

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.

### **The following list represents the most likely areas of fraud in a business:**

- 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 occurring and put systems in place to deal with it when it does occur. 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
- 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 of what is acceptable behaviour and what is not.

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/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
- Employees encouraged to seek additional loopholes in the award

**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.

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**Need More Help**

If you need further information, or if fraud has occurred in your business then contact the Fraud Squad at the Northern Territory Police on phone 8999 7383.

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

\*Prepared with the assistance of the NT Police, Fraud Division

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For more information refer to other Fast Facts in this series or contact the Territory Business Centre on the numbers below or visit the TBC website

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