

**Disclosure of Fraud Control Information in Annual Reports as a
Means of Discharging Accountability: A Study of the Australian
Commonwealth Public Sector**

by

Luděk Šeda

BLegS, BCom(Hons), BEcMgt, MA(Fraud&FinInvestign)

Thesis

Submitted to Flinders University

for the degree of

Doctor of Philosophy

College of Business, Government and Law

21 December 2018

Table of Contents

Table of Contents	i
Abstract	v
List of Abbreviations.....	vi
List of Figures.....	vii
List of Tables.....	viii
Declaration	x
Acknowledgements	xi
Chapter 1: Introduction to the Research Study	1
1.1 Introduction.....	1
1.2 Fraud in the Public Sector	2
1.3 Commonwealth Agencies and Bodies	3
1.4 Disclosure of Fraud Control Information	4
1.5 Accountability and Annual Reports	5
1.6 Research Questions	7
1.7 Objectives of the Research Study.....	8
1.8 Motivation for, and Contribution of, the Research Study	9
1.9 Structure of the Thesis.....	9
1.10 Chapter Summary.....	10
Chapter 2: Background to the Research Study	11
2.1 Chapter Introduction	11
2.2 Fraud: An Introduction.....	11
2.2.1 Definition of Fraud	12
2.2.2 Fraud Triangle and Fraud Perpetrators	13
2.2.3 Types of Fraud	15
2.3 Extent of Fraud	17
2.3.1 Fraud Data Collection	17
2.3.2 Extent of Fraud in Australia	19
2.3.3 Extent of Fraud in the Public Sector	21

2.3.4	Extent of Occupational Fraud	23
2.3.5	Other Costs of Fraud.....	24
2.3.6	Extent of Fraud: Conclusion	24
2.4	Fraud Risk Management and Fraud Control	25
2.4.1	Fraud Risk Assessment	26
2.4.2	Fraud Control Plan.....	27
2.4.3	Fraud Prevention.....	29
2.4.4	Fraud Detection.....	30
2.4.5	Fraud Investigation.....	31
2.5	The Commonwealth Fraud Control Framework	32
2.6	Disclosure of Fraud Control Information	36
2.6.1	Internal Users.....	38
2.6.2	External Users: Government, Ministers, Regulators and Government Agencies.....	38
2.6.3	External Users: Public	40
2.7	Certification of Compliance: Forms	46
2.8	Framework for Disclosure of Fraud Control Information	49
2.9	Study Context	53
2.10	Chapter Summary.....	56
Chapter 3: Literature Review		57
3.1	Introduction.....	57
3.2	Transformation of the Public Sector.....	57
3.3	Accountability Theory	58
3.3.1	Components of Accountability.....	61
3.3.2	Public, Political and Managerial Types of Accountability.....	62
3.3.3	Other Types of Accountability.....	66
3.3.4	Accountability Relevant to This Study	71
3.4	Annual Reports as a Key Mechanism for Discharging Accountability	72
3.5	Voluntary Disclosure: Private Sector	77
3.5.1	Social and Environmental Voluntary Disclosure	79
3.6	Voluntary Disclosure: Public Sector	81
3.7	Disclosure of Fraud Control Information in Annual Reports	83
3.8	Chapter Summary.....	85
Chapter 4: Research Methods		86
4.1	Research Design	86

4.2	Research Analysis	86
4.2.1	Finding a Focus.....	87
4.2.2	Sample and Data Management.....	87
4.2.3	Reading and Coding.....	89
4.2.4	Interpreting the Data.....	94
4.2.5	Producing an Account.....	95
4.3	Mandatory versus Voluntary Disclosure.....	96
4.4	Chapter Summary.....	100
Chapter 5: Results and Discussion		101
5.1	Introduction.....	101
5.2	Certification of Compliance.....	102
5.2.1	Certification Types.....	108
5.2.2	Forms of Expression	113
5.2.3	Certification of Compliance: Summary and Discussion.....	115
5.2.4	Certification of Compliance plus Other Disclosure	117
5.2.5	No Certification but Some Description of Fraud Control	117
5.3	Voluntary Disclosure	119
5.3.1	Fraud Risk Assessment	119
5.3.2	Fraud Control Plan.....	125
5.3.3	Fraud Prevention.....	133
5.3.4	Detection and Investigation of Fraud.....	141
5.3.5	Data Collection and Reporting.....	157
5.3.6	Other Disclosure.....	158
5.3.7	No Certification Statement or Any Other Disclosure	160
5.4	Discussion of the Findings.....	161
5.5	Chapter Summary.....	168
Chapter 6: Conclusion.....		169
6.1	Introduction.....	169
6.2	Summary and Implications of Key Findings	169
6.2.1	Certification Statements.....	170
6.2.2	Voluntary Disclosure in Annual Reports.....	171
6.2.3	Australian Institute of Criminology Survey	172
6.2.4	Accountability	173
6.3	Contributions of the Study.....	175
6.4	Limitations.....	176

6.5	Recommendations for Further Research.....	176
6.6	Conclusion.....	177
	References.....	179
	Appendix A: Agencies under the FMA Act - flipchart.....	197
	Appendix B: Bodies under the CAC Act - flipchart	198
	Appendix C: List of Agencies and Bodies	199
	Appendix D: Reconciliation of the List of Agencies and Bodies	220
	Appendix E: Changes in Names of Agencies and Bodies.....	223
	Appendix F: List of Combined Annual Reports	225

Abstract

This research study investigated the disclosure of fraud-related activities in public-sector organisations in Australia. Specifically, the study reviewed all fraud-related guidelines, examined the types of certification statements of compliance with the Commonwealth Fraud Control Guidelines, evaluated the level and nature of fraud control information in annual reports and assessed whether disclosure was meeting best practice standards. Furthermore, the research applied the theory of accountability—an essential concept for organisations that exist for public interest—to determine which type of accountability, if any, was dominating public-sector organisations.

The results showed that although there is some prima facie evidence of public accountability, the dominant form of accountability was political, in that Commonwealth public-sector organisations focused on certification of compliance and reporting to government over detailed reporting to the public in their annual reports. Thus, accountability was influenced by those who directly participated in the decision processes of the relevant department, such as the minister, rather than by taxpayers and the recipients of public goods and services who are ultimately the accountees of governments.

These results suggest that current policies and practices are failing to ensure the public are aware of fraud and its implications for the public interest. The results also have important implications for developing a framework for good reporting of fraud control activities.

List of Abbreviations

ACFE	Association of Certified Fraud Examiners
AFP	Australian Federal Police
AGD	Attorney-General's Department
AGS	Australian Government Solicitor
AIC	Australian Institute of Criminology
ANAO	Australian National Audit Office
ASC	Australian Sports Commission
AusAID	Australian Agency for International Development
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CDPP	Commonwealth Director of Public Prosecutions
FMA Act	<i>Financial Management and Accountability Act 1997</i>
Framework 2014	Commonwealth Fraud Control Framework 2014
GPO	General Policy Order
Guidelines	Commonwealth Fraud Control Guidelines
Guidelines 2002	Commonwealth Fraud Control Guidelines 2002
Guidelines 2011	Commonwealth Fraud Control Guidelines 2011
NPM	new public management
PwC	PricewaterhouseCoopers
QDA	qualitative data analysis
Requirements	<i>Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies</i>

List of Figures

Figure 2.1: Fraud triangle Source: Association of Certified Fraud Examiners (2010a, p. 4.503)	13
Figure 2.2: Occupational fraud and abuse classification system	16
Figure 2.3: Estimated cost associated with individual crime types (A\$m)	20
Figure 2.4: Study context	55
Figure 5.1: Example of a certification of compliance by the head in a letter of transmittal. 109	
Figure 5.2: Example of a certification of compliance by the agency head in an annual report.....	111
Figure 5.3: Example of a statement in an annual report that an agency head certified the compliance	112
Figure 5.4: Example of a statement in an annual report indicating that a body has fraud control in place	112
Figure 5.5: Example of a description of fraud control	118
Figure 5.6: AIC survey – year of most recent fraud risk assessment.....	121
Figure 5.7: AIC Survey – year of most recent fraud control plan	128

List of Tables

Table 2.1: Fraud against the Commonwealth – incidents and cost.....	22
Table 2.2: List of agencies comprising the Commonwealth Government fraud framework ..	36
Table 2.3: Summary of requirements to disclose fraud control information	46
Table 2.4: Comparison of certification versions of the Guidelines	48
Table 2.5: Framework for disclosure of fraud control information	50
Table 3.1: Summary of types of accountability	69
Table 4.1: Summary of the number of annual reports collected.....	88
Table 4.2: A priori codes and categories	91
Table 4.3: All codes and categories	91
Table 4.4: Summary of mandatory and voluntary classification	99
Table 5.1: Certification of compliance – agencies.....	103
Table 5.2: Certification of compliance – bodies.....	105
Table 5.3: Description of fraud control only	118
Table 5.4: Fraud risk assessment disclosure.....	120
Table 5.5: Timing of fraud risk assessment.....	122
Table 5.6: Fraud control plans	126
Table 5.7: Year of development of fraud control plan.....	129
Table 5.8: Fraud awareness and training.....	134
Table 5.9: Fraud policy	135
Table 5.10: Fraud awareness training	136
Table 5.11: Detection of fraud.....	142
Table 5.12: Investigation of fraud.....	145
Table 5.13: No incidents of fraud	146
Table 5.14: AIC survey – entities experiencing no fraud.....	146
Table 5.15: Incidents of fraud.....	148
Table 5.16: AIC survey – entities experiencing fraud	148
Table 5.17: Summary of agencies and bodies – number of cases of fraud	149
Table 5.18: Number of cases of fraud	151
Table 5.19: AIC survey – total number of fraud cases	151
Table 5.20: Cost of fraud.....	152
Table 5.21: AIC survey – dollar value of suspected fraud incidents	153

Table 5.22: Amounts recovered.....	155
Table 5.23: Other information about fraud.....	156
Table 5.24: Collection of fraud data	158
Table 5.25: No disclosure.....	160

Declaration

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university, and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

Ludek Seda

Acknowledgements

I would like to express my immense appreciation to my principal supervisor, Professor Carol Ann Tilt, who provided enormous assistance, support, guidance and valuable inspiration through many hours of helpful discussions about this thesis.

Furthermore, I would like to thank my co-supervisors, Dr Rhain Buth and Associate Professor Kathie Cooper, for their guidance and feedback during my studies.

I would like to acknowledge that Wendy Monaghan, AE, of Wendy Monaghan Editing Services edited this thesis. Wendy is accredited by the Institute of Professional Editors, and she adhered to the *Guidelines for Editing Research Theses* issued by the Institute of Professional Editors and approved by the Australian Council of Graduate Research. Editorial intervention was restricted to Standards D and E of the *Australian Standards for Editing Practice*.

I would also like to acknowledge the contribution of an Australian Government Research Training Program Scholarship towards my candidature.

Finally, I would like to express my love and gratitude to my wife, Veronika, and my son, Patrick, for their understanding and endless support through the duration of my studies.

Chapter 1: Introduction to the Research Study

1.1 Introduction

Financial or economic crimes—or ‘white collar crimes’ as they are also called—have become a significant threat to individuals, private organisations and public entities. This is evident when viewing television or reading newspapers, which often report about various cases of fraud, corruption or money laundering. Many people can probably recall the Enron Corporation in which enormous financial statement fraud occurred, Bernard Madoff and his US\$65 billion Ponzi scheme,¹ and WorldCom and its fraud-induced bankruptcy. More than 20 years ago, Adam Graycar pointed to fraud as a significant risk to Australia’s economy and society. Graycar further stated that ‘fraud is one general type of crime which, whilst as old as commerce itself, may be expected to take new forms in the 21st century’ (Grabosky and Smith, 1996, p. 1).

Graycar’s assessment has been supported by others, including Lozusic (2003), Rollings (2008), and Lindley, Jorna and Smith (2012), who all indicated that fraud has become an area of concern at both national and international levels because of increases in technology-enabled fraud and identity fraud. The last 10 years have seen an enormous number of technologically orientated innovations. Risks have increased with the use of e-commerce, online banking and other types of electronic payment systems, mobile devices and wireless networks (Lindley, Jorna, and Smith, 2012). In this new globalised economy and e-commerce age, all new technologies are closely observed by criminals because such technologies offer new opportunities for crime (Choo, Smith, and McCusker, 2007). As a result, the traditional ways in which fraud was committed have changed, leading to the development of new types of fraud activities. This also means that the prevention, detection and investigation of fraud have become more challenging (Smith et al., 2014).

The occurrence of fraud is observed all over the world, and its impact on victims is significant. For example, Smith et al. (2014) estimated the cost of fraud as more than A\$6 billion in Australia in 2011. The financial impact of fraud is also considerably more than any other type of crime in Australia (Mayhew, 2003a; Rollings, 2008; Smith, 1997; Smith et al., 2014). Based on a survey conducted by the Association of Certified Fraud Examiners (ACFE), the average

¹ A Ponzi scheme is a fraudulent investment scheme in which returns to existing investors are paid from funds received by new investors rather than from profitable operations.

organisation loses 5% of its revenue to fraud annually. This represents a financial impact of US\$3.5 trillion internationally (Association of Certified Fraud Examiners, 2012).

Furthermore, anyone can become a victim of fraud, be they an individual or an institution (Smith et al., 2014). Therefore, individuals, private organisations, non-profit organisations and public entities all face the threat of fraud daily. However, the focus of this thesis is fraud in public-sector organisations within Australia, the aim being to contribute to filling the gap in the literature on these types of organisations, as will be further discussed below.

This chapter lays the foundations underlying this doctoral thesis. It introduces fraud as a contemporary problem for individuals, businesses and government, and it draws attention to the problem of fraud for public entities. It also discusses specific occurrences of fraud in the public sector by way of illustration. It demonstrates the importance of annual reports in discharging accountability in relation to fraud. This chapter then presents the research questions and objectives, followed by the setting of, motivation for and contribution of the study. Last, this chapter describes the structure of the thesis.

1.2 Fraud in the Public Sector

There are well-known cases of fraud in the private sector, such as Enron, Bernard Madoff and WorldCom as mentioned above. In all these cases, shareholders lost billions of dollars, many employees lost their jobs, and many people lost their retirement savings. There are fewer high-profile cases of private-sector fraud in Australia than in the United States. For those cases that do occur in Australia, the cause can frequently be attributed to mismanagement, bad corporate governance and poor internal systems rather than to fraud alone. For example, HIH Insurance collapsed after being mismanaged, although it was also involved in fraud (LongDog & Associates, 2011).

However, just by using the search engine Google, several recent cases of fraud in the public sector in Australia can easily be located on the Internet. For example, a case of fraud yet to be prosecuted was reported by South Australia's Independent Commissioner Against Corruption in August 2017. It is alleged that a public officer, using documents known to be false, stole substantial public funds. The allegations suggest that, during the period between 2009 and 2013, the officer used the falsified documents to claim benefits for himself (Lander, 2017). The media identified the public officer as a state member of parliament (Hunt, Langenberg, and Novak, 2017). In another case, in 2017, the Australian Federal Police (AFP) stopped a payroll

services scheme, which had been created by perpetrators external to the public sector with the intention of defrauding the Commonwealth of public funds. The scheme was designed to misappropriate collected tax, estimated at up to A\$130 million, which was payable to the Australian Taxation Office (Chenoweth, 2017; Mather, 2017). Another case of fraud occurred in Queensland between 2012 and 2013. The fraud was committed by a Queensland Government employee, who created a fictitious identity and committed fraud amounting to nearly A\$240,000 (Australian Institute of Criminology, 2016; Sansom, 2016). A further case of fraud occurred in the Queensland Department of Health between 2007 and 2011. In this case, an employee used 65 fraudulent transactions to steal public funds amounting to A\$16.7 million. Failure of financial management and accountability, low awareness among staff of the risk of fraud, failure to properly examine information provided in audits and appropriately investigate received complaints, were some of the factors that allowed the fraud to occur and continue for such a long period (Crime and Misconduct Commission Queensland, 2013).

The above-mentioned cases are just a few of those that occurred in the public sector in Australia and demonstrate that the public sector is not immune to fraud. They also demonstrate the important role that fraud control plays in protecting public funds at all levels of government, including the Commonwealth. Fraud control is understood as a risk management system, which includes several components necessary to combat fraud, such as fraud risk assessment and fraud risk planning, prevention, detection and investigation measures (Commonwealth of Australia, 2011b). In the early 1980s, fraud control was recognised by the Commonwealth as an important aspect of the system for dealing with fraud. This recognition and the subsequent development of fraud control at the Commonwealth level is described in Chapter 2.

Public-sector organisations are of particular importance given that their role is to act in the interest of the public. Therefore, the transparency and accountability of these organisations in relation to the safeguarding of public funds is an important area of research. In particular, the role of the reporting or disclosure of fraud control information is an under-researched area and therefore the focus of this thesis.

1.3 Commonwealth Agencies and Bodies

The Australian Government's financial framework is supported by several key pieces of financial management and accountability legislation, including the *Financial Management and Accountability Act 1997* (FMA Act) and the Commonwealth Fraud Control Guidelines

(Guidelines). The FMA Act sets out the financial management, accountability and audit obligations of agencies. In particular, the FMA Act instructs agencies to manage public resources efficiently, effectively and ethically (Australian Government, Department of Finance, 2008c). Part 2, Division 5, of the FMA Act states that the term *agency* includes departments of state, departments of the parliament, and prescribed agencies (Australian Government, 1997). The FMA Act therefore covered all Commonwealth Departments of State such as Department of Defence, Department of Foreign Affairs or Department of Education, Employment and Workplace Relations, as well as other prescribed agencies, such as Federal Court of Australia, Australian Taxation Office or Medicare Australia. Further examples are provided in Appendix A that shows a flipchart of agencies under the FMA Act that existed at one point during the research period.

The *Commonwealth Authorities and Companies Act 1997* (CAC Act) regulates some aspects of corporate governance, financial management and reporting of bodies subject to the CAC Act (Australian Government, Department of Finance, 2008a). The bodies subject to the CAC Act are Commonwealth authorities and Commonwealth companies (Australian Government, Department of Finance, 2008b). The bodies subject to the CAC Act were Commonwealth authorities and Commonwealth companies (Australian Government, Department of Finance, 2008b). The CAC Act therefore covered Commonwealth statutory authorities and companies such as Australian Broadcasting Service Corporations, Australian Postal Corporation or National Library of Australia. Further examples are provided in Appendix B that shows a flipchart of bodies under the CAC Act that existed at one point during the research period.

The obligations of the agencies covered by the FMA Act and bodies subject to the CAC Act in relation to fraud control are discussed in more detail in Chapter 2.

1.4 Disclosure of Fraud Control Information

A Commonwealth agency or body can disclose information about their fraud control in several ways. For agencies, as will be discussed later, some disclosure may be mandatory. For example, in accordance with the Commonwealth Fraud Control Guidelines 2011 (Commonwealth of Australia, 2011b), chief executives (agency heads) may be required to:

- Report annually to their Minister or Presiding Officers, in a format to be determined by the agency, on fraud risk and fraud control measures, including:

- fraud initiatives undertaken by the agency in the reporting period, including an evaluation of their effectiveness
- planned fraud initiatives not yet in place
- information regarding significant fraud risks for the agency, and
- significant fraud incidents which occurred during the reporting period.
- Certify in their Annual Reports that they are satisfied that:
 - their agency has prepared fraud risk assessments and fraud control plans
 - their agency has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency, and
 - they have taken all reasonable measures to minimise the incidence of fraud in their agency and to investigate and recover the proceeds of fraud against their agency. (p. 8)
- All agencies must collect information on fraud and provide it to the Australian Institute of Criminology by 30 September each year to facilitate the process of annual reporting to Government, noting that compliance information will be made available to the Attorney-General's Department for monitoring. (p. 21)

The certification statement in the annual report and the Australian Institute of Criminology (AIC) report to the Commonwealth government will be discussed in more detail in Chapter 2.

Some other types of disclosure about fraud control may be provided voluntarily via:

- annual reports
- an agency's website
- an agency's internal documents
- other means, for example, media and meetings.

1.5 Accountability and Annual Reports

In a democracy, it is crucial that authorities are accountable for their performance (Boyne and Law, 1991). The term *accountability* was historically related to the term *accounting* in its literal sense of 'bookkeeping' (Bovens, 2007). However, more recently, the definition of accountability has moved far from the concept of bookkeeping. Accountability, as a mechanism that makes organisations responsive to the public, has become somewhat of an icon of good governance (Bovens, 2007) and forms the basis of trust between public institutions and society (Kluvers, 2003).

The purpose of a democratically elected government is to act on behalf, and in the best interests, of its citizens. Therefore, citizens have a right to be informed about the government's conduct

(Barton, 2006). Similarly, managers who are employed to operate public organisations, on behalf of citizens, are asked to provide an account of their guardianship over resources (Kluvers, 2003). For example, given that substantial funds used in the public sector are sourced from collected taxes, an account must be provided of how and for what purposes the money was used (Barton, 2006; Tooley and Hooks, 2010). The public demands such information because activities undertaken by the public sector have substantial economic and social consequences (Herawaty and Hoque, 2007). Hence, authorities that use the power of government and manage public resources must be publicly accountable for that power (Boyne and Law, 1991; Coy and Pratt, 1998; Stewart, 1984). Otherwise, without an adequate accountability mechanism, the resources could be used in inefficient and ineffective ways (Kluvers, 2003). Roberts (1995, p. 3) went further, stating that ‘accountability is a touchstone for fraud prevention and control measures’.

The requirement to hold someone accountable may seem uncomplicated and clear. However, the complexity and variety forms of public organisations makes it difficult to identify who should be accountable and for what, and the application of accountability is itself is a highly challenging task (Stewart, 1984). Evans (1999) claimed that governments attempt to avoid accountability in order to limit public exposure of their misbehaviour. He specifically stated: ‘If governments have the power to do so they will avoid accountability by removing accountability mechanisms’ (Evans, 1999, p. 88).

Therefore, it can be construed that an account of activities that protect these public funds from fraudulent behaviour arising from either inside or outside the relevant organisations should also be provided. Various scandals surrounding public entities and the consequential fall in public trust, as discussed in Section 1.2, have led to an increased demand for information about public institutions and how they are governed (Coy and Pratt, 1998), and calls for greater accountability have been voiced by governments, practitioners and academics (Joannides, 2012). Thus, since the 1980s, accountability has become a significant part of public, business and political matters in Western countries (Coy, Fischer, and Gordon, 2001). There have been calls for improved accountability requirements within the public sector (Herawaty and Hoque, 2007), accountability of public organisations has become a matter of public interest (Coy and Pratt, 1998), and understanding the role that annual reports play in discharging accountability (Ryan, Stanley, and Nelson, 2002).

For the notion of accountability, it is imperative that government authorities provide relevant information to the parliament as well as to citizens (Barton, 2006). To enable effective accountability, it is important to have accurate information about the performance of these authorities (Boyne and Law, 1991). Having access to information about the performance of government entities enables the public, the media and opposition parties to identify inefficiencies and bad management. Pressure can then be placed on the government to respond and take adequate corrective action (Barton, 2006). A fundamental tool for discharging accountability is accounting because of accounting's prominent position and its ability to provide information about the entity's resources, activities and accomplishments (Connolly and Kelly, 2011). As such, a quality annual report is an important vehicle for discharging accountability (Ryan, Stanley, and Nelson, 2002) because an annual report is the only detailed statement produced for use by the public (Tooley and Hooks, 2010). Ryan, Dunstan and Brown (2001) argued that the Australian public-sector reforms, which started in the early 1980s when managerialism and corporate management approaches were popularised, led to the promotion of quality annual reports as an important tool for government agencies to discharge accountability.

The notion of accountability and the role of annual reports in discharging accountability were key elements in this research. As such, the literature was reviewed in order to discover the issues that had previously been studied and the conclusions that had been drawn. The results of the literature review are presented in Chapter 3.

1.6 Research Questions

Limited research has been conducted on the accountability of Australian public entities in relation to disclosure of fraud control information. The research questions were therefore chosen after careful consideration of the literature on the area of interest. The main research question is as follows:

What is the extent and nature of fraud control information disclosed by Australian Commonwealth public entities in their annual reports as a means of discharging their accountability?

Several research subquestions were also formulated. These subquestions were designed to assist in answering the main research question. The subquestions are as follows:

1. *What is the extent and nature of certification statements of compliance with fraud guidelines used by Commonwealth agencies and bodies? Are there similarities or differences between agencies and bodies in the way certification statements are used?*
2. *What is the extent and nature of voluntary disclosure of fraud control information in annual reports used by Commonwealth agencies and bodies? Are there similarities or differences in disclosure between agencies and bodies?*
3. *How is the voluntary disclosure of fraud control by agencies and bodies in annual reports different from the reports they provided to the Australian Institute of Criminology?*
4. *Do Australian Commonwealth public entities use disclosure of fraud control information in annual reports to discharge their public and political accountability and, if so, how and to what extent?*

1.7 Objectives of the Research Study

The objectives of the study were formulated in line with the above research questions. The objectives were as follows:

1. To review the Fraud Guidelines and other literature in order to develop a framework for disclosure of fraud control information. Such a framework will describe the information that good fraud control reporting should include.
2. To analyse the extent to which, and nature of how, a certification statement of compliance with Fraud Guidelines is presented by agencies and bodies.
3. To analyse the similarities and differences in the way a certification statement of compliance with Fraud Guidelines is used by agencies and bodies.
4. To discuss the results of Objectives 2 and 3 in relation to discharging political accountability.
5. To analyse the extent to which, and nature of how, agencies and bodies use voluntary disclosure of fraud control information in their annual reports.
6. To analyse the similarities and differences in the way certification in annual reports is used by agencies and bodies to disclose fraud control information.
7. To discuss the results of Objectives 5 and 6 in relation to the discharging of public accountability.

8. To conduct a comparison between the results of Objective 5 and the extent of information disclosed to the AIC.
9. To discuss the results of Objectives 6 and 8 in relation to the discharging of public accountability compared with political accountability.

1.8 Motivation for, and Contribution of, the Research Study

Not only does the public demand information about activities undertaken by the public sector (Herawaty and Hoque, 2007), but it also has a right to be informed about the public sector's conduct (Barton, 2006). Therefore, in order to assess the level of accountability of Commonwealth agencies and bodies, this thesis explores and analyses the extent and nature of disclosure of fraud control information in public documents, specifically annual reports, produced by Commonwealth agencies and bodies. This is important because, first, the extent and nature of fraud control disclosure helps the public understand the nature of the activities an agency or body undertook to prevent, detect, investigate or report fraud. Second, the analysis provides a platform for future research and discussion about the reasons for some types of information being disclosed while other information is omitted.

To the author's best knowledge, there is scant contemporary academic research focusing on disclosure of fraud control information in the Australian public sector. This thesis therefore contributes to the body of knowledge by providing both a comprehensive review of fraud disclosure guidelines and regulation and an investigation of the level and nature of fraud control information disclosed by public entities in annual reports as a means of discharging their accountability. The thesis highlights which parts of fraud control are (and which parts are not) commonly discussed in the annual reports of Commonwealth agencies and bodies. Given that no framework for disclosure of fraud control activities currently exists, other than a mandatory statement of compliance with the Guidelines, the results of this research study provide a basis for developing a set of improvements to the current framework and guidelines for reporting on fraud control.

1.9 Structure of the Thesis

Chapter 1 of this thesis provides an outline of the research problem on which the research study was based. Chapter 2 focuses on the background to the study and therefore outlines the issues related to fraud. It also presents the conceptual framework used for this study. Chapter 3 presents the theory drawn from the relevant literature, and it reviews and evaluates the relevant

literature on issues of accountability and annual reporting. Chapter 4 formulates the research design used for the purposes of the thesis. The chapter further explains how the research data were collected and analysed, and discusses the limits of the research. Chapter 5 provides the research results and discusses their implications. Finally, Chapter 6 summarises the research findings, presents a conclusion and lists recommendations for further research.

1.10 Chapter Summary

This chapter provided the foundations of this doctoral thesis. It introduced fraud as a contemporary problem and drew attention to the problem of fraud in relation to public entities. Several occurrences of fraud in the public sector were also presented. It further introduced the importance of the annual report in the context of discharging accountability. This chapter also presented the research questions and the objectives of, and motivation for, the study. Last, it explained how this thesis is structured. The next chapter provides the background to the study, specifically focusing on fraud and fraud control.

Chapter 2: Background to the Research Study

2.1 Chapter Introduction

This chapter provides the background to the research study and develops the argument for the research questions 1, 2 and 3, restated here for convenience:

1. *What is the extent and nature of certification statements of compliance with fraud guidelines used by Commonwealth agencies and bodies? Are there similarities or differences between agencies and bodies in the way certification statements are used?*
2. *What is the extent and nature of voluntary disclosure of fraud control information in annual reports used by Commonwealth agencies and bodies? Are there similarities or differences in disclosure between agencies and bodies?*
3. *How is the voluntary disclosure of fraud control by agencies and bodies in annual reports different from the reports they provided to the Australian Institute of Criminology?*

The chapter explains the issues surrounding fraud risk management, with a focus on Commonwealth fraud control. First, it discusses the definition and characteristics of fraud, identifies the conditions that exist when an individual decides to commit a fraud and summarises the different types of fraud. Second, it outlines the current extent of fraud in Australia and describes the elements of fraud risk management. Third, it discusses the development of fraud control in the Commonwealth Government and the disclosure of fraud control information. Finally, drawing on preceding sections, it provides the conceptual framework used for this research study.

2.2 Fraud: An Introduction

As outlined in Chapter 1, this research study investigated the disclosure of fraud-related information by Commonwealth agencies. However, the term *fraud* is quite generic and differs between states, legal jurisdictions and social disciplines, so it is important to define how it is used in this thesis. This section therefore introduces the term *fraud*, as defined for the purposes

of this research study, followed by a description of three elements that appear in fraudulent behaviour and its variations.

2.2.1 Definition of Fraud

There is no agreement about what constitutes fraud. As such, there are various definitions of fraud (Smith et al., 2014), and this is probably because fraud covers a wide spectrum of deceptive, dishonest and unethical behaviours. Given that this thesis is concerned with fraud in relation to government agencies, the following general definition is used, as provided by the Commonwealth of Australia: ‘Dishonestly obtaining a benefit or causing a loss by deception or other means’ (Australian Government, 2014, p. B2; Commonwealth of Australia, 2002, p. 4; 2011b, p. 5). This definition follows the *Criminal Code Act 1995* and is therefore based on the fraudulent conduct offences (Australian Government, 2014). However, Smith et al. (2014) stated that it is a broad definition that extends beyond that included in the official definition of fraud used by police.

Although there are various different definitions of fraud, they all have several common features. For example, the following definition is used by the Australian Standard AS 8001–2008:

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. (Australian Standard, 2008, p. 15)

Looking at both definitions, some consistent characteristics can be observed:

- A breach of trust. Both definitions outline that fraudulent activity involves dishonest and deceptive behaviour while a trust is breached.
- Deception is used. Perpetrators of fraud misrepresent the reality and therefore cheat, lie and manoeuvre the truth to their benefit. It may also involve a concealment of the reality to maintain the misrepresentation.
- Obtaining benefits and/or causing loss. Fraudulent acts are committed to obtain benefits (mostly of a financial nature) for the perpetrator or other party and/or to cause a loss to a victim.
- It is intentional. Fraud is not a result of negligence or error. It involves intention, and in many cases, fraud is prepared in advance and is well-thought-out behaviour (Pickett and Pickett, 2002).

Based on the above-described features of fraud, it can also be defined as an adverse behaviour that causes substantial losses. The elements of this behaviour are discussed in more detail in the next subsection.

2.2.2 Fraud Triangle and Fraud Perpetrators

When considering the characteristics of fraud listed in Subsection 2.2.1, the following question arises: At what point does an individual become a perpetrator of fraud? In the late 1940s, Cressey (1953) studied 133 people who committed embezzlement and whom he called ‘trust violators’ (p. 12). Cressey’s research hypothesis was as follows:

Trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable, are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to apply to their own conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property. (Cressey, 1953, p. 30)

This hypothesis has become known as *the fraud triangle* because the hypothesis outlines three elements that exist in fraudulent behaviour. The elements are represented in Figure 2.1.

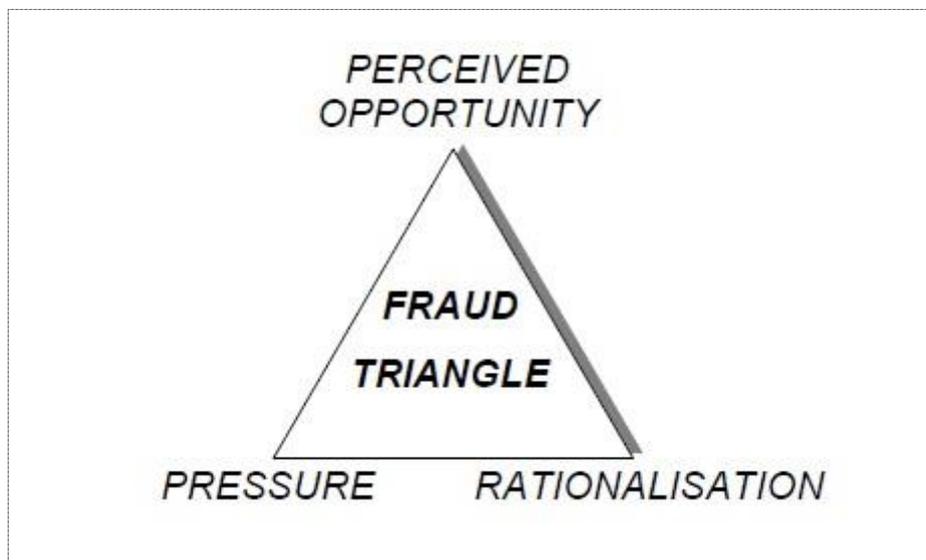


Figure 2.1: Fraud triangle

Source: Association of Certified Fraud Examiners (2010a, p. 4.503)

The elements in Figure 2.1 can be described as follows:

- Opportunity. An opportunity to commit fraud must exist. This element therefore represents the means by which the individual commits the fraud, taking into account the deficiencies in the system.
- Pressure. The pressure, mostly of a financial nature, is the motivation for the individual to commit the fraudulent behaviour.
- Rationalisation. The rationalisation is the individual's justification for their behaviour in a way that makes it acceptable to their moral norms (Wells, 2011).

Interestingly, Smith and Crumbley (2009) found that the fraud triangle hypothesis is still the most commonly taught content in traditional fraud examination and forensic accounting courses across various countries. However, the fraud triangle has also been the subject of much discussion and refinements (Dorminey, Fleming, Kranacher, and Riley, 2012; Free and Murphy, 2015; Morales, Gendron, and Guénin-Paracini, 2014; Wolfe and Hermanson, 2004).

A noteworthy modification of the fraud triangle was introduced by Wolfe and Hermanson (2004), who added another element to the three elements outlined by Cressey and thus created a 'fraud diamond'. The fourth element, capability, relates to the fact that an individual must be capable of committing the fraud. In other words, the person must possess the ability to turn a fraud opportunity into a fraudulent act. The components of capability, as described by Wolfe and Hermanson (2004), therefore include:

- Position/function. The individual's position within the organisation may offer an opportunity not available to others to commit fraud.
- Brain. The individual must be smart enough to perceive the opportunity.
- Confidence/ego. The individual must believe that their fraudulent behaviour will not be detected.
- Coercion skills. The individual must be able to convince others to commit or cover fraud.
- Effective lying. The individual, to avoid detection, must be able to lie effectively.
- Immunity to stress. The individual must be able to deal with stress because fraud behaviour may last over a long period and may therefore be stressful.

Several industry reports also describe the common characteristics of fraud perpetrators (Association of Certified Fraud Examiners, 2016; KPMG, 2013b, 2016c; PricewaterhouseCoopers, 2016; Warfield, 2012, 2013). The reports indicate that a male was

the perpetrator in 55% to 79% of cases (Association of Certified Fraud Examiners, 2016; KPMG, 2016c; PricewaterhouseCoopers, 2016; Warfield, 2012, 2013). Around 70% of perpetrators (both male and female) are between the ages of 36 and 55 years (KPMG, 2013b, 2016c), and fraud losses generally rise with the age of the fraudster, with the highest median losses linked to ages between 40 and 60 (Association of Certified Fraud Examiners, 2016). Furthermore, between 43% and 65% of cases were committed by an employee of the victim organisation (KPMG, 2013b, 2016c; PricewaterhouseCoopers, 2016).

2.2.3 Types of Fraud

There are many different systems of classifications for fraud. Fraud can be committed against individuals, businesses or public agencies. Fraud against individuals takes many forms—for example, identity fraud, credit card fraud, various money-making scams and Ponzi schemes. (Button, Lewis, and Tapley, 2009). Fraud against businesses and public agencies can be committed by individuals internal to the particular organisation, such as employees or contractors, by individuals external to the organisation or by collusion between employees and external parties (Australian Government, 2014). The main type of fraud committed by employees and contractors is a misappropriation of assets, which itself takes many forms (Association of Certified Fraud Examiners, 2016). Fraud against a business by external individuals can be committed as insurance fraud, lending fraud, intellectual property fraud, data-compromise fraud, and so on. The other type that can be considered as fraud committed by an employee, mostly at management level, is corruption and financial statement fraud (Association of Certified Fraud Examiners, 2016; Lindley, Jorna, and Smith, 2012). The ACFE labels internal fraud—that is, fraud committed by employees, managers and executives—as *occupational fraud* (Association of Certified Fraud Examiners, 2010a). Similar to the classification system discussed in this section above, occupational fraud is categorised into three main types:

- corruption
- asset misappropriation
- financial statement fraud.

These three main types are further divided into many subcategories. Figure 2.2 shows the classification of occupational (internal) fraud as used by the ACFE.

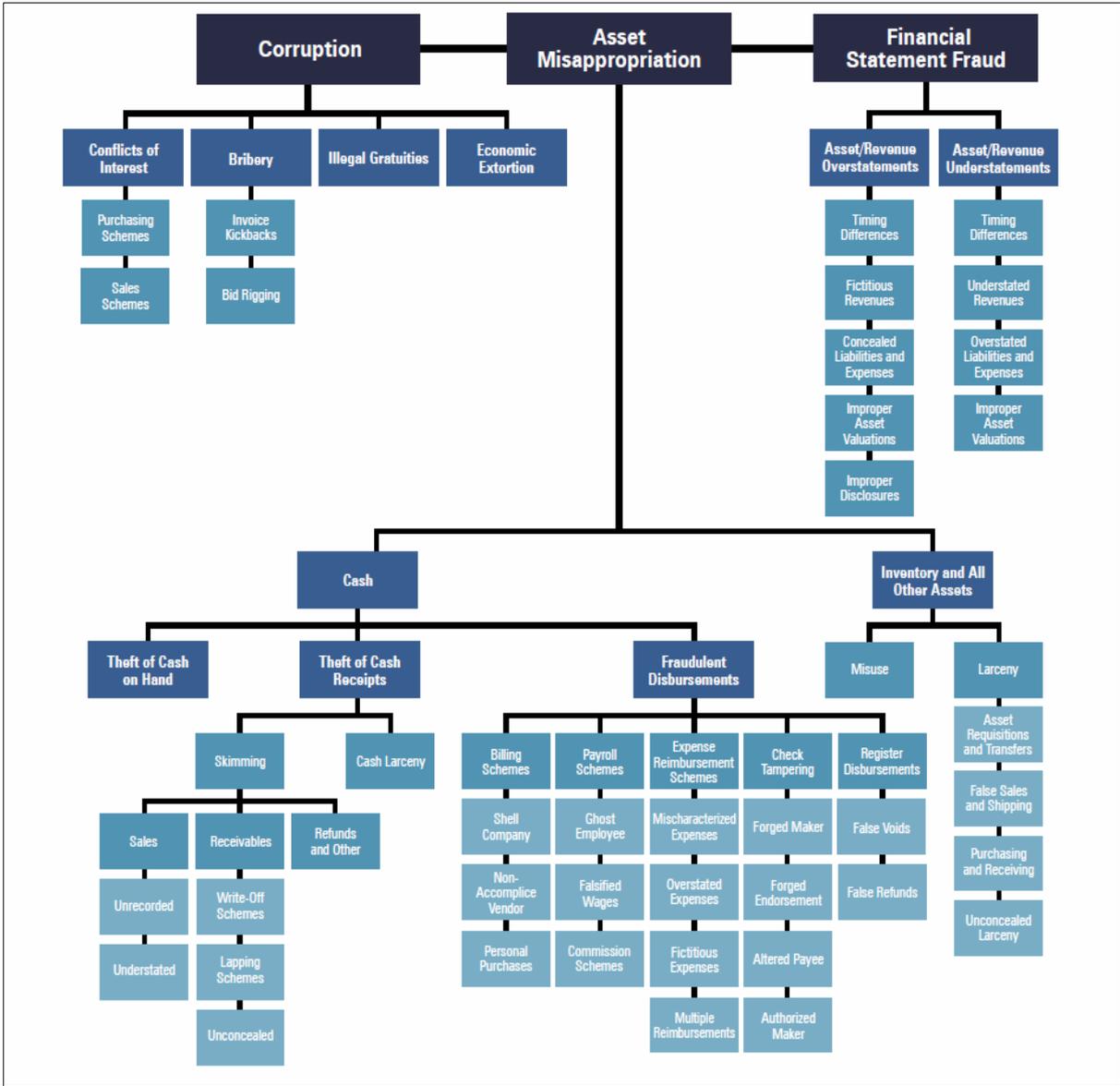


Figure 2.2: Occupational fraud and abuse classification system

Source: Association of Certified Fraud Examiners (2014, p. 11)

The types of internal fraud mentioned in this section can be committed by employees of private organisations and public agencies. However, there are also types of fraud specific to the Commonwealth. In many cases, these are, by the nature of the fraud, committed by persons external to the Commonwealth agency rather than by the agency’s own employees (Smith and Jorna, 2017) as in occupational fraud outlined above. These specific types of fraudulent behaviours target income tax, foods and services tax, customs duties, social security benefits, health benefits, child care benefits, education and training benefits, visas, Commonwealth

program funding and grants, information and intelligence, and money or property held in trust or confiscated (Australian Government, 2014).

2.3 Extent of Fraud

This section highlights the seriousness and impact of fraud on Australian society as a whole, with a particular focus on fraud committed against Australian public-sector entities. As such, several data reports and surveys are presented and discussed. For a better understanding of the problem, the data presented about fraud in relation to Australian public-sector entities are also discussed in relation to private entities.

2.3.1 Fraud Data Collection

Already two decades ago, Smith (1997) highlighted the importance of gathering data on fraud and producing relevant statistics. This is because a better understanding of the problem also helps to recognise the trends that ultimately affect the extent of fraud. It also helps to improve and strengthen fraud control activities and therefore more effectively combat the issue. However, there are several difficulties with data or statistical information on fraud, and therefore the data related to extent and cost of fraud can only be estimated.

According to Smith (1997), there are three main categories of sources of statistical information on fraud in Australia:

- *Official statistics.* These are collected by federal and state criminal justice government agencies, such as police services, the courts and correctional agencies. Examples of such agencies are the National Centre for Crime and Justice Statistics of the Australian Bureau of Statistics, the Australian Bureau of Criminal Intelligence, the AFP and each state/territory police service. Courts also gather statistics when the criminal or civil action has been taken by the victim. However, there is a problem with unrecorded fraud, which is not processed by police or by the court, and this is discussed later in this section.
- *Quasi-official statistics.* These are collected by non-criminal-justice government agencies and by various other organisations. Examples of non-criminal-justice government agencies are the Australian National Audit Office (ANAO) and the Australian Taxation Office. Other organisations include the Insurance Council of Australia and the Australian Banking Association.

- *Unofficial statistics.* Several types of unofficial statistics are compiled by accounting firms. These statistics deal with fraud in relation to businesses.

The collection and analysis of data related to fraud incidents and the transformation of such data into statistics or other sources of information are valuable tools for effectively combating the problem of fraud. First, the information gathered enables a better understanding of the behaviour of criminals and of new means by which fraud is committed. The information also enables the prediction of emerging trends. The information is then provided to specific people (i.e., board of directors, audit committee, etc.) and to the public. The information can then be used for purposes of prevention, intelligence, justice administration and policymaking (Smith, 1997).

However, it is important to acknowledge the several difficulties associated with data or statistical information on fraud and estimating the cost of fraud. As such, the extent and cost of fraud can generally be presented as an estimate only. The following paragraphs outline several major issues.

First, Mayhew (2003a) states that it is difficult to provide the actual cost of fraud instances because of the lack of guidance on how to calculate it. This results in the provision of indicative overall costs only. Furthermore, the type and amount of data collected and analysed is inconsistent. The federal criminal justice system in Australia includes nine separate jurisdictions. There are many types of fraud, and the first problem therefore relates to differences between the various jurisdictions with regard to the definition of fraud (Mayhew, 2003b; Smith, 1997). Second, some agencies report in greater detail than do others about some variables, such as the number and rate of offences, gender, categories of offenders and victims (Smith, 1997). The data collected by agencies may therefore also be difficult to compare.

In addition, it is difficult to estimate the full cost of crime because it has several components. First, there is a cost related to the anticipation of crime, such as the cost of security measures, crime-prevention activities and insurance against crime. Furthermore, there is a cost consequential to crime, such as stolen money, intangible costs to victims, victim support services and provision of mental health. Last, there is a cost associated with the response to crime, such as expenses related to police investigations and the prosecution of crime, court costs and the cost of imprisonment (Mayhew, 2003b).

The difficulty with estimating the cost of fraud is also due to unrecorded fraud. The two main types of unrecorded fraud can be classified as unreported fraud and undetected fraud (Mayhew, 2003b). Mayhew (2003a) estimates that there are three undetected frauds for every fraud recorded. This view is supported by the KPMG fraud survey that found respondents believed only one-third of the total fraud losses were being detected (KPMG, 2010).

Unreported fraud refers to fraud offences that are known to the victim but not reported to police. Organisations and individuals might choose not to report fraud to police for several reasons. These include a view that the matter was not serious enough, inadequate proof or an unwillingness to provide resources to prosecute the matter (O'Toole, 1994).

Underestimation of the cost of crime that occurs as a result of unreported crime is a problem due to reliance on official statistics, but this can be overcome by using a multiplier, where a survey-estimated number of crimes is compared with the number of crimes recorded by the police (Mayhew, 2003b). However, this method only solves the problem to some extent because fraud victimisation surveys often have limitations, especially when small and unrepresentative samples are involved (Smith et al., 2014).

Conversely, undetected fraud relates to fraud offences that are not known to the victim. This is because acts of fraud may be well hidden and never detected. For example, individuals may contribute to a charity organisation that is not genuine, or a business may not be aware that inventory has been stolen by employees (Smith, 1997). In addition, for several reasons, police might not record all frauds that are reported to them. For example, the police may consider they do not have enough evidence, some information about alleged fraud may be perceived as too trivial to be formally recorded, or the victims decide not to proceed and the police comply with their decision (Mayhew, 2003b).

2.3.2 Extent of Fraud in Australia

Smith et al. (2014) estimated the costs of crime to the Australian economy for the calendar year 2011 as more than A\$6 billion. They stated that fraud crimes account for the highest dollar value of all crime types, which is to be expected for a crime type that has direct economic consequences. Figure 2.3 shows that fraud accounts for approximately 26% of the estimated combined costs of all individual crime types. Other reports have also identified fraud as the most costly crime category (Mayhew, 2003b; Rollings, 2008).

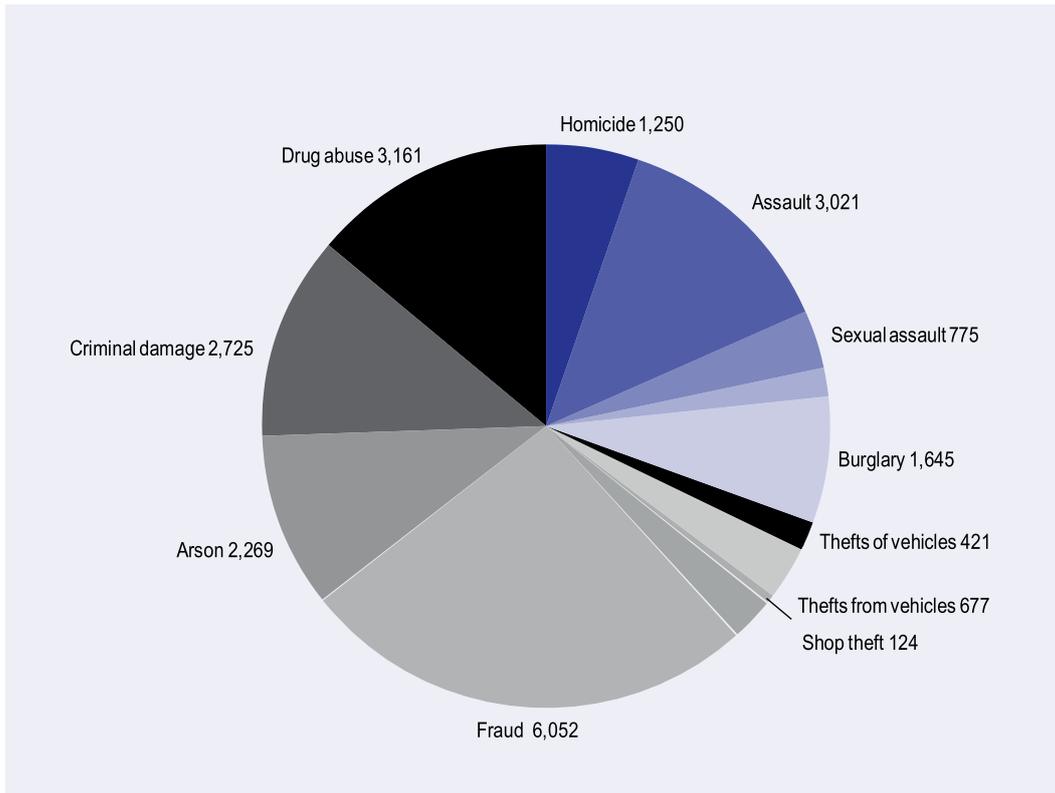


Figure 2.3: Estimated cost associated with individual crime types (A\$m)

Source: Smith et al. (2014)

However, the estimated cost of fraud shown in Figure 2.3 does not include other costs of crime—for example, the costs associated with criminal justice and victim assistance. The report by Smith et al. (2014) indicated that the other costs for all crime types were approximately A\$24 billion, almost equivalent to the cost for all individual crime types combined, which accounted for A\$23 billion in 2011. This suggests that the total cost associated with fraud is most likely to be much more than A\$6 billion.

Smith et al. (2014) further noted that there is no national fraud victimisation survey data in Australia, and therefore used several reports, with appropriate adjustments, to estimate the total cost of fraud. Therefore, the estimated cost of fraud shown in Figure 2.3 was based on the following information:

- an AIC survey report covering the cost of fraud against the Commonwealth (Jorna and Smith, 2015)
- an Australian Bureau of Statistics survey report covering the cost of personal fraud, including credit card fraud and identity fraud (Australian Bureau of Statistics, 2012)

- an AIC and PricewaterhouseCoopers (PwC) report (Australian Institute of Criminology and PriceWaterHouseCoopers, 2003) and the results of a KPMG survey (KPMG, 2013a) on the cost of serious fraud
- the cost of police-recorded fraud (Smith et al., 2014).

As noted earlier, KPMG regularly collects, analyses and reports on fraud in Australia and New Zealand (KPMG, 2004, 2009, 2010, 2011, 2012, 2013a, 2015, 2016a, 2016b). The KPMG report *Fraud Barometer: A Snapshot of Fraud in Australia*, covering the six-month period from April 2016 to September 2016, examined 143 fraud cases brought before Australian courts. The report estimated the total cost for all analysed cases was A\$442 million, an increase of almost 16% since the previous report. The average cost per fraud was estimated to be A\$3.1 million (KPMG, 2016a). The previous report, for the period October 2015 to March 2016, reported an estimated total cost of A\$381.1 million for the 116 fraud cases analysed (KPMG, 2016b). This covers all types of organisations, both private and public. As this thesis focuses on public-sector agencies, the extent of fraud in the public sector is outlined next.

2.3.3 Extent of Fraud in the Public Sector

The AIC, and previously the Attorney-General's Department (AGD), is obligated to collect fraud data, via an annual fraud survey of Commonwealth agencies, and to submit an annual fraud report to the government. Commencing with the 2008–09 financial year, the report has also been made available to the public. Table 2.1 provides a summary of the publicly available reports in relation to a number of agencies that were included in the analysis conducted as part of this research study, a total number of incidents of fraud reported by those agencies, and the total reported cost of fraud.

Table 2.1: Fraud against the Commonwealth – incidents and cost

Year	Number of responses included in analysis	Number of incidents of fraud	Cost A\$million
2008–09	149	800,698	598
2009–10	152	706,000	498
2010–11	154	91,092	119
2011–12	155	39,102	204
2012–13	162	135,672	207
2013–14	162	125,965	673

Sources: Jorna and Smith, 2015; Lindley, Jorna, and Smith, 2012; Lindley and Smith, 2011; Smith and Jorna, 2017.

It can be observed from the surveys that in the financial years 2008–09 and 2009–10 a large number of incidents of fraud were reported, and the cost of fraud was high compared with the following years. The report does not offer a detailed explanation for these differences, but they could be explained by the changes to the survey instrument—for example, changes in the way the agency reported external fraud (Jorna and Smith, 2015).

