



## FRAUD POLICY

<b>Policy</b>	KEM Fraud Policy
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<b>Policy Officer</b>	TKM CFO

<b>Rationale</b>	This policy sets a framework for the identification of fraudulent activity, and the establishment of procedures regarding prevention, detection and management of acts of fraud against Kildare Education Ministries (KEM) and its associated schools. The policy and its associated procedures (and appendices) are to be followed in strict accordance with KEM principles and values.
<b>Principles and Values</b>	KEM, operating as a Board of the Trustees of Kildare Ministries (KM), operates within the Vision, Mission and Values of KM, and is informed by a series of inter-connected principles inherited from the Scriptures and practices of ecclesial governance: <ul style="list-style-type: none"> <li>• Stewardship</li> <li>• Collegiality</li> <li>• Subsidiarity</li> <li>• The Common Good.</li> </ul>
<b>Audience</b>	The audience for this policy is the KEM Board and Secretariat, Finance and Audit Committee, the Executive Director and Secretariat of KM, Principals and all relevant personnel employed or engaged in KEM schools.
<b>Definitions</b>	<b>Fraud</b> is defined by the <a href="#">Crimes Act 1900 (Cth)</a> as any conduct that involves the use of dishonest or deceptive means to obtain property belonging to another or obtain financial advantage or create financial disadvantage. It can be taken to include: <ul style="list-style-type: none"> <li>• asset misappropriation or wilful destruction, including theft of cash, other assets or information</li> <li>• manipulation, falsification or adjustment of records</li> <li>• suppression or omission of the effects of transactions from records and</li> <li>• offering, giving, receiving or soliciting anything of value to influence an outcome.</li> </ul> <b>Fraud can be perpetrated by:</b> <ul style="list-style-type: none"> <li>• an employee against their employer;</li> <li>• an external individual or entity against an organisation;</li> <li>• a contractor or service provider of an organisation against that organisation;</li> <li>• any combination of the above, acting in collusion or otherwise.</li> </ul>

## Considerations and Procedures

### **Context and risk potential**

Fraud represents a key business risk in terms of potential economic loss, organisational reputation and risk of flow-on effects such as lowering of staff morale.

Fraud is also becoming more prevalent through growth of technologies, e.g. the internet and on-line banking, and may include deceptively obtaining non-financial and/or financial benefits.

In accordance with sections 80A-87 of the [Crimes Act 1958 \(Vic\)](#) and Division 5 of Section 139 of the [Criminal Law Consolidation Act \(1935\)](#), the act of fraud is deemed a criminal offence, carrying potential sentences up to 10 years' imprisonment.

### **KEM's stance regarding fraud**

Fraud is a criminal offence and is not tolerated by KEM.

Directors, Employees and volunteers of KEM are bound, as a condition of appointment or employment, to act in accordance with the KEM Ethical Standards, KEM Delegations and other KEM policies. This includes the requirement for employees to maintain a high degree of integrity and ethical behaviour at all times, whether acting alone or in business relationships with other staff, clients and service providers.

KEM has a strong commitment to continuous improvement of internal controls and management practices to reduce the potential for and occurrence of acts of fraud.

### **Reporting obligations**

All allegations of fraud should be reported to the School Principal. If the Principal is implicated, to the KEM Executive Officer, the KEM Board Chair, the Chair of the KEM Finance and Audit Committee and the CFO and Executive Director of Kildare Ministries. All allegations must be fully investigated and the outcome reported to the Chairs of the KEM Board and Finance and Audit Committee.

School Leadership staff (including Faculty/Department Heads) have a responsibility to identify fraudulent activity and for establishing controls and procedures for preventing and/or detecting fraudulent activity within the College or their area of responsibility.

### **Potential indicators, and internal controls**

A list of potential indicators (alarm bells) of the existence of fraud is contained in **Appendix B** of this policy. It is critical that employees are aware of the likely behaviour of those engaged in a fraud.

