Fraud Prevention Policy

Effective:	February 2018
Last update:	October 2024
Next review date:	October 2029
Contact:	Audit & Risk Analyst
Approved:	Group Manager Corporate Services, under delegated authority from SLT, 10 April 2018

1. Background and Scope

1.1. This policy sets out our expectations in order to reduce the risk of fraudulent activity when acting on behalf of Nelson City Council. It applies equally to the Council; all Council officers; all Council employees - whether permanent or temporary; and to any contractor who undertakes actions on behalf of Council.

1.2. Council recognises that all the items owned by it (including but not limited to assets, cash, and items of intellectual property) belong to the community of Nelson: There is an expectation and obligation that employees/contractors act honestly and with integrity, to safeguard assets and use resources properly. The Council values the integrity of its employees/contractors and relies on them at all times to act in an ethical and honest manner.

1.3. This policy is not intended as a standalone document. Users should ensure they have read and understood the 'related policies and procedures' (listed below in section 9) and follow these procedures, and related documents, and the procedures set out in Council's procedure library.

2. Objectives

2.1. The objectives of this policy are to:

- define in a manner consistent with New Zealand Government practice what is and is not fraudulent action
- set the expectations on and duties of all employees in preventing fraudulent activity
- set specific accountabilities for certain people in maintaining systems to counter fraudulent activity
- identify and reference specific related policies, procedures and reference documents to assist with the prevention of fraudulent activities in the organisation.

3. Definitions

3.1. In this policy, and for Council purposes, a fraudulent act is the act of dishonestly obtaining financial or other benefits. Users of this policy are referred to the definition below used by the Office of the Auditor General:

"Fraud is an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage."

3.2. Fraudulent actions may involve:

- Forgery or alteration of documents;

- Deliberate manipulation, falsification, alteration or incorrect reporting of financial information, records, documents, or personal information;
- Unauthorised use of Council property, equipment, materials or records for personal advantage or gain;
- Authorising or receiving payment for goods or services not received or performed;
- Authorising or receiving payment for time not worked;
- Claiming reimbursement of expenses that are not incurred for the benefit of Council;
- Deliberate suppression or omission of the effects of transactions from records or documents;
- Recording of transactions without substance;
- Deliberate and intentional misapplication of accounting policies;
- Misrepresentation in any report or communication with Council (financial or otherwise) for personal gain;
- Misappropriation of any Council funds or property.

3.3. The proper and prudent deployment of Council's resources, assets and intellectual property to achieve Council's objectives is not fraudulent activity.

4. Policy

4.1. Council will not tolerate fraudulent activity and will investigate all reported or suspected incidents or allegations of fraud, regardless of circumstance. This applies both to the actions of Council officers and to contractors in the execution of contracts.

4.2. Council will investigate any allegation of fraudulent activity promptly and to the standard required to establish whether or not fraudulent activity has occurred (e.g. on balance of probabilities for staff disciplinary action). Throughout the investigation of any alleged instances of fraud, confidentiality must be maintained and individual identities protected wherever possible.

4.3. In order to facilitate such an investigation Council may take any of the following steps:

- Suspension, – either completely or from certain duties, of any officer alleged to have undertaken fraudulent activity
- Termination or suspension of the contract of any contractor alleged to have undertaken fraudulent activity
- Undertaking of its own 'in house' investigative steps
- Reporting of the activities to any of the following agencies as appropriate; the Police, the Serious Fraud Office, and the Office or the Auditor General

4.4. Where an investigation establishes that fraudulent activity has occurred, Council will take one or more of the following steps:

- Carry out an employment investigation in relation to the conduct of an employee or employees, including considering whether disciplinary action in accordance with Council's disciplinary procedures is warranted
- Court action to recover any misappropriated funds or property
- The termination of the contract or contracts of any contractor found to have been party to the fraudulent action
- Reviewing and putting in place any changes to procedures to minimise the likelihood of recurrence of the fraudulent activity
- Subject to any direction by the Court to the contrary, the publication of the names of any person successfully prosecuted for any aspect of a fraudulent action
- Advising Council's insurers, where appropriate
- Notifying Council's external auditors and any affected stakeholders.

