



Australian  
National  
University

# **The Australian National University**

## **Fraud Control Framework**

2017 – 2018

**Corporate Governance & Risk Office**

Corporate Governance and Risk Office

21 July 2017

The Australian National University

Canberra ACT 2601 Australia

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CRICOS Provider No. 00120C

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## Foreword

Fraud against the Australian National University is a serious matter. Not only is it a crime, but any occurrence of fraud can undermine public confidence in the University.

ANU is a leading university with an international reputation for excellence in research, education and policy. The University has a devolved operational structure that includes domestic and international professional and academic staff cohorts. This exposes us to a unique set of fraud risks.

The Fraud Control Framework sets out the overall context and arrangements for the management of fraud risks in the University, meeting the requirements of the *Public Governance, Performance and Accountability Act 2013 (Cth)* and the Commonwealth Fraud Control Framework. The purpose of this Framework is to deliver coherent, consistent and transparent guidance to staff in relation to fraud prevention and control at the University.

Associated with the Framework are the University's Fraud Control Plan 2017-18, the Fraud and Corruption Control policy and Fraud Control procedure, and Fraud Risk Assessments. Together they comprise the University's approach to fraud control.

I encourage all staff to use the Framework as an important reference tool, and to report any identified or emerging fraud risks to the relevant Service Division, College or Research School, or to the Corporate Governance and Risk Office. Fraud prevention and control is everyone's responsibility.

Professor Brian P. Schmidt AC

Vice-Chancellor

Australian National University

# 1. Introduction

Under section 10(b) of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) made under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the University must have a Fraud Control Framework (“the Framework”) in place.

This document has been developed to meet the requirements of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), the Commonwealth Fraud Control Framework, the Australian Standard on Fraud and Corruption Control AS8001-2008 and the Australian National Audit Office’s Better Practice Guide on Fraud Control in Australian Government Agencies. The Framework sets out the University’s attitude towards fraud and the governance structure in place to minimise the occurrence of fraud.

The Framework is accompanied by:

- a Fraud and Corruption Control policy, which underlines the seriousness of the proscribed conduct, states the University’s zero tolerance of fraud and corruption and makes clear that fraud control is part of a broader integrity framework that deals with a range of unethical and potentially criminal conduct (the current Fraud control procedure was created under the Risk management policy);
- a revised Fraud Control procedure, which sets out the processes and responsibilities for preventing, detecting, reporting and investigating fraud;
- a University Fraud Control Plan, which summarises the fraud prevention and detection activities to be undertaken across the University in 2017 and 2018; and
- a fraud risk assessment template, to assist Colleges, Service Divisions and Research Schools to understand their fraud risk exposures and the mitigation strategies that need to be put in place.

## The University’s operating environment

ANU is a world-leading university in Australia renowned for:

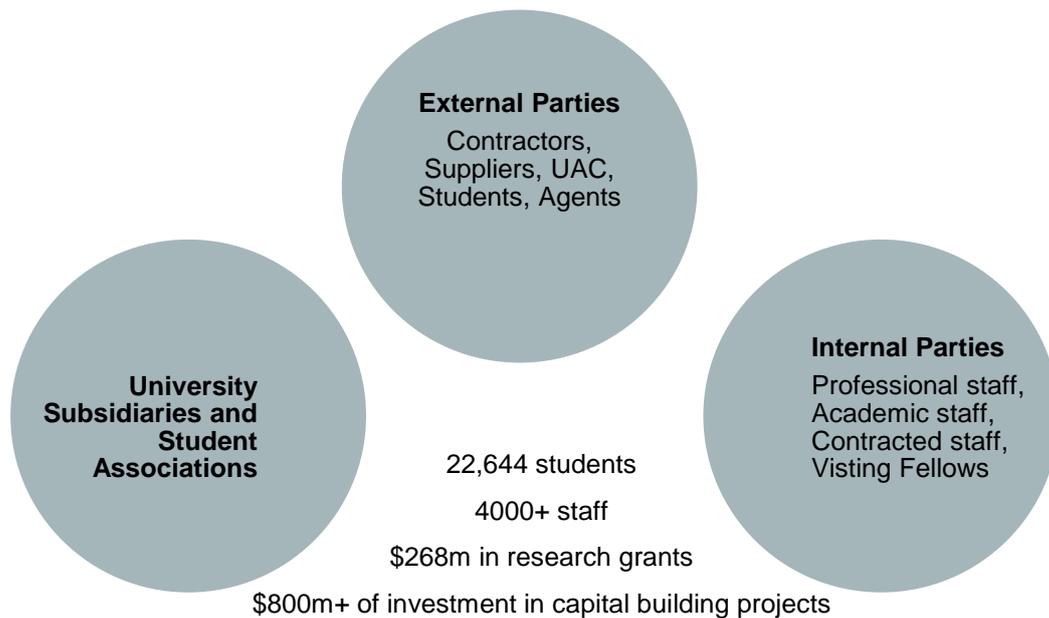
- excellence in research;
- excellence in undergraduate and graduate education;
- quality of the contribution of research and education and its impact on societal transformation; and
- contributions to public policy making.

