

Summary of our fraud survey results for schools

Cleanest public sector in the world: Keeping fraud at bay

May 2012

ISBN 978-0-478-38357-7 (print)
ISBN 978-0-478-38358-4 (online)

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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 schools doing well?

Respondents from schools told us that their schools had good anti-fraud frameworks, with policies, a code of conduct, high levels of confidence in the school leaders’ awareness of their role and responsibilities, proactive approaches to fraud, and pre-employment checks. School cultures are receptive to staff raising concerns, and expense claims and credit card expenses are monitored.

What to focus on

Boards of trustees

The board of trustees should:

- encourage the principal and staff to talk about fraud risks and suggest new or improved controls; and
- respond to any fraud risks raised by your school's auditor.

School principals and heads of departments

As managers and leaders of your school, you should:

- support the board in maintaining an environment where staff are willing to talk about fraud risks;
- regularly communicate with staff about the school's "zero tolerance" for fraud, your fraud policy, and the code of conduct;
- regularly review your fraud controls;
- carry out due diligence checks on any suppliers that you deal with – and tell staff that these checks are carried out; and
- tell your appointed auditor about all suspected or detected fraud, as soon as you suspect or detect it.

All school 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
- where appropriate, 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 the school sector:	482
Number of schools represented in the results:	242 of 300

Survey terms:

- **fraud** means an intentional and dishonest act involving deception or misrepresentation by a person, to obtain or potentially obtain an advantage for themselves or any other person;
- **theft** means to dishonestly, and without claim or right, take or deal with any property with intent to deprive any owner permanently of the property or interest in it; and
- **corruption** is the abuse of entrusted power for private gain (such as soliciting or receiving gifts or other gratuities to perform an official duty or omit to perform an official duty).

Part 2

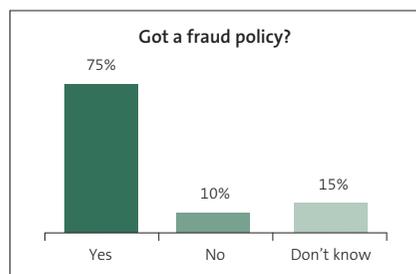
Detailed results for schools

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, and doing pre-employment screening.

Code of conduct and policies

Three-quarters of respondents said that their school had a fraud policy, and 89% said that they had a code of conduct. For small schools, a specific fraud policy may seem excessive – what is most important is that clear guidance is accessible and understood by all staff.



Fewer respondents (41%) said that their school had a gift policy.

It is common for students and parents to occasionally give gifts to school staff at the end of the school year. Although these are unsolicited and usually declined if expensive, it is important that schools have a policy to

provide guidance to employees in those situations. Without such a policy, there is a risk that inappropriate gifts might be accepted – which could damage the school's reputation.

We note that the Ministry of Education has model policies available for schools, which could be helpful for schools with any policy gaps in their fraud control frameworks.

Credit card spending

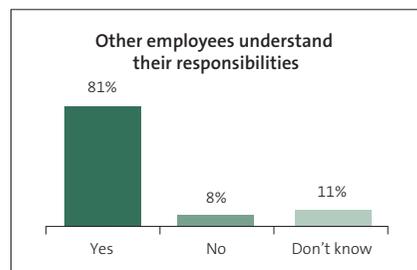
Although most respondents (79%) said their school took credit card spending seriously, this percentage was lower than for all public sector entities (83%). Most respondents (87%) said their school took expense claims seriously, and this finding was similar to all public sector respondents (86%).

Environment receptive to conversations about fraud

Most respondents (96%) said that their school was receptive to conversations about fraud – respondents felt they could safely raise any concerns and know that those concerns would be taken seriously. This was one of the highest results across the public sector. Most respondents (90%) also had confidence that their school would take proactive steps to reduce the risk of fraud if a fraud was discovered in their school.

Similarly, most respondents (95%) said that they felt confident that managers in their schools understood their roles and responsibilities for preventing and detecting fraud. Again, this was one of the highest results across the public sector (89% for all public entities).

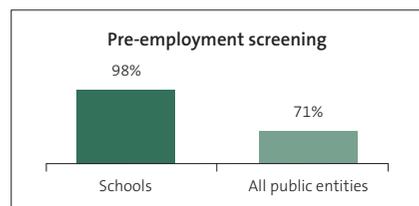
Preventing fraud is not the responsibility of any one person, and 81% of school respondents said other employees understood their responsibilities and would know what to do if they discovered fraud. Again, this result was one of the highest (the result for all public entities was 73%). In our view, all employees need to understand their roles and responsibilities so that a culture receptive to discussing fraud can be supported and maintained.



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.

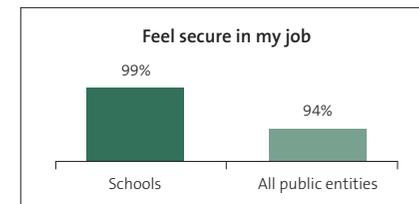
Only 43% of schools are currently completing checks like this. Awareness of these controls was varied – more than half of the operational staff did not know whether these checks happened in their school. This response rate was one of the lowest in the public sector.

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 schools to unnecessary risk.

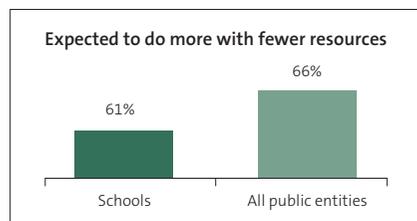
Schools are performing well in this regard. Nearly all respondents (98%) said that their school carried out pre-employment checks that included a criminal history check. This positive response rate was notably higher than the rate for the public sector overall (71%).

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”.



Schools are in a slightly more favourable position than other public entities. At the time of our survey, respondents in schools felt more secure in their employment than workers elsewhere in the public sector. However, we note that about two-thirds of school respondents reported feeling under pressure to “do more with less”.



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

Detecting fraud

Although boards of trustees should be able to trust their employees to do the right thing, having trusted employees is not a fraud control. The likelihood of being discovered is often a strong deterrent for those contemplating wrongdoing, but controls and culture play a critical role in preventing and detecting fraud.

Fraud prevention is the first line of defence for schools. Schools were most likely to detect fraud through internal controls – 46% of the most recent fraud incidents were detected this way. This result was 10% higher than it was for the wider public sector, so the internal controls in some schools appear to be working well.

The percentage of school respondents who said that credit card spending was closely monitored (84%) was slightly lower than the percentage for all public entity respondents (90%). However, almost all school respondents

(99%) said that staff expenses were closely monitored. The comparable figure for the public sector overall was slightly lower, at 97%.

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

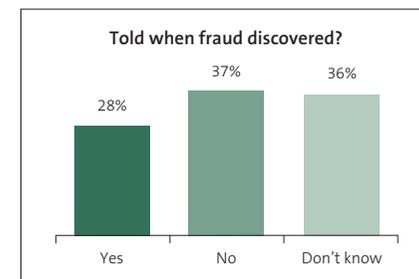
Responding to fraud

Reviewing internal controls

More than two-thirds (72%) of respondents said that internal controls were reviewed after a fraud had occurred in their school. In our view, boards of trustees should review their internal controls after every fraud, to ensure that controls are still appropriate. When a control weakness is identified, boards of trustees should strengthen the controls to prevent any repeated fraud and tell staff that the control has been strengthened.

Telling staff about incidents of fraud

Most school respondents (96%) were confident that their board of trustees would take reasonable action to recover any money lost through fraudulent activity. This percentage was slightly higher than the result for the public sector overall (93%).

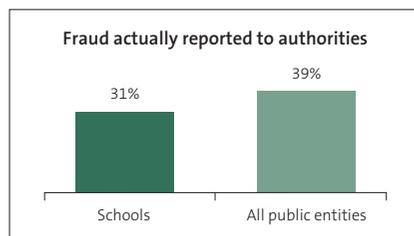


Less than a third of the school respondents said that their school leaders told all staff about incidents of fraud. Most either said that school leaders did not do this or were not sure whether they did.

Communicating with staff is vital in raising awareness about fraud. Greater awareness makes it easier for staff to be vigilant, can confirm the board of trustees' "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 (81%) expected that suspected fraud would be reported to the appropriate authorities. In reality, less than a third of the most recent incidents of fraud were reported to the appropriate authorities.



We know that boards of trustees are sometimes 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 boards of trustees to do this.

Any decision made not to report or respond to fraud can erode staff confidence in the board of trustees and school leaders. It can create a perception that the board of trustees and school leaders 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 school and continue their dishonest behaviour.

