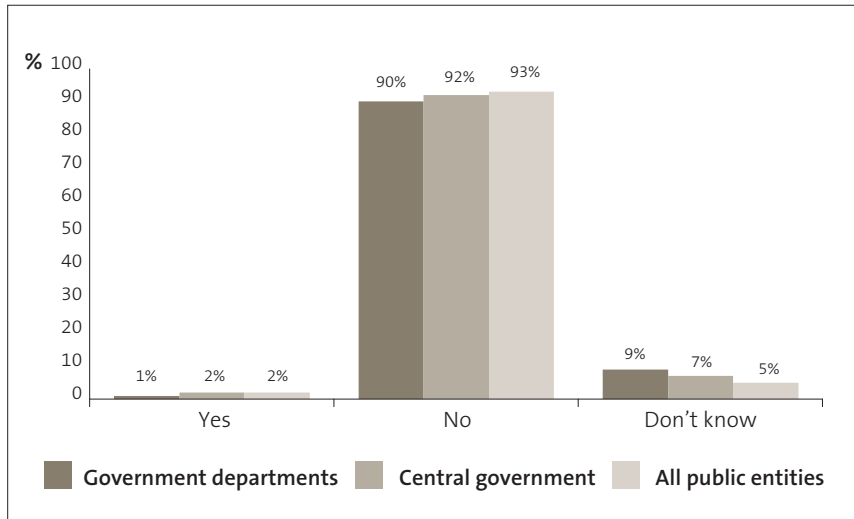
	Yes		No		Don't know		Total
Government departments	1	1%	131	90%	13	9%	145
Central government	10	2%	582	92%	43	7%	635
All public entities	26	2%	1324	93%	75	5%	1425

27. Inappropriate or personal credit card expenditure is taken very seriously and results in disciplinary action.
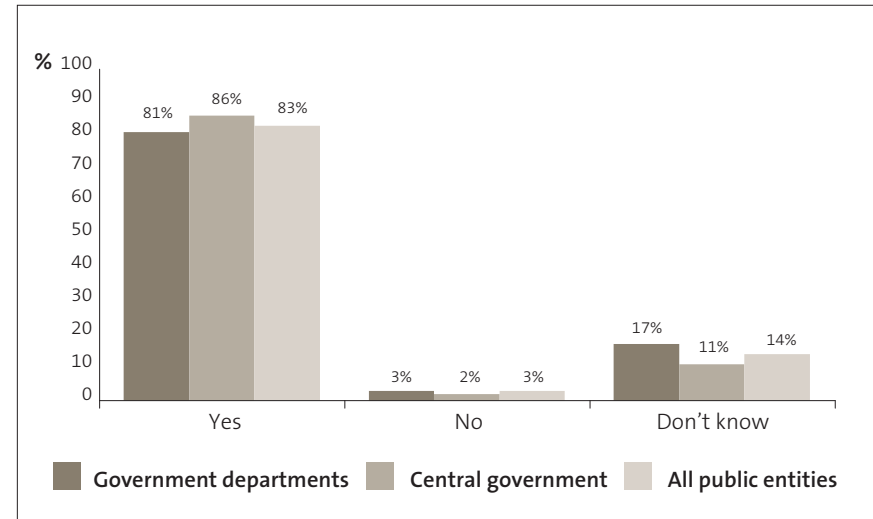
	Yes		No		Don't know		Total
Government departments	117	81%	4	3%	24	17%	145
Central government	548	86%	15	2%	72	11%	635
All public entities	1179	83%	47	3%	199	14%	1425

