

## Fraud Management Policy

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### Introduction

All organisations face the risk of fraud. HFHA management has the responsibility of managing this risk to prevent or reduce the impact of fraud on the organisation which includes financial loss as well as damage to the organisation's reputation. The Board and Management of Habitat for Humanity Australia (HFHA) recognise the importance of upholding ethical values in the workplace by establishing a code of ethics and a fraud management policy. The prevention of fraud is NOT solely a finance or audit issue but is the responsibility of everybody in the organisation.

### Definitions

**Collusion** – a deceitful agreement or compact between two or more persons or organisations, aimed at defrauding a third party. Collusion against DFAT could involve DFAT officers, funding recipients and/or other parties sensitive or classified information.

**Corruption** – a type of fraud that is a misuse of entrusted power for private gain, defined as:

- Conduct that involves, or that is engaged in for the purpose of, the staff member abusing his or her office as a staff member of the agency.
- Conduct that perverts, or that is engaged in for the purpose of perverting, the course of justice.
- Conduct that, having regard to the duties and powers of the staff member as a staff member of the agency, involves, or is engaged in for the purpose of, corruption of any other kind

**Fraudulent activity** – dishonestly obtaining a benefit, or causing a loss, by deception or other means. It is an act of dishonesty, deception, bribery, forgery, extortion, theft, misappropriation, false representation, conspiracy, corruption, collusion, embezzlement, intentional omissions, concealment of material facts or gross negligence means dishonestly obtaining a benefit, or causing a loss, by deception or other means. Fraud may be committed by an individual, a group of individuals or by one or more organisations and, in general, refers

to an intentional act committed to secure personal or business enrichment. Fraud can cover many activities including, but not limited to, the following:

- i. Forgery, alteration, or falsifying cheques, or any financial data
- ii. Impropriety in the handling or reporting of monetary transactions
- iii. Authorisation or receipt of payment for goods not received or services not performed
- iv. Bribery or facilitation payments
- v. Corruption, meaning the abuse of entrusted power for private gain
- vi. Conflicts of interest i.e. contracts awarded to friends or family rather than seeking competitive quotes and maximising value
- vii. Collusion between downstream partners and external suppliers resulting in overspend
- viii. Downstream sub-contractors not adhering to HFHA policies and procedures
- ix. Receipt of kickbacks or gifts
- x. Falsification of time sheets or payroll records
- xi. Falsification of travel and entertainment expenses and/or using company funds to pay for personal expenses
- xii. Fictitious invoices or reporting of receipts including from suppliers or shipments to customers
- xiii. Misappropriation of funds, securities, supplies or any other asset
- xiv. Unauthorised use of inventory, furniture, fixtures, equipment or other assets
- xv. Theft, disappearance or destruction of any asset
- xvi. Misappropriation of the organisation's computer hardware, software, data or other records
- xvii. Misrepresentation of information on documents
- xviii. Any apparent violation of Federal, State or local laws related to fraudulent activities.
- xix. Any similar or related activity

**Fraud control strategy** – the plan for how fraud will be managed or controlled in an organisation or program

**Good faith** – sincere belief or motive without the desire to defraud others.

### 1.1 Purpose

The purpose of this policy is to:

- clarify acts that are considered fraudulent;
- outline and identify required fraud risk assessment and fraud control strategies at the organisational level as well as the partner and project level;
- identify the steps all employees, contractors, volunteers (including Directors), partners, sub partners and sub-contractors must take to minimise risks and to report when a suspected fraudulent activity has been identified;
- outline roles of management in investigating and taking action regarding suspected fraudulent activity.

### Policy Statement

HFHA recognises its duty to act in the best interests of communities, the organisation, its clients and its donors to avoid incidents of fraud and to act with care and diligence to protect its assets and ensure that financial affairs are managed responsibly and according to intended purpose. HFHA takes a zero-tolerance approach to all forms of fraud. It supports procedures and establishing a culture within the organisation and within partner organisations that reflect its commitment to preventing fraud through a risk management approach. This includes establishing and applying procedures for detecting, investigating and correcting fraud. Fraud is identified as an activity requiring management and control in the Organisational Risk Register and the Board approved Risk Appetite Statements.