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

Part 3

Incidents of fraud in schools

Despite our generally “clean” image, fraud is a fact of business life in New Zealand: 8% of the respondents were aware of at least one incident of fraud or corruption in their school within the last two years. This was one of the lowest rates within the public 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 schools was mostly low, with 92% for amounts of less than \$10,000. For all public entities, 62% of the most recent frauds were for amounts less than \$10,000. No school respondents identified frauds of more than \$100,000. About 8% of the respondents who answered this question did not know how much money was lost.

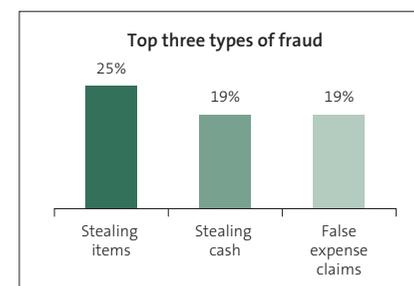
It is not always possible to accurately establish how much money has been lost in a fraud, because sometimes the records and the investigation are incomplete.

Most of the fraud incidents in schools (75%) were committed by one internal person acting alone, typically at an operational staff level.

The most frequent types of fraud within schools were:

- theft of property, plant, and equipment or inventory (25% combined);
- theft of cash (19%); and
- fraudulent expense claims (19%).

Close monitoring of cash handling and internal controls (for property and expenses) are an important part of mitigating the risk of these types of fraud.



The most common reasons why fraud occurred was that the perpetrator did not think they would get caught (50%) and because internal controls were not followed or were overridden (28%).

Internal control systems were schools' most successful mechanism for detecting fraud, with 46% of the frauds detected in this way. Internal audit (17%) and internal tip-offs (other than through a formal whistle-blower system) identified 15% of fraud incidents.

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

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 or 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 always is important, but especially so in tough economic climates.

Consider reporting suspected or detected fraud to the Police

The board of trustees and school leaders 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 boards of trustees and school leaders **to consider** carefully, in every case, whether to refer a suspected or detected fraud to law enforcement agencies.

Appendix 1

Tables of school survey data

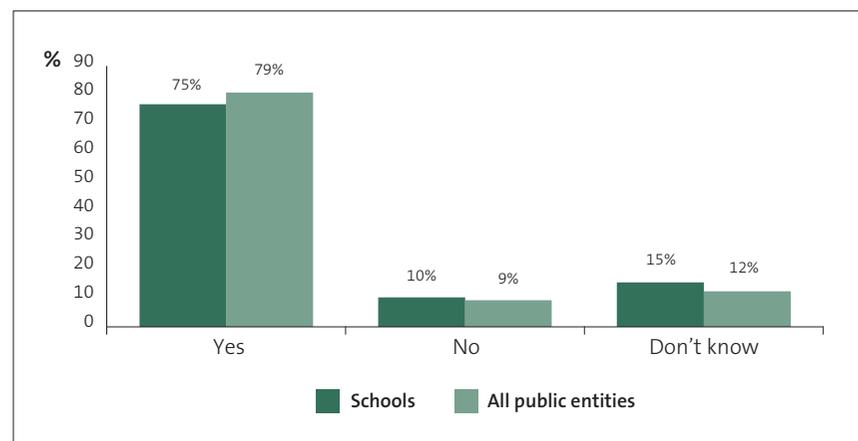
Schools made up 32.7% of the total number of respondents from all public entities. Other respondents were working in local government (22.3%) and central government entities (45.0%).

The following graphs and tables compare the school results with results for the public sector overall.

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

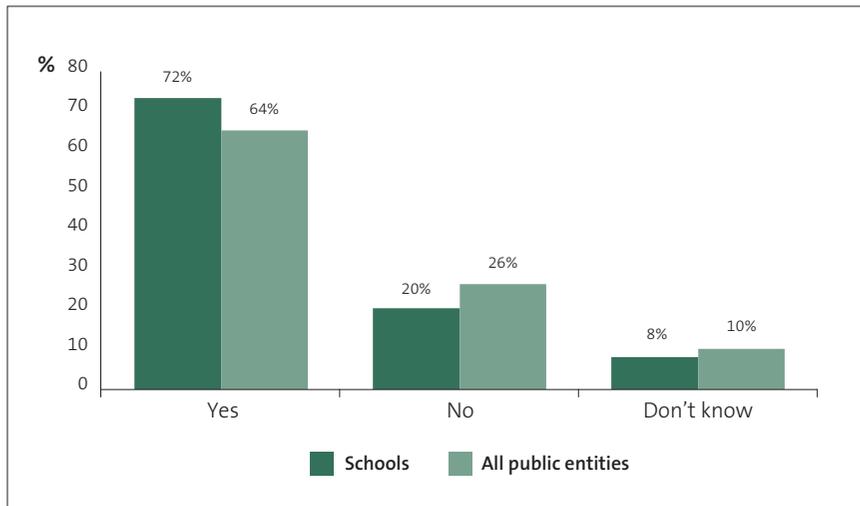
The survey was sent to the broadest possible sample of schools – from city to rural, in the North and South Islands, integrated and non-integrated, single-sex and co-educational, from primary through composite and intermediate to secondary schools, schools with boarding facilities, and special schools.

Question 1: My organisation has a Fraud Policy.



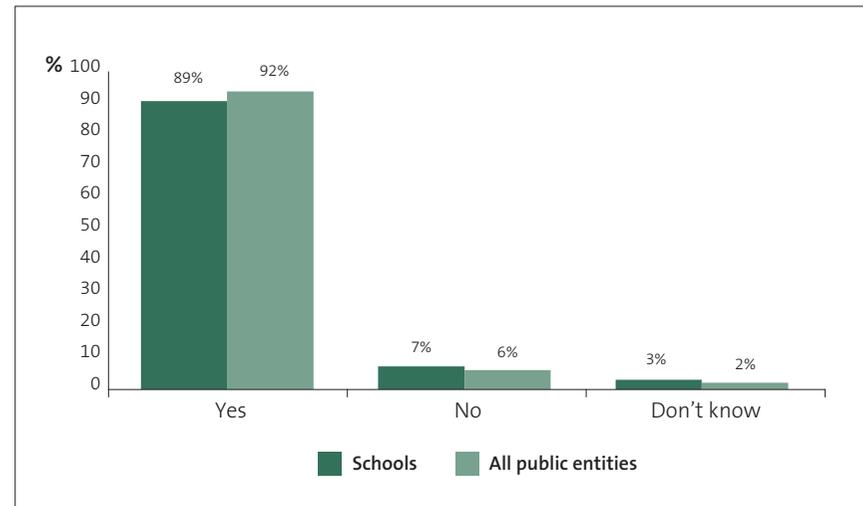
	Yes		No		Don't know		Total
Schools	359	75%	48	10%	70	15%	477
All public entities	1143	79%	135	9%	169	12%	1447

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



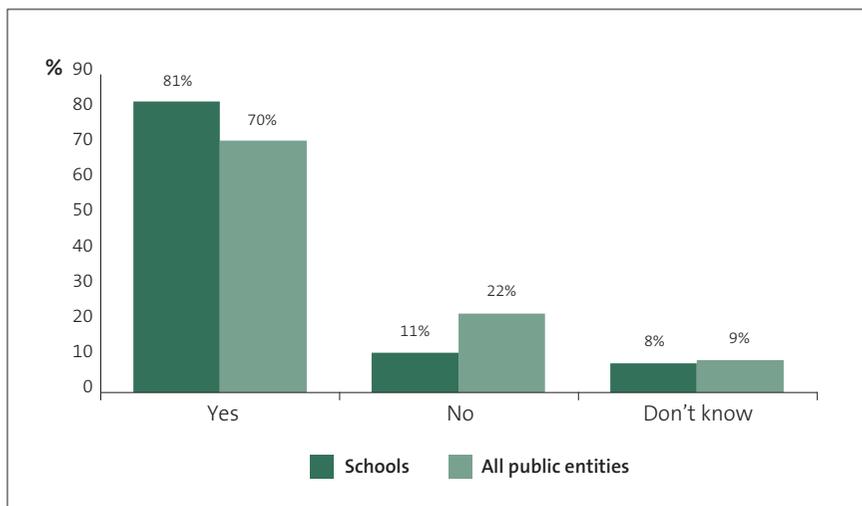
	Yes		No		Don't know		Total
Schools	261	72%	71	20%	29	8%	361
All public entities	735	64%	295	26%	113	10%	1143