28. Inappropriate expense claims or expense claims for personal purchases is taken very seriously and results in disciplinary action.
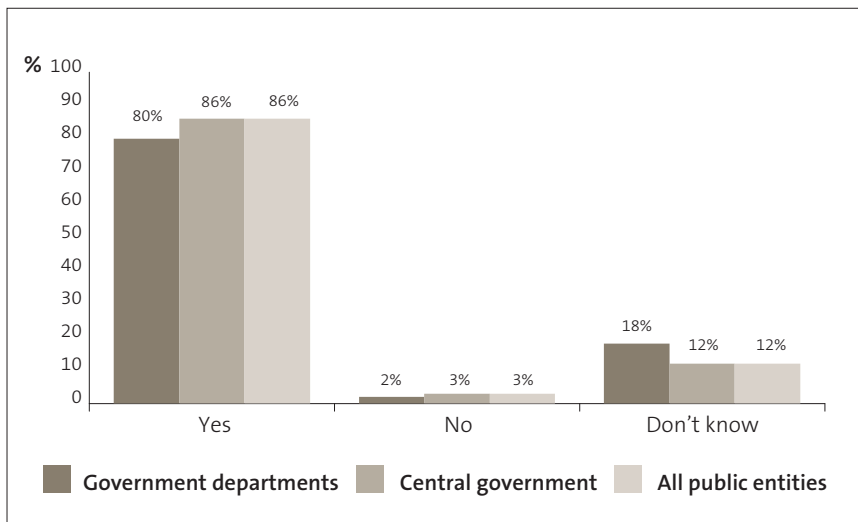
	Yes		No		Don't know		Total
Government departments	116	80%	3	2%	26	18%	145
Central government	543	86%	18	3%	74	12%	635
All public entities	1219	86%	37	3%	168	12%	1424

29. I am confident that my organisation will take all reasonable action to recover any money lost through fraud or corruption.
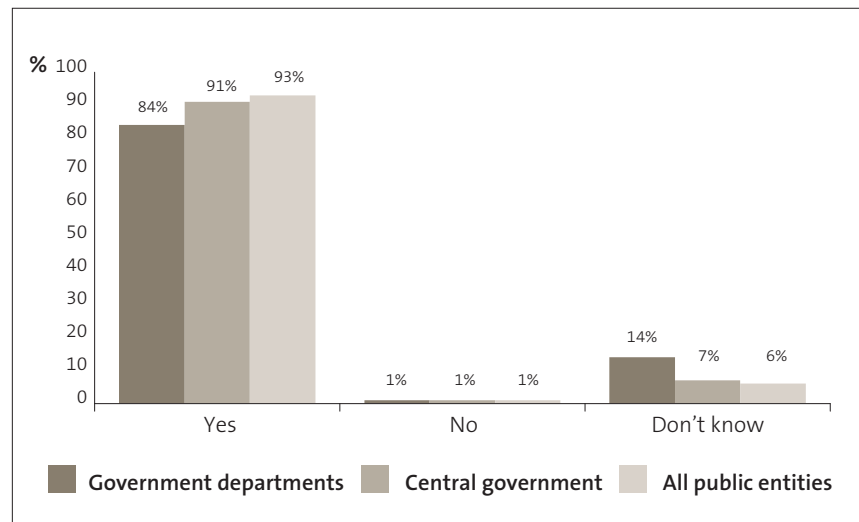
	Yes		No		Don't know		Total
Government departments	122	84%	2	1%	21	14%	145
Central government	580	91%	9	1%	46	7%	635
All public entities	1319	93%	18	1%	87	6%	1424

30. I am confident that incidents of fraud and corruption that occur at my organisation will be reported to the Police.
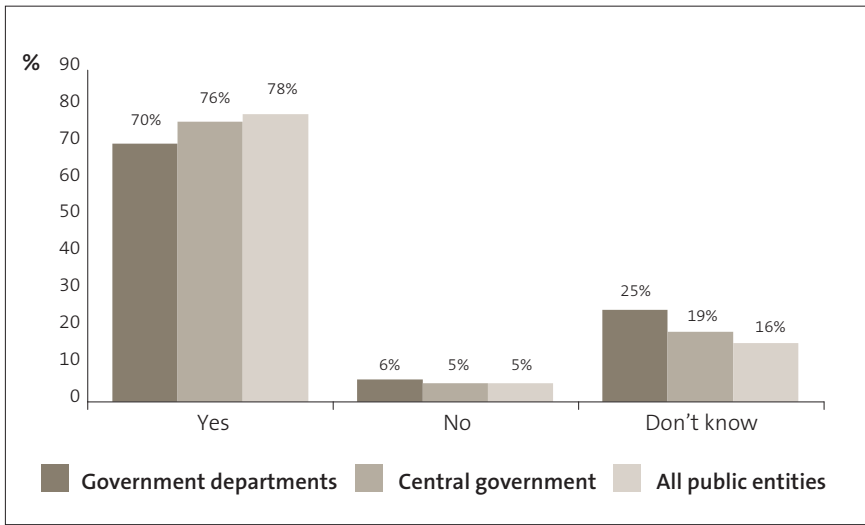
	Yes		No		Don't know		Total
Government departments	101	70%	8	6%	36	25%	145
Central government	485	76%	32	5%	118	19%	635
All public entities	1115	78%	75	5%	234	16%	1424

