BDO not-for-profit fraud survey 2006

BDO

Chartered Accountants
& Advisers

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Introduction

Welcome to the BDO not-for-profit fraud survey 2006.

BDO has been involved in the not-for-profit sector for the past 30 years, providing advice in the areas of audit, tax, consulting and general accounting. Our clients cross the full gamut of size and organisation category found in the not-for-profit sector.

As advisers we feel that it is our role to help protect not only our clients but also other organisations from the ravages of fraud. Regardless of how safe a not-for-profit organisation feels because of its moral standing in the community, it is not necessarily protected from a person motivated to commit fraud.

It is only through strong preventative measures that organisations can protect themselves from fraud – and even then they are not immune.

In many cases fraud will not destroy an organisation, but as history has shown, it can. A specific example was a not-for-profit organisation that thought they were doing the right thing by conducting external audits and implementing controls they believed were appropriate for the tasks at hand. What they did not count on was an employee finding gaps in the system, taking advantage and ultimately forcing them into liquidation.

As advisers we regularly see the effects fraud has on organisations in the not-for-profit sector – a sector where the purpose of many of the organisations is for the better good of the community at large.

This has been a catalyst towards the development of the BDO not-for-profit fraud survey. Considering the contribution not-for-profit organisations make to the economy and the community, we believe it is important to look at the effect fraud has on these organisations.

Fraud is not only an issue for the not-for-profit sector. It is an issue for every organisation, whether they are in the corporate, government or not-for-profit sector. While there has already been success in capturing information about fraud in other sectors, we feel it is important to capture this information specifically for the not-for-profit sector.

We are pleased by the positive results of the survey and are confident that others will see it in this light as well. The sector should be proud of their work to-date knowing that the fight against fraud will continue.

To those who participated in the survey, we thank you for your candid and open responses. Without your involvement the survey would not have been possible.

We would also like to thank Associate Professor Dr Peter Best and Sherrena Buckby from the Queensland University of Technology for the significant contribution of time in analysing the survey data and also Belinda Busoli from the BDO Forensic Services Not-for-Profit Network for her continued efforts to bring this survey to fruition.

We believe this survey can become a guide for not-for-profit organisations to gain a better understanding of the nature of fraud in the sector.

Lisa Bundesen
Partner
BDO Forensic Services

Executive summary

The information produced from this survey provides a benchmark for not-for-profit organisations revealing the perception and level of fraud in the sector, examining specific incidences of fraud and what the sector is doing to prevent fraud occurring.

The sector as a whole performed extremely well both in the level of fraud currently occurring and the steps being taken to reduce the likelihood of fraud occurring in their organisation. As the first survey of its kind for the not-for-profit sector, a number of comparisons have been drawn with large organisations in the public and private sector.

While this comparison has been necessary to provide the sector with a marker for their performance it is also important to recognise the inherent differences which exist between organisations in the not-for-profit sector and other sectors and the way they operate.

Sector snapshot: There are around 700,000 not-for-profit organisations in Australia and 40,000 in New Zealand. Some 380,000 of these are incorporated in some way; 35,000 employ staff; they have a combined income of $33.5 billion dollars; and as a sector employ over 604,000 people.

At one end of the spectrum there are member-benefit organisations and at the other are public-benefit organisations. Organisations range from business and professional associations to exchange and friendship programs to international disaster relief organisations and crisis intervention programs.

A total of 547 responses were received from the not-for-profit sector. It is important to note that not all respondents answered every question and also some questions may have resulted in a respondent providing more than one answer.

Our major findings include:

- Not-for-profit organisations perceived fraud to be a problem more so for the sector (65%) rather than their individual organisations (16%).

- Of those organisations that responded only 19% had experienced fraud over the past two years.

- Of those organisations that had experienced fraud almost all had experienced multiple cases of fraud.

- The largest number of frauds reported occurred in organisations in the $1,000,000 - $9,999,999 turnover bracket.

- Cash theft and expense account fraud were reported as the most common types of fraud perpetrated.

- Correlations could be made between the type of organisation and the nature of their assets and the type of fraud perpetrated.

- In not-for-profit organisations the typical fraudster is female, in her forties and a paid non-accounting employee.

- Only 15% of fraud was committed by unpaid volunteers.

- In the majority of cases (81%) collusion was not involved in the perpetration of fraud.

- 89% of reported frauds in the not-for-profit sector are under $50,000.

- Of the reported cases of fraud, 50% of respondents believed they discovered the full extent of the fraud.

- 37% of fraud is discovered by tip offs, while only 8% of organisations have a whistleblowers policy and only 3% of organisations have whistleblowers facilities.

- Financial problems and pressures (26%), maintaining a lifestyle (19%) and revenge (17%) were the three key motivations behind why a person committed fraud.

- Only 36% of fraud cases were reported to the police.

- 85% of survey participants considered fraud prevention to be important, very important or extremely important to the organisation.

Has this survey raised issues for your organisation in terms of your perception of fraud and the methods you are currently using to deter and detect fraud? These results should provide a guide as to how fraud is occurring and the key methods that have worked in discovering fraud. While the results have been positive overall for the not-for-profit sector, organisations must not let their guard down in their fight against fraud – vigilance is imperative.

1. The not-for-profit sector

1.1 Size of the sector

According to authorities on the sector, there are around 700,000 not-for-profit organisations in Australia and 40,000 in New Zealand. Of the 700,000 not-for-profit organisations in Australia, approximately 380,000 of these are incorporated in some way – meaning they have their own legal identity. Of these, 35,000 employ staff. In total they have a combined income of $33.5 billion dollars and employ over 604,000 people.[i]

1.2 Diversity of the sector

The not-for-profit-sector is said to be larger than the communications industry and around the same as the agriculture industry. But unlike those sectors, the not-for-profit sector is also exceptionally diverse.

To illustrate, consider the not-for-profit sector as a spectrum. At one end you have member-benefit organisations and at the other end you have public-benefit organisations. In between these two extremes you have hybrids of varying types. These organisations range from business and professional associations to exchange and friendship programs to international disaster relief organisations and crisis intervention programs.[ii]

1.3 Survey participants

Due to the diversity of the not-for-profit sector it is important to understand the type of organisations responding to the survey, the different industries in which they operate, the number of employees and volunteers they employ, their turnover and their main source of funding. All of these issues appear to impact on the type and occurrence of fraud experienced by the not-for-profit sector.

A total of 547 responses were received to the survey from a variety of not-for-profit organisations. Not all respondents answered every question.

1.4 Location

Geographically respondents are located predominantly throughout Australia and New Zealand.

AUSTRALIA	%
NEW SOUTH WALES/ACT	22
VICTORIA	17
QUEENSLAND	16
WESTERN AUSTRALIA	7
SOUTH AUSTRALIA	4
AUSTRALIA WIDE	2
TASMANIA	2
NORTHERN TERRITORY	1

Chart 1.2 – Location of respondents in Australia

"The not-for-profit sector is said to be larger than the communications industry..."

INTERNATIONAL 1%

NEW ZEALAND 28%

AUSTRALIA 71%

Chart 1.1 – Location of respondents

1.5 Category of not-for-profit organisations

Internationally, the not-for-profit sector is classified into twelve main categories. These international categories are applied in the survey to group respondents into consistent industry or task oriented groupings.

CATEGORY	%
HEALTH	28
EDUCATION & RESEARCH	18
BUSINESS & PROFESSIONAL ASSOCIATIONS, UNIONS	18
SOCIAL SERVICES	16
CULTURE & RECREATION	13
DEVELOPMENT & HOUSING	6
ENVIRONMENT	5
LAW, ADVOCACY & POLITICS	5
RELIGION	4
PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION	3
INTERNATIONAL	2
OTHER	11

Chart 1.3 – Categories across which respondents operate

Most respondents indicated that their major operations tend to span more than one category (eg. a not-for-profit organisation that is involved in the health area could also have significant education and research operations).

1.6 Employees & volunteers

Not-for-profit organisations rely on both paid employees and volunteers to operate successfully.

Volunteers' roles can vary from basic fundraising activities to having active roles on the boards and committees of not-for-profit organisations.

The estimated number of volunteers aged 18 years and over in 2000 was 4,395,600, representing 32% of the population of the same age. This represents an increase since 1995, when the estimated 3,189,400 volunteers represented 24% of the population. In 2000, volunteers contributed 704.1 million hours of voluntary work, an increase on the 1995 figure of 511.7 million hours.[iii]

The majority of respondents use a combination of employees and volunteers to carry out their day-to-day operations.

