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1 PURPOSE

- 1.1 This Fraud and Corruption Control Framework outlines CQUniversity's commitment to prevent and control fraud and corruption.
- 1.2 The objectives of this framework are to ensure CQUniversity:
- maintains an organisational culture of honesty and integrity
 - establishes processes that safeguard effective prevention, detection and management of internal and external fraud and corruption, and
 - encourages, supports and protects persons who report suspected fraud and corruption.

2 SCOPE

2.1 This framework applies to:

- all areas of the University's business, including its academic, research, administrative, project and commercial activities
- controlled entities in Australia
- controlled entities offshore, as far as it is able to be applied in accordance with local legislation
- Council and all University committees
- employees
- students
- volunteers
- contractors
- consultants, and
- any person who works in any other capacity for the University or is involved in University business.

2.2 This Framework does not apply to instances of student misconduct, which are managed through the [Student Academic Integrity Policy and Procedure](#), the [Research Higher Degree Integrity Policy and Procedure](#), and the [Student Behavioural Misconduct Procedure](#).

3 FRAMEWORK

- 3.1 The University recognises that fraud and corruption management is an integral part of good governance and management practice and is committed to high standards of integrity, compliance, health and safety, and ethical behaviour. There is no risk appetite (zero tolerance) for bribery and other forms of corruption, or fraud by individuals, or in systems and processes. As such, the University is committed to minimising the risks of such behaviour and ensuring continuing organisational integrity and transparency in all University activity.
- 3.2 The University is committed to the high standards of integrity, conduct and fiduciary responsibility by building an integrity-based culture that will resist fraud and corruption. This Framework consists of coordinated and integrated tools that assist with fraud and corruption control.



Source "Integrity Control Framework" Crime and Corruption Commission Fraud and Corruption Control Best Practise Guide 2018

Background

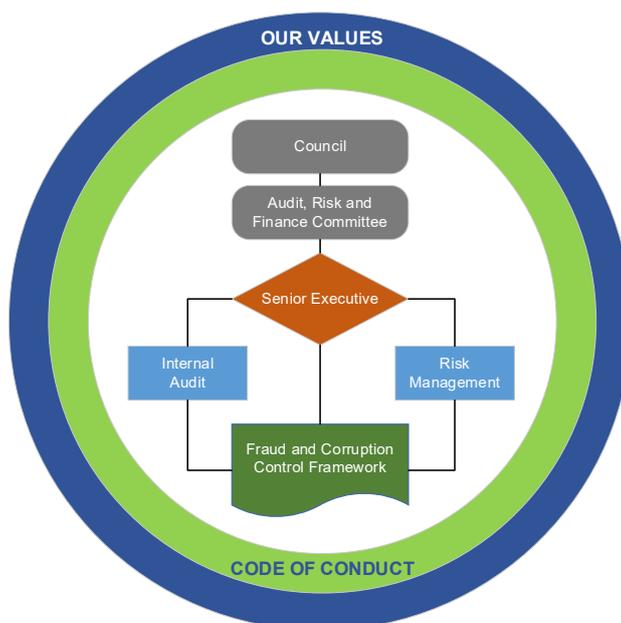
- 3.3 The University is established under the [Central Queensland University Act 1998](#) (Qld); it is a statutory authority, and falls within the jurisdiction of the Queensland Crime and Corruption Commission as a unit of public administration. Under the [Crime and Corruption Act 2001](#) (Qld), any acts which could amount to corrupt conduct must be notified to the Crime and Corruption Commission by the Vice-Chancellor and President, as the University's Chief Executive Officer (or public official) (or their nominee) in accordance with section 38 of the *Crime and Corruption Act*.
- 3.4 The [Financial Accountability Act 2009](#) (Qld) requires the University to establish and maintain appropriate systems of internal control and risk management.
- 3.5 This framework is based on the guidelines and principles of the *Financial Accountability Act, Crime and Corruption Act*, the Australian Standard AS8001:2008 Fraud and Corruption Control and the Crime and Corruption Commission's [Fraud and Corruption Control - Best Practice Guide](#), and consistent with the Australian Standard AS/NZS ISO 31000:2009 for Risk Management.

