
Anti-Fraud and Financial Wrongdoing Policy

Updated January 2022

Version 2

Purpose

This policy outlines AFAO's framework for the prevention, detection, reporting, investigation of and response to fraud and financial wrongdoing.

This policy has application across AFAO's operations and activities both domestically and internationally.

Policy Statement

AFAO has a zero-tolerance approach towards fraudulent activity or behaviour, and any criminal or dishonest misuse of funds or resources. All AFAO Personnel have the responsibility to prevent, detect and report suspected fraud and financial wrongdoing.

AFAO is committed to ensuring that all funds and donations received are used to achieve the objectives of their intended purposes.

The accountability, transparency and good governance of the funds and resources which are entrusted to AFAO by funders and donors is central to how AFAO conducts financial and program management.

AFAO proactively monitors its partners to ensure that the use of funds aligns with their agreement with AFAO.

AFAO acknowledges that standards of governance and attitudes and norms regarding the accountability of funds vary across organisations and countries. Being aware of and understanding these differences is imperative to ensure that AFAO's systems and procedures are appropriate in their application to protect from fraud and financial wrongdoing.

Definitions

Term	Definition
AFAO Personnel	All employees, volunteers, contractors, consultants, and Board Directors of AFAO
AFAO Partner	Any implementing partner organisation contracted by AFAO domestically or internationally in the delivery of an AFAO program or project
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, facilitation payments, rewards, or other advantages
Corruption	Is dishonest activity by an individual or entity involving the abuse of a position of trust to achieve personal gain or advantage. Examples of corruption include but are not limited to: <ul style="list-style-type: none"> - the payment of bribes or facilitation/seed/grease payments or the giving of gratuities or some other gift of value to other organisations, businesses, individuals, or public officials to directly or indirectly influence actions to provide favour (for example, to secure the expedition of a routine or necessary action) - the receipt of bribes, facilitation/seed/grease payments, gratuities or an undeclared gift of value - collusion, false quotes, false invoices or price-fixing - release and/or use of confidential information for purposes other than those intended for - a conflict of interest involving AFAO Personnel acting in their own self-interest rather than the interests of AFAO, our partners or beneficiaries
Fraud	Is dishonestly obtaining a benefit or advantage, or causing a loss, by deception or other means through unlawful and/or unethical means. Examples of fraud include, but are not limited to: <ul style="list-style-type: none"> - theft, misappropriation or misuse of funds, supplies, property or other assets - impropriety in the handling or reporting of money or financial records, including the falsifying of signatures and documents - bias, cronyism or nepotism
Financial wrongdoing	Is activity or behaviour that can be defined as bribery, corruption, fraud, money laundering and terrorism financing
Good faith	Sincere belief or motive without the desire to cause damage to others
Partner Personnel	All employees, volunteers, contractors, consultants, and Board Directors of an AFAO Partner
Zero-tolerance	Means that AFAO will investigate all credible allegations, and that appropriate disciplinary measures or contractual remedies will be applied where allegations are substantiated. It may also lead to actions to recover any losses sustained by AFAO as a result of such fraud or financial wrongdoing

Scope

This policy applies to:

- a. All AFAO Personnel including members of the Board and the AFAO Foundation
- b. All AFAO Partners and Partner Personnel involved in implementing an AFAO program or project

Fraud control guidelines

Detailed operational guidance outlining procedures can be found in the *AFAO Financial Management Manual*.

1. Prevention and detection

Risk management principles underpin AFAO's approach to preventing and detecting fraud and financial wrongdoing within AFAO's domestic and international operations.

1.1 Vetting all AFAO Personnel

The vetting of AFAO Personnel is central to maintaining an organisational culture that is dedicated to the prevention of fraud. AFAO vets staff, volunteers and Board Directors to ensure they are of suitable character and do not present a known risk to AFAO's operations.

- AFAO's recruitment procedures include interview questions and reference checks which seek to establish the integrity of an applicant
- Police clearance checks are conducted for all AFAO staff and AFAO Board Directors
- All AFAO staff and AFAO Board Directors are required to sign and comply with AFAO's *Code of Conduct*
- All AFAO Personnel are checked against relevant Prescribed Lists at the time of appointment and at least annually thereafter

1.2 Vetting and regularly reviewing AFAO Partners and Partner Personnel

The selection of AFAO Partners will be made based on an assessment of their demonstrated capability and commitment to preventing fraud and financial wrongdoing and the adequacy of their systems and procedures.

