

FRAUD CONTROL STRATEGY

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1. INTRODUCTION

Good governance recognises the need for appropriate fraud risk management. This covers fraud prevention, detection, reporting and management. Fundamental to achieving this is an organisational culture that focuses on ethical behaviour.

Land Equity International is committed to the principles of integrity, respect and accountability which includes the maintenance of a work place that is free from fraud and corruption. This involves embedding fraud control into the organisation's decision making culture and practices. LEI is strongly committed to an environment of sound governance, robust internal controls through approved quality systems and a culture that will safeguard funds and property. The safeguarding of public property against loss by fraud or negligence and establishing an environment which effectively minimises fraud risk is a key responsibility of management.

The purpose of this fraud control strategy is to clearly state the Mama Graon Vanuatu Land Program's (the Program's) commitment to the prevention of corrupt or fraudulent conduct in its program in any form.

This fraud control strategy has been prepared at the request of AusAID and has been fully adopted by the Program. The Program Director is responsible for ensuring that the fraud control strategy is applied throughout the Program. Every Program employee and contractor has responsibility for ensuring that the strategy is followed.

1.1 Definition of Fraud

Fraud is a crime involving the dishonest obtaining of a financial or other benefit by deception. The benefit might be of direct value (e.g. money or easy access to money or other assets). The benefit might be indirect (e.g. obtaining information by deception and trading that information to obtain more tangible benefits).

The following definitions set out practices that are unacceptable in the Program:

“corrupt practice” means the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence the action of a public official in the procurement process or in contract execution;

“fraudulent practice” means a misrepresentation or omission of facts in order to influence a procurement process or the execution of a contract;

“collusive practice” means a scheme or arrangement between two or more Bidders, with or without the knowledge of the borrower, designed to establish bid prices at artificial, non competitive levels; and

“coercive practice” means harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in the procurement process or affect the execution of a contract;

1.2 Examples of Fraud

The following are examples of fraud:

- ✿ unauthorised private use of motor vehicles
- ✿ using client money for private benefit

- ✿ falsifying travel claims
- ✿ falsifying timesheets
- ✿ running a private business in working hours
- ✿ stealing equipment or supplies from work
- ✿ accepting bribes or favours

1.3 The Fraud Problem

Fraud wastes resources, not only through the fraud itself, but also the time and effort spent dealing with its consequences.

Fraud is also a crime under the Australian *Crimes Act 1900*.

Fraud against the Program may be perpetrated by both Program employees and people outside the Program.

The Fraud Control Strategy outlines the approach to the prevention, detection, reporting and investigation of fraud in the workplace.

2. PREVENTION

2.1 Management and Staff Responsibilities

Fraud is totally unacceptable in the Program and all instances of suspected fraud will be treated seriously and dealt with, including possible dismissal.

The most effective weapon against fraud is a well-informed workforce, prepared to disclose corrupt behaviour.

The Program Director is required to assess the risk of fraud and implement appropriate controls. The Program Director should ensure that fraud measures are updated as work places change and that staff understand their individual responsibilities in preventing fraud.

3. DETECTION

3.1 Good Controls

Fraud can be detected by establishing effective accounting and system controls and by recognising variations from standard practice.

3.2 Fraud Signals

All employees should be alert to the common signs of fraud. Signals for *potential* fraud include:

- ✿ illogical excuses and reasons for unusual events or actions
- ✿ staff evidently living beyond their means, who have access to funds or control or influence over service providers
- ✿ excessive staff turnover
- ✿ staff who do not take holidays for extended periods
- ✿ potential conflicts of interest not declared

- ✿ excessive number of duties (*eg. both processing and approving the same transaction*) residing with one person
- ✿ undue secrecy, or excluding people from available information
- ✿ staff who treat controls and standard practice as challenges to be overcome or defied
- ✿ evidence of failure to conduct reference checks on staff prior to employment
- ✿ unauthorised changes to systems or work practices
- ✿ missing documentation relating to client or agency financial transactions
- ✿ “blind approval,” where the person signing does not sight supporting documentation
- ✿ duplicates only of invoices
- ✿ alterations of documents such as day books, log books and time sheets.

4. REPORTING

4.1 Where to Report

Any Program employee or contractor who knows or has reason to believe that a fraud has occurred is responsible for immediately notifying the Program Director. The Program Director is to ensure that AusAID is notified as soon as possible where the suspected fraud impacts on a contract funded by that agency.

If the employee or contractor has reason to believe that the Program Director may be involved, the employee or contractor shall immediately notify either the Managing Director or the Chairman of the LEI Group Board at the following points of contact:

Managing Director:

Email: tburns@landequity.com.au

Phone: +61 417 355831

Chairman of LEI Board:

Email: samdurland@consultingplus.com.au

Phone: +61 419 266785

Suspicious should be reported to only those people who absolutely need to know. This protects people from allegations that may not be proven and prevents the possible destruction of evidence.

4.2 Protected Disclosures

Information received about suspected fraud is treated confidentially, and this includes the:

- ✿ identity of the person making the disclosure
- ✿ nature of the disclosure

- ✿ identity of the person or persons against whom the disclosure has been made.

5. INVESTIGATION

It is expected that all Program employees and contractors will fully cooperate with management in the investigation of any suspected fraud and make all reasonable efforts to be available to assist those responsible for investigating any incidence of suspected fraud.

The persons responsible for investigating any incidence of suspected fraud shall treat all information received confidentially. Investigation results will only be disclosed or discussed with those who have a legitimate need to know.