



# Assessing fraud and corruption risks in the New Zealand public sector

Pilot report of the Anti-Corruption Taskforce

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# Executive summary

New Zealand's public sector is facing an increasing risk of corruption and we are not alone, with similar experiences emerging internationally.<sup>1</sup> Corruption damages trust, compromises the quality of services and threatens the country's economic wellbeing. It is important that the public sector is equipped to effectively prevent it from taking hold.

Assessing the scale of the issue, highlighting strengths and weaknesses, and identifying opportunities for improvements are critical first steps in protecting New Zealand's valuable reputation.

The Anti-Corruption Taskforce is a joint initiative led by the Serious Fraud Office (SFO) and supported by New Zealand Police and the Public Service Commission (PSC). It launched with the aim of testing a way to build a clearer, system-wide picture of corruption and fraud risks across the New Zealand public sector, and led a pilot assessment that aimed to answer two questions:

- How big is the issue of fraud and corruption inside New Zealand public sector agencies?
- Are those agencies equipped to detect and prevent fraud and corruption?

Six agencies from across the public sector were invited to report on the nature and volume of alleged internal fraud and corruption cases in their organisation, and self-assess the controls they have in place to prevent and detect offending. They

approached this activity with honesty and openness.

Key findings from the report highlight that agency maturity in responding to the threat of internal fraud and corruption is varied. The taskforce found that:

- Cases of internal fraud and corruption are almost certainly being under-reported, due to a number of factors, and the true scale of the issue remains unclear.
- Some agencies had strong fraud and corruption controls in place, particularly around external fraud, and reported a high level of maturity in proactively addressing the threat.
- Others are underprepared to prevent or detect fraud or corruption, and did not have all the controls in place that the taskforce expected to see.
- Gaps in the system response may be leaving the sector vulnerable and further work is needed in some key areas, particularly around definitions and reporting to law enforcement.

Work is underway to address the findings and provide options for future improvements.

The SFO, through its Counter Fraud Centre, will continue to provide targeted support to agencies, to ensure they have the right resources in place. The PSC has a broader integrity programme underway to shift the system from reacting to poor behaviour to

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<sup>1</sup> New Zealand's Security Threat Environment. An assessment by the New Zealand Security Intelligence Service. 2025; Lead Boldly, Act Decisively. Tackling and Dismantling Organised Crime. Ministerial Advisory Group on Transnational, Serious and Organised Crime. September 2025.

proactively preventing it, including a focus on the Code of Conduct, conflict of interest identification and management, improving complaints management and speaking up processes, and supporting agencies to improve practice through its Integrity Champions network.

Based on good practice in other jurisdictions and the findings of this report, the taskforce has highlighted potential options for future work. These include establishing clear and shared definitions of fraud and corruption for the public sector, an expansion of the initiative across the public sector, developing a corruption assessment tool to help agencies understand their individual corruption risks, and support for capability-building within agencies. Work is underway to provide advice for Ministers to strengthen agency and system resilience and ensure a centralised response.

While there have been some serious issues raised, the most effective solutions do not necessarily lie solely with agencies and there are opportunities for interventions at a system level. A two-pronged approach will reap dividends and ensure taxpayer dollars can be spent as intended. Illuminating the problem is the critical first step to understanding how we can best continue to harden New Zealand as a target in the fight against fraud and corruption.



What is the taskforce  
and what did it find?

# Taskforce and pilot background

While still considered one of the least corrupt countries in the world, New Zealand has seen a steady decline in its Corruption Perceptions Index rating, slipping from first equal in 2019 to fourth in 2024. As a country we are not immune to the threat, with the SFO now estimating around 40% of its current caseload involves allegations of corruption.

A United Kingdom study in 2021 found that based on comparable jurisdictions, an estimated 0.45-5.6% of New Zealand's public sector spend is lost to fraud, corruption and error every year.<sup>23</sup> If this estimate was applied to New Zealand's Budget 2025 expenditure, this represents potential losses of between \$823 million and \$10.24 billion.

Corruption's impact extends beyond monetary losses. It damages the integrity of the public sector and compromises the quality of services provided to the public, resulting in declining public trust in government institutions. Corruption is a key enabler of transnational and serious organised crime, facilitating the introduction of crime groups into society and helping them influence and heavily exploit diverse groups – from baggage handlers or border officials, through to import/export supplier chains, law enforcement, and up to key decision-makers in the public and

private sector. While the vast majority of New Zealand's public servants operate with pride and integrity, it only takes the actions of a small number of corrupt individuals to taint the reputation of the rest of the sector.

The true scale of the issue in New Zealand is unknown. While individual agencies have their own controls and policies, there is no strategic, system-wide approach to finding and preventing fraud and corruption. Public organisations are not currently required to report on fraud and corruption that may be occurring, or what controls are in place.

This lack of insight makes it difficult to meaningfully intervene at a system level, understand where to focus detection and prevention activities or assess their effectiveness. It also leaves New Zealand on the back foot when it comes to leveraging the power of data analytics to identify areas of risk or weaknesses across the public sector.

New Zealand is not unique in these challenges. Recognising the value of protecting a strong reputation rather than trying to buy back a ruined one, comparable jurisdictions have been proactive in addressing the issues. This taskforce pilot offers an unprecedented opportunity for New Zealand to do the same.

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<sup>2</sup> UK Government Counter Fraud Function report: Fraud Loss in the New Zealand Public Sector. December 2021.

<sup>3</sup> Error refers to losses where no fraudulent intent is found, for example through failed transactions or system failures. Error also results in losses for the taxpayer and is often considered alongside fraud and corruption, including in the UK, where the study referenced was conducted.

## What is the taskforce and why was it established?

The Anti-Corruption Taskforce is a joint initiative launched with the aim of testing a way to build a clearer, system-wide picture of corruption and fraud risks across the New Zealand public service. It was announced in July 2025, with the first phase of the six-month pilot (the self-assessment period) running from 1 July - 30 September 2025.

The taskforce is comprised of three agencies:

- The **Serious Fraud Office** is responsible for investigating and prosecuting serious and complex fraud and corruption, including bribery. It also leads fraud prevention work in the public sector through its Counter Fraud Centre;

- **New Zealand Police**, who respond to the bulk of fraud and corruption offending;
- The **Public Service Commission** is responsible for setting standards of conduct and integrity for public employees.

The taskforce was led and primarily staffed by SFO employees, with data analysis support from Police and ongoing support from PSC integrity specialists.

## What did the taskforce focus on?

Fraud encompasses a wide range of financial crimes, of which corruption is a subset. Briefly, fraud involves using deception or misrepresentation to gain an unjust advantage (e.g. falsifying invoices), while corruption is the abuse or attempted abuse of entrusted power for improper gain (e.g. bribery). At times the line between the two offence types is blurred, as many fraudulent acts are considered corrupt when undertaken by a public official. There are no nationwide agreed definitions for these offences and agencies, including taskforce participants, differ in how they articulate fraud and corruption.