Focusing on the most recent report listed in Table 2.1—that is, for the financial year 2013–14—the survey indicates that agencies had experienced 125,965 fraud incidents with a cost of A\$673 million. However, given that Smith et al. (2014) indicated that we need to assume only one-third of all fraud incidents are detected, the number of incidents and losses were likely to have been substantially higher. Smith and Jorna (2017) also found that Commonwealth agencies reported substantially higher numbers of external fraud incidents than internal fraud incidents. This is interesting given that the extent of occupational (internal) fraud, as surveyed by the ACFE, is already extensive. The ACFE survey included government organisations, and, as an example, the 2016 ACFE report indicated that a government organisation was a victim of fraud in 18.7% of all surveyed cases (Association of Certified Fraud Examiners, 2016). For this reason, and because comprehensive data about occupational fraud exists, the next subsection discusses the extent of internal fraud. The discussion helps to illustrate the problem that, in the context of the above finding, the number of external fraud incidents exceeds the number of internal fraud incidents reported by the Commonwealth.

Only 34% of agencies that experienced a fraud incident were unable to estimate their loss. Commonwealth agencies also stated that they were able to recover A\$75.3 million previously

lost to fraud. The entities with more than 1,000 staff experienced the highest number of fraud incidents (Smith and Jorna, 2017).

PwC also conducts surveys about fraud and fraud risks in the public sector globally (PricewaterhouseCoopers, 2011, 2012, 2015, 2016). The latest PwC survey elicited responses from 170 senior representatives of government and state-owned enterprises across 35 countries. Although the report does not quantify the cost of fraud, it does state that government and state-owned enterprises were, on average, subject to more incidents of fraud than listed private entities (PricewaterhouseCoopers, 2016). This finding is supported by a KPMG report, which indicated that government was a victim of fraud with the second highest total cost of A\$94.5 million, more than the total cost of fraud for commercial businesses or financial institutions (KPMG, 2016a). The PwC report also states that 40% of respondents experienced fraud in the previous 24-month period (PricewaterhouseCoopers, 2016). This is somewhat similar to Smith and Jorna's (2017) findings that 36% of Commonwealth agencies experienced a fraud incident in 2013–2014.

2.3.4 Extent of Occupational Fraud

The ACFE collects and analyses the largest collection of data on occupational fraud, which includes asset misappropriation, financial statement fraud, and corruption (Association of Certified Fraud Examiners, 2010b, 2012, 2014, 2016). The surveys conducted by the ACFE regularly indicate that the typical organisation faces losses of 5% of its revenue as a result of fraud (Association of Certified Fraud Examiners, 2010b, 2012, 2014, 2016). Applying this estimate to the gross world product, the estimated losses due to occupational fraud would be as much as US\$2.9 trillion in 2009 (Association of Certified Fraud Examiners, 2010b), US\$3.5 trillion in 2011 (Association of Certified Fraud Examiners, 2012) and US\$3.5 trillion in 2013 (Association of Certified Fraud Examiners, 2014).

Asset misappropriation is recurrently identified as the most common form of occupational fraud (Association of Certified Fraud Examiners, 2010b, 2012, 2014, 2016). These findings are supported by PwC, which reported that government and state-owned enterprises also report that misappropriation of assets is the most frequent type of fraud (PricewaterhouseCoopers, 2011, 2012, 2015, 2016). However, this type of fraud regularly accounts for the smallest median loss (Association of Certified Fraud Examiners, 2010b, 2012, 2014, 2016).

Corruption has been identified as the second most common form of occupational fraud. Financial statement fraud has been by far the least common form of occupation fraud, despite causing the highest median loss (Association of Certified Fraud Examiners, 2010b, 2012, 2014, 2016). For example, the latest ACFE report analysed 2,410 cases of occupational fraud that were investigated between January 2014 and October 2015. The report stated that 83% of cases were identified as asset misappropriation, with a median loss of US\$125,000, whereas financial statement fraud occurred in 19.6% of cases, with a median loss of US\$975,000. Corruption was involved in 35.4% of the analysed cases, with a median loss of US\$200,000 (Association of Certified Fraud Examiners, 2016). Among the various forms of asset misappropriation, billing schemes and cheque tampering were identified as posing the greatest risk, based on their relative frequency and median loss (Association of Certified Fraud Examiners, 2016).

2.3.5 Other Costs of Fraud

There are other indirect financial consequences of being a victim of fraud. For example, the organisation may incur costs associated with investigating and reporting on fraud and with assisting the authorities in their prosecution of fraud incidents. Fraud incidents may disrupt business operations, resulting in subsequent financial costs. The organisation may also experience a loss of reputation, which may lead to loss or replacement of employees, loss of customers or creditors and, eventually, a struggle for business survival (Mayhew, 2003b; Rollings, 2008). Some of the indirect consequences, such as damage to an organisation's reputation, even when caused by a minor fraud incident, can have a long-term effect (PricewaterhouseCoopers, 2009)

2.3.6 Extent of Fraud: Conclusion

It is evident that estimating the cost of fraud is difficult. This is because different approaches are used by different researchers. For example, some researchers analyse a number of reported incidents of fraud as opposed to the number of fraud incidents brought before the courts. This explains why estimates may vary based on the chosen approach. Nevertheless, it is evident that fraud is a problem for society and that public entities are not immune to this type of crime. On the contrary, the research discussed indicates that fraud committed against public entities is substantial and, in some aspects, it has more serious consequences than fraud committed against financial institutions and private businesses.

2.4 Fraud Risk Management and Fraud Control

This section introduces the concept of fraud control, also referred to as fraud risk management. There are many differing opinions on what constitutes the best management of fraud. For example, the Office of the Auditor General for Western Australia (2013) states that agencies' management of fraud should include the following components:

- organisational commitment to and awareness of fraud and corruption issues
- specific consideration of fraud and corruption risks as part of their risk management processes
- concise policies and procedures covering fraud and corruption management with consideration of the need for a specific fraud and corruption control plan
- allocation of sufficient resources to manage fraud and corruption
- effective employee, supplier and customer vetting
- fraud and corruption training and awareness programs
- alignment of the internal audit program with agency fraud and corruption risks
- post incident reviews of controls. (p. 78)

Given that the risk of fraud exists in every organisation, it is important to establish effective management of fraud risk. Therefore, fraud risk governance should be an important part of an organisation's governance structure. This ensures that a fraud risk management program is in place, including a policy that conveys the roles of employees, senior management and the board of directors, in order to manage the risk of fraud and corruption (Australian Government, 2014; Australian National Audit Office, 2011; Australian Standard, 2008; Chartered Institute of Management Accountants, 2008; Crime and Misconduct Commission Queensland, 2005; KPMG, 2006; The Institute of Internal Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, 2008).

Risk is a potential situation that could affect the entity's achievement of its objectives. Risk management can be defined as the process of understanding and managing risks that the entity is unavoidably subject to in the course of achieving its objectives (Chartered Institute of Management Accountants, 2008; KPMG, 2006). Fraud risk management, therefore, can be defined as a process of understanding and managing the risk of fraud. Four main elements can be identified in the various fraud risk management models currently available (Australian National Audit Office, 2011; Chartered Institute of Management Accountants, 2008; Crime and Misconduct Commission Queensland, 2005; KPMG, 2006; The Institute of Internal

Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, 2008). These elements are:

- fraud risk assessment
- fraud prevention
- fraud detection
- response to fraud (investigation).

Similar to the models above, the Commonwealth Fraud Control Guidelines 2002 (Commonwealth of Australia, 2002), the Commonwealth Fraud Control Guidelines 2011 (Commonwealth of Australia, 2011b) and the current Commonwealth Fraud Control Framework 2014 (Australian Government, 2014) give directions in regard to similar elements of fraud control:

- fraud risk assessment
- fraud control plan
- fraud prevention, awareness and training
- detection, investigation and response
- reporting.

It is essential to create an organisational environment and culture within any organisation, including within government agencies, that will ensure practices to combat fraud are in place. Combating fraud is then conducted through the effective prevention, detection, reporting and investigation of any act related to fraud (Australian Government, 2014; Australian National Audit Office, 2011; Australian Standard, 2008; Chartered Institute of Management Accountants, 2008; Crime and Misconduct Commission Queensland, 2005; KPMG, 2006; The Institute of Internal Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, 2008). These five elements are discussed in detail in the following five subsections, providing justification for their inclusion in the framework of analysis used in this thesis.

2.4.1 Fraud Risk Assessment

Resistance to fraud requires an appropriate identification and evaluation of risk related to specific areas of the operations of the entity or agency. The fraud risk assessment and the development and implementation of risk strategy elements include the identification of risk

areas and the analysis and evaluation of fraud risk. In other words, an organisation must first be able to identify a risk of fraud in its diverse operational areas and set out measures to be taken to prevent or detect fraud. The fraud risk assessment must consider both internal and external factors influencing the organisation's operations (Australian Government, 2014; Australian National Audit Office, 2011; Australian Standard, 2008; Chartered Institute of Management Accountants, 2008; Crime and Misconduct Commission Queensland, 2005; KPMG, 2006; The Institute of Internal Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, 2008).

The fact that assessment is an essential part of fraud risk management is supported by others (Frank, 2004; Kolman, 2007; Lister, 2007; Zikmund, 2008). It is important to regularly perform fraud risk assessment in order to reduce the risk of fraud (Lister, 2007; Zikmund, 2008). Zikmund (2008) recommended a four-step approach to fraud risk assessment, which includes an evaluation of the organisation's fraud risk factors, the identification of possible fraud schemes, the prioritisation of identified fraud risks and an evaluation of mitigating controls.

Fraud risk questionnaires and interviews with employees can be excellent tools for assessing risk in an organisation (Kolman, 2007; Wells, 1992). Interviews with key stakeholders are also an essential part of the risk assessment process (Lister, 2007). In addition, both internal and external auditors play an important role in the process of fraud risk assessment because of their knowledge of business operations and associated risks (Ames, Brazel, Jones, Rich, and Zimbelman, 2012; Brazel, Jones, and Zimbelman, 2009; Carpenter, Reimers, and Fretwell, 2011; Hassink, Meuwissen, and Bollen, 2010; Zikmund, 2008). Australian Government agencies are obligated to undertake a fraud risk assessment at least every two years and should consider both internal and external fraud risk factors (Australian Government, 2014, s. 6.1). Agencies usually face differing fraud control issues because both the size and the nature of their operations can influence the risk of fraud (Australian Government, 2014, s. 6.4). Therefore, smaller public-sector agencies and larger service-delivery organisations are not expected to face the same risk of fraud (Australian Government, 2014, s. 7.5). Consequently, some agencies will have a typical inherent risk of fraud because of the nature of the business, such as revenue collection, the payment of welfare benefits or procurement activities (Australian Government, 2014, s. 6.6).

2.4.2 Fraud Control Plan

Based on the results of the fraud risk assessment, a risk strategy must be developed. The strategy must be communicated to all interested parties through the entity's fraud plan, policy and procedures. The responsibility for managing the risk of fraud must be allocated to particular individuals (Australian Government, 2014; Australian National Audit Office, 2011; Australian Standard, 2008; Chartered Institute of Management Accountants, 2008; Crime and Misconduct Commission Queensland, 2005; KPMG, 2006; The Institute of Internal Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, 2008). A decrease in the number of fraud incidents is correlated with the development and implementation of a strong fraud control plan (Nistor and Puiu, 2014).

Government agencies are obligated to prepare a fraud control plan. The development and implementation of a fraud control plan follows the completion of a fraud risk assessment. It is an important step in managing the risk of fraud identified in the fraud risk assessment. The fraud control plan should stress the importance of prevention measures in minimising the opportunity for fraud (Australian Government, 2014, s. 7.1). There is no requirement to maintain a separate document for fraud control. The fraud control plan can be integrated into the agency's other plans—for example, into the strategic, business or risk management plan. However, where a fraud risk is assessed as high, a specific fraud risk plan may be appropriate (Australian Government, 2014, s. 7.2). A fraud control plan is a tool used by agencies to document their approach to controlling the risk of fraud at a strategic, operational and tactical level. As such, the fraud control plan must cover prevention, detection, reporting and investigation measures (Australian Government, 2014, s. 7.3). These measures include:

- a summary of the identified risk of fraud or vulnerabilities associated with the agency's operations
- the strategies or controls/structures used to reduce the identified risks of fraud or attempted fraud
- information about implementation of the fraud control measures
- a plan to achieve the agency's training requirements
- a system to gather, analyse and report the number and nature of incidents of fraud
- procedures for dealing with allegations/suspicious of fraud, commencement of investigation and options for resolving these incidents (Australian Government, 2014, s. 7.3).

2.4.3 Fraud Prevention

The fraud prevention element can be considered a set of components that minimise the likelihood of fraud being committed and maximise the potential for detecting any fraudulent activity that may occur (Australian Government, 2014; Australian National Audit Office, 2011; Australian Standard, 2008; Chartered Institute of Management Accountants, 2008; Crime and Misconduct Commission Queensland, 2005; KPMG, 2006; The Institute of Internal Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, 2008). Preventing fraud should be the preferred, more achievable strategy over the strategy of detecting fraud (Wells, 2004). There needs to be a visible approach to fraud prevention to highlight the significance of anti-fraud measures to the organisation (Henry, 2016).

Awareness is an important part of prevention; therefore officials in government agencies must be aware of what constitutes fraud (Australian Government, 2014, s. 8.2). An agency must at least prepare and distribute a fraud strategy statement with a definition of fraud, the agency's commitment to investigate and prosecute fraud, a summary of the consequences of fraudulent behaviour and an assurance of confidentiality during an investigation (Australian Government, 2014, s. 8.3) Relevant fraud awareness and training should be conducted for all officials and, where appropriate, for contractors (Australian Government, 2014, s. 8.4). The agency's approach to fraud must also be communicated to clients and third parties (Australian Government, 2014, s. 8.8).

Various prevention techniques are used to reduce the cost of fraud. These techniques include fraud awareness and training in fraud prevention and detection (Button and Brooks, 2009; Pergola and Sprung, 2005; Smith, 1998), establishment of a fraud policy (Carpenter and Mahoney, 2001; Smith, 1998) and a code of conduct (Button and Brooks, 2009; Thomas and Gibson, 2003), reference checks on new employees and the monitoring of employees (Button and Brooks, 2009; Holtfreter, 2004; Pergola and Sprung, 2005; Smith, 1998; Thomas and Gibson, 2003), transaction monitoring (Smith, 1998), improvements in personal identification (Smith, 1998), the establishment of a telephone hotline to report suspected fraud and a whistleblowing policy (Eaton and Akers, 2007; Pergola and Sprung, 2005), computer system monitoring (Smith, 1998), detection software (Carpenter and Mahoney, 2001), segregation of duties (Henry, 2016) and legally based deterrence (Smith, 1998)

Firewalls, virus and password protection, and internal control review are common fraud prevention techniques used by organisations. Continuous auditing, discovery sampling, data mining, forensic accounts and digital analysis software are rated as most effective; however, they are used less than the common fraud prevention techniques (Bierstaker, Brody, and Pacini, 2006).

A significant amount of literature highlights the importance of risk factors or warning signs in the prevention and detection of fraud (Albrecht and Romney, 1986; Apostolou, Hassell, and Webber, 2001; Grabosky and Duffield, 2001; Majid, Gul, and Tsui, 2001; Rey, 2008; Smith, Omar, Idris, and Ithnahaini, 2005). The ‘red flags of fraud’, as they are sometimes referred to in the literature, are certain signs that can help in the identification of a potential case of fraud. Albrecht and Romney (1986), for example, evaluated a set of 87 warning signs and identified 31 as effective indications of fraud. However, others have argued that warning signs are of limited use and therefore are not considered effective. This is because of the possibility that when focusing on the list of warning signs, other observations and factors may be disregarded (Bierstaker, Brody, and Pacini, 2006; Krambia-Kapardis, 2002; Pincus, 1989).

2.4.4 Fraud Detection

Fraud cannot be eliminated entirely, even when a fraud prevention program is implemented in an organisation. The early detection of fraud or corruption is an essential part of an organisation’s risk strategy to minimise possible losses and effectively conduct an investigation. The entity must ensure that a system is developed that will effectively review information received about detected fraud, investigate the case and resolve the situation. This system should include the categorisation of received information, investigation of the issue where appropriate or referral of the case to another party, and resolution of the issue or closure of the investigation (Australian Government, 2014; Australian National Audit Office, 2011; Australian Standard, 2008; Chartered Institute of Management Accountants, 2008; Crime and Misconduct Commission Queensland, 2005; KPMG, 2006; The Institute of Internal Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, 2008).

Fraud may come to an entity’s attention in many ways. The most common ways include as a tip from an employee or customer, as a result of a management review and as a result of an internal audit (Association of Certified Fraud Examiners, 2010b). It is therefore crucial that a reporting mechanism exists within the organisation that will allow reporting of any fraudulent

activities by anyone, from inside or outside the organisation (Australian Government, 2014, s. 10.3). The challenge, however, can be in persuading people to report fraud; therefore, protection of these people must be guaranteed through an effective whistleblower protection policy (Australian Government, 2014, s. 10.4; Bastin and Townsend, 1996; Eaton and Akers, 2007; Johansson and Carey, 2015). A whistleblower protection policy will not be effective unless it is communicated to all employees, students, contractors, et cetera. A person wishing to disclose information is likely to be interested in knowing how the investigation will be conducted; the process should therefore be outlined (Eaton and Akers, 2007). Such information can be communicated via the organisation's website. Unfortunately, there may be consequences for whistleblowers despite the existence of whistleblower protection, and there are many weaknesses in the processes associated with whistleblower protection (Martin, 2003).

Information about fraud can be revealed during an internal or external audit. Coram, Ferguson and Moroney (2007) found that organisations with an internal audit function are in a better position to detect fraud than those without internal auditors. Furthermore, organisations with their own internal auditors are more likely to detect fraud than if the internal audit function is outsourced. However, according to Corless (2009), internal auditors have limited experience with fraud discovery. He suggested that internal auditors require further training to improve their detection ability. Krambia-Kapardis (2002) also argued that the ability of auditors is limited in relation to the detection of fraud.

Fraud may be detected in other ways—for example, by following red flags (Kramer and Buckhoff, 2005), using data mining (Rejesus, Little, and Lovell, 2004), conducting an ongoing risk assessment (Krambia-Kapardis, 2002), using fraud questioning (Buckhoff, 2001) and using exception reports (Kramer and Buckhoff, 2005). Regardless of how the fraud is detected, investigation of the fraud is the final stage.

2.4.5 Fraud Investigation

Organisations must also set out the procedures to be followed when investigating an act of fraud or when reporting the incidence of fraud to a relevant government organisation, such as the police or the Independent Commissioner against Corruption (Australian Government, 2014; Australian National Audit Office, 2011; Australian Standard, 2008; Chartered Institute of Management Accountants, 2008; Crime and Misconduct Commission Queensland, 2005; KPMG, 2006; The Institute of Internal Auditors, American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners, 2008).

The key aspect of any fraud investigation is having competent and trained professionals involved in the process (Brown, 2013). The Australian Government Investigation Standards were created to establish the minimum standard of investigation practices for Australian Government agencies (Commonwealth of Australia, 2011a). Government entities are responsible for investigating minor cases of fraud, and the AFP has responsibility for investigating serious cases of fraud (Australian Government, 2014, ss. 10.11–10.12). Once an investigation team has been established, all initial details about the incident need to be gathered in order to prepare an investigation plan. The investigation itself may include securing and analysing documents, either in hard copy or electronic form, interviewing witnesses and suspects, making conclusions and/or a referral to an enforcement agency (Brown, 2013; Catchick, 2016). Government agencies should consider prosecution in applicable situations (Australian Government, 2014, s. 10.27). Government agencies should also take all reasonable steps to recover financial losses caused by fraudulent activity (Australian Government, 2014, s. 10.31).

2.5 The Commonwealth Fraud Control Framework

For some time, the Commonwealth Government has recognised the importance of a strong fraud control framework that helps Commonwealth agencies combat the fraud committed against them. Over past decades, the government has thus introduced several interrelated initiatives that have improved the ability of agencies to deal with fraud. This section discusses the development of the Commonwealth fraud control framework and describes the roles and responsibilities of key agencies.

The Australian Government's serious interest in fraud issues started in the early 1980s at a time when there was concern about substantial tax evasion and a perception that many welfare beneficiaries were purposely avoiding employment (Roberts, 2001a). Subsequently, in 1987, the government commissioned the *Review of Systems for Dealing with Fraud on the Commonwealth*, with the aim of formulating policy on systems for dealing with fraud. This was in response to a large number of cases of fraud having been dealt with by several departmental portfolios (Commonwealth of Australia, 1987). The Cabinet subsequently accepted a majority of the recommendations made in the review (Roberts, 2001a). This decision represented the government's view that a more proactive approach was needed—represented by fraud prevention and control—rather than reactive measures within the law enforcement environment, represented by investigation and prosecution processes (Roberts,

1995). The review's published report stated that responsibility and accountability for preventing, detecting and dealing with cases of fraud should be primarily assigned to the agencies whose systems are the subject of fraud rather than to the AFP, Commonwealth Director of Public Prosecutions (CDPP) and Australian Government Solicitor (AGS). The AFP, CDPP and AGS should then deal only with the more significant cases of fraud. Therefore, it was recommended that all agencies be required to pursue a systematic and explicit approach to fraud control (Commonwealth of Australia, 1987).

The new approach featured three key components. First, agencies would prepare a detailed fraud risk assessment. Second, agencies would consider significant areas of risk and develop a detailed fraud control plan. Third, agencies would establish a fraud control committee that would review both the risk assessment and the fraud control plan prior to their implementation (Audit Office of New South Wales, 1998). To support this strategy, the government released its first fraud control policy, the Commonwealth Fraud Control Policy 1987.

In 1992, the House of Representatives Standing Committee on Banking, Finance and Public Administration was asked to review this approach towards fraud control. The committee, upon completion of the Inquiry into Fraud on the Commonwealth, produced a report in 1993. The committee focused on several issues, including:

- measures for assessing the level of risk of fraud
- progress made by the departments and agencies in developing and implementing strategies for fraud prevention and control
- the need for training of staff involved in fraud control
- the mechanism and the capability and capacity for investigation of fraud incidents (Parliament of the Commonwealth of Australia: House of Representatives Standing Committee on Banking, Finance and Public Administration, 1993).

The committee found:

It has been some six years since the Government totally changed its fraud control policy ... This approach, however, has created a more dispersed system for fraud control at the Commonwealth level than in other jurisdictions. This means that more attention must be given to ensuring there is consistency, minimum duplication of effort and accountability in the way in which the strategies are implemented. (Parliament of the Commonwealth of Australia: House of Representatives Standing Committee on Banking, Finance and Public Administration, 1993, p. xiii)

The committee made 21 recommendations for fraud control in the Commonwealth, with regard to the following:

- the collection, maintenance and reporting of data on fraud
- audit legislation and the role of internal and external audit in fraud control
- fraud risk assessments and fraud control plans
- codes of conduct and ethics
- performance information and the evaluation of strategies
- fraud investigation
- administrative sanctions and prosecutions
- whistleblowing and informants
- information exchange and coordination (Parliament of the Commonwealth of Australia: House of Representatives Standing Committee on Banking, Finance and Public Administration, 1993).

The committee's report led to a revision of the Commonwealth Fraud Control Policy 1987 and the release of an updated policy: the Commonwealth Fraud Control Policy 1994. The new policy continued to give agencies the responsibility for conducting fraud risk assessments and developing fraud risk plans based on the identified fraud risks. The new policy also detailed agencies' responsibilities when dealing with minor instances of fraud. In relation to this point, the policy also outlined the development of investigation and competency standards for staff involved in fraud control, and a quality review process for investigation. Last, the policy discussed the requirements for reporting fraud information (Australian Government: Commonwealth Law Enforcement Board, 1994). The policy has been described as highly prescriptive compared with other systems used at state levels (Audit Office of New South Wales, 1998). The policy was subsequently supported by legislation in the FMA Act, through several provisions related to fraud control.

The Commonwealth Government again recognised the need to update the policy to take into account developments in corporate governance, modern business practices and fraud control as well as the recently enacted FMA Act (Commonwealth of Australia, 2002; Roberts, 2001b). Therefore, Consultation Draft No. 1 was issued in June 1999, followed by Consultation Draft No. 2 in April 2001. As a result, the Guidelines 2002 were issued in May 2002, replacing the Commonwealth Fraud Control Policy. The Guidelines 2002 included a number of amendments to the Commonwealth Fraud Control Policy, such as:

- better specifications for outsourcing fraud control arrangements
- mandatory qualifications for fraud investigators
- enhanced fraud reporting to government
- establishment of a fraud trend information network (Commonwealth of Australia, 2002).

Once again, in 2010, the government recognised the need to update the policy, taking into account that the nature of fraud had become more complex, especially when the delivery of government services were creating new opportunities for cyber criminals (Commonwealth of Australia, 2011b). Therefore, following the review and revision in 2010 of the Guidelines 2002, the updated guidelines, the Guidelines 2011, were published. In addition, the newly amended *Legislative Instruments Act 2003* made it a legal obligation of agencies mentioned in the Guidelines to comply with the requirements set out within the Guidelines (Commonwealth of Australia, 2011b).

However, the fraud control framework was changed when the *Public Governance, Performance and Accountability Act 2013* was passed and replaced the FMA Act. As a result, the Guidelines 2011 were no longer binding for Commonwealth entities, and on 1 July 2014, the Guidelines 2011 were therefore replaced by the Framework 2014.

The Framework 2014 consists of three tiered documents:

- *Public Governance, Performance and Accountability Rule 201, s. 10*, also referred to as the Fraud Rule. This document outlines a minimum standard for managing the risk and incidents of fraud, and it is a legislative instrument binding for all Commonwealth entities.
- *Commonwealth Fraud Control Policy*. This policy sets out the procedural requirements for specific areas of fraud control to support the accountable authorities of non-corporate Commonwealth entities.
- *Resource Management Guide No. 201: Preventing, detecting and dealing with fraud*. This document provides best practice guidance for fraud control arrangements within all Commonwealth entities (Australian Government, 2014).

The Framework 2014 maintains the key elements of fraud control developed in the previous documents: a fraud risk assessment; a fraud control plan; and prevention, detection and investigation measures. However, it conforms to the change in Commonwealth resource

management, which involves a move from a compliance approach to a principles-based framework (Australian Government, 2014).

A number of agencies comprise the Commonwealth Government fraud control framework. These, and their primary roles, are summarised in Table 2.2.

Table 2.2: List of agencies comprising the Commonwealth Government fraud control framework

Agency	Responsibility
Australian National Audit Office (ANAO)	Assessing the key aspects of the fraud control arrangements of Australian Government agencies; publishing results of these performance audits; and issuing the Better Practice Guide, which provides additional information on how to implement individual elements of the fraud control framework
Attorney-General’s Department (AGD)	Providing strategic advice to the government about fraud control within the Commonwealth
Australian Federal Police (AFP)	Investigating serious or complex cases of fraud against the Commonwealth
Commonwealth Director of Public Prosecutions (CDPP)	Prosecuting fraud offences against the Commonwealth and criminal assets recovery
Australian Institute of Criminology (AIC)	Conducting an annual fraud survey of Commonwealth agencies, analysing the findings and producing a report on fraud against the Commonwealth

2.6 Disclosure of Fraud Control Information

This section discusses how fraud control policies, fraud risk management guidelines and other documents address disclosure, by organisations, of fraud control information. The reporting or disclosure of fraud information has different meanings in different contexts, including:

- reporting a suspected or detected fraud incident to initiate investigation—for example, when an employee reports a suspected fraud incident directly to their supervisor or via the organisation’s hotline
- reporting a detected or suspected fraud incident to law enforcement or to another agency for investigation—for example, a government agency reporting a major fraud incident to the AFP for investigation
- reporting fraud information for statistical and other purposes—for example, a government agency reporting fraud information to the AIC for a report on fraud against the Commonwealth that will be provided to the Minister for Home Affairs
- reporting information about an organisation’s fraud control activities to internal or external parties—for example, as part of the annual report or report to the board of directors, providing information about the organisation’s fraud risk assessment, fraud control plan or activities related to fraud prevention or information about a number of detected and investigated fraud incidents.

This thesis focuses on the disclosure of fraud information about government agencies’ fraud control activities only when it pertains to disclosure in annual reports. Various users may find the disclosure of government agencies’ fraud control information helpful. These include:

- internal users – board of directors, audit committee and management, et cetera

These internal users are in a position to request and receive information about fraud control activities of the organisation. The documents prepared for these internal users are generally not accessible to the public.

- external users – government, ministers, regulators, and other government agencies—for example, the Australian Securities and Investments Commission, the Australian Prudential Regulation Authority, the CDPP, the AGD, the AIC and the ANAO.

Although these users are external to the organisation, it is legislated that they may (or they may be in a position to) request and receive information about the fraud control activities of the particular organisation. These documents are generally not directly accessible to the public. However, some of the information may be released in a managed form to the public—for example, the annual *Fraud against the Commonwealth: Report to Government*, produced by the AIC, and performance audit reports produced by the ANAO. When a government organisation provides information

about its fraud control activities to the government, the minister or other government agencies, it is used to discharge their political accountability.

- external users – the public

The public is external to the organisation and is not in a position to easily request information about fraud control activities of the organisation. The public mostly rely on information that is released widely, with the annual report the most common source of information. When an organisation provides information about its fraud control activities to the public, it is discharging its public accountability. The notion of accountability will be discussed in more detail in Chapter 3.

The following three subsections therefore discuss how fraud control policies, fraud risk management guidelines and other documents address the disclosure of fraud control information in relation to these three types of users.

2.6.1 Internal Users

Effective internal reporting is critical in managing the risk of fraud. If the role is established, the fraud manager establishes and manages the information channels so that the relevant information is reported to the relevant audience. The chief executive, the board and the audit committee should receive the reports on monitoring, evaluation and investigation activities (Australian National Audit Office, 2011). Organisations should also regularly analyse fraud incidents and report the identified trends to an appropriate internal body—that is, the board or the audit committee (Australian Standard, 2008).

There can also be benefits for an organisation in internally communicating the results of fraud incidents and investigations to its employees, in that it demonstrates the risk associated with attempting to garner rewards through dishonest behaviour (Australian National Audit Office, 2011; Chartered Institute of Management Accountants, 2008; KPMG, 2006). Such a disclosure can function as a caution to potential perpetrators and as a reminder to those who are in charge of the management controls (Chartered Institute of Management Accountants, 2008).

2.6.2 External Users: Government, Ministers, Regulators and Government Agencies

Accounting firms provide several recommendations on reporting fraud. For example, regulated financial services organisations may be legally obligated to report financial crime to their regulator. However, other organisations should also disclose information about fraud incidents

to demonstrate their commitment to not tolerating fraud (Chartered Institute of Management Accountants, 2008). KPMG similarly recommends that management should consider voluntarily disclosing information about fraud incidents to the government or a regulator (KPMG, 2006).

For some time, Australian Government agencies have been required to provide fraud control information to the government, ministers and regulators, and to other government agencies. In accordance with the Commonwealth Fraud Control Policy 1994, chief executives were obligated to provide the newly established Commonwealth Law Enforcement Board with various amounts of information on fraud that, as will be discussed in the next subsection, had previously required public disclosure in annual reports (Australian Government: Commonwealth Law Enforcement Board, 1994). Furthermore, agencies were obligated to advise their minister of each stage of the fraud control process, such as the fraud risk assessment and fraud control plan (Australian Government: Commonwealth Law Enforcement Board, 1994). In addition, specific fraud control information had to be provided to members of parliament and senators on request (Department of the Prime Minister and Cabinet, 1994)

Under the Guidelines 2002, the chief executive officers of government agencies, similar to under the previous Commonwealth Fraud Control Policy, were obligated to inform their minister or presiding officer about fraud risk and fraud control measures (Commonwealth of Australia, 2002). The Guidelines 2011 were more specific about this requirement, stating that agencies must provide such a report to their minister or presiding minister annually in a format to be determined by the agency (Commonwealth of Australia, 2011b). A similar requirement is also included in the most recent framework, the Framework 2014 (Australian Government, 2014).

Additionally, agencies are obligated to collect and report fraud control data, and the AIC, in cooperation with the AGD, is required to produce an annual report of fraud against the Commonwealth. The latter report is provided to the Minister for Justice and may also be provided to ministers, presiding officers and accountable authorities (Australian Government, 2014; Commonwealth of Australia, 2002, 2011b). In addition, the AGD is obligated to produce a report on annual compliance with the Guidelines (Australian Government, 2014; Commonwealth of Australia, 2002, 2011b). These reports inform the government and other entities of the level of fraud detected, the effectiveness of fraud control measures and the level of compliance with the Guidelines (Australian National Audit Office, 2014). Although these

reports should be produced annually, the AGD has completed only three reports on time in the past 10 years, with the remaining reports completed between three and 26 months late (Australian National Audit Office, 2014). For example, the reports *Fraud against the Commonwealth: Report to Government* for the financial periods 2010–2011 and 2011–12 were completed along with the 2012–13 financial year report and not released until 2015. This situation is of concern because it indicates several serious issues. First, the AIC did not fulfil its obligation to produce an annual report to government as mandated by the Guidelines (Commonwealth of Australia, 2002, 2011b). Second, either the government was unable to enforce the AIC to comply with its obligation or the government was not interested in the report. It could be argued that the government has access to other sources of information about government agencies' fraud control activities. However, the report produced by the AIC provides information about fraud in relation to the Commonwealth as a whole rather than in relation to the individual agencies of the Commonwealth. Such a report is therefore valuable in recognising overall compliance with existing legislation as well as the trends in, and extent of, fraud in individual Commonwealth agencies.

2.6.3 External Users: Public

Although publicly disclosing fraud may cause embarrassment for management and have an adverse impact on an organisation's image, management should consider disclosing fraud in order to prevent otherwise more-extensive negative publicity (Australian National Audit Office, 2011; KPMG, 2006). This is because such disclosure demonstrates the organisation's zero tolerance to fraud as part of an anti-fraud culture (Australian National Audit Office, 2011).

Although various Fraud Management guides have been identified and reviewed, none of them specifically outlined how or what type of information about fraud control should be disclosed in the annual report. These guides were issued, for example, by accounting firms and professional associations (Chartered Institute of Management Accountants, 2008; KPMG, 2006; The Institute of Internal Auditors, The American Institute of Certified Public Accountants, and Association of Certified Fraud Examiners 2008); by public organisations at state level (Crime and Misconduct Commission Queensland, 2005, 2013; The Audit Office of New South Wales, 2015); by public organisations at Commonwealth level (Australian National Audit Office, 2011; Commonwealth of Australia, 2011, 2014); and by other Australian and international institutions (Australian Standard, 2008; National Fraud Authority, 2011).

Global Reporting Initiative (GRI) Standards are currently the only exception that was identified. Global Reporting Initiative Standards represent the best developed and recommended reporting practice on various economic, social and environmental issues. The Global Sustainability Standards Board recently issued Global Reporting Initiative Standard 205, that is related to reporting of anti-corruption activities (2016). The Standard considers fraud to be part of corruption activities. Standard 205 (Global Sustainability Standards Board, 2016) recommends that several pieces of information about anti-corruption activities should be reported, including:

- Total number and percentage of operations that have undertaken assessment of risk of corruption and the significant risks that have been identified
- Total number and percentage of governance body members, employees and business partners that have been communicated anti-corruption policies and procedures to
- Total number and percentage of governance body member and employees that have received training on anti-corruption
- Total number and nature of confirmed incidents of corruption. Total number of confirmed incidents in which employees were dismissed or disciplined or when contracts with business partners were terminated or not renewed due to violations related to corruptions. The public legal proceedings in relation to corruption that have been initiated against the organization or its employees

Standard 205 recommends reporting many of the activities that the Commonwealth public entities are already obligated to undertake. However, the Commonwealth public entities have no obligation to follow the Standards issued by the Global Sustainability Standards Board unless they are signed up to GRI; in the years that this thesis covers, no Commonwealth public organisations issued GRI reports.

The main source of information for the public about an organisation's performance is its annual financial report. In Australia, the content of the annual financial report is outlined in the *Corporations Act 2001* (Commonwealth of Australia, 2001). The basic content of the annual financial report consists of:

- (a) the financial statements for the year; and
- (b) the notes to the financial statements; and
- (c) the directors' declaration about the statements and notes. (Commonwealth of Australia, 2001, s. 295[1])

The content and form of financial statements and how they should be presented are governed by Australian accounting standards (Australian Accounting Standards Board, 2015). However,

preparers of the annual financial report are not limited regarding the other information they may disclose. For example, information about the social and environmental activities of the entity is provided in public-sector annual reports (Burrill and Welch, 1997b; Herawaty and Hoque, 2007; Ryan, Stanley, and Nelson, 2002). Currently, no accounting standard deals with social and environmental disclosure. Similarly, no accounting standard prescribes which information about fraud—such as incidents of fraud, the cost of fraud and compliance with fraud management practices—must be disclosed.

The Department of Prime Minister and Cabinet issues departmental annual report requirements to guide departments, executive agencies and other bodies under the relevant legislation (i.e., under the FMA Act, the CAC Act and the Public Governance, Performance and Accountability Act 2013) to provide sufficient information in their annual reports for parliament. The section titled ‘Management and Accountability’ in the department’s most recent Requirement for Annual Reports includes the following requirement regarding fraud disclosure:

(1) The annual report must include information on the department’s compliance with section 10 of the Public Governance, Performance and Accountability Rule 2014 and as such secretaries must certify in their annual reports that:

- (a) their department has prepared fraud risk assessments and fraud control plans;
- (b) their department has in place appropriate fraud prevention, detection, investigation, reporting mechanisms that meet the specific needs of the agency; and
- (c) they have taken all reasonable measures to appropriately deal with fraud relating to the department.

Departments may wish to include this certification in the letter of transmittal from the secretary. (Department of the Prime Minister and Cabinet, 2015, p. 8)

As is evident from the above extract, government agencies under the relevant legislation must only certify that they comply with certain fraud risk management practices. They are not obligated to disclose any other fraud control information in their annual reports. Therefore, any fraud control information disclosed by government agencies, other than that required for compliance certification, is outside the legislated requirements and, as such, disclosed voluntarily.

However, this was not always the case. One of the recommendations related to disclosure of public information can be found in the *Review of Systems for Dealing with Fraud on the Commonwealth*, published in 1987. The authors of the report acknowledged that it might not be desirable for the technical details of particular detection systems to be made available to the public and that there may be good reasons for not publicising particular detection arrangements.

However, the authors of the report noted that criminology research had indicated that widespread knowledge of a substantial probability of detection is more effective than the threat of harsh penalties: ‘The available evidence demonstrates that a known high probability of detection is the single greatest deterrent’ (Commonwealth of Australia, 1987, p. 53). Therefore, the authors of the report recommended agencies publicise the techniques that are used to detect fraud, including the fact that agencies exchange and match information (Commonwealth of Australia, 1987).

In 1991, following the review, the *Guidelines for the Preparation of Departmental Annual Reports* included for the first time the following requirement:

45. The annual report is to contain a summary of any action taken by the department during the year:

- (a) to assess the risk of fraud to develop and implement plans or other arrangements for fraud control, and to review those arrangements regularly;
- (b) to develop arrangements for referring fraud cases to the Australian Federal Police (AFP) and/or the Director of Public Prosecutions; and
- (c) to increase staff awareness of fraud and provide training for staff in the prevention, identification and detection of fraud.

46. The annual report is to contain a statement of the department’s policy in relation to dealing with instances of loss to the Commonwealth to determine whether fraudulent action has occurred.

...

47. The annual report is also to show:

- (a) the number of cases referred to the AFP for investigation;
- (b) the results (in summary, not in detail) of any completed prosecution action;
- (c) the level of staffing and associated resources used in the investigation of fraud cases and the use of services provided by other departments and agencies;
- (d) the number of cases handled using administrative remedies, for example, disciplinary procedures under the Public Service Act 1922; and
- (e) the amount of monies recovered, both by administrative action and use of the judicial process. (Department of the Prime Minister and Cabinet, 1991, pp. 21–2)

Unfortunately, this was the only time that government agencies had an obligation to include fraud control information as part of their annual reports.

The authors of the Inquiry into Fraud on the Commonwealth in 1993, discussed that each agency should make clear the definition of fraud that it is using. As such, the committee recommended:

In reporting details of fraud cases in annual reports and elsewhere agencies clearly state how they are defining fraud; and

When reporting fraud, agencies include all losses to the Commonwealth whether by incorrect payment or non-collection of revenue. (Parliament of the Commonwealth of Australia: House of Representatives Standing Committee on Banking, Finance and Public Administration, 1993, p. xvi)

It is obvious the committee believed that government agencies should include in their annual reports the details of fraud cases. This view was further supported when the committee stated that the AGD should assist agencies in developing their fraud data collection capabilities, including defining in the guidelines for annual reports the fraud data required (Parliament of the Commonwealth of Australia: House of Representatives Standing Committee on Banking, Finance and Public Administration, 1993).

However, the revised policy, the Commonwealth Fraud Control Policy 1994, stated that agencies were no longer obligated to provide detailed information on fraud control in their annual reports (Australian Government: Commonwealth Law Enforcement Board, 1994). Therefore, the updated version of the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* (Requirements) removed the obligation to include the information about fraud control in agencies' annual reports (Department of the Prime Minister and Cabinet, 1994). Instead, it made it optional for agencies to provide fraud control information (specified in the previous version of the Requirements) to members of the public upon request only (Department of the Prime Minister and Cabinet, 1994). This was a significant change from the previous versions of the Requirements regarding the reporting of fraud control information in annual reports.

Surprisingly, when the Requirements were updated in 2000 to reflect the *Public Service Act 1999*, no reference to the disclosure of fraud control—whether obligatory or upon request—was included (Department of the Prime Minister and Cabinet, 2000).

After the Guidelines 2002 were released, a new obligation about fraud disclosure in annual reports was imposed on government agencies and certain agencies funded through public resources. The chief executives were obligated to provide a certification statement that their agency was complying with specific components of the Guidelines 2002 (Commonwealth of Australia, 2002). This obligation was also included in the updated Requirements, which stated that the obligation was based on the requirement outlined in the Guidelines (Department of the Prime Minister and Cabinet, 2002). The obligation to provide a certification statement of compliance was included in subsequent updates of the Requirements, although the text of the

required certification has changed twice since that time (Department of the Prime Minister and Cabinet, 2005, 2009, 2010, 2011, 2012, 2014, 2015). The only other difference is that the Framework 2014 itself does not discuss the obligation to issue a certification statement, unlike the previous case with the Guidelines (Commonwealth of Australia, 2002, 2011b). The obligation is currently stated only in the Requirements (Department of the Prime Minister and Cabinet, 2015). Table 2.2 provides a summary of the obligations of government agencies under the Requirements.

Table 2.3: Summary of requirements to disclose fraud control information

Year	Requirement
1987	None
1991	Specific fraud control information had to be included in annual report
1994	Specific fraud control information had to be made available to members of the public on request only
2000	None
2002	Certification of Compliance with Fraud Control Guidance
2015 (most recent)	Certification of Compliance with Fraud Rule

Fraud against the Commonwealth: Report to Government, prepared by the AIC and discussed in the previous subsection, may also be publicly released with the agreement of the Minister for Justice (Australian Government, 2014; Commonwealth of Australia, 2002, 2011b). Thus far, four reports covering six financial years have been publicly released (Jorna and Smith, 2015; Lindley, Jorna, and Smith, 2012; Lindley and Smith, 2011; Smith and Jorna, 2017).

Thus far, the sections of this chapter have summarised the background to fraud, fraud management and fraud disclosure. The summary has indicated that fraud causes substantial losses to both the private and public sectors and is therefore of interest to government, the managers of agencies and the public. The summary has also highlighted that management of fraud includes several fraud control activities, which organisations, including government agencies, must undertake. Last, it has pointed out that, during the period upon which that this study focuses, government agencies were not obligated to include any information about the fraud control activities they had undertaken, other than the obligation to certify their compliance with the applicable fraud guidelines.

2.7 Certification of Compliance: Forms

The certification of compliance was governed by the Guidelines 2011, which stated:

Chief Executives must also:

- certify in their Annual Reports that they are satisfied that:

- their agency has prepared fraud risk assessments and fraud control plans
- their agency has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency, and
- they have taken all reasonable measures to minimise the incidence of fraud in their agency and to investigate and recover the proceeds of fraud against their agency. (Commonwealth of Australia, 2011b, p. 8)

This obligation was further emphasised by the Requirements. However, the Requirements have not been updated for the 2011 financial reporting period to reflect the changes that were incorporated in the Guidelines 2011. Therefore, s. 12 of the Requirements repeated the certification clause that was included in the Guidelines 2002:

Under the Commonwealth Fraud Guidelines, agency heads are required to certify in their annual reports that their agency has prepared fraud risk assessments and fraud control plans and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency and comply with the Commonwealth Fraud Control Guidelines. (Department of the Prime Minister and Cabinet, 2011, p. 8)

As a result, there were two versions of the certifications for the 2011 financial period that were acceptable for agencies to use. Table 2.4 shows a comparison of the text used in the main components of the two certifications.

Table 2.4: Comparison of certification versions of the Guidelines

Guidelines 2011	Guidelines 2002
Has prepared fraud risk assessments and fraud control plans	Has prepared fraud risk assessments and fraud control plans
Has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency	Has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency
	Comply with the Commonwealth Fraud Control Guidelines
They have taken all reasonable measures to minimise the incidence of fraud in their agency and to investigate and recover the proceeds of fraud against their agency	

As is clear from Table 2.4, two changes were made to the certification statement. First, the statement ‘comply with the Commonwealth Fraud Control Guidelines’ has been removed (Commonwealth of Australia, 2002, p. 2). We can only speculate about the reason for this. However, if an agency certifies that it has each component of fraud management in place as stipulated in the Guidelines 2011, then it is compliant. As such, the omitted statement may be unnecessary. Thus, this first change is unlikely to make a substantive difference to the certification disclosures made.

The second change is an additional requirement in the certification statement: ‘they have taken all reasonable measures to minimise the incidence of fraud in their agency and to investigate and recover the proceeds of fraud against their agency’ (Commonwealth of Australia, 2011b, p. 8). This change seems to be related to the concept that having proper procedures in place is not enough; these procedures must also be effectively used. In this case, agencies must certify not only that they have appropriate investigation procedures and processes in place but also that they are using them to investigate and minimise the cost of fraud and to recover the proceeds of fraud.

The certification statement in the Requirements subsequently changed for the financial period 2012, reflecting the changes made in the Guidelines 2011 (Department of the Prime Minister and Cabinet, 2012).

The Requirements in s. 12 also stated: ‘Agencies may wish to include this certification in the letter of transmittal from the departmental secretary or agency head’ (Department of the Prime Minister and Cabinet, 2011, p. 8). Therefore, agencies could choose how to certify their compliance with the Guidelines 2011—as part of the letter of transmittal or in the body of the annual report.

2.8 Framework for Disclosure of Fraud Control Information

Currently, no framework for disclosure of fraud control information stipulates good practice for reporting information about fraud control activities in annual reports. Therefore, after considering the mandatory and voluntary fraud control activities discussed in the Guidelines and other literature, the following framework for disclosure of fraud control information was developed. The following framework includes the information about fraud control activities that should be disclosed by public entities in their annual reports, beyond the mandatory information for the certification statement of compliance. Any implemented component of fraud control decreases the risk of fraud and thus indicates accountability regarding the use of public resources. Therefore, any information about fraud control activities included in the annual report helps in assessing the extent to which public entities are accountable in their approach to the control of fraud. Table 2.5 presents the framework for disclosure of fraud control information developed for this study.

Table 2.5: Framework for disclosure of fraud control information

Fraud control category and information that should be disclosed in annual reports	The importance of the particular information in assessing accountability
<u>Fraud risk assessment</u>	
The occurrence and frequency with which the entity completes the fraud risk assessment, the year or period in which the most recent fraud risk assessment was completed, and who completed the assessment	This information communicates whether the entity assesses the risk of fraud regularly, i.e., at least once every two years as stated in the Guidelines. It is an important part of fraud control activities because risk assessment determines the vulnerability or exposure to the risk of fraud and enables measures to be taken against any discovered significant risks. The information about who completed the assessment may indicate that, in the case where the agency is less experienced, an external party with more experience in fraud risk assessment was engaged.
Any significant fraud risk that has been identified and the measures that have been taken to address the issue	This information communicates the entity’s awareness of the existence of significant risks and the measures it has taken to mitigate the level of risk. Such information could be provided in general terms, rather than in detail, so as not to give specific details of the entity’s vulnerability to fraud. For example: A high level of risk of fraud has been identified in the procurement process, and the process is therefore currently under review. The results of the review and the suggestions for improvement of the process will be delivered in Q3 201X and implemented in Q4 201X. Such a statement does not provide a detailed explanation of the risk but communicates that any deficiency, which may result in an increased risk of fraud, is being adequately considered by the entity.
<u>Fraud control plan</u>	
The year in which the latest fraud control plan was revised (or created) and the way in which it is implemented	This information communicates that a fraud control plan exists and when it was last revised by the agency. It is an important element of fraud control activities because the fraud control plan outlines how the entity plans to manage the risk of fraud.

Fraud control category and information that should be disclosed in annual reports	The importance of the particular information in assessing accountability
---	--

Fraud prevention

The year the latest fraud control policy was revised (or created)	This information communicates that a fraud control policy exists and when it was last revised by the agency. A fraud control policy is an important part of fraud prevention because it assists all employees and contractors to understand fraud issues, and it establishes an environment in which employees at all levels of the organisation are encouraged to actively contribute to protecting public funds.
---	--

Information about fraud awareness raising and training activities provided to employees and contractors, including:	This information communicates the existence of, and information about, the various types of fraud awareness raising and training activities. This component is an important part of fraud prevention because it further engages all employees and contractors in effective fraud control.
---	---

- type of activity
- who the activity is designed for (management, employees, contractors)
- delivery methods
- success in attendance/completion of the activity

Detection, investigation and response

Information about a formal reporting system	This information communicates the existence of appropriate channels for reporting fraud. A formal reporting system ensures that all allegations of internal and external fraud can be reported by employees, contractors, clients and the public, and it thus allows for subsequent investigation.
---	--

Information about new, continuing and completed investigations of alleged fraud	This information communicates the extent of fraud experienced by the agency. Although some agencies may be reluctant to disclose such information because of concern about negative publicity, this information could be perceived positively. This is because detection and
---	--

Fraud control category and information that should be disclosed in annual reports	The importance of the particular information in assessing accountability
---	--

- The information should include:
- number of total cases, number of minor instances of fraud investigated by the agency and number of serious or complex instances of cases investigated by a law enforcement agency
 - cost of the fraud incident
 - possible value of losses recovered
 - implications of serious and complex incidents of fraud

investigation of cases of fraud may indicate that a proper system is in place for detecting, reporting and investigating fraud. The fact that no cases of fraud were detected does not indicate that no fraud occurred; rather, it could indicate weaknesses in the internal control, detection or reporting systems.

Information management and reporting requirements

Information about the system that is used to gather and record fraud control data, including records of all incidents of fraud, their investigations and their outcomes

This information communicates whether the agency has developed a reliable information system regarding fraud control, which is essential for decision-making processes, and how the information is used by the agency, e.g., in profiling risk areas and trends.

Information about how the information is used and who was given the information, e.g., the agency provides the information to the AIC to enable reporting to the government

This framework for disclosure of fraud control information was used to inform the data collection for this research study. This framework is also used to assess the accountability of the reports analysed.

2.9 Study Context

As introduced in the previous chapter, the primary research question investigated in this study was:

What is the extent and nature of fraud control information disclosed by Australian Commonwealth public entities in their annual reports as a means of discharging their accountability?

This section provides the study context. Fraudulent behaviour is present in every type of organisation, whether public sector, for-profit sector or not-for-profit sector. However, this research study focused on the public sector. There are various types of public-sector organisations. Each public-sector organisation can be classified according to the specific level of government that exercises control over it. There are three levels of government in Australia:

- the Commonwealth Government
- state and territory governments
- local governments

This research study focused on the Commonwealth level of government, as the highest level of government in Australia. Several reasons for the focus on Commonwealth agencies and bodies can be stated. First, because the Commonwealth level of government is the highest level of government, there is an expectation that there will be a high level of public accountability. Second, many Commonwealth agencies and bodies have significant responsibility over public funds—for example, the Australian Taxation Office; the Department of Human Services; the Department of Social Services; and the Department of Defence. Third, as discussed in Section 2.6, the Australian Government has indicated it is serious about fraud control issues, and it has been since the early 1980s. Several documents about fraud control activities, which were either mandatory or voluntary for Commonwealth agencies and bodies, were developed. As such, it could be expected that these agencies and bodies are substantially involved in provisions for fraud control.

Commonwealth agencies and bodies, due to their different organisational character, and as mentioned in section 1.3, are governed by different legislations—the FMA Act and the CAC Act. Similarly, the Guidelines require different fraud control obligations from the agencies as compared to the bodies. Therefore, it is important to distinguish between agencies and bodies. However, interestingly, no prior studies have been found that focus on this distinction. Several prior studies about Commonwealth public entities have been identified. However, these were published before the FMA Act and the CAC Act existed, therefore no agencies and bodies existed at the time (Burrill and Welch, 1997a; Burrill and Welch, 1997b). Other identified studies about Commonwealth public entities focused solely on specific Commonwealth agencies rather on the distinction between agencies and bodies (Alkawm, 2013; Lodhia and Jacobs, 2013).

Entities can disclose information about their fraud control activities in various ways—for example, an intranet, internal memos, the entity’s website, reports to ministers and annual reports. This research study examined the annual report as an instrument for communicating the fraud control activities of entities, because, as outlined in Chapter 1, the annual report is a significant medium for discharging accountability. Such disclosure can be mandated by a particular standard or by legislation, or the disclosure can be made voluntarily. Various users may find the information in the annual report of a government entity useful, such as parliamentarians, ministers, stakeholders, members of the public and other political parties. This research study considered the public as those who may use annual reports to evaluate accountability of the entity. Given that the focus in this thesis is on government (Commonwealth) entities, the emphasis is therefore on public accountability.

