

“Fraud and Abuse in Not-for-Profit Entities: Stealing from Everyone”

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15 May 2018



Scope and role

- Serious Fraud Office Act 1990
- Detect, investigate and prosecute *'serious or complex fraud'*
- Criteria for investigation:
 - Scale: number of investors or financial value of alleged fraud
 - Public interest: e.g. public funds or public officials
 - Complexity: legal, financial, evidential
 - Value
 - Corruption: generally any value



Our vision is...

A productive and prosperous New Zealand safe from financial crime, bribery and corruption

So that...

- New Zealand is a safe place to invest and do business
- Our reputation for low levels of financial crime, bribery and corruption provides a global competitive advantage to New Zealand businesses

We will become a stronger, more capable agency that will:

Conduct investigations and prosecutions of the highest quality and effectiveness

Align the SFO's role, objectives, functions and activities with those of our key stakeholders

Lead the understanding of financial crime, bribery and corruption in the private and public sectors

Lead in the sharing of financial crime intelligence sharing between agencies to identify and prevent threats

Contribute to financial crime law reform and policy

Prevent financial crime through education and advice

To do this we need to:

Attract and retain the best people

Challenge and support our team to be the best

Invest in the right tools and systems

Have a culture of continuous improvement

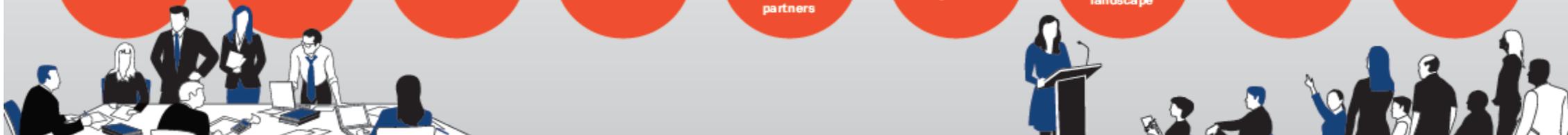
Achieve more through effective collaboration with our NZ partners

Enhance connections with overseas agencies

Use intelligence to understand the financial crime landscape

Support the creation of a financial crime policy forum

Educate and interact with the community



Three big issues...

- Governance
- Lack of controls
- Loose contracts

“Fraud is a shade-loving plant....”

- Transparency creates an environment that’s uncomfortable for fraudsters, making actions that hide illegal activity and information difficult.
- It would be wise for organisations to invest in systems and culture that ensure that transparency exists in the organisation from top to bottom
- ‘Culture is your greatest defence’ – it is more than just rules and policies!

THE FRAUD TRIANGLE

Pressure
Motivation or Incentive to
Commit Fraud

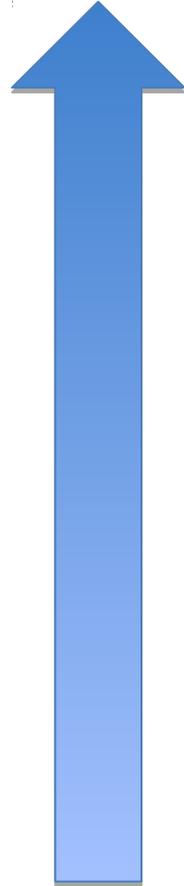
Rationalization
Justification of Dishonest
Actions



FRAUD

Opportunity
The Knowledge and Ability
to Carry Out Fraud

The slippery slope.....



1. Bribery
2. Nepotism, Cronyism, Patronage
3. Conflicts of Interest
4. Improper use of authority
5. Misuse of information
6. Discrimination
7. Abuse of resources
8. Bullying
9. Private time misconduct

What should you do?

Be clear about your culture

- Tone at the top
- Know your risks
- Have systems in place
- Be good to whistleblowers

What should you watch for?

The warning signs



What should you watch for?

Common trends have emerged and with the benefit of experience there are some factors that could indicate dishonest behaviour:

- Unexplained wealth
- Keeping to themselves (or keeping things to themselves)
- Other common signs

Joanne Harrison

- Stole \$726,000 from Ministry of Transport
- Four charges of using a document
- Sentenced to 3 years 7 months imprisonment
- Red flag - First questioned about 'dubious' contract in 2014 – claimed genuine misunderstanding
- Red flag - Subject of fraud investigation in Australia – Police contacted MoT
- Subsequently convicted on benefit fraud



Auckland Airport - Teremoana Kimiangatau

- \$1M+ employee fraud
- Process weaknesses:
 - Changes to vendor records – bank accounts
 - Accessing other employees computer to authorize
 - No checking – invoices signed off twice and then paid to suspect
 - Trusted/Too much autonomy

Upper Hutt College – Donald Hancox

- \$375k employee fraud
- Process weaknesses:
 - Submitted false invoices/not checked – paid to own bank account
 - Control over approval and payments
 - Used regular/heavy volume suppliers e.g. stationery supplies
 - No effective oversight/checks
 - Trusted/Too much autonomy

