

Fraud Policy

Group responsible: Finance and People and Capability

Date adopted: 27 September 2017

Date reviewed: 23 June 2021

Next review date: 23 June 2024

File no: R/21/1/2295

Introduction

Purpose

The purpose of this policy is to:

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

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 Act 2000
- Delegation Manual
- Staff Handbook
- Policy on Electronic Communications (including the internet)
- Code of Conduct
- Sensitive Expenditure Policy
- Conflict of Interest Policy
- Employment Relations Act 2000
- Privacy Act 2020
- Vehicle Policy
- Fraud Response Plan.

Definitions

In this policy, '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.

Fraudulent behaviour 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, whether or not there is pecuniary gain
- theft

In this policy, 'act' refers to the Protected Disclosures Act 2000.

Policy statement

Council has 'zero tolerance' towards fraud

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

All employees are required to act honestly and with integrity and to safeguard the public resources 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 employee that include fraud awareness and code of conduct training • providing regular fraud awareness training for all employee • training employee 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 with regard to their role on the obligations with regard 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

	<ul style="list-style-type: none"> • 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 carried out by external parties
CLEAR EXPECTATIONS	<ul style="list-style-type: none"> • having a code of conduct that sets out expectations for employee behavior • 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 Serious Fraud Office. Council has a documented process for responding to suspected fraud called a 'fraud response plan'. This plan can be accessed at R/21/1/2859. The plan requires people to report instances of suspected fraud to fraud control officer, 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

Council's fraud control officers are the people and capability manager and the chief financial officer.

Employee who report suspected fraud are protected by the whistle blower protection section of this policy.

Contact email:

Fraud control officer fraudofficer@southlanddc.govt.nz

Serious Fraud Office enquiries@sfo.govt.nz

Reporting on fraud investigations

In accordance with the fraud response plan, fraud investigations will be reported on to the chief executive and the Finance and Assurance Committee.

Whistle blower 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.

Protection is provided under the act. Section 19 of the act outlines 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 consent has been given, or there is another essential reason for disclosing someone's identity (as outlined under the act).

Section 7 of the act specifies procedure to be followed for disclosing serious wrongdoing. According to section 11 all public sector organisations must have an internal procedure to respond to serious wrongdoing.

How Council will respond to fraud

Council will respond to suspected fraud in accordance with the fraud response plan.

Concerns regarding fraud will be addresses with 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 Taware.

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 try and 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

ROLE	RESPONSIBILITIES
	<ul style="list-style-type: none"> • developing and maintaining effective internal controls to ensure effective 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.
Employees	<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.
Elected members	<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.
Fraud control officers	<ul style="list-style-type: none"> • development, maintenance and implementation of this policy

ROLE	RESPONSIBILITIES
	<ul style="list-style-type: none"> • initiating and overseeing fraud investigations, fraud reporting on changes required in response to fraud • developing and maintaining the governance and strategy aspects of this policy.
Chief Executive/Executive Leadership Team	<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	Amendments to improve readability and style. Amendments to incorporate feedback from Deloitte reports and audit management reports.