



**Mackenzie**  
DISTRICT COUNCIL

# Mackenzie District Council

## Fraud Policy

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<b>POLICY OWNER:</b>	People & Culture Manager
<b>POLICY APPROVER / S:</b>	Chief Executive Officer, Mackenzie District Council
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“Fostering Our Community”

## FRAUD AND CORRUPTION POLICY

<b>Purpose</b>	The purpose of this policy is to ensure that controls and systems are in place to deal with fraudulent activity by anyone employed by, elected to, contracted to, volunteering for, or is a service recipient of the Mackenzie District Council.
<b>Key Points</b>	<p>The Policy reinforces our commitment to protecting staff who may come forward with concerns about serious wrongdoing that could impact the Council's reputation.</p> <p>All reported instances of alleged fraud, theft, misrepresentation or corruption will be investigated according to this policy. All cases of fraud will be dealt with appropriately and consistently to ensure the assets, reputation and integrity of Mackenzie District Council and its staff are protected.</p>
<b>Scope</b>	<p>This policy applies to any fraud, impropriety or dishonesty (suspected or actual), involving employees, as well as consultants, vendors, contractors, volunteers and other agencies with business relationships with the Mackenzie District Council. The policy also applies to all elected members of the Council, past and present.</p> <p>Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Council.</p>
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## RELATED DOCUMENTS / WEBSITES

Related Council policies and strategies include:

- Code of Conduct
- Delegations Manual
- Protected Disclosures Policy
- Risk Management Policy

Relevant legislation and other resources include (but is not limited to):

- Crimes Act 1961 (s.99, 105 and 105A)
- Local Authorities (Members' Interests) Act 1968
- Local Government Act 2002 (s.100 and 101)
- Protected Disclosures Act 2000
- Human Rights Act 1993

## 1. Definitions (in the context of this policy)

**Employees** – are defined as all Mackenzie District Council employees whether they are on a casual, fixed term, permanent or a collective employment agreement.

**Fraud** - is the deliberate practice of deception, misrepresentation or dishonesty with the intention of receiving unfair, unjustified or unlawful gain, or to cause actual or potential financial or other loss to the Council or any of its entities.

**Whistleblower** - is anyone who has and reports insider knowledge of illegal activities occurring in the Council. Whistleblowers can be employees, suppliers, contractors, clients, or any individual who becomes aware of illegal business activities.

## 2. Background

The Mackenzie District Council is committed to maintaining the highest professional and ethical standards. Our reputation has been built over many years of effort by many people and we are absolutely committed to prevent the occurrence of fraud and corruption. Council has zero tolerance for fraudulent activity.

All managers, staff and councillors are expected to share this commitment.

It is the intent of the Council to promote a counter-fraud culture by providing these guidelines and by assigning responsibility for the development of controls, protection of whistle-blowers, and the conduct of investigations.

## 3. Purpose

The purpose of this policy is to ensure that controls and systems are in place to deal with fraudulent activity by anyone employed by, elected to, contracted to, volunteering for, or is a service recipient of the Mackenzie District Council. The Policy also reinforces our commitment to protecting staff who may come forward with concerns about serious wrongdoing that could impact the Council's reputation.

All reported instances of alleged fraud, theft, misrepresentation or corruption will be investigated according to this policy. All cases of fraud will be dealt with appropriately and consistently to ensure the assets, reputation and integrity of Mackenzie District Council and its staff are protected.

## 4. Objectives

The objectives of the policy are to:

- provide a definition of fraud;
- state Mackenzie District Council's zero tolerance for fraud;
- to prevent fraudulent activity within the terms of this policy;
- to establish an environment where fraud concerns can be identified and readily addressed and to instil responsibility and awareness amongst Council staff and elected members;
- to outline the controls and systems in place to minimise the opportunity for, and prevent fraudulent activity;
- to set out the means for ensuring that every individual suspected of committing fraud is dealt with in a consistent manner;

- to state that fraudulent activity is considered serious misconduct and could warrant instant dismissal of staff;
- to ensure that every effort is to be made to gather sufficient reliable evidence to support a prosecution, and to state that cases of fraud will be referred to the appropriate law enforcement agency with a view to prosecution where fraud is proved;
- to specify that recovery of the lost money or other property will be pursued wherever possible and practicable.

## 5. Scope

This policy applies to any fraud, impropriety or dishonesty (suspected or actual), involving employees, as well as consultants, vendors, contractors, volunteers and other agencies with business relationships with the Mackenzie District Council. The policy also applies to all elected members of the Council, past and present.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Council.