The taskforce's pilot reporting and assessments focused on the issue of corruption in recognition that, as outlined above, its harm can have serious and far-reaching consequences beyond dollar value. This includes eroding the integrity of New

Zealand's institutions and social license of agencies, degradation of capability, economic damage, and at its worst, compromised national security. While the threat of external fraud on the public purse is generally more widely recognised, and often has stronger systems in place to prevent it, approaches to detecting and preventing internal fraud, particularly corruption, are sometimes less robust. While the pilot's focus is on 'insider threat,' there are natural overlaps with prevention and detection levers that also target external fraud.

When establishing the pilot, the taskforce drew on international benchmarks and good practice demonstrated by successful initiatives in similar jurisdictions. This helped to shape the pilot's approach to better understanding the scale of offending occurring in the public sector, and if the public sector is equipped to deal with it.

## Agencies approached the task with honesty and openness

Five central government agencies and one crown entity participated in the Anti-Corruption Taskforce pilot: **Inland Revenue, Accident Compensation Corporation, Department of Corrections, Ministry of Social Development, Land Information New Zealand and Sport New Zealand.**

Throughout this report, they are referred to collectively as 'agencies'. They were selected to reflect a range of organisational sizes, functions and risk profiles, to produce meaningful and balanced insights for the wider public sector.

The six participating pilot organisations were asked to report on the nature and volume of alleged internal fraud and corruption cases in their organisation, and assess the controls they have in place to prevent and detect offending.

They showed a willingness to engage and openness on a subject which carries inherent organisational and reputational risk. This initiative required significant resource, and its findings reflect the seriousness and commitment with which they approached the task. This is the first time this approach has been trialled in New Zealand, and participants were asked to assess themselves against criteria that has not previously been asked for. This has allowed the taskforce to test a new way of thinking about fraud and corruption reporting, giving attention to both strengths

and weaknesses. At an individual level it allows agencies to assess their own counter fraud maturity and benchmark against a set measure. More broadly, it highlights areas of risk, and spotlights areas that need more investment and support or urgent intervention.

The commitment by the agencies involved has delivered rich data and a solid platform on which to make informed decisions about next steps. The agencies themselves gave overall positive feedback about the process. They said taking part had been a useful exercise, helping them to identify gaps or point to areas where they may be less prepared. They received broad support from across their organisations, particularly from leadership, who showed keen interest in the results.

Importantly this pilot is not about the six agencies themselves, but about what their approaches can tell us about the wider public sector. Given the pilot's confined scope and timeframe this report is not intended as an empirical study, but an evidence-based snapshot of the current state, to supplement and inform data derived from international research and estimates.

Focusing on individual agency results could deter others from proactively assessing their own settings under this framework. It also misses an opportunity to move the dial as a system, which is the only way to achieve a step change in how New Zealand responds to this global challenge.

Public organisations are not currently required to report on fraud and corruption that may be occurring, or what controls are in place.

This lack of insight makes it difficult to meaningfully intervene at a system level, understand where to focus detection and prevention activities or assess their effectiveness. It also leaves New Zealand on the back foot when it comes to leveraging the power of data analytics, to identify areas of risk or weaknesses across the public sector.



# What did the taskforce find?

## Cases of internal fraud and corruption are almost certainly being under-reported

A total of 446 alleged incidents of internal fraud and corruption were identified by the agencies and reported to the taskforce for the 15-month period it covered, ranging from misconduct to potential serious criminal behaviour. As all international comparators indicate, and our law enforcement efforts demonstrate, offending is occurring in the public sector. It is positive that some agencies had systems in place that enabled them to detect these incidents and take action.

Due to the pilot's focus, these 446 alleged incidents only include internal fraud and corruption (i.e. insider threat) and not wider incidents of fraud on the public purse by outsiders. If this figure alone were extrapolated across the public sector, total incidents could number in the thousands.

However this number by itself does not tell the full story. Anecdotally, agencies advised that the majority of cases recorded related

to misconduct rather than what they would categorise as criminal offending. Despite this, those incidents included several serious cases that would warrant enforcement action, either by the agency itself or by referral to Police or the SFO.

The pilot highlighted issues with some agencies not reporting alleged or attempted internal fraud and corruption to law enforcement, and unfamiliarity with the nature of corrupt conduct – for example, agencies not having sufficient guidance to identify that an attempted bribe of a public official is a criminal offence, regardless of whether it is accepted – leading to under-reporting of such attempts. The lack of reporting also demonstrated a failure of some agencies to appreciate the value of recording such incidents for intelligence purposes. Those that detected alleged offending had different approaches to handling those matters, including whether they were treated as an employment issue or criminal matter.

## Some agencies are underprepared to prevent or detect internal fraud or corruption

Fraud and corruption controls and maturity varied greatly across agencies. Some agencies had critical gaps in areas needed to effectively mitigate internal fraud and corruption risks. One agency reported having no or only partial controls for 70% of the assessment criteria, while a second reported no or partial controls for 64% of criteria. This included some basic measures like centralised monitoring of gifts and benefits policy breaches, and ongoing due diligence checks of third-party suppliers.

Given some agencies had inadequate detection and prevention controls in place, and with gaps in reporting, it is almost certain that many more incidents are occurring undetected or unreported. This is consistent with the fact that the SFO and Police receive complaints about, or detect, allegations of public sector fraud and corruption each year relating to matters that were not detected or reported by the agencies themselves.

## Some agencies had strong fraud and corruption controls in place

At the other end of the scale, some agencies had strong controls in place, indicating a high level of maturity in proactively addressing this threat. These agencies had strong foundations in place, robust detection functions, comprehensive policies and supportive senior leadership.

Every pilot agency reported at least some controls across both prevention and detection of fraud and corruption. Overall, agencies prioritised detection over prevention and had a greater focus on external fraud. While detection is critical, implementing prevention controls is a more cost-effective approach than trying to investigate or recover losses later.

The taskforce found that senior leaders demonstrated a commitment to tackling fraud and corruption, but that operationalising this commitment sometimes proved challenging. Some participants reported that an inciting incident had been the prompt to change an organisation's culture and invest in embedding strong prevention and detection processes.

One of the best-performing agencies had experienced such an incident and reported that leader-led endorsement of their integrity work programme at the time had been the most critical and positive shift for their organisation's controls and culture.

## Gaps in the system response may be leaving the sector vulnerable

Strengthening systems and controls will almost certainly lead to more cases being detected, and ideally, prevented. While an increase in detected cases may seem counterintuitive, it serves to show the system is doing its job. It is important to guard against a culture of downplaying the existence of fraud and corruption, so that agencies and their leaders are empowered to shift their thinking to see that finding fraud is a good thing.

While agencies were assessed individually, common themes emerged which highlighted gaps in the system response. In particular, the lack of a clear, nationwide definition of fraud

and corruption was raised as a challenge for a number of areas, including how matters are dealt with internally and when they should be reported to law enforcement.

Agencies felt they had not been given appropriate guidance or clear enough thresholds for passing such information on to law enforcement, and this made it challenging to make a referral which would be accepted. Positively, the pilot highlighted that agencies may in fact hold valuable intelligence which could assist the SFO or Police in their respective roles if reported.

