



Partners in Aid

Financial Wrongdoing Policy and Procedures

1. Background

As part of the process of maintaining public trust, Partners in Aid is committed to achieving fair, well-informed decision-making that, *inter alia*, carefully assesses the risk of fraud and takes steps to avoid any fraud occurring in the course of the internal operations of Partners in Aid or the implementation of PIA-supported projects in the countries with which PIA is involved.

It is recognized that the risk of financial wrongdoing, which includes fraud, corruption, bribery, money laundering, terrorism financing and sanctions violations, may vary across country, sector and project, depending on such variables as type of project, the level of aid dependency in the recipient country, and the state of the overall governance environment and general corruption level. It is also recognized that at the project level, risks vary according to the type of project, choice of partners implementing mechanisms and systems for fraud detection. Accordingly, this and the related documents referred to below pay particular attention to the assessment of risks and the development of strategies for prevention, detection and control of financial wrongdoing. Equally important, are the anti-fraud and corruption provisions incorporated into the Project Policy and Procedures and the Partnership Policies and Procedures, including the Partnership Agreements.

2. Scope

This Policy applies to all Board members and volunteers involved in project, partnership or organisational decision-making roles (e.g. Project Coordinators, Sub-committee members, special advisors). The policy also extends to Partners in Aid project partners and associated implementing organisations. Partners in Aid must ensure that all those to whom this policy applies are aware of the ACFID and DFAT governance standards, and that they disclose any actual or perceived evidence of fraud that may be detected.

3. Purpose

The purpose of this policy is:

- help Partners in Aid manage financial wrongdoing and highlight emerging financial wrongdoing risks;
- to ensure all occurrences of financial wrongdoing are reported and addressed promptly, and

- to ensure that all Partner Organizations are aware of possible risks of financial wrongdoing in their projects supported by PIA and take positive steps to manage such risks.

4. Definitions

- **Bribery** – the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages.
- **Corruption** – the abuse of entrusted power for private gain.
- **Counter-terrorism** – the practice, techniques and strategy used to combat or prevent terrorism.
- **Financial Wrongdoing** – behaviour that is illegal or immoral with regards to financial transactions. Includes bribery, corruption, fraud, money-laundering, terrorism financing and violation of sanctions imposed by the Australian government.
- **Fraud** – Dishonestly obtaining a benefit, or causing a loss, by deception or other means.
- **Money Laundering** – the process of concealing the origin, ownership or destination of illegally or dishonestly obtained money and hiding it within legitimate economic activities to make them appear legal
- **Terrorism Financing** – intentionally providing or collecting funds and being reckless as to whether those funds would be used to facilitate or engage in a terrorist act.
- **Whistleblower** – A member of staff, volunteer, contractor or partner who reports suspect wrongdoing, including suspicion of fraud, misuse of resources, neglect of duties or a risk to health and safety

5. Aspects of PIA Policy Framework Relevant to Financial Wrongdoing Prevention

1. Responsibilities and performance expectation of all Board members and Sub-committee members are clearly articulated in the document outlining Organizational Structure.
2. In addition to the policy and procedures outlined here, a number of Partners in Aid's policies and procedures contain clauses intended to prevent fraud, including its:
 - Fund-raising Policy and Procedures;
 - Financial Policy and Procedures
 - Conflict of Interest Policy and Procedures, and
 - Whistleblower Policy and Procedures.

All policies and procedures have been approved at the Board level and each has a

scheduled review date. Policies and procedures and any updates are circulated to all Board and Sub-committee members in a timely manner. Links to these policies and procedures are available on the Partners in Aid website. All Board and Subcommittee members and other volunteers are required to sign acknowledgement that they have read and agree to abide by these policies and procedures.

6. Internal Risk Assessment and Strategies for Prevention: a) Internal Fraud

IDENTIFIED RISK	LIKEHOOD	SIGNIFICANCE	FRAUD RESPONSE
Reporting and internal financial control insufficient to prevent possible fraud, mismanagement of funds or failure to meet Australian sanction laws	Low	High	<ul style="list-style-type: none"> • All PIA Board members handling PIA funds are required to have a police check every two years • Two signatures required on any cheque / bank withdrawal/ transfers over \$500 • The Board to be kept apprised of the financial status of the organisation with regular reporting throughout the year • The accounts and physical financial records of PIA to be handed to the authorised accountant for review and audit annually at a time that allows for the timely return prior to the Annual General Meeting • The accountant/auditor shall prepare the Annual Financial Reports, which will comply with company law requirements • The treasurer in conjunction with the auditor shall prepare the reports required to comply with the ACFID code of conduct Financial Reports • The Annual Financial Reports shall be presented at the Annual General Meeting and be made available for viewing on the Partners in Aid website, and all supporters and members shall have access to a copy should they request it. • At the AGM a motion must be passed to approve the auditor/accountant for the coming financial year. • Treasurer's expenditure without Board approval limited to \$1,000. • All disbursements to overseas projects must first be reviewed by the Project Sub-committee, then approved by the Board.

