

Summary of our fraud survey results

Crown research institutes

Autonomous Crown entities

Crown agents or companies

Independent Crown entities

Central government – other

Cleanest public sector in the world: Keeping fraud at bay

April 2012

ISBN 978-0-478-38359-1 (print)

ISBN 978-0-478-38360-7 (online)

Contents

Part 1 – Overview	3
What are these entities doing well?	4
What to focus on	4
Part 2 – Detailed results for these entities	7
Preventing fraud	7
Detecting fraud	12
Responding to fraud	14
Part 3 – Incidents of fraud	17
Part 4 – Where to from here?	19
Always report suspected or detected fraud to your auditor	19
Learn from the anonymous information that we will share	19
Consider reporting suspected or detected fraud to the Police	19
Appendices	
1 – Tables of survey data	21
2 – About the survey	47

Key terms in this report

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

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

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

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

We also refer to the public sector and all public entities, which mean results from respondents in all the types of entities covered by our survey – local and central government and schools.

Part 1

Overview

New Zealand generally has a “clean” image when it comes to fraud. We consistently rank highly in international and domestic surveys that measure public trust in government and the effectiveness of systems and processes that deal with fraud and corruption. We attribute the general absence of systemic large-scale corruption in the private and public sectors to the integrity of our standards and controls, underpinned by strong and shared common values, within a small and cohesive society.

However, we cannot be complacent if we are to keep our good record of keeping fraud at bay. It is particularly important to be vigilant in the current global economic climate, because there is an increased risk of fraud when people struggle to make ends meet.

The Auditor-General commissioned a survey on fraud awareness, prevention, and detection to gain better insight into fraud in the public sector. The results confirm a strong commitment within the public sector to protecting public resources.

Minimising the opportunity and removing the temptation to commit fraud are the best ways that entities can protect the public’s resources. Building a culture where governance, management, and staff are receptive to talking about fraud is important. Our findings confirm that the incidence of fraud is lowest where a public entity’s culture is receptive to these discussions,

communication is regular, and where incidents are reported to the relevant authorities.

Fraud always attracts a great deal of interest – irrespective of its scale. Invariably, questions are asked about how the fraud took place and whether the controls designed to stop fraud were operating effectively.

Fraud awareness, prevention, and detection are **the responsibility of each entity’s governing body and its management**. Through our audit work, we seek to promote discussion and awareness of fraud risks within entities, and between entities and their auditors. We hope that better sharing of information about fraud experiences will lead to better understanding of risks and the steps that we can all take to actively protect the public purse.

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

- Crown research institutes;
- independent Crown entities (other than district health boards and tertiary education institutions, which we have covered in separate reports);
- autonomous Crown entities;
- Crown agents or companies; and
- a collection of other central government entities that do not fall in any of the above categories (“central government – other”).

What are these entities doing well?

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

- have fraud policies and codes of conduct;
- encourage staff to raise concerns;
- take a proactive approach to preventing and detecting fraud and take proactive steps to reduce any fraud risks when a fraud has occurred;
- monitor credit card spending and staff expenses well; and
- have senior managers who understand their roles and responsibilities.

What to focus on

Chief executives

As chief executive, you should:

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

Senior managers

As a senior manager, you should:

- support the chief executive in maintaining an environment where staff are willing to talk about fraud risks;
- carry out due diligence checks of new suppliers;
- carry out pre-employment screening checks of potential employees – and tell staff that these checks are carried out;
- regularly circulate your fraud policy, and check that staff have read and understood it; 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 covered in this report:	272
Number of entities represented in these results:	87 of 98
Crown research institutes (38 respondents)	8 of 8
Autonomous Crown entities (56 respondents)	19 of 20
Crown agents or companies (89 respondents)	25 of 26
Independent Crown entities (38 respondents)	13 of 14
Central government – other (51 respondents)	22 of 30

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

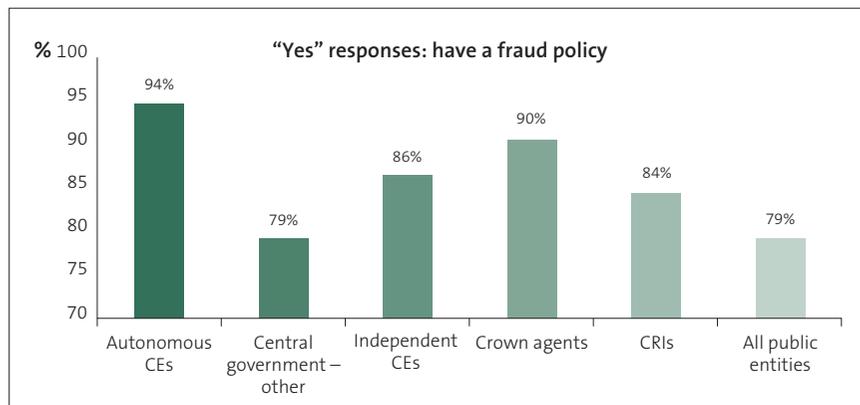
Detailed results for these entities

Preventing fraud

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

Code of conduct and policies

Most respondents said that their entities had a fraud policy.



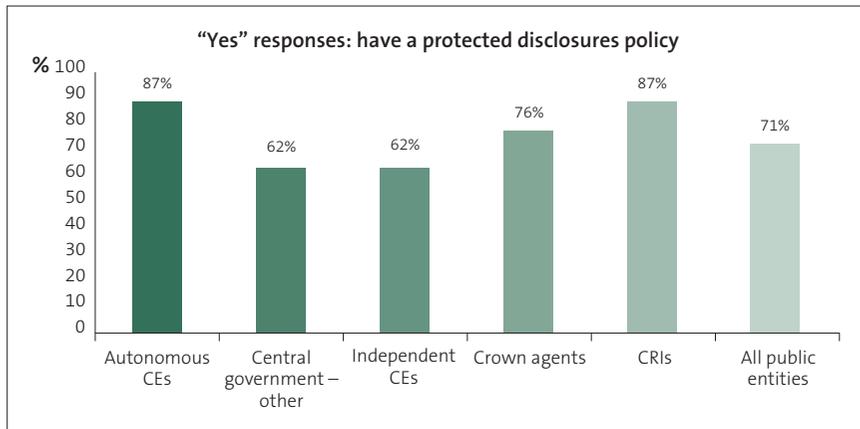
The affirmative response rates about fraud policies, for most of these entities, were higher than the average for both the central government sector (83%) and the public sector overall (79%). The percentages dropped when respondents were asked whether these policies were regularly communicated. For example, only 56% of independent Crown entity respondents had received communication on their fraud policy.

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

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

- autonomous Crown entities, 100%;
- central government – other, 94%;
- Crown agents or companies, 97%;
- Crown research institutes, 92%; and
- independent Crown entities, 86%.

Respondents varied more in their answers about whether their entity had a protected disclosures policy. Crown research institutes and autonomous Crown entities (both with 87%) had the highest response rate. Central government – other and independent Crown entities (both with 62%) had the lowest. Crown agents or companies also had a result higher (76%) than the central government sector (75%) and the overall public sector (71%).



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

- autonomous Crown entities, 98%;
- central government – other, 78%;
- Crown agents or companies, 97%;
- Crown research institutes, 87%; and
- independent Crown entities, 95%.

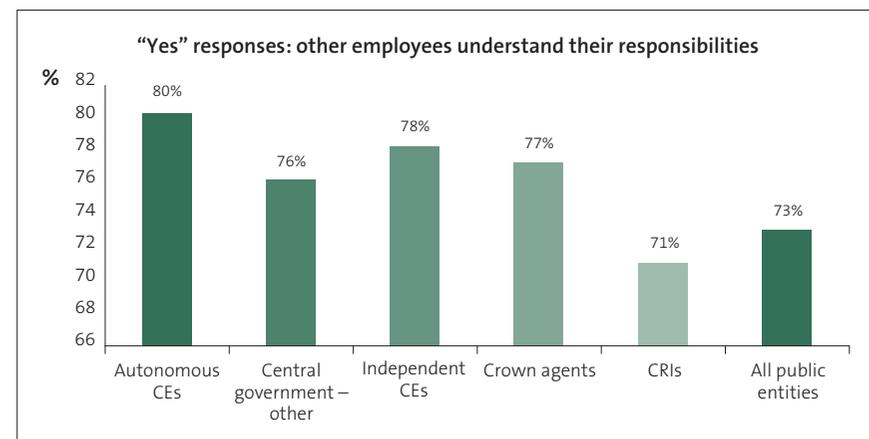
These results were markedly higher than the overall public sector response of 71%. However, this question in the survey still generated significantly more “free text” responses than any other question. It was clear to us that many respondents have unanswered questions, regardless of the clarity of their policy. In our view, the most important matter is the conflict of interest risk – staff from these entities should always decline a gift if

accepting it could influence, or be seen as influencing, their decision-making. And gifts need to be recorded in a gifts register.

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

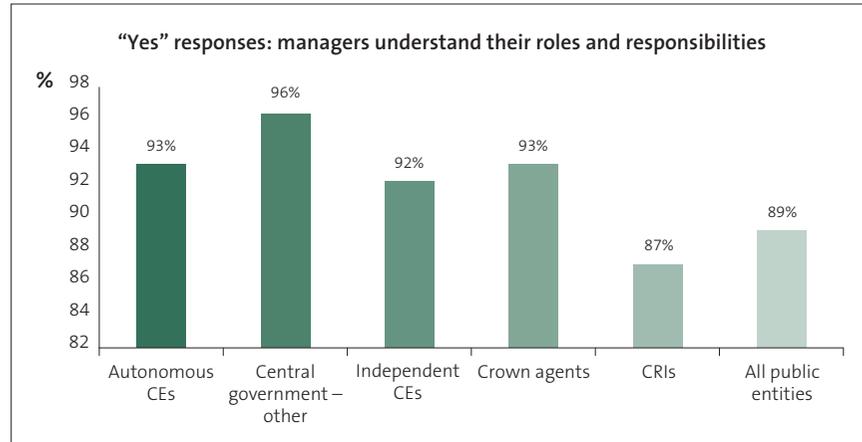
Clear roles and responsibilities

Although the culture modelled by the leaders of an entity is critical, preventing fraud is not the responsibility of any one person. Autonomous Crown entities (80%) had the highest affirmative response rate for the question about other employees understanding their responsibilities for preventing and detecting fraud.



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

Respondents from all levels in these entities (from the chief executive through to operational and administration staff) felt confident that managers understood their roles and responsibilities for preventing and detecting fraud. Senior managers understood well the importance of building an anti-fraud culture and regularly communicating with staff about incidents. However, only 22% to 42% of respondents said that managers told staff about incidents of fraud.



Environment receptive to conversations about fraud

Most respondents worked in an environment where staff were encouraged to come forward if they see or suspect fraud:

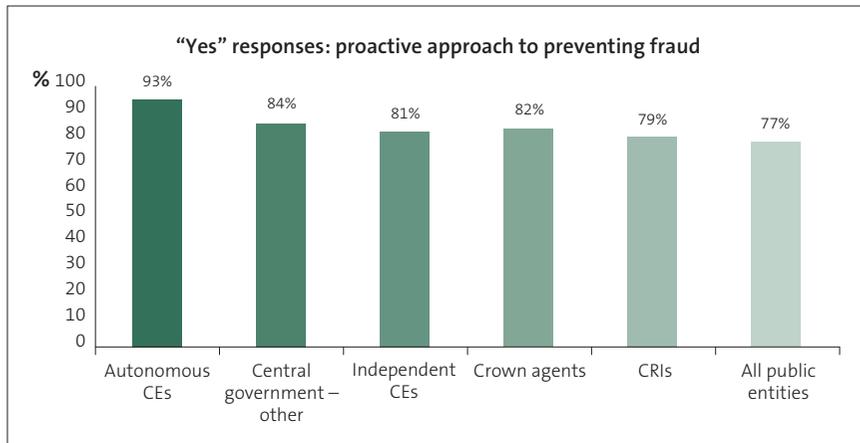
- autonomous Crown entities, 91%;
- central government – other, 89%;
- Crown agents or companies, 90%;
- Crown research institutes, 92%; and
- independent Crown entities, 84%.