For a detailed list of the types of organisations that form part of each category please refer to Appendix A.

	EMPLOYEES	VOLUNTEERS
NUMBER OF EMPLOYEES/ VOLUNTEERS	%	%
1 - 20	65%	52%
21 – 50	12%	15%
51 – 100	9%	9%
100 +	14%	24%

Chart 1.4 – Employees and volunteers per respondent

1.7 Operations

The turnover of survey participants varies greatly and shows the diversity in operational size of not-for-profit organisations.

TURNOVER	%
< $100,000	16%
$100,000 - $499,999	25%
$500,000 - $999,999	16%
$1,000,000 - $9,999,999	32%
$10,000,000 +	11%

Chart 1.5 – Respondents rgouped by turnover

The major sources of funding for survey respondents varied considerably. In many cases, respondents had more than one major source of income.

SOURCE OF FUNDING*	%
GRANTS/GOVERNMENT FUNDING	59%
BUSINESS OPERATIONS	41%
DONATIONS	25%
FUND RAISING	22%
MEMBERSHIP FEES	19%
BEQUESTS	4%
SUBSCRIPTIONS	3%
SPONSORSHIP	2%
OTHER	4%

Chart 1.6 – Major funding sources of respondents.
*The survey asked for the most significant sources of funding. In many cases more than one response was provided.

The type of funding appears to be a contributing factor to the types of fraud occurring in a not-for-profit organisation. Different risks are associated with different sources of funds being received. For example, government grants/funding are usually paid directly into a bank account, so cash theft is less likely to occur but cheque or online payments fraud are more likely to occur as they are common fraud methods related to bank accounts. Cash donations are at risk of theft by the collector or other people handling the cash where as donations paid directly into a bank account are more likely to be defrauded by cheque or online payment0 fraud methods. Bequests of items such as jewellery can simply be taken/stolen before they are even sold for the benefit of the organisation.

Fraud can also have an effect on the funding received by a not-for-profit organisation. If the organisation receives negative publicity as a result of a fraud, income from sources such as donations and fundraising may decrease. Government grant documents may also have a fraud or good governance clause in them. This can mean future grants are in jeopardy if previous grants have had problems with fraud.

[i] http://www.asianphilanthropy.org/countries/australia/definition.html; http://www.philanthropy.org.au/research/index.html

[ii] http://www.asianphilanthropy.org/countries/australia/definition.html; http://www.philanthropy.org.au/research/index.html

[iii] http://www.philanthropy.org.au/factsheets/7-05-06-volunt.htm

2. How fraud is perceived by the sector

Is fraud considered an issue in the not-for-profit sector and the organisations within it? It is important to understand the perceptions that exist within the sector to fully understand the survey findings. Fraud perception was addressed from two perspectives: as an individual organisation and as a sector.

Individual organisations within the sector have control over their own operations and what steps they take to reduce the likelihood of fraud occurring within their own organisation. This section determines if individual organisations consider themselves as performing better than the not-for-profit sector as a whole when it comes to fraud prevention and control and if they perceive that fraud will continue to be a problem in the future.

The way fraud is perceived in any market sector plays a major role in how organisations approach not only prevention methods but also how they choose to deal with fraud once it has occurred.

One of the key issues for the not-for-profit sector is the perception that they are 'do-good' organisations and therefore exempt from the possibility of fraud. If anything, their trusting nature and volunteer structure can be a 'double-edged' sword – on one hand protecting them by attracting what is perceived as a certain type of person (honest) but also potentially making them more susceptible to fraud.

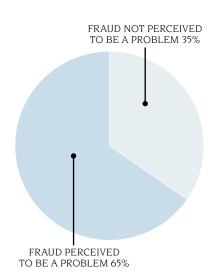## 2.1 Organisation versus sector perception

There is a distinct difference in how individual organisations perceive fraud as a risk for themselves and how they perceived it as a risk for the sector. Statistics show that while fraud is not perceive as a risk individually, collectively it is.

Individual organisations tend to have an 'it won't happen to me' attitude when it comes to fraud – this may be the result of a strict control process or simply a result of having their 'head in the sand'. This attitude is not confined to the not-for-profit sector. Results of the survey show that individual not-for-profit organisations believe they have sufficient controls in place to reduce the possibility of fraud occurring (eg. external audit function), while they do recognise that fraud continues to be a problem in general and therefore is a problem for the sector.

Of those organisations that perceived fraud as a risk, it was their perception that the risk was greater as their level of turnover became greater. This is an understandable response considering that as the turnover of an organisation becomes larger, they will generally have more employees and/or volunteers, make more transactions and therefore provide more opportunities for fraud to occur.

> *A general feeling amongst respondents was that fraud was not a problem because they believed their employees and volunteers were trustworthy.*

FRAUD NOT PERCEIVED
TO BE A PROBLEM 84%

FRAUD PERCEIVED
TO BE A PROBLEM 16%

Chart 2.1 – Perception of fraud
in individual organisations

FRAUD NOT PERCEIVED
TO BE A PROBLEM 35%

FRAUD PERCEIVED
TO BE A PROBLEM 65%

Chart 2.12 – Perception of fraud
in the sector

In terms of the perception of sector risk, respondents remained consistent regardless of organisation turnover. This again highlights the discrepancy in perception of fraud risk at both a micro and macro level for the sector.

INDIVIDUAL ORGANISATIONS
▢ % FRAUD PERCEIVED TO BE A PROBLEM
▢ % FRAUD NOT PERCEIVED TO BE A PROBLEM

SECTOR
▢ % FRAUD PERCEIVED TO BE A PROBLEM
▢ % FRAUD NOT PERCEIVED TO BE A PROBLEM

BY TURNOVER

$10,000,000 + 31% / 69% / 33% / 67%

$1,000,000 - $9,999,999 19% / 81% / 35% / 65%

$500,000 - $999,999 13% / 87% / 36% / 64%

$100,000 - $499,999 12% / 88% / 38% / 62%

< $100,000 9% / 91% / 39% / 61%

Chart 2.2 – Organisations who perceive fraud to be a problem
for themselves and the sector

Fraud perceptions were also examined across industry category from an individual organisation's perspective and as a sector. In Section Four of this survey, we examine the major type of fraud suffered by organisations. The results from that Section show a general link between the type of fraud occurring and the perception that fraud is a problem for their organisation.

An example of this is the theft of cash and inventory and assets. These types of fraud are obvious and noticeable. This creates an increased perception by these organisations that fraud in their industry category is a greater issue for them and for the sector as a whole compared to other categories.

▭ % FRAUD PERCEIVED TO BE A PROBLEM
▭ % FRAUD NOT PERCEIVED TO BE A PROBLEM

BY INDUSTRY CATEGORY

Industry Category	% Perceived	% Not Perceived
ENVIRONMENT	35%	65%
CULTURE & RECREATION	24%	76%
LAW, ADVOCACY & POLITICS	22%	78%
PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION	18%	82%
RELIGION	18%	82%
SOCIAL SERVICES	17%	83%
DEVELOPMENT & HOUSING	17%	83%
OTHER	14%	86%
HEALTH	12%	88%
BUSINESS & PROFESSIONAL ASSOCIATIONS, UNIONS	11%	89%
EDUCATION & RESEARCH	11%	89%
INTERNATIONAL		100%

0%   20%   40%   60%   80%   100%

Chart 2.3 – Perception of fraud in individual organisations by industry category

% FRAUD PERCEIVED
TO BE A PROBLEM

% FRAUD NOT PERCEIVED
TO BE A PROBLEM

BY INDUSTRY CATEGORY

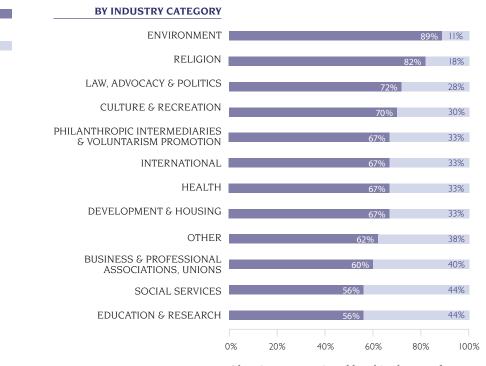| Industry Category	% Fraud Perceived	% Fraud Not Perceived
ENVIRONMENT	89%	11%
RELIGION	82%	18%
LAW, ADVOCACY & POLITICS	72%	28%
CULTURE & RECREATION	70%	30%
PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION	67%	33%
INTERNATIONAL	67%	33%
HEALTH	67%	33%
DEVELOPMENT & HOUSING	67%	33%
OTHER	62%	38%
BUSINESS & PROFESSIONAL ASSOCIATIONS, UNIONS	60%	40%
SOCIAL SERVICES	56%	44%
EDUCATION & RESEARCH	56%	44%

0%   20%   40%   60%   80%   100%

Chart 2.4 – Perception of fraud in the sector by industry category
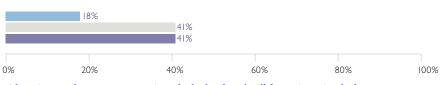
2.2 What does the future hold?