Figure 2.4 is a graphical representation of the study context, with the specific aspects investigated in this study highlighted in blue.

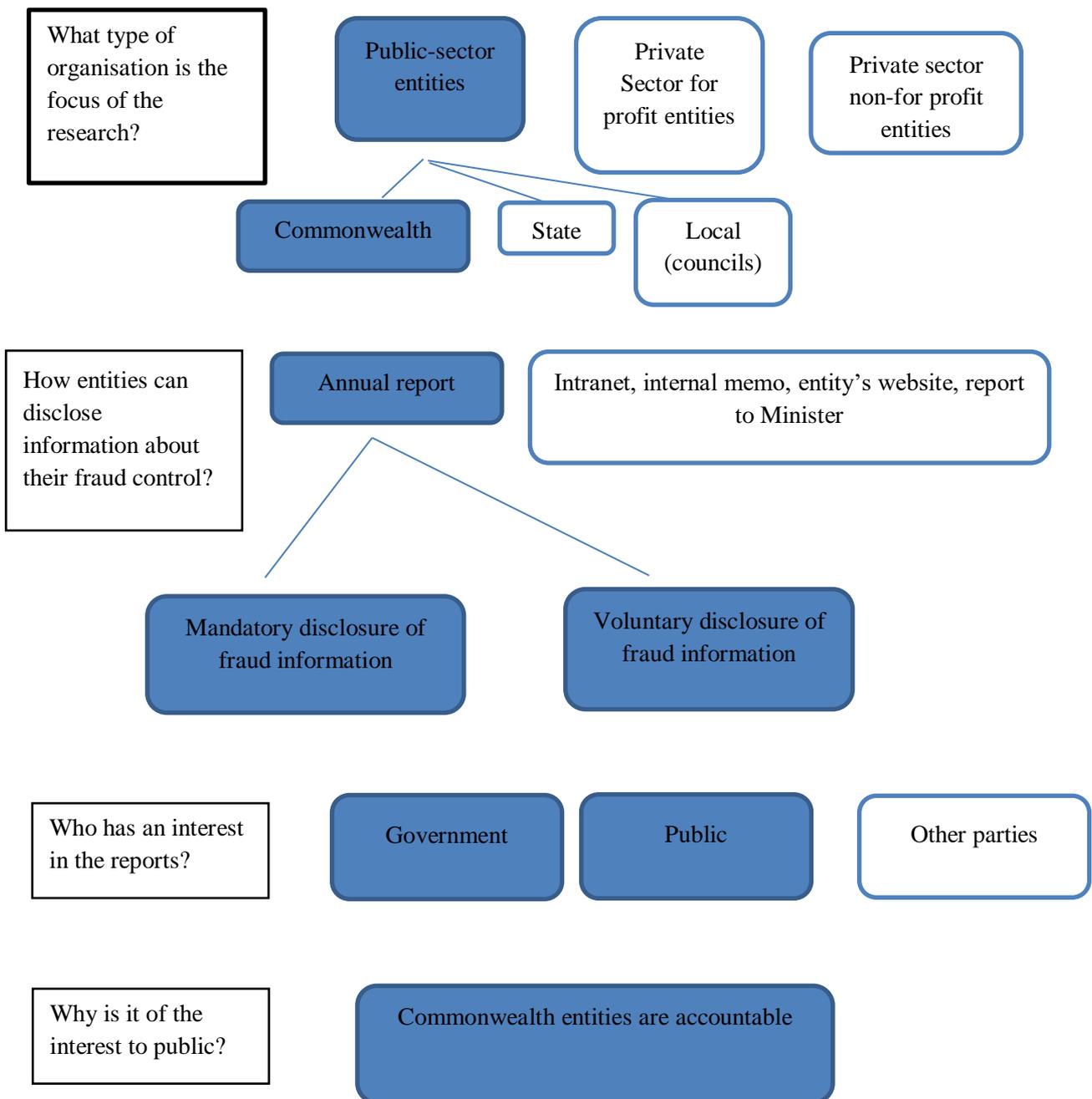


Figure 2.4: Study context

Figure 2.4 also shows the broad themes that are considered in further detail in the literature review. Specifically, the following themes are examined in Chapter 3:

- government reporting
- annual reports
- accountability, particularly public accountability

- voluntary disclosure
- disclosure of fraud control information.

2.10 Chapter Summary

This chapter provided the background to the research study, with a focus on explaining the components of fraud risk management. First, the definition and characteristics of fraud were discussed, three elements that appear in fraudulent behaviour were outlined, and different types of fraud were summarised. Second, the extent of fraud was outlined, and elements of fraud risk management were described. The development of fraud control in the Commonwealth was outlined, and information was provided about disclosure of fraud control activities. Last, the study context was explained, and emerging themes for the literature review were listed. In the next chapter, these themes will be discussed in terms of the literature, and current gaps in the research literature on fraud disclosure will be identified.

Chapter 3: Literature Review

3.1 Introduction

This chapter builds on the background provided and the themes identified in Chapter 2, and develops the argument for research question 4:

4. *Do Australian Commonwealth public entities use disclosure of fraud control information in annual reports to discharge their public and political accountability and, if so, how and to what extent?*

The chapter reviews the existing literature on accountability and annual reporting. The term *accountability* may have different meanings for different researchers, or the type of accountability discussed in the academic literature may have a different connotation. Therefore, the first sections of this chapter focus on the definitions and individual components of the concept of accountability. Subsequently, the different types of accountability, as perceived by various researchers, are outlined, with the emphasis on the public, political and managerial types of accountability of relevance to this thesis. This is followed by sections focusing on the annual report as a traditional mechanism for discharging accountability, voluntary disclosure and public-sector disclosure. Section 3.7 reviews the literature regarding disclosure of fraud control information in the annual report. The literature review concludes by outlining the literature that discusses criticisms of annual reporting.

3.2 Transformation of the Public Sector

Changes in public-sector accounting as a result of the transformation of traditional public-administration financial accounting into a more wide-ranging form of public accountability occurred at the same time as the new public management (NPM) approach was introduced (Bovens, 2007; Hood, 1995). Hood (1995) explained that it was the need to decrease or eliminate differences between the public and private sectors and to emphasise accountability in terms of results that initiated the transformation. NPM is a market-based approach, copying private-sector efficiency and effectiveness practices (Herawaty and Hoque, 2007). A focus on performance also started a debate about suitable ways of discharging public accountability and the role of reporting in the accountability system (Ryan, Dunstan, and Brown, 2002). Therefore, reforms of the public management system also included changes around accountability mechanisms (Agyemang, 2009; Hood, 1995; Kluvers, 2003). An emphasis on

improved financial reporting has been one of the key aspects of the reforms in public accountability (Christensen and Skærbæk, 2007; Hoque and Moll, 2001). For example, one of the initiatives for the improved accountability of New South Wales public-sector agencies—introduced in 1995 and related to disclosure—was to make annual reports available to the public (Christensen and Skærbæk, 2007). This clearly indicates an increased emphasis on the role of annual reports in discharging public accountability. As public entities are entrusted with significant amounts of public assets, it is fundamental that they protect these assets against fraud. Therefore, publicly available information about the fraud control activities that protect these assets is important and should be part of annual report disclosure practices as a mechanism for discharging accountability.

3.3 Accountability Theory

Several accounting theories may be useful in understanding the issue of disclosure of fraud control information. Accountability theory is considered the most relevant theory for this research study because accountability is an important concept for organisations that have, as part of their mandate, to act in the interests of the public or society. An important way to assess whether they do this is to examine what public organisations disclose about their activities in publicly available documents, such as in their annual reports.

One of the earliest recorded uses of the term *accountability* can be traced as far back as the year 1794 (Hoskin and Macve, 1986). Since then, the term has been frequently used; however, articulating a definition of accountability has been a challenge (Tooley and Hooks, 2010). Accountability has many relationships and is complex (Kluvers, 2003); its boundaries are debated (Ryan, Dunstan, and Brown, 2002); the scope of the accountability paradigm, as well as the meaning, has expanded over time (Guo, Ahmed, Kabir, and Narayan, 2016; Mulgan, 2000; Shaoul, Stafford, and Stapleton, 2012); and there can be ‘multiple ways in which accountability is experienced’ (Sinclair, 1995, p. 219). Sinclair (1995) argued that accountability changes depending on the context and, as a result, many forms of accountability exist. Therefore, different views are held about who should be accountable, to whom accountability should be discharged, the nature of the account to be given and the form in which accountability should be provided (Bovens, 2007; Coy, Fischer, and Gordon, 2001; Mulgan, 2000; Patton, 1992). Sinclair (1995) concluded that accountability is ‘multiple and fragmented: being accountable in one form often requires compromises of other sorts of accountability ... accountability is continually being constructed’(p. 231).

As a result of this complexity, accountability has been defined in many ways (Taylor and Rosair, 2000). For example, accountability is ‘giving and demanding of reasons for conduct’ (Roberts and Scapens, 1985, p. 447), ‘an obligation to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities’ (Gray and Jenkins, 1993, p. 55), ‘the responsibility that those who manage or have control over resources have to others.’ (Coy and Pratt, 1998, p. 540), and the ‘right to know about the condition and performance of the organization under the accountant’s charge’ (Coy, Fischer, and Gordon, 2001, p. 8).

It is agreed that accountability is essential for the effective function of both the private and public sectors (Kluvers, 2003). In the beginning, the stewardship perspective was viewed as guardianship of company assets. Stewardship is characterised by having two parties: first, the accountee or the principal, which is the party to whom the account is given and, second, the accountant or the steward, which is the party who is obliged to present the account (Gray and Jenkins, 1993). However, over time, the meaning of stewardship gradually became less clear, and, therefore, the term *accountability* was used in a broader manner (Tower, 1993). As such, the scope and meaning of accountability have been stretched beyond its original meaning of ‘being called to account for one’s action’ (Mulgan, 2000, p. 555).

The initial accountability paradigm, or stewardship function, was considered in the context of agency theory; therefore, it narrowly focuses on the principal–agent or manager–shareholder relationship (Brennan and Solomon, 2008; Degeling, Anderson, and Guthrie, 1996; Tower, 1993). Agency theory focuses on resolving conflicts in agency relationships (Fama, 1980; Fama and Jensen, 1983; Jensen and Meckling, 1976). An agency relationship can be defined as:

A contract under which one or more (principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. (Jensen and Meckling, 1976, p. 308)

Given that agents are entrusted with the principal’s scarce resources, agents must demonstrate how the resources were used. Stewardship, in this narrow perspective of accountability, is therefore helping to ensure that delegated authority to the agent is not abused (Tooley and Hooks, 2010). However, the initial stewardship approach, in which only one principal–agent relationship existed, was challenged by the development of companies allowing share

ownership. Therefore, the accountability expanded because the account had to be provided to a number of widely dispersed shareholders (Coy, Fischer, and Gordon, 2001).

Furthermore, the view that the principal-agent concept of accountability is too narrow has been voiced, and researchers have suggested that corporations are also accountable to other stakeholders groups and to society in general (Benston, 1982). This is related to the fact that the significant growth of corporations has also meant their operations have a increased impact on society (Benston, 1982). Therefore, the focus has moved from the traditional principal–agent approach and towards a stakeholder approach, thus broadening the notion of accountability (Brennan and Solomon, 2008). Stakeholder theory emphasises the expectations of stakeholders—rather than only the owners/principals/shareholders—to be informed about the operations of the entity (Guthrie, Petty, Yongvanich, and Ricceri, 2004). For example, Johnston and Romzek (1999) stated that political accountability ‘emphasizes responsiveness to key stakeholders, even when the organization is not contractually obligated to do so’ (p. 388).

In addition to accountability being considered in the context of agency and stakeholder theory, it has also been considered in the context of legitimacy theory. Legitimacy theory is built on the premise that a social contract exists between the entity and the society in which it operates. Society permits an entity to operate only if the entity meets its societal obligations (Samkin and Schneider, 2010). Therefore, it is expected that an entity will be influenced by the society in which it functions (Deegan, 2002). However, the entity also has the means to influence the views of society and to demonstrate that the expectations of society are in line with the entity’s behaviour. Disclosure via the annual report is one important method by which an entity can influence society’s perceptions of the entity’s impact upon them (Deegan, 2002; Gray, Kouhy, and Lavers, 1995b; Ryan, Dunstan, and Brown, 2002). For example, in annual reports, disclosure about the environment in relation to employees, customers and community interaction can lead to organisational legitimacy (Neu, Warsame, and Pedwell, 1998). Many of the disclosures (social and environmental) that are viewed as legitimation activities are voluntary. A discussion about this type of voluntary disclosure is presented in Section 3.5 and 3.6.

The word ‘accountability’ is also used as a synonym for the term *good governance*, and it often serves as a conceptual umbrella for other concepts such as responsibility, integrity and

transparency. However, transparency, although used as a synonym for accountability, is not sufficient to form accountability (Bovens, 2007); a number of components are required.

Messner (2009) discussed the limits of accountability and questioned whether demands for more accountability is always desirable. He argues that without acknowledging the limits, the accountability itself can be a problematic practice, as the demands for more accountability may be very difficult or unrealistic for the accountant to meet. Messner therefore presented three limits of accountability. Firstly, there is a limit in one's own opacity to oneself, which relates to limited ability to provide a full account. This is because there are limits of unfolding a rationale for decisions or judgments, as they may be made based on accountants' experience or expertise, and which cannot be fully depicted. Second, limits can be seen in the situation in which the accountant is self-exposed to the accountee, when simply a demand for an account from an accountee can shape the practice by virtue of the issued demand, and therefore can invade organisational practice. The third limit is created by opposing expectations that different accountees may have. Because of these limits, the demands for more accountability by accountees are not always fully met (Messner, 2009).

3.3.1 Components of Accountability

Researchers, over time, have identified various components of accountability. Bovens (2007) defined accountability as:

a relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences. (p. 447)

Bovens considered the accountant as an 'actor', the one that provides an account. The actor can either be a person, such as a public official, or an organisation (Bovens, 2007). The accountee, referred to as a 'forum' by Bovens, is the recipient of the account. In public-sector organisations, the accountee can also be either a person, such as an actor's superior or minister, or an agency, such as parliament (Bovens, 2007). The relationship between the actor and the forum may be in the form of the principal-agent relationship. However, there may be no such relationship—for example, in cases of legal accountability. The actor may be in a position to be obligated, formally or informally, to explain and justify their conduct. Formal obligation may be in the form of specific forums with a supervisory agency or auditor. Informal obligation

may be in the form of a press conference or voluntary audit (Bovens, 2007). Stewart (1984) argued that for accountability to be unambiguous a bond must exist that links the one who is held to account to the one to whom the account is given. Such a bond of accountability is a relationship of power and exists only if the person who receives the account has the power to hold to account the person who provides it. However, if no such power to hold to account exists, no bond of accountability exists (Stewart, 1984).

An account must be given in an understandable form, but it can be provided in different languages, depending on what must be communicated and to whom. This is because, for example, financial language differs from legal or policy language. However, many languages may be needed for a complete account (Stewart, 1984).

However, provision of an account from the accountor to the accountee is not enough for discharging accountability, and hence there must be a process for holding the accountor to account for their actions (Bailey, Harte, and Sugden, 2000; Burritt and Welch, 1997a; Cooper and Owen, 2007). Therefore, an opportunity must exist for the forum to ask questions of the actor and to scrutinise the adequacy of the information. Thus, there is a connection between accountability and answerability (Bovens, 2007). The accountee must have an opportunity to express a verdict on the conduct of the accountor, with the possibility of imposing sanctions (Bovens, 2007; Burritt and Welch, 1997a; Ryan, Dunstan, and Brown, 2002; Steccolini, 2004). ‘Holding to account’ therefore includes both the evaluation and the consequence (Bovens, 2007; Burritt and Welch, 1997a; Patton, 1992). The consequence can be positive, such as approval and a possible reward, or negative, such as blame and a possible penalty (Stewart, 1984). Bovens noted that sanctions are usually seen in a formal or legal context, which would exclude other negative forms of scrutiny. As such, he offered a different expression—that is, the actor may ‘face consequences’ (Bovens, 2007, p. 452).

3.3.2 Public, Political and Managerial Types of Accountability

There are also various forms, or types, of accountability, including different levels or categories of political or public accountability. The types of accountability listed in this subsection are far from exhaustive but provide a general overview. Public, political and managerial types of accountability are specifically related to this thesis and are discussed in this subsection. Other types of accountability are discussed in Subsection 3.3.3.

The broadest perspective of the accountability paradigm is public accountability (Tower, 1993). The significance of accountability is continually highlighted in terms of the public sector (Coy, Fischer, and Gordon, 2001). Public accountability can be perceived as the ‘gatekeeper’ of ethical conduct of public employees (Monfardini and Lawton, 2010, p. 632). Funnell (2003) described accountability in the public sector as ‘governments are answerable to the public for governing in the best interests of all citizens according to accepted conventions or legally prescribed processes’ (p. 107).

Public-sector accountability is a wider, more complex concept than the traditional principal–agent relationship in private entities (Mulgan, 2000; Ryan and Walsh, 2004; Samkin and Schneider, 2010; Sinclair, 1995; Stewart, 1984), and the responsibilities emerging from the concept of public accountability are held by the entire system of government (Barton, 2006). Public accountability provides balance between power and responsibility (Coy and Pratt, 1998). Broadbent and Laughlin (2003) stated that essential to the debate on accountability is the distinction between ‘managerial’ and ‘political or public’ types of accountability. They argued that although governments discharge their accountability, it is done in a political rather than managerial sense. As a result, governments are increasing the types of control over society (Broadbent and Laughlin, 2003). Multiple stakeholders or accountees have an interest in the accountability of public-sector entities (Bovens, 2007; Burritt and Welch, 1997a; Coy and Pratt, 1998; Johnston and Romzek, 1999; Samkin and Schneider, 2010; Sinclair, 1995; Verbeeten, 2008). The government can be seen as multiple sets of principal–agent relationships in which citizens are the ultimate principal (Shaoul, Stafford, and Stapleton, 2012). Therefore, a relationship may exist between the public in general and a public entity, between government and the public sector, between government and the legislative sector, and between government and its citizens (Guo et al., 2016). Therefore, public executives feel accountable to the government, their minister and other ministers, the auditor-general, the ombudsman, their clients and the public (Sinclair, 1995). The business model of government is then managed through service departments in which funds are provided to agencies for delivery of public services (Ryan and Walsh, 2004). According to Australian public law, all public employees are accountable in regard to the public interest (English, 2003).

More specifically, public accountability is described as the accountability of a government for its actions carried out in the public sector. It refers to when a minister is accountable to parliament for the actions of their department, as well as having collective Cabinet responsibility. A minister is also accountable, through parliament, to the electorate (Dixon,

Kouzmin, and Korac-Kakabadse, 1996; Stewart, 1984). Public accountability is thus distinguished by a multiplicity of bonds of accountability (Stewart, 1984).

Public accountability is given strength through public audits, which give an external party the right to scrutinise the given account. The public audit, by checking the account and even by adding information not contained in the account, can assist those who were given the account to make a judgement. However, the public audit is not itself public accountability, because the bond of accountability is between the accountable body and those who were given the account (Stewart, 1984).

Public accountability, as named and described by Stewart (1984), others call political accountability (Bovens, 2007; Broadbent and Laughlin, 2003; Sinclair, 1995) or constitutional accountability (Funnell, 2003). Political accountability plays a significant role in democracy (Bovens, 2007). Sinclair described political accountability as one that originated in Athenian democratic and continues today in Westminster systems of government in which the public-office employee is vested with responsibility. A direct line of accountability connects the public-office employee with the chief executive officer, who is in turn accountable to their minister, who is responsible to the parliament, and the parliament is ultimately answerable to the electors. This chain of accountability also protects against interference by the minister (Sinclair, 1995). Political accountability applies to governments that are accountable to their voters for the authority granted to them (Broadbent and Laughlin, 2003). Bovens (2007) also used the term *hierarchical accountability*, which is a pyramidal structure of organisations, starting at the top, in which the process of discharging accountability is based on the chain of command. As such, this type of accountability is present in most public organisations in regard to most types of accountability relationships, and prevails in political accountability in particular (Bovens, 2007).

Johnston and Romzek (1999) stated that in political accountability ‘the answerable party has the discretion and choice about whether and how to respond to key stakeholders’ (p. 387). Similarly, Broadbent and Laughlin (2003) argued that the electorate, although having the right to government that is accountable, do not directly control government’s behaviour. Given that the electorate is not provided with direct supervision of the government’s daily activities, it is assumed the electorate’s exercisable control is limited and can only be applied in the election process. Governments, therefore, account to their electorates, by means of the ballot box, on extension or termination of office and on the future direction that should be pursued (Bovens,

2007; Broadbent and Laughlin, 2003). This assumes the electorate has a more reactive and long-term control role, while its short-term control role is limited (Broadbent and Laughlin, 2003).

However, Sinclair (1995) described public accountability as accountability that is directed towards the public, interested groups and individuals, and involves answering questions about public entities' activity. This type of relationship between public entities and citizens, interest groups, non-government organisations and customers is called *social accountability* by Bovens (2007). Social accountability was discussed earlier, but in relation to the public sector, Bovens argued that these parties (i.e., citizens, interest groups, non-government organisations and customers) should be considered relevant stakeholders to whom public agencies should also be accountable rather than to the public only. Bovens stated that this type of accountability has been influenced by the discussions on social responsibility in the corporate sector. However, Bovens questions whether these types of relations represent the complete accountability mechanism given that it is not possible for them to judge the account or impose sanctions on the accountant (Bovens, 2007).

Furthermore, different stakeholders may have different interests in the results of public-sector activities. Some stakeholders may be interested as consumers of the public services, whereas others may just want to preserve their right to know (Burrill and Welch, 1997a; Coy and Pratt, 1998; Taylor and Rosair, 2000). These stakeholders are interested in how these public entities use taxpayers' money for the public's benefit (Samkin and Schneider, 2010), which gives rise to the concept of managerial accountability with a focus on monitoring inputs and outputs (Sinclair, 1995; Taylor and Rosair, 2000).

Managerial accountability is described as a type of accountability between a superior and their subordinate (Broadbent and Laughlin, 2003; Patton, 1992; Stewart, 1984). It involves acting systematically in accordance with an internally developed form of authority allocation rather than relying on an externally developed set of norms and rules developed by the profession itself (Gray and Jenkins, 1993). The managerial type of accountability relates to managers who are accountable for the *responsibilities* given to them (Broadbent and Laughlin, 2003). Managerial accountability is therefore similar to what Johnston and Romzek (1999) call hierarchical accountability, as discussed earlier. Hierarchical accountability is also based on obeying higher authorities and the use of close supervision and, as such, includes explicit organisational orders, rules and standard operating procedures (Johnston and Romzek, 1999).

Gray and Jenkins (1993) further argued that professionals experience tension when internally established rules are inconsistent with the requirements of professional practice.

However, managerial reforms in the public sector in Western countries have applied different values to administrative and managerial accountabilities (Taylor and Rosair, 2000). Administrative accountability stresses a monitoring processes by which inputs are converted (Taylor and Rosair, 2000). Taylor and Rosair (2000) argued that accountability, therefore, can be classified as either fiduciary or managerial. Fiduciary accountability addresses compliance issues, whereas managerial accountability considers efficiency and effectiveness (Taylor and Rosair, 2000). All types of accountability must be communicated to the accountee, however, and the most common means for doing so, in both the public and private sectors, is through some form of annual reporting, which is discussed in Section 3.4.

3.3.3 Other Types of Accountability

As well as the broad classifications of public, political and managerial accountability, there are others provided by numerous authors. The summary in this subsection provides an overview of those categories to indicate the complexity of the concept. The summary is followed by an outline of the accountability types that are the focus of this thesis.

Bovens (2007) distinguishes between accountability types based on the account that is presented. For example, if an individual is providing an account of their legal conduct, then this would be categorised as legal accountability; if the focus is on his financial conduct, then this would be categorised as financial accountability (Bovens, 2007). Therefore, many types of accountability may exist within an organisation.

Bovens (2007) also classifies three types of accountability—vertical, horizontal and diagonal accountability—based on whether the account is provided voluntarily or obligatorily. Vertical accountability occurs in situations where the accountee has power over the accountant. Vertical accountability occurs in principal–agent relationships, which exist in most political accountability engagements, or may occur in situations based on laws and regulations, as is the case for legal accountability (Bovens, 2007). Horizontal accountability occurs where the accountee does not have power over the accountant, and the accountant provides the account voluntarily only. Bovens (2007) argued that this is the case when the accountant has a moral obligation to provide an account, and Bovens refers to this as a ‘social’ type of accountability. Also, horizontal accountability exists when two agencies on an equal basis provide the account

to each other, which Bovens (2007) calls ‘mutual’ accountability. Last, diagonal accountability refers to a situation where on one side of the accountability relationship is the audit office, ombudsman, supervisory authorities or other similar types of authority. These authorities may not have a clear hierarchical relationship with public agencies, and may therefore have nil, or minimum, ability to force the accountor to provide the account (Bovens, 2007).

Dubnick (2007) identified four types of accountability relationships, which he used as a basis for examining and evaluating governance mechanisms. The first of these, performative accountability, refers to a situation in which the accountor gives the account directly and explicitly to the accountee. The given account can have many forms, such as an annual report, a press release or a written reason for the actions taken (Dubnick, 2007). The second, regulatory accountability, refers to a situation in which direct and explicit account provision does not occur; rather, the account is represented via compliance with given guidelines, rules and standards (Dubnick, 2007). The third, managerial accountability, focuses on account provision as an instrument for securing goal-directed actions, and it is therefore intended to be motivational rather than regulatory. The attention is on creating work settings that replace control with motivation, and hence managerial accountability uses encouragements and penalties (Dubnick, 2007). However, the term *managerial accountability* is used in a different context by others—for example, by Stewart (1984), Gray and Jenkins (1993) and Broadbent and Laughlin (2003), as discussed in the preceding subsection.

An alternative system of classification has been provided by Stewart (1984), who described a ladder of accountability in the public sector. This ladder leads from accountability by standards to accountability by judgement. The ladder commences with accountability for probity and legality, continues with process accountability, performance accountability, program accountability and ends with policy accountability (Stewart, 1984).

Accountability for probity focuses on proper and authorised use of funds and avoidance of misuse of funds (Stewart, 1984). Legal accountability is increasing in importance in many Western countries because of the increasing formalisation of social relations (Bovens, 2007). Accountability for legality focuses on ensuring that the given powers are not abused (Stewart, 1984). Legal accountability is usually based on specific responsibilities, formally or legally imposed on authorities. This type of accountability includes legal scrutiny, which may be based on detailed legal standards or precedents (Bovens, 2007). Johnston and Romzek (1999) stated that legal accountability focuses on compliance with expectations. As such, external oversight

of performance is a feature of this type of accountability. Some of the principal methods of monitoring this performance externally include contracts, oversight hearings, audits and court proceedings (Johnston and Romzek, 1999). Performance accountability focuses on whether an achieved performance also satisfies required standards (Stewart, 1984).

Stewart (1984) drew on the work of Robinson (1971) for the following two types of accountability. Program accountability relates to the task carried out and whether the task was completed according to the defined goals (Robinson, 1971). Stewart (1984) pointed out that this type of accountability may be more difficult to enforce because of difficulty with precisely defining the goals. However, even if goals have not been defined, accountability may still be required. Whether the procedures used to achieve the task were adequate is subject to process accountability (Robinson, 1971).

The last type of accountability in Stewart's (1984) ladder of accountability is policy accountability. This type of accountability is concerned with the policies and standards established by government for its budget, approved expenditure and taxes. The government is accountable to the electorate (Stewart, 1984).

Other classifications include financial, professional and administrative. Financial codes of accountability were described by Gray and Jenkins (1993) as those that combine economic and legal rationalities. They defined financial accountability by drawing on the work of Normanton (1966):

a statutory obligation to provide, for independent and impartial observers holding the right of reporting, the findings at the highest level in the state, any information about financial administration which they request (Normanton, 1966, p. 2).

Many trained professionals are members of professional associations to which they are accountable (Bovens, 2007). Professional accountability implies having expertise and professional integrity (Gray and Jenkins, 1993; Sinclair, 1995). Professional associations produce standards for acceptable practice that members must obey, and compliance with these standards is then monitored and enforced (Bovens, 2007). Professionals behaviour is judged by peers rather than subject to organisational rules and structures (Gray and Jenkins, 1993; Mulgan, 2000).

Administrative accountability provides for systematically arranged external financial and administrative supervision and control, usually based on particular statutes and sets of norms.

These external administrative and financial scrutinisers may include audit offices, chartered accountants, independent supervisory authorities, anti-fraud offices, the offices of ombudsmen, and inspectors general (Bovens, 2007).

Finally, in a broader consideration of accountability, Coy and Pratt (1998) discussed social accountability, describing it as accountability that goes far beyond the principal–agent concept and would include disclosure of wide-ranging economic and social information directed to the whole of society rather than to shareholders only. Coy and Pratt (1998) argued that such an extension of the scope of accountability is justified because the activities of any organisation will have an impact on all members of society and the environment. As such, society has a right to be informed about the conduct of organisations. Environmental accounting is one example of disclosure that is driven by the notion of social accountability (Coy and Pratt, 1998). A similar view has been expressed by Burritt and Welch (1997a) and others, who use the term *environmental accountability* for the type of accountability that is concerned with the impacts of organisations’ activities on the ecological system and that focuses on how entities discharge their accountability via disclosure of environment-related information. Much of this type of disclosure occurs via organisational reports, such as the annual report, which is considered in Section 3.4.

Some of the types of accountability discussed in this section clearly overlap; therefore, using one type of accountability to discharge an obligation may also result in partly discharging an obligation that appears under another type of accountability. A summary of some of the various types or forms of accountability that have been discussed by different researchers is provided in Table 3.1.

Table 3.1: Summary of types of accountability

Author	Classification of types of accountability
Stewart (1984)	(The ladder of accountability) <ul style="list-style-type: none"> – accountability for probity and legality – process accountability – performance accountability – program accountability – policy accountability – public accountability – managerial accountability – commercial accountability

Author	Classification of types of accountability
Gray and Jenkins (1993)	<ul style="list-style-type: none"> – financial codes of accountability – professional codes of accountability – managerial codes of accountability
Sinclair (1995)	<ul style="list-style-type: none"> – political accountability – public accountability – managerial accountability – professional accountability – personal accountability
Burritt and Welch (1997a)	<ul style="list-style-type: none"> – environmental accountability
Coy and Pratt (1998)	<ul style="list-style-type: none"> – social accountability
Johnston and Romzek (1999)	<ul style="list-style-type: none"> – hierarchical accountability relationship – professional accountability relationship – legal accountability relationship – political accountability relationship
Taylor and Rosair (2000)	<ul style="list-style-type: none"> – fiduciary accountability – managerial accountability
Broadbent and Laughlin (2003)	<ul style="list-style-type: none"> – political/public accountability – managerial accountability
Bovens (2007)	<p>(Based on to whom accountability is discharged)</p> <ul style="list-style-type: none"> – political accountability – legal accountability – administrative accountability – professional accountability – social accountability <p>(Based on who is accountable)</p> <ul style="list-style-type: none"> – corporate accountability – hierarchical accountability – collective accountability – individual accountability <p>(Based on the nature of the account)</p> <ul style="list-style-type: none"> – financial accountability – procedural accountability – product accountability <p>(Based on the nature of the obligation)</p>

Author	Classification of types of accountability
	<ul style="list-style-type: none"> – vertical accountability – diagonal accountability – horizontal accountability
Dubnick (2007)	<ul style="list-style-type: none"> – performative accountability – regulatory accountability – managerial accountability – embedded accountability

3.3.4 Accountability Relevant to This Study

Following the discussion about components and different types of accountability in subsections 3.3.1 to 3.3.3, two main accountability concepts relevant to this research study have been identified. They are political accountability and public accountability. These two types of accountability concepts are used by Commonwealth agencies and bodies to discharge their accountability in relation to fraud control and this subsection provides the reasoning for that determination.

The first type of accountability relevant to this research study is political accountability. Under this type of accountability, the public does not directly control public entities' behaviour. The Government has its mechanism for how it exercises its control over the public entities. The Government is then directly accountable to their electors (Bovens, 2007; Broadbent and Laughlin, 2003). In relation to fraud control, Commonwealth agencies and bodies must certify their compliance with the Guidelines. They can do this by including the certification in the annual report or in the letter of transmittal, in which the head of the agency or body certifies the compliance. The letter of transmittal, ensuring that the agency or body is meeting its legal responsibilities, is then addressed to the relevant minister. Given that the audience for certification is the responsible minister, who in turn is responsible to the government, this represents a discharge of political accountability. In this case, the accountee is the agency or body, and the accountor is the minister or the government itself (Bovens, 2007).

Further, Commonwealth agencies and bodies are obligated to collect and provide information about fraud and fraud control activities as part of the Commonwealth activities to fight fraud. The data are collated, and an annual report on fraud against the Commonwealth is presented to the government. The AIC, with the permission of the Minister for Home Affairs, may make the results of the report available to the public. In this case, as above, the accountee is the

agency or body, and the accountor is the government (Bovens, 2007), rather than being between the agency or body and the public directly. The Government, represented by the relevant Ministers can hold the agency or body, the accountee, to account for their behaviour (Bailey, Harte, and Sugden, 2000; Burritt and Welch, 1997a; Cooper and Owen, 2007), and consequences, perhaps in the form of sanctions, can follow the scrutiny (Ryan, Dunstan, and Brown, 2002; Steccolini, 2004) This clearly indicates a discharge of political accountability.

The second type of accountability relevant to this research study is public accountability. Public accountability is significant in the public sector (Coy, Fisher and Gordon, 2001), to which the operation of Commonwealth agencies and bodies belongs.

The right to be informed is considered to be a human right (Hazelton, 2013; McPhail, 2013), and therefore the public has rights to information (Barton, 2006). Access to information is thus directly linked to public accountability (Sarokin and Schulkin, 1991). Commonwealth agencies and bodies use financial statements to provide information about their fraud control activities. In this case, the accountee is the agency or body, but the accountor is the public (Funnell, 2003). The audience for annual reports consists of a broad range of stakeholders, including the public, who may be affected by fraud activity against Commonwealth entities. Given that, as discussed in the next section, the annual report is a medium readily available to the public, and therefore is considered the most common medium for discharging public accountability.

3.4 Annual Reports as a Key Mechanism for Discharging Accountability

Brennan and Solomon (2008) outlined several traditional mechanisms that are used to discharge accountability and upon which researchers have focused. These mechanisms include financial reporting and voluntary disclosure. Although the annual report is not the only source of information, it is considered a significant accountability medium for entities to account for the activities undertaken with the resources entrusted to them (Benston, 1982; Boyne and Law, 1991; Coy, Fischer, and Gordon, 2001; Davison, 2007; Dixon, Coy, and Tower, 1991; Guo et al., 2016; Herawaty and Hoque, 2007; Hooks, Coy, and Davey, 2001; Marston and Shrides, 1991; Neu, Warsame, and Pedwell, 1998; Parker, 1982; Ryan, Dunstan, and Brown, 2002; Samkin and Schneider, 2010; Taylor and Rosair, 2000; Tooley and Hooks, 2010).

Several arguments can be found in support of the assertion that the annual report is a key mechanism by which organisations discharge their accountability. An annual report is a mass

communication medium (Parker, 1982) readily available to the public and therefore regarded as one of the most common tools of communication for discharging accountability for most entities (Davison, 2007). This is because an annual report is the only comprehensive account of performance available to the public; and no other document provides the public with access to such an amount of comprehensive financial and non-financial information (Boyne and Law, 1991; Guo et al., 2016; Marston and Shrives, 1991). Coy, Fischer and Gordon (2001) concur:

The value of the annual report rests in the provision of a wide range of summarized, relevant information in a single document, which enables all stakeholders to obtain a comprehensive understanding of a university's objectives and performance in financial and non-financial terms. No other single source of such information is available to all stakeholders on a routine basis. (p. 14)

Furthermore, an annual report is a legal document in most Western economies and therefore attracts a degree of authenticity not associated with other communication channels (Dhanani and Connolly, 2012; Neu, Warsame, and Pedwell, 1998). An annual report is one of the key methods through which entities discharge their accountability obligation to the public (Hooks, Coy, and Davey, 2001). Moreover, the annual report is a major information source for a variety of interested users—for example, institutional investors (Hutchins, 1994; Parker, 1982), individual investors (Baker and Haslem, 1973; Epstein and Freedman, 1994; Parker, 1982), creditors (Daniels and Daniels, 1991; Parker, 1982), government regulators (Daniels and Daniels, 1991; Parker, 1982), users demanding social or environmental disclosure (Gamble, Hsu, Kite, and Radtke, 1995), the employees and internal community of individual organisations (Coy, Dixon, Buchanan, and Tower, 1997) and the public as a whole (Daniels and Daniels, 1991; Parker, 1982). For these reasons, an annual report is an important vehicle for discharging accountability to different groups of users. However, it is impossible to satisfy all needs of all users within the limited space offered by the annual report (Rutherford, 2000).

For most entities, the cycle of accountability begins with a budget process and concludes with the presentation of the annual report (Guo et al., 2016). An annual report plays a significant role in communicating and portraying reality in the most favourable way for the entity. Disclosure should include a variety of information of both a financial and non-financial nature to enable a complete understanding of the entity's operations and performance and to discharge accountability (Coy and Dixon, 2004; Coy, Fischer, and Gordon, 2001). The report should be constructed in such a way that it offers information about the entity's financial viability, the cost of its services and the efficiency and effectiveness of its operations as well as information

about its strategies, objectives and activities (Tooley and Hooks, 2010). How this reality is perceived by stakeholders depends on the quality and extent of information provided, and many studies have therefore found that management often uses ‘impression’ methods within annual reports (Coy and Pratt, 1998; Samkin and Schneider, 2010). For example, disclosing environmental issues in annual reports is a method used by entities to influence external impressions (Neu, Warsame, and Pedwell, 1998). Furthermore, Coy and Dixon (2004) argued that because accountors who prepare reports need to justify their conduct, they may omit information that has caused them problems. Importantly, this may be an issue that should be the subject of public accountability (Coy and Dixon, 2004).

Given that the production of public-sector annual reports is mandatory, they are an important source of information about the entity’s activities; however, annual reports may be used by a diversity of users for different purposes. Clark (2001) surveyed external users of annual reports produced by Victorian Government departments. Of those surveyed, 14.3% of the respondents stated they use annual reports to make decisions about the allocation of resources, while 28.9% indicated they use annual reports to evaluate those decisions. A further 24.5% of respondents stated they use annual reports for accountability purposes. Interestingly, 32.3% stated they also use annual reports for other purposes, such as research, study, planning and awareness.

The existing literature also considers rights to privacy. Although there are many definitions of privacy, one that is often used was expressed by Westin (1967). Westin (1967) defined privacy as the:

Claim of individuals, groups or institutions to determine for themselves when, how, and to what extent information about them is communicated to others (p.7).

However, Stalder (2002) pointed at the difficulty in regard to the notion of privacy. This is because what one individual allows can be perceived by another as a breach of their privacy. Also, Etzioni (1999) argued that the privacy concept needs to be balanced, taking into consideration the benefits for the community. Similarly, Fuchs (2011) argued that there should be limits to privacy to prevent power structures from keeping secrets and therefore be more transparent. Further, there is literature that focuses on a similar issue however from a different perspective—the right to information. The right to information is considered as human right (Hazelton, 2013; McPhail, 2013) and access to information is directly linked to greater public accountability (Sarokin and Schulkin, 1991). Sarokin and Schulkin stated that access to

information is an essential component of public accountability, without which the public stays uninformed and unable to criticise or hold the public entities accountable. 'Information access is a necessary safeguard for assuring public accountability. If we do not know what our government – or broadly, the institutions which constitute society – are doing, then the public is severely limited in its ability to criticize or hold responsible the same institution.' (p. 176)

The increased stakeholders' expectation to disclose information because of the right to be informed is evident especially in the social and environmental context (Belal and Owen, 2007; Hazelton, 2013; McPhail, 2013; Sarokin and Schulkin, 1991). Similarly, the public has the right to expect information about fraud control activities of public entities, especially when the fraud pertains to the misappropriation of public funds or assets.

Although annual reports are the dominant medium of disclosure used by public-sector organisations, some researchers have argued that there is either no significant public interest in annual reports or that annual reports do not provide a sufficient amount of the type of information that is of interest to the public (Alijarde, 1997; Boyne and Law, 1991; Butterworth, Gray, and Haslam, 1989; Hay, 1994; Lee, 1999; Mack, Ryan, and Dunstan, 2001; Steccolini, 2004; Taylor and Rosair, 2000). Boyne and Law (1991) researched the disclosure of performance in the annual reports of district councils in Wales and concluded that the annual reports were of poor quality. This was because the information that the public would be interested in was not adequately disclosed, and the annual reports were therefore of little use to the public. Boyne and Law (1991) were of the opinion that such poor reporting does not represent genuine accountability. A similar study was conducted by Daniels and Daniels (1991), who examined the annual reports of two Connecticut municipalities. They concluded that the annual reports did not include enough information to assess the financial situation of a municipality. They suggested that changes in annual statements were necessary in order to satisfy the needs of users.

A study by Alijarde (1997) focused on the usefulness of annual reports in local governments in Spain. She found that the principal users of these reports were finance directors and management rather than the public. This is because the government reporting focused on budgetary reporting rather than on financial reporting that would be of use to a variety of users. A similar point can be drawn from the work of Hay (1994), who researched the users of New Zealand government accounting reports. He concluded that the reports were not designed for external users. Lee (1999) examined the annual reports of public-sector entities in New South

Wales. She also stated that the results of her study indicated that, although potential users of public-sector reports were identified, the emphasis was on compliance rather than on accountability. A similar study was also conducted by Taylor and Rosair (2000). They identified two specific groups of users that should influence the type of disclosure in annual reports in Australian Government agencies. The first group of users—such as Treasury, the relevant minister and the chief executive officer of the agency—directly participate in the processes of the agency. The second group of users are taxpayers and the recipients of public goods and services because these are ‘the ultimate accountees of the governments’ (Taylor and Rosair, 2000, p. 77). However, the results of their study indicated that disclosure is influenced by the first group rather than by the second. This result indicated that government departments use their external reporting to satisfy accountability responsibilities to specific ‘within-government groups of users’ (Taylor and Rosair, 2000, p. 94).

Another study that focused on identifying the users of annual government reports was conducted by Mack, Ryan and Dunstan (2001), who analysed local government authorities in Queensland. They found that the largest group of users of local government reports are councillors, followed by residents and taxpayers. Steccolini (2004) studied the users of Italian local government annual reports and observed that internal users use the reports. Although most local governments did not have alternative ways of discharging accountability to their stakeholders, the annual reports represented poor quality reporting and had ‘no significant role in communication to external users’ (Steccolini, 2004, p. 328). This, as well as the other studies mentioned above in this section, supports the earlier opinion of Butterworth, Gray and Haslam (1989), who stated that an absence of valuable information in annual reports could explain why the public is not particularly interested in them. Coy, Fischer and Gordon (2001) argued that external reporting is limited because of its current domination by the decision-usefulness paradigm, which narrows its focus to usefulness and productivity measures, suggesting that it may not be the best medium to use to discharge accountability.

Moreover, some literature indicates that entities focus on providing qualitative information, which is more difficult to objectively evaluate (Burritt and Welch, 1997b; Kent and Zunker, 2013), and/or they omit any negative information (Burritt and Welch, 1997a, 1997b; Cowan and Gadenne, 2005; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Deegan, Rankin, and Voght, 2000; Guthrie and Parker, 1990; Kent and Zunker, 2013). Such disclosure would not be useful in an objective evaluation of the extent to which entities discharge their accountability.

Public-sector entities are required to prepare reports annually. However, and as is common in the private sector, public-sector organisations also have a lot of discretion with regard to voluntarily providing information over and above that which is mandatory in their reports. Therefore, the next two sections focus on voluntary disclosure in annual reports. Section 3.5 discusses voluntary disclosure in annual reports in general; Section 3.6 specifically focuses on voluntary disclosure by public-sector entities.

Before discussing voluntary disclosure, however, it is important to acknowledge the various arguments around whether voluntary disclosure or mandatory disclosure is most conducive to accountability. As mentioned in the previous section, Bovens (2007) classifies accountability according to the nature of the obligation to provide an account, and Taylor and Rosair (2000) refer to accountability for compliance with laws as fiduciary accountability. Larrinaga et al. (2010) suggest that mandatory reporting laws or standards are an important element of governance. Similarly, Deegan and Rankin (1996, 1997) and Owen, Gray and Bebbington (1997) have called for greater regulation of disclosure, particularly in relation to environmental issues. However, Owen, Gray and Bebbington (1997) contend that ‘technical arrangements’ such as laws, regulations or standards, ‘in the absence of institutional reform are not effective in empowering accountability relationships and stakeholders’ (Larrinaga et al., 2010, p. 724). Thus, some authors suggest the need to facilitate voluntary reporting, in addition to standards and laws, to ensure a form of accountability that goes beyond compliance. This kind of reporting would be more broadly useful to stakeholders (Deegan and Rankin, 1997) and would provide greater transparency for users of reports.

With voluntary reporting, the social contract influences disclosure, which should reflect stakeholder expectations. However, critics of voluntary reporting suggest that such disclosure is undertaken merely to gain credibility or legitimacy and to influence the public’s impression of the organisation (Neu, Warsame, and Pedwell, 1998) and, as such, has little to do with accountability.

3.5 Voluntary Disclosure: Private Sector

This section discusses literature that focuses on the types of information private organisations disclose voluntarily, particularly via annual reports, and the possible motivation for such disclosure. Earlier research used agency theory to explain managers’ motivation for voluntary disclosure of financial information. Several have argued that even in the absence of mandated

disclosure, managers are motivated to provide information about the organisation to outside parties. Jensen and Meckling (1976), when discussing their theory of the ownership structure of the firm, argued that managers are motivated to voluntarily provide accounting reports to shareholders (owners) to mitigate the assumption that the manager does not always act in the best interests of the owner. Such an assumption reduces the amount of remuneration that an owner is willing to provide to a manager unless it can be demonstrated that the manager acts in the interest of the owner rather than in the manager's own interest. Therefore, there is an incentive for the manager to provide information about the firm, even on a voluntary basis. There is also an incentive for managers to provide information about the firm to creditors, as a way of decreasing the cost of borrowings, and therefore increasing the value of the firm. As a result, managers who demonstrate such behaviour, aligned with the interest of owners, can then seek higher compensation (Jensen and Meckling, 1976). Skinner (1994) suggested two further explanations for corporate managers choosing to disclose information, particularly bad news. First, managers quickly disclose negative information about earnings so that shareholders are not able to sue them. The rationale here is that if the share price drops due to an unexpected negative earnings announcement, shareholders may then sue managers arguing that managers did not disclose the negative news promptly (Skinner, 1994). Second, managers may bear additional reputation costs if they do not disclose negative information in a timely manner. The assumption here is that investors do not like negative earnings surprises and may choose not to hold shares in firms that have a reputation for not disclosing negative news (Skinner, 1994). Both arguments presume that managers use other communication channels as well as the annual report to provide voluntary disclosure. However, other research indicates that disclosure tends to be biased towards information that is favourable to the firms, with minimal disclosure of negative information (Deegan and Gordon, 1996; Deegan and Rankin, 1996, 1997). Tooley and Guthrie (2007) stated that voluntary disclosure provides the added convenience of enabling selection of the most suitable information about the organisation.

Research by Barton and Waymire (2004) indicated that the quality of the financial information provided may have an impact on the losses from declining share prices during adverse market times. Barton and Waymire focused on shares traded on the New York Stock Exchange during the market crash in 1929. At that time, there was a general absence of regulation of financial reporting; therefore, any disclosure made by corporations was voluntary. Barton and Waymire found that corporations that provided high-quality disclosure before the crash experienced substantially smaller losses (Barton and Waymire, 2004).

3.5.1 Social and Environmental Voluntary Disclosure

Tower (1993) stated that both financial and non-financial information should be provided to stakeholders as part of the principle of accountability. Aligned with Tower's statement, and given that disclosure of financial information tends to be mandated, the contemporary research focuses on voluntary disclosure of other than financial information. The majority of contemporary studies have focused on the nature, the extent and other aspects of voluntary disclosure in relation to corporate social and environmental issues (Adams, Wan-Ying, and Roberts, 1998; Bae Choi, Lee, and Psaros, 2013; Brammer and Pavelin, 2004; Campbell, Moore, and Shrivess, 2006; Cowan and Gadenne, 2005; Deegan, 2002; Deegan and Gordon, 1996; Deegan and Rankin, 1996, 1997, 1999; Gray, Kouhy, and Lavers, 1995a, 1995b; Guthrie and Parker, 1989; Kent and Zunker, 2013; Laswad, Fisher, and Oyelere, 2005; Mathews, 1997; Neu, Warsame, and Pedwell, 1998; Parker, 2005; Persons, 2009; Tilling and Tilt, 2010).

Epstein and Freedman (1994) found that non-institutional shareholders pay attention to information about activities related to social responsibility disclosed in the annual report. Similarly, Deegan and Rankin (1997) stated that specific user groups consider environment-related information as decision-making material, and, therefore, there is a demand for the disclosure of environmental information in annual reports. Tilt (1994) also stated that user groups interested in corporate social disclosure exert pressure on companies, either directly or indirectly through government bodies, in order to influence the amount and quality of corporate social disclosure.

In explaining the motivation for voluntary social disclosure, research has attempted to establish whether voluntary disclosure is merely a discharge of accountability or is pushed by a legitimating process by the organisation (van der Laan, 2009). Brammer and Pavelin (2004) stated that legitimacy theory has become the leading conceptual approach in the social disclosure literature. This is evident in several studies that indicate voluntary disclosure of social and environmental information is motivated by company management as a means of legitimising companies' activities and shaping society's perceptions of their activities (Brown and Deegan, 1998; Campbell, Moore, and Shrivess, 2006; Cho and Patten, 2007; Deegan, 2002; Deegan and Rankin, 1996, 1997; Kent and Zunker, 2013; O'Donovan, 2002; Patten, 1992; Tilling and Tilt, 2010; Tooley and Guthrie, 2007; van Staden and Hooks, 2007). For example, Deegan (2002) argued that voluntarily disclosing social and environmental information can a useful strategy for an organisation under threat of having its reputation damaged, especially after an adverse event. Furthermore, Adams, Wan-Ying and Roberts (1998) found that social

reporting is positively related to the size of the company and influenced by the industry in which the corporation operates and the country in which it resides. This is supported by Brammer and Pavelin (2004) who also stated that their research indicated a connection between disclosure and size of the organisation. Interestingly, Cowan and Gadenne's (2005) study indicated that companies listed in Australia have a tendency to voluntarily disclose more environmental information in their annual report compared with environmental information disclosed in the statutory parts of the annual report. These findings support a legitimacy explanation for reporting as noted by Campbell, Moore and Shrives (2006) and Bae Choi, Lee and Psaros (2013), whose studies demonstrated that public companies with a higher profile or visibility have greater needs to manage their reputation within society. These companies therefore produce a higher volume of voluntary disclosure about community issues (Campbell, Moore, and Shrives, 2006) and environmental issues (Bae Choi, Lee, and Psaros, 2013). Brown and Deegan (1998) found that media attention is another important factor influencing the extent of voluntary environmental disclosure.

However, other studies have indicated inconclusive results when using legitimacy theory to explain voluntary disclosure (Adams, Wan-Ying, and Roberts, 1998; Guthrie and Parker, 1989; O'Dwyer, 2002; Wilmshurst and Frost, 2000). For example, after analysing annual reports of Australian mining and manufacturing corporations, Guthrie and Parker (1989) concluded that their study results did not support the view that legitimacy theory is the primary explanation for social disclosure. Similarly, Wilmshurst and Frost (2000) came to a similar conclusion; their study did not find support for legitimacy theory as an explanation for voluntary environmental disclosure.

Several studies have used other theories to explain motivation for voluntary disclosure, such as stakeholder theory, institutional theory and contingency theory (Qian, Burritt, and Monroe, 2011). Furthermore, van der Laan (2009, p. 15) argued that an alternative style of disclosure, called 'solicited disclosure' exists. This type of disclosure, although voluntary in nature, is requested by interested parties who want a corporation to account for its interactions with, and impacts on, society. This disclosure represents a shift from voluntary disclosure to demanded disclosure, and compliance with such a demand for information can be perceived as the consequence of pressures on corporations to be socially responsible (van der Laan, 2009).

Although there is a substantial body of literature examining disclosure of social and environmental information, no literature directly discusses voluntary disclosure of fraud-

related information in private-sector organisations. This is interesting given that fraud is clearly a social issue and fraud-related activities have a significant impact on society. However, Persons (2009) conducted research on voluntary disclosure of information on ethics and employees, both of which may relate to information on fraud. Persons's research examined voluntary disclosure of ethics information in the annual reports of public companies that were the subject of an investigation by the US Securities and Exchange Commission in relation to fraudulent financial reporting. The research also focused on whether the extent of ethics disclosure could help in assessing the possibility of companies' involvement in fraudulent financial reporting. Results showed that companies involved in fraud provided fewer ethics disclosures than other companies, and the disclosure of ethics information was negatively associated with the possibility of fraud (Persons, 2009).

3.6 Voluntary Disclosure: Public Sector

Similar to Deegan and Rankin (1997) in relation to the private sector, Ryan, Stanley, and Nelson (2002) stated that local communities also expect public-sector entities to disclose information about certain activities of the organisation—for example, environmental activities—in their annual reports.

