

Financial Wrongdoing Policy

Introduction and Context

ABM and AID are not-for-profit companies limited by guarantee. ABM contributes to the financial support of churches and religious and other civil society organisations and individuals in Australia and overseas and works in advocacy and mission education. AID works in such areas as community development and emergency response overseas and in Australia. As such, both organisations seek and receive funding from individuals, deceased estates, and church organisations in Australia and overseas, and AID also seeks and receives funds from the Australian government. In any given year, ABM and AID receive and disperse several million dollars, both within Australia and to partner organisations overseas.

Both organisations raise, hold in trust, and disperse these funds for the purposes for which the donors intended them to be spent. ABM and AID therefore have obligations to do all they can to ensure that their funds are spent as intended and are not subjected to *Financial Wrongdoing*. Protecting the funds from *Fraudulent* and *Corrupt* use, including being used as *Bribes*, and from the risk of their being used in *Money Laundering* and in supporting and financing *Terrorists* and *Terrorist Organisations* forms part of these obligations.

Additionally, ABM and AID believe that tackling *Bribery* and *Corruption* is essential to ending extreme poverty in the world.

AID is fully accredited with the Australian Aid Program and the organisation is a member of the Australian Council for International Development (ACFID) and is a signatory to ACFID's code of conduct. AID is also a member of Transparency International, Australia.

Both ABM and AID are guided in their policies and actions by their common stated values, including 'Wise use of resources' and 'Integrity and transparency in all that we do'.

Purpose

This policy and related documents set out how risks will be assessed and how strategies will be developed for the prevention, detection, and control of *Financial Wrongdoing*.

Scope

This policy applies to all ABM and AID *Workplace participants*, and all ABM and AID's funded activities both in Australia and overseas. It applies to suspected or alleged *Financial Wrongdoing*, both within the two organisations and within all organisations with whom ABM and AID have funding arrangements.

Guiding Principles

- a. ABM and AID have a zero-tolerance approach to all instances of *Fraud* and *Corruption*, *Money Laundering* and *Terrorism Funding* within their organisations and among the partner organisations with whom they have funding arrangements.
- b. ABM and AID are committed to the continuous improvement of their own financial systems including internal controls.

- c. ABM and AID are committed to working with their funded partner organisations to help them improve their understanding of the prevention, detection and reporting of *Fraud and Corruption, Money Laundering, and Terrorism Funding*, and to improve their financial systems including internal controls to avoid the risk of *Financial Wrongdoing*.
- d. ABM and AID support the Australian Government's efforts to meet its obligations under the United Nations Global Counter-terrorism Strategy¹ and International Legal Instruments and seek to play their part in ensuring that their funds sent overseas do not end up in the hands of individuals or entities on the Australian National Security Listed Terrorist Organisations and the DFAT ASO Consolidated List of all persons and entities listed under Australian sanctions laws, or of criminals and criminal groups engaged in *Money Laundering*.
- e. In addition, ABM and AID believe that long term solutions are needed that address the conditions from which *Terrorism* may arise, such as lack of economic opportunity, inequitable resource distribution, discrimination, poor governance, religious or political fanaticism, and the mismanagement or illegal exploitation of natural resources.
- f. ABM and AID believe that civil society has a role to play in reducing the threat of *Terrorism* and *Terrorism Financing*, and that conflict prevention, peace building including the promotion of spiritual peace and contentment and addressing the underlying causes of unrest and conflict are important initiatives which contribute to human security through long term sustainable development and poverty reduction.

Policy Commitments

- 1 ABM and AID will ensure they comply with Australian laws, and the laws of their partner countries by creating a culture and following policies and processes that minimise the risk of *Fraud, Bribery, Corruption* and support, including financial support, for *Money Laundering, Terrorism* and *Terrorist Organisations* and criminal groups and individuals and *Violation of Sanctions* imposed by the Australian Government.
- 2 ABM and AID will work to prevent *Financial Wrongdoing* in their own organisations via a range of measures which include training of ABM and AID *Workplace Participants*, ensuring regular independent audits of their own funds, and regular review of each organisation's financial controls.
- 3 ABM and AID will ensure they do not inadvertently engage in money laundering or terrorism financing by conducting regular checks on their own *Workplace Participants* (including staff, *Volunteers* who handle funds on behalf of ABM or AID, and *Responsible people*), and on organisations and individuals from whom they procure goods and services.
- 4 ABM and AID will ensure that *Fraud, Corruption, Bribery, Violation of Sanctions, Anti-terrorism* and *Money Laundering* issues form a key component of *Risk Management* assessments and monitoring by ABM and AID and will require their *Partners* to do the same. Such risk assessments and monitoring will apply to ABM and AID's own

¹ See <https://www.un.org/counterterrorism/un-global-counter-terrorism-strategy> Accessed 19/9/23

procurement of services from financial institutions and will form part of ABM and AID's *Due Diligence* processes.