After disbursement to partner organization, funding diverted to terrorist organizations, persons or entities subject to targeted financial sanctions under the Australian sanctions list, or used for money laundering purposes	Low	High	<ul style="list-style-type: none"> • Project Directors practise due diligence with monitoring financial arrangements during visits to Partner Organizations.
Inadequate due diligence before signing Partnership Agreements	Low	High	<ul style="list-style-type: none"> • Before undertaking any new partnerships with overseas organizations, review and ensure that funding recipients are acceptable risks with respect to fraud according to: <ul style="list-style-type: none"> ○ Australian National Security Listed Terrorist Organisations ○ DFAT's Consolidated List ○ Current anti-laundering legislation, and ○ the DFAT Consolidated List of targeted financial sanction against persons and entities ○ The Asian Development Bank's Sanction List ○ World Bank Listing of Ineligible Firms and Individuals
Partners improperly use donated funds	Low	High	<ul style="list-style-type: none"> • All Partnership Agreements and Project Contracts will include financial wrongdoing clauses
Allocation of money to projects other than those for which money donated, other than in exceptional circumstances and with the written consent of the donor	Low	Moderate	<ul style="list-style-type: none"> • No money is disbursed to the Partner Organizations without prior discussion in the Project Sub-committee and subsequent Board approval
Member's conflict of interest affects Board decision/s	Low	Low	<ul style="list-style-type: none"> • At each Board and Sub-committee meeting, members are asked to disclose any conflict of interest • A Conflict of Interest Register is kept • A process for handling conflicts of interest is outlined in the Conflict of Interest Policy and Procedures.

External Risk Assessment and Strategies for Prevention: b) Project Fraud

Preliminary general assessment to be carried out prior to signing Partnership Agreement with new Partner Organizations:

1. In general, how prevalent is fraud in the region in which the Partner Organization operates?
2. If prevalent, who are the main perpetrators of fraud (government officials, contractors, etc)?
3. What is the level of separation between main perpetrators of fraud, in any, in the region and the proposed partner organization? To what extent can the proposed partner control this separation, and how?
4. Is proposed partner organization a reputable entity?
5. Has the proposed partner organization systems in place to manage funds?

These issues must be discussed with the potential partner organization in the course of any partnership / project appraisal.

IDENTIFIED RISK	LIKELIHOOD	SIGNIFICANCE	FRAUD RISK RESPONSE
Frequent use of computer, stationary, phone etc for personal use	Moderate	Low	Ensure such costs are explicit in financial acquittals, and check that they appear reasonable for task at hand
Theft of items of equipment purchased for project use	Low	Moderate	Maintenance of asset register with serial number of each item recorded. Register to be checked in course of PIA field visits
Use of some of the remitted funds for purpose other than that designated	Moderate	Moderate	<ul style="list-style-type: none"> • Project reports must account for all expenditures against agreed budget lines. • Key Performance Indicators must be clearly stated in a proposal, and their ongoing achievement monitored during field visits by Project Co-ordinators
Printed matter attributes project funding to local politician/s	High (depending on country)	Low	If monitoring visits suggest that this might be happening, discuss whether it can be avoided and request copies of all future posters, leaflets, etc
Inflated travel and other expenses incurred by personnel of Partner Organization	Low	Low	Ensure such costs are explicit in financial acquittals, and check that they appear reasonable for task at hand
Collusion between Partner Organization and external suppliers (e.g suppliers of cement where construction involved)	Low	High	Project Coordinator to check for any conflict of interest during monitoring visits
Falsification of documents such as receipts	Moderate	Moderate	All Partner Organizations are expected to have the accounts

			of PIA-funded projects independently audited annually
Participation in bribery/facilitation	Low	High	<ul style="list-style-type: none"> • All Partner Organizations are expected to have the accounts of PIA-funded projects independently audited annually • Anti-fraud and corruption clauses in any MOU • Review of financial reports submitted by PO against initial budgets, taking into account any agreed contract variations.
Children for education sponsorship are not being selected in accordance with project criteria or profiles sent to PIA are misleading	Moderate	High	Meet with some children and parents to ensure that the selection of the children is in accordance with PIA guiding principles. Carry out a quick random check of updates to the case profiles for some children and ensure that updates form a consistent pattern (e.g. ages of children increase by one year annually)
Training per diems, if generous, are open to abuse resulting in people for whom training is not relevant attending, or people disappearing in the course of training each day			Careful records of attendance with counts of attendees after any major breaks. Prior agreement on who will benefit the most from the training, and ensuring that those are the only people invited to participate.
<p>General – (i) Ensure of key Partner Organization personnel are aware of what behaviour is unacceptable with respect to use of PIA funds and / or implementation of projects supported by PIA.</p> <p>(ii) Encourage and support civil society participation at all levels of design, implementation, etc as this can cut across all anti-corruption practices.</p>			

7. Handling of identified incidences of financial wrongdoing

In event of financial wrongdoing being detected in relation to the internal operations of PIA, the PIA membership of the responsible party or parties will be revoked. When a criminal offence may have been committed, the incident shall be reported to the police for investigation.

Any concerns raised about the possibility of fraud occurring will be fully investigated by the Board. Strict confidentiality will be maintained with respect to both the whistle blower and the accused party/parties until such time as a decision has been reached about whether fraud has occurred, and if, so, the severity of such fraud.

In event of fraud being detected in relation to the implementation of projects overseas, this will be discussed with the Partner Organization. If the outcome of the Partner Organization's response to the concern is not considered satisfactory, financial support may be withdrawn. The Partner Organization would be expected to report any major incidence of financial wrongdoing to the local police.

References

Department of Foreign Affairs and Trade. *DFAT Fraud Control Toolkit, Version 1.2*. November 2018

Anti-corruption Resource Centre. *Examples of anti-corruption clauses in cooperative agreements*.

https://knowledgehub.transparency.org/assets/uploads/helpdesk/239_Anti-corruption_clauses_in_cooperation_agreements.pdf

