

3.0 Policies related to Hagar Australia Finances

3.12 Policy on Fraud and Corruption

1. Purpose

Hagar Australia has a zero-tolerance approach towards fraudulent and corrupt activity or behaviour. We are committed to the responsible stewardship of the resources entrusted to us and we strive to conduct all aspects of organisational and program management in a transparent and accountable manner to support good governance.

The purpose of this policy is to articulate Hagar Australia's commitment to prevent all forms of fraud, bribery and corruption from occurring in our operations and the projects we support. This policy communicates clear expectations regarding financial wrong-doing to Board members, staff, volunteers, project partners, affiliated entities, supporters and consultants. As an agency supported by Australian Government grants and a signatory to the Australian Council for International Development's (ACFID) Code of Conduct, this policy is consistent with the *Fraud Policy Statement* of the Department of Foreign Affairs and Trade (DFAT), as well as ACFID's Code of Conduct.

Hagar Australia acknowledges that the developing countries in which it works are inherently difficult environments with, often, weak governance arrangements and attitudes towards accountability and transparency different to those in Australia. The paying of bribes encourages corruption, which, like fraudulent acts, is something that can further harm those already disadvantaged by diverting goods, services and opportunities away from them. It also is considered a high risk that such actions will prevent the objectives of Hagar's programs being achieved. For this reason, Hagar Australia has systems and procedures in place to protect public and donated funds from financial wrong-doing both in Australia and in the countries where it supports projects.

This policy and its procedures provide a framework for the prevention, detection, reporting and management of fraudulent and corrupt activity or behaviour within Hagar Australia, and its partners.

2. Scope

This policy applies to:

- (a) All staff and volunteers;
- (b) All members of the Board and sub-committees;
- (c) All project partners and affiliated entities, such as Hagar International;
- (d) All individuals who are engaged in providing services to Hagar or receiving services from Hagar, such as service providers, contractors or consultants.

3. Definitions

Financial wrong doing: includes activity and behaviour that can be defined as bribery, corruption, fraud, money laundering and terrorism financing. *Please refer to HAUS' policy on Anti-Money Laundering and Terrorism.*

Policy Approved by Hagar Australia Board – 24 July 2019

Bribery: The offering, promising, giving, accepting or soliciting of money, gifts or other advantage as an inducement to do something that is illegal, where a payment is not legitimately due, where it is offered with the intention of influencing a person in the exercise of their duties, or where it is a breach of trust in the course of carrying out an organisation's activities.

Corruption: The misuse of entrusted power for private gain.

Fraud: Dishonestly obtaining a benefit, or causing a loss, by deception or other means (*Commonwealth Fraud Control Guidelines 2011* and *DFAT Fraud Factsheet, 2015*). This definition extends beyond the legal definition of fraud to include benefits obtained that can be both tangible and intangible. It thus encompasses activities or behaviours broader than the misuse or misappropriation of monies or assets. Examples of fraud include:

- (a) Misappropriation of funds
- (b) Altering documents
- (c) Falsifying signatures
- (d) Misuse of Hagar assets
- (e) Providing false information to Hagar Australia and its entities
- (f) Unauthorised disclosure of confidential information
- (g) Theft of funds or assets
- (h) Bias, cronyism or nepotism

Project Partners: Any organisation or Hagar International Program Office with whom Hagar Australia holds a signed contract or Memorandum of Understanding.

4. Policy Statement

It is Hagar Australia's policy not to support, directly or indirectly, or be a party to, deals of any kind obtained by means of the payment or receiving of bribes or of any form of fraud, corruption or coercion.

Hagar Australia recognises that the management of fraud and corruption is an integral part of good governance and management practice, and adopts the principles of *Fraud and Corruption Control* and the *Crime and Corruption Act 2001*. Hagar Australia will engage a rigorous process of organisational and project management to ensure transparency and accountability in its dealings with other parties.

HAUS promotes a culture of honesty, integrity and trust and will ensure the effective prevention, detection and management of financial wrong-doing at all stages of its operational cycle.

All credible allegations of fraud involving Hagar Australia or its project partners will be investigated and appropriate steps will be taken in response.

