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OIA-2025-5460

14 August 2025

Spencer Jones
spencerjones7525@hotmail.com

Dear Spencer Jones

I refer to your email of 4 July 2025 requesting, under the Official Information Act 1982 (OIA), *information regarding whistleblowing and protected disclosures in the New Zealand Defence Force (NZDF) between 1 January 2011 and 4 July 2025*. A response to the various parts of your request is provided below.

1. Whistleblowing / Protected Disclosure Case Statistics

- *The number of protected disclosures received by NZDF each year during the requested period, under:*
- *The Protected Disclosures Act 2000 (prior to 1 July 2022); and*
- *The Protected Disclosures (Protection of Whistleblowers) Act 2022 (after 1 July 2022).*

The number of protected disclosures that the New Zealand Defence Force (NZDF) was able to locate are: 2025: 1; 2024: 1; 2023: 1; 2022: 0; 2021: 1; 2020: 0; 2019: 0; 2018: 2; 2017: 0; 2016: 0; 2015: 0; 2014: 0; 2013: 0; 2012: 0; and, 2011: 0.

- *The number of cases resulting in:*
- *Formal investigation*

Formal investigations followed all except two instances of protected disclosures. I would note that in one instance, the subject of the investigation left NZDF's employment and the investigation did not conclude. In another instance, the investigation was inconclusive, and the subject then left NZDF's employment.

- *Disciplinary action*
- *Confirmation of serious wrongdoing*

Disciplinary action followed none of the formal investigations into these protected disclosures, nor was serious wrongdoing found in any of these cases.

- *Retaliation complaints by disclosers*
- *Personal grievance or legal claims filed by disclosers (e.g., under the Employment Relations Act 2000)*

Given the sensitivity of protected disclosures, the NZDF does not track such information connected to protected disclosures. The NZDF has not been able to locate any records associated with complaints of retaliation, personal grievance or other legal claims by

disclosers related to their protected disclosure. Accordingly, this part of your request is refused under section 18(e) of the OIA as this information does not exist or cannot be found despite reasonable efforts to locate it. In accordance with section 18B of the OIA, consideration was given to consulting with you, but it is not believed that it would remove the reason to refuse this part of your request in this instance.

2. Policy and Procedural Documents

- *Copies of NZDF's internal procedures or guidance documents for managing protected disclosures or whistleblower complaints, including any updates issued between 2011 and 2025.*
- *Any records outlining NZDF's responsibilities under the Protected Disclosures Acts (2000 and 2022), particularly in relation to members of the Armed Forces.*

Relevant documentation is enclosed. There have been no updates to Enclosure 1 since the Defence Force Order was enforced. Links to publicly available documents mentioned in Enclosure 6 are provided¹.

3. External Agency Interaction

- *Records of any referrals, correspondence, or reports from NZDF to:*
- *The Office of the Ombudsman*
- *The Serious Fraud Office (SFO)*
- *The Inspector-General of Defence (IGD)*
- *The Privacy Commissioner*
- *The Human Rights Commission*

...involving whistleblowing matters or retaliation claims.

The NZDF has not been able to locate records associated with external agency interactions relating to whistle-blower matters or related retaliation complaints by disclosers. Accordingly, this part of your request is refused under section 18(e) of the OIA for the reason explained above. In accordance with section 18B of the OIA, consideration was given to consulting with you, but it is not believed that it would remove the reason to refuse this part of your request in this instance.

4. Statistical Summary of Retaliation Allegations

- *Number of NZDF personnel who made protected disclosures and subsequently:*
- *Resigned*
- *Were medically discharged*
- *Reported harassment, bullying, or ostracism*
- *Lodged Privacy Act or Human Rights complaints*

As noted above, the NZDF does not track such information connected to protected disclosures and has not been able to locate any relevant records. Accordingly, this part of your request is refused under section 18(e) of the OIA for the reason explained above. In accordance with section 18B of the OIA, consideration was given to consulting with you, but it is not believed that it would remove the reason to refuse this part of your request in this instance.

¹ <https://www.publicservice.govt.nz/assets/DirectoryFile/Model-Standards-Speaking-up.pdf>
<https://www.ombudsman.parliament.nz/sites/default/files/2025-03/Guide%20to%20making%20a%20protected%20disclosure%20-%20July%201%202022.pdf>
https://www.ombudsman.parliament.nz/sites/default/files/2022-08/Checklist%20Can%20i%20make%20a%20protected%20disclosure%20-%20July%202022_0.pdf
<https://www.legislation.govt.nz/act/public/2000/0007/latest/dlm53466.html>

You have the right, under section 28(3) of the OIA, to ask an Ombudsman to review this response to your request. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Please note that responses to official information requests are proactively released where possible. This response to your request will be published shortly on the NZDF website, with your personal information removed.

Yours sincerely

GA Motley

Brigadier

Chief of Staff HQNZDF

Enclosures:

1. Defence Force Order 70, Chapter 8 – Protected Disclosures Act 2000
2. Defence Force Instruction 10.7 – Managing Fraud and Corruption
3. Chief of Defence Force Directive 41/2020 – Management of Fraud in the NZDF, 16 December 2020
4. Chief of Defence Force Directive 27/2019 – Management of Fraud in the NZDF, 7 August 2019
5. Defence Force Order 81, Chapter 6 – Fraud Risk Management
6. NZDF Wrongdoing Site

Chapter 8 Protected Disclosures Act 2000

Section 1 - Introduction

8001. The Protected Disclosures Act 2000 (the Act) facilitates the disclosure and investigation of matters of serious wrongdoing in or by an organisation and also seeks to protect employees who make such disclosures.

8002. Nothing in this Chapter prevents an employee of the NZDF from using existing disciplinary, complaint, grievance, or anti-harassment procedures.

8003. The aim of this Chapter is to outline NZDF internal procedures for making protected disclosures under the Act.

Definitions

8004. For the purposes of this Chapter, the following definitions apply:

- a. an employee includes:
 - (1) a former employee;
 - (2) a person seconded to the NZDF;
 - (3) an individual who is engaged or contracted under a contract for services to do work for the NZDF;
 - (4) a person concerned in the management of the NZDF;
 - (5) a member of the Armed Forces; and
 - (6) a civilian member of the NZDF.
- b. serious wrongdoing includes:
 - (1) an unlawful, corrupt, or irregular use of public funds or public resources; or
 - (2) an act, omission, or course of conduct that constitutes a serious risk to public health or public safety or the environment; or
 - (3) an act, omission, or course of conduct that constitutes a serious risk to the maintenance of law, including the prevention, investigation, and detection of offences and the right to a fair trial; or
 - (4) an act, omission, or course of conduct that constitutes an offence; or
 - (5) an act, omission or course of conduct by a public official that is oppressive, improperly discriminatory, or grossly negligent, or that constitutes gross mismanagement;

whether the wrongdoing occurs before or after the commencement of the Act.
- c. appropriate authority in relation to the NZDF includes:
 - (1) the Chief of Defence Force;

- (2) a private sector body which comprises members of a particular profession or calling and which has the power to discipline its members, e.g., the law society or medical association; and
- (3) an Ombudsman.

(An appropriate authority does not include a Minister of the Crown or a Member of Parliament.)

Criteria

8005. An employee of the NZDF may disclose information in the manner provided by the Act if:

- a. the information is about serious wrongdoing in or by the NZDF;
- b. the employee believes on reasonable grounds that the information is true or likely to be true;
- c. the employee wishes to disclose the information so that the serious wrongdoing can be investigated; and
- d. the employee wishes the disclosure to be protected.

8006. A disclosure may be made verbally or in writing. The party to whom the disclosure is made for monitoring purposes is to record any disclosures made verbally in writing. Employees making verbal disclosures will be required to provide written acknowledgement that the written version of the disclosure is a true representation of their disclosure.

8007-8010 Reserved

Section 2 - Internal Procedures

8011. The Act requires that NZDF employees, including contractors and former employees, are to use NZDF procedures if they wish to make a disclosure.

8012. Employees who wish to make a disclosure under the Act are to make the disclosure to the first level of authority shown at Annex A to this Chapter.

8013. If the employee making the disclosure believes on reasonable grounds that the person to whom the wrongdoing is to be reported:

- a. is or may be involved in the serious wrongdoing alleged in the disclosure; or
- b. is, by reason of any relationship or association with a person who is or may be involved in the serious wrongdoing alleged in the disclosure, not a person to whom it is appropriate to make the disclosure;

then the employee may make the disclosure to the next level of authority shown at Annex A who is able to deal with the disclosure.

8014. Employees have the right to seek advice on making a disclosure under the Act from an Ombudsman.

8015. Personnel to whom a disclosure is made are to ensure that:

- a. the anonymity of the employee making the disclosure is protected;
- b. appropriate action with regards to addressing the issue is taken;
- c. the employee making the disclosure is informed within 20 working days of the action taken, including referring the disclosure on to a more appropriate level of authority within the command chain;
- d. any action taken as a result of the disclosure complies with the principles of natural justice; and
- e. the Inspector General HQ NZDF (IG) is informed without delay of the nature of the disclosure without revealing the identity of the employee making the disclosure.

8016-8020 Reserved

Section 3 - Disclosures

8021. **Register of Disclosures.** The IG is to keep a register of all protected disclosures within the NZDF detailing the location of the disclosure, the nature of the disclosure, and the resolution.

Disclosures to Appropriate Authorities

8022. A disclosure may be made to any appropriate authority if the employee believes on reasonable grounds that:

- a. immediate reference to an appropriate authority is justified by reason of the urgency of the matter to which the disclosure relates, or some other exceptional circumstances; or
- b. there has been no action or recommended action on the matter to which the disclosure relates within 20 working days after the date on which the disclosure was made in accordance with this Chapter.

8023. A disclosure may be made to an Ombudsman or a private sector body if the employee believes on reasonable grounds that CDF is or may be involved in the serious wrongdoing alleged in the disclosure.

Disclosures to Ministers of the Crown

8024. A disclosure of information may be made to a Minister of the Crown or an Ombudsman if the employee making the disclosure:

- a. has already made substantially the same disclosure in accordance with the Act and this DFO; and
- b. believes on reasonable grounds that the person or appropriate authority to whom the disclosure was made:
 - (1) has decided not to investigate the matter; or
 - (2) has decided to investigate the matter but has not made progress with the investigation within a reasonable time after the date on which the disclosure was made to the person or appropriate authority; or
 - (3) has investigated the matter but has not taken any action in respect of the matter nor recommended the taking of action in respect of the matter, as the case may require; and
 - (4) continues to believe on reasonable grounds that the information disclosed is true or likely to be true.

Disclosures Involving Information Relating to International Relations, Intelligence and Security

8025. An employee who wishes to make a disclosure involving information concerning the international relations of the Government of New Zealand or intelligence and security matters must ensure the person to whom a disclosure is made holds an appropriate security clearance and is authorised to have access to the information.

8026. Unlike normal disclosures, the only appropriate authority in the case of information concerning the international relations of the Government of New Zealand or intelligence and security matters is an Ombudsman. Any employee who has disclosed, or is considering the disclosure of this type of information may seek information and guidance from an Ombudsman.

8027. No disclosure involving information concerning the international relations of the Government of New Zealand or intelligence and security matters may be made to a Minister of the Crown other than:

- a. in the case of a disclosure relating to the international relations of the Government of New Zealand, either the Prime Minister or the Minister responsible for foreign affairs and trade; or
- b. in the case of a disclosure relating to intelligence and security matters, either the Prime Minister or the Minister responsible for an intelligence and security agency.

8028-8030 Reserved

Section 4 - Protections

Personal Grievance by Civilian Employees

8031. Where a civilian employee who makes a protected disclosure of information believes that he or she has suffered retaliatory action from the NZDF as his or her employer, that employee:

- a. if that retaliatory action consists of or includes dismissal, may have a personal grievance, for the purposes of paragraph (a) of section 103(1) of the Employment Relations Act 2000, because of a claim of unjustifiable dismissal, and Part 9 of that Act applies accordingly; and
- b. if that retaliatory action consists of action other than dismissal or includes an action in addition to dismissal, may have a personal grievance for the purposes of paragraph (b) of section 103(1) of the Employment Relations Act 2000, because of a claim described in that paragraph, and Part 9 of that Act applies accordingly.

8032. This section applies only to civilian employees within the meaning of the Employment Relations Act 2000.

Complaints by Service Members

8033. Where a Service member who makes a protected disclosure of information believes he or she has suffered retaliatory action from the NZDF, that Service member may make a complaint in accordance with the complaints procedure in DFO 4 *Defence Force Orders for Personnel Administration*, Chapter 12.

Immunity from Civil and Criminal Proceedings

8034. No employee who:

- a. makes a protected disclosure of information; or
- b. refers a protected disclosure of information to an appropriate authority for investigation;

is liable to any civil, criminal or disciplinary proceeding by reason of having made or referred that disclosure of information. This section applies despite any prohibition of or restriction on the disclosure of information under any enactment, rule of law, contract, oath, or practice.

Confidentiality

8035. Every person to whom a protected disclosure is made or referred is not to disclose information that might identify the person who made the protected disclosure unless:

- a. that person consents in writing to the disclosure of that information; or
- b. the person who has acquired knowledge of the protected disclosure reasonably believes that disclosure of identifying information:
 - (1) is essential to the effective investigation of the allegations in the protected disclosure; or

- (2) is essential to prevent serious risk to public health or public safety or the environment; or
- (3) is essential having regard to the principle of natural justice.

8036. A request for information under the Official Information Act 1982 (other than one made by a member of the police for the purpose of investigating an offence) may be refused, as contrary to the Protected Disclosures Act, if it might identify a person who has made a protected disclosure.

8037-8040 Reserved

Section 5 - Miscellaneous Provisions

False Allegations

8041. The protections conferred by the Protected Disclosures Act 2000 and by section 66(1)(a) of the Human Rights Act 1993 do not apply where the person who makes a disclosure of information makes an allegation known to that person to be false or otherwise acts in bad faith.

Other Protections Preserved

8042. The Protected Disclosures Act 2000 does not limit any protection, privilege, immunity, or defence, whether statutory or otherwise, relating to the disclosure of information.

Legal Professional Privilege

8043. A disclosure of information protected by legal professional privilege is not protected under the Act and therefore civil, criminal, or disciplinary proceedings may result from an unauthorised disclosure of such information.

Note: information protected by legal professional privilege covers more than just legal advice from Legal Officers, e.g., it may cover much of the information prepared by a manager for the legal defence of a civil employment case. Employees who are unsure of whether information is legally privileged should seek advice from the Office of the Ombudsman.

Victimisation

8044. It is unlawful under the Human Rights Act, as amended by the Protected Disclosures Act 2000, for anyone to treat, or threaten to treat, a person less favourably on the grounds that that person, or any relative or associate of that person:

- a. intends to make use of his or her rights under the Act to make a disclosure; or
- b. has made use of his or her rights, or promoted the rights of some other person, under the Act, or has made a disclosure, or has encouraged disclosure by some other person under the Act; or
- c. has given evidence in relation to any complaint, investigation, or proceeding under the Act or arising out of a disclosure under the Act; or
- d. has declined to do an act that would contravene the Act; or
- e. has otherwise done anything under or by reference to the Act.

Promulgation

8045. Commanders and managers are responsible for ensuring that employees are made aware of the NZDF policy on protected disclosures and the internal procedures to follow should they wish to disclose information.

8046. Single Service Chiefs, COMJFNZ and DCDS are to ensure that all employees are advised through routine orders and civil staff newsletters on a regular basis of the following:

"The Protected Disclosures Act 2000 Section 7 requires that an employee, including contractors and former employees, are to disclose information in the manner provided by internal procedures established by and published in the organisation. The NZDF's internal procedures are contained in DFO 70 *Defence Force Orders for Official Information, Chapter 8*. Personnel wishing to make a disclosure are to refer to this DFO in the first instance."

8047-8050 Reserved

Annex A - Levels of Disclosure within NZDF

Level	HQ NZDF	Single Service Headquarters	Operational Headquarters	Joint Force Headquarters	Deployed Units	Overseas Posts/ Attachments	Formation HQ, Base, Camp
1	Director (or equivalent)	Director (or equivalent)	Director (or equivalent)	Director (or equivalent)	Commanding Officer	Most Senior Officer (DA, where applicable)	Commanding Officer or Manager
2	Branch Head	Deputy Service Chief	Operational Cdr	Component Cdr	Operational Cdr or Component Cdr JFHQ (as applicable)	DCDS for DAs only - thereafter CDF)	Director or Base or Formation Cdr (as applicable)
3	DCDS	Service Chief	Service Chief	COMJFNZ	Service Chief or COMJFNZ (as applicable)	Service Chief	Service Chief (in respect of their own Service)
4	CDF	CDF	CDF	CDF	CDF	CDF	CDF

Notes

1. An employee may make a disclosure to the next level of authority able to deal with the disclosure if the employee believes on reasonable grounds that the initial or subsequent levels of authority are not able to deal with the disclosure in accordance with this DFO.
2. If the authority to whom a disclosure is made is unable to adequately deal with the disclosure, they are to forward it without delay to the next level of authority who is able to deal with it.
3. Each level of authority is to inform the IG of progress of the disclosure to enable its progress and resolution to be monitored.



DEFENCE FORCE INSTRUCTION 10.7 Managing Fraud and Corruption

Integrity Series

Releasable to the public pursuant to s 22 of the Official Information Act 1982.

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Office of the Chief of Defence Force
Headquarters New Zealand Defence Force
WELLINGTON

Authority Order

DFI 10.7 Managing Fraud and Corruption

Issued by the Vice Chief of Defence Force, OCDF

Authority

1. DFI 10.7 - *Managing Fraud and Corruption* is issued and promulgated under the delegated authority of the Chief of Defence Force to the Vice Chief of Defence Force.

Conflict

2. Nothing in this publication is to be construed as prevailing over any relevant Act of Parliament or regulations made under it, or Defence Force Orders and Directives issued by the Chief of Defence Force.
3. Any conflict between these orders and any other policy, order, direction or instruction issued within the New Zealand Defence Force (NZDF) is to be reported to the [Custodian](#) without delay.

Signed on original

T DAVIES
Air Vice-Marshal
Vice Chief of Defence Force
New Zealand Defence Force

13 January 2023

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Preliminary Provisions

Purpose of DFI 10.7

1. This instruction sets out the policy, processes and procedures to be followed for fraud risk management in the New Zealand Defence Force (NZDF).

Application

2. This is a general order to all members of the Armed Forces pursuant to section 39(b) of the [Armed Forces Discipline Act 1971](#) and instructions to members of the Civil Staff as expressed in the [Civil Staff Code of Conduct](#) (English), and [Te Puka Arataki Ope Hāpai Ō](#) (Maori).
3. The policy, processes and procedures described in this publication are to be applied throughout the NZDF in the management of fraud risk, except where a departure from prescribed requirements is permitted.¹
4. The instructions in DFI 10.7 apply to any persons seconded to the NZDF from other agencies or engaged for NZDF purposes. It is the responsibility of the NZDF member who engages any contractor, or other person not a member of the NZDF, to make them aware of this requirement.
5. Non-compliance with these instructions may result in disciplinary action being taken in accordance with the [Armed Forces Discipline Act 1971](#) or may result in possible disciplinary action in accordance with the [Civil Staff Code of Conduct](#).
6. Non-compliance by a contractor, consultant or other person or organisation engaged by the Defence Force could lead to a contract being terminated.

Commencement date

7. The commencement date of DFI 10.7 is 13 January 2023.
8. Amendments to this publication are documented in the [Record of Change](#) in the end matter.

Repeal

9. These orders supersede CDF Directive 41/2020 Management of Fraud in the NZDF.²

Approving Authority

10. The Approving Authority for DFI 10.7 is the Vice Chief of Defence Force, Office of the Chief of Defence Force (VCDF, OCDF).

Custodian

11. The Custodian for DFI 10.7 is the Chief Internal Auditor (CIA).

1 Chief of Staff, Headquarters New Zealand Defence Force for all publications issued by the Chief of Defence Force and under a delegated authority.