The way fraud is perceived both now and in the future will play a major role in how both fraud prevention and control methods are approached and ultimately the level fraud experienced by the sector.

Organisations must not let their guard down. If not-for-profit organisations do not perceive fraud to be a problem in the future or are undecided about the issue, it may result in these organisations relaxing some of the controls they currently have in place to prevent and detect fraud. If this was to occur, the not-for-profit sector could see an increase in fraud in the future.
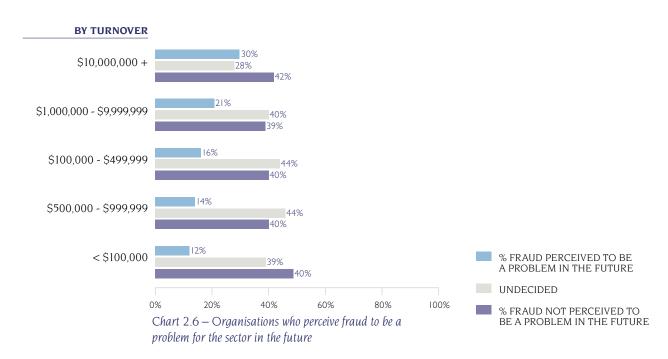
When considering this question by turnover, it is not surprising to find that again, the larger turnover organisations had the highest positive response to this question.
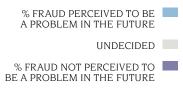

Chart 2.5 – The sector's perception of whether fraud will be an issue in the future

Chart 2.6 – Organisations who perceive fraud to be a problem for the sector in the future

When organisation categories are considered, the response of 'undecided' varies significantly from 56% from the development and housing category down to 19% from the religion category and none from the international category respondents. Based on the number of organisations that responded 'undecided' as to the risk of fraud to the sector in the future, this may indicate a 'wait and see' attitude within the sector. Such an attitude could lead to a relaxation of controls and ultimately an increase in the level of fraud in the future.

BY INDUSTRY CATEGORY

INTERNATIONAL
67%
0%
33%

ENVIRONMENT
35%
35%
30%

RELIGION
25%
19%
56%

CULTURE & RECREATION
24%
40%
37%

DEVELOPMENT & HOUSING
22%
56%
22%

HEALTH
20%
38%
42%

SOCIAL SERVICES
18%
41%
41%

OTHER
14%
52%
34%

EDUCATION & RESEARCH
13%
43%
45%

BUSINESS & PROFESSIONAL
ASSOCIATIONS, UNIONS
13%
41%
46%

LAW, ADVOCACY & POLITICS
11%
50%
39%

PHILANTHROPIC
INTERMEDIARIES &
voluntarism promotion
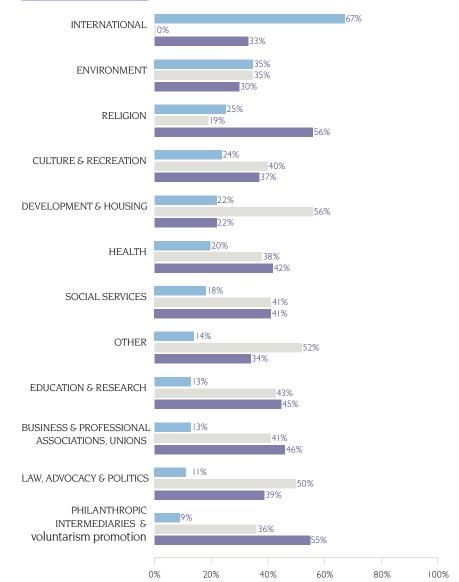9%
36%
55%

0%   20%   40%   60%   80%   100%

Chart 2.7 – Future perception of fraud in the sector by industry category

What these statistics indicate is a general concern about fraud in the sector today and the impact it could have.

It will be seen in later sections of the survey, that individual not-for-profit organisations believe they have strong processes in place to prevent and detect fraud. Strong prevention and detection processes such as appropriate internal controls are needed in all organisations. By having these processes in place, the number of frauds occurring is reduced and when fraud does occur it is detected faster than if these processes were not implemented. The perception that fraud is not a problem for some organisations is not because fraud simply does not occur; it is because they have implemented prevention and detection processes.

Organisations should not reduce their fraud prevention and detection measures, even if they do not perceive fraud to be a problem in the future. Doing so would provide perpetrators with a greater opportunity to commit fraud and a greater chance of the fraud not being detected.

3. Fraud in the not-for-profit sector

Based on the perceptions of fraud presented in Section Two, it may come as a surprise to some organisations that fraud does actually occur in not-for-profit organisations. In comparison to perceived risk, the number of respondents who have experienced fraud in their organisations over the past two years is extremely positive. The figure of 19% is even more impressive when compared with survey results from large organisations in the public and private sector of which 45% of respondents reported some instance of fraud[i].

It is interesting to compare an organisation's perception of fraud and the actual occurrence of fraud. While 35% of organisations in the environment category responded that they perceived fraud to be a problem for their organisation, only 20% of such organisations have actually suffered a fraud in the past two years. The flip side of this is 34% of organisations in the international category and 27% of social services organisations have suffered a fraud in the past two years, while no international organisation and only 17% of social services organisations perceived fraud to be a problem.

While it is not possible to draw a direct correlation between a high level of perception that fraud is a problem in the organisation and a lower level of fraud actually occurring, the results do point in this direction. The reason for this is most probably that organisations who perceive fraud to be a problem implement appropriate controls to reduce the possibility of it occurring, while organisations that have a lower perception of fraud being a problem may not be as stringent with their fraud controls.
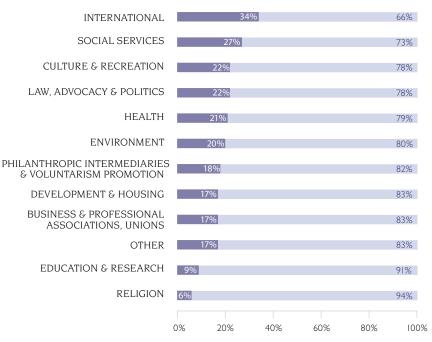
ORGANISATIONS WHO
HAVE SUFFERED FRAUD 19%

ORGANISATIONS WHO HAVE
NOT SUFFERED FRAUD 81%

Chart 3.1 – Organisations who have suffered fraud in the past two years

Category	Suffered Fraud	Not Suffered Fraud
INTERNATIONAL	34%	66%
SOCIAL SERVICES	27%	73%
CULTURE & RECREATION	22%	78%
LAW, ADVOCACY & POLITICS	22%	78%
HEALTH	21%	79%
ENVIRONMENT	20%	80%
PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION	18%	82%
DEVELOPMENT & HOUSING	17%	83%
BUSINESS & PROFESSIONAL ASSOCIATIONS, UNIONS	17%	83%
OTHER	17%	83%
EDUCATION & RESEARCH	9%	91%
RELIGION	6%	94%

Only 19% of not-for-profit organisations reported fraud compared with 45% of large organisations in the public and private sector.

ORGANISATIONS WHO HAVE
SUFFERED FRAUD

ORGANISATIONS WHO HAVE
NOT SUFFERED FRAUD

Chart 3.2 – Organisations who have suffered fraud in the past two years according to industry category

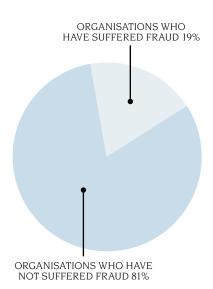Based on the perception that the majority of respondents do not see fraud as a major risk, they may be blinded to the possibility and therefore not recognise red flags within their own organisation. Hindsight provides organisations with an opportunity to analyse the indicators of fraud while it was occurring and why they weren't recognised at the time. By being aware of potential red flags organisations are more likely to detect fraud earlier.