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

- autonomous Crown entities, 98%;
- central government – other, 100%;
- Crown agents or companies, 98%;
- Crown research institutes, 97%; and
- independent Crown entities, 97%.

The percentages of respondents answering “Yes” to this question were higher than the central government sector (95%) and the public sector overall (95%).

Most respondents (93% to 79%) said their entity took a proactive approach to preventing and detecting fraud. These results were higher than the percentages for the central government sector (77%) and the public sector overall (77%).



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.

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

- autonomous Crown entities, 80%;
- central government – other, 78%;
- Crown agents or companies, 78%;
- Crown research institutes, 79%; and
- independent Crown entities, 68%.

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

Due diligence checks and pre-employment screening

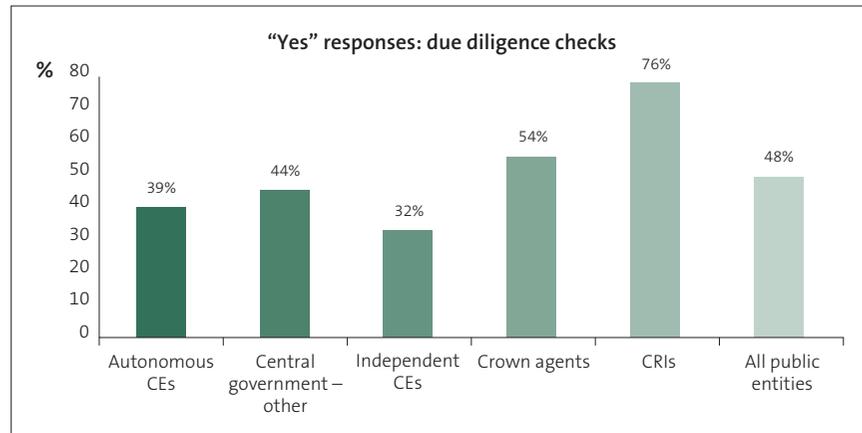
Many frauds occur through the use of fake suppliers and suppliers with a close personal relationship with an employee. Carrying out due diligence checks can help to mitigate the risk that suppliers can pose. Some examples of due diligence checks are:

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

The percentage of respondents who said that due diligence checks were carried out was generally lower than the result for the wider central government sector (51%) and the whole public sector (48%).

Summary of our fraud survey results

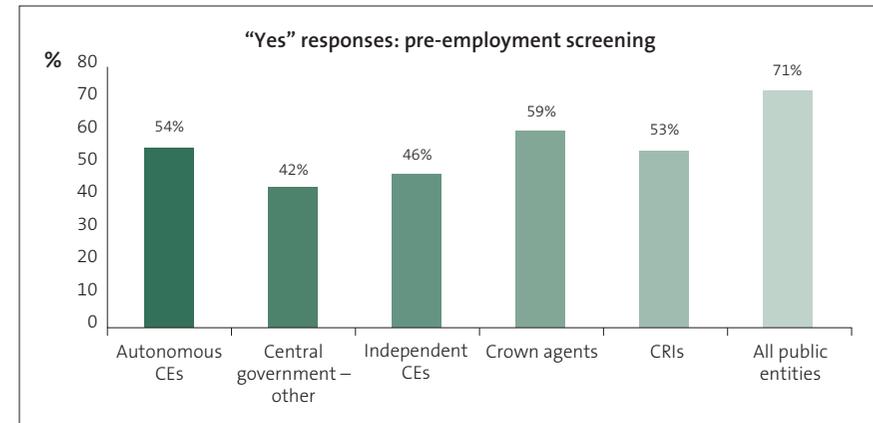
Crown research institutes, autonomous Crown entities, Crown agents or companies, independent Crown entities, central government – other



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

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

The percentage of respondents who said that new employees undergo pre-employment screening that includes a criminal history check was also lower than the result for the wider central government sector (62%) and the whole public sector (71%).



Fraud awareness training

Even the most diligent employees might not identify a fraud if they have not had training. Knowing where to look and what to look for can be difficult. Only 30% of Crown agent or company respondents and 11% of independent Crown entity respondents had received fraud awareness training at their current workplace. For 27% of those who had received some training, 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

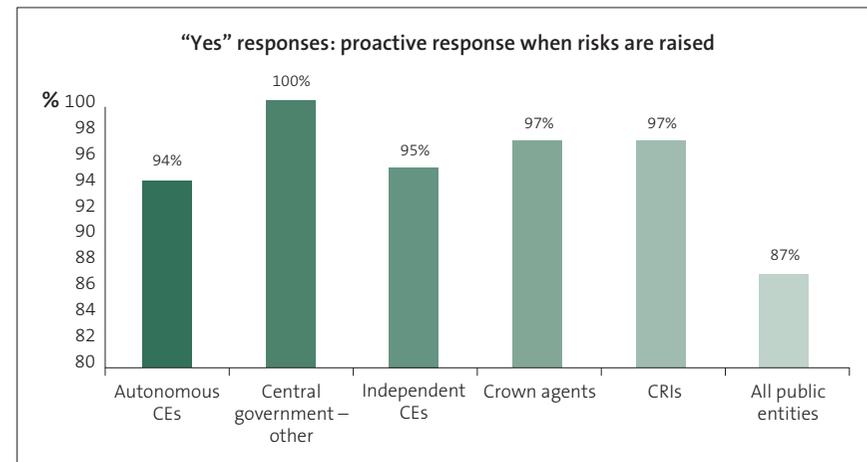
We note that 69% of all respondents did not feel that their entity had a change in risk because of the current economic climate. Experience internationally generally confirms that recessionary economic climates – when staff feel less secure in their employment and increasingly under pressure – present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

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

Detecting fraud

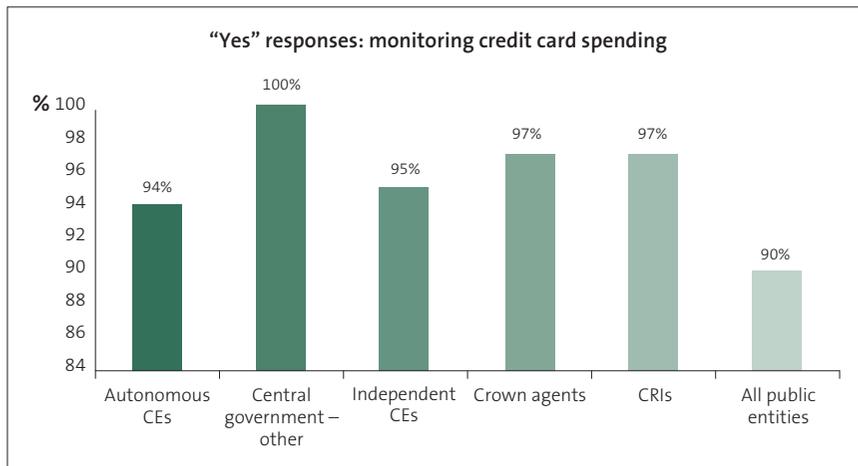
Responding to risks

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



Monitoring credit card spending

Almost all respondents said that their organisation was closely monitoring credit card spending. Again, the rate of “Yes” responses was higher than it was for other central government respondents (94%) and all public sector respondents (90%).



Monitoring staff expenses

Almost all respondents were also certain their organisation closely monitored staff expenses. The rate of “Yes” responses was again higher than the rate of 97% for other central government respondents and for all public sector respondents:

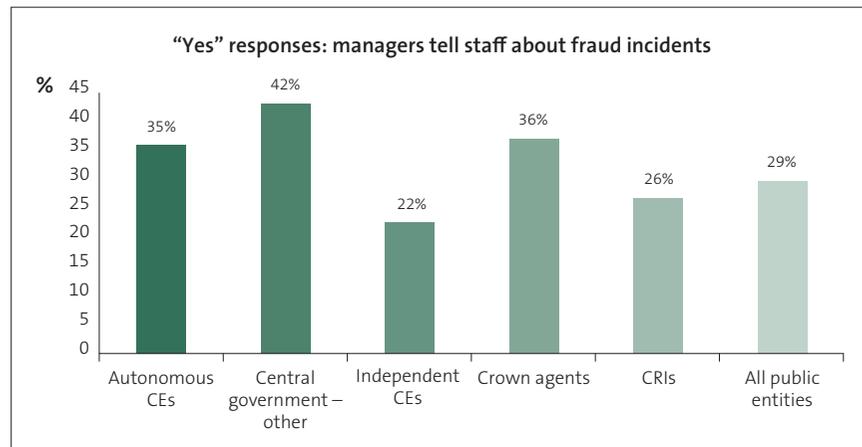
- autonomous Crown entities, 98%;
- central government – other, 100%;
- Crown agents or companies, 99%;
- Crown research institutes, 97%; and
- independent Crown entities, 97%.

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

Responding to fraud

Telling staff about incidents of fraud

Overall, about a third of respondents said that their senior managers told all staff about incidents of fraud.



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

Referring suspected fraud to the appropriate authorities

Most respondents (ranging from 71% to 91%) expected that suspected fraud would be reported to the appropriate authorities. In reality, less than half of the most recent incidents of fraud were reported to the appropriate authorities.

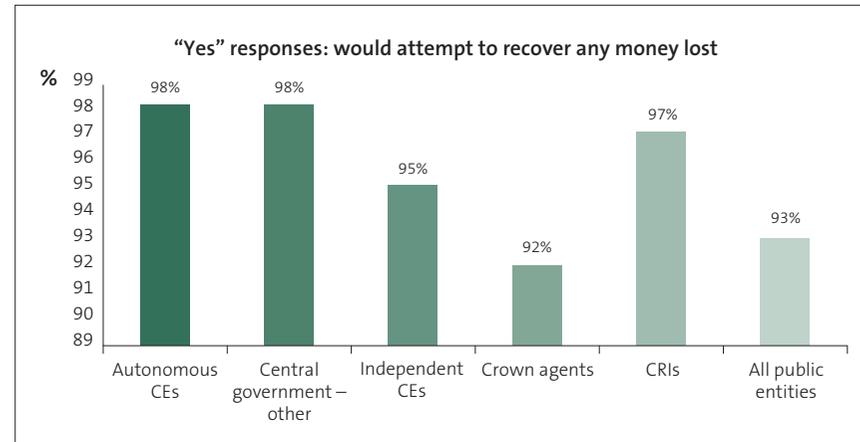
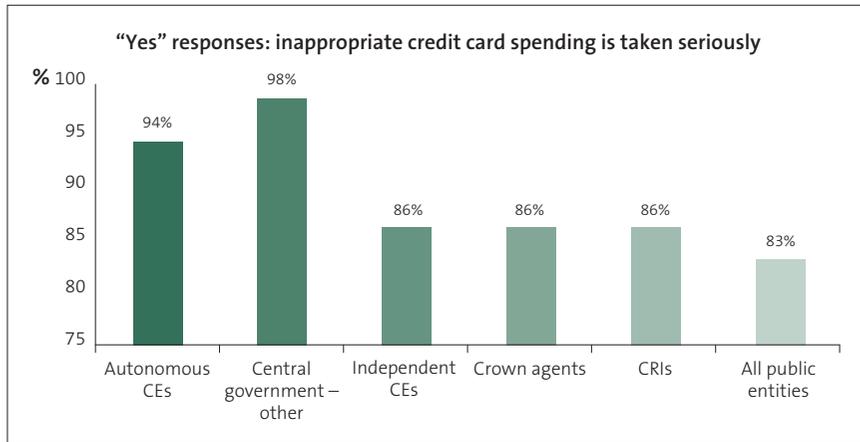
We know that many entities are reluctant to bring criminal charges against their employees, because of materiality – but also because of the time and costs of preparing a case, resolving matters in the courts, and a perception that fraud is a low priority for the Police.