Most studies in relation to the disclosure practices of the public sector focus predominantly on either the mandatory aspects of disclosure in annual reports or the content of annual reports in general—that is, without distinguishing between mandatory and voluntary disclosure. Such studies can be found in relation to disclosure by the Queensland public sector (Ryan, Dunstan, and Brown, 2002), by Queensland local councils (Ryan, Stanley, and Nelson, 2002), by schools and universities (Coy and Dixon, 2004; Guo et al., 2016; Tooley and Guthrie, 2007; Tooley and Hooks, 2010), and by museums (Ling Wei, Davey, and Coy, 2008).

Some research clearly distinguishes between mandatory and voluntary disclosure in the public sector. For example, Herawaty and Hoque (2007) researched the level of disclosure in annual reports produced by Australian Government departments. They focused not only on the extent to which departments fulfil their essential disclosure responsibilities but also on the extent of voluntary disclosure by these departments and the nature of both mandatory and voluntary disclosure. They found that the level of voluntary disclosure was higher than the level of mandatory disclosure. Their results also suggested a low level of compliance for the prescribed disclosure given that none of the annual reports complied with all reporting requirements. Their

study suggested that the higher level of voluntary disclosure found in the reports was due to an increase in the implementation of private-sector accounting practices by the public sector. In their conclusion, Herawaty and Hoque (2007) noted that government agencies are expected to provide both financial and non-financial information to multiple stakeholders to discharge their accountability.

Some studies have focused on a specific type of disclosure in public-sector annual reports, such as social, environmental or other sustainability disclosure (Burrity and Welch, 1997b; Farneti and Guthrie, 2009; Guthrie and Farneti, 2008; Qian, Burrity, and Monroe, 2011; Williams, Wilmshurst, and Clift, 2011). In addition, a few studies have focused on voluntary disclosure in public-sector annual reports with regard to specific types of disclosure. For example, Barut et al. (2016) analysed the annual reports and websites of local government authorities in New South Wales for voluntary disclosure of biodiversity issues. Tello, Hazelton and Cummings (2016) focused on users' perceptions of the usefulness of voluntary disclosure using water accounting standards. Their results indicated that as well as contributing to discharging the accountability of managers, such disclosure was perceived by users as beneficial.

In terms of the theoretical framework employed in research on the public sector, a limited number of studies have used legitimacy as their theoretical framework (Guo et al., 2016; Ryan, Dunstan, and Brown, 2002; Samkin and Schneider, 2010). For example, based on the findings of their study, Ryan, Dunstan, and Brown (2002) concluded that the annual report is used by public-sector organisations as their legitimising tool. Similarly, Samkin and Schneider (2010), after examining narrative disclosure in the annual reports of the Department of Conservation in New Zealand published between 1987 and 2006, concluded that an annual report of a public entity can be used as a legitimising tool. However, unlike studies of disclosure practices in the private sector, which commonly use legitimacy as the main theoretical framework, the predominant theoretical framework used in studies of disclosure practices in the public sector is accountability (Barut et al., 2016; Burrity and Welch, 1997b; Coy and Dixon, 2004; Herawaty and Hoque, 2007; Ryan, Stanley, and Nelson, 2002; Tooley and Guthrie, 2007; Tooley and Hooks, 2010).

Most of the studies reviewed in this section considered disclosure generally and did not examine specific aspects of disclosure, such as fraud-related information. Given that fraud in public-sector organisations has significant impacts, as outlined in Chapter 1, this thesis will contribute to filling that gap. The majority of disclosure on fraud control in annual reports is

provided voluntarily; therefore, the next section reviews the literature on disclosure of fraud control information.

3.7 Disclosure of Fraud Control Information in Annual Reports

Unfortunately, there is little academic literature on disclosure of fraud control information, particularly disclosure as part of the annual report. Pavlock, Sato and Yardley (1990) suggested that corporate reporting should include, along with the annual financial statements and other reports, a fraud deterrence report. This report would summarise the activities undertaken to prevent fraud. The authors argued that such a report would provide information on how resources were managed and the systems and processes that were used and, as such, it would give more information on operations management to ensure accomplishment of the stewardship function of accountability (Pavlock, Sato, and Yardley, 1990).

Among the limited research that does exist, a study by Lukawitz and Steinbart (1995) examined how investors react to disclosure of employee fraud. A fear of adverse publicity is a typical explanation for organisations not disclosing employee fraud. However, the results of Lukawitz and Steinbart's study indicated that disclosure of employee fraud does not influence share price. Therefore, the authors concluded that investors do not negatively react to disclosure of employee fraud (Lukawitz and Steinbart, 1995). Conversely, Karpoff and Lott (1993), when examining corporate fraud disclosure in the press, observed a statistically significant loss indicated by a decrease in the share price of the accused firm (Karpoff and Lott, 1993). They argued that the decrease in the share price is a reflection of three factors. First, part of the loss corresponds to the expected legal fees and fines. Second, a significant portion of the loss corresponds to expectations of future fraud behaviour. Third, the remaining part of the loss corresponds to the loss of reputation (Karpoff and Lott, 1993).

In another study, Sommer (1976) discussed the issue of disclosure of management fraud in relation to materiality. He argued that not only is materiality related to the financial aspect but that proper consideration also needs to be given to the nature of the particular issue. This is because information about illegal conduct by managers may influence prudent investors' decisions about allocation of scarce resources. Sommer referred to improper accounting treatment that aims to cover management fraud as an example of information that should be disclosed to shareholders, regardless of the amount of fraud involved. Sommer also argued that shareholders have a right to expect honest accounting as part of the stewardship function, and,

embezzlement by management should therefore always be a disclosable item (Sommer, 1976). Similarly, Zabel and Benjamin (2002) pointed out that although the accounting profession initially developed materiality thresholds that depended on numerical rules, this has since changed. This is because, as quoted from a speech by the former Chairman of the Securities and Exchange Commission, Arthur Levitt, this created a ‘game of nods and winks’ where ‘integrity in financial reporting is under stress’ and ‘earnings reports reflect the desires of management rather than the underlying financial performance of the company’ (Zabel and Benjamin, 2002, p. 1). The materiality concept is a more complex issue and depends on the particular qualitative specifics and circumstance of each situation (Zabel and Benjamin 2002). Therefore, a view is that fraud is always a material item because it is not limited by the extent of dollars but rather by the intent to defraud (Vorhies, 2005).

In his doctoral thesis, Olach (2005) examined whether companies can reduce a loss, such as a decline in company market value or the imposition of a penalty, by voluntarily disclosing the incidence of fraud before it is reported in the media or by the US Securities and Exchange Commission. The results of his study indicated a similar decrease in the market value of the companies regardless of whether or not they employed voluntary disclosure about fraud incidents. The results in relation to imposed penalties also indicated no correlation with voluntary disclosure about fraud incidents (Olach, 2005).

A particular aspect of the accountability process in relation to the Guidelines was the focus of a master’s thesis by Alkawm (2013). Alkawm examined disclosure of certification of compliance by Commonwealth public agencies in Australia. Ten agencies that were operating under the FMA Act and that were considered material were chosen for the study. The agencies’ certifications of compliance with the Guidelines were examined for existence and completeness across a period of three years. Alkawm found that the sampled agencies complied highly with the Guidelines’ instructions in relation to the certification of compliance over the period of the study. However, Alkawm’s study was very limited in scope and did not focus on any other disclosure about fraud control information beyond the compulsory certification of compliance.

Traditional financial accounting is not the only mechanism through which an entity can communicate with its stakeholders or accountability can be discharged (Bovens, 2007; Coy and Pratt, 1998; Patton, 1992; Sinclair, 1995). Other means of judging entities’ financial or other performance include media coverage, business publications, special purpose reports, personal experience with the entities’ services, and meetings with financial analysts (Boyne

and Law, 1991; Gamble et al., 1995; Hooks, Coy, and Davey, 2001). However, at present, annual reports are considered the best basis for public scrutiny because they are the only documents produced regularly and consistently and made available to the public (Ryan, Stanley, and Nelson, 2002).

Similarly, reporting about fraud control activities could be reported through other mechanism, such as the agency's website, an agency's internal documents, agency's publication, meetings or media channels. However, these do not have the element of consistency of production that annual reports have.

As noted earlier, a necessary aspect of accountability is the public's rights of access to information. Thus, although there is a variety of the reporting mechanisms, the annual report is still considered in the literature as a very significant medium for discharging accountability to the public. Therefore, for the purpose of this thesis, the annual report is used as the medium for analysis of discharging accounting in relation to fraud-related information.

3.8 Chapter Summary

This chapter reviewed the existing literature on accountability and annual reporting. The various types of accountability were considered with particular emphasis on public, political and managerial accountability. This chapter also discussed annual reporting as a traditional mechanism for discharging accountability, focusing on voluntary disclosure and disclosure of fraud control information in annual reports. The chapter also outlined some criticisms of annual reporting. By reviewing the existing literature, this chapter has contributed to an understanding of the issues surrounding the concept of accountability and the role of annual reporting, which are explored in this thesis. The next chapter discusses the research methods that were employed to investigate the research questions.

Chapter 4: Research Methods

This chapter outlines the research design and methodology used in this research study. This chapter therefore describes and explains the data that were collected and the way in which they were organised and analysed.

As outlined in Chapter 1, and restated here for convenience, the primary research question investigated in this research study was:

What is the extent and nature of fraud control information disclosed by Australian Commonwealth public entities in their annual reports as a means of discharging their accountability?

Four subquestions were used to investigate the primary question (see Chapter 1) through an analysis of specific aspects of annual report disclosures made by Commonwealth agencies and bodies.

4.1 Research Design

To the author's best knowledge, only one similar study has been conducted on fraud disclosure by public entities (Alkawm, 2013), and that particular study has similarities with only one aspect of this research study. Furthermore, the identified study used a sample of ten Commonwealth agencies only, while this research study used all Commonwealth agencies and bodies in existence during the financial year under review. This research was therefore designed as a qualitative, exploratory study with the aim of expanding the body of empirical literature on disclosure of fraud control information in annual reports.

The selection of research methods should be driven by the criteria of validity and reliability (Yin, 1994). Qualitative data analysis (QDA) was used to organise and analyse the data in this research study. QDA as used in this study is outlined in Section 4.2.

4.2 Research Analysis

This section describes the individual steps used in the research analysis. The QDA method used in social science research has been described by many authors (Bailey and Jackson, 2003; Baptiste, 2001; Bazeley, 2013; Bryman, 2012; Bryman and Burgess, 1994; Dey, 1993; Grbich, 2007; Harding, 2013; Liamputtong, 2009; Miles, 2014; Strauss, 1987).

Baptiste (2001) stated that four major phases are involved in QDA: defining the analysis, classifying the data, making connections and writing up the results. Similarly, Dey (1993) described the process of QDA as a series of several steps, including finding a focus, managing data, categorising data, linking data, connecting categories and producing an account. The following subsections describe how QDA was used in this research study.

4.2.1 Finding a Focus

‘Finding a focus’ can be described as the process of developing and gaining an understanding of the research topic. The understanding of the topic is reflected in the research design, the type of data collected and the method of analysis. Although not the only relevant source, the academic literature is the most useful source of prior examinations of issues conducted in systematic ways as well as of concepts and relationships already observed (Dey, 1993). The understanding of the topic further helps to develop an argument about the significance of the research (Bryman, 2012). Therefore, a comprehensive review of the background to the study was undertaken, as well as the literature review, in order to gain an understanding of the contemporary fraud control framework and its key components. This step was especially helpful for developing a list of codes and categories; this list is provided in Subsection 4.2.3. Furthermore, the acquired understanding was important in making sense of the analysed data in annual reports. The results of the background review and the literature review are presented in Chapters 2 and 3.

4.2.2 Sample and Data Management

For the purpose of this thesis, secondary data were collected in the form of annual reports. First, a list of agencies and bodies, from which the annual reports would be collected, was created. The starting point for this step was the AIC’s list of agencies and bodies that participated in the AIC survey described in Chapter 2. The AIC was contacted to obtain this list, which is provided in Appendix C.

However, it was noticed that some agencies and bodies that had been invited to participate in the AIC survey did not exist at the end of the financial year. In addition, some agencies and bodies that did exist at the end of financial year had not been invited to participate in the AIC survey. A reason for this could be that the AIC used a list created by the Department of Finance and Regulation on 1 July of the following financial period. However, changes had occurred during the financial year; new agencies and bodies had been created, and some agencies and

bodies had ceased to operate. Last, some agencies that did exist and that were invited to participate in the AIC survey do not produce a public annual report. The details of the agencies and bodies discussed in this paragraph are provided in Appendix D.

After the amended list of agencies and bodies was created, the next step was to collect the annual reports. Various databases provide company annual reports. However, no database provides annual reports produced by government organisations. Therefore, various sources were used to collect the data:

- websites of agencies and bodies
- National Library of Australia: Australian Government Web Archive
- Trove: National Library of Australia online collection
- Australian Parliament House website
- existing agencies and bodies (via email)
- successor of the agencies and bodies (via email)
- relevant department under which the agency existed (via email)
- Google search engine
- library and library document delivery service.

Most of the annual reports were collected in electronic format. Several annual reports were received in hard-copy format; they were then scanned and converted into electronic format.

An attempt was made to collect annual reports from 187 entities for the 2010–2011 financial year. Of the 187 annual reports, 185 (98.9%) were collected. All 187 annual reports were collected for the 2011–2012 financial period, and all 190 annual reports were collected for the 2012–2013 financial period.

Table 4.1 provides a summary of the number of annual reports that were collected from agencies and bodies across all three financial years.

Table 4.1: Summary of the number of annual reports collected

Organisation types	2010–11	2011–12	2012–13	Total
Agencies	104	106	107	317
Bodies	81	81	83	245
Total	185	187	190	562

In addition, several agencies and bodies changed their name during the period of analysis. The most recent name has been used when presenting results. The names of these agencies and bodies are listed in Appendix E. Finally, several annual reports were issued as one document but they contained an annual report for more than one agency. These reports were separated and treated as individual annual reports. These reports are listed in Appendix F.

Dey (1993) outlined two primary methods of how data can be stored. The first method is to keep the data in a hierarchical file system. This system is associated with data that are kept in a digital format, using folder(s) that hold files containing data, which enables analysis by computer. Originally, the data used in this research were stored using a hierarchical file system, the intention being to use NVivo software for the analysis. However, an alternative method was employed, and relevant parts of the annual statements were transferred onto a card-based filing system. The details and reasons for the use of this method are given in the next subsection.

4.2.3 Reading and Coding

Initially it was intended that the collected data would be analysed using a computer-assisted QDA approach, using NVivo software. NVivo is data analysis software that supports qualitative research with regard to the organisation and analysis of qualitative data. Therefore, all 562 collected annual reports, which contained 101,741 pages of text in total, were uploaded into NVivo. The first step was to identify all pages containing the keyword 'fraud'. Through this search, the keyword 'fraud' and other words derived from it, such as 'fraudulent', were detected on 2,458 pages.

Reading is an important part of QDA through which the meaning of the data is interpreted (Bazeley, 2013). It includes integration by connecting the different parts of the data to other parts of the data. Furthermore, it involves assimilation by connecting the data to the existing knowledge (Dey, 1993). The emphasis is on uncovering potential themes, patterns, relationships, categories and topics (Dey, 1993; Insites, 2007). This process must be conducted in systematic way and with a clear direction (Dey, 1993).

Therefore, the first step was to read the parts of annual reports that included the keyword 'fraud' and other words derived from this keyword and to group them in categories. This enabled the data to be coded and individual observations to be analysed. Coding is an important process by which the data are assigned to categories (Harding, 2013; Holloway, 1997; Insites, 2007;

Liamputtong, 2009). However, coding can also be the most challenging process for inexperienced researchers (Strauss, 1987).

There is no universally agreed-upon definition of the term *code*; rather, the literature explains the process of developing codes (Bailey and Jackson, 2003). Similarly, Dey (1993) pointed out an inconsistency in the terminology used in QDA. For example, individual pieces of data may be called *data bits*, *segments*, *chunks* or *units of meanings*, and the process of classifying the data may be called *categorising*, *coding*, *tagging* or *labelling* (Dey, 1993). For the purpose of this thesis, the following terminology is used:

- *Data bits* is used when referring to individual parts of data—in this case, keywords and related sentences.
- *Coding* is used when referring to the process of assigning the data bits to categories.
- *Code* is used when referring to the criteria used to code the data bits.
- *Category* and *subcategory* are used when referring to a group of data bits with the same or similar characteristics.

Generally, the data were coded by assigning to the same category those individual data bits that seemed similar to or related with others. Data bits within the same category, if they can be further distinguished, can also be subcategorised. The process of coding then allows comparison of the data bits within each category, within each subcategory and between the different categories, and thus enables similarities or differences within the data to be identified (Dey, 1993). For the above-mentioned reason, criteria that allow the researcher to distinguish between data bits of individual observations must be established. A list of all the codes and all the categories and subcategories must therefore be developed.

A list of codes can be developed in two main ways. First, a priori codes are codes that are developed before coding. These predefined codes are based on prior knowledge—that is, codes already listed in the existing literature. Second, inductive codes are codes that emerge from the data during the process of coding (Bazeley, 2013; Ekka, 2014; Insites, 2007).

Table 4.2 presents the codes, represented by keywords, and the associated categories that were developed before coding the data.

Table 4.2: A priori codes and categories

Categories	Code
Certification of compliance	Based on the wording in the Guidelines 2002 and the Guidelines 2011
Fraud risk assessment	Fraud risk assessment
Fraud control plan	Fraud control plan
Fraud awareness and training	Fraud policy, fraud prevention, fraud awareness, fraud training
Detection, investigation and response	Reporting of fraud, detection of fraud, investigation of fraud
Information management and reporting requirements	Fraud data, fraud data collection, annual fraud report

While coding the data, other codes (keywords) emerged. There were two types of emergent codes. First, codes with identical meaning but different wording—for example, ‘fraud prevention’ and ‘prevention of fraud’. Second, codes that are not included in Table 4.2, and were not just worded differently but were associated with the disclosure of fraud control information—for example, ‘whistleblower’. In addition, several subcategories were created during the process of coding. Table 4.3 presents the final codes, represented by keywords, and the associated categories.

Table 4.3: All codes and categories

Categories	Codes
Certification of compliance	Based on the certification statement in accordance with the Guidelines 2002 and the Guidelines 2011 (identical or substantially similar wording)
Fraud risk assessment	Fraud risk, fraud risk assessment, assessment of fraud, fraud review
Fraud control plan	Fraud control plan, fraud control planning, fraud control measures
Fraud awareness and training	Fraud policy, fraud guidelines, fraud prevention, prevention of fraud, fraud awareness, fraud awareness session, fraud awareness workshop, fraud awareness

Categories	Codes
	program, awareness of fraud, awareness of fraud control, fraud training, fraud awareness training, fraud control training, training in fraud
Detection, investigation and response	Fraud reporting, reporting of fraud, whistleblower, whistleblower policy, whistleblowing policy, confidential reporting, anonymous fraud reporting, reporting hotline, fraud investigation, investigation of fraud, investigating fraud, fraud investigation, allegation of fraud, suspected fraud, detection of fraud, detected fraud, alleged fraud, attempted fraud, potential fraud, possible fraud, fraud case, fraud incident, incidents of fraud, cost of fraud, amount recovered
Information management and reporting requirements	Fraud data, fraud data collection, fraud control data, reporting requirements of the Fraud Control Guidelines, fraud data reported, annual fraud data, annual fraud survey, annual fraud report

As noted above, the process of coding was initially to be carried out using NVivo software. Unfortunately, NVivo proved very unstable when handling the large data files collected for the study, and the software frequently crashed, leading to an exceedingly slow analysis. Therefore, the decision was made not to use NVivo.² Furthermore, the decision was made not to use a computer for the coding and further analysis. There were two reasons for this decision. First, it was not certain how long it would take not only to find another software package that could analyse such a large amount of data but also to learn how to use the new software and test it. Second, other ways of coding, for example, using simple PDF functions, were considered. However, because there would be 2,458 pages to code and analyse on a computer screen, it was decided to code hard copies of the text. As such, all 2,458 pages that NVivo identified as containing the keyword 'fraud' were printed.

² The software was tried on several computers with up-to-date hardware and operating systems but the problem persisted. QSR International, who provides support for technical issues with NVivo, was contacted, and the project file was sent to them. In addition, QSR International requested a screen recording of the actual session during which the software crashed. Unfortunately, they were unable to find a solution. They stated that the most likely reason behind the unstable behaviour of the software was the unusually large size of the project. The project itself, which included all 562 annual reports, was 5.2 GB.

All printed pages were then read and manually coded into the categories shown in Table 4.3. Coding was conducted by using a highlighter and a pen. In order to analyse the meaning and context of the text, not only the keywords were coded but also all sentences associated with the code and its meaning. This meant that data were separated into individual ‘data bits’ based on meanings rather than on the number of words. This is consistent with Dey’s (1993) understanding of data bits as ‘units of meaning’ (p. 117). A consistent approach was used, and data were allocated to all categories shown in Table 4.3. The result was a count of the number of annual reports that contained each category.

Given this method, one sentence could be associated with more than one category. However, this did not create a problem, because the analysis in QDA is thematic (see Subsection 4.2.4) and does not include any form of ‘counting’ words or sentences unlike for content analysis (Guthrie et al., 2004). For example, the statement ‘The Australia Council has a comprehensive fraud control plan which it reviews every two years with the Commonwealth Fraud Control Guidelines’ (Australia Council, 2013, p. 53) was assigned to the ‘fraud control plan’ category and further labelled with the theme ‘existence’ as well as to the theme ‘fraud control plan – year of most recent fraud control plan’.

The exception was the certification statement, which, once coded and categorised under the ‘certification of compliance’ category, was excluded from assigning to other categories. The only exceptions were certifications of compliance that included additional information over and above the certification statement outlined in the Guidelines 2002 or the Guidelines 2011.

During the analysis, it was also noticed that NVivo, in a small number of cases, did not identify the keyword ‘fraud’ when it was included as part of the letter of transmittal. This occurred because some annual reports contained a scanned version of the letter of transmittal, which resulted in the text not being recognised by NVivo. Therefore, in cases where NVivo did not detect an incidence of the keyword ‘fraud’ in the letter of transmittal, it was checked to determine whether this was caused by the absence of the keyword or by NVivo’s inability to recognise it. In the small number of cases where the keyword appeared in the letter of transmittal but was not recognised by NVivo, the letter of transmittal was printed and included in the analysis.

Two types of information about fraud were excluded from the categories and therefore excluded from the analysis. The first type that was excluded was when the word ‘fraud’ was used in a statement in relation to the auditor’s responsibility regarding audit procedures or to

management's responsibility regarding the preparation of financial statements. This is because these are general statements made by management and auditors each year and do not reflect true disclosure about fraud control. The following is an example of such a statement: 'The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error' (Department of Parliamentary Services, 2011, p. 113). The second type of information about fraud that was excluded was information that was not related to fraud control in relation to the specific agency or body. For example, the following information was excluded from the analysis: 'The Australian public expects to be able to visit Australian websites without the worry of cybercriminals stealing their information through identity theft, fraud or malicious software' (Attorney-General's Department, 2013, p. 39).

When all the data had been coded, it was necessary to separate each coded category, so that analysis and interpretation of each category could be carried out. If the coding had been carried out in NVivo, this would have been a simple process using the appropriate function. However, given that the coding was completed on hard copy, the separation of each coded category was achieved by copying the relevant coded data bits from the electronic version of each annual report and pasting them into individual Excel spreadsheets. An individual Excel spreadsheet was created for each category, and the transferred coded data bits were organised according to the name of the agency or body and the relevant financial year. After all coded data bits were transferred to the relevant Excel spreadsheets; they were printed for the purposes of analysis.

One person coded all the data; however, a reliability check was included in the process. As described above, the initial coding was carried out using NVivo, during which 35 annual reports were coded electronically before it was decided to code the data manually. After the same 35 annual reports were coded manually, the results were compared, and no differences were observed. Therefore, the reliability of the coding process can be presumed.

4.2.4 Interpreting the Data

Interpreting the data means attaching meaning and significance to the findings. This is done by finding the themes, patterns, connections and relationships that emerge from the data, and using these findings to explain the results (Bazeley, 2013; Dey, 1993; Harding, 2013; Insites, 2007; Taylor-Powel and Renner, 2003). Grbich (2007) describes the process of taking the findings and considering them through a theoretical framework or other conceptual position in order to make sense of them—that is, theorising from data. Therefore, all the data allocated to the

categories listed in Table 4.3 were analysed and the themes identified were compared for similarities and differences in the disclosure of fraud control information in annual reports, the purpose being to assess how agencies and bodies discharged their public and political accountability. In addition, the collected and coded data were analysed in three parts.

The first part of the data analysis involved examining the data for the various types and forms of certification statements about compliance with the Guidelines, disclosed by agencies on a mandatory basis and by bodies on a voluntary basis. The disclosure in the certification statement provided by agencies was then compared with the disclosure provided by bodies, and the level of political accountability was discussed.

The second part of the data analysis involved examining the annual reports for disclosure of fraud control information (other than the certification statement) provided by agencies and bodies voluntarily. In this part of the analysis, the data were analysed, and the themes were compared for similarities and differences between agencies and bodies with regard to disclosure of fraud control information. The results were then compared with the developed framework for the reporting of fraud control information in annual reports, the purpose being to reach a conclusion about the extent to which agencies and bodies discharge their public accountability.

In the third part of the analysis, the information gathered in the second part of the analysis regarding the disclosure of fraud control information provided voluntarily by agencies and bodies was compared with the AIC survey results. The purpose of this comparison was to reach a conclusion about the extent to which agencies and bodies discharge their public accountability compared with their political accountability.

4.2.5 Producing an Account

The final step in the analysis process was to produce an accessible, reliable, valid and representative account of disclosure of fraud control information by Commonwealth agencies and bodies. The results of the QDA were used to discuss different types of disclosure of fraud control information in relation to discharging public and political accountability. Furthermore, this final step enabled a comparison of the disclosure of fraud control information in annual reports with the AIC report, which in turn enabled comparison between the discharging of political accountability and public accountability. The results of the analysis are presented in Chapter 5.

4.3 Mandatory versus Voluntary Disclosure

At the beginning of this research study, it was also necessary to establish which agencies and bodies were obligated to disclose information about their fraud control in the annual report and exactly which information they had to include. Any other information above the mandatory scope would then be classified as voluntary disclosure of fraud control information.

As previously discussed in Section 2.6, the mandatory disclosure of fraud control information in annual reports for the financial years 2010–11, 2011–12 and 2012–13 was governed by two documents:

- the Guidelines 2011
- the Requirements for the financial years 2010–11, 2011–12 and 2012–13.

The Guidelines 2011 were binding for all agencies that were subject to the FMA Act (Commonwealth of Australia, 2011b). This condition did not differ from the previous version of the Guidelines—that is, the Guidelines 2002 (Commonwealth of Australia, 2002). The Guidelines 2011 specified that chief executives of agencies were obligated to certify in the annual report that they are satisfied that:

- their agency has prepared fraud risk assessment and fraud control plans
- their agency has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency, and
- they have taken all reasonable measures to minimise the incidence of fraud in their agency and to investigate and recover the proceeds of fraud against their agency. (Commonwealth of Australia, 2011b, p. 8)

The Requirements then supported the Guidelines and also specified that agency heads were obligated to provide such certification (Department of the Prime Minister and Cabinet, 2012). Therefore, certification that was made by the agency head was subject to the FMA Act and, in accordance with the Guidelines or the Requirements, was classified as mandatory disclosure. Any additional information disclosed as part of the certification was classified as voluntary disclosure. Any other additional information disclosed in the annual report was also classified as voluntary disclosure.

Conversely, for bodies, the obligation changed. In relation to bodies, the Guidelines 2002 stated:

The Commonwealth Fraud Control Guidelines apply to:

bodies covered by the *Commonwealth Authorities and Companies Act 1997* (CAC Act) that receive at least 50 per cent of funding for their operating costs from the Commonwealth or a Commonwealth agency. (Commonwealth of Australia, 2002, p. 1)

Therefore, under the Guidelines 2002, if a body under the CAC Act received at least 50% of its funding from the Commonwealth, the body head had to certify to their minister in the annual report that:

they are satisfied that their agency has prepared fraud risk assessments and fraud control plans, and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency and comply with the Guidelines. (Commonwealth of Australia, 2002, p. 2)

Consequently, practice was established whereby some bodies under the CAC Act provided the certification of compliance with the Guidelines 2002 as mandatory disclosure and some bodies provided the certification of compliance voluntarily.

In addition, until 1 July 2008, s. 28 of the CAC Act gave the responsible minister the option to direct the directors of the agency covered by the CAC Act on the general policies of the Commonwealth that were to apply to the agency. Therefore, the Guidelines 2002 did not apply to agencies that did not receive a certain level of funding or did not receive a direction from their responsible minister. Nevertheless, the agencies were still encouraged to comply with the Guidelines:

The Commonwealth Fraud Control Guidelines do not apply to a CAC Act agency that does not receive the above level of funding. Such agencies are, however, strongly encouraged to comply with the best practice standards set out in these Guidelines. (Commonwealth of Australia, 2002, p. 2)

During analysis of the annual reports, it became evident that some ministers had previously notified agencies to apply the Guidelines 2002. For example, the Fisheries Research and Development Corporation in its 2010–2011 annual report stated:

The Minister has notified the Corporation under section 28 of the CAC Act that the following policies apply to the Corporation.
– On 21 August 2002, Commonwealth Fraud Control Guidelines 2002. (Fisheries Research and Development Corporation, 2011, p. 89)

In such a case, the agency had to comply with the Guidelines regardless of the agency's level of funding.

In July 2008, amendments commenced that changed the way in which general policies of the Commonwealth were applied to relevant CAC Act agencies. Section 28 of the CAC Act was amended such that the specified agency would have to comply with a General Policy Order (GPO) issued by the Minister for Finance rather than each agency needing to be directed to comply by their responsible minister, as was the previous situation. Relevant CAC Act agencies were then automatically required to comply with these GPOs. Finance Circular 2009/08 also stated that any directions issued by the responsible minister would remain in force unless the Minister for Finance determined otherwise. However, the AGD advised the ANAO of a lack of transparency regarding which CAC Act agencies must comply with the Guidelines given that there was no record in existence of which CAC Act agencies had received directions from their responsible minister to comply with the Guidelines 2002 (Australian National Audit Office, 2010).

The AGD informed the ANAO in 2010 that the GPO mechanism in relation to the application of the Guidelines to CAC Act agencies was discussed with the Department of Finance and the ANAO supported this approach because there was a need to clarify which CAC Act agencies were subject to the Guidelines (Australian National Audit Office, 2010). This issue was resolved when the Guidelines 2011 were released. The Guidelines 2011 stated:

A body subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act) is not subject to the Guidelines unless the Finance Minister has made a General Policy Order (GPO) in accordance with section 48A of the Act, specifying the mandatory requirements for that body under the Guidelines. (Commonwealth of Australia, 2011b, p. 1)

Interestingly, the Finance Minister never made a GPO that would make a body under the CAC Act subject to the Guidelines (Australian National Audit Office, 2014). Nevertheless, the Guidelines 2011 also stated that ‘CAC bodies which are not subject to such a GPO should consider applying the Guidelines as a matter of policy’ (Commonwealth of Australia, 2011b, p. 1).

For the reasons discussed in this section, any disclosure made by an agency that was subject to the CAC Act was classified as voluntary disclosure.

Table 4.4 summarises the types of information that was classified as mandatory disclosure and voluntary disclosure of fraud control information.

Table 4.4: Summary of mandatory and voluntary classification

Classification	Agencies subject to FMA Act	Bodies subject to CAC Act
Certification	Mandatory	Voluntary
Other information in annual report	Voluntary	Voluntary

During analysis of the annual reports, it was noted that nine entities declared they had previously received directions from their responsible minister to comply with the Guidelines 2002 and had treated these as continuing directions with respect to the Guidelines 2011. For example, the Cotton Research and Development Corporation stated in its 2010–11 annual report, ‘Ongoing directions from previous years that are applicable to the Corporation are the Commonwealth Fraud Control Guidelines 2011’ (Cotton Research and Development Corporation, 2011, p. 69). Nevertheless, given that no GPO was made by the Minister for Finance, a disclosure made by bodies was treated as a voluntary disclosure.

Six bodies were not aware of the change and stated they did not need to apply the Guidelines given that they were not considered agencies under the CAC Act, which defined an agency as an organisation that received at least 50% of its funding for operating costs from the Australian Government or an Australian Government agency. Therefore, statements related to the Guidelines 2002 appeared in their annual statement. For example: ‘The AAF Company does not receive any funding from the Commonwealth and therefore does not need to apply the promulgated Commonwealth Fraud Control Guidelines’ (AAF Company, 2013, p. 9). Of the six bodies, only one, the Anindilyakwa Land Council, changed its statement for the 2012 financial year and correctly stated:

CAC Act Authorities such as the ALC are not subject to the Australian Government Fraud Control Guidelines unless the Finance Minister has made a General Policy Order (GPO) in accordance with Section 48A of the CAC Act specifying the mandatory requirements for that body under the Guidelines. (Anindilyakwa Land Council, 2012, p. 59)

However, the remaining five bodies continued to make such statements in all years that were analysed in this research study. It is unclear whether these five bodies were not aware that an updated version of the Guidelines was released in 2011 or whether merely copied information from one year to the next without any consideration of changes in the regulatory environment. Although this indicates that these bodies were not up to date with the Guidelines, it has no

implications for the way in which they were treated in the analysis. This is because if they believed that they did not have to comply with the Guidelines their disclosure about fraud control activities was voluntary. This in fact was true for all bodies.

4.4 Chapter Summary

This chapter described the chosen design for the research. It also explained rationale behind the chosen sample for analysis and described the data collection, data sources and data analysis process. The next chapter presents the analysis and discusses the results of the research study.

Chapter 5: Results and Discussion

5.1 Introduction

This chapter presents and discusses the research results in three parts. As outlined in Chapter 3, there are various types of accountability. Political and public accountability, in relation to disclosure of fraud control information by the Commonwealth public entities, are most relevant to this research study and are therefore the two types of accountability referred to in this chapter.

Section 5.2 presents the results and discussion related to Research Question 1 and partially related to Research Question 4. Therefore, Section 5.2 focuses on the extent and nature of Commonwealth agencies' and bodies' certification statements of compliance with the Guidelines. This part of the chapter also discusses and illustrates the similarities and differences between agencies, which were obligated to provide the certification statement, and bodies, for which providing the certification statement was a recommendation only. Different types of certification, and different forms of expression within each type of certification, were observed, and these differences are discussed in terms of the degree to which the heads discharged their accountability. As discussed in Subsection 3.3.4, certification of compliance with the Guidelines 2011 best fits within the political type of accountability.

Section 5.3 presents the results and discussion related to Research Question 2 and Research Question 4. Therefore, this part of the chapter focuses on the extent and nature of fraud control information in annual reports produced by the Commonwealth agencies and bodies that were examined in this research study. This part also presents and discusses the similarities and differences found. As discussed in Subsection 3.3.4, disclosure of fraud control activities by agencies and bodies best fits within the public type of accountability.

The results presented in Section 5.3 also include discussion related to Research Question 3. As previously discussed in Section 1.4, agencies are obligated to report annually to their minister on fraud risk and fraud control measures; furthermore, all agencies must also collect information on fraud and provide it to the AIC (Commonwealth of Australia, 2011b). Interestingly, the AIC also asked bodies to provide information on fraud and fraud control measures, and the majority of bodies did so (Jorna and Smith, 2015). As stated in Chapter 3, such disclosure activities demonstrate a discharge of political accountability. Given that

agencies and bodies collected and reported information on fraud and fraud control, it would be expected that such information could be easily included in the annual report. Therefore, Section 5.3 compares and discusses the level of discharge of public and political accountability.

Section 5.4 then presents the key findings from the analysis presented in Sections 5.2 and 5.3 and offers a consolidated discussion of the results.

5.2 Certification of Compliance

This section presents the results and observations related to agencies' mandatory certification of compliance with the Guidelines 2011 and the results related to voluntary certification of compliance produced by bodies. Tables 5.1 and 5.2 provide the overall results for agencies and bodies.

Table 5.1: Certification of compliance – agencies

Form of expression		Use of statement in accordance with the Guidelines 2011		Use of statement in accordance with the Guidelines 2002		Use of the phrase ‘control measures’ or ‘control mechanism’, and/or the word ‘comply’ without mentioning any individual component of fraud control		Overall results		
Type	Year	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	Total	<i>N</i>	%
A certification of compliance by the head of the agency or body in the letter of transmittal	2010–11	7	17	21	50	14	33	42	104	40
	2011–12	20	37	20	37	14	26	54	106	51
	2012–13	27	42	21	33	16	25	64	107	60
	Total	54	34	62	39	44	28	160	317	50
A certification of compliance by the head of the agency or body in the annual report	2010–11	11	39	17	61	0	0	28	104	27
	2011–12	19	76	6	24	0	0	25	106	24
	2012–13	17	77	5	23	0	0	22	107	21
	Total	47	62	28	37	0	0	75	317	24

Form of expression		Use of statement in accordance with the Guidelines 2011		Use of statement in accordance with the Guidelines 2002		Use of the phrase ‘control measures’ or ‘control mechanism’, and/or the word ‘comply’ without mentioning any individual component of fraud control		Overall results		
Type	Year	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	Total	<i>N</i>	%
A statement in the annual report that the head of the agency or body certifies the compliance	2010–11	2	29	5	71	0	0	7	104	7
	2011–12	3	75	1	25	0	0	4	106	4
	2012–13	3	60	1	20	1	20	5	107	5
	Total	8	50	7	44	1	6	16	317	5
A statement in the annual report that the head of the agency or body certifies the compliance or has fraud control in place and/or complies with the Guidelines	2010–11	6	30	14	70	0	0	20	104	19
	2011–12	5	29	12	71	0	0	17	106	16
	2012–13	4	33	8	67	0	0	12	107	11
	Total	15	31	34	69	0	0	49	317	15

Table 5.2: Certification of compliance – bodies

Form of expression		Use of statement in accordance with the Guidelines 2011		Use of statement in accordance with the Guidelines 2002		Use of the phrase ‘control measures’ or ‘control mechanism’, and/or the word ‘comply’ without mentioning any individual component of fraud control		Overall results		
Type	Year	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	Total	<i>N</i>	%
A certification of compliance by the head of the agency or body in the letter of transmittal	2010–11	0	0	2	67	1	33	3	81	4
	2011–12	0	0	3	60	2	40	5	81	6
	2012–13	0	0	4	66	2	34	6	83	7
	Total	0	0	9	64	5	36	14	245	6
A certification of compliance by the head of the agency or body in the annual report	2010–11	2	40	2	40	1	20	5	81	6
	2011–12	2	33	2	33	2	34	6	81	7
	2012–13	1	25	2	50	1	25	4	83	5
	Total	5	33	6	40	4	27	15	245	6

Form of expression		Use of statement in accordance with the Guidelines 2011		Use of statement in accordance with the Guidelines 2002		Use of the phrase ‘control measures’ or ‘control mechanism’, and/or the word ‘comply’ without mentioning any individual component of fraud control		Overall results		
Type	Year	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	Total	<i>N</i>	%
A statement in the annual report that the head of the agency or body certifies the compliance	2010–11	1	14	4	57	2	29	7	81	9
	2011–12	2	25	4	50	2	25	8	81	10
	2012–13	2	29	4	57	1	14	7	83	8
	Total	5	23	12	55	5	23	22	245	9
A statement in the annual report that the head of the agency or body certifies the compliance or has fraud control in place and/or complies with the Guidelines	2010–11	0	0	13	81	3	19	16	81	20
	2011–12	1	8	10	77	2	15	13	81	16
	2012–13	3	20	10	67	2	13	15	83	18
	Total	4	9	33	75	7	16	44	245	18

The results, both for agencies and for bodies, are discussed in detail later in this section. Before the discussion is presented, however, the following paragraphs outline the types and forms of certification of compliance with the Guidelines 2011 that were observed. Four main types of certification of compliance with the Guidelines 2011 were provided:

- a certification of compliance provided by the head of the agency or body and published in the letter of transmittal.
- a certification of compliance provided by the head of the agency or body and published in the annual report.
- a statement published in the annual report that the head of the agency or body certifies the compliance.
- a statement published in the annual report that the head of the agency or body certifies the compliance or has fraud control in place and/or complies with the Guidelines.

Certification statements meet the definition of a means of discharging accountability because there is an accountant (the agency/body) and an accountee (the minister/government), and the format must be a letter, which is understandable (Bovens, 2007). The issue related to consequences or sanctions imposed for non-disclosure are discussed in Chapter 6.

Within the four main identified types of certification listed above in this section were three differing forms in which an agency or body expressed their compliance with the Guidelines. The following forms of expression were observed:

- The head of the agency or body certified the compliance, using the wording from the Guidelines 2011.
- The head of the agency or body certified the compliance, using the wording from the Guidelines 2012.
- The head of the agency or body certified the compliance, using the phrase ‘control measures’ or ‘control mechanism’ and/or the word ‘complies’, without mentioning any individual component of fraud control.

The wording used provides evidence of some agencies or bodies ‘watering down’ the level of accountability by using less-precise language and giving few details. Both the type of certification and the form of expression are discussed in detail below.

5.2.1 Certification Types

The following subsections discuss the four main types of certification of compliance with the Guidelines 2011 that were observed. Each of these four main types represents a different level of accountability, commencing with the highest level and ending with the lowest.

5.2.1.1 A certification of compliance by the head in the letter of transmittal

The first type of disclosure observed relates to certification provided in the letter of transmittal by the head of the agency or body. The letter of transmittal, in this case, is a letter announcing the completion and delivery of the annual report to the relevant minister. The letter of transmittal provides a context for reading the annual report, including the legislative framework according to which the annual report has been prepared. This type of certification demonstrates that the head of the agency or body discharges their political accountability through a certification of compliance—included in the letter of transmittal—in accordance with the Guidelines 2011. The agency head follows the Guidelines 2011, which mandate this obligation, whereas bodies appropriately follow the Guidelines 2011 on a voluntary basis.

The letter of transmittal, in which the head certifies the compliance, is addressed to the relevant minister rather than to the public and is therefore an obvious example of political accountability (Bovens, 2007). The letter of transmittal is signed by the head of the agency or body; this signature clearly identifies the accountor—someone who is responsible for discharging the accountability and can be held to account (Stewart, 1984). As shown in Table 5.1, approximately half of the agencies chose this type of certification, indicating that they feel a strong obligation to discharge their political accountability. An example of a certification of compliance by the head of an agency or body and presented in the letter of transmittal is shown in Figure 5.1.

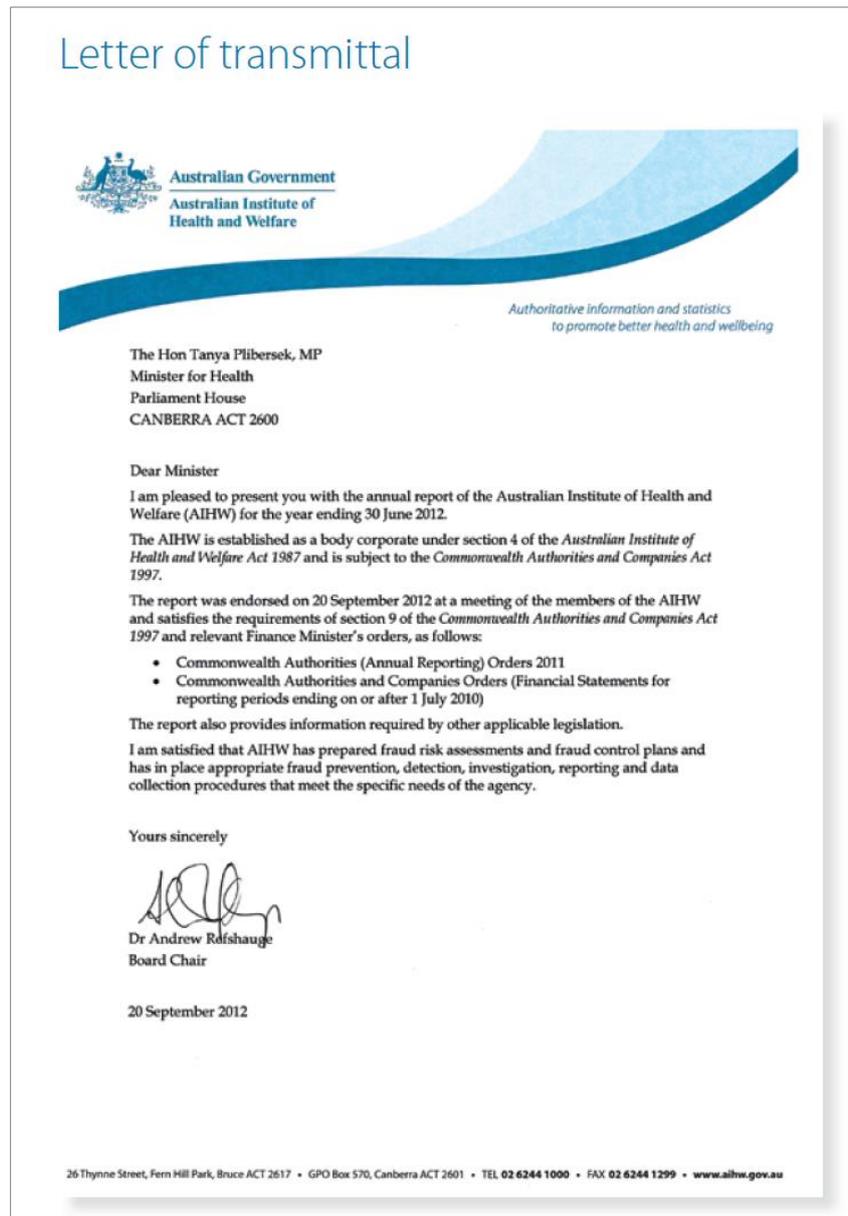


Figure 5.1: Example of a certification of compliance by the agency head in a letter of transmittal

Source: Australian Institute of Health and Welfare, (2012, p. vii)

5.2.1.1.1 Excluded agencies

Defence Materiel Organisation, Geoscience Australia and IP Australia were excluded from the analysis of this certification type for the financial years 2010–11 and 2011–12 for the following reasons. All three agencies published their annual statement together with the department to which they belonged. These agencies indicated that they complied with the certification requirement and referred to the certification statement of their respective department. The department certification statements were signed by the respective heads of the departments and

they did not specifically mention the agencies' compliance. However, all three agencies were individual prescribed agencies with responsibilities under the FMA Act, each with its own agency head, who signed the respective financial statement. Therefore, the head of each agency was also obligated to certify the compliance with the Guidelines. This indicates that the heads of the agencies were not aware of their obligation to certify the compliance of their specific agency. The fact that they referred to the certification issued by their respective departments also indicates that they transferred to another party the act of discharging accountability. This goes against the principles of accountability, because the accountee, in this case the head of the agency, was assigned the task of certifying the compliance and thus providing an account to the accountant, the minister and the public. However, the accountee, knowingly or unknowingly, failed to do so.

5.2.1.2 A certification of compliance by the head in an annual statement

The second type of certification also demonstrates how the head discharges their political accountability through a certification of compliance. However, the certification is included in the annual report, which signifies some acknowledgement of public accountability. In most cases observed, the certification had its own heading as part of the annual report, such as 'Certification of Compliance' or 'Certification of Agency Fraud Control Arrangements'. The certification was usually signed by the head of the agency or body, which did indicate who was discharging the accountability. However, as noted in Chapter 3, Bovens (2007) questioned whether the public has the ability to judge the information and impose sanctions, and thus the dominant accountability indicated by this type of certification is still political accountability. An example of a certification of compliance by the head of an agency or body and presented in the annual report is shown in Figure 5.2.



Figure 5.2: Example of a certification of compliance by the agency head in an annual report

Source: National Capital Authority (2012, p. 85)

5.2.1.3 A statement in the annual report to the effect that the head certified the compliance

The third main type of disclosure relates to a statement, included as part of the annual report, which states that the head of the agency or body certified the compliance with the Guidelines or that the head is satisfied with the existing components of fraud control. This type of statement clearly indicates that the head certified the compliance with the Guidelines. As such, it can still be considered a type of discharging accountability via a certification of compliance statement but without the use of the term *certification*, thus implying the target audience is the public rather than the minister, suggesting that the agency or body is aiming to discharge public accountability. An example of a statement to the effect that the head certified the compliance is shown in Figure 5.3.

The Chief Executive Officer is satisfied that:

- Fraud control plans and fraud risk assessments have been prepared that comply with the Commonwealth Fraud Control Guidelines.
- Appropriate fraud prevention, detection, investigation and reporting procedures and practices that comply with the Commonwealth Fraud Control Guidelines are in place.
- There have been no cases of fraud during 2011–12 to be reported to the Australian Institute of Criminology.

Figure 5.3: Example of a statement in an annual report that an agency head certified the compliance

Source: Federal Court of Australia (2012, p. 56)

5.2.1.4 *A statement in the annual report that an agency or body complies or has in place fraud control*

The fourth type of disclosure is related to a statement, included in the annual report, that an agency or body certifies its compliance with the Guidelines or has in place fraud control and/or complies with the Guidelines. The wording of the statement is the same or very similar to the certification of compliance discussed in the Guidelines but is less formal than providing a certification or set of points that have been satisfied as in the previous example. This suggests that the target audience is both the public (less formal style used) and the government (use of terms such as ‘compliance’ and referring specifically to the Guidelines) and is therefore an attempt to discharge accountability to both. An example of a statement provided in the annual report that an agency has in place fraud control is in Figure 5.4.

The Museum has in place fraud prevention, detection, investigation, reporting and data collection procedures and processes that, together with the Fraud Risk Assessment and Control Plan, meet the specific needs of the Museum and comply with the Commonwealth Fraud Control Guidelines.

Figure 5.4: Example of a statement in an annual report indicating that a body has fraud control in place

Source: National Museum of Australia (2011, p. 52)

However, a statement about compliance with the Guidelines is not signed by the head of the agency or the body, and it is presented, unlike the previous types of disclosure, from the agency point of view—that is, the *agency has prepared, agency has in place*. It could still be argued that such a statement within the annual report can be seen as certification because it is the head of the agency or body that is ultimately responsible for preparation and presentation of the annual report, and therefore any statement presented within the annual report is also certified by the head of the agency or body. As such, this type of disclosure does represent a discharge of accountability both politically and publicly, but it is less clear in terms of who is discharging the accountability and hence there is lack of a clear ‘accountor’ (Bovens, 2007).

These descriptions of the four types of certification have indicated a progressively less formal means of disclosing information about compliance. As such, the form of expression used in the disclosure may shed some light on the nature and purpose of the disclosure being made, and this is therefore discussed next.

5.2.2 Forms of Expression

The following subsections discuss the three forms of expression observed in the certifications of compliance with the Guidelines 2011. These were observed both in letters of transmittal and in annual reports.

5.2.2.1 Using the Wording of the Guidelines 2011

First, the heads of agencies and bodies articulated their compliance with the version used in the Guidelines 2011. This form of certification of compliance with the Guidelines represents a proper, and therefore strong, form of discharging accountability, particularly political accountability. This is because the head appropriately follows the most recent Guidelines and explicitly notes that there is a requirement in place. The following is an example of the expression of certification of compliance according to the Guidelines 2011:

In addition, and as required by the Commonwealth Fraud Control Guidelines, I certify that I am satisfied that the department: has prepared fraud risk assessments and fraud control plans; has procedures and processes that meet the department’s specific need; and has taken all reasonable measures to minimise the incidence of fraud in the department, and to investigate and recover the proceeds of fraud against the department. (Department of Education, Employment and Workplace Relations, 2011, p. iii)

The formal language and reference to the mandatory requirements for the organisation, indicates the emphasis is on compliance, similar to the findings of Lee (1999), and thus accountability is directed at ‘within-government’ users (Taylor and Rosair, 2000) .

5.2.2.2 Using the Wording of the Guidelines 2002

Second, some heads of agencies and bodies certified their compliance with the version used in the Guidelines 2002. As previously discussed, the Requirements for the financial period 2010–2011 still included the Guidelines 2002 version of the certification. However, the Requirements changed for the financial period 2011–2012, reflecting the changes made in the Guidelines 2011. Therefore, commencing with the financial year 2011–12 onwards, there was no reason to use certification from the Guidelines 2002, which were outdated. On ‘face value’, this form of expression appears to be a strong form of political accountability, similar to the level of accountability certified by those agencies and bodies using the Guidelines 2011. However, the fact that the agencies and bodies still used the outdated certification statement indicates a lack of attention to the issue of discharging accountability. The following is an example of certification according to the Guidelines 2002:

I am satisfied that PHIO has prepared fraud risk assessments and fraud control plans and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet specific needs of the agency and comply with the Commonwealth Fraud Control Guidelines.
(Private Health Insurance Ombudsman, 2012, p. 4)

This calls into question the agency or body’s level of motivation to be accountable, and suggests a very compliance-driven attitude to fraud disclosure as has been found with other types of disclosure in prior studies (Lee, 1999).

5.2.2.3 Using The Wording ‘Control Measures’ or ‘Control Mechanism’ and/or ‘Complies’

Third, some heads of agencies and bodies certified their compliance by using the phrase ‘control measures’ or ‘control mechanism’ and/or the word ‘complies’ rather than specifying the individual components of the fraud control with which they comply. Such expressions are less explicit than the prescribed version given in the Guidelines 2011 or even in the Guidelines 2002. An example of such certification is:

In addition, I certify that the Clean Energy Regulator had in place fraud control measures that were appropriate to its functions during the reporting period and

complied with the Commonwealth Fraud Control Guidelines. (Clean Energy Regulator, 2013, p. iv)

Such limited disclosure not only moves away from a ‘compliance-driven’ approach, but it is also quite vague and limited in terms of information. This suggests that when a formal certification statement is not included, the disclosure does little to provide an account that delivers significant accountability to external users as has been found for public-sector disclosures in other countries (Steccolini, 2004).

