Summary of our fraud survey results for local authorities

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 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. airports;
2. council-controlled organisations and council-controlled trading organisations;
3. electricity lines companies;
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 the public sector and all public entities, which mean results from respondents in all the types of entities covered by our survey – local and central government and 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 local authorities doing well?

Local authorities have good anti-fraud frameworks – most respondents said that their local authority had a fraud policy, a clear policy on gifts, and almost all had a code of conduct for staff. Respondents were also well aware of their local authorities' protected disclosures policy. Staff were confident that managers understood their responsibilities for preventing and detecting fraud. Most respondents said that their local authority encourages staff to come forward if they saw or suspected fraud or corruption.

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

- set the "tone at the top" by telling your management team that you want to see a fraud awareness training regime in place and regular reviews of the fraud control reviews.

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;

- regularly communicate with staff about your fraud policies and code of conduct;

- regularly review your fraud controls;

- provide fraud awareness (and refresher) training for your staff;

- ensure that staff carry out pre-employment screen checks of potential employees and due diligence checks of any suppliers that they deal with – and tell all 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

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 local authorities:	172
Number of local authorities represented in the results:	47 of 78

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 local authorities

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.

Local authorities continue to provide good anti-fraud frameworks by having fraud policies and codes of conduct. However, only half of the respondents said that they received regular communication about the

Regularly told about fraud policy?

50%	41%	10%
Yes	No	Don't know

policies and code of conduct. This is lower than the result for the wider local government sector and for the public sector overall.
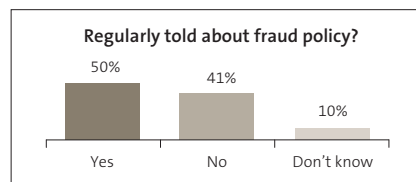
For small entities, a specific fraud policy may seem excessive – what is most important is that clear guidance is accessible and understood by all staff.

Clear roles and responsibilities

A culture receptive to fraud discussions is well developed within local authorities. Respondents – 80% of the operational staff – said that senior managers understood well their responsibility for preventing and detecting fraud.

Although the culture modelled by the leaders of an entity is critical, preventing fraud is not the responsibility of any one person. Staff were less certain that employees other than managers understood their responsibilities for preventing and detecting fraud. For the statement, "I am confident that other employees understand their responsibilities for preventing and detecting the risks of fraud and corruption," 64% answered "Yes" but 21% answered "No" and 15% did not know.

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.

Even the most diligent employees might not identify a fraud if they have not had training, because knowing where to look and what to look for can be difficult. Most local

Had fraud awareness training

22%	76%	1%
Yes	No	Don't know
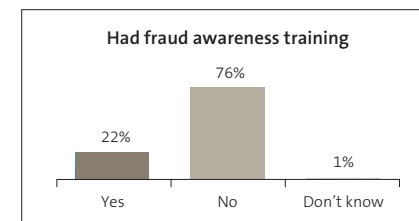
authority staff had not received any fraud awareness training from their employer.

Pre-employment checks

Most often, it is trusted employees who commit fraud. According to our survey results, local authorities are much less likely than other public entities to check the criminal history of potential employees. Trusting employees is important, but to trust

Pre-employment screening with criminal history checks

49%   50%   71%

Local authorities   All local government   All public entities

without first ensuring it is appropriate to do so exposes departments to unnecessary risk.
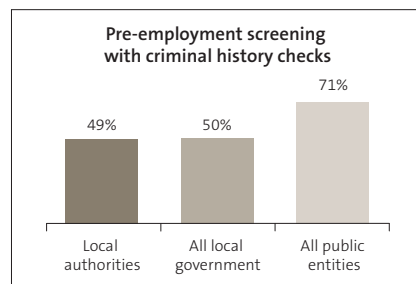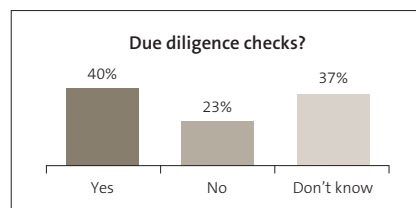
Due diligence checks

Many frauds occur through the use of fake suppliers or suppliers with a close personal relationship with an employee. Carrying out due diligence checks can help to mitigate the risk

Due diligence checks?

40%   23%   37%

Yes   No   Don't know

that suppliers can pose. Some useful checks include:

• removing unused suppliers from the system;

• requesting references or credit checks; and

• regularly monitoring the changes to supplier details.

If local authorities are carrying out regular due diligence checks, then their staff do not know about them. Only 40% of the local authority respondents

said that their local authority carried out due diligence checks of new suppliers. Nearly a quarter of respondents said that their local authority did not carry out these checks, and 37% did not know.

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 conversations about fraud and encourages employees to come forward if they suspect anything.

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 increasing under pressure – present a greater fraud risk. Fraud increases because of "need" rather than "greed".

At the time of our survey, local authority employees continued to feel secure in their jobs (95%), which reflects the relatively stability of their function. However, the current economic climate has increased the pressure to perform, with 68% of respondents saying that they needed to achieve higher targets with fewer resources.

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 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.

Fraud controls reviewed regularly?

50%   22%   28%

Yes   No   Don't know
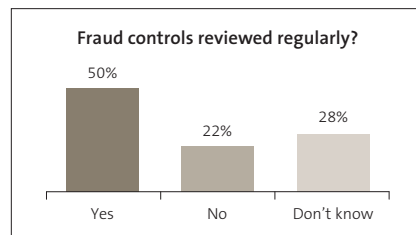
Only 50% of respondents said that their local authority regularly reviewed its fraud controls.

Making it easy for staff to raise concerns

Local authority respondents were just as likely as those working in the local government sector and those in the wider public sector to say that their organisation encourages staff to come forward if they see or suspect fraud or corruption (the affirmative response rate for all three groups was 88%).

Local authority respondents (91%) were slightly less likely than those working in the local government sector (93%) and those in the wider public sector (95%) to say that they could safely raise concerns and know that their concerns would be taken seriously.

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

Protected disclosures policy?

76%   6%   18%

Yes   No   Don't know
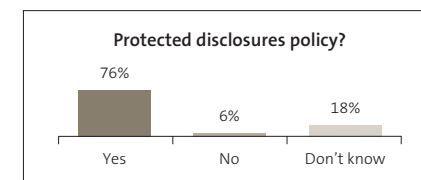
## Monitoring staff expenses and credit card spending

Respondents confirmed that their local authority was monitoring staff expenses and credit card spending. The percentage of "Yes" responses to the question about monitoring staff expenses was slightly lower for local authorities (93%) than it was for the local government sector (94%) and those in the wider public sector (97%). The responses about credit card spending for these three groups were more closely matched (89%, 90%, and 90% respectively).

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 not tolerate fraud. The survey responses provide some assurance that local authorities have good policies and procedures, and that staff have confidence that steps are taken to reduce risks before they occur. Despite this, local authorities could respond better to incidents of fraud.

Told when fraud discovered?

25% Yes   46% No   28% Don't know
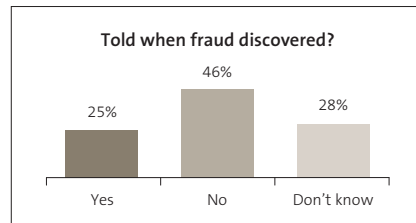
Respondents told us that managers in their local authorities were not communicating incidents of fraud to all staff. When asked about this, nearly half the respondents said that this sort of communication did not happen. By not communicating their responses to fraud, management can discourage staff from 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.
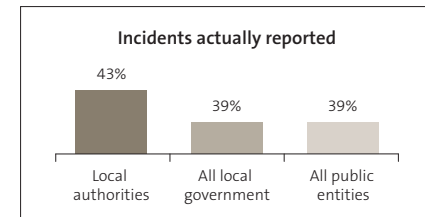
Referring suspected fraud to the appropriate authorities

Most respondents (81%) believed that their local authority would refer suspected fraud to the appropriate law enforcement agency. In reality, the percentage of suspect fraud incidents referred to authorities was low.

Expect fraud will be reported?

81% Yes   7% No   12% Don't know
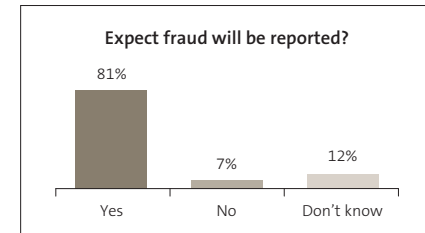
We know that many entities are reluctant to bring criminal charges against their employees because of materiality – but also because of the time and costs of preparing a case, resolving matters in the courts, and a perception that fraud is a low priority for the Police.

However, all public sector entities are expected to consider reporting fraud to the appropriate authorities. We encourage all local authorities to do this.

Incidents actually reported

43% Local authorities   39% All local government   39% All public entities

Credit card and expense claim fraud

Most local authority respondents (78%) were confident that inappropriate or personal credit card spending was taken seriously and resulted in disciplinary action. A fifth of respondents did not know whether this was true of their local authority.
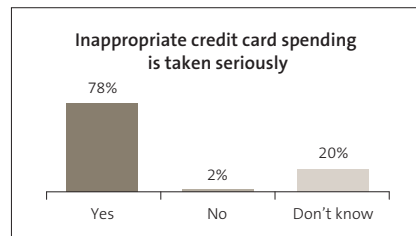
Respondents were slightly more certain about inappropriate expense claims, with 81% confident that any inappropriate expense claims were taken seriously and resulted in disciplinary action.

Most respondents (90%) were confident that their local authority would take all reasonable action 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, local authorities 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, local authorities should strengthen the controls to prevent any repeated fraud and communicate with their staff about it.