4 POLICY PRINCIPLES

- 4.1 Through this framework, the University adopts the 10 components of the Crime and Corruption Commission's Fraud and Corruption Control Best Practice Guide. The 10 components – coordination mechanisms, risk management system, internal controls, reporting processes, protection for disclosers, external reporting, investigation management processes, code of conduct, organisational culture, and stakeholder and community awareness program – are interrelated. Each one plays an important role, and no single component can be considered in isolation.

Coordination mechanisms

- 4.2 Effective mitigation of fraud and corruption risks can only occur through the implementation of a well thought out, complete and supported fraud and corruption control framework. Proper application and management of components of this framework requires high level of coordination amongst University policy documents.
- 4.3 The University's fraud and corruption control oversight functions include Internal Audit, Risk Management, the Audit, Risk and Finance Committee, the Council, and the University's broader governance processes.
- 4.4 This framework has been endorsed and supported by the Senior Executive and the University Council. It is critical that the Senior Executives are seen to support this framework within their areas of responsibility.



Key components of fraud and corruption control oversight

Risk management system

- 4.5 The University's [Enterprise Risk Management \(ERM\) Framework](#) supports the University in identifying and consistently analysing risks and opportunities inherent in all University operations. Key fraud and corruption risks are identified as a sub-category of 'corporate risk' and form part of the University's overall risk management strategy in an integrated manner. The ERM Framework processes are intended to help manage risk, considering the unique and special environments in which the University operates and the different fraud and corruption risk exposures.
- 4.6 In developing this framework, the University has considered the specialised nature of its professional, academic and student operations. Each present their own particular challenges and risks. Implementing processes to assess and identify fraud risk, as well as appropriate risk treatments and controls, can reduce the University's exposure to fraud.
- 4.7 The Queensland Audit Office has developed a fraud risk susceptibility framework ([Appendix 1](#)) that assists with fraud risk assessment. The framework can be used to assess the business environment for current and emerging fraud risk factors to assist the University to understand its potential exposure to fraud. This involves identifying business areas or services highly exposed to fraud risk to inform the more detailed fraud risk assessment. The University's risk identification and exposure is provided in [Appendix 2](#).
- 4.8 Risk assessment and analysis is documented within the Fraud Risk Register and assigned a risk rating in accordance with Appendix 4 of the ERM Framework.
- 4.9 The Australian Standard on fraud and corruption control (AS 8001:2009) recommends that entities conduct a comprehensive review of fraud and corruption risks every two years. The standard advises entities to consider not only the existing environment and current threats, but also those risks that are emerging.

Internal controls

- 4.10 Internal controls reduce the risk of error and fraud occurring and can help to detect fraud and error if it has occurred.
- 4.11 The University's internal control structure consists of the policy documents and processes, established to effectively manage operational, financial, and compliance risk, and is clearly set out and explained in the ERM Framework.
- 4.12 Internal control measures are implemented to mitigate identified fraud and corruption risks tailored to the University and its operating environment. Management and employees share the day-to-day responsibility for implementing and monitoring internal controls. Management has the primary responsibility for leadership and for implementing and monitoring the control systems.
- 4.13 The University has established an internal audit function which significantly strengthens the control environment by independently reviewing the adequacy of the control arrangements on a regular basis.

Reporting processes

- 4.14 The University expects all employees to work with integrity, diligence, honesty and respect. Ethical and behavioural obligations are set out in the University's [Code of Conduct](#), including the obligation to report any improper conduct.
- 4.15 Where an employee is aware of, or suspects, fraudulent or corrupt conduct, they are expected to report these suspicions immediately in accordance with the clause 5.9 of this framework, or in accordance with the [Public Interest Disclosure Policy and Procedure](#), if applicable.

Protection for disclosers

- 4.16 The University is committed to the development of a climate of trust and accountability in which employees know that confidentiality will be maintained (as far as possible) and that appropriate action will be taken in response to concerns raised. Information and support will be provided to the discloser until the matter is finalised.