As a consequence of the nature of its work, the University is exposed to numerous types of fraud risks. In developing the Framework, the University has considered the specialised nature of its professional, academic and student operations. Each present their own particular challenges and risks.

The University is located in Canberra and employs over 4000 professional and academic staff to deliver educational services to over 22,000 students and research outcomes to government and the private sector.

With revenue and expenses in excess of \$1 billion per year, a decentralised operating model and a diversified workforce, the University’s fraud risks are complex and unique.

Figure 1 below summarises the University's operating environment.



## 2. What is fraud?

The *Commonwealth Fraud Control Framework 2014* defines fraud as 'dishonestly obtaining a benefit or causing a loss by deception or other means'. This includes, but is not limited to:

- theft;
- obtaining property, a financial advantage or any other benefit by deception;
- causing a loss, or avoiding or creating a liability by deception;
- providing false or misleading information to the University, or failing to provide information where there is an obligation to do so;
- making, using or possessing forged or falsified documents;
- bribery, corruption or abuse of position;
- unlawful use of University assets including computers, vehicles, telephones and other property or services;
- divulging confidential information to outside sources;
- subverting or interfering with University computer systems and devices; and
- any offences of a similar nature.

Fraud can be perpetrated internally by University staff or students or by external parties, such as research collaborators, contractors and third party service providers, including non-government organisations (NGOs).

## The University's policy on fraud and corruption

The University has zero tolerance for fraud and corruption. A zero tolerance approach represents a set of principles and actions that are applied by the University to prevent, detect, investigate and respond to fraud and corruption in order to effectively manage associated risks. These principles and actions form part of the University's Fraud and Corruption Control policy and Fraud Control procedure, located in the University's policy library.

In practice, the University will:

- investigate all alleged instances or reports of fraud to determine the nature and extent of the fraud;
- take appropriate disciplinary action in line with the University's Enterprise Agreement, Code of Conduct and related procedures;
- seek prosecution of offenders; and
- seek the recovery of misappropriated funds or assets.

## Key Roles and Responsibilities

All staff have an ongoing responsibility to ensure the efficient and effective use of the University's monies and assets.

Specific responsibilities for fraud control within the University are detailed below:

ANU officer	Responsibilities
<b>Council</b>	<ul style="list-style-type: none"> <li>• Approve the University's Fraud Control Framework and Fraud Control Plan every 2 years</li> <li>• Receive reports of significant instances of fraud and remedial actions taken</li> </ul>
<b>Audit &amp; Risk Management Committee (ARMC) of Council</b>	<ul style="list-style-type: none"> <li>• Review and endorse the University's Fraud Control Framework and Fraud Control Plan every two years</li> <li>• Monitor the management of fraud risks, as part of risk management planning within the University</li> <li>• Inform Council of any significant fraudulent activities reported and any remedial actions taken</li> <li>• Receive reports on instances of 'high' and 'extreme' risks reported in Colleges and Service Divisions' Fraud Risk Assessments and review the remedial actions taken</li> </ul>
<b>Vice-Chancellor</b>	<ul style="list-style-type: none"> <li>• Foster an environment that makes active fraud control the responsibility of all staff</li> <li>• Ensure that appropriate measures are in place in relation to fraud prevention and detection</li> <li>• Ensure appropriate resourcing within CGRO to lead fraud control at the University</li> </ul>
<b>University Executive</b>	<ul style="list-style-type: none"> <li>• Foster an environment that makes active fraud control the responsibility of all staff</li> <li>• Ensure that appropriate measures are in place with regard to fraud prevention and detection</li> </ul>
<b>Chief Operating Officer</b>	<ul style="list-style-type: none"> <li>• With advice from the Legal Office, refer instances of potential serious or complex fraud offences to the Australian Federal Police (AFP)</li> <li>• Ensure appropriate resourcing within CGRO to lead fraud control at the University</li> </ul>