2 Note: the withdrawal of publications and cancellation of previously issued orders must be instructed by a CDF Directive.

Meanings of terms

12. Terms used in DFI 10.7 and not explained or stated in the references below are defined in Annex A to these preliminary provisions.

Authoritative version of Defence Force Instruction 10.7 - Managing Fraud and Corruption

13. The online copy of DFI 10.7 - *Managing Fraud and Corruption* promulgated in the [NZDF Publications Centre](#) is the authoritative version. Any printed copy or any other electronic copy is deemed uncontrolled and is to be used for guidance only.

Related publications

[Armed Forces Discipline Act 1971](#)

[Protected Disclosures \(Protection of Whistleblowers\) Act 2022](#)

[Civil Staff Code of Conduct 2021 | Te Puka Arataki Ope Hāpai Ō](#)

[Civil Staff Disciplinary Policy | Annex A to Civil Staff Code of Conduct](#)

[DFI 10.9](#) *Gifts, Hospitality, Koha and Sponsorship*

[DFO 03/2004](#) *Identification and Management of Conflicts of Interest and Receipt of Gifts, Hospitality and Other Benefits*

[DFO 51](#) *Defence Force Orders for Security, Volume 1, Protective Security*

[DFO 3](#) *NZDF HR Manual, Part 13, Chapter 2 Complaints*

[DFO 05/2016](#) *Implementation of the Protective Security Requirements*

[DFO 20](#) *Defence Security*

[DFO 70](#) *Official Information, Chapter 8*

[DFO 081](#) *Risk Management* and [DFI 0.81](#) *Risk Management Instructions*

[DFO 90](#) *Financial Management* and [DFI 9.1](#) *Finance Instructions*

[DM 69 \(2 ed\) Manual of Armed Forces Law, Volume 1](#) *Commander's Handbook on Military Law*

[NZDF Counter Fraud Toolkit](#)

Annex A**Meanings of Terms and Abbreviations**

1. Words and phrases are to be given their ordinary grammatical or military meaning promulgated in relevant legislation, military glossaries and authorised dictionaries³.
2. The meanings of terms and abbreviations used in this publication are—

Term	Meaning
Fraud	<p>Fraud is an intentional act by one or more individuals involving the use of deception to obtain an unjust or illegal advantage.⁴</p> <p>It encompasses a wide range of criminal conduct involving deliberate deception in order to receive unfair, unjustified or unlawful gain.⁵</p> <p>Fraud involves dishonestly obtaining a benefit, or causing loss, by deception or other means. There must be a mental or fault element to fraud; it requires more than carelessness, accident or error.</p> <p>A benefit is not restricted to monetary or material benefits, and may be tangible or intangible, including the unauthorised access to, or disclosure of information. A benefit may also be obtained by a third party, in addition to the perpetrator of the fraud.⁶</p> <p>External fraud: Fraudulent activity where the perpetrator is external to the NZDF, i.e. they are not employed by or have a close association with the NZDF.</p> <p>Internal fraud: Fraudulent activity where at least one perpetrator is employed by or has a close association with the NZDF and has internal knowledge of the NZDF's operations, systems and procedures.</p> <p>Any reference to fraud in this DFI should also be seen to be a reference to bribery and corruption.</p> <p>Enclosure A Further Guidance on Fraud and Corruption provides further information on the different types of fraud and corruption, for example the Fraud and Corruption Tree. It also sets out more information to understand fraud and corruption, the risk factors and impacts.</p> <p>For ease of reading, references to fraud in this DFI should be read as references to 'fraud and corruption'.</p>
Corruption	Corruption is the abuse of entrusted power for private gain. ⁷

3 Authorised dictionaries are the English and Māori dictionaries outlined in [DFI 5.1 Defence Force Writing](#) and legal dictionaries. The legal dictionaries include the Dictionary of New Zealand Law and New Zealand Legal Words and Phrases, which can be found on LexisNexis.

4 Discouraging Fraud, The Basics, The Office of the Controller and Auditor-General, www.oag.govt.nz

5 Ministry of Justice, Fraud and Corruption Policy Framework.

6 Defence Fraud and Corruption Control Plan, 2017, Australian Government, Department of Defence.

7 Ministry of Justice, Anti-Corruption Guide.

Term	Meaning
	It is also defined as the lack of integrity or honesty, or the abuse of a position of trust for dishonest gain. It can include bribery (domestic or foreign); coercion; destruction, removal or inappropriate use or disclosure of records, data, materials, intellectual property or assets; or similar forms of inappropriate conduct. ⁸ Also see definition of Bribery below.
Bribery	<p>Bribery is a form of corruption which, generally speaking, is the giving or receiving, whether directly or indirectly, or something of value to influence a transaction.⁹</p> <p>Bribery and corruption can take many forms including:</p> <ul style="list-style-type: none"> • Payment, receipt or solicitation of bribes or secret commissions (kickbacks). • Manipulation of tendering or procurement processes. • Undisclosed conflicts of interest. • Wilful blindness in respect of the activities of agents overseas. • Failure to put in place adequate systems and controls to mitigate the risk of bribery. • Extravagant corporate hospitality or gifts. • Undisclosed giving or receiving of gifts.¹⁰
Conflict of Interest	<p>A conflict of interest is any situation where your duties or responsibilities as a member of the NZDF conflict, or could be seen to be affected by an interest or relationship you have outside work.¹¹</p> <p>Having a conflict of interest is not, in of itself, a problem. The potential or actual conflict must be disclosed and managed appropriately.</p>
Deception	<p>Deception means:</p> <ul style="list-style-type: none"> • A false representation, whether oral, documentary, or by conduct, where the person making the representation intends to deceive any other person and: <ul style="list-style-type: none"> ○ knows that it is false in a material particular; or ○ is reckless as to whether it is false in a material particular; or • An omission to disclose a material particular, with intent to deceive any person, in circumstances where there is a duty to disclose it; or • A fraudulent device, trick, or stratagem used with intent to deceive any person.¹²

8 Ministry of Justice, Fraud and Corruption Policy Framework.

9 Ministry of Justice, Fraud and Corruption Policy Framework.

10 Ministry of Justice, Anti-Corruption Guide.

11 OAG, Conflicts of Interest, The basics.

12 Deception is defined in section 240(2) of the Crimes Act 1961.

Term	Meaning
Fraud Triangle	<p>The Fraud Triangle is a model that helps us understand the factors that can cause someone to commit fraud.¹³</p> <p>The three parts of the triangle are:</p> <p>Motivation / Pressure The motivation or incentives that drive a person to commit fraud</p> <p>Opportunity A gap or weakness in a system or process that can be exploited.</p> <p>Rationalisation An individual's justification for committing fraud i.e. the mind-set that justifies the wrongdoing e.g. 'I deserve it', other people are doing it.</p> <p>Further guidance on the fraud triangle is provided in Enclosure A Further Guidance on Fraud and Corruption .</p>
Insider threat	<p>An insider, or insider threat, is any person who exploits, or intends to exploit their legitimate access to personnel, information, facilities, assets, or capabilities or to harm the security of the NZDF through an intentional or unintentional act.</p> <p>An insider act includes, but is not limited to—</p> <ul style="list-style-type: none"> • the unauthorised disclosure of official, private, or proprietary information held by the NZDF; • acts of violence against members of the NZDF, or other persons engaged for NZDF purposes; • fraud, corruption, or misuse of the NZDF capabilities or resources for personal gain or enrichment; • criminal conduct such as theft, distributing illegal substances, sexual violations, or activities linked to supporting organised crime entities; • significant or ongoing security incidents relating to the intentional disregard for security rules, regulations, or procedures; and • misconduct or serious misconduct that harms the reputation of the NZDF.¹⁴ <p>The NZDF has an Insider Threat Management Capability (ITMC) programme of work to help protect the NZDF from insider threats. Implementation of the ITMC will ensure the NZDF has a fit-for-purpose plan, resources and training to identify, prevent and respond to insider threats. Further information about the programme can be found at NZDF Insider Threat Management Capability.</p>

13 Serious Fraud Office, 'Fraud Triangle', 2021

14 Refer to meaning of terms in [DFO 20 Defence Security](#).

Term	Meaning
Misconduct	Guidance for what the NZDF considers to be misconduct for members of the Civil Staff is outlined in the NZDF Civil Staff Disciplinary Policy . Misconduct is behaviour by an employee that is inconsistent with their duty to their employer and breaches the Code of Conduct and/or their employment agreement. What constitutes misconduct or serious misconduct (see below) will depend on the circumstances, the nature of the issues, and the degree of the breach. The listed examples of misconduct in the guidance are not exhaustive but it includes a failure to properly disclose a potential conflict of interest, misuse of worktime, misuse of the NZDF resources or material including unauthorised use or possession of NZDF property.
NZDF Fraud and Corruption Control Framework	The NZDF operates a multi-layered framework to effectively manage the risk of fraud and corruption against the NZDF. It has three key elements – Prevention, Detection and Response. It is a holistic approach involving the implementation and continuous improvement across the three elements. This is covered in Chapters 2-5 in this DFI.
Protected Disclosure	A protected disclosure is defined in the Protected Disclosures (Protection of Whistleblowers) Act 2022. A disclosure of information is a protected disclosure ¹⁵ if the discloser ¹⁶ : <ul style="list-style-type: none"> believes on reasonable grounds that there is, or has been, serious wrongdoing in or by the discloser's organisation; discloses information about that in accordance with the Act; and does not disclose it in bad faith. Refer to DFO 70 for further guidance.
Protective Security Requirements (PSR)	The PSR outlines government's expectations for security governance and personnel, information and physical security. It is a policy framework that sets out what organisations must do to manage security effectively, and also contains best practice guidance. Cabinet has directed that all NZ government agencies must implement the PSR. Further information can be found at www.protectivesecurity.govt.nz
Red flags of fraud or corruption	These are the possible indicators that fraudulent or corrupt action may be occurring. Further guidance on fraud red flags is provided in Table 4-2 .
Risk	Risk is defined ¹⁷ as the effect of uncertainty on objectives (the effect can be positive or negative). Further information on NZDF's risk management framework and approach to risk management is set out in DFO 081 and DFI 0.81 .

¹⁵ As defined in section 9 of the Protected Disclosures (Protection of Whistleblowers) Act 2022.

¹⁶ The discloser is defined in section 8 of the Protected Disclosures (Protection of Whistleblowers) Act 2022. It includes an individual who is (or was formerly) an employee, a member of the Armed Forces (in relation to the NZDF), a secondee to the organisation, engaged or contracted under a contract of services, and a volunteer working for the organisation.

¹⁷ [DFO 081 Risk Management](#)

Term	Meaning
Serious misconduct	Serious misconduct for members of the Civil Staff is defined in the NZDF Civil Staff Disciplinary Policy as behaviour so serious that it may result in summary dismissal. Depending on the severity, the outcome could be a warning or dismissal with or without notice. The listed examples of serious misconduct are not exhaustive but includes dishonesty or fraud, including falsification or misuse of any documents or records.
Serious wrongdoing	Serious wrongdoing is defined in the Protected Disclosures (Protection of Whistleblowers) Act 2022. ¹⁸ It includes any act, omission, or course of conduct in (or by) any organisation ¹⁹ that is one or more of the following: <ul style="list-style-type: none"> • an offence; • a serious risk to public health, public safety, the health and safety of any individual or the environment; • a serious risk to the maintenance of the law, including the prevention, investigation and detection of offences or the right to a fair trial; • an unlawful, corrupt or irregular use of public funds and resources; and • oppressive, unlawfully discriminatory, or grossly negligent, or that is gross mismanagement, and is done (or is an omission) by an employee of a public sector organisation²⁰, or a person performing a function of duty or exercising a power on behalf of a public sector organisation or the Government.
Three Lines of Assurance	The NZDF operates the 'Three Lines of Assurance' model. This model provides a useful way to think about the structure of how risk is managed and provides a clear and effective way to strengthen communications on risk management, assurance and control by clarifying essential roles and duties of various parts of governance, management and day-to-day operations. The 'Three Lines' are broadly defined as follows: <ul style="list-style-type: none"> • First Line: Command structures and line-management functions that have ownership, responsibility and accountability for identifying, assessing and managing risks within their area of authority and accountability. • Second Line: Functions that set the policy, frameworks and oversee management of risk. • Third Line: Functions that provide independent assurance (e.g. NZDF Internal Audit).
Wrongdoing	Activities that are not consistent with the NZDF values and that may result in breaches of NZDF processes or the law.

18 Section 10 of the Protected Disclosures (Protection of Whistleblowers) Act 2022.

19 Broadly defined in section 4 of the Protected Disclosures (Protection of Whistleblowers) Act 2022 as a body of persons whether in the public or private sector or corporate or unincorporate.

20 A public sector organisation is defined in section 4 of the Protected Disclosures (Protection of Whistleblowers) Act 2022 and includes the NZDF.

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Acronym/Abbreviation	Meaning
CA	Chief of Army
CAF	Chief of Air Force
CDF	Chief of Defence Force
CFO	Chief Financial Officer
Chiefs of Service	CA, CAF and CN
CIA	Chief Internal Auditor
CIO	Chief Information Officer
CISO	Chief Information Security Officer
CJDS	Chief Joint Defence Services
CN	Chief of Navy
CO	Commanding Officer
COMJFNZ	Commander Joint Forces
COS	Chiefs of Service
CoS	Chief of Staff
CPO	Chief People Officer
DD	Defence Digital
DDL	Director, Defence Legal Services
DFI	Defence Force Instruction
DFO	Defence Force Order
DLS	Defence Legal Services
PM	Provost Marshal
OAG	Office of the Auditor-General. The OAG is a business unit of the Auditor-General. It provides Parliament and the public an independent view of how public organisations are operating.
OECD	Organisation for Economic Co-operation and Development. The OECD is an intergovernmental economic organisation with 38 member countries founded to stimulate economic progress and world trade.
OIC	Officer in Charge
SFO	Serious Fraud Office. The SFO is the lead law enforcement agency for investigating and prosecuting serious financial crime in New Zealand. The SFO also works to prevent financial crime and corruption in New Zealand's public sector by providing guidance and raising awareness.
VCDF	Vice Chief of Defence Force

Annex B**Defence fraud and CorruptionTress for Managing Public Sector Fraud and Corruption**

The SFO has established five guiding principles for the prevention and control of fraud and corruption in the public sector.²¹ The principles are considered timeless and will continue to be relevant as the risk and threat of fraud and corruption evolves.

These principles are used as the foundation for the NZDF approach to effectively managing the risk of fraud and corruption.

1. There is always going to be fraud and corruption

It is a fact that some individuals will look to make fraudulent gains where there is an opportunity. Organisations need robust processes in place to prevent, detect and respond to fraud and corruption.

2. Finding fraud is a good thing

If you don't find fraud you can't fight it. A change in perspective is required so that the identification of fraud is viewed as a positive and proactive achievement.

3. There is no one single solution

Addressing fraud needs a holistic response incorporating detection, prevention and redress, underpinned by a strong understanding of risk. It also requires a collaborative approach and cooperation between organisations.

4. Fraud and corruption are ever changing

Fraud and corruption practices evolve very quickly. Organisations must be agile and change their approach to respond effectively.

5. Prevention is the most cost-effective way to address fraud and corruption

Preventing fraud through effective counter fraud practices reduces loss and reputational damage. It is one of four main countermeasure themes typically included in an approach focussed on detection, investigation and prosecution. Investigation and prosecution will still be required for those fraudsters who are not deterred by countermeasures.

21 Serious Fraud Office: Guiding Principles for Public Sector Fraud, 2021.

Chapter 1 - Managing Fraud and Corruption Risk

Section One – Introduction

1.1 Background

- a. Fraud and corruption is a global problem. It poses significant risks and issues for governments, public, private and not-for profit organisations.
- b. Fraud and corruption are not victimless crimes. They damage businesses, markets, democratic institutions and the social fabric of society. Widespread corruption undermines the rule of law and erodes justice, driving other domestic and transnational crimes such as trafficking in people, weapons and drugs.²²
- c. The New Zealand public sector is held in high regard for its honesty, transparency and integrity. New Zealand consistently features as a top-performing country in Transparency International's annual Corruptions Perceptions Index (CPI), the leading global indicator of public sector corruption.
- d. To operate effectively in our communities and make a difference, the public service needs to have the trust and confidence of New Zealanders. OECD evidence shows that public service values such as integrity, fairness and openness are strong predictors of public trust, with integrity being the single largest driver of public trust.
- e. Fraud and corruption can take many forms, but ultimately it always involves deliberate deception for personal gain. It can include theft of property, information or even time, misuse of funds, misuse of supplies or assets, profiting from an official position, disclosure of official activities or information for advantage, falsifying records, making fraudulent statements, or avoiding proper procedure.
- f. The impact of fraud and corruption is not limited to those immediately involved. Fraud and corruption diverts resources away from the intended purpose. It can cause significant financial loss and other unnecessary business costs. It can also cause significant damage to an organisation's reputation, loss of credibility with its stakeholders, and negatively impact staff morale. Ultimately it can have a damaging effect on public trust and confidence. See [Enclosure A](#) | Further Guidance on Fraud and Corruption for further information to understand fraud and its impacts.
- g. The high standards of behaviour expected of individuals entrusted with public resources means that, when a fraud is committed, the same high standards must be applied to ensuring that the perpetrators are brought to justice and that there is an accompanying level of accountability and disclosure.

- a. Fraud and corruption are incompatible with the NZDF's obligations to the Government and the New Zealand public, and is counter to our organisational values.
- b. The NZDF values of Courage (Tū Kaha) Commitment (Tū Tika), Comradeship (Tū Tira) and Integrity (Tū Māia) are not just words but calls to action. This includes:
 - (1) Ensuring that what we do is always the right thing.
 - (2) That our activities and how we go about them reflect those values.
 - (3) That we walk the talk.
- c. The NZDF is committed to preventing fraud and corruption and will not tolerate lack of action taken against suspected fraud or corruption committed by any NZDF member or external parties against the organisation.
- d. The Government and the New Zealand public must be provided with tangible assurance that NZDF assets and resources are protected through a well-designed framework to manage the risk of fraud and corruption that is implemented and operating effectively. This involves activities to prevent, detect and respond to fraud and corruption. This underpins public trust and confidence in NZDF's stewardship of public resources.
- e. Everyone in the NZDF plays a role in ensuring the risks of fraud and corruption are identified, understood and well-managed so that the NZDF's objectives are met. All members of the NZDF are expected to act with integrity and in a manner that is ethical, transparent and promotes accountability.
- f. As a member of the NZDF part of your role is to ensure those who do not adhere to our values are called to account. It is vital that we identify and address those behaviours that do not align with who we are and what we stand for.

1.2 Why we have this instruction

- a. The purpose of this DFI is to provide clear:
 - (1) policy and expectations for all members of NZDF regarding the NZDF's attitude and tolerance for fraud and corruption; and
 - (2) instructions and guidance about the NZDF's framework for effectively managing fraud and corruption risk – incorporating prevention, detection and response policies, processes and procedures.
- b. The objective of this DFI is to promote effective practices to ensure all members of NZDF are aware of the NZDF's approach to, and expectations for, managing the risk of fraud and corruption.

1.3 NZDF's objectives for fraud and risk management

- a. As a combat-ready force keeping New Zealand and New Zealand's interests safe and secure, the NZDF operates in a rapidly evolving, challenging and complex global and domestic environment. There is a high degree of uncertainty in the NZDF's operating environment, with exposure to external threats and unique fraud and corruption risks.
- b. NZDF's main objectives for fraud risk management are to:

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- (1) manage fraud and corruption risks effectively;
- (2) protect public resources, including information and property;
- (3) ensure the integrity of all NZDF activities; and
- (4) foster public trust and confidence in the NZDF.

Section Two – Accountabilities, responsibilities and governance arrangements

1.4 Accountabilities and responsibilities

- a. Strong leadership and accountability are integral to effective fraud and corruption risk management in the NZDF. It is critical therefore to have clear accountabilities and responsibilities to enable an effective risk management framework. Every person in the NZDF needs to understand and execute their role and responsibilities in the NZDF approach to fraud risk management.
- b. Table 1-1 below sets out the accountabilities for the management of fraud and corruption risk in the NZDF.

