

# Summary of our fraud survey results

Airports

Port companies

Electricity lines businesses

Local government – other

Council-controlled organisations

Cleanest public sector in the world: Keeping fraud at bay

May 2012

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### Key terms in this report

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

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

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

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

We also refer to 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.

This report sets out the fraud summary results for respondents working in:

- airports;
- port companies;
- electricity lines businesses;
- a collection of other local government entities that do not fall in any of the above categories (local government – other); and
- council-controlled organisations.

## What are these entities doing well?

Respondents from these entities told us that their entities have some of the essentials in place. The entities:

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

## What to focus on

### Chief executives

As chief executive, you should:

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

### Senior managers

As a senior manager, you should:

- support the chief executive in maintaining an environment where staff understand and are willing to talk about fraud risks;
- make sure you have a protected disclosures policy, and that staff know about it;

- regularly circulate your fraud policy, and check that staff have read and understood it;
- carry out pre-employment screening checks of new staff, and due diligence checks of suppliers; 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.

## Part 2

# Detailed results for these entities

### Key facts

Survey date:	From 14 February to 3 June 2011
Total respondents:	1472
Total response rate:	74%
Number of respondents covered in this report:	138
Number of entities represented in these results:	62 of 122
Airports (20 respondents)	9 of 19
Port companies (3 respondents)	2 of 12
Electricity lines businesses (28 respondents)	8 of 21
Local government – other (11 respondents)	15 of 20
Council-controlled organisations (76 respondents)	28 of 50

### Survey terms:

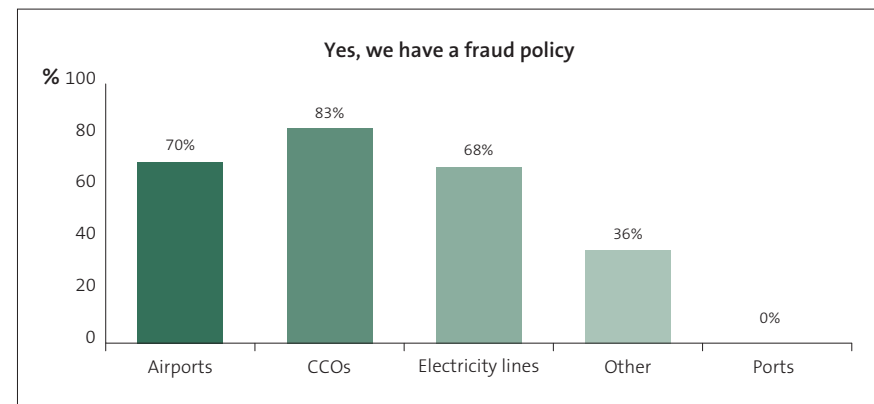
- **fraud** means an intentional and dishonest act involving deception or misrepresentation by a person, to obtain or potentially obtain an advantage for themselves or any other person;
- **theft** means to dishonestly, and without claim or right, take or deal with any property with intent to deprive 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).

### Preventing fraud

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

### Code of conduct and policies

Most respondents said that their entities had a fraud policy.



Most of these rates were lower than the average for the local government sector (where 76% of respondents said they had a fraud policy) and the public sector overall (where 79% said they had a fraud policy).

For small entities, a specific fraud policy might seem excessive – what is most important is that clear guidance is accessible and understood by all staff.

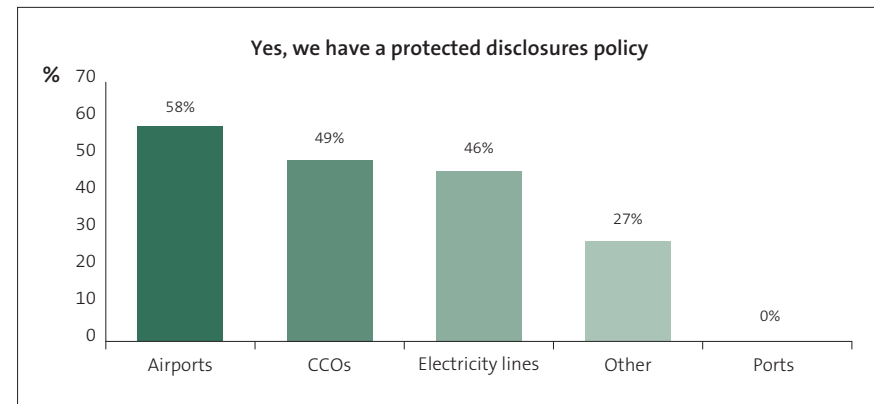
Most respondents also said that their entity had a code of conduct:

- airports, 75%;
- council-controlled organisations, 83%;
- electricity lines businesses, 82%;
- local government – other, 91%; and
- port companies, 67%.

The percentages dropped when respondents were asked whether these policies were regularly communicated. For example, only half of the airport respondents had received communication on their policies.

Fewer respondents said that their entities had a protected disclosures policy, even though every public entity is legally required to have such a policy.

The percentages of respondents answering “Yes” to this question were lower than the percentages for the local government sector (62%) and the overall public sector (71%).



Most respondents said that their entity had a clear policy on accepting gifts or services:

- airports, 70%;
- council-controlled organisations, 84%;
- electricity lines businesses, 79%;
- local government – other, 36%; and
- port companies, 67%.

These results were mostly higher than the overall public sector response of 71%. 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 policy.

In our view, the most important matter is the conflict of interest risk – staff should always decline a gift if accepting it could influence, or be seen as

influencing, their decision-making. And gifts need to be recorded in a gifts register.

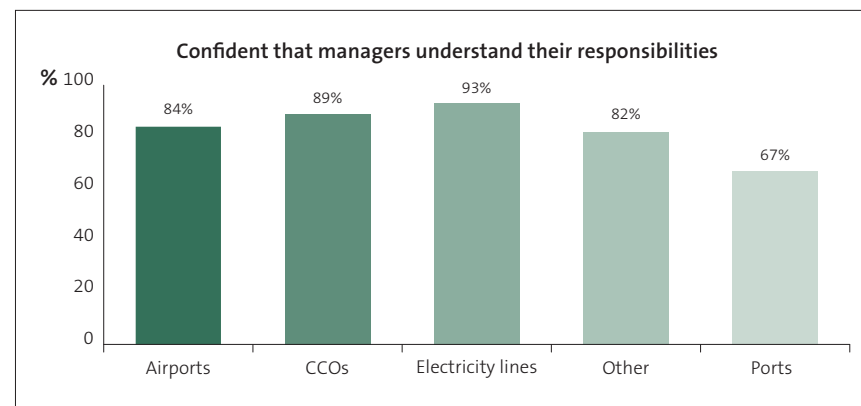
Clear and consistent policies, and messages about those policies, can prevent inappropriate behaviour, provide guidance to all staff, and ensure that everyone understands their role in, and responsibility for, preventing fraud.

### Clear roles and responsibilities

Although the culture modelled by the leaders of an entity is critical, preventing fraud is not the responsibility of any one person. Most respondents felt confident that other employees understood their responsibilities and would know if they discovered fraud (responses ranged from 82% down to 33%). Airports, council-controlled organisations, and local government - other entities had higher results than the overall public sector (73%).

Respondents from all levels in these entities (from the chief executive through to operational and administration staff) felt confident that managers understood their roles and responsibilities for preventing and detecting fraud. Electricity lines businesses (93%) had the highest affirmative response rate.

Senior managers understood well the importance of building an anti-fraud culture and regularly communicating with staff about fraud incidents. However, less than half of the respondents (from 0% to 45%) said that managers told staff about incidents of fraud.



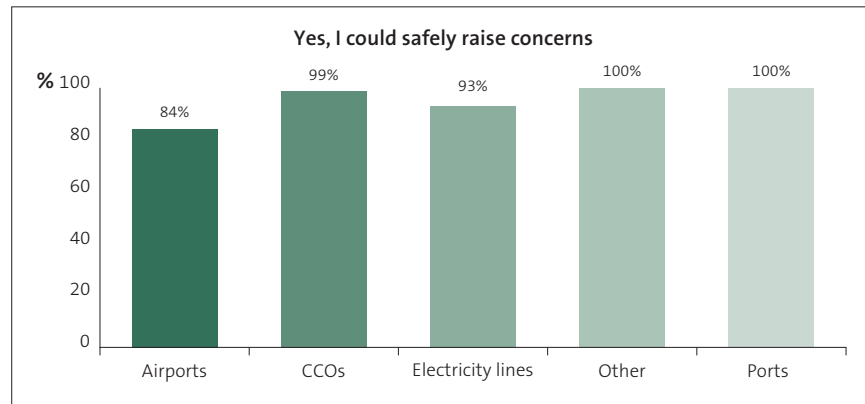
In our view, all employees need to understand their roles and responsibilities so that a culture receptive to discussing fraud can be supported and maintained.

### Environment receptive to conversations about fraud

Most respondents worked in an environment where staff were encouraged to raise concerns if they suspect fraud:

- airports, 84%;
- council-controlled organisations, 87%;
- electricity lines businesses, 93%;
- local government – other, 91%; and
- port companies, 67%.

Almost all said that they could do so knowing that their concerns would be taken seriously and without fear of retaliation.



Responses were mixed (from 33% to 80%) about whether entities took a proactive approach to preventing and detecting fraud.

### Fraud controls

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

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

Some respondents said that their entity regularly reviews its fraud controls:

- airports, 37%;
- council-controlled organisations, 72%;
- electricity lines businesses, 57%;
- local government – other, 73%; and
- port companies, 0%.

Those entities that do not regularly review their fraud controls could have fraud controls that are no longer effective, because systems and processes change over time. To work effectively, fraud controls need to be reviewed annually or every two years.

### Due diligence checks and pre-employment screening

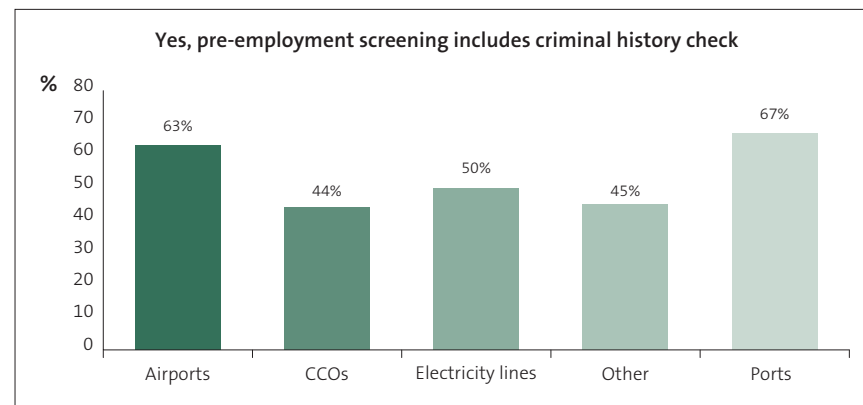
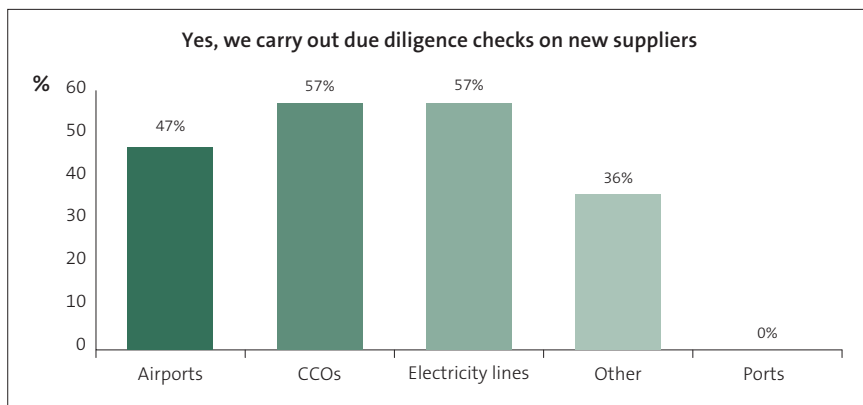
Many frauds occur through the use of fake suppliers and suppliers with a close personal relationship with an employee. Carrying out due diligence checks can help to mitigate the risk that suppliers can pose. Some examples of due diligence checks are:

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

The percentage of respondents who said that due diligence checks were carried out was mixed, with higher and lower results than for the wider local government sector (46%) and the whole public sector (48%).

