

BDO NOT-FOR-PROFIT
FRAUD SURVEY 2010

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INTRODUCTION

WELCOME TO THE BDO NOT-FOR-PROFIT FRAUD SURVEY 2008, THE SECOND BIENNIAL SURVEY.

We believe the ongoing research we are undertaking for the sector will help not-for-profit organisations in the fight against fraud. Even if you have not experienced a fraud in your organisation, please take the time to read the survey and understand how the information it presents can help protect your organisation and its mission.

It must be remembered that no organisation is immune to fraud and its consequences. If fraud occurs in your organisation, it isn't just taking funds away from the organisation, it is taking funds away from your mission. The cost of fraud also continues to mount when you consider the time taken to investigate any fraudulent activity!

While you may not make the connection initially between the state of the world economy and the risk of fraud, you should consider the following: some of the key reasons cited by perpetrators of fraud were financial problems/pressures and the maintenance of a lifestyle. So while you may not think that rising interest rates, rising house prices and the issues in the United States economy are relevant to your business, think again. In times like this, more people will face financial pressures and are more likely to succumb to the opportunity to ease the stress of their financial situation.

As with the *BDO not-for-profit fraud survey 2006* there are positive results from the survey. It should be noted though that there remain areas where the sector can improve. The fight against fraud is a continuing battle.

We would like to thank all of those organisations that took the time to complete the survey. Your contribution is invaluable and your honesty in responding provides valuable information to the sector.

We would like to thank Professor Peter Best from the University of Southern Queensland and Sherrena Buckby from the School of Accountancy at the Queensland University of Technology for their significant contribution once again, in analysing the survey data and co-writing the survey. Also thank you to Belinda Busoli and her team at Not-for-Profit Network for their continued contribution and to those organisations that provided additional information to the survey.



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Andrew regularly acts as an expert witness in <insert courts ie. Magistrates, District and Supreme > courts and also has experience in the analysis of briefs of evidence in relation to drug trafficking, proceeds of crime and other criminal defence matters.

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Sherrena Buckby is a Lecturer in the School of Accountancy, Faculty of Business at the Queensland University of Technology. She has held previous positions in professional accounting firms and mining companies.

Sherrena focuses on research in governance including audit committees, IT governance and fraud and data analysis including business intelligence and fraud analysis. She is particularly interested in the impact many of these issues have on the not-for-profit sector. Sherrena teaches in the electronic business and computerised accounting units.

LISA BUNDESEN

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Lisa has over 18 years investigation and forensic accounting experience including almost five years as an Investigative Accountant with the Queensland Police Service Major Fraud Investigation Group. During this time Lisa has conducted numerous fraud investigations for organisations including not-for-profits. Lisa also assists organisations on a regular basis in the development of anti-fraud programs. Lisa regularly acts as an expert witness in Magistrates, District and Supreme Courts.

EXECUTIVE SUMMARY

The key findings for the BDO not-for-profit fraud survey 2010 are outlined below. While these key findings are in themselves interesting for the sector, combined with the findings of the previous two surveys conducted in 2006 and 2008, we are able to provide stakeholders with a key insight into the progression of fraud in not-for-profits.

A total of 272 responses were received from a majority of Australian and New Zealand not-for-profits with two responses received from International not-for-profits. It is important to note that not all respondents answered every question and also some questions allowed respondents to provide more than one answer.

The major findings for 2010 are as follows:

- 97% of respondents registered their main operations as based in Australia and New Zealand
- 44% of respondents had turnover in the bracket of \$1,000,000 to \$9,999,999, while 18% of respondents had turnover in excess of \$10,000,000
- 14% of respondents assess fraud as a problem for their organisation
- 89% of respondents see fraud as a problem for the sector
- Of the organisations that perceived fraud as a problem for the sector but not for their individual entity, 68% placed reliance on fraud being discovered by external audits
- 42% of respondents perceived the impact of a fraud between \$50,000 and \$100,000 as catastrophic, and 22% of respondents perceived the impact as major
- Only 12% of respondents expected fraud to become a greater problem in the future
- 15% of respondents reported suffering a fraud in the past two years
- 42 organisations experienced 75 frauds in the past two years, representing an average fraud rate of 1.79 per organisation
- A total of \$1,071,851 of fraud was suffered by organisations, representing an average of \$14,291 per fraud
- The presence of volunteers among the workforce of not-for-profit organisations does not appear to increase the risk of fraud occurring
- Of the respondents that had experienced fraud, 33% of organisations believe that some fraud is still undetected
- 36% of organisations in the Development & Housing category suffered fraud
- The largest number of frauds occurred in the Social Services grouping
- The most common type of fraud reported was cash theft (24%)
- A typical fraudster is in his/her thirties or forties and is a paid employee in a non-accounting role

- Only 12% of fraud is committed by unpaid volunteers
- Collusion was present in 24% of reported frauds with the typical colluder a male in his thirties in a paid non-accounting role
- Of all reported cases of fraud, 67% of respondents believe they discovered the full extent of the fraud
- Internal controls (40%) and tip offs (31%) were the most effective way of discovering fraud
- The average duration of the fraud was ten months
- Respondents indicated that financial pressures and maintaining a lifestyle are the most common motivators for fraud
- The majority of respondents did not report the fraud to police
- 36% of organisations did not terminate the employment of the person who committed the fraud
- 67% of organisations that suffered fraud did not recover any of the funds from the perpetrator
- 87% of respondents assessed fraud prevention as important, very important or extremely important
- Strong internal controls (79%), ethical organisational culture (75%) and external audits (75%) were considered to be the primary factors in reducing the risk of fraud
- Of the respondents that reported fraud 40% had discovered the fraud through internal controls and 31% had discovered the fraud through tip offs
- 80% of respondents had reviewed internal controls over the past two years
- 24% of respondents have implemented a fraud control policy
- 13% of respondents have implemented a whistleblowers policy

As mentioned earlier the key findings for the 2010 survey are useful on their own, but even more so when examining the trends which are identified when the results are analysed in conjunction with the results of the previous two BDO not-for-profit surveys.

As always, this survey is designed not to highlight the level of fraud in the not-profit sector but to continually raise awareness regarding the possibility of fraud in not-for-profit organisations, and to help not-for-profit organisations understand how to better protect the sector from this inherent threat.



1 THE NOT-FOR-PROFIT SECTOR

AS THE NOT-FOR-PROFIT SECTOR CONTINUES TO GROW SO DO THE CHALLENGES FACING THE SECTOR.

In particular, the difficulty facing many organisations as a result of the economic environment has been well documented.

The not-for-profit sector has not been immune to difficulties presented by the downturn in the economy, however it is pleasing to note that the sector as a whole remains committed to achieving their key strategies and objectives.

Key findings include:

- 97% of respondents registered their main operations as based in Australia and New Zealand
- 44% of respondents had turnover in the bracket of \$1,000,000 to \$9,999,999, while 18% of respondents had turnover in excess of \$10,000,000
- The majority of source funding is received from grants and government funding (being 45%) and business operations (being 17%)
- 21% of respondents hire more than 100 employees
- 20% of respondents have more than 100 volunteers

1.1 Size of the not-for-profit sector

The contribution of the not-for-profit sector in Australia continues to be significant. According to the latest statistics available from the Australia Bureau of Statistics, for the year ended 30 June 2007 the sector received combined income of approximately \$76 billion, and held approximately \$138 billion in assets. Overall, the sector contributed approximately 4.1% to the gross domestic product in 2006/2007.¹

The contribution of the not-for-profit sector in New Zealand is equally significant. In 2004, the sector contributed approximately 2.6% to the gross domestic product. When volunteer labour is included, the contribution to the gross domestic product increases to 4.9%.²

1.2 Diversity of the sector

The not-for-profit sector is large and diverse, representing a mix of organisations ranging from small community groups to large multinational organisations. There are member-benefit organisations, business and professional associations, unions, environmental agencies, education and research as well as health services and public-benefit organisations.

But regardless of the size or type of the organisation, some key principles remain consistent within the not-for-profit sector. Not-for-profit organisations are independent, value-led organisations and re-invest revenues for the purpose of achieving key strategies and objectives.

1.3 Survey participants

The BDO not-for-profit fraud survey 2010 compares fraud across 272 of Australia's and New Zealand's leading not-for-profit organisations. The survey was conducted confidentially and no individual information was released to survey participants. The 2010 edition is the third fraud survey BDO has undertaken. The survey provides a benchmark by revealing:

- the perception and levels of fraud within the sector;
- an examination of specific incidences of fraud that have occurred; and
- the sectors response to preventing and mitigating the risk of fraud.

This survey provides a comparison to the previous BDO not-for-profit fraud surveys.

¹ Australian Bureau of Statistics, National Accounts: Non-profit Institutions Satellite Account 2006-07. Cat. No. 5256.0, ABS, Canberra, 2009.

² Statistics New Zealand, Non-profit Institutions Satellite Account: 2004.

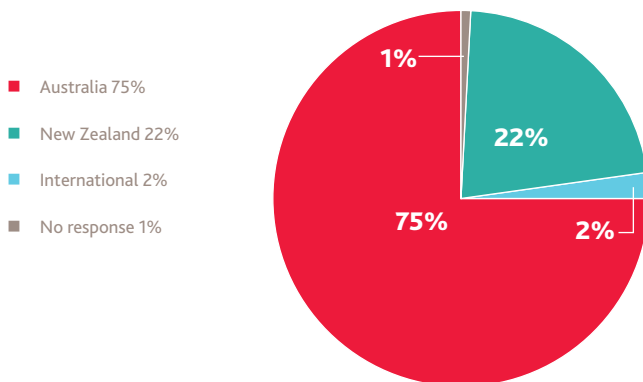
1.4 Geographic location of survey participants

The survey respondents were located throughout Australasia with 97% of respondents having their main operations based in Australia or New Zealand.

LOCATION	%
Queensland	23
New South Wales & Australian Capital Territory	18
Victoria	12
Western Australia	8
Tasmania	7
South Australia	6
Northern Territory	1
New Zealand	22
International	2
No Response	1

Chart 1.2: Location of respondents

Chart 1.1: Location of respondents



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

1.5 Categories of not-for-profit organisations

Internationally, the not-for-profit sector is classified into 12 main categories. These categories have been applied throughout the survey to group respondents into consistent industry or task oriented categories.

Interestingly, most respondents indicated that their major operations tend to span more than one category (e.g. a not-for-profit organisation that is involved in the health sector may also have significant education and research operations). A large number of 'Other' responses were also received, which may indicate a higher percentage of multi-disciplinary operations and a shift towards more diverse operations.

CATEGORY	%
Health	22
Social services	18
Culture & recreation	13
Business & professional associations, unions	9
Education & research	8
Development & housing	5
Law, advocacy & politics	4
Religion	3
Environment	2
Philanthropic intermediaries & voluntarism promotion	1
International	1
Not elsewhere classified	14

Chart 1.3: Category of respondents

1.6 Employees & volunteers

The not-for-profit sector continues to have a strong reliance on both paid employees and volunteers.

In Australia the sector also employed approximately 889,000 people in Australia³.

Furthermore, 5.2 million volunteers contribute a total of 713 million hours of voluntary work across all sectors and industries. This equates to approximately 34% of the population volunteering their time⁴.

Specifically, the Australian not-for profit sector was supported by over 4.6 million volunteers who contributed 623 million hours of unpaid labour for the 2006/2007 year⁵. The estimated value of these volunteer hours worked was approximately \$14.6 billion⁶.

In New Zealand, the sector employed approximately 105,000 people, which were supported by over 1 million volunteers during 2004.⁷ The estimated value of the volunteer hours worked was approximately \$3.31 billion⁸.

³ ABS Voluntary Work, Australia Survey 2006.

⁴ ABS Voluntary Work, Australia Survey 2006.

⁵ Australian Bureau of Statistics, National Accounts: Non-profit Institutions Satellite Account 2006-07. Cat. No. 5256.0, ABS, Canberra, 2009.

⁶ Australian Bureau of Statistics, National Accounts: Non-profit Institutions Satellite Account 2006-07. Cat. No. 5256.0, ABS, Canberra, 2009.

⁷ Statistics New Zealand, Non-profit Institutions Satellite Account: 2004.

⁸ Statistics New Zealand, Non-profit Institutions Satellite Account: 2004.

Charts 1.4 and 1.5 highlight the employee and volunteer profiles provided by respondents. The majority of respondents had less than 20 paid employees and less than 20 volunteers, which was consistent with both the 2006 and the 2008 BDO not-for-profit fraud survey results.

Number of employees

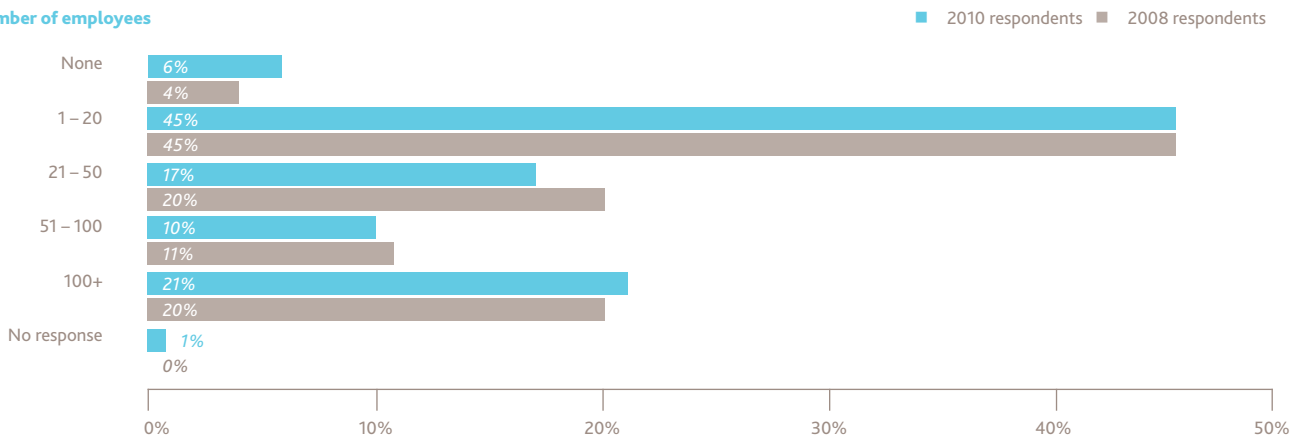


Chart 1.4: Comparative: Employee numbers for respondents

Number of volunteers

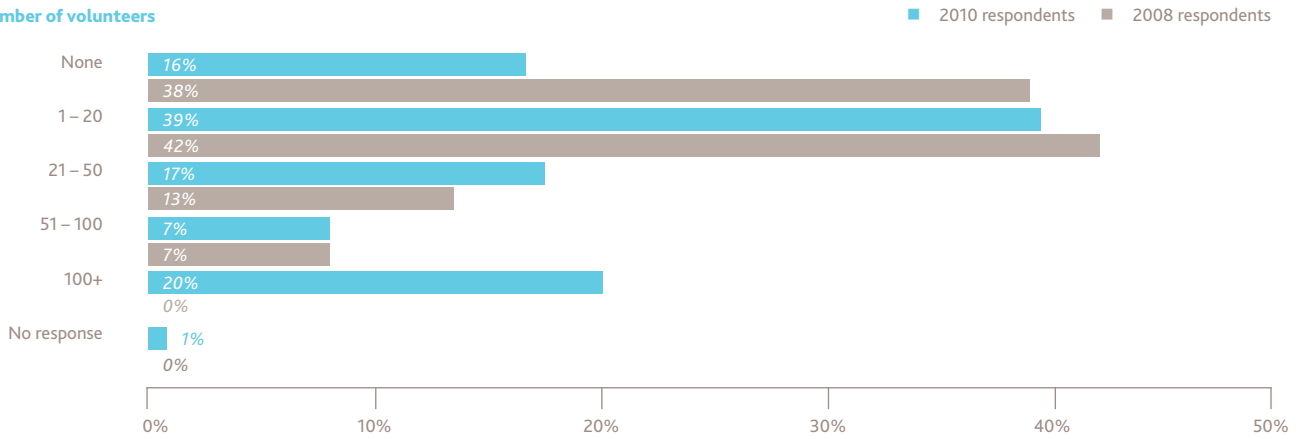


Chart 1.5: Comparative: Volunteer numbers for respondents

Interestingly, 16% of the respondents had no volunteers, compared to the BDO not-for-profit fraud survey 2008 when 38% of respondents reported having no volunteers. This is an indication that the not-for-profit sector is again relying on the efforts of volunteers in achieving their key strategies and objectives.

Likewise, 20% of respondents had over 100 volunteers, compared to the BDO not-for-profit fraud survey 2008 when no respondents had more 100 volunteers.

1.7 Operations

The gross income of an organisation (or turnover) is a key indicator of operation size.

The turnover of respondents to the BDO not-for-profit fraud survey 2010 varied significantly, demonstrating the diversity of the operational size of not-for-profit organisations.

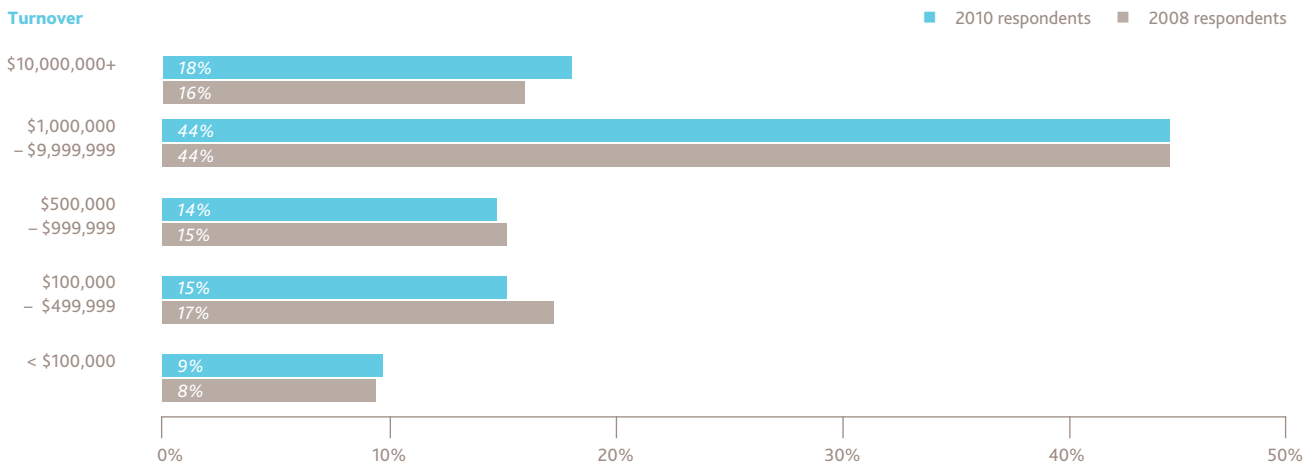


Chart 1.6: Comparative: Respondents grouped by turnover

The source of funding within a not-for-profit organisation is associated with different risks, and the different types of fraud occurring in the sector. As an example, grants and government funding are usually paid directly into a bank account, which lowers the risk of cash theft occurring. However, this type of funding is exposed to cheque and online payment fraud, and other more common fraud methods related to bank accounts.