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

Inappropriate credit card spending is taken seriously

Yes	No	Don't know
78%	2%	20%

Part 3
Incidents of fraud in local authorities

Despite our generally "clean" image, fraud is a fact of business life in New Zealand: 38% of respondents in local authorities were aware of at least one incident of fraud or corruption in their entity within the last two years. This was higher than the overall public sector average of 23%.

Those who knew of an incident in the last two years were then asked for details of the most recent incident. Of the fraud incidents in local authorities, most (87%) were committed by an internal person acting alone, and that staff person was usually working at an operational level.


How many incidents of fraud or corruption in last 2 years?

No instances	1 or more
63%	38%
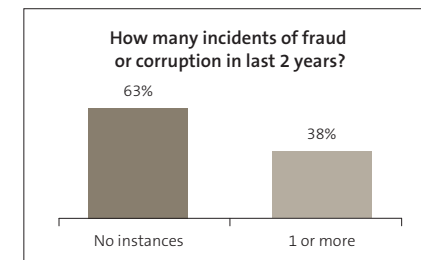
The money lost by the most recent fraud was mostly low, with 63% reporting losses of less than $10,000. The monetary loss for 14% of fraud incidents was between $10,000 and $100,000, and only 2% were losses of more than $100,000 – but 21% of respondents did not know how much money was lost.

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 local authorities were:

- theft of cash (36%);

- theft of property, plant, and equipment, or inventory (17% combined);

- payroll fraud (9%); and

- false invoicing (7%).

Top four types of fraud

36%

17%

9%

7%

Stealing cash | Stealing items | Payroll fraud | False invoices
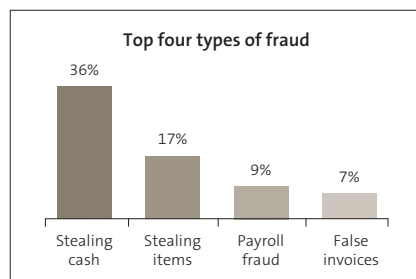
Theft of property, including cash, was the main fraud risk for local authorities. Close monitoring of cash handling and internal controls are an important part of mitigating this risk.

Respondents said that the fraud occurred because the perpetrator did not think they would get caught (30%), and because internal controls were not followed or were overridden (25%).

Internal tip-offs (other than through a formal whistle-blowing system) were local authorities' most successful mechanism for detecting fraud, with 27% of fraud incidents detected in this way. Internal controls detected 22% of the fraud incidents, and internal audit detected a further 8%. Respondents in other entities reported higher success with internal control systems.

Respondents said that none of 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.

Strong internal controls and an anti-fraud culture have proven most successful in both preventing and detecting fraud.

As noted earlier, when fraud had occurred, respondents said that 43% of these incidents were reported to the appropriate law enforcement agency. This percentage was in keeping with that of other local government entities and all of the public sector.

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 local authority survey data

Local authorities were within our local government sector group, which was made up of eight different entity types. The other seven entity types were airports, council-controlled organisations and council-controlled trading organisations, electricity lines companies, fish and game councils, licensing trusts and community trusts, local government – other, and port companies.

The local government sector made up 22.3% of the total number of respondents. Other respondents were working in schools (32.7%) and central government entities (45.0%).

The local authority respondents represented 11.7% of the total respondents. The following graphs and tables compare the local authority results with the wider local 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.

Question 1: My organisation has a Fraud Policy.
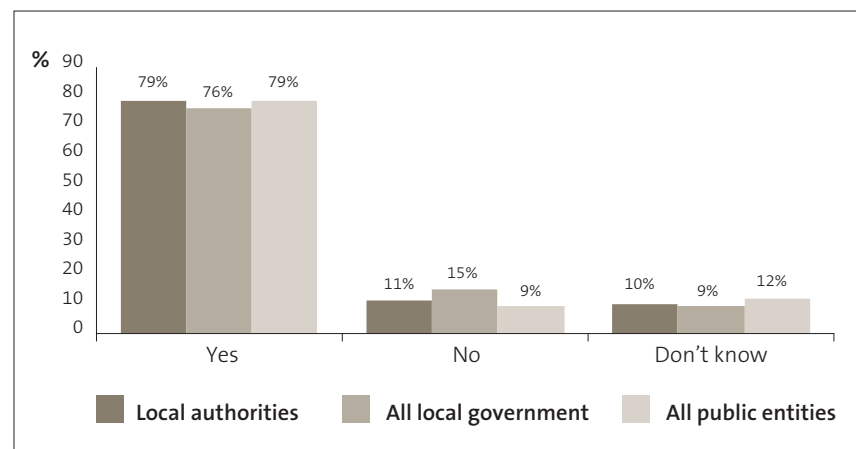
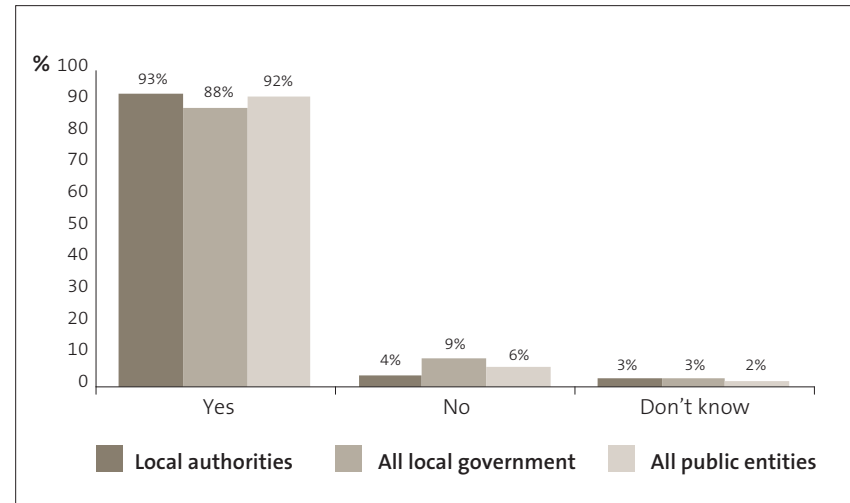|	Yes		No		Don't know		Total
Local authorities	133	79%	19	11%	17	10%	169
All local government	245	76%	49	15%	30	9%	324
All public entities	1143	79%	135	9%	169	12%	1447

Question 2: The Fraud Policy is communicated regularly (annually or biannually).
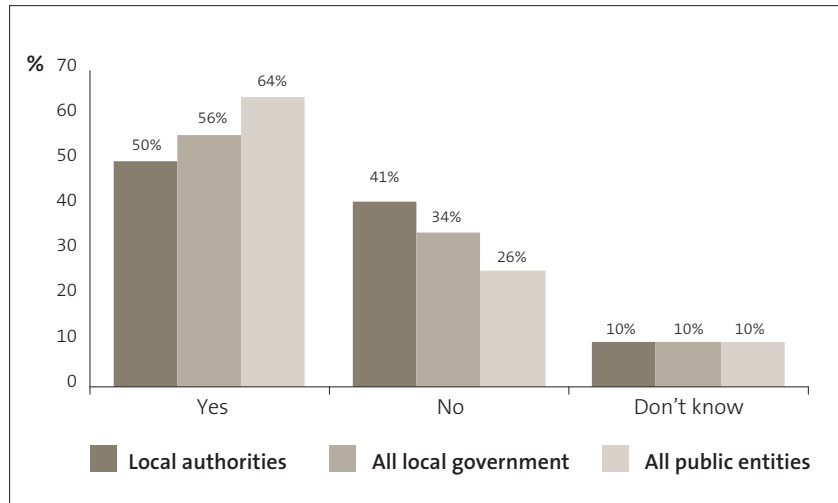
	Yes		**No**		**Don't know**		**Total**
Local authorities	66	50%	54	41%	13	10%	133
All local government	136	56%	84	34%	25	10%	245
All public entities	735	64%	295	26%	113	10%	1143

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

	Yes		**No**		**Don't know**		**Total**
Local authorities	157	93%	7	4%	5	3%	169
All local government	285	88%	29	9%	10	3%	324
All public entities	1321	92%	86	6%	35	2%	1442

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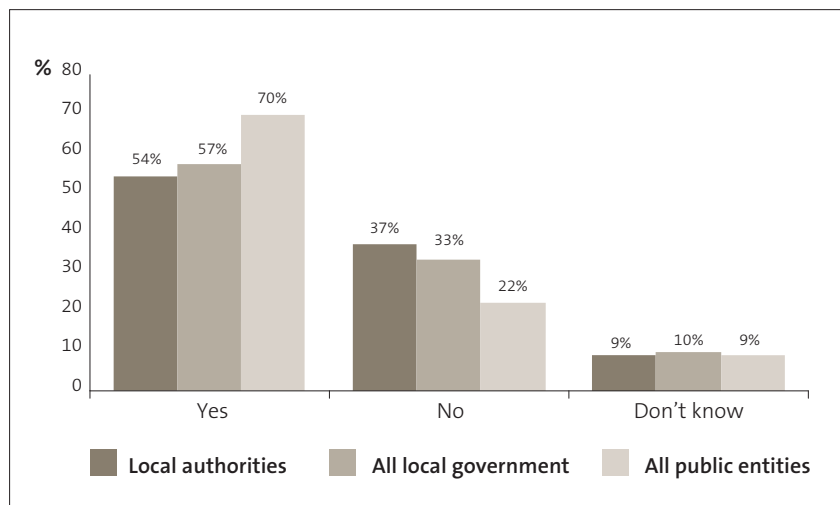

	Yes		No		Don't know		Total
Local authorities	86	54%	58	37%	14	9%	158
All local government	163	57%	95	33%	28	10%	286
All public entities	921	70%	286	22%	115	9%	1322