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



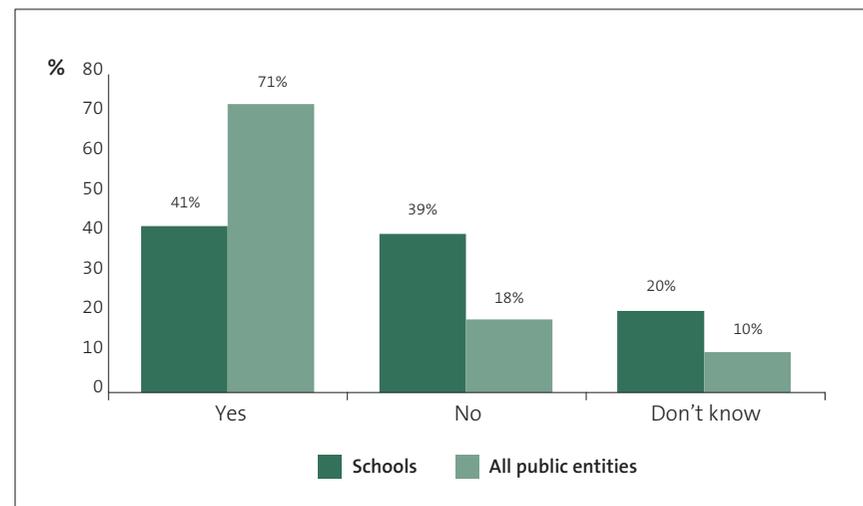
	Yes		No		Don't know		Total
Schools	425	89%	35	7%	15	3%	475
All public entities	1321	92%	86	6%	35	2%	1442

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



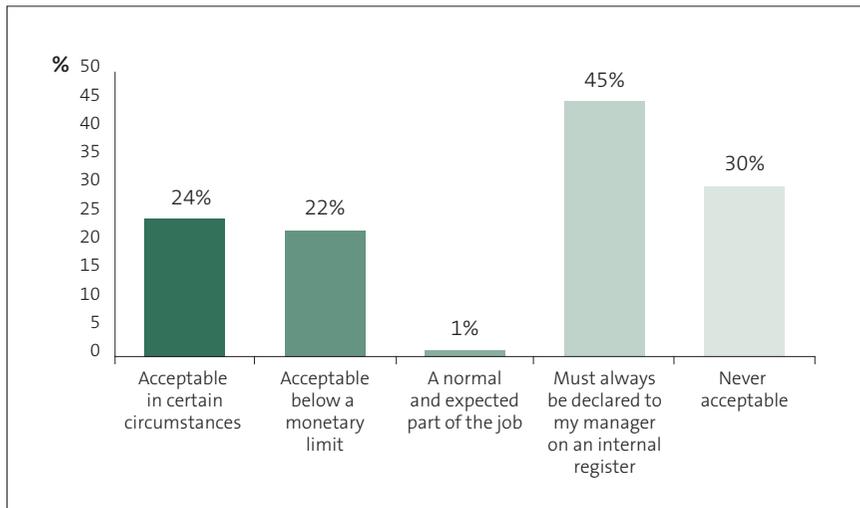
	Yes		No		Don't know		Total
Schools	345	81%	48	11%	33	8%	426
All public entities	921	70%	286	22%	115	9%	1322

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



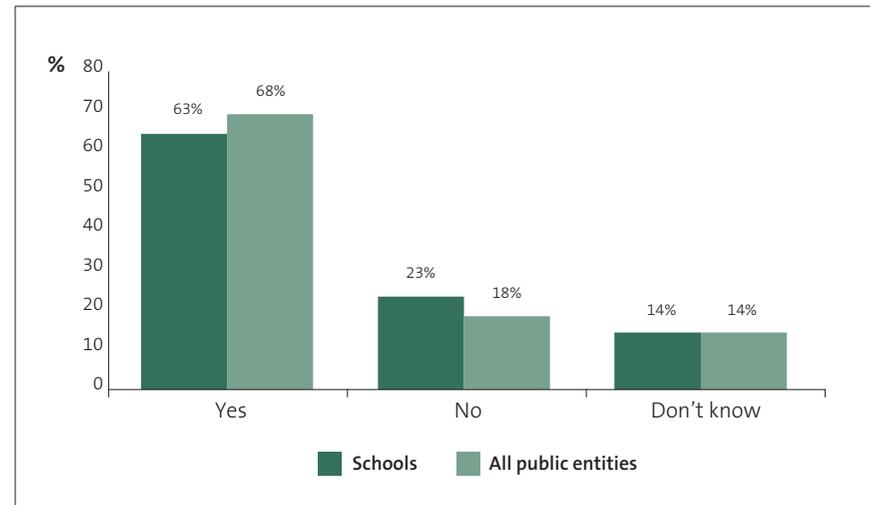
	Yes		No		Don't know		Total
Schools	196	41%	185	39%	93	20%	474
All public entities	1025	71%	266	18%	149	10%	1440

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



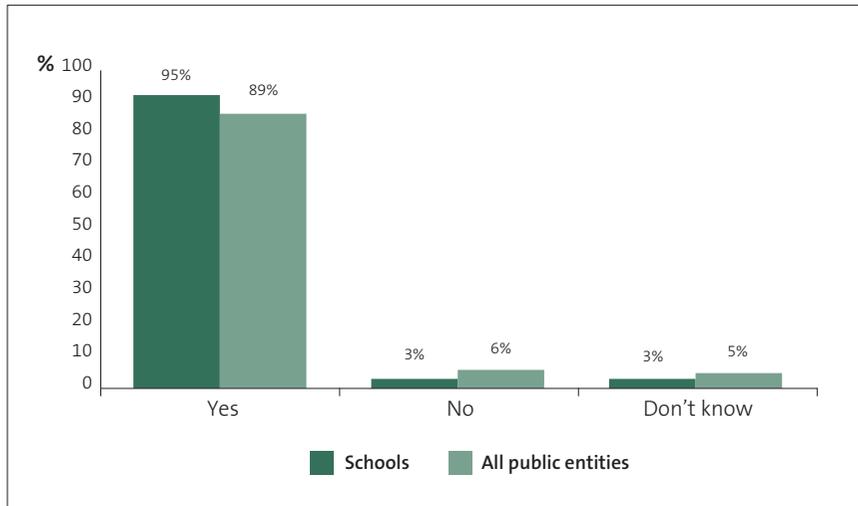
Note: The “right” answer to this question is a response that is in keeping with the relevant school’s gifts policy.

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



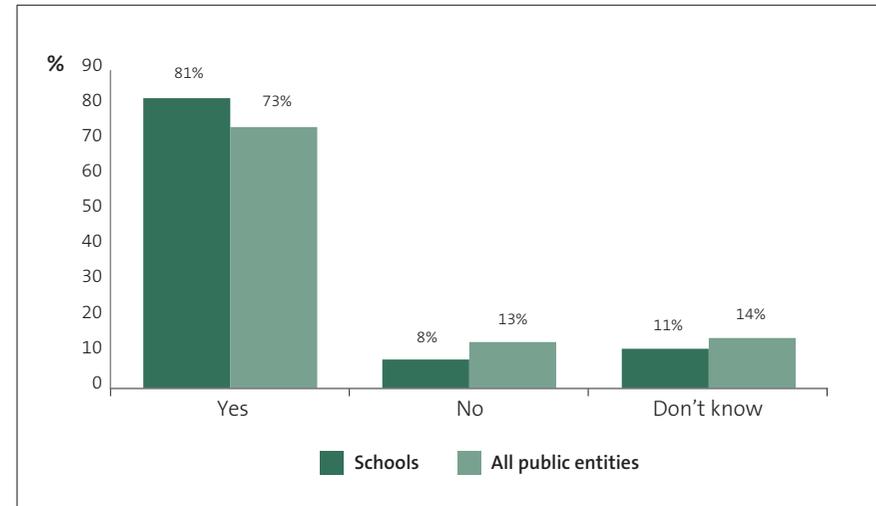
	Yes	No	Don't know	Total
Schools	297	108	67	472
All public entities	971	258	206	1435