On the other hand, cash donations may be at risk of theft by the collector or the people handing cash, whereas donations paid directly into the bank account would be more likely to be defrauded by cheque or online payment methods.

As demonstrated in past surveys, by examining and understanding the key sources of funding for the respondents, the data can be used to help match the types of frauds experienced by the sector to the source of funds received.

As expected, the funding sources for the respondents vary considerably, and in most cases respondents had more than one major source of income. The following chart represents the majority of funding received by the respondents, with the primary sources of funding coming from grants/government funding and business operations.

The primary sources of funding are consistent with the results of previous BDO not-for-profit fraud survey.

SOURCE OF FUNDING	2010%	2008%
Grants/government funding	45%	49%
Business operations	17%	16%
Memberships	8%	11%
Client fees	8%	0%
Donations	8%	6%
Fundraising	5%	6%
Bequests	2%	1%
Sponsorships	2%	3%
Subscriptions	2%	3%
Other	3%	5%

Chart 1.7: Major funding sources for respondents

The effect of fraud in the not-for-profit sector should not be underestimated. If an organisation receives negative publicity, income from sources such as donations and fundraising may decrease. Likewise, grants and government funding may also be affected as a result of a fraud occurring.

The results of this survey can help the not-for-profit sector to determine the level of risk they may be exposed to, and the best strategies to mitigate such risks in the future by taking a proactive approach towards fraud and fraud prevention. Section 3 of this report explores the correlation between the type of funding received and the types of fraud occurring within the sector.



2 HOW FRAUD IS PERCEIVED BY THE SECTOR

THE PERCEPTION OF FRAUD BOTH WITHIN THE NOT-FOR-PROFIT SECTOR AND WITHIN INDIVIDUAL ORGANISATIONS CAN PLAY A MAJOR ROLE IN HOW ORGANISATIONS APPROACH FRAUD, AND HOW THEY CHOOSE APPROPRIATE PREVENTION METHODS.

To better understand how fraud is perceived by the sector, for the first time respondents were asked to assess the potential impact a fraud may have on their organisation. Respondents were also asked to consider the risk of fraud from an organisation and sector perspective so as to identify potential risk areas for the individual organisation and the sector.

Key findings include:

- 14% of respondents assess fraud as a problem for their organisation
- 89% of respondents see fraud as a problem for the sector
- 70% of respondents who perceived fraud to be a problem for their organisation see fraud as an inherent problem for all organisations
- Of the organisations that perceived fraud as a problem for the sector but not for their individual entity, 68% placed reliance on fraud being discovered by external audits
- 42% of respondents perceived the impact of a fraud between \$50,000 and \$100,000 as catastrophic, and 34% of respondents perceived the impact as major
- Only 12% of respondents expected fraud to become a greater problem in the future

2.1 Organisation versus sector perception

As per the results of the 2006 and 2008 BDO not-for-profit fraud surveys, there remains a distinct difference between how individual organisations perceive fraud as a risk for themselves, compared to how it is perceived as a risk for the sector.

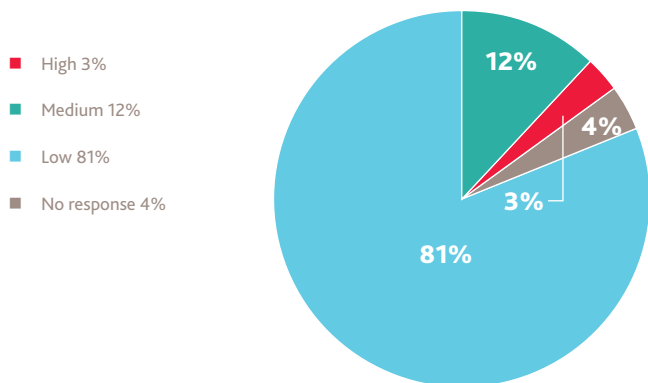
2.1.1 Individual organisation perception

The results of the BDO not-for-profit fraud survey 2008 found that organisations appeared to be gradually recognising the risks associated with fraud, with 20% of respondents identifying fraud as an organisational problem.

The current results also show a backward shift in the perceived risk of fraud for individual organisations, with only 14% of respondents identifying fraud as an organisational problem.

Furthermore, 81% of respondents identified the likelihood of fraud occurring in their organisation as low.

Chart 2.1: Likelihood of fraud occurring in organisation



Perception of fraud

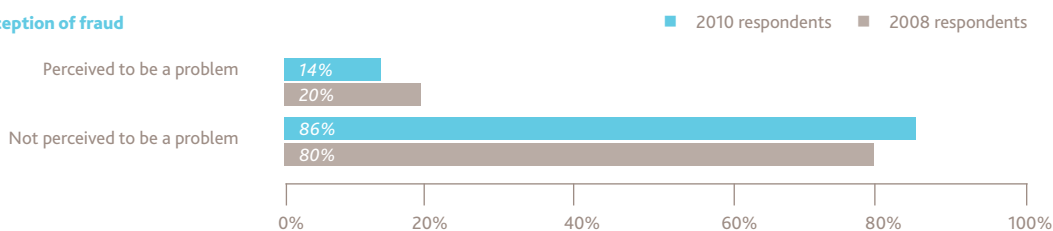


Chart 2.2: Comparative: Perception of fraud in individual organisations

Given the difficulties and economic challenges many organisations have faced, it is interesting to note that the majority of individual organisations perceive fraud as not being a problem for their organisation and the risk of fraud occurring as low.

While it is encouraging to see a shift towards individual organisations not perceiving fraud as a problem, not-for-profit organisations should remain wary of simply taking an "it won't happen to me" attitude.

While such an attitude is not confined to the not-for-profit sector, organisations can often face difficulties when putting too much trust in their employees, and as a result may not implement the appropriate internal controls and/or segregation of duties.

As with prior surveys, of the organisations that perceived fraud as a risk, it was also their perception that the risk was greater as the level of turnover increased. This is an understandable response given that the opportunities for fraud to occur can increase as the turnover of an organisation becomes larger, especially if the number of employees and/or volunteers also increases.

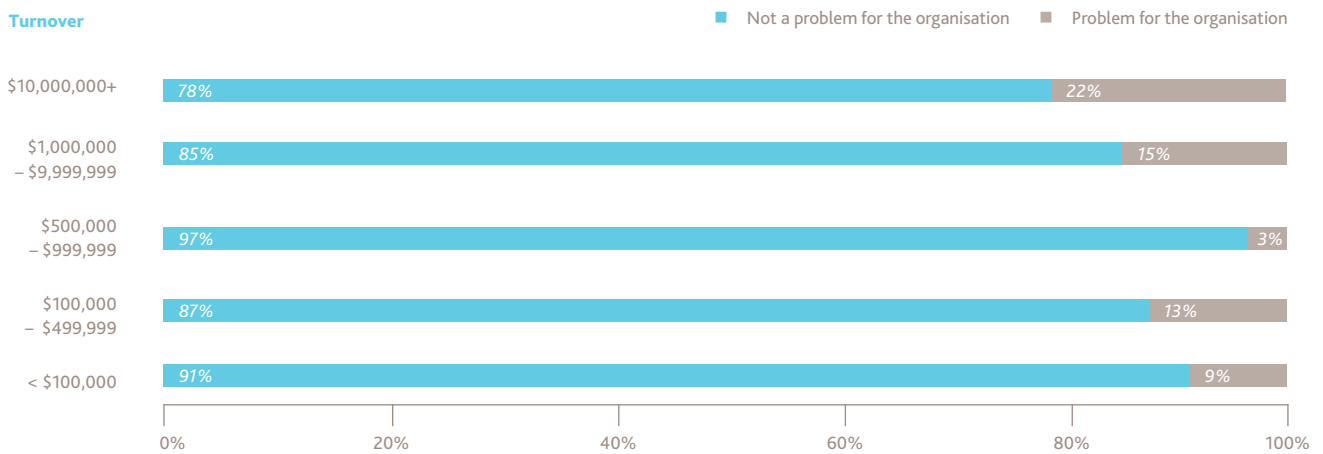


Chart 2.3: Perceptions of respondents: Fraud as a problem for the organisation by turnover grouping

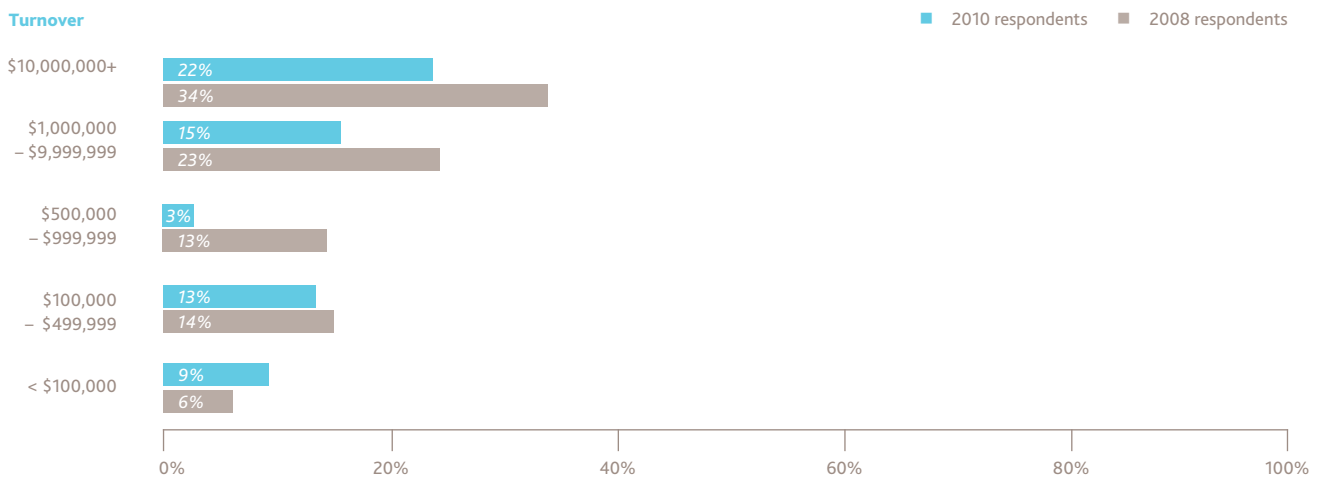


Chart 2.4: Comparative: Fraud perceived to be a problem

The fraud perceptions were also examined across industry groupings from an individual organisation's perspective and as a sector. Based on the survey responses, the risk of fraud occurring within the Law, Advocacy and Politics group and the Development and Housing groups is considered higher than other groups.

As seen in prior surveys, while the risk of fraud within the Developing and Housing group remains higher than other groups, it is interesting to note the large increase in the Law, Advocacy and Politics group where 36% of respondents considered fraud a risk, compared to 14% in the BDO not-for-profit fraud survey 2008.

There was also a notable drop in the perception of fraud as a problem within the Health group to 12%, compared to 31% in the BDO not-for-profit fraud survey 2008. Similarly, only 13% of Religion group noted fraud as a problem, compared to 29% in the BDO not-for-profit fraud survey 2008.

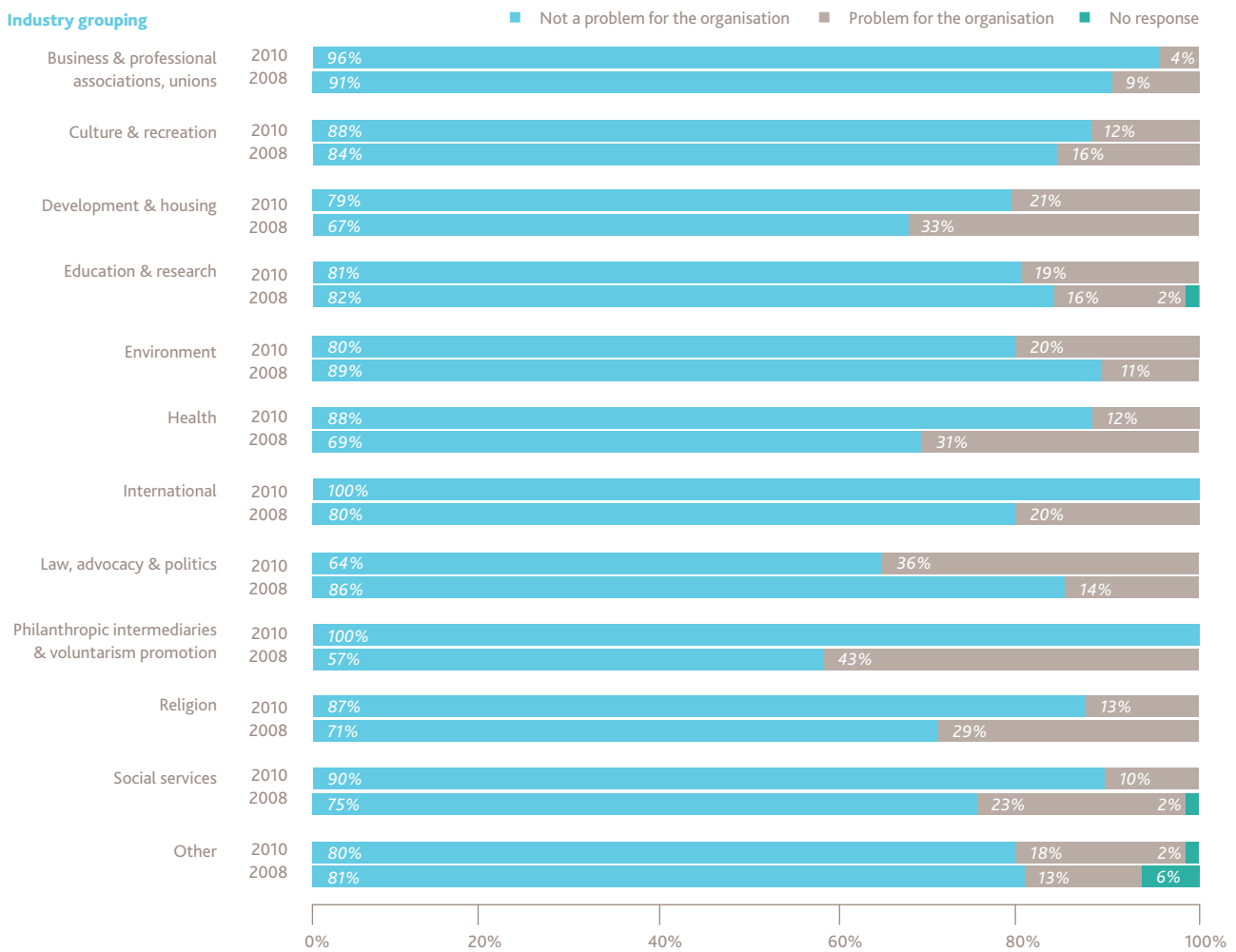


Chart 2.5: Comparative: Perceptions of respondents, fraud as a problem for their organisation by industry grouping

While no organisation is immune from fraud, it is interesting to note that the sector appears to have accepted that fraud is an inherent problem. While fraud will continue to be an inherent risk, being proactive against fraud is imperative regardless of the size of an organisation.

Taking a proactive step towards fraud will help reduce the risk of fraud occurring.

There are a number of steps an organisation can take to help develop a proactive approach towards fraud, including implementing both prevention controls and detection controls. Prevention controls can help reduce the risk of fraud occurring, while detection controls can help in the detection of fraud after it has occurred.

REASONS FOR PERCEPTION THAT FRAUD IS A PROBLEM TO THE ORGANISATION	PROPORTION OF RESPONDENTS	
	2010	2008
It is an inherent problem in any organisation	70%	70%
Poor internal controls	32%	25%
Poor culture in the organisation	27%	8%
Poor segregation of duties	24%	23%
No mechanism to report fraud	19%	14%
Rely on volunteers	19%	12%
Other	19%	21%

Chart 2.6: Reason for perception of fraud in organisations (Respondents could select more than one response for this question)

In the BDO not-for-profit fraud survey 2008, the main reason organisations perceived fraud to be a problem for individual entities was the belief that fraud was an inherent problem in any organisation (70%). Two years on and this attitude remains unchanged (70%).

While poor internal controls (32%), poor culture within the organisation (27%) and poor segregation of duties (24%) were also perceived as main reasons for fraud, these perceptions all rated higher than in the BDO not-for-profit fraud survey 2008. Most notably, poor culture in the organisation has increased from 8% to 27%.

Due to financial constraints, many organisations may feel they are unable to introduce segregation of duties or implement strict internal controls.

However, regardless of the size of an organisation or the potential financial constraints faced, organisations can still take steps to implement varying degrees of internal controls and segregation of duties. Section 5 explores various fraud prevention measures in further detail.

As noted, poor culture in the organisation has increased from 8% in the BDO not-for-profit fraud survey 2008 to 27% in the current 2010 survey. This represents a significant increase.

The effects that organisational culture can have should not be under-estimated. Boards and senior management must ensure that they instil an ethical organisational culture, which is supported by appropriate policies and procedures.

Leading and implementing changes to organisational culture can be met with resistance and difficulties, however ignoring 'poor culture' can have even greater consequences. Section 5 explores various policies and procedures in further detail.

2.1.2 Sector perception

The majority of respondents (89%) agreed that fraud is a problem for the sector regardless of organisational turnover, which again highlights the discrepancy in the perception of fraud at both an organisational level and sector level.

This response represents a significant increase in the sector attitude, as only 66% of respondents in the BDO not-for-profit fraud survey 2008 perceived fraud to be a problem within the sector.

It is interesting to note that there has been an increase in fraud being perceived as a problem in the sector, however, individually, the majority of respondents perceived fraud as not being a problem for their individual organisation.

Overall, the sector as a whole also perceives that the risk of fraud is greater as the level of turnover increased.

