



**St Paul's College**  
**Walla Walla**  
**Fraud Control Policy**

February 2020



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# Policy statement

St Paul's College (SPC) is committed to conducting its business in accordance with strict standards of honesty and integrity. Serious unethical behaviour such as fraud can damage SPC's reputation and cause monetary and material loss, disruption to operations and regulatory sanctions. The advantages of working in an ethical environment free from fraud and corruption are many and include benefits for both SPC and its employees.

The purpose of this policy is to provide general procedural guidance on the management of fraud risk at SPC.

Specifically, the policy seeks to:

- Foster an environment that actively discourages fraudulent activities;
- Protect SPC's assets, information and property;
- Prevent reputational damage to SPC that can result from fraud and corruption incidents; and
- Provide a transparent framework for reporting and investigating fraud and corruption should it occur.

# Guiding principles

This Policy has been developed in accordance with the Australian Standard on Fraud and Corruption Control (AS 8001:2008), which provides entities with best practice guidelines in respect to the control of fraud and corruption.

The following key fraud and corruption control principles apply at SPC:

- SPC operates a strict zero tolerance approach to fraud and other serious misconduct such as theft and corruption.
- The directors, management team and all employees of SPC have a role to play in helping prevent and detect fraud, theft and corruption by acting ethically and reporting suspected incidents in accordance with this Policy.

# Application of this policy

Any breach of applicable laws or of this policy may result in disciplinary action including dismissal and prosecution. If the matter is criminal in nature, it may be referred to the police or appropriate law enforcement agency in the state in which the alleged unlawful behaviour occurred.

# Recovery action

It is SPC's policy that persons convicted of a criminal offence or dismissed for unethical behaviour relating to fraud or corruption should not benefit from their activity. Accordingly, where permitted by law SPC will seek recovery of money or property stolen or otherwise unlawfully obtained.

# Definition of fraud

Fraud can be described as encompassing a wide variety of deceptive, dishonest or unethical behaviours. For fraud to exist there must be intentional deception to gain a benefit.

For the purposes of this policy SPC adopt the definition of fraud contained in AS 8001-2008 where fraud is defined as:

*'Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where 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 a normal business purpose or the improper use of information or position for personal financial benefit.'*

The theft of property belonging to SPC and/or residents of SPC operated premises by employees, or by consultants, contractors, suppliers or other people external to SPC is also considered 'fraud' for the purposes of this Policy.

# Definition of corruption

SPC also considers corrupt behaviour by the College Board, employees and contractors to be 'fraud' for the purposes of this policy. For the purposes of this policy SPC adopts the definition of corruption contained in AS 8001-2008 where corruption is defined as:

*'Dishonest activity in which a director, executive, manager, employee 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'.*

# Conflicts of interest

Conflicts of interest can lead to fraud, corruption and other serious unethical behaviour. Conflicts of interest arise when a SPC employee is influenced or appears to be influenced by personal interests when doing their job. Conflicts of interest often involve an individual putting their personal interests ahead of their duty to act in the best interests of their employer.

Employees must not use their position or knowledge obtained through their employment for personal or private advantage. Conflicts of interest can be actual or potential and do not always involve financial gain. If a SPC employee is unsure that pursuing a certain course of action may constitute a conflict of interest they should seek guidance from their immediate manager (ie, principal or business manager).

# The three main types of fraud

According to AS 8001-2008 the three main types of fraud are:

- Type 1 – Wrongdoing perpetrated by an individual acting alone where the principal benefit goes to the individual;
- Type 2 – Wrongdoing perpetrated by more than one individual acting collusively, where the principal benefit goes to the individuals or the organisation; and
- Type 3 – Wrongdoing perpetrated by an outsider against the organisation, where the principal benefit goes to the third party.

# Fraud and corruption in the context of SPC

Some examples of fraudulent and corrupt activity that must not be engaged in include:

- Use of petty cash floats for private expenditure;
- Using SPC's facilities, equipment and time to operate a private business;
- Using a SPC issued credit card for private expenditure;
- Theft and/or unauthorised release of confidential/private information;
- Falsification of time attendance records;
- Exploitation of personal/carers leave;
- Submission of exaggerated or wholly fictitious accident/incident, harassment or injury claims;
- Payment of fictitious employees or suppliers through SPC's payroll or finance systems;
- Creating and submitting false/inflated supplier invoices for payment of goods and services not delivered or provided;
- Theft of SPC's revenue or funds in the form of cash, cheques, EFT or other negotiable instruments;
- Inappropriate disposal of SPC assets in contravention of SPC's asset management policy;
- Theft of physical or intellectual property – includes all intellectual property and proprietary rights (whether registered or unregistered) owned or used by SPC or necessary for the conduct of SPC's business;
- Material and deliberate misstatement of accounting information;
- Falsifying job applications, qualifications or work safety qualifications;
- Nepotism (eg, favouring relatives when hiring for a position); and
- The acceptance or offering of bribes, kickbacks and secret commissions to or from counterparts such as government officials, clients, contractors, vendors, or other persons providing or seeking to provide goods and services to SPC.

**Exceptions: Moderate gifts (not cash) and entertainment may be exchanged as a customary courtesy.**

## Key roles and responsibilities

Everyone at SPC is responsible for fraud and corruption prevention and has a role to play. Specific responsibilities are outlined below:

### **Board of St Paul's College**

The Board of SPC Ltd exercises the ultimate management authority of SPC. The Board of SPC Ltd is responsible for setting the proper tone at the top with regard to ethical behaviour and should have an observably high level of commitment to controlling the risk of fraud, corruption and other serious misconduct both against SPC and by SPC.