In our view, all public entities should be carrying out due diligence checks on new suppliers.





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

The percentage of respondents who said that new employees undergo pre-employment screening that includes a criminal history check was also generally lower than the result for the wider local government sector (50%) and lower than the whole public sector (71%).

### Fraud awareness training

Even the most diligent employees might not identify a fraud if they have not had training. Knowing where to look and what to look for can be difficult. Only 37% of airport respondents, 23% of respondents in council-controlled organisations, and 9% of respondents in local government – other entities had received fraud awareness training at their current workplace.

By combining due diligence checks with awareness training and internal controls, any entity can foster a strong anti-fraud culture. Raising awareness of fraud helps build a culture that is receptive to fraud conversations and encourages employees to come forward if they suspect anything.

### Greater risk during tougher economic times

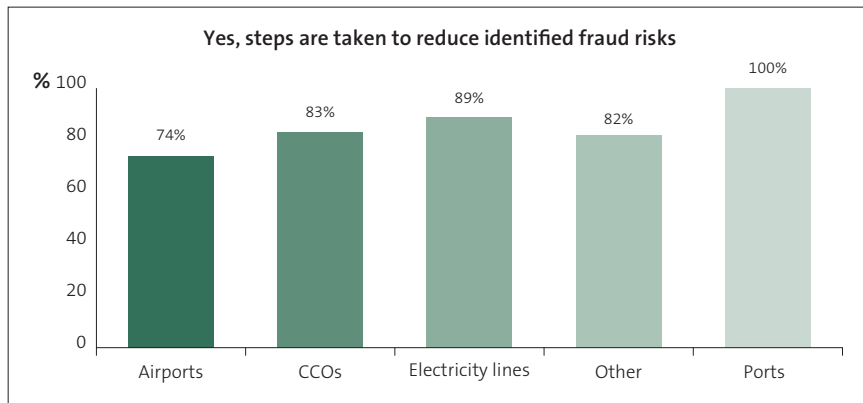
We note that 69% of all respondents did not feel that their entity had a change in risk because of the current economic climate. Experience internationally generally confirms that recessionary economic climates – when staff feel less secure in their employment and increasingly under pressure – present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

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

## Detecting fraud

### Responding to risks

Survey participants were asked whether their entity takes proactive steps to reduce any risks when fraud or corruption risks are raised. The percentage of “Yes” responses from respondents in these entities was similar to wider local government respondents (85%) and all public sector respondents (87%).



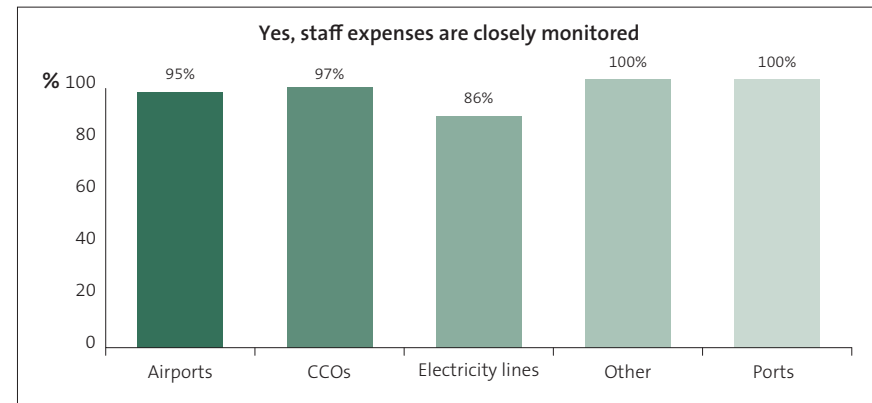
### Monitoring credit card spending

Almost all respondents said that their organisation was closely monitoring credit card spending. Again, the rate of “Yes” responses was similar to other local government respondents (90%) and all public sector respondents (90%). The rates of “Yes” responses were:

- airports, 84%;
- council-controlled organisations, 97%;
- electricity lines businesses, 89%;
- local government – other, 82%; and
- port companies, 100%.

### Monitoring staff expenses

Almost all respondents were also certain their organisation closely monitored staff expenses. The rate of “Yes” responses was again similar to the rate of 94% for other local government respondents and of 97% for all public sector respondents.

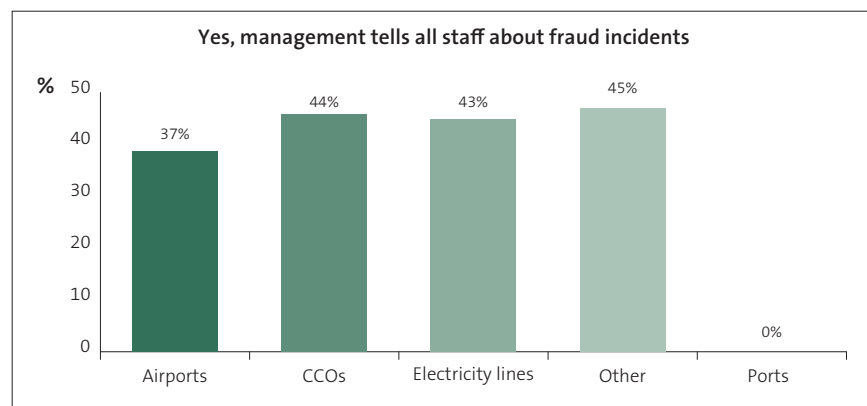


Questions 16 to 22 in Appendix 1 set out the survey response data about fraud detection.

## Responding to fraud

### Telling staff about incidents of fraud

Overall, just over a third of respondents said that their senior managers told all staff about incidents of fraud (wider local government respondents: 35%, all public sector respondents: 29%).



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

### Referring suspected fraud to the appropriate authorities

Most respondents (ranging from 50% to 79%) expected that suspected fraud would be reported to the appropriate authorities. In reality, most recent incidents of fraud were not reported to the appropriate authorities.

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

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

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. Taking no action when fraudulent behaviour occurs also increases the risk that an employee suspected of committing fraud could move to another public entity and continue their dishonest behaviour.

### Credit card and expense claim fraud

Respondents were confident that their entity would take inappropriate credit card spending seriously and discipline the person involved. The affirmative response rates were about the same as or higher than those of respondents in the wider local government sector (81%) and the public sector overall (83%):

- airports, 89%;
- council-controlled organisations, 91%;

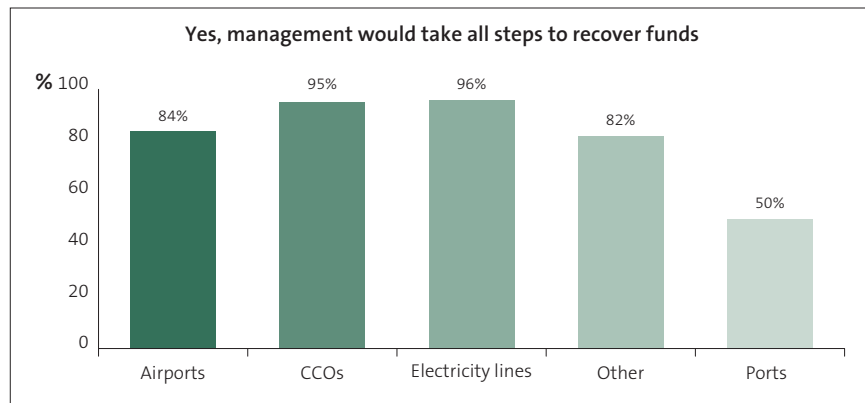
- electricity lines businesses, 68%;
- local government – other, 73%; and
- port companies, 100%.

There were similar responses to the question about whether inappropriate expense claims were taken seriously and resulted in disciplinary action. The affirmative response rates were close to the 84% response rate of those in the wider local government sector and the 86% of public sector overall.

Most respondents were confident that their entity would take all reasonable action to recover any money lost through fraud (affirmative responses ranged from 50% to 96%). These results were similar to the percentages for the local government sector (91%) and to the findings for the public sector overall (93%).

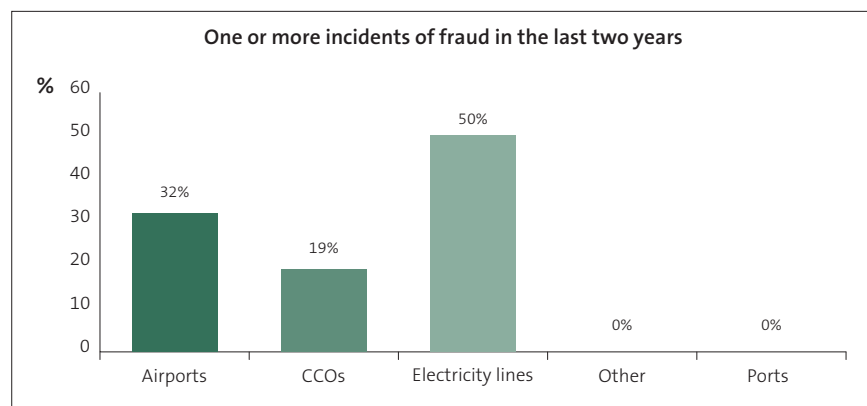
A clear process to recover funds shows the seriousness with which fraud is taken. In our view, chief executives and senior managers for these entities are doing well in sending clear messages that they will seek to recover any misappropriated funds.

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



## Part 3 Incidents of fraud

Despite our generally “clean” image, fraud is a fact of business life in New Zealand. Respondents from airports, council-controlled organisations, and electricity lines businesses were aware of at least one incident of fraud or corruption in their entity within the last two years.



Local government – other and port company respondents could not recall any incidents of fraud in the last two years. For these reasons, local government – other and port companies are not included in the following discussion.

Those who knew of an incident in the last two years were asked for details of the most recent incident. Most of the fraud incidents in these entities were committed by one internal person acting alone, typically at an operational level.

The value of the most recent fraud noted by respondents was mostly low, with many below \$1,000 and, for some types of entities, up to 79% below \$10,000. This trend of low dollar values was common to all sectors in our survey.

The most frequent type of fraud for airports (40%) was theft of cash. The most frequent type of fraud for electricity lines businesses was theft of inventory (29%).

For airports, 40% of fraud incidents were detected by internal tip-off (other than through a formal whistle-blowing system), 20% by internal controls, and 20% by accident. The remaining 20% of respondents did not know how the fraud was detected.

Internal controls detected 50% of fraud incidents for electricity lines businesses, 13% were detected by internal tip-off (other than through a formal whistle-blowing system), and 13% were detected by internal audit.

Council-controlled organisations experienced a wider range of fraud. The most frequent types of fraud within council-controlled organisations were:

- payroll fraud (21%);

- theft of cash (16%);
- theft of plant, property, and equipment, and inventory (27% combined);
- false invoicing (11%); and
- misuse of fuel cards (11%).

Internal controls detected 41% of the fraud incidents in council-controlled organisations. This reinforces the message that internal controls are crucial in not only preventing fraud but detecting it should it occur.