3.1 How many frauds are occurring?

Of those respondents who experienced fraud, almost all experienced multiple cases of fraud.

TURNOVER	NO OF FRAUDS
< $100,000	14
$100,000 - $499,999	124
$500,000 - $999,999	215
$1,000,000 - $9,999,999	369
$10,000,000 +	74

Chart 3.3 – Number of frauds experienced in the past two years according to turnover

The number of frauds reported increased by turnover level until the top turnover bracket is reached, where a decline in the number of individual frauds is noted. This is reflective of an issue that all organisations face: as organisations grow, there is a need to implement controls and segregate duties, as well as increasing demand on cash flow.

Organisations rarely have the resources to deal with all issues at once. As they grow they understandably prioritise investments in order to, in many cases, survive financially. Once those organisations have gone through a phase of growth, they have more resources to implement measures that reduce the likelihood of fraud, such as improved internal controls and internal audit functions.

By looking at the different components of these frauds, implementing controls and taking a proactive approach to fraud will become easier for many organisations. Understanding what fraud is occurring in a not-for-profit organisation is a major step in combating the risk faced.

It is also interesting to note the comment that "because we operate on the smell of an oily rag there is very little to defraud". This also provides an excellent example of the great diversity of not-for-profit organisations. Many not-for-profit organisations have minimal funds and as stated, have very little to defraud. However, as organisations grow in size, there is more potential for perpetrators to access cash and other items that can be defrauded.

The average number of frauds per respondent varied according to the category in which they operate.

CATEGORY	NO OF FRAUDS	NO OF RESPOND-ENTS	AVERAGE NO OF FRAUDS PER RESPONDENT
CULTURE & RECREATION	39	72	0.5
EDUCATION & RESEARCH	16	97	0.2
HEALTH	50	150	0.3
SOCIAL SERVICES	46	87	0.5
ENVIRONMENT	5	28	0.2
DEVELOPMENT & HOUSING	4	30	0.2
LAW, ADVOCACY & POLITICS	3	29	0.1
PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION	2	15	0.1
INTERNATIONAL	1	10	0.1
RELIGION	1	21	0.1
BUSINESS & PROFESSIONAL ASSOCIATIONS, UNIONS	619	97	6.4
OTHER	10	62	0.2

Chart 3.4 – An average of the number of frauds in each industry category

[i] KPMG Fraud Survey 2004.

4. Specific fraud

Respondents were specifically asked to address the single largest fraud that has occurred in their organisation over the past two years.

4.1 What types of fraud were reported?

For an organisation to be in a position to proactively reduce the likelihood of fraud occurring, it is important to understand the types of frauds occurring in their organisation and the not-for-profit sector in general.

CASH THEFT — 36%
EXPENSE ACCOUNT FRAUD — 22%
THEFT OF ASSETS — 18%
KICKBACKS / BRIBERY / FRAUDULENT PERSONAL BENEFITS — 17%
DATABASE & INTELLECTUAL PROPERTY THEFT — 15%
THEFT OF INVENTORY — 13%
FINANCIAL STATEMENT FRAUD — 11%
PAYROLL FRAUD — 11%
CHEQUE FRAUD — 10%
ONLINE PAYMENTS FRAUD — 7%
ADVOCACY FRAUD — 2%
OTHER FRAUD — 19%

Chart 4.1 – Types of fraud reported

Cash theft is the most common type of fraud because of the susceptibility of cash to theft. Cash in many not-for-profits can be handled by anyone from a volunteer, to a contractor, to an employee. It is also understandable when considering the difficulties that exist for not-for-profit organisations to place controls on the collection of cash (eg. consider a street stall, a volunteer collecting donations or sales from thrift shops).

Typical in many other sectors and organisations is expense account fraud (22%) and theft of assets (18%). What is interesting though is the number of incidents of kickbacks/bribery/fraudulent personal benefits (17%) and database and intellectual property theft (15%).

The types of fraud can also be examined in relation to the category of the organisation. By doing so a number of correlations can be observed between the type of organisation and the nature of their assets (eg. cash or intellectual property) and the type of fraud perpetrated.

A good example of this is the type of fraud that occurs in the education and research category. The two most common types of fraud were cash theft (22%) and database and intellectual property theft (22%). Many organisations do not recognise the value associated with their database or intellectual property. This is particularly true for organisations such as research bodies that may in the future earn income from the sale of such intellectual property.

"An ex-employee trade marked our charity name and our official logo without our knowledge. We only found out through a telephone call. We had to fight with trademark lawyers to get the name and logo back and it cost a lot of money which should have been going to our charity's purposes."

Most organisations are very conscious of the risks associated with wrongful use of financial assets (money and property). Today, intangible assets including brand and other intellectual property may be the key determinants of success. Defined processes for identifying, protecting and managing intellectual property is an important step in mitigating risk and maximising results.

In the business and professional associations, unions category, expense account fraud (17%) and kickbacks and bribery (15%) top the list.
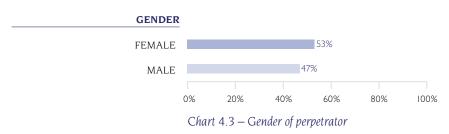
It is important for each not-for-profit organisation to recognise the most common fraud methods encountered in their industry when implementing proactive fraud control policies.

CATEGORY	CASH THEFT	THEFT OF ASSETS	DATABASE/ INTELLECTUAL PROPERTY THEFT	EXPENSE ACCOUNT FRAUD	CHEQUE FRAUD	KICKBACKS / BRIBERY /FRAUDULENT PERSONAL BENEFITS	CREDIT CARD FRAUD	THEFT OF INVENTORY
CULTURE & RECREATION	30%	16%						
EDUCATION & RESEARCH	22%		22%					
HEALTH	18%			13%				
DEVELOPMENT & HOUSING	20%		20%		60%			
SOCIAL SERVICES	19%					16%		
LAW, ADVOCACY & POLITICS	30%							
BUSINESS & PROFESSIONAL ASSOCIATIONS, UNIONS				17%		15%	10%	
ENVIRONMENT								17%
PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION		25%		25%			25%	
INTERNATIONAL	100%							
RELIGION	100%							
OTHER	38%							

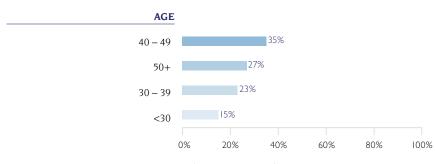*Chart 4.2 – Most common types of fraud per category*

4.2 Who committed the fraud?

One of the key findings from the survey relates to who is carrying out fraud in not-for-profit organisations. The survey results show a typical fraudster in the not-for-profit sector is different to that found in large organisations in the public and private sector[i]:
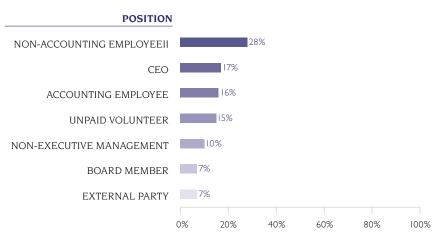
GENDER

Chart 4.3 – Gender of perpetrator

AGE

Chart 4.4 – Age of perpetrator

POSITION

Chart 4.5 – Position of perpetrator

Typical fraudster in a not-for-profit organisation
- **Female**
- **40 – 49 years old**
- **Non-accounting employee**

The typical fraudster in large organisations in the public and private sector is a male, who is 31 years of age in a non-management position[iii]. In not-for-profit organisations the typical fraudster is female, in her forties and a paid non-accounting employee. This difference in survey results may stem from the high involvement of females in the not-for-profit sector.
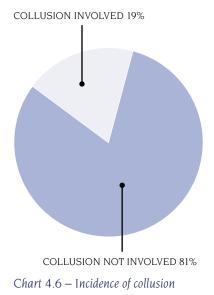
Available statistics on the gender break-up of the sector relate only to volunteers. Coincidentally, these statistics mirror perfectly the gender break-up of people who commit fraud ie. females represent 53% and males represent 47% of volunteers in the sector[iv].
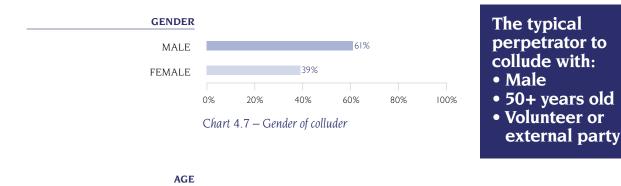
It is interesting to note that only 15% of fraud was committed by unpaid volunteers. Volunteers are a major component of the not-for-profit sector and many organisations could not operate without their support. This result should provide comfort to those organisations that do rely so heavily on volunteers with a paid employee being five times more likely to commit fraud than a volunteer.
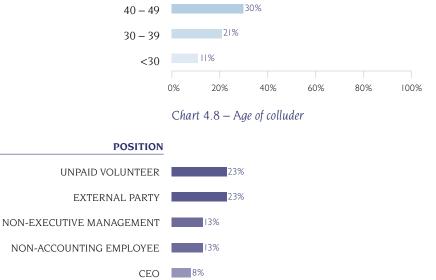
4.3 Was collusion involved?

