

# Summary of our fraud survey results for tertiary education institutions

Cleanest public sector in the world: Keeping fraud at bay

April 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.

### What are tertiary education institutions doing well?

According to our respondents from tertiary education institutions, tertiary education institutions:

- have fraud policies, which they communicate regularly;
- have protected disclosure policies;
- review their fraud policies regularly, and as part of every fraud investigation; and
- have designated people responsible for fraud risks.

## What to focus on

### Vice-Chancellors and chief executives

As the head of your tertiary education institution, you should:

- maintain an environment where staff are willing to talk about fraud risks and heads of departments are receptive to those discussions; and
- ask heads of departments to tell all of their staff about any incidents of fraud.

### Heads of departments, colleges, and schools

As the head of a department, college, or school, you should:

- support the head of your tertiary education institution in maintaining an environment where staff are willing to talk about fraud risks;
- carry out pre-employment screening checks of potential employees – and tell staff that these checks are carried out; and
- tell your appointed auditor about all suspected or detected fraud, as soon as you suspect or detect it.

### All other staff

You should:

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

## Key facts

Survey date:	From 14 February to 3 June 2011
Total respondents:	1472
Total response rate:	74%
Number of respondents in a tertiary education institution:	92
Number of tertiary education institutions represented in the results:	22 of 31*

### 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).

\* 15 of 20 polytechnics and institutes of technology, 0 of 3 wānanga, and 7 of 8 universities.

## Part 2

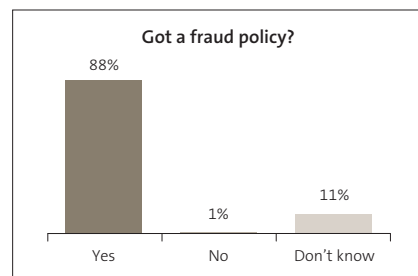
# Detailed results for tertiary education institutions

### 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.

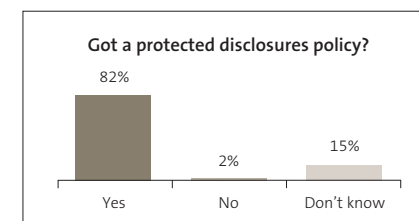
#### Code of conduct and policies

Most respondents said that their tertiary education institution had a fraud policy (88%) and a code of conduct (91%). The affirmative response rate for the fraud policy question was one of the highest in the survey. The percentages dropped when respondents were asked whether these were regularly communicated – 76% said they received regular communication about their fraud policy, and only 67% were regularly reminded about their code of conduct. Although tertiary education institutions could communicate



their fraud policy more regularly, the 76% affirmative response rate was the highest in the survey for this question.

All public entities are required to have a protected disclosures policy. Most respondents (82%) said that their tertiary education institution had a protected disclosures policy. Again, this was one of the highest results for this question.



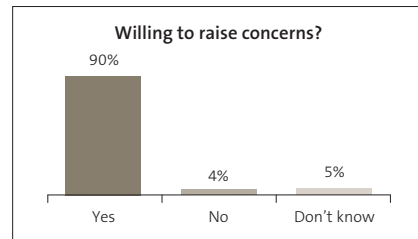
Most respondents (85%) said that their tertiary education institution had a clear policy on accepting gifts or services. However, this question in the survey still generated significantly more “free text” responses than any other question. It was clear to us that many respondents have unanswered questions, regardless of the clarity of their policy. In our view, the most important matter is the conflict of interest risk – tertiary education institution 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.

Most (80%) of the tertiary education institution respondents said that they have a designated person who is responsible for dealing with fraud. This is a higher percentage than the result for the central government sector and the public sector overall.

### Environment receptive to conversations about fraud

Most respondents (87%) worked in an environment where staff were encouraged to raise concerns. A slightly higher percentage (90%) said that they could do so knowing that their concerns would be taken seriously and without fear of retaliation. The percentage answering “Yes” to this question was higher in the wider central government sector and the public sector overall (95%).

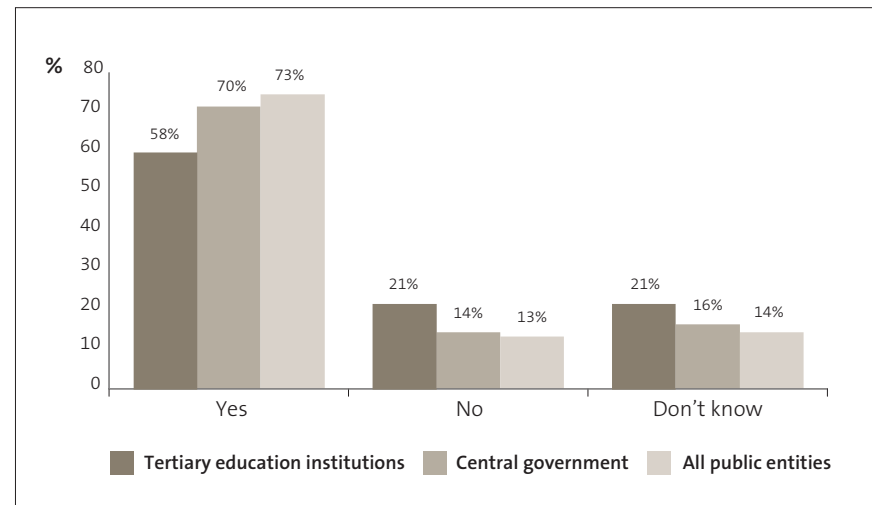


To build an effective anti-fraud culture, it is important that people have confidence in each other and in management to respond appropriately to any incidents. Respondents in tertiary education institutions were almost as likely as others in the public sector to have confidence that managers understood their responsibilities for preventing and detecting risks of fraud and corruption (84% for tertiary education institutions, 89% for the public sector overall).

However, respondents in tertiary education institutions were much less likely to have confidence in other employees. When presented with the statement, “I am confident that other employees understand their

responsibilities for preventing and detecting the risks of fraud and corruption”, only 58% chose “Yes”. This was one of the lowest response rates to this question (for example, the rate for the wider central government sector was 70%, and for all respondents it was 73%).

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

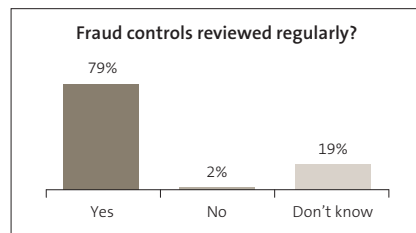


## Fraud controls

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.

Nearly four-fifths of respondents said that their tertiary education institutions regularly reviewed their fraud controls. Although the percentage (79%) was higher than that of the wider central government sector (70%) and all public entities (67%), it could still mean that some of the fraud controls are no longer effective. Systems and processes change over time, so fraud controls need to be reviewed annually or every two years.



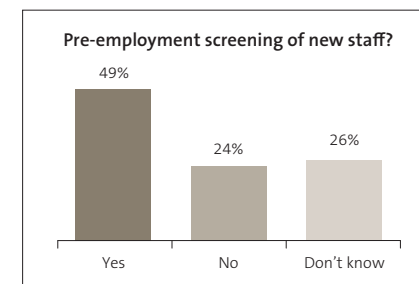
## Due diligence checks and pre-employment screening

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 proportion of tertiary education institution respondents who said that due diligence checks were carried out (56%) was higher than the result for the wider central government sector (51%) 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 tertiary education institutions to unnecessary risk.



Tertiary education institutions appear to be less cautious than other public entities, with a lower percentage of respondents (49%) saying that new employees undergo pre-employment screening that includes a criminal history check.

## Fraud awareness training

Even the most diligent employees might not identify a fraud if they have not had training. Knowing where to look and what to look for can be difficult. Only 38% of tertiary education institution respondents had received fraud awareness training at their current workplace. For more

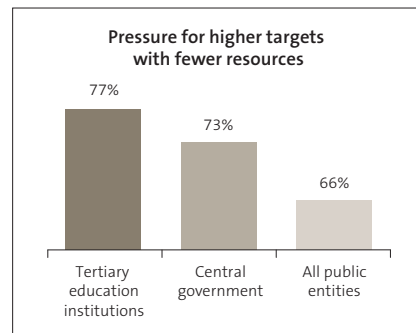
than a quarter of those who had been trained, the training occurred more than two years ago.

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”.

At the time of our survey, tertiary education institution employees continued to feel secure in their job (92%), which is positive. However, the current economic climate has increased the pressure to perform, with 77% saying that they felt they needed to achieve higher targets with fewer resources. This was higher



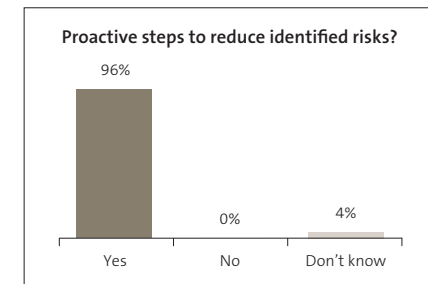
than other central government entities (73%) and higher than the public sector overall (66%).

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

## Detecting fraud

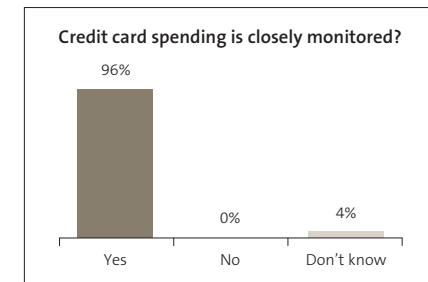
### Responding to risks

Survey participants were asked whether their entity takes proactive steps to reduce any risks when fraud or corruption risks are raised. The proportion of “Yes” responses was a little higher among tertiary education institution respondents (96%) than wider central government respondents (94%) and all public sector respondents (87%).



### Monitoring credit card spending

Tertiary education institution respondents said that their organisation was closely monitoring credit card spending. The rate of “Yes” responses (96%) was slightly higher than it was for other central government respondents (94%) and all public sector respondents (90%).





### Monitoring staff expenses

Most tertiary education institution respondents were also certain that their organisation closely monitored staff expenses. The rate of “Yes” responses (95%) was comparable to the rate of 97% for other central government respondents and for all public sector respondents.

