



INTERNAL AUDIT

(Part of the Senior Vice-Principal's Management Group)

GENERAL INFORMATION – FRAUD AND CORRUPTION

1. Introduction

The University of Melbourne is strongly committed to creating a workplace free of corrupt conduct and other serious wrongdoing.

Within the context of an integrity framework which consists of:

- values;
- code of conduct;
- induction and training;
- policies and procedures; and
- complaints handling processes

the University maintains policies on theft fraud and corrupt conduct, the responsibilities of staff and other relevant matters to guide staff in the discharge of their responsibilities.

Implementing an effective framework for preventing fraud and corruption is a practical demonstration that the University is serious about promoting intellectual independence, and professional and ethical practice.

2. What is Fraud and Corruption?

Fraud is defined in *Standard Australia AS 8001-2003 Fraud and Corruption Control* as being a dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by staff members or persons external to the entity and whether or not this deception is used at the time, immediately before or immediately following the activity.

This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for normal business purpose or the improper use of information or position.¹

¹ *Standard Australia AS 8001-2003*

Examples of Fraud

- Theft of money (cash, cheques, EFTPOS) due to the University.
- Charging personal expenditure on a University Credit or Purchasing Card.
- Raising fictitious invoices.
- Submitting false claims for reimbursement.
- Double dipping, eg. claiming an allowance and seeking reimbursement for the same expense or using a University Purchasing Card for the same expenditure.
- Using taxi vouchers for private purposes.
- Releasing misleading or inaccurate information for the purpose of deceiving, misleading or to hide wrong-doing.

Corruption is defined in *Standard Australia AS 8001-2003 Fraud and Corruption Control* as being a dishonest activity in which a director, executive, manager, staff member or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.¹

Examples of Corruption.

- Material and deliberate misstatement of accounting information, eg. misstating in-kind contributions on research grant financial reporting.
- Manipulating a tendering process to achieve a desired outcome.
- Tax evasion, eg. deliberately claiming FBT exempt entertainment or non-compliance with requirements for maintaining travel diaries.
- Adding a private leg onto an official trip overseas and claiming travel expenses for the private component of the travel.
- Unauthorised use of University facilities and time to operate a private business.
- Misusing information or material obtained during the course of official duties
- Obtaining a benefit through falsifying data or forging official documents, eg. academic qualifications, references.
- Claiming overtime for hours that were not worked, falsifying a timesheet to record hours that were not worked or otherwise claiming an allowance when not eligible.
- Favouring an applicant for employment or student place on criteria other than merit.
- Receiving personal benefits in exchange for assisting a supplier or consultant to gain work at the University.
- Not disclosing and/or allowing a conflict of interest to obtain a preferred outcome.
- Accepting inducements to mark a student's assessment more favourably
- Falsification of research findings
- Incorrectly attributing contribution in publications

3. What are the Indicators of Fraud and Corruption and how do we prevent Fraud and Corruption?

Indicators

Perpetrators of fraud/corrupt conduct typically live beyond their reasonably available means. Other indicators of fraud/corrupt conduct include:

- Changes in a staff member's lifestyle or behaviour.
- Borrowing of small amounts of money from co-workers.
- Creditors demanding payment of long outstanding invoices.
- Excessive use of telephone to stall creditors.
- Refusing to leave custody of records during the day or take leave.
- Working excessive overtime.
- Excessively rewriting records under the guise of neatness.
- Poorly written or poorly enforced internal controls, procedures, policies or security.
- Falsifying records.
- Irregular/unexplained variances in financial information.
- Inventory shortages.
- Failure to take action on results of internal/external audits or reviews.
- Unusually high expenses or purchases.
- Frequent complaints from customers.
- Missing files.
- Ignored staff comments concerning possible fraud.

Prevention

Adherence to University policy and regular monitoring and auditing of such adherence are the best methods of preventing fraud. Poorly written or poorly enforced policy allows fraud to occur. As mentioned above the University maintains comprehensive policies to guide staff in their responsibilities. The University also conducts a regular and systematic audit program to monitor adherence to those policies.