- 4.17 Details about disclosures, investigations, and related decisions will be kept secure and accessible only to the people involved in the management of the disclosure. The University will ensure that communication with all parties involved will avoid identifying the discloser wherever possible.
- 4.18 Disclosers should not suffer from any form of detriment or reprisal as a result of legitimate reporting suspected fraud or corruption. In the event of reprisal action being alleged or suspected, the University will attend to the safety of disclosers as a matter of priority.
- 4.19 The identity of the person making a public interest disclosure regarding fraud or corruption will be protected in accordance with the [Public Interest Disclosure Policy and Procedure](#).

External reporting

- 4.20 The University may have a legislative obligation to report matters to another authority or agency within the public sector integrity framework or law enforcement such as the Queensland Audit Office, Queensland Ombudsman, Crime and Corruption Commission, Queensland Integrity Commissioner, Office of the Information Commissioner and the Queensland Police Service.
- 4.21 In these cases, the discloser will be advised of the external reporting action taken by the University.
- 4.22 Any identified losses of money or property will be reported and recorded in accordance with the [Losses Policy](#).

Investigation management processes

- 4.23 Once suspected fraud or corruption has been identified or reported, investigation processes will depend on the nature and seriousness of the conduct.
- 4.24 Once the nature and substance of the matter has been established, if there is a reasonable suspicion that the matter may involve corrupt conduct the University is bound by section 38 of the *Crime and Corruption Act* to report the matter to the Crime and Corruption Commission. No investigation is to occur, and no action is to be taken against an employee in relation to a complaint until the Crime and Corruption Commission has been notified and a response has been received about how to deal with the matter.
- 4.25 Any investigation will reflect the nature and seriousness of the matter and will follow the investigative procedures outlined below in this framework and any directions issued by the Crime and Corruption Commission.

Code of conduct

- 4.26 The University's [Code of Conduct](#) provides guiding principles and standards of expected behaviour, requiring employees to work with integrity, diligence, honesty and respect.
- 4.27 The Code of Conduct makes a commitment to the following ethical and behavioural obligations:
- integrity and impartiality
 - accountability and transparency
 - participate as a community of scholars
 - promoting the public good, and
 - commitment to the system of government.
- 4.28 A failure to comply with the Code of Conduct is a serious matter and may lead to disciplinary action, including possible termination of employment or suspension from the University.

Organisational culture

- 4.29 The University promotes an ethical organisational culture and supports employees to be fraud aware and fraud-resistant. The University sets high performance expectations and standards which are espoused in the attitudes and behaviours demonstrated at the highest levels of the University.

- 4.30 The University seeks to maintain a strong internal control framework and effective communication, education and training programs that foster an ethical organisational culture as the accepted norm, which resists fraud and corruption and rewards integrity.

Stakeholder and community awareness program

- 4.31 The University is committed to probity and maintaining public trust by encouraging wide-ranging community awareness and understanding of the expected standards of corporate and employee behaviour, including organisational values, policy documents, and codes of conduct.
- 4.32 The University will make this framework publicly available to raise awareness among suppliers, stakeholders and the community of the University's zero tolerance of fraud and corruption, and the measures that have been adopted to prevent and detect internal and external fraud and corruption.

5 PROCEDURE

- 5.1 The three key themes of this framework are prevention, detection and response.



- **Prevention:** proactive measures designed to help reduce the risk of fraud and corruption occurring in the first place.
- **Detection:** measures designed to identify attempts or acts in preparation before the fraud or corruption occurs or to uncover incidents of fraud and corruption as soon as possible after it occurs.
- **Response:** reactive measures designed to investigate, take corrective action, remedy the harm caused by fraud or corruption and ensure learnings are captured and used to enhance prevention and detection strategies.

Prevention

- 5.2 The University seeks to maintain a sound and sustainable ethical culture through a process of awareness training (including promotion of this framework), benchmarking, and monitoring. Senior Executives, heads of business areas, and supervisors of work units must demonstrate a high level of commitment to controlling the risk of fraud and corruption within and by the University.
- 5.3 As fraud and corruption can occur at any level the University has established appropriate preventive techniques, such as policy documents, training, and communication, to help prevent fraud from occurring.
- 5.4 The Fraud Risk Register details and identifies risks and controls which are reviewed and updated as required, and at least annually by the Deputy Vice-President (University Secretary) and Director Governance, with advice from the Vice-President (Student and Corporate Services) and Deputy Director Strategic Planning, Risk and Insurance.

