

## FAST FACTS 8: FRAUD IN BUSINESS

Many business owners are unaware of the fraud risks inherent in their businesses and, as a result, fail to adequately monitor these risks; therefore a significant amount of fraud goes undetected and unreported.

### What is fraud?

Fraud does not always involve the notion of monetary gain, however it can be defined as encompassing a wide variety of corrupt, deceptive, dishonest or unethical behaviours.

The opportunity to commit fraud can arise in any type of business or organisation, large or small. Over-reliance and misplaced trust in colleagues or key employees has the potential to increase the opportunities for fraud to occur.

### Most likely areas of fraud in a business include:

- credit cards
- cheques
- cash receipts
- salaries, wages and overtime payments
- purchases and accounts payable
- petty cash and advance accounts
- materials, tools and equipment
- computer and data security
- information and disclosures.

The most important thing you can do to curb fraud is to be aware that it can happen and develop procedures to limit fraud. When it does occur, put systems in place to deal with it. The following points should be considered when developing a fraud prevention strategy:

- identify and describe fraudulent practices
- analyse systems that allow fraud
- develop and implement effective management and audit systems (eg, separate financial responsibilities such as; the handling of accounts and the approval of expenditure)
- use education and training programs to motivate people to reduce the potential for fraud to take place
- analyse factors that permit fraud, or make it easier for fraud to occur.

Staff need to be informed as far as possible about what is acceptable behaviour and what is not.

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Fraud indicators can be used as effective tools for reviewing business and organisational performance on a regular basis. Implementation of internal prevention controls is a critical part of the monitoring process for management and improved fraud awareness for employees.

It is also important that businesses and organisations understand the consequences associated with fraud-related crime. The following examples of consequences should be noted as examples that occur when fraud prevention or control strategies are not implemented or actively monitored.

- Loss of revenue
- Increased operating expenses
- Reduced operational efficiency
- Inability to meet obligations to employees, suppliers or contractors
- Damage to credibility
- Confidentiality compromised
- Public criticism
- Strategies and plans jeopardised
- Complaints from clients, customers, contractors etc
- Increased expenditure on salaries, wages and allowances

### When a fraud is detected and referred to police, the following is required:

- accurate reconstruction of where the fraud has taken place
- accounting schedules indicating the 'money trail'
- details of time, dates, places, monies received and by whom, how recorded, how the monies were disbursed and, if possible, where the monies were misappropriated to or from
- accurate reconciliation of the books of accounts showing the fraudulent entries or, in some cases, where the entry is omitted from the books

Also significant is the preservation of original documents.

Suspect documents should be preserved in a plastic sheet as soon as possible and should be handled with care and, where possible, using gloves.

### Need further assistance?

If you need further information or if fraud has occurred in your business, contact the Fraud Squad at the Northern Territory Police.

T: 8999 7381

W: [www.nt.gov.au/pfes](http://www.nt.gov.au/pfes)

\*Prepared with the assistance of the Northern Territory Police, Fraud Squad.

For more information refer to other Fast Facts in this series or contact:

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