However, all public sector entities are expected to consider reporting fraud to the appropriate authorities. We encourage all Crown entities and central government – other entities to do this.

Any decision made not to report or respond to fraud can erode staff confidence in the senior management team. It can create a perception that managers are not committed enough to preventing fraud and discourage staff from reporting their concerns. Taking no action also increases the risk that an employee suspected of committing fraud could move to another public entity and continue their dishonest behaviour.

Credit card and expense claim fraud

Respondents were confident that their entity would take inappropriate credit card spending seriously and discipline the person involved. The affirmative response rates were about the same as or higher than those of respondents in the wider central government sector (86%) and the public sector overall (83%).



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

Most respondents were confident that their entity would take all reasonable action to recover any money lost through fraud (affirmative responses ranged from 92% to 98%). These results were higher than the percentages for the central government sector (91%) and similar to the findings for the public sector overall (93%).

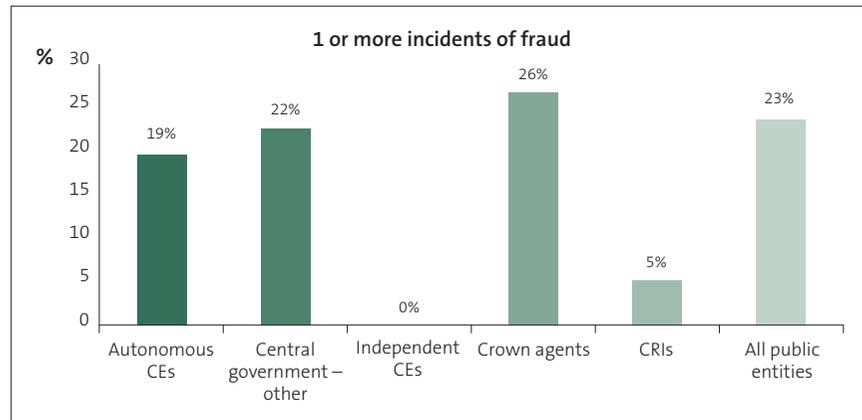
A clear process to recover funds shows the seriousness with which fraud is taken. In our view, chief executives and senior managers for these entities are doing well in sending clear messages that they will seek to recover any misappropriated funds.

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

Part 3

Incidents of fraud

Despite our generally “clean” image, fraud is a fact of business life in New Zealand. Respondents from autonomous Crown entities, central government – other, Crown agents or companies, and Crown research institutes were aware of at least one incident of fraud or corruption in their entity within the last two years.



Independent Crown entities could not recall any incidents of fraud in the last two years. For this reason, independent Crown entities are not included in the following discussions.

Those who knew of an incident in the last two years were asked for details of the most recent incident. Most of the fraud incidents in these entities

were committed by one internal person acting alone, typically at an operational staff or admin support services level.

The value of the most recent fraud noted by respondents was mostly low, with many either reporting no monetary loss or reporting values below \$1,000. For some types of entities, up to 90% of respondents said loss through fraud was under \$10,000. This trend of low dollar values was common to all sectors in our survey.

The most frequent types of fraud within Crown agents or companies were:

- fraudulent expense claims (27%);
- false invoicing (19%);
- theft of cash (15%); and
- conflicts of interest¹ (15%).

The most frequent types of fraud within autonomous Crown entities were:

- fraudulent expense claims (25%); and
- fraudulent misuse of a credit card (17%);

The most frequent types of fraud within central government – other were:

- theft of cash or inventory (30% combined);
- fraudulent misuse of a credit card (15%);
- payroll fraud (15%);

¹ Conflicts of interest include making or receiving payments, or receiving undeclared gifts or services, to influence a decision or give preferential treatment.

- supplying false credentials (15%); and
- conflicts of interest (15%).

The two respondents who were aware of at least one incident of fraud in Crown research institutes said that the incidents involved providing false information or fraudulently altering documents. Respondents said that the perpetrators left (one was dismissed and one resigned) without the fraud being reported to the authorities. The fraud incidents were discovered by internal control systems, and there was no monetary loss for the most recent incident.²

The most common reason why fraud occurred for all these entities was that the perpetrator did not think they would get caught, and it occurred because internal control policies and procedures were not followed (Crown agents or companies 22%, autonomous Crown entities 30%, and central government – other 40%).

Internal control systems were all of these entities most successful mechanism for detecting fraud. Internal tip-offs (other than through a formal whistle blowing system) was the next successful mechanism for detecting fraud (Crown agents or companies 24%, autonomous Crown entities 15%, and central government – other 17%).

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.

² These two incidents appear in the relevant tables in Appendix 1 but have not been included in the graphs because to do so would be misleading.

Part 4

Where to from here?

Always report suspected or detected fraud to your auditor

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

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

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

Learn from the anonymous information that we will share

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

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

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

Consider reporting suspected or detected fraud to the Police

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

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

In the public sector, you also need to consider:

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

In effect, this means that the threshold for referring a matter to law enforcement agencies by a public entity is likely to be lower than it might be in other entities. It may not be enough for suspected fraud or wrongdoing to be resolved through an employment settlement. It can be important that an independent and transparent decision is made about whether prosecution is warranted.

The Auditor-General’s policy is that we expect the managers of public entities **to consider** carefully, in every case, whether to refer a suspected or detected fraud to law enforcement agencies.

Appendix 1

Tables of survey data

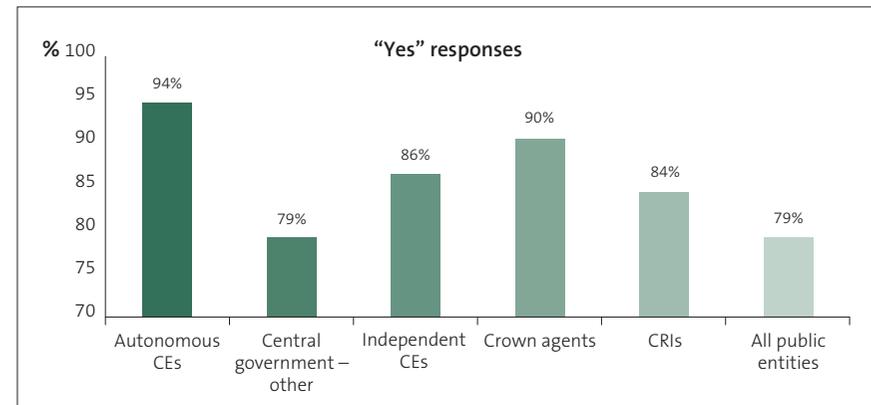
The entities discussed in this report (Crown agents or companies, autonomous Crown entities, independent Crown entities, central government – other, and Crown research institutes) were within our central government sector, which was made up of 11 different entity types. The other six entity types were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

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

The following graphs and tables compare the results for Crown agents or companies, autonomous Crown entities, independent Crown entities, central government – other, and Crown research institutes with the wider central government sector and the public sector overall.

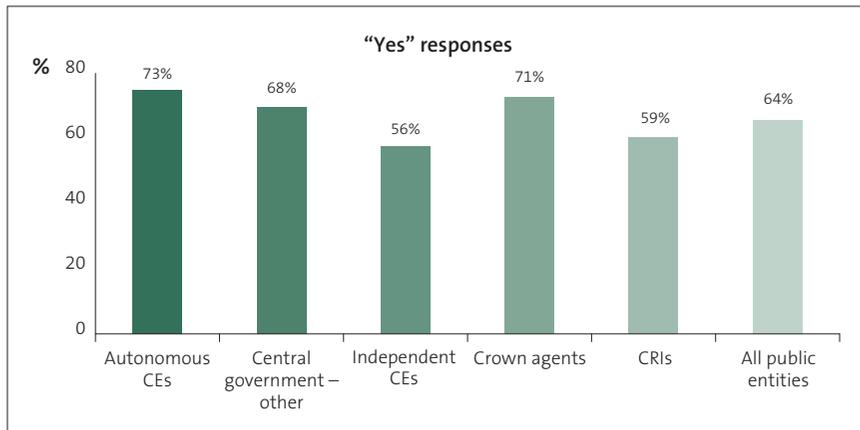
We have rounded the percentages to the nearest whole number, so the percentages may not always add to 100.

Question 1: My organisation has a Fraud Policy.



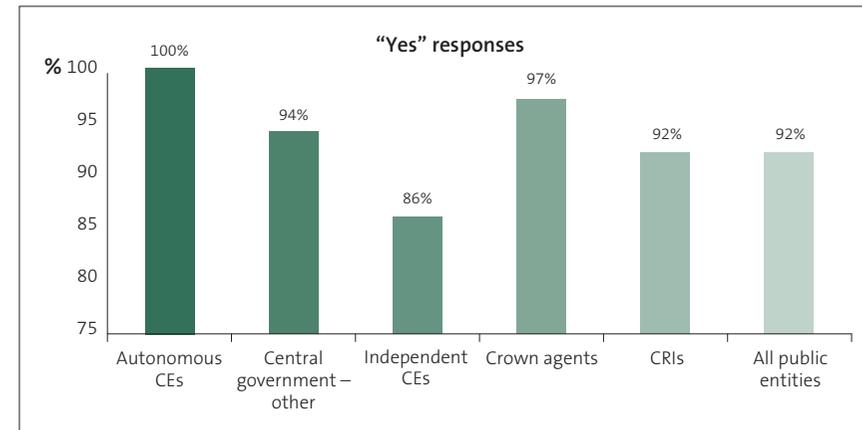
	Yes		No		Don't know		Total
Autonomous Crown entities	51	94%	1	2%	2	4%	54
Central government - other	37	79%	7	15%	3	6%	47
Crown agents or companies	78	90%	3	3%	6	7%	87
Crown research institutes	32	84%	3	8%	3	8%	38
Independent Crown entities	32	86%	1	3%	4	11%	37
Central government	539	83%	38	6%	69	11%	646
All public entities	1143	79%	135	9%	169	12%	1447

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



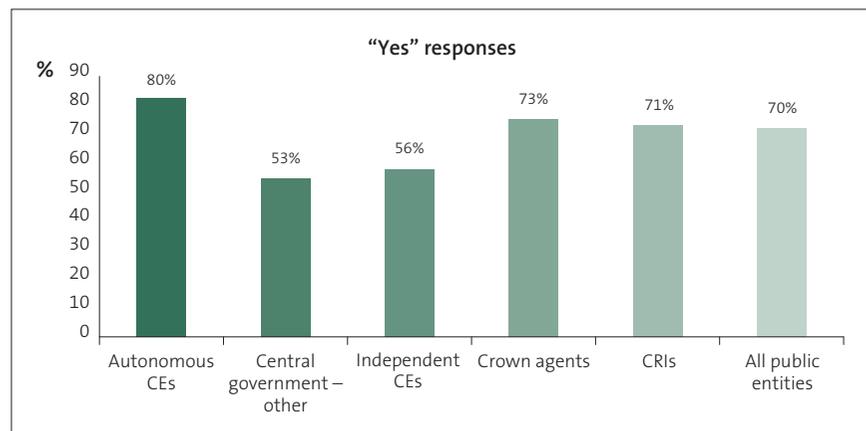
	Yes		No		Don't know		Total
Autonomous Crown entities	37	73%	11	22%	3	6%	51
Central government - other	25	68%	7	19%	5	14%	37
Crown agents or companies	55	71%	18	23%	5	6%	78
Crown research institutes	19	59%	9	28%	4	13%	32
Independent Crown entities	18	56%	8	25%	6	19%	32
Central government	338	63%	140	26%	59	11%	537
All public entities	735	64%	295	26%	113	10%	1143