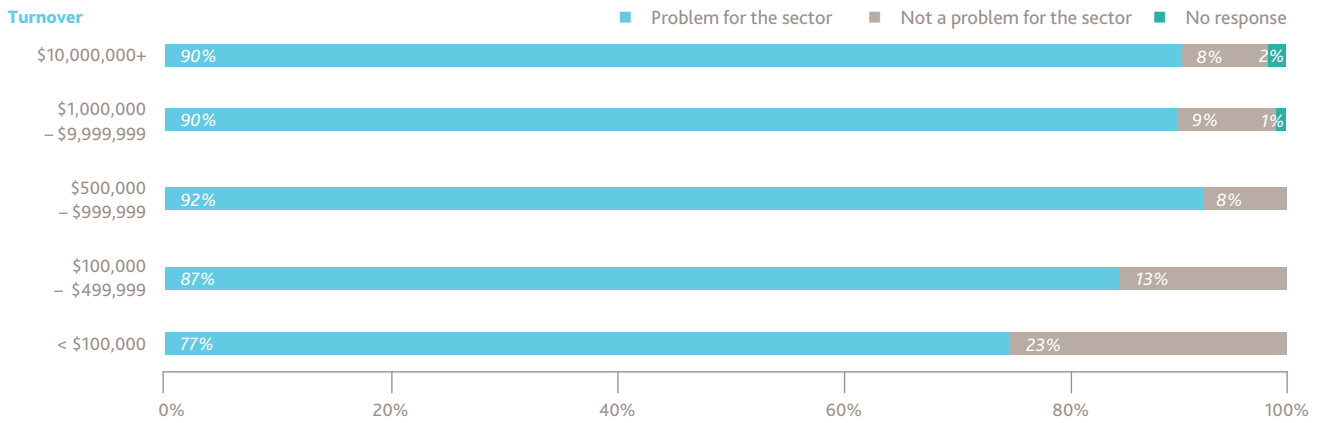
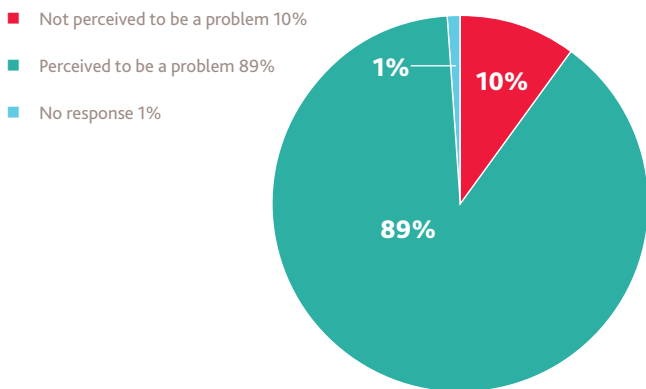


Chart 2.7: Perceptions of respondents: Fraud as a problem for the not-for-profit sector by turnover grouping

As with prior surveys, the prospect of fraud occurring was also analysed at sector grouping level.

In the Philanthropic intermediaries and voluntarism promotion, Religion, International and the Development & Housing groups, respondents again assessed fraud as a greater risk for the sector. This is similar to the results of the previous BDO not-for-profit surveys.

Chart 2.8: Perception of fraud in the sector



Industry grouping

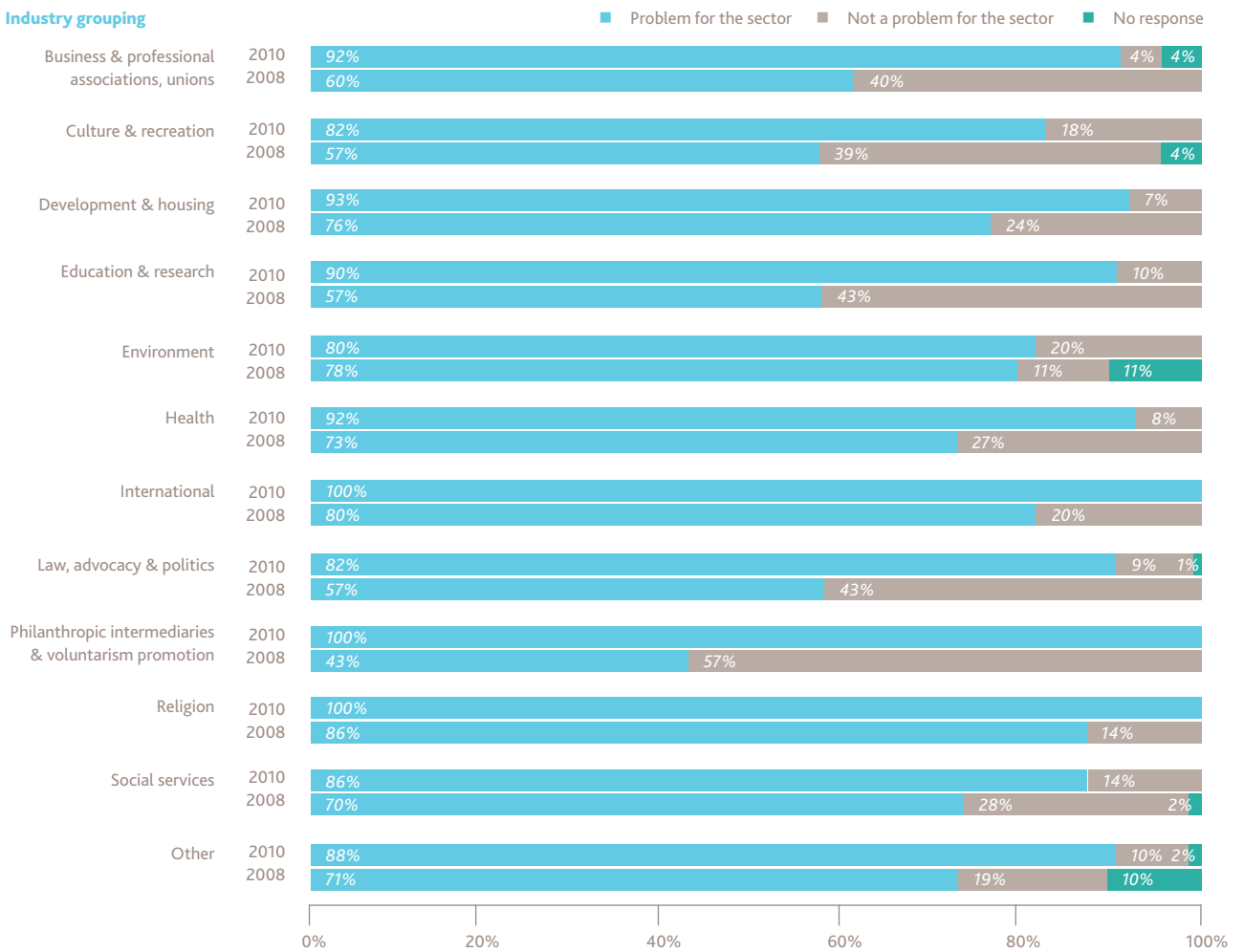


Chart 2.9: Comparative: Perceptions of respondents, fraud as a problem for the not-for-profit sector by industry grouping

Of the organisations perceiving fraud as a problem for the not-for-profit sector but not for their entities, the majority of respondents place reliance on fraud not being discovered by external audit (68%), having a good organisational culture (66%) and trustworthy staff (64%).

REASONS FOR PERCEPTION THAT FRAUD IS A SECTOR PROBLEM, BUT NOT FOR THE ORGANISATION	PROPORTION OF RESPONDENTS	
	2010	2008
No fraud discovered by external audit	68%	61%
Good organisational culture	66%	64%
Trustworthy staff	64%	61%
Strict internal controls	62%	67%
Effective internal audit	55%	41%
Fraud control policy implemented	33%	20%

Chart 2.10: Reasons for perceptions of fraud as a sector but not organisational problem

As detailed in the Chart 2.10, two points worth noting include the results in relation to strict internal controls and a fraud control policy being implemented.

Firstly, implementing strict internal controls (62%) represents a decrease when compared to 76% of respondents in the BDO not-for-profit fraud survey 2008 who placed reliance on such controls.

While there are a number of mechanisms that organisations can implement to help reduce the risk of fraud occurring, the importance of implementing internal controls should not be overlooked.

Secondly, there has been a significant increase on the reliance of fraud control policy being implemented (33%) compared to 20% of respondents in the BDO not-for-profit fraud survey 2008. The increased reliance is an indication that more organisations are implementing fraud control policies.

While it is always recommended that organisations implement a fraud control policy (and more organisations appear to be doing so), the policy on its own, should not be entirely relied upon.

A fraud control policy is most effective when implemented in conjunction with internal controls, appropriate codes of conduct and other fraud prevention mechanisms.

2.1.3 Potential impact of fraud

The potential impact of fraud within a not-for-profit organisation cannot be underestimated.

Often the funds that are removed by a perpetrator come directly off an organisation's bottom line, meaning the effects of a fraud can be significant. Take for example an organisation that generates a surplus of 10% of turnover, which is normally redirected into investing for the purpose of achieving key strategies and objectives.

If this organisation was to suffer a \$10,000 fraud, it would potentially take \$100,000 in additional turnover to recover the cost of the fraud. This scenario also excludes other costs that the organisation may be subject to such as the loss of reputation, grants and donations.

For the first time, this survey provides an analysis of the respondents' assessment of the impact of a potential fraud on their organisation.

In relation to the impact a potential fraud may have, 10% of respondents assessed that a fraud < \$10,000 would have a catastrophic effect on their organisation while, 33% of respondents assessed the impact as being major.

While many not-for-profit organisations may consider themselves too small for fraud to occur, the above results highlight just how major the impact of a small fraud (being < \$10,000) can potentially be.

Not surprisingly, the severity of the impact that a potential fraud would have on an organisation increases as the value of the fraud increases:

- 42% of respondents assessed the impact of a fraud between \$50,000 and \$100,000 as catastrophic, while 34% of respondents assessed the impact as major.
- 60% of respondents assessed the impact of a fraud between \$100,000 and \$250,000 as catastrophic, while 20% of respondents assessed the impact as major.

Once potential fraud reached a level of \$250,000 or greater, between 70% and 74% of respondents assessed the impact as catastrophic.

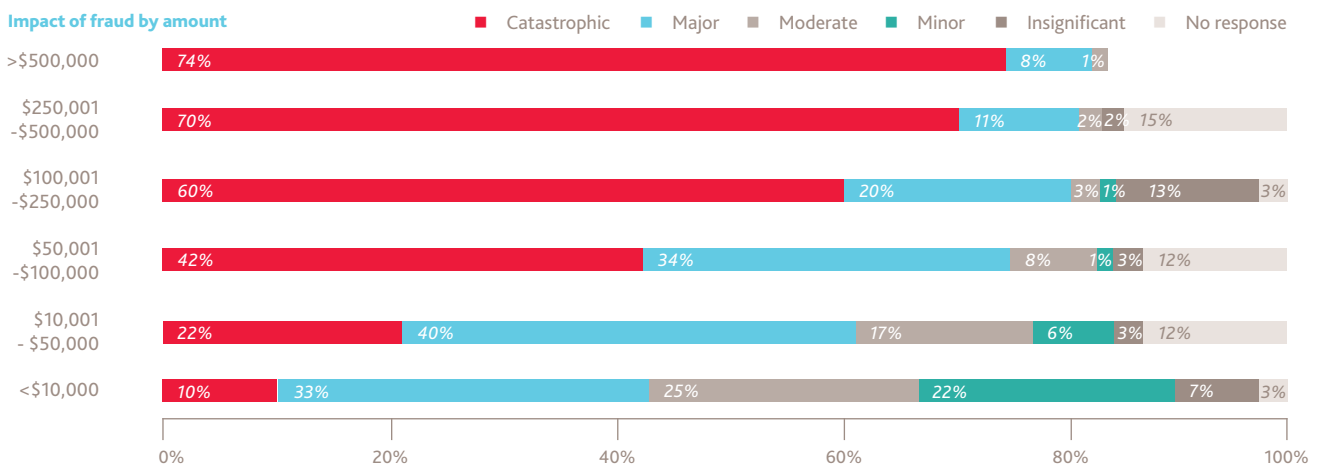


Chart 2.11: Perceptions of the impact of fraud by amount

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 of fraud experienced by the sector.

Since the inception of the BDO fraud survey in 2006, there has been a consistent reduction in respondents expecting fraud to become a greater problem in the future. In this year's survey the risk of future fraud was assessed at only 13%.

This result demonstrates that the sector is gaining a greater understanding of fraud awareness and prevention. Or conversely some organisation may be complacent about fraud.

Regardless of whether or not an organisation has been subject to a fraud, it is always recommended that the fight against fraud continues. Organisations that become complacent may potentially increase the risk of fraud occurring within their organisation.

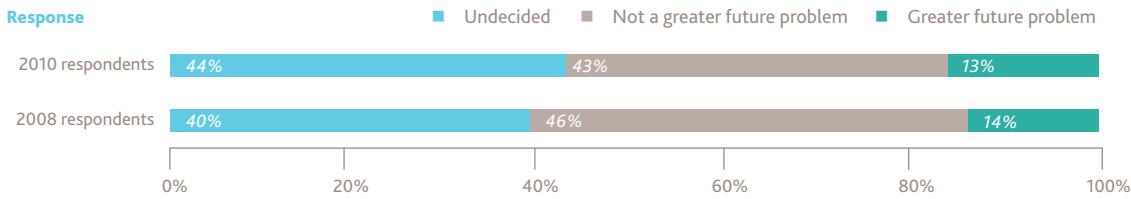


Chart 2.12: Comparative: Perceptions of fraud to be a greater problem in the future

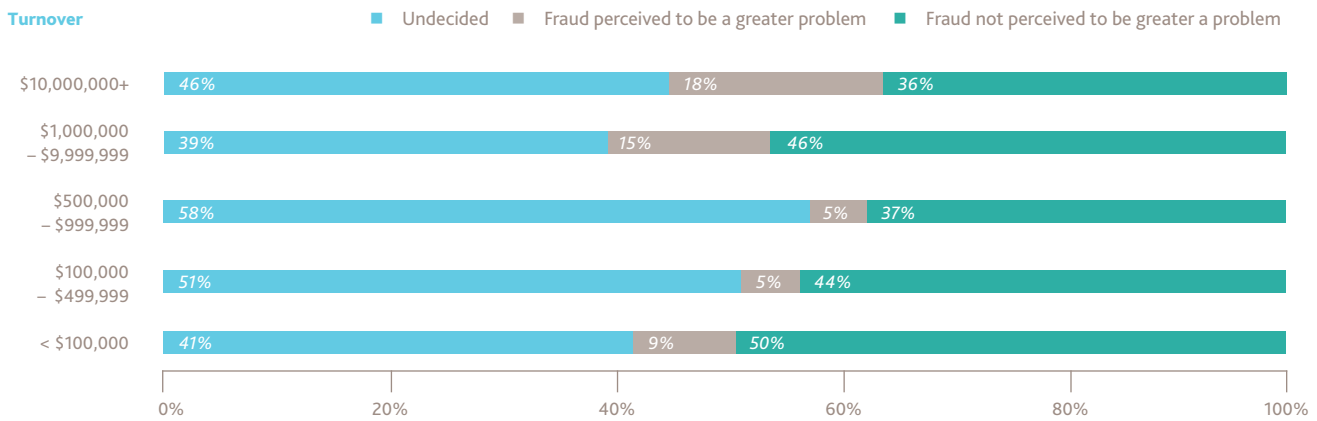


Chart 2.13: Perceptions of fraud to be a greater problem in the future by turnover grouping

As seen in the BDO not-for-profit fraud survey 2008, these perceptions in relation to fraud becoming a greater risk in the future do not appear to be related to the turnover of an organisation.

When the organisational categorisation of respondents is considered, the response of "Undecided" varies from 33% in the Education & Research grouping to 67% in the Philanthropic intermediate and voluntarism promotion grouping.

This statistic demonstrates that while some organisations may be unclear about whether or not fraud will pose a greater threat in the future, the risk of fraud occurring has not been totally dismissed. Many organisations may simply be adopting a "wait and see" attitude towards fraud.

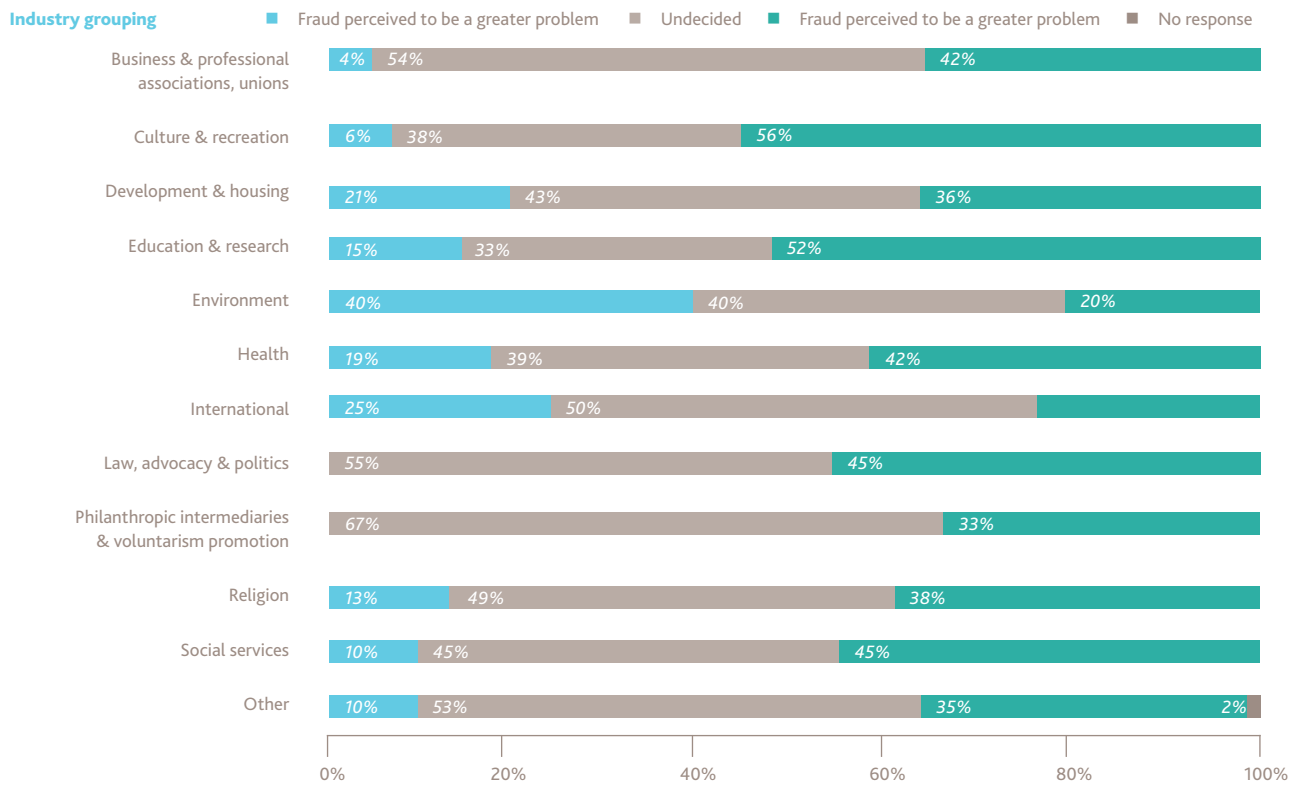


Chart 2.14: Perceptions of fraud to be a greater problem in the future by industry grouping

Some specific reasons given by respondents in relation to their concern about potential fraud in the future include:

- The organisation becoming more geographically dispersed
- The growth of the organisation has possibly outgrown current controls
- Harder economic times and the increased financial burden placed on individuals
- Increases in revenue may increase the 'temptation'
- A change in morals and values of employees and volunteers.

