

Fraud Policy 2024

Groups Responsible:	Finance and Assurance People and Culture
Date approved:	19 June 2024
File #	R/24/6/40028

Introduction

Purpose

The purpose of this policy is to:

- define fraud
- outline that Southland District Council (Council) has ‘zero tolerance’ towards fraud
- promote awareness about fraud
- outline fraud prevention mechanisms
- provide clarity on reporting suspected fraud
- outline how people who report suspected fraud will be protected
- set out the action that will be taken if a fraud is discovered
- set out responsibilities in relation to preventing and reporting fraud.

Overview

Council is committed to protecting its revenue, property, information, and other assets from any attempt to gain financial or other benefits from it by deceit.

This policy outlines Council’s position on fraud. The policy also provides information on preventing, reporting, and investigating fraud.

Scope

This policy applies to all Council employees. For the purpose of this policy Council employees are:

- Council staff
- elected members
- contractors
- volunteers working for Council.

Associated Documents

This policy is associated with the following documents:

- Local Authorities (Members' Interests) Act 1968
- The Secret Commissions Act 1910
- Crimes Act 1961
- Protected Disclosures (Protection of Whistleblowers) Act 2022
- Employment Relations Act 2000
- Privacy Act 2020
- Fraud Response Plan
- Protected Disclosures Policy
- Code of Conduct
- Delegation Manual
- Staff Handbook
- Policy on Electronic Communications (including the internet)
- Sensitive Expenditure Policy
- Conflict of Interest Policy
- Vehicle Policy

Definitions

Act refers to the Protected Disclosures (Protection of Whistleblowers) Act 2022

Bribery - the giving or receiving, whether directly or indirectly, of something of value to influence a transaction

Corruption - 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)

Fraud includes all acts of deception, corruption, misrepresentation, or omission committed with the intention of gaining an unjust or illegal financial advantage or to cause an unjust or illegal loss or disadvantage. Fraud includes, but is not limited to:

- forgery or alteration of documents or accounts belonging to Council
- unauthorised possession of Council property
- failing to record leave taken, or any other employee theft of time
- disclosing confidential or proprietary information to third parties
- misappropriation or improper disposal of funds, securities, supplies or any other asset
- any irregularities of funds, securities, supplies or any other asset

- any irregularity in handling or reporting of money transactions
- misappropriation of furniture, fixtures, and equipment
- accepting or seeking anything of material value from contractors or persons (whether before, during or after any procurement process)
- bribery, corruption, or abuse of office
- unauthorised or inappropriate use of Council property, vehicles, equipment, materials, furniture, fixtures, or records, such as for personal gain
- any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes – including the misappropriation of Council-owned software
- manipulating reporting to obscure impropriety
- obtaining funds or any other benefit through misleading claims, representations or by false pretences
- causing a loss, or avoiding or creating a liability by deception
- any claim for reimbursement of expenses that were not made for the exclusive benefit of Council
- profiteering or gain (whether it is personal gain or to gain an advantage for another person or entity) as a result of insider knowledge of Council's activities
- unapproved destruction or removal of records
- unauthorised or unapproved use of a Council credit card
- inappropriate payments to third parties
- presenting false credentials, qualifications, or identity
- supporting others in, or in any way being party to, fraud or not reporting fraud when it is suspected
- any of the above for personal gratification and/or edification (personal gain), whether there is pecuniary gain
- theft

Policy Statement

Council has 'zero tolerance' towards fraud

Council regards fraud as totally unacceptable and will apply a 'zero tolerance' approach to fraud.

All employees are required to act honestly and with integrity, and to safeguard the public resource Council is responsible for.

