Australian Graduate School of Leadership
Policy Register

Policy name	Fraud Prevention		
Version	1.0	Status	Draft for approval
Communication	To all staff	Date	10 October 2012

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Related Documents	• Policy – Internal Audit • Terms of Reference – Audit Committee • Policy – Accounting • Policy – Human Resources (especially "Whistleblowing" section)

1. Preamble

An active program of fraud prevention and detection is essential to safeguard the organisation's assets. It also ensures that the organisation can continue to operate efficiently and effectively with maximum resources allocated to activities that progress the accomplishment of the organisation's mission, goals and strategies by proactively ensuring that the organisation adheres to laws, internal policies, community standards and other requirements. It follows from the old maxim "an ounce of prevention is worth a pound of cure."

2. Scope

This policy applies to all employees of AGSL.

3. Principles

Types of Fraud

Examples of fraud may include, without limitation:

- Fraudulent financial reporting
    - Improper revenue recognition
    - Improper capitalisation of expenses

    - Improper asset valuation
    - Related-party transactions
    - Improper management override of financial transactions
- Misappropriation of assets
- Improper or unauthorised expenditures (including bribery and other improper payment schemes)
- Self-dealings (including kickbacks)
- Violations of laws and regulations.

Reporting

AGSL group employees should report any suspicious behaviour to their manager or supervisor – please see the "Whistleblowing" section of the Human Resources Policy.

Retrospective Review

Retrospective review involves the extraction and analysis of historical data and is usually undertaken on a periodical basis. Retrospective review tools can vary from a spreadsheet or database to software that is specifically designed for data analysis with pre-programmed tests such as duplicate payments tests, and an ability to create tests as required.

Continuous Monitoring

Continuous monitoring is the ongoing collection and regular reporting of information in real or near real time (for example, daily, weekly or monthly monitoring).

Competitive Tendering

In order to ensure the organisation receives the best value for money and to minimise the risk of unethical awarding of contracts, significant purchases and contracts shall be subject to a tender process.

4. Procedures

Reporting

AGSL group employees should report any suspicious behaviour to their manager or supervisor – please see the "Whistleblowing" section of the Human Resources Policy.

Early Warning Signs

The following list, while not exhaustive, provides some examples of behaviours or attributes that could be considered to be early indications that fraud has occurred or will occur. An employee witnessing any of the behaviours or attributes listed below should discuss the issue with their manager, or with the CEO or COO if the behaviour involves their manager or they are not comfortable discussing the issue with their manager for any reason. Note, however, that exhibition of one or more of these behaviours or attributes do not prove the existence of fraud or necessarily suggest guilt.

- Abnormally high and increasing costs in a specific cost centre function
- Addiction problems (substance or gambling)
- Bank reconciliations not up to date
- Chronic shortage of cash or seeking salary advances
- Dubious record keeping
- Failure to keep records and provide receipts
- Financial information reported is inconsistent with key performance indicators
- High overheads
- Inadequate segregation of duties
- Lifestyle above apparent financial means; the provision of gifts to other staff members
- Past legal problems (including minor previous thefts)
- Reconciliations not performed on a regular basis
- Refusal to implement internal controls
- Small cash discrepancies over a period of time
- The replacement of existing suppliers upon appointment to a position or unusually close association with a vendor or customer
- Unwillingness to share duties; refusal to take leave.

Analysis of Management Reports

Analysing management and accounting reports can reveal inconsistencies and anomalies that may indicate fraud. Monthly actual versus budget comparison reports for individual cost centres, reports comparing expenditure against prior periods and reports highlighting unusual trends in bad or doubtful debts all may reveal areas which should be further investigated.

Hot Spot Analysis

An analysis of reported suspected fraud throughout the company can be useful to identify potential fraud “hotspots”. Repeated allegations relating to a role,

department or individual may suggest a control weakness or fraud, which can be used by internal audit to focus on identified high risk areas.

Some roles, because of the nature of the role, may be especially vulnerable to be tempted to commit fraud. Positions identified as being especially vulnerable to fraud are to be subject to the following actions in order to detect irregularities and prevent fraud occurring:

- Close monitoring of computer data-mining to draw attention to transactions that appear to depart from established norms;
- Mandatory disclosure of interests, assets, hospitality and gifts; and
- Regular performance appraisals.

Data Mining

Indications of fraud can often be found in the organisation's financial and operational data. The following issues are to be investigated in a data mining audit in order to minimise the risk of fraud:

- Analysis of suspicious transactions, for example, duplicate payments or claims;
- Identification of unusual relationships, for example, employee bank account matches a vendor bank account;
- Assessing the effectiveness of internal controls, for example, password sharing, employees remaining on the payroll after termination / resignation; and
- Identification of irregular trends over periods of time, for example, supplier favouritism.

Retrospective Review

A retrospective review shall be undertaken at the time of each Internal Audit or External Audit. The scope and depth of the retrospective review shall take account of previous allegations of fraud, early warning signs, hot spot analysis, identified vulnerable positions and any other factor that the audit committee considers important to direct the internal audit. The retrospective review shall address the issues outlined in the "Data Mining" section above.

Continuous Monitoring

Cashflow transaction reporting shall be prepared for each meeting of the Board of Directors, along with any other reporting specified by the Board of Directors or its

Audit Committee. The specification of the reporting provided may change from time-to-time in line with identified hotspots or suspected problem areas.

Competitive Tendering

Purchases and contracts valued at more than AUD 20,000 shall be put to competitive tender. The successful tender bidder will be determined by the price, inclusions, quality and other aspects of the bid as determined by the Board of Directors. The CEO and COO shall make a joint recommendation to the Board of Directors regarding the award of a tender contract at the conclusion of the tender process. The Board of Directors may subsequently:

- Accept the recommendation of the CEO and COO;
- Reject the recommendation of the CEO and COO and determine that another tender bidder has secured the purchase contract; or
- Determine that none of the tender bidders are appropriate to secure to purchase contract and:
    - Determine that another supplier be awarded the purchase contract; or
    - Determine that a further round of tendering is required.

Responsibilities

The following are responsible for the application of this policy:

- Audit Committee
- Board of Directors
- CEO
- COO