Question 5: My organisation has a clear policy on accepting gifts or services.
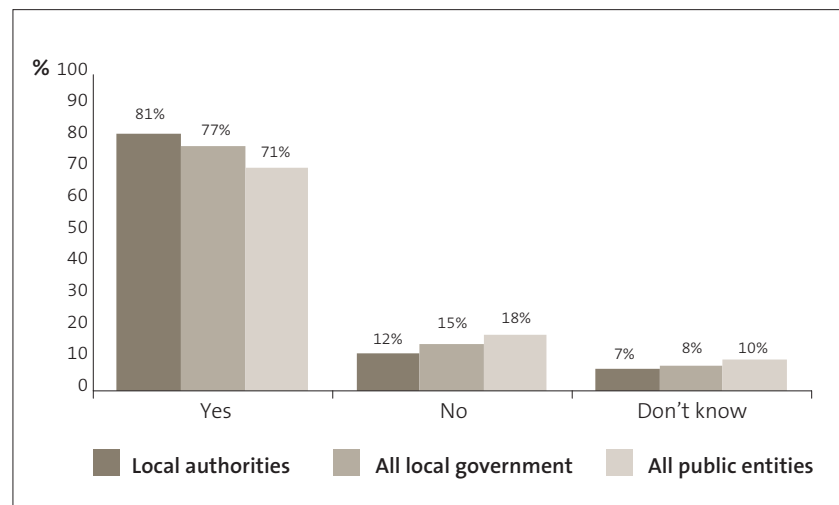
	Yes		No		Don't know		Total
Local authorities	137	81%	20	12%	12	7%	169
All local government	250	77%	48	15%	26	8%	324
All public entities	1025	71%	266	18%	149	10%	1440

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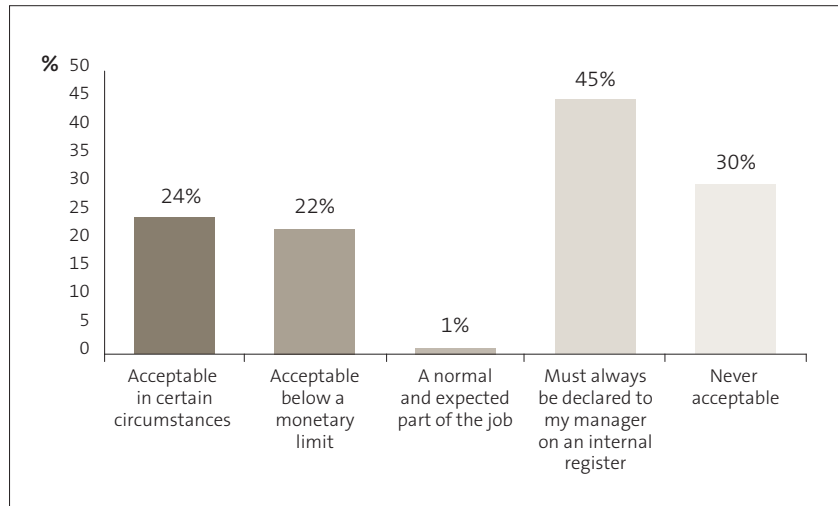

Note: The "right" answer to this question is a response that is in keeping with the relevant organisation's gifts policy.

Question 7: My organisation has designated a person who is responsible for fraud risks, including investigation.
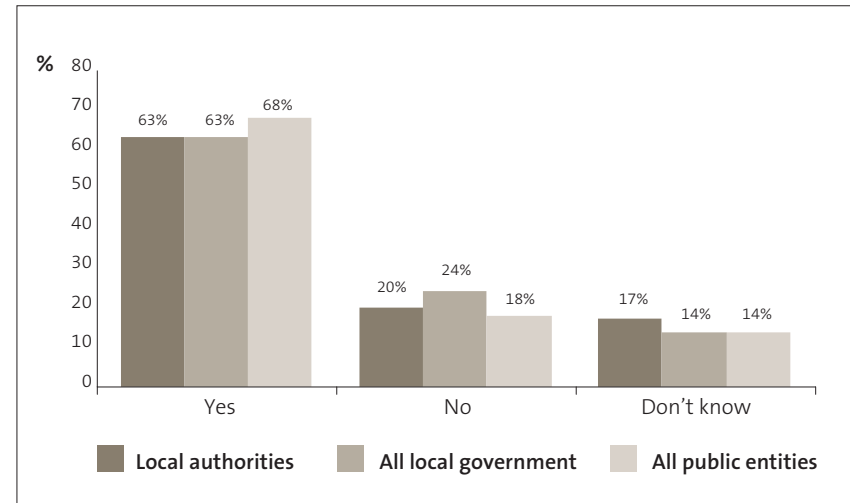
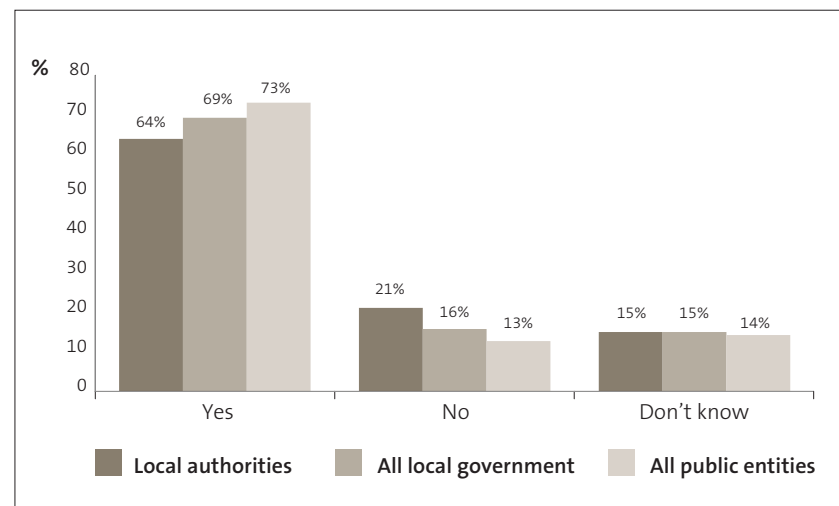|	Yes		No		Don't know		Total
Local authorities	107	63%	34	20%	28	17%	169
All local government	202	63%	77	24%	44	14%	328
All public entities	971	68%	258	18%	206	14%	1435

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

Question 9: I am confident that other employees understand their responsibilities for preventing and detecting the risks of fraud and corruption.
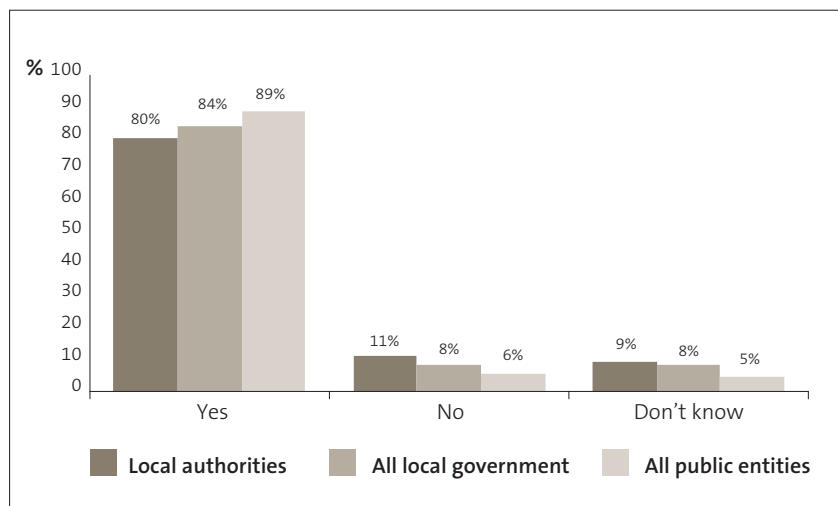
	Yes		No		Don't know		Total
Local authorities	135	80%	18	11%	16	9%	169
All local government	270	84%	26	8%	26	8%	322
All public entities	1282	89%	80	6%	72	5%	1434

	Yes		No		Don't know		Total
Local authorities	109	64%	35	21%	25	15%	169
All local government	222	69%	53	16%	47	15%	322
All public entities	1049	73%	181	13%	204	14%	1434

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

Question 11: My organisation takes a proactive approach to preventing fraud and corruption.
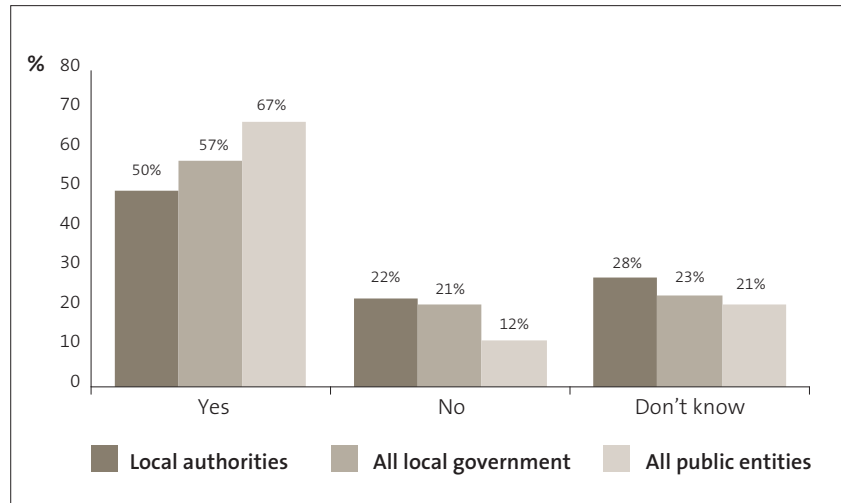
	Yes		No		Don't know		Total
Local authorities	85	50%	37	22%	47	28%	169
All local government	182	57%	67	21%	73	23%	322
All public entities	960	67%	178	12%	295	21%	1433
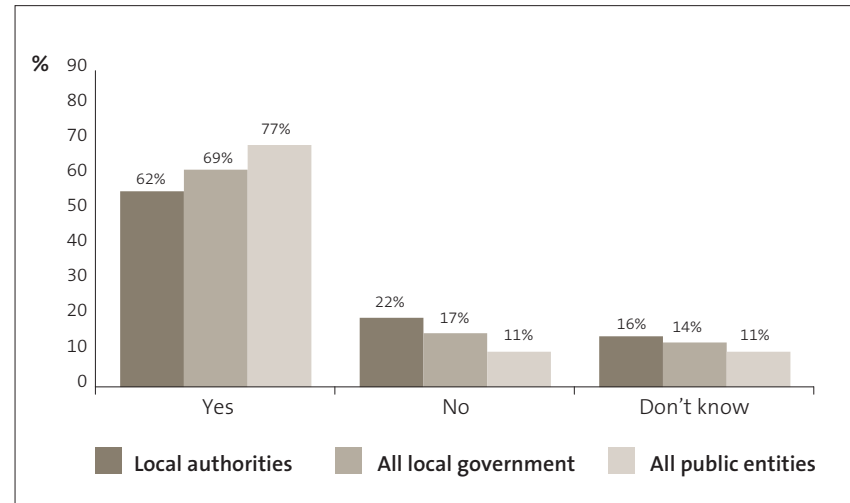
	Yes		No		Don't know		Total
Local authorities	104	62%	38	22%	27	16%	169
All local government	222	69%	56	17%	44	14%	322
All public entities	1105	77%	164	11%	162	11%	1431