- 5 AID will require its partners undertake regular audits of their funds, including the funds provided by AID. Additionally, where AID sends more than \$50,000 to a partner each year, AID will conduct regular in-person and/or online monitoring of partner financial systems and internal controls.
- 6 ABM and AID will check all ABM and AID *Workplace Participants*, and the *Workplace Participants* of partners with whom ABM and AID enter into contractual arrangements, against the Australian National Security Listed Terrorist Organisations and the DFAT ASO Consolidated List of all persons and entities listed under Australian sanctions laws.
- 7 ABM and AID will conduct a full Terrorism, Money Laundering, security and Fraud risk assessment of any new partner or project before commencing funding arrangements², and act to mitigate and monitor the risks and review the assessed risk levels. Additionally, ABM and AID will carefully and regularly screen all overseas partners (including staff working on ABM or AID projects, board members and suppliers), and potential partners, to determine whether they appear on the Australian National Security Listed Terrorist Organisations and the DFAT ASO Consolidated List of all persons and entities listed under Australian sanctions laws, and whether they have appropriate staff recruitment processes in place to avoid infiltration by such entities and individuals. These requirements will be outlined in ABM and AID's funding agreements and memoranda of understanding.
- 8 ABM and AID will also work with partners to encourage them to conduct their own regular Terrorism and Money Laundering risk assessments and screening, and risk mitigation, whether this relates to payments to contractors and other providers, or engagement of personnel. Requirements relating to screening for Terrorism and Money Laundering risks will be outlined in ABM's and AID's funding agreements and memoranda of understanding. However, ABM and AID will continue to conduct all checks of partner Workplace participants and suppliers until partners reach required capacity to comply with local, Australian and international Counter-Terrorism and Money Laundering obligations.
- 9 ABM and AID will require partners to endeavour to ensure funds are used solely for the purposes for which they are given to the partners, as outlined in ABM's and AID's funding agreements and memoranda of understanding and will regularly monitor and evaluate project and program activities to determine whether the requirement is adhered to. If a breach is detected, ABM/AID will report to the relevant authorities as per this policy.
- 10 As part of regular project appraisal processes, ABM and AID will review the risk of ABM or AID funding being used in any Financial Wrongdoing, including being used to benefit of criminals, or individuals or organisations on the Australian National Security Listed Terrorist Organisations and the DFAT ASO Consolidated List of all persons and entities listed under Australian sanctions laws and instigate thorough assessments where the risk is considered 'high'.

² Required by DFAT for all its funding under its Terrorism Resourcing Risk Management Statement <https://dfat.gov.au/international-relations/security/counter-terrorism/Pages/terrorism-resourcing-risk-managementstatement.aspx> Accessed 19/10/19.

- 11 ABM and AID will maintain an updated list of all its partner staff, board members, contractors and suppliers who may have access to ABM or AID (including DFAT) funds. The names of ABM, AID and partner Workplace participants and all entities and individuals from whom ABM and AID and partners procure goods and services will be regularly checked against the Australian National Security Listed Terrorist Organisations and the DFAT ASO Consolidated List of all persons and entities listed under Australian sanctions laws, according to level of risk posed.
- 12 ABM and AID will monitor compliance with the principles as outlined above, including during project monitoring visits, and report to the ABM and AID Boards and relevant Committees, and to the relevant authorities if there is a breach of this policy.
- 13 Further details on all the above may be found in AID's "Organisational Procedures Manual", in the section on Counter Terrorism and in ABM/AID's Counter Terrorism and Anti-Money Laundering Procedures, and in AID's "Program Finance Manual".

Risk Management

Within ABM and AID

ABM and AID have in place, and will regularly maintain and review, a range of processes and tools, applicable to ABM and AID *Workplace participants*, to ensure they adequately manage risks in relation to *Financial Wrongdoing*. These include, but are not limited, to the following:

- i. Integrity/National Police checks on all staff and certain volunteers (at commencement of employment/service and three-yearly thereafter)
- ii. Performing terrorism-financing checks on staff, volunteers, board and suppliers
 - a. Formal delegation of duties and authorities
- iii. Boards' and Committees' reviewing operations
- iv. Monthly, quarterly, and annual financial reporting by staff to ABM and AID Boards and Committees
- v. Quarterly reporting of financial risk by staff to Board and Committees
- vi. Codes of Conduct applying to all ABM and AID *Workplace Participants*
- vii. Declaration of Gifts Policy and Register
- viii. Procurement Policy
- ix. Transparency Policy
- x. Conflict of Interest Policy and procedures
- xi. Ethical Receipt of Donations Policy
- xii. Accounting for Bequests Policy
- xiii. Ethical Investment Policy
- xiv. Value for Money Policy
- xv. Complaints Policy
- xvi. Whistleblower Policy
- xvii. Misconduct clauses in ABM and AID Workplace Guidelines and ABM and AID Board Charters.