### Whistleblower hotlines

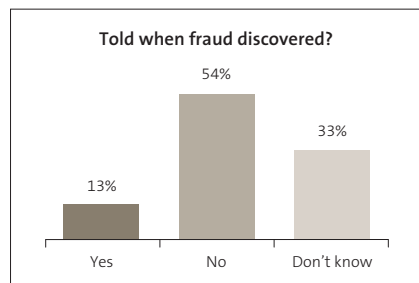
Nearly a quarter (24%) of the tertiary education institution respondents said that their organisation had a whistleblower hotline (such as a dedicated telephone number or other mechanism for staff to report unacceptable behaviour). This was a markedly higher percentage than that reported for the wider central government sector (15%) and for all public entities (12%).

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

Only 13% of the tertiary education institution respondents said that their senior managers told all staff about incidents of fraud (compared with 28% and 29% for the wider central government sector and for all public entities). More than half said

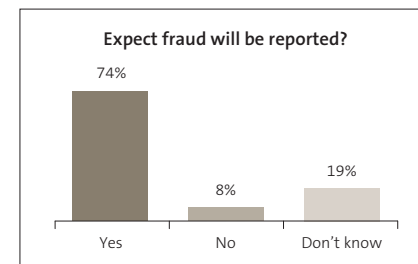


that senior managers did not do this, and a third of the respondents did not know.

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

About three-quarters of respondents expected that suspected fraud would be reported to the appropriate authorities. In reality, only 39% of the most recent incidents of fraud were 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 tertiary education institutions to do this.

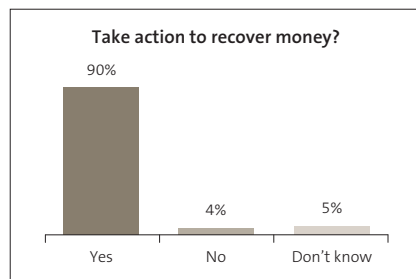
Any decision made not to report or respond to fraud can erode staff confidence in the senior management team. It can create a perception that managers are not committed enough to preventing fraud and discourage staff from reporting their concerns. Taking no action when fraudulent behaviour occurs also 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 tertiary education institution would take inappropriate credit card spending seriously and discipline the person involved (88%). This affirmative response rate was a little higher than that of respondents in the wider central government sector (86%) and the public sector overall (83%).

Tertiary education institution staff were asked whether inappropriate expense claims were taken seriously and resulted in disciplinary action. The affirmative response rate of 85% was very close to the 86% response rate of those in the wider central government sector and the public sector overall.

Most respondents (90%) were confident that their tertiary education institution would take action to recover any misappropriated funds. This positive response rate was similar to that of respondents in the wider central government sector (91%) and of all of



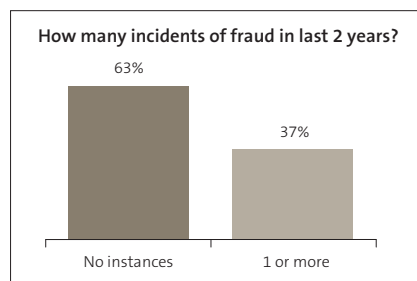
the public sector (93%). A clear process to recover funds shows the seriousness with which fraud is taken. In our view, chief executives and senior managers need to send clear messages that they will seek to recover any misappropriated funds.

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

## Part 3

# Incidents of fraud in tertiary education institutions

Despite our generally “clean” image, fraud is a fact of business life in New Zealand: 37% of the respondents were aware of at least one incident of fraud or corruption in their tertiary education institution within the last two years. This was one of the highest rates within the central government sector.



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

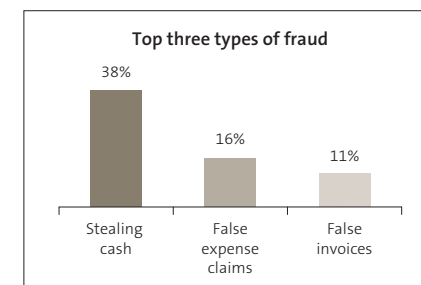
The value of the most recent fraud noted by respondents in tertiary education institutions was mostly low, with 73% of frauds being for amounts of less than \$10,000. Respondents put the monetary loss for 12% of fraud incidents between \$10,000 and \$100,000, and no-one identified losses of more than \$100,000. Fifteen per cent of the respondents who answered this question did not know how much money was lost.

These trends in low dollar amounts 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.

Most of the fraud incidents in tertiary education institutions (88%) were committed by an internal person, typically at an operational or support staff level.

The most frequent types of fraud within tertiary education institutions were:

- theft of cash (38%);
- fraudulent expense claims (16%); and
- falsifying invoices (11%).



Most commonly, fraud occurred because internal controls were not followed or were overridden (27%), and because the perpetrator did not think they would get caught (24%).

Tip-offs (internal and external) led to 42% of the frauds being detected, and internal control systems were tertiary education institutions' second most successful mechanism for detecting fraud (39%). A formal whistle-blowing system detected 3% of fraud.

Respondents said that 3% of the fraud incidents were detected by the external auditor. This low percentage is not surprising, because detecting fraud is neither the purpose nor the focus of an external audit.

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

## Part 4

# Where to from here?

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

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

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

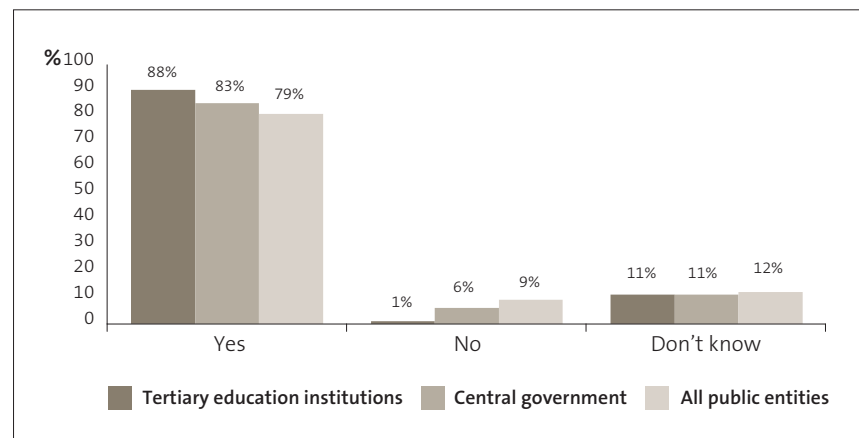
Tertiary education institutions were within our central government sector, which was made up of 11 different entity types. The other 10 entity types were government departments, Crown agents or companies, autonomous Crown entities, independent Crown entities, central government – other, Māori Trust Boards,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

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

The tertiary education institution respondents represented 6% of the total respondents. The following graphs and tables compare the tertiary education institution results with the wider central government sector and the public sector overall.

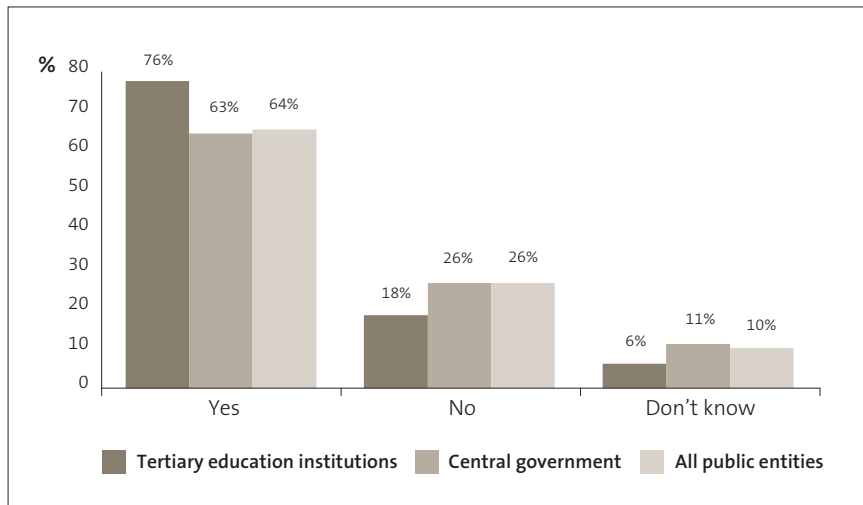
We have rounded the percentages to the nearest whole number, so the percentages may not always add to 100.

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



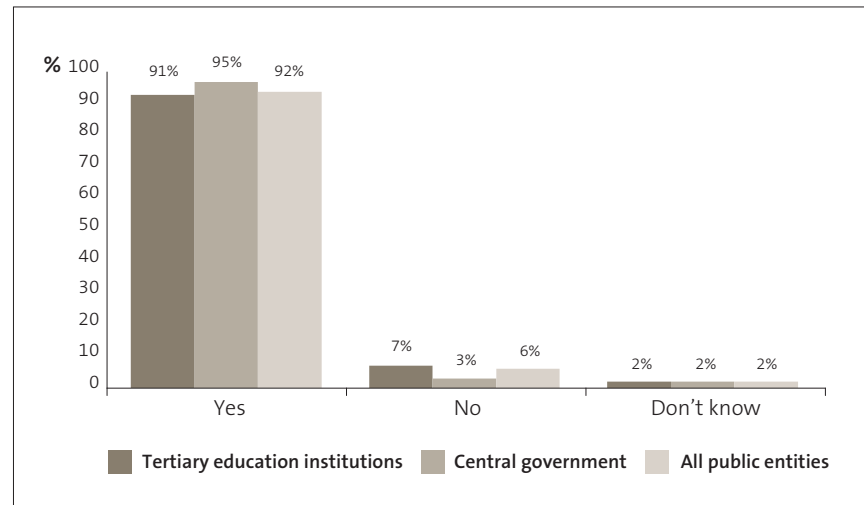
	Yes		No		Don't know		Total
Tertiary education institutions	80	88%	1	1%	10	11%	91
Central government	539	83%	38	6%	69	11%	646
All public entities	1143	79%	135	9%	169	12%	1447