A list of internal controls that aid in the prevention of fraud is contained in **Appendix C** of this policy.

### **Responsible officers**

KEM and KEM's Finance and Audit Committee are responsible for overseeing

the operation and implementation of this Fraud policy.  
School Principals are responsible for the system of internal control preventing and detecting fraud within their schools.  
Principals are responsible for ensuring appropriate resources are allocated to fraud monitoring and control. This includes allocating resources to :

- implement fraud and corruption controls;
- coordinate the fraud risk assessment procedures;
- record fraud incident reports; and
- conduct investigations of allegations of fraud.

#### **Fraud prevention strategy**

The key factor in eliminating fraudulent activities is to have a sound internal control framework. Schools must implement effective controls and ensure that an ethical corporate climate is maintained that encourages staff at all levels of the organisation to act in a professional and prudent manner. This prevention strategy must have the following components:-

- a) Schools undertake a risk assessment to identify risks in the context of their operating environment and review this annually. This risk assessment includes fraud as a key component and is assessed for each relevant process within each area of the organisation. Once risks are identified they are rated in terms of their probability and impact.
- b) Development and implementation of fraud control strategies to mitigate the risk identified – beginning with those risks which are more probable and have a significant impact.
- c) Monitoring of fraud control strategies: this allows the organisation to assess how the developed strategies are reducing the potential for fraud within the organisation. This may be undertaken through an internal or external audit process.

A listing of areas of potential fraud and example of possible fraud indicators is provided in **Appendix A**.

#### **Reporting of fraud**

Suspected acts of fraud, theft or arson are to be reported to the College Principal. If the Principal is suspected to be involved, or there are sensitivities in reporting to the Principal, the matter should be referred directly to the Chair of the KEM Board, and, where deemed appropriate, to the KEM EO, the Chair of the Finance and Audit Committee and the CFO of Kildare Ministries.

Staff making reports of unconscionable conduct or suspicious activity will be free from reprisal when making these complaints. All complaints will be handled with the utmost confidentiality.

#### **Internal fraud Investigation (see also Appendix C)**

Upon identification of a potential fraud the following actions will be

	<p>undertaken by the Principal (or Chair of the KEM Board or Chair of the Finance and Audit Committee):</p> <ol style="list-style-type: none"> <li>a. Any evidence relating to the potential fraud (e.g. documents etc.) should immediately be preserved.</li> <li>b. The nominated person to investigate the fraud will be contacted to arrange for the investigation to take place.</li> <li>c. A fraud incident report will be completed detailing: <ul style="list-style-type: none"> <li>• the nature and details of the incident</li> <li>• whether internal controls and systems have been utilised and reviewed</li> <li>• whether any weaknesses identified have been rectified</li> <li>• the status of any proceedings, investigations or disciplinary actions; and</li> <li>• what has been recovered by way of money, stores, other property or insurance.</li> </ul> </li> <li>d. Internal controls will be reviewed and weaknesses identified and addressed in order to mitigate against future frauds.</li> <li>e. If the fraud is proven, the person(s) perpetrating the fraud will be disciplined as appropriate.</li> <li>f. If appropriate, an insurance claim will be completed.</li> <li>g. If relevant, the person disclosing the potential fraud will be kept informed of the outcomes of the investigation.</li> </ol> <p>An internal Fraud Investigation will typically involve a thorough review of the incident in order to obtain evidence to present to external law enforcement bodies and/or to determine what internal remedial action needs to be undertaken.</p>
<p>Responsibilities and Communication Obligation</p>	<p>School Principals are responsible for the operation of the system of internal control preventing and detecting fraud within their schools. They are also responsible for communicating this policy to all those employed and engaged in KEM schools.</p> <p>The KEM Board and the KEM Finance and Audit Committee are responsible for overseeing the operation and implementation of this Fraud Policy.</p>
<p>Breaches of this policy</p>	<p>Fraud committed at any level of employment and for any amount will not be tolerated. Any employee found to have committed (or conspired to commit) fraud or who is reasonably suspected of committing (or conspiring to commit) fraud may face dismissal. Where adequate evidence has been obtained, the case may also be referred to the Police for further criminal investigation.</p>
<p>Appendices</p>	<p><b>Appendix A</b> – Potential Fraud Elements  <b>Appendix B</b> – Potential Indicators of the Existence of Fraud  <b>Appendix C</b> – Internal Controls Aiding the Prevention of Fraud</p>
<p>Related policies</p>	<ul style="list-style-type: none"> <li>• <a href="#">KEM Professional Standards Policy</a></li> <li>• <a href="#">KEM Principles of Vision and Leadership Policy</a></li> <li>• <a href="#">KEM Conflict of Interest policy</a></li> <li>• <a href="#">KEM Fixed Assets Policy</a></li> </ul>