5.2.2.4 Incomplete Certifications – Note

Not all analysed certifications included all components of fraud control prescribed by the Guidelines 2011 (or the Guidelines 2002). However, the purpose of this part of the study was not to assess compliance of agencies or bodies with all elements of fraud control as prescribed by the Guidelines. Rather, the purpose was to focus on the different ways in which agencies and bodies presented their certification of compliance to discharge their political accountability.

5.2.3 Certification of Compliance: Summary and Discussion

This section presents and discusses a summary of the results drawn from those forms of expression discussed in the preceding four subsections. Table 5.1 shows that, overall, across all three financial years, 300 annual statements contained one of the four types of certification statements of compliance discussed above. This represents close to 95% of all analysed annual reports issued by agencies. This indicates that agencies, albeit on a mandatory basis, like to present themselves as accountable institutions. However, Table 5.1 further shows that only 181 annual statements (60%) contained the correct form of certification statement of compliance. This is somewhat disappointing because it could mean that the agencies are not genuinely concerned about accountability but are merely focused on ‘tick box’ compliance.

The most common method used by agency heads to provide the certification of compliance was to include it in the letter of transmittal. A noticeable increase in this type of certification was observed, with this type accounting for 40% of all certifications in 2011 and 60% in 2013. Furthermore, within this type of certification, the most common form of expression used was the statement outlined by the Guidelines 2011. There was also a noticeable increase in the use of this form of expression between the year 2011, in which this form accounted for 17%, and the year 2013, in which this form accounted for 42% of all forms of expression. This indicates that an increasing number of agencies are appropriately discharging their political

accountability. It seems that agencies needed time to consider the changes made in the certification statement outlined in the Guidelines 2011. However, a large number of agencies continued to use the form of statement in accordance with the Guidelines 2002 or control measures. The fact that some agencies continued to do so and merely copied their certification statement from one year to the next without reflecting the changes made in the Guidelines 2011 indicates a lack of attention when discharging their accountability.

When examining the use of the phrase ‘control measures’ or ‘control mechanism’ and/or the word ‘comply’ without a mention of any individual component of fraud, the results show that, in all but one case, this form of expression was used as part of the letter of transmittal. Therefore, the question arises whether the reason the agency head used such a simplified statement was due to the desire to keep the letter of transmittal short, rather than due to a lack of attention to accountability. If the former, it would be wise, in addition to a simplified statement as part of the letter of transmittal, to also include the full certification statement as part of the annual report. Thus, the agency could clearly state which components of fraud control they complied with as well as provide other additional information.

Table 5.2 shows that fewer bodies than agencies issued annual statements containing one of the discussed types of certification statements of compliance. There were 95 such annual reports; this represents 39% of all analysed annual reports issued by bodies. This is a smaller number than the number of agencies previously discussed. This is most likely a result of the fact that, unlike agencies, bodies were not obligated to issue certification statements. Therefore, at this point, this result can be interpreted as a positive outcome, given that this would indicate commitment towards discharging accountability, even in the absence of a mandatory requirement. The bodies were not obligated to certify their compliance and, in fact, they were not obligated to follow the Guidelines at all.

Unfortunately, only 35 (37%) of these annual statements issued by bodies contained the correct form of certification statement of compliance. The most common type of certification issued by bodies was a statement in the annual report that the body certified the compliance, as opposed to a statement issued by the head in a letter of transmittal or as part of the annual report. Furthermore, in all four types of certification statement, the prevailing form was the use of a statement in accordance with the Guidelines 2002. As such, in the case of bodies, it could be argued that agencies wanted to present themselves as institutions that voluntarily follow the Guidelines. However, they merely copied the certification statement without reflecting any of

the updates in the Guidelines. This clearly indicates a lack of attention to discharging accountability in relation to fraud control.

5.2.4 Certification of Compliance plus Other Disclosure

This subsection outlines the number of agencies and bodies that provided one of the previously discussed types of certification statements and some other information about their fraud control in the annual report. Additional, voluntary, disclosure suggests, particularly to external users and the public, a greater consideration of accountability issues on the part of the agency or body.

Of the 300 annual reports produced by agencies in which one of the types of certification mentioned above was found, 274 (91%) also included other information about fraud control. Therefore, only 9% of agencies that presented a certification of compliance did not provide in their annual report any other information about their fraud control, which suggests that only a small number of agencies see the certification statement of compliance as a sufficient tool for discharging their accountability. Taking into consideration those agencies that did not provide any certification but provided at least some disclosure of fraud control activities, 289 (91%) of the total 317 annual reports included some information about fraud control activities produced by agencies. This initially indicates that agencies used the annual report as a tool for discharging their accountability. The next section, however, which focuses on the nature and extent of these disclosures, indicates that some of the agencies in fact reported only minimum information about their fraud control, which would indicate that they are not serious about discharging accountability.

Of the 90 annual reports produced by bodies in which one of the types of certifications mentioned above was found, 62 (69%) also included other information about fraud control. This means that only 31% of bodies that presented a certification of compliance did not provide any other information about their fraud control in their annual report. However, taking into consideration those bodies that did not provide any certification but provided at least some description of fraud control activities, 158 (65%) of the total 245 annual reports included some information about fraud control activities produced by bodies.

5.2.5 No Certification but Some Description of Fraud Control

As can be seen from the discussion above, a number of heads of agencies and bodies did not certify their compliance with the Guidelines 2011 but did provide, in their annual reports,

information about some of the components of their fraud control. An example of some description of fraud control is shown in Figure 5.5.

Fraud control

The organisation has an established fraud control policy and plan, in line with the Fraud Control Policy of the Commonwealth and guidelines set out by the Attorney General’s Department, Criminal Justice Division.

Figure 5.5: Example of a description of fraud control

Source: Australian Nuclear Science and Technology Organisation (2011, p. 93)

In the example shown in Figure 5.5, the body did not provide the certification of compliance but did provide the information that it has a fraud control policy and plan in place. Thus, it did not see the need to certify its compliance formally, only to disclose that it has a policy. Similar to that noted in Sub-subsection 5.2.1.4, this could suggest an attempt to discharge accountability to the public, but the lack of detail indicates weak accountability because there is no process for being held to that account (Bovens, 2007).

Table 5.3 summarises the number of agencies and bodies whose head did not certify compliance with the Guidelines but provided a description of fraud control in the annual report.

Table 5.3: Description of fraud control only

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	6	6	81	30	37
2011–12	106	5	5	81	32	40
2012–13	107	4	4	83	34	41
Total	317	15	5	245	96	39

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

As can be seen in Table 5.3, a small number of agencies provided only a description of their fraud control. Given that they did not provide certification of compliance with the Guidelines

2011, those agencies did not appropriately discharge their accountability. This is because the agencies were obligated to follow the relevant Guidelines, and a limited description of some of the fraud control activities of an agency does not enable readers of the annual report to assess the extent to which the agency complied with the Guidelines.

Unlike with agencies, however, an extensive number of bodies provided only a description of their fraud control. This type of disclosure had the highest number of all types of certification disclosure for bodies. However, despite no certification, this can still be perceived as a positive result. Bodies were not obligated to follow the Guidelines or to provide any information about their fraud control activities in their annual report. In addition, this type of disclosure is not prescribed by the Guidelines. Therefore, the fact that bodies disclosed at least some information about their fraud control activities in their annual reports indicates a sense of accountability to the public. The nature and extent of the disclosure of fraud control information in annual reports is discussed in Section 5.3.

5.3 Voluntary Disclosure

As outlined in Chapter 2, there are five elements of fraud risk management and fraud control: assessment, planning, prevention, detection and investigation, and data collection and reporting. In this research study, these five elements were used as the basis for analysing the voluntary disclosure of fraud-related information.

5.3.1 Fraud Risk Assessment

This subsection discusses the extent and nature of voluntary disclosure about fraud risk assessment as reported by agencies and bodies in their annual reports. Agencies were obligated to conduct a fraud risk assessment at least once every two years (Commonwealth of Australia, 2011b, p. 9). This obligation was imposed not only by the Guidelines 2011 but also by the Guidelines 2002 (Commonwealth of Australia, 2002, p. 10). Bodies were recommended to follow the Guidelines 2011. As such, agencies and bodies should be able, at least, to provide information about the occurrence and timing of their fraud risk assessment. In addition, information about any significant identified fraud risk would be helpful to users in understanding how the agency or body manage their risks of fraud.

Therefore, this subsection discusses the information provided about the occurrence and frequency of the fraud risk assessment, who completed the assessment (including whether it was externally verified), and the level of fraud risk that, if identified, was disclosed by agencies

and bodies to demonstrate their accountability. Table 5.4 provides a summary of the number of agencies and bodies that provided some information about their risk assessment in the annual report.

Table 5.4: Fraud risk assessment disclosure

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	50	48	81	18	22
2011–12	106	45	42	81	19	23
2012–13	107	53	50	83	17	21
Total	317	148	47	245	54	22

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

The results presented in Table 5.4 show that extensively more agencies than bodies provided some information about risk assessment in their annual report.

The extent of disclosure about risk assessment varied from a very brief disclosure to an extensive description. An example of a very brief disclosure is the disclosure provided by the Australian Institute of Family Studies (2011): ‘A fraud risk assessment was conducted in December 2010’ (p. 82). This brief disclosure provides information only about when the fraud risk was conducted. An example of more-extensive disclosure is the disclosure provided by the Climate Change Authority:

During 2012–13 KPMG was engaged to undertake a fraud risk assessment of the Authority. The objectives of the assessment were for the Authority to: identify the inherent fraud risks within the Authority, outline the internal controls currently in place to mitigate the fraud risks identified, assess the overall effectiveness of those controls, and to specifically develop fraud mitigation strategies to address those risks with an unacceptably high rating or where it is identified that control enhancements are possible. The risk assessment was conducted in accordance with the Australian and New Zealand Risk Management Standard (AS/NZ ISP 31000:2009) and the Fraud and Corruption Control Australian Standard (AS 8001-2008). (Climate Change Authority, 2013, p. 17)

The disclosure provided by the Climate Change Authority is more comprehensive because it includes information about who undertook the fraud risk assessment, the objectives of the assessment and the relevant frameworks. Such a disclosure enables users of the annual report to understand the extent of the fraud assessment— an important activity in managing the risks of fraud.

The most obvious similarity observed in the disclosures by agencies and bodies was information about when the fraud risk assessment was conducted. Across the three-year financial period, between 51% and 60% of the agencies and between 35% and 53% of the bodies that made any disclosure about fraud risk assessment in their annual reports reported specifically that they undertook the fraud risk assessment in the year of the disclosure.

As part of the AIC survey, agencies and bodies were asked to state the year in which the most recent fraud risk assessment was undertaken. Figure 5.6 shows the results of the survey for this question.

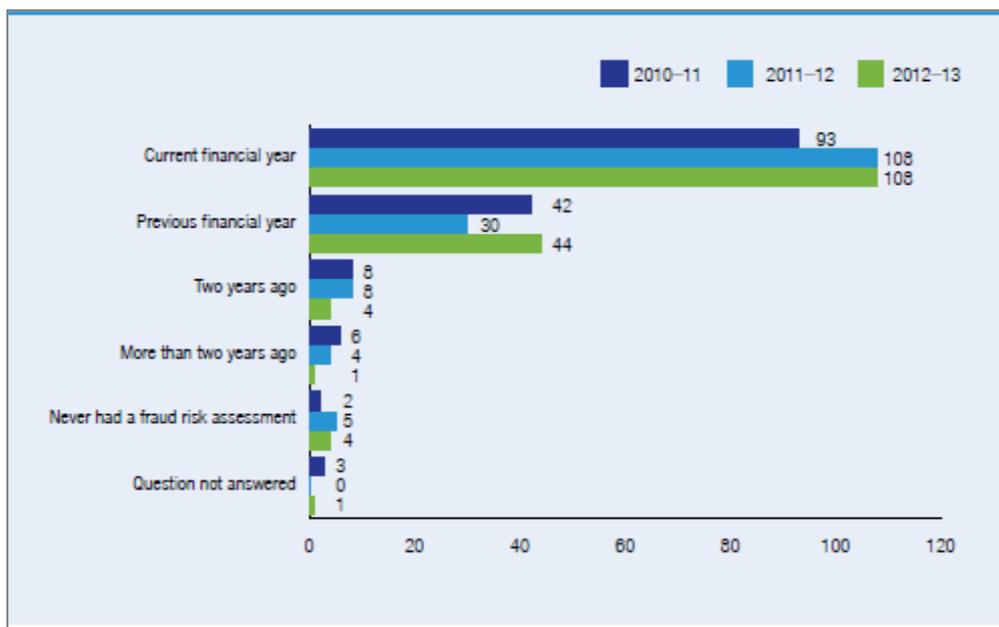


Figure 5.6: AIC survey – year of most recent fraud risk assessment

Source: Jorna and Smith (2015, p. 48)

According to the AIC report, 60% of agencies and bodies (93/154) in the financial year 2010–11, 70% of agencies and bodies (108/155) in the financial year 2011–12 and 67% of agencies and bodies (108/162) in the financial year 2012–13 that were included in the AIC analysis reported they completed their risk assessment in the current financial year. Furthermore, 27% of agencies and bodies (42/154) in the financial year 2010–11, 19% of agencies and bodies (30/155) in the financial year 2011–12 and 27% of agencies and bodies (44/162) in the financial year 2012–13 that were included in the AIC analysis reported that they completed risk assessment in the previous financial year.

For the purposes of comparison between the results of the AIC survey and the results of this research study, Table 5.5 provides a summary of the total number of agencies and bodies that provided information in their annual report that their risk assessment was undertaken in the current or prior year out of a total number of agencies and bodies that were analysed in this research study.

Table 5.5: Timing of fraud risk assessment

	Agencies and bodies <i>N</i>	Agencies and bodies: current year <i>n</i>	Agencies and bodies: current year %	Agencies and bodies: previous year <i>n</i>	Agencies and bodies: previous year %
2010–11	185	38	21	2	1
2011–12	187	33	18	5	3
2012–13	190	34	19	3	2

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

This result indicates that approximately only one-third of agencies and bodies that reported completing a fraud risk assessment in the current financial year to the AIC also reported it in the annual report. Furthermore, fewer agencies and bodies that reported completion of a fraud risk assessment in the previous financial year to the AIC also reported it in the annual report.

As such, a reporting gap can be observed between the information that agencies and bodies report to the AIC to discharge their political accountability, and the information they report in the annual report to discharge their public accountability. The following results of the analysis may partially explain the differences. It was observed that agencies and bodies do report the occurrence of fraud risk assessment. However, because the agencies and bodies did not always state in the annual report the date of the most recent assessment—information that is presented in the AIC report—the results do not enable a similar conclusion to that reported by the AIC. This indicates a lack of detail in annual reports, which results in readers (a public audience) not receiving the level of information provided to the AIC (a political audience).

Specifically, across the three-year financial period, between 30% and 38% of agencies and between 41% and 44% of bodies—although they disclosed the occurrence of fraud risk assessment—did not specifically report the date of the latest fraud risk assessment in the annual report. Therefore, the date of the latest fraud risk assessment could not be established. The disclosure that falls into this category represents, first, fraud risk assessment in general terms. Second, it represents disclosure when an agency or body has used words such as ‘updated on

an ongoing basis', 'regularly' or 'at least every two years' but has not specifically stated whether and when the recent fraud risk assessment was undertaken. An example of general disclosure of fraud risk assessment is the disclosure provided by the Department of Finance and Deregulation (2011): 'Finance maintains a comprehensive fraud control plan, based on fraud risk assessments, that complies with the Commonwealth Fraud Control Guidelines 2011' (p. 84). Although this disclosure statement implies that the Department of Finance and Deregulation completed a fraud risk assessment, it includes no other information that could indicate the period the most recent fraud risk assessment was completed. Therefore, the fraud risk assessment could have been completed in the previous year or in the current year.

An example of disclosure when an entity has used unspecific time expressions is the disclosure provided by the Administrative Appeals Tribunal (2011):

The tribunal regularly assess its risk position, such as for business risks that may have an impact on national operations. These assessments include registry operations, public interactions, information systems and links with the Fraud Control Plan. (p. 48)

The word 'regularly' does not specify how often the assessment is undertaken, and it could therefore be interpreted in many ways, such as every year, every second year or every five years. In this case, the Administrative Appeals Tribunal certified compliance with the Guidelines 2011, which means it assesses the risk at least once every two years. However, the year in which the assessment was undertaken could not be established over the three-year financial period.

These results indicate that agencies and bodies, when reporting on fraud risk assessment, do not use concrete information about the timing of the fraud risk assessment. Such information is important to assess whether the agency or body complies with the Guidelines and, therefore, to make an assessment about the extent to which their accountability is being discharged.

It was further noticed that nine agencies and one body reported that the fraud risk assessment had been undertaken every year. Interestingly, the AFP, in its 2010–11 financial period annual report stated that 'fraud control risks are reviewed on a quarterly basis'(Australian Federal Police, 2011, p. 111). There is no explanation given for this agency reviewing its fraud control risks so regularly. However, the statement was changed for the 2011–12 and 2012–13 financial periods, from a specific period to a non-specific period: 'fraud and corruption risks are reviewed regularly' (Australian Federal Police, 2012, p. 87; 2013, p. 120).

In addition, across the three-year financial period, between 0% and 9% of agencies and between 5% and 12% of bodies that made a disclosure each year about the risk assessment reported that the most recent fraud risk assessment was completed in the prior period. Furthermore, across the three-year financial period, between 7% and 10% of agencies—and 12% of bodies in the financial year 2012–13—that made a disclosure each year about the risk assessment reported that they plan to undertake the fraud risk assessment in future.

An additional similarity was observed when nine agencies and two bodies reported on their level of identified risk of fraud. Six agencies and one body reported a low exposure to risk, two agencies reported a moderate level of risk of fraud, and one agency reported low to moderate exposure to fraud in one year and reported overall fraud risk as low to significant in the subsequent year. One body also stated that one significant risk was identified, but it did not provide any specific details. Four agencies further explicitly stated their identified risks of fraud:

- misuse of classified and/ or sensitive information (Commonwealth Director of Public Prosecutions, 2013, p. 99)
- material non-compliance with relevant legislation, including the FMA Act, with the intention of defrauding the Commonwealth; unethical behaviour, misconduct or impropriety; and break, enter and steal property (Corporations and Markets Advisory Committee, 2011, pp. 29–30)
- deliberate leaking of sensitive information; incorrect or falsified payment instructions; and theft of misuse of Commonwealth assets (Future Fund Management Agency, 2011, p. 45; 2012, p. 47; 2013, p. 56)
- vendor payment fraud, use of Australian Government credit cards and flexible working arrangements (Professional Services Review, 2012, p. 21).

The disclosure provided by the above agencies provides a variety of identified fraud risks. Such a disclosure enables users of the annual report to understand the extent of the fraud risk identified and the identified areas in which the risk of fraud is more prevalent. Therefore, it helps to aid understanding of the results of an important activity in managing the risks of fraud.

Finally, it was also noted that four agencies and two bodies disclosed that they engaged an external provider to undertake a fraud risk assessment. For example, the Climate Change Authority, 2013) stated: ‘During 2012–13 KPMG was engaged to undertake a fraud risk

assessment of the Authority’(p. 17). Such a disclosure enables users of the annual report to understand who undertook the fraud risk assessment. This is important information because it signals to the reader that the information is reliable and has been undertaken by an independent external party, one that is highly likely to have extensive experience in fraud risk assessment.

Notwithstanding the fact that almost 50% of agencies and more than 20% of bodies disclosed fraud risk assessment information in their annual reports, several simply repeated the same or a nearly identical statement from one annual report to the next, without providing any other information. Ten agencies and five bodies were identified as having the same or a nearly identical disclosure statement across all three annual reports, and nine agencies and one body were identified as having the same or a nearly identical disclosure statement across two annual reports. For example, the Office of Parliamentary Counsel repeated the following statement in all three financial years:

OPC has reviewed the Fraud Control Policy and Plan during the year. The review included an assessment of risks. No additional fraud control initiatives were undertaken as a result of the review. (Office of Parliamentary Counsel, 2011, p. 39; 2012, p. 37; 2013, p. 46)

This indicates that agencies in particular, but also bodies, are not highly committed to discharging their accountability for assessment of fraud through disclosure in annual reports. As noted in the earlier sections on certification statements, there is a clear tendency towards a ‘boilerplate’ compliance-driven approach (Lee, 1999) to reporting on risk assessment.

5.3.2 Fraud Control Plan

This subsection discusses the extent and nature of disclosure about fraud control plans as reported by agencies and bodies in their annual reports. Agencies were obligated to prepare a fraud control plan, and bodies were recommended to comply with the Guidelines 2011 (Commonwealth of Australia, 2011b, p. 11). The same obligations were included in the Guidelines 2002. As such, the minimum information that could be expected to be reported by agencies and bodies is the existence and timing of revision of fraud control plans. In addition, other information, such as whether an external body was engaged in the creation or revision of the fraud control plan and the inclusion of an outline of the main components of the fraud control plan, would be helpful to understand the agency’s or body’s plans to deal with the issues of fraud.

Therefore, this subsection discusses the information provided about the existence of the fraud control plan, its main components, how frequently the plan is revised and who prepared it, as disclosed by agencies and bodies to demonstrate their accountability. Table 5.6 provides a summary of the number of agencies and bodies that provided any disclosure of their fraud control plan in the annual report.

Table 5.6: Fraud control plans

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	71	68	81	32	40
2011–12	106	65	61	81	38	50
2012–13	107	76	71	83	33	40
Total	317	212	67	245	103	42

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

The results presented in Table 5.6 show that, as for fraud risk assessment, extensively more agencies than bodies provided any information about the fraud control plan in their annual report. The extent of disclosure about the fraud control plan varied from very brief to a more extensive description. An example of a very brief disclosure is that provided by the Department of Parliamentary Services (2011): ‘In 2010, DPS carried out a new fraud risk assessment and revised the Fraud Control Plan’ (p. 99). This brief disclosure only provided information about the time when the fraud control plan was revised.

Two examples of more-extensive disclosure can be found in an annual report from the Australian Reinsurance Pool Corporation (2012): ‘ARPC’s fraud control plan gives guidance on the responsibility and accountability of employees for reporting and investigating allegations of unethical practices’ (p. 43) and later in the same report:

Following this, ARPC refined its fraud control plan, aligning it with the framework promoted by the ANAO in its document Elements of Better Practice Fraud Control 2011 and consistent with the Commonwealth Fraud Control Guidelines 2011. The plan addresses how ARPC maintains an appropriate culture and demonstrates leadership. It also outlines policy, legislation and governance requirements and the four key fraud control strategies in place: prevention, detection, response and monitoring and reporting. The plan clearly allocates responsibilities for fraud risk management and control between the Audit and Compliance Committee, the CEO, ARPC management and ARPC staff. It also sets specific actions to be completed in 2012–13 with assigned responsibilities and set target dates. (Australian Reinsurance Pool Corporation, 2012, pp. 47–8)

The disclosure provided by the Australian Reinsurance Pool Corporation is more informative. The agency specifically stated that the plan had been refined in order to be consistent with the current legislative framework at that time. It further defined the key strategies that the agency had in place to control the risk of fraud. Last, the disclosure stipulated who was responsible for fraud control management and that there were tasks that needed to be completed by specified dates. Therefore, such disclosure enables users of the annual report to understand the extent to which the fraud control plan is an important tool for formulating the strategy to deal with fraud.

Similar to the results for fraud risk assessment, the most obvious similarity in the disclosure about the fraud control plan that was observed between agencies and bodies was the information that was provided about when the fraud control plan was created or revised.

Across the three-year financial period, between 49% and 55% of the agencies and between 35% and 53% of bodies that made any disclosure about the fraud control plan in the annual report specifically reported that they had created or revised their policy in the year of the disclosure. In addition, between 6% and 17% of agencies and, similarly, between 5% and 18% of bodies across the three-year financial period made any disclosure about the fraud control plan in the annual report, and the most recent fraud control plan was developed or revised in the prior period. Furthermore, between 5% and 21% of agencies and between 3% and 11% of bodies also reported their fraud control plan would be developed or reviewed in the future.

As part of the AIC survey, agencies were asked to specify when their most recent fraud control plan was developed. Figure 5.7 presents the results of the AIC survey for that question.

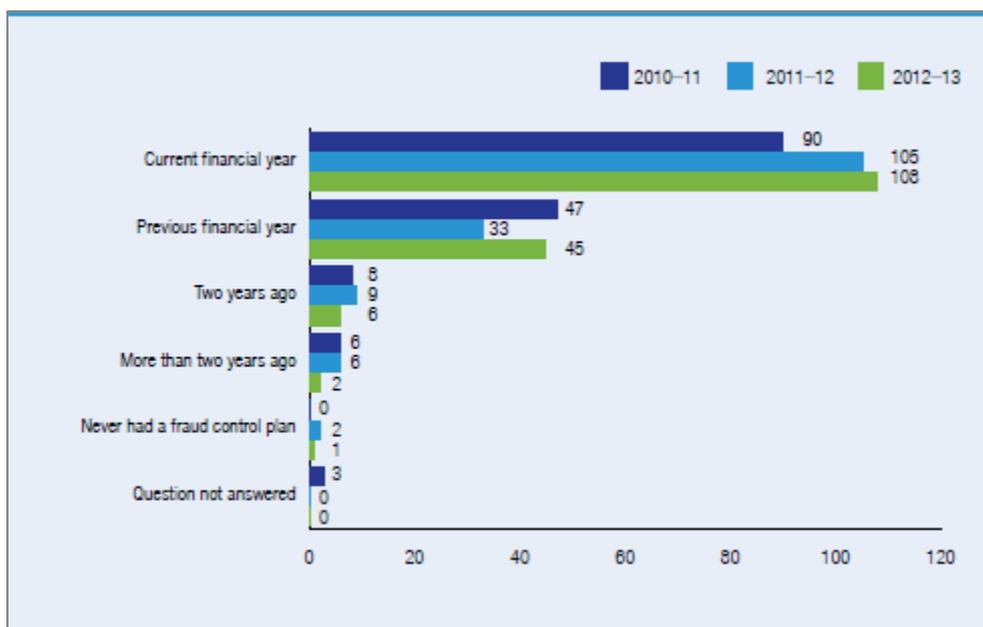


Figure 5.7: AIC Survey – year of most recent fraud control plan

Source: Jorna and Smith (2015, p. 47)

According to the AIC report, 58% of agencies and bodies (90/154) in the financial year 2010–11, 68% of agencies and bodies (105/155) in the financial year 2011–12 and 65% of agencies and bodies (106/162) in the financial year 2012–13 that were included in the AIC analysis reported that their fraud control plan was developed in the current financial year. Furthermore, 31% of agencies and bodies (47/154) in the financial year 2010–11, 19% of agencies and bodies (21/155) in the financial year 2011–12 and 28% of agencies and bodies (45/162) in the financial year 2012–13 that were included in the AIC analysis reported that their fraud control plan was developed in the previous financial year.

For the purposes of comparison between the results of the AIC survey and the results of this research study, Table 5.7 provides a summary of the total number of agencies and bodies that provided information in their annual report that their fraud control plan was most recently developed in the current or prior financial year out of a total number of agencies and bodies that were analysed in this research study.

Table 5.7: Year of development of fraud control plan

	Agencies and bodies <i>N</i>	Agencies and bodies: Current year <i>n</i>	Agencies and bodies: Current year %	Agencies and bodies: Previous year <i>n</i>	Agencies and bodies: Previous year %
2010–11	185	45	24	6	3
2011–12	187	48	26	13	7
2012–13	190	48	25	17	9

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

This result indicates that less than half of the agencies and bodies that reported the development of a fraud risk plan in the current financial year to the AIC also reported it in the annual report. Furthermore, extensively fewer agencies and bodies that reported the development of a fraud risk plan in the previous financial year to the AIC also reported it in the annual report.

This result shows that a gap exists between the information that agencies and bodies report to the AIC in order to discharge their political accountability and the information that agencies and bodies report in an annual report in order to discharge their public accountability. However, such a result could again be partially explained by the differences in the level of detail in the disclosure in annual reports. The information provided in the annual report about the fraud control plan enables the public to establish the existence of a plan and the fact that the plan has been revised. However, the expression used by agencies and bodies often prevents the public from establishing the frequency with which the fraud control plan is revised. As such, it is difficult to compare the results of this research study with contents of the AIC report.

Specifically, between 15% and 17% of agencies and, importantly, between 52% and 53% of bodies, across the three-year financial period, did not specifically state the date when the fraud control plan was developed or reviewed. First, this type of disclosure refers to when an agency or body expressed information about the fraud control plan in general terms. One such example is from Health Workforce Australia (2012): ‘the HWA fraud control plan includes a summary of all prevention, detection, reporting and investigation measures adopted by HWA’(p. 61). Although this statement implies that Health Workforce Australia does have a fraud control plan, no other information is provided that could be helpful for understanding when the most recent fraud control plan was developed or revised. This is important information because the issues surrounding fraud are often changing. For example, the level of risk of fraud can change because of changes in the methods that are used to commit fraud or the ways by which fraud can be detected, especially as technology improves and develops. The frequency with which

the fraud control plan is revised and updated therefore indicates whether the agency or body has a plan that incorporates the contemporary components of a fraud control framework. An outdated plan may not be effective in terms of prevention, detection or investigation of fraud. Therefore, the information about the frequency with which the fraud control plan is revised and updated also helps to indicate its responsiveness to fraud-related issues of concern to the public and, therefore, the extent to which the entity is accountable.

Second, this type of disclosure—that is, not specifically stating the date when the fraud control plan was developed or reviewed—also included instances when an agency or body used words such as ‘constantly’ or ‘regularly’ but did not specifically state whether and when the most recent fraud control plan was developed or revised. An example of disclosure when an entity used non-specific time expressions can be found in a Cancer Australia (2011) annual report: ‘In accordance with the requirements of the Commonwealth Fraud Control Guidelines, Cancer Australia constantly reviews its fraud control plan’ (p. 35). The word ‘constantly’ does not specify exactly how often the plan is developed or revised and, as such, could be interpreted in various ways.

In contrast, nine agencies and two bodies specifically reported on the frequency with which they review their fraud control plan. Six agencies and two bodies reported that they conduct a review of their fraud control plan every two years. One agency stated in the financial year 2010–11 that it operates on a rolling three-year fraud control plan; however, in subsequent years, it stated that it conducts a review every two years. One agency stated in the financial years 2010–11 and 2011–12 that its fraud control plan is reviewed annually. However, the same agency changed the statement in the financial year 2012–13, stating that the fraud control plan is reviewed every two years. Last, one agency stated that it reviews the fraud control plan every 18 months, noting that this is more frequent than every two years as provided for in the Guidelines, thus signalling its commitment to accountability for fraud control by indicating that it goes above and beyond what is suggested by the Guidelines.

A large similarity that was observed regarding disclosure was 23 agencies and 10 bodies reporting the purpose or scope of their fraud control plan in at least one of their annual reports. The degree of detail in the statements varied from very brief accounts to extensive descriptions of the purpose or the scope by agencies, and only very brief reporting by bodies. A disclosure made by Comcare (2011) is an example of a less extensive description of the purpose or scope of the fraud control plan: ‘The fraud control plan describes Comcare’s approach to preventing

or detecting and responding to incidents of serious non-compliance and fraud’ (p. 132). Disclosure by the Australian Sports Anti-Doping Authority (2011) is an example of a more extensive description of the purpose or scope:

The plan addresses the key elements of:
preparedness – governance arrangements that support an anti-fraud culture within ASADA
prevention – understanding the sources and potential impacts of fraud by identifying and assessing risks based on the application of existing controls that prevent, detect and deter the threat of fraud
response – through the establishment of appropriate channels for reporting fraud and detection mechanisms
recovery – through administrative, civil or criminal processes and an examination of the lessons learnt to further refine fraud control strategies and enhance internal and other controls.
Our Fraud Control Plan also ensures we have appropriate fraud prevention, detection, investigation and reporting procedures and processes in place. (p. 65)

The above disclosure provided by the Australian Sports Anti-Doping Authority is more informative than the Comcare (2011) disclosure because it clearly presents the key elements of the fraud control plan. Such disclosure enables users of the annual report to understand how this particular agency attempts to control and combat fraud.

Seven agencies also stated that, together with the fraud control plan, they also maintain a fraud risk register. For example, the Administrative Appeals Tribunal (2012) stated that ‘the Tribunal reviewed and updated its Fraud Control Plan, including its Fraud Risk Register’ (p. 52). However, such disclosure was not provided by any of the bodies.

Another similarity was observed when six agencies and two bodies reported that they had engaged an external provider to prepare or revise the fraud control plan. For example, the Federal Court of Australia (2011) stated that ‘the Court’s previous internal auditors, Deloitte, prepared the Court’s 2011–13 Fraud Control Plan during 2010–11’ (p. 58). Such a disclosure enables users of the annual report to understand who created or helped to create the fraud control plan. This is important information because it indicates that an external party, most likely with more professional experience in developing fraud risk strategy, has been engaged. Engaging an external party for the purposes of developing or revising the fraud control plan then helps the entity to more effectively discharge their accountability in relation to controlling the risk of fraud. A common element of accountability is oversight and confirmation of performance carried out by external parties due to perceived independence (Johnston and Romzek, 1999).

Two interesting disclosures in relation to the fraud control plan were observed. First, disclosure was made by the Australian Electoral Commission, which stated that it maintained two plans: an electoral fraud control plan, which focuses on election and enrolment fraud, and a corporate fraud control plan, which focuses on all other forms of fraud (Australian Electoral Commission, 2011, p. 106). As the Australian Electoral Commission deals with personal data of the public, this is a clear signal that they are committed to accountability for ensuring the safety and privacy of that information.

Second, the AFP was the only agency that stated that its fraud control plan applies to all appointees, contractors and service providers (Australian Federal Police, 2012, p. 120). Again, the AFP has a close relationship with the public and therefore chooses to make statements above and beyond the general requirements.

A similarity was also observed between seven agencies and two bodies that indicated that the fraud control plan is available to their staff in an electronic form. For example, the Australian Taxation Office (2012) stated that its fraud control plan ‘is available to all of our employees on our intranet’ (p. 119). This shows that agencies are adopting several ways for staff to access the fraud control plan. Electronic versions currently seem to be the most appropriate means of storing and accessing important documents. This also indicates the entity’s commitment to providing to their employees important documents in relation to fraud control as a mean of discharging their accountability internally.

In addition, five agencies reported that the fraud control plan is used as part of their induction sessions for new employees. For example, the AGD stated: ‘The department’s fraud control plan complies with the Commonwealth Fraud Control Guidelines 2011 and has been incorporated into staff induction packs and training’ (Attorney-General’s Department, 2013, p. 92).

Finally, another similarity observed between several agencies and bodies was the repetition of the same or nearly identical statements about the fraud control plan from one financial statement to the next without provision of any other information. Sixteen agencies and eight bodies were identified as having the same or nearly identical disclosure statements across all three annual reports, and eight agencies and five bodies were identified as having the same or nearly identical disclosure statements across two annual reports. For example, the Australian Trade Commission disclosed the following statements, the first in 2011.

A revised Fraud Control Plan, effective from 2011 to 2013, has been endorsed by the ARC and is consistent with the Australian standards applying at the time (AS/NZS ISO 31000:2009 Risk Management and AS 8001:2003 Fraud Corruption and Control). A principles-based ethics and integrity approach underpins the strategies of awareness, prevention, identification, reporting, prosecution and continuous improvement. This approach includes an anti-bribery and corruption awareness program for all staff. (Australian Trade Commission, 2011, p. 92)

The following statement was disclosed in 2012 and 2013:

A revised Fraud Control Plan, effective from 2011 to 2013, has been endorsed by the Audit and Risk Committee and is consistent with the Australian standards applying at the time (AS/NZS ISO 31000:2009 Risk Management and AS 8001:2003 Fraud Corruption and Control). A principles-based ethics and integrity approach underpins the strategies of awareness, prevention, identification, reporting, prosecution and continuous improvement. This approach includes an anti-bribery and corruption awareness program for all staff. (Australian Trade Commission, 2012, p. 110; 2013, p. 91)

The only difference between the above two statements is in the name of the Audit and Risk Committee, which is referred to in the abbreviated form, 'ARC', in the first statement. However, neither statement provides any new information about the fraud control plan from one financial year to another.

A simple 'copy and paste' exercise indicates that the agencies and bodies are not interested in providing any new information about fraud control plans, and this practice therefore raises questions about whether they are genuinely interested in accountability through annual reporting. For example, after the document has been revised, the entity could at least inform readers about whether any changes were made to the plan as a result of the revision and, if so, what the main implications may be for overall fraud control.

5.3.3 Fraud Prevention

As noted in Chapter 2, the important components of fraud prevention are appropriate policy, developing awareness and ensuring relevant training. According to both the Guidelines 2011 and the Guidelines 2002, agencies are obligated and bodies are recommended to develop fraud awareness and training (Commonwealth of Australia, 2011b, p. 12). Therefore, agencies and bodies should also be in a position to provide in the annual report a variety of information about fraud awareness and training. Sub-subsection 5.3.3.1 specifically focuses on fraud policy and Sub-subsection 5.3.3.2 on fraud awareness training.

The minimum information that could be expected to be reported by agencies and bodies is the existence and timing of the revision of fraud policy and the frequency and methods with which fraud awareness raising and training activities are provided to employees and other parties. This information is important because it communicates how agencies and bodies inform and engage their employees as well as other parties, such as contractors or visitors, in fraud control activities. Therefore, this information not only indicates how they discharge their accountability internally but also provides assurance to external audiences that appropriate processes are in place. Table 5.8 provides a summary of the number of agencies and bodies that provided any disclosure about fraud awareness and training in the annual report.

Table 5.8: Fraud awareness and training

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	49	47	81	21	26
2011–12	106	58	55	81	26	32
2012–13	107	57	53	83	24	29
Total	317	164	52	245	71	29

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

The results presented in Table 5.8 show that predominantly more agencies than bodies provided any information about fraud awareness and training in the annual report.

Within the disclosure of fraud awareness and training, two observations were made. First, agencies and bodies reported information about their fraud policy. Development of fraud policy is part of the chief executive officer’s responsibility as stated in the Guidelines 2011. Furthermore, fraud policy is created for employees and contractors to raise awareness and understanding of fraud issues and thus to prevent fraud and to help with fraud detection (Commonwealth of Australia, 2011b, p. 12). Second, agencies and bodies reported information about raising awareness through training. The Guidelines 2011 stress the importance of fraud awareness raising via appropriate training for all employees and, where appropriate, for contractors (Commonwealth of Australia, 2011b, p. 12). The next two sub-subsections therefore discuss the extent and nature of fraud policy and fraud awareness training disclosure. The third sub-subsection discusses the extent and nature of other methods that agencies and bodies reported using to raise awareness of fraud issues, which arose from the analysis.

5.3.3.1 Fraud Policy

Table 5.9 provides a summary of the number of agencies and bodies that provided any disclosure about their fraud policy in the annual report.

Table 5.9: Fraud policy

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	11	11	81	10	12
2011–12	106	13	12	81	13	16
2012–13	107	11	10	83	10	12
Total	317	35	11	245	33	13

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

The results presented in Table 5.9 show that, based on percentage, marginally more bodies than agencies provided any information about their fraud policy in the annual report. This is, in fact, the only area in which disclosure provided by bodies was greater than disclosure provided by agencies. The results indicate that bodies were willing to disclose some information about their fraud control activities; however, their actual disclosure was not particularly detailed and was sometimes copied from one year to another. Providing general information about a fraud policy—that is, about the existence of a fraud policy—is easy and hence may explain why it is the only area that was higher for bodies than for agencies.

Overall, the disclosure about fraud policy by agencies and bodies was very limited, extending to reporting the existence of the fraud policy only or to the fact that the policy was revised. Statements about the fraud policy were made in the context of the existence and objectives of a fraud control plan or in the context of the existence of another policy or policies of the agency or body, such as providing a list of the agency’s policies. For example, the Australian Law Reform Commission (2012) stated that ‘the ALRC also has a Fraud Policy Statement that sits alongside the Fraud Control Plan’ (p. 48).

The only notable similarity in the disclosure that could be observed between agencies and bodies was the information that the fraud policy was created or revised in the current year. Across the three-year financial period, between 50% and 67% of the agencies and between 10% and 50% of the bodies that made a disclosure about the fraud control policy reported in the annual report that they undertook, created or revised it in the year of the disclosure. The Australian Sports Commission (ASC) provides an example of such disclosure in its 2012

annual report: ‘During 2011–12 the ASC reviewed and updated its Fraud Control Policy’ (Australian Sports Commission, 2012, p. 58).

However, between 33% and 50% of agencies and, extensively, between 50% and 90% of bodies that made a disclosure about their fraud policy across the three-financial period did not specifically report the date when the fraud policy was developed or reviewed. This is again because these agencies and bodies provided disclosure about the fraud policy in general terms only and, therefore, the date could not be established. An example of general disclosure of fraud policy is the following statement by the Australian Nuclear Science and Technology Organisation (2011):

The organization has an established fraud control policy and plan, in line with the Fraud Control Policy of the Commonwealth and guidelines set out by the Attorney-General’s Department, Criminal Justice Division. (p. 93)

5.3.3.2 *Fraud Awareness Training*

Table 5.10 provides a summary of the number of agencies and bodies that provided any disclosure about their fraud awareness training activities in the annual report.

Table 5.10: Fraud awareness training

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	44	42	81	14	17
2011–12	106	52	49	81	18	22
2012–13	107	52	49	83	18	22
Total	317	148	47	245	50	20

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

The results presented in Table 5.10 show that more agencies than bodies provided any information about their fraud awareness training in the annual report. The extent of disclosure about the fraud awareness training varied from a very brief to an extensive description. The Australia Council (2013) provides an example of a very brief disclosure:

Refresher training on subject matters such as good decision making, delegations, fraud, privacy and freedom of information, record management, writing minutes and work, health and safety were provided to staff during 2012–13. (p. 53)

This disclosure by the Australia Council merely provides information about the existence of training on a range of matters that, among others, also includes fraud.

The Department of Defence (2012) provides an example of more-extensive disclosure:

A Fraud and Ethics Awareness Program underpins Defence's approach to fraud control. The awareness program comprises either a face-to-face presentation or completing an eLearning module, as well as videos, newsletter and a dedicated intranet site for information and advice. Fraud and Ethics awareness training is mandatory for all Defence personnel and must be completed at least every two years. In 2011–12, 162 fraud and ethics awareness presentations were delivered to over 11,000 Defence personnel across Australia. In addition, over 20,000 personnel completed fraud and ethics awareness training through the Defence eLearning platform, CAMPUS. (p. 133)

The disclosure provided by the Department of Defence is more informative because it provides information about the various delivery methods used, identifies which training is mandatory, describes the frequency with which training must be completed and lists the number of employees that completed the training. Such disclosure shows a desire on the part of the agency to demonstrate their commitment to combat fraud by ensuring all its employees are not only aware of the risk of fraud but also trained to deal with it. Such information enables users of the annual report to understand the extent of the activity that helps to prevent fraud.

It was also observed that agencies and bodies disclosed information about several fraud awareness approaches. The most common of this type of disclosure was that the agency or body provided fraud awareness training or workshops. Fifty-four agencies and 22 bodies disclosed some information about fraud awareness training or a workshop in at least one of the three financial years.

Agencies and bodies further reported that the fraud awareness training was offered using various delivery methods. Nine agencies and seven bodies specifically stated that the training was accessible via intranet or was available online. For example, the Australian Electoral Commission (2012) stated:

We continued to focus on fraud awareness among staff. Staff were required to undertake an e-learning fraud awareness online training module. The module is a question-and-answer style tool designed to provide staff with awareness of what constitutes fraud, their obligation to report fraud, and how to attain assistance if they suspect fraud is occurring. (p. 97)

The importance of innovative methods in fraud awareness training via online delivery is also demonstrated by the Australian Taxation Office (2012) approach to continuous improvement:

Ethical Behaviour Matters is an online learning product we developed this year to help our employees recognise ethical issues and deal with them appropriately. It replaces our former award winning fraud awareness program Make the Right Choice. (p. 119)

Such a statement demonstrates to users of the annual report the agency's recognition of the importance of this element of fraud control and reflects its ongoing effort for improvement. Interestingly, it relates its training to the broader notion of 'ethics' rather than to simply fraud detection, suggesting a commitment to developing the culture of the organisation, of which accountability is an important element.

Various methods for delivering fraud awareness training were observed, including face-to-face training, online delivery, video-conferencing and a combination of these methods. For example, the Department of Families, Housing, Community Services and Indigenous Affairs, (2011) stated:

The FaHCSIA fraud awareness strategy meets the different training needs of staff in the national office and the state and territory network. The strategy incorporates a number of delivery methods, including face to face, videoconferencing and an online e-learning module. (p. 145)

Such disclosure reveals that the agency understands the importance of a variety of delivery methods to suit the needs of different employees, thus increasing the likelihood of successful completion of the awareness training.

Another similarity was observed when 19 agencies and five bodies disclosed that their fraud awareness training was also used as part of induction sessions for new employees or as part of continuing staff development programs. This demonstrated the employers' understanding of the importance of fraud awareness to all employees.

Although agencies and bodies frequently stated that fraud awareness training was conducted for all their employees, two bodies specifically stated that the training was provided to management rather than to all employees. For example, the Australian Hearing Services (2011) stated that 'fraud awareness training was provided to senior management during the year' (p. 14). This could indicate that some agencies and bodies consider the responsibility for fraud to

be at management level and that management are to be held accountable for ensuring fraud is minimised in the organisation.

In addition, three agencies and one body stated that the training is aimed at contractors, either on a mandatory or voluntary basis, demonstrating the employers' understanding of the importance that fraud awareness is provided not only to employees but also to suppliers in order to ensure comprehensive coverage of fraud control. For example, the Australian Taxation Office (2011) stated: 'All of our new staff, including contractors, receive mandatory training in fraud awareness and ethics' (p. 21). Similarly, Aboriginal Hostels Limited (2011) stated that the 'AHL Fraud Awareness Guide is widely distributed to existing and new AHL staff, and to all contractors engaged by AHL' (p. 55). Although this training is voluntary, Aboriginal Hostels Limited demonstrates to users of its annual report that it considers its responsibility to raise fraud awareness goes beyond the boundaries of the entity, demonstrating that it recognises its role in broader society to safeguard public interest.

In addition to statements that fraud awareness training was offered, that the training was available to all staff, or that the training was mandatory for all employees, eight agencies and one body also specifically disclosed the number of participants who completed the training. For example, the Department of Immigration and Citizenship (2012) stated that '65% of all staff had completed the fraud awareness training with a target completion rate of 90% by the end of 2012' (p. 291). Similarly the Department of Defence (2013) stated: 'More than 45,000 Defence and DMO personnel completed ethics and fraud awareness training either by attending a face-to-face presentation or completing an eLearning course' (p. 114). This is one of the few examples in which agencies and bodies used a quantitative rather than qualitative type of disclosure. Unlike quantitative disclosure, qualitative disclosure is less measurable and therefore more difficult to substantiate. Disclosures such as the two in this paragraph are important because this level of specificity indicates willingness by some agencies to disclose figures against which they can be held accountable. The disclosure presented by these agencies provides information about the number of employees attending or completing fraud awareness training. Such a disclosure enables users of the annual report to understand the level of success achieved by agencies and bodies in terms of raising employees' awareness through fraud training. Therefore, such disclosure helps them understand the extent of fraud awareness training as part of managing the risks of fraud.

In terms of the frequency of training, 12 agencies and one body specifically stated the frequency with which it was conducted. Five agencies and one body reported that the training was conducted annually. Furthermore, four agencies disclosed that the training was conducted on a biannual basis. One agency reported an annual training in financial years 2010–11 and 2011–12 but changed the frequency of training to every second year in the financial year 2011–12. Other agencies and bodies did not specifically report how often they provided fraud awareness training; rather, they used terms such as *regularly* or *frequently* as for risk assessment. For example, the Reserve Bank of Australia (2012) stated that ‘regular staff training in fraud awareness is also conducted and monitored to ensure that all staff are actively engaged in fraud prevention’ (p. 59). In addition, three agencies reported that they were in the process of developing fraud awareness training, and, in the following year, they reported that the training had been completed and delivered. For example, the Department of Sustainability, Environment, Water, Population and Communities (2012) in the financial year 2011–12 stated that ‘a new fraud awareness program is currently under development’ (p. 304). In the following year, the department disclosed that ‘fraud awareness programs have been developed and are being delivered across the department to provide greater fraud awareness and a focus on fraud prevention’ (p. 152). The information presented by the department shows that its decision to develop and use its own fraud awareness training program indicates that it has reflected on the importance of fraud awareness training as part of managing the risk of fraud.

Interestingly, the Royal Australian Mint (2011) sought feedback from its staff to improve their fraud awareness:

A survey of staff will be undertaken early 2011–12 to identify any deficiencies in fraud awareness and target specific programs to raise awareness of these deficiencies through the annual fraud, ethics and APS Code of Conduct training in 2011. (p. 38)

As for disclosure about other components of fraud control, a similarity was again observed regarding the practice of replicating the same or nearly identical disclosure from one financial year to the next. Nine agencies and three bodies were identified as having the same or nearly identical disclosure statements about fraud awareness activities across all three annual reports, and five agencies and five bodies were identified as having the same or nearly identical disclosure across two annual reports. For example, the Fair Work Building and Construction (2013) reported the same statement about a fraud awareness activity across all three financial years: ‘Fraud and ethics awareness training also form part of the FWBC induction program’

(p. 53). Replication of the same information each year was a common pattern observed in the analysis, and this will be discussed further in Section 5.4.

5.3.3.3 *Fraud Awareness – Other Methods*

In addition to fraud awareness training, agencies and bodies used a range of other methods to increase awareness of fraud control, and these methods were disclosed in annual reports. Examples include newsletters, fraud-related emails, news and fraud-related material on an intranet, articles on fraud, posters, bulletins, screensavers about fraud awareness on staff computer monitors, briefing papers for managers, and ‘lunch and learn’ sessions. However, the most common was the use of fraud awareness guides, handbooks or information sheets. For example, the Department of Education, Employment and Workplace Relations (2011) reported ‘Maintaining a suite of fraud control guidance documents for all employees’ (p. 150). Such a disclosure enables readers to understand that agencies and bodies are committed to managing the risks of fraud by using a variety of tools for increasing awareness of fraud, which, in turn, helps to combat fraud. This helps to provide reassurance that agencies and bodies are taking responsibility and discharging their accountability for fraud prevention.

5.3.4 *Detection and Investigation of Fraud*

This subsection discusses the extent and nature of disclosure about fraud detection and investigation, as key elements of the fraud control system, as reported by agencies and bodies in their annual reports. Agencies were obligated to establish a system able to detect existing or attempted fraud (Commonwealth of Australia, 2011b, p. 15). Agencies were also obligated to ensure investigations of routine or minor cases of fraud were carried out by qualified and experienced employees or, in certain cases, by third-party investigators. Agencies were directed to refer serious or complex cases of fraud to the AFP (Commonwealth of Australia, 2011b, pp. 16–17). In addition, bodies were recommended to follow the Guidelines 2011. These obligations were also stated in the Guidelines 2002 (Commonwealth of Australia, 2002, pp. 12 and 16).

Therefore, agencies and bodies should be able to provide in the annual report a variety of information about fraud detection and investigation, which is helpful to users in understanding this aspect of fraud control. Specifically, this subsection discusses disclosure about the existence of a whistleblower policy, of other mechanisms for reporting detected or suspected cases, and of different methods of detecting fraud. Furthermore, it discusses disclosure about

incidents of fraud and the way in which those incidents were reported for investigation, the cost of fraud incidents, the amounts recovered, and information related to an investigation framework. Such information demonstrates to users of the annual report how agencies and bodies discharge their responsibility by having in place mechanisms for detecting and reporting fraud and having investigation capability. Such information also indicates the extent of the problem of fraud by enabling quantification of the number of cases of fraud and the associated cost.

5.3.4.1 Detection

This sub-subsection discusses the extent and nature of disclosure about detection of fraud reported by agencies and bodies in their annual reports. It also includes disclosure about initial reporting of suspected or detected fraud—for example, by an employee—to initiate an investigation or other action. Such reporting may be provided via various channels and may be supported by a whistleblower program. Table 5.11 provides a summary of the number of agencies and bodies that disclosed any information related to fraud detection in the annual report.

Table 5.11: Detection of fraud

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	21	20	81	12	15
2011–12	106	16	15	81	16	20
2012–13	107	22	21	83	18	22
Total	317	59	19	245	46	19

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

The results presented in Table 5.11 show that approximately the same number of agencies and bodies provided information about their fraud detection system in their annual report.

The first theme that emerged from the analysis of disclosure about detection was that the majority of the disclosure was related to about having a whistleblower policy in place to enable employees, clients and members of the public to report detected or suspected incidents of fraud. Specifically, 14 agencies and nine bodies reported in their annual report the existence of a whistleblower policy for the financial year 2010–11, 12 agencies in 2011–12 and 16 agencies in 2012–13. Such disclosure enables users of the annual report to understand the commitment of agencies and bodies in managing the detection of fraud by enabling persons to report

detected or suspected incidents of fraud while providing a mechanism for protection of the person disclosing the information.

