



## FRAUD POLICY and PLAN

### 1. INTRODUCTION

#### **Australian Foundation for the Peoples of Asia and the Pacific (Known as ACTION ON POVERTY)**

The Australian Foundation for the Peoples of Asia and the Pacific Limited (Action on Poverty) is an independent, secular, not for profit, non-governmental organisation (NGO). Founded in Australia in 1968, Action on Poverty was incorporated in the state of New South Wales in 1983. Action on Poverty works with partners and communities in Africa, Asia and the Pacific.

Action on Poverty is committed to supporting work that is of the highest standard, and in doing so, holds full accreditation with the Australian Government through the Department of Foreign Affairs and Trade (DFAT). Action on Poverty is a signatory to the Australian Council for International Development (ACFID) Code of Conduct, which requires high standards of corporate governance, public accountability and financial management to be in place.

**Action on Poverty's Vision:** A just world through community partnerships.

**Action on Poverty's Mission:** To be a leading agent for poverty alleviation through community based development.

### 2. BACKGROUND

**2.1** Action on Poverty regards and treats fraud seriously. It is committed to the highest possible standards of accountability, openness and transparency. Action on Poverty has a zero tolerance attitude towards fraud.

**2.2** The organization's fraud policy is established to facilitate the development of strong, robust and effective controls that will aid in the detection and prevention of fraud against Action on Poverty.

**2.3** It is the intent of Action on Poverty to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

### 3. SCOPE OF POLICY

**3.1** This policy applies to any fraudulent irregularity or suspected fraudulent irregularity, involving Action on Poverty and its partners', employees, Board members, consultants, vendors, contractors and/or any other parties with a business relationship with Action on Poverty. It should be

noted that the scope also extends to our partners' and any implementing organisations and groups.

**3.2** Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position / title, or relationship to Action on Poverty.

**3.3** It should be noted that mismanagement and contractual issues are different to fraud and fall outside the scope of this policy

#### **4. POLICY PRINCIPLES**

**4.1** Action on Poverty is committed to protecting public money and other resources from any attempt to gain by deceit financially or through other benefits. This includes bribery or being bribed.

**4.2** In this regard Action on Poverty

- Maintains a "zero tolerance" attitude against fraud. This applies whether funding has been provided by Action on Poverty or other donors;
- Requires that any case of suspected or detected fraud must be reported to the relevant Country Director and relevant senior Action on Poverty staff. If the suspected fraud relates to either of these positions, the detected fraud must be reported to a member of the relevant Governing body;
- Adopts a risk management approach to the prevention, detection and investigation of suspected fraudulent activity that is incorporated into its business process, management practices, internal controls and related activities;
- Supports internal and external processes for safe reporting of wrongdoing ('whistle blowing');
- Commits to training staff and partner organisations in ethics, privacy and fraud and bribery awareness activities; and
- Prosecutes or applies appropriate sanctions against those who have committed fraud.

#### **5. POLICY**

**5.1** All management and staff are responsible for the detection and prevention of fraud, misappropriation and other irregularities.

**5.2** Action on Poverty uses the Commonwealth Fraud Control Framework 2014 Definition of fraud. Which is: "dishonestly obtaining a benefit, or causing a loss, by deception or other means". Fraud includes legally defined dishonesty offences and also where benefits (tangible or intangible) reflect a misuse or misappropriation of funds or assets. Fraud is a criminal act involving a deliberate intention to deceive and behave dishonestly in order to receive a benefit.

**5.3** Fraud in all its forms is unacceptable to Action on Poverty because its occurrence would damage our reputation, with our supporters, partner governments, and others that we work with including the communities we serve. Fraud diverts donor funds from the intended purposes and intended beneficiaries of a development project.

**5.4** Any irregularity that is detected or suspected must be reported immediately to the relevant Senior Action on Poverty staff who will work with relevant staff to coordinate all investigations with appropriate authorities, both internal and external.

**5.5** Action on Poverty understands its obligations to donors and will act in accordance with these obligations in regard to the reporting of suspected and detected cases of fraud to the donor, the continuing investigation of

fraud cases and the legal pursuit of the fraudsters and recovery of stolen resources. If any staff member has any question as to whether an action constitutes fraud, contact the Action on Poverty Executive Director or Finance Director and relevant Country Director if it relates to a partner.

## **6. ACTIONS CONSTITUTING FRAUD**

### **6.1** Fraud refers but is not limited to:

- Any dishonest or fraudulent act including forgery, alteration, removal or destruction of documents, records and equipment.
- Theft, embezzlement, misappropriation or concealment of Action on Poverty property including money, supplies or other assets
- Impropriety in the handling or reporting of money or financial transactions including false claims by Action on Poverty or partner organization staff on costs not job related
- Disclosing confidential and proprietary information to outside parties
- Bribery such as promising or giving other advantages to another person, to induce or reward a person to perform improperly. Or agreeing to receive or accept a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly. This includes public officials, contractors, consultants, vendors or persons providing services/materials to the organization
- Inappropriate personal use of assets including vehicles and office equipment
- Blackmail or distortion`
- Issues which may arise from a potential or actual conflict of interests (refer Action on Poverty's Conflicts of Interests Policy)
- Any similar or related irregularity

## **7. INVESTIGATION RESPONSIBILITIES**

**7.1** The relevant senior Action on Poverty staff and the senior management staff of partner organisations have primary responsibility for the investigation of all suspected fraudulent acts as defined in this policy. The Action on Poverty Finance Director should be alerted immediately to any matters of fraud and will work with Action on Poverty staff to investigate these matters.