	<ul style="list-style-type: none"> <li>• <a href="#">TKM Whistleblower Policy</a></li> <li>• KEM <a href="#">Delegations of Authority Manual</a></li> </ul>
Resources	<p><b>National</b></p> <ul style="list-style-type: none"> <li>• <a href="#">The Living Justice Living Peace Charter – Kildare Ministries 2021</a></li> <li>• <a href="#">Kildare Ministries’ Values, Vision and Mission Statement</a></li> <li>• <a href="#">Kildare Education Ministries’ Mission Statement</a></li> <li>• <a href="#">Corporations Act 2001 (Corporations Act)</a> - Part 9.4AAA</li> <li>• <a href="#">Crimes Act 1900</a></li> </ul> <p><b>South Australia</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Criminal Law Consolidation Act 1935</a> (SA)</li> </ul> <p><b>Victoria</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Financial Management Act 1994</a> (Vic)</li> <li>• <a href="#">Policies Crimes Act 1958</a> (Vic)</li> <li>• <a href="#">Protected Disclosure Act 2012</a> (Vic)</li> </ul>

## APPENDIX A : POTENTIAL FRAUD ELEMENTS

The table below outlines examples of areas and potential fraud elements within each area and can be used to assist in the development of a fraud risk assessment and a fraud control plan.

### Examples of elements of potential fraud within an area

Payroll	<ul style="list-style-type: none"> <li>• Duplicate payroll payments for personal gain</li> <li>• Continued payments to employees who have been terminated</li> <li>• Fraudulent payments in excess of authorised salary</li> <li>• Excessive payments of overtime as a proportion of gross salary</li> <li>• Fictitious employees on payroll</li> </ul>
Accounts Payable	<ul style="list-style-type: none"> <li>• Lack of segregation of duties between accounting processes</li> <li>• Creation of fictitious invoices or bogus vendors</li> <li>• Duplicate invoice numbers and payments</li> <li>• Payments to vendors where the bank account does not match that of the authorised vendor.</li> <li>• Favorable payment of invoices.</li> <li>• Misuse of purchasing card / cab charges / travel and expense claims</li> <li>• EFT fraud</li> <li>• Misappropriation of funds</li> </ul>
Petty cash	<ul style="list-style-type: none"> <li>• Poor controls over cash under lock and key</li> <li>• Lack of segregation of duties from receiving cash, issue of receipts and bank deposits</li> <li>• Regular reconciliations not performed</li> <li>• Infrequent cash deposits, allowing cash to accumulate</li> </ul>
Accounts Receivable	<ul style="list-style-type: none"> <li>• Lack of control or system processes over generation of invoice numbers</li> <li>• Lack of segregation of duties between processing of accounts receivable, posting to ledger and issuing of receipts</li> <li>• Frequent credit notes and write offs</li> <li>• No reconciliation of accounts receivable sub ledger to general ledger control account</li> </ul>
Physical Assets	<ul style="list-style-type: none"> <li>• Poor controls over asset records</li> <li>• Unauthorised personal use of assets</li> <li>• Theft of assets</li> <li>• Unlawful disposal of assets</li> <li>• Falsification of asset stocktakes</li> </ul>
Tendering and Contracting	<ul style="list-style-type: none"> <li>• Selection of a preferred supplier for personal gain, e.g. kickbacks</li> <li>• Paying the contractor more than what they are entitled to</li> <li>• Payment to supplier of services not performed</li> <li>• Conflicts of Interest</li> <li>• Misuse of sensitive information in contracting</li> </ul>