Respondents from council-controlled organisations said that 6% of the fraud incidents were detected by the external auditor. No respondents from airports and electricity lines businesses said that fraud incidents were detected by the external audit. This low percentage is not surprising, because detecting fraud is neither the purpose nor the focus of an external audit.

The most common reasons why fraud occurred for all entities were that the perpetrator did not think they would get caught and that internal controls were not followed or were overridden.

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

## Part 4

# Where to from here?

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

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

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

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

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

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

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

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

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

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

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

In the public sector, you also need to consider:

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

In effect, this means that the threshold for referring a matter to law enforcement agencies by public entities 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 survey data

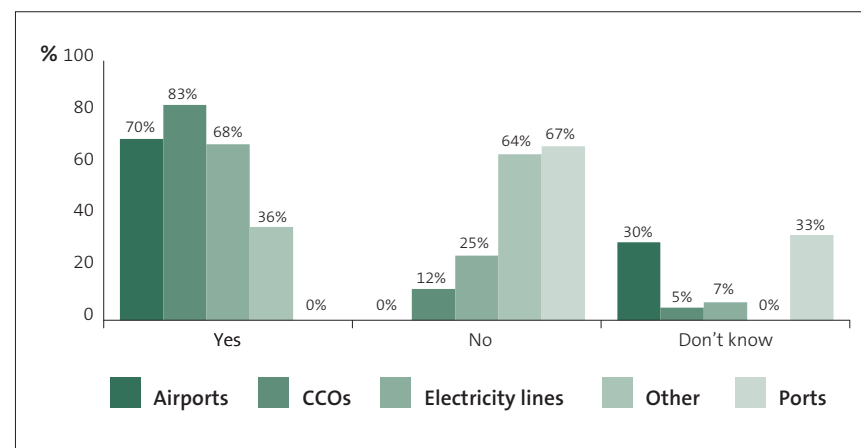
The entities discussed in this report (airports, port companies, electricity lines businesses, local government – other, and council-controlled organisations) were within our local government sector, which was made up of eight different entity types. The other entity types were fish and game councils, licensing or community trusts and local authorities.

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

The following graphs and tables compare the results for airports, port companies, electricity lines businesses, local government – other, and council-controlled organisation with the wider local government sector and the public sector overall.

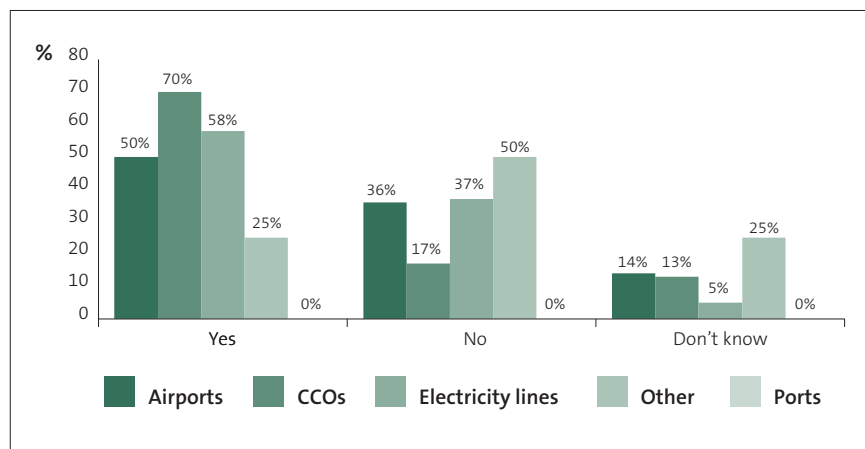
We have rounded the percentages to the nearest whole number, so the percentages may not always add to 100.

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



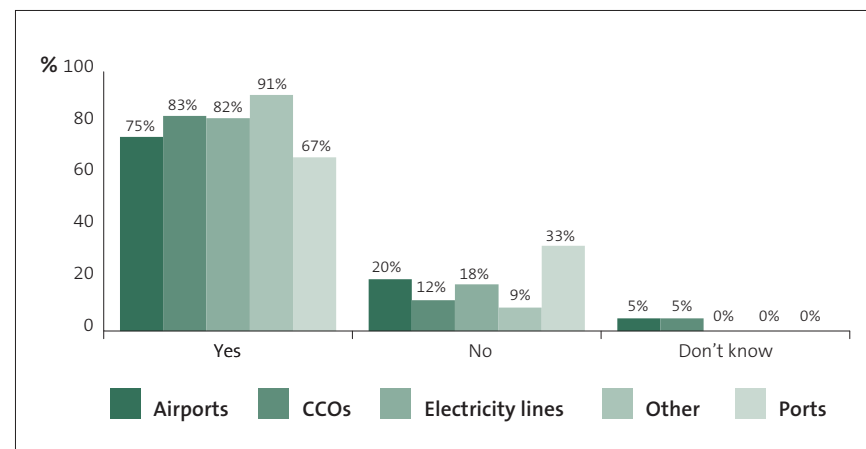
	Yes		No		Don't know		Total
Airports	14	70%	0	-	6	30%	20
Council-controlled organisations	63	83%	9	12%	4	5%	76
Electricity lines businesses	19	68%	7	25%	2	7%	28
Local government - other	4	36%	7	64%	0	-	11
Port companies	0	-	2	67%	1	33%	3
Local government	245	76%	49	15%	30	9%	324
All public entities	1143	79%	135	9%	169	12%	1447

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



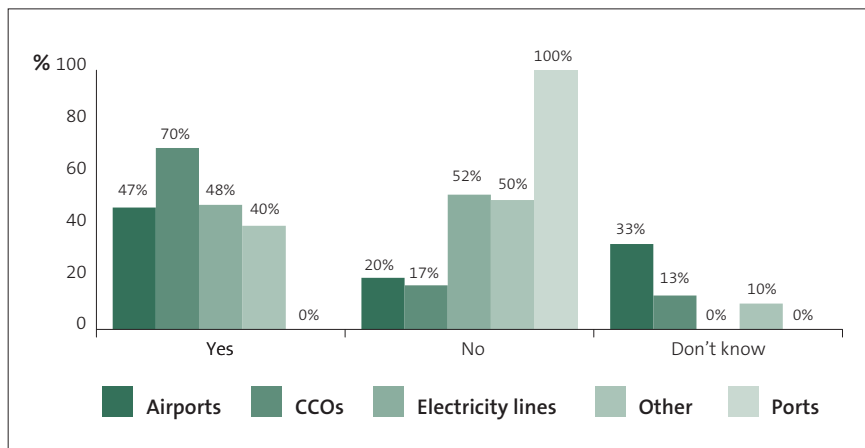
	Yes		No		Don't know		Total
Airports	7	50%	5	36%	2	14%	14
Council-controlled organisations	44	70%	11	17%	8	13%	63
Electricity lines businesses	11	58%	7	37%	1	5%	19
Local government - other	1	25%	2	50%	1	25%	4
Port companies	0	-	0	-	0	-	0
Local government	136	56%	84	34%	25	10%	245
All public entities	735	64%	295	26%	113	10%	1143

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



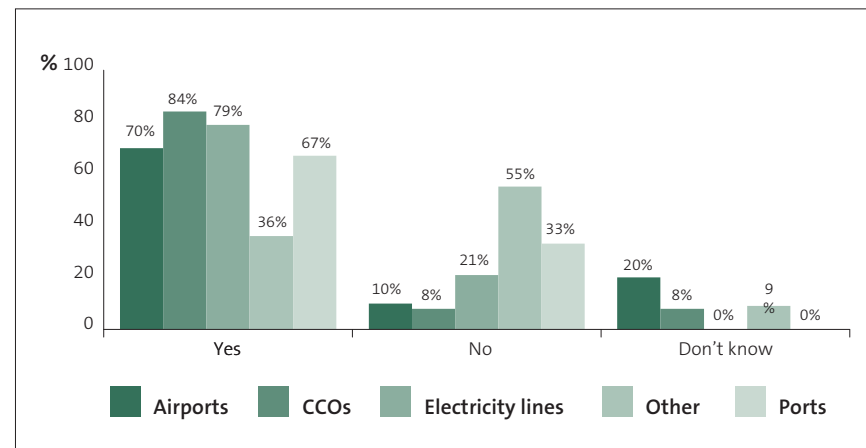
	Yes		No		Don't know		Total
Airports	15	75%	4	20%	1	5%	20
Council-controlled organisations	63	83%	9	12%	4	5%	76
Electricity lines businesses	23	82%	5	18%	0	-	28
Local government - other	10	91%	1	9%	0	-	11
Port companies	2	67%	1	33%	0	-	3
Local government	285	88%	29	9%	10	3%	324
All public entities	1321	92%	86	6%	35	2%	1442

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



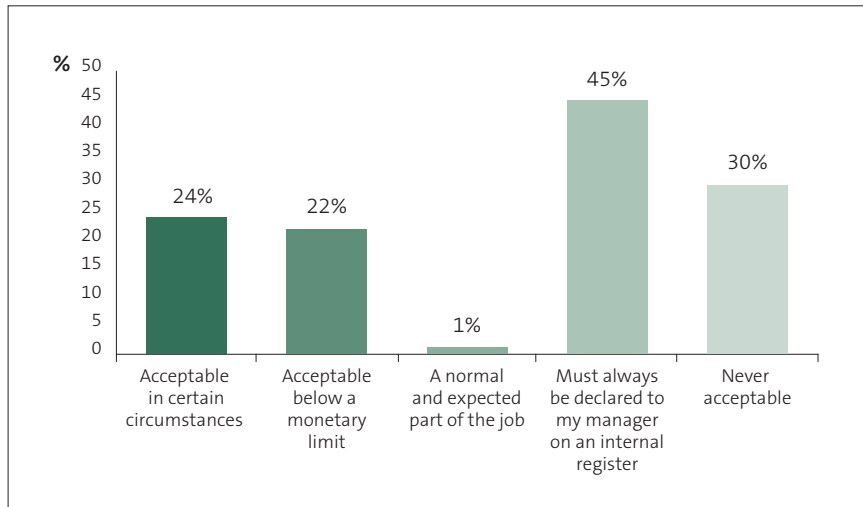
	Yes		No		Don't know		Total
Airports	7	47%	3	20%	5	33%	15
Council-controlled organisations	44	70%	11	17%	8	13%	63
Electricity lines businesses	11	48%	12	52%	0	-	23
Local government - other	4	40%	5	50%	1	10%	10
Port companies	0	-	2	100%	0	-	2
Local government	163	57%	95	33%	28	10%	286
All public entities	921	70%	286	22%	115	9%	1322

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



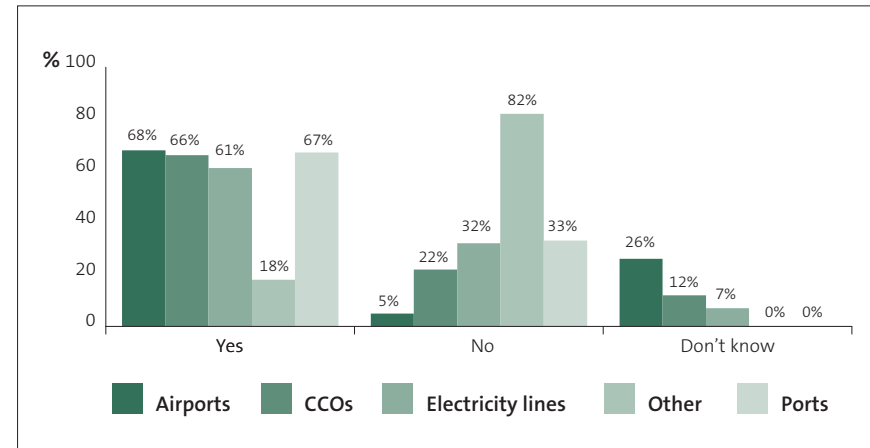
	Yes		No		Don't know		Total
Airports	14	70%	2	10%	4	20%	20
Council-controlled organisations	64	84%	6	8%	6	8%	76
Electricity lines businesses	22	79%	6	21%	0	-	28
Local government - other	4	36%	6	55%	1	9%	11
Port companies	2	67%	1	33%	0	-	3
Local government	250	77%	48	15%	26	8%	324
All public entities	1025	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 ...**