Table 1-1 Accountabilities and responsibilities for fraud risk management

Position	Accountabilities and Responsibilities
CDF	Accountable to the Government and the New Zealand public for the correct and proper management of public funds and assets held by NZDF.
VCDF	<p>Responsible for the oversight of the NZDF fraud and corruption control framework.</p> <p>VCDF²³ and the respective commander or manager are responsible for making the arrangements for the investigation of allegations of fraud, on the advice from the PM. These arrangements must include:</p> <ul style="list-style-type: none"> • appointing an appropriately qualified person²⁴ (the Investigating Officer) to lead the investigation; • advising the respective Chief of Service or the relevant senior executive of an investigation into actual or suspected fraudulent activity by a member of their Service or person for whom they are responsible; • receiving the report of an Investigating Officer and, with the respective commander or manager, considering the appropriate response on the advice of the PM and CPO; and • advising the respective Chief of Service or relevant senior executive of the results of an investigation and proposed disciplinary action where required.
Chiefs of Service and senior executives	<p>Responsible for:</p> <ul style="list-style-type: none"> • setting a strong “tone from the top” through modelling the NZDF organisational values of Courage (Tū Kaha) Commitment (Tū Tika), Comradeship (Tū Tira) and Integrity (Tū Māia); • communicating and enforcing this DFI, and ensuring the implementation of NZDF’s fraud and corruption control framework in their areas of responsibility; • establishing and maintaining internal control systems and risk management procedures that counter the risks of fraudulent activity within the NZDF; • ensuring their commanders and managers prevent, deter and report fraud;

23 In the event that VCDF has a conflict of interest that may compromise their impartiality a Chief of Service or senior executive will take responsibility for overseeing the arrangements, under direction from CDF.

24 The Investigating Officer may be an internal or external person.

Position	Accountabilities and Responsibilities
	<ul style="list-style-type: none"> ensuring that all NZDF members understand their roles and responsibilities in preventing fraudulent activity and their obligation to report actual or suspected fraudulent activity; ensuring that where fraud is suspected, it is reported and an investigation is initiated without undue delay; recording and reporting all suspected fraud to the VCDF; notifying the PM and CIA of all instances of suspected fraud, and CPO where the suspected fraud involves members of the Civil Staff; taking appropriate disciplinary and legal action in all cases where fraudulent activity is well-founded; investigating, where fraud occurs, whether there has been a failure in supervision and take appropriate disciplinary action where supervisory failures have occurred; and regularly reviewing their systems and procedures for the prevention and deterrence of fraudulent activity.
Commanders and managers	<p>Commanders and managers have the immediate responsibility for preventing, detecting and responding to fraud. In particular commanders and managers must:</p> <ul style="list-style-type: none"> lead by example through modelling the NZDF organisational values of Courage (Tū Kaha) Commitment (Tū Tika), Comradeship (Tū Tira) and Integrity (Tū Māia); and instilling these within others; create an environment in which NZDF members are able to approach them with any concerns they may have about suspected irregularities; remain alert for 'red flags' and risk factors which suggest the existence of fraud (refer to Table 4-2 and Enclosure A); ensure that an effective system of internal control exists within their area of responsibility and is appropriate to the risk involved; report to their Chief of Service (through their chain of command) or immediate senior executive if they suspect members of NZDF may be involved may be involved in fraudulent or corrupt activities. report to their Chief of Service (through their chain of command) or immediate senior executive if there are indications that an external entity (such as a contractor or consultant) may be trying to defraud, or has defrauded, the NZDF or its personnel in carrying out their work; on receipt of a report of suspected fraud, ensure that the VCDF has been informed and the PM and the CIA notified; ensure that the CPO has been advised if the suspected fraudulent activity involved a member of the Civil Staff; as noted above, VCDF <u>and</u> the respective commander or manager are responsible for making the arrangements for the investigation of allegations of fraud, on the advice from the PM – see above for more detail. take appropriate action against any member of the NZDF, a person engaged by NZDF, and external entities who are suspected of fraud or attempting to defraud the NZDF. avoid taking any action which might prejudice a case against the suspected fraudster; and provide suitably qualified persons to assist the Investigating Officer when required.

Position	Accountabilities and Responsibilities
PM	Responsible for leading the NZDF response to suspected fraudulent activity. The PM must report any suspected fraud to the SFO or the NZ Police, as circumstances demand.
CIA	Responsible for: <ul style="list-style-type: none"> • reporting suspected and confirmed cases of fraud to the NZDF's external auditor; • providing technical assistance to the PM in support of fraud investigations, as directed by VCDF; • providing independent and objective assurance to CDF and the executive management team on the adequacy and effectiveness of internal controls, through the delivery of assignments within the audit work plan²⁵; and • providing timely reporting on internal audit findings to CDF, the executive management team and the Risk and Assurance Committee. This includes any immediate improvements needed to internal controls following a case of suspected or actual fraud, and an annual report to on the learnings for the internal control environment from fraud and corruption cases.
CPO	Responsible for assisting the PM with an investigation of suspected fraud where members of the Civil Staff are involved.
Members of the NZDF	All members of the NZDF must have, and been seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties. They are responsible for preventing, deterring and reporting actual and suspected fraudulent activity. All NZDF members must: <ul style="list-style-type: none"> • act with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers; • understand and adhere to the NZDF's fraud prevention measures; • report any concerns about suspected fraud, impropriety or other dishonest activity through whichever channel they consider most appropriate, without undue delay. Members of the NZDF can seek advice from the PM or the CIA about their concerns, including whether they constitute suspected fraud and/or corruption as needed. The channels that can be used to report concerns are: <ul style="list-style-type: none"> ○ Through their chain of command (their commander or manager or another commander or manager up the chain of command) – this would be the most frequently used option unless circumstances dictate otherwise. ○ To the NZDF Military Police. ○ Directly to VCDF, if they consider this approach is more appropriate in the circumstances.

25 The CIA is responsible for preparing a strategically relevant audit work plan that aligned to organisational risk and is approved annually by CDF.

Position	Accountabilities and Responsibilities
	<ul style="list-style-type: none"> ○ Through the 0800 OURNZDF (0800 687 6933) phone number. This is a free service where NZDF members and members of the public can advise the NZDF of serious activities that they consider are not consistent with NZDF values and that may result in a breach of the NZDF processes or the law. Calls are made through an independent provider who provides call reports to the NZDF. Further information can be found at Reporting Wrongdoing - 0800 OURNZDF ○ As a Protected Disclosure – this is a way for an employee of NZDF to report serious wrongdoing in the workplace in a safe way for the person reporting the wrongdoing – Refer Meanings of Terms and Abbreviations and DF0 70, Part 1, Chapter 8 for further information. • keep any allegations and reports of suspected or actual fraud confidential²⁶; and • not investigate their suspicions themselves or otherwise act in a way that may prejudice an investigation.

1.5 Governance arrangements

- Effective governance oversight of fraud and corruption risks in the NZDF is a key element of the NZDF's fraud and corruption control framework (refer to [paragraph 2.1](#)).
- Figure 1.1 below sets out the fraud and corruption governance structure in the NZDF.

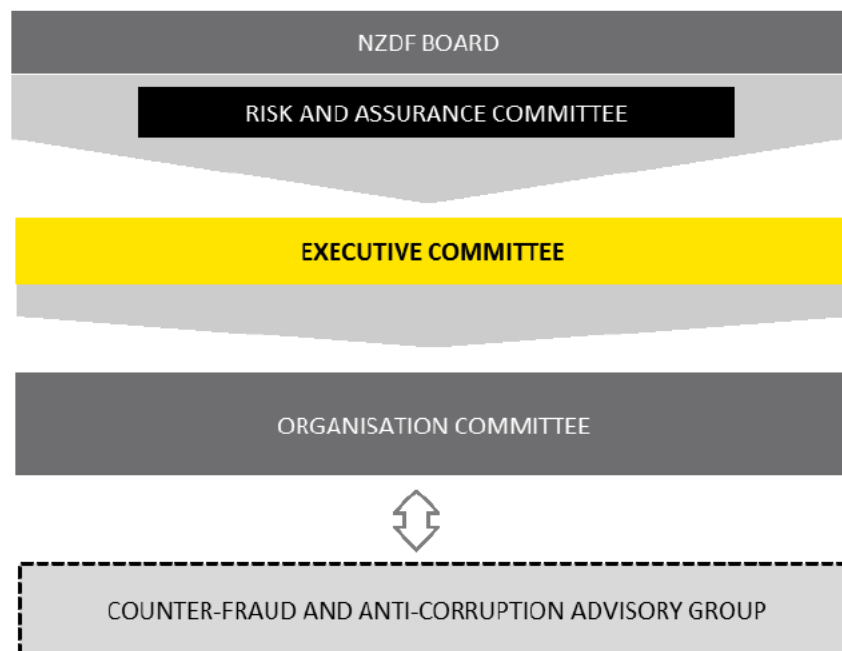


Figure 1-1 Governance arrangements - fraud and corruption control

26 The allegation must be kept confidential to enable the allegation to be properly investigated by appropriate authorities and to protect the rights of any person suspected of the fraud.

- h. Further detail on the governance structure for the oversight of fraud and corruption risk in the NZDF is set out in Table 1-2 below.

Table 1-2 Governance arrangements for fraud and corruption control

NZDF Advisory Board	The NZDF Advisory Board provides strategic advice that ensures that long-term success of the NZDF.
Risk and Assurance Committee	The Risk and Assurance Committee (RAC) provides advice to the NZDF Board and CDF on risk and assurance across NZDF. The RAC receives reports on NZDF fraud control initiatives and serious fraud incidents. It also receives regular reports on trends in fraud cases, actual and suspected, with a focus on the learnings for the NZDF's internal control environment.
Executive Committee	The Executive Committee (EXCO) sets the pan-NZDF priorities and monitors overall performance, delegating this oversight to the Organisation or Outputs Committees, where appropriate.
Organisation Committee	<p>The Organisation (Org) Committee provides stewardship and integrated governance across the NZDF's finances, people, property, information technology, and management resources in accordance with the NZDF Plan. This includes governance over organisational and strategic change programmes and projects within thresholds.</p> <p>The Org Committee supports EXCO in providing governance oversight of fraud and corruption control and related matters.</p>
Counter-fraud and Anti-Corruption Advisory Group	The Counter-Fraud and Anti-Corruption Advisory Group (CFAC) advises and supports the Org Committee's governance oversight of fraud and corruption risk and control matters, providing subject matters expertise and guidance.

Chapter 2 - NZDF Fraud and Corruption Control Framework

Section One – NZDF Fraud and Corruption Control Framework

2.1 Overview

- a. Members of the NZDF public must be provided with assurance that the NZDF takes the risk for fraud and corruption seriously and deals with any suspected fraud or corrupt action appropriately and effectively. Appropriate action must be taken to protect public resources, identify perpetrators of fraudulent activity, and to prevent, detect and respond to fraudulent or corrupt activity.

2.2 NZDF Fraud and Corruption Control Framework

- a. The NZDF operates a multi layered framework to **Prevent, Detect, and Respond** to managing the risk of fraud and corruption.
- (1) **Fraud prevention** is implemented through a sound system of preventative controls that reduces the risk of fraud occurring.
 - (2) **Fraud detection** involves the use of monitoring and review tools to detect fraud when it occurs. It also includes mechanisms that enable suspected fraud to be reported and investigated.
 - (3) **Fraud response** involves policies and processes that ensure that suspected fraud cases are dealt with in a consistent and effective manner to minimise the loss and that accountability for activities is enforced. It also involves ensuring that action is taken to improve any identified weaknesses in the control environment.
- b. This holistic framework involves the implementation, continuous monitoring and improvement across the three elements of the framework. Such an approach is in keeping with counter-fraud and anti-corruption good practice.

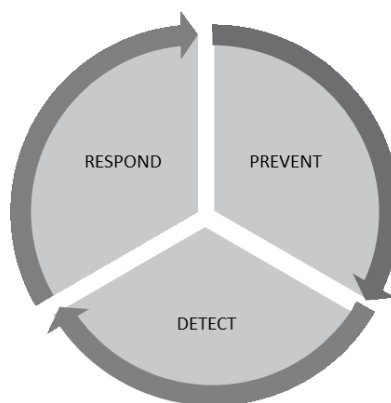


Figure 2-1 Fraud Control Framework - Prevent, Detect, Respond

2.3 The key elements of the Fraud and Corruption Control Framework

- a. Figure 2-2 below summarises the main measures under the three key elements of the NZDF Fraud and Corruption Control framework. Chapters 3 – 5 contain further information about fraud prevention, detection and response.

Prevent	Detect	Respond
Ethical values, leadership and culture	Reporting suspected wrongdoing	Fraud response policies and protocols
Governance and accountability	Detective controls	Investigation capability, processes and training
Risk assessment	Data analytics and audit intelligence	Disciplinary processes
Policy framework	Evaluation of internal controls	Recovery and debt management processes
Communication and awareness	Complaint processes	Reporting on cases and trends and improving controls
Protective Security controls		
Financial control		
Procurement controls		
Process design and change management controls		
Leveraging our networks		

Figure 2-2 Key elements of the Fraud and Corruption Control Framework

Chapter 3 - Preventing Fraud and Corruption

The NZDF is committed to preventing fraud and corruption

Section One – The prevention measures

3.1 Overview

- a. Fraud prevention is the first element of the Fraud and Corruption Control Framework. There are a wide range of measures that the NZDF employs across all aspects of its operations to prevent fraud and corruption from occurring. All these measures serve to reduce the risk of fraud and corruption occurring.
- b. Ethical leadership and culture, and robust governance, policies, processes and controls at the NZDF are key prevention measures in combatting against fraud and corruption from occurring in the organisation.

3.2 Summary of the prevention measures

- a. Table 3-1 below summarises the key measures in the NZDF framework for preventing fraud and corruption.

Table 3-1 Fraud and Corruption Prevention in the NZDF – the key measures

Ethical leadership and values <i>Ethical values underpin all counter-fraud and anti-corruption efforts. A positive culture reinforces expected behaviours.</i>	<p>The NZDF values underpin all efforts to counter fraud, impropriety, dishonesty or corruption. The NZDF core values – Courage (Tū Kaha) Commitment (Tū Tika), Comradeship (Tū Tira) and Integrity (Tū Māia) are expected to be embedded into everything we do and must be reinforced regularly by senior leaders, commanders and managers to ensure all personnel understand and are guided by our values.</p>
Governance and accountability <i>Clear and well-understood governance and accountability arrangements for the effective oversight and management of fraud and corruption risks.</i>	<p>The NZDF has governance and management arrangements to identify, understand, manage and govern fraud risk management. The governance arrangements are set out in Figure 2-1.</p> <p>Clear accountabilities and responsibilities for fraud risk management ensures that everyone in the NZDF understands and plays their part in the effective management of fraud risk. The accountabilities and responsibilities are set out in Table 1-1.</p>
Risk management <i>Comprehensive, and regular assessment of fraud and corruption risk to inform control programme</i>	<p>The NZDF has a contemporary risk management framework. The framework and associated instructions are set out in DFO 081 and DFI 0.81. The NZDF's overall fraud risk assessment is undertaken in accordance with this framework.</p>

<p>Robust policy framework</p> <p><i>Comprehensive policy framework that addresses key areas of fraud and corruption risk.</i></p>	<p>Underpinned by our Code of Conduct, our policy framework covers areas such as ethics and integrity, discipline, conflicts of interest, acceptance of gifts and hospitality, financial management and reporting, protective security and procurement. Policies are kept up-to-date in line with risk and good practice.</p>
<p>Communication and Awareness</p> <p><i>There is strong and regular communication from senior leaders and awareness of risks by all personnel</i></p>	<p>Senior leaders, commanders and managers regularly communicate the NZDF expectations about the integrity and conduct, and the NZDF's zero tolerance for action not being taken on suspected fraud and corruption.</p> <p>All staff are aware of the expectations, the fraud risks and the NZDF policy to manage the risk of fraud.</p>
<p>Protective security controls</p> <p><i>Appropriate personnel, physical and information security controls operate to manage the risks</i></p>	<p>NZDF policies and procedures are in place to implement the government Protective Security Requirements. This includes effective governance, personnel, physical and information security controls. This includes an Insider Threat Management Capability programme of work to help protect the NZDF from insider threats.</p>
<p>Financial controls</p> <p><i>Robust financial controls operate to protect financial resources from loss from fraud and/or corruption.</i></p>	<p>Financial controls include policies, delegations, approval processes, reconciliations, monitoring of budgets and expenditure, and segregation of duties across accounts payable.</p>
<p>Procurement system controls</p> <p><i>Procurement system controls operate to ensure compliance with legislation, regulation and policies and effectively manage the risks.</i></p>	<p>Procurement system controls ensure all practices are in line with New Zealand Government Rules of Sourcing and NZDF procurement policies and processes. This includes supplier vetting processes.</p>
<p>Leveraging our networks</p> <p><i>Regular engagement with external agencies and strategic partners to develop better practices in fraud and corruption control.</i></p>	<p>The NZDF seeks continuous improvement in fraud and corruption control through regular engagement with external global and domestic agencies and strategic partners to learn from their experiences.</p> <p>The NZDF collaborates with the SFO's ongoing prevention efforts through active participation and contribution to the government Counter Fraud Community of Practice. Additionally, the MoD and the NZDF participate in the Five Country Defence Fraud and Anti-corruption Network, with defence partners in the United States, United Kingdom, Canada and Australia.</p>

Chapter 4 - Detecting Fraud and Corruption

If you see or suspect something, say something.

Section One – The detection measures

4.1 Overview

- a. Detection is the second element of the Fraud and Corruption Control Framework.
- b. NZDF staff personnel must remain vigilant to the risks of fraud, and speak up if any activity appears to be out of the norm.

4.2 Summary of key detection measures

- a. Table 4-1 below summarises the key elements of the NZDF framework for detecting fraud and corruption.

Table 4-1 Fraud and Corruption Detection in the NZDF – the key measures

<p>Reporting wrongdoing</p> <p><i>Good staff and contractor understanding of fraud and corruption and adequate means for internal and external parties to report concerns.</i></p>	<p>A key element of a strong fraud and corruption control framework is ensuring there is a culture that promotes speaking up about wrongdoing, with policies and processes that make it easy to do so.</p> <p>A number of mechanisms exist for all NZDF personnel to report matters of wrongdoing, without fear of punishment or reprisal. These include clear policy and guidance for all personnel on fraud and what to do if members suspect fraud is being perpetrated. Guidance material also includes the NZDF's procedures for making protected disclosures under the Protected Disclosures (Protection of Whistleblowers) Act 2022.</p>
<p>Detective controls</p> <p><i>Detective controls operate to identify activities that are different from the norm.</i></p>	<p>An essential component of fraud detection includes adequate and effective internal controls, covering key areas of fraud risk, such as (but not limited to) procurement, personal expenditure, personnel allowances, conflict of interest, asset management, gifts and probity, and personnel, physical and information risks.</p> <p>To enhance effectiveness, the NZDF balances both automated system controls and manual oversight controls carried out by commanding officers and managers.</p>
<p>Data analytics and audit intelligence</p> <p><i>Fraud detection software and programmes analyse data to detect exceptions that may indicate fraud or corruption.</i></p>	<p>The NZDF's Internal Audit function has an Audit Intelligence Unit. This capability assists in fraud detection activities that help flag exceptions that may be indicators of fraud.</p>

<p>Evaluation of internal controls</p> <p><i>Second and third lines of assurance operate to provide confidence that internal controls are designed and operating effectively to manage risks.</i></p>	<p>In line with the NZDF risk management framework, the NZDF uses the three lines of assurance to manage risks. The second and third line of assurance provide confidence that the internal controls are designed and operating effectively. The second line includes the work done by NZDF Finance, Defence Security, Defence Commercial Services and other functions to manage the risk of fraud through effective policy and procedures. The third line of assurance is provided by an independent internal audit function.</p>
<p>Complaint Processes</p> <p><i>Complaint processes allow NZDF personnel and third parties to raise complaints that may indicate suspected fraud or corruption.</i></p>	<p>The NZDF has a variety of processes by which complaints can be raised by NZDF personnel and third parties. Complaints may involve wrongdoing that might indicate fraud and/or corruption.</p>

4.3 Being alert to the red flags of fraud or corruption

- a. Commanders and managers should remain alert for 'red flag' indicators of fraud and corruption. The following are examples of indicators which either individually, or in combination, could be indicators that fraudulent or corrupt activity may be occurring.