5. Fraud prevention and detection

5.1. Nelson City Council will maintain comprehensive and robust procedures to detect and prevent fraudulent activity. These procedures include but are not limited to:

- Separation of employee duties, including where those duties require dealing with: any person the employee has a relationship with, or any incorporated company the employee has an interest. Interest shall be defined as set out in section 3 of the Local Authority (Members Interests) Act 1968
- The making of decisions (including financial and payment decisions) in accordance with the delegations set out in Council's Delegations Register, including the proper recording of advice to the decision maker
- The proper recording of the value, function, condition and whereabouts of all significant assets and resources
- Regular and appropriate reconciliation of cash amounts and payments within the relevant authorisation
- Checking of a sample of Council procedures by Council's Internal Auditor
- Inviting independent spot-checking of systems and procedures by appropriate external agencies such as Audit New Zealand
- A requirement for all Senior Managers to declare and record any potential conflicts of interest on Council's Conflicts of Interests Register
- Requiring employees to declare conflicts of interest in respect of any work item
- Regular communications to all employees to enable them to understand this policy and undertake their responsibilities in relation to it
- Background checking of new employees, including criminal record checks where appropriate

- Whistleblower hotline

6. Responsibilities

6.1. The following officers have the following responsibilities in implementing this policy:

6.1.1. The **Chief Executive** has responsibility for satisfying him or herself that adequate controls are in place to prevent, detect and deal with suspected or proven fraudulent activities.

6.1.2. **Group and Business Unit Managers** are responsible for implementing fraud prevention and detection measures as outlined in section 5 of this document. **Group and Business Unit Managers** are, as appropriate, also responsible for providing any resources, information and other assistance to aid in or contribute to investigation of any suspected or alleged fraudulent activity. In the event that fraudulent activity has been proven, Group and Business Unit managers are responsible for review of current fraud prevention and detection systems and updating or amending these where required.

6.2. **All Council officers** are responsible for reporting any suspected fraudulent activities either in accordance with the Council's Protected Disclosures Procedure or as follows;

Level of suspected fraudulent activity	**Report to…**
Contractor or employee	Group Manager Corporate Services or Chief Executive
Business Unit Manager	Group Manager Corporate Services or Chief Executive
Group Manager	Chief Executive
Elected or Appointed Member (Council or Council Committee)	Chief Executive
Chief Executive	Auditor General's Office

6.3. **Council officers** may be requested to assist in the investigation of fraudulent activities and will provide such assistance where practicable.

7. Duty to report and document suspected fraudulent activities

7.1. **All Council officers**, and where appropriate contractors, have a duty to immediately report if they have reasonable ground to suspect, that fraudulent activity may be taking place, or have taken place. The reporting of the alleged activity must be done as set out in section 6.2 above, or using the procedures set out in the Protected Disclosures Act 2000 as amended.

7.2. If an officer or contractor decides to report under the Protected Disclosures Act, that person shall follow the procedures set down in the Council's Protected Disclosures Policy. Immediate action can always be taken by telephoning the Whistleblower hotline 03 539 0255.

7.3. All persons involved, in any way in the reporting or investigating of a suspected incident of fraudulent activity, must fully document what happened and how it has been managed. All such records shall be secured at the appropriate level in order to maintain confidentiality as required.

8. Related Policies and Procedures

8.1. The following policies and procedures are to be used as indicated at the appropriate points in any decision making, prevention, detection, investigation or responses to fraudulent activity.

Policy, Procedure or Reference	Use when …
Protected Disclosures Procedure	Reporting suspected fraudulent activities Under the Protected Disclosures Act 2000 (as amended)
Code of Conduct and Disciplinary Procedure	• Establishing expected standards of employee behaviour • Undertaking investigations of, or actions in response to, fraudulent activity by employees
Sensitive Expenditure Policy	Deciding about appropriate expenditure on travel or investigating possible fraudulent activities in relation to travel
Gifts and Supplier Invitations Policy	Deciding on the acceptability of gifts or invitations from suppliers or investigating possible fraud in dealing with contractors and suppliers
Employee Interests Policy Employee Interests Policy - including guidance on contractors and suppliers.	• Deciding whether contracts can be let for Council to organisations in which elected or appointed members have interests • For reference in relation to allegations related to the activities of Council Officers
Media Policy	Making statements to the news media, including in relation to investigation of or response to fraudulent activities.

Policy, Procedure or Reference	Use when …
Delegations Register	• Deciding on authorities for decision making by elected or appointed members • Investigating allegations of fraudulent activity in relation to elected member responsibilities
Whistleblower Hotline (posters throughout Council buildings**)**	Immediate and anonymous reporting of suspected fraudulent activity

9. Approval and review

9.1. This policy is approved by the Senior Leadership Team and is reviewed on a five yearly cycle, or sooner if required.

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Please sign to acknowledge you have read and understood this policy

Signature: _____ Date signed: _____