This activity includes but is not limited to:

- unauthorised or improper use of Council funds;
- unauthorised use of facilities, vehicles, equipment, materials, records or intellectual property for personal gain;
- providing misleading information to Council with the view to influence them in a certain way;
- any computer-related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes, or the misappropriation of Council owned software;
- taking or dealing without proper authorisation any monies belonging to the Council or coming under the Council's control;
- forgery or alteration of documents or accounts belonging to Mackenzie District Council;
- disclosing confidential or proprietary information to third parties;
- accepting or seeking anything of material value from vendors, consultants or contractors without the consent of the Chief Executive Officer (CEO) or member of the Executive Team;
- accepting without authorisation (other than remuneration by way of normal salary) any personal fee, reward, gift, gratuity or subsidy, of any description, or attempting to extract the same whether on account of any services provided in the normal course of duty or otherwise. (Note: Please read in conjunction with the Mackenzie District council Conflict of Interest Policy);
- manipulating reporting to obscure impropriety;
- signing any document or making any statement on behalf of Council without proper authorisation;
- falsifying any of Council's accounts or records;
- using the position of employment or knowledge gained from that position, to obtain a benefit (whether financial or otherwise) for oneself or some third party other than the organisation;
- use of Council purchase card or credit card for personal gain;
- presenting false credentials or qualifications;
- supporting others in, or in any way being party to, fraud, or not reporting fraud;
- falsification of timesheets, or any other employee theft of time;
- submitting false claims for expenses;
- unauthorised or inappropriate use of loyalty reward schemes.

This policy does not apply to:

- minor fraud perpetrated by the public or other external party against Mackenzie District Council (not including tendering contractors). For example, providing incorrect information on a licence application;

- performance management issues (not relating to any of the aforementioned fraudulent activity) that should be resolved by the People & Culture Manager.

## 6. Policy

The Local Government Act 2002, sections 100 and 101, require Council, including elected members and staff or agents, to spend public funds subject to the standard of probity and financial prudence such that all expenditure withstands public scrutiny.

Council recognises that all its assets are owned by the community and there is an expectation and obligation that elected members and staff act honestly and with integrity to safeguard public resources.

The Council does not tolerate fraudulent activity and will undertake a comprehensive investigation of any suspected acts of fraud, misappropriation or similar irregularity. Fraudulent activity is considered serious misconduct and could warrant instant dismissal of staff.

Suspected fraud will be investigated in an independent, open minded and professional manner. The interests of Mackenzie District Council and the suspected individual will be protected as much as possible and good employer processes will be followed at all times in accordance with the Employment Relations Act 2000.

It is acknowledged that alleged or actual instances of fraud can affect the rights and reputation of anyone implicated. Individual identities will be protected wherever possible without detriment to Council.

All proven incidents of fraud will be pursued through every means available and appropriate disciplinary action taken. The recovery of lost assets, funds or other property will be pursued wherever possible and practicable. The Council is proactive in its approach to fraud prevention by maintaining clear procedural framework, behavioural expectations and promoting robust internal controls in all aspects of the protection of assets, records, procurement, purchasing, payroll, finance and cash management.

Participants in a fraud investigation shall keep all details confidential during the course of the investigation.

Any irregularity that is detected or suspected must be reported immediately to the People & Culture Manager and the Chief Executive Officer.

### 6.1 Other Irregularities

Irregularities concerning an employee's moral, ethical, or behavioural conduct, should be resolved by departmental management.

If there is any question as to whether an action constitutes occupational fraud and abuse, contact the People & Culture Manager for guidance.

## 7. Responsibilities

Responsibility to observe the requirements of this policy applies to all employees and volunteers of the Mackenzie District Council (present and past), all Elected Members of the Mackenzie District Council (present and past), all contractors to the Mackenzie District Council (present and past) and all organisations participating in a Memorandum of Understanding with the Mackenzie District Council.

Additionally, all suppliers of goods and services to the Mackenzie District Council are encouraged to comply.

The Executive Leadership Team (“Management”) are responsible for the detection and prevention of fraud, impropriety and dishonesty. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

Management should be alert to the possibility that unusual events may be symptoms of fraud or attempted fraud and that fraud may be highlighted as a result of management checks or be brought to their attention by a third party. The Executive team are responsible for:

- Being aware of fraud;
- Ensuring that an adequate system of internal controls exists within their area of responsibility and that those controls are operating effectively. These controls should include a system for undertaking regular reviews of transactions and activities that may be susceptible to fraud.

### **7.1 Chief Executive Officer (CEO)**

The CEO has the primary responsibility for all suspected fraud and will head any ensuing investigation. If an allegation involves the CEO then the information will be reported to the Mayor and any investigation will be their responsibility.

The CEO is responsible for notifying the Mayor and the People & Culture Manager of any fraud investigation. Throughout the investigation, these parties will be informed of pertinent investigative findings.

The CEO is responsible for all communications, internal and external, relating to any fraud investigation.

The CEO (or Mayor) is responsible for contracting external agencies (i.e. the Police, Serious Fraud Office (SFO), Audit New Zealand, Council insurers, or other forensic investigators) as necessary.