Question 12: New employees at my organisation undergo pre-employment screening that includes criminal history checks.
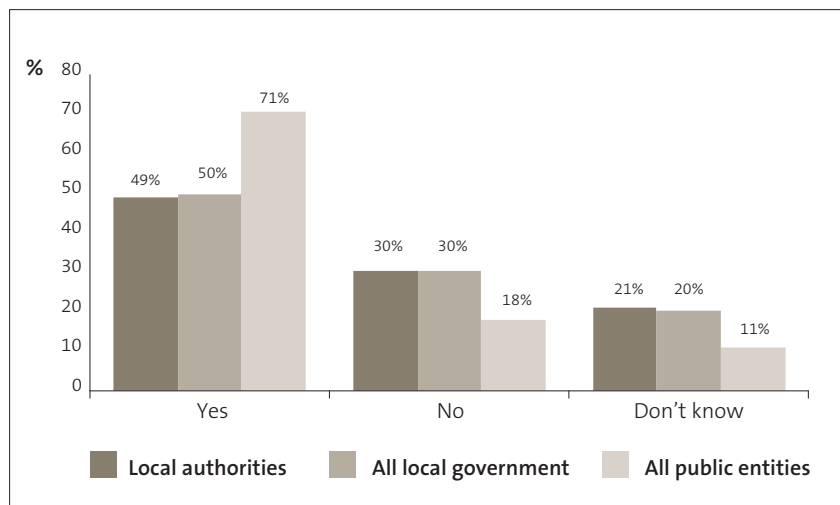
	Yes		No		Don't know		Total
Local authorities	83	49%	51	30%	35	21%	169
All local government	160	50%	98	30%	64	20%	322
All public entities	1016	71%	251	18%	164	11%	1431

Question 13: I have had fraud awareness training at my current organisation.
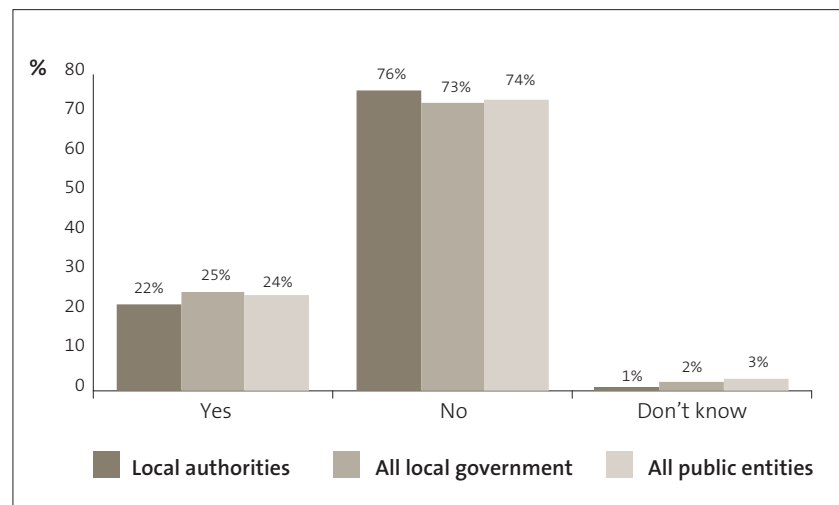
	Yes		No		Don't know		Total
Local authorities	38	22%	129	76%	2	1%	169
All local government	80	25%	236	73%	6	2%	322
All public entities	338	24%	1057	74%	36	3%	1431

Question 14: The fraud awareness training that I received at my current organisation was ...
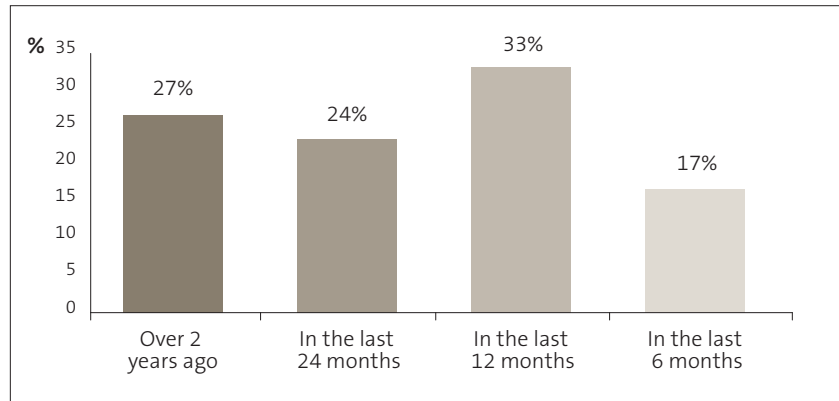
Question 15: My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.
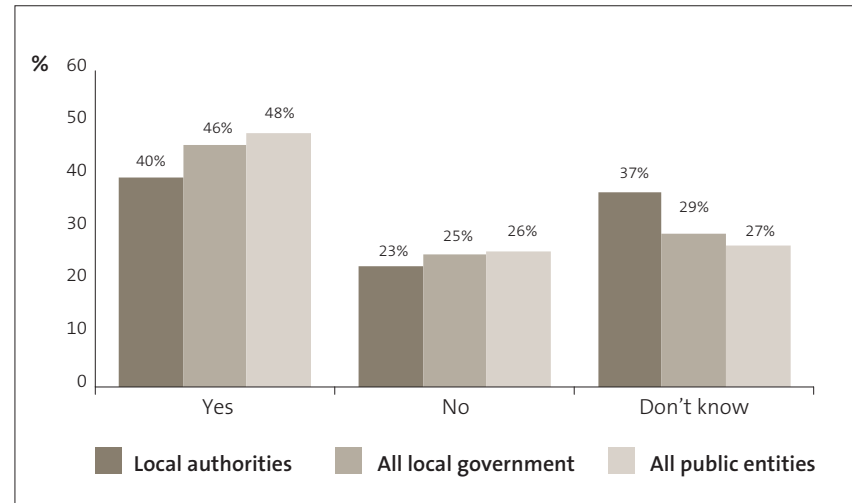
	Yes		No		Don't know		Total
Local authorities	68	40%	39	23%	62	37%	169
All local government	149	46%	80	25%	93	29%	322
All public entities	680	48%	366	26%	385	27%	1431

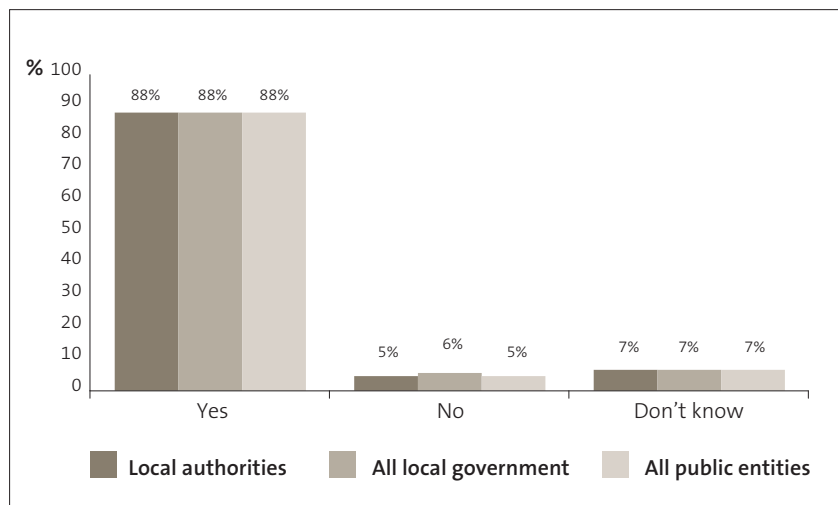**Question 16: My organisation encourages staff to come forward if they see or suspect fraud or corruption.**

	Yes		No		Don't know		Total
Local authorities	148	88%	9	5%	12	7%	169
All local government	283	88%	18	6%	21	7%	322
All public entities	1258	88%	72	5%	100	7%	1430