Interestingly, only one agency disclosed the number of reports that were made via its whistleblower scheme. The Department of Defence reported that 242 reports in the financial year 2010–11, 270 reports in 2011–12 and 253 reports in 2012–13 were made to the Defence Whistleblower Scheme (Department of Defence, 2013, p. 115). The department further stated that allegations of fraud and unethical conduct accounted for about 70% of reports made through the scheme in the financial year 2010–11 (Department of Defence, 2011, p. 193) and more than 71% in the financial year 2012–13 (Department of Defence, 2013, p. 115). This disclosure by the Department of Defence indicates transparency about the number of reports that were registered via its system and demonstrates its accountability in dealing with cases of suspected fraud.

Nine agencies and seven bodies in the financial year 2010–11, four agencies and nine bodies in 2011–12 and eight agencies and 11 bodies in 2012–13 provided information about fraud detection other than whistleblower programs. The nature of information about fraud detection varied. First, some agencies and bodies provided a general statement indicating that they had an established detection system but without specifying the individual methods of detection. For example, the Australian Security Intelligence Organisation (2011) simply reported that ‘ASIO has a robust fraud control and detection strategy’ (p. 68). Such a statement is very general, and users of the annual report are not informed about what is meant by ‘detection strategy’. Although it is understandable that providing specific details about each detection technique may not be desirable, the agency could provide general information about detection activities, such as monitoring high-risk areas, conducting internal audits, interviewing employees to detect possible fraud, and having data mining software in place and a detection system against intruders. Such information helps users of the annual report to understand the detection strategy in general terms and to evaluate the agency’s accountability regarding fraud detection. This broad type of disclosure was made by several agencies and bodies.

For those that did disclose particular methods of reporting suspected or detected fraud, these methods included fraud hotlines or tip-off lines; a secure intranet site to report fraud incidents; and the use of mail, email or fax. For example, ComSuper (2013) reported on the existence of ‘a dedicated fraud hotline and email address to report suspected fraud and availability of a fraud incident reporting form for all staff’ (p. 45). One body also reported the following:

To report suspected instances of fraud, write to executive Director or Chairman Grape and Wine Research and Development Corporation PO Box 610 Kent Town SA 5071 or telephone 08 8723 0500. (Grape and Wine Research and Development Corporation, 2012, p. 61)

It is surprising that that when technology is readily available and a dedicated website, email address or fraud hotline can be created without difficulty, the employee or the public is asked to write a letter or to call a phone number used as a general contact number for the corporation. This indicates that anti-fraud issues were not high on the corporation's agenda.

Unfortunately, only one agency, Centrelink (2011), was more specific about its detection methods. Centrelink reported the following:

Techniques Centrelink used to detect incorrect payments and fraud included:

- identity checks
- data-matching information held by Centrelink with information from other agencies/organisations
- public tip-offs
- inter-agency compliance activities
- data analysis and data mining
- selecting customers for review based on their circumstances, duration of payments, or a specific event
- the use of optical surveillance and/or the execution of search warrants by the Australian Federal Police in cases where there is a reasonable suspicion of fraudulent activity. (pp. 148–9)

This statement by Centrelink, although understandably not providing in-depth details, does provide enough information for users of the annual report to understand the detection strategy and to form an opinion about the agency's detection fraud system. Therefore, the agency discharges its accountability about this element of fraud control.

One body was also more specific about the purpose of its detection program. Comcare (2011) reported that it had established a fraud detection program in 2010–11 and that the focus was on identifying:

- the misuse of home help benefits
- access by injured workers to superannuation without advising Comcare
- duplicate payment of incapacity payments where an injured worker has multiple claims
- internal misappropriation of funds. (p. 132)

This statement from Comcare about its fraud detection tools also helps readers to understand the extent to which the entity cares about anti-fraud issues.

5.3.4.2 Investigation

Table 5.12 provides a summary of the number of agencies and bodies that disclosed any information related to fraud occurrence and/or fraud investigation in the annual report.

Table 5.12: Investigation of fraud

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	54	52	81	17	21
2011–12	106	57	54	81	17	21
2012–13	107	58	54	83	19	23
Total	317	169	53	245	53	22

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

It is evident from Table 5.12 that predominantly more agencies than bodies provided information about fraud investigation in their annual report.

Several themes emerged from the analysis of the disclosure about fraud investigation. The most obvious similarity between agencies and bodies was a statement to the effect that no fraud incidents were identified during the reporting period. Table 5.13 shows the number of agencies and bodies that reported, in their annual report, no incidents of fraud.

Table 5.13: No incidents of fraud

	Agencies N	Agencies n	Agencies %	Bodies N	Bodies n	Bodies %	Agencies and bodies N	Agencies and bodies n	Agencies and bodies %
2010–11	104	31	30	81	12	15	185	43	23
2011–12	106	34	32	81	14	17	187	48	26
2012–13	107	35	33	83	14	17	190	49	26
Total	317	100	32	245	40	16	562	140	25

Note: N = total number; n = number that met criteria; % = percentage that met criteria.

Again, it is evident from Table 5.13 that largely more agencies than bodies reported that no fraud incidents were identified during the reporting period. In order to compare the results of the analysis with the results of the AIC survey, Table 5.13 also provides a summary of the combined total number of agencies and bodies that stated no fraud incidents were identified during the financial period. As part of the AIC survey, the agencies and bodies were asked if they experienced fraud in their organisation. Table 5.14 shows the AIC survey results for the number of agencies and bodies that responded they did not experience any fraud.

Table 5.14: AIC survey – entities experiencing no fraud

Entities experiencing fraud, 2010–11 to 2012–13									
Year	Respondents N	No fraud experienced		Fraud experienced		Internal fraud N	External fraud N	Collusion N	Entities experiencing both types of fraud N
		N	%	N	%				
2010–11	154	93	60	61	40	48	42	6	29
2011–12	155	88	57	67	43	44	45	4	23
2012–13	162	98	61	64	40	45	48	5	29

Source: Jorna and Smith, 2015, p. 11

The results of this research study indicate that less than half of the agencies and bodies that responded in the AIC survey that they did not experience any fraud also reported the same information in their annual report. The disclosure that no fraud was reported during the year was generally expressed in a range of standard forms of expression, such as, ‘There were no cases of fraud in AMSA during the year’ (Australian Maritime Safety Authority, 2011, p. 67).

However, three agencies and one body used statements that could be interpreted as having a different meaning from the general statements provided by other agencies and bodies. For

example, the Inspector-General of Taxation (2012) stated that ‘no cases of fraud were reported to the Australian Federal Police in 2011–12’. According to the Guidelines 2011 only significant or potentially significant incidents of fraud had to be reported to the AFP (Commonwealth of Australia, 2011b, p. 19). Therefore, the statement from the Inspector-General of Taxation is not explicit because it does not rule out the possibility that other incidents of fraud occurred. Similarly, the Australian War Memorial (2012) used the statement ‘There were no significant incidents reported during 2011–12’ (p. 45). Similar to the previous statement, this could also mean that there were incidents of fraud but they were not significant. Such a statement does not provide clear information to the users of the annual report.

Last, a controversial statement was made by the Corporations and Markets Advisory (2013) in all three financial years. In 2012–13, the agency stated that ‘these measures have proved effective, as there have been no known incidents of fraud’ (p. 28). This statement is misleading and demonstrates a lack of understanding of the issues related to fraud. Such a statement can give the impression that management successfully discharged their responsibility to fight fraud by putting in place certain measures that the management describes as ‘effective’. The nature of fraud is that it can be committed despite an excellent anti-fraud program being in place. The reality is that having *no known* incidents of fraud may, in fact, mean that the measures are ineffective and, as such, have been unable to detect and/or report existing cases of fraud.

The second notable similarity between agencies and bodies is in regard to their reports that at least one case of a suspected fraud incident was identified during the reporting period. Table 5.15 shows the number of agencies that reported at least one fraud incident in their annual report.

Table 5.15: Incidents of fraud

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %	Agencies and bodies <i>N</i>	Agencies and bodies <i>n</i>	Agencies and bodies %
2010–11	104	20	19	81	2	2	185	22	12
2011–12	106	17	16	81	2	2	187	19	10
2012–13	107	15	14	83	4	5	190	19	10
Total	317	52	16	245	8	3	562	60	11

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

It is evident from Table 5.15 that predominantly more agencies than bodies reported that at least one fraud incident was identified during the reporting period. In order to compare the results of the analysis with the results of the AIC survey, Table 5.15 also provides a summary of the combined total number of agencies and bodies that provided information that at least one case of a fraud incident was identified during the financial period. As part of the AIC survey, the agencies and bodies were asked if they experienced fraud in their organisation. Table 5.16 shows the AIC survey results for the number of agencies and bodies that experienced at least one case of fraud.

Table 5.16: AIC survey – entities experiencing fraud

Entities experiencing fraud, 2010–11 to 2012–13									
Year	Respondents <i>N</i>	No fraud experienced		Fraud experienced		Internal fraud <i>N</i>	External fraud <i>N</i>	Collusion <i>N</i>	Entities experiencing both types of fraud <i>N</i>
		<i>N</i>	%	<i>N</i>	%				
2010–11	154	93	60	61	40	48	42	6	29
2011–12	155	88	57	67	43	44	45	4	23
2012–13	162	98	61	64	40	45	48	5	29

Source: Jorna and Smith, 2015, p. 11

The results of this research study, when compared with the results of the AIC survey, indicate that approximately only a quarter of agencies and bodies that experienced fraud also reported about it in the annual report. This is a significant reporting gap between the information that agencies and bodies reported to the AIC to discharge their political accountability and the information they reported in an annual report to discharge their public accountability. Table 5.17 shows the number of cases of fraud that agencies reported in their annual reports.

Table 5.17: Summary of agencies and bodies – number of cases of fraud

	Number of cases of fraud that occurred (minimum): Agencies*	Number of cases of fraud that occurred (maximum): Agencies*	Number of cases of fraud that occurred: Bodies
2010–11	33,187	47,929	4
2011–12	4,452	17,732	105
2012–13	11,921	112,173	155

* The range of cases likely to have occurred as can be determined from available data (see further explanation in this subsection below.)

From Table 5.17, it is also clear that extensively more agencies than bodies reported a number of fraud incidents. The key differences in the numbers between the individual years are largely due to the following:

- In the 2010–11 financial year, the Australian Taxation Office reported 31,249 cases of potentially fraudulent use of tax file numbers (Australian Taxation Office, 2011, p. 74). No specific information about the number of fraudulent uses of tax file numbers is provided for the 2011–12 or 2012–13 financial years. However, the Australian Taxation Office reported that it stopped 9,001 suspected incorrect or fraudulent refunds in 2011–12 (Australian Taxation Office, 2012, p. 37) and over 100,000 in 2012–13 (Australian Taxation Office, 2013, p. 10).
- In the 2010–11 financial year, the Department of Immigration and Citizenship reported 3,502 field activities to investigate possible fraud together with other activities (Department of Immigration and Citizenship, 2011, p. 161) and 4,279 field activities to investigate possible fraud together with other activities in 2011–12 (Department of Immigration and Citizenship, 2012, p. 175). However, the department was more specific for the 2012–13 financial year when it reported 6,999 allegations of fraud (Department of Immigration and Citizenship, 2013, p. 286).

It is also important to note that because of the variety of terminology and expressions used by different agencies, it was difficult to establish the actual number of cases that occurred and that were reported in annual statements each financial year. Therefore, Table 5.17 also indicates a minimum and maximum range of the suspected cases of fraud that occurred and that were reported in each financial period for agencies. In many cases, it was unclear when the reported case occurred, when it was detected, and in which financial period the case was investigated or referred to another party for investigation or prosecution. Some reports did not distinguish

between fraud and non-compliance, and other statements reported an allegation of fraud, which does not necessarily mean that the fraud occurred. The following list of examples illustrate why it was difficult to establish an exact number.

- Some agencies disclosed a number of suspected fraud cases together with serious misconduct or serious non-compliance cases, without providing a specific number for fraud cases only. For example, the Australian Taxation Office (2011) stated: ‘We investigate allegations or detection of fraud or serious misconduct by our staff. We started the year with 136 open cases and during the year investigated a further 389 allegations’ (p. 22).
- Some agencies also reported on the completed investigation without revealing how many cases occurred in the specific financial period. For example, the Department of Human Services (2011) provided the following statement: ‘Child Support Scheme: DHS completed 287 investigations of fraud allegations and referred 27 cases to the Commonwealth Director of Public Prosecutions’(p. 59). Other agencies reported there were cases of alleged fraud but did not specify how many. For example, ComSuper (2011) stated: ‘In 2010–11 we investigated all cases of alleged fraud against ComSuper schemes’ (p. 44). Some also reported on the investigation of possible fraud together with other activities. For example, the Department of Immigration and Citizenship (2011) stated: ‘Field activities to investigate possible fraud and breaches of immigration law, conduct awareness visits and locate unlawful non-citizens in 2010–11: 3502’ (p. 161).
- One agency also used a highly imprecise statement about the actual number of cases. The Australian Taxation Office (2013) stated that the process returns, and check accuracy key performance indicators were demonstrated by ‘stopping over 100,000 suspected incorrect or fraudulent refunds’ (p. 10).
- Interestingly, the National Water Commission (2012) reported that ‘during the year, the Commission had one instance of minor fraudulent activity, involving 13 transactions, committed by a non-employee who used the credit card details of a staff member on extended leave to purchase goods and services’ (p. 66). However, one paragraph later, the report stated that ‘no fraudulent acts within the Commission were identified or reported in 2011–12’ (p. 66). Thus, there are two opposing statements, presented on the same page, in the National Water Commission’s annual report for the financial year 2011–12.

In order to compare the results of the analysis with the results of the AIC survey, Table 5.18 provides a summary of the combined total number of cases of fraud reported by agencies and bodies in their annual reports.

Table 5.18: Number of cases of fraud

Year	Number of cases of fraud that occurred (minimum): Agencies and bodies	Number of cases of fraud that occurred (maximum): Agencies and bodies
2010–11	33,191	47,933
2011–12	4,557	17,837
2012–13	12,076	112,328

As part of the AIC survey, the agencies and bodies were asked to report how many cases of fraud they experienced in their organisation. Table 5.19 shows the AIC survey results for this question.

Table 5.19: AIC survey – total number of fraud cases

Incidents involving internal and external fraud, collusion and unclassified incidents (N)					
Year	Solely internal fraud	Solely external fraud	Collusion	Unclassified	Total
2010–11	3,828	87,207	9	48	91,092
2011–12	2,296	36,759	35	12	39,102
2012–13	1,685	133,969	17	1	135,672

Source: Jorna and Smith (2015, p. 12)

Considering the maximum number of cases that were reported in the annual reports, the results indicate that approximately 50% of the cases of fraud that were reported by agencies and bodies to the AIC were also disclosed in the annual reports in the financial years 2010–11 and 2011–12. This differed for the financial year 2012–13, for which the number of cases reported in the annual reports were much closer to the number of cases of fraud reported to the AIC. Therefore, a reporting gap was observed between what agencies and bodies reported to the AIC to discharge their political accountability and what they reported in an annual report to discharge their public accountability. However, in this case, the annual report disclosure identifies that it is important that terminology be unified so that agencies and bodies report cases of fraud on the same basis. Clear distinctions should be made between cases of fraud, serious misconduct and serious non-compliance cases. Furthermore, a clear distinction should be made between the number of detected cases, investigated cases, and cases referred to other parties in each particular financial year. Such distinctions would enable users of the annual report to make a

proper comparison and trend analysis and would play an important role in discharging accountability.

Another theme emerged from the analysis with regard to the way in which agencies reported the cost of fraud that they incurred or prevented. Table 5.20 shows the cost of fraud—as reported in the annual reports of agencies and bodies—categorised according to the definition of cost of fraud in accordance with the AIC approach.

Table 5.20: Cost of fraud

Year	Number of agencies	Agencies: Cost of fraud A\$	Number of bodies under the CAC Act	Bodies: Cost of fraud A\$	Total cost of fraud A\$
2010–11	2	2,583,840	1	2,915	2,586,755
2011–12	2	2,495,366	0	0	2,495,366
2012–13	2	2,038,936	0	0	2,038,936

Considering the fact that 22 agencies and bodies in the financial year 2010–11, 19 agencies and bodies in the financial year 2011–12, and 19 agencies and bodies in the financial year 2012–13 reported in their annual reports that at least one case of fraud occurred in their organisations, the number of agencies and bodies that reported the cost of that fraud is very small in comparison. This can be considered a significant reporting gap because the size or cost of detected or prevented fraud would be valuable information for users of annual reports, given that these agencies and bodies are all publicly funded entities.

Disclosure by the Australian Agency for International Development (2011) is an example of the way in which some agencies reported the cost of fraud:

The 125 cases currently under investigation typically relate to the following types of alleged, suspected or detected fraud.

...

AusAID estimates that the amount involved in the 2010–11 cases is approximately AUD \$1 683 840. (p. 212)

In order to compare the results of the analysis with the results of the AIC survey, the final column in Table 5.20 provides a summary of the total cost of fraud that agencies and bodies reported as incurred or prevented.

As part of the AIC survey, the agencies and bodies were asked to report the dollar value of suspected fraud incidents in their organisation. Table 5.21 shows the results of the survey for this question.

Table 5.21: AIC survey – dollar value of suspected fraud incidents

Dollar value of suspected fraud incidents by location, 2010–11 to 2012–13 (\$)					
Year	Internal fraud	External fraud	Collusion	Unclassified	Total
2010–11	2,998,810	116,148,022	0	2,100	119,148,932
2011–12	2,690,087	201,724,438	2,200	8,750	204,425,475
2012–13	3,426,546	203,270,364	402,764	3,031	207,102,705
Total	9,115,443	521,142,824	404,964	13,881	530,677,112

Source: Jorna and Smith (2015, p. 27)

Jorna and Smith (2015) commented on the difficulty of quantifying the cost of fraud for various reasons, including whether the cost of incidents substantiated in court, rather than the cost of suspected incidents, should be reported as the cost of fraud; whether amounts recovered should be deducted; and whether indirect costs that were incurred as a result of fraud should be included. In the AIC survey, the agencies and bodies were asked to report the dollar value of *suspected* fraud cases (rather than *substantiated* fraud cases), which should include only funds thought to have been lost prior to the recovery of any amounts (Jorna and Smith, 2015, p. 26). The results of this research study for all financial years indicates that agencies and bodies in their annual reports reported an extensively lower cost of fraud than the amount reported to the AIC. The following discussion provides several possible explanations for the differences.

First, it is important to stress that, as stated by Jorna and Smith (2015), the unclear terminology used in the annual reports made it difficult to determine the cost of fraud. For example, it was not clear whether the amount fraudulently claimed from, but not paid by, a Commonwealth agency (e.g., a tax refund claim or social benefit payment claim) was reported as a cost of fraud in the annual report. Given that the amount was not paid, it was not lost but rather protected from being defrauded. If using the AIC approach, given that the amount has not been lost, it should not be included as part of the cost of fraud. Conversely, in the case of a tax refund or social benefit payment that was processed, paid and subsequently detected as fraudulent, the amount was defrauded and needs to be recovered. If using the AIC approach, the amount at that point has been lost and it should be reported as a cost of fraud.

However, because of the substantial difference between the reported cost of fraud in annual reports (see Table 5.20) and the cost of fraud as reported to the AIC (see Table 5.21), we could speculate that when reporting the cost of fraud to the AIC, agencies and bodies may not have

followed the AIC approach. To support this statement, the following examples are given of amounts that appeared in annual reports but were not included in Table 5.20 as part of the total cost of fraud in the annual reports analysed in this research. They were excluded from the analysis because they did not satisfy the AIC approach. However, it is possible they were reported to the AIC, and this could therefore explain the differences between the AIC survey results and the results of the analysis for this research study.

Several times, in its annual reports, the Australian Taxation Office reported that, as a result of an audit or review, liability from the taxpayer's perspective was increased or a refund was not paid. For example, the Australian Taxation Office stated:

In 2010–11 we continued our focus on serious evasion and fraud, and assisted in the fight against serious and organised crime. Our activities included:

...

- raising \$114 million in liabilities (Australian Taxation Office, 2011, p. 103)

We managed 30,252,589 accounts in 2011–12 and:

...

- stopped 9,001 suspected incorrect or fraudulent refunds with a net value of \$168.3 million compared to 6,647 with a net value of \$50.6 million for the 2010–11 financial year. (Australian Taxation Office, 2012, p. 37)

We examined over 71,000 refunds and protected \$189.5 million from being paid. We referred those engaging in refund fraud to the Commonwealth Director of Public Prosecutions for possible prosecution, resulting in 22 taxpayers or tax agents being prosecuted. (Australian Taxation Office, 2013, p. 43)

In accordance with the examples above, the Australian Taxation Office reported that cases of fraud occurred and that a substantial amount of government funds was saved. However, these amounts were excluded from the total cost of fraud calculated from the analysis, as shown in Table 5.20. In these cases, it seems the amount of tax required to be paid to the government was understated and the Australian Taxation Office revised and increased the amount, thereby increasing the taxpayer's liability or decreasing the refund payable to the taxpayer. Following the same approach used in the AIC survey, because the amount has not been lost, it should not be included as part of the cost of fraud (and thus was not included in Table 5.20).

Similarly, Comcare stated:

Comcare’s Fraud Response Unit (FRU) investigators are authorised by the CEO to undertake investigations of all fraud allegations

...

The FRU received 147 cases compared to the historical average of 110. Outcomes from these cases already achieved for the financial year amount to a reduction of \$7 400 000 in ongoing liabilities. (Comcare, 2013, p. 97)

This statement indicates that Comcare reviewed the amounts to be paid for claims and, therefore, amounts were not lost. Again, because the amount has not been lost, it should not be included in the cost of fraud, and therefore was not included as part of the findings shown in Table 5.20.

Several amounts were not included in Table 5.20 for other reasons. A disclosure provided by the Department of Families, Housing, Community Services and Indigenous Affairs (2013) stated that in 2012–13: ‘FaHCSIA is currently involved in three matters before the Courts in Australia, with a value totalling \$256,000’ (p. 129). Also, a disclosure provided by the Department of Veterans’ Affairs (2011), and stated in 2010–11, 2011–12 and 2012–13, gave the estimated value of the finalised cases. For example, in 2010–11 the department stated: ‘The estimated value of the finalised cases was around \$1.6 million’ (p. 42). These two amounts were therefore excluded from the cost of fraud shown in Table 5.20 because, in both cases, it is not clear at what time the fraud occurred and, therefore, to which financial period the cost of fraud should be allocated.

The money that agencies recovered as a result of fraud was also reported by several agencies and one body. Table 5.22 shows the amount that was recovered.

Table 5.22: Amounts recovered

Year	Number of agencies	Recovered A\$	Number of bodies	Recovered A\$
2010–11	4	7,719,715	1	\$60
2011–12	3	2,712,295		
2012–13	3	2,732,646		

The total amount recovered for all three financial years as reported by agencies and bodies is A\$13,164,716. Some agencies reported the specific amount of recovered money. For example, Aboriginal Hostels Limited (2011) clearly separated the amount recovered from the amount

prevented from being defrauded, stating that ‘during 2010–11, three investigations involving a total of \$2,915 were undertaken or coordinated by Internal Audit. Of the total amount, \$60 was recovered’ (p. 55).

As part of the AIC survey, the agencies and bodies were asked to report the dollar value of the amount recovered. The results of the survey stated that A\$56 million had been recovered in total for the three years (Jorna and Smith, 2015 p.29). The results of this research study, which show approximately A\$13 million, indicate that fewer agencies and bodies reported in the annual report the amount that had been recovered than reported to the AIC. Once again, a reporting gap can be observed. Last, some agencies and bodies did not state whether a case of fraud occurred but did provide some other general information related to a fraud investigation. Table 5.23 shows the number of agencies and bodies that reported other information about fraud investigation.

Table 5.23: Other information about fraud

Years	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	3	3	81	3	4
2011–12	106	6	7	81	1	1
2012–13	107	8	7	83	2	2
Total	317	17	5	245	6	2

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

First, various general statements were used to disclose information about fraud investigation. For example, Tiwi Land Council (2012) provided the following general information: ‘The Tiwi Land Council has appropriate processes and systems in place to capture and effectively investigate fraud related information’ (p. 43).

However, some agencies and bodies provided more-specific descriptions about the fraud investigation framework that was in place, such as the following disclosure provided by the Australian Crime Commission (2013):

Where fraud or corruption is suspected the matter may be subject to misconduct or criminal investigation, or both. If sufficient evidence is found to support a criminal offence the matter may be referred to the Commonwealth Director of Public Prosecutions for consideration of criminal prosecution. (p. 147)

Another example of a more detailed description can be seen in a disclosure made by the Department of Education, Employment and Workplace Relations (2011), which stated that the department was ‘investigating incidents of fraud in accordance with the Australian Government Investigation Standards and the guidelines’ (p. 150). Four agencies and one body also stated that they have officers with qualifications or expertise to investigate fraud. For example, the Department of Industry Innovation, Climate Change, Science, Research and Tertiary Education (2013) stated that ‘the department uses its own officers to investigate allegations of fraud. Those officers hold the qualification detailed in the Australian Government Investigation Standards and the Commonwealth Fraud Control Guidelines’ (p. 120). The Director of National Parks (2011) went so far as to specify the qualification that its employee completed in order to investigate fraud:

In accordance with the Commonwealth Fraud Control Guidelines and the Australian Government Investigations Standards, Parks Australia’s wardens are trained in Certificate IV in Government (Investigation) and rangers are trained in relevant modules of the certificate. (p. 78)

All the above disclosures that provided other information associated with different aspects of fraud investigation help users of the annual report to understand the way in which the organisation deals with this element of fraud control and therefore help users to evaluate the agency or body in terms of its investigation of fraud.

5.3.5 Data Collection and Reporting

This subsection discusses the extent and nature of disclosure about data collection and reporting as provided by agencies and bodies in their annual reports. Agencies were obligated to collect and manage information about fraud against the agency and about their fraud control activities and, further, to report the information to the AIC (Commonwealth of Australia, 2011b, p. 21). This obligation was imposed not only by the Guidelines 2011 but also by the Guidelines 2002 (Commonwealth of Australia, 2002, p. 30). Bodies were recommended to follow the Guidelines 2011. Therefore, agencies and bodies should also be able to provide information about their fraud data collection system in their annual report. Such information can help users to understand this component of fraud control in that reliable and up-to-date information is crucial to the decision-making process, not only at the organisational level but also at the government level. Table 5.24 provides a summary of the number of agencies and bodies that disclosed any information related to collecting and reporting fraud data.

Table 5.24: Collection of fraud data

	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	27	26%	81	9	11%
2011–12	106	23	22%	81	11	14%
2012–13	107	24	22%	83	8	10%
Total	317	74	23%	245	28	11%

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

The results presented in Table 5.24 show that more than twice as many agencies as bodies provided information about collecting and reporting fraud data. Two themes emerged from the disclosure provided by agencies and bodies. The first type of disclosure was identified as the agency or body specifically disclosing that they provided data on fraud to the AIC. An example of this type of disclosure was provided by the Australian Radiation Protection and Nuclear Safety Agency (2013): ‘In accordance with the *Commonwealth Fraud Control Guidelines* ARPANSA provided the Annual Fraud Report to the Australian Institute of Criminology for the year ended 30 June 2013’ (p. 55). The second type was identified as the entity disclosing its fraud data collection and reporting activity in general terms. An example of this type of disclosure was made by the Australian Communications and Media Authority (2011): ‘All statutory reporting requirements of the Commonwealth Fraud Guidelines were met in 2010–11’ (p. 161). Such disclosures enable users of the annual report to understand the ways in which agencies and bodies are fulfilling their obligation to collect, manage and report data about fraud in order to produce reliable and up-to-date information that is crucial in the decision-making process and therefore demonstrate to users of annual reports a discharge of accountability.

5.3.6 Other Disclosure

In addition to the disclosures already discussed, a pattern was identified when agencies and bodies frequently disclosed information that the audit committee, or another part of the agency or body, was involved in activities in relation to fraud control. This type of disclosure was made by 66 agencies and 30 bodies. For example, the Office of the Fair Work Ombudsman (2011) stated:

The Audit Committee plays a key role in securing and enhancing awareness of fraud control across the agency, including reviewing management’s approach to new and emerging risks during periods of significant change, such as the implementation of new policies and programs. During 2010–11, the Audit Committee addressed the Australian Government’s requirements in relation to

fraud prevention, reporting, detection, investigation, prosecution and other associated issues with a Fraud Control Plan. (p. 77)

In addition, 16 agencies and four bodies reported that part of their agency had a dedicated employee who specifically deals with fraud control issues. Identified areas were employees working in a: fraud control section, fraud control division, fraud control team, fraud control committee, fraud control unit or fraud control branch. For example, the Australian Agency for International Development (AusAID; 2011) stated:

The new Chief Auditor manages the Audit Branch, which is comprised of three sections: the Internal Audit Section, the Risk Management Section and the Fraud Control Section. Additional staff working in the Audit Branch reflect an increased organisational focus on risk management and fraud control. (p. 209)

Four agencies and one body also disclosed that they had a nominated fraud control officer. For example, the Cotton Research and Development Corporation (2013) stated that ‘the Corporation’s Audit Committee, Executive Director and General Manager Business and Finance (the nominated fraud control officer) carry out the function of a fraud investigation unit collectively’ (p. 76).

Last, nine agencies and four bodies reported that internal organisational units, other than units focused specifically on fraud control as discussed above, carry out the fraud control responsibilities. For example, the Grains Research and Development Corporation (2013) stated:

To ensure that the business and fraud risks identified in the Business Risk Assessment and Fraud Control Plan are fully monitored and regularly updated, the Executive Manager Corporate Services and the Compliance Office prepare a business risk assessment report and a fraud control action plan. (p. 98)

All the examples of disclosure in this subsection provide valuable information that enables users of the annual report to understand the activities and commitment of agencies and bodies in relation to fraud control. This discharge of their accountability allows users to form an opinion regarding how agencies and bodies accept their responsibility for fraud control.

5.3.7 No Certification Statement or Any Other Disclosure

The final classification observed in the data was no disclosure. ‘No disclosure’ means that an agency did not provide a certification of compliance or any description of its fraud control in its annual report. Table 5.25 summarises the number of agencies and bodies whose head did not certify the compliance with the Guidelines or did not provide any information about its fraud control in the annual report.

Table 5.25: No disclosure

Year	Agencies <i>N</i>	Agencies <i>n</i>	Agencies %	Bodies <i>N</i>	Bodies <i>n</i>	Bodies %
2010–11	104	1	1	81	20	25
2011–12	106	1	1	81	17	21
2012–13	107	0	0	83	17	20
Total	317	2	1	245	54	22

Note: *N* = total number; *n* = number that met criteria; % = percentage that met criteria.

In the financial years 2010–11 and 2011–12, the same agency made no disclosure about fraud control. Given that it was the only agency included in this category, further investigation was conducted about the agency’s significance. The agency that did not provide any disclosure in these two financial years is the Defence Materiel Organisation. This agency was also not included in the category of agencies that provided a certification of compliance with the Guidelines in the letter of transmittal, and reasons for this were outlined in Sub-subsection 5.3.1.1.

The Defence Materiel Organisation’s role is to deliver and maintain defence equipment. According to its 2011 annual report, the agency is responsible for more than 40% of the total defence budget (Defence Materiel Organisation, 2011, p. 2). At the end of the financial period 2010–11, the agency had approximately 300 projects in progress that were to result in the delivery of assets worth of A\$70 billion once completed (Defence Materiel Organisation, 2011, p. 2). From the 2011 annual report, we also learnt that the total net resourcing available to the agency was A\$10.8 billion in that financial year. The agency had a cash position of A\$647 million as of 30 June 2011 (Defence Materiel Organisation, 2011, p. 94). It also presented itself as a highly significant entity materially. For example, the following statement was produced in an accounting magazine:

We spend about A\$48 million on every working day. If we were listed on the stock exchange in terms of value and what we do, we'd be listed in the Top 20 Australian companies. (Robinson, 2015, p. 34)

Therefore, it is disappointing, and somewhat surprising, that a Commonwealth agency that is subject to the FMA Act and manages a very large amount of assets does not correctly follow the Guidelines 2011. In the financial years 2010–11 and 2011–12, the agency head did not issue a certification of compliance although it was an individual prescribed agency with responsibilities under the FMA Act, with its own agency head. An agency of this importance would also be expected to, at least, voluntarily provide some other information about its fraud control management to discharge its accountability to the public for ensuring appropriate and safeguarded use of taxpayer funds.

Unlike with agencies, a number of bodies (20%–25%) provided no disclosure about their fraud control. In contrast to the findings for certification statements, this indicates that public accountability in relation to fraud control activities is not a high priority for these bodies. Again, a possible explanation is that the bodies do not have to follow the Guidelines, although it could be argued that they should nonetheless conduct activities in relation to fraud risk management. However, most of the bodies are smaller entities, or entities with a non-financial focus, such as the National Australia Day Council Limited, the Criminology Research Council and the Aged Care Standards and Accreditation Agency Ltd, which may explain the lack of disclosure in that they may perceive the costs of compliance as outweighing the benefits. However, they are publicly funded organisations, many of whom have close relationships with the public, and as such, they could be expected to discharge accountability for their undertakings.

5.4 Discussion of the Findings

This section presents a discussion of the key findings drawn from the results discussed in this chapter. First, the major findings that were identified in the disclosure of fraud control activities are outlined. Second, the type of accountability that dominates when disclosing fraud control information is discussed.

The analysis resulted in the identification of a number of themes with regard to the disclosure of fraud control activities by agencies and bodies in their annual reports. These results produced some major findings that are discussed below.

First, this research study contributes to the existing knowledge about the extent and nature of agencies' and bodies' certification statements of compliance with the Guidelines. Overall, the majority of agencies (95%) certified their compliance with the Guidelines, either in the letter of transmittal or as part of the annual report. The majority of agencies preferred to include the certification of compliance in a letter of transmittal. Given that the letter of transmittal is directed to the respective government minister as the accountee, this indicates a strong sense of political accountability. Furthermore, substantially more agencies certified their compliance in the research period than the number of agencies observed by Herawaty and Hoque (2007) in the period from 2005 to 2006. The results of their study, using a sample of departments, showed that only 41% of the agencies disclosed the certification of compliance in their annual report. The results of this research study initially indicated that agencies have been increasingly discharging their political accountability via the certification of compliance. However, after finding that only 60% of these agencies in fact produced the correct form of the certification statement, it could be argued that the agencies are mainly interested in presenting themselves as accountable institutions and that there is no strong culture of accountability. The use of incorrect or out-of-date forms of the certification statement indicates that the agencies are not completely familiar with the Guidelines and therefore not genuinely concerned about their accountability. Furthermore, the findings show there is significant room for improvement and reform of the requirements for certification.

Conversely, 39% of bodies provided a certification of compliance in their annual report or in the letter of transmittal. Although this result is lower than for agencies, it can be considered a positive outcome. This is because, as discussed earlier, bodies were not obligated to follow the Guidelines and, therefore, were not obligated to certify their compliance with the Guidelines. Nevertheless, a large number of bodies decided to do so, which shows their strong interest in discharging their accountability, even in the absence of regulation. However, one aspect highlights a similarity between the disclosure provided by bodies and the disclosure provided by agencies, which weakens the proposition that bodies are accountable organisations. That is, it was observed that only 37% of the certification statements of compliance used the correct form of compliance statement as prescribed by the Guidelines. Therefore, again, the question arises: Were the bodies genuinely concerned about their accountability, or did they merely want

to be perceived as accountable? The fact that the finding for bodies was similar to the finding for agencies strengthens the argument that entities are more concerned with perceptions of accountability than with accountability itself and again suggests the need for administrative reform of the regulatory requirements for certification.

Second, by investigating the type of information that agencies and bodies were willing to voluntarily disclose about fraud control activities, this research study contributes to the existing knowledge about voluntary disclosure in annual reports.

The identified themes were related to the general categories identified in the Framework, which was presented in Chapter 2. However, overall, the disclosure did not provide many details about the entities' fraud control activities. Many of the statements did not report 'hard data'; rather, they were presented as very general statements. Furthermore, these statements were mostly of a qualitative nature rather than a measurable, quantitative nature. These factors make it difficult for users to assess the extent to which the entities are exposed to fraud risk based on their active or inactive fraud control activities and, therefore, to objectively evaluate the extent to which the entities discharge their accountability. This finding is also consistent with the findings of previous studies into various types of voluntary disclosure in the public and private sectors (Burritt and Welch, 1997b; Kent and Zunker, 2013). For example, Burritt and Welch (1997b) concluded that Australian Commonwealth entities, as part of their disclosures about their environmental activities, prefer to present qualitative information.

This issue was further highlighted by the fact that agencies and bodies engaged in a 'copy and paste' exercise, thus not providing any new information about their fraud control activities from one year to the next. There are two possible explanations for such behaviour. First, the agencies and bodies may have repeated the same fraud control activities without reflecting on the fast-changing fraud environment, indicating a lack of awareness of the fraud environment. Second, the agencies and bodies may have conducted different fraud control activities but did not inform users about these new activities. Both explanations raise the question: Are these agencies and bodies committed to accountability?

When comparing the analysis results with the Framework 2014 outlined in Chapter 2, major deficiencies in disclosure were identified in statements about detection and investigation of

fraud. These deficiencies were observed particularly when agencies and bodies used different terminology and expressions and did not make clear distinctions between cases of fraud and cases of misconduct or non-compliance. Furthermore, in many instances, no information was given about when the reported case occurred or when it was detected or investigated—information that would enable a reader to create a timeline. Similarly, it was difficult to determine the amount of cost because agencies and bodies do not share a common terminology. Therefore, it was unclear whether funds were actually lost or were prevented from being lost.

However, this issue can also be discussed in light of the finding about the disclosure of fraud cases and cost of fraud as provided by agencies and bodies in their annual reports compared with the information they reported to the AIC. As previously discussed, only a few agencies and bodies reported the cost of that fraud in their annual reports, with a total cost of approximately A\$5 million reported over the three-year financial period. However, the amount reported to the AIC as the total cost of fraud incurred by agencies and bodies across the same period was approximately A\$530 million. Thus, agencies and bodies extensively under-reported in their annual reports on the cost of fraud in their organisations.

This finding is related to the previous finding that agencies and bodies wish to appear accountable while not providing full and complete information. Disclosure about the occurrence of fraud in an organisation is perceived as negative news given that it is usually associated with financial losses, loss of reputation and unwanted media attention. This could explain why, in their annual reports, agencies and bodies tend to omit negative information and include information that is considered more positive such as information about fraud prevention activities. A view that organisations tend to favourably bias disclosure by not reporting negative results of their performance is consistent with the findings of other studies, both in government and corporate organisations. For example, Deegan and Gordon (1996) found that Australian corporations failed to disclose negative aspects of their environmental practices but were practising self-promotion by focusing on the positive aspects of their performance. A similar practice was observed in the Commonwealth public sector (Burritt and Welch, 1997a, 1997b). This view has also been supported by numerous studies on social and environmental disclosure (Cowan and Gadenne, 2005; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Deegan, Rankin, and Voght, 2000; Guthrie and Parker, 1990; Kent and Zunker, 2013).

Although this research study focused on providing an overall picture of the disclosure of fraud control activities by the Commonwealth public sector, an interesting observation was made about the disclosure of two particular agencies that are worth singling out. First, the Australian Taxation Office provided more disclosure about its fraud control activities compared with the majority of agencies and bodies. The Australian Taxation Office is well known by, and close to, the public because of its role in the administration of income tax and superannuation. Therefore, it could be argued that organisations that interact, in some way, with the majority of the public—and are consequently more publicly visible than other organisations—are likely to provide more disclosure about their fraud control activities.

Second, the Department of Defence also provided more disclosure about their fraud control activities than many other agencies or bodies. Particularly, the Department provided quantitative disclosure about the number of fraud cases, the cost and the amount recovered. During the period under review, the Department was under media scrutiny due to the Skype sex scandal that happened in 2011³. Therefore, the annual reports in the period before the scandal were examined, to see whether the exemplar disclosure was not just an instrument of the Department to increase their perception of legitimacy via reporting. The examination of the annual reports for 2008-2009 and 2009-2010 periods revealed similar disclosure to the disclosure described in the results section. Therefore, this exemplar disclosure was not simply a mechanism to distract readers from the Skype sex scandal to maintain the Department's legitimacy. Although the results of the analysis indicate that agencies voluntarily disclosed a lot more information about their fraud control activities than bodies, agencies were obligated to comply with the Guidelines 2011 whereas bodies were only recommended to adopt the fraud control activities outlined therein. Furthermore, the amount of public funds that agencies deal with is greater overall than it is for bodies. Agencies are greater in size than bodies—for example, according to the number of assets under their control, the amount of revenue and expenses and the number of employees. Therefore, there could be an expectation that agencies, rather than bodies, would provide more information about fraud control activities. Similar findings have been observed in other studies (Ryan, Stanley, and Nelson, 2002; Taylor and Rosair, 2000). For example, Taylor and Rosair (2000) found that the size of Australian Government departments influences the amount of disclosure they use to discharge accountability.

³ The Skype sex scandal relates to the behaviour of the Australian Defence Force Academy (ADFA) cadets. One of the ADFA cadets secretly recorded a vision of himself having sex with a female cadet and broadcasted it via Skype to several others ADFA cadets.

Last, the results enabled an assessment to determine which type of accountability dominates disclosure of fraud control activities. Three ways through which agencies, as well as bodies, reported their fraud control activities were discussed. First, they certified their compliance with the Guidelines 2011 in the annual report. In this case, agencies and bodies, as accountees, provided an account, in the form of a certification of compliance with the Guidelines, to their accountant, the relevant minister. Second, they reported information about their fraud control activities to the AIC, which provides an annual report to government. In this case, agencies and bodies, as accountees, provided an account, in the form of information supplied about their fraud control activities, to the AIC, which would pass the collated information to their accountant, the government. These two cases of the relationship between accountee and accountant represent the political form of accountability (Bovens, 2007). Third, agencies and bodies reported their fraud control activities in their annual reports. In this case, as accountees, they provided their account in the form of disclosure of fraud control information in their annual report, to their accountants, the public. Such disclosure helps to protect the interests of the public from any undesirable behaviour on the part of government and its agencies and represents public accountability (Funnell, 2003).

It has already been discussed that the majority of agencies and approximately 40% of bodies discharged their political accountability through a certification of compliance with the Guidelines 2011. In its report, the AIC stated that 80% of agencies and bodies in the financial year 2010–11, 82% in the financial year 2011–12 and 84% in the financial year 2012–13 responded to the AIC survey, which indicates that a large number of agencies and bodies were willing to disclose information about their fraud control activities. This demonstrates a high level of concern among agencies and bodies to discharge their political accountability (Jorna and Smith, 2015, p. 56).

Moreover, the AIC survey revealed a variety of themes regarding disclosure that did not emerge in the annual reports. Where the same themes did emerge, this research study compared the disclosure provided by agencies and bodies in their annual reports with the results provided in the AIC survey. In all compared cases, the disclosure provided by agencies and bodies to the AIC was more informative than the disclosure provided in annual reports. Such a result may be disappointing for users of annual reports, particularly given that the agencies and bodies collected and then reported the fraud control information to their minister, to the AIC or to both, and consequently, it should not be difficult to include the already existing information in the annual report.

The ANAO recently produced several performance reports for specific entities. For example, ANAO (2014) focused on the fraud control performance of Austrade, Comcare and Department of Veteran's Affairs only. The report indicates that fraud control activities occur. However, the reporting acknowledged that disclosure of the fraud control activities via internal mechanisms, or externally to the Minister, to the AIC or through certification of compliance in the annual report only. This is consistent with the finding of this study. Furthermore, the AIC survey for each of the financial years 2010–11, 2011–12 and 2012–13 was conducted on an anonymous basis. The AIC states that the reason agencies and bodies could respond to the survey without providing their name was that the aim of the survey was to gather information relating to the government's experience of fraud as a whole rather than to identify each agency or body that experienced fraud (Jorna and Smith, 2015, p. 56). This would therefore indicate that agencies and bodies are more willing to anonymously, rather than publicly, disclose information about their fraud control activities. However, anonymity is in direct conflict with the notion of accountability, thus suggesting a contrasting view—that is, accountability, political or otherwise, may not be a motive for disclosure.

The results of this research study show that extensively fewer agencies and bodies disclosed information about their fraud control activities in their annual reports to discharge their public accountability compared with disclosures related to compliance. Therefore, it can be concluded that political accountability, via certification of compliance with the Guidelines 2011 and reporting of fraud control information by means of the AIC survey, is a more dominant form of accountability than public accountability via voluntary disclosure of fraud control activities in annual reports. Taylor and Rosair (2000) came to a similar conclusion, stating that disclosure aimed at discharging accountability provided by Australian Government departments is influenced by those who directly participate in the decision processes of the department, such as the minister, rather than by taxpayers and recipients of public goods and services, who are in fact the ultimate accountees of governments. Similarly, Broadbent and Laughlin (2003) reported that, for governments, political accountability is the prevailing form of accountability, more dominant than other types of accountability, such as managerial accountability. However, even a political accountability motive can be questioned because higher levels of disclosure occurred only as a result of regulation (certification of compliance) and anonymity (reporting to the AIC). Therefore, the findings of this research study add to the existing knowledge of whether and, if so, how public organisations discharge their accountability. In particular, the results point to important issues about administrative elements of accountability mechanisms, such as mandatory regulations, versus institutional elements that encourage a culture of accountability that goes beyond compliance. These are discussed further in Chapter 6.

5.5 Chapter Summary

This chapter presented and discussed the results of the analysis conducted in this research study. It presented findings regarding disclosure of the certification of compliance statement and annual report disclosure of fraud-related activities. The findings were used to consider whether there is evidence of accountability and were shown to indicate that although there is some evidence for political accountability, there is less evidence of public accountability, even though the organisations making these disclosures are publicly funded, public-interest organisations.

The next chapter presents the overall conclusions, with specific reference to the research questions outlined in Chapter 1. It also explains the limitations of the study and proposes recommendation for further research.

Chapter 6: Conclusion

6.1 Introduction

This thesis has presented an examination of fraud control information in relation to Australian Commonwealth public-sector agencies and bodies. As an exploratory, qualitative study, it has provided a comprehensive review of existing fraud guidelines and other literature, and an analysis of annual reports and other disclosures, both mandatory and voluntary, related to fraud control activities. This chapter provides a conclusion to this thesis by summarising the key findings in relation to the research questions and discussing the major implications. It also outlines the limitations of the study and provides some recommendations for further research.

6.2 Summary and Implications of Key Findings

The primary purpose of this research study was to examine the nature of fraud control information produced by Australian public-sector entities in order to consider whether such disclosure could be considered sufficient to discharge their accountability. To do this, the main research question was formulated as follows:

What is the extent and nature of fraud control information disclosed by Australian Commonwealth public entities in their annual reports as a means of discharging their accountability?

Several subquestions were also formulated. These subquestions assisted in answering the main research question. They were formulated as follows:

- 1. What is the extent and nature of certification statements of compliance with fraud guidelines used by Commonwealth agencies and bodies? Are there similarities or differences between agencies and bodies in the way certification statements are used?*
- 2. What is the extent and nature of voluntary disclosure of fraud control information in annual reports used by Commonwealth agencies and bodies? Are there similarities or differences in disclosure between agencies and bodies?*
- 3. How is the voluntary disclosure of fraud control by agencies and bodies in annual reports different from the reports they provided to the Australian Institute of Criminology?*

4. *Do Australian Commonwealth public entities use disclosure of fraud control information in annual reports to discharge their public and political accountability and, if so, how and to what extent?*

The overall conclusions in terms of addressing each of these subquestions are presented below.

6.2.1 Certification Statements

The first research subquestion that guided the analysis focused on the extent and nature of the disclosure of certification statements of compliance with the Guidelines and the comparison between agencies and bodies. Two main issues were observed: a lack of attention to providing up-to-date information and the use of informal or vague language to certify the activities.

The majority of agencies that were examined met the mandatory requirement of certifying their compliance. However, the fact that only 60% of these agencies used the correct form of the certification statement raises some concern about the processes that are in place to ensure correct and complete disclosure and, potentially, concern about the lack of consequences for those who certify incorrectly. The result was much lower for bodies, who are not required to provide a certification statement, but the fact that some chose to do so anyway initially appeared to indicate a desire to voluntarily provide information to the government to show that their fraud control measures were in place. Unfortunately, as for agencies, only slightly over one-third of the certification statements issued by bodies contained the correct form of certification. Therefore, agencies and bodies were found to be quite similar with regard to certification.

The findings indicate that agencies and bodies appear to lack attention when completing their certification statement and, therefore, are not genuinely concerned about accountability. It could be argued that they want to be perceived as organisations that comply with the Guidelines but do little to ensure they meet up-to-date requirements. This has implications for regulators, whose processes do not appear to include mechanisms for ensuring the correct version of the statement of compliance is used or for imposing sanctions on those agencies or bodies that use the incorrect version.

Where entities produced information about their statement of compliance in annual reports, the language used, especially by bodies, did not always include information from the Guidelines, and the information that was included was quite limited. Thus, although the disclosure itself—which, when in the annual report, is voluntary—suggests a desire to be accountable to stakeholders, the content of the information was not conducive to such accountability. This

again has implications for regulators, suggesting that regulating disclosure for bodies as well as agencies, and regulating annual report disclosure about certification, may improve the nature of the information disclosed and thus improve accountability for safeguarding public assets. Therefore, a part of the certification could clearly indicate if any of the imposed obligations or recommended practices have not been complied with and the reasons for the non-compliance. Such improved disclosure would help to exercise the public and other stakeholders' right to hold the public entity accountable. Although technical developments in regulation, known as *administrative reform* (Owen, Gray, and Bebbington, 1997) may be useful, they may not be sufficient, as will be discussed next.

6.2.2 Voluntary Disclosure in Annual Reports

The second research subquestion focused on voluntary disclosure of fraud control information in annual reports. The nature of the voluntary disclosure can be linked to themes identified in the Guidelines as well as in the Framework 2014 presented in Chapter 2. However, it was found that overall, agencies and bodies presented very general statements rather than reporting 'hard data'. Therefore, the nature of the disclosure was qualitative rather than quantitative, and qualitative information is less measurable than quantitative information. In addition, it was clear that agencies and bodies often engaged in a 'copy and paste' exercise, without providing any new disclosure from one year to another and therefore not reflecting on the rapidly changing fraud environment. These findings indicate that it would be difficult for users of annual reports to assess the extent of fraud risk exposure and associated fraud control activities in the organisation.

This has implications for the heads of agencies and bodies because they are ultimately responsible to both the minister and the public for ensuring that public funds are safeguarded from misappropriation. By not keeping up with the most recent changes in the fraud environment, such as increases in technology-related fraud, they are not fulfilling their obligations. In addition, the findings suggest the need for a best practice framework for reporting on fraud control, which could be devised and implemented by the government only. The best practice framework for disclosure of fraud control information, similar to the one developed for the purposes of this thesis, and presented in section 2.8, would need to include disclosure about various elements of the fraud risk management, such as fraud risk assessment, fraud control plan, fraud prevention, detection, investigation and response and information management and reporting requirements. Such a framework would require institutional reform

(Larrinaga et al., 2010) aimed at developing greater fraud awareness and a best practice culture within the public sector. This, in addition to administrative reforms as outlined above, would provide a more comprehensive approach to accountability.

6.2.3 Australian Institute of Criminology Survey

The third research subquestion focused on a comparison between disclosure of fraud control information in annual reports and the information provided by agencies and bodies to the AIC. Reporting to the AIC was mandatory; however, the AIC allows agencies and bodies to provide the information anonymously. This would indicate aggregate reporting about the fraud control activities by the Commonwealth public sector as a whole is deemed to be more important than the individual report. However, anonymous disclosure of fraud control report is conflicting with the principles of accountability, as discussed in subsection 6.2.4. The results of this research study showed that more information about fraud control activities was reported by agencies and bodies to the AIC than was disclosed in the annual reports. The disclosure to the AIC was particularly substantial in terms of reporting the number of fraud cases and the cost of fraud. In comparison, the disclosure in annual reports was limited to more general and qualitative information. This indicates a tendency to omit negative information, unless directed to do so, as has been found for other types of social disclosure (Deegan and Gordon, 1996). Furthermore, discrepancies were observed in the way some items were defined, such as what constitutes the ‘cost’ of fraud, resulting in the potential for inconsistent approaches to disclosing this information. This again has implications for the government in terms of establishing a framework for reporting fraud-related information—a framework that includes mandatory reporting on the costs of fraud and the number of fraud cases as well as on fraud prevention and control mechanisms. A clear definition of each aspect is also essential. A difficulty with unclear definitions and expressions has been, for example, discussed in subsection 5.3.4.2, when some reports did not differentiate between fraud and non-compliance.

One of the major issues identified in this research study was the inability of Commonwealth public entities to disclose the definitions—as used by their entity—of fraud and the cost of fraud. A similar issue was highlighted back in 1993 as part of the Inquiry into Fraud on the Commonwealth, which recommended that each agency should clearly state, in their annual reports, how they define ‘fraud’ (Parliament of the Commonwealth of Australia: House of Representatives Standing Committee on Banking, Finance and Public Administration, 1993, p. xvi). This is clearly still a problem for public agencies, and this research study therefore

suggests the disclosure of this information. This would lead to a better understanding of the problems related to fraud in each organisation.