Fraud and corrupt conduct has a detrimental effect on workplaces. Following are some examples of good practice prevention strategies which supervisors and staff can implement to minimise the opportunity for their workplace to be affected by fraud and corrupt conduct:

- Adherence to all organisational procedures, especially those concerning documentation and authorisation of transactions.
- Physical security over assets such as locking doors and restricting access to certain areas.
- Proper training of staff.
- Independent review and monitoring of tasks.
- Separation of duties so that no one staff member is responsible for a transaction from start to finish.
- Clear lines of authority.
- Conflict of interest statements, which are enforced.

- Rotation of duties in positions more susceptible to fraud/corrupt conduct.
- Ensuring that staff members take regular vacations.
- Regular independent audits of areas susceptible to fraud/corrupt conduct.

4. How to report Fraud/Corruption?

As outlined in the Personnel Policy & Procedures 10.12 Theft, Fraud and Corrupt Conduct – Reporting <http://www.unimelb.edu.au/ppp/docs/10.html#10.12>, the reporting process are as follows:

Members of staff: Where a member of staff suspects that an act of theft, fraud or corrupt conduct is occurring or has occurred, it is the duty of that staff member to report such suspicion to their Head of Department.

Where the member of staff does not feel comfortable reporting their suspicions to their Head of Department they must report such matters to the Dean, Head of Division or to the Director, Internal Audit.

Head of Division or Department: On receiving a report of suspected theft, fraud or corrupt conduct the Head of Department, Dean or Head of Division must record details of the report, including the time and date the report is made and details of all matters raised.

Director, Internal Audit: All reported incidents of suspected theft, fraud or corrupt conduct must be reported to the Director, Internal Audit immediately and prior to any investigation of such allegations being undertaken.

Anonymous Reports: Anonymous reports, although not encouraged, may be directed to the Director, Internal Audit where there is adequate supporting information to enable an investigation to be undertaken. Where such reports are directed to other staff of the University, this information is to be forwarded on to the Director, Internal Audit.

Involving a Senior Officer: Where a report of suspected theft, fraud or corrupt conduct is made and involves a Senior Officer of the University, such a report is to be referred to the Chairperson of Audit & Risk Committee by the Director, Internal Audit.

Whistleblowers Protection Act (2001): Persons wishing to make disclosures of suspected or alleged improper conduct and receive protection under the Whistleblowers Protection Act 2001, or persons receiving disclosures of improper conduct made under the Act, must refer to the detailed guidelines found

at <http://www.hr.unimelb.edu.au/advicesupport/whistleblowers> .

A person wishing to make a protected disclosure may contact a Protected Disclosure Officer <http://www.hr.unimelb.edu.au/advicesupport/whistleblowers#five> who refers the matter to the Protected Disclosure Co-ordinator.

5. Where can you find further information on Fraud and Corruption?

- Fraud Risk Assessment Template as a tool to assess the level of fraud risk exposure <http://www.unimelb.edu.au/audit/advice/Fraud%20Risk%20Template%20v3%20points.xls>
- Self Assessment Checklist as part of the University Certification of Annual Accounts by Heads of Budgetary Division <http://www.unimelb.edu.au/finops/doc/HOD.doc>
- Internal Audit Website i.e. “What is Fraud?” and “Creating a Low Fraud Environment” <http://www.unimelb.edu.au/audit/advice/fraud.html>
- *Fraud and Corrupt Conduct* information also highlighted in the Finance Policy and Procedures <http://www.unimelb.edu.au/FinPPM/5.html#5.3.5.2>.
- *Responsibilities of University Staff* information also highlighted in the Personnel Policy and Procedures <http://www.unimelb.edu.au/ppp/docs/10.html#10.10>.

6. Staff

Peter McGrath

Director, Internal Audit:
Telephone: 40846
E-mail: mcgrath@unimelb.edu.au

Peter Chuah

Senior Financial/Operational Auditor
Telephone: 49393
E-mail: pchuah@unimelb.edu.au

Louise Fastuca

Senior Auditor:
Telephone: 40840
E-mail: louiseme@unimelb.edu.au

7. Location - Ground Floor 723 Swanston Street

(downstairs from the Staff Development training rooms)

(PDF version of this brochure is available on the Internal Audit web site.)

Date Created: 14 July 2006
Updated : 8 April 2008
Authorised By: Director, Internal Audit