# What happens next?

The findings from this report suggest we may only be scratching the surface of the issue. The results provide a strong basis for understanding where best to target support and resources for maximum impact, in order to better protect New Zealand, and to detect, disrupt and deter fraud and corruption.

While there are immediate actions that can be taken now, advice will be provided to Ministers on options for improving the resilience of the public sector to corruption and fraud. Some of the approaches in similar jurisdictions are outlined below under possible future work.

## Work already underway

The pilot agencies are all active members of the SFO's Counter Fraud Centre community of practice. Members meet regularly to discuss counter fraud initiatives both domestically and internationally, and share lessons about what others are doing to help build counter fraud capability across the public sector.

The SFO, through its Counter Fraud Centre, will continue to provide targeted support to agencies where it can, to help ensure they have the right resources in place.

Agencies advised that they also have programmes of work underway to continue to uplift their fraud and corruption controls.

The PSC has a broader integrity programme underway to shift the system from reacting to poor behaviour to proactively preventing it. This includes:

- Resetting expected standards of integrity and conduct across the system, including reissuing the Public Service Code of Conduct and implementing mandatory baseline integrity training for all public servants.

- Strengthening conflict of interest identification and management through the Integrity Champions network and the use of standardised conflict of interest management plans.
- Improving complaints and 'speaking up' processes within agencies, and supporting proposed amendments to the Public Service Act 2020 to require mandatory notification and reporting of misconduct investigations.

The focus areas and actions have been prioritised to address the areas posing the greatest risk or vulnerability, which sometimes overlap – for example, Audit New Zealand considers conflicts of interest a 'gateway to corruption'.

## Possible future work

Based on good practice in other jurisdictions and the findings of this report, options for future work include:

- Expanding the initiative across the public sector to introduce a mandatory reporting and compliance framework, including measurement of fraud and corruption controls, to build a clear intelligence picture and apply data analytics to more accurately prevent, detect and deter fraud and corruption.
- Developing a corruption assessment tool to help agencies understand and assess their individual corruption risks.
- Exploring improved reporting mechanisms for public sector employees to raise concerns anonymously.

- Developing guidance to better inform agencies of when to refer a matter to law enforcement, and for liaising with law enforcement after a referral is made.
- Prioritising capability-building appropriate to an agency's internal fraud and corruption risks.
- System-wide adoption of the corruption risk assessment tool to support consistent measurement and targeted interventions.
- Establishing clear, public-sector definitions for fraud and corruption in partnership with agencies to ensure accurate categorisation and triaging.

Work is now underway to develop detailed advice for Ministers on these options, including approaches to strengthening agency and system resilience and ensuring a centralised response.



Recognising the value in protecting a strong reputation rather than trying to buy back a ruined one, comparable jurisdictions have been proactive in addressing the issues.

This taskforce pilot offers an unprecedented opportunity for New Zealand to do the same.

## Methodology and key terms

Participating agencies were asked to complete a comprehensive, unmoderated self-assessment of their fraud and corruption controls. The taskforce drew from the Australian Standard on Fraud and Corruption Control, and existing best practice examples from the Australian federal and state sector and the United Kingdom, to develop a tool suitable for the New Zealand context.

The assessment asked agencies to rate their performance in relation to a range of prevention, detection and response activities, with a particular focus on internal fraud and corruption. Participants were required to rate themselves yes, partial or no against a range of controls, and were provided with free-text space to explain their answers. These responses were intentionally broad to ensure agencies could provide responses to each question. It also meant that 'partial' responses often captured a wide range of actual circumstances – from agencies being close to having the full control in place, to being only a small step above not having the control at all.

Agencies also supplied fraud and corruption-related data, including active cases. This data was aggregated and anonymised to produce the insights contained in this report.

## Key terms

### Fraud and corruption

Agencies were asked to report on any instance of internal fraud or corruption carried out by individuals who were officials or contractors of the agency, and had internal knowledge of the agency's operations, systems and procedures. This included any fraudulent or corrupt act committed by an employee. If the matter involved collusion between an internal and external party (such as a bribe or attempted bribe by a third party) we asked that it be reported as internal fraud or corruption.

Agencies were asked to record incidences (proven or unproven) of alleged corruption, and serious integrity or misconduct matters, whether or not there was an associated monetary loss.

Pilot agencies were provided with the following definitions to support this reporting:

- **Fraud:** Dishonest activity causing actual or potential gain or loss to any person or organisation, including theft of moneys or other property by persons internal and/or external to the organisation, and/or where deception is used at the time, immediately before or immediately following the activity. It includes deliberate falsification, concealment, destruction or use of falsified documentation or the use of information or position for personal financial benefit. The conduct need not represent a breach of the criminal law.

- **Corruption:** Dishonest activity in which a person associated with an organisation (e.g. public service employee, contractor) acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person/organisation. While conduct must be dishonest, similar to fraud the conduct does not need necessarily represent a breach of the law.
- Collectively, conduct involving internal fraud or corruption may also be referred to as an '**insider threat**', someone who can cause harm to an organisation from within.

As discussed above, with no nationwide agreed definition, participating agencies differ in how they articulate fraud and corruption. This created challenges in analysing and comparing data, which is further explored in the findings.

In particular, agencies told the taskforce that in some cases their own internal definitions, and thresholds for reporting, varied from the methodology trialed in the pilot. In preparing the taskforce assessment, some agencies deferred to their own definitions that may have been wider, or narrower, than those we provided.

## Controls

This report refers to prevention and detection controls. Prevention and detection controls form part of a broader fraud and corruption control framework, which also includes governance and response mechanisms. These are :

- **Prevention controls:** Policies, procedures, practices and systems designed to reduce the likelihood of fraud and corruption occurring. For example, staff awareness training, segregation of duties, clear delegations and strong internal checks.
- **Detection controls:** Policies, procedures, practices and systems that enable agencies to identify fraud and corruption when they occur. Examples include data analytics, internal reporting mechanisms, monitoring processes and audit activities.



How big is the issue of  
fraud and corruption in  
the New Zealand public  
sector?

The taskforce assessment asked agencies to report specific data around fraud and corruption that was occurring in their organisations, both internal (by employees) and external (by third parties, for example tax evasion, benefit fraud or through the procurement process). They were asked to identify cases that had been detected in the 2024/25 financial year and pilot period (1 July – 30 September 2025), cases that had been prevented, and funds that had been recovered.

In total, agencies identified 446 cases of alleged or suspected internal fraud or corruption over the 15-month period. These ranged from irregular transactions flagged by automated systems to serious matters that came from staff tip-offs. Many were at the lower end of seriousness and considered misconduct. They included cases that had been considered resolved, and those that were still live. The majority of incidents could not be fully classified, so it is difficult to give an accurate representation of the spread of seriousness captured by these cases.

The information sought during the pilot was intentionally high level to ensure agencies could provide responses. This presented challenges in gaining an accurate picture of the nature and scale of offending – the pilot agencies had different internal reporting processes, some had their own law enforcement capabilities, and each was managing different risk profiles.