All cases of financial wrong-doing will be handled in a confidential, prompt and professional manner.

Any individual reporting a fraud or corrupt behaviour, or a suspected fraud or corrupt behaviour, in good faith, shall not be penalised for raising a concern of this nature. *Please refer to Hagar Australia's Whistle-Blowing policy.*

Financial wrong-doing, regardless of who this is committed against, will constitute misconduct and will be grounds for dismissal. It may lead to actions to recover any losses sustained by HAUS as a result of such wrong-doing (including referral to law enforcement authorities).

Any fraud found to be committed by a project partner may result in funding being discontinued for those projects managed/delivered by those partners.

5. Procedures

5.1 Prevention Procedures

5.1.1 Within Australia

- 5.1.1.1 All Hagar Australia staff, volunteers, Board members and contractors will be made aware of this policy and their responsibility to prevent, detect and report financial wrong-doing to the Chief Executive Officer (CEO) or, in their absence, the Chair of the Board.
- 5.1.1.2 All Hagar Australia staff, volunteers and Board members will receive appropriate awareness, guidance and, where required, training to help them recognise and manage financial wrong-doing as part of their induction as well as in performance discussions.
- 5.1.1.3 Hagar Australia will have in place appropriate and effective internal control systems for the prevention, detection, reporting and management of financial wrong-doing. These internal systems include, but are not limited to, financial, administrative, human resourcing, information communication technology, fundraising and program management.
- 5.1.1.4 The risk of fraud and corruption will be regular monitored by the Hagar Australia Board as part of its fiduciary responsibilities and incorporated into Hagar Australia's Risk Register.
- 5.1.1.5 Hagar Australia's agreements with partners and contractors will clearly set out the requirements to protect funds from financial wrong-doing and to not engage in any activity or behaviour that could be construed as fraudulent or corrupt.

5.1.2 Overseas

- 5.1.2.1 Hagar Australia will verify the financial management capacity of its project partners through the completion of Partner Profile Agreements. This will include requesting copies of partners' organisational financial management, fraud and corruption policies where they exist.
- 5.1.2.2 Hagar Australia's project partners will be made aware of Hagar Australia's Fraud and Corruption policy and procedures and the responsibility of project partners to prevent, detect and report financial wrong-doing.

5.1.2.3 Hagar Australia's agreements with project partners will clearly set out the requirements to:

- (a) protect funds from financial wrong-doing and to not engage in any activity or behaviour that could be construed as fraudulent or corrupt; and
- (b) report and investigate suspected incidences of financial wrong-doing.

5.1.2.4 Hagar Australia's staff will provide information and/or training to project partners relating to any grant restrictions or financial wrong-doing reporting processes specified by donors.

5.1.2.5 HAUS will work with its project partners to conduct screening of staff, volunteers, board members and other key personnel in accordance with DFAT and ACFID requirements to prevent financial wrong-doing.

5.2 Reporting and Detection Procedures

5.2.1 Wherever and whenever an individual has an honest and reasonable belief that a member of staff, volunteer, Board member or project partner may have engaged in, is engaging in or will engage in a fraudulent or corrupt conduct, that individual should report their reasonable belief to Hagar Australia's CEO or, in their absence, the Board.

5.2.2 A report made in accordance with 5.2.1 should be made within five days of forming the reasonable belief.

5.2.3 A report made in accordance with 5.2.1 must be made in good faith and be as detailed as possible.

5.2.4 Wherever possible, a report made in accordance with 5.2.1 should be made in writing. Where a report is made verbally, Hagar Australia commits to recording the report to writing.

5.2.5 A report made in accordance with 5.2.1 can be made anonymously by emailing supporter.care@hagar.org.au or by any other means which protect anonymity.

5.2.6 All reports made in accordance with 5.2.1 will be treated confidentially and seriously. Hagar commits to building an organisational culture and practices in which anyone may report suspicion of fraud in good faith without fear of retaliation.