2.3 Considerations

Unfortunately, not-for-profit organisations are not immune from the possibility of fraud and because many not-for-profits have limited resources and are often seen as a 'trusting' environment, the risk of fraud occurring can be increased.

Strong prevention and detection processes such as appropriate internal controls should be implemented. By ensuring such processes are in place, the risk of fraud occurring is potentially reduced and if fraud does occur it may be detected faster.

Organisations must continue to be proactive against fraud, even if they do not perceive fraud to be a problem. If an organisation does let its guard down or becomes too complacent, it could provide perpetrators with a greater opportunity to commit fraud.

2.4 A final word from our respondents

It is important to understand why respondents perceived fraud in the ways set out above. The following comments provided by respondents shed some light on this:

“There is an unwillingness to view the risk/likelihood of fraudulent activity in a broader perspective than the minimum controls contained in the State Government Finance Regulations.”

“In the longer term, if the organisation continues to grow, as is likely in response to community need, inevitably fraud prevention will become a greater issue.”

“Incidence of fraud seems to be increasing in all walks of life – why should our organisation be any different?”

“As the business grows and our client base increases, fraud can only be an ongoing greater issue.”

A person with a backpack and poles is walking on a frozen lake at sunset. The sun is low on the horizon, creating a bright reflection on the water. The sky is a mix of orange and grey. A red vertical bar is on the left side of the image.

3 FRAUD IN THE NOT-FOR-PROFIT SECTOR

NO INDUSTRY OR ORGANISATION IS IMMUNE TO FRAUD.

However the risk of fraud can be reduced by implementing appropriate prevention and detection controls.

Key findings include:

- 15% of respondents reported suffering a fraud in the past two years
- 42 organisations experienced 75 frauds in the past two years, representing an average fraud rate of 1.79 per organisation
- A total of \$1,071,851 of fraud was suffered by organisations, representing an average of \$14,291 per fraud
- Fraud amongst respondents increased as turnover increased
- The presence of volunteers among the workforce of not-for-profit organisations does not appear to increase the risk of fraud occurring
- Of the respondents that had experienced fraud, 33% of organisations believe that some fraud is still undetected
- 36% of organisations in the Development & Housing category suffered fraud
- The largest number of frauds occurred in the Social Services grouping

While the above fraud figures may still appear high, the level of fraud within the not-for-profit sectors seems to be in decline. This is evidenced by a significant decrease on the fraud levels reported in previous BDO not-for-profit fraud surveys.

This section looks at the incidence of fraud, taking into consideration the overall number of respondents, their turnover, employee numbers and organisational grouping.

By understanding the value and the type of fraud occurring in the not-for-profit sector, organisations can better prepare and understand where they may potentially be at risk. Regardless of whether or not your organisation has suffered a fraud, there are lessons we can all take away from the results of the survey.

3.1 What fraud has occurred?

It was found that only 15% of respondents had suffered a fraud in the past two years. By comparison the BDO not-for-profit survey 2008 found that 16% of respondents had suffered a fraud in the past two years, while the BDO not-for-profit survey 2006 found that 19% of respondents had suffered a fraud in the past two years.

Overall, it would appear that there has been a decline in the number of instances of fraud reported in the survey, which could be an indication that the sector is improving when it comes to fraud prevention. This is a positive trend and a result the not for profit sector should be congratulated on.

Specifically, 42 organisations experienced 75 separate frauds in the past two years, representing an average fraud rate of 1.79 per organisation.

Overall, a total of \$1,071,851 of fraud was reported by respondents, with the average value of fraud being \$14,291. While the overall level of reported fraud was down, it is interesting to note that the average value of fraud suffered by respondents of this survey was similar to that identified in the BDO not-for-profit survey 2008 where the average fraud was \$14,442.

As noted in Section 2 of the survey 22% of respondents assessed the impact of a fraud between \$10,000 and \$50,000 as catastrophic, while 40% of respondents assessed the impact as major.

Chart 3.1: Respondents who have suffered fraud in the past two years

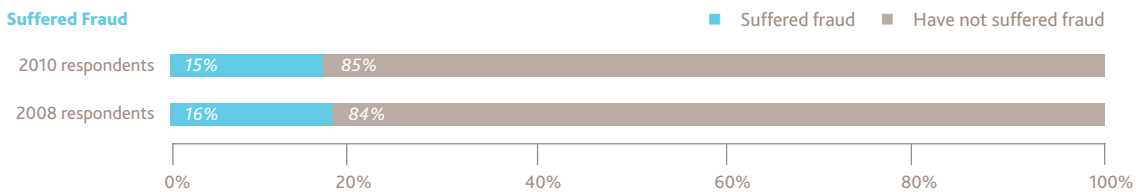


Chart 3.2: Comparative: Organisations who have suffered fraud

3.1.1 Turnover, staff & volunteers

Turnover

It was found in this year's survey that the frequency of fraud amongst the respondents increased as turnover increased, which was consistent with the findings of the BDO not-for-profit survey 2008. This is not unexpected, given larger organisations generally have larger volumes of financial transactions and a larger cash balance, which can create a greater risk of fraud.

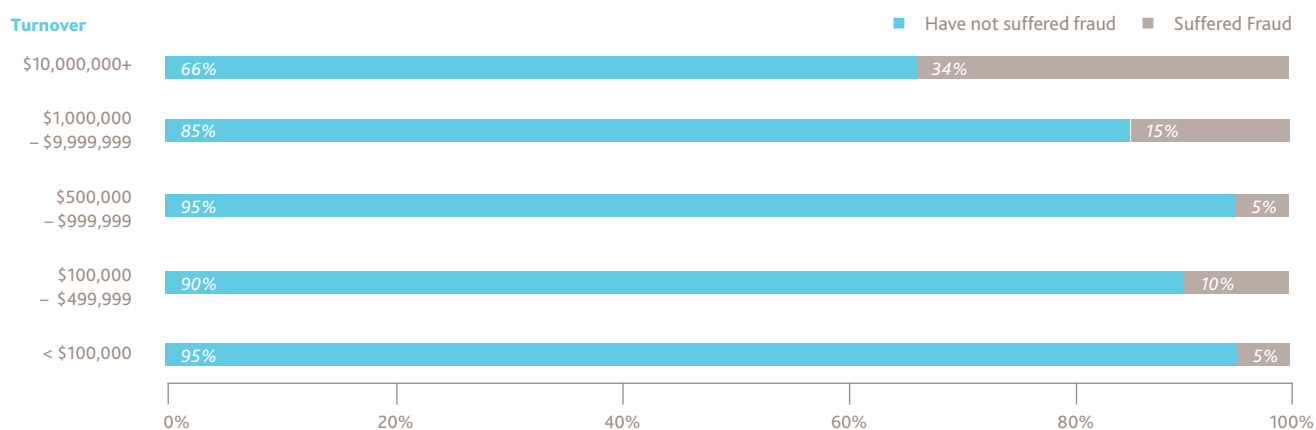


Chart 3.3: Organisations who have suffered fraud in the past two years according to turnover

TURNOVER	NUMBER OF RESPONDENTS WITH FRAUD	NUMBERS OF FRAUDS	AVERAGE FRAUDS PER ORGANISATION	TOTAL VALUE OF FRAUDS	AVERAGE VALUE OF FRAUD
\$10,000,000+	17	47	2.76	\$397,700	\$8,462
\$1,000,000-\$9,999,999	18	21	1.16	\$605,651	\$28,841
\$500,000 - \$999,999	2	2	1	\$10,300	\$5,150
\$100,000 - \$499,999	4	4	1	\$48,200	\$12,050
<\$100,000	1	1	1	\$10,000	\$10,000

Chart 3.4: Frauds experienced in the past two years according to turnover

Although smaller not-for-profit organisations often feel there is a low risk of fraud due to the minimal funds available within their organisation preventative action must be taken. As organisations grow, the potential risk of fraud occurring can also grow.

As discussed in Section 2, the large majority of respondents agree that the risk of fraud is far greater as the level of turnover increased. There is also an added risk for organisations that experience growth to potentially outgrow their current internal controls, which can also lead to the increased risk of fraud occurring. Therefore, regardless of the size of the organisation, having fraud prevention measures in place is essential.

Staff & volunteers

The majority of organisations that experienced frauds employed either 1-20 employees or 100+ employees.

Likewise, the majority of frauds were suffered by organisations that had either 1-20 volunteers or 100+ volunteers.

In reviewing the number of volunteers in the not-for-profit sector, it would appear that the presence of volunteers has little impact on likelihood of fraud occurring.

EMPLOYEES	NUMBER OF FRAUDS	TOTAL VALUE	AVERAGE FRAUD VALUE
100+	47	\$360,700	\$7,674
51 - 100	6	\$32,100	\$5,350
21 - 50	9	\$310,750	\$34,528
1 - 20	13	\$368,301	\$28,331
Total	75	\$1,071,851	\$14,291

Chart 3.5: Frauds experienced in the past two years compared to number of employees

VOLUNTEERS	NUMBER OF FRAUDS	TOTAL VALUE	AVERAGE FRAUD VALUE
100+	27	\$241,800	\$8,956
51 - 100	4	\$273,000	\$68,250
21 - 50	4	\$240,500	\$60,125
1 - 20	32	\$169,600	\$5,300
None	8	\$146,951	\$18,369
Total	75	\$1,071,851	\$14,291

Chart 3.6: Frauds experienced in the past two years compared to number of volunteers

The BDO not-for-profit survey 2008 found a similar gender distribution of employees in organisations that had suffered fraud, compared to organisation that had not suffered a fraud. Specifically, it was found that approximately 66% of employees were female and 34% of employees were male.

A similar result was found with respondents of this survey, with very little difference in gender distribution between organisations that had suffered fraud, compared to organisation that had not suffered a fraud.

Chart 3.7: Organisations who believe that some fraud is still undetected



Fraud experience

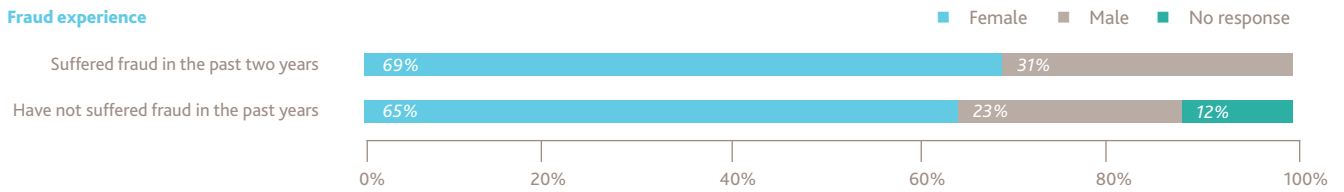


Chart 3.8: Employee gender distribution of organisations suffering fraud

Of the respondents that had experienced fraud 33% of organisations believe that some fraud is still undetected. Once an organisation has experienced fraud, it is common for the perceived risk of further fraud to rise.

3.1.2 Fraud suffered by category

A core part of the survey is to compare the perceptions of the not-for-profit sector towards fraud and the actual instances of fraud. As discussed in Section 2 of the survey, respondents were asked to assess the problem of fraud for their organisation.

Industry grouping

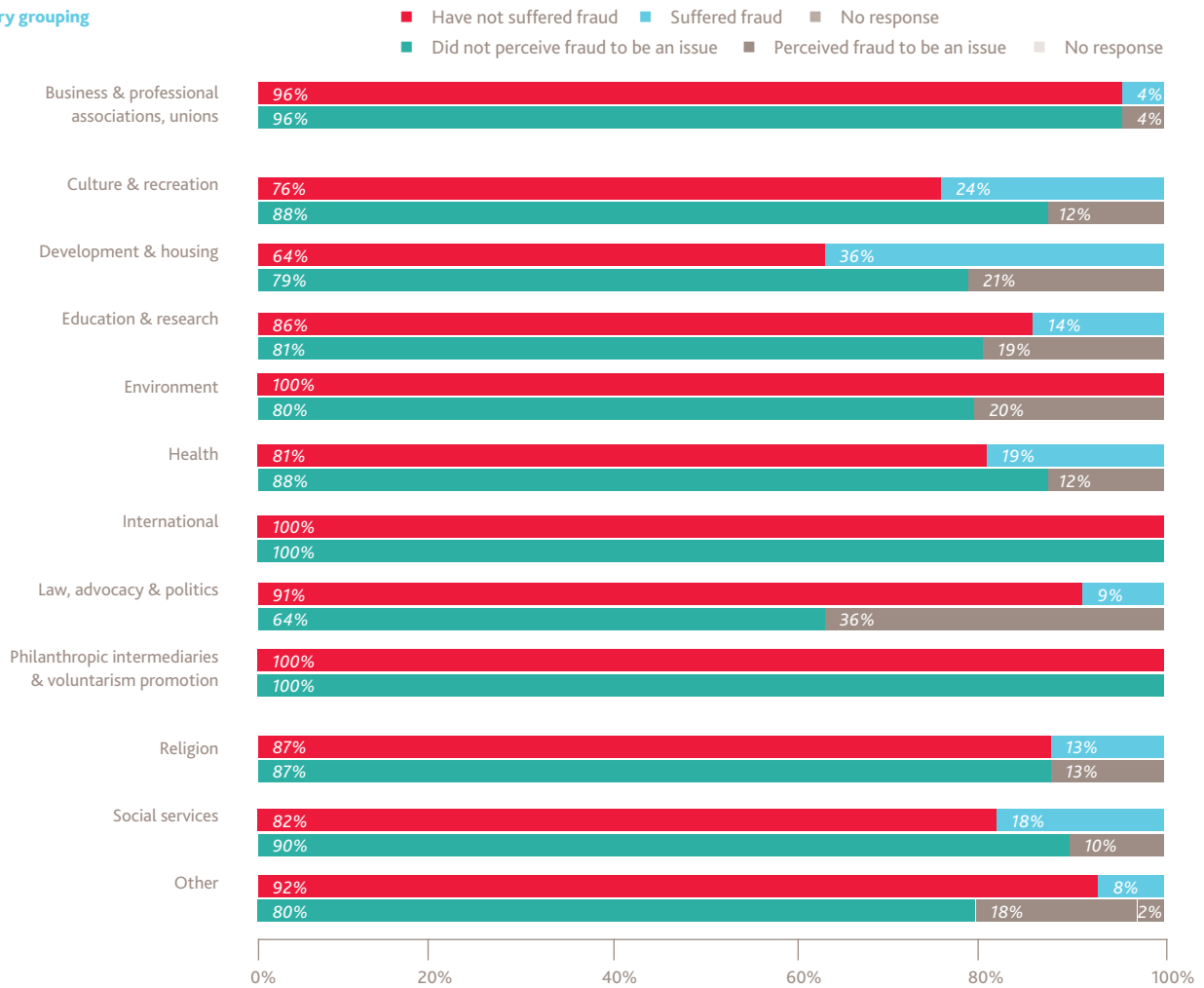


Chart 3.9: Perception of fraud vs instances of fraud

While 36% of organisations within the Law, Advocacy & Politics grouping assessed fraud as a problem for their organisation, only 9% of these organisations suffered a fraud in the past two years. Likewise, 19% of organisations in the Education & Research grouping assessed fraud as a problem for their organisation, but only 14% of such organisations suffered a fraud in the past two years.

The reverse of this is true for the Development & Housing grouping and the Culture & Recreation grouping.

Although only 21% of organisations in the Development & Housing group perceived fraud as a problem, 36% of organisations in this grouping suffered fraud in the past two years.

In the Culture & Recreation grouping only 12% of organisations perceived fraud as a problem, but 24% of organisations actually suffered a fraud in the past two years.

While it is not possible to draw a direct link between an organisation's perceived level of fraud being a problem and the actual instances of fraud occurring, the above does highlight that an organisation's perception of fraud does differ from the actual occurrence of fraud.

The difference in an organisation's perception of fraud and the actual occurrence rates may occur due to a number of reasons. Most notably, organisations that perceive fraud to be a problem may implement appropriate controls to help reduce the risk of fraud occurring, while organisations that have a lower perception of fraud may not be as stringent with the implementation of controls.

The largest number of frauds was experienced in the Social Services grouping, with 34 cases of reported fraud. The average of each fraud experienced in the Social Services grouping was \$5,865.

The highest fraud was \$200,000 and was experienced by one respondent in the Law, Advocacy & Politics group.