Some agencies struggled to articulate their total losses, and estimates by agency varied considerably. Cases had incomplete data, including the target of the offending, the outcome, or the value of the alleged incident. It is particularly challenging to place a dollar value against corrupt conduct, as corruption can arise without the exchange of money and the associated harm may not be captured by a dollar figure alone.

As some agencies indicated gaps and weaknesses in their fraud and corruption

control measures, it is likely the actual amount of internal fraud and corruption occurring is much higher.

While the agencies involved were supportive of the taskforce initiative, the voluntary nature of the pilot meant some expressed hesitation about sharing some information, particularly driven by concerns about sharing personal data. Additionally, some agencies indicated that they did not categorise people as being involved in alleged criminal conduct until they are found guilty through court processes, or that an action was confirmed as intentional and not unwitting. There were also challenges in balancing employment processes and rights in that context.

This can result in limited, if any, intelligence about individuals who may be considered an insider threat, or who could become one in future through unidentified and unaddressed vulnerabilities.

Most agencies did not record any sum for losses prevented. There are obvious difficulties in measuring something that did not happen. Given the considerable work that goes into preventing fraud and corruption, this makes it difficult for agencies to articulate the efficiency and efficacy of their programmes and demonstrate their value. Those agencies that did provide estimates for external losses prevented showed millions of taxpayer dollars saved every year, demonstrating that prevention measures do provide a valuable return on investment.

Some agencies attempt to recover stolen funds, but lack of clear reporting data makes it very difficult to estimate the efficacy of recovery programmes. Recovery practices were generally not prioritised and it is likely only a fraction of what is lost ever returns to the public purse. Agencies must take account of their operating environment and any attempt to recover lost funds must be balanced against the cost involved in doing so.

**Six**

Government  
agencies



Responsible for  
**\$5.5 billion**  
in taxpayer  
dollars



Supplied fraud and  
corruption data  
covering

**15 months**

(FY2024/25 and  
1 Jul-30 Sep 2025)



## The data showed:

**446**

cases of alleged internal  
fraud and corruption.

Many of these cases were  
considered to be staff  
misconduct, however they  
did also include instances  
of attempted bribery  
or corruption by outside  
parties.



Total internal and external  
fraud and corruption  
detected, prevented and  
recovered:

**\$361.5 million**  
including tax fraud\*\*



**\$29.6 million**  
excluding tax fraud\*\*

Fraud and corruption  
prevented:\*

**\$180.9 million**  
including tax fraud



\* Figures for losses prevented may also  
include losses to error.

\*\* Tax fraud, evasion resulting in penalties  
and interest

## External fraud is prioritised and approaches to insider threats vary

Generally, agencies prioritised the detection and investigation of external fraud (fraud carried out by third parties or individuals, rather than public sector staff) and were more likely to have robust processes in place for recording, investigating and preventing such incidents. This likely reflects that both in New Zealand and internationally, the highest volumes of fraud offending tend to be committed by people external to the agency. The dollar value of fraud and corruption reported during the pilot as having been detected, prevented and recovered was primarily external fraud.

When internal fraud or corruption is detected by an agency, it is approached with a varying range of detection, triaging and prioritising processes. There were no consistent, uniform practices for investigating allegations of

internal wrongdoing across the agencies involved in the pilot. This is not unexpected, as agencies of different size and risk profiles should have processes suited to their needs.

However, the degree to which agency processes varied was concerning. The taskforce was pleased to see that several agencies had robust internal fraud and corruption reporting and detection processes in place. But it was concerned that in some cases, detection and reporting practices were left to the discretion of regional site managers, with no clear and centralised reporting process to identify patterns of offending or at risk people or positions. This also meant that in some cases, alleged offending was reported anecdotally but fell through the cracks as insufficient information was gathered about the incident.

## Is it offending, or an employment issue?

The taskforce found differing approaches to whether something would be considered an employment issue alone, or whether a referral to law enforcement was also required.

Many of the reported cases related to misconduct such as one-off time theft (like falsifying timecards, or attending non-existent meetings), which, if caught early, can be managed as a one-off employment matter. But an employee who consistently gets away with these types of issues may look to see how else they can take advantage of gaps in a system. An issue that may seem low level can quickly escalate and have much broader implications, and investing in early intervention by having good controls in place can help prevent such behaviour escalating.

The approach to quantifying fraud and

corruption may benefit from clear definitions, particularly in regard to internal fraud. Agencies said that centralised definitions would help guide their practice and create a clearer line between offending and employment issues.

The Positive and Safe Workplaces model standards provide a framework to support agencies to consider how they respond to concerns about inappropriate behaviour at work. While it applies more broadly to any wrongdoing concerns raised with an agency, it clearly states that if unlawful acts are involved the matter should be referred to the Police.

In several incidents the matters reported were resolved with the employee leaving the agency either before or during a misconduct investigation. By treating such problems as

employment issues rather than an alleged crime, important triggers such as inter-agency information sharing agreements, are not activated. For example, the information sharing agreement between Inland Revenue and Police, New Zealand Customs Service and the SFO permits Inland Revenue to share information for the purposes of preventing, detecting or investigating serious crime. So if an investigation is not concluded, and no 'serious crime' is suspected, critical opportunities to uncover systemic or even organised crime operating could be missed.

The PSC's Workforce Assurance Model Standards (WAMS) require public service agencies to undertake a serious misconduct check before employing a person. This involves checking with previous public service employers whether that person has been the subject of a serious misconduct finding in the last three years. The finding itself does not preclude the person from being employed but the prospective public service employer is on notice and can explore the issue with the

person as part of the recruitment process.

The WAMS also require public service agencies to, where possible, complete an investigation into potential serious misconduct even if an employee has resigned, for future checks. Where these model standards are not implemented fully, it may leave an opportunity for the employee to seek employment with another agency without serious misconduct being identified.

While agencies were generally proficient at screening staff before taking up employment (for example criminal record, credit checks and drug testing where appropriate), checks were rarely made when staff transferred roles. Where internal candidates are promoted to roles carrying greater delegations, the lack of additional, relevant background screening and credit checks leaves agencies vulnerable because the risk posed by insiders is not static. Ongoing screening, similar to that used by the Protective Security Requirements PERSEC 2 may be suitable for some roles.

### **A recent SFO case involving public sector corruption highlights the importance of rigorous vetting of public servants, especially as they move between agencies.**

A former public sector Property and Facilities Manager was convicted in 2025 of working with her husband to fraudulently obtain \$2 million from her employer.

The individual had used forged references to secure her role at the agency. When the agency confronted her about allegations raised against her, she resigned and applied for a job at another agency, again using false references to secure her new role.

The individual and her husband pleaded guilty to charges including obtaining by deception and money laundering. She also pleaded guilty to the charge of using a forged document, which related to her false references. She was sentenced to three years' imprisonment. Her husband was sentenced to 12 months' home detention.





Is the public sector  
equipped to detect and  
prevent fraud and  
corruption?