Table 4-2: Some 'red flag' indicators of possible fraud and corruption

- Apparent lifestyle beyond salary level, improvement in apparent lifestyle or increased spending pattern of a member of the NZDF.
- Supplier complaint about a member of NZDF.
- Unjustified or late working by staff or untaken leave or holidays.
- Unexpected or irregular associations or liaisons between staff.
- Staff interested in examining documents outside their regular tasks.
- Missing or mislaid documents.
- Line management override of internal controls or poor local application of internal controls.
- Internal or external audit recommendations are ignored.
- A denial, withdrawal, or downgrade in security clearance.
- A change in circumstances which could impact on an individual's security clearance that has been left undisclosed.

4.4 Fraud in times of crisis²⁷

- a. There is an inherently higher risk of fraud in times of crisis. This is because governance and management policies, systems and processes typically need to be put in place rapidly, and usual checks and balances may not be put in place. Both the design and operating effectiveness of systems may be compromised.

²⁷ Serious Fraud Office, 'Preventing fraud in times of crisis', 2021.

- b. Fraudsters typically target times of crisis to make gains, either through receiving services that they are not entitled to, or through acting fraudulently in the delivery of services to those affected.
- c. Those working in these situations should be mindful of the unique opportunities for fraud that may be specific to the situation they are in.

Section Two – The key methods of detecting fraud and corruption

4.5 Methods of detecting fraud and corruption

- a. The preventative systems, particularly internal control systems within the NZDF, have been designed to prevent the possibility of fraudulent or corrupt activity. However, a key element of any risk management approach is to have effective ways to detect if the risk has or may have eventuated.
- b. In the context of fraud and corruption risk, it is often the vigilance of members of the NZDF and other parties' that enables detection to occur through the following main ways:
 - (1) suspected fraud or corruption or general concern reported by a member of the NZDF, supplier, third party or member of the public;
 - (2) the operation of routine internal controls in the first and second line of assurance;
 - (3) internal audit activities at the third line of assurance; or
 - (4) external audit or other regulatory oversight activities.

4.6 The importance of speaking up

- a. The most common way that fraud and corruption is detected is for people at all levels in the NZDF to speak up when something does not look right. This is consistent with our values, especially those of courage, commitment and integrity.
- b. Everyone in the NZDF is strongly encouraged to report any concerns they might have about wrongdoing or suspected fraud and corruption within NZDF, through whichever channel they think is most appropriate.
- c. Whatever channel you use, you can have confidence that your issue will be addressed professionally, with an appropriate level of confidentiality and in a manner consistent with our values. NZDF recognises that it takes courage to speak up.
- d. NZDF members must keep their allegations and any report of suspected fraud confidential.²⁸
- e. NZDF members must not investigate their suspicions themselves or otherwise act in way that may prejudice an investigation.

28 The allegation must be kept confidential to enable the allegation to be properly investigated by appropriate authorities and to protect the rights of any person suspected of the fraud. The provisions of the Privacy Act 2020, and the Human Rights Act 1993 apply.

4.7 The different ways you can report suspected fraud and corruption

- a. NZDF members have different channels or ways in which they can report their concerns about suspected fraud and corruption. The different channels are:
 - (1) Through their Chain of Command - this would be the most frequently used option unless circumstances dictate otherwise (refer [paragraph 4.8](#)).
 - (2) To the Military Police – this channel is typically used for reporting activities which are potentially criminal or disciplinary in nature. (refer [paragraph 4.9](#)).
 - (3) Through the 0800 OURNZDF number which provides NZDF members, as well as members of the public, the means to report serious wrongdoing. Refer [paragraph 4.10](#)).
 - (4) Directly to the VCDF if this approach is considered more appropriate in the circumstances (refer [paragraph 4.11](#)).
 - (5) As a protected disclosure – this provides current and former Service personnel, employees and contractors a way of reporting serious wrongdoing which provides some protections around any civil, criminal, or disciplinary proceedings. Further information on this channel is in [paragraph 4.12](#) and [DFO 70, Chapter 8](#).
- b. If members of the NZDF are unsure as to whether their concerns indicate potential fraud and/or corruption, they can seek advice from the PM and/or the CIA.
- c. [Figure 4-1](#) below provides a summarised visual depiction of the fraud reporting process.

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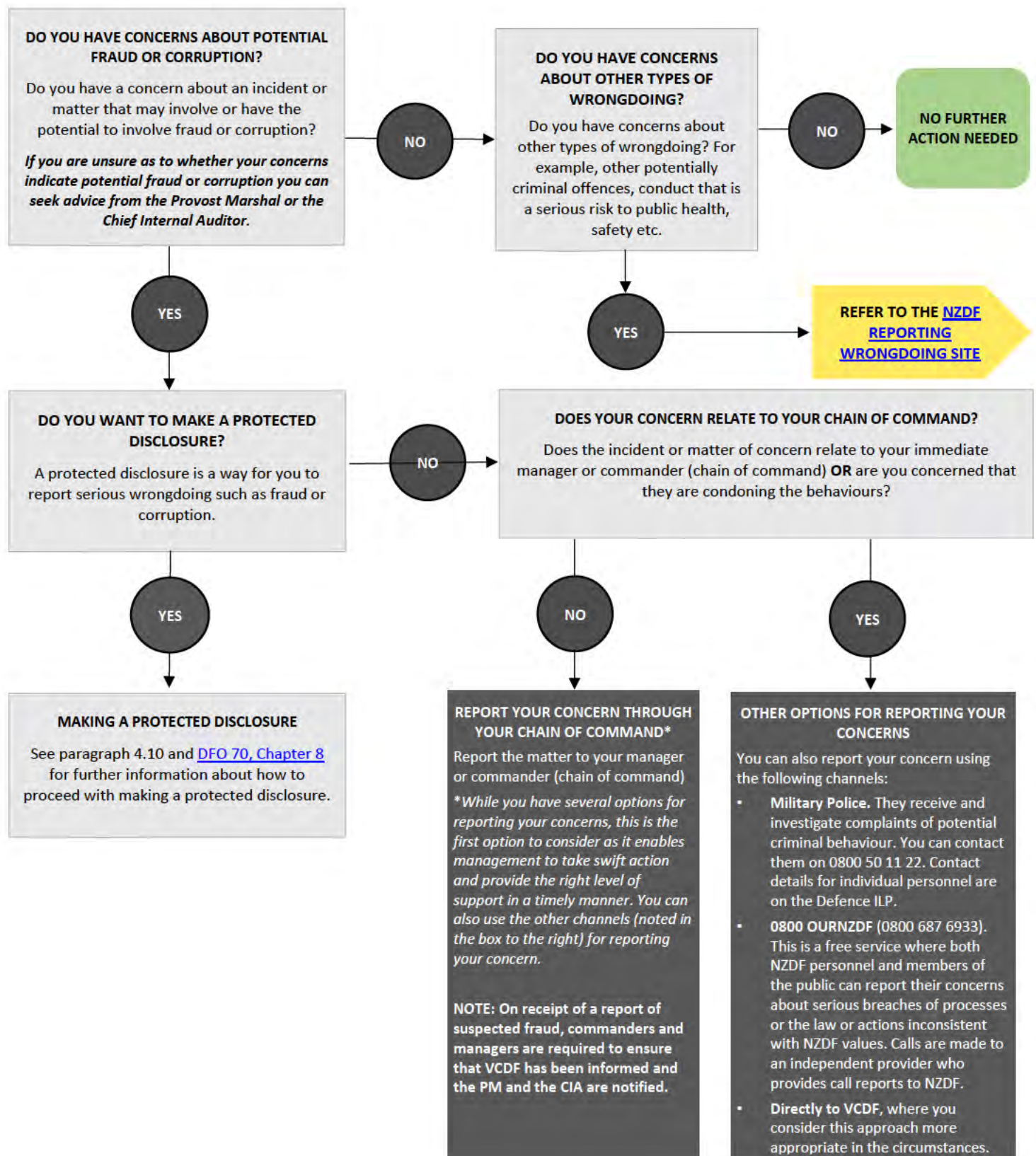


Figure 4-1 Fraud reporting process

4.8 Reporting through your Chain of Command

- a. NZDF personnel have various options for how they can report suspected fraud and/or corruption. The first option to consider should be reporting through your manager or commander (chain of command). This is often the most appropriate course of action as it enables management and command to address the issue swiftly, take any appropriate course of action and provide the right level of support in a timely manner.
- b. If your immediate manager or commander is the subject of the incident themselves, or if you consider they are condoning the behaviours, you can escalate up the chain of command as appropriate.
- c. The person to whom you report the incident will be obliged to inform the relevant senior manager, or Commander, generally including the Camp/Base Commander or Portfolio Head, of any allegations involving their staff.

4.9 Reporting to the Military Police

- a. The role of the NZDF Military Police is to provide discreet, agile and professional military policing and investigative services to the NZDF, both in domestic and deployed situations. There is a military police presence on most camps, bases and ships and in many deployed environments.
- b. The Military Police receive and can investigate allegations of offending against New Zealand law and breaches of military good order and discipline, including orders breaches.
- c. The NZDF Military Police provide a 24 hour response through the freephone assistance line 0800 50 11 22 or for a less immediate response an online contact form is available at: <http://orgs/sites/nzdf-mp/JMPU/ReportCrime.aspx>.

4.10 Reporting using the 0800 OURNZDF Reporting Hotline

- a. Members of the public, and NZDF personnel can use the free 0800 OURNZDF (0800 687 6933) hotline to report suspected fraud and/or corruption.
- b. Callers are encouraged to be as informative as possible so that allegations can be assessed and investigated if necessary.
- c. This service provides an opportunity to report such things as inappropriate use of NZDF equipment or funds, inappropriate disposal of waste, theft, malicious damage, fraud, etc.
- d. Disclosure though this channel is not protected under the Protected Disclosures Act (see paragraph 4.12 below), though the principles of the Public Services Commission's [Speaking Up standards](#)²⁹ would still apply.
- e. Refer to [Reporting Wrongdoing site](#) for further information.

29 Acting in the Spirit of Service – Speaking Up standards, April 2019.

4.11 Reporting directly to VCDF

- a. NZDF personnel have the option of reporting their suspicions about fraud and/or corruption directly to VCDF if they consider this approach is more appropriate in the circumstances.

4.12 Making a protected disclosure about serious wrongdoing

- a. A protected disclosure is a way to report serious wrongdoing (refer to the definition in [Meaning of Terms and Abbreviations](#)) in the workplace in a safe way for the person reporting the serious wrongdoing. The NZDF's policies and procedures in relation to protected disclosures are set out in [DFO 70, Part 1, Chapter 8](#).
- b. More information can also be accessed about reporting wrongdoing as a protected disclosure on the NZDF ILP at the [Reporting Wrongdoing site](#).

4.13 Making complaints

- a. The NZDF has a variety of ways for members of the NZDF, or third parties, to make complaints that may not be related to suspected fraud or corruption or other serious wrongdoing.
- b. The avenues available for members of the NZDF are on the [Complaints, Issues and Concerns](#) page of the Reporting Wrongdoing site. The processes include the [Military Complaints Process](#), the [Civilian Personal Grievance Process](#), and reports about [Bullying and Harassment](#). There are also opportunities to raise complaints around [Safety and Health](#).
- c. Complaints could involve suspected fraud or corruption and in these circumstances reporting through a wrongdoing channel may be the most appropriate course of action.
- d. Any complaints received through the complaint processes that may involve suspected fraud and/or corruption will be actioned in accordance with Chapter 5 of this DFI.

Chapter 5 - Responding to Fraud and Corruption

In the NZDF, we respond promptly and appropriately to suspected fraud and corruption.

Section One – The measure to respond to suspected fraud

5.1 Overview

- a. Fraud response involves policies and processes that ensure that suspected or actual fraud cases are dealt with in a consistent and effective manner to minimise loss and that accountability for activities is enforced. It also involves ensuring that action is taken to improve any identified weaknesses in the control environment.

5.2 Summary of key fraud and corruption response measures

- a. Table 5-1 summarises the key measures in the NZDF framework for responding where there are suspected or actual cases of fraud and corruption.

Table 5-1 Fraud and Corruption Response in the NZDF – the Key Elements

Fraud response protocols <i>Policies and procedures for responding to suspected fraud, with clear referral processes to external agencies</i>	<p>The NZDF has Fraud Response protocols for responding to allegations of fraud or corruption. The aim of the protocols are to ensure that the perpetrators of fraud and corruption are identified, that internal response actions are lawful and that, in consultation with external agencies, remedies are applied consistently and fairly, and the recovery of lost money or other property is pursued wherever practicable.</p>
Investigation Capability and Processes <i>Appropriately independent and skilled resources to carry out investigations</i>	<p>Investigations into allegations of fraud may be conducted by New Zealand Police, or by the Military Police under the Technical Control (TECHCON) of the PM. Specialist audit intelligence and other support is provided by the CIA, as appropriate. DLS will provide legal support as required. The CPO provides specialist HR support for investigations involving members of the Civil Staff.</p>
Disciplinary Processes <i>Clear policy and process for disciplinary action</i>	<p>There are clear policies and processes for disciplinary action for both military members and members of the Civil Staff where fraud or corruption is suspected and/or proven.</p>
Recovery of losses <i>Recovery action required when fraud is proven</i>	<p>This DFI sets clear policy requirements for the attempted recovery of losses suffered from fraudulent activity through criminal or civil recovery processes. Refer to 5.7 recovery of losses and write-off from fraudulent activity.</p>

Reporting on cases and improving controls*Regular reporting on fraud cases and trends. Review of internal controls after cases to improve controls.*

There is regular reporting of all fraud and corruption cases to CDF, the executive team and governance committees and analysis of trends to identify any action required. Internal controls are reviewed after cases to ensure that any identified improvements to the control environment are implemented.

*Section Two – Acting when there is suspicion of fraud or corruption***5.3 Action on receipt of information relating to a suspected fraud or corrupt act**

- a. A commander or manager who is in receipt of an allegation of suspected fraud or corruption, or who suspects fraud or corruption, is to report the matter through the command chain/line management, or directly to VCDF without delay.³⁰
- b. The PM and CIA must also be notified. If the suspected fraud involves a member of the Civil Staff, the CPO must also be notified.
- c. Commanders and managers are to take care to avoid doing anything which might prejudice any investigation of suspected fraud or wrongdoing. Where appropriate, they must take direct and immediate action to prevent further offending and/or evidence being lost or destroyed.

5.4 The Fraud Response process

- a. A detailed Fraud Response process has been developed that outlines the key steps that occur when potential fraud and/or corruption is suspected. The process is documented for both a military and civilian member.
- b. The fraud response process diagrams are in [Enclosure B](#). The key steps in the process are summarised in paragraphs 5.5 – 5.8 below.

5.5 Fraud Response - initial triage

- a. The first stage of the response to potential fraud or corruption is a triage process led by PM. The purpose of the triage process is to:
 - (1) ensure that all functions with relevant responsibilities and specialist expertise are brought together to consider the situation;
 - (2) assess the potential allegation or concern, immediate actions required and next steps required;
 - (3) provide advice to the commander/manager and VCDF as to whether there is reasonable cause to suspect an investigation of the allegation or concern is warranted, and the recommended actions; and

30 If a protected disclosure is made, the requirements for protecting the confidentiality of the information disclosed are set out in section 17 of the Protected Disclosures (Protection of Whistleblowers) Act 2022.

- (4) notify the relevant external authorities, in accordance with the Fraud Response protocols if there is reasonable cause to suspect fraud may have occurred. This includes notification to the NZ Police, the SFO, and the external auditor.

5.6 Preliminary inquiry or investigation of the allegation or concern

- a. On advice from the PM, the VCDF³¹ and the respective commander/ manager are responsible for making the arrangements for the preliminary inquiries into or investigations of allegations of fraud and corruption. These arrangements must include:
 - (1) appointing an appropriately qualified person³² (the Investigating Officer) to lead the preliminary inquiry or investigation;
 - (2) advising the respective Chief of Service or the relevant senior executive, of an investigation into suspected fraudulent activity by a member of their Service or person for whom they are responsible;
 - (3) receiving the Investigating Officer's report and, with the respective commander or manager, considering the appropriate response on the advice of the PM and CPO; and
 - (4) advising the respective Chief of Service or relevant senior executive of the results of an investigation and proposed disciplinary action where required.
- b. For military members, the purpose of the preliminary inquiry is to collect evidence which will assist the commanding officer determine whether the allegation of fraud or corruption is well-founded³³ and will be relevant and admissible in subsequent proceedings. If the allegation is well-founded, the commanding officer decides on the appropriate disciplinary response required, which is either a charge under the Armed Forces Discipline Act 1971 or referral to a civil authority (SFO or NZ Police). The requirements for these processes are set out in [Manual of Armed Forces Law, Volume 1, Commander's Handbook on Military Law](#).
- c. For civilian personnel, the purpose of the investigation is to:
 - (5) gather information to assess whether there is credible information, on the balance of probabilities, that fraud has occurred; and
 - (6) assist the decision-maker³⁴ determine if the activities of the civilian are in breach of the Code of Conduct, and any appropriate disciplinary action.

31 In the event that VCDF has a conflict of interest that may compromise their impartiality a Chief of Service or senior executive will take responsibility for overseeing the arrangements, under direction from CDF.

32 The Investigating Officer may be appointed from internal or external sources.

33 An allegation is well-founded if there is a reasonable prospect of a finding of guilty on a charge; and it is the interests of service discipline that the allegation is recorded in the form of a charge – refer [Manual of Armed Forces Law, Volume 1, Commander's Handbook on Military Law](#).

34 Refer to DFO 16, Table 2-1: Delegations, to ensure the appropriately empowered manager is identified.

- i. The [NZDF Civil Staff Disciplinary Policy](#) outlines the steps that the NZDF will take to handle any disciplinary issues relating to civilian personnel. It also provides guidance on what NZDF considers to be misconduct and serious misconduct, and the process that will be followed in the event that NZDF is concerned that misconduct or serious misconduct may have occurred.
- j. It is important to note that, for civilian personnel, the investigation does not establish if criminal offending has occurred – this is a matter for external law enforcement authorities.
- k. VCDF approval is required where NZDF Military Police assistance is to be provided to external law enforcement authority investigations.

5.7 Recovery of losses and write-off from fraudulent activity

- a. The NZDF must attempt to recover all losses from fraudulent activity through criminal or civil recovery processes.³⁵
- b. All decisions not to proceed with recovery action, or not to proceed with criminal prosecution, must be approved by VCDF.
- c. The decision and reasons must be fully documented and will be subject to internal and external audit and review.
- d. Financial delegation holders are to account for the non-recovery of a loss or write-off action.

5.8 Assessment of controls and reporting on learnings for the control environment

- a. It is important following any cases of suspected or actual fraud, to assess whether there are any weaknesses in the control environment, or the design and operating effectiveness of particular controls. This assessment of internal controls is undertaken by the CIA, with reports on internal audit findings provided to CDF, the executive management team and the Risk and Assurance Committee, as appropriate.
- b. The CIA must also report annually to the CDF and VCDF, the relevant NZDF governance committees and the Risk and Assurance Committee on the wider learnings for the NZDF control environment from all fraud cases.

³⁵ Including through the provisions of the Armed Forces Discipline Act 1971.