ANU officer	Responsibilities
<b>Director Corporate Governance &amp; Risk Office</b>	<ul style="list-style-type: none"> <li>• Develop and review the University's Fraud Control Framework and Fraud Control Plan</li> <li>• Coordinate fraud risk assessment activity across the University</li> <li>• Use fraud risk assessments to inform the development of the University's annual internal audit program for endorsement by the ARMC and approval by Council</li> <li>• Direct internal audit activity so it is planned and conducted in accordance with relevant standards</li> <li>• Receive reports of suspected fraud and take appropriate action, including advice to managers</li> <li>• Arrange fraud awareness training for relevant staff</li> </ul>
<b>Chief Finance Officer</b>	<ul style="list-style-type: none"> <li>• Review, on an ongoing basis, the financial fraud controls to ensure they are effective in minimising financial fraud risks</li> <li>• Provide assurance on the adequacy of the University's financial fraud control arrangements to the external auditors annually, through management representation letters</li> </ul>
<b>College Deans, Research School Directors, General Managers and Service Division Directors</b>	<ul style="list-style-type: none"> <li>• Foster an environment that makes fraud control the responsibility of all staff</li> <li>• Ensure that a fraud risk assessment for their area is in place and is reviewed at least every two years and whenever there are major changes in business activities</li> <li>• Ensure that appropriate internal controls are in place and operating effectively to minimise fraud risks (including by ensuring appropriate record keeping practices are in place)</li> <li>• Ensure that staff participate in fraud awareness education and training</li> <li>• Ensure that agreed recommendations relating to fraud in internal and external audit reports are implemented promptly</li> </ul>
<b>All Staff</b>	<ul style="list-style-type: none"> <li>• Act in accordance with the University's Code of Conduct when undertaking their duties and representing the University</li> <li>• Disclose to their supervisor any material personal interest that relates to the affairs of the University</li> <li>• Actively participate in the implementation of fraud risk control strategies</li> <li>• Undertake appropriate record keeping</li> <li>• Report any suspicions of, or information relating to any instance of fraudulent conduct to their supervisor, an authorised officer for <a href="#">Public Interest Disclosures</a> or the Director, CGRO</li> <li>• Encourage others to make such reports</li> <li>• Deal with all reports of suspected fraud professionally and promptly</li> </ul>

### 3. Fraud Control Framework

#### 3.1 Elements of the Fraud Control Framework

The University implements this Framework using the Prevent, Detect, Investigate and Respond model below, which underpins section 10 of the PGPA Rule, the Australian Standard on Fraud and Corruption Control AS8001:2008 and the Australian National Audit Office (ANAO) *Better Practice Guide on Fraud Control in Australian Government Agencies*.

The University’s Fraud Control Framework is based on:

- thorough, on-going assessment of risks relevant to the University’s operating environment;
- development and implementation of processes and systems to effectively prevent, detect and investigate fraud;
- application of appropriate criminal, civil, administrative or disciplinary action to remedy the harm from fraud;
- recovery of the proceeds from fraudulent activity;
- training of staff in fraud awareness and specialised training for staff involved in fraud control activities; and
- external scrutiny of fraud control activities by the ANAO to provide accountability to Parliament.

The following diagram highlights the elements of the Framework, with further detail on each below.