5.2.7 Hagar Australia may also identify fraudulent or corrupt activity or behaviour through the systems and regular checks it has established across governance, financial and program management. In addition, specific procedures to identify wrong-doing and management override of controls are undertaken on an annual basis as part of the independent,

external audit and any incidents, suspicions or risks of wrong-doing are communicated to the Board.

- 5.2.8 Hagar Australia will maintain a register of all reports made in accordance with 5.2.1 and all fraudulent or corrupt activity identified or suspected in accordance with 5.2.7 and the actions taken to respond appropriately.
- 5.2.9 Hagar Australia will report any suspicions, allegations or investigations of fraud or corruption within a particular project to the key donor(s) for that project and, where relevant, in accordance with individual grant agreements.
- 5.2.10 Where a suspicion, allegation or investigation of fraud or corruption relates to a project funded by the Department of Foreign Affairs and Trade (DFAT), Hagar Australia will report to DFAT and other relevant authorities within five days of becoming aware of the suspicion, allegation or investigation and will ensure is project partners are made aware of this obligation. In such circumstances, funding to the project partner will cease immediately until the investigation is resolved.
- 5.2.11 Hagar Australia will report incidents of fraud and corruption to ACFID as part of its regular reporting on the Code of Conduct.

5.3 Response Procedures

5.3.1 Within Australia

- 5.3.1.1 When fraud or corruption is suspected, reported or identified, Hagar Australia's CEO is responsible for ensuring an appropriate investigation and response. Where the CEO is implicated, this responsibility vests in the Chair of the Board.
- 5.3.1.2 The CEO or Board Chair may appoint an investigation lead with the appropriate experience, understanding and independence to lead the investigation. The CEO or Board Chair may also appoint a small investigation team to support the investigation lead.
- 5.3.1.3 Investigations will be thorough and efficient, with a focus above all on the seriousness of any allegation, suspicion, report or incidence of fraud or corruption.
- 5.3.1.4 The investigation lead and, where relevant, the investigation team will make every effort to:
 - (a) Protect the anonymity of those reporting suspicions, allegations or incidents of fraud or corruption where anonymity has been sought;
 - (b) Gather all relevant evidence and engage with relevant stakeholders;

- (c) Determine the veracity of the suspicion, allegation or incident of fraud or corruption.
- 5.3.1.5 During the investigation, the investigation lead will regularly report their findings and any recommended responsive actions to the CEO or Chair, with a final report to be provided at the conclusion of the investigation.
- 5.3.1.6 At the conclusion of each investigation, the CEO or Chair will determine whether any fraud or corruption has occurred or was likely to occur and will report this determination to the Board.
- 5.3.1.7 Where the CEO or Chair determines that fraud or corruption has occurred or was likely to occur, the CEO or Chair will recommend appropriate responsive action to the Board and the Board will ultimately determine the appropriate response. Depending on the circumstances of the case, this may include but is not limited to:
 - (a) Reporting the fraud or corruption to the relevant authorities;
 - (b) Reporting the fraud or corruption to relevant donors and partners;
 - (c) Disciplinary proceedings against employees determined to have engaged in fraud or corruption.
 - (d) The termination of Board Directors determined to have engaged in fraud or corruption;
 - (e) The dismissal of volunteers determined to have engaged in fraud or corruption;
 - (f) The ending of contracts or agreements with project partners, contractors or service providers determined to have engaged in fraud or corruption;
 - (g) Ceasing or suspending funding to project partners determined to have engaged in fraud or corruption;
 - (h) Action to recover losses sustained as a result of fraud or corruption.
 - (i) Strengthening systems, safeguards and procedures to guard against further fraud or corruption.
- 5.3.1.8 The CEO or Chair will be responsible for implementing the response and will report regularly to the Board until all actions have been completed, at which time the Board may decide to close the case.
- 5.3.1.9 Where the CEO or Chair determines that fraud or corruption has not occurred, was not likely to occur or there is insufficient evidence to mount a case, the CEO or Chair may recommend further actions to Board or may recommend that the investigation be closed.
- 5.3.1.10 When the Board decides to close an investigation, the parties to the investigation will be notified. Where the investigation relates to an allegation against an employee, the employee's file will not contain any record of the allegation, investigation or report.