End Matter

Record of Change

Amendment Number	Commencement Date	Reference	Details of Change	Approving Authority
Version 1.00	13 January 2023		On Issue	Vice Chief of Defence Force

DFI 10.7 - Managing Fraud and Corruption
End Matter

Version 1.00
13 January 2023

Enclosures

- A Further Guidance on Fraud and Corruption
- B Fraud Response Process Flows

Enclosure A | Further Guidance on Fraud and Corruption

Introduction

This enclosure sets out further guidance to assist in understanding what constitutes fraud and corruption, and the risk factors.

What is fraud and corruption?

Fraud encompasses a wide range of criminal conduct involving deliberate deception in order to receive unfair, unjustified or unlawful gain.³⁶ It can include theft, misuse of funds, misuse of supplies or assets, disclosure of official activities or information for advantage, falsifying records, making fraudulent statements, or avoiding proper procedure.

Corruption is the abuse of entrusted power for private gain. It can take various forms, including secret commissions, kickbacks, bribes and other forms of unlawful payments. Corruption also encompasses a number of offences such as abuse of positions, of power and money laundering.

Guidance on what constitutes fraud and corruption is set out in [Meanings of Terms and Abbreviations](#)

Fraud and corruption risk types

The Defence Fraud and Corruption Tree³⁷ (the Tree) in [Figure A-1](#) outlines the different main types of fraud and corruption risk that the NZDF is exposed to.

The Tree was developed by the Australian Defence Force based on a review of current and historical cases, examination of other agency experiences and analysis of research. The risk types are consistent with the NZDF and New Zealand public sector experiences with fraud and corruption.

36 Ministry of Justice, Fraud and Corruption Policy Framework

37 Australian Defence Force, 'Australian Defence Force (ADF) - 'Defence Fraud and Corruption Tree'', 2017. It is adapted from the International Association of Certified Fraud Examiners – The Fraud Tree.

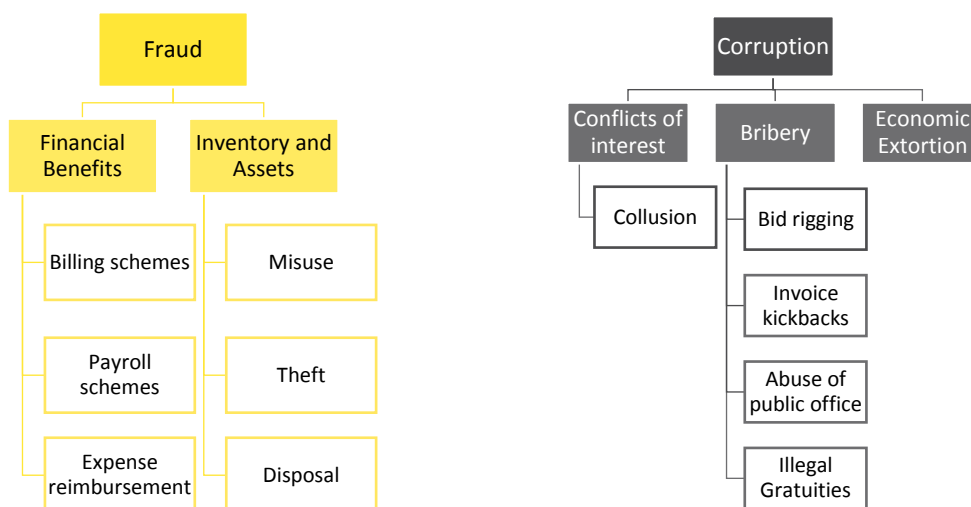


Figure A-1 Defence Fraud and Corruption Tree

Fraud and corruption on a continuum of behaviours

Another way of understanding corruption is viewing it along a continuum of behaviours. At one end of the continuum is ethical behaviour, at the other is corrupt behaviour.

[Figure A-2](#) shows this continuum of behaviours from ethical behaviour through to fraudulent or corrupt behaviour, and describes the different types of behaviour. The different unethical behaviours may represent administrative misconduct or criminal conduct.

It highlights that preventing, detecting and responding to unethical behaviour is critical for organisations, as this type of behaviour can increase the risk of, and lead to the development of, corrupt behaviours and culture.

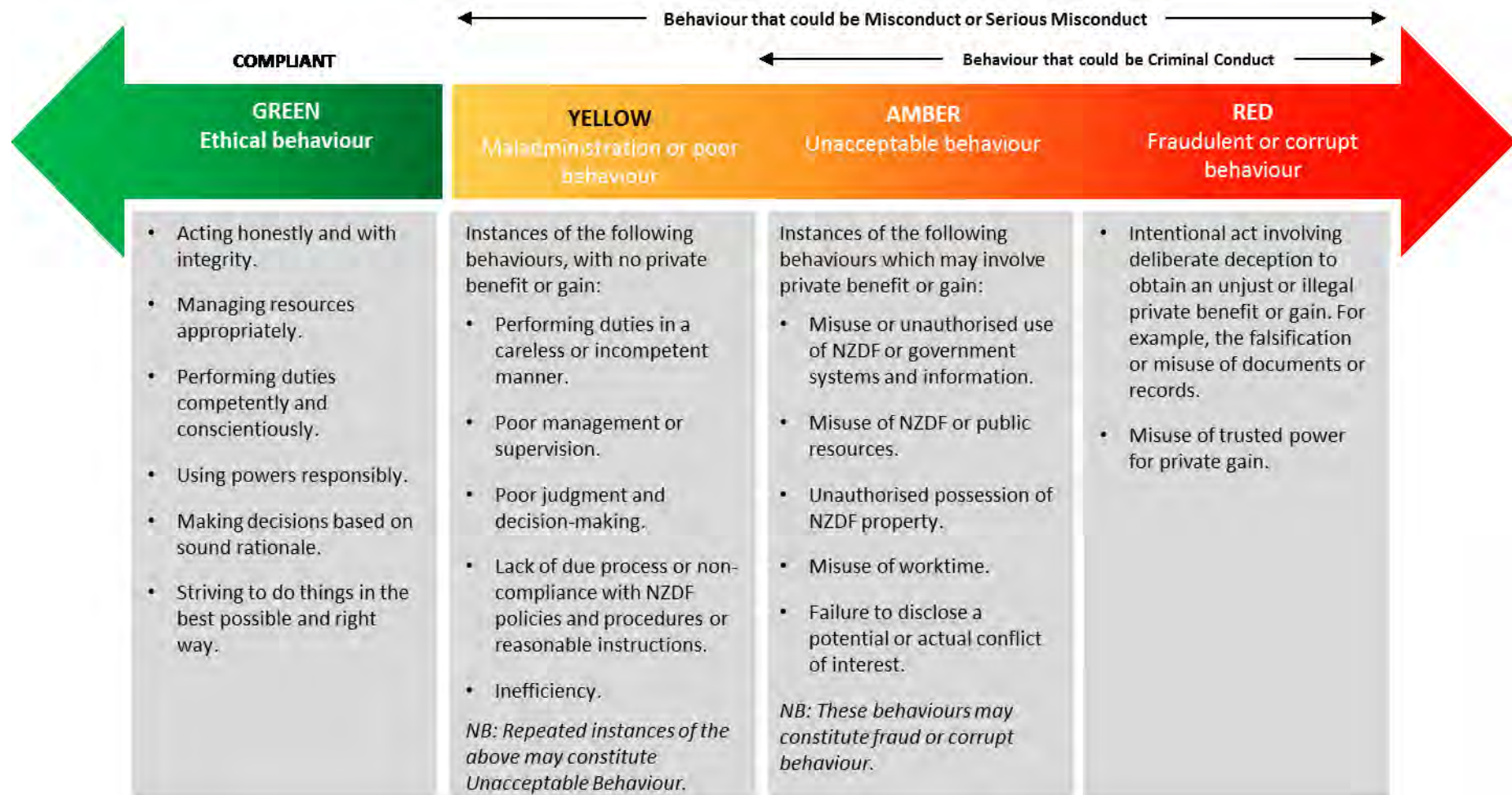


Figure A-2 Continuum of behaviours³⁸

38 The 'Continuum of Behaviours' figure has been adapted from the Australian Defence Force Fraud and Corruption Control Plan 2017 to fit the NZDF context.

The Fraud Triangle

The Fraud Triangle is a model that allows us to understand the factors that can cause someone to perpetrate fraud.³⁹

A good fraud prevention approach will address all elements of the fraud triangle.

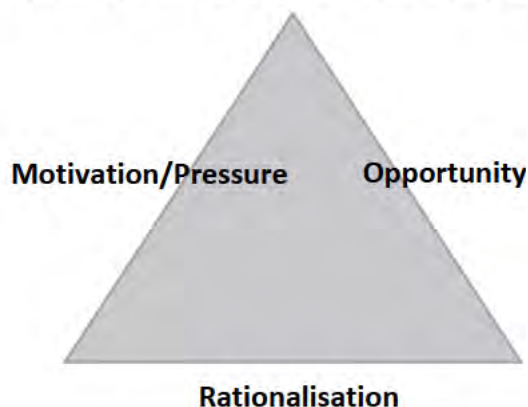


Figure A-3 **Fraud Triangle**

Table A-1 below outlines some examples of the three elements of the Fraud Triangle

Table A-1: Fraud Triangle - Examples

Motivation/Pressure <i>The things that drive a person to commit fraud</i>	<ul style="list-style-type: none"> • Addiction problems - alcohol, drugs, gambling etc. • Substantial financial losses • Living beyond ones means/expensive tastes • High personal debt or financial trouble • Personal/professional pressure to succeed • Greed, ambition and ego
Rationalisation <i>An individual's justification for committing fraud</i>	<ul style="list-style-type: none"> • "I deserve it, I'm entitled to it, and I've worked hard for it". • "I'll pay it back later" • "No one will even notice it's gone" • "Everybody else is doing it" • "I pay enough tax". • "I'm doing it for my family" • "I am not hurting anyone" • "The organisation can afford it" • "It's for a good cause"
Opportunity <i>The gap or weakness in a system that can be exploited.</i>	<ul style="list-style-type: none"> • Ability to override system/physical controls. • Lack of oversight, management and enforcement of internal control. • Applicants take advantage of a high trust model to apply for funding they are not eligible for

39 Serious Fraud Office, 'Fraud Triangle', 2021.

- Misrepresenting commercial agreements to avoid triggering threshold reviews and reporting requirements.

The risk factors that affect the likelihood of fraud and corruption

It is important to think about the likelihood of fraud and corruption in an organisation both in terms of the different types of people who commit fraud and the environment (systems, processes etc.) that allow it to happen.

Understanding the fraudster

It is difficult to develop a profile of character traits for individuals who commit fraud. People from different social and educational backgrounds and people at different levels within the organisation can commit fraudulent acts.

People rarely join an organisation with a view to commit fraud. They become fraudsters through a combination of factors, with the key driver being pressure. This pressure can be generated in the workplace, external to the work place, or both.

The trigger in fraud situations is often some form of loss of loyalty by an individual. This can be used to justify or rationalise their actions. Ultimately, the scale and nature of the fraud is affected by opportunity and weaknesses in the control environment.

Table A-2 The Fraud Personas

Fraud persona⁴⁰	Description
The Fabricator	Invents or produces documents/ information that is false to dishonestly gain a personal benefit or a benefit for another person.
The Corruptor	Abuses their position of entrusted power to gain a benefit for themselves or another person.
The Impersonator	Pretends they are another person or entity to dishonestly gain a benefit for themselves or another person.
The Deceiver	Makes others believe something that is not true to dishonestly gain a benefit for themselves or another person.
The Enabler	Knowingly enables fraudulent activity to dishonestly gain a benefit for themselves or another person.
The Organised	Groups that use the combination of methods in a planned coordinated way to dishonestly gain a personal benefit.
The Exploiter	Uses something for a wrongful purpose to dishonestly gain a benefit for themselves or another person.

40 Serious Fraud Office, "Fact Sheet - Seven Fraudster Personas", 2021.

The environment in which fraud is likely to occur

Fraud is more likely in certain types of environments. The table below outlines some of these types of environments.

Table A-3 The workplace environment in which fraud is more likely to occur

- There is no formal code of conduct which all staff understand and adhere to.
- The culture is not one of honesty and openness.
- Lack of clear and well-designed policy and procedures and internal control systems to put them into effect are not well established or monitored.
- Poor risk management.
- Delegations either do not exist, are unclear, or are not adhered to.
- Inadequate supervision and/or opportunities for collusion between two or more staff.
- Inadequate management information about the existence and use of resources and assets.
- Ineffective internal audit function.

The impacts of fraud and corruption

The impact of fraud and corruption is not limited to loss of financial and other resources. There are much wider impacts, as described in Table A-3 below.

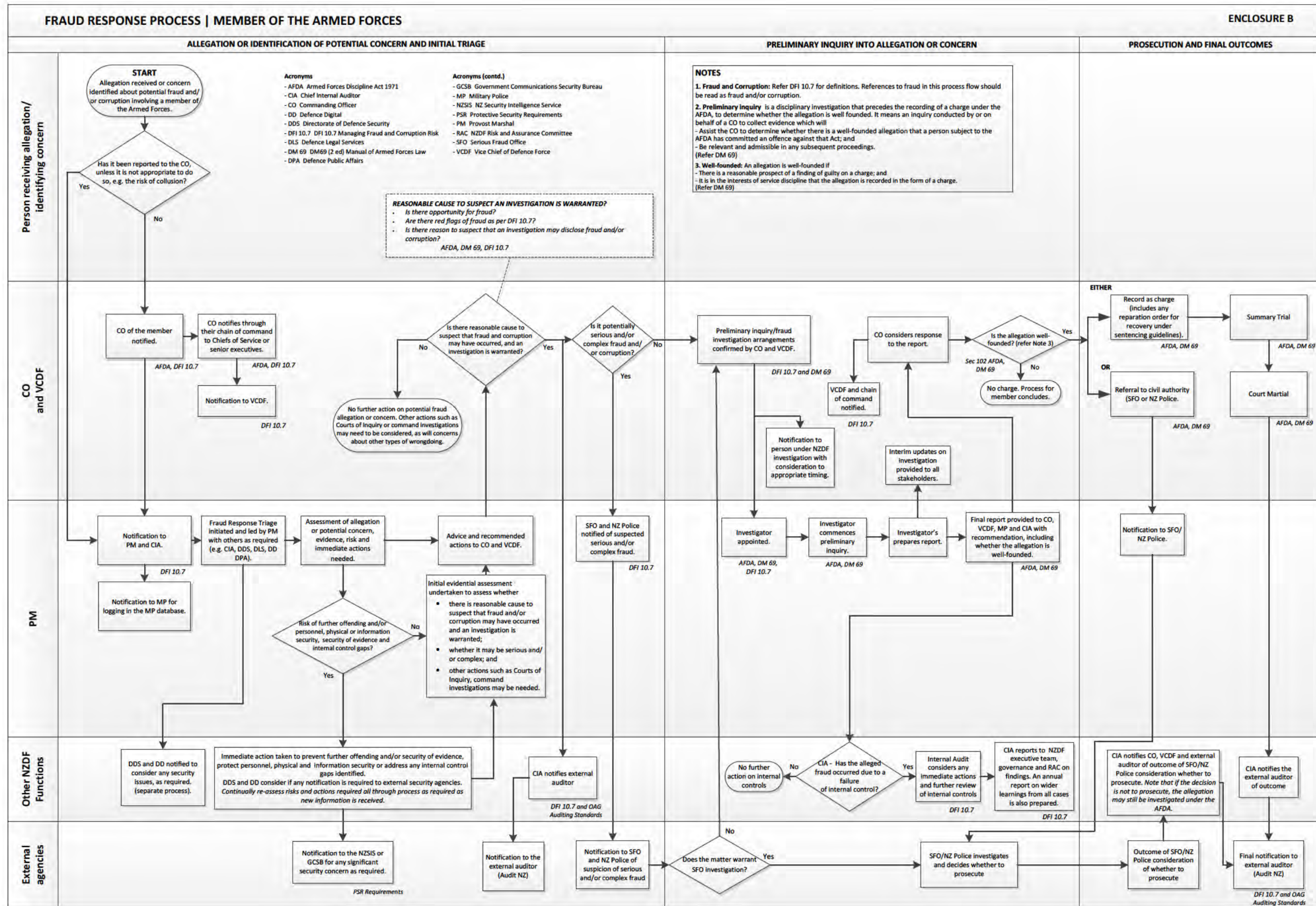
Table A-4: The impacts of fraud and corruption

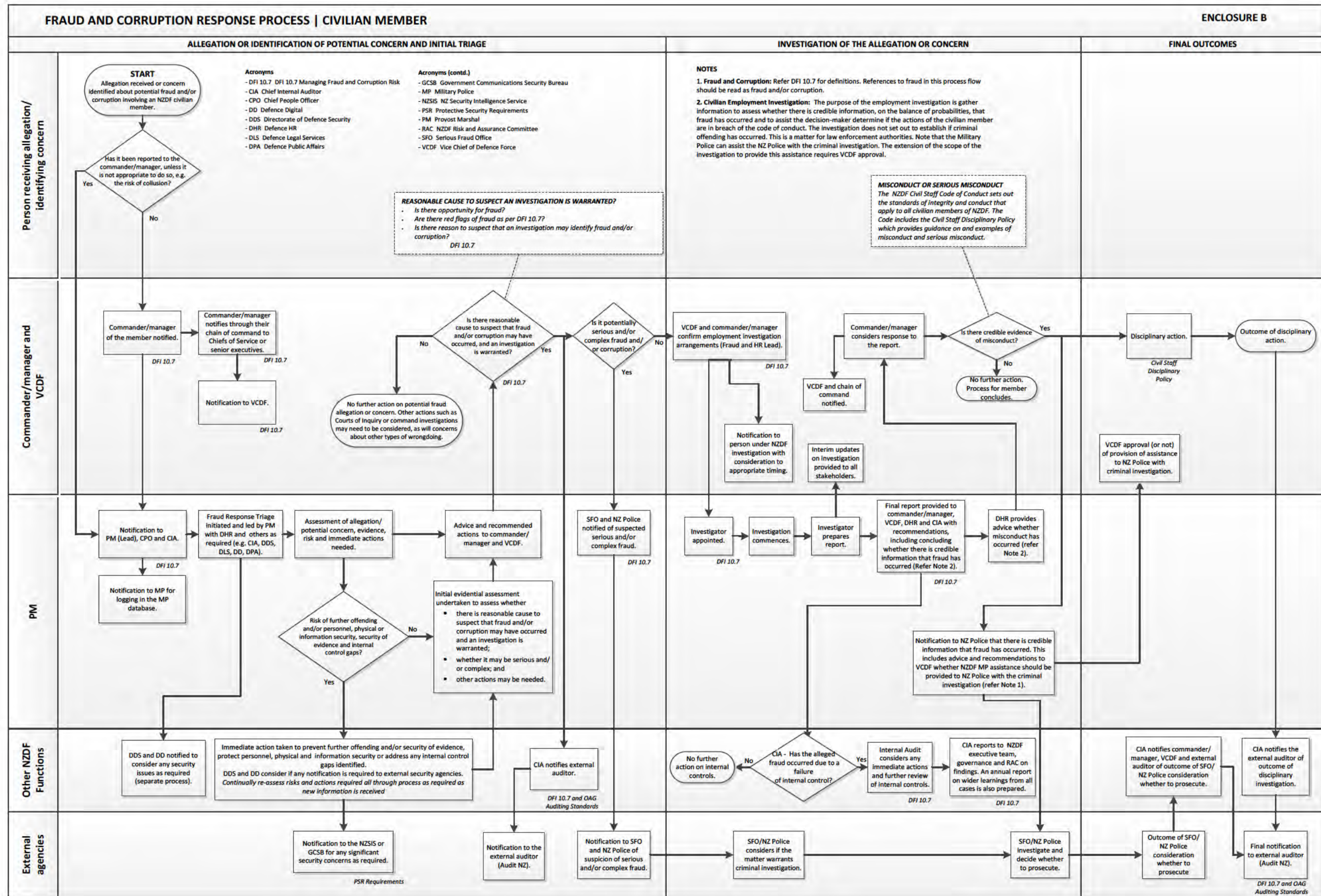
Type of impact	Description
Resources	Fraud can result in the loss of financial and other resources, such as assets, information etc. International estimates are that between 0.5% and 5% of an organisation's annual spending is lost to fraud.
Human	Ultimately fraud and corruption have a human impact. It impacts the wellbeing of individuals, damages people's professional reputations and erodes trust in individuals and in organisations. It can have a long-term and corrosive impact on organisational culture and performance.
Business and industry	Fraud and corruption can destroy businesses and distort markets. Fraudsters can obtain an unfair advantage and drive legitimate business out. Fraud can also disrupt supply chains across markets.
National Security	Fraud against the NZDF can compromise national defence and security, putting service personnel, and citizens at risk. It can also damage New Zealand's international standing.
NZDF outcomes and delivery of services	Fraud can compromise the NZDF's ability to deliver services and achieve its strategic priorities and outcomes.
Government priorities and outcomes	Fraud and corruption negatively impact the achievement of government priorities and outcomes. It has the potential to affect multiple areas such as welfare, health, education, trade, national security and justice.
Public trust and confidence in government	Ultimately fraud and corruption can erode public trust and confidence in the NZDF and in the other institutions of government.