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



	Yes	No	Don't know	Total
Tertiary education institutions	61 (76%)	14 (18%)	5 (6%)	80
Central government	338 (63%)	140 (26%)	59 (11%)	537
All public entities	735 (64%)	295 (26%)	113 (10%)	1143

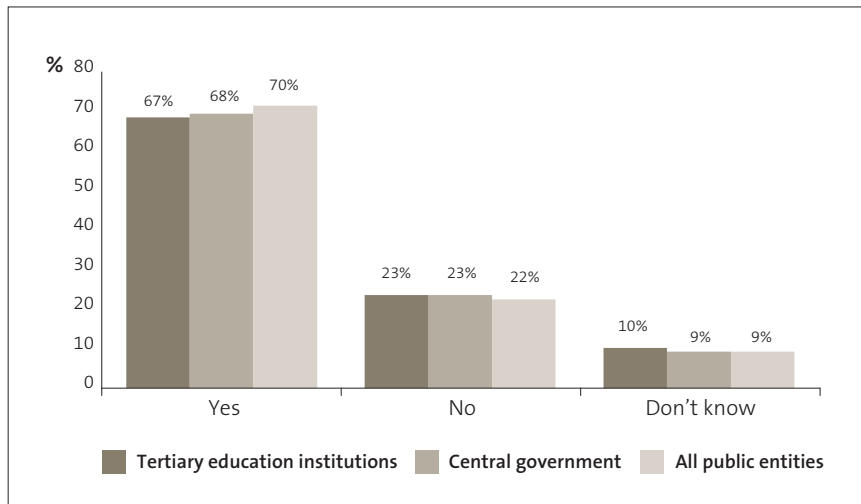
**3: My organisation has a staff Code of Conduct.**



	Yes	No	Don't know	Total
Tertiary education institutions	83 (91%)	6 (7%)	2 (2%)	91
Central government	611 (95%)	22 (3%)	10 (2%)	643
All public entities	1321 (92%)	86 (6%)	35 (2%)	1442

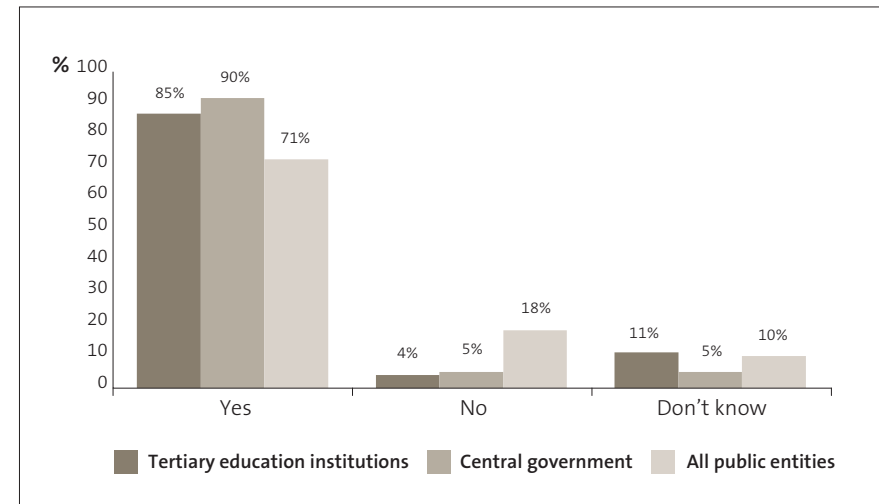


**4: The staff Code of Conduct is communicated regularly (annually or biannually).**



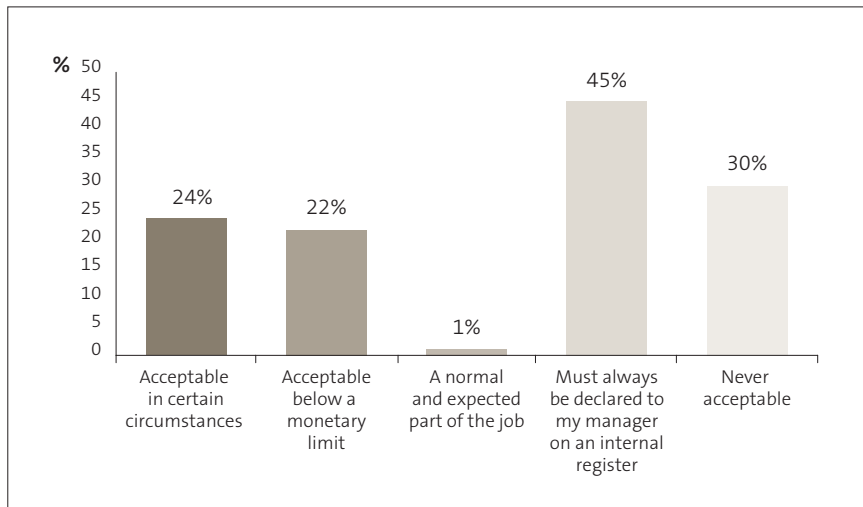
	Yes		No		Don't know		Total
Tertiary education institutions	56	67%	19	23%	8	10%	83
Central government	413	68%	143	23%	54	9%	610
All public entities	921	70%	286	22%	115	9%	1322

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



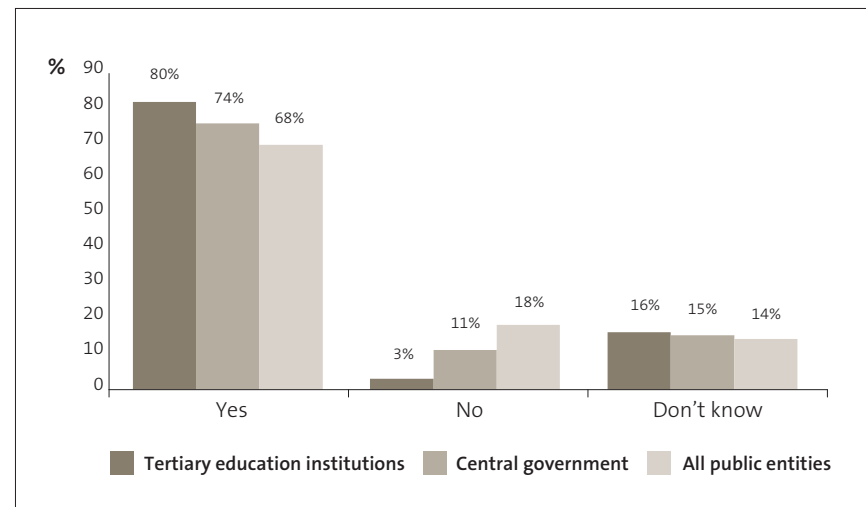
	Yes		No		Don't know		Total
Tertiary education institutions	77	85%	4	4%	10	11%	91
Central government	579	90%	33	5%	30	5%	642
All public entities	1025	71%	266	18%	149	10%	1440

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



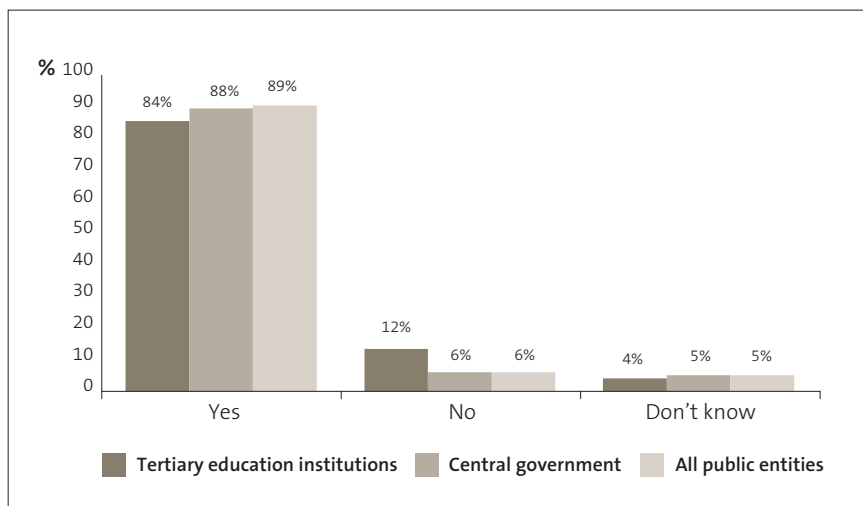
Note: The “right” answer to this question is a response that is in keeping with the entity’s gifts policy.

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



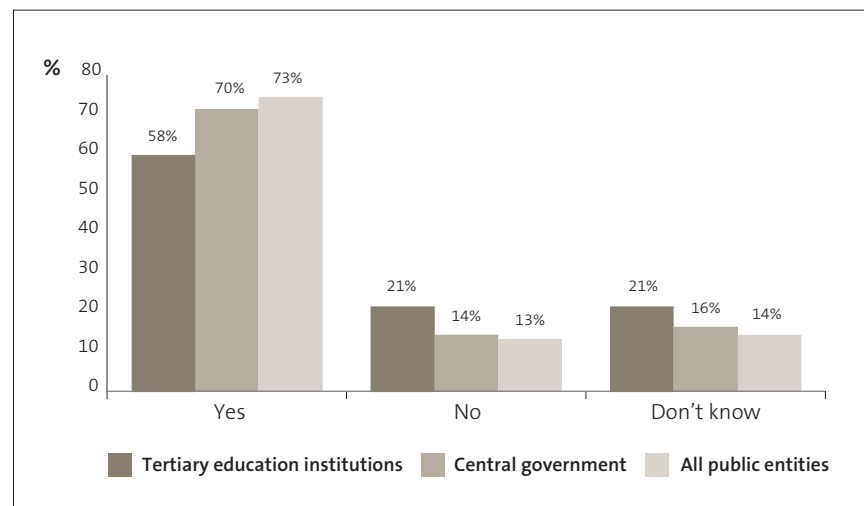
	Yes		No		Don't know		Total
Tertiary education institutions	73	80%	3	3%	15	16%	91
Central government	472	74%	73	11%	95	15%	640
All public entities	971	68%	258	18%	206	14%	1435