6.2.4 Accountability

The final research subquestion focused on disclosure of fraud control information in annual reports as a means of discharging accountability. The results indicated that when disclosure is used to provide certification of compliance with the Guidelines, it is used to discharge *political* accountability, and when used to provide information about fraud control activities, disclosure is used to discharge *public* accountability. However, the analysis of the nature of the certification of compliance statement and of the information about fraud control activities indicates that agencies and bodies are not genuinely concerned about the quality of their disclosure. It can be argued that, rather, they are focused on ‘tick box’ compliance in the case of the certification of compliance, with the aim of being perceived as discharging their political accountability. Furthermore, it can be argued that, in the case of disclosure of fraud control information, they are not genuinely concerned about the quality of disclosure but instead are similarly focused on ensuring they are perceived as discharging their public accountability. Evidence of this is provided by the finding that Commonwealth public entities, when it is compulsory, comply with the Guidelines and certify their compliance. However, when it comes to disclosing more information on a voluntary basis, they do not produce more-detailed information about their fraud control activities in annual reports. However, they disclose much more information to the AIC when directed to do so and when it is anonymous.

This has implications for future revisions of the *Guidelines for the Preparation of Departmental Annual Reports* and other regulation that would lead to improvement in fraud control reporting. As previously discussed in Subsection 2.6.3, greater regulation of public disclosure of fraud control activities for Commonwealth entities was introduced in 1991. As part of the *Guidelines for the Preparation of Departmental Annual Reports*, Commonwealth entities were instructed to include a disclosure summary about, for example, risk assessment, number of fraud cases referred to the AFP, staff awareness activities and the level of staffing and associated resources that were used in the investigation of fraud cases (Department of the Prime Minister and Cabinet, 1991, pp. 21–2). The updated version of the policy, the Commonwealth Fraud Control Policy 1994, removed this obligation and, instead, made it an option to provide fraud control information upon request from the public (Department of the Prime Minister and Cabinet, 1994). It is unclear why this obligation was removed. However,

this finding suggests that regulation of public disclosure of fraud control activities is again needed. A similar framework to that outlined in Chapter 2 could be used as a basis for the regulated disclosure of fraud control information. In particular, the results of this study show that the area of investigation of fraud cases, including the disclosure about the number of incidents and cost of fraud, was not disclosed properly, or was disclosed inconsistently.

The results of the thesis show that aggregate reporting compiled by the AIC provides more information about the fraud control activities than the disclosure by the individual agencies and bodies through their annual reports. However, since the reports are sent to the AIC on an anonymous basis, the aggregate report does not enable the public or other users to hold the individual entities accountable.

Further, the public has a right to and needs information in order to exercise their right to hold public entities accountable. However, the annual reports do not contain enough information to enable the public to assess the fraud control activities of the public entities, and in case of non-performance, to enable to hold the entity accountable. Regulation of disclosure of fraud control information is therefore warranted because it would enable the provision of more of the information that the public need to evaluate Commonwealth entities' activities in relation to fraud control. Therefore, regulated disclosure in annual reports would provide Commonwealth entities with a more appropriate platform for discharging their public accountability. In addition, regulation would provide a mechanism for imposing consequences for non-disclosure of fraud control information. Lastly, the AIC should request the fraud control reports to be sent in a way that individual entities could be identified. The AIC would then be able to produce a report that would enable comparison of agencies and bodies, perhaps within the same portfolio. Since the report on fraud against the Commonwealth is provided to the Minister for Home Affairs, this mechanism would also enable the exercise of political accountability.

However, as noted earlier, in conjunction with increased regulation, better monitoring and the imposition of sanctions for non-compliance, institutional change may also be required to ensure true public accountability (Larrinaga et al., 2010). A start to facilitating this may be a best practice framework for reporting that emphasises the five elements of fraud risk management and control, as outlined in Chapter 2 of this thesis.

6.3 Contributions of the Study

This thesis provides a number of contributions. First, several implications of the findings, as outlined in Section 6.2, which predominantly relate to the need for further regulation and revision of current policy and guidelines, make an important contribution to the practical implementation of fraud prevention and control. Specifically, the research study has demonstrated a need for clear definitions of fraud and the cost of fraud that can be used uniformly by public-sector entities. The regulators would then need to make sure that the public-sector entities understand the definitions and adequately use them.

Second, a regulated certification of compliance statement does not provide enough information to evaluate how public organisations, entrusted with public resources, discharge their accountability. Further, the empirically supported findings of the study, indicate that voluntary disclosure of fraud control information by Commonwealth public entities is also deficient. Therefore, this thesis also adds to the literature on disclosure—specifically on fraud disclosure, which has been lacking in the literature on other social disclosures. The voluntary approach currently does not facilitate a large amount of disclosure about fraud control activities. However, more information is needed to understand which activities public organisations undertake to assess, prevent, detect and investigate incidents of fraud. Since the public has right to information in order to exercise their right to hold public entities accountable, an improved and regulated approach towards disclosure of fraud control information in annual reports is warranted as indicated by the results of this thesis. Therefore, a framework for disclosure, for example, similar to the one developed for the purpose of this study, is needed to be introduced and implemented by the public sector.

Third, this thesis contributes to the literature on accountability in the public sector, suggesting that there is little evidence of a serious motive for accountability in terms of discharging accountability for safeguarding public funds from fraud. The study has shown that political accountability prevails over other forms of accountability, such as public accountability, and that the compliance-focused ‘tick box’ culture in many of these organisations is in need of further reform. This has important implications for the revision of the accountability processes of public-sector entities.

Finally, this raises an interesting and important distinction between accountability via aggregated reporting, such as via the AIC survey, and individual reporting to the public, through annual reports or other media. The findings suggest that while aggregated reporting is

more effective in terms of compliance, there evidence that it leads to acceptance by entities that they have discharged their duty to report. That is, the regulations may themselves help foster a ‘tick-box’ mentality. However, this only discharges their political accountability and means that public accountability is inadequate. This has important implications for the literature and theory on disclosure and accountability and has application more broadly, for example, when considering other aggregate reporting mechanisms such as the Carbon Disclosure Project (CDP) versus individual standards such as those produced by GRI (Stephan, 2002). This is an important issue for consideration in future research.

6.4 Limitations

The findings of this research study should be understood in the context of its limitations. First, when assessing public or political accountability, the research study was limited to the disclosure made via annual reports and the disclosure made to the AIC, for the limited period of 2011 to 2013. It is possible that agencies and bodies also discharge their accountability through other channels, such as social media, their organisation’s website and direct disclosure to relevant ministers. It is also possible that changes have occurred since the data were analysed for this thesis.

Another limitation of the study is that it focused on Commonwealth public entities as a whole. As such, the results cannot be generalised to the particular subsectors of the public entities and cannot be interpreted with specificity in terms of the size or other attributes of the entities. Further analysis, breaking down the sample according to size of assets or total revenue, may shed a different light on some of the findings.

A final limitation is associated with the analysis phase of the study. As with all qualitative analysis, the assessment of the quantity and quality of the disclosure relied on an element of personal judgement by the researcher.

6.5 Recommendations for Further Research

As indicated before in Section 3.7, there is limited knowledge about disclosure of fraud control information in general. Therefore, four considerations for further research will now be discussed.

First, given that this study presents the first comprehensive review of fraud-related guidelines and the state of fraud disclosure by Australian Commonwealth agencies and bodies, there is a

need for further research that seeks to unpack the most appropriate accountability mechanisms for the public sector. This would include consideration of a best practice framework, mandatory versus voluntary reporting, and institutional reforms that may be required to ensure greater accountability.

Second, this research study focused on the Commonwealth public sector as a whole. Future studies could replicate the study but evaluate the results based on different subsectors, the size of the entities or additional financial factors. Such a study may help to identify which types of entities within the Commonwealth public sector are inclined to provide more and in-depth information about their fraud control activities, which could lead to an understanding of the reasons for these differences. This is important because some types of public-sector entities may be more susceptible to fraud than are others, or there may be an argument for legislating differently for different types of organisations.

Third, the future study could extend the analysis for a subset of agencies and bodies to the present time to see whether the observed practices continue. In case that the results indicate substantial change in reporting of fraud control activities, as compared to findings presented in this study, the reasons of the change could be further investigated.

Fourth, this study could be replicated with a focus on other public-sector entities, such as state or local government organisations, or on private organisations. The comparison of the results could identify the similarities and differences in the disclosure of the fraud control activities and help to understand the reasons for such disclosure. There may be lessons that could be learnt for best practice, by comparing these different types of organisations.

Finally, a similar study could be conducted using either public- or private-sector entities based in different countries. Again, a comparison between the Australian setting and the international setting could help to increase understanding of the reason for such disclosure and, therefore, potentially help to improve the quantity and quality of the disclosure of fraud control information in the Australian public sector. In particular, the merits of aggregate versus individual reporting in the public sector should be assessed.

6.6 Conclusion

This research study adds to the limited body of knowledge regarding how Commonwealth entities discharge their accountability in relation to their fraud control activities. The study's

focus was the annual report as a mechanism for discharging both public and political accountability. Therefore, this research study contributes to our understanding of the role of the annual report in the discharge of public and political accountability in relation to fraud control activities.

The results of this research study are important for those who oversee Commonwealth entities, particularly in terms of understanding the deficiencies identified in the disclosure of fraud control activities. Furthermore, the results can help policymakers understand which types of regulation need to be imposed on Commonwealth entities to ensure that public accountability is discharged properly.

To conclude this thesis, the following quote is offered:

It is not only what we do, but also what we do not do, for which we are accountable.

– Molière

References

- AAF Company. (2013). Annual Report 2012–2013.
- Aboriginal Hostels Limited. (2011). Annual Report 2010–2011.
- Adams, C. A., Wan-Ying, H. and Roberts, C. B. (1998). “Corporate Social Reporting Practices in Western Europe: Legitimizing Corporate Behaviour?”, *British Accounting Review*, Vol. 30 No. 1, pp. 1–21.
- Administrative Appeals Tribunal. (2011). Annual Report 2010–11.
- Administrative Appeals Tribunal. (2012). Annual Report 2011–12.
- Agyemang, G. (2009). “Responsibility and accountability without direct control?”, *Accounting, Auditing & Accountability Journal*, Vol. 22 No. 5, pp. 762–88.
- Albrecht, W. S. and Romney, M. B. (1986). “Red-Flagging Management Fraud: A Validation”, *Advances in Accounting*, Vol. 3, pp. 323–33.
- Alijarde, M. I. B. (1997). “The Usefulness of Financial Reporting in Spanish Local Governments”, *Financial Accountability and Management*, Vol. 13 No. 1, pp. 17–34.
- Alkawm, A. R. (2013). “The nature of compliance with the Commonwealth fraud control guidelines by Australian Commonwealth government organisations”, University of Wollongong.
- Ames, D., Brazel, J. F., Jones, K. L., Rich, J. S. and Zimbelman, M. F. (2012). “Using Nonfinancial Measures to Improve Fraud Risk Assessments”, *Current Issues in Auditing*, Vol. 6 No. 1, pp. C28–C34.
- Anindilyakwa Land Council. (2012). Annual Report 11/12.
- Apostolou, B. A., Hassell, J. M. and Webber, S. A. (2001). “The relative importance of management fraud risk factors”, *Behavioural Research in Accounting* Vol. 13, pp. 1–24.
- Association of Certified Fraud Examiners. (2010a). *Fraud Examiners Manual. 2010 International Edition*.
- Association of Certified Fraud Examiners. (2010b). Report to the Nations on Occupational Fraud and Abuse.
- Association of Certified Fraud Examiners. (2012). Report to the Nations on Occupational Fraud and Abuse.
- Association of Certified Fraud Examiners. (2014). Report to the Nations on Occupational Fraud and Abuse.
- Association of Certified Fraud Examiners. (2016). Report to the Nations on Occupational Fraud and Abuse.
- Attorney-General’s Department. (2013). Annual Report 12 13.
- Audit Office of New South Wales. (1998). Fraud Control – Status Report on the Implementation of Fraud Control Strategies.
- Audit Office of New South Wales. (2005). Fraud Control Current Progress and Future Directions.
- Audit Office of New South Wales. (2015). Fraud Control Improvement Kit. Managing your fraud control obligations.

Australia Council. (2013). Annual Report 12 13.

Australian Accounting Standards Board. (2015). AASB 101 Presentation of Financial Statements.

Australian Agency for International Development. (2011). Annual Report 2010–2011.

Australian Bureau of Statistics. (2012). Personal Fraud, 2010–2011.

Australian Communications and Media Authority. (2011). Annual Report 2010–11.

Australian Crime Commission. (2013). Annual Report 2012–13.

Australian Electoral Commission. (2011). Annual Report 2010–2011.

Australian Electoral Commission. (2012). 2011–12 Annual Report.

Australian Federal Police. (2011). Annual Report 2010–11.

Australian Federal Police. (2012). Annual Report 2011–12.

Australian Federal Police. (2013). Annual Report 2012–13.

Australian Government. (1997). Financial Management and Accountability Act 1997.

Australian Government. (2014). Commonwealth Fraud Control Framework 2014.

Australian Government: Commonwealth Law Enforcement Board. (1994). Best Practice for Fraud Control. Fraud Control Policy of the Commonwealth.

Australian Government, Department of Finance. (2008a). “CAC Act”, available at: <https://www.finance.gov.au/archive/financial-framework/cac-legislation/cac-act.html> (accessed 26/7/2016 2016).

Australian Government, Department of Finance. (2008b). “Commonwealth Authorities and Companies Act 1997 (CAC Act) Bodies”, available at: <https://www.finance.gov.au/archive/financial-framework/cac-legislation/cac-bodies.html> (accessed 27/6/2016 2016).

Australian Government, Department of Finance. (2008c). “FMA Legislation”, available at: <https://www.finance.gov.au/archive/financial-framework/fma-legislation/> (accessed 26/7/2016 2016).

Australian Hearing Services. (2011). Annual Report 2011.

Australian Institute of Criminology. (2016). Fraud within the Commonwealth: A census of the most costly incidents, 2010–11 to 2012–13.

Australian Institute of Criminology and PriceWaterHouseCoopers. (2003). Serious fraud in Australia and New Zealand.

Australian Institute of Family Studies. (2011). Annual report 2010–11.

Australian Institute of Health and Welfare. (2012). Australian Institute of Health and Welfare Annual report 2011–12.

Australian Law Reform Commission. (2012). ALRC 2011–12 Annual Report, Report 119.

Australian Maritime Safety Authority. (2011). Annual Report 2010–11.

Australian National Audit Office. (2010). Fraud Control in Australian Government Agencies.

Australian National Audit Office. (2011). Fraud Control in Australian Government entities.

Australian National Audit Office. (2014). Fraud Control Arrangements. Across Entities.

Australian Nuclear Science and Technology Organisation. (2011). Annual Report 2010–2011.

Australian Radiation Protection and Nuclear Safety Agency. (2013). ARPANSA Annual Report of the Chief Executive Officer Annual Report 2012–13.

Australian Reinsurance Pool Corporation. (2012). Annual Report 2011–12.

- Australian Security Intelligence Organisation. (2011). ASIO Report to Parliament 2010–11.
- Australian Sports Anti-Doping Authority. (2011). 2010:11 Annual Report.
- Australian Sports Commission. (2012). Annual Report 2011–2012.
- Australian Standard. (2008). AS 8001–2008: Fraud and Corruption Control.
- Australian Taxation Office. (2011). Commissioner of Taxation Annual report 2010–11.
- Australian Taxation Office. (2012). Commissioner of Taxation Annual report 2011–12.
- Australian Taxation Office. (2013). Commissioner of Taxation Annual Report 2012–13.
- Australian Trade Commission. (2011). Annual Report 2010–11.
- Australian Trade Commission. (2012). Annual Report 2011–12.
- Australian Trade Commission. (2013). Annual Report 2012–13.
- Australian War Memorial. (2012). Australian War Memorial Annual Report 2011–2012.
- Bae Choi, B., Lee, D. and Psaros, J. (2013). “An analysis of Australian company carbon emission disclosures”, *Pacific Accounting Review*, Vol. 25 No. 1, pp. 58–79.
- Bailey, D., Harte, G. and Sugden, R. (2000). “Corporate disclosure and the deregulation of international investment”, *Accounting, Auditing & Accountability Journal*, Vol. 13 No. 2, pp. 197–218.
- Bailey, D. M. and Jackson, J. M. (2003). “Qualitative Data Analysis: Challenges and Dilemmas Related to Theory and Method”, *American Journal of Occupational Therapy*, Vol. 57 No. 1, pp. 57–65.
- Baker, H., Kent and Haslem, J. A. (1973). “Information needs of individual investors”, *The Journal of Accountancy*, Vol. November, pp. 64–9.
- Baptiste, I. (2001). “Qualitative Data Analysis: Common Phases, Strategic Differences”, *Forum Qualitative Sozialforschung /Forum: Qualitative Social Research*, Vol. 2 No. 3.
- Barton, A. D. (2006). “Public sector accountability and commercial-in-confidence outsourcing contracts”, *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 2, pp. 256–71.
- Barton, J. and Waymire, G. (2004). “Investor protection under unregulated financial reporting”, *Journal of Accounting and Economics*, Vol. 38, pp. 65–116.
- Barut, M., Gillian Vesty, D. S. D. D., Raar, J. and Azim, M. I. (2016). “Biodiversity and local government: a reporting and accountability perspective”, *Managerial Auditing Journal*, Vol. 31 No. 2, pp. 197–227.
- Bastin, G. and Townsend, P. (1996). “Whistleblowers — A Legitimate Role in Corporate Life?”, *Journal of Financial Crime*, Vol. 4 No. 2, pp. 179–82.
- Bazeley, P. (2013). *Qualitative data analysis : practical strategies*, 1st ed., London : SAGE, London.
- Belal, R. A. and Owen, D. L. (2007). “The views of corporate managers on the current state of, and future prospects for, social reporting in Bangladesh”, *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 3, pp. 472–494.
- Bennett, C. (2008). *The Privacy Advocates*, 1st ed, MIT Press, Cambridge.
- Benston, G. J. (1982). “Accounting and corporate accountability”, *Accounting, Organizations and Society*, Vol. 7 No. 2, pp. 87–105.

- Bierstaker, J. L., Brody, R. G. and Pacini, C. (2006). "Accountants' perceptions regarding fraud detection and prevention methods", *Managerial Auditing Journal*, Vol. 21 No. 5, pp. 520–35.
- Bovens, M. (2007). "Analysing and Assessing Accountability: A Conceptual Framework", *European Law Journal*, Vol. 13 No. 4, pp. 447–68.
- Boyne, G. and Law, J. (1991). "Accountability and Local Authority Annual Reports: The Case of Welsh District Councils", *Financial Accountability and Management*, Vol. 7 No. 3, pp. 179–94.
- Brammer, S. and Pavelin, S. (2004). "Voluntary social disclosures by large UK companies", *Business Ethics: A European Review*, Vol. 13 No. 2–3, pp. 86–99.
- Brazel, J. F., Jones, K. L. and Zimbelman, M. F. (2009). "Using Nonfinancial Measures to Assess Fraud Risk", *Journal of Accounting Research*, Vol. 47 No. 5, pp. 1135–66.
- Brennan, N. M. and Solomon, J. (2008). "Corporate governance, accountability and mechanisms of accountability: an overview", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 7, pp. 885–906.
- Broadbent, J. and Laughlin, R. (2003). "Control and legitimation in government accountability processes the private finance initiative in the UK", *Critical Perspectives on Accounting*, Vol. 14, pp. 23–45.
- Brown, N. and Deegan, C. (1998). "The public disclosure of environmental performance information—a dual test of media agenda setting theory and legitimacy theory", *Accounting and Business Research*, Vol. 29 No. 1, pp. 21–41.
- Brown, R. (2013). "Reaching the parts other investigations cannot reach: Securing convictions for organised crime through financial investigation", *Journal of Financial Crime*, Vol. 20 No. 3, pp. 259–66.
- Bryman, A. (2012). *Social research methods*, 4th ed., Oxford : Oxford University Press, Oxford.
- Bryman, A. and Burgess, R. G. (1994). *Analyzing qualitative data*, 1st ed., London ; New York : Routledge, London ; New York.
- Buckhoff, T. A. (2001). "Using fraud assessment questioning to detect fraud", *The CPA Journal*, Vol. 71 No. 4, pp. 36–40.
- Burritt, R. L. and Welch, S. (1997a). "Accountability for environmental performance of the Australian Commonwealth public sector", *Accounting, Auditing & Accountability Journal*, Vol. 10 No. 4, pp. 532–61.
- Burritt, R. L. and Welch, S. (1997b). "Australian Commonwealth Entities: An Analysis of Their Environmental Disclosures", *Abacus*, Vol. 33 No. 1, pp. 69–87.
- Butterworth, P., Gray, R. H. and Haslam, J. (1989). "The Local Authority Annual Report in the UK: An Exploratory Study of Accounting Communication and Democracy", *Financial Accountability and Management*, Vol. 5 No. 2, pp. 73–87.
- Button, M. and Brooks, G. (2009). "“Mind the gap”, progress towards developing anti-fraud culture strategies in UK central government bodies", *Journal of Financial Crime*, Vol. 16 No. 3, pp. 229–44.
- Button, M., Lewis, C. and Tapley, J. (2009). *Fraud typologies and victims of fraud: Literature review*, London, UK.

- Campbell, D., Moore, G. and Shrivess, P. (2006). "Cross-sectional effects in community disclosure", *Accounting, Auditing & Accountability Journal*, Vol. 19 No. 1, pp. 96–114.
- Cancer Australia. (2011). Annual Report 2010–11.
- Carpenter, B. W. and Mahoney, D. P. (2001). "Analyzing Organizational Fraud", in *Internal Auditor*, pp. 33–8.
- Carpenter, T. D., Reimers, J. L. and Fretwell, P. Z. (2011). "Internal Auditors' Fraud Judgments: The Benefits of Brainstorming in Groups", *Auditing: A Journal of Practice & Theory*, Vol. 30 No. 3, pp. 211–24.
- Catchick, P. (2016). "The policing of financial misconduct in intergovernmental organisations", *Journal of Financial Crime*, Vol. 23 No. 1, pp. 159–72.
- Centrelink. (2011). Annual Report 2010–11.
- Chartered Institute of Management Accountants. (2008). Fraud risk management – a guide to good practice.
- Chenoweth, N. (2017). "Plutus ATO fraud Part 3: Michael Cranston and the AFP bug that caught him", available at: <http://www.afr.com/news/policy/tax/plutus-ato-fraud-part-3-michael-cranston-and-the-afp-bug-that-caught-him-20170630-gx1ygz> (accessed 28/8/2017 2017).
- Cho, C. H. and Patten, D. M. (2007). "The role of environmental disclosures as tools of legitimacy: A research note", *Accounting, Organizations and Society*, Vol. 32 No. 7–8, pp. 639–47.
- Choo, K.-K. R., Smith, R. G. and McCusker, R. (2007). "The future of technology-enabled crime in Australia", *Trends and Issues in Crime and Criminal Justice* No. 341.
- Christensen, M. and Skærbæk, P. (2007). "Framing and overflowing of public sector accountability innovations", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 1, pp. 101–32.
- Clark, C. (2001). "The Usefulness of Performance Indicators in the Annual reports of Government Departments," Monash University.
- Clean Energy Regulator. (2013). Clean Energy Regulator, Annual Report 2012–13.
- Climate Change Authority. (2013). Annual Report 2012–13.
- Comcare. (2011). Annual Reports 2010–11.
- Comcare. (2013). Annual Reports 2012–13.
- Commonwealth Director of Public Prosecutions. (2013). Annual Report 2012/13.
- Commonwealth of Australia. (1987). Review of Systems for Dealing with Fraud on the Commonwealth.
- Commonwealth of Australia. (2001). Corporation Act 2001.
- Commonwealth of Australia. (2002). Fraud Control Guidelines.
- Commonwealth of Australia. (2011a). Australian Government Investigation Standards.
- Commonwealth of Australia. (2011b). Commonwealth Fraud Control Guidelines 2011.
- ComSuper. (2011). Commissioner for Superannuation 2010–11 Annual Report.
- ComSuper. (2013). Comsuper Annual Report 2012–13.
- Connolly, C. and Kelly, M. (2011). "Understanding accountability in social enterprise organisations: a framework", *Social Enterprise Journal*, Vol. 7 No. 3, pp. 224–37.

- Cooper, S. M. and Owen, D. L. (2007). "Corporate social reporting and stakeholder accountability: The missing link", *Accounting, Organizations and Society*, Vol. 32 No. 7–8, pp. 649–67.
- Coram, P., Ferguson, C. and Moroney, R., (2007). The Importance of Internal Audit in Fraud Detection, Paper presented at the American Accounting Association, Auditing Section, 2007 Midyear Conference, Charlestone, South Carolina, United States.
- Corless, J. C. (2009). "Fraud awareness of internal auditors", *The Journal of Theoretical Accounting Research*, Vol. 4 No. 2, pp. 93–109.
- Corporations and Markets Advisory Committee. (2011). CAMAC Annual Report 2010–2011.
- Corporations and Markets Advisory Committee. (2013). CAMAC Annual Report 2012–2013.
- Cotton Research and Development Corporation. (2011). Annual Report 2010–2011.
- Cotton Research and Development Corporation. (2013). CRDC Annual Report.
- Cowan, S. and Gadenne, D. (2005). "Australian corporate environmental reporting: a comparative analysis of disclosure practices across voluntary and mandatory disclosure systems", *Journal of Accounting & Organizational Change*, Vol. 1 No. 2, pp. 165–79.
- Coy, D. and Dixon, K. (2004). "The public accountability index: crafting a parametric disclosure index for annual reports", *The British Accounting Review*, Vol. 36 No. 1, pp. 79–106.
- Coy, D., Dixon, K., Buchanan, J. and Tower, G. (1997). "Recipients of Public Sector Annual Reports: Theory and an Empirical Study Compared", *The British Accounting Review*, Vol. 29 No. 2, pp. 103–27.
- Coy, D., Fischer, M. and Gordon, T. (2001). "Public accountability: a new paradigm for college and university annual reports", *Critical Perspectives on Accounting*, Vol. 12 No. 1, pp. 1–31.
- Coy, D. and Pratt, M. (1998). "An insight into accountability and politics in universities: a case study", *Accounting, Auditing & Accountability Journal*, Vol. 11 No. 5, pp. 540–61.
- Cressey, D. R. (1953). *Other people's money: a study in the social psychology of embezzlement*, 1st ed., Free Press, Glencoe.
- Crime and Misconduct Commission Queensland. (2005). Fraud and corruption control. guidelines for best practice. Crime and Misconduct Commission, Brisbane, Qld.
- Crime and Misconduct Commission Queensland. (2013). Fraud, financial management and accountability in the Queensland public sector. Queensland Crime and Misconduct Commission. Fortitude Valley, Queensland
- Daniels, J. D. and Daniels, C. E. (1991). "Municipal financial reports: What users want", *Journal of Accounting and Public Policy*, Vol. 10 No. 1, pp. 15–38.
- Davison, J. (2007). "Photographs and accountability: cracking the codes of an NGO", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 1, pp. 133–58.
- Deegan, C. (2002). "Introduction: The legitimising effect of social and environmental disclosures – a theoretical foundation", *Accounting, Auditing & Accountability Journal*, Vol. 15 No. 3, pp. 282–311.

- Deegan, C. and Gordon, B. (1996). "A Study of the Environmental Disclosure Practices of Australian Corporations", *Accounting and Business Research*, Vol. 26 No. 3, pp. 187–99.
- Deegan, C. and Rankin, M. (1996). "Do Australian companies report environmental news objectively?", *Accounting, Auditing & Accountability Journal*, Vol. 9 No. 2, pp. 50–67.
- Deegan, C. and Rankin, M. (1997). "The materiality of environmental information to users of annual reports", *Accounting, Auditing & Accountability Journal*, Vol. 10 No. 4, pp. 562–83.
- Deegan, C. and Rankin, M. (1999). "The environmental reporting expectations gap: Australian evidence", *British Accounting Review*, Vol. 31, pp. 313–46.
- Deegan, C., Rankin, M. and Voght, P. (2000). "Firms' disclosure reactions to major social incidents: Australian evidence", *Accounting Forum*, Vol. 24 No. 1, pp. 101–30.
- Defence Materiel Organisation. (2011). Defence Annual Report 2010–2011 Volume 2 Defence Materiel Organisation.
- Degeling, P., Anderson, J. and Guthrie, J. (1996). "Accounting for public accounts committees", *Accounting, Auditing & Accountability Journal*, Vol. 9 No. 2, pp. 30–49.
- Department of Defence. (2011). Defence Annual Report 2010–2011 Volume 1 Department of Defence.
- Department of Defence. (2012). Defence Annual Report 2011–2012 Department of Defence.
- Department of Defence. (2013). Defence Annual Report 2012–13 Department of Defence.
- Department of Education, Employment and Workplace Relations. (2011). Annual Report 2010–11.
- Department of Families, Housing, Community Services and Indigenous Affairs. (2011). 2010–11 Annual Report.
- Department of Families, Housing, Community Services and Indigenous Affairs. (2013). 2012.13 Annual Report.
- Department of Finance and Deregulation. (2011). Annual Report 2010–11.
- Department of Human Services. (2011). Department of Human Services Annual Report 2010–11.
- Department of Immigration and Citizenship. (2011). Annual Report 2010–11.
- Department of Immigration and Citizenship. (2012). Annual Report 2011–12.
- Department of Immigration and Citizenship. (2013). Annual Report 2012–13.
- Department of Industry, Innovation, Climate Change, Science, Research, and Tertiary Education. (2013). Annual Report 2012–13, Part B.
- Department of Parliamentary Services. (2011). Annual Report 2010–11.
- Department of Sustainability, Environment, Water, Population and Communities. (2012). Annual Report 2011–2012.
- Department of Sustainability, Environment, Water, Population and Communities. (2013). Annual Report 2012–2013.
- Department of the Prime Minister and Cabinet. (1991). Guidelines for the Preparation of Departmental Annual Reports.

- Department of the Prime Minister and Cabinet. (1994). Requirements for Departmental Annual Reports.
- Department of the Prime Minister and Cabinet. (2000). Requirements for Annual Reports.
- Department of the Prime Minister and Cabinet. (2002). Requirements for Annual Reports for Departments, Executives Agencies and FMA Act Bodies.
- Department of the Prime Minister and Cabinet. (2005). Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies.
- Department of the Prime Minister and Cabinet. (2009). Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies.
- Department of the Prime Minister and Cabinet. (2010). Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies.
- Department of the Prime Minister and Cabinet. (2011). Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies.
- Department of the Prime Minister and Cabinet. (2012). Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies.
- Department of the Prime Minister and Cabinet. (2014). Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies.
- Department of the Prime Minister and Cabinet. (2015). Requirements for Annual Reports for Departments, Executive Agencies and Other Non-Corporate Commonwealth Entities.
- Department of Veterans' Affairs. (2011). Annual Reports 2010–2011.
- Dey, I. (1993). *Qualitative data analysis : a user-friendly guide for social scientists*, 1st ed., Routledge, London.
- Dhanani, A. and Connolly, C. (2012). “Discharging not-for-profit accountability: UK charities and public discourse”, *Accounting, Auditing & Accountability Journal*, Vol. 25 No. 7, pp. 1140–69.
- Director of National Parks. (2011). Annual Report 2010–11.
- Dixon, J., Kouzmin, A. and Korac-Kakabadse, N. (1996). “The commercialization of the Australian public service and the accountability of government”, *International Journal of Public Sector Management*, Vol. 9 No. 5/6, pp. 23–36.
- Dixon, K., Coy, D. and Tower, G. (1991). “External Reporting by New Zealand Universities 1985-1989: Improving Accountability”, *Financial Accountability and Management*, Vol. 7 No. 3, pp. 159–78.
- Dorminey, J., Fleming, A. S., Kranacher, M.-J. and Riley, R. A. (2012). “The Evolution of Fraud Theory”, *Issues in Accounting Education*, Vol. 27 No. 2, pp. 555–79.
- Dubnick, M. J. (2007). “Sarbanes-Oxley and the Search for Accountable Corporate Governance”, *The GovNet eJournal*, Vol. 1 No. 2, pp. 140–72.
- Eaton, T. V. and Akers, M. (2007). “Whistleblowing and Good Governance. Policies for Universities, Government Entities, and Nonprofit Organizations”, *The CPA Journal*, Vol. 77 No. 6, pp. 66–71.
- Ekka, R. (2014). *Research Methodology and Data Analysis in Humanities & Social Sciences*, 1st ed., Laxmi Book Publication.
- English, L. M. (2003). “Emasculating Public Accountabiity in the Name of Competition: Transformation of State Audit in Victoria”, *Critical Perspectives on Accounting*, Vol. 14, pp. 51–76.

- Epstein, M. J. and Freedman, M. (1994). "Social Disclosure and the Individual Investor", *Accounting, Auditing & Accountability Journal*, Vol. 7 No. 4, pp. 94–109.
- Etzioni, A. (1999). *The Limits of Privacy*, 1st ed, Basic Books, New York.
- Evans, H. (1999). "Parliament and Extra-Parliamentary Accountability Institutions", *Australian Journal of Public Administration*, Vol. 58 No. 1, pp. 87–9.
- Fair Work Building and Construction. (2013). Annual Report 2012–13.
- Fama, E. F. (1980). "Agency problems and the theory of the firm", *Journal of Political Economy*, Vol. 88 No. 2, pp. 288–307.
- Fama, E. F. and Jensen, M. C. (1983). "Separation of Ownership and Control Corporations and Private Property", *Journal of Law & Economics*, Vol. 26, pp. 301–26.
- Farneti, F. and Guthrie, J. (2009). "Sustainability reporting by Australian public sector organisations: Why they report", *Accounting Forum*, Vol. 33 No. 2, pp. 89–98.
- Federal Court of Australia. (2011). Annual Report 2010–2011.
- Federal Court of Australia. (2012). Annual Report 2011–2012.
- Fisheries Research and Development Corporation. (2011). Annual Report 2010–11.
- Frank, J. (2004). "Fraud risk assessments", *The Internal Auditor*, Vol. 61 No. 2, pp. 40–5.
- Free, C. and Murphy, P. R. (2015). "The Ties that Bind: The Decision to Co-Offend in Fraud", *Contemporary Accounting Research*, Vol. 32 No. 1, pp. 18–54.
- Fuchs, C. (2011). "Towards an alternative concept of privacy", *Journal of Information, Communication and Ethics in Society*, Vol. 9 No. 4, pp. 220–237.
- Funnell, W. (2003). "Enduring Fundamentals: Constitutional Accountability and Auditors-General in the Reluctant State", *Critical Perspectives on Accounting*, Vol. 14, pp. 107–32.
- Future Fund Management Agency. (2011). Annual Report 2010 2011.
- Future Fund Management Agency. (2012). Annual Report 2011/2012.
- Future Fund Management Agency. (2013). Annual Report.
- Gamble, G. O., Hsu, K., Kite, D. and Radtke, R. R. (1995). "Environmental disclosures in annual reports and 10Ks: An examination", *Accounting Horizons*, Vol. 9 No. 3, pp. 34–54.
- Global Sustainability Standards Board. (2016). GRI 205: Anti-Corruption 2016. Netherlands.
- Grabosky, P. N. and Duffield, G. (2001). "Red flags of fraud", *Trends & issues in crime and criminal justice* No. 200.
- Grabosky, P. N. and Smith, R. G. (1996). Fraud: An Overview of Current & Emerging Risks.
- Grains Research and Development Corporation. (2013). GRDC Annual Report 2012–2013.
- Grape and Wine Research and Development Corporation. (2012). Annual Report 2011–2012.
- Gray, A. and Jenkins, B. (1993). "Codes of Accountability in the New Public Sector", *Accounting, Auditing & Accountability Journal*, Vol. 6 No. 3, pp. 52–67.
- Gray, R., Kouhy, R. and Lavers, S. (1995a). "Constructing a research database of social and environmental reporting by UK companies", *Accounting, Auditing & Accountability Journal*, Vol. 8 No. 2, pp. 78–101.
- Gray, R., Kouhy, R. and Lavers, S. (1995b). "Corporate social and environmental reporting", *Accounting, Auditing & Accountability Journal*, Vol. 8 No. 2, pp. 47–77.
- Grbich, C. F. (2007). *Qualitative data analysis : an introduction*, 1st ed., London ; Thousand Oaks, Calif. : SAGE.

- Guo, C., Ahmed, Z. U., Kabir, H. and Narayan, A., 2016, Use of Public Accountability Index (PAI) to assess the accountability practices of New Zealand Universities, Paper presented at the 8th Asia-Pacific Interdisciplinary Research in Accounting (APIRA). RMIT, Melbourne.
- Guthrie, J. and Farneti, F. (2008). "GRI Sustainability Reporting by Australian Public Sector Organizations", *Public Money & Management*, Vol. 28 No. 6, pp. 361–66.
- Guthrie, J. and Parker, L. D. (1989). "Corporate Social Reporting: A Rebuttal of Legitimacy Theory", *Accounting and Business Research*, Vol. 19 No. Autumn, pp. 343–52.
- Guthrie, J. and Parker, L. D. (1990). "Corporate social disclosure practice: A comparative international analysis", *Advances in Public Interest Accounting*, Vol. 3, pp. 159–75.
- Guthrie, J., Petty, R., Yongvanich, K. and Ricceri, F. (2004). "Using content analysis as a research method to inquire into intellectual capital reporting", *Journal of Intellectual Capital*, Vol. 5 No. 2, pp. 282–93.
- Harding, J. (2013). *Qualitative data analysis from start to finish*, 1st ed., London : SAGE, London.
- Hassink, H., Meuwissen, R. and Bollen, L. (2010). "Fraud detection, redress and reporting by auditors", *Managerial Auditing Journal*, Vol. 25 No. 9, pp. 861–81.
- Hay, D. C. (1994). "Who Uses Public Sector External Reports: An Exploration", *Accounting Forum*, Vol. 17 No. 4, pp. 47–65.
- Hazelton, J. (2013). "Accounting as a human right: the case of water information", *Accounting, Auditing & Accountability Journal*, Vol. 26 No. 2, pp. 267–311.
- Health Workforce Australia. (2012). Annual Report 2011–2012.
- Henry, L. (2016). "Fraud Prevention: an effective control environment can deter or minimize the occurrence of fraudulent activities", *Internal Auditor*, Vol. 73 No. 2, pp. 17–19.
- Herawaty, M. and Hoque, Z. (2007). "Disclosure in the annual reports of Australian government departments", *Journal of Accounting & Organizational Change*, Vol. 3 No. 2, pp. 147–68.
- Holloway, I. (1997). *Basic concepts for qualitative research*, 1st ed., London ; Malden, MA, USA : Blackwell Science, London ; Malden, MA, USA.
- Holtfreter, K. (2004). "Fraud in US organisations: an examination of control mechanisms", *Journal of Financial Crime*, Vol. 12 No. 1, pp. 88–95.
- Hood, C. (1995). "The "new public management" in the 1980s: Variations on a theme", *Accounting, Organizations and Society*, Vol. 20 No. 2–3, pp. 93–109.
- Hooks, J., Coy, D. and Davey, H. (2001). "The Annual Reports of New Zealand Electricity Companies: Assessing Quality", *Pacific Accounting Review*, Vol. 13 No. 2, pp. 35–69.
- Hoque, Z. and Moll, J. (2001). "Public sector reform – Implications for accounting, accountability and performance of state-owned entities – an Australian perspective", *International Journal of Public Sector Management*, Vol. 14 No. 4, pp. 304–26.
- Hoskin, K. W. and Macve, R. H. (1986). "Accounting and the examination : A genealogy of disciplinary power", *Accounting, Organizations and Society*, Vol. 11 No. 2, pp. 105–36.
- Hunt, N., Langenberg, A. and Novak, L. (2017). "Mount Gambier Liberal MP Troy Bell charged with theft, using false documents", *The Advertiser*, 18 August 2017.

- Hutchins, H. R. (1994). “Annual Reports (...who read them?)”, *Communication World*, Vol. 11 No. 9, pp. 18–21.
- Insites 2007, ‘Module 5 – Tips for Analyzing Qualitative Data’, http://insites.org/insites_archive/CLIP_v1_site/downloads/PDFs/TipsAnalzQualData.5D.8-07.pdf
- Inspector-General of Taxation. (2012). Annual Report 2011–12.
- Jensen, M. C. and Meckling, W. H. (1976). “Theory of the firm: Managerial behavior, agency costs and ownership structure”, *Journal of Financial Economics*, Vol. 3 No. 4, pp. 305–60.
- Joannides, V. (2012). “Accountability and the problematics of accountability”, *Critical Perspectives on Accounting*, Vol. 23 No. 3, pp. 244–57.
- Johansson, E. and Carey, P. (2015). “Detecting Fraud: The Role of the Anonymous Reporting Channel”, *Journal of Business Ethics*, Vol. 139 No. 2, pp. 391–409.
- Johnston, J. M. and Romzek, B. S. (1999). “Contracting and Accountability in State Medicaid Reform: Rhetoric, Theories, and Reality”, *Public Administration Review*, Vol. 59, pp. 383.
- Jorna, P. and Smith, R. G. (2015). Fraud against the Commonwealth Report to Government 2010–11 to 2012–13.
- Karpoff, J. M. and Lott, J. R. (1993). “The Reputational Penalty Firms Bear from Committing Criminal Fraud”, *Journal of Law and Economics*, Vol. 36 No. 2, pp. 757–802.
- Kent, P. and Zunker, T. (2013). “Attaining legitimacy by employee information in annual reports”, *Accounting, Auditing & Accountability Journal*, Vol. 26 No. 7, pp. 1072–1106.
- Kluvers, R. (2003). “Accountability for Performance in Local Government”, *Australian Journal of Public Administration*, Vol. 62 No. 1, pp. 57–69.
- Kolman, M. R. (2007). “Creating a fraud risk dialogue”, *The Internal Auditor*, Vol. 64 No. 3, pp. 45–9.
- KPMG. (2004). Fraud Survey 2004.
- KPMG. (2006). Fraud Risk Management – Developing a Strategy for Prevention, Detection, and Response.
- KPMG. (2009). Fraud Survey 2008.
- KPMG. (2010). Fraud and Misconduct Survey 2010.
- KPMG. (2011). Global Anti-Bribery and Corruption Survey 2011.
- KPMG. (2012). A survey of fraud, bribery and corruption in Australia & New Zealand 2012.
- KPMG. (2013a). Fraud, Bribery and Corruption Survey 2012.
- KPMG. (2013b). Global profiles of the fraudster.
- KPMG. (2015). Fraud Barometer. A Snapshot of Fraud in Australia. April 2015 – September 2015.
- KPMG. (2016a). Fraud Barometer. A snapshot of fraud in Australia. April 2016 – September 2016.
- KPMG. (2016b). Fraud Barometer. A snapshot of fraud in Australia. October 2016–March 2017.

- KPMG. (2016c). Global profiles of the fraudster: Technology and weak controls fuel the fraud.
- Krambia-Kapardis, M. (2002). "A fraud detection model: A must for auditors", *Journal of Financial Regulation and Compliance*, Vol. 10 No. 3, pp. 266–78.
- Kramer, B. K. P. and Buckhoff, T. A. (2005). "Catching fraudsters with their hands in the till", *The CPA Journal*, Vol. 75 No. 5, pp. 13–15.
- Lander, B. (2017). Public Statement by the Hon. Bruce Lander QC Independent Commissioner Against Corruption.14/8/2017
- Larrinaga, C., Carrasco, F., Correa, C., Llena, F. and Moneva, J. (2010). "Accountability and accounting regulation: the case of the Spanish environmental disclosure standard", *European Accounting Review*, Vol. 11 No. 4, pp. 723–40.
- Laswad, F., Fisher, R. and Oyelere, P. (2005). "Determinants of voluntary Internet financial reporting by local government authorities", *Journal of Accounting and Public Policy*, Vol. 24 No. 2, pp. 101–21.
- Lee, J. (1999). "The reporting of economic infrastructure assets by public sector entities in New South Wales ; an exploratory study", *Accounting, Accountability & Performance*, Vol. 5 No. 2, pp. 17–39.
- Liamputtong, P. (2009). "Qualitative data analysis: conceptual and practical considerations", *Health Promotion Journal of Australia*, Vol. 20 No. 2, pp. 133–39.
- Lindley, J., Jorna, P. and Smith, R. G. (2012). Fraud against the Commonwealth 2009–10 annual report to Government.
- Lindley, J. and Smith, R. G. (2011). Fraud against the Commonwealth 2008–09 annual report to government.
- Ling Wei, T., Davey, H. and Coy, D. (2008). "A disclosure index to measure the quality of annual reporting by museums in New Zealand and the UK", *Journal of Applied Accounting Research*, Vol. 9 No. 1, pp. 29–51.
- Lister, L. M. (2007). "A practical approach to Fraud Risk", *The Internal Auditor*, Vol. 64 No. 6, pp. 61–6.
- Lodhia, S. and Jacobs, K. (2013). "The practice turn in environmental reporting", *Accounting, Auditing & Accountability Journal*, Vol. 26 No. 4, pp. 595–615.
- LongDog & Associates. (2011). How the collapse of OneTel and HIH Insurance changed corporate governance in Australia, Discussion Paper.
- Lozusic, R. (2003). Fraud and Identity Theft, New South Wales Parliamentary Library.
- Lukawitz, J. M. and Steinbart, P. J. (1995). "Investor reaction to disclosures of employee fraud", *Journal of Managerial Issues*, Vol. 7, pp. 358–67.
- Mack, J., Ryan, C. and Dunstan, K. (2001). "Local Governments Reports: Australian Empirical Evidence on Recipients", in *Proceedings of APIRA 2001*, Adelaide, Australia.
- Majid, A., Gul, F. A. and Tsui, J. S. L. (2001). "An analysis of Hong Kong auditors' perceptions of the importance of selected Red Flag Factors in Risk Assessment", *Journal of Business Ethics*, Vol. 32 No. 3, pp. 263–74.
- Marston, C. L. and Shrives, P. J. (1991). "The use of disclosure indices in accounting research: A review article", *The British Accounting Review*, Vol. 23 No. 3, pp. 195–210.

- Martin, B. (2003). "Illusions of whistleblower protection", *UTS L. Rev.*, Vol. 5, pp. 119-30.
- Mather, J. (2017). "The ATO unravelling of Michael and Adam Cranston", available at: <http://www.afr.com/news/policy/tax/the-ato-unraveling-of-the-cranstons-michael-and-adam-20170622-gww9ps> (accessed 28/8 2017).
- Mathews, M. R. (1997). "Twenty-five years of social and environmental accounting research", *Accounting, Auditing & Accountability Journal*, Vol. 10 No. 4, pp. 481–531.
- Mayhew, P. (2003a). "Counting the Costs of Crime in Australia", *Trends & issues in crime and criminal justice* No. 247.
- Mayhew, P. (2003b). *Counting the Costs of Crime in Australia: Technical Report*, Australian Institute of Criminology.
- McPhail, K. (2013). "Corporate Responsibility to Respect Human rights and Business Schools' Responsibility to Teach It: Incorporating Human Rights into the Sustainability Agenda", *Accounting Education: and international journal*, Vol. 22 No. 4, pp. 391–412.
- Messner, M. (2009). "The limits of accountability", *Accounting, Organizations and Society*, Vol. 34 No. 8, pp. 918–938.
- Miles, M. B. (2014). *Qualitative data analysis : a methods sourcebook*, 3rd ed., Thousand Oaks, California SAGE Publications, Inc.
- Monfardini, P. and Lawton, A. (2010). "Accountability in the new public sector: a comparative case study", *International Journal of Public Sector Management*, Vol. 23 No. 7, pp. 632–46.
- Morales, J., Gendron, Y. and Guénin-Paracini, H. (2014). "The construction of the risky individual and vigilant organization: A genealogy of the fraud triangle", *Accounting, Organizations and Society*, Vol. 39 No. 3, pp. 170–94.
- Mulgan, R. (2000). "'Accountability': An Ever-Expanding Concept?", *Public Administration*, Vol. 78 No. 3, pp. 555–73.
- National Capital Authority. (2012). *Annual Report 2011–2012*.
- National Fraud Authority. (2011). *The Local Government Fraud Strategy*. United Kingdom
- National Museum of Australia. (2011). *10–11 Annual Report*.
- National Water Commission. (2012). *National Water Commission Annual Report 2011–12*.
- Neu, D., Warsame, H. and Pedwell, K. (1998). "Managing Public Impressions: Environmental Disclosures in Annual Reports", *Accounting, Organizations and Society*, Vol. 23 No. 3, pp. 265–82.
- Nistor, C. and Puiu, M. (2014). "Anti-fraud strategies in multinationals", *Journal of accounting and management*, Vol. 4 No. 2, pp. 23–8.
- Normanton, E. L. (1966). *The Accountability and Audit of Governments*, 2nd ed., Manchester University Press, Manchester.
- O'Donovan, G. (2002). "Environmental disclosures in the annual report", *Accounting, Auditing & Accountability Journal*, Vol. 15 No. 3, pp. 344–71.
- O'Dwyer, B. (2002). "Managerial perceptions of corporate social disclosure", *Accounting, Auditing & Accountability Journal*, Vol. 15 No. 3, pp. 406–36.
- O'Toole, Kevin (1994). *Fraud against organisations in Victoria : summary of findings from a survey of medium and large organisations in 1994*. Deakin University, 1994, Victoria

- Office of Parliamentary Counsel. (2011). Annual Report 2010–2011.
- Office of Parliamentary Counsel. (2012). Annual Report 2011–2012.
- Office of Parliamentary Counsel. (2013). Annual Report 2012–2013.
- Office of the Auditor General for Western Australia. (2013). *Fraud Prevention and Detection in the Public Sector*.
- Office of the Fair Work Ombudsman. (2011). Annual Report 2010–11.
- Olach, T. J. (2005). “Investigating fraud losses: can companies reduce losses associated with fraud by voluntary disclosing?”, Mississippi State University, Mississippi.
- Owen, D., Gray, R. and Bebbington, J. (1997). “Green Accounting: Cosmetic Irrelevance or Radical Agenda for Change?”, *Asia-Pacific Journal of Accounting*, Vol. 4 No. 2, pp. 175–98.
- Parker, L. D. (1982). “Corporate Annual Reporting: A Mass Communication Perspective”, *Accounting and Business Research*, Vol. 12 No. 48, pp. 279–86.
- Parker, L. D. (2005). “Social and environmental accountability research”, *Accounting, Auditing & Accountability Journal*, Vol. 18 No. 6, pp. 842–60.
- Parliament of the Commonwealth of Australia: House of Representatives Standing Committee on Banking, Finance and Public Administration. (1993). *Focusing on Fraud. Report on the Inquiry into Fraud onto the Commonwealth*.
- Patten, D. M. (1992). “Intra-industry environmental disclosures in response to the Alaskan oil spill: A note on legitimacy theory”, *Accounting, Organizations and Society*, Vol. 17 No. 5, pp. 471–75.
- Patton, J. M. (1992). “Accountability and Governmental Financial Reporting”, *Financial Accountability and Management*, Vol. 8 No. 3, pp. 165–80.
- Pavlock, E. J., Sato, F. S. and Yardley, J. A. (1990). “Accountability standards for corporate reporting”, *Journal of Accountancy*, Vol. 169 No. 5, pp. 94–100.
- Pergola, C. W. and Sprung, P. C. (2005). “Developing a genuine anti-fraud environment”, in *Risk Management*, pp. 43.
- Persons, O. S. (2009). “Could investors use voluntary ethics disclosure to assess the likelihood of fraudulent financial reporting?”, *International Journal of Disclosure and Governance*, Vol. 7 No. 2, pp. 153–66.
- Pickett, S. K. H. and Pickett, J. (2002). *Financial Crime Investigation and Control*, 1st ed., John Wiley & Sons, Inc.
- Pincus, K. V. (1989). “The efficacy of a red flags questionnaire for assessing the possibility of fraud”, *Accounting, Organizations and Society*, Vol. 14 No. 1/2, pp. 153–63.
- PricewaterhouseCoopers. (2009). *The Global Economic Crime Survey*.
- PricewaterhouseCoopers. (2011). *Fighting fraud in the public sector*.
- PricewaterhouseCoopers. (2012). *Fighting fraud in the public sector II*.
- PricewaterhouseCoopers. (2015). *Fighting fraud in the public sector III*.
- PricewaterhouseCoopers. (2016). *Fighting fraud in the public sector IV*.
- Private Health Insurance Ombudsman. (2012). Annual Report 2011–12.
- Professional Services Review. (2012). Annual Report 2011–12.
- Qian, W., Burritt, R. and Monroe, G. (2011). “Environmental management accounting in local government”, *Accounting, Auditing & Accountability Journal*, Vol. 24 No. 1, pp. 93–128.