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



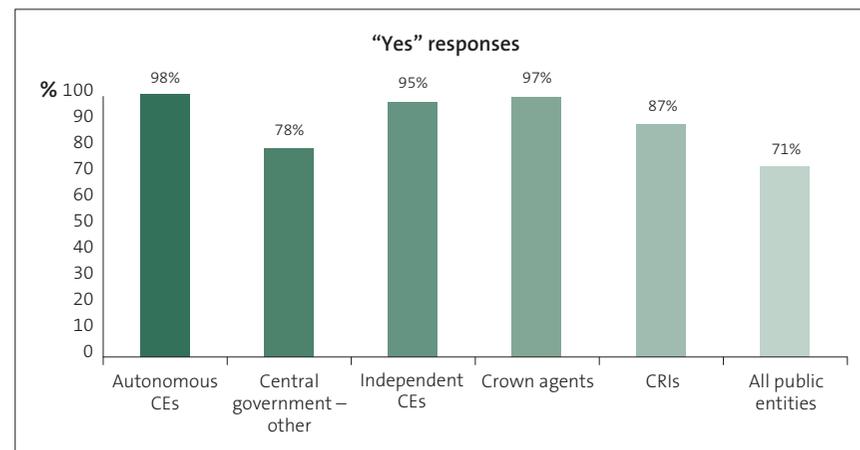
	Yes		No		Don't know		Total
Autonomous Crown entities	54	100%	0	-	0	-	54
Central government - other	44	94%	1	2%	2	4%	47
Crown agents or companies	84	97%	2	2%	1	1%	87
Crown research institutes	35	92%	3	8%	0	-	38
Independent Crown entities	32	86%	4	11%	1	3%	37
Central government	611	95%	22	3%	10	2%	643
All public entities	1321	92%	86	6%	35	2%	1442

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



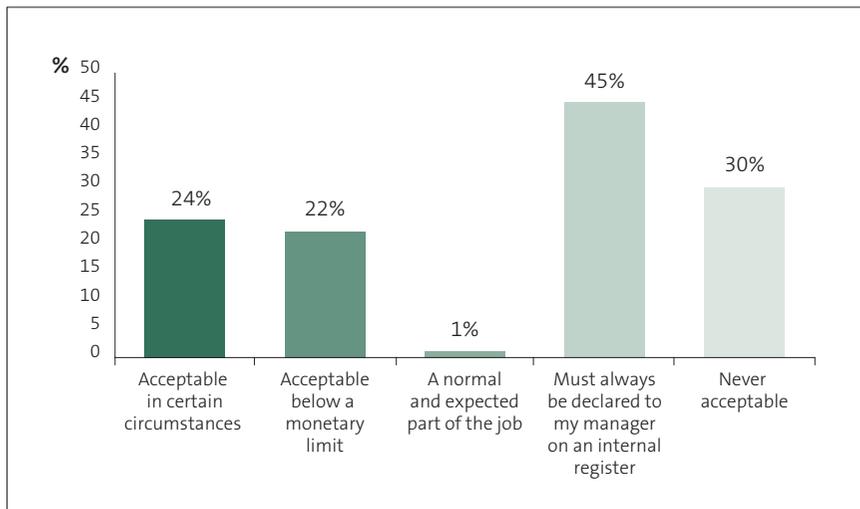
	Yes		No		Don't know		Total
Autonomous Crown entities	43	80%	7	13%	4	7%	54
Central government - other	23	53%	15	35%	5	12%	43
Crown agents or companies	61	73%	15	18%	8	10%	84
Crown research institutes	25	71%	8	23%	2	6%	35
Independent Crown entities	18	56%	8	25%	6	19%	32
Central government	413	68%	143	23%	54	9%	610
All public entities	921	70%	286	22%	115	9%	1322

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



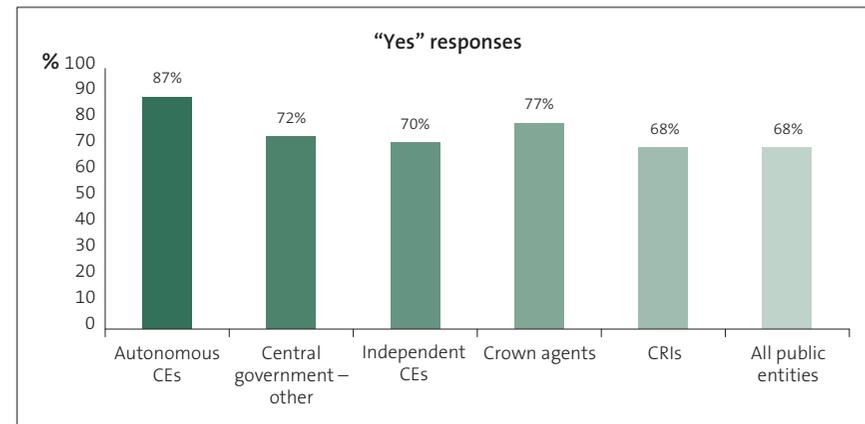
	Yes		No		Don't know		Total
Autonomous Crown entities	53	98%	1	2%	0	-	54
Central government - other	36	78%	6	13%	4	9%	46
Crown agents or companies	84	97%	1	1%	2	2%	87
Crown research institutes	33	87%	2	5%	3	8%	38
Independent Crown entities	35	95%	2	5%	0	-	37
Central government	579	90%	33	5%	30	5%	642
All public entities	1025	71%	266	18%	149	10%	1440

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



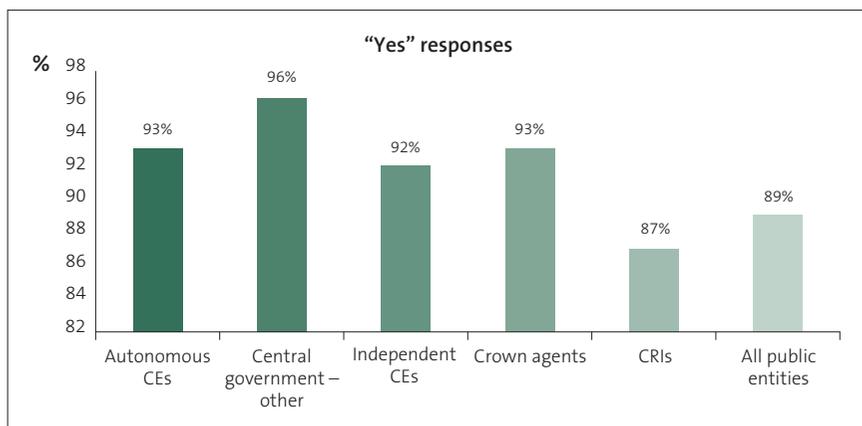
Note: The “right” answer to this question is a response that is in keeping with the entity’s gifts policy.

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



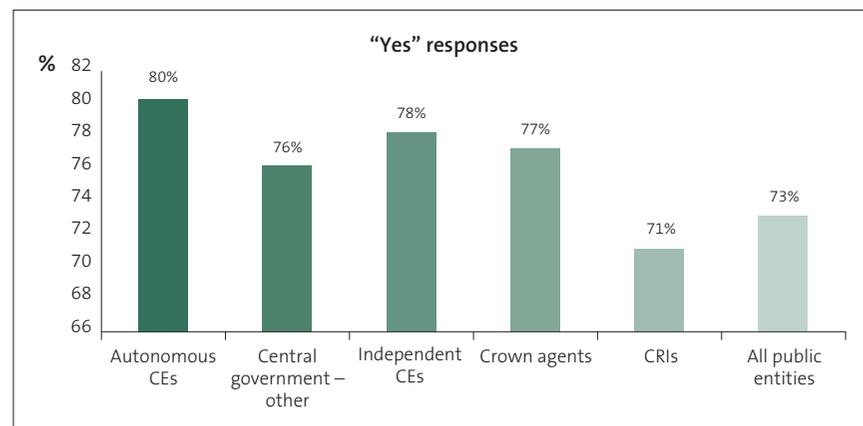
	Yes		No		Don't know		Total
Autonomous Crown entities	47	87%	5	9%	2	4%	54
Central government - other	33	72%	8	17%	5	11%	46
Crown agents or companies	67	77%	10	11%	10	11%	87
Crown research institutes	26	68%	6	16%	6	16%	38
Independent Crown entities	26	70%	3	8%	8	22%	37
Central government	472	74%	73	11%	95	15%	640
All public entities	971	68%	258	18%	206	14%	1435

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



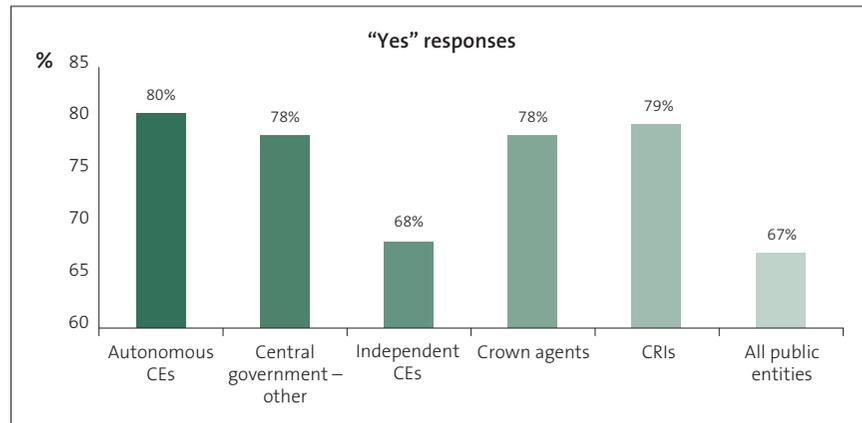
	Yes		No		Don't know		Total
Autonomous Crown entities	50	93%	2	4%	2	4%	54
Central government - other	44	96%	0	-	2	4%	46
Crown agents or companies	81	93%	5	6%	1	1%	87
Crown research institutes	33	87%	2	5%	3	8%	38
Independent Crown entities	34	92%	0	-	3	8%	37
Central government	565	88%	41	6%	34	5%	640
All public entities	1282	89%	80	6%	72	5%	1434

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



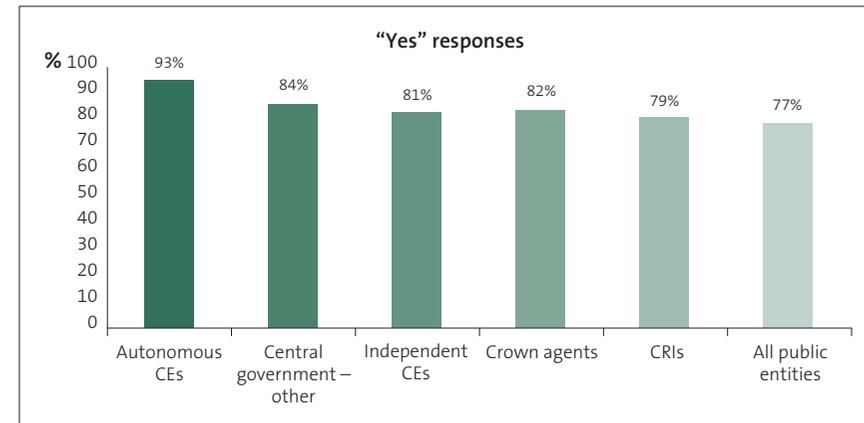
	Yes		No		Don't know		Total
Autonomous Crown entities	43	80%	5	9%	6	11%	54
Central government - other	35	76%	4	9%	7	15%	46
Crown agents or companies	67	77%	10	11%	10	11%	87
Crown research institutes	27	71%	5	13%	6	16%	38
Independent Crown entities	29	78%	2	5%	6	16%	37
Central government	447	70%	90	14%	103	16%	640
All public entities	1049	73%	181	13%	204	14%	1434