### **Principal**

The Principal will be the final arbiter on issues of apparent misconduct such as fraud, theft and corruption that cannot otherwise be resolved at line-management level. In any case, all allegations of serious misconduct such as fraud, theft and corruption will be reported to the LCA Professional Standards Department. The Principal will decide whether to report allegations of fraud and other serious misconduct to the respective investigative or regulatory agencies. The Principal will also be responsible for approving the terms of reference for any major investigations into fraud or corruption (including the engagement of external specialist consultants) and approve or endorse final action to be taken in response to actual incidents of fraud or corruption. The Principal will be responsible for taking all necessary steps to ensure that the organisation learns from its experiences.

The Principal is also the Disclosure Coordinator for all reports of unethical behaviour received from staff. Furthermore, the Principal is responsible for following up character references for all employees and performing checks for previous criminal records during the recruitment process for new employees as well as ongoing checks of existing employees.

### **College Business Services Manager and Finance Staff**

Finance and administration personnel should be alert to the possibility of fraud when processing invoices or expense reimbursements, accepting requests to change employee or supplier bank account details, reviewing actual expenditure against budget and undertaking review work or special financial related projects within the organisation.

### **Individuals**

Employees who work in an area on a day to day basis are best placed to prevent and detect fraud, such as observing dishonest practices by peers or colleagues. Employees who have reason to suspect fraud, corruption or other serious misconduct are expected to inform their business manager or principals in the first instance.

### **External auditors**

The external audit function is responsible for ensuring that the risk of fraud is considered as part of the annual auditing of SPC's financial statements in accordance with ASA 240.

### **Manager IT**

As part of their overall responsibility to implement, coordinate and monitor information security, information technology is responsible for utilising information technology to support prevention and detection of fraud and other serious misconduct and for establishing mechanisms in place to investigate information technology misuse.

## **Reporting allegations of fraud, corruption and unethical behaviour**

It is SPC's preferred position that staff members feel empowered to initially report allegations of fraud or corruption to their immediate manager or alternative established reporting channels. However, it is recognised that this is not always appropriate and SPC has established a whistleblowers reporting protocol to ensure all employees can report allegations without fear of reprisal. Reports should be made in accordance with the list below.

- In the first instance, the Principal;
- The region's business manager, in the event that the disclosure relates to the Principal;
- Principal, in the event that the disclosure relates to the business manager; and
- Chairman of the Board, in the event that the disclosure relates to the Principal.

SPC acknowledges that there will be instances where employees will wish to maintain their anonymity. Staff are directed to the Principal, to address the manner in which anonymous reports will be dealt with and the protection available to 'whistleblowers'.

An employee who deliberately makes a malicious or vexatious report of an allegation of fraud and or corruption against another staff member may be subject to discipline.

## **SPC's response approach**

In the event of a detected fraud event, the response approach is critical to ensure that SPC minimises losses, recovers assets at risk of loss and undertakes appropriate internal review to minimise the opportunity for a further fraud event to occur. SPC's fraud response approach includes:

- Investigation;
- Internal reporting and escalation;
- External reporting;
- Civil action;
- Review of internal controls; and
- Insurance.

## When will an investigation be launched and what will it entail?

Reports of allegations of fraud and or corruption will be assessed by the Principal. If the Principal and/or region's business manager decide that based on the available information, there is enough evidence to warrant further investigation a formal investigation will be launched. SPC's existing grievance and complaint management protocols (refer to Appendix 2) should be referred to for general guidelines and principles to be followed by staff involved in investigating allegations of fraud and corruption.

In addition to the above-mentioned guidelines, all investigations into apparent or suspected fraud will be conducted by appropriately skilled and experienced personnel who are independent of the business unit in which the alleged fraudulent or corrupt conduct occurred. The independent party may be an external law enforcement agency, a manager or other senior person within SPC or an external consultant operating under the direction of an independent senior person within SPC. Regardless, all investigations whether undertaken by internal or external resources will observe the rules of natural justice in that the investigation will be conducted without bias and observe the rules of procedural fairness. Any evidence obtained during the course of an investigation from whatever source must comply with jurisdictional requirements in order to guarantee the admissibility of evidence should charges result.

Any investigation into improper conduct within SPC should be subject to an appropriate level of supervision by the LEVNT Executive Director having regard to the seriousness of the matter under investigation.

Members of the investigation team will have:

- Free and unrestricted access to all SPC records and premises, whether owned or rented.
- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

Any investigation may potentially involve the following investigative activities:

- Interviewing of relevant witnesses including obtaining statements, where appropriate including witnesses internal and external to SPC;
- Reviewing and collating documentary evidence;
- Forensic examination of computer systems;
- Examination of telephone records;
- Enquiries with banks and other financial institutions (subject to being able to obtain appropriate court orders);
- Enquiries with other third parties;
- Document search and seizure;
- Expert witness and specialist testimony;

- Tracing funds/assets/goods;
- Preparing briefs of evidence;
- Liaison with the police and other law enforcement or regulatory agencies;
- Liaison with Insurers in respect to policy coverage;
- Interviewing persons suspected of involvement in fraud; and
- Report preparation.

Regardless of the gravity of the fraud incident, information relating to fraud incidents should be recorded to satisfy corporate governance obligations. At a minimum this will include:

- Date and time of report;
- Date and time that incident was first detected;
- How the incident came to the attention of management (e.g. anonymous report, normal report, supplier report, audit work etc);
- The nature of the incident;
- The value of loss (if any) to SPC; and
- The action taken following discovery of the incident.

All details of the investigation will remain with SPC until allegations are confirmed or found to be unproven. The appropriate Board or Executive Director (region or SPC) will be involved when it becomes clear that action will be taken including referring the matter to appropriate law enforcement or regulatory agencies and/or pursuing civil action against the perpetrator(s) to recover losses.

## Policy review

This Policy will be reviewed annually by the College Board to ensure its effectiveness.