A comparison of 2010 and 2008 statistics for organisations who suffered fraud in the previous two years according to industry groups is as follows:

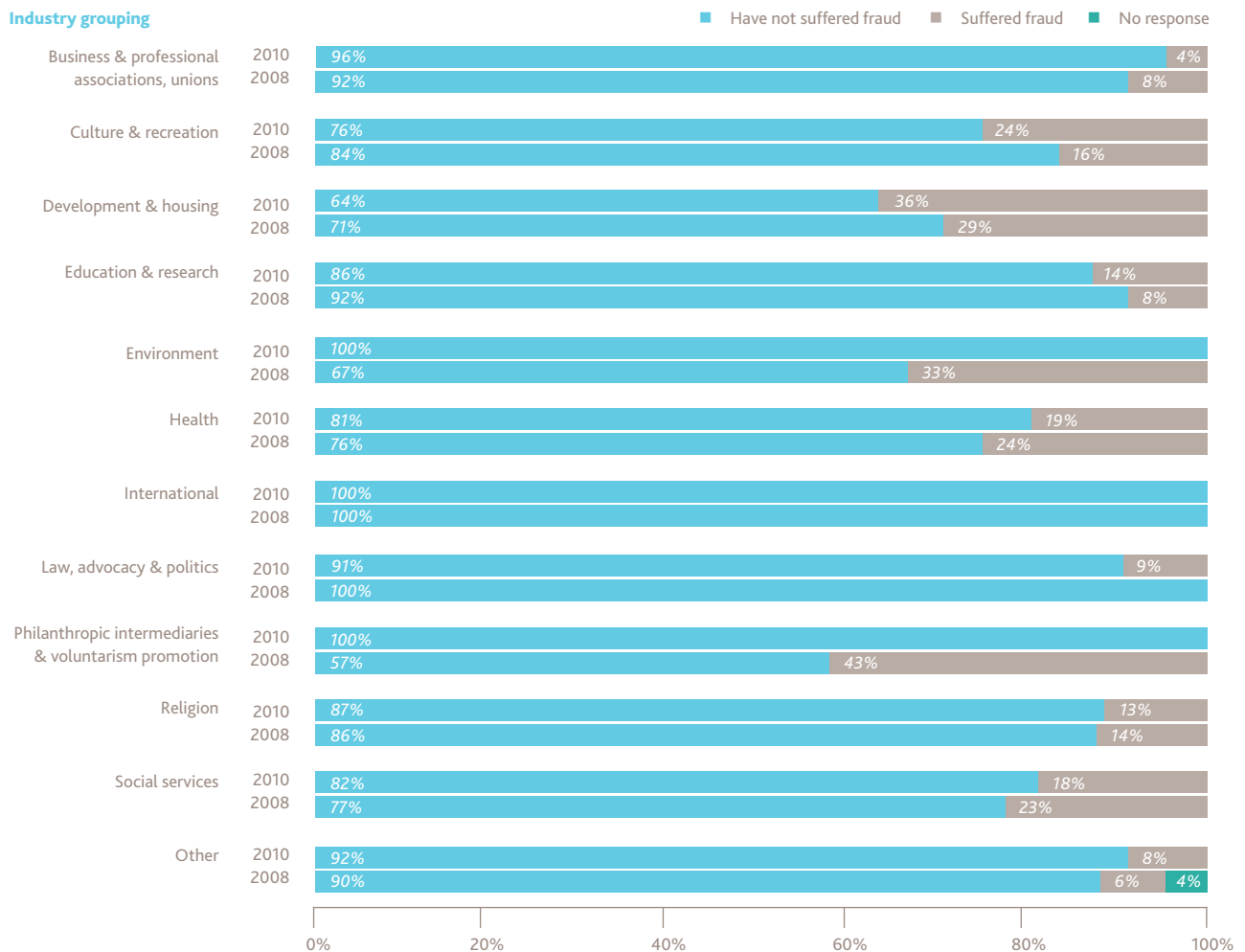


Chart 3.10: Comparative: Organisations who have suffered fraud according to industry category

INDUSTRY CATEGORY	NUMBER OF RESPONDENTS WITH FRAUD	NUMBER OF FRAUDS	AVERAGE FRAUDS PER ORGANISATION	TOTAL VALUE OF FRAUDS	AVERAGE VALUE OF FRAUDS
Business & professional associations, unions	1	2	2	\$100,000	\$50,000
Culture & recreation	8	10	1.25	\$99,750	\$9,975
Development & housing	5	5	1	\$363,001	\$72,600
Education & research	3	4	1.33	\$28,800	\$7,200
Environment	0	0	0	\$0	\$0
Health	11	14	1.27	\$58,900	\$4,207
International	0	0	0	\$0	\$0
Law, advocacy & politics	1	1	1	\$200,000	\$200,000
Philanthropic intermediaries & voluntarism promotion	0	0	0	\$0	\$0
Religion	1	2	2	\$12,000	\$6,000
Social services	9	34	3.77	\$199,400	\$5,865
Other	3	3	1	\$10,000	\$3,333
Total	42	75	1.79	\$1,071,851	\$14,291

Chart 3.11: Frauds experienced in the past two years according to industry category

3.1.3 Fraud suffered by locations

LOCATION	NUMBER OF FRAUDS	TOTAL VALUE OF FRAUDS	AVERAGE VALUE OF FRAUDS
SA	21	\$60,000	\$2,857
QLD	15	\$147,751	\$9,850
NSW/ACT	13	\$190,000	\$14,615
VIC	9	\$144,500	\$16,056
TAS	2	\$3,800	\$1,900
WA	2	\$10,000	\$5,000
NT	0	\$0	\$0
NZ	13	\$515,800	\$39,677
Total	75	\$1,071,851	\$14,291

Chart 3.12: Frauds experienced in the past two years according to location

The above chart provides a detailed breakdown of the occurrence of fraud by number, the total value of frauds and the average value of frauds across Australia and New Zealand.

The highest number of frauds reported by respondents occurred in South Australia with 21 cases. By comparison, South Australia had 4 reported cases of fraud in the BDO not-for-profit survey 2008. Although South Australia reported the highest number of frauds, the average of each fraud was \$2,857, which is significantly lower than the overall average of \$14,291.

Queensland had the second highest number of reported frauds with 15 cases. By comparison, Queensland reported the highest number of frauds by respondents in the BDO not-for-profit survey 2008.

The highest average occurred in New Zealand, where the average fraud was \$39,677. Victoria reported the second highest average, where the average fraud was \$16,056.

3.1.4 Fraud suffered by funding source

PRIMARY SOURCE OF FUNDING	NUMBER OF FRAUDS	TOTAL VALUE OF FRAUDS	AVERAGE VALUE OF FRAUD
Grants & government funding	32	\$352,901	\$11,028
Business operations	33	\$457,950	\$13,877
Membership fees	1	\$200,000	\$200,000
Donations	4	\$26,000	\$6,500
Fundraising	2	\$0	\$0
Other	3	\$35,000	\$11,667
Total	75	\$1,071,851	\$14,291

Chart 3.13: Frauds experienced in the past two years according to primary funding source

The above chart provides a breakdown of fraud experienced by responding organisations, and its relationship to the organisation's primary source of funding.

Business Operations and Grants & Government Funding were the funding sources most closely linked to the largest number and highest average value of frauds experienced by respondents in the past two years.

This is a similar result to the BDO not-for-profit fraud survey 2008, where both Business Operations and Grants & Government Funding were the funding sources for the majority of the fraud suffered by the respondents. Therefore, it would appear organisations that receive or obtain their funding from either Business Operations or Grants & Government Funding may be at greater risk of suffering a fraud.

Often Government grants require certain fraud prevention measures to be in place, especially given that fraudulent activity can potentially affect future grants. Likewise, fraud can also have major impacts on organisations that obtain funding from various business operations.

3.2 Considerations

By looking at the different components of fraud that has occurred within the sector, it can assist with implementing controls and taking a proactive approach towards fraud.

Understanding what fraud is occurring in the not-for-profit sector is a major step in combating the risk of fraud occurring. In Section 4 we look at the specific types of fraud occurring in the sector.



4 SPECIFIC FRAUD

ONE OF THE OBJECTIVES OF THE BDO NOT-FOR-PROFIT SURVEY IS TO HELP NOT-FOR-PROFIT ORGANISATIONS MANAGE FRAUD. IN ORDER TO ACHIEVE THIS, THE BDO NOT-FOR-PROFIT SURVEY 2010 EXAMINES SPECIFIC FRAUD INCIDENTS TO HELP IDENTIFY FRAUD TRENDS.

In this section of the survey, respondents were asked to address the single largest fraud that had occurred in their organisation over the past two years.

This analysis leads to the identification of trends, including the most common type of fraud for organisations by size and type, which in turn enables not-for-profit organisations to be proactive against fraud through the implementation of appropriate controls.

As may be expected, there are some obvious correlations between the types of fraud and the industry category of the organisation suffering a fraud. For example, organisations that handle significant amounts of cash are generally at greater risk of cash theft, while organisations that operate shop fronts can potentially be more susceptible to the risk of inventory fraud.

However, it's important to note that while information in this section can be of assistance in helping organisations identify key risk areas, it is also important not to categorise employees and volunteers and be blinded to other possibilities.

Key findings include:

- The most common type of fraud reported was cash theft (24%)
- A typical fraudster is in his/her thirties or forties and is a paid employee in a non-accounting role
- Only 12% of fraud is committed by unpaid volunteers
- Collusion was present in 24% of reported frauds with the typical colluder a male in his thirties in a paid non-accounting role
- Of all reported cases of fraud, 67% of respondents believe they discovered the full extent of the fraud
- Internal controls (40%) and tip offs (31%) were the most effective way of discovering fraud
- The average duration of the fraud was ten months
- Respondents indicated that financial pressures and maintaining a lifestyle are the most common motivators for fraud
- The majority of respondents did not report the fraud to police
- 36% of organisations did not terminate the employment of the person who committed the fraud
- 67% of organisations that suffered fraud did not recover any of the funds from the perpetrator

4.1 What types of fraud were reported?

In order to reduce the risk of fraud occurring in not-for-profit organisations, it is important to understand the types of fraud occurring within different not-for-profit organisations and the sector in general.

Type of fraud

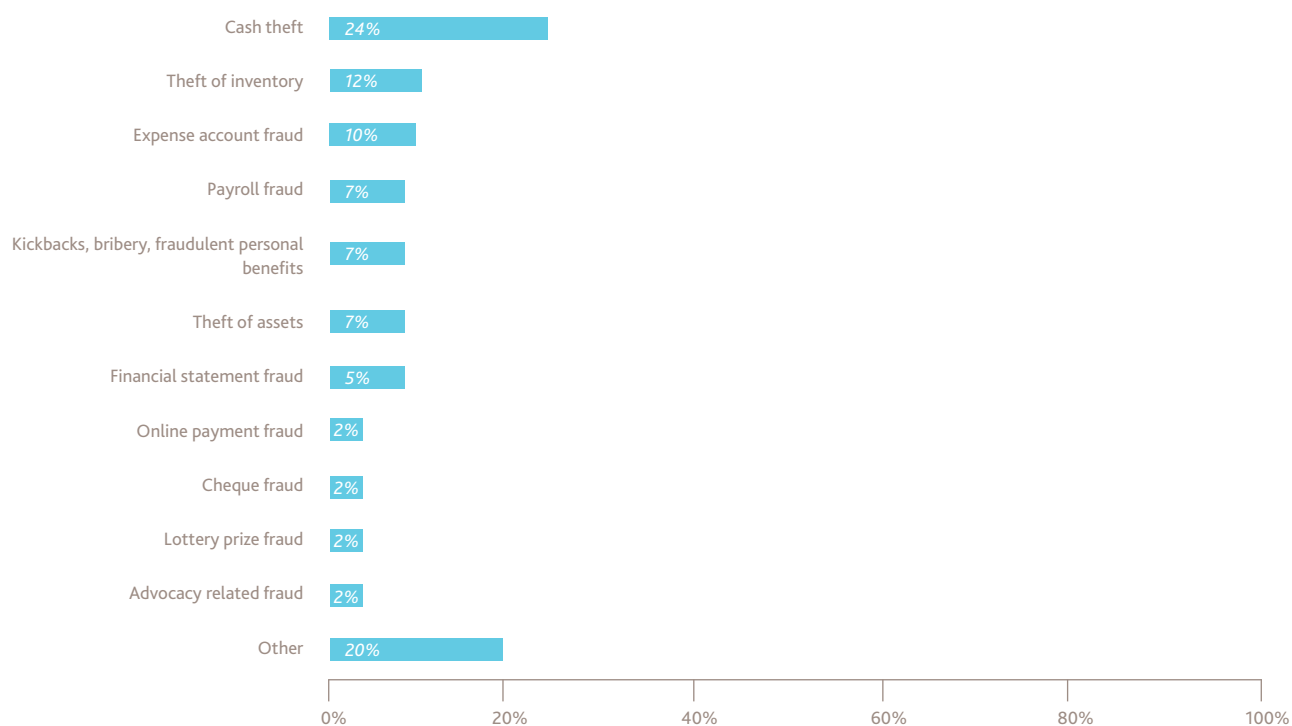


Chart 4.1: Types of fraud reported by number of frauds

The main category of fraud experienced by respondents was cash theft which accounted for 24% of the fraud suffered by respondents. Cash theft was also the main fraud suffered by respondents in the BDO not-for-profit survey 2008 with 33% of respondents suffering this type of fraud.

This indicates that the risk of cash theft within the sector is consistently high. This could be attributed to the fact that cash collections are often handled by a number of people across different locations, which can unfortunately result in the temptation for cash to be stolen.

As seen in past surveys, respondents experienced a wide diversity of fraud across the sector.

Interestingly, online payment fraud (2%) and cheque fraud (2%) both decreased when compared to the BDO not-for-profit survey 2008, where 8% of respondents suffered online payment fraud and 5% of respondents suffered cheque fraud.

This is most likely the result of organisations introducing strict controls around the approval processes for cheque payments and online payment procedures, such as having appropriate authorisation and signatory controls.

However, the reverse of this is the noticeable increase in the theft of inventory (12% compared to 5% in 2008), expense account fraud (10% compared to 3% in 2008) and payroll fraud (7% compared to 3% in 2008).

While it is hard to draw a direct correlation between the decrease in cheque and online payment fraud to the increase seen in the theft of inventory, expense account fraud and payroll fraud, these results do indicate that perpetrators are potentially identifying other means to defraud organisations.

Generally, if controls are tightened in certain areas, perpetrators will often identify other areas of the organisation to potentially defraud.

The types of fraud identified in Chart 4.1 can also be examined in relation to the category of the not-for-profit organisation. This can assist organisations in identifying the most common types of fraud that has occurred in their industry.

Correlations exist between the nature of an organisation's assets and the type of fraud perpetrated. For this reason, it is important for each not-for-profit organisation to recognise the most common fraud methods encountered in their industry grouping when implementing proactive fraud control policies.

INDUSTRY CATEGORY	CASH THEFT	INVENTORY THEFT	ASSETS THEFT	CHEQUE FRAUD	ONLINE PAYMENTS FRAUD	EXPENSE ACCOUNT FRAUD	KICKBACKS	ADVOCACY RELATED FRAUD	PAYROLL FRAUD	FINANCE STATEMENT FRAUD	LOTTERY PRIZE	OTHER
Business & professional associations unions										100%		
Culture & recreation	38%	25%					13%		13%			11%
Development & housing		20%		20%			20%					40%
Education & research	33%							33%		34%		
Health	36%		9%		9%	9%	9%		18%			10%
Law, advocacy & politics												100%
Religion	100%											
Social services	11%	22%	22%			22%					11%	12%
Other						33%						67%

Chart 4.2: Most common types of fraud per industry category by number of frauds

4.2 Who committed the fraud?

A key analysis of the survey relates to who has been carrying out the fraud in not-for profit organisations. Interestingly, the survey results indicate that 79% of the frauds were carried out by paid employees.

Fraud experience

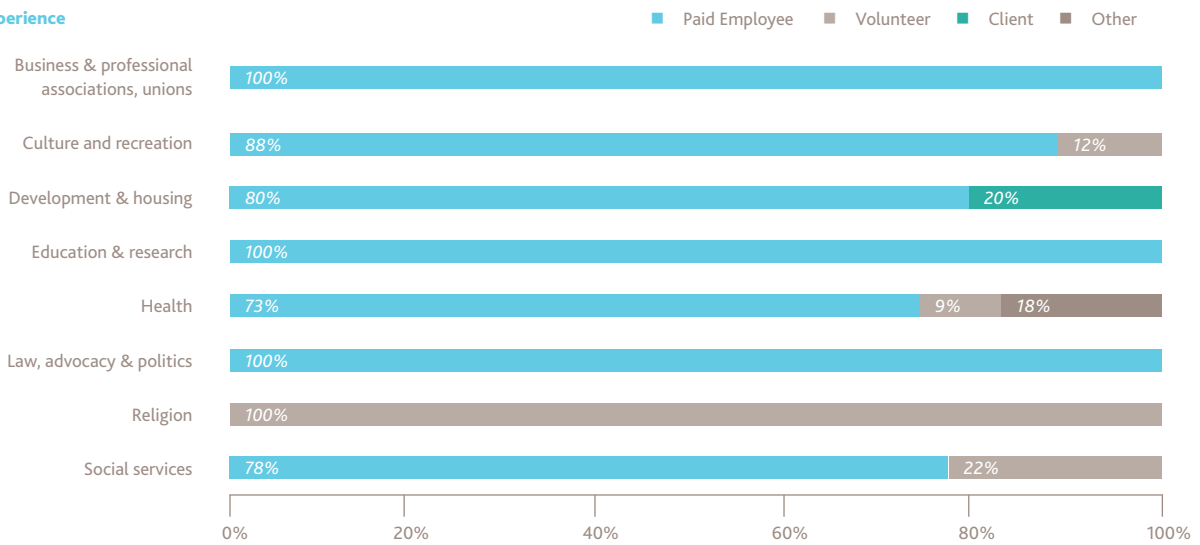


Chart 4.3: Type of fraud by gender of perpetrator

As noted in Section 3, there was no significant difference in the gender distribution of employees in organisations that had suffered fraud, compared to those that had not. Amongst respondents to this survey, approximately 67% of employees are female. In relation to the fraud perpetrated however, it was found that there were a similar number of frauds committed by males and females.

However, it's interesting to note that the majority of frauds were perpetrated by people between the ages of 30-39 (38%) and 40-49 (33%). By comparison in the BDO not-for-profit survey 2008, 26% of frauds were perpetrated by people aged between age of 30-39 and 31% of between the ages of 40-49.

Age of fraudster

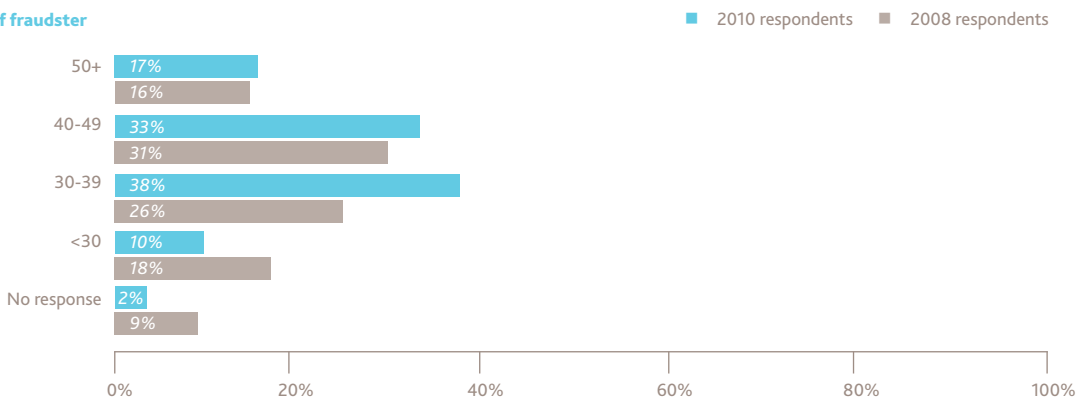


Chart 4.4: Comparative: Age of perpetrator

It is also interesting to note the position of the fraudster. As seen in the BDO not-for-profit survey 2008, the majority of frauds (36%) were perpetrated by non-accounting staff.