- Rejesus, R. M., Little, B. B. and Lovell, A. C. (2004). "Using data mining to detect crop insurance fraud: is there a role for social scientists?", *Journal of Financial Crime*, Vol. 12 No. 1, pp. 24–32.
- Reserve Bank of Australia. (2012). Reserve Bank of Australia Annual Report 2012.
- Rey, J. (2008). "Are you red flag ready?", *American Bankers Association. ABA Banking Journal*, Vol. 100 No. 7, pp. 47–9.
- Roberts, J. and Scapens, R. (1985). "Accounting systems and systems of accountability — understanding accounting practices in their organisational contexts", *Accounting, Organizations and Society*, Vol. 10 No. 4, pp. 443–56.
- Roberts, P. (1995). *Fraud Control in Commonwealth Administration*, Australian Institute of Criminology.
- Roberts, P. 2001a, 'Dealing with fraud and corruption in the new managerial environment', Centre for Applied Philosophy and Public Ethics, Charles University, Australia,
- Roberts, P., 2001b, Don't Rock the Boat: the Commonwealth National Integrity System Assessment, Paper presented at the Australasian Political Studies Association Conference, University of Adelaide.
- Robinson, D. Z. (1971). "Government contracting for academic research: accountability in the American experience", in Smith, B. L. R. and Hague, D. C. (Eds.), *The Dilemma of Accountability in Modern Government: Independence versus Control*. Macmillan.
- Robinson, P. (2015). "Meet the CFO: Steve Wearn FCPA", in *INTHEBLACK*. CPA Australia, April, <https://www.intheblack.com/articles/2015/04/01/steve-wearn-fcpa-knows-the-cost-of-australian-defence>.
- Rollings, K. (2008). "Counting the costs of crime in Australia: a 2005 update", *Research and Public Policy Series* No. 91.
- Royal Australian Mint. (2011). Annual Report 2010–11.
- Rutherford, B. A. (2000). "The Construction and Presentation of Performance Indicators in executive Agency External Reports", *Financial Accountability and Management*, Vol. 16 No. 3, pp. 225–49.
- Ryan, C., Dunstan, K. and Brown, J. 2001, 'The Value of Public Sector Annual Reports and the Contribution of Annual Reporting Awards',
- Ryan, C., Dunstan, K. and Brown, J. (2002). "The Value of Public Sector Annual Reports and Annual Reporting Awards in Organisational Legitimacy", *Accounting, Accountability & Performance*, Vol. 8 No. 1, pp. 61–76.
- Ryan, C., Stanley, T. and Nelson, M. (2002). "Accountability Disclosures by Queensland Local Government Councils: 1997–1999", *Financial Accountability and Management*, Vol. 18 No. 3, pp. 261–89.
- Ryan, C. and Walsh, P. (2004). "Collaboration of public sector agencies: reporting and accountability challenges", *International Journal of Public Sector Management*, Vol. 17 No. 7, pp. 621–31.
- Samkin, G. and Schneider, A. (2010). "Accountability, narrative reporting and legitimation", *Accounting, Auditing & Accountability Journal*, Vol. 23 No. 2, pp. 256–89.
- Sansom, M. (2016). "Making of a fraudster – ripping off the Australian Public Service", available at: <http://governmentnews.com.au/2016/03/the-making-of-a-fraudster-internal-fraud-in-the-australian-public-servic/> (accessed 28/8/ 2017).

- Sarokin, D. and Schulkin, J. (1991), "Environmentalism and the right-to-know: Expanding the practice of democracy", *Ecological Economics*, Vol. 4, pp.175-189.
- Shaoul, J., Stafford, A. and Stapleton, P. (2012). "Accountability and corporate governance of public private partnerships", *Critical Perspectives on Accounting*, Vol. 23 No. 3, pp. 213–29.
- Sinclair, A. (1995). "The Chameleon of Accountability: Forms and Discourses", *Accounting, Organizations and Society*, Vol. 20 No. 2/3, pp. 219–37.
- Skinner, D. J. (1994). "Why Firms Voluntarily Disclose Bad News", *Journal of Accounting Research*, Vol. 32 No. 1, pp. 38–60.
- Smith, M., Omar, N. H., Idris, S. I. Z. S. and Ithnahaini, B. (2005). "Auditors' perception of fraud risk indicators Malaysian evidence", *Managerial Auditing Journal*, Vol. 20 No. 1, pp. 73–85.
- Smith, R. G. (1997). Measuring the Extent of Fraud in Australia.
- Smith, R. G. (1998). "Best practice in fraud prevention", *Trends & issues in crime and criminal justice* No. 100.
- Smith, R. G. and Jorna, P. (2017). Fraud against the Commonwealth: Report to Government 2014.
- Smith, R. G., Jorna, P., Sweeney, J. and Fuller, G. (2014). Counting the costs of crime in Australia: A 2011 estimate.
- Smith, S. G. and Crumbley, L. D. (2009). "How divergent are pedagogical views toward the fraud/forensic accounting curriculum?", *Global Perspectives on Accounting Education*, Vol. 6.
- Sommer, A. A. (1976). "The Disclosure of Management Fraud", *The Business Lawyer*, Vol. 31 No. March 1976, pp. 1283–93.
- Stalder, F. (2002). "Privacy is not the antidote to surveillance", *Surveillance & Society*, Vol. 1 No. 1, pp. 120-124.
- Steccolini, I. (2004). "Is the Annual Report an Accountability Medium? An Empirical Investigation into Italian Local Governments", *Financial Accountability and Management*, Vol. 20 No. 3, pp. 327–50.
- Stephan, M. (2002). "Environmental Information Disclosure Programs: They Work, but Why? ", *Social Science Quarterly*, Vol. 83 No. 1, pp. 190-205.
- Stewart, J. D. (1984). "The Role of Information in Public Accountability", in Hopwood, A. and Tomkins, C. (Eds.). *Issues in Public Sector Accounting*. Philip Allan, Oxford.
- Strauss, A. L. (1987). *Qualitative analysis for social scientists* Cambridge Cambridgeshire ; New York : Cambridge University Press, Cambridge [Cambridgeshire] ; New York.
- Taylor-Powel, E. and Renner, M. 2003, 'Analyzing Qualitative Data', University of Wisconsin-Extension, Madison, Wisconsin
- Taylor, D. W. and Rosair, M. (2000). "The effects of participating parties, the public and size on government departments' accountability disclosures in annual reports", *Accounting, Accountability & Performance*, Vol. 6 No. 1, pp. 77–97.
- Tello, E., Hazelton, J. and Cummings, L. (2016). "Potential users' perceptions of general purpose water accounting reports", *Accounting, Auditing & Accountability Journal*, Vol. 29 No. 1, pp. 80–110.

- The Institute of Internal Auditors, American Institute of Certified Public Accountants and Association of Certified Fraud Examiners. (2008). *Managing the Business Risk of Fraud: A practical guide*.
- Thomas, A. R. and Gibson, K. M. (2003). "Management is responsible, too; practical advice to help corporations prevent, detect and deter fraud", in *Journal of Accountancy*, pp. 53–5.
- Tilling, M. V. and Tilt, C. A. (2010). "The edge of legitimacy", *Accounting, Auditing & Accountability Journal*, Vol. 23 No. 1, pp. 55–81.
- Tilt, C. A. (1994). "The Influence of External Pressure Groups on Corporate Social Disclosure", *Accounting, Auditing & Accountability Journal*, Vol. 7 No. 4, pp. 47–72.
- Tiwi Land Council. (2012). *Tiwi Land Council 2011/2012*
- Tooley, S. and Guthrie, J. (2007). "Reporting Performance by New Zealand Secondary Schools: An Analysis of Disclosures", *Financial Accountability & Management*, Vol. 23 No. 4, pp. 351–74.
- Tooley, S. and Hooks, J. (2010). "Public Accountability: The Perceived Usefulness of School Annual Reports", *Australasian Accounting Business and Finance Journal*, Vol. 4 No. 2, pp. 39–59.
- Tower, G. (1993). "A Public Accountability Model Of Accounting Regulation", *The British Accounting Review*, Vol. 25 No. 1, pp. 61–85.
- van der Laan, S. (2009). "The Role of Theory in Explaining Motivation for Corporate Social Disclosures: Voluntary Disclosures vs 'Solicited' Disclosures", *Australasian Accounting Business and Finance Journal*, Vol. 3 No. 4, pp. 15–29.
- van Staden, C. J. and Hooks, J. (2007). "A comprehensive comparison of corporate environmental reporting and responsiveness", *The British Accounting Review*, Vol. 39 No. 3, pp. 197–210.
- Verbeeten, F. H. M. (2008). "Performance management practices in public sector organizations", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 3, pp. 427–54.
- Vorhies, J. B. (2005). "The new importance of materiality: CPAs can use this familiar concept to identify key control exceptions", in *Journal of Accountancy*, pp. 53–9.
- Warfield, B. (2012). *Million Dollar Employee Fraud in Australia*, Warfield & Associates.
- Warfield, B. (2013). *Employee Fraud in Australian Financial Institutions*, Warfield & Associates.
- Wells, J. T. (1992). "Fraud Assessment Questioning", *The Internal Auditor*, Vol. 49 No. 4, pp. 24–9.
- Wells, J. T. (2004). "New Approaches to Fraud Deterrence", *Journal of Accountancy*, Vol. February, pp. 72–6.
- Wells, J. T. (2011). *Corporate Fraud Handbook: Prevention and Detection*, 4th ed., John Wiley & Sons Publishing.
- Westin, A. F. (1967). *Privacy and Freedom*, 1st ed., Atheneum Press, New York.
- Williams, B., Wilmhurst, T. and Clift, R. (2011). "Sustainability reporting by local government in Australia: Current and future prospects", *Accounting Forum*, Vol. 35 No. 3, pp. 176–86.

- Wilmshurst, T. D. and Frost, G. R. (2000). "Corporate environmental reporting", *Accounting, Auditing & Accountability Journal*, Vol. 13 No. 1, pp. 10–26.
- Wolfe, D. T. and Hermanson, D. R. (2004). "The Fraud Diamond: Considering the Four Elements of Fraud", *The CPA Journal*, Vol. 74 No. 12, pp. 38–42.
- Yin, R. K. (1994). *Case study research : design and methods*, 2nd ed., Sage, Thousand Oaks, California.
- Zabel, R. B. and Benjamin Jr, J. J. (2002). "Reviewing Materiality in Accounting Fraud", *New York Law Journal*, Vol. 15, pp. 1–4.
- Zikmund, P. (2008). "4 steps to a Successful Fraud Risk Assessment", *Internal Auditor*, Vol. February, pp. 60–4.

Appendix A: Agencies under the FMA Act - flipchart



Chart of 111 Agencies under the *Financial Management and Accountability Act 1997 (FMA Act)*[#]

20 Departments of State [M] under the <i>Public Service Act 1999</i>	67 prescribed agencies also encompass a "Statutory Agency" under the <i>Public Service Act 1999 (PS Act)</i>	4 Departments of the Parliament, under the <i>Parliamentary Service Act 1999</i>
<p>1. Department of Agriculture, Fisheries and Forestry 2. Attorney-General's Department 3. Department of Broadband, Communications and the Digital Economy 4. Department of Climate Change and Energy Efficiency 5. Department of Defence * 6. Department of Education, Employment and Workplace Relations 7. Department of Families, Housing, Community Services and Indigenous Affairs 8. Department of Finance and Deregulation 9. Department of Foreign Affairs and Trade 10. Department of Health and Ageing 11. Department of Human Services 12. Department of Immigration and Citizenship 13. Department of Industry, Innovation, Science, Research and Tertiary Education 14. Department of Infrastructure and Transport 15. Department of the Prime Minister and Cabinet 16. Department of Regional Australia, Local Government, Arts and Sport 17. Department of Resources, Energy and Tourism 18. Department of Sustainability, Environment, Water, Population and Communities 19. Department of the Treasury 20. Department of Veterans' Affairs † (part of the Defence portfolio)</p> <p><i>Note: there are 20 Departments of State and 22 Cabinet Ministers across 19 portfolios</i></p>	<p>Agriculture, Fisheries and Forestry: 3/ 3 Australian Fisheries Management Authority † Australian Pesticides and Veterinary Medicines Authority (APVMA) † [I] Wheat Exports Australia † Attorney-General's: 15/ 19 # Administrative Appeals Tribunal Australian Commission for Law Enforcement Integrity (ACLEI) Australian Crime Commission [I] Australian Customs and Border Protection Service [M] Australian Human Rights Commission † Australian Institute of Criminology [I] Australian Law Reform Commission Australian Transaction Reports and Analysis Centre (AUSTRAC) Family Court of Australia [M] Federal Court of Australia Federal Magistrates Court of Australia National Native Title Tribunal Office of the Australian Information Commissioner Office of Parliamentary Counsel Office of the Director of Public Prosecutions * Broadband, Communications and the Digital Economy: 1/ 1 Australian Communications and Media Authority (ACMA) † [M] Climate Change and Energy Efficiency: 1/ 1 Office of the Renewable Energy Regulator Education, Employment and Workplace Relations: 4/ 5 Fair Work Australia (FWA) Office of the Australian Building and Construction Commissioner Office of the Fair Work Ombudsman Safe Work Australia [I] Families, Housing, Community Services and Indigenous Affairs: 2/ 2 Australian Institute of Family Studies (AIFS) * Equal Opportunity for Women in the Workplace Agency Finance and Deregulation: 3/ 3 Australian Electoral Commission * [M] ComSuper Future Fund Management Agency † [M] Foreign Affairs and Trade: 2/ 4 Australian Centre for International Agricultural Research (ACIAR) Australian Trade Commission (Austrade) [M] Health and Ageing: 10/ 11 Australian National Preventive Health Agency (ANPHA) [I] Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) Cancer Australia Independent Hospital Pricing Authority [I] National Blood Authority [M] [I] National Health and Medical Research Council (NHMRC) [M]</p>	<p>Department of the Senate Department of the House of Representatives Department of Parliamentary Services [M] Parliamentary Budget Office</p>
<p>5 prescribed agencies are non-statutory and staffed through a Department of State</p> <p>Defence: 1/ 1 Defence Materiel Organisation [M] Industry, Innovation, Science, Research and Tertiary Education: 1/ 1 IP Australia ^ Resources, Energy and Tourism: 1/ 2 Geoscience Australia Treasury: 2/ 14 Australian Office of Financial Management (AOFM) [M] Royal Australian Mint</p>	<p>National Health Performance Authority [I] Organ and Tissue Authority (Australian Organ and Tissue Donation and Transplantation Authority) Private Health Insurance Ombudsman Professional Services Review Scheme Immigration and Citizenship: 1/ 1 Migration Review Tribunal and Refugee Review Tribunal (MRT-RRT) Industry, Innovation, Science, Research and Tertiary Education: 3/ 4 Australian Research Council [M] Australian Skills Quality Authority (National Vocational Education and Training Regulator) Tertiary Education Quality and Standards Agency Infrastructure and Transport: 1/ 1 Australian Transport Safety Bureau (ATSB) Prime Minister and Cabinet: 5/ 7 Australian National Audit Office Australian Public Service Commission (APS Commission) Office of National Assessments * Office of the Commonwealth Ombudsman Office of the Inspector-General of Intelligence and Security Regional Australia, Local Government, Arts and Sport: 2/ 4 Australian Sports Anti-Doping Authority (ASADA) National Capital Authority [M] Resources, Energy and Tourism: 1/ 2 National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) † [I] Sustainability, Environment, Water, Population and Communities: 3/ 4 Great Barrier Reef Marine Park Authority † [I] Murray-Darling Basin Authority † [I] National Water Commission [I] Treasury: 10/ 14 Australian Bureau of Statistics * [M] Australian Competition and Consumer Commission † [I] Australian Securities and Investments Commission (ASIC) † * [M] [I] Australian Taxation Office [M] Corporations and Markets Advisory Committee (CAMAC) † * Inspector-General of Taxation National Competition Council Office of the Auditing and Assurance Standards Board (AUASB)* Office of the Australian Accounting Standards Board (AASB)* Productivity Commission</p>	<p>5 prescribed agencies engage personnel under their own Act, and not the PS Act Attorney-General's: 2/ 19 # Australian Federal Police [M] [I] Australian Security Intelligence Organisation [M] Foreign Affairs and Trade: 1/ 4 Australian Secret Intelligence Service Prime Minister and Cabinet: 1/ 7 Office of the Official Secretary to the Governor-General Treasury: 1/ 14 Australian Prudential Regulation Authority (APRA) †</p>
<p>2 prescribed agencies are statutory, but staffed through a Department or agency</p> <p>Education, Employment and Workplace Relations: 1/ 5 Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority) Treasury: 1/ 14 Commonwealth Grants Commission</p>	<p>8 prescribed agencies also encompass an "Executive Agency" under the <i>Public Service Act 1999</i></p> <p>Attorney-General's: 2/ 19 CrimTrac Agency [I] Insolvency and Trustee Service Australia (ITSA) † ^ ‡ Foreign Affairs and Trade: 1/ 4 Australian Agency for International Development (AusAID) [M] Health and Ageing: 1/ 11 Interim Independent Hospital Pricing Authority [I]</p> <p>Prime Minister and Cabinet: 1/ 7 National Mental Health Commission Regional Australia, Local Government, Arts and Sport: 2/ 4 National Archives of Australia [M] ‡ Old Parliament House Sustainability, Environment, Water, Population and Communities: 1/ 4 Bureau of Meteorology [M] ‡</p>	<p style="text-align: center;">Key to Symbols</p> <p>FMA Act agencies comprise all Departments of State, Departments of the Parliament and "prescribed agencies" named in the FMA Regulations. These agencies are all able to receive appropriations in their own right. Also, note that all FMA Act agencies are in the "General Government Sector".</p> <p>[M] 41 agencies are material entities. Material entities comprise 99% of revenues, expenses, assets and liabilities. Note too, that all of the 20 Departments of State are "material in nature".</p> <p>† 15 agencies also encompass bodies corporate formed under statute.</p> <p>[I] 17 agencies are interjurisdictional in nature, eg. involving the States or Territories in their governance structure or establishment.</p> <p>* 10 agencies can engage personnel under their enabling legislation as well as under the <i>Public Service Act 1999</i>. These include Defence, under the <i>Defence Act 1903</i>, <i>Naval Defence Act 1910</i> and the <i>Air Force Act 1923</i>.</p> <p>‡ 3 Executive Agencies have statutory functions.</p> <p>^ ITSA handles money other than public money.</p> <p>^ IP Australia encompasses some office holders, ie. for registering patents, trademarks and designs.</p> <p>15/ 19 – Indicates number of prescribed agencies of that type (e.g. statutory agencies) out of the total prescribed agencies in the portfolio.</p> <p># The Attorney-General's portfolio includes the High Court of Australia, which is part of the Commonwealth, is an "agency" named in the annual Appropriation Acts and is in the "General Government Sector". However, it is not an agency under the FMA Act, due to its status under its enabling legislation, which also sets its employment framework.</p>

Appendix B: Bodies under the CAC Act - flipchart

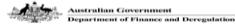


Chart of 84 bodies under the *Commonwealth Authorities and Companies Act 1997 (CAC Act)* #

62 statutory authorities are Commonwealth authorities for CAC Act purposes		22 Commonwealth companies under the CAC Act (ie, the Commonwealth controls the company)		
		14 limited by guarantee Corporations Act 2001	8 limited by shares Corporations Act 2001	
Agriculture, Fisheries and Forestry: 7 Cotton Research and Development Corporation Fisheries Research and Development Corporation Grains Research and Development Corporation [M] ⊕ Grape and Wine Research and Development Corporation Rural Industries Research and Development Corporation Sugar Research and Development Corporation Wine Australia Corporation (Wine Australia) Attorney-General's Australian Government Solicitor [M] ⊕ Broadband, Communications and the Digital Economy: 3 Australian Broadcasting Corporation [M] Australian Postal Corporation [M] Special Broadcasting Service Corporation [M] Defence: 7 Army and Air Force Canteen Service (Frontline Defence Services) Australian Military Forces Relief Trust Fund (Army Relief Trust Fund) Defence Housing Australia [M] Royal Australian Air Force Veterans' Residences Trust Fund Royal Australian Air Force Welfare Trust Fund Royal Australian Navy Central Canteens Board Royal Australian Navy Relief Trust Fund Education, Employment and Workplace Relations: 3 Australian Curriculum, Assessment and Reporting Authority [I] Coal Mining Industry (Long Service Leave Funding) Corporation [M] Concare [M] ⊕ ⊗ * Families, Housing, Community Services and Indigenous Affairs: 8 Anindilyakwa Land Council Central Land Council Indigenous Business Australia [M] Indigenous Land Corporation Northern Land Council Tiwi Land Council Torres Strait Regional Authority Wreck Bay Aboriginal Community Council	Finance and Deregulation: 2 Albury-Wodonga Development Corporation (Albury-Wodonga Corporation) [M] [I] Commonwealth Superannuation Corporation Foreign Affairs and Trade Export Finance and Insurance Corporation [M] ⊕ ^ Health and Ageing: 5 Australian Institute of Health and Welfare ⊕ * Food Standards Australia New Zealand [I] Health Workforce Australia [I] Private Health Insurance Administration Council Australian Commission on Safety and Quality in Health Care [I] Human Services Australian Hearing Services (Australian Hearing) [M] Industry, Innovation, Science, Research and Tertiary Education: 5 Australian Institute of Aboriginal and Torres Strait Islander Studies Australian Institute of Marine Science ⊕ [I] Australian National University Australian Nuclear Science and Technology Organisation [M] ⊕ Commonwealth Scientific and Industrial Research Organisation [M] ⊕ Infrastructure and Transport: 4 Aircservices Australia [M] Australian Maritime Safety Authority ⊕ Civil Aviation Safety Authority [M] National Transport Commission [I] *	Regional Australia, Local Government, Arts and Sport: 9 Australia Council Australian Film, Television and Radio School Australian National Maritime Museum ⊕ Australian Sports Commission (Australian Institute of Sport) [M] National Film and Sound Archive of Australia National Gallery of Australia [M] ⊕ National Library of Australia [M] National Museum of Australia [M] ⊕ Screen Australia * Resources, Energy and Tourism Tourism Australia [M] ⊕ Sustainability, Environment, Water, Population and Communities: 2 # Director of National Parks ⊕ ⊗ Sydney Harbour Federation Trust ⊕ [I] Treasury: 2 Australian Reinsurance Pool Corporation [M] Reserve Bank of Australia [M] ⊕ Veterans' Affairs Australian War Memorial [M] ⊕ # 1 statutory corporation is subject only to certain CAC Act provisions Sustainability, Environment, Water, Population and Communities NEPC Service Corporation * [I] Sections 9, 18, 20 and Schedule 1	Climate Change and Energy Efficiency Low Carbon Australia Limited Defence: 3 AAF Company Australian Strategic Policy Institute Limited RAAF Welfare Recreational Company Education, Employment and Workplace Relations Australian Institute for Teaching and School Leadership Limited [I] Families, Housing, Community Services and Indigenous Affairs Aboriginal Hostels Limited ⊕ Health and Ageing: 2 Aged Care Standards and Accreditation Agency Ltd ⊕ General Practice Education and Training Limited Industry, Innovation, Science, Research and Tertiary Education Australian Learning and Teaching Council Limited Prime Minister and Cabinet National Australia Day Council Limited Regional Australia, Local Government Arts and Sport: 3 Australia Business Arts Foundation Ltd Australian Sports Foundation Limited ⊕ Bundanon Trust Resources, Energy and Tourism Australian Solar Institute Limited	Broadband, Communications and the Digital Economy NBN Co Limited [M] ⊕ Families, Housing, Community Services and Indigenous Affairs Outback Stores Pty Ltd Finance and Deregulation: 3 Australian River Co. Limited ASC Pty Ltd [M] Medibank Private Limited [M] ⊕ Industry, Innovation, Science, Research and Tertiary Education IIF Investments Pty Limited Infrastructure and Transport Australian Rail Track Corporation Limited [M] Treasury HIH Claims Support Limited
14 bodies encompass a Statutory Agency under the <i>Public Service Act 1999</i> (PS Act). These comprise a Commonwealth company and 13 Commonwealth authorities, with 4 marked * as they can engage personnel under their enabling Act along with the PS Act. # There is 1 statutory corporation, subject only to certain CAC Act provisions, that is a Statutory Agency under the PS Act and can employ its own staff (*).		69 General Government Sector (GGS) bodies. The National Interest Account is also classified as GGS, but is administered by the Export Finance and Insurance Corporation (EFIC) ^ which is a Public Financial Corporation.		
7 Commonwealth authorities are established by regulations: comprising 5 of the 6 research and development corporations, plus both the Army and Air Force Canteen Service and the Royal Australian Navy Central Canteens Board.		9 Public Non-financial Corporations (PNFC).		
2 Commonwealth companies are being wound up.		5 Public Financial Corporations (PFC) - ^ EFIC also administers the National Interest Account, which is classified as GGS.		
3 Commonwealth authorities and 4 Commonwealth companies are also government business enterprises (GBEs) under section 5 of the CAC Act.		2 Unclassified bodies (plus there is 1 statutory corporation # which is unclassified and subject only to certain CAC Act provisions).		
2 Commonwealth authorities are exempt from being notified of general policies of the Australian Government, under sections 28 and 48A of the CAC Act.		[M] 28 CAC Act bodies are material entities (comprising 99% of revenues, expenses, assets and liabilities). 24 are Commonwealth authorities and 4 are Commonwealth companies, limited by shares.		
1 Commonwealth authority is partially exempt from ss 28 and 48A of the CAC Act.		⊕ 16 Commonwealth authorities and 1 company are also subject to section 47A of the CAC Act, which allows for directions on procurement matters.		
1 Commonwealth authority is a statutory marketing authority (SMA): Wine Australia Corporation (Wine Australia).		[I] 8 Commonwealth authorities, 1 Commonwealth company and 1 statutory corporation are inter-jurisdictional in nature, e.g. involving the States or Territories or New Zealand in the governance structure or establishment.		
		⊗ 4 Commonwealth companies are mentioned in statute.		
		⊕ 3 Commonwealth authorities have a single person at their apex, rather than a multi-member board.		
		# 1 statutory corporation is only subject to the provisions of the CAC Act mentioned beneath its entry.		

15 February 2012

Get updates at: www.finance.gov.au/publications/flipchart/index.html

GovernancePolicy@finance.gov.au

Appendix C: List of Agencies and Bodies

Agency names, 2010–11

1. Army Amenities Fund Company
2. Aboriginal Hostels Limited
3. Administrative Appeals Tribunal
4. Aged Care Standards and Accreditation Agency Ltd
5. Airservices Australia
6. Albury-Wodonga Development Corporation
7. Anindilyakwa Land Council
8. Army and Air Force Canteen Service
9. Australian Submarine Corporation Pty Ltd
10. Attorney-General's Department
11. AusAID
12. Australia Business Arts Foundation Ltd
13. Australia Council
14. Australian Broadcasting Corporation
15. Australian Bureau of Statistics
16. Australian Carbon Trust Limited
17. Australian Centre for International Agricultural Research
18. Australian Commission for Law Enforcement Integrity
19. Australian Communications and Media Authority
20. Australian Competition and Consumer Commission
21. Australian Crime Commission
22. Australian Curriculum, Assessment and Reporting Authority
23. Australian Customs and Border Protection Service
24. Australian Electoral Commission
25. Australian Federal Police

26. Australian Film, Television and Radio School
27. Australian Fisheries Management Authority
28. Australian Government Solicitor
29. Australian Hearing Services
30. Australian Human Rights Commission
31. Australian Industry Development Corporation
32. Australian Institute for Teaching and School Leadership Ltd
33. Australian Institute of Aboriginal and Torres Strait Islander Studies
34. Australian Institute of Criminology
35. Australian Institute of Family Studies
36. Australian Institute of Health and Welfare
37. Australian Institute of Marine Science
38. Australian Law Reform Commission
39. Australian Learning and Teaching Council Limited
40. Australian Maritime Safety Authority
41. Australian Military Forces Relief Trust Fund
42. Australian National Audit Office
43. Australian National Maritime Museum
44. Australian National University
45. Australian Nuclear Science and Technology Organisation
46. Australian Office of Financial Management
47. Australian Organ and Tissue Donation and Transplantation Authority
48. Australian Pesticides and Veterinary Medicines Authority
49. Australian Postal Corporation
50. Australian Prudential Regulation Authority
51. Australian Public Service Commission
52. Australian Radiation Protection and Nuclear Safety Agency
53. Australian Rail Track Corporation Limited

54. Australian Reinsurance Pool Corporation
55. Australian Research Council
56. Australian Reward Investment Alliance
57. Australian River Co. Limited
58. Australian Secret Intelligence Service
59. Australian Securities and Investments Commission
60. Australian Security Intelligence Organisation
61. Australian Solar Institute Limited
62. Australian Sports Anti-Doping Authority
63. Australian Sports Commission
64. Australian Sports Foundation Limited
65. Australian Strategic Policy Institute Limited
66. Australian Taxation Office
67. Australian Trade Commission
68. Australian Transaction Reports and Analysis Centre
69. Australian Transport Safety Bureau
70. Australian War Memorial
71. Australian Wine and Brandy Corporation
72. Bundanon Trust
73. Bureau of Meteorology
74. Cancer Australia
75. Central Land Council
76. Centrelink
77. Civil Aviation Safety Authority
78. Coal Mining Industry (Long Service Leave Funding) Corporation
79. Comcare
80. Commonwealth Grants Commission
81. Commonwealth Scientific and Industrial Research Organisation

82. ComSuper
83. Corporations and Markets Advisory Committee
84. Cotton Research and Development Corporation
85. Criminology Research Council
86. CrimTrac Agency
87. Defence Housing Australia
88. Defence Materiel Organisation
89. Department of Agriculture, Fisheries and Forestry
90. Department of Broadband, Communications and the Digital Economy
91. Department of Climate Change and Energy Efficiency
92. Department of Defence
93. Department of Education, Employment and Workplace Relations
94. Department of Families, Housing, Community Services and Indigenous Affairs
95. Department of Finance and Deregulation
96. Department of Foreign Affairs and Trade
97. Department of Health and Ageing
98. Department of Human Services
99. Department of Immigration and Citizenship
100. Department of Infrastructure and Transport
101. Department of Innovation, Industry, Science and Research
102. Department of Parliamentary Services
103. Department of Regional Australia, Regional Development and Local Government
104. Department of Resources, Energy and Tourism
105. Department of the Environment, Water, Heritage and the Arts
106. Department of the House of Representatives
107. Department of the Prime Minister and Cabinet
108. Department of the Senate
109. Department of the Treasury

110. Department of Veterans' Affairs
111. Director of National Parks
112. Equal Opportunity for Women in the Workplace Agency
113. Export Finance and Insurance Corporation
114. Fair Work Australia
115. Family Court of Australia
116. Federal Court of Australia
117. Federal Magistrates Court of Australia
118. Fisheries Research and Development Corporation
119. Food Standards Australia New Zealand
120. Future Fund Management Agency
121. General Practice Education and Training Ltd
122. Geoscience Australia
123. Grains Research and Development Corporation
124. Grape and Wine Research and Development Corporation
125. Great Barrier Reef Marine Park Authority
126. Health Workforce Australia
127. HIH Claims Support Limited
128. IIF Foundation Pty Limited
129. IIF Investments Pty Limited
130. Indigenous Business Australia
131. Indigenous Land Corporation
132. Insolvency and Trustee Service Australia
133. Inspector-General of Taxation
134. IP Australia
135. Medibank Private Limited
136. Medicare Australia
137. Migration Review Tribunal and Refugee Review Tribunal

138. Murray-Darling Basin Authority
139. National Archives of Australia
140. National Australia Day Council Limited
141. National Blood Authority
142. National Breast and Ovarian Cancer Centre
143. National Capital Authority
144. National Competition Council
145. National Film and Sound Archive
146. National Gallery of Australia
147. National Health and Medical Research Council
148. National Library of Australia
149. National Museum of Australia
150. National Native Title Tribunal
151. National Offshore Petroleum Safety Authority
152. National Water Commission
153. National Broadband Network Co Ltd
154. National Environment Protection Council Service Corporation
155. Northern Land Council
156. Office of National Assessments
157. Office of Parliamentary Counsel
158. Office of the Auditing and Assurance Standards Board
159. Office of the Australian Accounting Standards Board
160. Office of the Australian Building and Construction Commissioner
161. Office of the Commonwealth Ombudsman
162. Office of the Director of Public Prosecutions
163. Office of the Fair Work Ombudsman
164. Office of the Inspector-General of Intelligence and Security
165. Office of the Official Secretary to the Governor-General

166. Office of the Privacy Commissioner
167. Office of the Renewable Energy Regulator
168. Old Parliament House
169. Outback Stores Pty Ltd
170. Private Health Insurance Administration Council
171. Private Health Insurance Ombudsman
172. Productivity Commission
173. Professional Services Review Scheme
174. RAAF Welfare Recreational Company
175. Reserve Bank of Australia
176. Royal Australian Air Force Veterans' Residences Trust Fund
177. Royal Australian Air Force Welfare Trust Fund
178. Royal Australian Mint
179. Royal Australian Navy Central Canteens Board
180. Royal Australian Navy Relief Trust Fund
181. Rural Industries Research and Development Corporation
182. Safe Work Australia
183. Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)
184. Special Broadcasting Service Corporation
185. Sugar Research and Development Corporation
186. Sydney Harbour Federation Trust
187. Tiwi Land Council
188. Torres Strait Regional Authority
189. Tourism Australia
190. Tuggeranong Office Park Pty Ltd
191. Wheat Exports Australia
192. Wreck Bay Aboriginal Community Council

Agencies invited to participate, 2011–12

1. AAF Company
2. Aboriginal Hostels Limited
3. Administrative Appeals Tribunal
4. Aged Care Standards and Accreditation Agency Ltd
5. Airservices Australia
6. Albury-Wodonga Development Corporation
7. Anindilyakwa Land Council
8. Army and Air Force Canteen Service
9. ASC Pty Ltd
10. Attorney-General's Department
11. AusAID
12. Australia Business Arts Foundation Ltd
13. Australia Council
14. Australian Broadcasting Corporation
15. Australian Bureau of Statistics
16. Australian Centre for International Agricultural Research
17. Australian Commission for Law Enforcement Integrity
18. Australian Communications and Media Authority
19. Australian Competition and Consumer Commission
20. Australian Crime Commission
21. Australian Curriculum, Assessment and Reporting Authority
22. Australian Customs and Border Protection Service
23. Australian Electoral Commission
24. Australian Federal Police
25. Australian Film, Television and Radio School
26. Australian Fisheries Management Authority
27. Australian Government Solicitor

28. Australian Hearing Services
29. Australian Human Rights Commission
30. Australian Institute for Teaching and School Leadership Ltd
31. Australian Institute of Aboriginal and Torres Strait Islander Studies
32. Australian Institute of Criminology
33. Australian Institute of Family Studies
34. Australian Institute of Health and Welfare
35. Australian Institute of Marine Science
36. Australian Law Reform Commission
37. Office for Learning and Teaching
38. Australian Maritime Safety Authority
39. Australian Military Forces Relief Trust Fund
40. Australian National Audit Office
41. Australian National Maritime Museum
42. Australian National Preventive Health Agency
43. Australian National University
44. Australian Nuclear Science and Technology Organisation
45. Australian Office of Financial Management
46. Australian Organ and Tissue Donation and Transplantation Authority
47. Australian Pesticides and Veterinary Medicines Authority
48. Australian Postal Corporation
49. Australian Prudential Regulation Authority
50. Australian Public Service Commission
51. Australian Radiation Protection and Nuclear Safety Agency
52. Australian Rail Track Corporation Limited
53. Australian Reinsurance Pool Corporation
54. Australian Research Council
55. Australian River Co. Limited

56. Australian Secret Intelligence Service
57. Australian Securities and Investments Commission
58. Australian Security Intelligence Organisation
59. Australian Skills Quality Authority (National Vocational Education and Training Regulator)
60. Australian Solar Institute Limited
61. Australian Sports Anti-Doping Authority
62. Australian Sports Commission
63. Australian Sports Foundation Limited
64. Australian Strategic Policy Institute Limited
65. Australian Taxation Office
66. Australian Trade Commission
67. Australian Transaction Reports and Analysis Centre
68. Australian Transport Safety Bureau
69. Australian War Memorial
70. Bundanon Trust
71. Bureau of Meteorology
72. Cancer Australia
73. Central Land Council
74. Civil Aviation Safety Authority
75. Clean Energy Regulator
76. Coal Mining Industry (Long Service Leave Funding) Corporation
77. Comcare
78. Commonwealth Director of Public Prosecutions
79. Commonwealth Grants Commission
80. Commonwealth Scientific and Industrial Research Organisation
81. Commonwealth Superannuation Corporation
82. ComSuper
83. Corporations and Markets Advisory Committee

84. Cotton Research and Development Corporation
85. CrimTrac Agency
86. Defence Housing Australia
87. Defence Materiel Organisation
88. Department of Agriculture, Fisheries and Forestry
89. Department of Broadband, Communications and the Digital Economy
90. Department of Climate Change and Energy Efficiency
91. Department of Defence
92. Department of Education, Employment and Workplace Relations
93. Department of Families, Housing, Community Services and Indigenous Affairs
94. Department of Finance and Deregulation
95. Department of Foreign Affairs and Trade
96. Department of Health and Ageing
97. Department of Human Services
98. Department of Immigration and Citizenship
99. Department of Infrastructure and Transport
100. Department of Innovation, Industry, Science and Research
101. Department of Parliamentary Services
102. Department of Regional Australia, Regional Development and Local Government
103. Department of Resources, Energy and Tourism
104. Department of Sustainability, Environment, Water, Population and Communities
105. Department of the House of Representatives
106. Department of the Prime Minister and Cabinet
107. Department of the Senate
108. Department of the Treasury
109. Department of Veterans' Affairs
110. Director of National Parks
111. Equal Opportunity for Women in the Workplace Agency

112. Export Finance and Insurance Corporation
113. Fair Work Australia
114. Family Court of Australia
115. Federal Court of Australia
116. Federal Magistrates Court of Australia
117. Fisheries Research and Development Corporation
118. Food Standards Australia New Zealand
119. Future Fund Management Agency
120. General Practice Education and Training Ltd
121. Geoscience Australia
122. Grains Research and Development Corporation
123. Grape and Wine Research and Development Corporation
124. Great Barrier Reef Marine Park Authority
125. Health Workforce Australia
126. IIF Investments Pty Limited
127. Independent Hospital Pricing Authority
128. Indigenous Business Australia
129. Indigenous Land Corporation
130. Insolvency and Trustee Service Australia
131. Inspector-General of Taxation
132. IP Australia
133. Low Carbon Australia
134. Medibank Private Limited
135. Migration Review Tribunal and Refugee Review Tribunal
136. Murray-Darling Basin Authority
137. Museum of Australian Democracy at Old Parliament House
138. National Archives of Australia
139. National Australia Day Council Limited

140. National Blood Authority
141. National Broadband Network Co Ltd
142. National Capital Authority
143. National Competition Council
144. National Film and Sound Archive
145. National Gallery of Australia
146. National Health and Medical Research Council
147. National Health Performance Authority
148. National Library of Australia
149. National Museum of Australia
150. National Native Title Tribunal
151. National Offshore Petroleum Safety and Environmental Management Authority
152. National Water Commission
153. Northern Land Council
154. Office of National Assessments
155. Office of Parliamentary Counsel
156. Office of the Auditing and Assurance Standards Board
157. Office of the Australian Accounting Standards Board
158. Office of the Australian Information Commissioner
159. Office of the Commonwealth Ombudsman
160. Office of the Fair Work Building and Construction
161. Office of the Fair Work Ombudsman
162. Office of the Inspector-General of Intelligence and Security
163. Office of the Official Secretary to the Governor-General
164. Office of the Renewable Energy Regulator
165. Outback Stores Pty Ltd
166. Parliamentary Budget Office
167. Private Health Insurance Administration Council

168. Private Health Insurance Ombudsman
169. Productivity Commission
170. Professional Services Review Scheme
171. RAAF Welfare Recreational Company
172. Reserve Bank of Australia
173. Royal Australian Air Force Veterans' Residences Trust Fund
174. Royal Australian Air Force Welfare Trust Fund
175. Royal Australian Mint
176. Royal Australian Navy Central Canteens Board
177. Royal Australian Navy Relief Trust Fund
178. Rural Industries Research and Development Corporation
179. Safe Work Australia
180. Screen Australia
181. Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)
182. Special Broadcasting Service Corporation
183. Sugar Research and Development Corporation
184. Sydney Harbour Federation Trust
185. Tertiary Education Quality and Standards Agency
186. Tiwi Land Council
187. Torres Strait Regional Authority
188. Tourism Australia
189. Wheat Exports Australia
190. Wine Australia (Australia Wine Corporation)
191. Wreck Bay Aboriginal Community Council

Agencies invited to participate, 2012–13

1. AAF Company
2. Aboriginal Hostels Limited

3. Administrative Appeals Tribunal
4. Aged Care Standards and Accreditation Agency Ltd
5. Airservices Australia
6. Albury-Wodonga Development Corporation
7. Anindilyakwa Land Council
8. Army and Air Force Canteen Service
9. ASC Pty Ltd
10. Attorney-General's Department
11. AusAID
12. Australia Business Arts Foundation Ltd
13. Australia Council
14. Australian Broadcasting Corporation
15. Australian Bureau of Statistics
16. Australian Centre for International Agricultural Research
17. Australian Commission for Law Enforcement Integrity
18. Australian Commission on Safety and Quality in Health Care
19. Australian Communications and Media Authority
20. Australian Competition and Consumer Commission
21. Australian Crime Commission
22. Australian Curriculum, Assessment and Reporting Authority
23. Australian Customs and Border Protection Service
24. Australian Electoral Commission
25. Australian Federal Police
26. Australian Film, Television and Radio School
27. Australian Fisheries Management Authority
28. Australian Government Solicitor
29. Australian Hearing Services
30. Australian Human Rights Commission

31. Australian Institute for Teaching and School Leadership Ltd
32. Australian Institute of Aboriginal and Torres Strait Islander Studies
33. Australian Institute of Criminology
34. Australian Institute of Family Studies
35. Australian Institute of Health and Welfare
36. Australian Institute of Marine Science
37. Australian Law Reform Commission
38. Office for Learning and Teaching
39. Australian Maritime Safety Authority
40. Australian Military Forces Relief Trust Fund
41. Australian National Audit Office
42. Australian National Maritime Museum
43. Australian National Preventive Health Agency
44. Australian National University
45. Australian Nuclear Science and Technology Organisation
46. Australian Office of Financial Management
47. Australian Organ and Tissue Donation and Transplantation Authority
48. Australian Pesticides and Veterinary Medicines Authority
49. Australian Postal Corporation
50. Australian Prudential Regulation Authority
51. Australian Public Service Commission
52. Australian Radiation Protection and Nuclear Safety Agency
53. Australian Rail Track Corporation Limited
54. Australian Reinsurance Pool Corporation
55. Australian Renewable Energy Agency
56. Australian Research Council
57. Australian River Co. Limited
58. Australian Secret Intelligence Service

59. Australian Securities and Investments Commission
60. Australian Security Intelligence Organisation
61. Australian Skills Quality Authority (National Vocational Education and Training Regulator)
62. Australian Solar Institute Limited
63. Australian Sports Anti-Doping Authority
64. Australian Sports Commission
65. Australian Sports Foundation Limited
66. Australian Strategic Policy Institute Limited
67. Australian Taxation Office
68. Australian Trade Commission
69. Australian Transaction Reports and Analysis Centre
70. Australian Transport Safety Bureau
71. Australian War Memorial
72. Bundanon Trust
73. Bureau of Meteorology
74. Cancer Australia
75. Central Land Council
76. Civil Aviation Safety Authority
77. Clean Energy Regulator
78. Climate Change Authority
79. Coal Mining Industry (Long Service Leave Funding) Corporation
80. Comcare
81. Commonwealth Director of Public Prosecutions
82. Commonwealth Grants Commission
83. Commonwealth Scientific and Industrial Research Organisation
84. Commonwealth Superannuation Corporation
85. ComSuper
86. Corporations and Markets Advisory Committee

87. Cotton Research and Development Corporation
88. CrimTrac Agency
89. Defence Housing Australia
90. Defence Materiel Organisation
91. Department of Agriculture, Fisheries and Forestry
92. Department of Broadband, Communications and the Digital Economy
93. Department of Climate Change and Energy Efficiency
94. Department of Defence
95. Department of Education, Employment and Workplace Relations
96. Department of Families, Housing, Community Services and Indigenous Affairs
97. Department of Finance and Deregulation
98. Department of Foreign Affairs and Trade
99. Department of Health and Ageing
100. Department of Human Services
101. Department of Immigration and Citizenship
102. Department of Infrastructure and Transport
103. Department of Innovation, Industry, Science and Research
104. Department of Parliamentary Services
105. Department of Regional Australia, Local Government, Arts and Sport
106. Department of Resources, Energy and Tourism
107. Department of Sustainability, Environment, Water, Population and Communities
108. Department of the House of Representatives
109. Department of the Prime Minister and Cabinet
110. Department of the Senate
111. Department of the Treasury
112. Department of Veterans' Affairs
113. Director of National Parks
114. Equal Opportunity for Women in the Workplace Agency

115. Export Finance and Insurance Corporation
116. Fair Work Australia
117. Family Court of Australia
118. Federal Court of Australia
119. Federal Magistrates Court of Australia
120. Fisheries Research and Development Corporation
121. Food Standards Australia New Zealand
122. Future Fund Management Agency
123. General Practice Education and Training Ltd
124. Geoscience Australia
125. Grains Research and Development Corporation
126. Grape and Wine Research and Development Corporation
127. Great Barrier Reef Marine Park Authority
128. Health Workforce Australia
129. IIF Investments Pty Limited
130. Independent Hospital Pricing Authority
131. Indigenous Business Australia
132. Indigenous Land Corporation
133. Insolvency and Trustee Service Australia
134. Inspector-General of Taxation
135. IP Australia
136. Low Carbon Australia
137. Medibank Private Limited
138. Migration Review Tribunal and Refugee Review Tribunal
139. Murray-Darling Basin Authority
140. Museum of Australian Democracy at Old Parliament House
141. National Archives of Australia
142. National Australia Day Council Limited

143. National Blood Authority
144. National Broadband Network Co Ltd
145. National Capital Authority
146. National Competition Council
147. National Environment Protection Council (NEPC)
148. National Film and Sound Archive
149. National Gallery of Australia
150. National Health and Medical Research Council
151. National Health Performance Authority
152. National Library of Australia
153. National Mental Health Commission
154. National Museum of Australia
155. National Offshore Petroleum Safety and Environmental Management Authority
156. National Water Commission
157. Northern Land Council
158. Office of National Assessments
159. Office of Parliamentary Counsel
160. Office of the Auditing and Assurance Standards Board
161. Office of the Australian Accounting Standards Board
162. Office of the Australian Information Commissioner
163. Office of the Commonwealth Ombudsman
164. Office of the Fair Work Building and Construction
165. Office of the Fair Work Ombudsman
166. Office of the Inspector-General of Intelligence and Security
167. Office of the Official Secretary to the Governor-General
168. Outback Stores Pty Ltd
169. Parliamentary Budget Office
170. Private Health Insurance Administration Council

171. Private Health Insurance Ombudsman
172. Productivity Commission
173. Professional Services Review Scheme
174. RAAF Welfare Recreational Company
175. Reserve Bank of Australia
176. Royal Australian Air Force Veterans' Residences Trust Fund
177. Royal Australian Air Force Welfare Trust Fund
178. Royal Australian Mint
179. Royal Australian Navy Central Canteens Board
180. Royal Australian Navy Relief Trust Fund
181. Rural Industries Research and Development Corporation
182. Safe Work Australia
183. Screen Australia
184. Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)
185. Special Broadcasting Service Corporation
186. Sugar Research and Development Corporation
187. Sydney Harbour Federation Trust
188. Telecommunications Universal Service Management Agency
189. Tertiary Education Quality and Standards Agency
190. Tiwi Land Council
191. Torres Strait Regional Authority
192. Tourism Australia
193. Wheat Exports Australia
194. Wine Australia (Australia Wine Corporation)
195. Wreck Bay Aboriginal Community Council

Appendix D: Reconciliation of the List of Agencies and Bodies

Financial year 2010–11

In the financial year 2010–11, the AIC invited 192 agencies and bodies to participate in the survey on fraud. However, at 30 June 2011, there were only 191 agencies and bodies in existence, consisting of 107 agencies and 84 bodies.

It was found that the AIC invited the following agencies that did not exist for the following reasons as at 30 June 2011:

- Australian Industry Development Corporation—agency ceased its operation in December 2010
- IIF Foundation Pty Ltd—body was winding up in this period and deregistered on 15 June 2011
- Tuggeranong Office Park Pty Ltd—body was winding up in this period and deregistered on 2 September 2010.

It was also noticed that the AIC did not invite the following agencies, although they existed on 30 June 2011:

- Australian National Preventive Health Agency—agency was established on 1 January 2011
- Screen Australia—agency existed in the 2010–11 financial period. The agency was invited to participate in the AIC survey in following years.

The annual reports for these agencies were excluded from the data collection for this research study, given that they were not invited to participate in the AIC survey. This exclusion ensured the analysis would include the same agencies as the AIC survey.

The following was also found:

- The Australian Secret Intelligence Service did not produce an annual public report for the 2010–11 financial period.
- The Office of National Assessments did not produce an annual public report for the 2010–11 financial period.

The annual reports could not be collected for the following agencies and bodies:

- AAF Company—the 2010–11 annual report could not be located via the Internet, it is not archived at the National Library of Australia: Australian Government Web Archive, and the body did not provide it despite repeated requests sent to the body.
- HIH Claims Support Limited—the agency had been in the process of being wound up since 2011 and was formally deregistered in April 2013. The 2010–11 annual report could not be found via the Internet, and it is not archived at the National Library of Australia: Australian Government Web Archive. The Department of Treasury was repeatedly contacted because the agency had been within the department’s portfolio. However, no response was received from the department. It is unclear whether any annual report for the 2010–11 financial period exists.

Financial year 2011–12

In the financial year 2011–12, the AIC invited 191 agencies and bodies to participate in its survey on fraud. However, at 30 June 2012, there were 193 agencies and bodies in existence, consisting of 109 agencies and 84 bodies.

The AIC did not invite the following agencies and bodies although they existed at 30 June 2012:

- Australian Commission on Safety and Quality in Health Care
- National Environment Protection Council
- National Mental Health Commission
- HIH Claims Support Limited—the body had been in the process of being wound up since 2011; however, it was still an agency under the CAC Act as at 30 June 2012. The body was formally deregistered in April 2013.

The annual reports for these agencies and bodies were excluded from the data collection for this research study, given that they were not invited to participate in the AIC survey. This exclusion ensured the analysis would include the same agencies as the AIC survey.

The AIC also invited the following agencies that did not exist or were not an agency or body as at 30 June 2012 for the following reasons:

- Parliamentary Budget Office 2011–12—established on 23 July 2012; however, it appeared on the AIC list for 2011–12

- Office for Learning and Teaching—not an agency or a body under the FMA Act or the CAC Act; however, it was on the list to participate in the AIC survey.

The following was also found:

- The Australian Secret Intelligence Service did not produce an annual public report for the 2011–12 financial period.
- The Office of National Assessments did not produce an annual public report for the 2011–12 financial period.

Financial year 2012–13

In the financial year 2012–13, the AIC invited 195 agencies and bodies to participate in the survey on fraud. However, at 30 June 2013, there were only 192 agencies and bodies in existence, consisting of 109 agencies and 83 bodies.

The AIC invited the following agencies or bodies that did not exist as at 30 June 2013 for the following reasons:

- Australian Solar Institute Limited—ceased operating in December 2012 and merged into the Australian Renewable Energy Agency
- Department of Climate Change and Energy Efficiency—on 25 March 2013, responsibility passed to the newly formed Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education
- Office for Learning and Teaching—was not an agency or body under the FMA Act or the CAC Act although it was on the list to participate in the AIC survey.

The following was also found:

- The Australian Secret Intelligence Service did not produce an annual public report for the 2012–13 financial period.
- The Office of National Assessments did not produce an annual public report for the 2012–13 financial period.

Appendix E: Changes in Names of Agencies and Bodies

The following agencies and bodies changed their name during the period of analysis:

- The Australian Carbon Trust Limited was renamed Low Carbon Australia, commencing with the 2010–11 annual report.
- The Australian Wine and Brandy Corporation was renamed Wine Australia Corporation, commencing with the 2010–11 annual report.
- The Equal Opportunity for Women in the Workplace Agency was renamed Workplace Gender Equality Agency, commencing with the 2012–13 annual report.
- Fair Work Australia was renamed Fair Work Commission, commencing with the 2012–13 annual report.
- The Federal Magistrates Court of Australia was renamed Federal Circuit Court of Australia, commencing with the 2012–13 annual report.
- The Museum of Australian Democracy at Old Parliament House as identified on the AIC list for the 2011–12 and 2012–13 financial years is identified as Old Parliament House in annual reports.
- The Office of the Australian Information Commissioner (OAIC) commenced operations in the 2010–11 financial year, and the former Office of the Privacy Commissioner was integrated into the OAIC.
- The Australian Reward Investment Alliance was renamed Commonwealth Superannuation Corporation, commencing with the 2011–12 annual report.
- The Department of Innovation, Industry, Science and Research was renamed Department of Industry Innovation, Science, Research and Tertiary Education, commencing with the 2011–12 annual report.
- The Department of Regional Australia, Regional Development and Local Government was renamed Department of Regional Australia, Local Government, Arts and Sport, commencing with the 2011–12 financial year, and Department of Industry Innovation, Climate Change, Science, Research and Tertiary Education, commencing with the 2012–13 annual report.
- The Department of the Environment, Water, Heritage and the Arts was renamed Department of Sustainability, Environment, Water, Population and Communities, commencing with the 2010–11 annual report.

- The National Offshore Petroleum Safety Authority was renamed National Offshore Petroleum Safety and Environmental Management Authority, commencing with the 2011–12 annual report.
- The Office of the Australian Building and Construction Commissioner was renamed Office of the Fair Work Building and Construction, commencing 1 June 2012.

Appendix F: List of Combined Annual Reports

The following is a list of annual reports that include reports for more than one agency:

- The Australian Institute of Criminology 2010–11 annual report also includes an annual report for the Criminology Research Council.
- The Australian Sports Commission 2010–11, 2011–12 and 2012–13 annual reports also include annual reports for the Australian Sports Foundation Ltd.
- The Department of Defence 2010–11, 2011–12 and 2012–13 annual reports also include annual reports for the Defence Materiel Organisation.
- The Department of Resources, Energy and Tourism 2010–11, 2011–12 and 2012–13 annual reports also include annual reports for Geoscience Australia.
- The Department of Innovation Industry, Science and Research 2010–11 annual report also includes an annual report for IP Australia.
- The Department of Industry Innovation, Science, Research and Tertiary Education 2011–12 and 2012–13 annual reports also include annual reports for IP Australia.