Funds Transferred to Contractors and Partner Organisations

All funds sent by ABM and AID to partners are covered by funding contracts, and, in the case of large funding commitments, by longer term partnership agreements or MOUs. Funding contracts make reference to project proposals, budgets, funding limits, requirements for project financial acquittals, and requirements for the partner to provide names of key *Workplace participants* for counter-terrorism checking, and to comply with Australian and local laws, and with this *Financial Wrongdoing* policy, among other requirements.

AID has instigated a wide range of risk management measures to assess, minimise and manage the *Financial Wrongdoing* risk posed by sending funds to partners. These are detailed in Section 6 of the “AID Programs Finance Manual”.

For all of AID’s Partners using *Australian Aid* funds, a *Fraud Risk Assessment* will be conducted within one month of the commencement of a project and appropriate fraud control strategies will be developed for that project³. Additionally, a *Terrorism Financing Check* will be conducted on all key *Partner Workplace participants* at the commencement of the project and at the start of each new year of the project. For some higher risk areas, *Terrorism Financing Checks* will be undertaken more frequently.

Specifically, AID will undertake checks of individuals and organisations receiving funds against:

- i. the Attorney General’s Department List of Terrorist Organisations (includes all organisation listed by the Australian Government as terrorist organisations under the Criminal code because they advocate the undertaking of a terrorist act);
- ii. the DFAT Consolidated List (lists persons and entities subject to a targeted financial sanction imposed by resolution of the United Nations Security Council);
- iii. The World Bank’s Listing of Ineligible Firms and Individuals; and
- iv. other lists as warranted by AID’s risk assessments.

Further, ABM and AID will comply with relevant Commonwealth, State and Territory anti-terrorism laws, including Part 5.3 of the Criminal Code Act 1995 (Cth); and Part 4 of the Charter of the United Nations Act 1945 (Cth).

ABM and AID will comply with all relevant anti-terrorism laws in the foreign countries in which our partners operate where we collaborate on international activities.

ABM and AID will periodically check ABM and AID *Workplace participants*, against the Australian National Security Listed Terrorist Organisations and the DFAT ASO Consolidated List of all persons and entities listed under Australian sanctions laws.

Where funds are provided to *Partners*, ABM and AID will:

- i. Use our best endeavours to confirm their identity, credentials and good standing, including, where appropriate, obtaining police and reference checks;

³ See DFAT, 2019, ‘Fraud Control Toolkit for Funding Recipients’, version 1.3. Found at <https://www.dfat.gov.au/sites/default/files/fraud-control-toolkit-for-funding-recipients.pdf> Accessed 18/8/23.

- ii. Require assurances from the program partner that it will not provide funding or make assets available to a terrorist organisation; and
- iii. Use our best endeavours to ensure the program partner is aware of, and seek assurances that the partner will comply with, all applicable laws (whether in Australia or overseas) in respect of counter terrorism or anti-money laundering as well as relevant ABM and AID policies.

Fraud Control Strategies will normally comprise the risk management measures outlined above and in the “AID Programs Finance Manual” unless additional actions are indicated. The *Fraud Control Strategy* for each partner will be documented by program staff and checked by the Head of Programs and CFO, normally within AID’s Partner Financial Risk section (B1) of AID’s Program Risk Register and Matrix, which is updated and reported quarterly by staff to AID Board and Committees. *Fraud Control Strategies* for each partner/project will be regularly monitored and will inform other aspects of AID’s partner financial monitoring.

AID makes use of DFAT’s “Fraud Control Toolkit for Funding Recipients” at <https://www.dfat.gov.au/about-us/publications/Pages/fraud-control-toolkit-for-funding-recipients> (accessed 18 August, 2023).