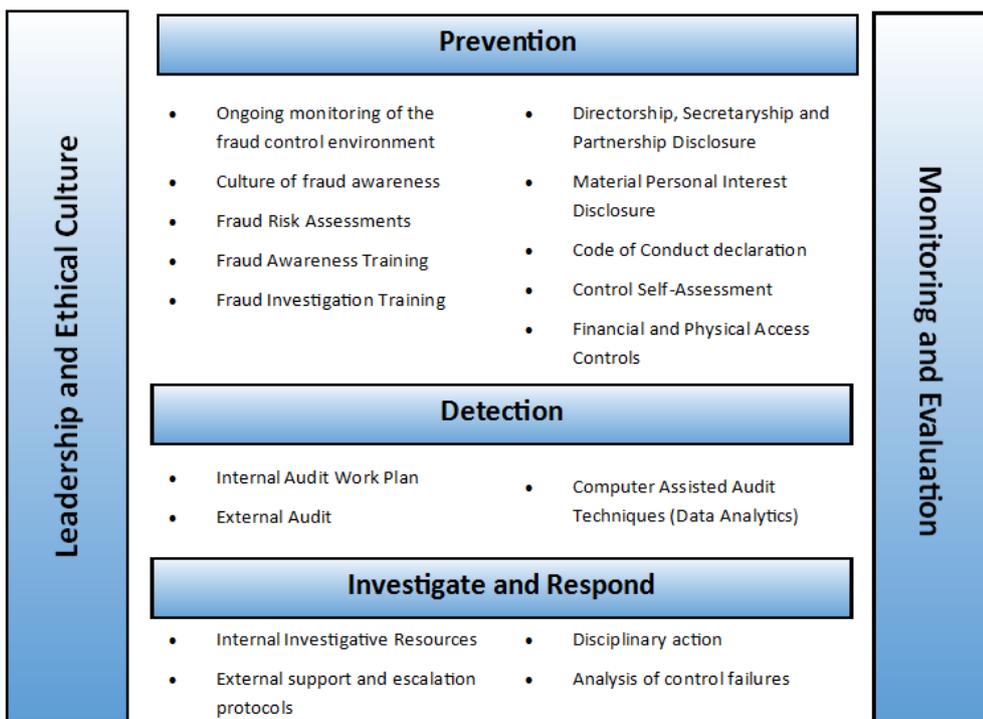


Figure 2: Elements of the Fraud Control Framework

### 3.1.1 Leadership and Ethical Culture

The first line of defence for the University against fraud is a robust internal culture that promotes awareness of fraud risks and implementation of effective controls to mitigate them. An important driver in preventing and detecting fraud is the University's ethical environment underpinned by the Code of Conduct Policy and the Fraud and Corruption Policy. Good corporate governance within a sound ethical culture reduces the likelihood risk of fraudulent or corrupt activity. The University Executive actively supports activities that promote a strong ethical culture across ANU.

Members of the University Executive place the highest priority on effective fraud control and ethical behaviour. They provide leadership in implementing this Framework and applying a zero tolerance approach to fraud and corruption and maintaining appropriate governance arrangements.

### 3.1.2 Prevention

#### *Fraud Control Plan*

The University's Fraud Control Plan 2017-2018 outlines the University's ongoing fraud prevention and detection activities over a period of two years.

#### *Fraud Risk Assessments*

Regular and comprehensive assessments of fraud risks are a critical element in preventing fraud. The University undertakes a program of biennial fraud risk assessments across all Colleges, Service Divisions and Research Schools to identify operational fraud risks, outlining existing controls and mitigation action to minimise the risks.

The University's risk management approach involves mitigating fraud risks, recognising that the University operates in a highly devolved setting where all staff have a role to manage risks as part of their day to day responsibilities. Additionally, the University recognises that risk management is dynamic and needs to be balanced in terms of both upside risk and downside risk and where staff must remain alert responsive to changes in the University's operating environment and circumstances.

The fraud risk assessment covers risks relating to fraudulent conduct perpetrated by University staff as well as persons outside the University, including collaborating research partners, contractors, other third parties and the public. Templates are available on the Risk and Audit webpage to assist staff when conducting fraud risk assessments and providing a consistent approach to doing so.

#### *Fraud Awareness Training*

As part of the induction training program for new staff, the University requires staff to complete an online training program that incorporates aspects of fraud awareness.

The University also offers fraud awareness training to staff which includes:

- the University's approach to fraud risk management including internal control mechanisms;
- potential areas for fraud and research misconduct, including consideration of case studies and examples of fraudulent activities that have occurred at the University and other higher education institutions;

- staff roles and responsibilities; and
- guidance on completing a fraud risk assessment.