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



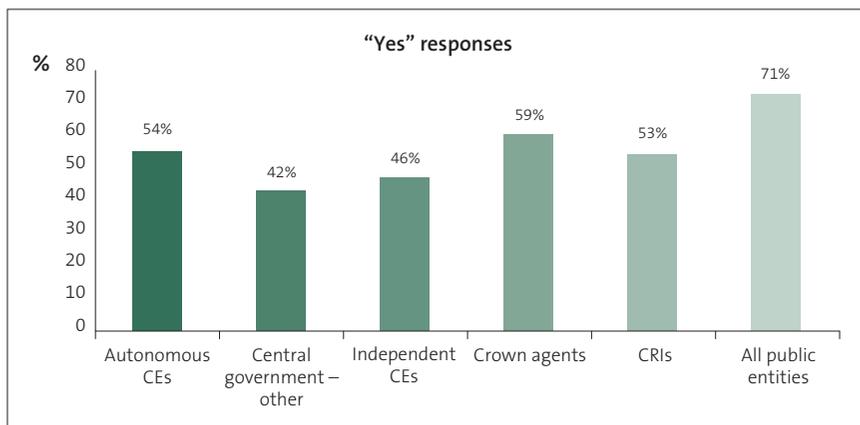
	Yes		No		Don't know		Total
Autonomous Crown entities	43	80%	4	7%	7	13%	54
Central government - other	36	78%	2	4%	8	17%	46
Crown agents or companies	68	78%	5	6%	14	16%	87
Crown research institutes	30	79%	3	8%	5	13%	38
Independent Crown entities	25	68%	1	3%	11	30%	37
Central government	449	70%	43	7%	147	23%	639
All public entities	960	67%	178	12%	295	21%	1433

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



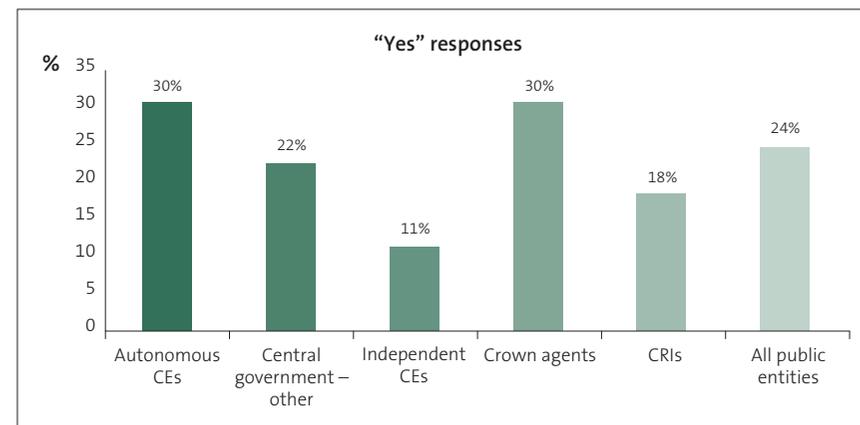
	Yes		No		Don't know		Total
Autonomous Crown entities	50	93%	2	4%	2	4%	54
Central government - other	38	84%	2	4%	5	11%	45
Crown agents or companies	71	82%	8	9%	8	9%	87
Crown research institutes	30	79%	3	8%	5	13%	38
Independent Crown entities	30	81%	4	11%	3	8%	37
Central government	494	77%	61	10%	83	13%	638
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.



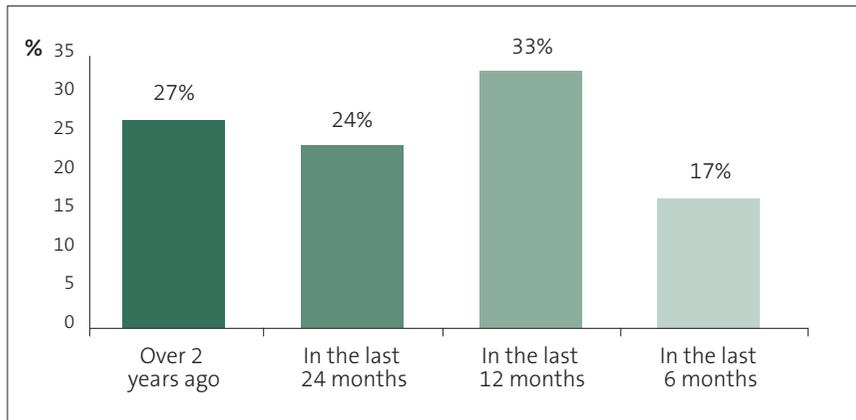
	Yes		No		Don't know		Total
Autonomous Crown entities	29	54%	18	33%	7	13%	54
Central government - other	19	42%	19	42%	7	16%	45
Crown agents or companies	51	59%	24	28%	12	14%	87
Crown research institutes	20	53%	11	29%	7	18%	38
Independent Crown entities	17	46%	12	32%	8	22%	37
Central government	394	62%	148	23%	96	15%	638
All public entities	1016	71%	251	18%	164	11%	1431

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

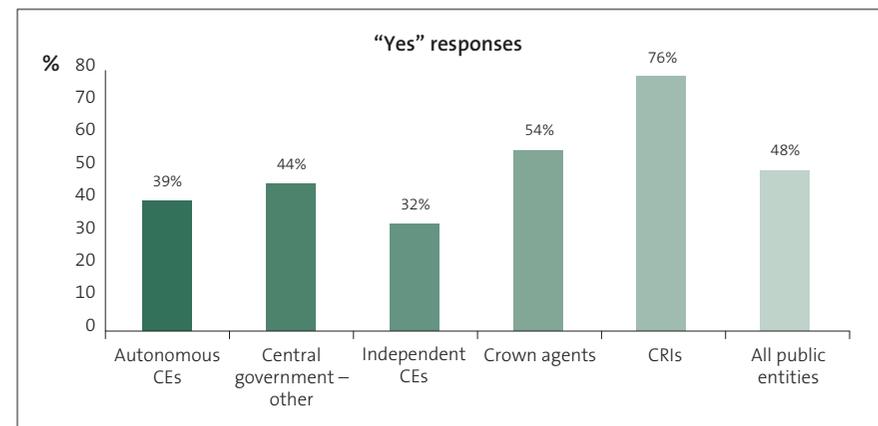


	Yes		No		Don't know		Total
Autonomous Crown entities	16	30%	38	70%	0	-	54
Central government - other	10	22%	33	73%	2	4%	45
Crown agents or companies	26	30%	55	63%	6	7%	87
Crown research institutes	7	18%	30	79%	1	3%	38
Independent Crown entities	4	11%	31	84%	2	5%	37
Central government	169	26%	452	71%	17	3%	638
All public entities	338	24%	1057	74%	36	3%	1431

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

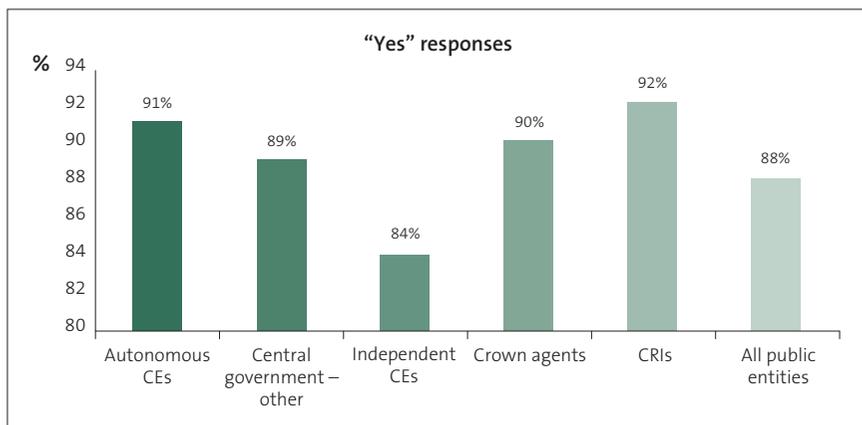


Question 15: My organisation carries out due diligence on new suppliers, including credit checks and checks for conflicts of interest.



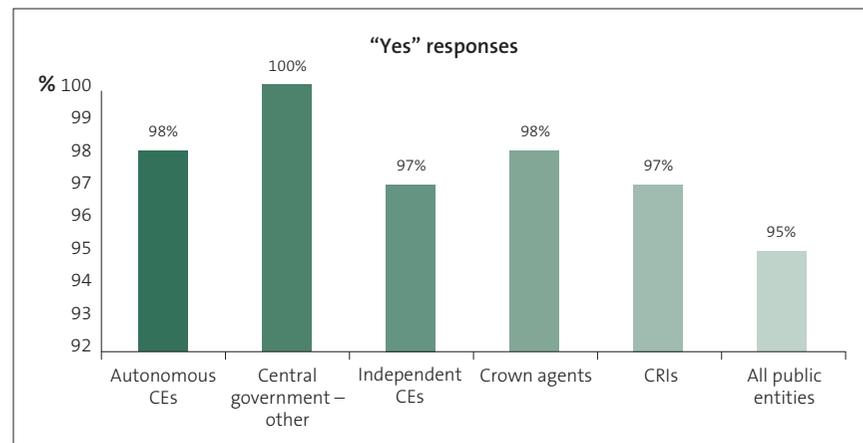
	Yes		No		Don't know		Total
Autonomous Crown entities	21	39%	19	35%	14	26%	54
Central government - other	20	44%	17	38%	8	18%	45
Crown agents or companies	47	54%	14	16%	26	30%	87
Crown research institutes	29	76%	3	8%	6	16%	38
Independent Crown entities	12	32%	8	22%	17	46%	37
Central government	328	51%	114	18%	196	31%	638
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.



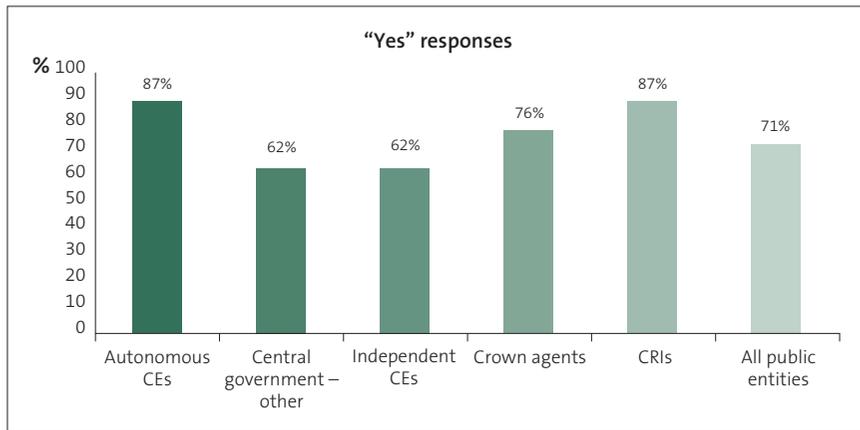
	Yes		No		Don't know		Total
Autonomous Crown entities	49	91%	5	9%	0	-	54
Central government - other	40	89%	3	7%	2	4%	45
Crown agents or companies	78	90%	4	5%	5	6%	87
Crown research institutes	35	92%	1	3%	2	5%	38
Independent Crown entities	31	84%	2	5%	4	11%	37
Central government	556	87%	36	6%	45	7%	637
All public entities	1258	88%	72	5%	100	7%	1430

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



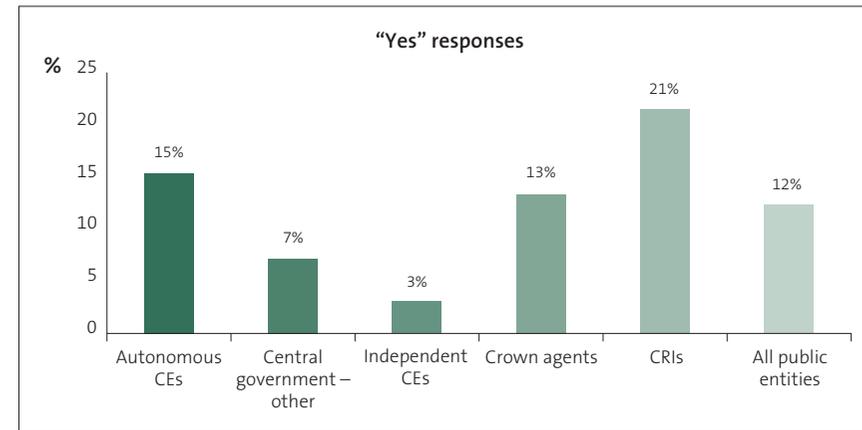
	Yes		No		Don't know		Total
Autonomous Crown entities	53	98%	1	2%	0	-	54
Central government - other	45	100%	0	-	0	-	45
Crown agents or companies	85	98%	0	-	2	2%	87
Crown research institutes	37	97%	0	-	1	3%	38
Independent Crown entities	36	97%	0	-	1	3%	37
Central government	604	95%	12	2%	21	3%	637
All public entities	1357	95%	21	1%	50	4%	1428