Detection

- 5.5 The University has implemented systems aimed at assisting with the detection of fraud and corrupt conduct as soon as possible after it has occurred, in the event that the University's preventative systems fail.
- 5.6 The source of the activity may be:
- internal (perpetrated by an employee or contractor)
 - external (perpetrated by a student or an external service provider), or
 - complex (for example, involve collaboration between employees, contractors, and external service providers).
- 5.7 Where an employee is aware of, or suspects, fraudulent or corrupt conduct, they are expected to report these suspicions immediately, in accordance with clause 5.9.
- 5.8 The University will ensure that there are adequate means for reporting suspicious or known illegal/unethical conduct, and that these means are widely known and available.

Reporting suspected fraud or corrupt conduct

- 5.9 Suspected fraud or corrupt conduct incidents must be reported either verbally or in writing to the Deputy Vice-President (Students) and University Secretary. If the suspected incident involves the Deputy Vice-President (Students) and University Secretary then the report must be made to the Vice-Chancellor and President. Reports can also be made to external bodies as applicable (such as the Crime and Corruption Commission and the Queensland Ombudsman).
- 5.10 Reports may be made anonymously. All disclosers are requested to include as much detail as possible in their disclosure to increase the likelihood of a successful investigation.
- 5.11 Where a report of a suspected instance of fraud or corruption is also a public interest disclosure, the identity of the person making the disclosure will be protected in accordance with the [Public Interest Disclosure Policy and Procedure](#).

Investigating a report of suspected fraud or corrupt conduct

- 5.12 The University's response to fraud and corruption allegations or matters will vary according to the nature and seriousness of the alleged conduct.
- 5.13 The Vice-Chancellor and President has delegated to the Deputy Vice-President (Students) and University Secretary responsibility for the management of alleged misconduct under this framework. If the complaint involves the Deputy Vice-President (Students) and University Secretary, the Vice-Chancellor and President will assume this responsibility.
- 5.14 Preliminary enquiries will be made to be undertaken to determine whether there is a reasonable suspicion that the alleged conduct may involve corrupt conduct. If the determination is made that alleged conduct does not involve corrupt conduct, the complaint will be dealt with through the University's normal complaint resolution or employee misconduct processes.
- 5.15 As per section 4.24, a reasonable suspicion of corrupt conduct must be reported to the Crime and Corruption Commission, and no further action can occur regarding the complaint until the Crime and Corruption Commission has been notified and a response has been received about how to deal with the matter.
- 5.16 The Crime and Corruption Commission's [Corruption in Focus: A guide to dealing with corrupt conduct in the Queensland Public Sector](#) will be followed for the conduct of any University investigation.
- 5.17 Where the conduct would, if proven, be a criminal offence, or provide reasonable grounds for dismissal, a full investigative response may be required.

- 5.18 An appropriate investigator will be appointed to investigate fraud and corruption allegations and will be subject to any monitoring or direction from the Crime and Corruption Commission and/or other external authorities. The investigation outcomes will be reviewed to determine appropriate action such as disciplinary action and/or a review of internal controls and processes.
- 5.19 Confidentiality must be maintained throughout any investigative process.
- 5.20 Where fraud is found to have occurred, the Senior Executive, in consultation with relevant senior management, will reassess the adequacy of the internal control environment and identify actions to strengthen the controls. A dynamic approach is taken to this framework, with a focus on continuous improvement.
- 5.21 Where a referral is made by the Crime and Corruption Commission it will be dealt with in accordance with Commission directions and these procedures.

6 ROLES AND RESPONSIBILITIES

- 6.1 The Vice-Chancellor and President is accountable for fraud control within the University and for ensuring that appropriate governance mechanisms and fraud control frameworks are in place and operating as designed.
- 6.2 The Vice-Chancellor and President and Senior Executive are provided with assistance to fulfil their corporate governance and oversight responsibilities including financial reporting, internal control systems, risk management systems, internal and external audit, and fraud and corruption control processes.
- 6.3 All members of the University community play an important role in identifying and reporting suspicious actions or wrongdoing.
- 6.4 The University has identified specific roles and responsibilities concerned with fraud and corruption control and implementing this Framework. These are identified in the table below.