A similar result also emerged in the BDO not-for-profit survey 2010, with the majority of frauds (43%) again being perpetrated by non-accounting staff.

Position of fraudster

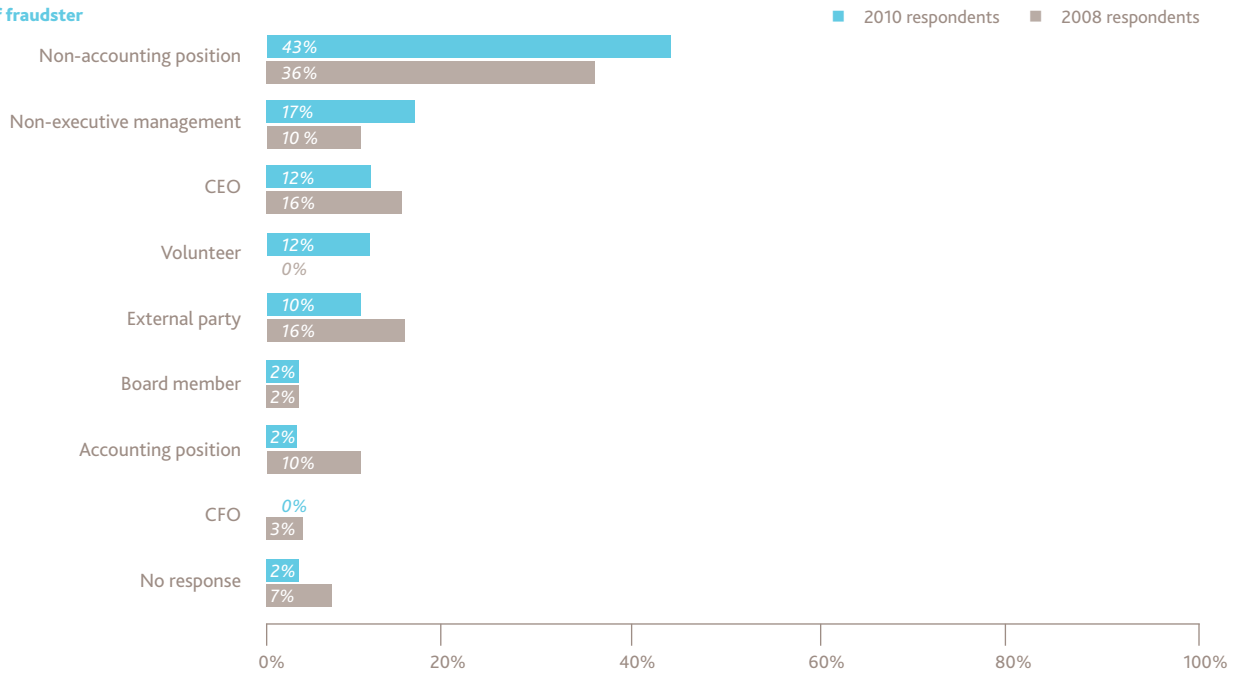
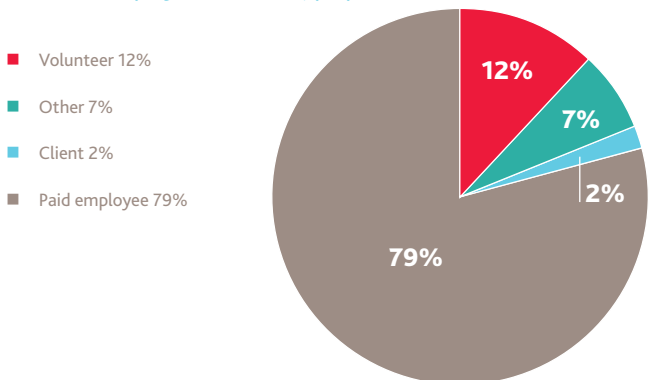


Chart 4.5: Comparative: Position of perpetrator

Chart 4.6: Employment status of perpetrator



In the not-for-profit sector the typical fraudster is in his/her thirties or forties and is a paid employee in a non-accounting role. A similar result was also found in the BDO not-for-profit survey 2008.

The BDO not-for-profit survey 2010 also found that 12% of fraud was committed by volunteers, which represents an increase on the results of the BDO not-for-profit survey 2008 where it was found that only 8% of volunteers were responsible for the perpetration of the fraud.

While there has been an increase in the number of incidents of fraud committed by volunteers, this is not unexpected given the results in Section 1 which demonstrated an increased reliance by organisations on volunteers. As the number of volunteers in the sector increases, so too does the risk of fraud being committed by volunteers.

However, it should be noted that paid employees in the not-for-profit sector are 6.5 times more likely to commit fraud than volunteers.

4.3 Was collusion involved?

Although collusion is often more difficult to detect, the BDO not-for-profit survey 2010 found that collusion was present in 24% of frauds reported. This is a similar result to the BDO not-for-profit survey 2008 where it was found that collusion occurred in 25% of reported fraud.

The typical colluder was found to be a male in his thirties in a paid non-accounting position. This represents a significant difference to the BDO not-for-profit survey 2008 where the typical colluder was found to be a female paid employee in her fifties.

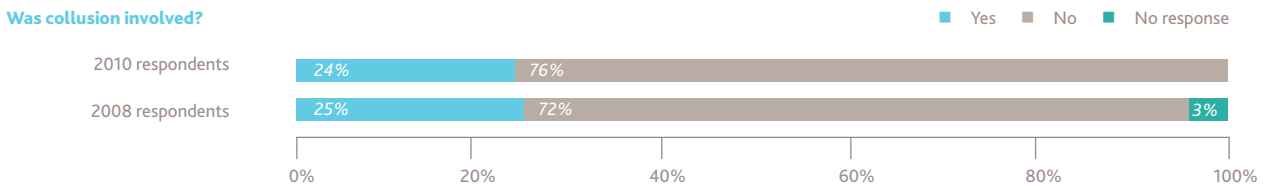


Chart 4.7: Comparative: Incidence of collusion

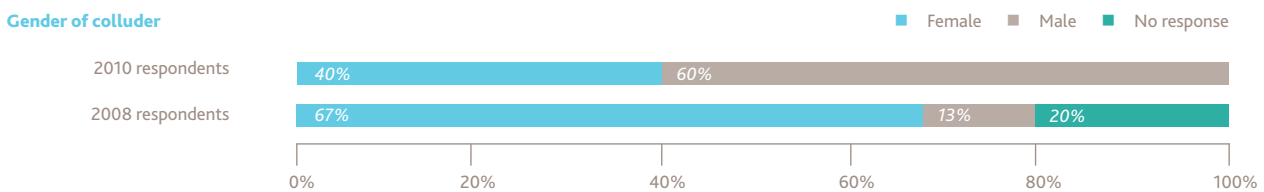


Chart 4.8: Comparative: Gender of colluder

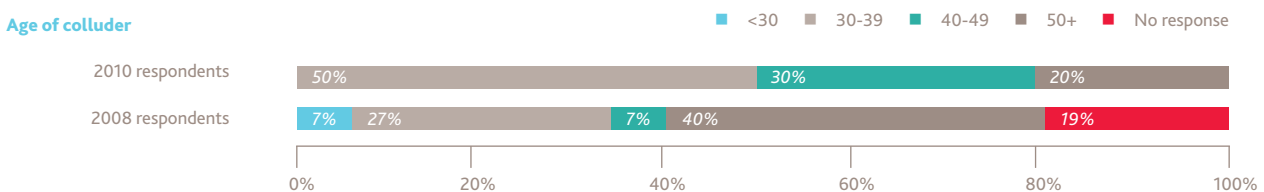


Chart 4.9: Comparative: Age of colluder

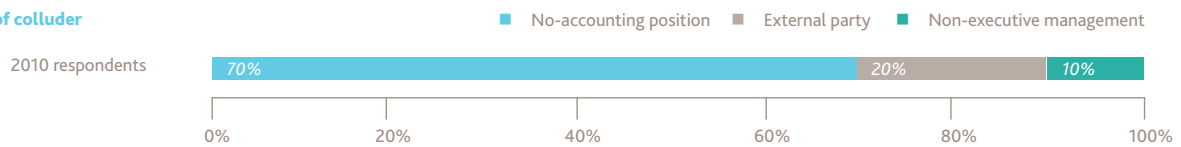
Position of colluder

Chart 4.10: Position of colluder

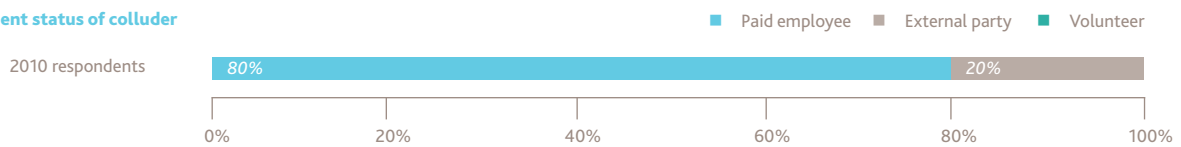
Employment status of colluder

Chart 4.11: Employment status of colluder

4.4 What was the value of the fraud?

The BDO not-for-profit survey 2010 asked respondents that had suffered a fraud to provide details about the largest fraud they had suffered. Out of the 42 organisations that have experienced fraud, 38 respondents provided information about their largest fraud.

The following results summarise the value of the largest frauds reported. It is extremely encouraging to note that the average for the largest reported frauds suffered by not-for-profit organisations was \$26,132, compared to \$45,527 in the BDO not-for-profit survey 2008.

Organisations with turnover greater than \$1 million accounted for 84% of the frauds reported and the highest average fraud value across turnover categories. This result is not unexpected given that the risk of fraud increases as the turnover increases.

TURNOVER	NUMBER OF FRAUDS	TOTAL VALUE OF FRAUD	AVERAGE VALUE OF FRAUD	% CONFIDENT THE FULL VALUE OF FRAUD DETECTED
\$10,000,000+	15	\$335,400	\$22,360	76%
\$1,000,000-\$9,999,999	17	\$593,127	\$34,890	67%
\$500,000-\$999,999	2	\$10,300	\$5,150	50%
\$100,000-\$499,999	3	\$44,200	\$14,733	50%
<\$100,000	1	\$10,000	\$10,000	0%
Total	38	\$993,027	\$26,132	66%

Chart 4.12: Value of largest fraud by turnover

Approximately 36% of the frauds reported in terms of total value were perpetrated in the Development & Housing category, while 20% of respondents in the same category indicated they did not believe the full value of the fraud was discovered.

INDUSTRY CATEGORY	NUMBER OF FRAUDS	TOTAL VALUE OF FRAUD	AVERAGE VALUE OF FRAUD	% CONFIDENT THE FULL VALUE OF FRAUD DETECTED
Business & professional associations, unions	1	\$100,000	\$100,000	0%
Culture and recreation	8	\$99,750	\$12,469	75%
Development & housing	5	\$363,001	\$72,600	80%
Education & research	3	\$16,300	\$5,433	33%
Health	10	\$58,876	\$5,888	91%
Law, advocacy & politics	1	\$200,000	\$200,000	100%
Religion	1	\$6,700	\$6,700	0%
Social services	8	\$138,400	\$17,300	56%
Other	1	\$10,000	\$10,000	33%
Total	38	\$993,027	\$26,132	66%

Chart 4.13: Value of largest fraud by industry category

Overall, 34% of the respondents that reported suffering a fraud believed the full extent of the fraud had not been discovered.

TYPE OF FRAUD	NUMBER OF FRAUDS	TOTAL VALUE OF FRAUD	AVERAGE VALUE OF FRAUD
Advocacy related fraud	1	\$100	\$100
Theft of assets	3	\$24,000	\$8,000
Cash theft	10	\$55,600	\$5,560
Cheque fraud	1	\$40,000	\$40,000
Expense account fraud	3	\$13,300	\$4,433
Financial statement fraud	2	\$112,500	\$56,250
Theft of inventory	5	\$175,250	\$35,050
Kickbacks, bribery, fraudulent personal benefits	2	\$10,001	\$5,001
Lottery prize fraud	1	\$13,000	\$13,000
Online payment fraud	1	\$20,000	\$20,000
Payroll fraud	3	\$35,500	\$11,833
Other	6	\$493,776	\$82,296
Total	38	\$993,027	\$26,132

Chart 4.14: Value of largest fraud by type

4.5 How was the fraud discovered?

By identifying how the reported frauds were discovered, it can help organisations identify effective ways to remain proactive against fraud.

How fraud was discovered

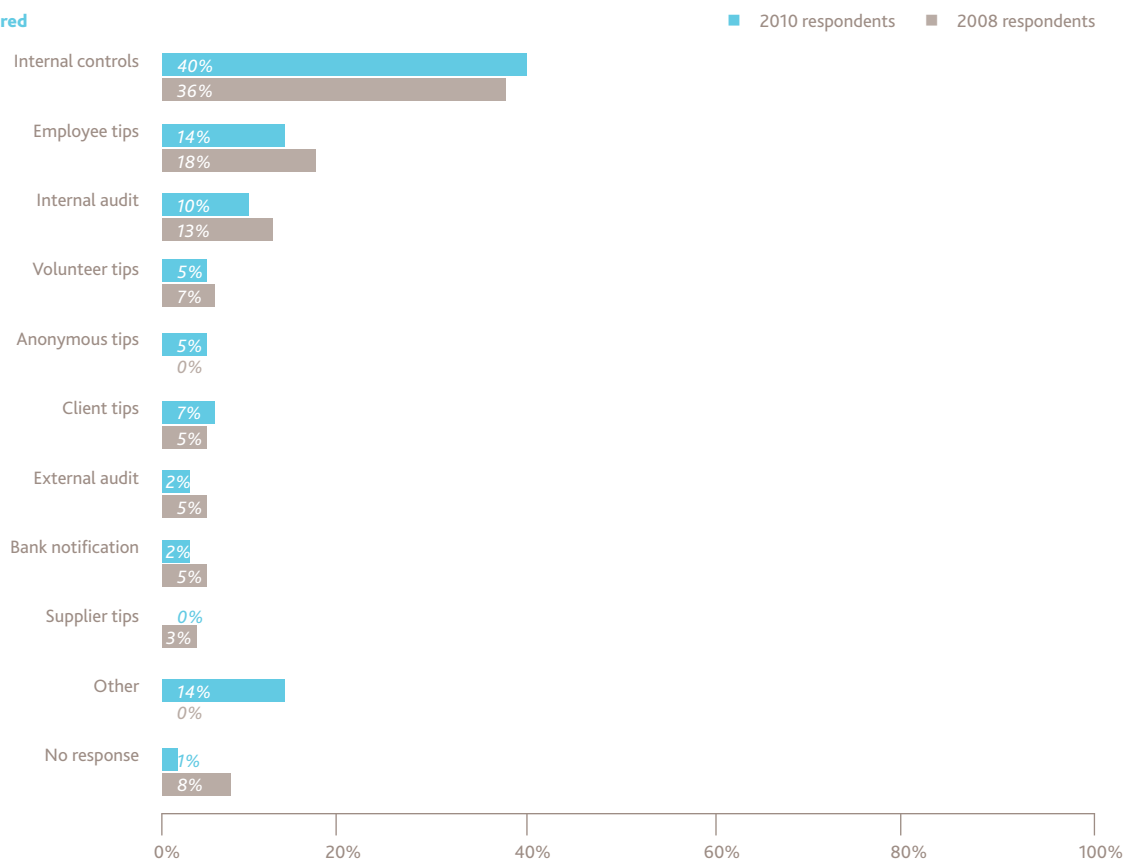


Chart 4.15: Comparative: Methods of fraud discovery

Effective internal controls were the most successful method of discovering fraud with 40% of fraud discovered this way. Internal controls were also the most successful way of discovering fraud (36%) in the BDO not-for-profit survey 2008, which again highlights the need for not-for-profit organisations to implement effective internal controls, regardless of size.

Tips from employees, volunteers, clients and other parties accounted for approximately 31% of fraud discovery, which presents a strong case for the importance of effective whistleblower services and policies in place to help detect and prevent fraud.

4.6 When was the fraud discovered?

Detection controls are extremely important, as they can help an organisation detect any potential fraud that may be occurring. Obviously, if fraud has occurred within the organisation, detecting the fraud sooner rather than later can help limit the potential value of the fraud.

Therefore, it is encouraging to see that the average duration of reported fraud has decreased to 10 months, compared to the BDO not-for-profit survey 2008 where the average duration was 14 months.

Average duration of fraud

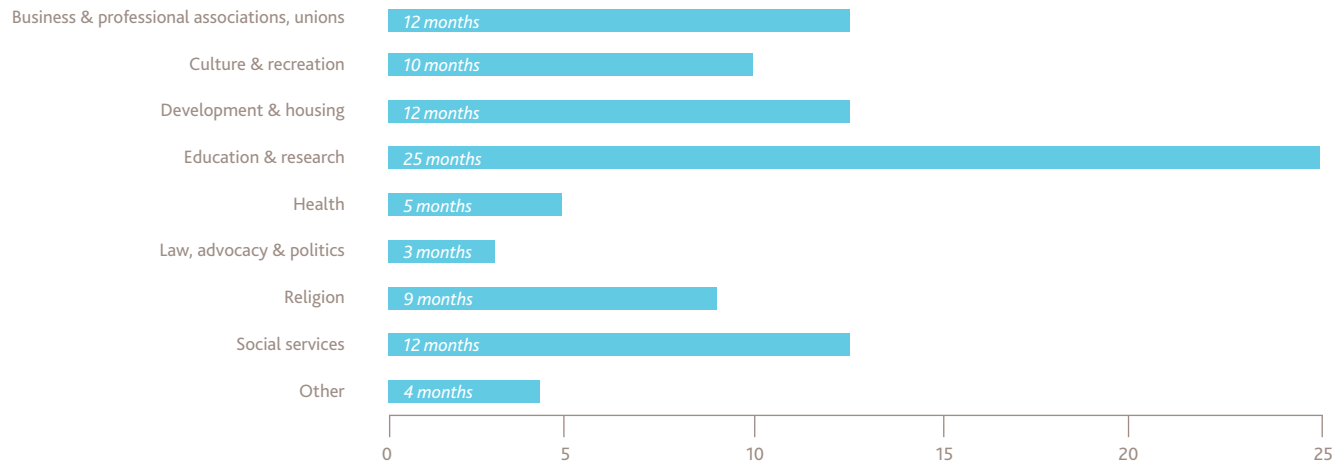


Chart 4.16: Average duration of largest fraud by industry category

4.7 What motivated the person to commit fraud?

It is interesting to note the underlying reasons people commit fraud. Sadly many perpetrators believe committing fraud is the only way to solve their problems (such as financial pressures), while others see it as a challenge (i.e. committing fraud that goes undetected).