5.3.2 Overseas

- 5.3.2.1 Where a suspicion, allegation, report or incidence of fraud or corruption occurs within a project partner or relates to one of a partner organisation of that project partner, Hagar Australia will, wherever appropriate support the project partner to lead the investigation in accordance with its local policies and procedures, provided this also satisfies Hagar Australia's responsibilities.
- 5.3.2.2 In some circumstances, Hagar Australia may request to participate in the investigation or undertake its own investigation.
- 5.3.2.3 In the circumstances outlined in 5.3.2.1, Hagar Australia will request the project partner to report to it on the findings of the investigation and any responsive action the project partner plans to undertake. This report will be considered by the Hagar Australia Board, which will then determine whether further action is required by Hagar Australia. Such further action may include but is not limited to:
- (a) Ceasing or suspending funding to the project partner;
 - (b) Action to recover losses sustained as a result of fraud or corruption.
 - (c) Strengthening systems, safeguards and procedures to guard against further fraud or corruption.
 - (d) Ensuring that incidences of fraud and corruption are reported to relevant authorities and donors, as appropriate.
 - (e) Ensuring suspicions, allegations, reports and incidents of fraud and corruption in DFAT-funded projects are reported to DFAT within five days.

5.4 Learning Procedures

- 5.4.1 Hagar Australia will maintain a register of all reports, investigations and incidents of fraud and corruption, summarising the investigation and actions taken in response.
- 5.4.2 Wherever fraud or corruption has occurred, Hagar Australia will consider whether there is a need to further strengthen its policies, practices, systems, financial and program management frameworks, recruitment, induction or training based on the circumstances of the case and what can be learnt from it.
- 5.4.3 Wherever fraud or corruption has occurred within a project partner or relates to a project funded by Hagar Australia, Hagar Australia will work with the project partner to determine whether there is a need to further strengthen the policies, practices, systems, financial and program management frameworks, recruitment, induction or training or the project partner based on the circumstances of the case and what can be learnt from it.
- 5.4.4 Hagar Australia will work with the global Hagar Quality Assurance Working Group to ensure that learning from examples of fraud and corruption are fed back into the review and strengthening of global policies and procedures.

- 5.4.5 HAUS will contribute to on-going efforts in the NGO sector in Australia to mitigate and manage fraud and corruption through collaboration with ACFID members and other similar organisations.

6 Roles and Responsibilities

- 6.1 Hagar Australia’s Board of Directors has ultimate responsibility for the prevention and detection of financial wrongdoing and for ensuring that appropriate internal control systems are in place.
- 6.2 The Treasurer is responsible for oversight of the internal control environment.
- 6.3 The CEO is responsible for ensuring that the internal control environment is effective. The CEO is responsible for managing the investigation process, including the appointment of the investigation team, fulfilling obligations to report the fraud or corruption to donors and external bodies (in consultation with the Board), and determining the appropriate response, including any disciplinary action. If the CEO is implicated in the financial wrongdoing, this responsibility reverts to the Chair of the Board.
- 6.4 The Chief Financial Officer (CFO) is responsible for the design of the internal control environment to ensure that financial wrongdoing is prevented.
- 6.5 All staff, volunteers, Board members, project partners and other key personnel are responsible for: ensuring that they are familiar with and comply with the Fraud and Corruption Policy and Procedures; conduct themselves with integrity and avoiding fraud and corruption of any kind; and report all suspected cases of fraud or corruption as soon as possible in accordance with 5.2.

7 Supporting Documents

- 7.1 Hagar Australia’s Anti-Money Laundering and Terrorism Policy
 7.2 Hagar Australia’s Conflict of Interest Policy
 7.3 Hagar Australia’s Risk Management Policy and Risk Management Matrix
 7.4 Hagar Australia’s Whistle-Blowing Policy
 7.5 ACFID Code of Conduct
 7.6 DFAT Fraud Policy Statement and DFAT Fraud Control Toolkit for Grant Recipients

8 About this Policy

Version	Author(s)	Date Approved	Approved By	Review Date
1.0	Chief Financial Officer	24 Jul 2019	Board of Directors	July 2021