### *Fraud Investigation Training*

Staff from the Corporate Governance & Risk Office (CGRO) receive the necessary training to conduct internal fraud investigations as required, guided by the Australian Standard on Fraud and Corruption Control (AS8001-2008).

### *Financial and Physical Access Controls*

Adequate access controls to critical and confidential data and information, and the clear assignment of delegations are a critical line of defence against fraud.

The University has a number of automated and manual controls to ensure the integrity of payment procedures. These controls reinforce segregation of duties, facilitate error detection and enhance data integrity. The controls include system controls, routine checks, exception reporting and management oversight.

### *Code of Conduct and Conflict of Interest Declaration*

All new University staff must undertake a compulsory online training module on the Code of Conduct, as part of their induction process, and acknowledge that they have read and understood the University's policy on Code of Conduct. This forms a key part of the University's ethical framework.

Staff are also required by the Conflict of Interest and Conflict of Commitment policy and procedure to disclose to their supervisors any actual or perceived conflicts of interests or any circumstances which may be perceived as involving a conflict as soon as they arise.

It is the responsibility of all staff, in conjunction with their supervisors, to manage their conflicts of interest in accordance with the University's Code of Conduct and Conflicts of Interest policy and procedure.

In 2017, CGRO will review the conflict of interest policy and associated procedures.

### *Directorship, Secretaryship and Partnership Disclosure*

The ANU Company Directorship, Secretaryship and Partnership policy requires all academic and professional staff of the University who hold or wish to hold a directorship, secretaryship or partnership in entities, other than family trusts, family partnerships, community (not for profit) boards of management, and self-managed superannuation funds to disclose their interest, and obtain a formal approval from the University prior to commencing office.

This provision is also applicable to all staff who have been invited or nominated by the University to hold office on behalf of the University.

CGRO coordinates the annual disclosure and maintains upkeep of the Register of Directorships for all Executive and senior academic and professional staff, and report the disclosure to the Audit and Risk Management Committee annually.

### *Material personal interest disclosure*

Section 29 of the PGPA Act requires ANU staff and other officials to disclose material personal interests that relate to University affairs. CGRO staff coordinate the annual

declaration of material personal interest disclosures by members of Council and Committees. Staff are also required to declare conflicts of interest under the Conflicts of Interest policy and procedure, which is under review in Quarter 1, 2017.

### 3.1.3 Detection

Early detection of fraud is a core element of fraud control, particularly in areas of identified high risk. The University recognises that regardless of how comprehensive a prevention regime is, it is not fool-proof against fraud. Fraud detection regimes are an essential component of a rigorous anti-fraud program as both a deterrent as well as a fraud identification mechanism.

#### *Internal audit*

Fraud risk assessments are used to inform the development of the University's annual internal audit work plan, which is endorsed by the ARMC and approved by Council. Specific fraud-focused internal audits will be directed at areas where significant vulnerabilities are identified.

#### *External audit*

University management and the ARMC discuss with the ANAO the audit procedures for the University's annual financial audit. The University will cooperate with the ANAO, including any external auditors appointed by the ANAO, and will readily assist in fraud detection and response.

#### *Continuous monitoring program / data analytics*

The University's information systems are an important source of information on fraudulent and corrupt conduct. With the use of software applications and computer assisted audit techniques, a series of suspect transactions can be identified and investigated. Investigation will be conducted by personnel external to the business unit in which the transactions occurred.

#### *Internal and external reporting channels and Public Interest Disclosures and Protection*

There are various ways in which a person may report suspected or actual fraud at the University.

Staff may make a report to their supervisor, senior line manager, or the Director, Corporate Governance and Risk Office (CGRO). What may raise a suspicion of fraudulent activity may be the result of a mistake or negligent conduct. However, if a supervisor or line manager receives a report that suggests criminal conduct, they have a duty under section 60A of the *Public Interest Disclosure Act 2013* to report the matter to an Authorised Officer for [Public Interest Disclosures](#).