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Enclosure B | Fraud Response Process Flows







Headquarters
New Zealand Defence Force
Defence House
34 Bowen Street
Wellington 6011
NEW ZEALAND

16 Dec 20

See distribution

CDF DIRECTIVE 41/2020

MANAGEMENT OF FRAUD IN THE NZDF

Authority

1. Issued by the Chief of Defence Force.

Applicability

2. This Directive constitutes a general order to members of the Armed Forces and instructions to members of the Civil Staff and other persons engaged for Defence Force purposes.
3. This Directive applies to all members of the Defence Force¹ and non-Defence Force persons engaged in work with the NZDF. The orders, direction and instructions in this Directive are to be considered applicable to all to whom they may concern.
4. A member of the Defence Force who engages other persons for Defence Force purposes must instruct those persons on the requirement to comply with the *Defence Force Fraud Policy* promulgated in this Directive.
5. All members of the Defence Force are to familiarise themselves with this Directive and actively ensure compliance, seek clarification and appropriate assistance in dealing with instances of alleged fraud.

Purpose

6. This Directive promulgates the Defence Force policy for managing fraud in the New Zealand Defence Force.

¹Members of the Defence Force include:

- a. a uniformed member of the Defence Force;
- b. a member of the civil staff of the Defence Force;
- c. a person seconded to the Defence Force;
- d. an individual who is engaged or contracted under a contract for services to do work for the Defence Force; and
- e. a former member of the Armed Forces or civil staff of the Defence Force.

Defence Force policy for managing fraud

7. The Defence Force policy for managing fraud in the New Zealand Defence Force is in annex A.
8. Where doubt may exist as to the application of this policy, Chiefs of Service and senior NZDF executives should seek advice, as applicable, from the:
 - a. Provost Marshal;
 - b. Director Defence Legal Services;
 - c. Chief Internal Auditor; or
 - d. Chief People Officer.

Cancellation and disposal instructions

9. *CDF Directive 27/2019* is cancelled with effect from the issuance of this order. This Directive is to be cancelled 1 July 2021 or when the NZDF Fraud Control Framework and related policy and instructions are promulgated, whichever is the earliest.



KR SHORT

Air Marshal

Chief of Defence Force

Annex:

- A. NZDF Fraud Policy

Distribution list

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NEW ZEALAND DEFENCE FORCE FRAUD POLICY

Fraud

1. Fraud is a crime of dishonesty and is incompatible with the Defence Force's obligations to the Government and New Zealand public, and is counter to the organisation's Values.
2. Fraud is the use of deceit to obtain a permanent advantage or to avoid an obligation and comprises two principal elements:
 - a. Obtaining a benefit where there is no entitlement or avoiding an obligation that may involve:
 - (1) theft, the misappropriation or misuse of NZDF funds, supplies or other assets for personal benefit;
 - (2) profiting from an official position; and
 - (3) disclosure of official activities or information for pecuniary or other advantage.
 - b. Where deceit is used to gain an advantage involving:
 - (1) the provision of false accounting and/or making fraudulent statements with a view to personal gain or gain for another²
 - (2) false or incomplete information; or
 - (3) avoiding proper procedures.
3. Fraud may be:
 - a. **Internal fraud.** Where fraud is committed by a member of the Defence Force directly against the NZDF; or
 - b. **External fraud.** Where fraud is committed by someone or an entity external to the NZDF (for example a customer or third party provider).
4. The Defence Force is committed to preventing fraud and will not tolerate fraud committed by members of the Defence Force or external entities against the organisation.

Defence Force fraud control framework

5. Fraud prevention, detection, and response are key elements of the NZDF fraud control framework³.
6. Members of the Defence Force and New Zealand public must be provided with tangible assurance that the Defence Force assets are protected, perpetrators of

² For example, falsifying records to claim overtime, travel and subsistence, sick leave or special leave (with or without pay).

³ Refer appendix 1 – Notes on Fraud.

fraudulent activity are identified, and appropriate steps are taken to prevent fraudulent activity.

7. Chiefs of Service, Commanders and senior executives must apply the elements of fraud control.
8. Chiefs of Service, Commanders and senior executives must ensure that all members of the Defence Force understand their roles and responsibilities in preventing fraudulent activity and their obligation to report actual or suspected fraudulent activity.
9. Chiefs of Service and senior executives must ensure that their commanders and managers prevent and deter fraud and:
 - a. develop and maintain effective internal controls and risk management procedures to prevent fraud;
 - b. ensure that where fraud is suspected, it is reported and an investigation is initiated without undue delay;
 - c. record and report all suspected fraud to the Vice Chief of the Defence Force;
 - d. notify the Provost Marshal and the Chief Internal Auditor of all instances of suspected fraud⁴;
 - e. take appropriate disciplinary and legal action in all cases where fraudulent activity is proven;
 - f. if fraud occurs, investigate whether there has been a failure in supervision and take appropriate disciplinary action where supervisory failures have occurred; and
 - g. regularly review their systems and procedures for the prevention and deterrence of fraudulent activity.
10. Commanders and managers must take appropriate action against:
 - a. any member of the Defence Force or other person engaged by the Defence Force (including contractors who are suspected of fraud or attempting to defraud the NZDF); and
 - b. external entities that are suspected of fraud or attempting to defraud the NZDF.

Reporting suspected fraud

11. If a member of the Defence Force has reasonable grounds to suspect that fraud has been committed, they must report (either verbally or in writing) their suspicions through their chain of command or line management, setting out the grounds for the suspicion.
12. A member of the Defence Force may report their suspicions directly to the Vice Chief of the Defence Force if they consider this approach is more appropriate in the circumstances.

⁴ Where the suspected fraud involves a member of the Civil Staff the Chief People Officer is also to be notified

13. Members of the Defence Force must keep their allegations and any report of suspected fraud confidential⁵ ⁶.
14. Members of the Defence Force must not investigate their suspicions themselves or otherwise act in way that may prejudice an investigation.

Making a Protected Disclosure

15. A member of the Defence Force, or former member of the Defence Force or a member of the public may make an allegation of actual or suspected fraudulent activity within or to the Defence Force using the provisions of the *Protected Disclosures Act 2000*⁷.
16. The *Protected Disclosures Act 2000* protects public interest by:
 - a. facilitating the disclosure and investigation of matters of serious wrongdoing in or by an organisation; and
 - b. protecting employees who, in accordance with the Act, make disclosures of information about serious wrongdoing in or by an organisation.
17. If a member of the Defence Force wishes to make a protected disclosure they are to comply with the procedures prescribed in Defence Force Instructions.
18. If a member of the Defence Force is not satisfied that the reporting of their suspicions of fraudulent activity has been addressed they may report the allegation to the NZ Police, the Serious Fraud Office or the Office of the Controller and Auditor General.

Warning: The protections conferred by the *Protected Disclosures Act* and by section 66(1)(a) of the Human Rights Act 1993 do not apply where the person who makes a disclosure of information makes an allegation known to that person to be false or otherwise acts in bad faith.

Action on receipt of information relating to a suspected fraud

19. The commander or manager in receipt of the allegation is to report the matter through the command chain or line of management, or directly to the Vice Chief of the Defence Force without undue delay⁸.
20. The Provost Marshal and Chief Internal Auditor must be notified.
21. If the suspected fraud involves a member of the Civil Staff, the Chief People Officer must be notified.
22. Commanders and managers are to take care to avoid doing anything which might prejudice any investigation of suspected fraud or wrongdoing. Where appropriate,

⁵ The allegation must be kept confidential to enable the allegation to be properly investigated by appropriate authorities and to protect the rights of any person suspected of the fraud.

⁶ The provisions of the *Privacy Act 1993*, and the *Human Rights Act 1993* apply.

⁷ Also referred to as the 'Whistleblowers Act'.

⁸ When a protected disclosure is made, the name of the person making a protected disclosure must be kept confidential under s.19 of the *Protected Disclosures Act* unless the individual concerned consents in writing to their name being disclosed, or the person who has acquired knowledge of the protected disclosure reasonably believes disclosure is necessary for the reasons set out in s.19(1)(b) of the *Protected Disclosures Act*.

they must take direct and immediate action to prevent further offending and/or evidence being lost or destroyed.

Recovery of losses and write-off from fraudulent activity

23. The Defence Force must attempt to recover all losses from fraudulent activity through criminal or civil recovery processes⁹.
24. All decisions not to proceed with recovery action or not to proceed with a criminal prosecution must only be approved by the Vice Chief of the Defence Force.
25. The decision and reasons must be fully documented and are to be subject to internal and external audit and review.
26. Financial delegation holders are to account for the non-recovery of a loss or write-off action¹⁰.

Accountabilities and responsibilities

27. The Chief of Defence Force is accountable to the Government and New Zealand public for the correct and proper management of public funds and assets held by the Defence Force.
28. It is the duty of all members of the Defence Force to deter and prevent fraud and report actual or suspected instances of fraudulent activity. Specific responsibilities are as follows:
 - a. **Chiefs of Service and senior executives.** Chiefs of Service and senior executives are responsible for:
 - (1) enforcing the NZDF fraud policy; and
 - (2) establishing and maintaining internal control systems that counter the risks of fraudulent activity within the Defence Force.
 - b. **Vice Chief of Defence Force.** The Vice Chief of the Defence Force is responsible for overseeing the Defence Force's fraud control framework. The Vice Chief of the Defence Force¹¹ and the respective commander or manager are responsible for making the arrangements for the investigation of allegations of fraud, on the advice from the Provost Marshal. These arrangements must include:
 - (1) appointing an appropriately qualified person¹² to lead the investigation;
 - (2) advising the respective Chief of Service or the relevant senior executive of an investigation into actual or suspected fraudulent activity by a member of their Service or person for whom they are responsible;

⁹ Including through the provisions of the *Armed Forces Discipline Act 1971*.

¹⁰ Refer to *Finance Instructions*.

¹¹ In the event that the Vice Chief of Defence Force has a conflict of interest that may compromise his or her impartiality a Chief of Service or senior executive will take responsibility for overseeing the arrangements.

¹² The Investigating Officer may be appointed from either internal or external sources.

- (3) receiving the report of an Investigating Officer and, with the respective commander or line manager, considering the appropriate response on the advice of the Provost Marshal and the Chief People Officer¹³; and
 - (4) advising the respective Chief of Service or relevant senior executive of the results of an investigation and proposed disciplinary action where required.
- c. **Provost Marshal.** The Provost Marshal is responsible to the Vice Chief of Defence Force for leading the organisation's response to suspected fraudulent activity. The Provost Marshal must report any suspected fraud to the Serious Fraud Office or the NZ Police, as circumstances demand.
- d. **Chief Internal Auditor.** The Chief Internal Auditor is to:
 - (1) provide support to fraud response and investigation of suspected fraudulent activity when required; and
 - (2) report suspected and confirmed cases of fraud to the NZDF's external auditor.
- e. **Chief People Officer.** The Chief People Officer is to assist the Provost Marshal with an investigation of suspected fraud where members of the Civil Staff are involved.
- f. **Commanders and managers.** Commanders and managers have the immediate responsibility for preventing and detecting fraud. In particular commanders and managers must:
 - (1) create an environment in which members of the Defence Force are able to approach them with any concerns they may have about suspected irregularities;
 - (2) remain alert for 'red flags', which suggest the existence of fraud (refer appendix 1);
 - (3) ensure that an effective system of internal control exists within their area of responsibility and is appropriate to the risks involved;
 - (4) report to their Chief of Service (through their chain of command) or immediate senior executive if they suspect members of the Defence Force may be involved in fraudulent activity;
 - (5) report to their Chief of Service (through their chain of command) or immediate senior executive if there are indications that an external entity (such as a contractor or consultant) may be trying to defraud, or has defrauded, the NZDF or its personnel in carrying out their work;

¹³ Chief People Officer; only where members of the Civil Staff or other persons engaged by the Defence Force are involved.

- (6) if in receipt of a report of suspected fraud, ensure that the Vice Chief of Defence Force has been informed and the Provost Marshal and the Chief Internal Auditor notified;
 - (7) ensure that the Chief People Officer has been advised if the suspected fraudulent activity involves a member of the Civil Staff;
 - (8) avoid taking any action which might prejudice the case against the suspected fraudster; and
 - (9) provide suitably qualified persons to assist the Investigating Officer when required.
- g. **Members of the Defence Force.** All members of the Defence Force must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.
- h. All members of the Defence Force are responsible for preventing, deterring and reporting actual and suspected fraudulent activity. All members of the Defence Force must:
 - (1) act with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers;
 - (2) maintain the confidentiality of any report made to them concerning actual or suspected fraudulent activity;
 - (3) report the details of any suspected fraud, impropriety or other dishonest activity to their commander or line manager or another commander or manager without undue delay; and
 - (4) assist in the investigation of any suspected fraud at the direction of the Investigating Officer.

Appendix

1. Notes on Fraud

APPENDIX 1
ANNEX A
CDF DIRECTIVE 41/2020

NOTES ON FRAUD

The impact of fraud on NZDF

1. Any fraudulent activity is serious and diverts resources away from the achievement of the Defence Force's primary role.
2. The impact is not limited to resources and the trauma suffered by members of the Defence Force directly involved, it also includes the damaging effect that fraud has on the public's trust and confidence.
3. Fraud always attracts a great deal of interest from the external entities, irrespective of its scale. Government and the public will ask questions about how the fraud was perpetrated and whether the controls designed to stop fraudulent activity were operating effectively. In the New Zealand public sector, the interest in fraud is heightened because it involves public money and individuals entrusted with the use of public money are expected to exhibit the highest standards of honesty and integrity.
4. The high standards of behaviour expected of individuals entrusted with public money means that, when a fraud is committed, the same high standards must be applied to ensuring that the perpetrators are brought to justice and that there is an accompanying level of accountability and disclosure.

Understanding the fraudster

5. It is difficult, if not impossible, to develop a profile of character traits for individuals who commit fraud. People from different social and educational backgrounds and people at different levels within the organisation can commit fraudulent acts.
6. People rarely join an organisation with a view to commit fraud. They become fraudsters through a combination of factors, with the key driver being pressure. This pressure can be generated in the workplace, external to the work place or both.
7. The trigger in fraud situations is often some form of loss of loyalty by an individual. This can be used to justify or rationalise their actions. Ultimately, the scale and nature of the fraud is affected by opportunity and weaknesses in the control environment.
8. In general, the likelihood of fraud will be higher where:
 - a. an opportunity exists for collusion between two or more staff and/or there is inadequate supervision;
 - b. management information is inadequate and does not provide sufficient direction on the existence and use of resources and assets;
 - c. procedures and control systems are not well established or monitored;
 - d. risk management is poor;
 - e. delegations are either unclear or do not exist;
 - f. the internal audit function is ineffective;

- g. there is no formal code of conduct and ethics which all staff understand and adhere to; and
- h. the culture is not one of honesty and openness.

The three elements necessary for fraud to occur

- 9. The commission of a fraudulent act is typically associated with a pressure to commit the act, a perceived opportunity to get away with the act, and an attitude that rationalises the act. The three elements necessary for a fraud to take place are:
 - a. **Motivation:** Usually starts with a fairly defined 'need'. However, once the offence is committed and the initial need is satisfied the motivation may change to either greed or, in some cases, the desire to build a base of funds to replace the initial funds that were the subject of the fraud.
 - b. **Opportunity:** Opportunity will usually remain the same until just after the offences are detected. At that time, the 'stable door' is usually closed. That doesn't mean that all opportunities are removed, simply that that opportunity has gone. Other opportunities may exist and may be exploited.
 - c. **Rationalisation:** The rationalisation for carrying out a fraud usually builds from the time serious consideration is given to carrying out the fraud to the time that the fraud is actually first committed. Thereafter, the rationalisation dramatically changes. Offenders often say that after the event they did it simply because they were always doing it and they had to keep on doing it. In many cases, they don't justify their ongoing action with the original reasons for carrying out the fraud. Research indicates that many offenders simply do not give conscious consideration to justifying their actions after they have carried out the fraud. They simply go on and their actions become part of their normal daily routine.
- 10. Each of these elements may undergo some change during the course of the commission of a fraud.

Detecting fraud

- 11. The preventative systems, particularly internal control systems within the NZDF, have been designed to provide indicators of, and help to determine any, fraudulent activity. It is however, often the vigilance of members of the NZDF, internal audit and external parties that enables detection to occur through the following means:
 - a. tip from a member of the NZDF;
 - b. by accident;
 - c. internal audit;
 - d. internal controls;
 - e. external audit; or
 - f. tip from supplier or third party.

Red Flags suggesting the existence of fraud

12. The following are examples of 'red flags' which either individually or in combination could be possible indicators that fraudulent action may be occurring, which commanders and managers should remain alert for among members of the NZDF:
 - a. apparent lifestyle beyond salary level or improvement in apparent lifestyle or increased spending pattern of a member of the NZDF;
 - b. supplier complaint indicating potential fraudulent activity by a member of the Defence Force;
 - c. unjustified or late working by staff or untaken leave or holidays;
 - d. unusual, irrational or inconsistent behaviours;
 - e. unexpected or irregular associations or liaisons between staff;
 - f. staff interested in examining documents outside their regular tasks;
 - g. missing or mislaid documents;
 - h. line management override of internal controls or poor local application of internal controls; and
 - i. internal or external audit recommendations are ignored.



Headquarters NZDF
Freyberg Building
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Wellington 6011
NEW ZEALAND

07 Aug 19

See Distribution List

CDF DIRECTIVE 27/2019 - MANAGEMENT OF FRAUD IN THE NZDF

Authority

1. Issued by the Chief of Defence Force pursuant to Section 100 of the *Defence Act 1990*.

Applicability

2. This Directive constitutes a general order to members of the Armed Forces and lawful and reasonable instructions to members of the Civil Staff.
3. This Directive applies to all members of the NZDF. The orders, direction and instructions in this Directive are to be considered applicable to all to whom they may concern.

Purpose

4. DFO 81 has been repealed and the management of fraud falls outside of the purpose of the replacement DFO 081 Risk Management. This Directive reissues Chapter 6 of DFO 81 until the NZDF Fraud Management Framework and related Policy and Instructions are published.
5. The purpose of this Directive is to:
 - a. articulate the NZDF management of fraud;
 - b. enhance members of the NZDFs understanding of fraud and what to do if they suspect fraud is being perpetrated; and
 - c. provide a proactive and pre-emptive approach to ensure NZDF deals with fraud in an appropriate manner.