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



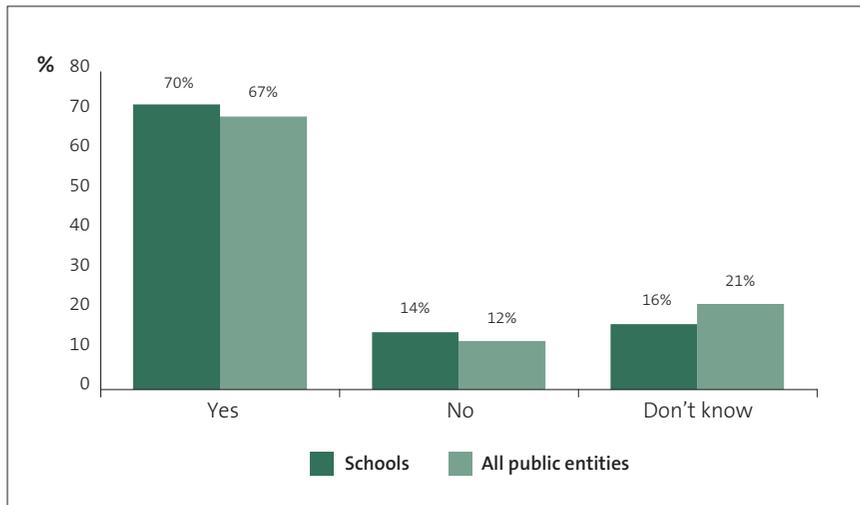
	Yes	No	Don't know	Total
Schools	447	13	12	472
All public entities	1282	80	72	1434

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



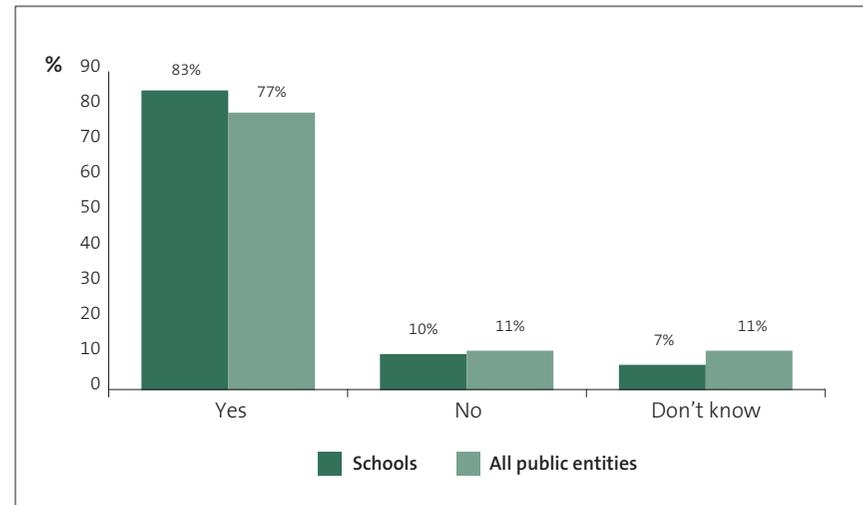
	Yes	No	Don't know	Total
Schools	380	38	54	472
All public entities	1049	181	204	1434

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



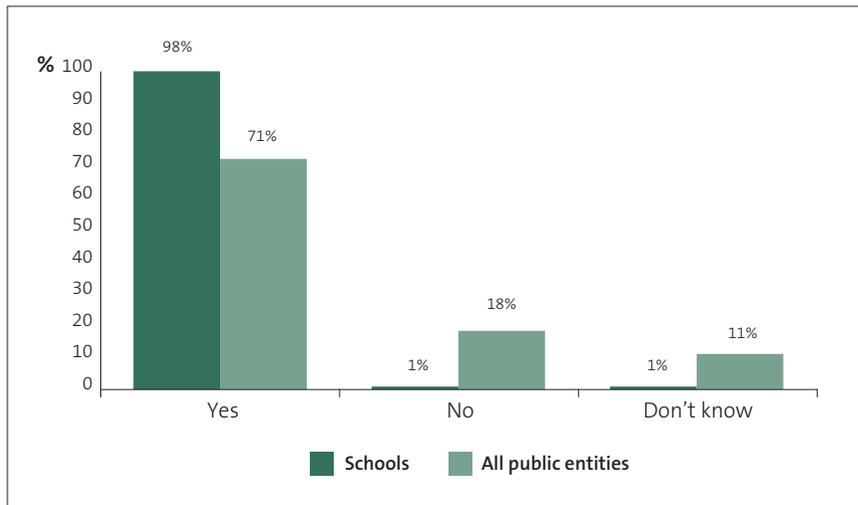
	Yes		No		Don't know		Total
Schools	329	70%	68	14%	75	16%	472
All public entities	960	67%	178	12%	295	21%	1433

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



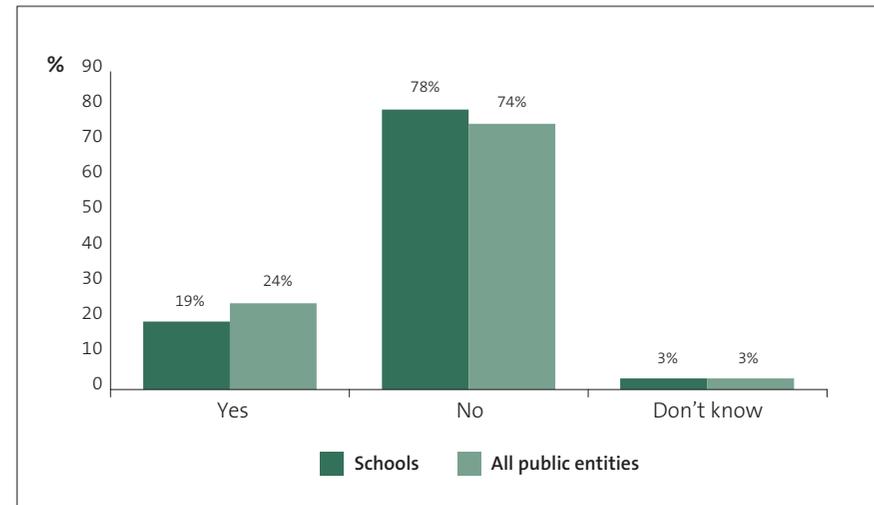
	Yes		No		Don't know		Total
Schools	389	83%	47	10%	35	7%	471
All public entities	1105	77%	164	11%	162	11%	1431

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



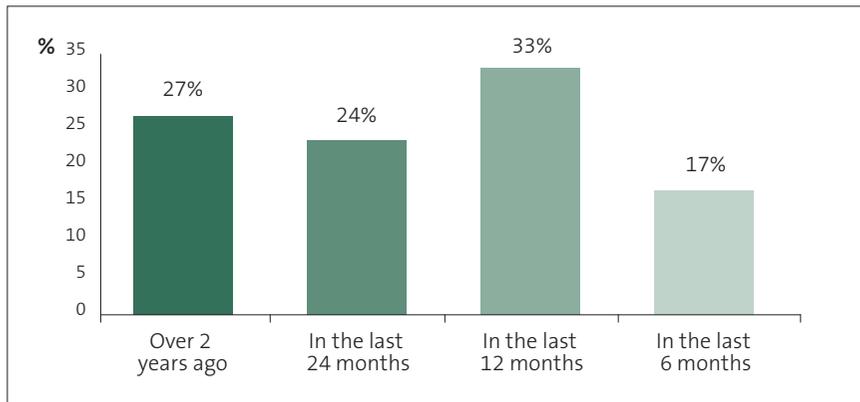
	Yes		No		Don't know		Total
Schools	462	98%	5	1%	4	1%	471
All public entities	1016	71%	251	18%	164	11%	1431

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

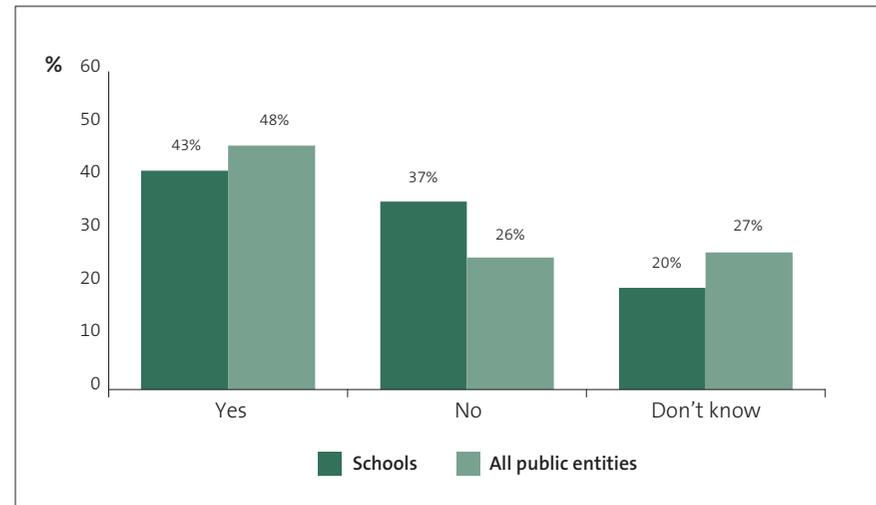


	Yes		No		Don't know		Total
Schools	89	19%	369	78%	13	3%	471
All public entities	338	24%	1057	74%	36	3%	1431