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



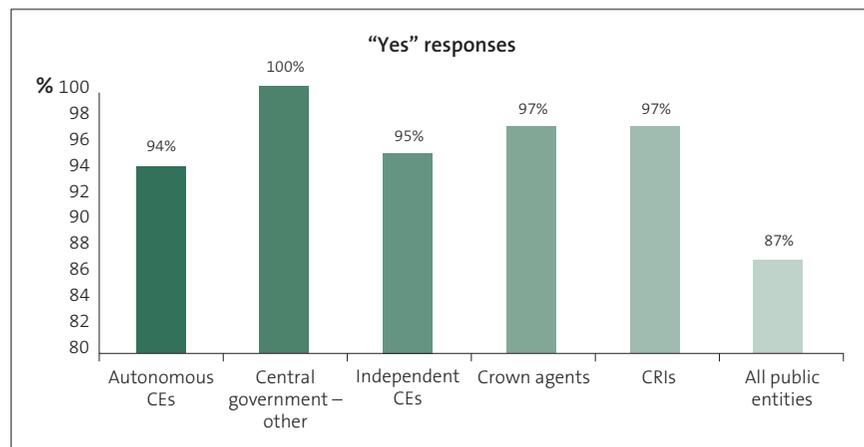
	Yes		No		Don't know		Total
Autonomous Crown entities	47	87%	1	2%	6	11%	54
Central government - other	28	62%	8	18%	9	20%	45
Crown agents or companies	66	76%	5	6%	16	18%	87
Crown research institutes	33	87%	1	3%	4	11%	38
Independent Crown entities	23	62%	4	11%	10	27%	37
Central government	475	75%	38	6%	124	19%	637
All public entities	1017	71%	114	8%	297	21%	1428

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



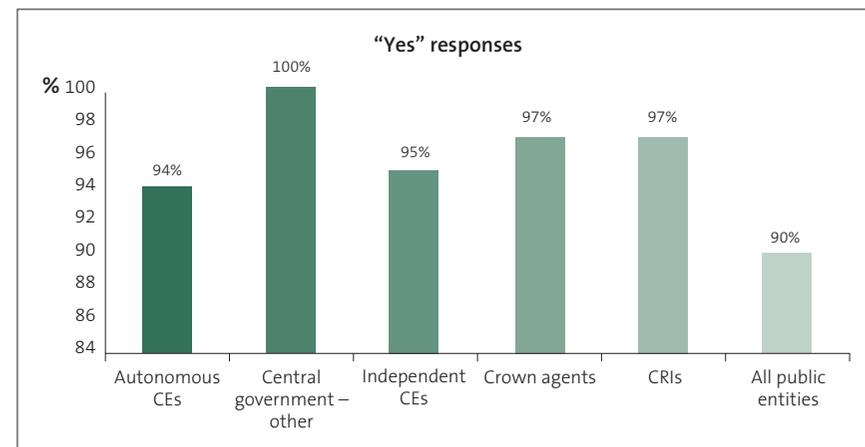
	Yes		No		Don't know		Total
Autonomous Crown entities	8	15%	42	78%	4	7%	54
Central government - other	3	7%	35	78%	7	16%	45
Crown agents or companies	11	13%	64	74%	12	14%	87
Crown research institutes	8	21%	28	74%	2	5%	38
Independent Crown entities	1	3%	29	78%	7	19%	37
Central government	93	15%	438	69%	106	17%	637
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.



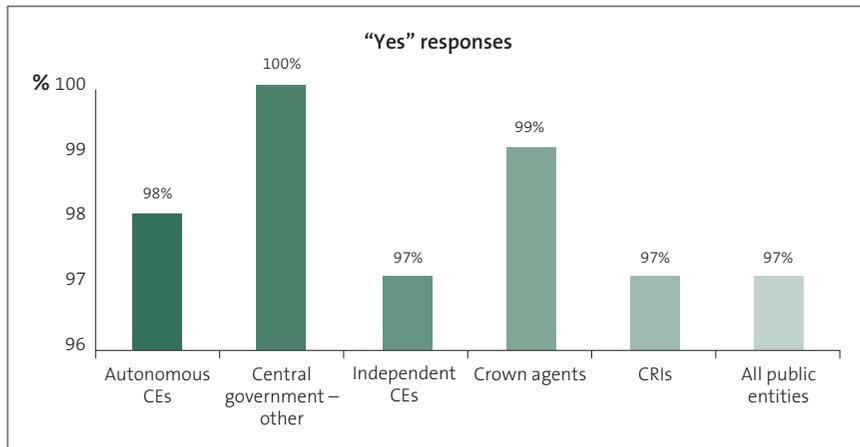
	Yes		No		Don't know		Total
Autonomous Crown entities	51	94%	0	-	3	6%	54
Central government - other	45	100%	0	-	0	-	45
Crown agents or companies	84	97%	1	1%	2	2%	87
Crown research institutes	37	97%	0	-	1	3%	38
Independent Crown entities	35	95%	0	-	2	5%	37
Central government	595	94%	5	1%	36	6%	636
All public entities	1236	87%	10	1%	182	13%	1428

Question 21: Credit card expenditure is closely monitored.



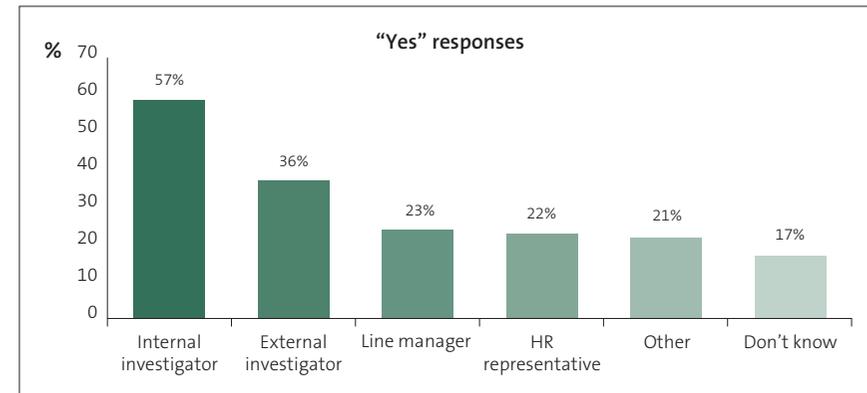
	Yes		No		Don't know		Total
Autonomous Crown entities	51	94%	0	-	3	6%	54
Central government - other	45	100%	0	-	0	-	45
Crown agents or companies	84	97%	1	1%	2	2%	87
Crown research institutes	37	97%	0	-	1	3%	38
Independent Crown entities	35	95%	0	-	2	5%	37
Central government	595	94%	5	1%	36	6%	636
All public entities	1280	90%	46	3%	100	7%	1426

Question 22: Staff expenses are closely monitored.

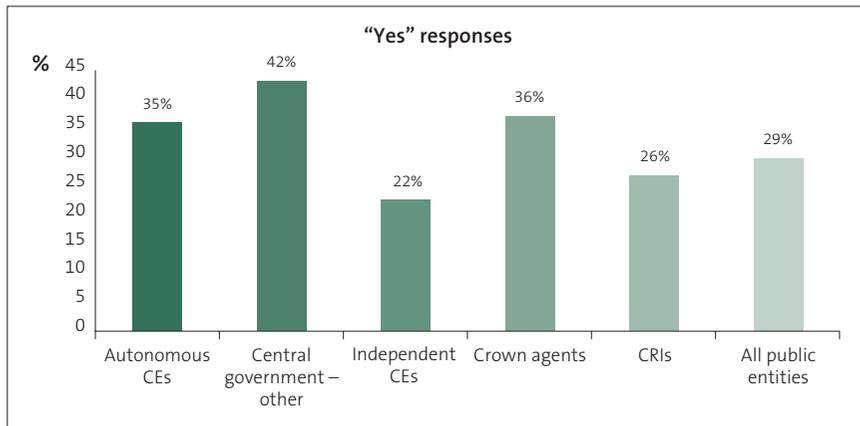


	Yes		No		Don't know		Total
Autonomous Crown entities	53	98%	0	-	1	2%	54
Central government - other	45	100%	0	-	0	-	45
Crown agents or companies	86	99%	1	1%	0	-	87
Crown research institutes	37	97%	1	3%	0	-	38
Independent Crown entities	36	97%	1	3%	0	-	37
Central government	616	97%	7	1%	13	2%	636
All public 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 ...

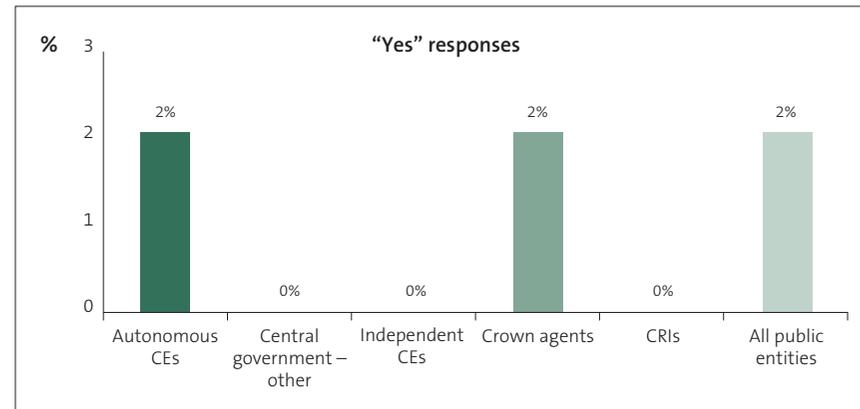


Question 24: Management communicates incidents of fraud to all staff at my organisation.



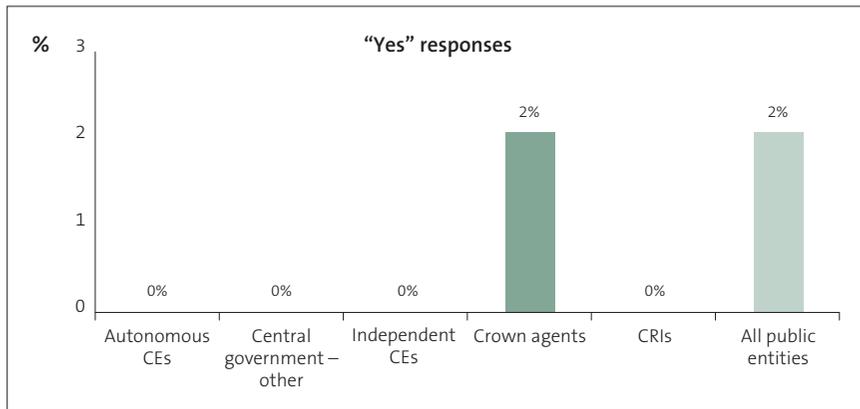
	Yes		No		Don't know		Total
Autonomous Crown entities	19	35%	18	33%	17	31%	54
Central government - other	19	42%	14	31%	12	27%	45
Crown agents or companies	31	36%	33	38%	23	26%	87
Crown research institutes	10	26%	8	21%	20	53%	38
Independent Crown entities	8	22%	9	24%	20	54%	37
Central government	175	28%	259	41%	202	32%	636
All public entities	416	29%	546	38%	464	33%	1426