NZDF Fraud Policy

6. Commanders and managers are to take appropriate action against:

- a. any member of the NZDF who is suspected of fraud (or attempted fraud) against the NZDF, other NZDF personnel, or NZDF contractors; and
 - b. external organisations who are suspected of fraud against the NZDF.
7. Fraud detection, investigation and response are key elements of the overall fraud control framework. Commanders and Managers are to undertake these aspects of fraud control to effectively provide assurance that NZDF assets are protected, perpetrators of fraudulent activity are identified, and appropriate steps are taken to remedy the fraudulent activity.
8. Fraud control actions are divided into education, compliance and enforcement. To prevent and deter fraud NZDF Commanders and Managers will:
 - a. develop and maintain effective internal controls and risk management procedures to prevent fraud;
 - b. ensure that if fraud is suspected, prompt investigation takes place;
 - c. take appropriate administrative, disciplinary and legal action in all cases, where fraud is found to have occurred;
 - d. regularly review systems and procedures;
 - e. if fraud occurs, investigate whether there has been a failure in control measures or supervision and take appropriate disciplinary action where failures have occurred; and
 - f. record and report to the Vice Chief of the Defence Force all cases where fraud is discovered.

NZDF Ethos and Values

9. The NZDF values of comradeship, commitment, courage and integrity guide our behaviour across the organisation. The act of fraud compromises these values.
10. The NZDF is committed to promoting these values and preventing fraud. The NZDF will therefore not tolerate fraud committed by members within the NZDF, or by external organisations against the NZDF.
11. NZDF ethos and values underpin all efforts to counter fraud. Fraud is incompatible with our values and professional military compliance, assurance and performance.

Recovery of Losses / Write-off from Fraudulent Activity

12. The NZDF will wherever possible attempt to recover all losses from fraudulent activity through criminal and/or civil recovery processes.
13. All decisions not to proceed with recovery action or criminal prosecution must be approved by the Vice Chief of the Defence Force.

14. The decision to prosecute and/or pursue recovery action along with associated reasons are to be documented. All decisions are subject to internal and/or external audit/review.
15. The non-recovery of a loss or losses will require appropriate write off action by the requisite financial delegation holders. Reference should be made to DFO 52 - Material Management and DFO 77 - Financial Management and Reporting, for guidance on how to process recovery and write off.

Roles and Responsibilities

16. All members of the NZDF are to familiarise themselves with this Directive and actively ensure compliance, seek clarification and/or appropriate assistance in dealing with instances of alleged fraud. In reporting a suspected fraud a person is to take care to avoid doing anything which might prejudice the NZDF case against the suspected fraudster.
17. **Vice Chief of Defence Force.** The Vice Chief of the Defence Force is responsible for directing the investigation of allegations of fraud.
18. The Vice Chief of the Defence Force will also ensure the respective Chiefs of Service or senior executive are advised of an investigation. In the event the Vice Chief of the Defence Force has a conflict of interest that may compromise his impartiality the Chief Financial Officer (CFO), a nominated Chief of Service or senior executive will take responsibility for investigating and reporting.
19. The Vice Chief of the Defence Force will receive the report of the Investigating Officer and consider the appropriate response. The Vice Chief of the Defence Force will inform the respective Chief of Service or senior executive of any response to the investigation report.
20. The NZDF Chief Internal Auditor will report confirmed or suspected cases of fraud to the NZDF External Auditor.
21. **Commanders and Managers.** The responsibility for preventing and detecting fraud rests with Chiefs of Service and respective Service and Portfolio Commanders and Managers.
22. Commanders and Managers are to strive to create an environment in which their staff feels able to approach them with any concerns they may have about suspected irregularities.
23. Commanders and Managers are to:
 - a. remain alert for 'red flags', which suggest the existence of fraud (Refer Annex A);
 - b. ensure that an effective system of internal control exists within their area of accountability, appropriate to the risks involved;

- c. use their command chain or internal management line (discreetly) to their Service Chief or portfolio lead if they suspect their staff or other NZDF personnel may be involved in fraudulent activity, impropriety or dishonest conduct;
- d. use their command chain or internal management line (discreetly) to their Service Chief or portfolio lead if there are indications that an external organisation (such as a contractor or consultant) may be trying to defraud (or has defrauded) the NZDF, or its personnel, in carrying out their duties;
- e. take care to avoid doing anything which might prejudice the case against the suspected fraudster; and
- f. Provide on request from the Investigating Officer suitably qualified staff to assist the Investigating Officer.

Reporting Suspected Fraud

- 24. The Protected Disclosures Act 2000 (the Act) came into force on 1 January 2001. The Act facilitates the disclosure and investigation of matters of serious wrongdoing in or by an organisation and seeks to protect employees who make such disclosures¹.
- 25. The Act requires organisations to support the effective reporting and managing of wrongdoing concerns and the need for internal procedures for receiving and dealing with reports of serious wrongdoing.
- 26. DFO 70 states the arrangements for members of the NZDF to report any concerns, including fraud, they may have, without fear of prejudice or harassment. The purpose of the policy and DFO is to make it as simple and straightforward as possible to report suspected fraud. It describes the special procedures that must be followed in order to receive protection under the Act. All members of the NZDF must comply with these procedures.

Action on Receipt of Information Relating to a Suspected Fraud

- 27. The Commander or Manager in receipt of the allegation is to immediately report the matter through the Command Chain (service and/or portfolio) adhering to the reporting provisions outlined.
- 28. The person receiving the disclosure of serious wrongdoing must inform the Inspector-General (NZDF) of the nature of the disclosure without revealing the identity of the person making the report.
- 29. Any member of the NZDF on secondment or loan to another organisation must use the internal procedures of that organisation when disclosing information about serious wrongdoing.
- 30. A disclosure may be presented verbally or in writing. Any report must clearly identify the nature of the serious wrongdoing and the person or persons involved. If presented

¹ Also referred to as 'public interest disclosures of wrongdoing' or 'whistle-blowing'.

in writing the format must conform to Defence Force writing standards.

31. A report of serious wrongdoing may be made anonymously. An anonymous report of serious wrongdoing may be made in writing to the Chief of Staff HQNZDF.
32. Commanders and Managers are not to shield a person from the possible institution of proceedings for defrauding the NZDF, even though they may believe that they have valid grounds on which to do so.
33. Commanders and Managers are to take care to avoid doing anything which might prejudice the case against the suspected fraudster.

Application of NZDF Privacy Policy

34. NZDF Privacy Principles (NZDP 0.70-2) are to be applied in relation to the collection, receipt, storage, access, and disclosure of fraud related information.

Further Advice and Guidance

35. The following NZDF senior managers may be contacted for advice where Commanders and Managers are unavailable, or unable, to provide advice:
 - a. Director Defence Legal Services.
 - b. Chief People Officer.
 - c. NZDF Chief Internal Auditor.
 - d. Chief of Staff, HQNZDF.
36. Annex A provides commanders and managers with guidance on recognising, understanding, and acting on fraud.

Cancellation and Disposal Instruction

37. This Directive is to be cancelled when the NZDF Fraud Management Framework and all related Policy and Instructions are issued.



KR SHORT
Air Marshal
Chief of Defence Force

Annexes

- A. Fraud – Commanders and Managers Toolbox

Distribution list:

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FRAUD – COMMANDERS AND MANAGERS TOOLBOX**The Impact of Fraud on NZDF**

1. Any fraud is serious and will divert resources away from the achievement of the NZDF's primary objectives.
2. The impact is not limited to resources and the trauma suffered by members of the NZDF directly involved; it also includes the damaging effect that fraud has on the NZDF's reputation.
3. Fraud always attracts a great deal of interest from the NZDF's external stakeholders, irrespective of its scale. Stakeholders ask questions about how the fraud was perpetrated, and whether the controls designed to stop fraudulent activity were operating effectively. In the NZ public sector, the interest in fraud is heightened, because public money is involved, and because those individuals entrusted with public money are expected to exhibit the highest standards of honesty and integrity.
4. Therefore, members of the NZDF must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.
5. The high standards of behaviour expected of individuals entrusted with public money means that, when a fraud is committed, the same high standards must be applied to ensure that the perpetrators are brought to justice, and that there is an accompanying level of accountability and disclosure.

Understanding the Fraudster

6. It is difficult, if not impossible, to develop a profile of character traits for individuals who commit fraud. People from different social and educational backgrounds and people at different levels within the organization can commit fraudulent acts.
7. Members rarely join an organisation with a view to commit fraud. They become fraudsters through a combination of factors, with the key driver being pressure. This pressure can be generated in the workplace, external to the work place or both.
8. The trigger in fraud situations is often some form of loss of loyalty by an individual. This is used to justify or rationalise their actions. Ultimately, the scale and nature of the fraud is affected by opportunity and weaknesses in the control environment.
9. In general, the likelihood of fraud will be higher where:
 - a. an opportunity exists for collusion between two or more staff and/or there is inadequate supervision;
 - b. management information is inadequate and does not provide sufficient data on the existence and use of resources and assets;

- c. procedures and controls systems are not well established or monitored;
- d. risk management is poor;
- e. delegations are either unclear or do not exist;
- f. the internal audit function is ineffective;
- g. there is no formal code of conduct and ethics which all staff understand and adhere to; and
- h. the culture is not one of honesty and openness.

The Three Elements Necessary for Fraud to Take Place

10. The commission of a fraudulent act is typically associated with a pressure to commit the act, a perceived opportunity to get away with the act, and an attitude that rationalizes the act. The three elements necessary for a fraud to take place are:
 - a. **Motivation:** Usually starts with a fairly defined "need". However, once the offence is committed and the initial need is satisfied the motivation may change to either greed or, in some cases, the desire to build a base of funds to replace the initial funds that were the subject of the fraud.
 - b. **Opportunity:** Opportunity will usually remain the same until just after the offences are detected. At that time, the "stable door" is usually closed. That doesn't mean that all opportunities are removed, simply that that opportunity has gone. Other opportunities may exist and may be exploited.
 - c. **Rationalisation:** The rationalisation for carrying out a fraud usually builds from the time serious consideration is given to carrying out the fraud to the time that the fraud is actually first committed. Thereafter, the rationalisation dramatically changes. Offenders often say that after the event they did it simply because they were always doing it and they had to keep on doing it. In many cases, they don't justify their ongoing action with the original reasons for carrying out the fraud. Research indicates that many offenders simply do not give conscious consideration to justifying their actions after they have carried out the fraud. They simply go on and their actions become part of their normal daily routine.
11. Each of these elements may undergo some change during the course of the commission of a fraud.

Detecting Fraud

12. The preventative systems, particularly internal control systems within the NZDF, have been designed to provide indicators of, and help to determine any, fraudulent activity. It is however, often the vigilance of members of the NZDF, internal audit and external parties that enables detection to occur.

- a. tip from a member of the NZDF;
- b. by accident;
- c. internal audit;
- d. internal controls;
- e. external audit; and
- f. tip-off from supplier/third party.

Red Flags Suggesting the Existence of Fraud

13. The following are examples of 'red flags' which either individually or in combination could be possible indicators that fraudulent action may be occurring, which Commanders and Managers should remain alert for among members of the NZDF:

- a. apparent lifestyle beyond salary level or improvement in apparent lifestyle and / or increased spending pattern of a member of the NZDF;
- b. supplier complaint indicating potential fraudulent activity by a member of the NZDF;
- c. unjustified or late working by staff and/or untaken leave or holidays;
- d. unusual, irrational or inconsistent behaviours;
- e. unexpected or irregular associations or liaisons between staff;
- f. staff interested in examining documents outside their regular tasks;
- g. missing or mislaid documents;
- h. line management override of internal controls or poor local application of internal controls; and
- i. internal or external audit recommendations are ignored.

Purpose



DFO 81

AL 8

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Purpose

06001. The purpose of this chapter is to:
- document clearly the NZDF's attitude to, and stance on, fraud;
 - help members of the NZDF understand what fraud is and what to do if they suspect fraud is being perpetrated; and
 - demonstrate to internal and external stakeholders that the NZDF deals with fraud in an appropriate manner.

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Further Information

06002. For further information about fraud, see Annex A to this chapter which covers the following subjects:
- The Impact of Fraud on the NZDF;
 - Understanding the Fraudster;
 - The Three Elements Necessary for Fraud to Take Place;
 - Detecting Fraud; and
 - Red Flags Suggesting the Existence of Fraud.

06003 – 06005. - Reserved.

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NZDF Fraud Policy



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- 06006.** Commanders and Managers are to take action against:
- any member of the NZDF who has defrauded (or attempted to defraud) the NZDF, other NZDF personnel, or NZDF contractors; and
 - external organisations who defraud (or attempt to defraud) the NZDF.
- 06007.** Fraud detection, investigation and response are key elements of the overall fraud control framework. Commanders and Managers are to undertake these aspects of fraud control to effectively provide members of the NZDF and external stakeholders with tangible assurance that the NZDF's assets are protected, perpetrators of fraudulent activity are identified, and appropriate remedies applied.
- 06008.** To prevent and deter fraud NZDF Commanders and Managers will:
- develop and maintain effective internal controls and risk management procedures. Fraud control actions are divided into education, compliance and enforcement;
 - ensure that if fraud occurs, firm and prompt investigation is taken place. This means that all allegations/suspensions receive appropriate consideration;
 - take appropriate disciplinary and legal action in all cases, where warranted;
 - regularly review systems and procedures;
 - if fraud occurs, investigate whether there has been a failure in supervision and take appropriate disciplinary action where supervisory failures occurred; and
 - record and report to the Vice Chief of the Defence Force all discovered cases of fraud.
- 06009.** Ignorance of this policy is not a defence. All Commanders; Managers and members of the NZDF are to familiarise themselves with this policy and seek clarification and/or support as to the exercise of their judgement on issues covered by this policy.

06010 – 06015. – Reserved.

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06016. The NZDF Fraud Policy should be read in conjunction with:

- a. DFO 3/2004 Identification and Management of Conflict of Interest and Receipt of Gifts, Hospitality and Other Benefits;
- b. DFO 4 - Chapter 16 - Release Discharge and Dismissal;
- c. DFO 10/2003 The Privacy Act 1993 - New Zealand Defence Force Procedures and Practices;
- d. DFO 3 Part 9 Chapter 2 - Ethics, Conduct, and Discipline
- e. DFO 51 - Vol 1 - Protective Security and DFO 51- Vol 4 - Information Systems Security;
- f. DFO 52 Materiel Management;
- g. DFO 77 Financial Management and Reporting;
- h. DFO 102 Use of NZDF Communications and Information Systems;
- i. DM 69 Manual of Armed Forces Law;
- j. Service Standing Orders; and
- k. Human Rights Act 1993.

06017 - 06020. - Reserved.

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NZDF Ethos and Values



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06021. The NZDF is committed to preventing fraud and will not tolerate fraud, impropriety or dishonesty committed by members of the NZDF or external organisations against it.

06022. The NZDF is based upon its values of comradeship, commitment, courage and integrity. The NZDF's ethos and values underpin all efforts to counter fraud. Fraud is incompatible with our values and professional military performance.

06023 - 06030. - Reserved.

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Recovery of Losses / Write-off from Fraudulent Activity



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06031. The NZDF will wherever possible attempt to recover all losses from fraudulent activity through criminal and/or civil recovery processes.
06032. All decisions not to proceed with recovery action or not to proceed with a criminal prosecution must be approved by the Vice Chief of the Defence Force.
06033. The decision and reasons are to be documented. All decisions are subject to internal and/or external audit/review.
06034. The non recovery of a loss or losses will require appropriate write off action by the requisite financial delegation holders. Reference should be made to DFO 52 - Material Management and DFO 77 - Financial Management for guidance on how to process recovery and write off.

06035 - 06040. - Reserved.

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Roles and Responsibilities



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Roles and Responsibilities

06041. All Commanders and Managers are to ensure all personnel understand their roles and responsibilities in combating fraudulent activity and reporting suspected fraud.

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Defence Force Leadership Personnel

06042. The Defence Force Leadership Personnel are responsible for:
- enforcing this fraud policy; and
 - establishing and maintaining the internal control system designed to counter the risks faced by the NZDF.

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Vice Chief of Defence Force

06043. The Vice Chief of the Defence Force is responsible for making arrangements for investigating allegations of fraud. These arrangements will involve appointing a suitably qualified person, (the Investigating Officer either internal or external), to lead the investigation.
06044. The Vice Chief of the Defence Force will also ensure the respective Service Chief or Branch Head is advised of an investigation. In the event the Vice Chief of the Defence Force has a conflict of interest that may compromise his impartiality the CFO, a Service Chief or Branch Head will take responsibility for investigating and reporting.
06045. The Vice Chief of the Defence Force will receive the report of the Investigating Officer and consider the appropriate response. The Vice Chief of the Defence Force will inform the respective Service Chief or Branch Head on the response to the investigation report.
06046. The Director Risk and Assurance will report confirmed or suspected cases of fraud to the NZDF's External Auditor.

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Commanders and Managers

06047. The responsibility for preventing and detecting fraud rests with Service Chiefs and respective Service Commanders and Managers.
06048. Commanders and Managers are to strive to create an environment in which their staff feels able to approach them with any concerns they may have about suspected

irregularities.

06049. Commanders and Managers are to:

- a. remain alert for 'red flags', which suggest the existence of fraud (Refer Annex A to this chapter);
- b. ensure that an effective system of internal control exists within their area of responsibility, appropriate to the risks involved;
- c. use their command chain (discreetly) to their Service Chief if they suspect their staff or other NZDF personnel may be involved in fraudulent activity, impropriety or dishonest conduct;
- d. use their command chain (discreetly) to their Service Chief if there are indications that an external organisation (such as a contractor or consultant) may be trying to defraud (or has defrauded) the NZDF or its personnel in carrying out their duties;
- e. take care to avoid doing anything which might prejudice the case against the suspected fraudster; and
- f. provide on request from the Investigating Officer suitably qualified staff to assist the Investigating Officer.

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Members of the NZDF

06050. Members of the NZDF are to have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties. Members of the NZDF are responsible for:

- a. acting with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers;
- b. reporting details of any suspected fraud, impropriety or other dishonest activity immediately to their commander/line manager or another commander/manager; and
- c. assisting in the investigation of any suspected fraud at the request of the Investigating Officer.

06051. In reporting a suspected fraud a person is to take care to avoid doing anything which if the fraud is proven might prejudice the NZDF case against the suspected fraudster.

06052. Guidance on issues arising from the private and personal activities of:

- a. civilian staff which may impinge on the performance of their duties or risk bringing discredit to the NZDF is contained in the Civil Staff Code of Conduct.
- b. uniformed personnel which may impinge on the performance of their duties or risk bringing discredit to the NZDF is contained in the Manual of Armed Forces Law DM 69 (See Directorate of Legal Services for relevant Handbooks).

06053 - 06060. - Reserved.

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Definitions



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06061. For the purposes of this chapter the following definitions apply:

- a. A member of the NZDF includes:
 - (1) a uniformed member of the NZDF;
 - (2) a member of the civil staff of the NZDF;
 - (3) a person seconded to the NZDF;
 - (4) an individual who is engaged or contracted under a contract for services to do work for the NZDF; and
 - (5) a former member of the Armed Forces or civil staff of the NZDF.
- b. External fraud is that committed by someone from outside the NZDF, for example a customer or third party provider; and
- c. Fraud is the use of deceit to obtain a permanent advantage or to avoid an obligation. The definition contains two elements:
 - (1) Firstly, there is the aspect of obtaining a benefit, where there is no entitlement, or avoiding an obligation. This could involve:
 - (a) theft, the misappropriation or misuse of NZDF funds, supplies or other assets for personal benefit;
 - (b) profiting from an official position; and
 - (c) disclosure of official activities or information for advantage.
 - (2) Secondly there is deceit used to gain an advantage, involving:
 - (a) provision of false accounting and/or making fraudulent statements with a view to personal gain or gain for another: for example falsifying records to claim overtime, travel and subsistence, sick leave or special leave (with or without pay);
 - (b) false or incomplete information, or
 - (c) avoiding proper procedures.
- d. Internal fraud is fraud committed by a member of the NZDF directly against the NZDF;
- e. Investigation: A collation of evidence connecting or tending to connect a member of the NZDF or external party with a fraud; and
- f. Whistleblower: person being a member of the NZDF or other person who, whether anonymously or not, makes, attempts to make or wishes to make a report in connection with reportable conduct and where the whistleblower wishes to avail themselves of protection (refer DFO 70 Chapter 8 - Protected Disclosures Act 2000) against reprisal for having made the report. A whistleblower may or may not wish to remain anonymous.