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

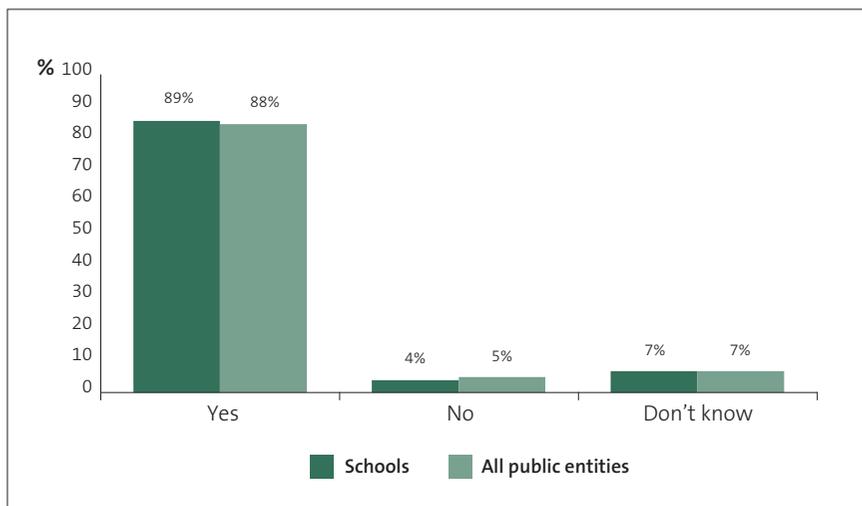


Question 15: My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.



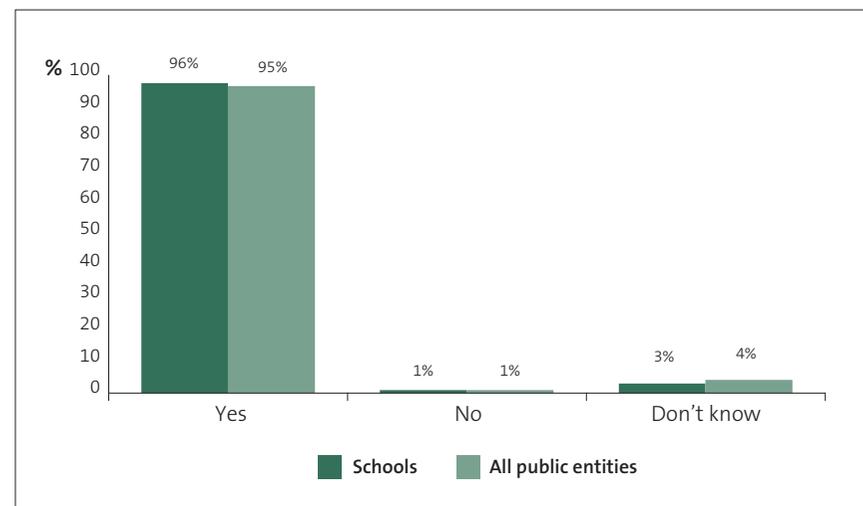
	Yes		No		Don't know		Total
Schools	203	43%	172	37%	96	20%	471
All public entities	680	48%	366	26%	385	27%	1431

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



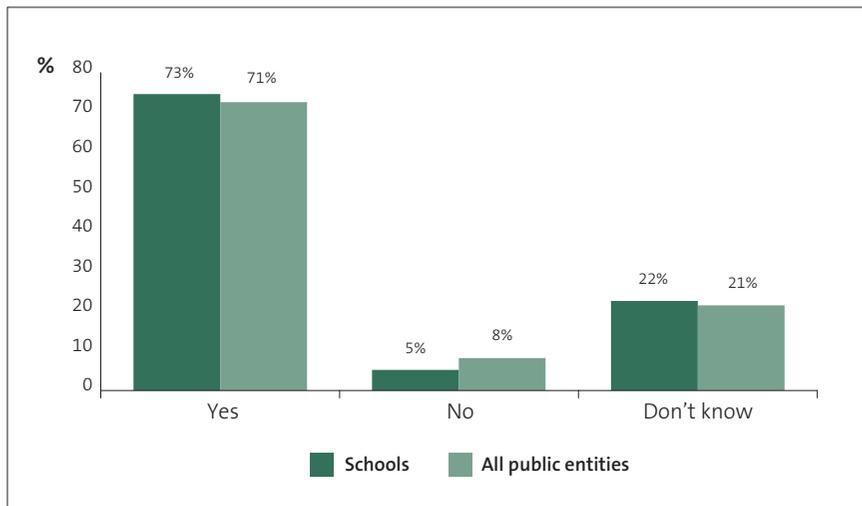
	Yes	No	Don't know	Total
Schools	419	18	34	471
All public entities	1258	72	100	1430

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.



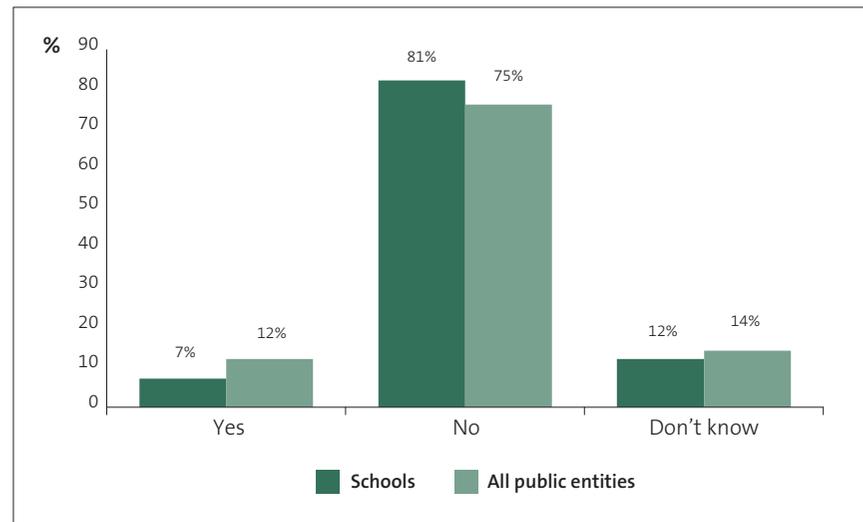
	Yes	No	Don't know	Total
Schools	453	4	13	470
All public entities	1357	21	50	1428

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



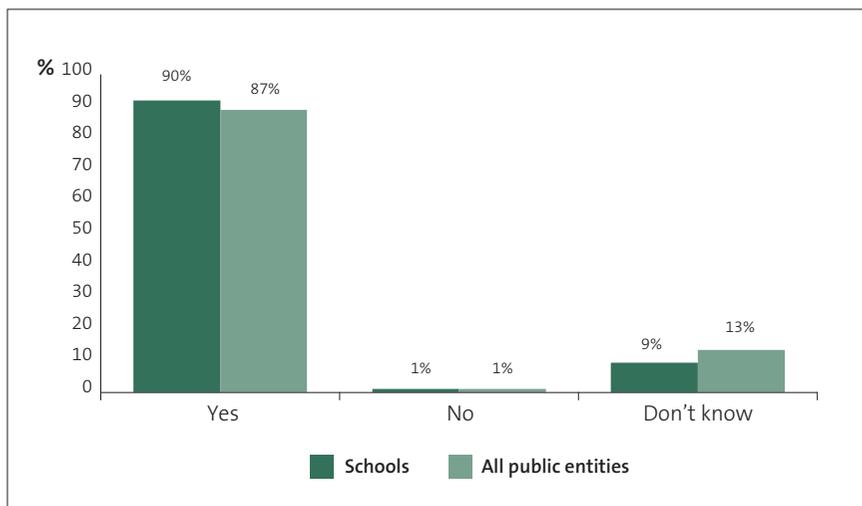
	Yes		No		Don't know		Total
Schools	343	73%	23	5%	104	22%	470
All public entities	1017	71%	114	8%	297	21%	1428