Prevention

Council will take all reasonable steps to prevent fraud by having clear procedures, processes, and expectations of behaviour. There will also be robust internal controls to protect assets, procurement processes, payroll, treasury, and cash management. Council's activities to prevent fraud include, but are not limited to:

ACTIVITY	ACTIONS
PROMOTION	<ul style="list-style-type: none"> • promoting this policy and Council's Fraud Response Plan • encouraging people to report suspected fraud
TRAINING	<ul style="list-style-type: none"> • running induction processes for new employees that include fraud awareness and code of conduct training • providing regular fraud awareness training for all employees • training employees on the purchase order system when necessary
MONITORING	<ul style="list-style-type: none"> • actively monitoring conflicts of interest • monitoring timesheets and leave requests • having external parties conduct regular fraud risk assessments • completing regular suspicious transaction analysis
VIGILANT PRACTICE	<ul style="list-style-type: none"> • having standard recruitment processes • undertaking pre-employment screening that includes checking for criminal convictions for appropriate employee • ensuring all employees are appropriately trained in regard to their obligations to fraud prevention and the protection of Council assets • segregating duties in accordance with best practice • having appropriate protection measures in place for cash handling, procurement, purchase orders, asset management, fuel card usage, expense reimbursement, data security, leave applications, payroll, and accounting • having appropriate processes in place for recording new suppliers, changing supplier details, bank account checking and weekly reporting • maintaining a centralised contract register • producing robust monthly financial reporting that provides information about results against budget, benchmarks and expected key performance indicators • having a fraud risk register • restricting access to information and systems as is appropriate • completing an internal audit plan and a programme of work conducted by external parties
CLEAR EXPECTATIONS	<ul style="list-style-type: none"> • having a code of conduct that sets out expectations for employee behaviour • having clear parameters set in the procurement policy/manual and the delegations manual
RESPONDING	<ul style="list-style-type: none"> • having safe, documented, and accessible processes for employees to report suspected fraud • ensuring allegations of suspected fraud are responded to and actioned in a timely, effective, and appropriate way • ensuring sanctions are in place for parties who commit fraud • recovering lost money or property wherever practical and appropriate

Reporting

Obligation to report suspected fraud

All instances of suspected fraud must be reported. An employee can report fraud in person, phone, or by email to Council's Fraud Control Officers or directly to the Serious Fraud Office. Council has a documented process for responding to suspected fraud called a Fraud Response Plan.

The plan requires people to report instances of suspected fraud to a Fraud Control Officer:

- GM People and Culture Manager
- GM Finance and Assurance

Or, if this is not appropriate, to:

- the Chief Executive
- the chair of the Finance and Assurance Committee - the independent member of the Finance and Assurance committee
- the Mayor.

Or, if any of the above are not appropriate, to the Serious Fraud Office, should the reportee think appropriate.

Contact emails:

Fraud Control Officer fraudofficer@southlanddc.govt.nz
Serious Fraud Office sfo@sfo.govt.nz

Reporting on fraud investigations

In accordance with the Fraud Response Plan, fraud investigations will be reported to the Chief Executive and the Finance and Assurance Committee.

Whistleblower protection responsibilities

Council is committed to protecting individuals who report suspected fraud. The responsibility for ensuring confidentiality and overall protection of the individual(s) making disclosures rests with the Chief Executive.

The Protected Disclosures (Protection of Whistleblowers) Act 2022 (the Act) exists to facilitate the disclosure and investigation of 'serious wrongdoing' in the workplace (also known as whistleblowing) and provides protection for employees/workers who report concerns.

Employees who report 'serious wrongdoing' in the workplace are protected by the Act:

- Section 10 of the Act defines 'serious wrongdoing'
- Section 17 states that every receiver of a protected disclosure must use their best endeavours to keep confidential, information that might identify the discloser. A person's identity can only be disclosed if their consent has been given, or there is another essential reason for disclosing someone's identity (as outlined under the Act).
- Section 29 requires all public sector organisations to have an internal procedure to respond to serious wrongdoing (refer to Council's Protected Disclosures Policy).

Council's Protected Disclosures (Protection of Whistleblowers) Policy describes the process and protections for making a protected disclosure, in full.

Fraud can be considered amongst various acts which are serious wrongdoing under the Act, however not all instances of fraud are serious wrongdoing. Where a protected disclosure is made in relation to fraud, the Protected Disclosures (Protection of Whistleblowers) Policy and regulatory requirements will supersede this Policy.