As per the BDO not-for-profit survey 2008 financial pressure and maintaining a lifestyle were major motivators in people committing fraud.

Responses to this survey again indicated that financial pressure (24%) and maintaining a lifestyle (14%) were significant motivators for people who committed fraud.

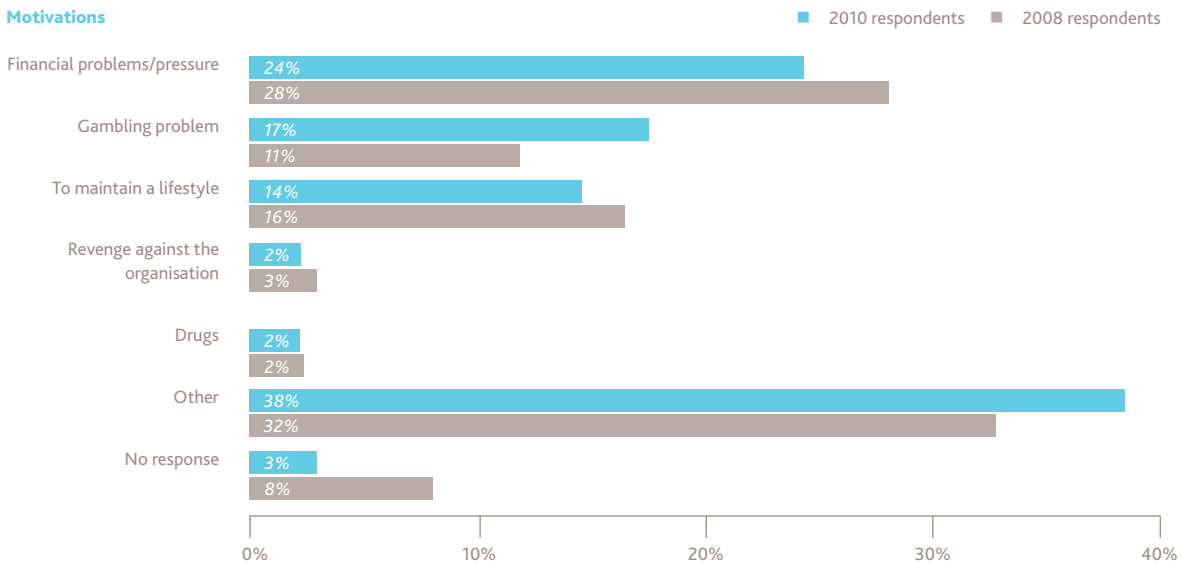


Chart 4.17: Comparative: Motivation behind fraud committed

While 38% of respondents indicated "other" reasons for the perpetrator committing fraud it is interesting to note some of the other response received, which included:

- "For the benefit of their personal business."
- "For financial gain."
- "In order to purchase personal assets."

It's also interesting to note that the general responses in relation to the motivations behind perpetrators committing fraud can generally be grouped into two types: perpetrators who feel they have no other alternative (e.g. financial pressures) and perpetrators who offend as a form of greed (e.g. supporting a level of lifestyle they would not normally be able to afford).

MOTIVATIONS	NUMBER OF FRAUDS	TOTAL VALUE OF FRAUDS	AVERAGE VALUE OF FRAUDS
Financial problems/pressure	9	\$80,300	\$8,922
Gambling problem	7	\$349,900	\$49,986
To maintain a lifestyle	6	\$245,250	\$40,875
Revenge against the organisation	1	\$200	\$200
Drugs	1	\$6,000	\$6,000
Other	13	\$311,377	\$23,952
No response	1	\$0	\$0
Total	38	\$993,027	\$26,132

Chart 4.18: Value of fraud by primary motivation

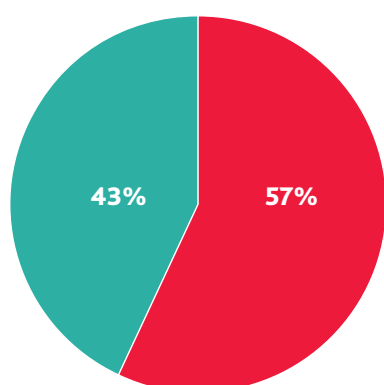
4.8 What action was taken after the fraud was discovered?

The results of the BDO not-for-profit survey 2010 indicate that only 43% of respondents who suffered a fraud reported the matter to the Police, which represents a decrease in comparison to the 41% of respondents who reported the fraud in the BDO not-for-profit survey 2008.

Chart 4.19: Comparative: Incidence of fraud reported to the Police

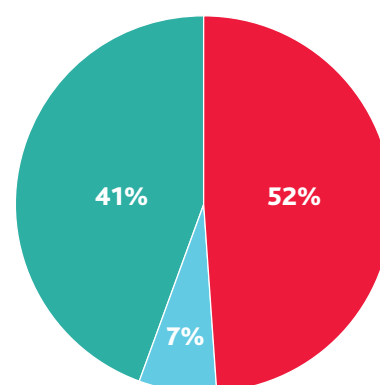
2010 response

- Incident not reported 57%
- Incident reported 43%



2008 response

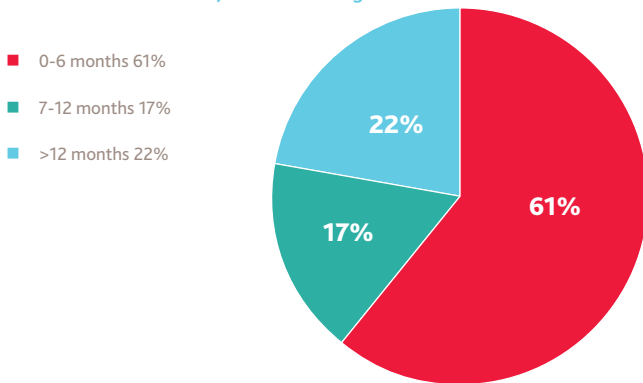
- Incident not reported 52%
- Incident reported 41%
- No response 7%



Some of the reasons respondents provided as to why the matter was not reported to Police include:

- "Difficult to identify the actual fraud and the benefit that was lost."
- "It was dealt with internally and repayment was organised."
- "The time and effort for the value of fraud was not worth it."
- "We operate in a small community, and the incident would have reflected badly on the rest of the person's family."
- "We involved our lawyer in the disciplinary procedure."

Chart 4.20: Duration of Police investigation



About two-thirds (61%) of the fraud incidents that were reported to the police were finalised within 6 months of the initial complaint being made. However, finalising the matter through the Court system takes much longer, with only 17% of reported cases being finalised with 6 months.

Time to finalise the matter in court

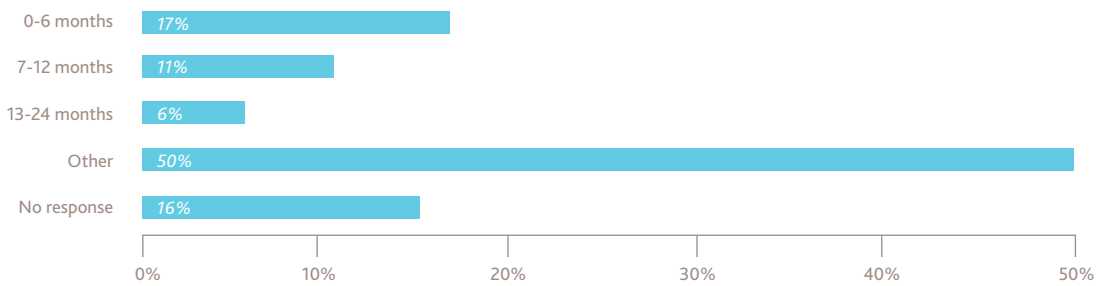
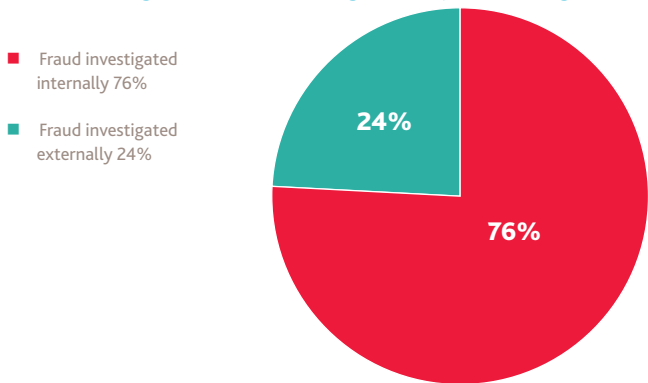


Chart 4.21 Time to finalise the matter through the Courts

The majority of reported frauds (76%) were investigated internally by the organisation. Of the frauds investigated internally, the majority of these (38%) were investigated by the CEO. Other parties involved in the investigation process included senior managers and board members.

Where the frauds were investigated externally, these were generally investigated by forensic accountants and police. Other external investigators included auditors and external accountants.

Chart 4.22: Organisations conducting internal fraud investigations



Internal fraud investigator

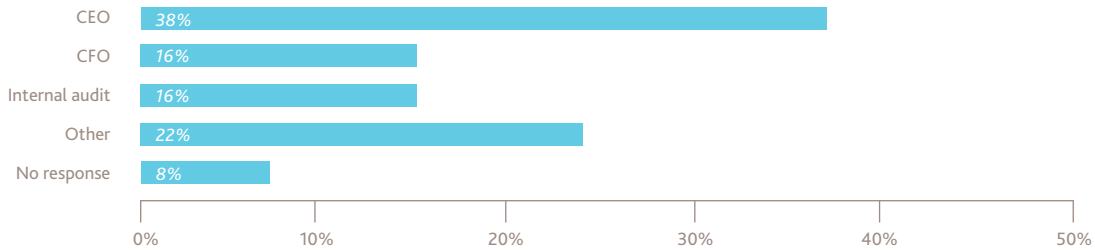


Chart 4.23: Internal investigators of fraud

It is interesting to note that 36% of organisations did not terminate the employment of the person who committed the fraud. This represents an increase in comparison to the BDO not-for-profit survey 2008, where it was found that 20% of organisation did not terminate the employment of the person who committed the fraud.

Employment of perpetrator terminated?

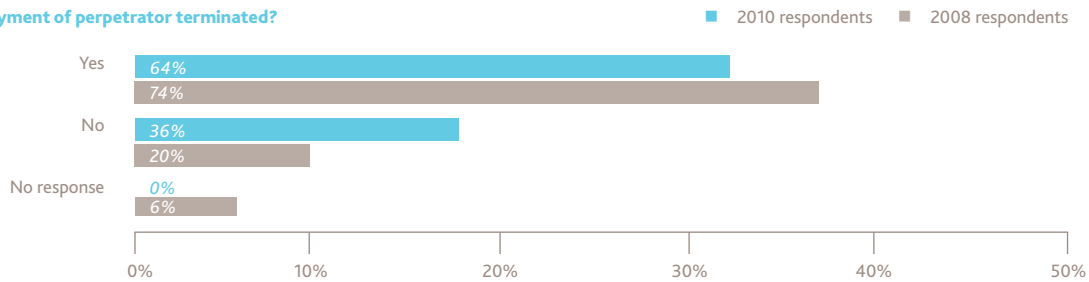


Chart 4.24: Comparative: Organisations who terminated the employment of the perpetrator

Some comments as to why there was no termination of the perpetrator include:

- "Offender was not identified."
- "The person directing the misuse of client funds had resigned while the matter was being investigated."
- "The fraudster was an external party - a contractor."
- "A written warning was given."
- "The individual was moved to another department so they would no longer handle cash."
- "Their wages are being garnished in order to repay the debt."

While each incident of fraud is unique, not terminating an employee can result in increased risk for not-for-profit organisations. By not terminating, an employee can potentially continue to commit fraud. This can also send the wrong message to other employees and volunteers that they can commit fraud with little or no consequences.

The amount of loss recovered from perpetrators is generally linked to the reason they have committed fraud in the first place. For example, a person who has a gambling problem will have minimal funds available due to their addiction.

In comparison, a person who commits fraud to maintain a lifestyle may have assets and funds that can be potentially utilised to recover the loss suffered by the organisation.

In 67% of reported cases, none of the loss was recovered by the organisation. However, 19% of the organisations that suffered fraud were able to recover between 76% and 100% of the funds.

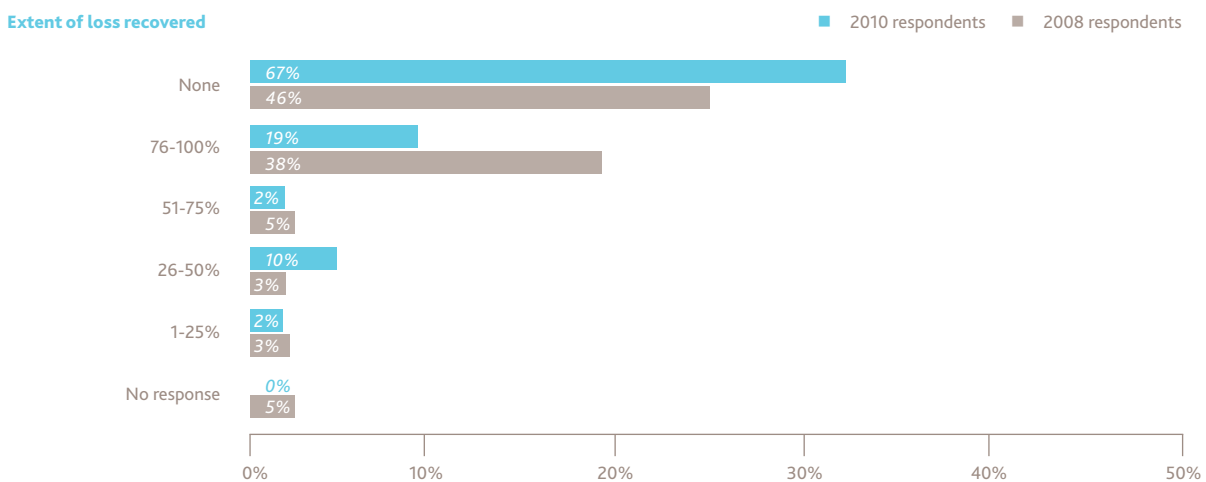


Chart 4.25: Comparative: Percentage of the loss recovered

4.9 Conclusion

This section addressed a specific case of fraud as experienced by not-for-profit organisations 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 characteristics of a typical large fraud in a not-for-profit organisation were identified as follows:

- Cash theft;
- Committed by a paid employee in his/her thirties or forties in a non-accounting role;
- No collusion involved;
- On average was \$26,132;
- Discovered by internal controls or a tip off;
- Discovered within ten months of the fraud occurring;
- The result of financial pressure or problems of the perpetrator; and
- Limited funds were recovered from the perpetrator.

4.10 A final word from our respondents

The actions taken by respondents varied. This can be seen from the comments made by respondents:

“A procedure was put in place to prevent the situation from happening again.”

“Staff members were very remorseful and know they will be dismissed if it happens again”.

“A full recovery of \$40,000 was received.”

“The person involved did not profit financially.”

“There was no clear evidence that the money was taken by one individual.”

A winter scene featuring silhouetted people walking on a snowy path. The sun is low in the sky, creating a bright glow and long shadows. Bare trees line the path, and the sky is a clear blue with a few wispy clouds. A red vertical bar is on the left side of the image.

5 FRAUD PREVENTION

THE IMPORTANCE OF FRAUD PREVENTION STRATEGY IS WELL DOCUMENTED IN THE BDO NOT-FOR-PROFIT SURVEY 2010, WHICH HIGHLIGHTS THE NEED FOR RISK MANAGEMENT STRATEGIES AS AN INTEGRAL COMPONENT OF ORGANISATIONAL STRATEGY.

The survey considered the importance of fraud prevention methods, including the types of fraud prevention methods organisations use and the link this has with perceptions of fraud both within the organisation and across the sector.

Unfortunately for many, responding after a fraud can have long-term ramifications on business operations such as fundraising and profile raising initiatives.

This section explores the types of fraud prevention measures in place by the sector and considers new approaches for managing fraud.

Key findings include:

- 87% of respondents assessed fraud prevention as important, very important or extremely important
- Strong internal controls (79%), ethical organisational culture (75%) and external audits (75%) were considered to be the primary factors in reducing the risk of fraud
- Of the respondents that reported fraud 40% had discovered the fraud through internal controls and 31% had discovered the fraud through tip offs
- 80% of respondents had reviewed internal controls over the past two years
- 24% of respondents have implemented a fraud control policy
- 13% of respondents have implemented a whistleblowers policy

Strong internal controls are imperative for any organisation, and it is pleasing to note the sector as a whole recognises the importance of such controls. This is evidenced by the fact that 79% of respondents considered internal controls to be the primary factor in reducing fraud, with 80% of respondents having reviewed internal controls over the past two years.

However, additional polices such as a fraud control policy or whistleblowers policy should not be under estimated. Such policies can provide employees and volunteers with an understanding of the organisation's stance on fraud, which can also help act as a deterrent measure.

5.1 Is fraud prevention important?

As discussed in Section 2 of this survey, 89% of respondents agreed that fraud was a problem for the sector. There also appears to be a direct correlation between the size, the turnover and the number of employees in an organisation, and whether that organisation determines fraud prevention to be important. As expected, organisations with larger turnovers considered fraud prevention as important.

