

Fraud and Corruption Control Plan

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| Policy Supported: | <i>Fraud and Corruption Control Policy</i> <i>Public Interest Disclosure Policy</i> | | |
| Audience: | Staff, Students | | |
| Related Procedures: | <i>Procedures to deal with Fraud</i> | | |
| Supporting Documents: | Australian Standard for Fraud and Corruption Control AS 8001-2008 Murdoch University Staff Enterprise Agreement 2013 (Academic and General) | | |
| Contact Officer: | Director, Internal Audit and Risk Management | Phone: | See Campus Directory |

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1 Statement

The Fraud and Corruption Control Plan represents the commitment of the University to prevent and manage fraud. The Fraud and Corruption Control Plan includes the following:

- Prevention strategies;
- Detection measures; and
- Response to suspected fraudulent practices.

2 Prevention strategies

The fraud prevention strategies of the University include the following:

- Internal Controls;
- Fraud risk assessment;
- Fraud awareness training; and
- University-wide policies and procedures.

2.1 Internal controls

Segregation of duties

Segregation of duties is one of the most effective internal controls in combating fraud. The concept of segregation of duties is to separate the following responsibilities in each business process:

- Initiation of a transaction;
- Authorisation of a transaction;
- Recording a transaction;
- Reconciliations; and
- Custody of assets.

The University has developed procedures to segregate the above activities, to the extent practical, and deter and prevent frauds. In circumstances where duties cannot be segregated or where it is not cost effective to segregate

duties, appropriate compensating controls will be established. Internal audit will continue to review the adequacy of segregation of duties as part of its audit work and provide appropriate recommendations to the management for implementation.

Operating procedures

Operating procedures have been developed in respect of most of the key processes within the University to ensure the following:

- Roles and responsibilities of positions are clearly defined;
- Adequate segregation of duties to minimise errors or frauds;
- Compliance with approved practices; and
- Consistency and accountability from staff.

Internal Audit will continue to review whether adequate operating procedures are in place for all key processes as part of its audit work.

User access to the University's systems

User access to different systems of the University is generally in line with the job requirements and requires approval of the appropriate person. As part of its work, Internal Audit has been and will continue to review appropriateness of user access to different systems of the University and also recommend that user access is reviewed periodically to ensure that it is in line with the roles and responsibilities of the relevant staff.

Password controls

Password controls are in place for user authentication while accessing the different systems of the University. The University has password guidelines that provide guidance on selection of effective passwords for the users of the University's information technology systems. Internal Audit will review the password controls with a view to enhance the current system.

Financial delegation

The delegation of financial authority within the University is an effective internal control mechanism to ensure that the funds of the University are used optimally for its business by its authorised officers. The University has a delegation register that is currently undergoing revision because of the academic and professional areas restructure.

Funds transfer

The University's internal control procedures require that funds transfers from its bank accounts require approval of at least two authorised officers. This is to minimise any potential misappropriation of University funds.

Physical security

The University uses the Cardex security system to limit physical access to University buildings based on the job requirements of the staff. This acts as a safeguard against inappropriate access to premises and any potential frauds arising due to misappropriation, misuse or theft of University resources and properties.

2.2 Fraud risk assessment

Fraud risk assessment enables in identifying and measuring the fraud risks within the University and the control measures in place to mitigate those risks.

The fraud risk assessment includes the following:

- Fraud risk description and factors;
- Inherent likelihood, consequence and risk rating;
- Controls to mitigate the fraud risks;
- Residual risk rating based on mitigating controls;
- Actions required i.e. whether additional controls are required to bring risk to acceptable level; and
- Responsibility.

Fraud risk assessment is done at the following two levels within the University:

- Colleges and Offices; and
- An overarching University-wide fraud risk assessment.

Fraud risk assessment at the level of Colleges and Offices in the University

It is the responsibility of the line management to review fraud risks within their areas of responsibility and ensure suitable mitigating controls are implemented. The University's Internal Audit and Risk Management Unit will facilitate this process through the provision of risk management expertise.

University-wide fraud risk assessment

An overarching University-wide fraud risk assessment will be carried out by Internal Audit & Risk Management Unit based on fraud risk assessments at the Colleges and Offices.