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



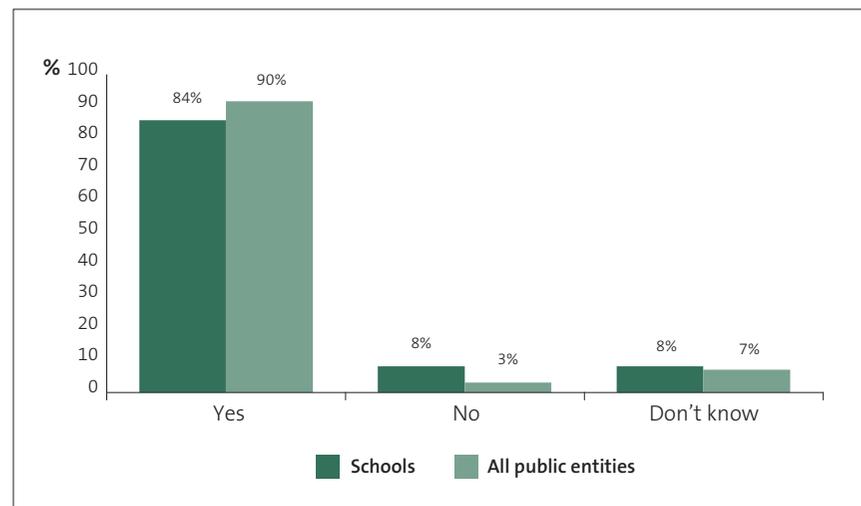
	Yes		No		Don't know		Total
Schools	34	7%	379	81%	57	12%	470
All public entities	166	12%	1067	75%	195	14%	1428

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



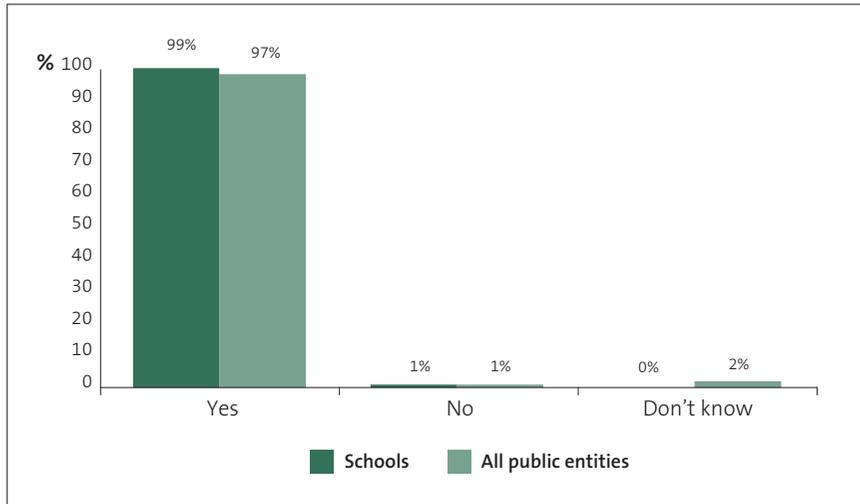
	Yes		No		Don't know		Total
Schools	422	90%	4	1%	44	9%	470
All public entities	1236	87%	10	1%	182	13%	1428

Question 21: Credit card expenditure is closely monitored.



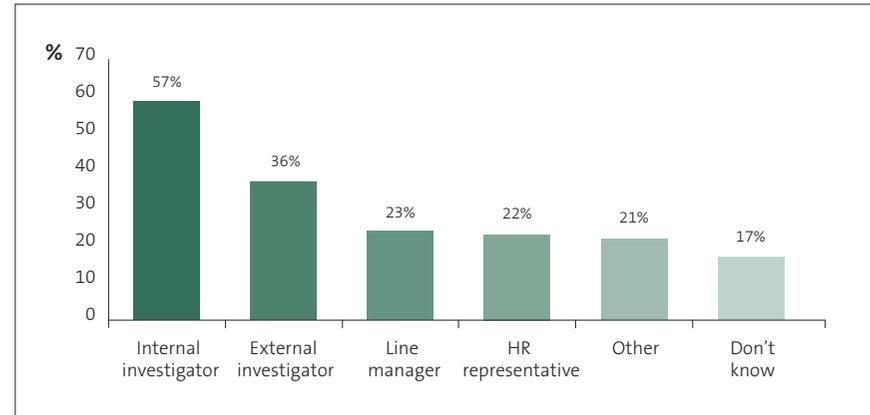
	Yes		No		Don't know		Total
Schools	395	84%	37	8%	37	8%	469
All public entities	1280	90%	46	3%	100	7%	1426

Question 22: Staff expenses are closely monitored.

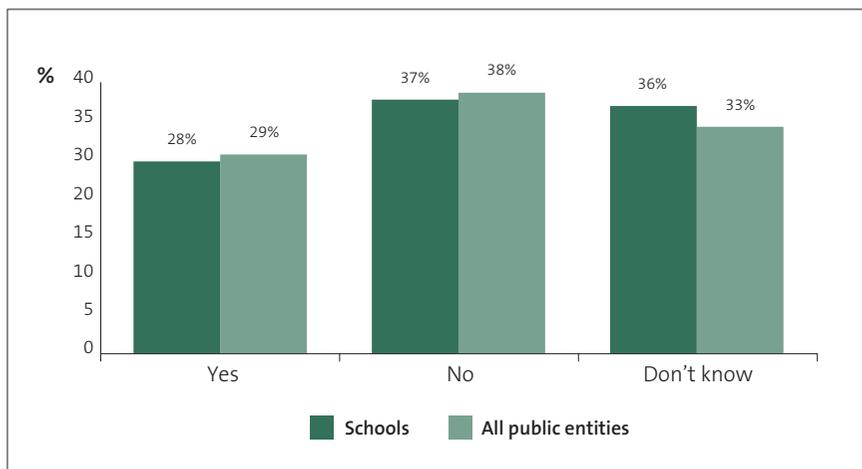


	Yes		No		Don't know		Total
Schools	464	99%	3	1%	2	0%	469
All public entities	1381	97%	15	1%	30	2%	1426

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

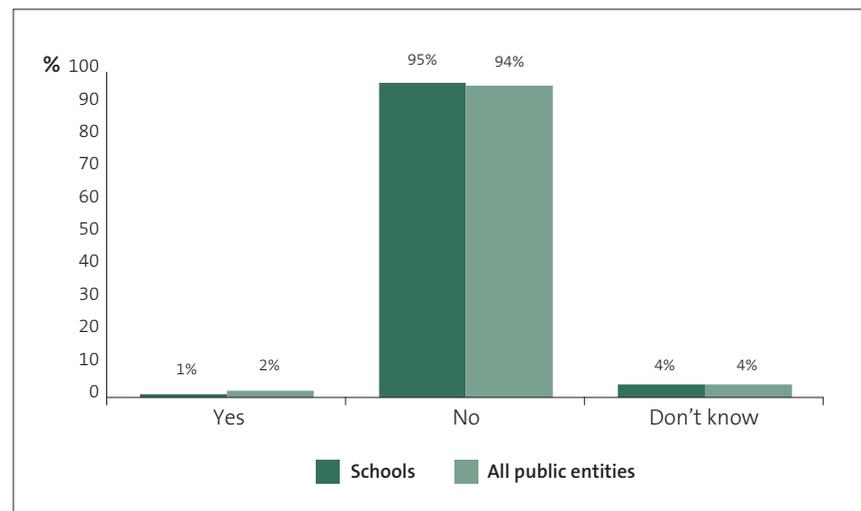


Question 24: Management communicates incidents of fraud to all staff at my organisation.