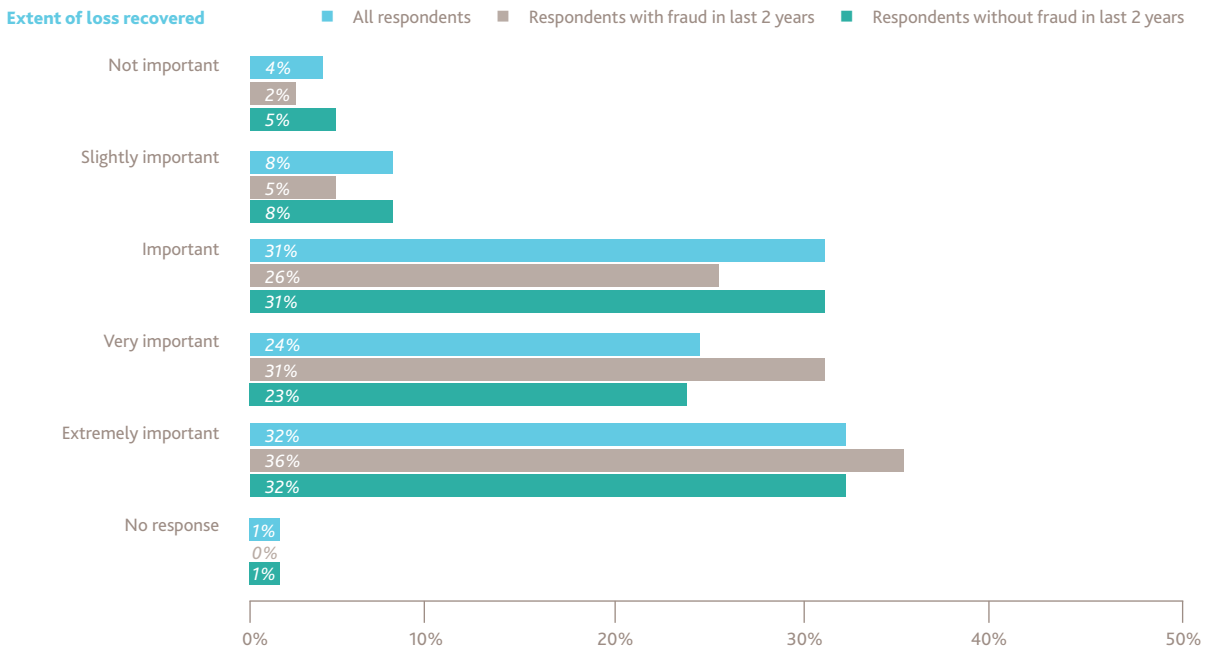


Chart 5.1: Perceptions of the importance of fraud prevention

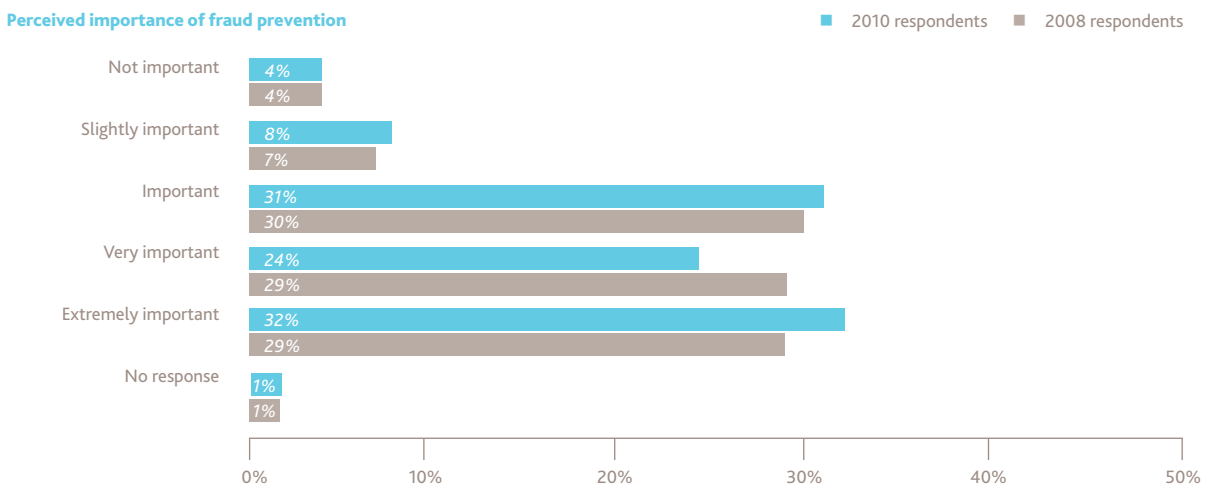


Chart 5.2: Comparative: Perceptions of fraud prevention

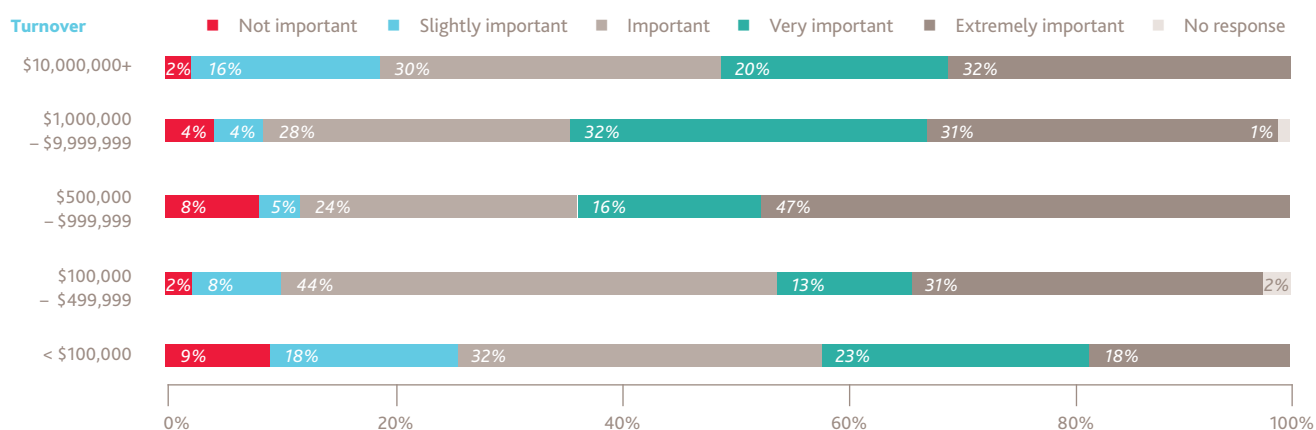


Chart 5.3: Ranking of importance by turnover

The majority of respondents (87%) assessed fraud prevention as important, very important or extremely important. Organisations that have suffered a fraud will generally place a high level of importance on fraud prevention as opposed to those organisation that have not suffered a fraud.

As noted in the BDO not-for-profit fraud survey 2008, there appears to be no direct correlation between the perception of fraud as a problem and the importance of fraud prevention when industry categories are considered.

INDUSTRY CATEGORY	NOT IMPORTANT	SLIGHTLY IMPORTANT	IMPORTANT	VERY IMPORTANT	EXTREMELY IMPORTANT	NO RESPONSE
Business & professional associations, unions	4%	4%	50%	25%	17%	0%
Culture & recreation	6%	12%	18%	32%	32%	0%
Development & housing	0%	0%	36%	43%	14%	7%
Education & research	9%	5%	24%	38%	24%	0%
Environment	20%	0%	20%	40%	20%	0%
Health	2%	14%	25%	15%	44%	0%
International	0%	25%	50%	25%	0%	0%
Law, advocacy & politics	0%	9%	55%	9%	27%	0%
Philanthropic intermediaries & voluntarism promotion	0%	0%	0%	33%	67%	0%
Religion	12%	12%	38%	13%	25%	0%
Social services	7%	6%	41%	22%	24%	0%
Other	2%	5%	20%	20%	50%	3%
Total	4%	8%	31%	24%	32%	1%

Chart 5.4: Importance of fraud prevention by category

5.2 What factors reduce the risk of fraud?

Strong internal controls (79%), ethical organisational culture (75%) and external audits (75%) were considered to be the primary factors in reducing the risk of fraud.

Interestingly, strong internal controls (74%), ethical organisational culture (74%) and external audits (70%) were also considered the primary factors in reducing the risk of fraud for the respondents of the BDO not-for-profit survey 2008.

Primary factors reducing the risk of fraud

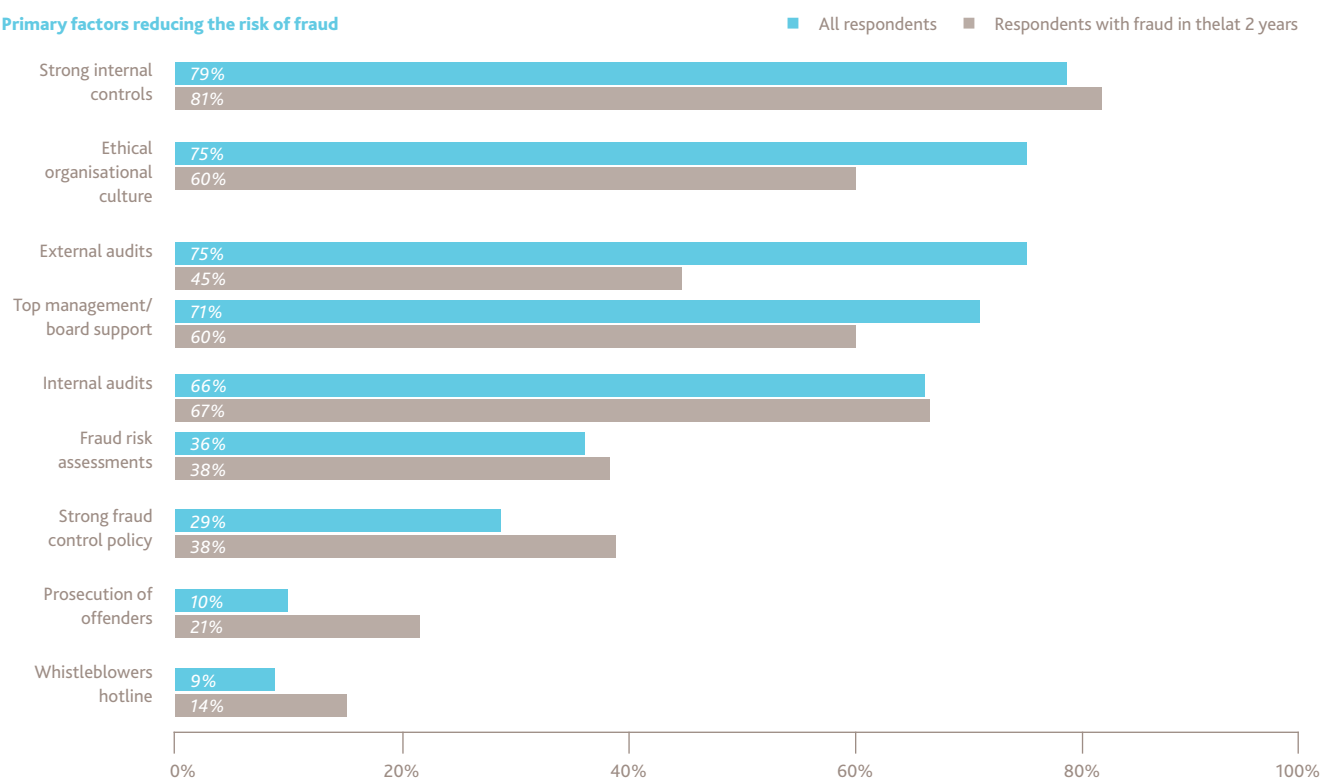


Chart 5.5: Primary factors reducing the risk of fraud

It is interesting to compare how frauds are actually discovered, with the methods implemented by organisations to reduce risk of fraud and to detect fraud.

	HOW FRAUD WAS DISCOVERED	METHODS USED TO CONTROL AND DETECT FRAUD
Strong internal controls	40%	79%
Tip offs	31%	9%
Internal audit	10%	66%
External audit	2%	75%

Chart 5.6: Methods to reduce risk and detect fraud

As seen in the above table, the majority of frauds suffered by respondents over the past two years were discovered by strong internal controls. Overall, 79% of respondents considered strong internal controls as the primary factor in reducing the risk of fraud.

Respondents also placed a high reliance on both internal audits (66%) and external audits (75%) in reducing the risk of fraud. However, it should be noted that of the respondents that had suffered a fraud in the past two years, only 10% of fraud was actually discovered by internal audit. A smaller percentage was discovered by external audit (2%).

This demonstrates that although the large majority of organisations place a high degree of reliance on internal and external audits to reduce the risk of fraud and discovering fraud, this does not occur with regularity. It should be remembered that audit procedures are not designed to detect all types fraud, but rather those fraudulent activities which could result in material mis-statements of the financial report.

Specifically, Australian Auditing Standard 240 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 also interesting to note the differing views and results in relation to tip-offs.

The trend emerging in this year's BDO not-for-profit survey and previous surveys demonstrates that tips-offs account for the large proportion of fraud discoveries (31%). Similarly, in the BDO not-for-profit survey 2008, 33% of fraud discoveries were discovered by tip-offs.

However, tip-off procedures (or whistleblowing services) are not commonly implemented as fraud prevention methods (9%).

Often, the most likely people to discover fraud are employees. The downside to this is that employees often feel uncomfortable or intimidated reporting these suspicions.

More often than not, the development of a whistleblowers policy is overlooked by organisations. It is important to note however, that the implementation of a formal whistleblowers policy (together with clear reporting channels), can encourage employees to report any suspected fraud within the organisation.

5.3 Do organisations have specific fraud related policies and assessments?

As noted earlier, the majority of respondents (87%) assessed fraud prevention as important, very important or extremely important. While it is pleasing to note that the large majority of organisations have a pro-active attitude toward fraud prevention, it is interesting to see the various policies and assessments that organisations are implementing in relation to fraud prevention.

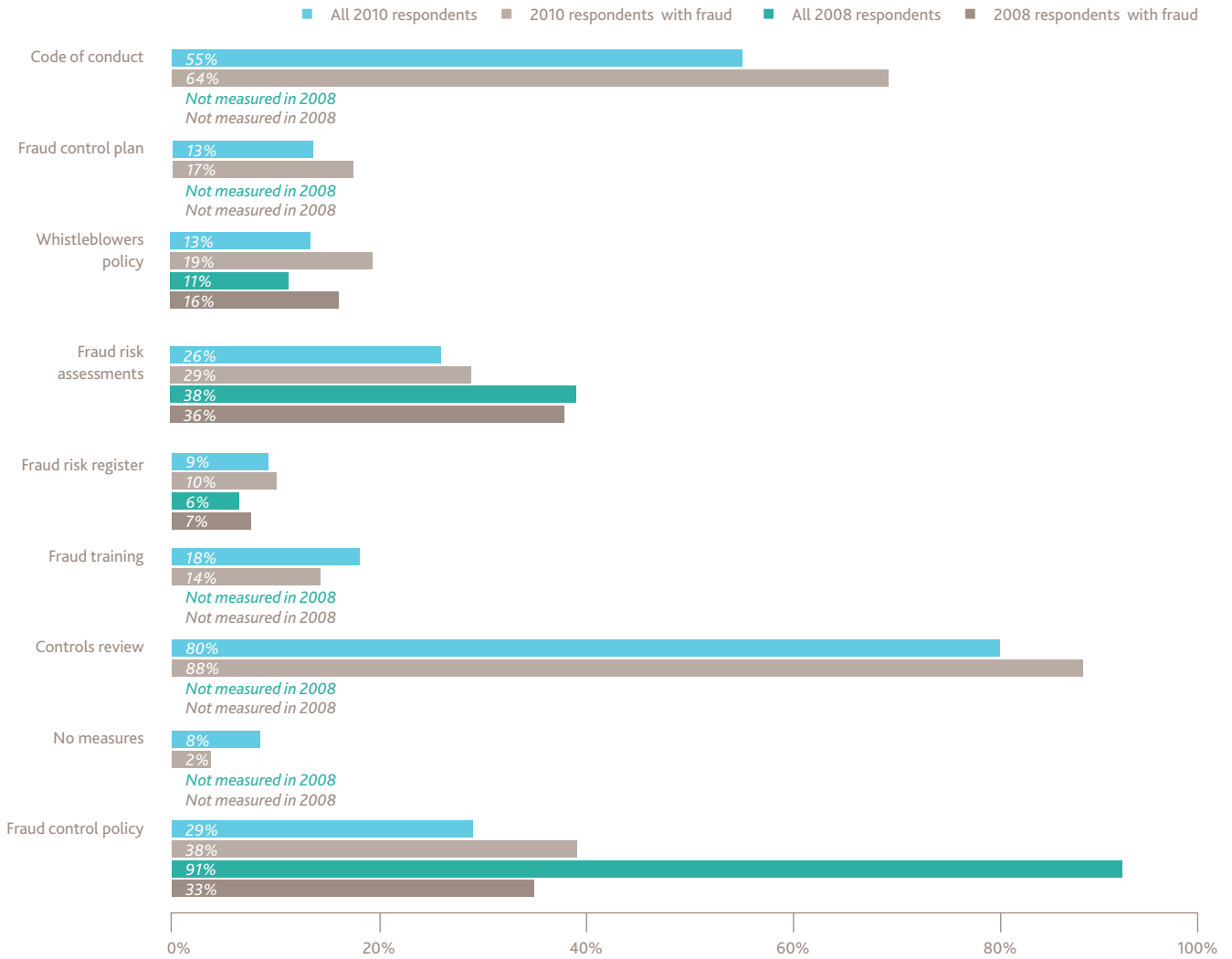


Chart 5.7: Comparative: Preventive measures implemented by respondents

5.4 Conclusion

As noted earlier, an ethical organisational culture (75%) was a primary factor in reducing the risk of fraud by respondents. However, as noted above only 55% of organisations had implemented a code of conduct.

While it is pleasing to note that 80% of respondents had reviewed internal controls in the past two years, overall the majority of organisations had not implement any other prevention policies or assessments such as a fraud control policy and whistleblowers policy which had only been implement by 24% and 13% of respondents respectively.

While strong internal controls are imperative for any organisation, having additional polices such as a fraud control policy or whistleblower policy can provide employees and volunteers with an understanding of the organisation's tolerance of fraud, which can help act as a deterrent measure.

5.5 A final word from our respondents

As can be seen in these results, there remains some resistance to implementing fraud control and other related policies and procedures. Our respondents provided some interesting comments, as follows:

“The organisation has strict internal controls which are regularly reviewed, but not from a fraud perspective.”

“All organisations need to take the possibility of fraud seriously.”

“As a larger size organisation that is geographically dispersed, there is a potential that our growth has possibly outpaced internal controls.”

“I am undecided whether fraud will become a greater issue because while fraud mitigation measures are improving, I believe there is an increased risk of fraud in the current and pending environments.”

“We undertake surprise fraud audits approximately every six months.”

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APPENDIX A

International classification of not-for-profit organisations:

Detailed table¹

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 of 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 artefacts 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.

¹ 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).

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, e.g. 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 people with disabilities. Services for people with disabilities; 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. Organisations 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, e.g. 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, e.g. 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, e.g. manufacturers' association, farmers' association and bankers' association.

11 200 Professional associations

Professional associations. Organisations promoting, regulating and protecting professional interests, e.g. 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**

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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 Kendalls 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 7 3210 2288, emailing info@nfpn.com.au or visiting www.nfpn.com.au



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