If collusion was involved the typical person involved in the collusion was a male, over 50 years of age who was either a volunteer or external party.

When collusion is involved in a fraud, it will usually mean it is more difficult to detect. For example, if two people are involved in the payroll process and duties have already been segregated, if they decide to collude, the control is no longer effective and fraud is easily committed. Consider the example of an employee being provided with kickbacks from a supplier – the employee buys products solely from this supplier as a result of receiving the kickback even though the supplier's product is priced significantly higher than other suppliers.
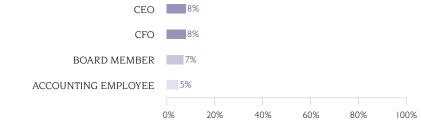
COLLUSION INVOLVED 19%

COLLUSION NOT INVOLVED 81%

Chart 4.6 – Incidence of collusion

GENDER

MALE	61%
FEMALE	39%

0% 20% 40% 60% 80% 100%

Chart 4.7 – Gender of colluder

The typical perpetrator to collude with:
- **Male**
- **50+ years old**
- **Volunteer or external party**

AGE

50+	38%
40 – 49	30%
30 – 39	21%
<30	11%

0% 20% 40% 60% 80% 100%

Chart 4.8 – Age of colluder

POSITION

UNPAID VOLUNTEER	23%
EXTERNAL PARTY	23%
NON-EXECUTIVE MANAGEMENT	13%
NON-ACCOUNTING EMPLOYEE	13%
CEO	8%
CFO	8%
BOARD MEMBER	7%
ACCOUNTING EMPLOYEE	5%

0% 20% 40% 60% 80% 100%

Chart 4.9 – Position of colluder

4.4 What was the value of the fraud?

It is extremely encouraging to note that 89% of reported frauds in the not-for-profit sector are under $50,000. This is compared to an average fraud of $337,734 in large organisations in the public and private sector[v]. Of the reported cases of fraud, 50% of respondents believed they discovered the full extent of the fraud.

The reasons the value of frauds reported are significantly lower than large organisations in the public and private sector include:

• Many not-for-profit organisations have insignificant amounts of assets or funds that can be defrauded eg. 16% of respondents had a turnover of less than $100,000 per year;

• Fraud can be opportunistic. For example, a person dealing with cash can simply put the money in their pocket and walk away with it. These types of frauds are generally of a lesser value but are easier to commit. Cash theft was recognised as the major type of fraud in the not-for-profit sector and therefore contributes to the lower value of frauds in comparison to other sectors.

• As many respondents to the survey stated, they have a number of honest people working in their organisation. This is reflected in the number of frauds being discovered by tip offs from employees.
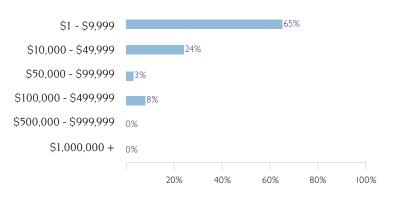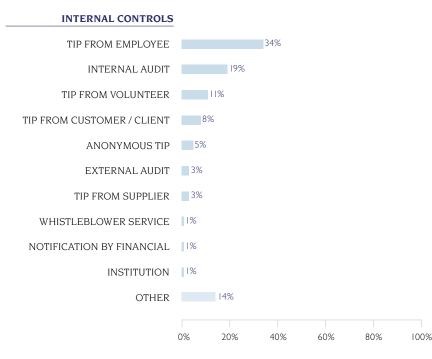
Value	Percentage
$1 - $9,999	65%
$10,000 - $49,999	24%
$50,000 - $99,999	3%
$100,000 - $499,999	8%
$500,000 - $999,999	0%
$1,000,000 +	0%

Chart 4.10 – Value of frauds committed

CATEGORY	$1 - $9,999	$10,000 - $49,999	$50,000 - $99,999	$100,000 - $499,999
HEALTH	71%	19%	6%	3%
EDUCATION & RESEARCH	100%			
BUSINESS & PROFESSIONAL ASSOCIATIONS, UNIONS	37%	32%	5%	26%
SOCIAL SERVICES	55%	45%		
CULTURE & RECREATION	74%	21%	5%	
DEVELOPMENT & HOUSING		67%		33%
ENVIRONMENT	75%			25%
LAW, ADVOCACY & POLITICS	100%			
RELIGION	100%			
PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION	100%			
INTERNATIONAL	100%			
OTHER	80%			20%

Chart 4.11 – Value of largest fraud by category

4.5 How was the fraud discovered?

Details of how frauds have been discovered help us identify some of the most effective ways for your organisation to remain proactive in fighting fraud.

INTERNAL CONTROLS

TIP FROM EMPLOYEE	34%
INTERNAL AUDIT	19%
TIP FROM VOLUNTEER	11%
TIP FROM CUSTOMER / CLIENT	8%
ANONYMOUS TIP	5%
EXTERNAL AUDIT	3%
TIP FROM SUPPLIER	3%
WHISTLEBLOWER SERVICE	1%
NOTIFICATION BY FINANCIAL	1%
INSTITUTION	1%
OTHER	14%

0%   20%   40%   60%   80%   100%

Chart 4.12 – Methods of fraud discovery

37% of fraud is discovered by tip offs, while only 8% of organisations have a whistleblowers' policy and only 3% of organisations have whistleblowers' facilities.

58% of fraud was discovered within one year.

Effective internal controls are the most successful method of discovering fraud, with 34% of frauds discovered this way. Tips from employees, volunteers and other parties, count for 37% of fraud discovered.

4.6 When was the fraud discovered?

It is extremely encouraging that 58% of the reported fraud was discovered within one year of it commencing, thus reducing the value of the fraud significantly. This is a major factor contributing to 89% of frauds being under $50,000.

LENGTH OF TIME TAKEN TO DISCOVER FRAUD	%
< 1 YEAR	58%
1 – 2 YEARS	29%
3 – 5 YEARS	11%
6+ YEARS	2%

Chart 4.13 – Period of time before a fraud was discovered

A lack of fraud detection controls can result in fraud continuing for extended periods. The longer the fraud continues the higher the value of the fraud. Perpetrators usually test the water with small value fraud and when this is not discovered they increase not only their level of activity but the value of each offence.

4.7 What motivated the person to commit the fraud?

There is usually an underlying reason why people commit fraud. Some perpetrators believe committing fraud is the only way to solve a problem they are facing (eg. financial pressures) while others simply see committing fraud as a challenge. The challenge comes about by determining a way to breach controls and then to not have the fraud discovered.

MOTIVATIONS	%
FINANCIAL PROBLEMS / PRESSURES	26%
TO MAINTAIN A LIFESTYLE	19%
REVENGE AGAINST THE ORGANISATIONVI	17%
GAMBLING	10%
NOT ESTABLISHED	6%
EGO / CHALLENGE	5%
FAMILY PRESSURE	4%
DRUG PROBLEM	3%
TO OPERATE PERSONAL BUSINESS INTERESTS	2%
CONSIDERED INTELLECTUAL PROPERTY WAS PERSONAL PROPERTY	1%
OTHER	7%

Chart 4.14 – Motivation behind fraud committed

Interesting results become apparent when the reasons people commit fraud in the not-for-profit sector are compared to reasons people commit fraud in large organisations in the public and private sector[vii]. These include:

Revenge

Revenge against the organisation accounted for 17% of frauds in the not-for-profit sector while only 0.7% of frauds were reported as being the result of revenge in large organisations in the public and private sector[viii]. The perception that employees of not-for-profit organisations are not paid well compared with their counterparts in large organisations in the public and private sector may help explain this result.