Pilot agencies were asked to undertake a thorough examination of their fraud and corruption prevention and detection controls. The assessment tool is based on the Australian Standard on Fraud and Corruption Control (AS 8001:2021), and modelled on a reporting system applied in the Australian state and federal government. In the absence of a similar New Zealand standard, it is recognised within the private and public sector as being relevant for measuring fraud and corruption maturity. It also aligns with other relevant standards, such as ISO 31000:2018 (Risk Management).

Pilot agencies were asked to rate their performance (yes, no or partial) in relation to 17 categories of activities which represented best practice. Responses were then scored (2 for yes, 1 for partial and 0 for no) and used to calculate average scores.

A score of 2 would indicate agencies responded yes to all questions in the category, 1 could contain partial responses to all or 50% yes and 50% no, and 0 would mean 'no' responses to all questions in the category. Some agencies reported challenges around how to capture partial results, with some in this category being closer to yes, and others no.

In total, agencies were asked to rate their performance against 106 prevention and detection controls. The range of questions was intentionally broad. The controls are designed to assess an agency's response to fraud and corruption against international best practice.

Agencies who rated themselves highly on the assessment should have the controls in place to prevent and detect internal fraud and corruption, and be able to demonstrate high system resilience against that offending. In the absence of good controls, agencies may either be unaware of the nature and scale of the offending occurring, or be aware but lack the tools to effectively combat it.

Agency maturity levels varied greatly, which was not surprising given that this was a pilot

assessment and that agencies have different risk profiles. Average detection scores ranged from 0.88 (less than partial) through to 1.91 (almost all yes), and prevention controls scored from 0.95 to 1.76. While foundational measures were more common, controls such as risk assessments, accountability structures and internal audit testing were frequently in the bottom-ranked categories.

There was significant variance in scores among more complex activities, suggesting inconsistent practices.



## Key strengths

**Insurance:** All agencies reported having insurance coverage proportionate to the fraud and corruption risks they faced.

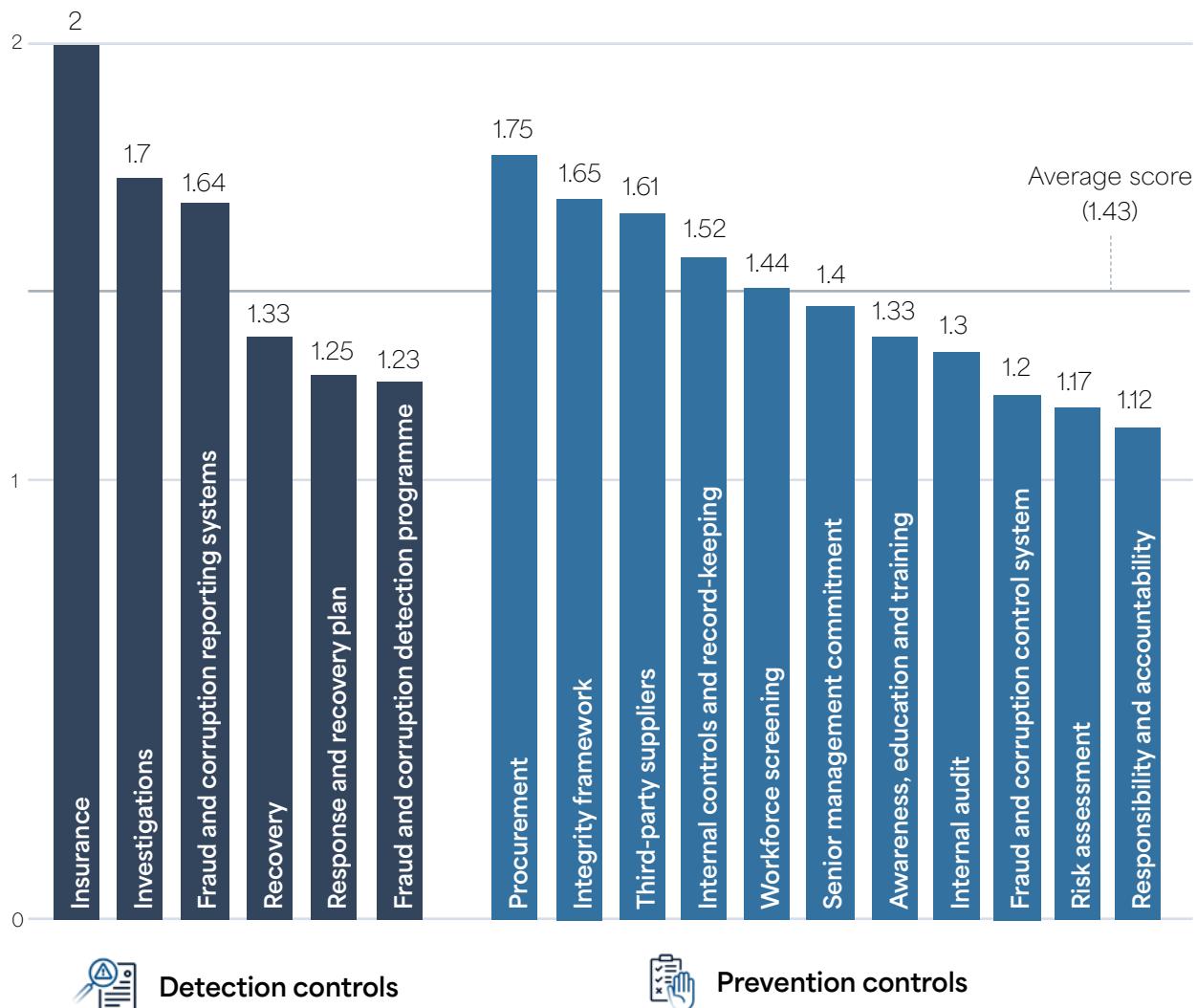
**Procurement:** Agencies reported having procurement policies and practices in place, with some having completed comprehensive reviews of their evolving risks in this space.

**Investigations:** Most agencies reported conducting professional, prompt investigations in response to all allegations of fraud and corruption that reached them. Investigative capacity was strongest in relation to external fraud.

**Integrity framework:** Most agencies reported having robust integrity practices, including codes of conduct and gift registers, and were actively committed to shaping an integrity-first culture.

**Reporting systems:** Agencies generally reported that they had robust, well-advertised reporting systems for allegations. Where issues were identified, they related to the effective use of, not existence of, these systems.

Overall average score across all detection and prevention controls



Agencies were asked to rate their performance (yes, no, or partial) against 106 prevention and detection controls, representing best practice. The controls were grouped into 17 categories, which are shown in the graph. Responses were scored (2 for yes, 1 for partial and 0 for no) and used to calculate average scores. This graph shows the average score across agencies.

Agency responses were tested against what the SFO's Counter Fraud Centre would consider the 15 controls every agency should have in place as minimum standards for fraud and corruption prevention and detection.<sup>4</sup> Most of these related to internal fraud and corruption, and included having appropriate policies (fraud, conflict of interest, gifts and benefits, code of conduct, procurement, whistleblower), workforce screening, reporting channels, a resourced internal audit function, a biannual fraud and corruption risk assessment, and a gift register. One control related to external fraud (third-party suppliers). Agencies were not informed of these 'top 15' controls at the time of the assessment.

