

# Fraud Policy

Team/Directorate	Risk and Compliance Team
Approved/Adopted by	Council, 2 May 2024
Effective date	2 May 2024
Next review	Due May 2027

## 1 PURPOSE

The purpose of the Fraud Policy (the policy) is to:

- define fraud
- promote ethical behaviour and awareness about fraud
- outline that Queenstown Lakes District Council (Council) has 'zero tolerance' towards fraud
- 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 fraud is discovered.

## 2 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, and provides information on preventing, reporting, and investigating fraud. The Fraud Control Plan is an operational document that supports the principles outlined in the Fraud Policy by establishing key activities to mitigate fraud and corruption risk.



### 3 DEFINITIONS

Term	Definition
Act	In this policy, 'Act' refers to the Protected Disclosures (Protection of Whistleblowers) Act 2022.
Fraud	<p>Fraud is an intentional act by one or more individuals involving the use of deception to obtain unjust or illegal advantage. 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.</p> <p>Fraudulent behaviour includes, but is not limited to:</p> <ul style="list-style-type: none"><li>• forgery or alteration of documents or accounts belonging to Council</li><li>• disclosing confidential or proprietary information to third parties</li><li>• misappropriation or improper disposal of funds, securities, supplies or any other asset</li><li>• any irregularity in handling or reporting of money transactions</li><li>• misappropriation of furniture, fixtures, and equipment</li><li>• accepting or seeking anything of material value from contractors or persons (whether before, during or after any procurement process)</li><li>• bribery, corruption, or abuse of office</li><li>• any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes – including the misappropriation of Council-owned software</li><li>• manipulating reporting to obscure impropriety</li><li>• obtaining funds or any other benefit through misleading claims, representations or by false pretences</li><li>• causing a loss, or avoiding or creating a liability by deception</li><li>• any claim for reimbursement of expenses that were not made for the exclusive benefit of Council</li><li>• 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</li><li>• presenting false credentials, qualifications, or identity</li><li>• supporting others in, or in any way being party to, fraud or not reporting fraud when it is suspected</li><li>• any of the above for personal gratification and/or edification, whether or not there is pecuniary gain</li><li>• theft.</li></ul>

## 4 SCOPE

This policy applies to:

- Council employees
- elected members
- any person engaged or contracted under a contract for services to do work with
- QLDC contractors (including subcontractors)
- any person who is engaged as a volunteer for Council.

## 5 POLICY STATEMENT

Council has a zero-tolerance policy towards fraud, as such, Council regards fraud as unacceptable, and a zero-tolerance approach will be taken to fraudulent behaviour.

### 5.1 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 includes, but is not limited to:

ACTIVITY	ACTIONS
PROMOTION	<ul style="list-style-type: none"><li>• Promoting this policy encouraging people to report suspected fraud</li><li>• Conduct fraud awareness campaigns to highlight the importance of fraud prevention.</li></ul>
TRAINING	<ul style="list-style-type: none"><li>• Appropriate fraud awareness induction processes for new employees, elected members, contractors, volunteers, or any person engage or contracted.</li><li>• Conduct regular refresher trainings to keep staff updated on fraud prevention measures.</li></ul>
MONITORING	<ul style="list-style-type: none"><li>• Establish a continuous monitoring system for detecting unusual activities.</li><li>• Implement regular audits to assess the effectiveness of fraud prevention measures according to the Fraud Control Plan.</li><li>• Monitor key risk indicators and conduct proactive investigations as needed.</li></ul>
CLEAR EXPECTATIONS	<ul style="list-style-type: none"><li>• Clearly communicate expectations regarding ethical conduct and fraud prevention</li><li>• Foster a culture of transparency and reporting suspicious activities</li></ul>

## 5.2 REPORT SUSPECTED FRAUD

All instances of suspected fraud must be reported, according to the Protected Disclosures – Whistleblower Policy.

The Code of Conduct for elected members sets out the process for investigating suspected breaches of the Code of Conduct (Local Government Act 2022, schedule 7, cl 15(4)) by elected members.

Council is committed to protecting individuals who report suspected fraud. The Act sets out Council's obligations in regard to reports of fraud.

## 5.3 HOW COUNCIL WILL RESPOND TO A SUSPECTED FRAUD REPORT

Council will respond to suspected fraud in accordance with sections 5.4 and 5.5 of this policy, the respective Codes of Conduct for employees and elected members, and the policies and procedures referred to herein.

Upon receiving a report, the organisation will initiate a thorough and impartial investigation. Investigations will be conducted by Council's Risk & Compliance Team, and independent investigators appointed by the Risk & Compliance Team where additional expertise are deemed necessary, to determine the validity of the allegations.

### Investigation Process:

1. Immediate Response: upon receiving a fraud report, an immediate response is initiated to secure relevant evidence and prevent further damage. A designated investigation team is appointed.
2. Preliminary Assessment: a preliminary assessment is conducted to determine the scope and nature of the alleged fraud.
3. Formal Investigation: if the preliminary assessment warrants further investigation, a formal process is initiated. The investigation team conducts detailed interviews, gathers additional evidence, and assesses relevant financial records.
4. Forensic Analysis: forensic experts may be involved to conduct a detailed analysis of financial transactions, electronic data, and any other relevant evidence.
5. Legal Consultation: legal experts are consulted throughout the investigation to ensure compliance with legal requirements. Guidance is sought on the admissibility of evidence, potential legal actions, and cooperation with law enforcement agencies.
6. Reporting: a comprehensive investigation report is prepared, detailing the findings, evidence, and recommendations.

## 5.4 HOW COUNCIL WILL RESPOND TO FRAUD

Public disclosure of identified fraud will be in line with legal obligations in relation to privacy and confidentiality.