Requirements for Reporting Financial Wrongdoing **Financial Wrongdoing within ABM and AID**

Where, subject to provisions of ABM and AID’s Whistleblower Policy, any ABM or AID *Workplace participant* suspects or is made aware of an allegation of *Financial Wrongdoing* within the organisation, they must report the suspicion or allegation to **ABM/AID’s Executive Director** immediately (that is, within 24 hours of forming the suspicion or being made aware of the allegation). If the suspicion or allegation relates to the Executive Director, the report must be made to the **Chair of the relevant Board**. Where the suspicion or allegation relates to the Chair, or both the Executive Director and the Chair, the Deputy Chair must report it to the **President of ABM and AID** – the Primate of the Anglican Church of Australia. (See also Policy 2.7 Delegated Authority and Reporting).

Acts of *Financial Wrongdoing* are regarded as serious misconduct. ABM and AID’s Workplace Guidelines and the ABM and AID Board Charters have a provision for dismissal in a case of misconduct.

Financial Wrongdoing within a Partner Organisation

Where one of ABM or AID’s partner organisations suspects or is made aware of an allegation of *Financial Wrongdoing* within its own organisation, in relation to funds which have been transferred to it by ABM or AID, ABM and AID require the partner organisation to report the suspicion or allegation to ABM or AID as relevant within 24 hours of forming the suspicion or being made aware of the allegation. This will normally be done initially to the ABM or AID staff member with responsibility for the program in which the suspected or alleged *Financial Wrongdoing* has occurred. The ABM or AID staff member’s responsibility to report the *Financial Wrongdoing* is detailed below.

If any ABM or AID *Workplace participant* become aware of a suspected or alleged *Financial Wrongdoing* in a partner organisation, they must report the matter via the procedures outlined below.

Where the case involves a suspected or alleged instance of *Financial Wrongdoing* in a partner organisation, ABM and AID require their partner organisations to keep ABM/AID updated on any developments in the case.

Reporting Financial Wrongdoing with Australian Aid Program Funds

If the suspected or alleged *Financial Wrongdoing* relates to Australian Aid Program funds, an AID employee or volunteer must make a report to AID's Head of Programs and Chief Financial Officer **within 24 hours** of their being made aware of a suspicion or allegation of *Financial Wrongdoing*. The Chief Financial Officer must report the suspicion or allegation to AID's **Executive Director** and the **Chair of the Finance Committee** within 24 hours of receiving a report of suspected or alleged *Fraud* or *Corruption*. If the suspicion relates to the Executive Director, the report must be made to the **Chair, AID Board**. A report must be made to the **Australian Aid Program** within **five days** of an AID *Workplace participant* first becoming aware of the suspicion or allegation. The Australian Aid Program will indicate what information they require, and the frequency and nature of updates they require on the case. A full report on the *Financial Wrongdoing* case must be made by the Chief Financial Officer at the next meeting of the Finance Committee. Updates on the case must be made to subsequent meetings of the Finance Committee until the matter is fully resolved.

Where the case involves a suspected or alleged *Financial Wrongdoing* in a partner organisation, AID requires its partner organisation to keep AID updated on any developments in the case.

Reporting Financial Wrongdoing by Partners With ABM or AID Funds

If the suspected or alleged *Financial Wrongdoing* relates to ABM or AID funds, a report must be made to AID's Head of Programs and Chief Financial Officer within 24 hours of an *ABM or AID Workplace participant* first becoming aware of the suspicion or allegation. The Chief Financial Officer must report the suspicion or allegation to ABM/AID's Executive Director and the Chair of the Finance Committee within 24 hours of receiving a report of suspected or alleged *Financial Wrongdoing*. The Chair of the Finance Committee will decide what further action is to be taken in such cases. A full report on the case must be made by the Chief Financial Officer at the next meeting of the Finance Committee. Updates on the case must be made to subsequent meetings of the Finance Committee until the matter is fully resolved.

Where the case involves a suspected or alleged *Financial Wrongdoing* in a partner organisation, ABM and AID require its partner organisation to keep ABM/AID updated on any developments in the case.

Staff members are also referred to ABM/AID's quick guides, [Fraud Reporting Steps](#) and the [Counter-Terrorism Checking Quick Guide](#).

Actions In Cases of Suspected or Alleged Financial Wrongdoing in Partner Organisations

Perpetrators of Financial Wrongdoing (Australian Aid Program Funds)

Where a case involves Australian Aid Program funds, AID will consult with the Australian Aid Program concerning the action to be taken, if any, against the suspected or alleged perpetrator of the *Financial Wrongdoing*. The Department of Foreign Affairs and Trade (DFAT) requires that any investigations of *Fraud* align with requirements of the Attorney General's Investigations Standards (AGIS). Information on what to do can be found at the Australian Commonwealth Fraud Prevention Centre website at <https://www.counterfraud.gov.au/> (accessed 28 April 2022).