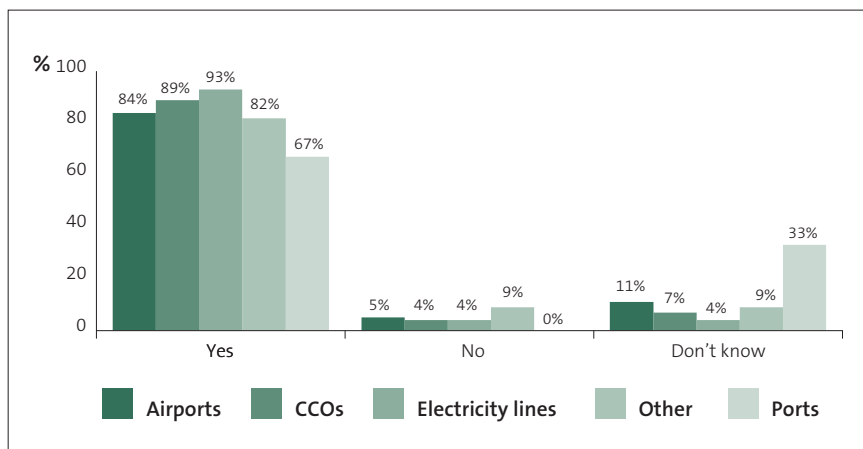
Note: The “right” answer to this question is a response that is in keeping with the entity’s gifts policy.

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



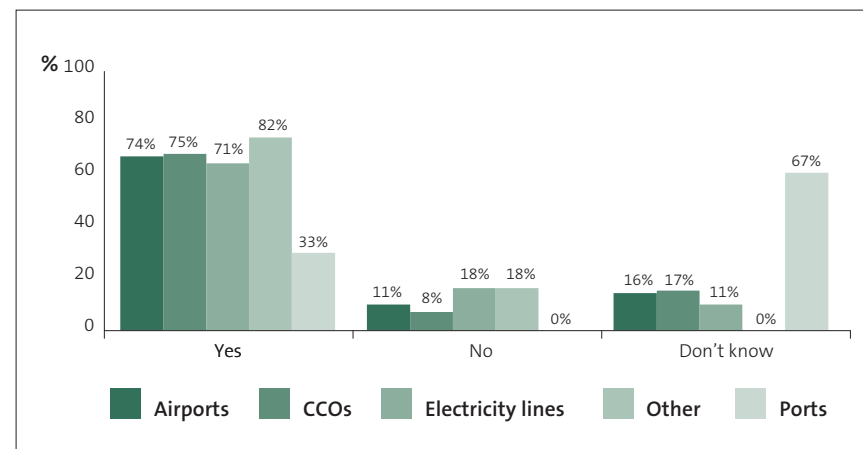
	Yes	No	Don't know	Total
Airports	13 (68%)	1 (5%)	5 (26%)	19
Council-controlled organisations	50 (66%)	17 (22%)	9 (12%)	76
Electricity lines businesses	17 (61%)	9 (32%)	2 (7%)	28
Local government - other	2 (18%)	9 (82%)	0 (-)	11
Port companies	2 (67%)	1 (33%)	0 (-)	3
Local government	202 (63%)	77 (24%)	44 (14%)	323
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.**



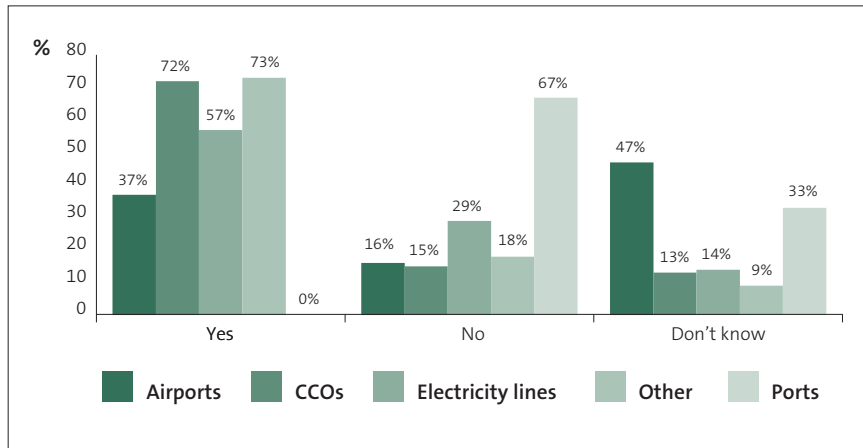
	Yes		No		Don't know		Total
Airports	16	84%	1	5%	2	11%	19
Council-controlled organisations	67	89%	3	4%	5	7%	75
Electricity lines businesses	26	93%	1	4%	1	4%	28
Local government - other	9	82%	1	9%	1	9%	11
Port companies	2	67%	0	-	1	33%	3
Local government	270	84%	26	8%	26	8%	322
All public entities	1282	89%	80	6%	72	5%	1434

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



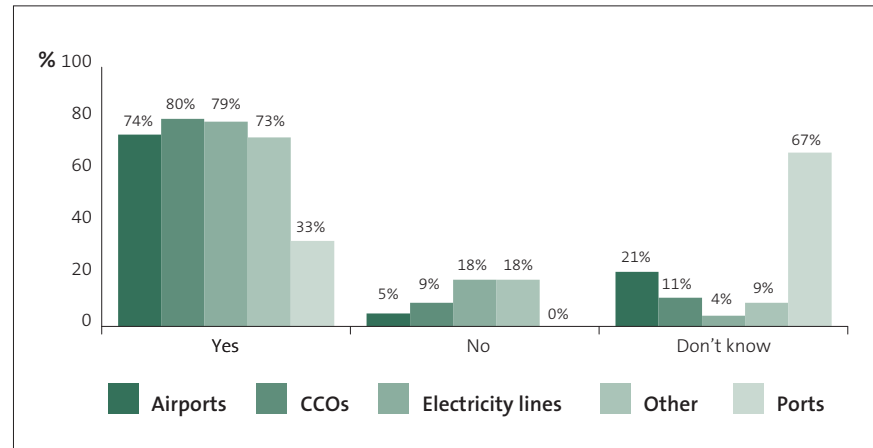
	Yes		No		Don't know		Total
Airports	14	74%	2	11%	3	16%	19
Council-controlled organisations	56	75%	6	8%	13	17%	75
Electricity lines businesses	20	71%	5	18%	3	11%	28
Local government - other	9	82%	2	18%	0	-	11
Port companies	1	33%	0	-	2	67%	3
Local government	222	69%	53	16%	47	15%	322
All public entities	1049	73%	181	13%	204	14%	1434

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



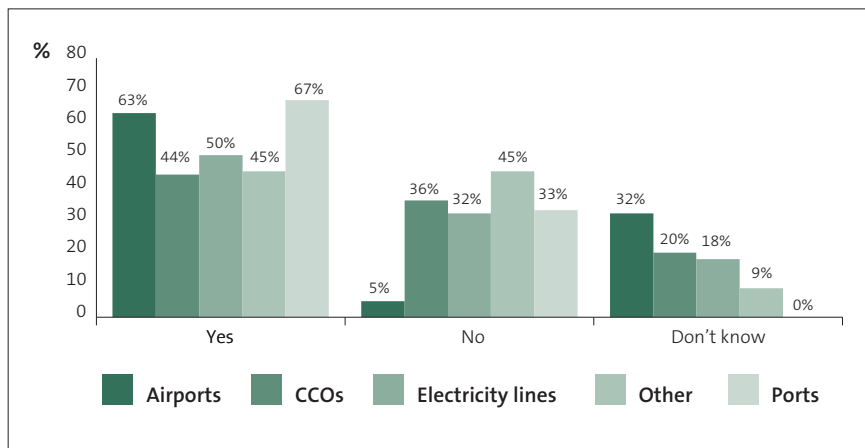
	Yes		No		Don't know		Total
Airports	7	37%	3	16%	9	47%	19
Council-controlled organisations	54	72%	11	15%	10	13%	75
Electricity lines businesses	16	57%	8	29%	4	14%	28
Local government - other	8	73%	2	18%	1	9%	11
Port companies	0	-	2	67%	1	33%	3
Local government	182	57%	67	21%	73	23%	322
All public entities	960	67%	178	12%	295	21%	1433

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



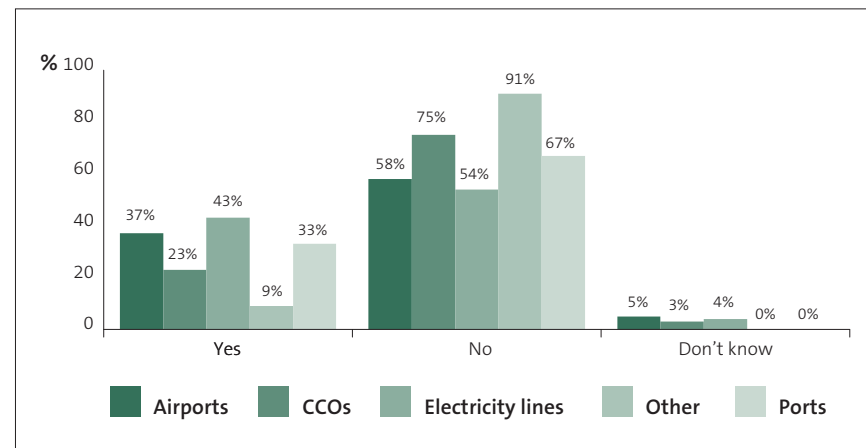
	Yes		No		Don't know		Total
Airports	14	74%	1	5%	4	21%	19
Council-controlled organisations	60	80%	7	9%	8	11%	75
Electricity lines businesses	22	79%	5	18%	1	4%	28
Local government - other	8	73%	2	18%	1	9%	11
Port companies	1	33%	0	-	2	67%	3
Local government	222	69%	56	17%	44	14%	322
All public entities	1105	77%	164	11%	162	11%	1431

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



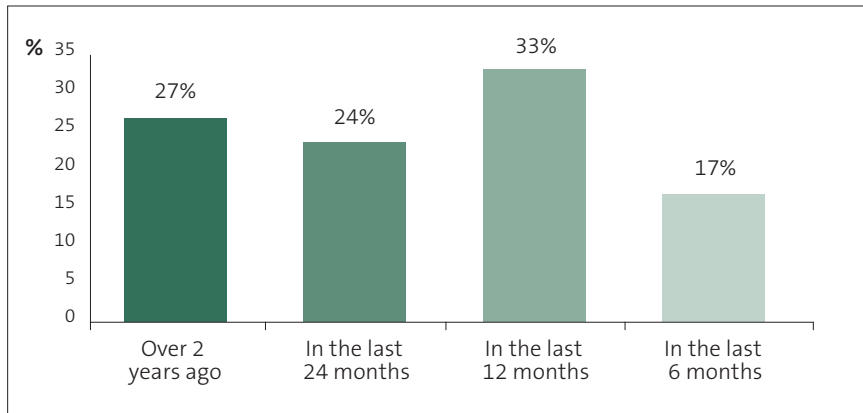
	Yes	No	Don't know	Total
Airports	12	1	6	19
Council-controlled organisations	33	27	15	75
Electricity lines businesses	14	9	5	28
Local government - other	5	5	1	11
Port companies	2	1	0	3
Local government	160	98	64	322
All public entities	1016	251	164	1431