**7.2** If the investigation substantiates that fraudulent activities have occurred, the Action on Poverty Finance Director will alert the Executive Director who will provide reports to the Board Directors or relevant Board committees immediately.

**7.3** The Action on Poverty Finance Director will keep a detailed record of all fraud investigations.

**7.4** Decisions to prosecute or refer the investigation results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and Action on Poverty senior management and/or Board Directors and the senior management of partner organisations where appropriate.

## **8. CONFIDENTIALITY**

**8.1** Senior staff involved will treat all information received confidentially.

**8.2** Action on Poverty management or the senior management of partner organisations will provide an accessible, safe and discrete point of contact for anyone who alerts them of suspected instances of fraudulent activity.

**8.3** Any employee who suspects dishonest or fraudulent activity will notify the relevant senior Action on Poverty staff or senior management of partner

organisations immediately, and should not attempt to personally conduct investigations or interviews / interrogations related to any suspected fraudulent act.

- 8.4** Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the organization from potential civil liability. It is also to protect the person who has made a claim of suspected fraudulent activity

## **9. AUTHORISATION FOR INVESTIGATING SUSPECTED FRAUD**

- 9.1** The relevant senior Action on Poverty staff will authorize investigation of suspected fraud and either form an investigation committee or instruct the internal auditor (if there is one) to conduct the investigation.
- 9.2** Members of the investigation committee or the internal auditor will have:
- Free and unrestricted access to all organizational records and premises; and
  - The authority to examine, copy and/or remove all or any portion of the contents of files, or storage facilities without prior knowledge or consent of individuals who might use or have custody of such items when it is under the scope of their investigation.

## **10. REPORTING PROCEDURES**

- 10.1** Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. Care is also required to protect the person who has made the allegation.
- 10.2** Any person who discovers or suspects fraudulent activity should notify the Action on Poverty Executive Director and relevant partner Country Director/CEO immediately. The employee or other complainant may remain anonymous.
- 10.3** The Action on Poverty Executive Director will inform the Action on Poverty Finance Director and the Action on Poverty Board or Ethics committee as appropriate
- 10.4** The relevant senior Action on Poverty staff have primary responsibility for the investigation of all suspected fraudulent acts as defined in this policy. The Action on Poverty Finance Director should be alerted immediately to any matters of fraud and will work with Action on Poverty staff to investigate these matters.
- 10.5** If the investigation substantiates that fraudulent activities have occurred, the Action on Poverty Finance Director will alert the Executive Director who will provide reports to the Board Directors or relevant Board committees immediately.
- 10.6** The Action on Poverty Finance Director will keep a detailed record of all fraud investigations.
- 10.7** In any case of alleged, suspected or detected fraud, notification must be given immediately to the relevant donor.
- 10.8** All enquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the investigation committee. No information containing the status of the investigation will be given out.
- 10.9** The proper response to any inquiries is: "I am not at liberty to discuss this matter". Under no circumstances should any reference be made to "the allegation", "the crime", "the forgery" or any other specific reference.

- 10.10 The reporting individual should be informed of the following:
- Do not contact the suspected individual in an effort to determine facts or demand restitution
  - Do not discuss the case, facts, suspicions or allegations with anyone unless specifically asked to do so by the investigation committee or auditor.
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#### **11. TERMINATION**

- 11.1 If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the appropriate Human Resource Officer and if necessary, by outside counsel, before any such action is taken. The investigation committee does not have the authority to terminate an employee. The decision to terminate an employee is made by the employee's management.
- 11.2 Should the investigation committee believe the management decision inappropriate for the facts presented, the facts will be presented to the Board or other senior staff for a decision.
- 11.3 If the fraud has occurred in a partner organization (and/or our partner's implementing organisations or groups) Action on Poverty reserves the right to terminate the grant or other monetary source given to the partner regardless of whether the fraud has occurred in the funds provided by Action on Poverty.

#### **12. ADMINISTRATION**

- 12.1 Action on Poverty senior management staff are responsible for the administration, revisions, interpretation and application of this policy. The policy will be reviewed annually.
- 12.2 The leadership of all partner organizations receiving funding from Action on Poverty are responsible for the application of the policy within their organizations.
- 12.3 Action on Poverty senior management will update partners on any changes to the policy during its regular meetings and/or monitoring visits.
- 12.4 Partner organization will acknowledge their acceptance of the fraud policy as part of the grant agreement with Action on Poverty.

DRAFT Fraud Policy developed in January 2013 for Board consideration  
Revisions made to policy in line with Board discussions on 15 May 2013  
Board Approval granted: DATE:

REVISION DUE JUNE 2014

Reviewed by Finance Director No revisions made at June 2014

REVISION June 2015

Revision by Finance Director, minor updates made

REVISION and updated by International Program Director and Finance Director  
June 2016

DUE FOR REVISION June 2017