How Council will respond to fraud

- Council will respond to suspected fraud in accordance with the Fraud Response Plan.
- Concerns regarding fraud will be addressed via Council’s disciplinary procedures. Fraud will generally constitute serious misconduct.
- Fraud is a criminal offence. As appropriate, instances of fraud will be reported to the NZ Police/*Ngā Pirihimana o Aotearoa* and/or Serious Fraud Office/*Te Tari Hara Tāwāre*.
- Recovery of lost money or other property will be pursued wherever practical and appropriate.
- Where possible, Council will also make system and process improvements if fraud occurs, to prevent future fraud.
- Council will comply with principles of Natural Justice when responding to suspected fraud.

Responsibilities

Responsibilities set by Council

This policy establishes the following responsibilities:

ROLE	RESPONSIBILITIES
MANAGEMENT	<p>The day to day responsibility for the prevention and detection of fraud, misappropriation, and other inappropriate conduct rests with managers.</p> <p>Managers are responsible for:</p> <ul style="list-style-type: none"> • demonstrating the highest standards of ethical behaviour • identifying risks to systems, operations, and procedures • developing and maintaining effective internal controls to ensure appropriate stewardship of funds and to prevent and detect fraud • ensuring internal controls are being complied with • strictly adhering to delegations of authority • ensuring compliance with policies, procedures, and guidelines • an awareness and sense of responsibility for the types of impropriety that may occur within their respective areas, and being alert to any indication of irregularity • ensuring appropriate fraud prevention and detection training is provided to staff • responding to fraudulent activity by making any appropriate changes to systems and processes

<p>EMPLOYEES</p>	<p>All employees, including managers, are responsible for:</p> <ul style="list-style-type: none"> ensuring internal controls are being complied with operating within policies, procedures, and guidelines strictly adhering to all system security measures, segregation of duties and delegations being scrupulously fair and honest in their dealings with contractors, suppliers, or customers taking reasonable steps to safeguard Council funds and assets against fraud, theft, unauthorised use, and misappropriation reporting suspected fraud immediately, in accordance with the fraud response plan.
<p>ELECTED MEMBERS</p>	<p>Each elected member is responsible for:</p> <ul style="list-style-type: none"> operating within the code of conduct, policies, procedures, the Delegations Manual, standing order and relevant guidelines strictly adhering to all system security measures, segregation of duties and delegations being scrupulously fair and honest in their dealings with contractors, suppliers, or customers taking reasonable steps to safeguard Council funds and assets against fraud, theft, unauthorised use, and misappropriation reporting suspected fraud immediately, in accordance with the fraud response plan maintaining a climate of risk awareness by providing firm and visible support for fraud and corruption control management
<p>FRAUD CONTROL OFFICERS</p>	<ul style="list-style-type: none"> developing, maintaining, and implementing this policy initiating and overseeing fraud investigations, and reporting on changes required in response to fraud developing and maintaining the governance and strategy aspects of this policy maintaining adequate internal controls over bribery and corruption
<p>CHIEF EXECUTIVE / EXECUTIVE LEADERSHIP TEAM</p>	<ul style="list-style-type: none"> the overall ownership and administration of this policy enhancing fraud awareness (including fraud identification, prevention, and reporting processes, and providing staff with reminders on fraud processes and examples) developing an effective anti-fraud culture ensuring that Council fulfils its obligations under the Act recovering lost money or property, wherever practical and appropriate

Other responsibilities

In addition to this policy, some Council employees belong to professional bodies (such as legal, accountancy, and engineering institutes) that bind members to individual codes of ethics and require professional behaviour.

Monitoring, evaluation, and policy review

Informal feedback on the effectiveness and appropriateness of this policy can be provided at any time to the Fraud Control Officer(s).

A formal review of this policy and the Fraud Response Plan will be undertaken within three years of it being implemented/reviewed.

Revision Record

DATE	VERSION	REVISION DESCRIPTION
26 September 2017		2017 version of policy approved by Council
23 June 2021	2	<ul style="list-style-type: none"> • Amendments to improve readability and style. • Amendments to incorporate feedback from Deloitte reports and audit management reports
19 June 2024	3	<ul style="list-style-type: none"> • Bribery and Corruption definitions included as per recommendation by Audit NZ • Include responsibility of maintaining adequate internal controls over bribery and corruption to the Fraud Control Officers as per recommendation by Audit NZ • Updating legislation • Minor amendments for clarity and readability