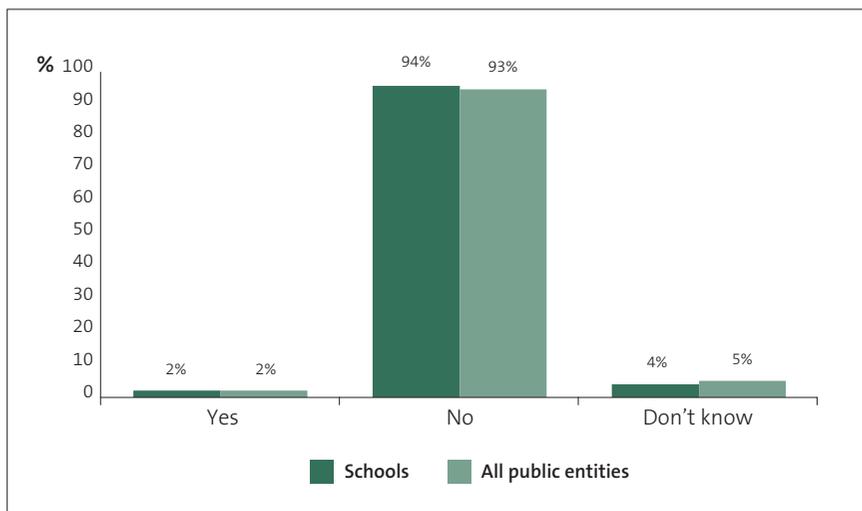
	Yes	No	Don't know	Total
Schools	130	172	167	469
All public entities	416	546	464	1426

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



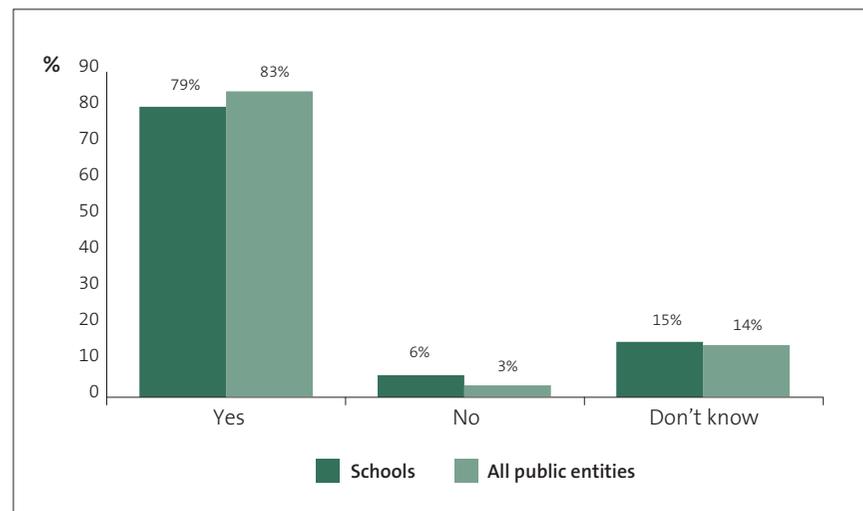
	Yes	No	Don't know	Total
Schools	3	447	19	469
All public entities	22	1345	59	1426

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.



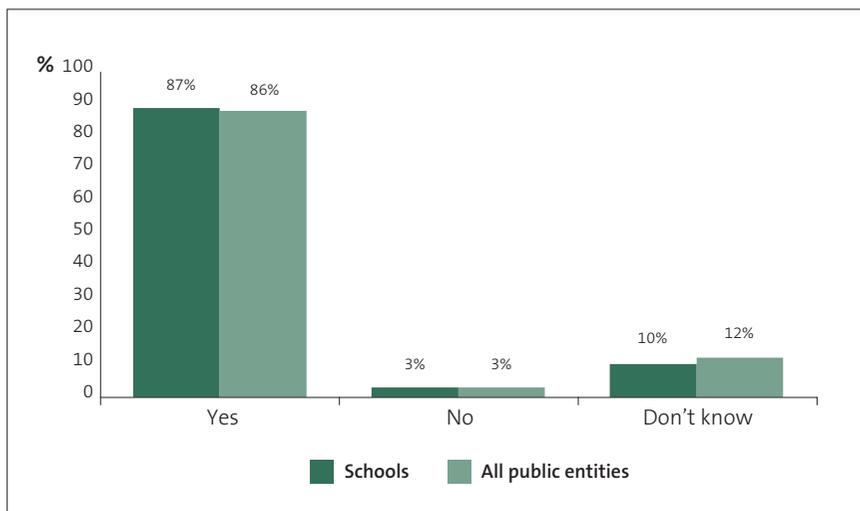
	Yes		No		Don't know		Total
Schools	8	2%	443	94%	18	4%	469
All public entities	26	2%	1324	93%	75	5%	1425

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



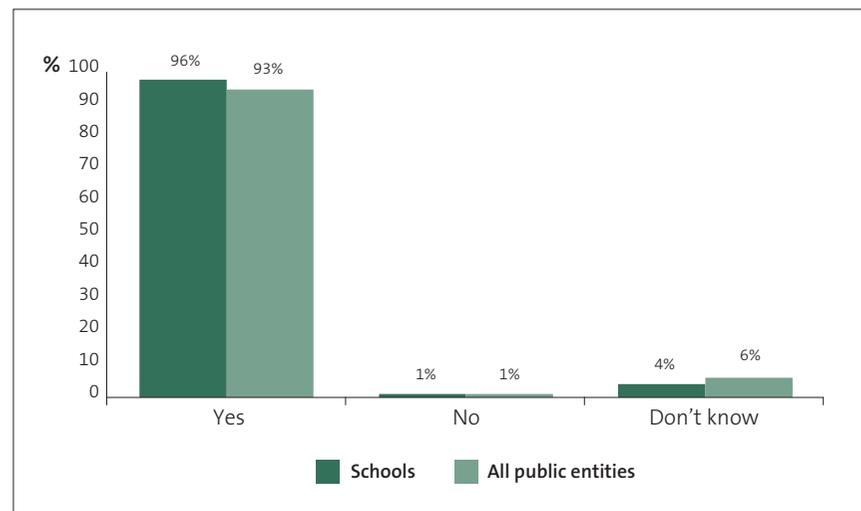
	Yes		No		Don't know		Total
Schools	370	79%	28	6%	71	15%	469
All public entities	1179	83%	47	3%	199	14%	1425

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



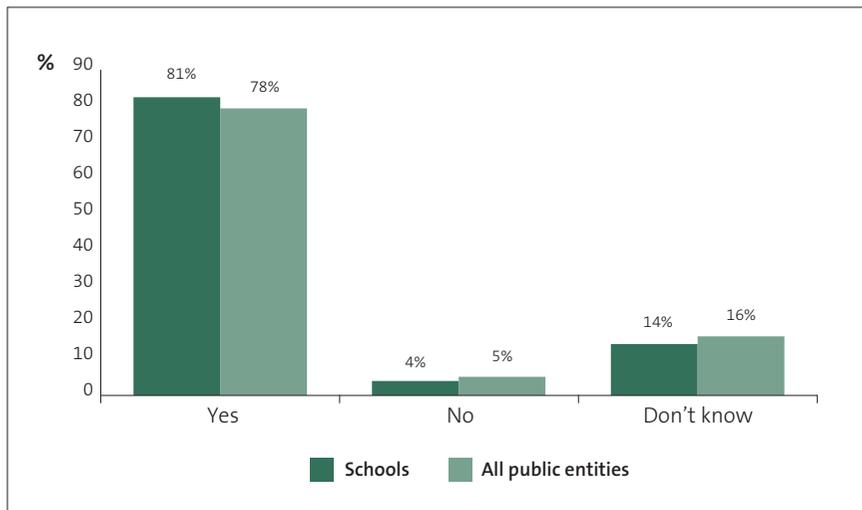
	Yes		No		Don't know		Total
Schools	407	87%	13	3%	48	10%	468
All public entities	1219	86%	37	3%	168	12%	1424

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



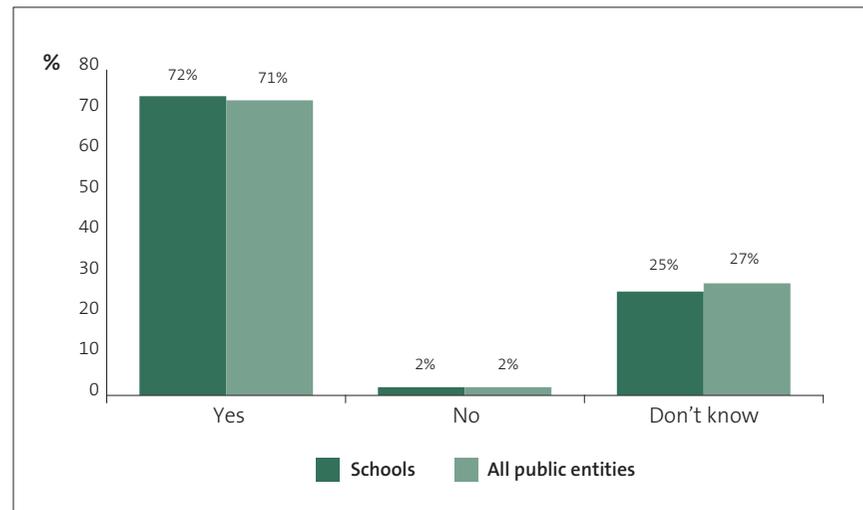
	Yes		No		Don't know		Total
Schools	447	96%	4	1%	17	4%	468
All public entities	1319	93%	18	1%	87	6%	1424