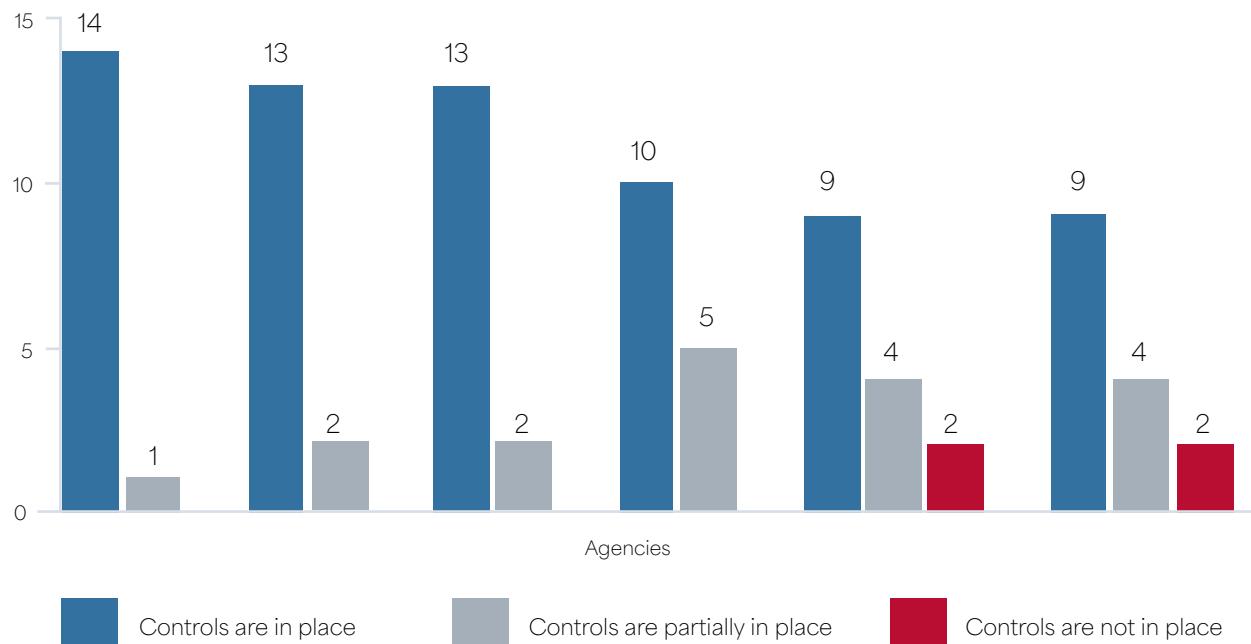
It appears that agencies have established foundational measures required to prevent fraud and corruption, although their maturity varied. Two agencies reported they did not have all basic controls in place, and the

remaining four responded 'partial' to at least one control.

Initiatives like gift registers and codes of conduct were common. Many of these are already required of public service agencies (and expected of the broader public sector) through the Public Service Commissioner's Standards of Integrity and Conduct and model standards, and other public sector audit and probity requirements.

Agencies generally felt they had had internal controls that matched their individual risk profile. However some lacked other crucial controls that the taskforce expected to see. In many sections of the assessment relating to internal controls, participants returned nil or partial results. Where agencies lack basic controls, it is more likely that they are underprepared to understand the scale of the threat they face and be armed to start combatting it.

Response to 15 basic requirements - by agency



<sup>4</sup> The 15 controls reflect what the SFO's Counter Fraud Centre considers essential for effective fraud prevention and detection across public sector agencies. In forming this view, we considered recognised standards including ISO 37003:2025 (Fraud Control Management Systems), which outlines a structured approach to managing fraud risk, and AS 8001:2021, the Australian Standard on Fraud and Corruption Control.

## What good looks like

The taskforce findings reflected the range of sizes, functions and risk profiles the six pilot agencies represented. Accordingly, all had different areas of strengths and weaknesses, and their maturity varied. A few of the agencies performed strongly across a broad range of areas. We have focused on one to highlight the positive impact of investing in the prevention and detection of fraud and corruption.

An incident of fraud had spurred an early investment in this agency's counter fraud capability, leading to greater maturity of systems. It had implemented almost all 'the basics', with no controls being completely absent.

A robust detection function meant it was best able to articulate and respond to external fraud, including capturing losses and sums prevented. A centralised system captures all logged fraud and corruption events, and there are multiple channels available for reporting of both internal and external fraud.

The agency also scored well on prevention controls, including nearly full marks for fraud and corruption awareness education and training, suggesting a strong organisational culture.

Ongoing training ensures staff remain alert to fraud risks. Senior leaders actively oversee fraud and corruption risks, with clear accountability assigned to a senior leader. This ensures the culture of integrity is led from the top.

Robust policies are in place which are regularly reviewed and accessible to all staff, providing clarity and strengthening compliance across the organisation.

Workforce screening was another area of strength, with comprehensive pre-employment checks and annual reviews for sensitive roles. This minimises insider risk and ensures employees meet integrity standards before and during employment.



## Suspected fraud and corruption cases are not reaching law enforcement

The pilot highlighted issues with some agencies not reporting alleged or attempted internal fraud and corruption to law enforcement (Police or SFO). For example, one agency anecdotally shared a case (which occurred outside the reporting period) where someone had attempted to bribe a staff member with a five-figure sum. The bribe was not accepted and was reported internally, however, the initial report contained minimal information about the incident, making referral to law enforcement impractical.

If allegations are not reported, even if they are only attempts, it allows criminals to probe or pressure test organisations, or move from targeting one organisation to the next, without any fear of reprisal. Inability or reluctance to share such intelligence advantages criminals and allows fraud and corruption to go undetected – or overlooked. It also impacts understanding of the scale of the issue.

The discounting or under-reporting of so called 'attempts' also illustrates an inherent misunderstanding of corruption. It is corrupt to

offer or agree to give a bribe to an official with the requisite intent. There is no requirement for the bribe to ultimately be accepted for an offence to be committed, recognising the harm that is caused by the very attempt.

Agencies lacked consistent understanding from law enforcement on when matters should be referred for criminal investigation or intelligence purposes. Agencies noted that Police and SFO developing clearer guidelines to enable agencies to put policies in place clarifying when a referral should be made would assist; for example, allegations involving suspicions of bribery (actual or attempted), provision of official information to gangs or organised crime groups, and insider assistance in facilitating the significant theft of public money.

Accurate record-keeping and exchange of information is critical to ensuring agencies know when to notify Police and/or the SFO, can transmit relevant information and evidence, and can receive information or updates on referrals where possible. Several agencies suggested clear thresholds and guidance would help, and further work in this area will be a focus for Police and the SFO going forward.