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

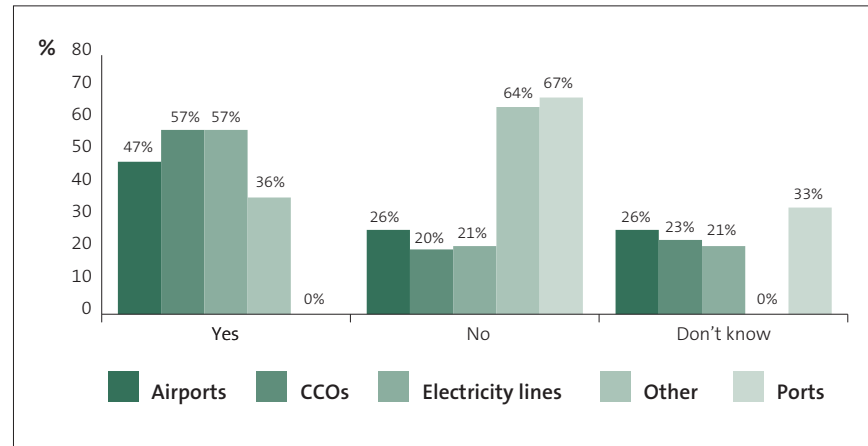


	Yes	No	Don't know	Total
Airports	7	11	1	19
Council-controlled organisations	17	56	2	75
Electricity lines businesses	12	15	1	28
Local government - other	1	10	0	11
Port companies	1	2	0	3
Local government	80	236	6	322
All public entities	338	1057	36	1431

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



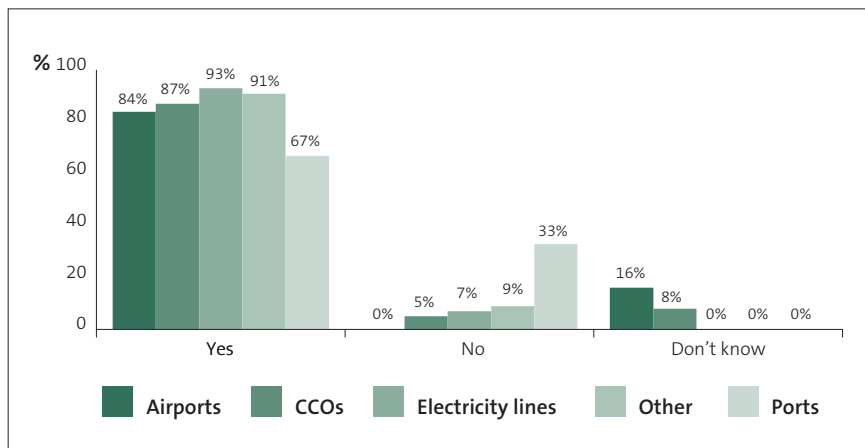
**Question 15: My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.**



	Yes	No	Don't know	Total
Airports	9 (47%)	5 (26%)	5 (26%)	19
Council-controlled organisations	43 (57%)	15 (20%)	17 (23%)	75
Electricity lines businesses	16 (57%)	6 (21%)	6 (21%)	28
Local government - other	4 (36%)	7 (64%)	0 (-)	11
Port companies	0 (-)	2 (67%)	1 (33%)	3
Local government	149 (46%)	80 (25%)	93 (29%)	322
All public entities	680 (48%)	366 (26%)	385 (27%)	1431

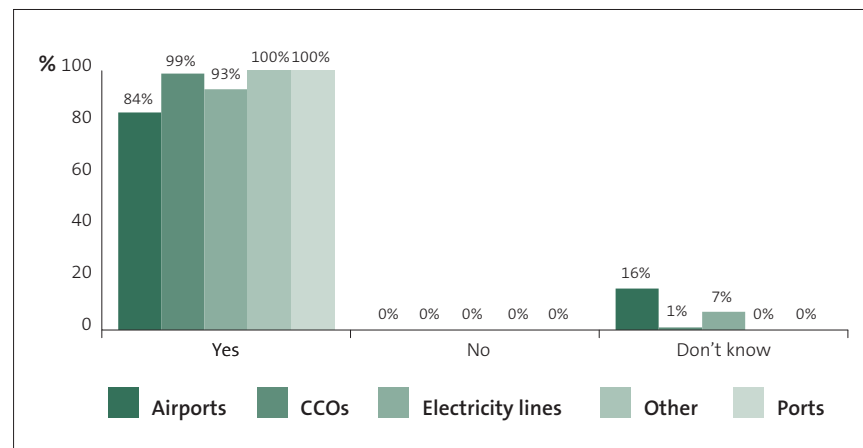


**Question 16: My organisation encourages staff to come forward if they see or suspect fraud or corruption.**



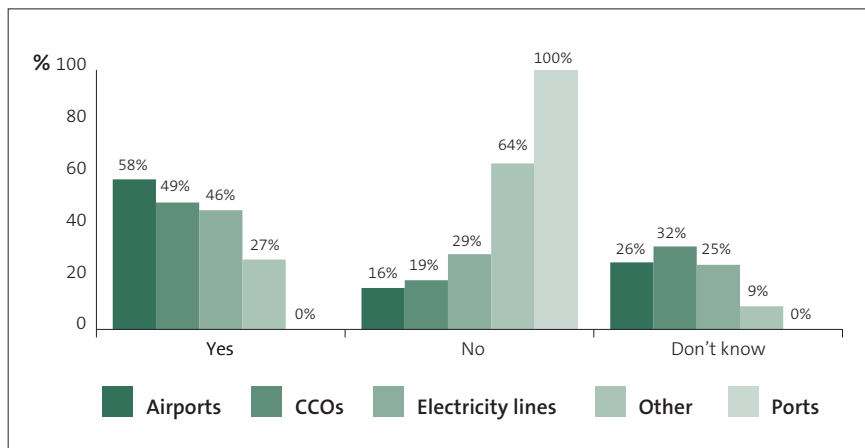
	Yes	No	Don't know	Total
Airports	16	0	3	19
Council-controlled organisations	65	4	6	75
Electricity lines businesses	26	2	0	28
Local government - other	10	1	0	11
Port companies	2	1	0	3
Local government	283	18	21	322
All public entities	1258	72	100	1430

**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.**



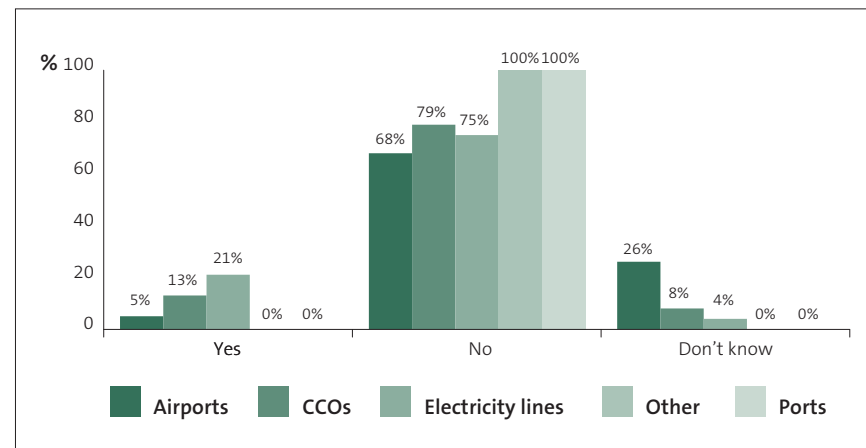
	Yes	No	Don't know	Total
Airports	16	0	3	19
Council-controlled organisations	74	0	1	75
Electricity lines businesses	26	0	2	28
Local government - other	11	0	0	11
Port companies	2	0	0	2
Local government	300	5	16	321
All public entities	1357	21	50	1428

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



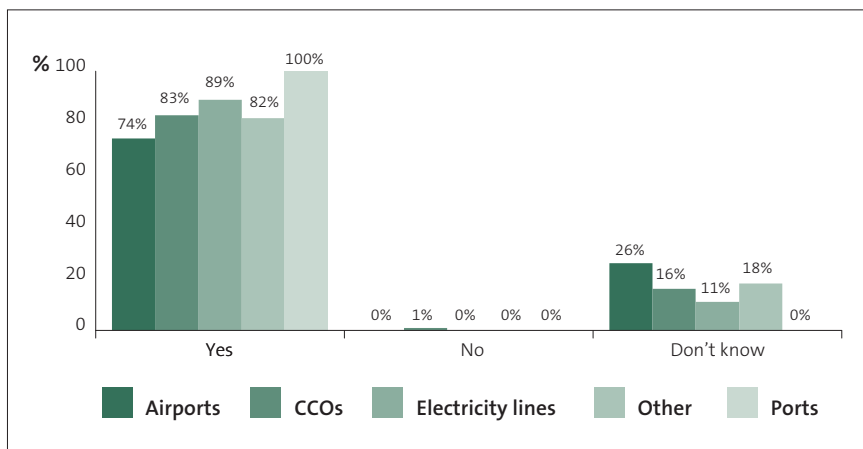
	Yes		No		Don't know		Total
Airports	11	58%	3	16%	5	26%	19
Council-controlled organisations	37	49%	14	19%	24	32%	75
Electricity lines businesses	13	46%	8	29%	7	25%	28
Local government - other	3	27%	7	64%	1	9%	11
Port companies	0	-	2	100%	0	-	2
Local government	199	62%	53	17%	69	21%	321
All public entities	1017	71%	114	8%	297	21%	1428

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



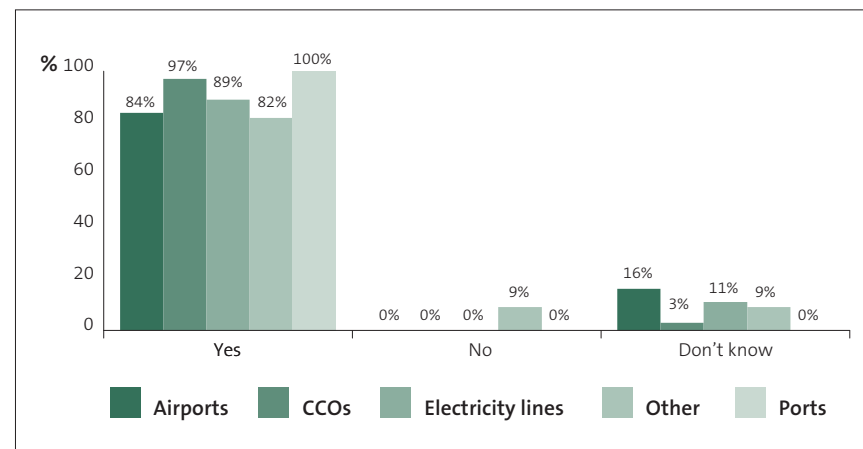
	Yes		No		Don't know		Total
Airports	1	5%	13	68%	5	26%	19
Council-controlled organisations	10	13%	59	79%	6	8%	75
Electricity lines businesses	6	21%	21	75%	1	4%	28
Local government - other	0	-	11	100%	0	-	11
Port companies	0	-	2	100%	0	-	2
Local government	39	12%	250	78%	32	10%	321
All public entities	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.**