Role	Responsibilities
Council	<ul style="list-style-type: none"> Define risk appetite and approve the Risk Appetite Statement. Approve the Risk Management Policy and Enterprise Risk Management Framework. Approve the Compliance Management Policy and Procedure. Approve this Fraud and Corruption Control Framework.
Audit, Risk and Finance Committee	<ul style="list-style-type: none"> Review the adequacy and the current and comprehensive enterprise risk management framework and associated procedures designed to ensure that the identification and management of the organisation's business and financial risks, including fraud, are effective. Oversee the organisation's compliance and integrity programs, and fraud control arrangements to satisfy itself the organisation has appropriate processes or systems in place to capture and effectively investigate fraud-related information. Review reports on fraud that outline any identified allegations of fraud, the status of any ongoing investigations, and any changes to identified fraud risk in the organisation.
Vice-Chancellor and President	<ul style="list-style-type: none"> Demonstrate a strong commitment, endorse, and actively support this Fraud and Corruption Control Framework. Promote a culture that encourages strong risk management (including fraud and corruption) and articulates the University's zero tolerance for fraud and corruption. Ensure appropriate governance mechanisms and fraud control frameworks are in place and operating as designed.

Role	Responsibilities
	<ul style="list-style-type: none"> Set and communicate clear expectations for employee roles and responsibilities for managing fraud risks and expectation that all employees are required to conduct their duties to high professional and ethical standards and always act in the public interest.
Senior Executive	<ul style="list-style-type: none"> Demonstrate a strong commitment, endorse, and actively support this Fraud and Corruption Control Framework. Lead by example, set the 'tone at the top' and cultivate a culture within their teams that supports high standards of ethical conduct. Ensure risk management activities are carried out effectively within the University, including identifying risk exposures to fraudulent and corrupt conduct. Ensure appropriate and effective internal controls systems are in place that will assist in preventing and detecting fraud and corruption.
Deputy Vice-President (Students) and University Secretary	<ul style="list-style-type: none"> The nominated contact for all reported incidents of suspected fraud and advice on the appropriate course of action in accordance with University policy, including managerial action, investigation, and referral. Refer to, or notify, relevant external agencies of allegations of suspected fraud or corrupt conduct in accordance with legislative requirements; and fulfilling the University's obligations under the <i>Crime and Corruption Act</i>. Report incidents of suspected fraud to the Vice-Chancellor and President, and other members of Senior Executive as appropriate. Inform the University's Audit, Risk and Finance Committee and Internal Audit of any reported fraud and actions taken. Undertake an annual review of the Fraud Risk Register.
Director Governance	<ul style="list-style-type: none"> Undertake a review of this Fraud and Corruption Control Framework every second year. Assist with the annual review of the Fraud Risk Register. Develop and maintain the Fraud and Corruption StaffNet page.
Risk Management	<ul style="list-style-type: none"> Oversee the development and implementation of a systematic and coordinated Enterprise Risk Management Framework, integrating fraud and corruption matters with the University's overall risk profile. Assist with the annual review of the Fraud Risk Register.
Risk Owners	<ul style="list-style-type: none"> Identify and assess allocated risks on a regular basis, and assess the operational effectiveness of controls and treatments. Document results of assessment and report to risk management team.
Control Owners	<ul style="list-style-type: none"> Test the operational effectiveness of assigned controls and mitigating activities on a regular basis, meeting implementation timeframes. Document and explain results of controls assessment and report to risk management team.
Internal Audit	<ul style="list-style-type: none"> Review the University's systems of internal control by using a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes, with particular regard to fraud and corruption. Monitor and evaluate the effectiveness of internal controls and risk management processes in preventing and detecting fraudulent or corrupt

Role	Responsibilities
	<p>conduct include auditing the organisation's fraud risk register to ensure risks are being correctly identified, treated, and monitored.</p> <ul style="list-style-type: none"> • Advise the Audit, Risk and Finance Committee of any allegations of fraudulent or corrupt conduct reported to it or identified through routine or special audits.
People and Culture	<ul style="list-style-type: none"> • Train employees in their Code of Conduct responsibilities. • Offer education and training programs that foster an ethical organisational culture as the accepted norm.
Employees	<ul style="list-style-type: none"> • Undertake their duties in accordance with the University's Code of Conduct and policy documents. • Immediately report any suspected fraudulent or corrupt activity of which they become aware to their supervisor, member of the Senior Executive or Internal Audit. • Assist with any enquiries or investigations pertaining to fraudulent and corrupt activity where requested by an appropriately authorised officer.