The CEO is responsible for ensuring that the Auditor is made aware of any actual or suspected instances of fraud.

The CEO may appoint an Investigating Officer (IO) to oversee any case of suspected fraud on their behalf.

### **7.2 People & Culture Manager**

The People & Culture Manager is responsible for ensuring all staff are provided with fraud awareness training.

The People & Culture Manager will assist the CEO and IO in ensuring that all elements of any fraud investigation are carried out in accordance with the Employment Relations Act 2000. They will be present for any interviews with Council employees carried out during the course of any fraud investigation.

### **7.3 Mayor**

The Mayor has the primary responsibility for any fraud investigation in which the CEO is implicated in any way. The Mayor may appoint an IO to oversee any case of suspected fraud on their behalf.

## **7.4 Investigating Officer (IO)**

The IO is appointed by the CEO (or Mayor) to oversee the investigation into any reported case of fraudulent activity.

The IO may be another member of staff or an external body as deemed appropriate by the CEO (or Mayor).

The IO is responsible for ensuring that all documentation, physical and electronic evidence is preserved in a safe place for future examination.

The IO, assisted by the People & Culture Manager, is responsible for ensuring that all elements of the investigation are carried out in accordance with the Employment Relations Act 2000.

## **7.5 Executive Team**

The Executive Team have the responsibility for ensuring that appropriate controls are in place at all levels within their groups to ensure safeguards against fraudulent activity and must take action to implement and maintain these controls. Managers are also responsible for ensuring there are systems in place to regularly review transactions and activities that may be susceptible to fraud.

## **7.6 Elected Members**

Elected Members are responsible for maintaining a climate of risk awareness by providing firm and visible support for fraud and corruption control management.

## **7.7 Whistleblower Protection Responsibilities**

The Council is committed to protect individuals who report suspected serious wrongdoing. The responsibility for ensuring confidentiality and overall protection of the individual(s) making disclosures rests with the People & Culture Manager. Protection is also provided under the Protected Disclosure Act 2000.

In their absence, Council Personnel may contact the Chief Executive Officer or they may prefer to make a disclosure to their manager.

The Protected Disclosures Act 2000 offers Whistle Blower protection. Section 19 covers the Confidentiality of a Protected Disclosure. Section 7 of the Act specifies that employees shall follow internal procedures for disclosing serious wrongdoing. Sections 8, 9 and 10 of that Act outline the specific circumstances in which a disclosure of serious wrongdoing may be made to designated officials.

## **7.8 Investigation Responsibilities**

The People & Culture Manager and the Chief Executive Officer have primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. This responsibility will include full documentation of the facts and circumstances of the matter. If the investigation substantiates that fraudulent activities have occurred, the Chief Executive Officer will issue reports to appropriate designated Personnel and, if appropriate, to the Executive team.

In the event the People & Culture Manager is unavailable, the Chief Executive Officer will assume the People & Culture Manager's responsibilities.

Where there is sufficient reliable evidence to support a prosecution, all instances of Fraud will be referred to an appropriate law enforcement agency for prosecution.

## **7.9 Confidentiality**

The Council and its Personnel must take all reasonable steps to protect the identity of the whistle-blower. Maintaining confidentiality of a person known or suspected of having made a disclosure is crucial in ensuring reprisals are not made against a whistle-blower.

The People & Culture Manager will treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify either individual immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see **Reporting** section below).

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect The Council from potential civil liability.

## **7.10 Communication Responsibilities**

The People & Culture Manager has overall responsibility for leading and the coordinating all communication internally and externally on fraud and corruption matters. Personnel are instructed to direct any communications, from either internal or external sources, to the People & Culture Manager and are directed not to provide any comment to the other parties.

## **8. Fraud Minimisation & Prevention**

Mackenzie District Council is committed to the development and maintenance of best practice processes and procedures to detect and prevent or minimise fraud, and that demonstrate appropriate stewardship of Council assets. This primarily means the implementation and controlled operation of adequate systems of internal control, supported by written policies and procedures.

These controls include, but are not limited to:

- segregation of duties where practicable;
- appropriate delegations and authorisation levels;
- active risk management through effective internal audit controls;
- the regular review of transactions, activities and locations that may be susceptible to fraud;
- due diligence checks on suppliers;
- sound financial planning, reporting and monitoring;
- discouraging excessive leave accumulation;
- thorough human resources practices, particularly surrounding recruitment;
- comprehensive induction and training processes for staff that include fraud awareness, Protected Disclosure awareness, and Code of Conduct training, and reinforcement of this training as necessary.

## **9. Reporting**

All staff, Elected Members, consultants, contractors, vendors and volunteers are expected to report suspected fraudulent activity at the earliest possible opportunity. In the first instance fraud or suspected fraud should be reported to the People & Culture Manager or the Chief Executive Officer.