Financial problems and pressures

Financial problems and pressures was the reason given for 26% of the fraud in the not-for-profit sector while it accounted for only 3% of fraud in large organisations in the public and private sector[ix]. The perception of disproportionate salary and wage levels may again be an explanation for such a difference between the two sets of results.
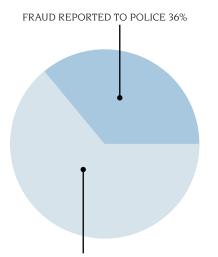
The above reasons for committing fraud can generally be grouped into two types: perpetrators who feel they are forced into committing fraud because there are no other alternatives available (eg. financial pressures become overwhelming and they can see no other way out but to commit fraud to escape the debt) and perpetrators who offend as a form of revenge or greed (eg. funding a gambling habit, supporting a level of lifestyle they would normally not be able to afford).

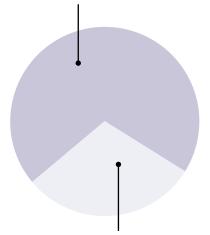## 4.8 What action was taken after the fraud discovery?

The majority of organisations that did not report fraudulent matters to the police did not believe the frauds were sufficiently large enough to be reported. Considering 89% of fraud reported in the survey was less than $50,000, it is understandable that 51% of organisations did not believe the police would be sufficiently interested in the matter and did not want to become involved in a protracted investigation and prosecution.

Police have limited resources and therefore they prioritise investigations. This can sometimes lead to a protracted criminal investigation (even if the complainant has conducted a full investigation themself). Once the investigation process has been finalised and the person charged the matter is then progressed through the court system. In some cases this could be as long as two to three years.

The thought of having to revisit the events as well as coming face to face with the perpetrator at committal and trial can often be overwhelming. This combined with the delays in the court system are often a deterrent to report the matter to the police.

FRAUD REPORTED TO POLICE 36%

FRAUD NOT REPORTED TO POLICE 64%

Chart 4.15 – Incidence of fraud reported to the police

EMPLOYMENT TERMINATED 70%

EMPLOYMENT NOT TERMINATED 30%

Chart 4.16 – Organisations who terminated the employment of the perpetrator

Another key deterrent for organisations is the possibility of bad publicity with 15% of respondents indicating that this was the case. The major concerns in relation to this were a loss of funding either through grants, donations and other sources or damage to the reputation of the organisation.

Some comments received from respondents in relation to why the matter was not reported to police include:

- "Litigation does not necessarily address the psychological and philosophical issues and motivations behind a theft."
- "The full amount was repaid immediately."
- "It was our own fault."
- "The matter was rectified internally."
- "It was more an issue of our own internal quality control."

It is interesting to note that 30% of organisations did not terminate the employment of the person who committed the fraud. This may be as a result of organisations considering some frauds to be minor. This potentially can send a dangerous message to other employees. By not terminating, an employee remains present to continue to commit fraud. It also sends the wrong message to other employees/volunteers that they can commit fraud with little or no consequences – they will not lose their job and could possibly not have to repay their debt.

The amount of loss recovered from perpetrators is generally linked to the reason they have committed the fraud in the first place. For example, a person who has a gambling problem will have minimal funds available due to their addiction; similarly a person funding a drug problem will have little or no assets. In comparison, a person who commits fraud to maintain a lifestyle may have assets such as a house, a car or even a boat which potentially can be disposed of to recover the loss.
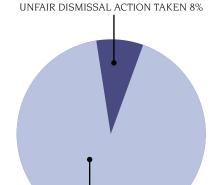
VALUE RECOVERED	%
NONE	65%
76% - 100%	21%
1% - 25%	6%
26% - 50%	5%
51% - 75%	3%

Chart 4.17 – Value of the fraud recovered

Even though it is the organisation that suffers as a result of the fraud, the perpetrator can still cause further issues by taking unfair dismissal action.

This Section addressed a specific case of fraud as experienced by an organisation over the past two years. The type of fraud, who committed the fraud, the element of collusion, value, method of discovery, timing of discovery, motivation and actions taken once the fraud was discovered were all examined. Based on this information the typical fraud in a not-for-profit organisation is:

• Cash theft
• Committed by a female in her forties, in a non-accounting role
• No collusion involved
• On average was less than $50,000
• Discovered by either internal controls or a tip off
• Discovered within twelve months of the fraud occurring
• The result of financial problems or pressures on the perpetrator
• Not reported to the police
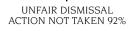• No funds were recovered from the perpetrator

UNFAIR DISMISSAL ACTION TAKEN 8%

UNFAIR DISMISSAL
ACTION NOT TAKEN 92%

Chart 4.18 – Percentage of terminated perpetrators who took unfair dismissal action

CAME TO A SETTLEMENT
BASED ON A COMMERCIAL
DECISION 32%

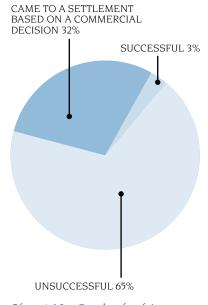SUCCESSFUL 3%

UNSUCCESSFUL 65%

Chart 4.19 – Results of unfair dismissal actions

i KPMG Fraud Survey 2004.

ii Non-accounting employee is an employee that does not undertake a standard accounting/bookkeeping role within the organisation.

iii KPMG Fraud Survey 2004.

iv Australia Bureau of Statistics, 4441.0 - Voluntary Work, Australia, 2000.

v KPMG Fraud Survey 2004.

vi This includes such things as revenge as a result of not being paid as much as they believe they deserve to be paid or they did not receive a promotion they believed they were entitled to.

vii KPMG Fraud Survey 2004.

viii KPMG Fraud Survey 2004.
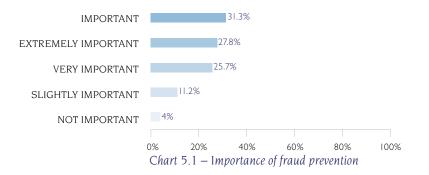
ix KPMG Fraud Survey 2004.

5. Fraud prevention

Throughout this survey we have talked continuously about the importance of fraud prevention methods. The types of methods organisations have in place can be linked directly back to their perceptions of fraud both in their own organisations and in the sector. What organisations fail to realise is that without fraud prevention methods, detecting fraud becomes almost impossible unless you literally stumble across it.

5.1 Is fraud prevention important?

There is a direct correlation between the size and turnover of an organisation and whether that organisation determines fraud prevention to be important ie. the larger the turnover of the organisation the more likely the organisation was to consider that fraud prevention was important.

As discussed in the analysis of how fraud is perceived by the sector, this is to do with the number of employees and the greater exposure these organisations have to the possibility of fraud.

84.8% of survey participants considered fraud prevention to be important, very important or extremely important to the organisation.

Chart 5.1 – Importance of fraud prevention

	TURNOVER OF THE ORGANISATION				
	<$100,000	$100,000 - $499,000	$500,000 - $999,999	$1,000,000 - $9,999,999	$10,000,000 +
NOT IMPORTANT	11%	5%	1%	2%	0%
SLIGHTLY IMPORTANT	16%	10%	13%	8%	11%
IMPORTANT	34%	30%	30%	35%	26%
VERY IMPORTANT	17%	28%	30%	23%	37%
EXTREMELY IMPORTANT	22%	27%	26%	32%	26%

Chart 5.2 – Ranking of importance by turnover

A significant percentage of all categories of organisation considered fraud prevention to be important. This could explain the finding that most organisations do not see fraud as a problem because adequate preventative mechanisms have been put in place.

There is also no apparent correlation between the perception of fraud as a problem and the importance of fraud prevention when industry categories are considered.
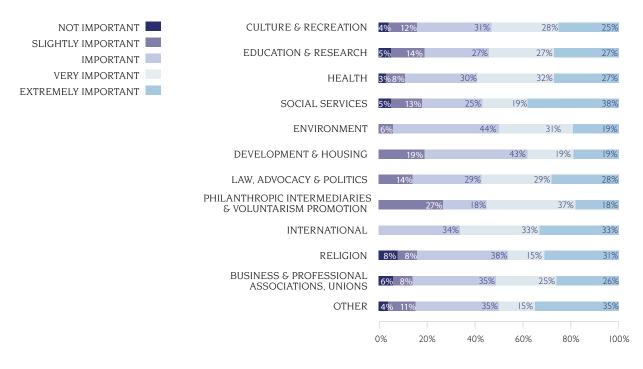

Chart 5.3 – Importance of fraud prevention by category

5.2 What are the main methods currently used to prevent the risk of fraud?

Strong internal controls (42%) and an ethical culture (31%) within the organisation were considered important in reducing the risk of fraud along with both internal audit (28%) and external audit (33%) functions.