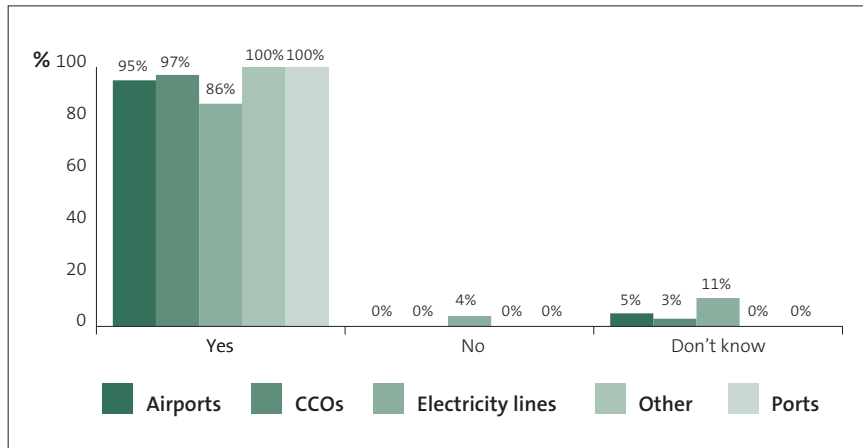
	Yes		No		Don't know		Total
Airports	14	74%	0	-	5	26%	19
Council-controlled organisations	62	83%	1	1%	12	16%	75
Electricity lines businesses	25	89%	0	-	3	11%	28
Local government - other	9	82%	0	-	2	18%	11
Port companies	2	100%	0	-	0	-	2
Local government	273	85%	4	1%	44	14%	321
All public entities	1236	87%	10	1%	182	13%	1428

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

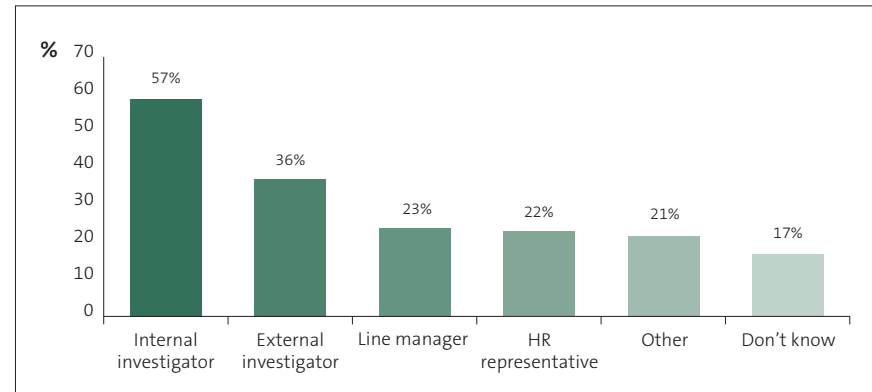


	Yes		No		Don't know		Total
Airports	16	84%	0	-	3	16%	19
Council-controlled organisations	73	97%	0	-	2	3%	75
Electricity lines businesses	25	89%	0	-	3	11%	28
Local government - other	9	82%	1	9%	1	9%	11
Port companies	2	100%	0	-	0	-	2
Local government	290	90%	4	1%	27	8%	321
All public entities	1280	90%	46	3%	100	7%	1426

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

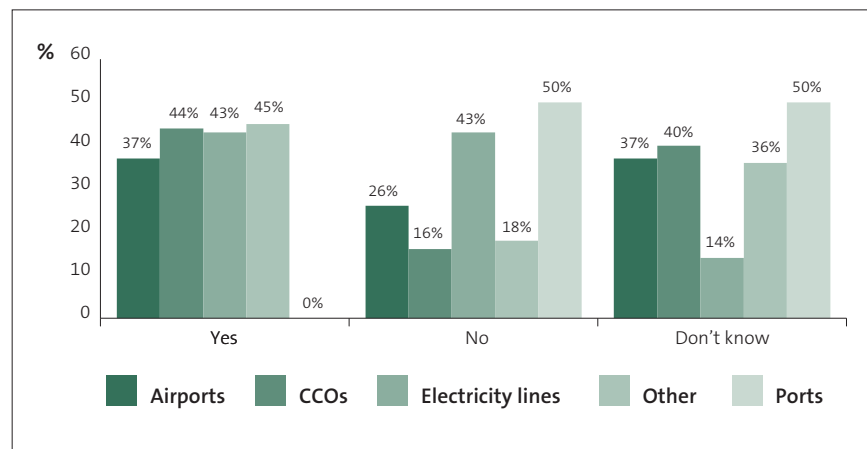


**Question 23: Should a fraud or corruption incident occur at my organisation, the investigation is conducted by ...**



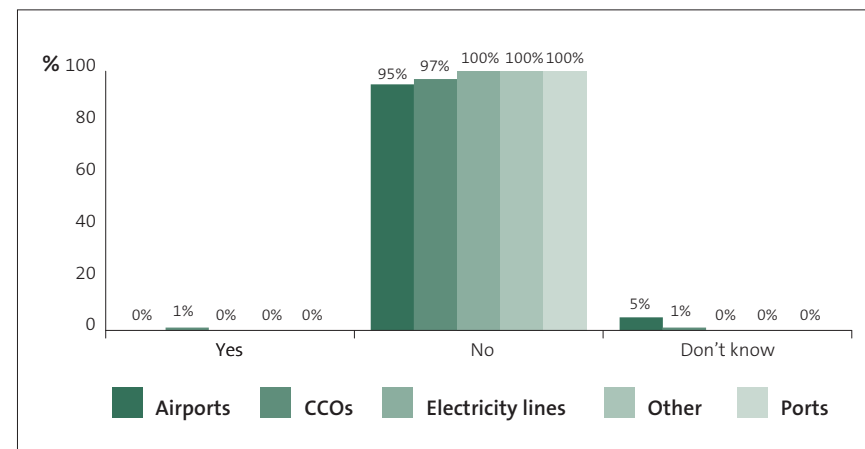
	Yes		No		Don't know		Total
Airports	18	95%	0	-	1	5%	19
Council-controlled organisations	73	97%	0	-	2	3%	75
Electricity lines businesses	24	86%	1	4%	3	11%	28
Local government - other	11	100%	0	-	0	-	11
Port companies	2	100%	0	-	0	-	2
Local government	301	94%	5	2%	15	5%	321
All public entities	1381	97%	15	1%	30	2%	1426

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



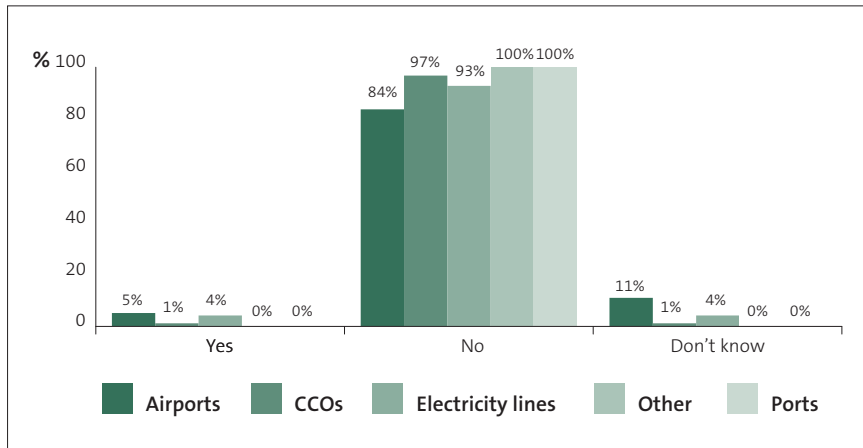
	Yes		No		Don't know		Total
Airports	7	37%	5	26%	7	37%	19
Council-controlled organisations	33	44%	12	16%	30	40%	75
Electricity lines businesses	12	43%	12	43%	4	14%	28
Local government - other	5	45%	2	18%	4	36%	11
Port companies	0	-	1	50%	1	50%	2
Local government	111	35%	115	36%	95	30%	321
All public entities	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.**



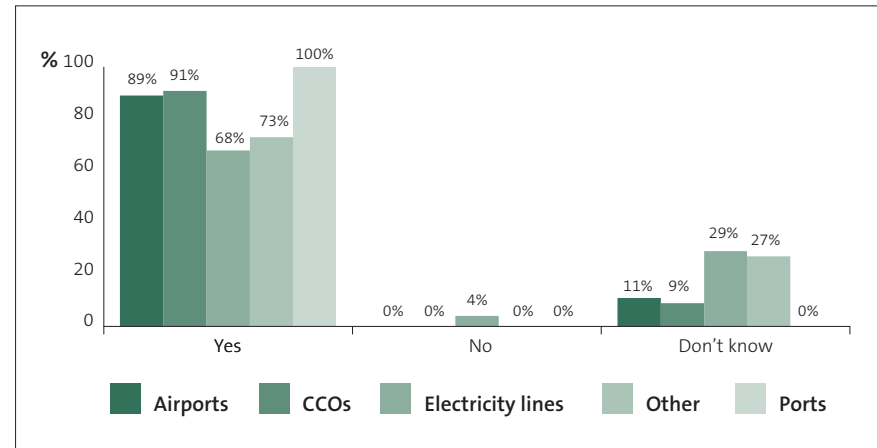
	Yes		No		Don't know		Total
Airports	0	-	18	95%	1	5%	19
Council-controlled organisations	1	1%	73	97%	1	1%	75
Electricity lines businesses	0	-	28	100%	0	-	28
Local government - other	0	-	11	100%	0	-	11
Port companies	0	-	2	100%	0	-	2
Local government	8	2%	308	96%	5	2%	321
All public entities	22	2%	1345	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.**



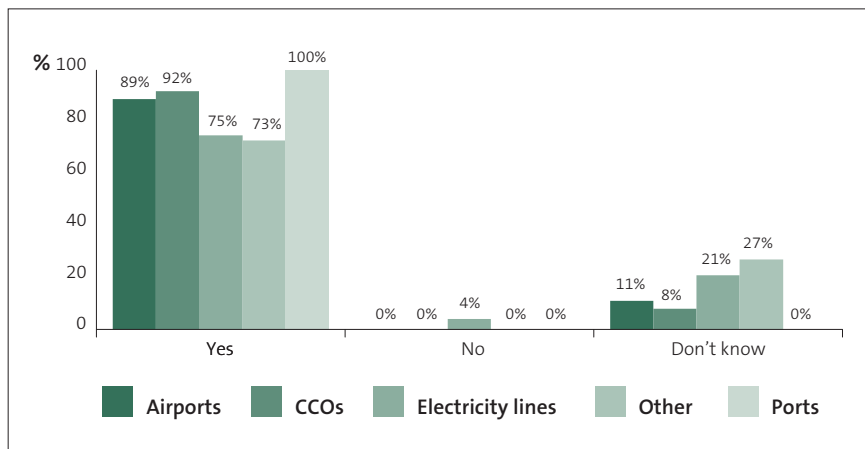
	Yes		No		Don't know		Total
Airports	1	5%	16	84%	2	11%	19
Council-controlled organisations	1	1%	73	97%	1	1%	75
Electricity lines businesses	1	4%	26	93%	1	4%	28
Local government - other	0	-	11	100%	0	-	11
Port companies	0	-	2	100%	0	-	2
Local government	8	2%	299	93%	14	4%	321
All public entities	26	2%	1324	93%	75	5%	1425