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



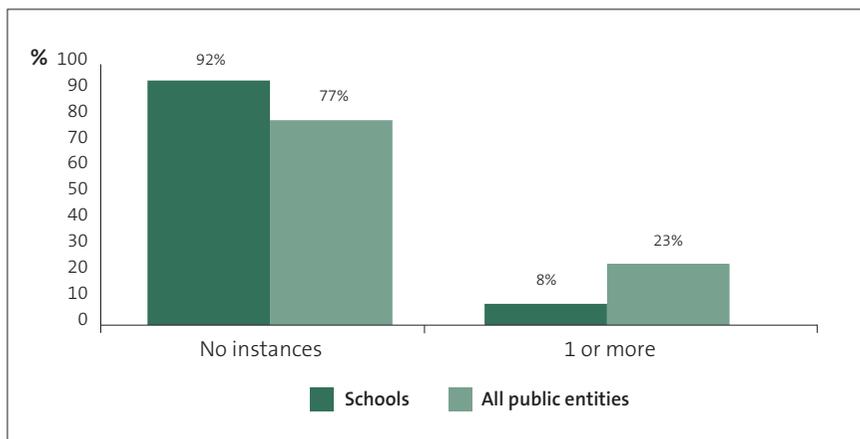
	Yes	No	Don't know	Total
Schools	380	21	67	468
All public entities	1115	75	234	1424

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



	Yes	No	Don't know	Total
Schools	339	11	118	468
All public entities	1005	29	390	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
Schools	432	92%	36	8%	468
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?

	Schools		All public entities	
Less than \$10,000	33	92%	199	62%
\$10,001 - \$100,000	0	-	45	14%
More than \$100,000	0	-	17	5%
Don't know	3	8%	59	19%
Total	36		320	

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

	Schools		All public entities	
Internal (within the organisation)	27	75%	255	80%
External (outside the organisation)	6	17%	34	11%
A combination of external and internal (i.e. collusion)	2	5%	24	7%
Don't know	1	3%	7	2%
Total	36		320	

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

	Schools		All public entities	
Chief Executive Officer/ Managing Director/ Principal	4	11%	8	3%
Member of the senior executive/ leadership team or equivalent	3	8%	7	2%
Line manager	2	6%	36	11%
Admin/support services	7	19%	71	22%
Operational staff	11	31%	148	46%
Other	9	25%	50	16%
Total	36		320	

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

	Schools		All public entities	
	No.	%	No.	%
Theft of cash	9	19%	85	21%
Theft of plant and equipment	8	17%	35	9%
Theft of inventory	4	8%	33	8%
Theft of intellectual property	0	-	6	1%
Identity crime	0	-	7	2%
Fraudulent expense claim	9	19%	55	14%
Fraudulent misuse of a credit card	4	8%	31	8%
Fraudulent misuse of a fuel card	2	4%	17	4%
False invoicing	2	4%	34	8%
Payroll fraud	4	8%	38	9%
Supplying false credentials	0	-	7	2%
False claim for benefit	0	-	2	0%
Financial statement fraud (overstatements)	1	2%	2	0%
Financial statement fraud (understatements)	0	-	1	0%
Conflicts of interest	1	2%	27	7%
Provide false information or fraudulent alteration of documents	4	8%	9	2%
Don't know	0	-	13	3%
Total	48		402	

Notes:

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

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

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

False invoicing – either internally or externally created.

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

Supplying false credentials – such as a false CV.

False claim for benefit – such as ACC, Housing.

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

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

	Schools		All public entities	
	No.	%	No.	%
Whistle blowing system	0	-	12	3%
Internal tip-off	8	15%	80	20%
External tip-off	3	6%	40	10%
Change of duties/ personnel	2	4%	17	4%
Accident (i.e. luck)	3	6%	17	4%
Internal control systems	24	46%	144	36%
Internal audit	9	17%	41	10%
External audit	0	-	3	1%
Fraud detection system	3	6%	15	4%
Don't know	0	-	26	7%
Total	52		395	

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?

	Schools		All public entities	
	No.	%	No.	%
No monetary loss	13	36%	48	15%
Less than \$1,000	11	31%	104	33%
Between \$1,000 and \$10,000	11	31%	90	28%
Between \$10,001 and \$50,000	1	3%	16	5%
Between \$50,001 and \$100,000	0	-	7	2%
Between \$100,001 and \$500,000	0	-	7	2%
More than \$500,000	0	-	3	1%
Don't know	0	-	44	14%
Total	36		319	100%

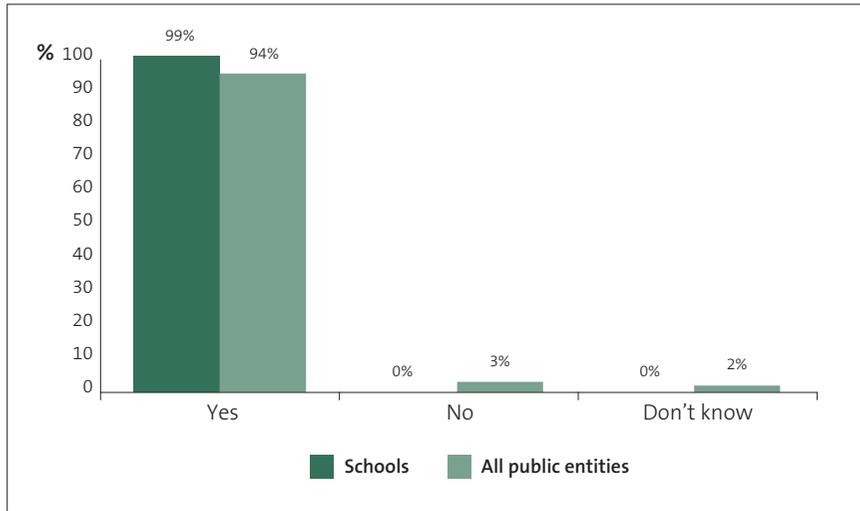
Question 39: In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?

	Schools		All surveyed public entities	
	No.	%	No.	%
Inadequate internal control policies and procedures	2	6%	26	8%
Internal control policies and procedures not followed	6	17%	85	27%
Poor segregation of duties	0	-	10	3%
Easy access to cash	1	3%	19	6%
Management override of controls	4	11%	15	5%
It was a new type of fraud that our organisation was unprepared for	4	11%	12	4%
Person didn't think they would get caught	18	50%	127	40%
Don't know	1	3%	22	7%
Total	36		316	100%

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

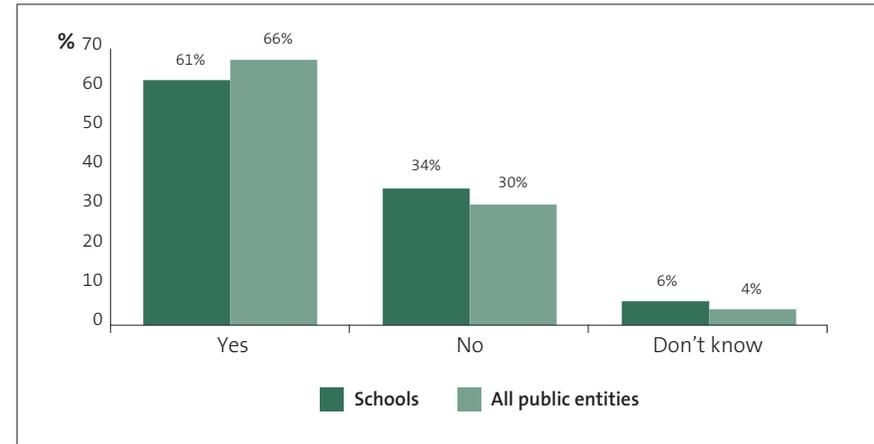
	Schools		All public entities	
	No.	%	No.	%
No action was taken	3	9%	14	5%
Insufficient evidence or culprit not identified	3	9%	10	3%
Decision/action pending	3	9%	15	5%
Allowed to resign and not reported to relevant authorities	4	11%	35	11%
Allowed to resign but reported to relevant authorities	2	6%	23	7%
Disciplined without any report to relevant authorities	9	26%	40	13%
Disciplined and reported to relevant authorities	5	14%	19	6%
Dismissed without any report to relevant authorities	2	6%	44	14%
Dismissed and reported to relevant authorities	4	11%	81	26%
Don't know	0	-	30	10%
Total	35		311	

Question 41: I feel secure in my job.



	Yes		No		Don't know		Total
Schools	465	99%	1	0%	2	0%	468
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
Schools	284	61%	158	34%	26	6%	468
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.