Question 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.
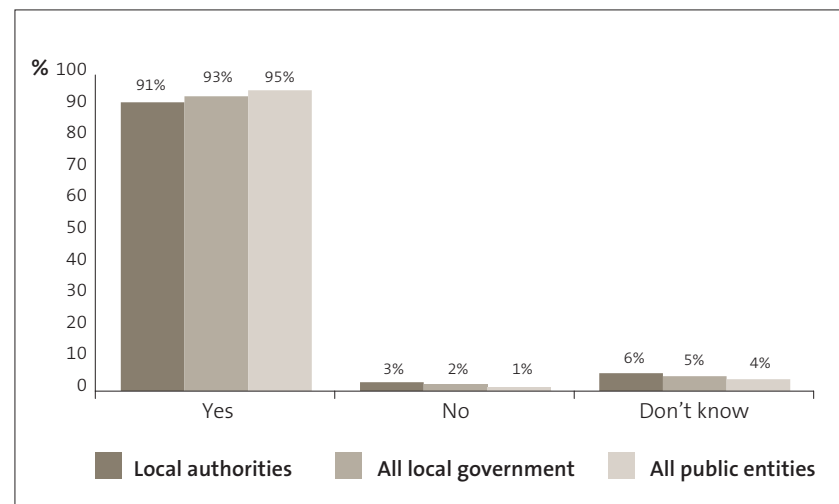
	Yes		No		Don't know		Total
Local authorities	154	91%	5	3%	10	6%	169
All local government	300	93%	5	2%	16	5%	321
All public entities	1357	95%	21	1%	50	4%	1428

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

Question 19: There is a whistleblower hotline at my organisation.
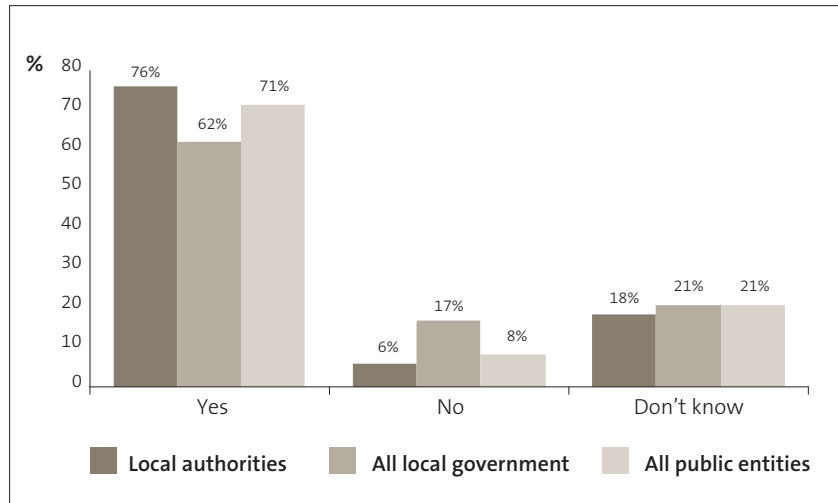
	Yes		No		Don't know		Total
Local authorities	129	76%	10	6%	30	18%	169
All local government	199	62%	53	17%	69	21%	321
All public entities	1017	71%	114	8%	297	21%	1428
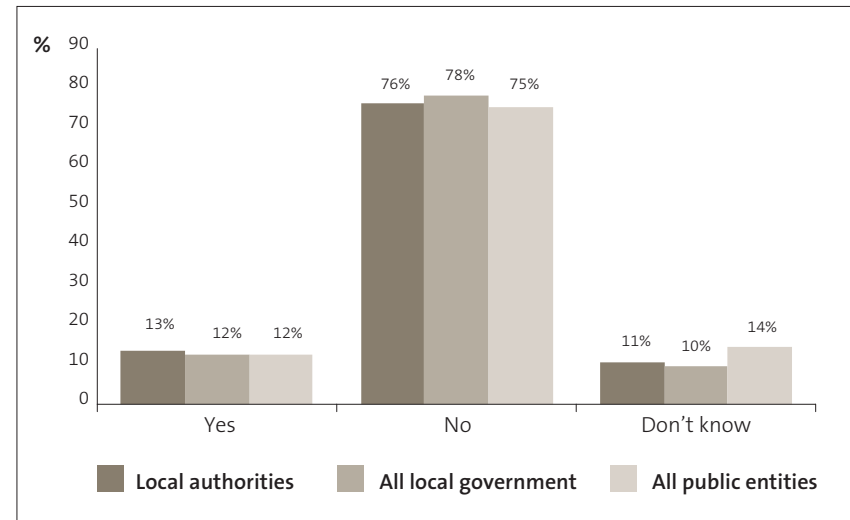
	Yes		No		Don't know		Total
Local authorities	22	13%	128	76%	19	11%	169
All local government	39	12%	250	78%	32	10%	321
All public entities	166	12%	1067	75%	195	14%	1428

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

Question 21: Credit card expenditure is closely monitored.
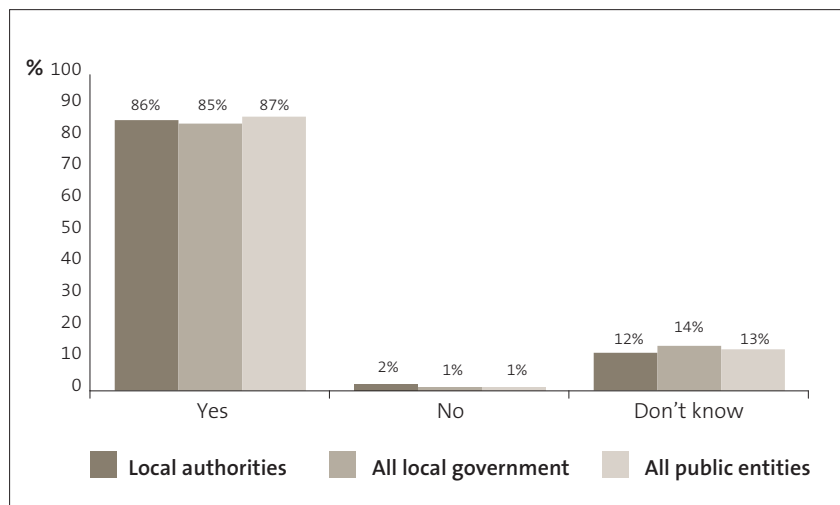
	Yes		No		Don't know		Total
Local authorities	145	86%	3	2%	21	12%	169
All local government	273	85%	4	1%	44	14%	321
All public entities	1236	87%	10	1%	182	13%	1428
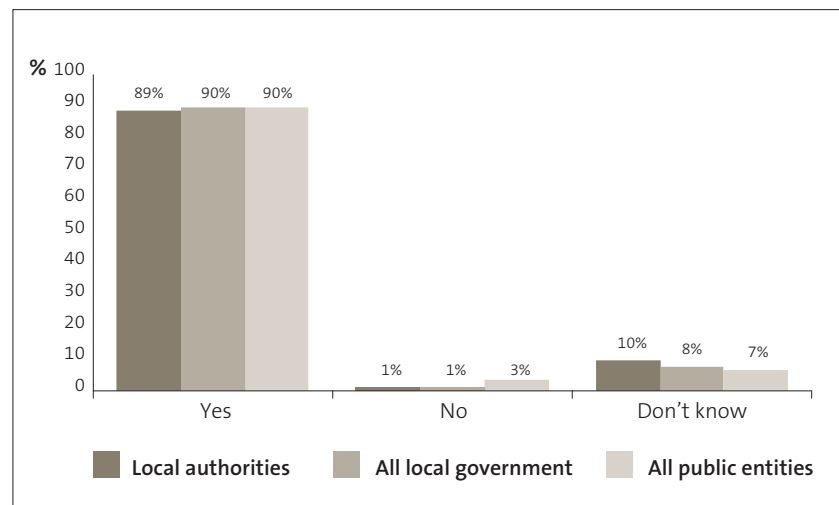
	Yes		No		Don't know		Total
Local authorities	150	89%	2	1%	17	10%	169
All local government	290	90%	4	1%	27	8%	321
All public entities	1280	90%	46	3%	100	7%	1426

Question 22: Staff expenses are closely monitored.