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



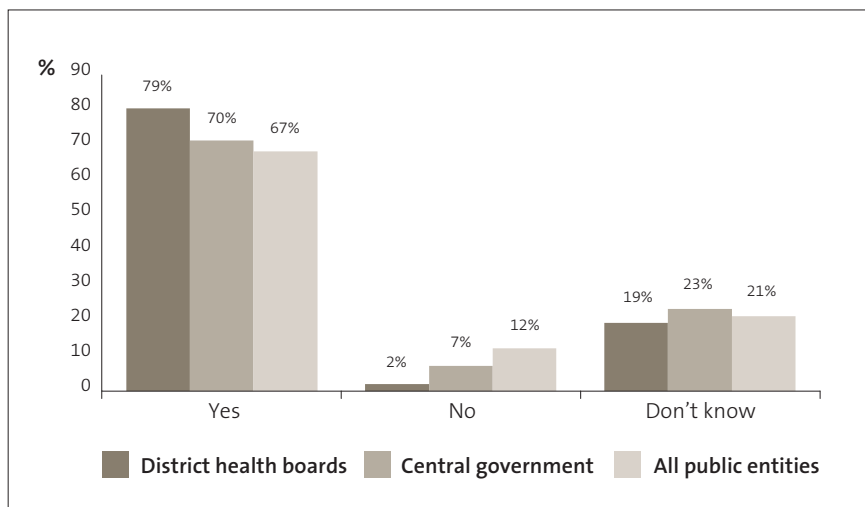
	Yes		No		Don't know		Total
Tertiary education institutions	76	84%	11	12%	4	4%	91
Central government	565	88%	41	6%	34	5%	640
All public entities	1282	89%	80	6%	72	5%	1434

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



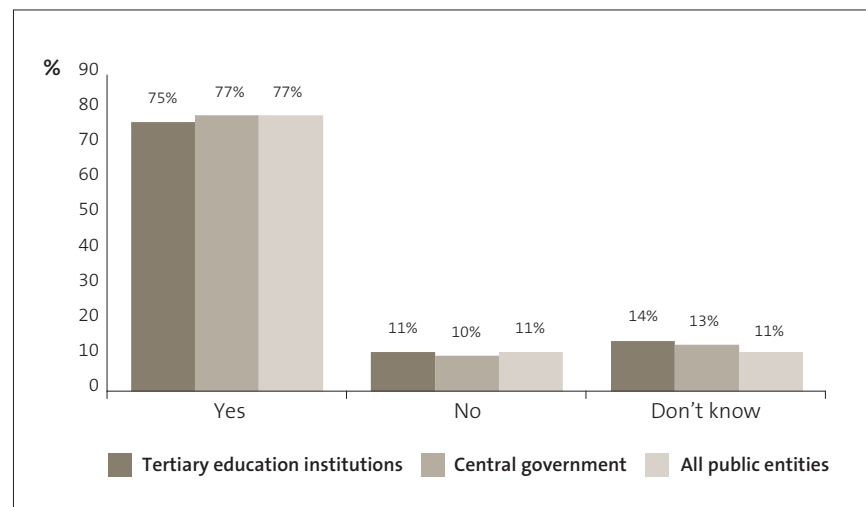
	Yes		No		Don't know		Total
Tertiary education institutions	53	58%	19	21%	19	21%	91
Central government	447	70%	90	14%	103	16%	640
All public entities	1049	73%	181	13%	204	14%	1434

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



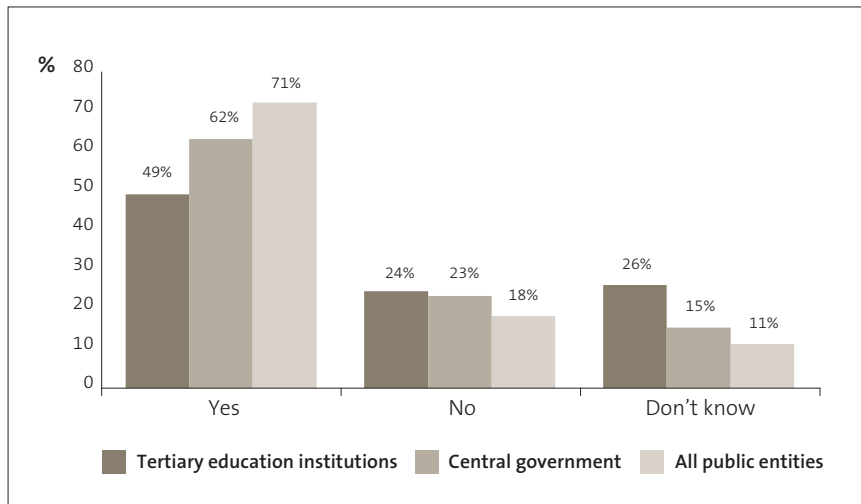
	Yes	No	Don't know	Total
Tertiary education institutions	72	2	17	91
Central government	449	43	147	639
All public entities	960	178	295	1433

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



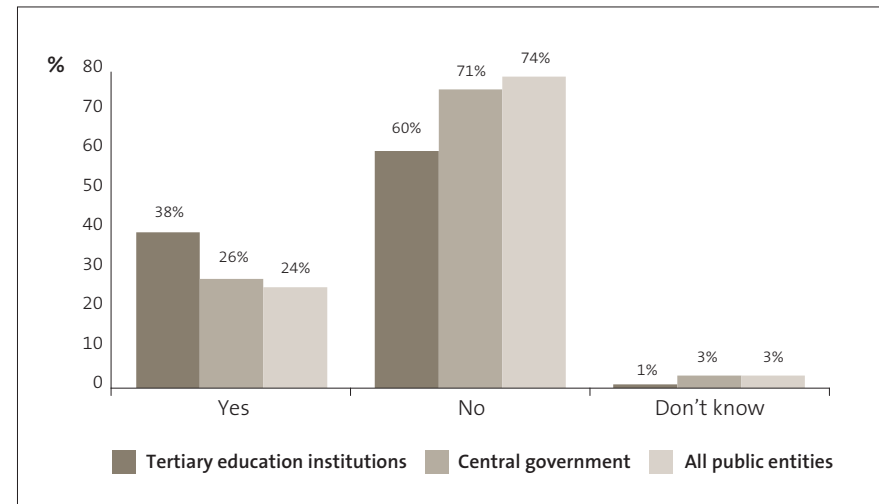
	Yes	No	Don't know	Total
Tertiary education institutions	68	10	13	91
Central government	494	61	83	638
All public entities	1105	164	162	1431

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



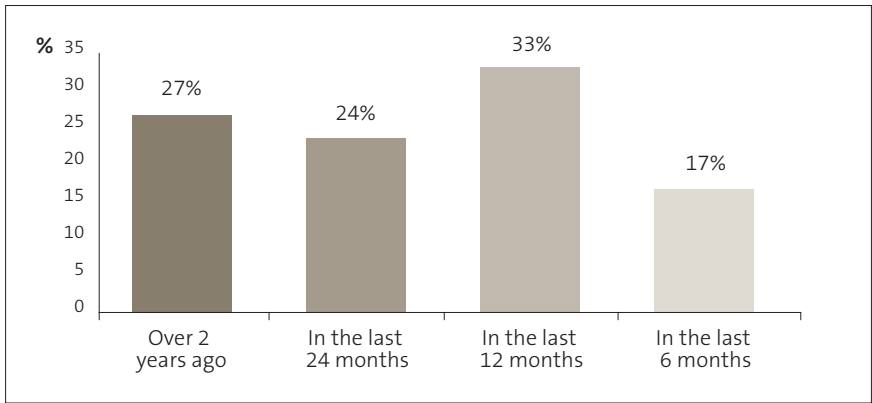
	Yes	No	Don't know	Total
Tertiary education institutions	45	22	24	91
Central government	394	148	96	638
All public entities	1016	251	164	1431

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

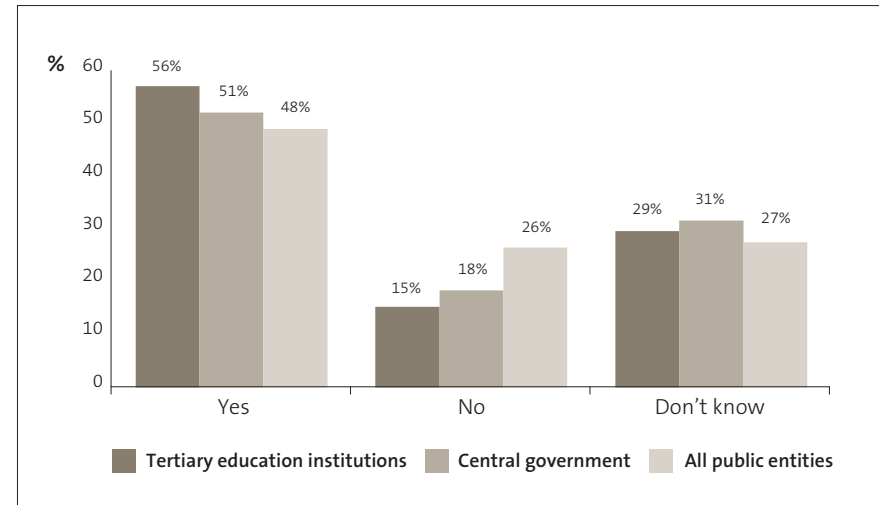


	Yes	No	Don't know	Total
Tertiary education institutions	35	55	1	91
Central government	169	452	17	638
All public entities	338	1057	36	1431