2.3 Fraud awareness training

Fraud awareness will be achieved through regular communication and a range of training programs for staff that include the following:

- Communications of University's fraud framework and responsibilities of staff in respect of the same;
- Operational risk workshops;
- Online compliance modules and assessments; and
- Trainings and workshops conducted by the Corruption and Crime Commission of Western Australia.

All updates and changes to fraud-related policies and procedures will be communicated and circulated to staff.

2.4 University-wide policies and procedures

Code of conduct

The University's code of conduct sets out standards of conduct and integrity which are consistent with the ethical values and behaviours specified in the University's code of ethics. It is intended to provide direction to staff of the University to identify and resolve issues of ethical conduct that may arise in the course of their employment.

Conflict of interest policy

The University is currently developing a detailed conflict of interest policy.

Fraud policy

The primary objective of the *Fraud and Corruption Control Policy* is to protect the University's assets, interests and reputation through an integrated and systematic approach to fraud prevention and management.

The introduction of a *Fraud and Corruption Control Policy* ensures that the University conducts its operations and achieves its strategic objectives in an environment characterised by ethics, integrity, and transparency. The policy endeavours to create an environment that actively deters fraudulent practices.

Procurement policies

Procurement of goods and services form a significant part of the University expenditure. The University has procurement policies in place that are designed to ensure that the principles of value for money, probity and ethical behaviour, risk management and responsible financial management are applied across all procurement activities of the University.

Recruitment policies and procedures

Human resources are important assets of the University and are critical to the University achieving its strategic objectives. The University has recruitment policies and procedures to ensure adequate controls are in place for recruitment of staff in an objective manner based on the principles of meritocracy. Recently Internal Audit has provided recommendations for improving controls in respect of recruitment for implementation by the management.

Performance development program

The annual employee performance development program evaluates behaviour and performance as well as work related competence. Periodic assessment of performance with constructive feedback assists in preventing potential fraud and misconduct.

3 Detection measures

The fraud detection measures of the University include the following:

- Internal controls;
- Management reporting;
- Internal audit;
- External audit; and
- *Public Interest Disclosure Policy (Whistleblower policy)*.

3.1 Internal controls

Internal controls are important in detection of fraud. The following are the significant detective controls that are in place within the University:

Reconciliation of accounts

Regular independent reconciliations of accounts like bank balances, investments, fixed assets and payroll are performed to identify potential anomalies, discrepancies, misappropriation and unusual activities in these accounts.

Periodic physical count of fixed assets is another control procedure that is in place.

Audit trails and logs

The University uses a number of information systems including Finance One, Alesco and Millenium. All these systems have adequate trails of access and amendments to data. As part of its work, Internal Audit considers and recommends that audit logs are generated and reviewed on a periodic basis by independent persons to ensure that all amendments to data in the system are legitimate.

Physical security

The University has installed Closed Circuit Cameras in key locations to monitor physical movements and access in the University premises. The Cardex security system used by the University can capture and review all access to premises.

Payroll authorisation procedures

The University has formal payroll authorisation procedures that require review and authorisation of pay reports independently by the Business Support Team. This assists in detecting any potential frauds in respect of payroll. Recently Internal Audit has provided recommendations for improving controls in respect of payroll for implementation by the management.

3.2 Management reporting

The University has an extensive management reporting system that requires preparation and review of monthly management reports. Analysis of management accounting reports may provide indicators of fraud. The monthly and year to date actual versus budget comparison reports and variance analysis for individual Colleges and Offices may reveal discrepancies or anomalies that should result in further investigation.

3.3 Data mining

The University's information systems are important sources of information on fraudulent practices. By the application of software applications and techniques, a series of suspect transactions can be identified and then investigated. Testing can be carried out in key areas like payroll, accounts payable and contractor/consultant/supplier relationships.

Internal audit plans to implement Computer Assisted Audit Techniques (CAAT) in the future subject to approval of adequate resources in the budget.

Indicators of fraud can often be found within an organisation's financial and operational data. The use of data mining / analysis techniques assists with the identification of such indicators.

Data mining will facilitate the following:

- Analysis of suspicious transactions like duplicate payments;
- Identification of unusual relationships like employee bank account matching a vendor bank account or common addresses between an employee and vendor;
- Assessing the effectiveness of internal controls, for example, employees remaining on the payroll after cessation of employment; and
- Identification of irregular trends or unusual patterns over periods of time.