Reporting

- 6.5 All significant incidents involving fraud and corruption will be reported to the Senior Executive and the Audit, Risk and Finance Committee.
- 6.6 Various legislation sets out the requirements for agencies, such as the University, to report matters of fraud and corrupt conduct to authorities such as the Crime and Corruption Commission, Queensland Police Service, Queensland Ombudsman, Office of the Information Commissioner, and Queensland Audit Office. The Deputy Vice-President (Students) and University Secretary (or nominee), will, if appropriate, refer any fraud and corruption allegations or matters to the appropriate external body.
- 6.7 Other reporting requirements are detailed in the responsibilities above.

Records management

- 6.8 The University shall maintain complete, accurate records of all investigations conducted into a reported incident of fraud or corruption.
- 6.9 Employees must manage records in accordance with the [Records Management Policy and Procedure](#). This includes retaining these records in a recognised University recordkeeping information system.
- 6.10 University records must be retained for the minimum periods specified in the relevant [Retention and Disposal Schedule](#). Before disposing of any records, approval must be sought from the Records and Privacy Team (email records@cqu.edu.au).

7 DEFINITIONS

- 7.1 Terms not defined in this document may be in the University [glossary](#).

Terms and definitions

Corruption: involves a breach of trust in the performance of official duties. 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. The concept of 'corruption' can also involve corrupt conduct by the entity or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly.

Corrupt conduct: as defined in detail under section 15 of the *Crime and Corruption Act*, there are two types of corrupt conduct:

1. "Type A" conduct that affects or could affect an official (an employee of a public sector agency) so that the performance of their functions or the exercise of their powers:
 - is not honest or impartial
 - knowingly or recklessly breaches public trust or impairs public confidence in public administration, or
 - involves the misuse of agency-related information or material.

Common examples of corrupt conduct include fraud and theft, extortion, unauthorised release of information, obtaining or offering a secret commission and nepotism.

2. "Type B" corrupt conduct involves specific types of conduct that impairs, or could impair, public confidence in public administration. This may include:
 - collusive tendering
 - fraud relating to an application for a licence, permit or other authority relating to public health or safety; the environment; or the State's natural, cultural, mining or energy resources
 - dishonestly obtaining public funds or State assets
 - evading a State tax, levy or duty or fraudulently causing a loss of State revenue, or
 - fraudulently obtaining or retaining an appointment.

Both Type A and Type B corrupt conduct must be either a criminal offence or serious enough to warrant dismissal.

Fraud: characterised by deliberate deception to facilitate or conceal the misappropriation of assets, tangible or intangible. Dishonest activity causing actual or potential 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 purpose or the improper use of information or position for personal benefit.

8 RELATED LEGISLATION AND DOCUMENTS

Australian Standard - AS8001:2008 for Fraud and Corruption Control

Australian Standard - AS/NZS ISO 31000:2009 for Risk Management

[Central Queensland University Act 1998](#) (Qld)

[Central Queensland University Enterprise Agreement 2017](#)

[Code of Conduct](#)

[Code of Conduct for Research](#)

[Conflict of Interest Policy and Procedure](#)

[Corruption in Focus: A guide to dealing with corrupt conduct in the Queensland Public Sector](#) (Crime and Corruption Commission)

[Crime and Corruption Act 2001](#) (Qld)

[Cybersecurity Management Policy](#)

[Enterprise Risk Management Framework](#)

[Financial Accountability Act 2009](#) (Qld)

[Financial and Performance Management Standard 2019](#) (Qld)

[Fraud and Corruption Control - Best Practice Guide](#) (Crime and Corruption Commission)

Fraud Risk Register

[Gifts and Benefits Policy and Procedure](#)

[Losses Policy](#)

[Procurement Policy and Procedure](#)

[Property Plant and Equipment Disposal Procedure](#)