31. Internal controls are reviewed as part of every fraud investigation.
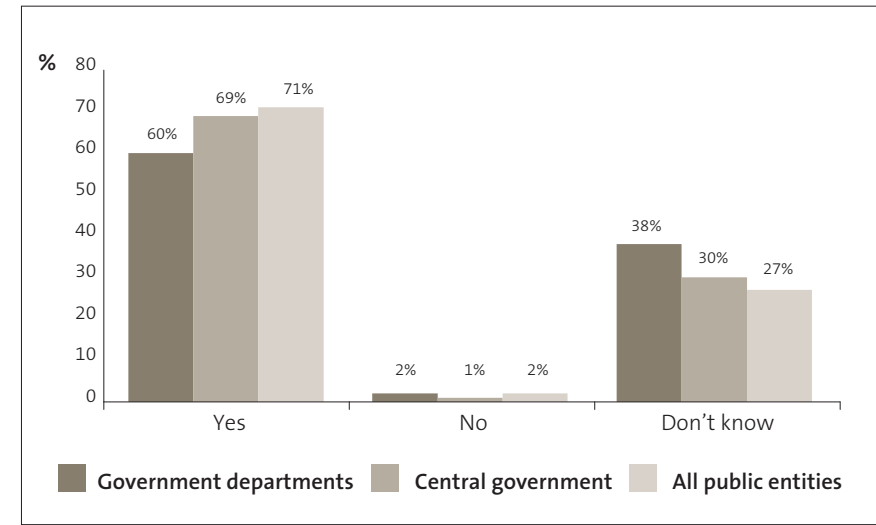
	Yes		No		Don't know		Total
Government departments	87	60%	3	2%	55	38%	145
Central government	438	69%	8	1%	189	30%	635
All public entities	1005	71%	29	2%	390	27%	1424

32. How many incidents of fraud or corruption are you aware of at your organisation in the last two years?
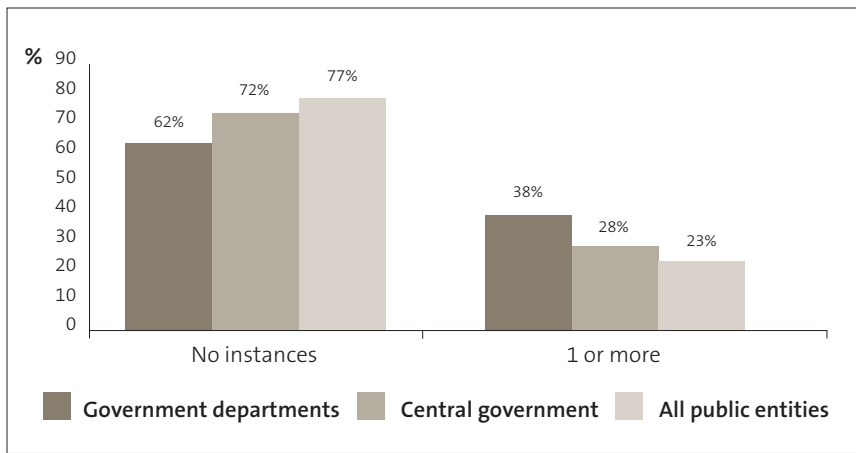
	No instances		1 or more		Total
Government departments	90	62%	55	38%	145
Central government	454	72%	180	28%	634
All public entities	1102	77%	320	23%	1422