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

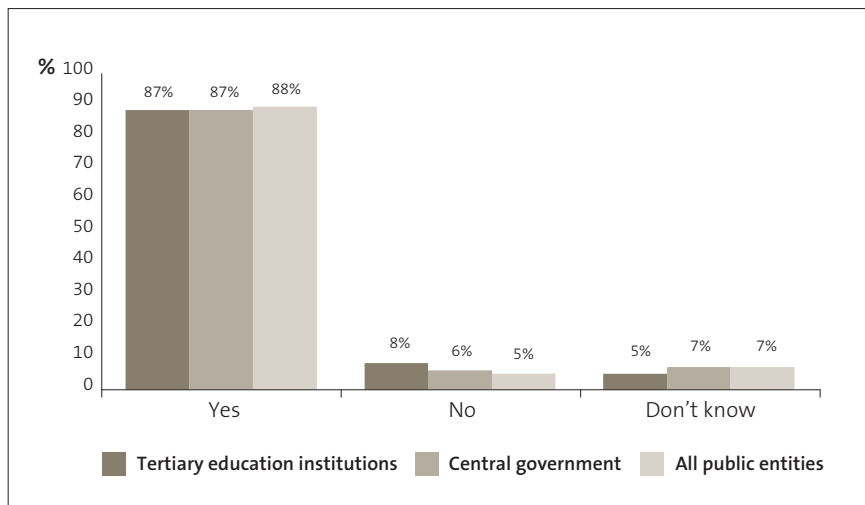


**15: My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.**



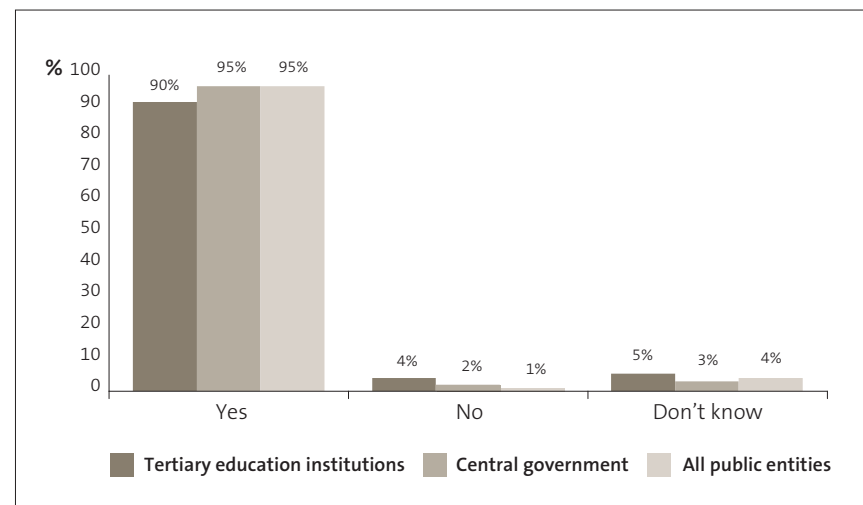
	Yes		No		Don't know		Total
Tertiary education institutions	51	56%	14	15%	26	29%	91
Central government	328	51%	114	18%	196	31%	638
All public entities	680	48%	366	26%	385	27%	1431

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



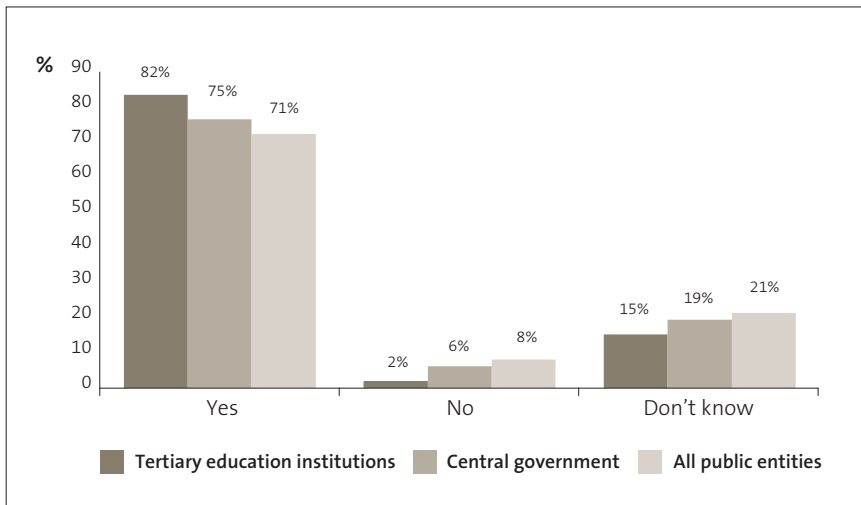
	Yes	No	Don't know	Total
Tertiary education institutions	79	7	5	91
Central government	556	36	45	637
All public entities	1258	72	100	1430

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



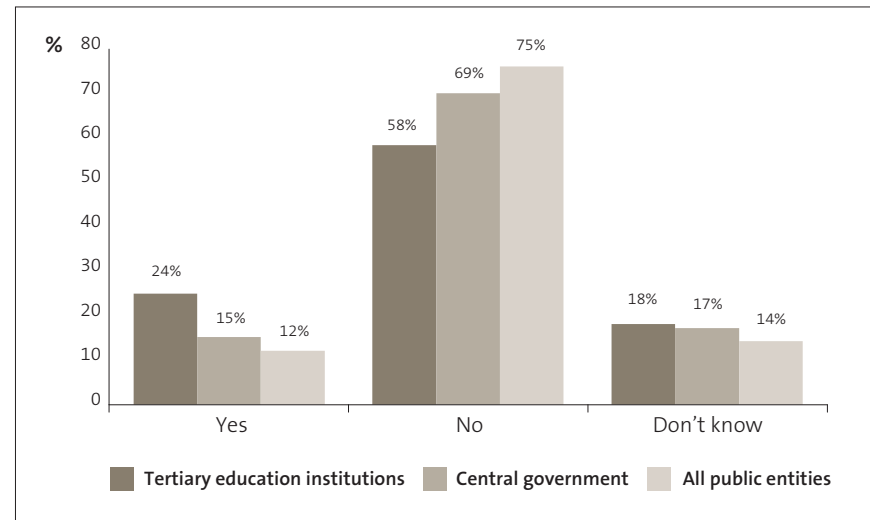
	Yes	No	Don't know	Total
Tertiary education institutions	82	4	5	91
Central government	604	12	21	637
All public entities	1357	21	50	1428

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



	Yes		No		Don't know		Total
Tertiary education institutions	75	82%	2	2%	14	15%	91
Central government	475	75%	38	6%	124	19%	637
All public entities	1017	71%	114	8%	297	21%	1428

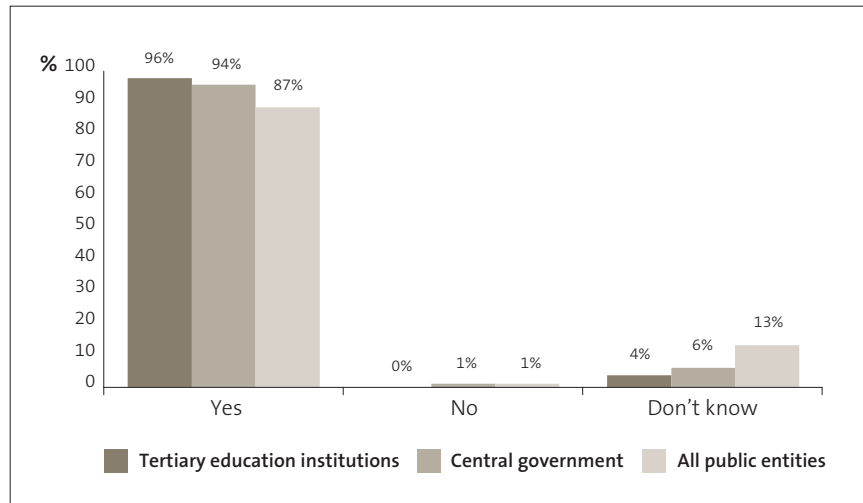
**19: There is a whistleblower hotline at my organisation.**



	Yes		No		Don't know		Total
Tertiary education institutions	22	24%	53	58%	16	18%	91
Central government	93	15%	438	69%	106	17%	637
All public entities	166	12%	1067	75%	195	14%	1428

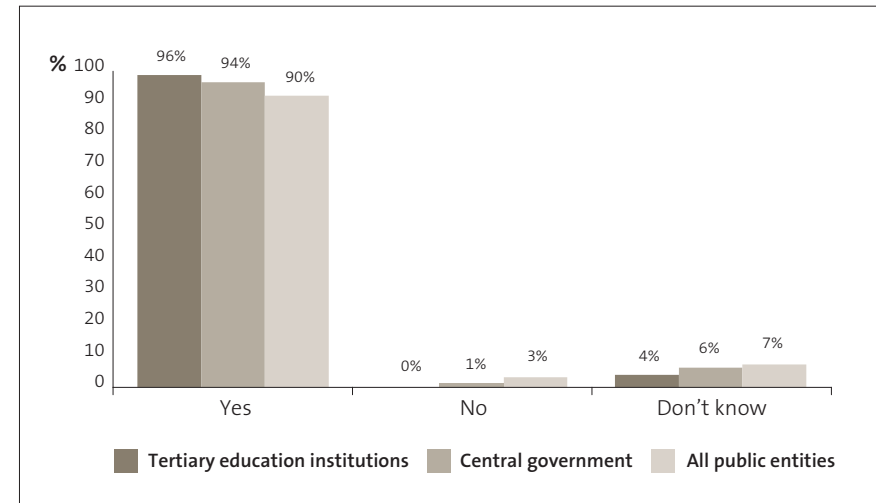


**20: When fraud or corruption risks are raised at my organisation, my organisation takes proactive steps to reduce the risk.**



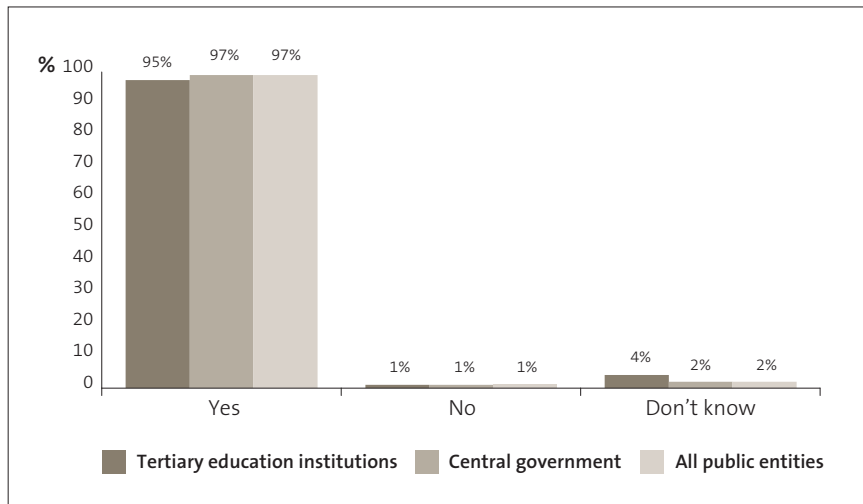
	Yes	No	Don't know	Total
Tertiary education institutions	87	0	4	91
Central government	595	5	36	636
All public entities	1236	10	182	1428