Question 23: Should a fraud or corruption incident occur at my organisation, the investigation is conducted by ...
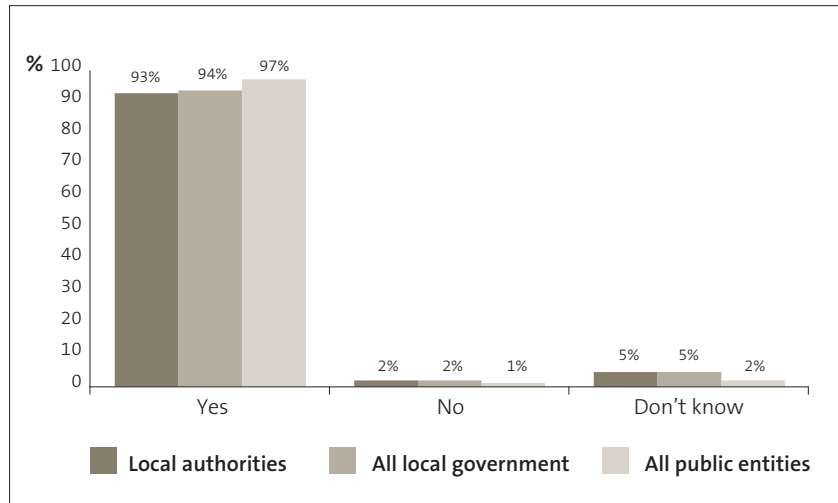
	Yes		No		Don't know		Total
Local authorities	157	93%	4	2%	8	5%	169
All local government	301	94%	5	2%	15	5%	321
All public entities	1381	97%	15	1%	30	2%	1426
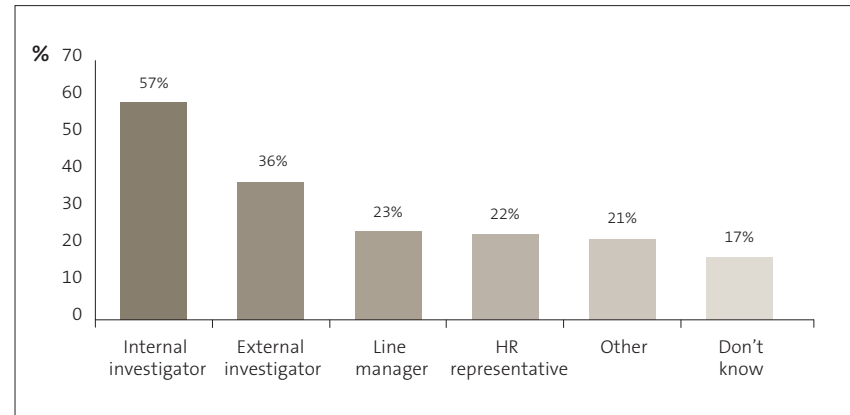
Question 24: Management communicates incidents of fraud to all staff at my organisation.
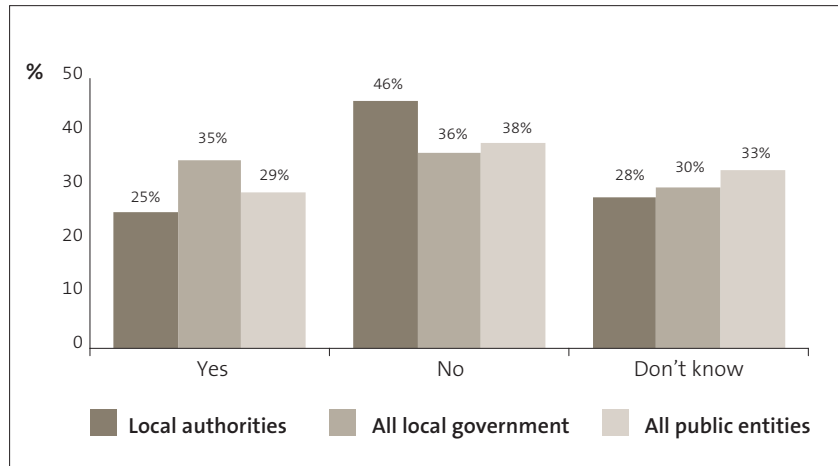
	Yes		No		Don't know		Total
Local authorities	43	25%	78	46%	48	28%	169
All local government	111	35%	115	36%	95	30%	321
All public entities	416	29%	546	38%	464	33%	1426

Question 25: I am aware of fraud or corruption incidents in the last two years that have gone unreported by my organisation.
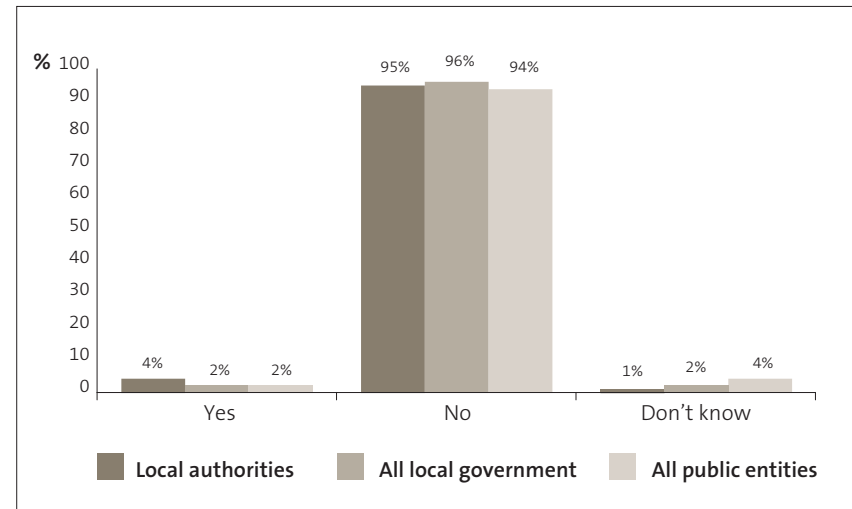
	Yes		No		Don't know		Total
Local authorities	7	4%	160	95%	2	1%	169
All local government	8	2%	308	96%	5	2%	321
All public entities	22	2%	1345	94%	59	4%	1426

Question 26: I am aware of fraud or corruption incidents in the last two years that have been reported but gone unpunished by my organisation.
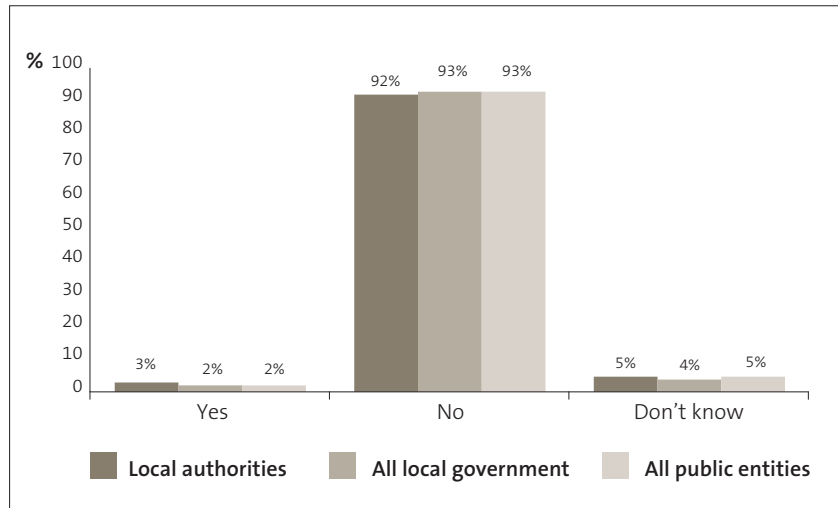
	Yes		No		Don't know		Total
Local authorities	5	3%	155	92%	9	5%	169
All local government	8	2%	299	93%	14	4%	321
All public entities	26	2%	1324	93%	75	5%	1425

Question 27: Inappropriate or personal credit card expenditure is taken very seriously and results in disciplinary action.
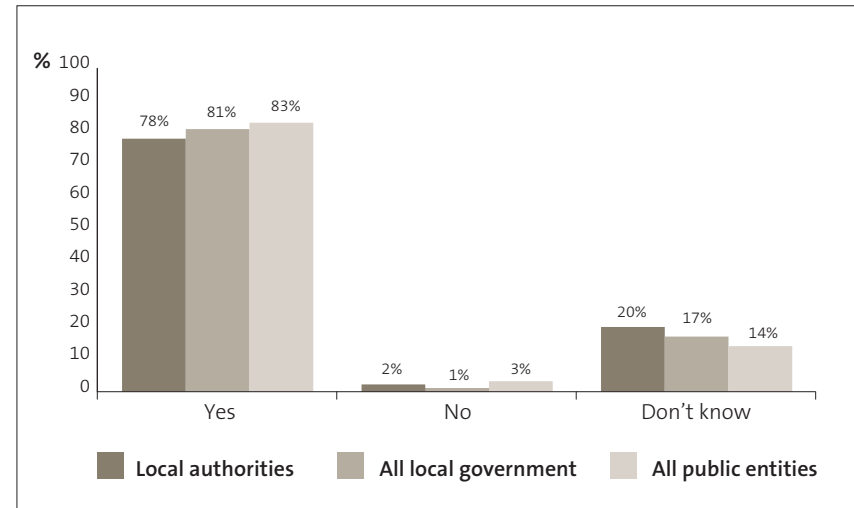
	Yes		No		Don't know		Total
Local authorities	132	78%	3	2%	34	20%	169
All local government	261	81%	4	1%	56	17%	321
All public entities	1179	83%	47	3%	199	14%	1425

Question 28: Inappropriate expense claims or expense claims for personal purchases are taken very seriously and result in disciplinary action.
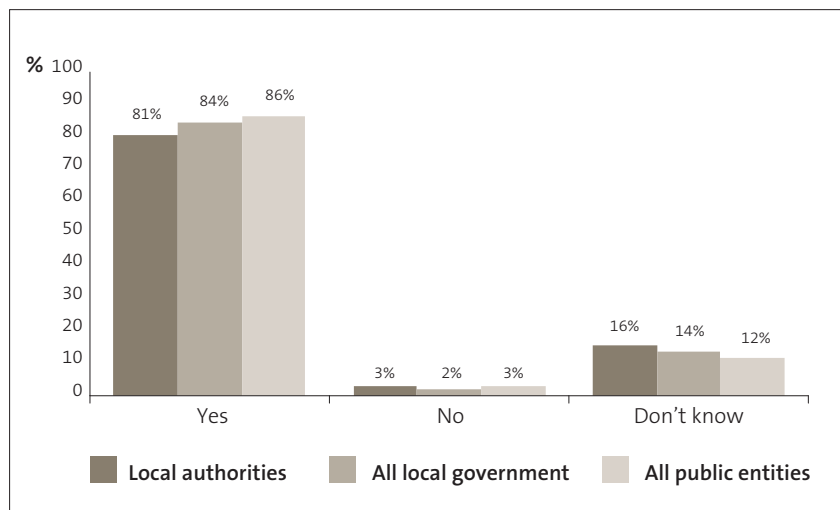
	Yes		No		Don't know		Total
Local authorities	137	81%	5	3%	27	16%	169
All local government	269	84%	6	2%	46	14%	321
All public entities	1219	86%	37	3%	168	12%	1424