	<ul style="list-style-type: none"> <li>• Fraudulent dealing in relation to capital projects</li> <li>• Collusion between employees and contractors</li> <li>• Unauthorised or personal use of school vendor accounts.</li> </ul>
Communications	<ul style="list-style-type: none"> <li>• Unauthorised acquisition of information</li> <li>• Fraudulent release of information</li> <li>• Fraudulent application of sponsorships/donations</li> </ul>
HR	<ul style="list-style-type: none"> <li>• Pre-employment screening</li> <li>• Fraudulent recording of attendance and/or changes to leave entitlements</li> <li>• Fraudulent workers compensation claims</li> <li>• Unauthorised disclosure of confidential employee information for profit</li> <li>• Falsification of records</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>• Unauthorised release of login and password details</li> <li>• Inadequate controls over software resulting in unauthorised staff accessing systems</li> <li>• Downloading of inappropriate material from the internet</li> <li>• Installation of pirated software on organisation's computers</li> <li>• Theft of data, hardware, software</li> <li>• Manipulation of output from IT processes for fraud</li> </ul>
Motor Vehicles	<ul style="list-style-type: none"> <li>• Unauthorised private use of vehicles</li> <li>• Theft or substitution of accessories or tools</li> <li>• Use of petrol card for private vehicles</li> <li>• Falsification of vehicle logs.</li> </ul>

## APPENDIX B : POTENTIAL INDICATORS OF THE EXISTENCE OF FRAUD

<ul style="list-style-type: none"> <li>• Changes in an employee's lifestyle, spending habits or behaviour: <ul style="list-style-type: none"> <li>• The employee may be living well beyond their reasonably available needs</li> <li>• An employee may wish to borrow small amounts of money from co-workers</li> <li>• An employee may refuse to leave custody of records during the day or consistently take records home</li> <li>• Excessive stalling of creditors for their payment</li> </ul> </li> <li>• Poorly written or poorly enforced internal controls, protocols, policies or security</li> <li>• Reluctance to take leave or have other staff undertake their role</li> <li>• Irregular or unexplained variances in financial information</li> <li>• Inventory shortages</li> <li>• Failure to take action on results of internal/external audits or reviews</li> <li>• Frequent complaints from parents or students</li> <li>• Missing files</li> <li>• Ignored employee comments concerning possible fraud</li> <li>• Falsified records</li> </ul>
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## **APPENDIX C: INTERNAL CONTROLS AIDING IN THE PREVENTION OF FRAUD**

- Adherence to all organisational procedures, especially those concerning documentation and authorisation of transactions.
- Confirming and authenticating the identities of relevant individuals.
- Limiting access to systems, data, information, physical documents, spaces and assets
- Having clear and specific eligibility requirements and restricting approval to requests or claims that meet established criteria.
- Proper induction and training of employees.
- Independent review and monitoring of tasks by managers.
- Separation of duties so that no one employee is responsible for a transaction from start to finish.
- Clear lines of authority that have been adequately communicated to staff.
- Conflict of interest statements that are enforced.
- Rotation of duties in positions more susceptible to fraud.
- Ensuring that employees take their leave entitlements.
- Independent audits of areas susceptible to fraud.
- Reduced reliance on the use of cash transactions, including but not limited to school trips and excursions.