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



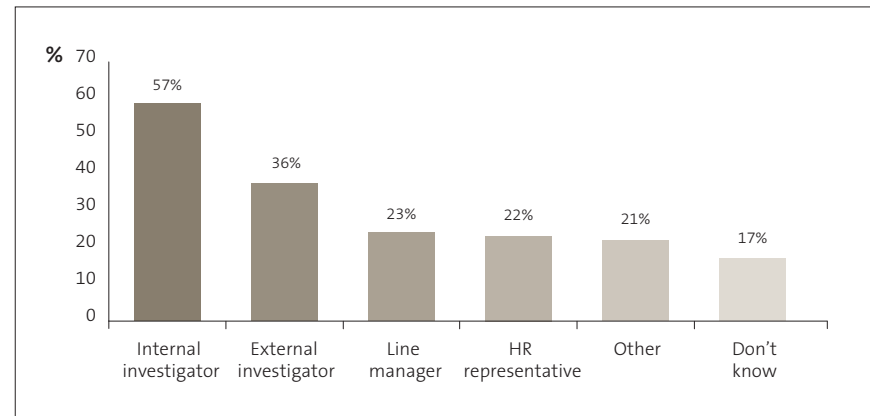
	Yes	No	Don't know	Total
Tertiary education institutions	87	0	4	91
Central government	595	5	36	636
All public entities	1280	46	100	1426

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

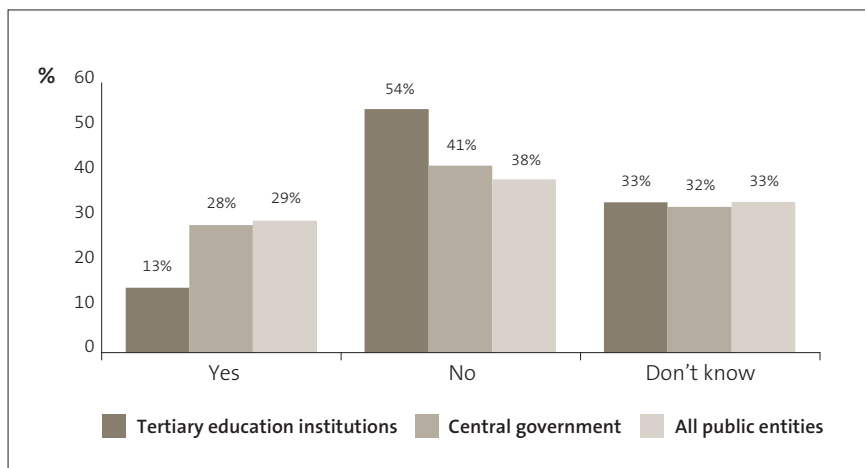


	Yes		No		Don't know		Total
Tertiary education institutions	86	95%	1	1%	4	4%	91
Central government	616	97%	7	1%	13	2%	636
All public entities	1381	97%	15	1%	30	2%	1426

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

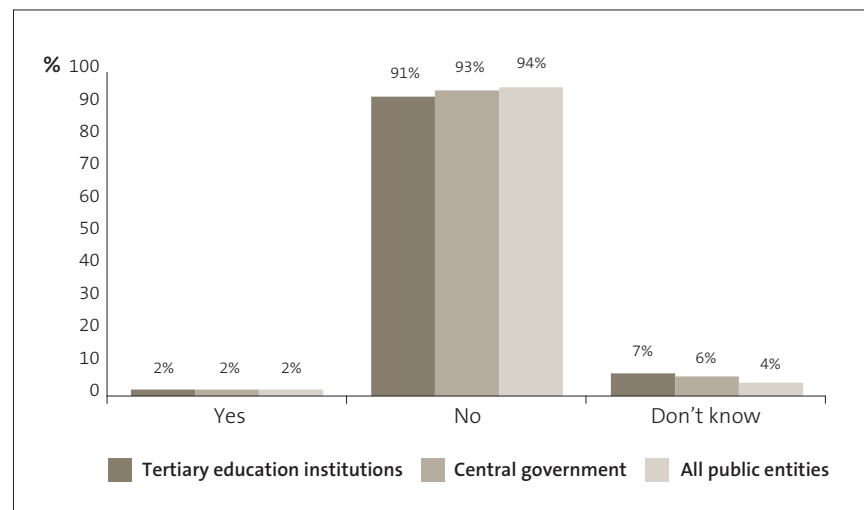


**24: Management communicates incidents of fraud to all staff at my organisation.**



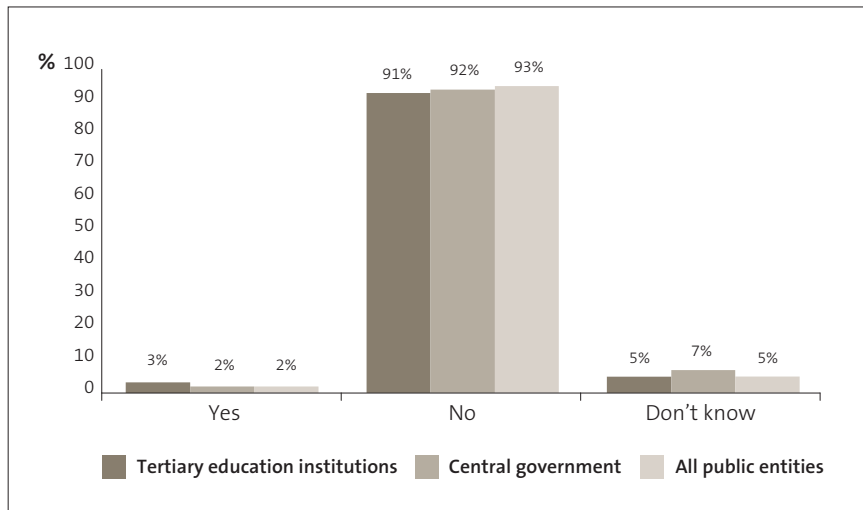
	Yes		No		Don't know		Total
Tertiary education institutions	12	13%	49	54%	30	33%	91
Central government	175	28%	259	41%	202	32%	636
All public entities	416	29%	546	38%	464	33%	1426

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



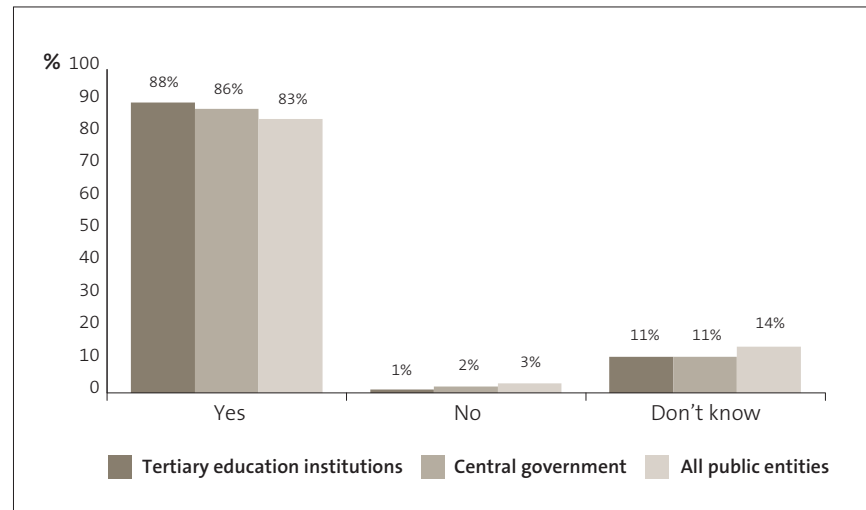
	Yes		No		Don't know		Total
Tertiary education institutions	2	2%	83	91%	6	7%	91
Central government	11	2%	590	93%	35	6%	636
All public entities	22	2%	1345	94%	59	4%	1426

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



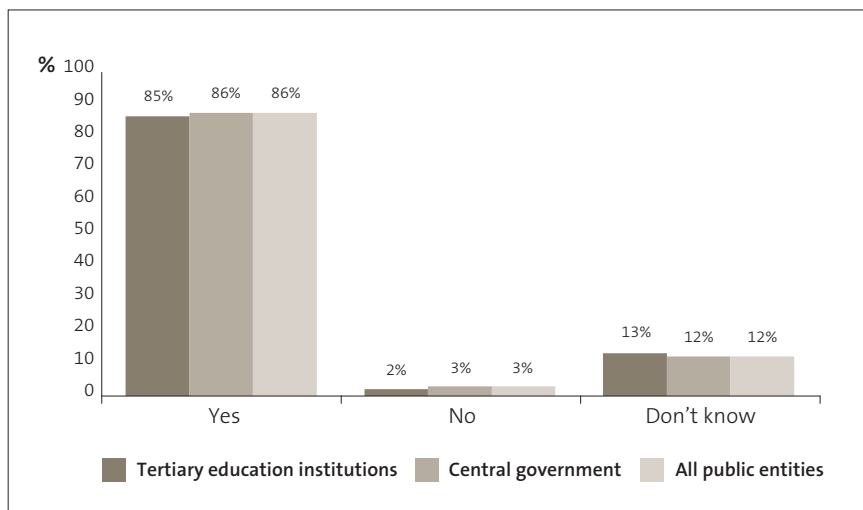
	Yes		No		Don't know		Total
Tertiary education institutions	3	3%	83	91%	5	5%	91
Central government	10	2%	582	92%	43	7%	635
All public entities	26	2%	1324	93%	75	5%	1425