Question 29: I am confident that my organisation will take all reasonable action to recover any money lost through fraud or corruption.
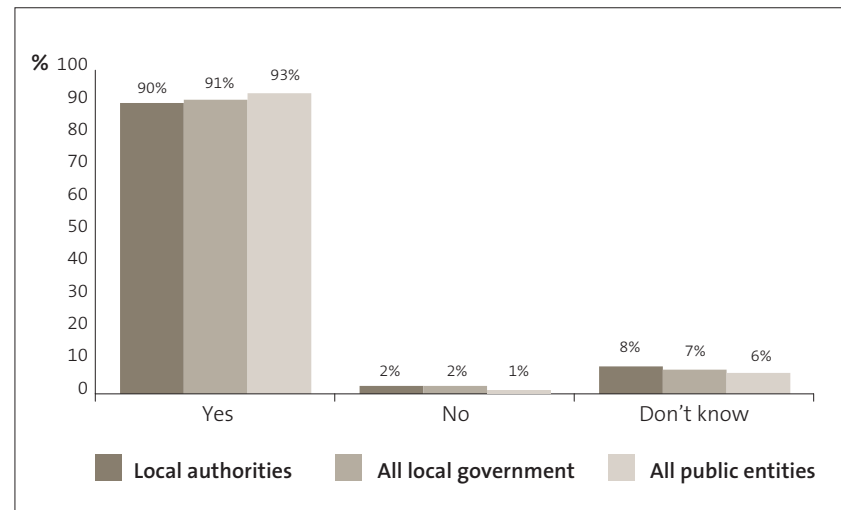
	Yes		No		Don't know		Total
Local authorities	152	90%	3	2%	14	8%	169
All local government	292	91%	5	2%	24	7%	321
All public entities	1319	93%	18	1%	87	6%	1424

Question 30: I am confident that incidents of fraud and corruption that occur at my organisation will be reported to the Police.
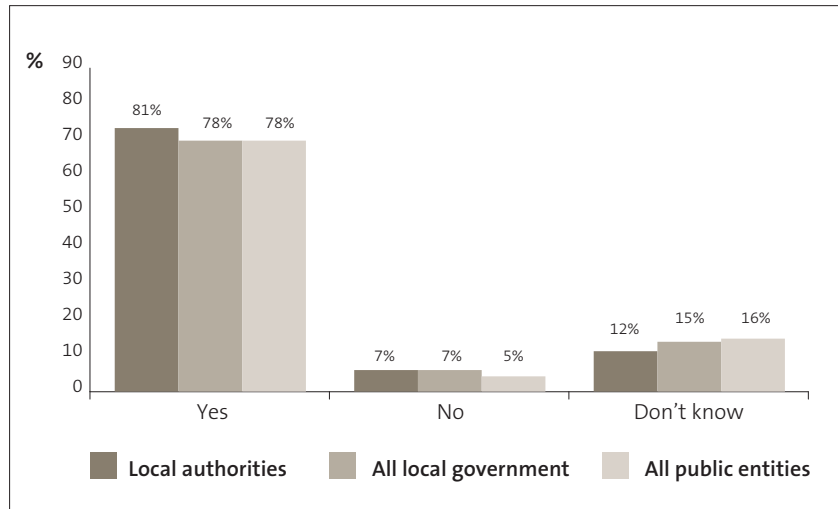
	Yes		No		Don't know		Total
Local authorities	137	81%	11	7%	21	12%	169
All local government	250	78%	22	7%	49	15%	321
All public entities	1115	78%	75	5%	234	16%	1424

Question 31: Internal controls are reviewed as part of every fraud investigation.
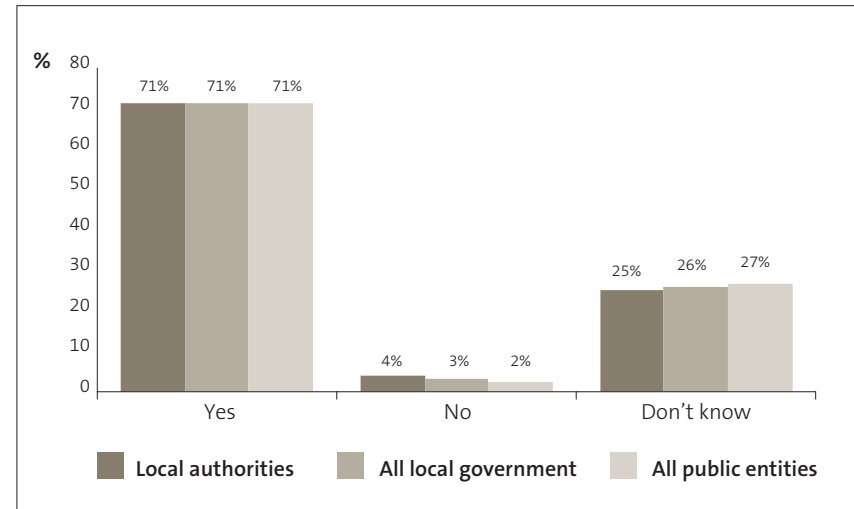
	Yes		No		Don't know		Total
Local authorities	120	71%	7	4%	42	25%	169
All local government	228	71%	10	3%	83	26%	321
All public entities	1005	71%	29	2%	390	27%	1424

Question 32: How many incidents of fraud or corruption are you aware of at your organisation in the last two years?
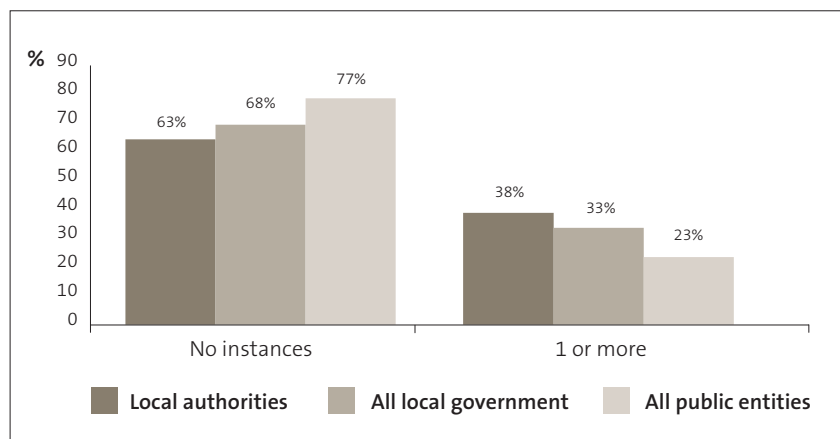
	No instances		1 or more		Total
Local authorities	105	63%	63	38%	168
All local government	216	68%	104	33%	320
All public entities	1102	77%	320	23%	1422

Question 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?
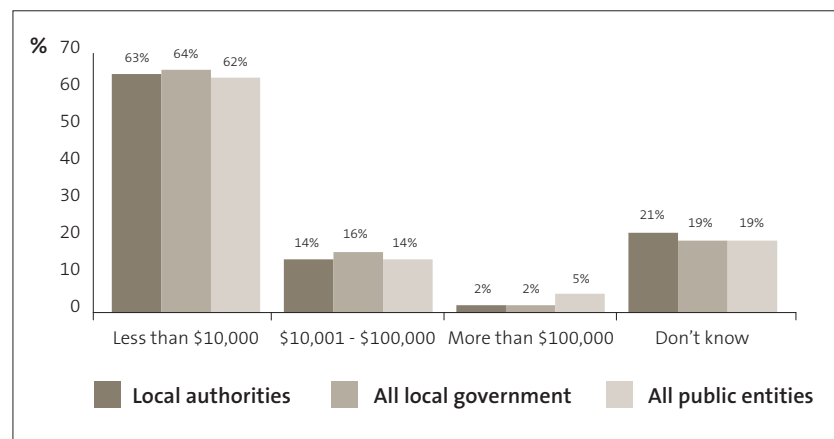
	Local authorities		All local government		All public entities	
Less than $10,000	40	63%	66	64%	199	62%
$10,001 - $100,000	9	14%	17	16%	45	14%
More than $100,000	1	2%	2	2%	17	5%
Don't know	13	21%	19	19%	59	19%
Total	**63**	**100%**	**104**	**100%**	**320**	**100%**

Question 34: In the most recent incident of fraud or corruption within your organisation that you are aware of, the main perpetrator(s) was ...
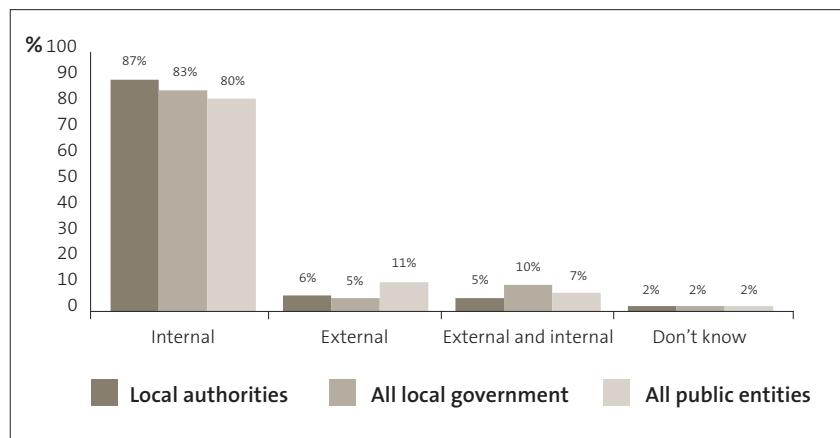
	Local authorities		All local government		All public entities	
Internal (within the organisation)	55	87%	87	83%	255	80%
External (outside the organisation)	4	6%	5	5%	34	11%
Combination of external and internal (collusion)	3	5%	10	10%	24	7%
Don't know	1	2%	2	2%	7	2%
Total	**63**	**100%**	**104**	**100%**	**320**	**100%**