The findings of fraud investigations will be disclosed appropriately within the organisation in line with legal obligations. Confidentiality and privacy will be maintained to the extent possible while addressing the need for transparency.

Concerns regarding fraud will be addressed as outlined in the Discipline and Dismissal Policy, employee agreements, individual contracts, and the code of conduct for elected members.

## **5.5 SANCTIONS AND ACTIONS**

Fraud is a criminal offence. As appropriate, instances of fraud will be reported to the NZ Police / Ngā Pirihimana o Aotearoa and/or the Serious Fraud Office / Te Tari Hara Taware.

Appropriate actions and sanctions will be taken against individuals found guilty of engaging in fraudulent activities. This may include legal actions, termination of employment, or other disciplinary measures as deemed necessary (in accordance with the Discipline and Dismissal Policy).

Recovery of lost money or other property will be pursued wherever practical and appropriate.

## **5.6 IMPROVEMENTS**

The organisation is committed to a continuous improvement process regarding fraud prevention. Regular assessments and reviews of policies, procedures, and controls will be conducted to identify areas for enhancement. The Fraud Control Plan will be reviewed annually.

Employees are integral to this process, and their cooperation is essential for maintaining a secure and ethical working environment.

Where possible, Council will also make system and process improvements if fraud occurs, to try and prevent future fraud.

## 6 ROLES AND RESPONSIBILITIES

The below table outlines the roles and responsibilities of QLDC officers, elected members, contractors, and volunteers in relation to fraud.

ROLE	RESPONSIBILITIES
All in the scope of this policy	<ul style="list-style-type: none"> <li>• Demonstrating the highest standards of ethical behaviour.</li> <li>• Being scrupulously fair and honest in their dealings with 3<sup>rd</sup> parties.</li> <li>• Being aware of this Fraud Policy and its content.</li> <li>• Ensuring compliance with QLDC's internal controls, codes, policies, procedures, and guidelines.</li> <li>• Reporting any fraud suspicious detected.</li> <li>• Taking reasonable steps to safeguard Council funds and assets against fraud, theft, unauthorised use and misappropriation.</li> <li>• Staying informed about updates and changes to fraud prevention measures.</li> <li>• Cooperating fully with any internal or external investigations related to suspected fraud.</li> </ul>
Chief Executive/ Executive Leadership Team	<ul style="list-style-type: none"> <li>• Supporting fraud awareness.</li> <li>• Fostering an effective anti-fraud culture at Council.</li> <li>• Ensuring that Council fulfils its obligations under the Act.</li> <li>• Recovering lost money or property, wherever practical and appropriate.</li> <li>• Maintain confidentiality regarding ongoing investigations and the identity of individuals involved.</li> </ul>
Risk and Compliance Team	<ul style="list-style-type: none"> <li>• Overall ownership and administration of this policy.</li> <li>• Overall ownership and administration of the Protected Disclosures – Whistleblower Policy and associated framework.</li> <li>• Developing a comprehensive third line Fraud Control Plan based on the Council's Risk Framework, to be reviewed regularly (at least annually) and updated as appropriate.</li> <li>• Providing constructive feedback on fraud prevention measures and policies.</li> <li>• Conducting investigation of suspected fraud disclosures and appoint independent investigators where additional expertise are deemed necessary.</li> <li>• Maintaining confidentiality regarding ongoing investigations and the identity of individuals involved.</li> </ul>



ROLE	RESPONSIBILITIES
Managers	<ul style="list-style-type: none"><li>• Identifying and registering fraud risks within the purview of their roles.</li><li>• Carry out effective internal controls, as required for different activity areas across Council and in accordance with the Fraud Control Plan. Developing and maintaining effective internal controls.</li><li>• Strictly adhering to delegations of authority.</li><li>• Ensuring direct reports prioritise and attend fraud prevention and detection training as required.</li><li>• Responding to any suspected fraudulent activity by following all appropriate processes within the authority of their roles.</li></ul>
Employees	<ul style="list-style-type: none"><li>• Operating within policies, procedures, and guidelines, and the Council’s delegations register.</li><li>• Strictly adhering to all system security measures, segregation of duties and delegations.</li></ul>
Elected Members	<ul style="list-style-type: none"><li>• Complying with the Code of Conduct for Elected Members.</li><li>• Completing an annual return of their pecuniary interests (as required under s.54C of the LGA).</li><li>• Operating within Council’s delegations register, standing orders and relevant guidelines as they relate to fraud.</li><li>• Strictly adhering to all system security measures, segregation of duties and delegations.</li><li>• Maintaining a climate of risk awareness by providing firm and visible support for fraud and corruption control management.</li></ul>
Contractors and Volunteers	<ul style="list-style-type: none"><li>• Acting honestly, fairly and with integrity in undertaking Council’s tasks and activities</li><li>• Cooperating with any investigation of suspected fraudulent, corrupt, or dishonest activity.</li></ul>

## 7 RELEVANT LEGISLATION

- Crimes Act 1961
- Local Authorities (Members' Interests) Act 1968
- Local Government Act 2002
- Protected Disclosures (Protection of Whistleblowers) Act 2022
- Privacy Act 2020
- Serious Fraud Office Act 1990
- The Secret Commissions Act 1910

## 8 RELATED DOCUMENTS

- Fraud Control Plan
- Code of conduct for employees
- Code of conduct for elected members
- Discipline and Dismissal Policy 2017
- Email Usage Policy
- Employment Agreements
- Procurement Policy 2022
- Purchasing Card Policy 2014
- Receiving Gifts and Hospitality Policy 2017
- Sensitive Expenditure Policy 2019
- Delegations Register
- Risk Management Policy 2023