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



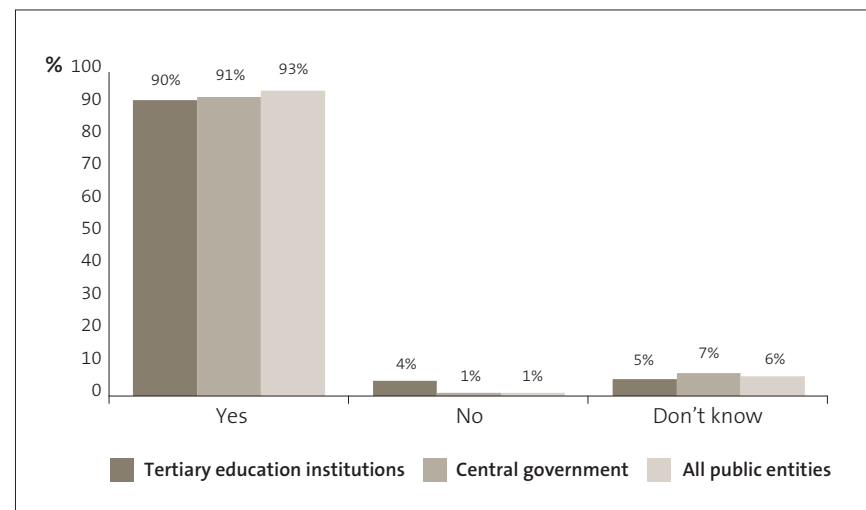
	Yes		No		Don't know		Total
Tertiary education institutions	80	88%	1	1%	10	11%	91
Central government	548	86%	15	2%	72	11%	635
All public entities	1179	83%	47	3%	199	14%	1425

**28: Inappropriate expense claims or expense claims for personal purchases are taken very seriously and result in disciplinary action.**



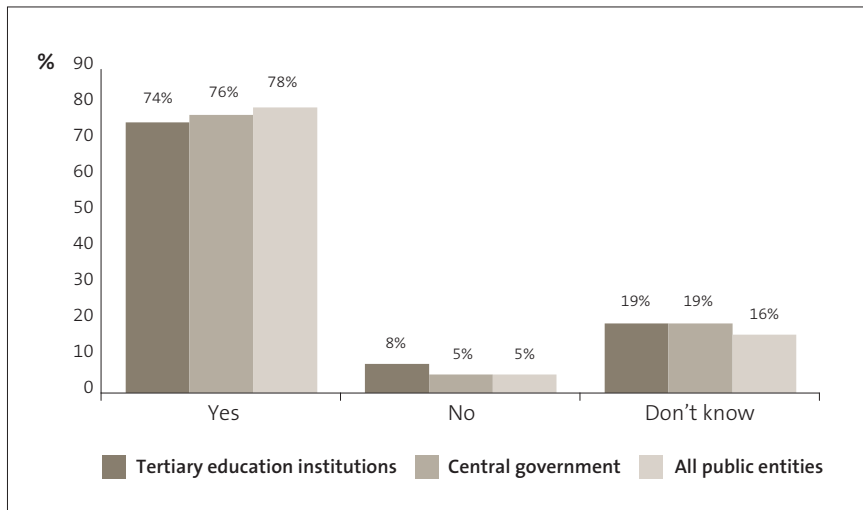
	Yes		No		Don't know		Total
Tertiary education institutions	77	85%	2	2%	12	13%	91
Central government	543	86%	18	3%	74	12%	635
All public entities	1219	86%	37	3%	168	12%	1424

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



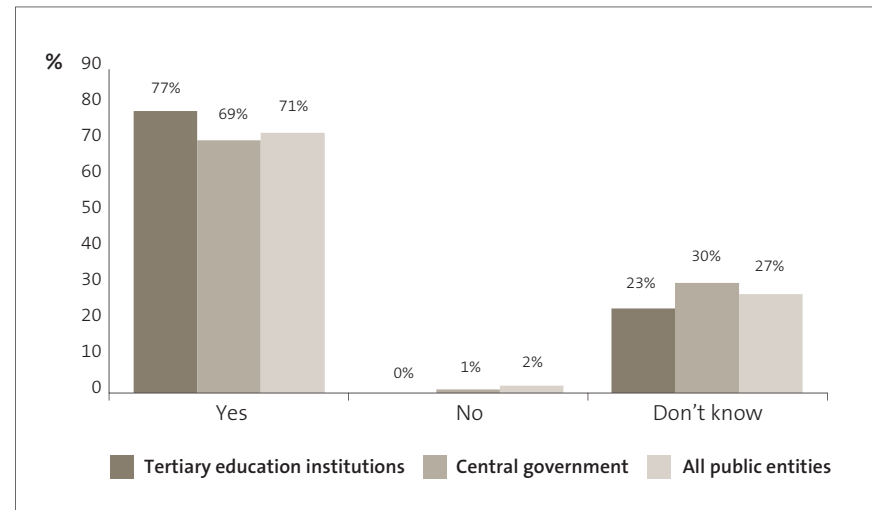
	Yes		No		Don't know		Total
Tertiary education institutions	82	90%	4	4%	5	5%	91
Central government	580	91%	9	1%	46	7%	635
All public entities	1319	93%	18	1%	87	6%	1424

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



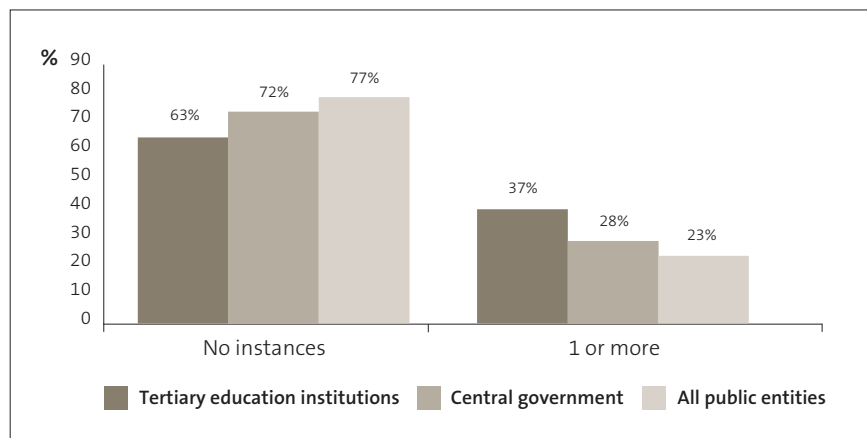
	Yes	No	Don't know	Total
Tertiary education institutions	67	7	17	91
Central government	485	32	118	635
All public entities	1115	75	234	1424

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



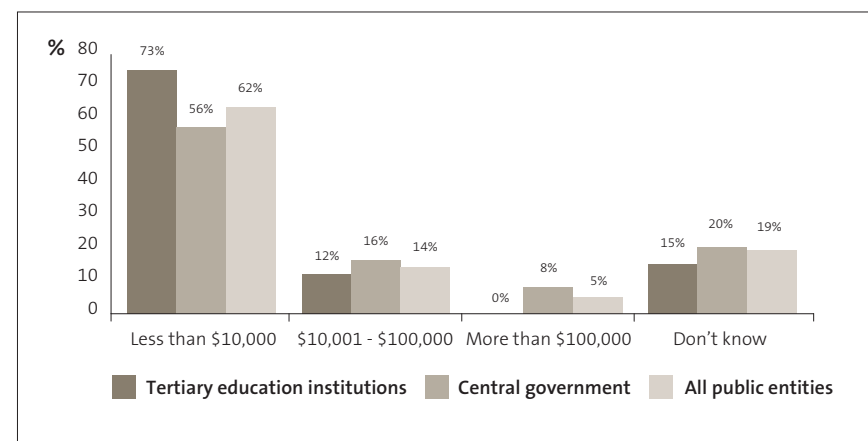
	Yes	No	Don't know	Total
Tertiary education institutions	70	0	21	91
Central government	438	8	189	635
All public entities	1005	29	390	1424

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



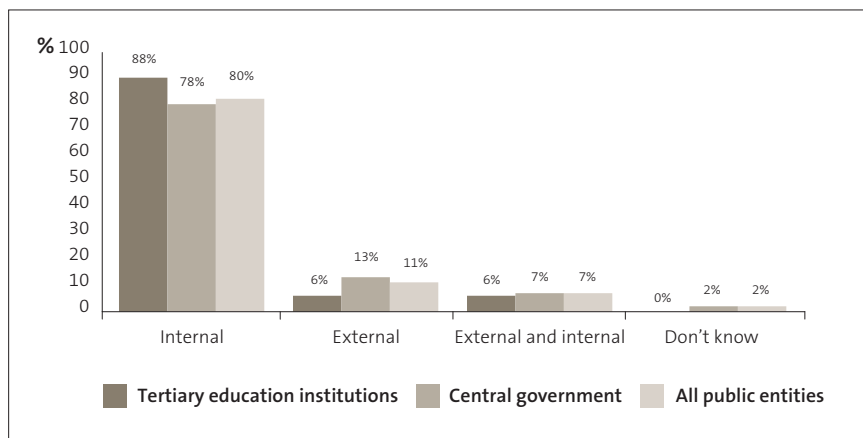
	No instances		1 or more		Total
Tertiary education institutions	57	63%	33	37%	90
Central government	454	72%	180	28%	634
All public entities	1102	77%	320	23%	1422