Whistleblower facilities have become a common method of discovering fraud in large organisations in the public and private sector. Amongst such organisations, survey results indicate that 48% of respondents had some form of anonymous reporting system[i] while only 3% of not-for-profit organisations reported that they utilised such a system.
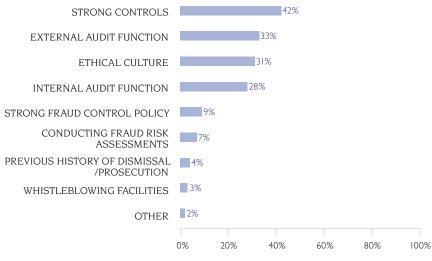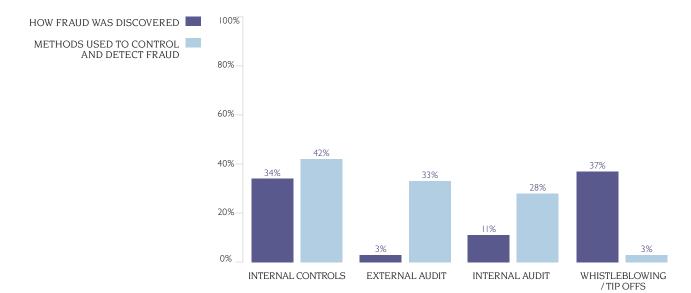

Chart 5.4 – Methods currently used to reduce fraud

HOW FRAUD WAS DISCOVERED

METHODS USED TO CONTROL AND DETECT FRAUD

Chart 5.5 – Comparison of methods currently used to reduce fraud and the actual methods through which fraud was detected

It is interesting to compare how fraud has been discovered to what methods participants are using to reduce the likelihood of fraud occurring in their organisation and to discover fraud if it does occur.

Only 8% of organisations have responded that they have a whistleblowers policy and only 3% have a whistleblowers service available to employees and other parties for reporting fraud. However, 37% of fraud was discovered by tip offs from employees or other parties.

While external audit is often relied upon by organisations as a method to discover fraud (33%), it only accounts for a minimal number of the frauds discovered (3%). External audit has long been thought of as a method of detecting fraud and therefore by having an external audit conducted on a yearly basis, any fraud that was occurring within the organisation would be discovered.

However, Australian Auditing Standard AUS210.13 clearly states "the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and with management". It is not the principal responsibility of an organisations external auditor to detect fraud while many organisations believe this is the case. This is a common misconception across many sectors not only the not-for-profit sector.

5.3 Do organisations have specific fraud related policies and assessments?

Chart 5.6 – Fraud prevention methods organisations currently have in place

It is interesting to note that while the vast majority of respondents to the survey considered fraud prevention to be important to their organisation, only 30% of participants had implemented a fraud control policy, while only 8% had implemented a whistleblowers policy.

Having these policies in place provides employees and volunteers with an understanding of the organisations tolerance of fraud. It alone can act as a deterrent.

Only 30% of respondents organisations had implemented a Fraud Control Policy

[i] KPMG Fraud Survey 2004.

6. Appendix A

6.1 International classification of non-profit organisations: detailed table[i]

Group 1 - Culture and recreation

1 100 Culture and arts

Media and communications. Production and dissemination of information and communication; includes radio and TV stations; publishing of books, journals, newspapers and newsletters; film production; and libraries.

Visual arts, architecture, ceramic art. Production, dissemination and display or visual arts and architecture; includes sculpture, photographic societies, painting, drawing, design centres and architectural associations.

Performing arts. Performing arts centres, companies and associations; includes theatre, dance, ballet, opera, orchestras, chorals and music ensembles.

Historical, literary and humanistic societies. Promotion and appreciation of the humanities, preservation of historical and cultural artifacts and commemoration of historical events; includes historical societies, poetry and literary societies, language associations, reading promotion, war memorials and commemorative funds and associations.

Museums. General and specialised museums covering art, history, sciences, technology and culture.

Zoos and aquariums.

1 200 Sports

Provision of amateur sport, training, physical fitness and sport competition services and events; includes fitness and wellness centres.

1 300 Other recreation and social clubs

Recreation and social clubs. Provision of recreational facilities and services to individuals and communities; includes playground associations, country clubs, men's and women's clubs, touring clubs and leisure clubs.

Service clubs. Membership organisations providing services to members and local communities, for example, Lions, Zonta International, Rotary Club and Kiwanis.

Group 2 - Education and research

2 100 Primary and secondary education

Elementary, primary and secondary education. Education at elementary, primary and secondary levels; includes pre-school organisations other than day care.

2 200 Higher education

Higher education. Higher learning, providing academic degrees; includes universities, business management schools, law schools and medical schools.

2 300 Other education

Vocational/technical schools. Technical and vocational training specifically geared towards gaining employment; includes trade schools, paralegal training and secretarial schools.

Adult/continuing education. Institutions engaged in providing education and training in addition to the formal education system; includes schools of continuing studies, correspondence schools, night schools and sponsored literacy and reading programmes.

2 400 Research

Medical research. Research in the medical field; includes research on specific diseases, disorders or medical disciplines.

Science and technology. Research in the physical and life sciences and engineering and technology.

Social sciences, policy studies. Research and analysis in the social sciences and policy area.

Group 3 - Health

3 100 Hospitals and rehabilitation

Hospitals. Primarily inpatient medical care and treatment.

Rehabilitation. Inpatient health care and rehabilitative therapy to individuals suffering from physical impairments due to injury, genetic defect or disease and requiring extensive physiotherapy or similar forms of care.

3 200 Nursing homes

Nursing homes. Inpatient convalescent care and residential care, as well as primary health-care services; includes homes for the frail elderly and nursing homes for the severely handicapped.

3 300 Mental health and crisis intervention

Psychiatric hospitals. Inpatient care and treatment for the mentally ill.

Mental health treatment. Outpatient treatment for mentally ill patients; includes community mental health centres and halfway homes.

Crisis intervention. Outpatient services for counsel in acute mental health situations; includes suicide prevention and support to victims of assault and abuse.

3 400 Other health services

Public health and wellness education. Public health promotion and health education; includes sanitation screening for potential health hazards, first aid training and services and family planning services.

Health treatment, primarily outpatient. Organisations that provide primarily outpatient health services, eg. health clinics and vaccination centres.

Rehabilitative medical services. Outpatient therapeutic care; includes nature cure centres, yoga clinics and physical therapy centres.

Emergency medical services. Services to persons in need of immediate care; includes ambulatory services and paramedical emergency care, shock/trauma programmes, lifeline and ambulance services.

Group 4 - Social services

4 100 Social services

Child welfare, child services and day care. Services to children, adoption services, child development centres, foster care; includes infant-care centres and nurseries.

Youth services and youth welfare. Services to youth; includes delinquency prevention services, teen pregnancy prevention, drop-out prevention, youth centres and clubs and job programmes for youth; includes YMCA, YWCA, Boy Scouts, Girl Scouts and Big Brothers/Big Sisters.

Family services. Services to families; includes family life/parent education, single parent agencies and services and family violence shelters and services.

Services for the handicapped. Services for the handicapped; includes homes, other than nursing homes, transport facilities, recreation and other specialised services.

Services for the elderly. Organisations providing geriatric care; includes in-home services, homemaker services, transport facilities, recreation, meal programmes and other services geared towards senior citizens (does not include residential nursing homes).

Self-help and other personal social services. Programmes and services for self-help and personal development; includes support groups, personal counselling and credit counselling/money management services.

4 200 Emergency and relief

Disaster/emergency prevention and control. Organisations that work to prevent, predict, control and alleviate the effects of disasters, to educate or otherwise prepare individuals to cope with the effects of disasters, or to provide relief to disaster victims; includes volunteer fire departments, life boat services etc.

Temporary shelters. Organisations providing temporary shelters to the homeless; includes travellers aid and temporary housing.