ABM/AID's Finance Committee (either through its chair or during committee meetings) will be involved in discussions and decisions about actions to be taken. In addition to what DFAT may require, these actions may include suspending funding to the partner organisation until the matter is satisfactorily resolved, or permanently, and requiring the partner organisation to repay the funds to AID. Where a partner organisation cannot or will not repay funds lost through fraud, DFAT may require AID to repay those funds itself, since it is AID which has the contractual obligation to DFAT.

Perpetrators of Fraud or Corruption (ABM or AID Funds)

Where the case involves ABM or AID funds, the action to be taken, if any, against the suspected or alleged perpetrator of the *Fraud* or act of *Corruption* will be determined by ABM/AID's Finance Committee. Such action may include suspending funding to the partner organisation until the matter is satisfactorily resolved, or permanently, and requiring the partner organisation to repay the funds to AID or ABM.

Where the suspicion or allegation relates to the Chair of the ABM or AID Board, or both the Executive Director and the Chair, the Deputy Chair of the relevant board must consult with the President of ABM and AID – the Primate of the Anglican Church of Australia regarding actions to be taken.

Criminal Cases

In all cases of suspected or alleged *Fraud* or *Corruption* where Australian law is deemed to be broken, ABM/AID's Executive Director will report the matter to the police. Where local laws are deemed to have been broken, ABM/AID's partner organisation will be expected to report the matter to the local police and to update ABM/AID on any developments.

Actions in Cases of Suspected or Alleged Financial Wrongdoing within ABM or AID Non-Criminal Cases

Allegations or suspicions of *Fraud* by ABM or AID staff members will be dealt with according to ABM and AID's Workplace Guidelines (under '1.6 Counselling and Disciplinary Procedure').

Criminal Cases

In all cases of suspected or alleged *Fraud* or *Corruption* where Australian law is deemed to be broken, ABM/AID's Executive Director will report the matter to the police. If the suspicion or allegation relates to the Executive Director, the **Chair, ABM and AID Board** will report the matter to the police.

DFAT Funds

As for **Perpetrators of Financial Wrongdoing (Australian Aid Program Funds)** above, where a case involves Australian Aid Program funds, AID will consult with the Australian Aid Program concerning the action to be taken, if any, against the suspected or alleged perpetrator of the *Financial Wrongdoing*.

Training and Learning

ABM and AID will keep written records of all cases of *Financial Wrongdoing* reported to them. Such records will be stored securely. Written records will be kept not only in the interests of transparency but also to assist the organisations to learn and to review and improve existing practices.

ABM and AID will also ensure their *Staff, Volunteers* who handle ABM or AID donations, and *Responsible people* are sensitized to this policy at the time of Induction, and at regular intervals thereafter.

Staff with responsibility for managing budgets will also be given training to ensure their knowledge of how to avoid exposing ABM and AID funds to *Financial Wrongdoing* is kept current.

Responsibilities for the Implementation of this Policy

The ABM and AID boards will

- Receive regular risk reports covering *Financial Wrongdoing*
- With the Policy Committee ensure the policy is regularly reviewed

The ABM and AID Finance Committee will

- Oversee the implementation of this policy
- Receive and scrutinize regular reports of ABM and AID's financial position including detailed financial statements
- Be aware of the risks of financial wrongdoing and ensure those risks are managed

The ABM and AID Chief Financial Officer will

- Prepare regular financial reports for reporting to governance and senior management
- Prepare financial risk reports for governance on the organisations and their Programs and Projects
- Coordinate with the Head of Programs to manage Program financial wrongdoing risks within the organisations
- Regularly check the accuracy of income and expenditure data with relevant *Staff*

The Head of Programs will

- Ensure regular and risk-based Terrorism Financing Checks are conducted on nominated organisations and persons

All ABM and AID *Staff* will

- Be vigilant about all financial transactions at ABM and AID and report any suspicions of wrongdoing as per this policy

Related Standards, Policies and Procedures

ACFID Code of Conduct, especially 5.2 and 8.2

DFAT Accreditation Guidelines, especially A2.6, B2.4, C1.3, C1.6, E1.1, E1.4, E2.5, E2.11 and Section E3.

Core Humanitarian Standard 9

ABM-AID Risk Management Policy

ABM-AID Delegated Authority and Reporting Policy

ABM-AID Transparency Policy

ABM-AID Procurement Policy

ABM-AID Conflict of Interest Policy

ABM-AID Declaration of Gifts Policy

ABM Finance Manual

AID Programs Finance Manual

AID Organisational Procedures Manual

ABM-AID Counter-terrorism Procedure

Partner Capacity Assessment (including Due Diligence Tools)

AID Partner Fraud Management Checklist