

Fraud, bribery and corruption process



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Fraud prevention measures

Fraud Prevention is an ongoing cycle involving monitoring, detection, training, awareness and multiple other areas.

All employees should be aware of the organisation's policy in respect of fraud and the need for vigilance to prevent fraud.

The three essential elements covered in this policy which deter instance of fraud:

- Structural – The element relating to culture, management, assessments of risks and awareness
- Operational – Internal controls, policy, fraud detection program, accountability, internal audit strategy, protected disclosures, allocation of resources to control fraud
- Maintenance – Reviews and measures, monitoring

The Executive Team holds responsibility for the detection and prevention of wrongdoing, fraud, bribery, corruption or other inappropriate conduct. Each member of the Executive Team shall be aware and alert of potential issues which may arise within their respective areas.

The manager responsible for the recruitment of new or existing employees moving into positions of trust must ensure:

- Verification of qualifications and employment history are undertaken for roles requiring specific qualifications;

- Processes are undertaken throughout the recruitment process which align with the Council's People and Culture Policies to ensure the best fit for the position is attained;
- Mandatory criminal declarations and criminal history checks for all roles which are third tier and above, are a position of trust or deemed 'high risk' such as financial roles.

Measures for reducing the probability of wrongdoing and fraud

- Relevant, visible and accessible policies which are regularly monitored, particularly relevant to those areas susceptible to fraud
- Obtaining Interest declarations from both employees and elected members, even if there are no interests to declare
- Regular internal and external audits
- Reviewing and updating processes and procedures regularly to reflect organisational change
- Training – Regular and tailored training for all staff, with emphasis to third-tier managers and the Executive Team in their respective areas
- Regular promotion of ethical behaviour and fraud awareness through the induction program, training, policy updates and other such initiatives
- The Gift Register being regularly reviewed by the Chief Executive Officer

Training and awareness

Fraud awareness training is essential for all employees. Broad and regular training is encouraged, with regular updates to educate and refresh employee memories, encouraging staff to work together to improve the organisation, revealing opportunities to make procedures more efficient and effective.

Fraud Detection

Employees are essential in the detection of fraud. A strong transparent and honest work environment and organisational culture reduces the probability of wrongdoing occurring. There are three main conditions which enable instances of fraud to occur within an organisation:

- Incentives/Pressures – Internal or external incentives which motivate fraud or wrongdoing e.g. financial troubles.
- Opportunities – Circumstances exist which allows fraud or wrongdoing to occur e.g. ineffective or non-existent controls.

- Attitudes and Culture – Rationalisation of fraud or corruption e.g. attitudes such as “the organisation doesn’t need the money”.

It is important that the organisation works to prevent these attitudes and conditions from arising.

There are several warning signs associated with fraud and wrongdoing. The following are attributes which may be associated with fraud:

- Unexplained wealth - lifestyle which exceeds their own means
- Being secretive
- Extensive record keeping
- Employees who don’t take time off, working long hours when others may not be around
- Working in isolation
- Illogical and sometimes irrational decision making
- Lack of detail in invoices

It is important to note that while one or two of these characteristics in isolation do not necessarily mean an employee is committing a wrongdoing, increased scrutiny should occur when several of these risk factors are observed.

Investigation

A comprehensive fraud prevention programme involves effective investigation. This ensures employees are aware that staff are actively looking for wrongdoing in the organisation, acting as a deterrent.

If wrongdoing is suspected after initial enquiries, an investigation will be conducted to ascertain relevant facts.

Upon notification of suspected wrongdoing, the staff member who received the report shall immediately notify the Fraud Officer who will determine if the report is valid before immediately reporting to the Chief Executive Officer, who will then seek appropriate legal counsel or other professional advice before the investigation begins.

The Chief Executive Officer will commence the investigation into the circumstances surrounding the wrongdoing and within 20 working days of disclosure, a decision on the scale of investigation must be made by the appropriate personnel. The employee must be provided the opportunity to comment on any allegation made against them.

If there is an opportunity for evidence to be destroyed, tampered with or removed, the employee may be suspended if deemed appropriate by the Chief Executive Officer (as the employer), with the input of the Executive Manager – People and Culture to ensure the appropriate procedures are employed.

If the fraud investigation involves activities of an external party, the party will be notified of the investigation and the contract or service agreement will be suspended until investigations are complete. In the instance that services are essential, this decision will be at the Chief Executive Officers discretion.

The Executive Manager – Corporate Services, in conjunction with the Chief Executive Officer, may:

- Establish an investigation team to examine the suspected wrongdoing. The Fraud Control Officer and the Executive Manager – People and Culture should be included in the investigation team.
- Utilise external resources if deemed appropriate.

If wrongdoing has been identified and established, the Executive Manager – People and Culture shall take the following actions.

- Initiate an internal disciplinary process in accordance with the Central Otago District Council House Rules.
- Consult legal counsel regarding the case being referred to the appropriate law enforcement agency.
- Ensure the Chief Executive Officer is informed every step of the process.

Where wrongdoing is being investigated, the Executive Manager – Corporate Services and the investigation team have full and unrestricted access to all records and Council premises subject to the Privacy Act 1993. The Investigator has the right to examine, copy and/or remove any information when it is in scope of the investigation.

Confidentiality

All persons involved in the investigation and having knowledge of the wrongdoing shall treat any and all information received with confidence.

Investigation results will not be disclosed to any person other than those whom are involved directly with the wrongdoing and have a legitimate need to know.

Any enquiries regarding the activity under investigation from the suspected person, their lawyer or any other person should be directed to the Executive Manager Corporate Services who will provide information at the discretion of the Chief Executive Officer.

No information regarding the investigation shall be released until the investigation team is in full agreement.

External Communication

The investigation team, Executive Manager - Corporate Services and the Chief Executive Officer shall provide approval for all statements to the media regarding the investigation and suspected wrongdoing.

The Executive Manager - Corporate Services shall immediately inform the wrongdoing, fraud, or suspected fraud, to Council's external auditors and insurers.

Disciplinary Process

The Executive Manager – People and Culture shall be informed of the outcome from the investigation. If it is suspected that wrongdoing has occurred, an internal disciplinary process shall be undertaken in accordance with Central Otago District Council 'House Rules'. All suspected or actual incidences will be investigated in consultation with the Chief Executive Officer, as the employer, or the Council in the instance that the Chief Executive Officer is suspected of wrongdoing. All investigations found to be of substance will be passed on to the appropriate authority, being the Police or Serious Fraud Office.

If the reporter is not satisfied with the results of the investigation, they may contact The Ombudsman or the Serious Fraud Office.

Measurement and Review

The Executive Manager – Corporate Services is responsible for the administration, application and revision surrounding the Policy and Process documents.

The Policy and Process documents will be reviewed annually or as required. These documents remain valid irrespective of whether the review date has passed.

Penalties on Conviction

Proven offences of fraud or corruption may be prosecuted under the Crimes Act 1961 or the Secret Commissions Act 1910. Maximum penalties range from fines to 14 years' imprisonment.

Relevant legislation

- Protected Disclosures Act 2000
- Local Government Act 2002
- Privacy Act 1993

Related documents

- Central Otago District Council Fraud, Bribery and Corruption Policy
- Central Otago District Council Protected Disclosure (Whistle blower) Policy
- Central Otago District Council House Rules
- Central Otago District Council Sensitive Expenditure Policy

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