## Why it's critical staff are able to speak up

When assessing agency controls, detection appeared to be prioritised over prevention. Agencies had processes in place for attempting to detect internal fraud and corruption, but some had fewer proactive prevention controls (discussed further below).

Allegations of internal fraud and corruption were most commonly detected either by automatic processes or by staff members speaking up, including internal tip-offs. This aligns with international findings, including by the Association of Certified Fraud Examiners, which found in its latest Report to the Nations (2024) that 43% of frauds were detected by

tip-offs – more than three times as many cases as the next most common method.

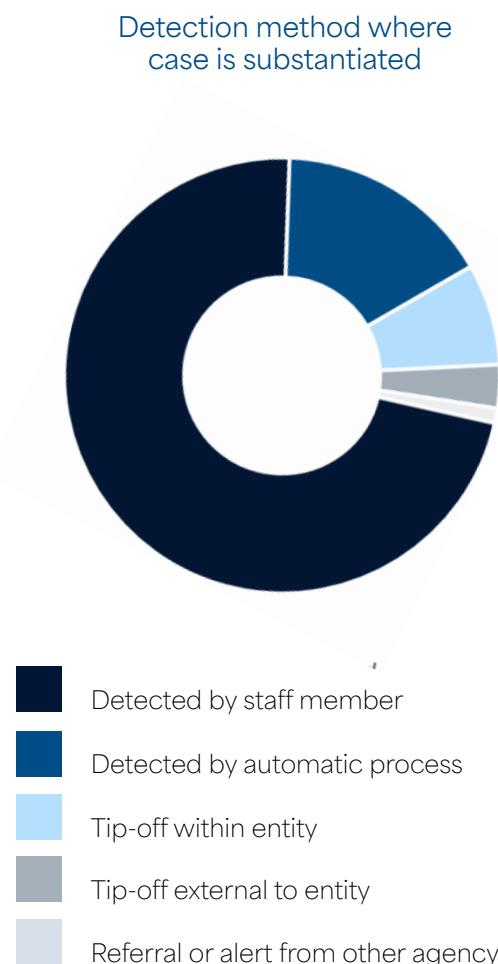
The pilot found that in cases where allegations were substantiated, either in full or in part, they were most commonly detected by staff, including by internal tip-offs – ahead of allegations detected by automatic processes, or any other detection method.

Though cases were limited, these initial findings indicate that employees are a valuable source of relevant information, and highlight the importance of mechanisms that empower this type of information sharing.

Employee exit interviews are one opportunity to capture tip-offs of this nature, as employees may be more candid in sharing allegations of wrongdoing within a workplace. One agency reported specifically using exit interviews of departing staff to discuss fraud and corruption, while other agencies asked more common questions, or offered a survey in lieu of an interview unless expressly requested.

Another mechanism for employees to raise concerns is through whistleblowing. In a 2025 survey on protected disclosures and whistleblowing, the Office of the Ombudsman found that 16% of New Zealanders aren't prepared to speak up if they witness serious wrongdoing, and half felt doing so would result in reprisals or job loss.

For public servants specifically, the 2025 Public Service Census found that most people (90%) said they knew what to do if they experienced or witnessed wrongdoing or inappropriate behaviour, but fewer (70%) said they felt safe to speak up about those issues.



The Protected Disclosures (Protection of Whistleblowers) Act 2022 provides protections for speaking up. Under that Act, public sector organisations must have appropriate internal procedures which:

- set out a process for the organisation to follow as the receiver of a protected disclosure
- identify who in the organisation a protected disclosure may be made to
- describe the protections available under the Act and how the organisation will provide practical assistance and advice to disclosers
- are published widely and republished at regular intervals.

The PSC's Speaking Up model standards outline the Public Service Commissioner's minimum expectations for organisations to support staff who speak up in relation to wrongdoing (i.e. concerns about behaviour that could damage the integrity of the public sector). They comprise all the key elements for promoting a 'speak up' culture, operating good processes including timely investigations, and keeping people safe from reprisals or other detrimental impacts.

As whistleblowing plays such an integral role in combatting fraud and corruption, exploring improved reporting mechanisms for public sector employees to raise concerns anonymously may assist in encouraging staff to come forward with allegations.

## Detection is prioritised but pressure-testing of detection controls was often inadequate

Agencies appeared to be more focused on detection controls than prevention. While detection of internal fraud and corruption is critical, implementing prevention controls is a more cost-effective approach than trying to investigate or recover losses later. Additionally, detection controls lose effectiveness in disrupting or deterring offending if incidents are incorrectly categorised or not reported to law enforcement.

When offending is detected, there appears to often be a failure to review the adequacy of internal controls, leading to missed opportunities to learn and continuously improve. Even where senior leadership was strong, the results indicated that line managers were often unsure of their accountabilities around preventing, detecting and reporting instances of fraud or corruption in their business area.

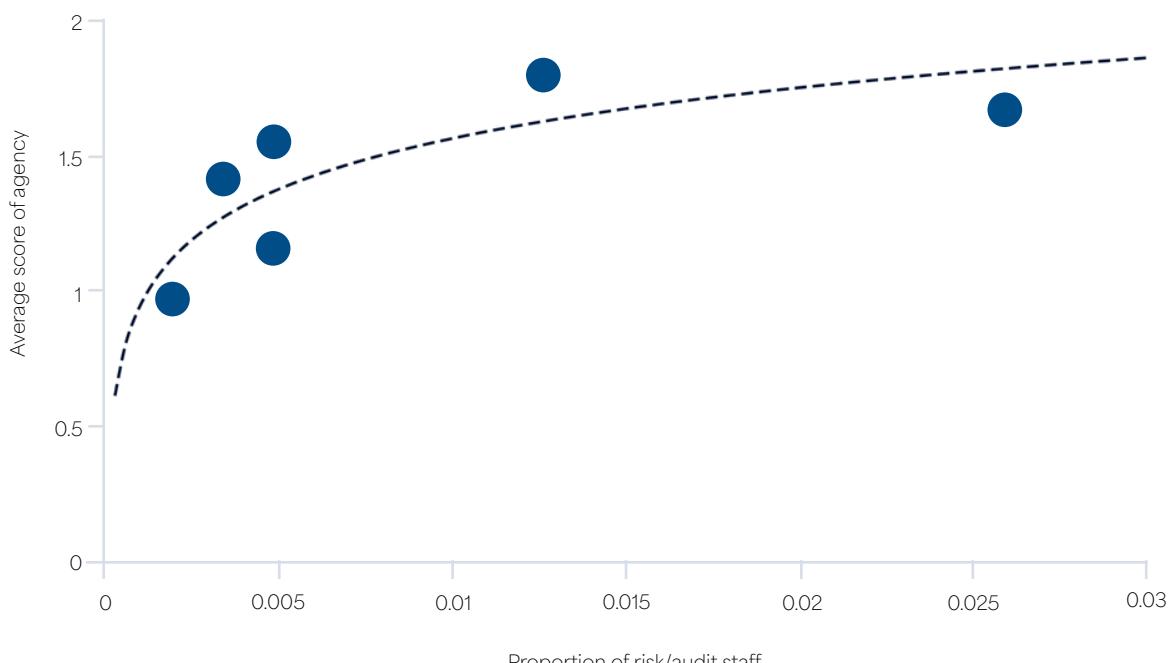
Pressure testing was a key area of weakness. Overall, agencies did not conduct sufficient pressure testing aimed at assessing the effectiveness of their internal fraud and

corruption controls. While some undertook basic testing, like sending a mock phishing email to staff, most lacked systems that routinely probed vulnerabilities.