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



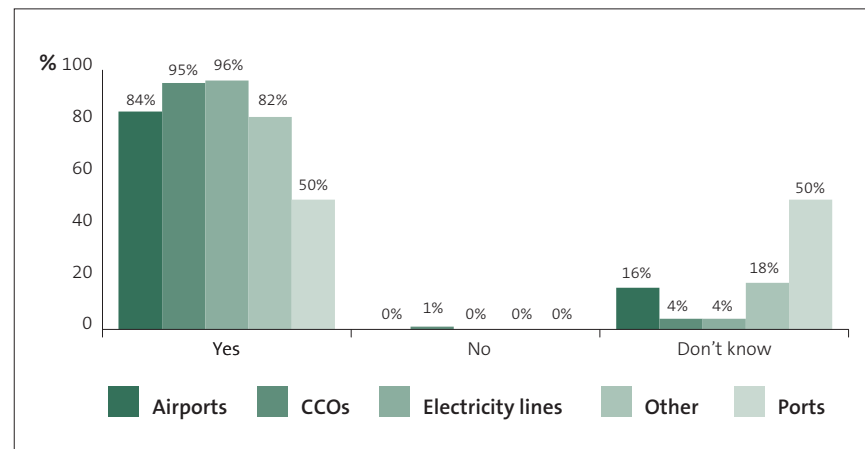
	Yes		No		Don't know		Total
Airports	17	89%	0	-	2	11%	19
Council-controlled organisations	68	91%	0	-	7	9%	75
Electricity lines businesses	19	68%	1	4%	8	29%	28
Local government - other	8	73%	0	-	3	27%	11
Port companies	2	100%	0	-	0	-	2
Local government	261	81%	4	1%	56	17%	321
All public entities	1179	83%	47	3%	199	14%	1425

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



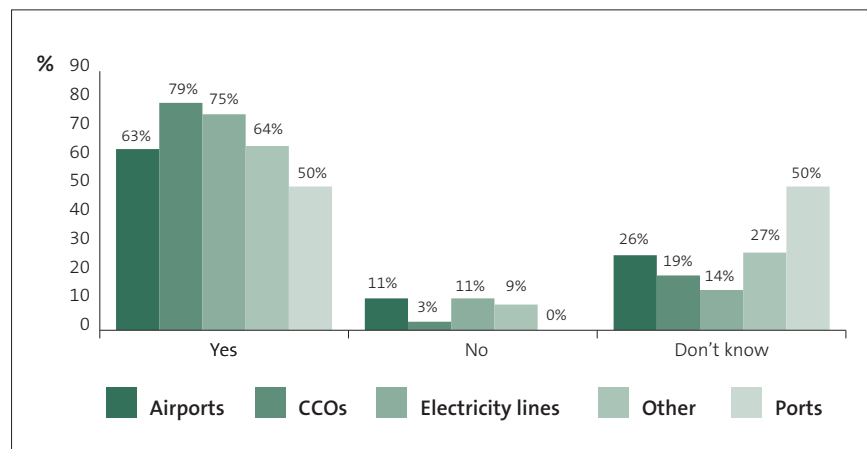
	Yes		No		Don't know		Total
Airports	17	89%	0	-	2	11%	19
Council-controlled organisations	69	92%	0	-	6	8%	75
Electricity lines businesses	21	75%	1	4%	6	21%	28
Local government - other	8	73%	0	-	3	27%	11
Port companies	2	100%	0	-	0	-	2
Local government	269	84%	6	2%	46	14%	321
All public entities	1219	86%	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.**



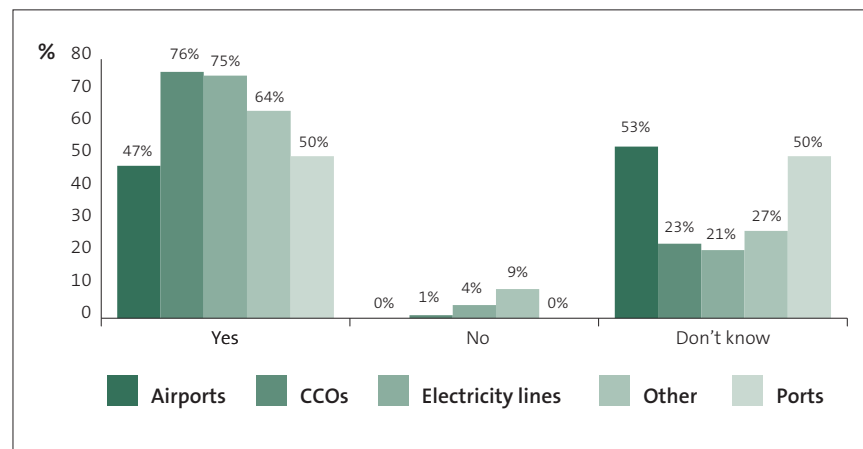
	Yes		No		Don't know		Total
Airports	16	84%	0	-	3	16%	19
Council-controlled organisations	71	95%	1	1%	3	4%	75
Electricity lines businesses	27	96%	0	-	1	4%	28
Local government - other	9	82%	0	-	2	18%	11
Port companies	1	50%	0	-	1	50%	2
Local government	292	91%	5	2%	24	7%	321
All public entities	1319	93%	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
Airports	12	63%	2	11%	5	26%	19
Council-controlled organisations	59	79%	2	3%	14	19%	75
Electricity lines businesses	21	75%	3	11%	4	14%	28
Local government - other	7	64%	1	9%	3	27%	11
Port companies	1	50%	0	-	1	50%	2
Local government	250	78%	22	7%	49	15%	321
All public entities	1115	78%	75	5%	234	16%	1424

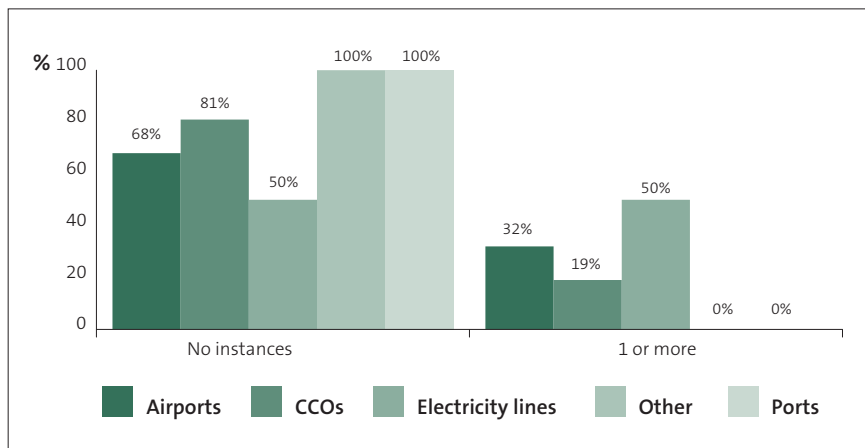
**Question 31: Internal controls are reviewed as part of every fraud investigation.**



	Yes		No		Don't know		Total
Airports	9	47%	0	-	10	53%	19
Council-controlled organisations	57	76%	1	1%	17	23%	75
Electricity lines businesses	21	75%	1	4%	6	21%	28
Local government - other	7	64%	1	9%	3	27%	11
Port companies	1	50%	0	-	1	50%	2
Local government	228	71%	10	3%	83	26%	321
All public entities	1005	71%	29	2%	390	27%	1424

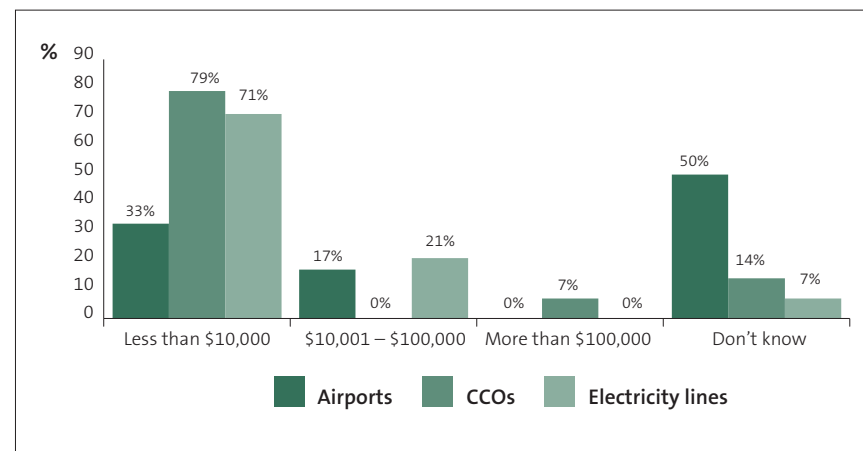


**Question 32: How many incidents of fraud or corruption are you aware of at your organisation in the last two years?**



	No instances		1 or more		Total
Airports	13	68%	6	32%	19
Council-controlled organisations	61	81%	14	19%	75
Electricity lines businesses	14	50%	14	50%	28
Local government - other	11	100%	0	-	11
Port companies	2	100%	0	-	2
Local government	216	68%	104	33%	320
All public entities	1102	77%	320	23%	1422

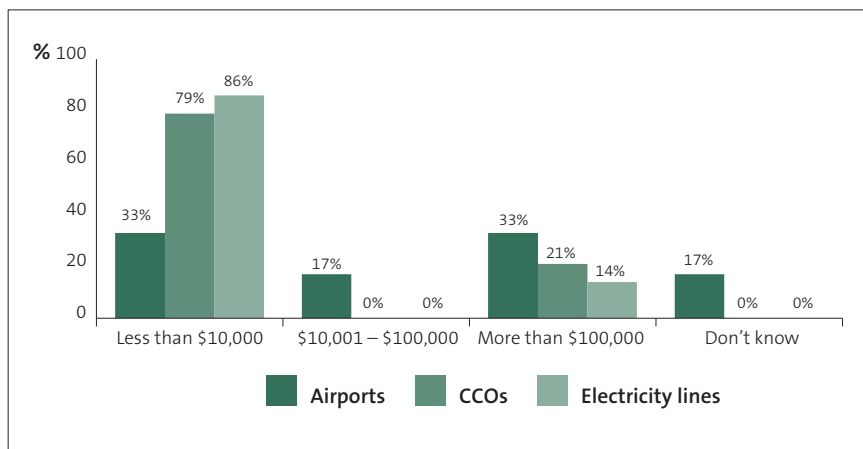
**Question 33: What is the total dollar amount of all incidents of fraud and corruption that you are aware have occurred at your organisation within the last two years?**



	Less than \$10,000		\$10,001 - \$100,000		More than \$100,000		Don't know		Total
Airports	2	33%	1	17%	0	-	3	50%	6
Council-controlled organisations	11	79%	0	-	1	7%	2	14%	14
Electricity lines businesses	10	71%	3	21%	0	-	1	7%	14
Local government	66	64%	17	16%	2	2%	19	19%	104
All public entities	199	62%	45	14%	17	5%	59	19%	320

Note: Local government – other and port companies are not included because survey responses indicated no incidents of fraud in the previous two years.