Refugee assistance. Organisations providing food, clothing, shelter and services to refugees and immigrants.

4 300 Income support and maintenance

Income support and maintenance. Organisations providing cash assistance and other forms of direct services to persons unable to maintain a livelihood.

Material assistance. Organisations providing food, clothing, transport and other forms of assistance; includes food banks and clothing distribution centres.

Group 5 - Environment

5 100 Environment

Pollution abatement and control. Organisation that promote clean air, clean water, reducing and preventing noise pollution, radiation

control, treatment of hazardous wastes and toxic substances, solid waste management and recycling programmes.

Natural resources conservation and protection. Conservation and preservation of natural resources, including land, water, energy and plant resources for the general use and enjoyment of the public.

Environmental beautification and open spaces. Botanical gardens, arboreta, horticultural programmes and landscape services; organisations promoting anti-litter campaigns; programmes to preserve the parks, green spaces and open spaces in urban or rural areas; and city and highway beautification programmes.

5 200 Animal protection

Animal protection and welfare. Animal protection and welfare services; includes animal shelters and humane societies.

Wildlife preservation and protection. Wildlife preservation and protection; includes sanctuaries and refuges.

Veterinary services. Animal hospitals and services providing care to farm and household animals and pets.

Group 6 - Development and housing

6 100 Economic, social and community development

Community and neighbourhood organisations. Organisations working towards improving the quality of life within communities or neighbourhoods, eg. squatters' associations, local development organisations and poor people's cooperatives.

Economic development. Programmes and services to improve economic infrastructure and capacity; includes building and infrastructure, such as roads, and financial services, such as credit and savings associations, entrepreneurial programmes, technical and managerial consulting and rural development assistance.

Social development. Organisations working towards improving the institutional infrastructure and capacity to alleviate social problems and to improve general public well-being.

6 200 Housing

Housing associations. Development, construction, management, leasing, financing and rehabilitation of housing.

Housing assistance. Organisations providing housing search, legal services and related assistance.

6 300 Employment and training

Job training programmes. Organisations providing and supporting apprenticeships, internships, on-the-job training and other training programmes.

Vocational counselling and guidance. Vocational training and guidance, career counselling, testing and related services.

Vocational rehabilitation and sheltered workshops. Organisations that promote self-sufficiency and income generation through job training and employment.

Group 7 - Law, advocacy and politics

7 100 Civic and advocacy organisations

Advocacy organisations. Organisations that protect the rights and promote the interests of specific groups of people, eg. the physically handicapped, the elderly, children and women.

Civil rights associations. Organisations that work to protect or preserve individual civil liberties and human rights.

Ethnic associations. Organisations that promote the interests of or provide services to members belonging to a specific ethnic heritage.

Civic associations. Programmes and services to encourage and spread civic mindedness.

7 200 Law and legal services

Legal services. Legal services, advice and assistance in dispute resolution and court-related matters.

Crime prevention and public policy. Crime prevention to promote safety and precautionary measures among citizens.

Rehabilitation of offenders. Programmes and services to reintegrate offenders; includes halfway houses, probation and parole programmes, prison alternatives.

Victim support. Services, counsel and advice to victims of crime.

Consumer protection associations. Protection of consumer rights and the improvement of product control and quality.

7 300 Political organisations

Political parties and organisations. Activities and services to support the placing of particular candidates into political office; includes dissemination of information, public relations and political fund-raising.

Group 8 - Philanthropic intermediaries and voluntarism promotion

8 100 Grant-making foundations

Grant-making foundations. Private foundations, including corporate foundations, community foundations and independent public-law foundations.

8 200 Other philanthropic intermediaries and voluntarism promotion

Volunteerism promotion and support. Organisations that recruit, train and place volunteers and promote volunteering.

Fund-raising organisations. Federated, collective fund-raising organisations; includes lotteries.

Group 9 - International

9 100 International activities

Exchange/friendship/cultural programmes. Programmes and services designed to encourage mutual respect and friendship internationally.

Development assistance associations. Programmes and projects that promote social and economic development abroad.

International disaster and relief organisations. Organisations that collect, channel and provide aid to other countries during times of disaster or emergency.

International human rights and peace organisations. Organisations which promote and monitor human rights and peace internationally.

Group 10 - Religion

10 100 Religious congregations and associations

Congregations. Churches, synagogues, temples, mosques, shrines, monasteries, seminaries and similar organisations promoting religious beliefs and administering religious services and rituals.

Associations of congregations. Associations and auxiliaries of religious congregations and organisations supporting and promoting religious beliefs, services and rituals.

Group 11 - Business and professional associations, unions

11 100 Business associations

Business associations. Organisations that work to promote, regulate and safeguard the interests of special branches of business, eg. manufacturers' association, farmers' association and bankers' association.

11 200 Professional associations

Professional associations. Organisations promoting, regulating and protecting professional interests, eg. bar associations and medical associations.

11 300 Labour unions

Labour unions. Organisations that promote, protect and regulate the rights and interests of employees.

Group 12 - (Not elsewhere classified)

12 100 Not elsewhere classified

[i] Adapted from Lester Salamon, Helmut Anheier, Regina List, Stefan Toepler, S. Wojciech Sokolowski and associates, Global Civil Society: Dimensions of the Non-profit Sector. (Baltimore: Johns Hopkins Center for Civil Society Studies, 1999).

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BDO

BDO operates throughout Australia and the world with around 25,000 staff in more than 600 offices in over 100 countries.

Our national service lines include:
• Audit & Assurance
• Business Advisory Services
• Business Recovery & Insolvency
• Consulting
• Corporate Finance
• Taxation

Our services also include a range of specialisations, in particular, Accredited Family Business Advisory Services and Accredited Growth Services.

These services are provided to individuals, clients ranging from large corporates to small and medium growth-focused enterprises representing a broad range of industry sectors, as well as government departments and the public sector.

BDO provides an alternative value-based option for these clients. An option that gives all of the flexibility, specialist expertise, closeness and personal service typical of a local firm, together with all of the capabilities, network and strength of a large scale global service.

We continually strive - through our people, relationships, results and reputation - to provide our clients with value that is without equal.

Not-For-Profit Network

Established in 2004, Not-For-Profit Network's vision is of strong, vibrant and sustainable not-for-profit sectors in Australia and New Zealand.

We fulfill this vision by providing specialised services, publications and events that facilitate the sharing of information, skills, experiences and resources.

Where services exist, we fulfill our vision by promoting them through our communication channels. Where we see a need for services we create or facilitate them, which is why we are pleased to join with BDO and Queensland University of Technology in this fraud survey – to determine where fraud can occur and identify and communicate ways to mitigate these risks.

Other services we have created include our free email bulletin, which

showcases resources available on the world wide web in an easily digestible form, as well as advising readers about news and upcoming events and providing a forum to communicate about issues.

Our Association Management and Membership Matters publications provide practical information on a variety of topics related to running a nonprofit organisation, as well as highlighting news, resources, and events available through other organisations.

Events like Executive Update, Membership Roadshow, Risk Roadshow and the International Not-for-profit Convention and Exhibition provide a forum to share information and experiences and to network with peers.

Through our website, www.nfpn.com.au, we provide a comprehensive online resource library, a calendar of upcoming events, a directory of suppliers to the sector and more.

We are also able to consult on marketing and membership related issues. To learn more about Not-For-Profit Network, please contact us by calling +61 (0)7 3210 2288, emailing info@nfpn.com.au or visiting www.nfpn.com. au.

Queensland University of Technology (QUT)

The School of Accountancy at QUT is one of five discipline-based schools within the Faculty of Business. The School's research and academic programs focus on the areas of accountancy, business law, taxation, accounting information systems, electronic business, voluntary sector studies, philanthropy and social entrepreneurship. Strategic alliances with leading business, industry and government groups ensure that staff within the School are actively involved in applied research, and that its courses are contemporary and relevant. The School also hosts the Centre of Philanthropy and Nonprofit Studies, which is internationally regarded as a leader in research in the areas of philanthropy and nonprofit organisations.

The School offers the Master of Business (Forensic Accounting), which is a course for accountancy graduates, developing skills in identifying indicators of poor corporate governance, mismanagement, misrepresentation of financial statements and fraud.

For further information contact the QUT School of Accountancy, by calling +61 (0)7 3864 5292, emailing accenq@qut.com or visiting www.bus.qut. edu.au/schools/accountancy.