3.4 Internal audit

The primary responsibility for managing the risk of fraud rests with University's management. However, Internal Audit shall assist management in fraud control by advising on the risk of fraud and the adequacy of internal controls. Internal audit activity will be planned and conducted in accordance with the fraud detection, deterrence and response provisions of The Professional Practices Framework of the Institute of Internal Auditors.

3.5 External audit

Australian Auditing Standard ASA 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report" details the responsibilities of

external auditors in relation to fraud. External auditors are responsible for planning and performing an audit to obtain reasonable assurance that the financial statements are free of material error and fraud. In an audit of financial statements, the auditor assesses the risk of material error and fraud and, accordingly, designs the audit to provide reasonable assurance of detecting significant errors or fraud.

This Standard describes the auditor's responsibility for maintaining an attitude of professional scepticism throughout the audit, considering the potential for management override of controls and recognising the fact that audit procedures that are effective for detecting error may not be effective in detecting fraud.

3.6 Public Interest Disclosure Policy (Whistleblower policy)

The University, being a body established under State law for a public purpose, is subject to the Public Interest Disclosure Act 2003 (the Act). The *Public Interest Disclosure Policy and Procedures* ensure that the University meets its commitments under this Act and provide a framework for making of disclosures under the Act, the investigation of such disclosures, and the protection of disclosers from reprisals.

4 Response to suspected fraudulent practices

4.1 Reporting, assessment and investigation procedures

The *Fraud And Corruption Control Policy and Procedures* and the *Public Interest Disclosure (Whistleblower) Policy and Procedures* detail the reporting, assessment and investigation procedures for suspected incidents of fraud within the University.

The Director of Internal Audit and Risk Management, who is the University's Fraud Control Officer, shall make a preliminary assessment of any suspected incidents of fraud and decide how to handle a matter including, if relevant, how to proceed with investigations and the appointment of investigators.

The investigations shall be conducted by an individual or by a team with relevant expertise as determined to be appropriate by the Fraud Control Officer.

The Fraud Control Officer shall report details of all suspected frauds including the status of assessment, investigations and outcomes of investigations to the Vice Chancellor and Audit and Risk Committee.

4.2 Disciplinary procedures

The University shall take appropriate disciplinary procedures against the parties involved in any misconduct in accordance with the relevant University policies and procedures for misconduct.

4.3 External reporting requirements

The Vice Chancellor shall notify the Corruption and Crime Commission of Western Australia, if there is a reasonable suspicion that any fraud may have occurred within the University.

4.4 Recovery and legal proceedings

The University may seek to recover any money or assets lost due to incidents of fraud and resort to criminal or civil actions as deemed appropriate in the best interests of the University.

4.5 Review of internal controls

The Internal Audit and Risk Management Unit will review existing internal controls for areas affected by fraud and provide recommendations to

management for improvements, if any, for implementation as soon as practicable.

4.6 Fidelity insurance cover

The University will review the appropriate level of Fidelity insurance cover based on incidents of frauds within the University. The Chief Financial Officer of the University is responsible for this.

5 Review

The fraud control strategies and measures will be reviewed on a continuous basis as part of the day-to-day work of the Internal Audit and Risk Management Unit and the Fraud and Corruption Control Plan modified accordingly. Further a review of the Fraud and Corruption Control Plan for adequacy and effectiveness will be performed by the Director Internal Audit and Risk Management every two years or earlier if the situation warrants due to change in legislation or any other significant development.

Performance Indicators:

There are no performance indicators.

Definitions:

There are no key terms.

Related Documents:

Australian Standard for Fraud and Corruption Control AS 8001-2008

[Fraud, Corruption and Misconduct Policy](#)

Murdoch University Staff Enterprise Agreement 2013 (Academic and General)

[Public Interest Disclosure Policy](#)

Procedures to deal with fraud

Relevant University policies and procedures

References:

There are no references.

Approval and Implementation:

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|--------------------------------|--|
| Approval Authority: | Vice Chancellor |
| Responsible Officer(s): | Director, Internal Audit and Risk Management |

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