Question 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 ...
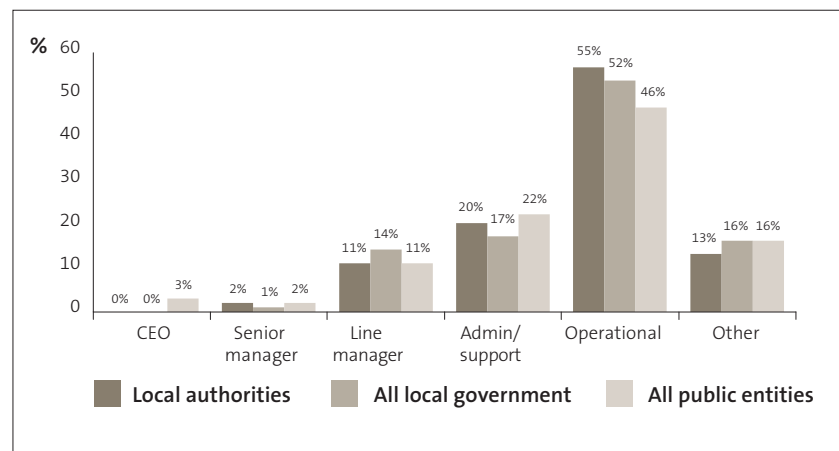
	Local authorities		All local government		All public entities	
Chief Executive Officer/ Managing Director/ Principal	0	0%	0	0%	8	3%
Member of the senior executive/ leadership team or equivalent	1	2%	1	1%	7	2%
Line manager	7	11%	15	14%	36	11%
Admin/support services	13	20%	18	17%	71	22%
Operational staff	35	55%	54	52%	148	46%
Other	7	13%	16	16%	50	16%
Total	**63**	**100%**	**104**	**100%**	**320**	**100%**

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

	Local authorities		All local government		All local government	
	No.	%	No.	%	No.	%
Theft of cash	29	36%	39	29%	85	21%
Theft of plant and equipment	8	10%	14	11%	35	9%
Theft of inventory	6	7%	15	11%	33	8%
Theft of intellectual property	2	2%	2	2%	6	1%
Identity crime	0	0%	0	0%	7	2%
Fraudulent expense claim	4	5%	8	6%	55	14%
Fraudulent misuse of a credit card	3	4%	4	3%	31	8%
Fraudulent misuse of a fuel card	3	4%	6	5%	17	4%
False invoicing	6	7%	9	7%	34	8%
Payroll fraud	7	9%	14	11%	38	9%
Supplying false credentials	1	1%	1	1%	7	2%
False claim for benefit	0	0%	0	0%	2	0%
Financial statement fraud (overstatements)	0	0%	1	1%	2	0%
Financial statement fraud (understatements)	1	1%	1	1%	1	0%
Conflicts of interest	5	6%	9	7%	27	7%

	Local authorities		All local government		All local government	
	No.	%	No.	%	No.	%
Provision of false information or fraudulent alteration of documents	1	1%	2	2%	9	2%
Don't know	5	6%	8	6%	13	3%
Total	**81**	**100%**	**133**	**100%**	**402**	**100%**

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.

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

	Local authorities		All local government		All surveyed public entities	
	No.	%	No.	%	No.	%
Whistle blowing system	1	1%	2	2%	12	3%
Internal tip-off	20	27%	26	22%	80	20%
External tip-off	15	21%	17	14%	40	10%
Change of duties/ personnel	3	4%	4	3%	17	4%
Accident (i.e. luck)	2	3%	5	4%	17	4%
Internal control systems	16	22%	36	31%	144	36%
Internal audit	6	8%	12	10%	41	10%
External audit	0	0%	1	1%	3	1%
Fraud detection system	3	4%	3	3%	15	4%
Don't know	7	10%	12	10%	26	7%
Total	**73**	**100%**	**118**	**100%**	**395**	**100%**

Question 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?

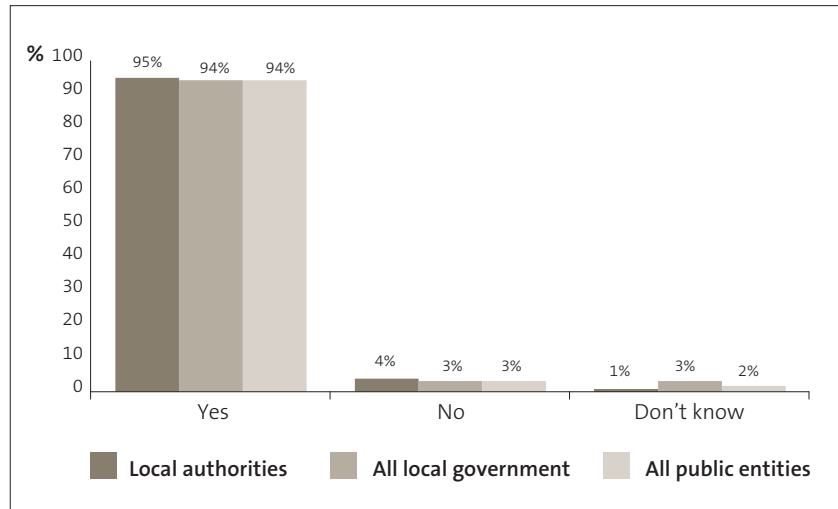|	Local authorities		All local government		All public entities	
None	7	11%	9	9%	48	15%
Less than $1,000	22	35%	39	38%	104	33%
Between $1,000 and $10,000	16	25%	29	28%	90	28%
Between $10,001 and $50,000	4	6%	6	6%	16	5%
Between $50,001 and $100,000	2	3%	3	3%	7	2%
Between $100,001 and $500,000	0	0%	0	0%	7	2%
More than $500,000	0	0%	1	1%	3	1%
Don't know	12	19%	16	16%	44	14%
Total	**63**	**100%**	**103**	**100%**	**319**	**100%**

Question 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?

	Local authorities		All local government		All public entities	
Inadequate internal control policies and procedures	9	14%	10	10%	26	8%
Internal control policies and procedures not followed	13	21%	20	19%	85	27%
Poor segregation of duties	2	3%	4	4%	10	3%
Easy access to cash	9	14%	11	11%	19	6%
Management override of controls	3	5%	4	4%	15	5%
New type of fraud that our organisation was unprepared for	2	3%	4	4%	12	4%
Person didn't think they would get caught	19	30%	41	40%	127	40%
Don't know	6	10%	9	9%	22	7%
Total	**63**	**100%**	**103**	**100%**	**316**	**100%**

Question 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)?
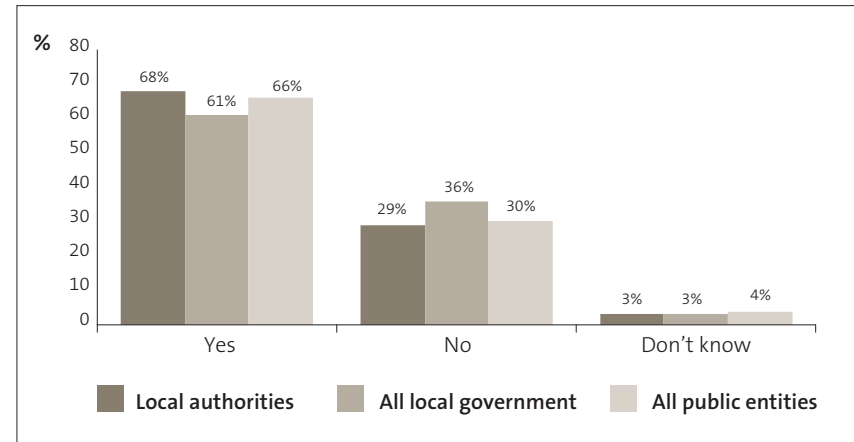
	Local authorities		All local government		All public entities	
No action was taken	4	6%	6	6%	14	5%
Insufficient evidence or culprit not identified	0	0%	0	0%	10	3%
Decision/action pending	2	3%	2	2%	15	5%
Allowed to resign and not reported to relevant authorities	9	15%	11	11%	35	11%
Allowed to resign but reported to relevant authorities	5	8%	7	7%	23	7%
Disciplined without any report to relevant authorities	5	8%	15	15%	40	13%
Disciplined and reported to relevant authorities	0	0%	1	1%	19	6%
Dismissed without any report to relevant authorities	10	16%	21	21%	44	14%
Dismissed and reported to relevant authorities	22	35%	32	31%	81	26%
Don't know	5	8%	7	7%	30	10%
Total	**62**	**100%**	**102**	**100%**	**311**	**100%**

Question 41: I feel secure in my job.

	Yes		No		Don't know		Total
Local authorities	160	95%	6	4%	2	1%	168
All local government	299	94%	11	3%	9	3%	319
All public entities	1341	94%	46	3%	33	2%	1420

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

	Yes		No		Don't know		Total
Local authorities	115	68%	48	29%	5	3%	168
All local government	194	61%	115	36%	10	3%	319
All public entities	943	66%	423	30%	54	4%	1420

Question 43: In the current economic climate, I believe that my organisation faces a lower risk of fraud, a higher risk of fraud or no change to the risk of fraud?
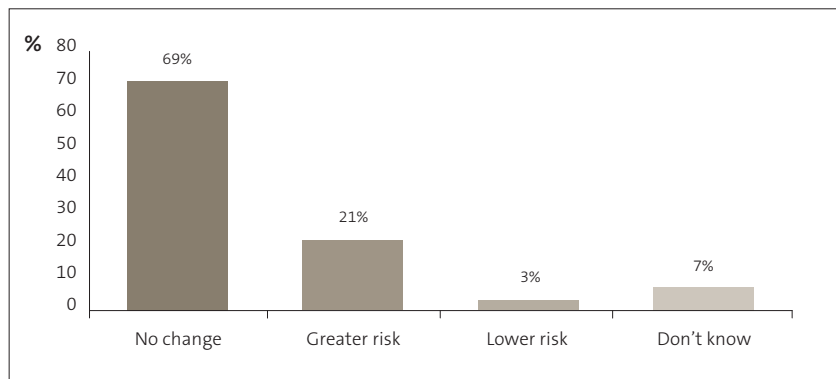
Appendix 2
About the survey

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.