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?
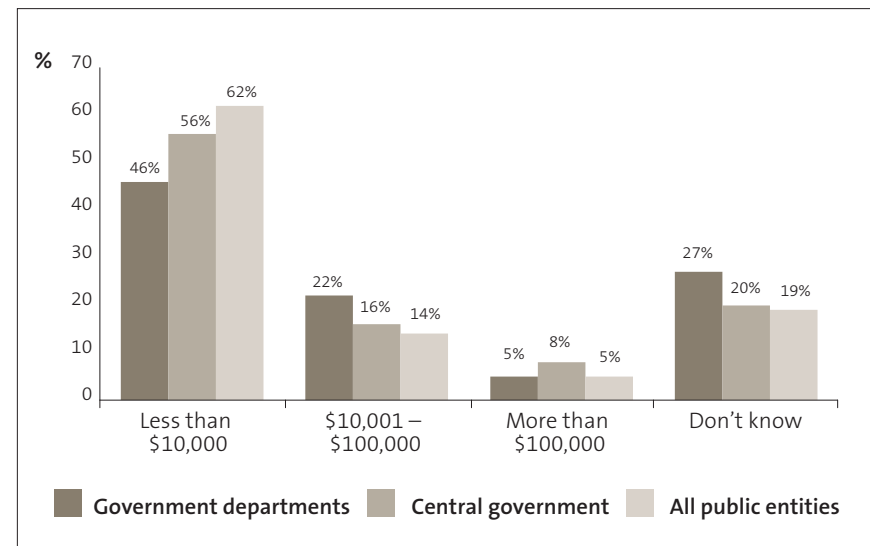
	Less than $10,000		$10,001 - $100,000		More than $100,000		Don't know		Total
Government departments	25	46%	12	22%	3	5%	15	27%	55
Central government	100	56%	28	16%	15	8%	37	20%	180
All public entities	199	62%	45	14%	17	5%	59	19%	320

34. In the most recent incident of fraud or corruption within your organisation that you are aware of, the main perpetrator(s) was …
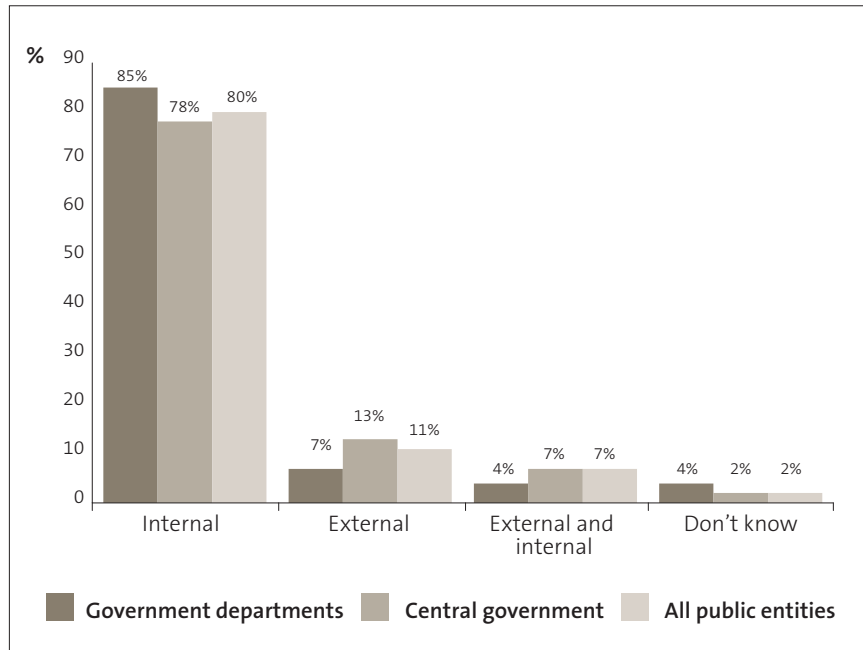
	Internal (within the organisation)		External (outside the organisation)		Combination of external and internal (collusion)		Don't know		Total
Government departments	47	85%	4	7%	2	4%	2	4%	55
Central government	141	78%	23	13%	12	7%	4	2%	180
All public entities	255	80%	34	11%	24	7%	7	2%	320

35. In the most recent incident of fraud or corruption within your organisation that you are aware of and that involved internal parties, the main perpetrator(s) was …
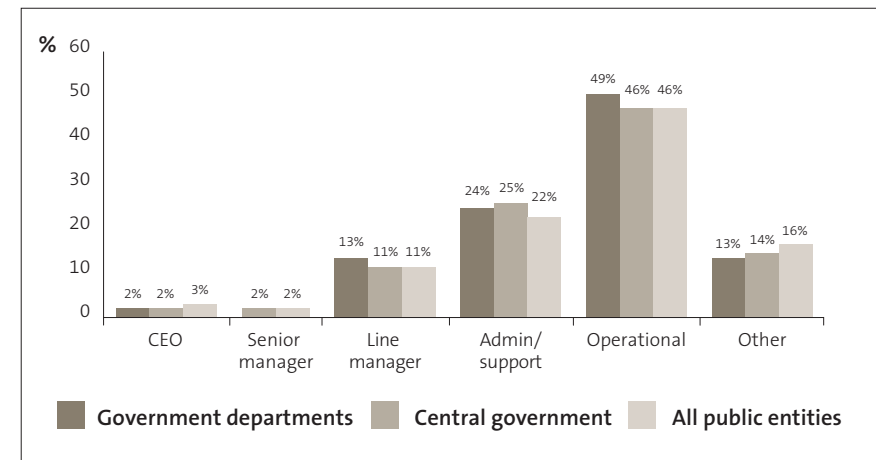
	Government departments		Central government		All public entities	
	No.	%	No.	%	No.	%
Chief Executive Officer/ Managing Director/ Principal	1	2%	4	2%	8	3%
Member of the senior executive/leadership team or equivalent	0	-	3	2%	7	2%
Line manager	7	13%	19	11%	36	11%
Admin support services	13	24%	46	25%	71	22%
Operational staff	27	49%	83	46%	148	46%
Other	7	13%	25	14%	50	16%
Total	**55**		**180**		**320**	