- AFAO will conduct appropriate due diligence on prospective partners regarding their financial management capability. This will be done using a tool to make an assessment and will include requesting copies of the partner's financial management and fraud policies
- Key members of Partner staff will undertake police or criminal record checks and any other security check deemed appropriate and will be checked against relevant Prescribed Lists
- AFAO Partners will be made aware of their responsibility to prevent, detect, and report financial wrongdoing
- AFAO will conduct regular reviews of implementing partner's capacity for effective financial management

1.3 Awareness and training

AFAO is committed to providing all AFAO Personnel with fraud-specific training appropriate to the size of the organisation, relative of roles and the risk profile of projects/programs.

- All AFAO Personnel will be made aware of this policy during onboarding including their responsibility to prevent, detect and report financial wrongdoing
- All AFAO Personnel will receive guidance, and where appropriate training, to help them identify breaches of this policy
- All AFAO staff will be required to confirm their participation in training and their understanding of the material presented. AFAO will keep records of training conducted and participation
- All AFAO Partners will be informed of this policy and be invited to undertake training as appropriate
- All AFAO Personnel have a responsibility for the prevention of fraud and financial wrongdoing. If AFAO Personnel do not feel equipped to fulfil their obligation, they must advise management so appropriate training and support can be provided.

1.4 Financial control systems, policies, and procedures

AFAO has systems and procedures in place to control and monitor financial activity.

- AFAO has in place appropriate and effective internal financial control systems which are detailed in AFAO's [Finance Policy](#), [Financial Controls Policy](#), [Delegations of Authority Policy](#) and AFAO's *Financial Management Manual*
- AFAO accounts for all expenditure against relevant budget lines and internal checks and controls can identify anomalies or discrepancies in spending
- AFAO's financial control procedures provide sufficient segregation of duties, especially between operational and financial areas. For instance, those who approve expenditure are not in a position to benefit from that expenditure
- The risk of fraud is regularly monitored by the AFAO Board, including review and engagement from the AFAO Finance and Audit Committee
- AFAO Personnel are required to declare conflicts of interest and a register of interests is maintained to ensure interests are managed appropriately including the awarding financial contracts
- AFAO staff are required to understand the terms of contracts between AFAO and AFAO Partners. Funds must be spent only on items that are allowable under the arrangement

1.5 Monitoring project implementation and management

The design, implementation, monitoring and evaluation of projects and programs plays a key role in ensuring the effective application of this policy across AFAO-led and projects and programs.

- AFAO will design projects and programs which embed anti-fraud best practice in line with this policy and related financial policies and manuals
- AFAO will inform AFAO Partners of any grant restrictions or financial wrongdoing processes specified by donors and ensure compliance
- AFAO undertakes regular monitoring and evaluation of programs

1.6 Auditing and reporting

Periodic auditing processes are embedded in AFAO's practices.

- A qualified external auditor will examine AFAO's financial accounts once a year in accordance with AFAO's Constitution, the *Australian Charities and Not-for-profits Commission Act 2021* (Cth), and the Australian Council for International Development's (ACFID) Code of Conduct
- AFAO undertakes or participates in project and program-specific audits as required by donors
- Auditing requirements of donors will be implemented with AFAO Partners as required

2. Reporting misconduct

AFAO Personnel and AFAO Partners must immediately report any suspected, alleged or detected fraud or financial wrongdoing.

The process for reporting misconduct is the same for both AFAO's domestic and international operations.

2.1 Process for reporting misconduct

- All reports made will be treated confidentially and be taken seriously. Anyone who makes a report can do so without fear of retaliation and may do so anonymously.

- AFAO's *Financial Concern Reporting Form* should be completed and sent to AFAO's CEO. It is preferred that allegations of fraud are documented in writing. If a report is made verbally AFAO commits to recording the report in writing.
- Reports must be made in good faith and be as detailed as possible.
- If the AFAO CEO is implicated in any suspected fraud or financial wrongdoing, then the matter should be directly reported to the AFAO President. See related AFAO [Whistleblower Policy](#).
- The AFAO CEO will liaise with funders or donors in relation to allegations of misconduct in accordance with the terms of AFAO's contracts for those funds.
- The AFAO CEO will inform the AFAO Board of Directors of any reports of fraud and/or financial wrongdoing.