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



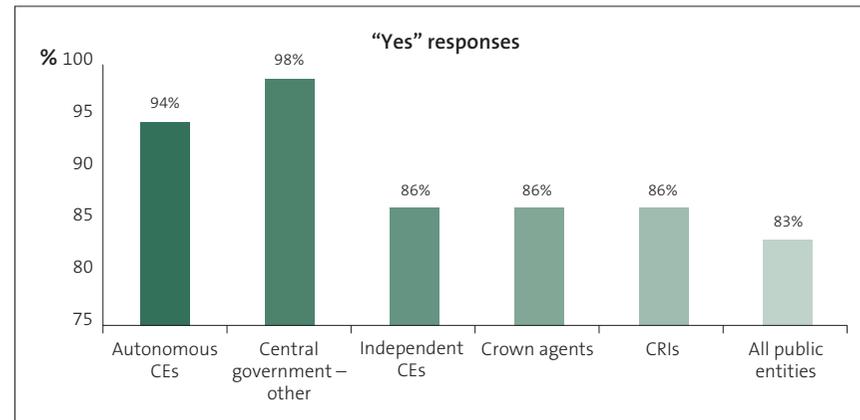
	Yes		No		Don't know		Total
Autonomous Crown entities	1	2%	51	94%	2	4%	54
Central government - other	0	-	44	98%	1	2%	45
Crown agents or companies	2	2%	81	93%	4	5%	87
Crown research institutes	0	-	36	95%	2	5%	38
Independent Crown entities	0	-	36	97%	1	3%	37
Central government	11	2%	590	93%	35	6%	636
All public entities	22	2%	1345	94%	59	4%	1426

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



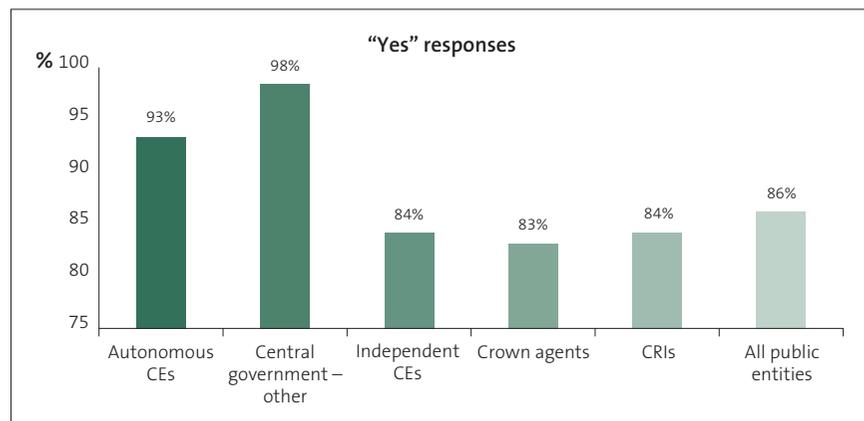
	Yes		No		Don't know		Total
Autonomous Crown entities	0	-	50	93%	4	7%	54
Central government - other	0	-	43	96%	2	4%	45
Crown agents or companies	2	2%	79	91%	6	7%	87
Crown research institutes	0	-	34	92%	3	8%	37
Independent Crown entities	0	-	36	97%	1	3%	37
Central government	10	2%	582	92%	43	7%	635
All public entities	26	2%	1324	93%	75	5%	1426

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



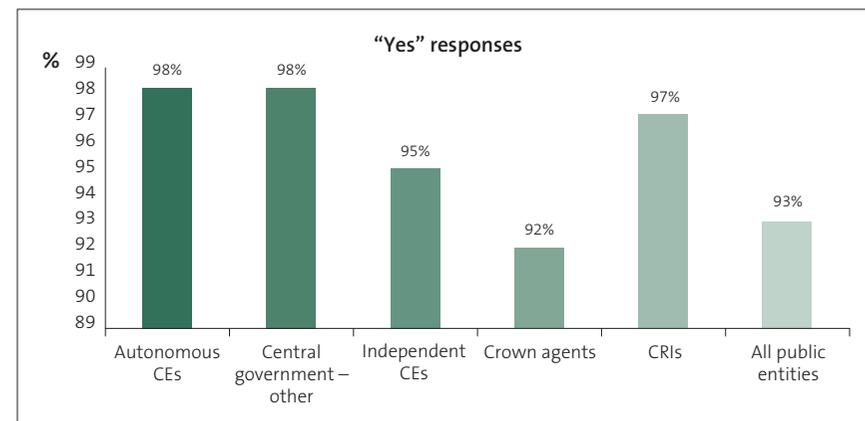
	Yes		No		Don't know		Total
Autonomous Crown entities	51	94%	1	2%	2	4%	54
Central government - other	44	98%	1	2%	0	-	45
Crown agents or companies	75	86%	2	2%	10	11%	87
Crown research institutes	32	86%	2	5%	3	8%	37
Independent Crown entities	32	86%	1	3%	4	11%	37
Central government	548	86%	15	2%	72	11%	635
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.



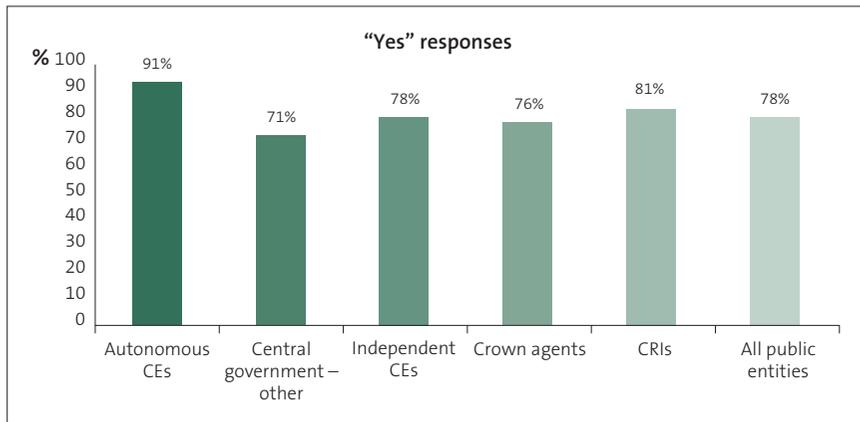
	Yes		No		Don't know		Total
Autonomous Crown entities	50	93%	2	4%	2	4%	54
Central government - other	44	98%	1	2%	0	-	45
Crown agents or companies	72	83%	2	2%	13	15%	87
Crown research institutes	31	84%	3	8%	3	8%	37
Independent Crown entities	31	84%	2	5%	4	11%	37
Central government	543	86%	18	3%	74	12%	635
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.



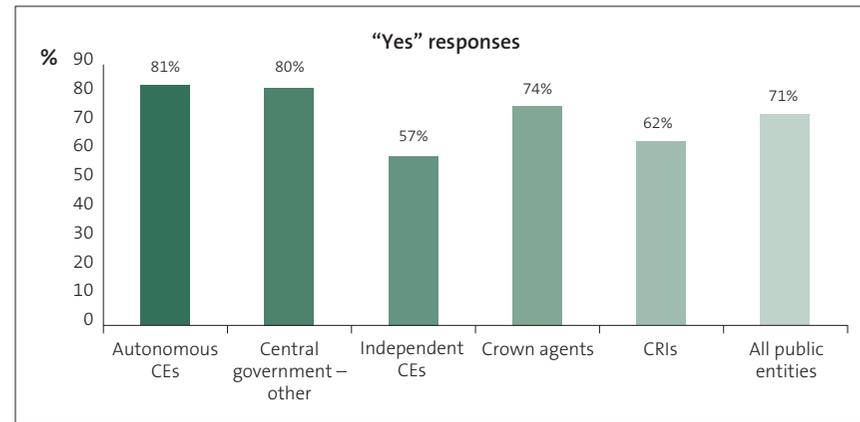
	Yes		No		Don't know		Total
Autonomous Crown entities	53	98%	0	-	1	2%	54
Central government - other	44	98%	0	-	1	2%	45
Crown agents or companies	80	92%	2	2%	5	6%	87
Crown research institutes	36	97%	0	-	1	3%	37
Independent Crown entities	35	95%	0	-	2	5%	37
Central government	580	91%	9	1%	46	7%	635
All 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.



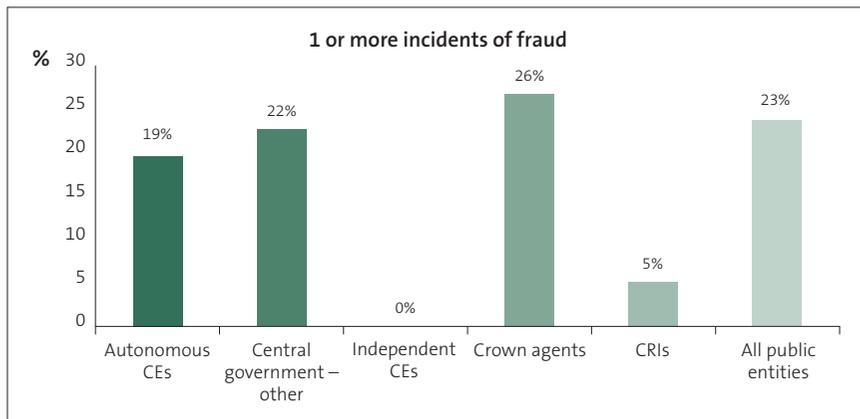
	Yes		No		Don't know		Total
Autonomous Crown entities	49	91%	1	2%	4	7%	54
Central government - other	32	71%	0	-	13	29%	45
Crown agents or companies	66	76%	5	6%	16	18%	87
Crown research institutes	30	81%	0	-	7	19%	37
Independent Crown entities	29	78%	0	-	8	22%	37
Central government	485	76%	32	5%	118	19%	635
All public entities	1115	78%	75	5%	234	16%	1424

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



	Yes		No		Don't know		Total
Autonomous Crown entities	44	81%	1	2%	9	17%	54
Central government - other	36	80%	0	-	9	20%	45
Crown agents or companies	64	74%	2	2%	21	24%	87
Crown research institutes	23	62%	0	-	14	38%	37
Independent Crown entities	21	57%	0	-	16	43%	37
Central government	438	69%	8	1%	189	30%	635
All public entities	1005	71%	29	2%	390	27%	1424

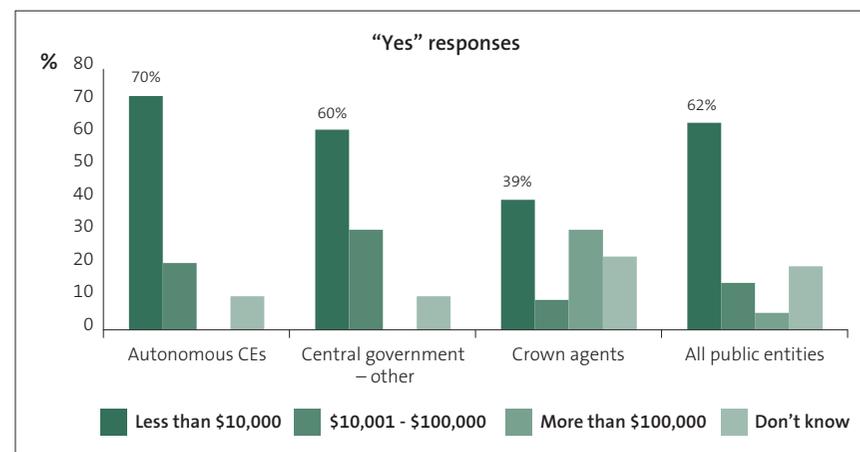
Question 32: How many incidents of fraud or corruption are you aware of at your organisation in the last two years?



