

Fraud Prevention Policy

Relevant Legislation

Local Government Act 2002, sections 100 and 101 (financial prudence)
Local Authorities (Members' Interests) Act 1968
The Protected Disclosures Act 2000
The Secret Commissions Act 1910
The Crimes Act 1961, sections 99, 105 and 105A

Purpose

In accordance with sections 100 and 101 of the Local Government Act 2002 (financial prudence) and, with due regard for Part 8: Fraud – The responsibilities and duties of public entities, Central Government B.29 reports, Central Government Results of the 2003-04 Audits.

Council, including its elected members and its staff or agents, is required to spend public funds subject to the standards of probity and financial prudence, such that all expenditure withstands public scrutiny.

Policy

The policy outlines irregularities that may constitute fraud, the responsibilities of Western Bay of Plenty District Council (Council) employees and the procedures to be followed in the event fraud is suspected.

This policy applies to all elected members of Council, the Chief Executive Officer, all employees and any person or organisation that has dealings with Council, including contractors, sub-contractors, agents, intermediaries and members of the public.

Council recognises that all its assets are owned by the Community and there is an expectation and obligation that elected members and staff act efficiently, honestly and with integrity to safeguard public resources. Council is committed to protecting its revenue, property, information and other assets from any attempt, by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees or elected members, to gain financial or other benefits from it by deceit.

This policy sets out specific responsibilities regarding prevention, detection and investigation of fraud and other similar irregularities. All practicable steps will be taken to recover losses resulting from fraud.

In addition to this policy, Council staff belong to professional bodies, such as the Engineering New Zealand and the Chartered Accountants Australia and New Zealand both of which bind their members to their profession's individual code of ethics concerning professional behaviour.

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1. Definition of Fraud

2. Statements

3. Minimisation of the risk of fraud

4. Procedures for dealing with allegations of fraud or Other irregularities

4.1 Confidentiality

4.2 Media Issues

4.3 Reporting suspected fraud or other irregularities

4.4 Preliminary investigation

4.5 Disciplinary action

1. Definition of Fraud

1.1 Fraud and other similar irregularities include, but are not limited to:-

- Forgery or alteration of cheques, drafts, promissory notes and securities
- Any misappropriation of funds, securities, supplies or any other assets
- 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 (see Giving and Receiving Gifts Policy) from vendors, consultants or contractors without prior consent of the Chief Executive Officer or Group Manager
- Unauthorised use or misuse of Council property, equipment, materials or records and intellectual property
- Any computer-related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes, or the misappropriation of Council owned software
- Any claims for reimbursement of expenses that are not made for the exclusive benefit of Council.

2. Statements

2.1 Council will undertake a comprehensive investigation of any suspected acts of fraud, misappropriation or similar irregularity. Investigations will be fully documented.

2.2 The Chief Executive Officer has primary responsibility for the investigation of all cases of suspected fraud. Investigation may be delegated at the Chief Executive Officer's discretion.

2.3 The Chief Executive Officer will notify the Mayor of a reported allegation of fraudulent or irregular conduct and commence an investigation. Throughout the investigation these officials will be informed of pertinent findings.

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- 2.4 The Chief Executive Officer will notify Audit New Zealand.
- 2.5 The Chief Executive Officer will contact the Police in every instance where there are reasonable grounds to indicate that a fraud may have occurred. The commencement of legal proceedings will be determined by Police.
- 2.6 Upon conclusion of an investigation, the results will be reported to the Mayor.
- 2.7 Council will pursue every reasonable effort, including court-ordered restitution, recover its losses from the offender(s) or other appropriate sources.

3. Minimisation of the risk of fraud

- 3.1 Internal controls will be maintained and regularly reviewed to provide assurance for the prevention and detection of fraud, misappropriations and other irregularities. Transactions, activities and locations that may be susceptible to fraud will be regularly reviewed. Specific reviews of internal controls will be undertaken by external auditors (via BOPLASS) as part of their internal audit programme, along with ad hoc internal audits, e.g. cash receipting.
- 3.2 Findings will be reported to Council.

4. Procedures for dealing with allegations of fraud or other irregularities

These procedures will be followed in dealing with fraud or other irregularities that have been observed or are suspected at Council.

4.1 Confidentiality

- 4.1.1 It is acknowledged that alleged or actual instances of fraud can affect the rights and reputation of anyone implicated. Individual identities should be protected wherever possible without detriment to Council.
- 4.1.2 All participants in a fraud investigation shall keep the details and results of the investigation confidential.