3. Investigating misconduct

AFAO will investigate all reported cases of suspected, alleged or detected fraud or financial wrongdoing. Investigations will be conducted in a prompt, rigorous, professional, and impartial manner. After being notified of a report (as outlined above), AFAO will initiate an investigation within 3 business days.

The following measures will be taken as appropriate:

- Hold/freeze any pending transactions where possible
- AFAO may seek assistance from internal or external experts as required to aid with investigations
- AFAO Partners must undertake an investigation at their own cost and provide a report to AFAO within the timeframe specified by AFAO
- Where appropriate AFAO may inform law enforcement agencies
- Investigations will not be disclosed or discussed with anyone other than those who have a legitimate need to know of the situation
- If the misconduct relates to activities or funds received from external funders, the AFAO CEO will inform the funder.
- All documentation relating to a report, investigation and subsequent response will be stored securely

Once all appropriate and necessary information has been gathered the AFAO CEO or President, will make a determination within 5 business days if it is believed that the allegations are substantiated, and an outline will be provided as to what action will be taken. The AFAO Board of Directors will be kept informed of the outcome of any investigation.

A Fraud Register of all allegations and reports and actions taken to respond will be maintained. This is managed by the AFAO CEO for purposes of privacy and confidentiality.

4. Responding to misconduct

AFAO will act promptly and with an appropriate and proportionate response to any substantiated report.

4.1 Disciplinary action

- Where appropriate AFAO may inform law enforcement agencies
- Disciplinary proceedings may be launched against AFAO Personnel deemed to have engaged in fraud or financial wrongdoing
- Where an AFAO Partner cannot account for the proper use of funds, AFAO reserves the right to terminate the contract and require repayment of misused funds. Legal action may be pursued

4.2 Recovery of losses

- AFAO may seek to recover misappropriated funds or assets

4.3 Learning and quality improvement

- AFAO will maintain a register of all reports made and the actions taken to investigate and respond
- AFAO will strengthen systems, safeguards, and procedures to guard against future fraud or financial wrongdoing
- Where fraud and/or financial wrongdoing has occurred within an AFAO Partner, AFAO will work with the partner to assess if strengthened policies, procedures and systems need to be developed

Roles & Responsibilities

Who	Responsibility
Board	Cultivating and maintaining a culture of zero tolerance towards financial wrongdoing Approval of this policy
Chief Executive Officer (Delegation to Deputy CEO where appropriate as per Delegations of Authority Policy)	Reporting matters of relevance to the AFAO Board Handling of matters requiring investigation Ensuring the application and accountability of this policy is established within AFAO's operations
Manager, Business Operations	Ensuring financial control and monitoring systems enable effective implementation of this policy
Managers	Education and training of AFAO Personnel regarding the application of this policy across all AFAO's programs and projects Ensure AFAO Partners are aware of this policy and have appropriate anti-fraud mechanisms in place
All AFAO Personnel	All AFAO Personnel share the responsibility for the prevention, detection, and reporting of suspected fraud as per this policy
Principal, Quality Outcomes	Lead periodic review of policy

Related policies and documents

Policy	Title and hyperlink
001	Delegations of Authority Policy
002	Governance Policy
003	Finance Policy
004	Financial Controls Policy
022	Recruitment and Selection Policy and Procedure
029	Partnership Policy
036	Whistleblower Policy
037	Risk Management Policy
040	Counter-Terrorism and Anti-Money Laundering Policy
Manual	
	Financial Management Manual
	International Program Management Manual
Templates/Tools	
F.1	AFAO Financial Concern Reporting Form
T.3	AFAO Fraud Register
T.4	AFAO Prescribed List Screening Register
T.5	AFAO Due Diligence Template

Policy history

Date of update	Version	Review description	Review led by	Approved by	Next review
January 2022	2	Anti-fraud and financial wrongdoing delinked from money laundering and terrorism	Principal, Quality Outcomes	AFAO Board (February 24 2022)	January 2024