	No instances		1 or more		Total
Autonomous Crown entities	44	81%	10	19%	54
Central government - other	35	78%	10	22%	45
Crown agents or companies	64	74%	23	26%	87
Crown research institutes	35	95%	2	5%	37
Independent Crown entities	37	100%	0	-	37
Central government	454	72%	180	28%	634
All public entities	1102	77%	320	23%	1422

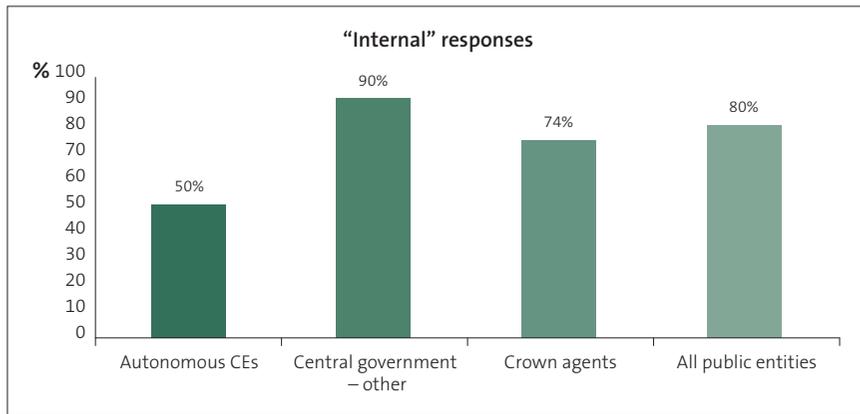
Note: The following graphs do not include independent Crown entities because respondents could not recall any incidents of fraud in the last two years.

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



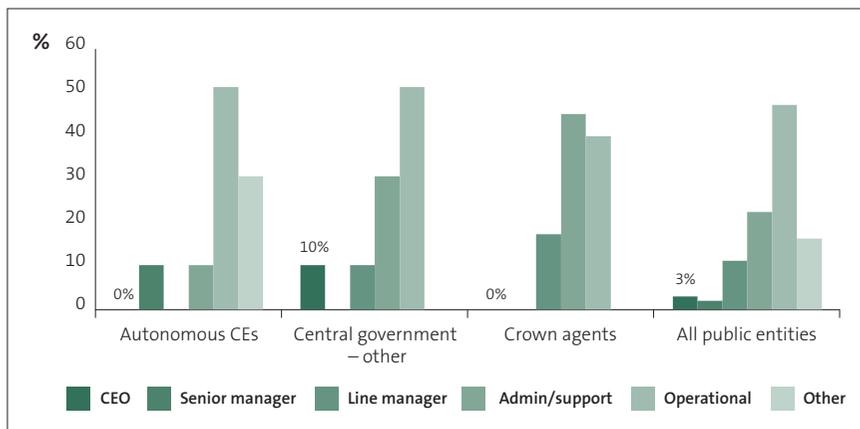
	Less than \$10,000		\$10,001 - \$100,000		More than \$100,000		Don't know		Total
Autonomous Crown entities	7	70%	2	20%	0	-	1	10%	10
Central government - other	6	60%	3	30%	0	-	1	10%	10
Crown agents or companies	9	39%	2	9%	7	30%	5	22%	23
Crown research institutes	2	100%	0	-	0	-	0	-	2
Central government	100	56%	28	16%	15	8%	37	20%	180
All public entities	199	62%	45	14%	17	5%	59	19%	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 ...



	Internal		External		External and internal collusion		Don't know		Total
Autonomous Crown entities	5	50%	5	50%	0	-	0	-	10
Central government - other	9	90%	1	10%	0	-	0	-	10
Crown agents or companies	17	74%	3	13%	3	13%	0	-	23
Crown research institutes	2	100%	0	-	0	-	0	-	2
Central government	141	78%	23	13%	12	7%	4	2%	180
All public entities	255	80%	34	11%	24	7%	7	2%	330

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 ...



	CEO/ Managing Director/ Principal		Senior executive/ leadership team		Line manager		Admin Support Services		Operational staff		Other		Total
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	
Autonomous Crown entities	0	-	1	10%	0	-	1	10%	5	50%	3	30%	10
Central government - other	1	10%	0	-	1	10%	3	30%	5	50%	0	-	10
Crown agents or companies	0	-	0	-	4	17%	10	44%	9	39%	0	-	23
Crown research institutes	0	-	0	-	0	-	0	-	2	100%	0	-	2
Central government	4	2%	3	2%	19	11%	46	25%	83	46%	25	14%	180
All public entities	8	3%	7	2%	36	11%	71	22%	148	46%	50	16%	320

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

	Crown agents or companies		Autonomous Crown entities		Central government - other		Central government	All public entities
Theft of cash	4	15%	1	8%	2	15%	17%	21%
Theft of plant and equipment	0	-	1	8%	0	-	6%	9%
Theft of inventory	0	-	0	-	2	15%	6%	8%
Theft of intellectual property	0	-	0	-	0	-	2%	1%
Identity crime	1	4%	1	8%	1	8%	3%	2%
Fraudulent expense claim	7	27%	3	25%	0	-	17%	14%
Fraudulent misuse of a credit card	3	12%	2	17%	2	15%	10%	8%
Fraudulent misuse of a fuel card	2	8%	0	-	0	-	4%	4%
False invoicing	5	19%	1	8%	0	-	10%	8%
Payroll fraud	0	-	1	8%	2	15%	9%	9%
Supplying false credentials	0	-	0	-	2	15%	3%	2%
False claim for benefit	0	-	1	8%	0	-	1%	0%
Financial statement fraud (overstatements)	0	-	0	-	0	-	-	0%
Financial statement fraud (understatements)	0	-	0	-	0	-	-	0%
Conflicts of interest	4	15%	0	-	2	15%	8%	7%
Provide false information or fraudulent alteration of documents	0	-	0	-	0	-	1%	2%
Don't know	0	-	1	8%	0	-	2%	3%
Total	26		12		13			

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?

	Crown agents or companies		Autonomous Crown entities		Central government - other		Central government	All public entities
Through the organisation's whistle blowing system	0	-	1	8%	0	-	4%	3%
Internal tip-off (other than through a formal whistle blowing system)	7	24%	2	15%	2	17%	20%	20%
External tip-off (other than through a formal whistle blowing system)	3	10%	0	-	1	8%	9%	10%
Change of duties/ personnel (including annual leave, job rotation)	3	10%	2	15%	1	8%	5%	4%
By accident	0	-	0	-	1	8%	4%	4%
By internal control systems (e.g. exceeding financial delegations)	11	38%	7	54%	4	33%	37%	36%
By internal audit	3	10%	1	8%	1	8%	9%	10%
By external audit	0	-	0	-	0	-	1%	1%
Through a fraud detection system (data mining)	0	-	0	-	0	-	4%	4%
Don't know	2	7%	0	-	2	17%	6%	7%
Total	29		13		12			

Summary of our fraud survey results

Crown research institutes, autonomous Crown entities, Crown agents or companies, independent Crown entities, central government – other

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?

	Crown agents or companies		Autonomous Crown entities		Central government - other		Central government	All public entities
There was no monetary loss	5	22%	1	10%	3	30%	14%	15%
Less than \$1,000	5	22%	5	50%	4	40%	30%	33%
Between \$1,000 and \$10,000	4	17%	2	20%	2	20%	28%	28%
Between \$10,001 and \$50,000	2	9%	2	20%	1	10%	5%	5%
Between \$50,001 and \$100,000	0	-	0	-	0	-	2%	2%
Between \$100,001 and \$500,000	3	13%	0	-	0	-	4%	2%
More than \$500,000	0	-	0	-	0	-	1%	1%
Don't know	4	17%	0	-	0	-	16%	14%
Total	23	100%	10	100%	10	100%		

Summary of our fraud survey results

Crown research institutes, autonomous Crown entities, Crown agents or companies, independent Crown entities, central government – other

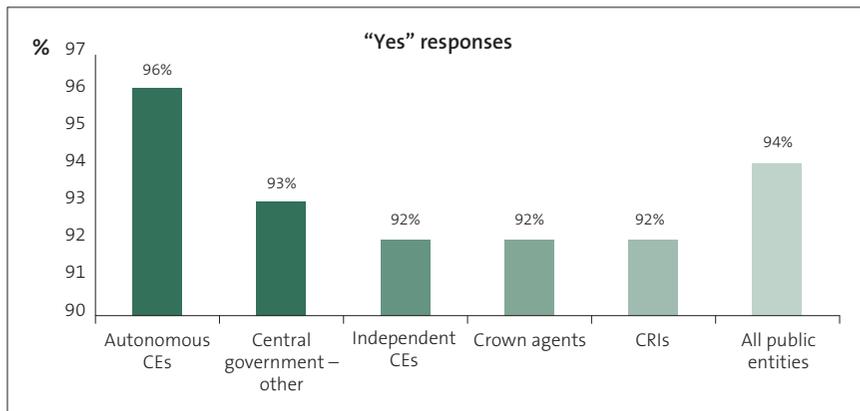
Question 39: In the most recent incident of fraud or corruption within your organisation that you are aware of, what was the main reason that enabled it to occur?

	Crown agents or companies		Autonomous Crown entities		Central government - other		Central government	All public entities
Inadequate internal control policies and procedures	1	4%	0	-	1	10%	8%	8%
Internal control policies and procedures not followed	5	22%	3	30%	4	40%	33%	27%
Poor segregation of duties	1	4%	0	-	0	-	3%	3%
Easy access to cash	0	-	0	-	0	-	4%	6%
Management override of controls	0	-	0	-	0	-	4%	5%
It was a new type of fraud that our organisation was unprepared for	0	-	1	10%	0	-	2%	4%
Person didn't think they would get caught	16	70%	5	50%	4	40%	39%	40%
Don't know	0	-	1	10%	1	10%	7%	7%
Total	23		10		10			

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

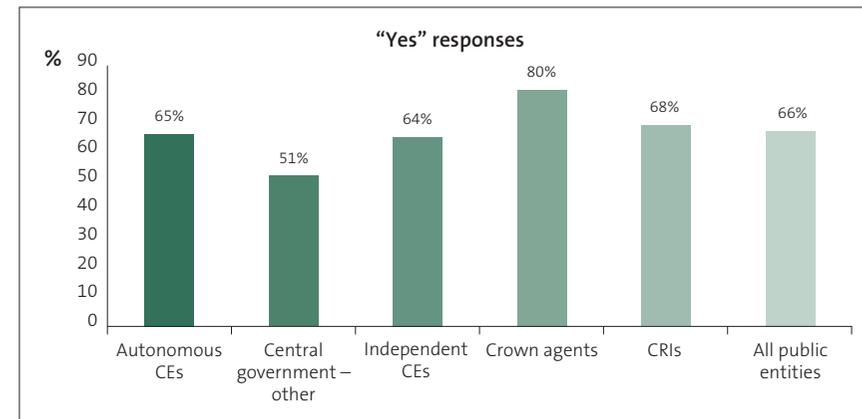
	Crown agents or companies		Autonomous Crown entities		Central government - other		Central government	All public entities
No action was taken	1	4%	0	-	0	-	3%	5%
Insufficient evidence/culprit not identified	0	-	0	-	0	-	4%	3%
Decision/action pending	0	-	1	11%	0	-	6%	5%
Allowed to resign and no report to relevant authorities (i.e. Police)	2	9%	1	11%	1	10%	11%	11%
Allowed to resign but reported to relevant authorities (i.e. Police)	2	9%	1	11%	2	20%	8%	7%
Disciplined without report to relevant authorities (i.e. Police)	3	13%	0	-	2	20%	9%	13%
Disciplined and reported to relevant authorities (i.e. Police)	3	13%	1	11%	0	-	7%	6%
Dismissed without report to relevant authorities (i.e. Police)	5	22%	0	-	2	20%	12%	14%
Dismissed and reported to relevant authorities (i.e. Police)	7	30%	3	33%	1	10%	26%	26%
Don't know	0	-	2	22%	2	20%	13%	10%
Total	23		9		10			

Question 41: I feel secure in my job.



	Yes		No		Don't know		Total
Autonomous Crown entities	52	96%	1	2%	1	2%	54
Central government - other	42	93%	2	4%	1	2%	45
Crown agents or companies	80	92%	5	6%	2	2%	87
Crown research institutes	34	92%	2	5%	1	3%	37
Independent Crown entities	33	92%	1	3%	2	6%	36
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
Autonomous Crown entities	35	65%	19	35%	0	-	54
Central government - other	23	51%	20	44%	2	4%	45
Crown agents or companies	70	80%	16	18%	1	1%	87
Crown research institutes	25	68%	10	27%	2	5%	37
Independent Crown entities	23	64%	11	31%	2	6%	36
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.