Agencies were asked to identify how many staff they had in their risk and audit teams, that deal with fraud and corruption matters. While most agencies had their counter fraud and corruption staff located within this unit, there were some limitations. Some agencies had additional investigative or integrity teams external to this unit, and others had people within the risk and audit team who did not have a fraud and corruption focus.

Noting these limitations, when we compared agency scores against the proportion of their risk and audit function, we found that agency maturity against the self-assessment measures improved with greater proportional investment in those teams. Though only a small sample size, this supports that investment in the audit and risk function helps to equip agencies with the resources needed to put those controls in place, or strengthen existing measures.

Proportion of risk, audit or other reported integrity staff vs average score



Agencies were asked to report the number of staff attached to their risk and audit function. Given the unique structure of each agency, some had difficulty responding to this question. The results reflect a diverse range of staff undertaking risk-based roles relevant to combatting fraud and corruption.

## Gaps in third-party supplier management processes create risks

Third-party supplier relationships create unique fraud and corruption risks. All agencies had established foundational practices that required third parties to declare any real or perceived conflict, and be alerted to the relevant code of conduct.

However, processes for assessing supplier and subcontractor fair pricing were less robust, with fraud risk assessments only partially considered relationships with third parties. Agencies reported that supplier oversight tended to be decentralised, with contract managers or business units responsible for monitoring.

Periodic integrity checks on ongoing suppliers were also inconsistently applied, with oversight

of subcontractors being limited or absent. The reliance on contract managers or business units to oversee supplier behaviour implies decentralised accountability, which can lead to gaps in oversight – especially for long-term or high-value contracts.

Supplier onboarding processes were generally robust, including due diligence checks (such as reference and financial checks) for new suppliers. Some agencies advised that periodic reviews of ongoing suppliers are less consistently applied, but had implemented contract management programmes or three-way match systems to verify service delivery before payment, helping to mitigate risks of overcharging or misrepresentation.

## Procurement policies are common but they aren't always followed, and agencies often don't assess their effectiveness

Every year, New Zealand's public sector spends over \$51 billion procuring goods and services. This procurement process – from the planning stages through to contract management – remains the government activity most vulnerable to waste, fraud and corruption due to the size of the financial flows involved.

All agencies in the pilot reported accessible and widely circulated procurement policies, with controls like segregation of duties, approval workflows, and financial checks being well embedded. However, agencies did not consistently assess fraud and corruption risks within their procurement systems or conduct comprehensive fraud risk assessments specifically targeting procurement.

This can mean that while agencies acknowledge procurement as a high-risk area, opportunities through high-level interventions like targeted or mandated fraud and corruption awareness training within procurement teams, ethical dilemma discussions, or scenario-based learning may not be prioritised. Focusing on both procurement compliance and strategic risk mitigation creates opportunities to strengthen systems, and proactively identify and mitigate emerging issues.

## A culture of awareness around fraud and corruption requires sustained engagement

Creating a strong culture of awareness, led by senior leadership, is critical in both preventing fraud and corruption from taking hold within an agency, and in aiding in its detection. Embedding good integrity practices, empowering employees to speak up, and encouraging open communication and transparency will support agencies to strengthen fraud prevention.

Some agencies assigned accountability for fraud and corruption control to specific senior employees, but in others, accountability was diffused across several leaders and business units. Two agencies reported that their senior leadership team provided strong leadership and resourcing to implement fraud and corruption control initiatives.

Agencies in the pilot all engage in activities aimed at raising awareness about fraud and corruption (e.g. code of conduct training), and all are members of the SFO Counter Fraud

Centre's community of practice. Despite this, some agencies reported some resourcing challenges, even when they had experienced previous proven instances of offending. This included gaps in line management's capacity to action fraud and corruption priorities.

Some agencies prioritised annual code of conduct refreshers, and integrity-based learning modules, though these were not always up to date. Not every agency maintained a register of who had completed training, making it difficult to gauge actual workforce awareness. Fraud awareness training or regular discussion of fraud and corruption scenarios were often not prioritised, and line managers themselves not always provided training to help embed a culture of fraud and corruption prevention.

These behaviours are strongly promoted by the PSC through its Standards of Integrity and Conduct, which set out expectations for individual public servants, and its model standards, which set out expectations for agencies in seven key areas including conflicts of interest; speaking up; chief executive gifts, benefits and expenses; and workforce assurance.

# Assessing the pilot

As the pilot programme deployed a new and untested process, the taskforce was designed to provide a high level of agency support throughout the pilot period.

Agencies were supported by regular community of practice meetings, a dedicated communication channel, and regularly updated communications and guidance as questions arose. Anticipating the resource required of taskforce agencies to provide this service, the pilot was limited to six agencies. If the pilot were expanded, additional resource would be required to maintain the same level of support.

Agency insights and subsequent feedback provided assurance that the pilot methodology was largely fit for purpose, and effective in starting to capture the nature and scale of this threat.

After submitting their assessments, agencies were interviewed about their results and asked for feedback on the pilot process. Agencies generally found the self-assessment process constructive, both at highlighting blind spots, and uplifting the risk function's profile across their organisation. Participants had a general awareness of internal fraud and corruption risks but did not have structured mechanisms to assess or prioritise them. They indicated that the results would be useful when considering prioritisation of resourcing, indicating that internal fraud and corruption are often under-recognised in strategic planning.

Agencies gave useful, constructive feedback on the assessment tool, all of which would help to inform any future roll-out of the assessment across the public sector. Agencies also committed to, and delivered, a high level of engagement and effort throughout the pilot period and have offered further support in refining the methodology, should the taskforce be expanded.

Most agencies noted that a 'Corruption Assessment' style tool that allowed them to identify where corruption risks lay within their organisation would have assisted them in providing more targeted insights. Other feedback included:

- Agencies noted the strong internal focus of the tool helped highlight the threat of internal fraud and corruption, but would welcome an expansion of the tool with more emphasis on frontline operational risks.
- Utilising an automated platform would make data gathering easier and more efficient, with significant resource currently required to gather all the information requested. Most agencies estimated it took one full-time equivalent employee approximately three weeks to complete.
- The tool could be more targeted and allow users to drill deeper into the data, with more opportunities to articulate and qualify their agency position. As a pilot initiative, the questions, while in-depth, were broad. Agencies felt their specific enterprise risks were not always fully articulated in their responses. They also suggested opportunities for more scope to provide qualification of ratings.
- The yes, no, partial answer framework created challenges. Many agencies described a wide range of responses falling within the ambit of partial, ranging from situations that were almost yes, to almost no.

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