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

	Government departments		Central government		All public entities	
	No.	%	No.	%	No.	%
Theft of cash	6	9%	37	17%	85	21%
Theft of plant and equipment	3	4%	13	6%	35	9%
Theft of inventory	5	7%	14	6%	33	8%
Theft of intellectual property	3	4%	4	2%	6	1%
Identity crime	1	1%	7	3%	7	2%
Fraudulent expense claim	15	22%	38	17%	55	14%
Fraudulent misuse of a credit card	12	17%	23	10%	31	8%
Fraudulent misuse of a fuel card	3	4%	9	4%	17	4%
False invoicing	6	9%	23	10%	34	8%
Payroll fraud	6	9%	20	9%	38	9%
Supplying false credentials	1	1%	6	3%	7	2%
False claim for benefit	1	1%	2	1%	2	0%
Financial statement fraud (overstatements)	0	-	0	-	2	0%

	Government departments		Central government		All public entities	
	No.	%	No.	%	No.	%
Financial statement fraud (understatements)	0	-	0	-	1	0%
Conflicts of interest	5	7%	17	8%	27	7%
Provision of false information or fraudulent alteration of documents	0	-	3	1%	9	2%
Don't know	2	3%	5	2%	13	3%
Total	**69**		**221**		**402**	

Notes:

Theft of plant and equipment – such as computers, personal items etc.

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 etc.

Supplying false credentials – such as a false CV etc.

False claim for benefit – such as ACC, Housing etc.

Conflicts of interest – such as paying or receiving backhanders, receiving undeclared gifts or services to influence decision making or in return for preferential treatment etc.

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

	Government departments		Central government		All public entities	
	No.	%	No.	%	No.	%
Whistleblowing system	3	4%	10	4%	12	3%
Internal tip-off	13	19%	46	20%	80	20%
External tip-off	7	10%	20	9%	40	10%
Change of duties/personnel	2	3%	11	5%	17	4%
Accident (i.e. luck)	4	6%	9	4%	17	4%
Internal control systems	27	39%	84	37%	144	36%
Internal audit	5	7%	20	9%	41	10%
External audit	0	-	2	1%	3	1%
Fraud detection system	4	6%	9	4%	15	4%
Don't know	5	7%	14	6%	26	7%
Total	**70**	**100%**	**225**	**100%**	**395**	**100%**

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?

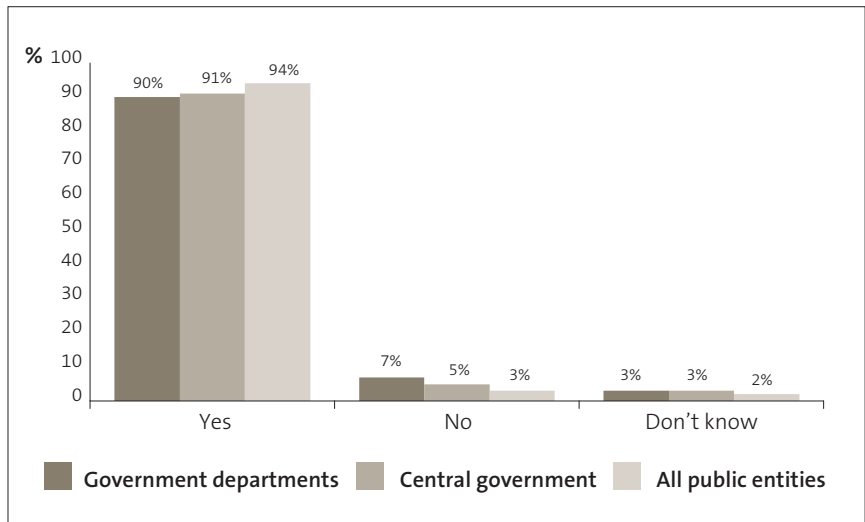|	Government departments		Central government		All public entities	
	No.	%	No.	%	No.	%
No monetary loss	4	7%	26	14%	48	15%
Less than $1,000	21	38%	54	30%	104	33%
Between $1,000 and $10,000	12	22%	50	28%	90	28%
Between $10,001 and $50,000	2	4%	9	5%	16	5%
Between $50,001 and $100,000	3	5%	4	2%	7	2%
Between $100,001 and $500,000	3	5%	7	4%	7	2%
More than $500,000	0	-	2	1%	3	1%
Don't know	10	19%	28	16%	44	14%
Total	**55**	**100%**	**180**	**100%**	**319**	**100%**