In the event that either of these are implicated in any way, the suspected fraud should be reported to the Mayor.

The employee or other complainant may elect to remain anonymous and report the suspected fraud in writing. Anonymous reports will be investigated as far as practicable.

All allegations must be acknowledged in writing by the People & Culture Manager, including all relevant details of the allegation. Confidentiality must be maintained where possible.

Anyone reporting suspected fraudulent activity must not:

- Contact the suspected individual in an effort to determine the facts or demand restitution;
- Discuss the case facts, suspicions, or allegations with anyone outside the Council (including the media) unless specifically asked to do so by the CEO (or Mayor);
- Discuss the case with anyone within the Council other than the People & Culture Manager or the CEO (or Mayor) unless specifically asked to do so by the CEO;
- Deliberately make false or malicious allegations.

Staff should refer to the Mackenzie District Council **Protected Disclosure Policy** which provides clear guidelines for those who wish to disclose information about serious wrongdoing.

All instances of suspected or actual fraud are to be advised to the auditors.

## 10. Investigating Suspected Fraud

The following section outlines the investigation process. Please also refer to Appendix A – Investigation Process.

### 10.1 Initial Enquiry

Upon receiving a report of suspected fraudulent activity, the People & Culture Manager is responsible for conducting an initial enquiry. This enquiry is to be carried out promptly and with discretion and sensitivity.

The People & Culture Manager will notify the CEO (or Mayor if the CEO is implicated in any way), of any reported allegation of fraud upon the commencement of the initial enquiry.

The purpose of the initial enquiry is to ascertain whether there is grounds to the suspicion that warrant further investigation and to identify the evidence that will need to be secured for further investigation. The initial inquiry may involve discreet enquiries to staff, the review of documents and the interrogation of computer systems.

If the initial enquiry finds no substance to the allegations, then the process is terminated, and the outcome is advised in writing to the person making the original allegation.

### 10.2 Further Action

Following the initial enquiry, the People & Culture Manager will inform the CEO (or Mayor) of the outcome and make any recommendations. If the initial enquiry finds that allegations of fraudulent activity are substantiated, further investigation will take place.

The CEO (or Mayor), in consultation with the People & Culture Manager and the Executive Team, as appropriate, will determine the course of any further investigation. This may include involving the Police or other external agencies such as the SFO or forensic investigators, taking legal advice and advising Council's insurers.

The CEO (or Mayor) may appoint an Investigating Officer, who will be responsible for overseeing any further investigation. The IO will report directly to the CEO (or Mayor) throughout the investigation. The IO will take steps to ensure that all original documentation, other physical evidence and electronic evidence is preserved in a safe place for further investigation. This evidence will be made available to external investigating agencies as required.

In addition, the following, if not already actioned during the initial enquiry, will be considered:

- Briefing staff on the nature of the investigation, as appropriate
- Any civil actions that might be required.

Upon conclusion of the investigation, the IO will compile a full report for the CEO, the Mayor, and the People & Culture Manager. This report will include recommendations to minimise the opportunity for fraud through improvements to controls and processes and a plan for implementing them.

The Mackenzie District Council will pursue every reasonable effort (including court-ordered restitution) to recover Council losses from the offender or other appropriate sources.

A formal acknowledgement of the outcome of the investigation must be forwarded to the person who made the original allegation.

Staff will be briefed, as appropriate, upon the conclusion of the investigation.

## 11. Confidentiality and Media

Subject to the requirements of the investigation or any legal requirements, everyone involved in a formal investigation or informal process has the right to have information they disclose kept confidential. Further, it is the duty of all involved to respect the rights of others and maintain the integrity of the investigation.

It is the responsibility of the IO, or the CEO (or Mayor), to explain any limits of confidentiality to those involved in the investigation.

Staff reporting suspected fraud are covered by the Mackenzie District Council's **Protected Disclosures Policy** as it applies.

Notwithstanding the above, where fraud is found to have occurred, the Mackenzie District Council reserves the right to share necessary information with Council members, the New Zealand Police, SFO, Audit New Zealand and the Mackenzie District Council insurers.

Any staff member or Elected Member contacted by the media with respect to an investigation of fraud shall refer the media to the CEO (or Mayor).

The alleged fraud or investigation shall not be discussed with the media by any other person than through the CEO (or Mayor).

## 12. Policy Administration

### 12.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council Manager People & Culture.

### 12.2 Breaches

The Mackenzie District Council Chief Executive Officer and People and Culture Manager are responsible for monitoring compliance with this policy. All identified breaches will be escalated to the CEO and Manager People & Culture and will be treated as misconduct which may result in disciplinary action.

### **12.3 Exceptions**

The Mackenzie District Council People & Culture Manager (being the policy owner) will need to authorise any deviations from this policy.

Appendix 1 – Process