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



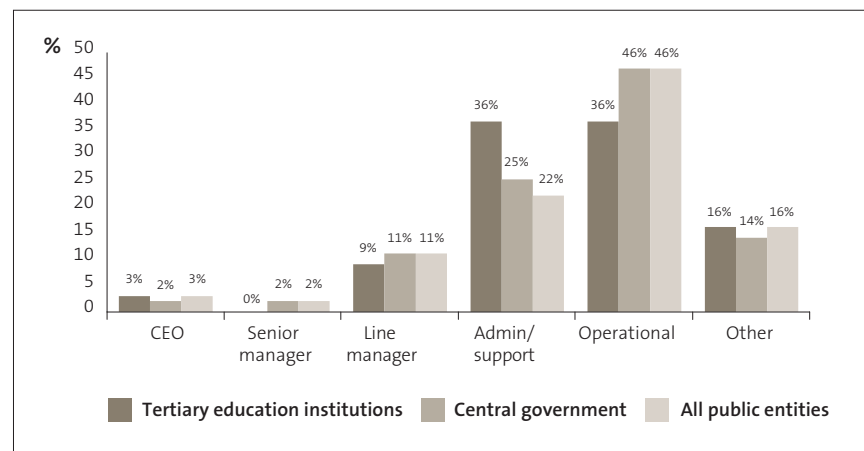
	Less than \$10,000		\$10,001 - \$100,000		More than \$100,000		Don't know		Total
Tertiary education institutions	24	73%	4	12%	0	-	5	15%	33
Central government	100	56%	28	16%	15	8%	37	20%	180
All public entities	199	62%	45	14%	17	5%	59	19%	320

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



	Internal (within the organisation)		External (outside the organisation)		A combination of external and internal (i.e. collusion)		Don't know		Total
	No.	%	No.	%	No.	%	No.	%	
Tertiary education institutions	29	88%	2	6%	2	6%	0	-	33
Central government	141	78%	23	13%	12	7%	4	2%	180
All public entities	255	80%	34	11%	24	7%	7	2%	320

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



	Tertiary education institutions		Central government		All public entities	
	No.	%	No.	%	No.	%
Chief Executive Officer/ Managing Director/Principal	1	3%	4	2%	8	3%
Member of the senior executive/leadership team or equivalent	0	-	3	2%	7	2%
Line manager	3	9%	19	11%	36	11%
Admin support services	12	36%	46	25%	71	22%
Operational staff	12	36%	83	46%	148	46%
Other	5	15%	25	14%	50	16%
<b>Total</b>	<b>33</b>		<b>180</b>		<b>320</b>	

Note: Some respondents might have found it hard to reconcile these generic role descriptions with equivalent roles in tertiary education institutions, so we advise caution in interpreting these figures.



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

	Tertiary education institutions		Central government		All public entities	
	No.	%	No.	%	No.	%
Theft of cash	14	38%	37	17%	85	21%
Theft of plant and equipment	2	5%	13	6%	35	9%
Theft of inventory	0	-	14	6%	33	8%
Theft of intellectual property	0	-	4	2%	6	1%
Identity crime	1	3%	7	3%	7	2%
Fraudulent expense claim	6	16%	38	17%	55	14%
Fraudulent misuse of a credit card	1	3%	23	10%	31	8%
Fraudulent misuse of a fuel card	2	5%	9	4%	17	4%
False invoicing	4	11%	23	10%	34	8%
Payroll fraud	2	5%	20	9%	38	9%
Supplying false credentials	2	5%	6	3%	7	2%
False claim for benefit	0	-	2	1%	2	0%
Financial statement fraud (overstatements)	0	-	0	-	2	0%
Financial statement fraud (understatements)	0	-	0	-	1	0%

	Tertiary education institutions		Central government		All public entities	
	No.	%	No.	%	No.	%
Conflicts of interest	1	3%	17	8%	27	7%
Provide false information or fraudulent alteration of documents	1	3%	3	1%	9	2%
Don't know	1	3%	5	2%	13	3%
<b>Total</b>	<b>37</b>		<b>221</b>		<b>402</b>	

Notes:

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

Theft of intellectual property – such as confidential information/business information.

Identity crime – either misusing another person's identity or using a false identity.

False invoicing – either internally or externally created.

Payroll fraud – such as falsifying electronic or physical documents such as timesheets, annual leave returns, student numbers, payroll forms.

Supplying false credentials – such as a false CV.

False claim for benefit – such as ACC, Housing.

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

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

	Tertiary education institutions		Central government		All public entities	
	No.	%	No.	%	No.	%
Whistle blowing system	1	3%	10	4%	12	3%
Internal tip-off	9	25%	46	20%	80	20%
External tip-off	6	17%	20	9%	40	10%
Change of duties/ personnel	1	3%	11	5%	17	4%
Accident (i.e. luck)	2	6%	9	4%	17	4%
Internal control systems	14	39%	84	37%	144	36%
Internal audit	1	3%	20	9%	41	10%
External audit	1	3%	2	1%	3	1%
Fraud detection system	0	-	9	4%	15	4%
Don't know	1	3%	14	6%	26	7%
<b>Total</b>	<b>36</b>		<b>225</b>		<b>395</b>	

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

	Tertiary education institutions		Central government		All public entities	
	No.	%	No.	%	No.	%
No monetary loss	6	18%	26	14%	48	15%
Less than \$1,000	8	24%	54	30%	104	33%
Between \$1,000 and \$10,000	13	39%	50	28%	90	28%
Between \$10,001 and \$50,000	1	3%	9	5%	16	5%
Between \$50,001 and \$100,000	1	3%	4	2%	7	2%
Between \$100,001 and \$500,000	0	-	7	4%	7	2%
More than \$500,000	0	-	2	1%	3	1%
Don't know	4	12%	28	16%	44	14%
<b>Total</b>	<b>33</b>		<b>180</b>		<b>319</b>	

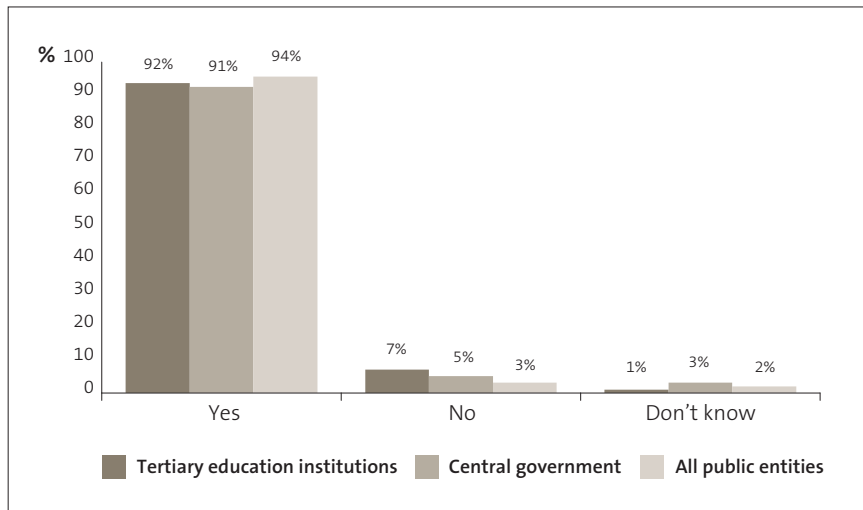
**39: In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?**

	Tertiary education institutions		Central government		All public entities	
	No.	%	No.	%	No.	%
Inadequate internal control policies and procedures	5	15%	14	8%	26	8%
Internal control policies and procedures not followed	9	27%	59	33%	85	27%
Poor segregation of duties	4	12%	6	3%	10	3%
Easy access to cash	3	9%	7	4%	19	6%
Management override of controls	0	-	7	4%	15	5%
It was a new type of fraud that our organisation was unprepared for	3	9%	4	2%	12	4%
Person didn't think they would get caught	8	24%	68	39%	127	40%
Don't know	1	3%	12	7%	22	7%
<b>Total</b>	<b>33</b>		<b>177</b>		<b>316</b>	

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

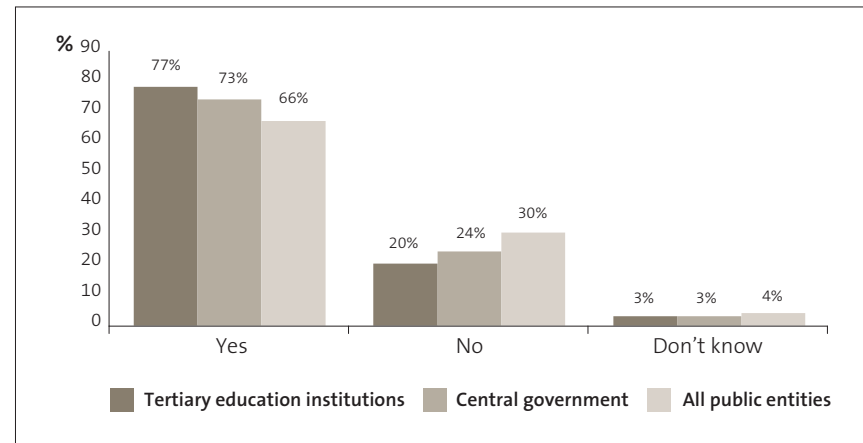
	Tertiary education institutions		Central government		All public entities	
	No.	%	No.	%	No.	%
No action was taken	1	3%	5	3%	14	5%
Insufficient evidence or culprit not identified	4	12%	7	4%	10	3%
Decision/action pending	1	3%	10	6%	15	5%
Allowed to resign and not reported to relevant authorities	6	18%	20	11%	35	11%
Allowed to resign but reported to relevant authorities	3	9%	14	8%	23	7%
Disciplined without any report to relevant authorities	4	12%	16	9%	40	13%
Disciplined and reported to relevant authorities	3	9%	13	7%	19	6%
Dismissed without any report to relevant authorities	3	9%	21	12%	44	14%
Dismissed and reported to relevant authorities	7	21%	45	26%	81	26%
Don't know	1	3%	23	13%	30	10%
<b>Total</b>	<b>33</b>		<b>174</b>		<b>311</b>	

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



	Yes		No		Don't know		Total
Tertiary education institutions	83	92%	6	7%	1	1%	90
Central government	577	91%	34	5%	22	3%	633
All public entities	1341	94%	46	3%	33	2%	1420

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



	Yes		No		Don't know		Total
Tertiary education institutions	69	77%	18	20%	3	3%	90
Central government	465	73%	150	24%	18	3%	633
All public entities	943	66%	423	30%	54	4%	1420

## Appendix 2

### About the survey

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

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

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

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

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