[Public Interest Disclosure Act 2010](#) (Qld)

[Public Interest Disclosure Policy and Procedure](#)

[Research Higher Degree Integrity Misconduct Policy and Procedure](#)

[Risk Appetite Statement](#)

[Risk Management Policy](#)

[Student Academic Integrity Policy and Procedure](#)

[Student Behavioural Misconduct Procedure](#)

9 FEEDBACK

9.1 Feedback about this document can be emailed to policy@cqu.edu.au.

10 APPROVAL AND REVIEW DETAILS

Approval and Review	Details
Approval Authority	Council
Delegated Approval Authority	N/A
Advisory Committee	Audit, Risk and Finance Committee
Required Consultation	N/A
Administrator	Deputy Vice-President (Students) and University Secretary
Next Review Date	23/06/2023

Approval and Amendment History	Details
Original Approval Authority and Date	Council 23/06/2021
Amendment Authority and Date	
Notes	This document replaced the Fraud Prevention Policy (approved on 23/06/2021).

CQUniversity acknowledges the following sources in developing this document:

- Crime and Corruption Commission – Fraud and Corruption Control – Best Practise Guide (2018)
- University of Sunshine Coast - Fraud and Corruption Control – Governing Policy and Procedure (2020)
- Griffith University – Fraud and Corruption Control Framework (2019)
- Queensland Audit Office – Fraud Risk Assessment and Planning Tool Model (2018)

11 APPENDIX 1 – Queensland Audit Office's Fraud Risk Susceptibility Analysis Model

Category	Attribute	Factors that increase fraud risk	Fraud exposure
F inancial	Materiality of economic flows	High value/low volume, and/or high volume/low value transactions with third parties.	Fraud risk increases in both likelihood and consequence as the sums involved increase.
	Nature of transactions	Non-exchange/non-reciprocal where values given do not match values received, e.g. grants, subsidies, donations, rates and other involuntary transfers.	Unlike a commercial exchange, the inability to readily compare or reconcile the value of what was provided with the value of what was received increases the opportunity for fraud and the likelihood that it remains undetected.
	Susceptibility to manipulation	Accounting balances require subjective measurements involving high levels of judgement or expertise to calculate.	The manipulation of accounting balances can be used to conceal frauds, or may itself be fraudulent by concealing losses or adverse financial positions.
R elationships	Economic dependency	High supplier dependency—supplier relies on the entity for a significant proportion of its gross turnover/continued solvency.	Supplier dependency creates an incentive for the supplier to offer bribes and an opportunity for the purchaser to request kick-backs to retain business.
		High remuneration dependency—salary at risk or other performance incentive schemes with large bonuses or earn-outs arrangements relative to base salary contingent upon achieving targets.	Overly aggressive or unrealistic performance targets can motivate employees to commit fraud to conceal or overstate actual performance, or can be used to rationalise fraud when bonuses are not paid.
	Market depth	Limited market depth restricting competition, existence of oligopoly or monopoly suppliers.	Lack of competition creates opportunities for collusive tendering, and for predatory pricing or other cartel behaviours.
	Proximity to external parties	High degree of direct, face-to-face contact required. Interaction with customers and suppliers at their premises or in the field.	Ongoing personal contact away from direct supervision establishes the opportunity to cultivate inappropriate personal relationships or to groom others to unknowingly facilitate frauds.
	Related parties	Related party transactions—employees or their spouse, children, and other close relatives or associates have a direct or indirect personal pecuniary interest in transactions or confidential information.	Personal interests inherently conflict with public interest and motivate fraudulent behaviour.
		Non-commercial, non-arm's length transactions.	Transaction values that are not set by reference to observable market inputs create the opportunity for fraud.
A ttitudes	Internal controls	Failure to quickly address or remediate internal control issues identified by auditors and other parties.	Failure by management to demonstrate a commitment to strong and effective control fosters weak control consciousness and a poor control culture that increases the opportunity both for fraud to occur and for it to remain undetected.
		Corner-cutting, failure to follow due process is tolerated or encouraged.	
		Senior leadership does not promote good governance.	
Transparency/accountability	Reluctance to voluntarily disclose information publicly.	Failure to acknowledge mistakes, to accept blame and to report risks fosters a culture of secrecy which increases the risk that unusual or suspect transactions and behaviours will not be reported.	
	Limited or poor quality internal reporting to executive.		
U se of assets	Intrinsic value of physical assets	Use of highly 'portable and attractive' items of equipment.	Movable equipment and machinery and items of cash or negotiable instruments are inherently more susceptible to theft or misappropriation by employees.
		Handling of cash or other assets readily convertible into cash.	
	Intrinsic value of intangibles	Access to commercially sensitive/economically valuable information not publicly available, e.g. intellectual property.	The intangible nature of sensitive information makes it difficult to secure and to prevent being misused for personal gain or advantage.
D ecision making	Assignment of authority	Decision making is widely devolved to business units.	The further removed the approval and scrutiny of transactions are from the 'centre' and from the 'top' of the organisation the greater potential for fraud to remain undetected.
		Authority is highly delegated below senior management.	
	Decentralisation of operations	Operations in locations remote from central office.	The 'tyranny of distance' makes it harder to establish consistent processes and to understand how controls are being applied.
		Span of management.	
	Discretion	Personal discretion applied in determining allocations to third parties.	Staff or elected officials with the discretion to determine how funds are allocated to third parties have the ability to over-ride standard processes and expose their organisation to fraud.
Supervision	Span of control is high.	Lack of supervision creates the opportunity for staff to commit fraud and that it remains undetected e.g. paying for goods and services that were never received.	
	No supervisory review before decisions.		
	No centralised monitoring after decisions.		