06062 – 06065. – Reserved.

Reporting Suspected Fraud



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06066. The Protected Disclosures Act was passed in the first quarter of 2000. Sometimes referred to as the "Whistle Blowers Act" it was passed in order to protect the public interest by:
- facilitating the disclosure and investigation of matters of serious wrongdoing in or by an organisation; and
 - protecting members of the NZDF who, in accordance with the Act, make disclosures of information about serious wrongdoing in or by an organisation.
06067. Chapter 8 of DFO 70 - DFOs for Official Information outlines the NZDF's internal procedures for disclosing serious wrongdoing in accordance with the Protected Disclosures Act. The NZDF Special Investigation Officer is responsible for maintaining a register of all Protected Disclosures within the NZDF. If members of the NZDF require assistance on Chapter 8 of DFO 70 they are to seek advice from the Special Investigation Officer.
06068. DFO 70 establishes the arrangements for members of the NZDF to report any concerns, including fraud, they may have, without fear of prejudice or harassment. It describes the special procedures that must be followed in order to receive protection under the Act. Personnel should familiarise themselves with these procedures. The purpose of the policy is to make it as simple and straightforward as possible for you to report a suspected fraud.
06069. Warning: If an allegation is found to be false or vindictive the Act will not afford any protection to the person making it.
06070. If members of the NZDF:
- suspect that a fraud has been committed; and
 - believe on reasonable grounds that their suspicions are true or likely to be true;
- then they are to formally report (verbally or written) their suspicions. Under normal circumstances they should use their command chain. If they do not consider this approach appropriate then their suspicions are to be reported directly to the Vice Chief of the Defence Force.
06071. If members of the NZDF require advice or guidance on the action they should take, this is available from their command chain, the relevant Service or HQ Joint Forces New Zealand Inspector General, a member of the Directorate of Risk and Assurance, or Special Investigation Officer.
06072. Once members of the NZDF have reported the suspected fraud, they are to keep the allegation confidential. Members of the NZDF should familiarise themselves with the requirements of the Privacy Act 1993, and the Human Rights Act 1993 when reporting an allegation of fraud against an individual(s).
06073. **Members of the NZDF are not to investigate their suspicions themselves.**
06074. If members of the NZDF are not satisfied that reporting their suspicions internally is the best option, they may report the allegation to the NZ Police, the Serious Fraud Office or the Office of the Controller and Auditor General (OAG). This is provided for in Chapter 8 of DFO 70.
06075. Chapter 8 of DFO 70 which permits a protected disclosure of 'serious wrongdoing' to be made immediately to external 'appropriate authorities', as defined in the Act,

where members of the NZDF have reasonable grounds to believe this action is justified because of its urgency, or some other exceptional circumstance (e.g. if they cannot approach any of the contact people designated in DFO 70, because they suspect that they may be involved or associated with the suspected fraud).

06076 - 06080. - Reserved.

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Action of Receipt of Information Relating to a Suspected Fraud









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- 06081.** The Commander or Manager in receipt of the allegation is to immediately report the matter up the Command Chain, or directly to the Vice Chief of the Defence Force.
- 06082.** Commanders and Managers are not to shield a person from the possible institution of proceedings for defrauding the NZDF, even though they may believe that they have valid grounds on which to do so.
- 06083.** Commanders and Managers are to take care to avoid doing anything which might prejudice the case against the suspected fraudster.

06084 - 06090. - Reserved.

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Further Advice and Guidance



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06091. The following NZDF senior managers may be contacted for advice where Commanders and Managers are unavailable, or unable, to provide advice:

- a. Director General Directorate of Legal Services.
- b. Assistant Chief of Personnel.
- c. Director Risk & Assurance.
- d. Special Investigation Officer.

06092 - 06999. - Reserved.

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Annex A - Fraud



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The Impact of Fraud on NZDF

1. Any fraud is serious and will divert resources away from the achievement of the NZDF's primary objectives.
2. The impact is not limited to resources and the trauma suffered by members of the NZDF directly involved; it also includes the damaging effect that fraud has on the NZDF's reputation.
3. Fraud always attracts a great deal of interest from the NZDF's external stakeholders, irrespective of its scale. Stakeholders ask questions about how the fraud was perpetrated, and whether the controls designed to stop fraudulent activity were operating effectively. In the NZ public sector, the interest in fraud is heightened, because public money is involved, and because those individuals entrusted with public money are expected to exhibit the highest standards of honesty and integrity.
4. Therefore, members of the NZDF must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.
5. The high standards of behaviour expected of individuals entrusted with public money means that, when a fraud is committed, the same high standards must be applied to ensure that the perpetrators are brought to justice, and that there is an accompanying level of accountability and disclosure.

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Understanding the Fraudster

6. It is difficult, if not impossible, to develop a profile of character traits for individuals who commit fraud. People from different social and educational backgrounds and people at different levels within the organization can commit fraudulent acts.
7. Members rarely join an organisation with a view to commit fraud. They become fraudsters through a combination of factors, with the key driver being pressure. This pressure can be generated in the workplace, external to the work place or both.
8. The trigger in fraud situations is often some form of loss of loyalty by an individual. This is used to justify or rationalise their actions. Ultimately, the scale and nature of the fraud is affected by opportunity and weaknesses in the control environment.
9. In general, the likelihood of fraud will be higher where:
 - a. an opportunity exists for collusion between two or more staff and/or there is inadequate supervision;
 - b. management information is inadequate and does not provide sufficient data on the existence and use of resources and assets;

- c. procedures and controls systems are not well established or monitored;
- d. risk management is poor;
- e. delegations are either unclear or do not exist;
- f. the internal audit function is ineffective;
- g. there is no formal code of conduct and ethics which all staff understand and adhere to; and
- h. the culture is not one of honesty and openness.

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The Three Elements Necessary for Fraud to Take Place

10. The commission of a fraudulent act is typically associated with a pressure to commit the act, a perceived opportunity to get away with the act, and an attitude that rationalizes the act. The three elements necessary for a fraud to take place are:
- a. **Motivation:** Usually starts with a fairly defined "need". However, once the offence is committed and the initial need is satisfied the motivation may change to either greed or, in some cases, the desire to build a base of funds to replace the initial funds that were the subject of the fraud.
 - b. **Opportunity:** Opportunity will usually remain the same until just after the offences are detected. At that time, the "stable door" is usually closed. That doesn't mean that all opportunities are removed, simply that that opportunity has gone. Other opportunities may exist and may be exploited.
 - c. **Rationalisation:** The rationalisation for carrying out a fraud usually builds from the time serious consideration is given to carrying out the fraud to the time that the fraud is actually first committed. Thereafter, the rationalisation dramatically changes. Offenders often say that after the event they did it simply because they were always doing it and they had to keep on doing it. In many cases, they don't justify their ongoing action with the original reasons for carrying out the fraud. Research indicates that many offenders simply do not give conscious consideration to justifying their actions after they have carried out the fraud. They simply go on and their actions become part of their normal daily routine.
11. Each of these elements may undergo some change during the course of the commission of a fraud.

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Detecting Fraud

12. The preventative systems, particularly internal control systems within the NZDF, have been designed to provide indicators of, and help to determine any, fraudulent activity. It is however, often the vigilance of members of the NZDF, internal audit and external parties that enables detection to occur.
- a. tip from a member of the NZDF;
 - b. by accident;
 - c. internal audit;
 - d. internal controls;
 - e. external audit; and
 - f. tip from supplier/third party.

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Red Flags Suggestion the Existence of Fraud

12. The following are examples of 'red flags' implying the existence of fraud, which Commanders and Managers should remain alert for:
- a. lifestyle beyond salary level;
 - b. improvement in lifestyle and spending pattern of a member of the NZDF;
 - c. supplier complaint;
 - d. untaken leave or holidays;
 - e. poor local application of internal controls;
 - f. line management override;
 - g. low staff morale and/or attendance declining;
 - h. unusual, irrational or inconsistent behaviour;
 - i. high staff turnover;
 - j. unjustified or late working by staff;
 - k. unexpected or irregular associations or liaisons between staff;
 - l. staff interested in examining documents outside their regular tasks;
 - m. missing or mislaid documents; and
 - n. internal or external audit recommendations are ignored.

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NZDF WRONGDOING SITE Message from CDF

Our values of Courage, Commitment, Comradeship and Integrity are not just words but calls to action. This includes:

- Ensuring that what we do is always the right thing.
- That our activities and how we go about them reflect those values.
- That we walk the talk.

As a member of the NZDF and as a member of the wider Public Service, part of your role is to ensure those who do not adhere to our values are called to account. It is vital that we identify and address those behaviours that do not align with who we are and what we stand for.

I support each and every one of you who is compelled to report serious wrongdoing within the NZDF, through whichever channel you think is most appropriate:

- Through your Chain of Command - this would be the most frequently used option unless circumstances dictate otherwise.
- A Protected Disclosure (Whistleblowing) - this provides current and former employees and contractors a way of reporting serious wrongdoing which provides some protections around any civil, criminal, or disciplinary proceedings.
- To our **Sexual Assault Response Team** - this is a specialised channel which can also provide relevant support and guidance.
- The **Military Police** - report actions which are potentially criminal in nature or in serious breach of NZDF rules and regulations.

A new initiative is the availability of an 0800 number which will provide NZDF members, as well as the public, the means to report serious wrongdoing.

Whatever channel you use you can have confidence that your issue will be addressed professionally, with an appropriate level of confidentiality and in a manner consistent with our values.

I recognise that it takes Courage to do this; to step up and speak out.

I am committed to responding to that Courage with the Commitment, Comradeship and Integrity of the New Zealand Defence Force.

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What is Serious Wrongdoing?

The purpose of these channels for reporting is to capture the more serious aspects of wrongdoing such as:

- Unlawful, corrupt or irregular use of public money or resources
- Conduct that poses a serious risk to public health, safety, the environment or the maintenance of the law
- Any criminal offence
- Gross negligence or mismanagement by public officials

What is the difference between “serious wrongdoing” and a “complaint”?

The NZDF has a variety of processes by which a complaint may be raised. These include the Military Complaints process and the Civilian Personal Grievance process. There are also opportunities to raise complaints around Safety and Health. To assist you in accessing these channels links are listed on a separate [Complaints, Issues and Concerns](#) page. Should NZDF receive any complaints of this nature through a serious wrongdoing channel it will be referred as appropriate.

We do however acknowledge that a complaint may involve serious wrongdoing and in these circumstances reporting through a serious wrongdoing channel may be the most appropriate course of action.

We would encourage you to use existing specialised resources such as SAPRA if appropriate. These are the best ways of receiving any specialised support that may be needed quickly and directly.

Examples of Serious Wrongdoing

Fraud and Corruption: – Fraud is an intentional act by one or more individuals involving the use of deception to obtain an unjust or illegal advantage. This could include the misappropriation of NZDF funds, falsification of documents for advantage and can range from false overtime or allowance claims through to large scale theft of public or non-public funds. Corruption is the abuse of entrusted power for private gain, such as soliciting or receiving gifts or other gratuities to perform, or omit to perform, an official duty. Corruption is a type of fraud and it includes bribery or providing inside information.

Intimidation: – Intimidation is the use of violence or threats of violence – physical, mental or sexual – in order to achieve a specific outcome.

Breach of safety or hazardous substances regulations: – Is an intentional or negligent act involving a breach of safety or hazardous substances regulations. Unsafe practices could have an impact on people or the environment such as disposal of toxic waste in waterways, or systematic failure to adhere to scheduled and required maintenance programmes.

Drug use: – Drug use is an intentional act where the use of prescription drugs, or the presence of illegal drugs, may be a safety concern in the workplace, especially in safety sensitive areas.

All of the above examples and anything else which could be considered as serious wrongdoing can be reported through any one of the avenues for reporting wrongdoing.

Fraud for example could be raised through a commander/manager using the chain of command, through the 0800 number or through a Protected Disclosure.

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Chain of Command

While NZDF personnel have options by which they can report wrongdoing, the first option to consider should be reporting any incident through your manager or senior officer (chain of command). This is often the most appropriate course of action as it enables management to address the issue swiftly, take any appropriate course of action and provide the right level of support in a timely manner.

Civilians who have a direct reporting chain to a manager who resides in another location need to ensure that the OIC of the relevant Defence Area is informed in addition to their immediate manager when reporting allegations of misconduct. This dual reporting is to ensure Chain of Command awareness.

If your immediate chain of command contact point is the subject of the incident themselves, or if you consider they are condoning the behaviours, you can escalate up the chain of command as appropriate. **If the escalated chain of command contact point is based elsewhere, civilians should also ensure the OIC of their Defence Area is informed as well so they are aware.**

The person to whom you report the incident will be obliged to inform the relevant senior manager including the Camp Commander or Portfolio Head of any allegations involving their staff.

Reporting through your chain of command, along with Protected Disclosures, falls within the [Public Services Commission's \(PSC\) guidelines on Speaking Up](#). These guidelines set expectations on the wider Public Service to ensure that all public servants have a responsibility to speak up and report alleged wrongdoing safely.

Whilst the NZDF operates under the Defence Act and its personnel are subject to the Armed Forces Discipline Act, as an organisation that sits within the wider public service, we are obliged to act in a manner consistent with government expectations.

Should you consider that the issue has not been addressed appropriately you can then make a Protected Disclosure or report through the 0800 number.

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Making a Protected Disclosure

What is a Protected Disclosure?

A Protected Disclosure is a way to report serious wrongdoing in the workplace in a safe way for the person reporting the serious wrongdoing.

Your disclosure will be protected if the information is about serious wrongdoing in or by your workplace, you reasonably believe the information is true or likely to be true, and you want the serious wrongdoing to be investigated.

Your disclosure won't be protected if you know the allegations are false, you act in bad faith, or the information you're disclosing is subject to legal professional privilege.

What does "protected" mean?

Any disclosure must be kept confidential unless it is required to be disclosed further in order to effectively enable a fair investigation or prevent serious risk to public health, safety or the environment.

If you make a protected disclosure, information which identifies you will be kept confidential, unless:

- You consent to the disclosure
- The disclosure is essential to the effective investigation of the allegations
- The disclosure prevents serious risk to public health or safety or the environment; or
- The disclosure complies with the principles of natural justice.

Civil, criminal, or disciplinary proceedings cannot be taken against you for making a protected disclosure or for referring one to an appropriate authority.

If you suffer retaliatory action from the NZDF for making a protected disclosure, you can make a complaint if you are a member of the military or, if you are a civilian, you can take personal grievance proceedings under the Employment Relations Act.

Under the Human Rights Act, you cannot be treated less favourably than others in the same or similar circumstances. If you are a whistle-blower who is victimised in this way, you may have legal remedies under the Human Rights Act.

Am I eligible to make a Protected Disclosure?

To make a protected disclosure, you must be an employee of NZDF. For the purposes of protected disclosures, "employee" includes:

- Members of the armed forces
- Former employees
- Homeworkers
- Contractors
- People seconded to the organisation
- Volunteers.

Is what I want to report serious enough?

Serious wrongdoing includes:

- Unlawful, corrupt or irregular use of public money or resources
- Conduct that poses a serious risk to public health, safety, the environment or the maintenance of the law
- Any criminal offence
- Gross negligence or mismanagement by public officials

Who do I make the disclosure to and how?

There are differences in whom you should report the wrongdoing to based on the nature of the information. This is especially relevant in the Defence environment where information may be classified. You should refer to [Defence Force Order \(DFO\) 70, Chapter 8, Section 3 - Disclosures](#) to ensure the disclosure is made to the right authority. The DFO also contains information on the method of communicating the disclosure.

More Information:

For more information on Protected Disclosures in the Public Sector check out the following links.

- [DFO 70, Chapter 8, Section 3 on Protected Disclosures](#)
- [Ombudsman's Guidelines](#)
- [Checklist for Protected Disclosures](#)
- [Protected Disclosures Act \(Government Legislation\)](#)
- [Employee Assistance Programme](#)

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Military Police

NZDF has its own military police force whose role is to provide discreet, agile and professional Military Police and Investigative Services to the NZDF both in domestic and deployed situations. There is a Military Police presence on all camps and bases and in all deployment environments.

The Military Police receive and investigate complaints of potential criminal behaviour considered to be in breach of the NZDF's rules and regulations.

To provide immediate responses and fully support the NZDF community the Military Police function operates 24/7 every day of the year. On-duty Military Police staff are available through the Freephone assistance line 0800 50 11 22.

To get in contact with the Military Police please view the [Military Police information page](#), Alternatively anonymous submissions can be made using our [online contact form](#).

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Introduction to 0800 OURNZDF (0800 687 6933)

0800 OURNZDF (0800 687 6933) is a free service where both NZDF staff and members of the public can advise the NZDF of serious activities that they consider are not consistent with our values and that may result in serious breach of our processes or the law. Calls are made through an independent provider who in turn provides call reports to NZDF.

Overseas callers can phone +64 9 927 5801 to report wrongdoing. Please note that NZDF is working with our provider to make this number toll free. In the meantime the cost of any calls made will be reimbursed.

Callers are encouraged to be as informative as possible so that allegations can be assessed and investigated if necessary. Useful information includes a description of the alleged wrong-doing, names of individuals involved, times and places. Your identity and contact details would assist with any further enquiries but we acknowledge that you may wish to remain anonymous.

This channel does not immediately offer any support or counselling. The independent provider may refer the caller to avenues of support such as the police if they are concerned about the immediate welfare of the caller.

What happens to my report?

A small panel of senior representatives from the Office of CDF Chief of Staff, People Capability, Security and Finance will review all information received and determine what further action is appropriate. The panel approach protects against any possibility of conflict of interest and promotes accountability.

All reports will be logged and reported to CDF.

The panel will refer the report to an appropriate authority within NZDF for further investigation with assistance from specialists as required and firm indications of next steps will be sought.

If the report is a complaint which is best addressed under existing complaint processes and procedures the report will be actioned through those avenues.

You can request updates to be provided to you but you must provide NZDF with contact information.

What sort of issues would you expect to be raised through this service?

The service is designed to fill any gaps in reporting serious wrongdoing within the NZDF. We already have several ways by which reporting wrongdoing can occur but they tend to be specialist (such as Protected Disclosures, Bullying and Harassment, Sexual Assault etc.). This service provides you with an opportunity to report things such as inappropriate use of NZDF equipment or funds, inappropriate disposal of waste, theft, malicious damage, fraud etc.

What come back is there on me?

Disclosure through this channel is not protected under the Protected Disclosure Act, though the principles of the Speaking Up guidelines from the Public Services Commission would still apply. If you are concerned about repercussions due to personal involvement it may be more appropriate to make a Protected Disclosure.

Where do I start?

Take a moment to get your facts together, check whether this option is the best option for you compared to other channels available, and if still committed, make the call to 0800 OURNZDF (0800 687 6933).

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Complaints, Issues and Concerns

What you want to report may not be wrongdoing. Other channels to consider are:

- [Safety Event Management Tool \(SEMT\)](#)
- [Defence Health](#)
- [Military Complaints](#)
- [Personal Grievance](#)
- [Defence Bullying and Harassment](#)

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Reporting Civilian Harm

We take reports of civilian harm seriously and consider external reports of civilian harm valuable sources of information as they may provide additional information to support an internal report of civilian harm or make us aware of civilian harm that we did not otherwise know about.

If you would like to report any instance of civilian harm as a result of NZDF military activity in situations of armed conflict you can contact us on +64 9 927 5801, XX@nzdf.mil.nz or fill out the form below .

It is helpful if you provide us with as much information about the incident as possible. In particular, it is useful for us to know:

- Where the incident occurred [i.e. country, city or town, and specific location];
- When the incident occurred [i.e. date and time]; and
- As much information about the incident as possible [including who or what was impacted and how].

Instead of calling or emailing us you can also report civilian harm using this [form](#).

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