Staff, former staff and contracted service providers may also report instances or suspected instances of fraud directly to an Authorised Officer for Public Interest Disclosures. Any person (including a student or visitor to the University) may also report suspected fraud directly to CGRO.

Suspected instances of fraud related to research misconduct should be reported in accordance with the [Research Misconduct and Serious Research Misconduct procedure](#).

A person who reports suspected fraud should provide as much information as possible, including details of any person they believe to be involved and the actions or activities they believe to be fraudulent, including how, when and where those actions or activities occurred. However, they should not investigate the matter themselves, as this may compromise a subsequent investigation.

The Director CGRO can provide confidential and independent advice to staff and managers in relation to the investigation of suspected fraud.

### **3.1.4 Investigate and Respond**

#### *Internal Investigative Resources*

On the basis of the information supplied, the Director CGRO will determine whether the alleged fraud:

- appears to be without foundation or to be not made in good faith; or
- warrants further investigation and/or other appropriate action, including seeking further advice, action under the research misconduct procedure, by referral to the Director, Human Resources in relation to a Code of Conduct matter, or referral to the Chief Operating Officer in relation to matters of a more complex, or serious nature including possible referral to the Australian Federal Police.

In deciding the appropriate action to take, the Director CGRO will take into account such factors as:

- the nature of the alleged fraud;
- the cost or value of the alleged fraud;
- the potential damage to the integrity of the University;
- the likely cost of taking action, including the cost of recovering financial losses or property;
- the likely benefit of taking action, including the deterrent value;
- whether it is likely that the fraud is systematic or targeted, rather than an isolated or opportunistic incident;
- the likelihood that the fraud was committed by an external party with internal assistance; and
- any possible ongoing risks arising from the fraudulent conduct, including any security implications.

Investigations will be carried out by appropriately qualified and experienced personnel within, or external to, the University.

#### *External Support and Escalation Protocols*

If the University's internal investigative resources are unable to investigate, the Director, CGRO will ensure that an appropriately accredited fraud control service provider conducts the investigation.

The Chief Operating Officer on advice from the Legal Office will refer instances of potential serious or complex fraud offences to the Australian Federal Police (AFP) in accordance with the Australian Government Investigation Standards and the AFP's Case

Categorisation and Prioritisation Model (see [www.afp.gov.au](http://www.afp.gov.au)). Minor or routine instances of fraud, that is, fraud that would be unlikely to be investigated by the AFP, will be investigated internally or by an external investigator appointed by the University.

In determining whether a particular matter, fraudulent or otherwise, is of sufficient seriousness that it should be referred to the AFP for investigation, the following issues will be considered:

- the findings of the preliminary assessment and any investigation of the alleged fraud;
- whether there is sufficient evidence to indicate that an offence may have been committed, or attempted to be committed; and
- indicators of seriousness that the AFP may consider warrant acceptance of the matter for investigation.

When a matter has been referred to the AFP, the University will provide assistance as requested in the investigation process, including by giving access to official records.

Once a matter has been officially referred to the AFP, the ANU will provide assistance as requested with the external investigation process, including access to official records and employees.

#### *Disciplinary Action*

If an internal or external investigation suggests that disciplinary action against a staff member may be warranted, the Director, CGRO will refer the matter to the Director, Human Resources.

#### *Analysis of Control Failure*

CGRO in conjunction with line management will conduct a review of the internal controls in the area where a fraud was detected and suggest enhanced and more robust controls to prevent a recurrence of fraud.

### **3.1.5 Monitoring and Evaluation**

CGRO maintains a recording and tracking system to ensure all instances of suspected fraud are satisfactorily resolved. This system also facilitates the extraction of statistical data for monitoring the effectiveness of the ANU Fraud Control Plan and reporting to the Australian Institute of Criminology's annual report on fraud against the Commonwealth.

The information provided includes, where possible:

- Details relating to the suspected offence;
- Details of any staff involved (name and location);
- Details of any clients or outside parties involved (name, description and address);
- Outcomes from the investigation, including a briefing paper and proposed recommendations; and
- Evidence of the implementation of those proposed recommendations.

CGRO will notify the Audit and Risk Management Committee of any investigations and outcomes arising in respect of fraud incidents occurring. The ARMC will advise the Council of any significant fraudulent activities and the remedial actions undertaken.