12 APPENDIX 2 – Fraud Risk Exposure

Activity	Potential fraud risks
Procurement	<ul style="list-style-type: none"> • Fraudulent procurement/tender process by employee/contractor • Fraudulent procurement practices by vendors • Fraudulent influence by employee on panel arrangements/preferred supplier lists • Fraudulent contract management by employee • Deliberately over-ordering resources to use the surplus for personal gain.
Finance	<ul style="list-style-type: none"> • Fraudulent use of corporate card • Fraudulent invoice requesting payment to false bank details • Misappropriation of cash • Misusing Cabcharge vouchers for personal use or profit • Seeking to award a grant outside the terms of the agreement and conditions for personal benefit • Claims for reimbursement for non work-related expenses
Human Resources	<ul style="list-style-type: none"> • Nepotism in recruitment and selection processes • Corruption in promotion process • Bias against an applicant in recruitment and selection processes • Deliberate manipulation of recruitment selection panels • Fraudulent deception by applicant in recruitment and selection processes • Management knowingly concealing the corrupt conduct of subordinate employees
Payroll	<ul style="list-style-type: none"> • Fraudulent recording of overtime, allowances, penalties, leave taken • Fraudulent manipulation of the rostering process • Inappropriate changes to master files • Claims for study assistance
Misappropriation	<ul style="list-style-type: none"> • Misappropriation of materials for private use or sale • Misappropriation of motor vehicles for private use or sale • Manipulation of process for disposal of assets
Reporting	<ul style="list-style-type: none"> • Fraudulent operational reporting by management • Fraudulent reporting to meet KPIs • Fraudulent reporting to meet government imposed grant conditions • Manipulation of financial results (e.g. non accrual of expenses at year end to improve performance or over accrual to spend budget) • Manipulation of financial results to spend the allocated budget
Information	<ul style="list-style-type: none"> • Fraudulent disclosure of confidential information by an active or terminated employee for personal gain • Fraudulent disclosure of politically sensitive information • Fraudulent disposal of information to enable a cover up
Academic	<ul style="list-style-type: none"> • Nepotism or bias in allocation of services or the provision of subsidies, financial assistance, concessions or other relief • Bias against student in academic processes • Fraudulent deception by student in application or academic processes • Management knowingly concealing the corrupt conduct of student recruitment agents
Research	<ul style="list-style-type: none"> • Misuse of research funds • Fabrication or falsification of research data or source material • Falsifications and/or misrepresentation to obtain funding • Concealment or facilitation of research misconduct by others

These risks are based on the Queensland Audit Office's Fraud Risk Assessment and Planning Tool and the University's Fraud Risk Register.