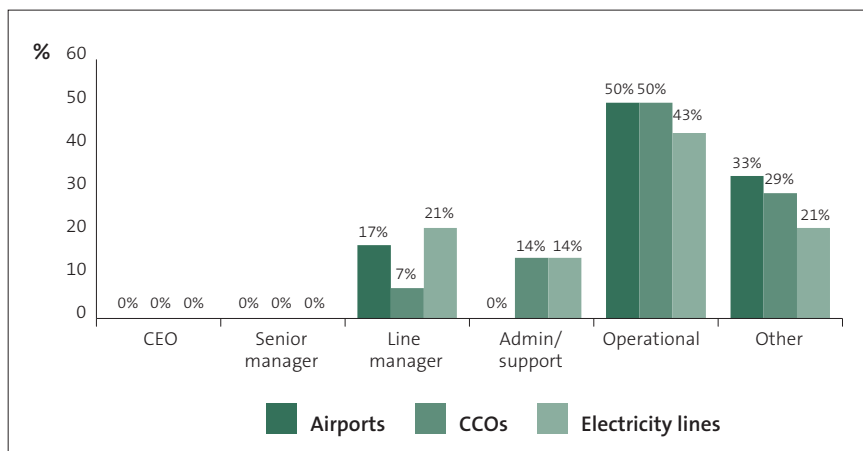
**Question 34: In the most recent incident of fraud or corruption within your organisation that you are aware of, the main perpetrator(s) was?**



	Internal (within the organisation)		External (outside the organisation)		A combination of external and internal (i.e. collusion)		Don't know		Total
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	
Airports	2	33%	1	17%	2	33%	1	17%	6
Council-controlled organisations	11	79%	0	-	3	21%	0	-	14
Electricity lines businesses	12	86%	0	-	2	14%	0	-	14
Local government	87	83%	5	5%	10	10%	2	2%	104
All public entities	255	80%	34	11%	24	7%	7	2%	320

Note: Local government – other and port companies are not included because survey responses indicated no incidents of fraud in the previous two years.

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



	Chief executive officer/managing director/principal		Senior executive/ leadership team or equivalent		Line manager		Admin Support Services		Operational staff		Other		Total
Airports	0	-	0	-	1	17%	0	-	3	50%	2	33%	6
Council-controlled organisations	0	-	0	-	1	7%	2	14%	7	50%	4	29%	14
Electricity lines businesses	0	-	0	-	3	21%	2	14%	6	43%	3	21%	14
Local government	0	-	1	1%	15	14%	18	17%	54	52%	16	16%	104
All public entities	8	3%	7	2%	36	11%	71	22%	148	46%	50	16%	320

Note: Local government – other and port companies are not included because survey responses indicated no incidents of fraud in the previous two years.

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

	Airports		Council-controlled organisations		Electricity lines businesses		Local government		All public entities	
Theft of cash	2	40%	3	16%	0	-	39	29%	85	21%
Theft of plant and equipment	0	-	3	16%	3	18%	14	11%	35	9%
Theft of inventory	0	-	2	11%	5	29%	15	11%	33	8%
Theft of intellectual property	0	-	0	-	0	-	2	2%	6	1%
Identity crime	0	-	0	-	0	-	0	-	7	2%
Fraudulent expense claim	1	20%	0	-	3	18%	8	6%	55	14%
Fraudulent misuse of a credit card	0	-	0	-	0	-	4	3%	31	8%
Fraudulent misuse of a fuel card	0	-	2	11%	1	6%	6	5%	17	4%
False invoicing	0	-	2	11%	0	-	9	7%	34	8%
Payroll fraud	0	-	4	21%	3	18%	14	11%	38	9%
Supplying false credentials	0	-	0	-	0	-	1	1%	7	2%
False claim for benefit	0	-	0	-	0	-	0	-	2	0%
Financial statement fraud (overstatements)	0	-	0	-	0	-	1	1%	2	0%
Financial statement fraud (understatements)	0	-	0	-	0	-	1	1%	1	0%
Conflicts of interest	1	20%	1	5%	2	12%	9	7%	27	7%
Provide false information or fraudulent alteration of documents	0	-	0	-	0	-	2	2%	9	2%
Don't know	1	20%	2	11%	0	-	8	6%	13	3%
<b>Total</b>	<b>5</b>		<b>19</b>		<b>17</b>		<b>133</b>		<b>402</b>	

**Notes:**  
 Local government – other and port companies are not included because survey responses indicated no incidents of fraud in the previous two years.  
 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?**

	Airports		Council-controlled organisations		Electricity lines businesses		Local government		All public entities	
	Count	%	Count	%	Count	%	Count	%	Count	%
Through the organisation’s whistle blowing system	0	-	0	-	1	6%	2	2%	12	3%
Internal tip-off (other than through a formal whistle blowing system)	2	40%	2	12%	2	13%	26	22%	80	20%
External tip-off (other than through a formal whistle blowing system)	0	-	1	6%	1	6%	17	14%	40	10%
Change of duties/personnel (including annual leave, job rotation etc)	0	-	0	-	0	-	4	3%	17	4%
By accident	1	20%	1	6%	1	6%	5	4%	17	4%
By internal control systems (e.g. exceeding financial delegations)	1	20%	7	41%	8	50%	36	31%	144	36%
By internal audit	0	-	2	12%	2	13%	12	10%	41	10%
By external audit	0	-	1	6%	0	-	1	1%	3	1%
Through a fraud detection system (data mining)	0	-	0	-	0	-	3	3%	15	4%
Don't know	1	20%	3	18%	1	6%	12	10%	26	7%
<b>Total</b>	<b>5</b>		<b>17</b>		<b>16</b>		<b>118</b>		<b>395</b>	

Note: Local government – other and port companies are not included because survey responses indicated no incidents of fraud in the previous two years.

**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?**

	Airports		Council-controlled organisations		Electricity lines businesses		Local government		All public entities	
	Count	%	Count	%	Count	%	Count	%	Count	%
There was no monetary loss	0	-	0	-	2	14%	9	9%	48	15%
Less than \$1,000	3	60%	5	36%	8	57%	39	38%	104	33%
Between \$1,000 and \$10,000	0	-	5	36%	3	21%	29	28%	90	28%
Between \$10,001 and \$50,000	0	-	1	7%	0	-	6	6%	16	5%
Between \$50,001 and \$100,000	1	20%	0	-	0	-	3	3%	7	2%
Between \$100,001 and \$500,000	0	-	0	-	0	-	0	-	7	2%
More than \$500,000	0	-	1	7%	0	-	1	1%	3	1%
Don't know	1	20%	2	14%	1	7%	16	16%	44	14%
<b>Total</b>	<b>5</b>		<b>14</b>		<b>14</b>		<b>103</b>		<b>319</b>	

Note: Local government – other and port companies are not included because survey responses indicated no incidents of fraud in the previous two years.

**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?**

	Airports		Council-controlled organisations		Electricity lines businesses		Local government		All public entities	
Inadequate internal control policies and procedures	0	-	0	-	1	7%	10	10%	26	8%
Internal control policies and procedures not followed	1	20%	3	21%	2	14%	20	19%	85	27%
Poor segregation of duties	0	-	1	7%	1	7%	4	4%	10	3%
Easy access to cash	0	-	1	7%	0	-	11	11%	19	6%
Management override of controls	0	-	0	-	0	-	4	4%	15	5%
It was a new type of fraud that our organisation was unprepared for	1	20%	1	7%	0	-	4	4%	12	4%
Person didn't think they would get caught	2	40%	6	43%	10	71%	41	40%	127	40%
Don't know	1	20%	2	14%	0	-	9	9%	22	7%
Total	5		14		14		103		316	

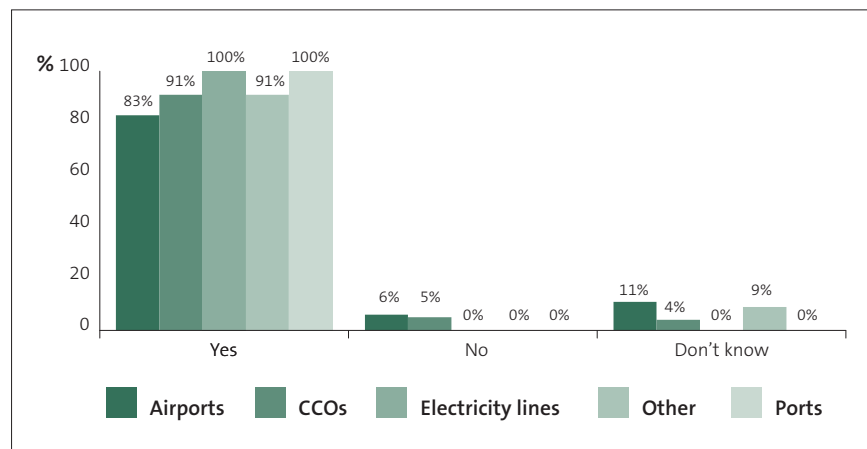
Note: Local government – other and port companies are not included because survey responses indicated no incidents of fraud in the previous two years.

**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)?**

	Airports		Council-controlled organisations		Electricity lines businesses		Local government		All public entities	
	Count	%	Count	%	Count	%	Count	%	Count	%
No action was taken	0	-	1	7%	1	7%	6	6%	14	5%
Insufficient evidence/culprit not identified	0	-	0	-	0	-	0	-	10	3%
Decision/action pending	0	-	0	-	0	-	2	2%	15	5%
Allowed to resign and no report made to relevant authorities (i.e. Police)	1	20%	1	7%	0	-	11	11%	35	11%
Allowed to resign but report made to relevant authorities (i.e. Police)	0	-	1	7%	0	-	7	7%	23	7%
Disciplined without any report to relevant authorities (i.e. Police)	1	20%	2	14%	6	43%	15	15%	40	13%
Disciplined and report made to relevant authorities (i.e. Police)	0	-	1	7%	0	-	1	1%	19	6%
Dismissed without any report to relevant authorities (i.e. Police)	1	20%	1	7%	6	43%	21	21%	44	14%
Dismissed and report made to relevant authorities (i.e. Police)	1	20%	6	43%	1	7%	32	31%	81	26%
Don't know	1	20%	1	7%	0	-	7	7%	30	10%
<b>Total</b>	<b>5</b>		<b>14</b>		<b>14</b>		<b>102</b>		<b>311</b>	

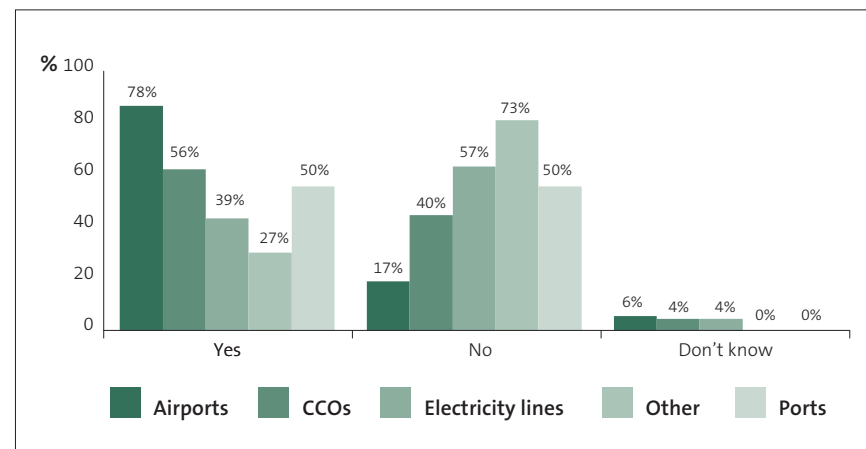
Note: Local government – other and port companies are not included because survey responses indicated no incidents of fraud in the previous two years.

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



	Yes		No		Don't know		Total
Airports	15	83%	1	6%	2	11%	18
Council-controlled organisations	68	91%	4	5%	3	4%	75
Electricity lines businesses	28	100%	0	-	0	-	28
Local government - other	10	91%	0	-	1	9%	11
Port companies	2	100%	0	-	0	-	2
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
Airports	14	78%	3	7%	1	6%	18
Council-controlled organisations	42	56%	30	40%	3	4%	75
Electricity lines businesses	11	39%	16	57%	1	4%	28
Local government - other	3	27%	8	73%	0	-	11
Port companies	1	50%	1	50%	0	-	2
Local government	194	61%	115	36%	10	3%	319
All public entities	943	66%	423	30%	54	4%	1420



## Appendix 2

# About the survey

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

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

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

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

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