Invoice Fraud Prevention – Five areas to watch

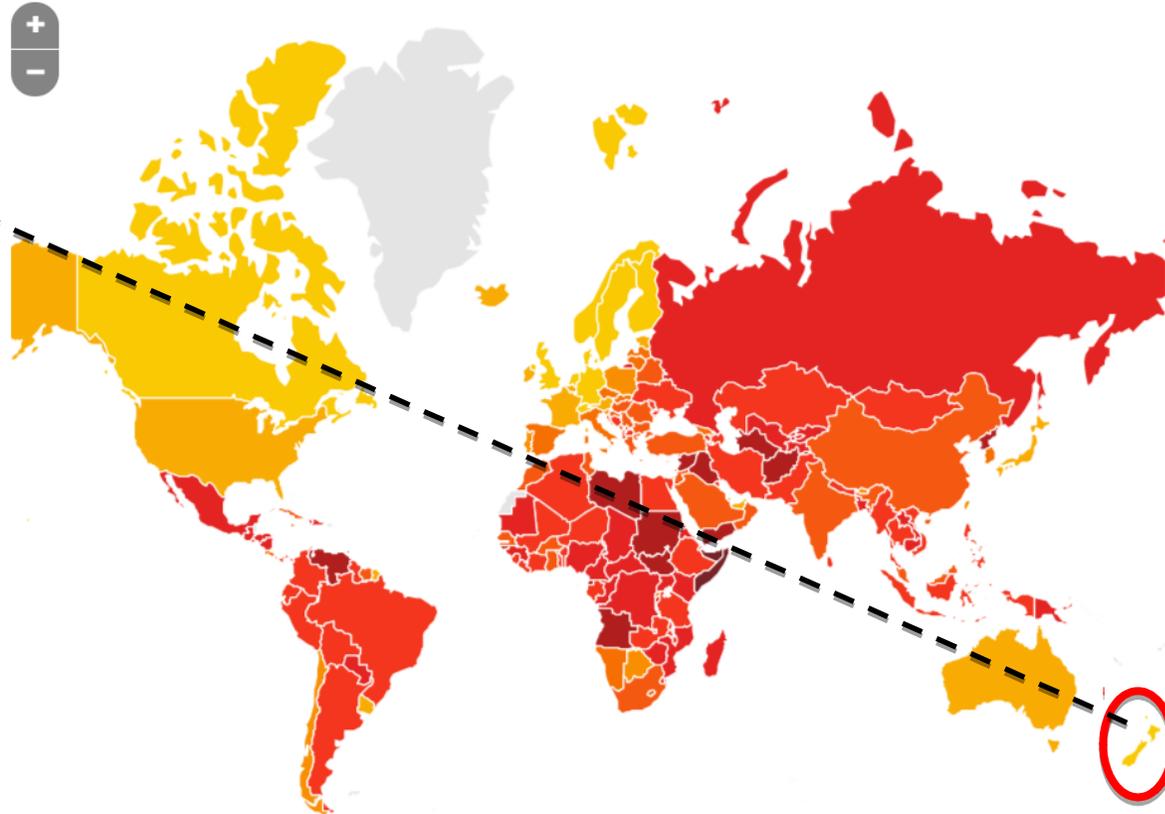
1. Capacity of accounts payable staff – key gatekeepers
2. Managing vendor master files – tightly controlled
3. Robustness of accounts payable system – rigorous controls, limited access
4. Consistency of invoicing processing e.g. good quality invoices
5. Informed expenditure review – data analytics, budget variances – Who is doing the review?

NSW ICAC Report on Invoice Fraud Prevention

New Zealand's corruption context

CORRUPTION PERCEPTIONS INDEX 2017

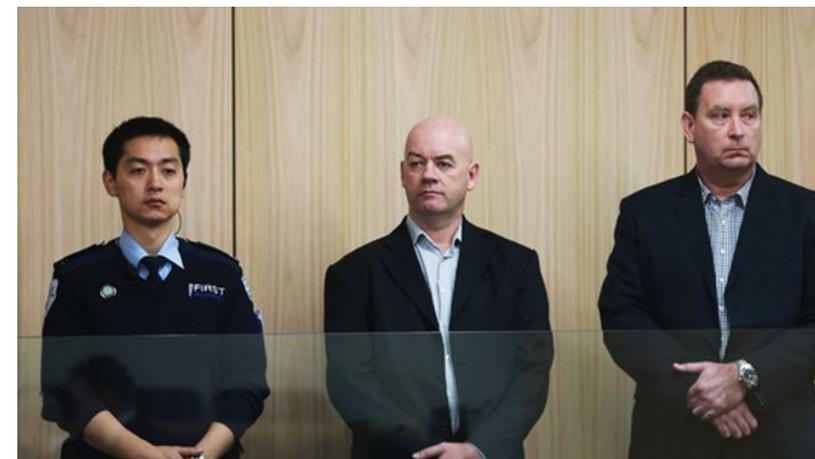
RANK	COUNTRY/TERRITORY	SCORE
1	New Zealand	89
2	Denmark	88
3	Finland	85
3	Norway	85
3	Switzerland	85
6	Singapore	84
6	Sweden	84
8	Canada	82
8	Luxembourg	82
8	Netherlands	82



Auckland Transport - The offending

A network of payments that saw Stephen Borlase's company Projenz pay more than \$1m to council employees in return for roading corridor contracts between 2002 and 2013.

Not outright bribery where there were direct links between the benefits provided and the improper acts of the officials. Charges were broadly framed around the continuous provision of bribes to Murray Noone and Barry George.



- Stephen Borlase convicted of bribing public officials and inflating the price of invoices submitted
- Murray Noone convicted of receiving bribes from Mr Borlase to influence his decision to award contracts to Projenz Ltd
- Barry George convicted of receiving bribes from Mr Borlase (pleaded guilty)

Auckland Transport – learnings

Culture of corruption created

- Senior managers (Mr Noone and Mr George) support the culture and isolate those who question the culture
- Charismatic personalities. Easy to get caught up on the “merry go round”. Once on, it is very difficult to get off
- Long serving managers with a long standing relationship with Mr Borlase made the culture difficult to question

Conflict and gift registers

- Gift register existed but no benefits in the charges were declared
- Conflicts registers are reliant on officials and contractors to declare which did not happen

When things go wrong....

- Call us!
- Don't treat fraud as a HR problem
- We are happy to work with professional services firms

Questions?