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?

	Government departments		Central government		All public entities	
	No.	%	No.	%	No.	%
Inadequate internal control policies and procedures	3	5%	14	8%	26	8%
Internal control policies and procedures not followed	22	40%	59	33%	85	27%
Poor segregation of duties	0	-	6	3%	10	3%
Easy access to cash	2	4%	7	4%	19	6%
Management override of controls	4	7%	7	4%	15	5%
It was a new type of fraud that our organisation was unprepared for	0	-	4	2%	12	4%
Person didn't think they would get caught	21	38%	68	39%	127	40%
Don't know	3	6%	12	7%	22	7%
Total	**55**	**100%**	**177**	**100%**	**316**	**100%**

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)?
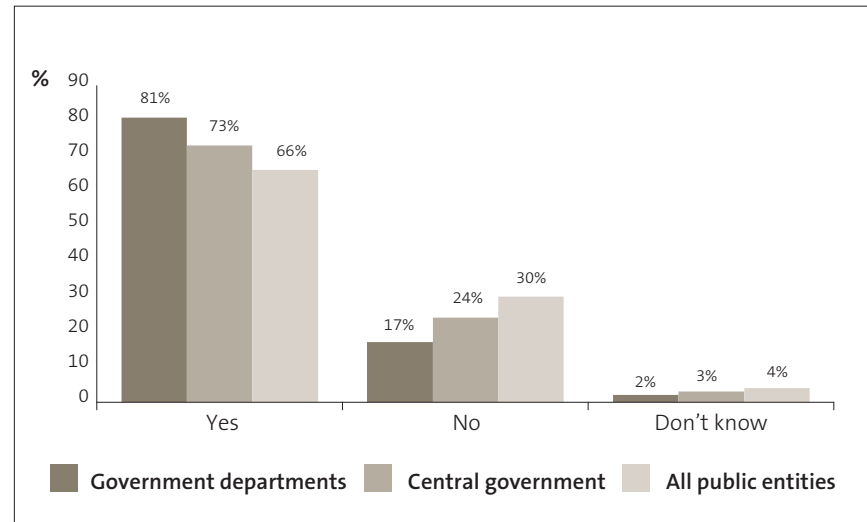
	Government departments		Central government		All public entities	
	No.	%	No.	%	No.	%
No action was taken	1	2%	5	3%	14	5%
Insufficient evidence or culprit not identified	0	-	7	4%	10	3%
Decision/action pending	4	7%	10	6%	15	5%
Allowed to resign and not reported to relevant authorities	6	11%	20	11%	35	11%
Allowed to resign but reported to relevant authorities	6	11%	14	8%	23	7%
Disciplined without any report to relevant authorities	3	6%	16	9%	40	13%
Disciplined and reported to relevant authorities	5	9%	13	7%	19	6%
Dismissed without any report to relevant authorities	6	11%	21	12%	44	14%
Dismissed and reported to relevant authorities	13	24%	45	26%	81	26%
Don't know	10	19%	23	13%	30	10%
Total	**54**	**100%**	**174**	**100%**	**311**	**100%**

41. I feel secure in my job.

	Yes		No		Don't know		Total
Government departments	131	90%	10	7%	4	3%	145
Central government	577	91%	34	5%	22	3%	633
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
Government departments	118	81%	24	17%	3	2%	145
Central government	465	73%	150	24%	18	3%	633
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.