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4.2 Media issues

- 4.2.1 Any staff or elected official contacted by the media with respect to an investigation of fraud, shall refer the media to the Chief Executive Officer.
- 4.2.2 The alleged fraud or investigation shall not be discussed with the media by any person other than through the Chief Executive Officer.

4.3 Reporting suspected fraud or other irregularities

- 4.3.1 A person having knowledge of any irregularity or having reason to suspect that fraud has occurred shall notify the Chief Executive Officer immediately. Anyone reporting suspicions of fraud or other irregularities is not restricted to advising the Chief Executive Officer. If you receive a report of suspected fraud or other irregularities advise the Chief Executive Officer immediately. Do not attempt to investigate the suspected fraud and do not discuss the matter with anyone other than the Chief Executive Officer or the Police when they are involved.
- 4.3.2 If suspicions relate to the Chief Executive Officer advise the Deputy Chief Executive Officer or your Group Manager in the presence of the Mayor in the first instance.
- 4.3.3 The Protected Disclosure (Whistle-blowing) Guidelines shall apply.

Note:

The Protected Disclosures Act 2000 states that no employee (or person acting on behalf of an employee who discloses information) shall:

- Dismiss (or threaten to dismiss) an employee who discloses information
- Discipline or suspend (or threaten to discipline or suspend) an employee who discloses information
- Impose any penalty upon an employee who discloses information
- Intimidate or coerce an employee who discloses information
- Where an employee confesses to their own fraud they will be subject to the normal proceedings as if another individual had disclosed the fraud.

Violation of this section of the Act will result in disciplinary action, up to and including dismissal.

- 4.3.4 If you are making a report on someone else's behalf, their name must not be disclosed except with their express permission. Advise them when you have passed the information on to the Chief Executive Officer or appropriate senior manager.

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4.4 Preliminary investigation

- 4.4.1 The Chief Executive Officer (or in the event the allegations refer to the Chief Executive Officer, the Deputy Chief Executive Officer, Mayor and Group Manager or other Senior Manager) is primarily responsible for preliminary investigations which shall be undertaken to establish whether the allegations may be founded. The nature of preliminary investigations will be determined on a case-by-case basis in consideration of the suspicions raised. The Chief Executive Officer may delegate preliminary investigations at their discretion.
- 4.4.2 In undertaking a preliminary investigation care must be taken to secure and preserve the integrity of any evidence; take immediate action to prevent theft, alteration or destruction of relevant records. Such actions include, but are not limited to:
- Removing the records and placing them in a secure location
 - Limiting access to the location where the records are currently held, and
 - Preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately secured until the Senior Manager obtains the records to begin the audit investigation.
- 4.4.3 At the conclusion of the preliminary investigation, the results must be fully documented. Where an internal investigator has been appointed by the Chief Executive Officer, the investigation is to be fully documented in a confidential memorandum to the Chief Executive Officer. If the report concludes that the allegations are founded the writer should include recommendations for the appropriate manager to assist in the prevention of similar occurrences in the future.
- 4.4.4 If the report concludes that the allegations are founded the Chief Executive Officer shall inform the Police and a full investigation shall be co-ordinated with them.
- 4.4.5 The Chief Executive Officer shall advise the Mayor.
- 4.4.6 The Chief Executive Officer shall advise Council's nominated Audit New Zealand auditor/audit director and/or the Office of the Auditor General.

4.5 Disciplinary action

- 4.5.1 Where fraud is suspected from preliminary investigation disciplinary action shall be taken, up to and including dismissal, in accordance with Council's disciplinary procedures.
- 4.5.2 After investigation and before taking final disciplinary action, the person(s) under investigation for fraud shall be given written notice of the essential

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particulars of the allegations, unless exceptional circumstances exist. **Note:** This step is subject to any collective employment agreement provisions respecting the rights of employees during disciplinary proceedings.

- 4.5.3 Upon completion of the investigation, including all legal and human resources actions, any records, documents and other evidentiary material shall be returned to the relevant department.

Associated Policies

Conflict of Interests Policy
Sensitive Expenditure Policy
Protected Disclosures (Whistle-blowing) Policy
Delegations Manual
Koha and Kuia-Kaumatua Payments Policy
Giving and Receiving Gifts Policy

Group	Financial Services	Contact (3rd Tier Manager)	Finance Manager
Supersedes	Fraud Policy (2008)		
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