### Policy in Practice

#### 1. Organisational Responsibility

- HFHA undertakes organisational risk assessment to ensure fraud risk management procedures and internal controls meet required standards.
- HFHA ensures an organisational fraud control approach is in place based on its risk assessment.
- HFHA ensures its Fraud Management Policy is regularly updated and shared with staff and partner affiliates.

#### 2. Employee Responsibility

- All staff have a responsibility for the prevention, detection and reporting of potential fraudulent activity in their respective area of responsibility.
- Through a thorough fraud risk assessment, employees and managers are to identify the types of fraudulent activity that might occur within their area of responsibility so that appropriate action can be taken to prevent and detect such activity.
- Managers are responsible for ensuring adequate strategies and controls exist to prevent the occurrence or the re-occurrence of fraudulent activity in their respective area of responsibility.
- The Head of Finance and Compliance Officer are responsible for annual training in fraud awareness and control for all HFHA staff and volunteers to ensure knowledge retention and communicate updates to policies, procedures and controls including any changes to DFAT requirements. Records of staff who have completed such training are to be maintained.
- HFHA International Programs monitors compliance of fraud training with HFH partner organisations and HFHI to ensure they are delivered on an annual basis.
- HFHA Finance undertakes finance spot checks of HFH partner organisations to test and review financial management wherever funds are distributed. HFHI support can be engaged for this purpose to meet HFHA finance spot check needs as part of internal audit processes.

#### 3. Partner Responsibility

- As a DFAT funding recipient, HFHA follows DFAT Fraud Control guidelines for projects supported by DFAT, as outlined in the *DFAT Fraud Control Toolkit for Funding Recipients*, which provides a detailed mechanism to control fraud.

- HFHA requires its affiliates and international partners to undertake Fraud Risk Assessment and prepare Fraud Control strategies to identify roles and responsibilities where DFAT funds are utilised.
- As a condition of DFAT policy, within one month of a project start date, HFHA will ensure HFH partner organisations conduct a project level fraud risk assessment and produce a corresponding fraud control strategy that includes fraud risk management of downstream partners. The assessment and strategy will contain appropriate directions for prevention of fraud, detecting potential infringements, as well as reporting, investigating and correcting procedures based on HFHA and HFHI policies.
- These assessments and strategies must be updated by the HFH partner organisation at a minimum of every 6 months as part of project reporting, and immediately report any changes to HFHA International Programs team.
- The Fraud Control approach is communicated to all staff and volunteers associated with the relevant office or project.
- All HFHA partnership and third-party supplier agreements and/or contracts include references to anti-fraud and anti-corruption requirements of ACFID, and where appropriate, DFAT – refer to Related References below.

#### 4. Reporting/Detection Fraudulent Activity

- It is the responsibility of all employees, volunteers, contractors and partners to be always alert and diligent to detecting fraud as it may arise when it is least expected.
- Any employee, contractor, volunteer (including a Director) or partner who has knowledge of, or suspects the occurrence of, fraudulent activity must immediately notify their direct supervisor. If they suspect their supervisor to be involved, then they must notify their supervisor's supervisor, or the CEO. In case of the CEO being suspected of involvement, the report should be made to the Board Chair. Alternatively an anonymous report can be made via the **HFHI Ethics and Accountability Line** (Refer to more details in the HFHA Employee Handbook). Partners may use the processes outlined in the HFHA Complaints Policy or the Whistleblower Policy including options for reporting fraud using toll-free numbers, the internet and anonymously.
- Irregularities concerning an employee's moral, ethical, or behavioural conduct that do not meet the definition of fraudulent activity should be resolved by the employee's department manager and the CEO. (Refer to the Employee Handbook for more detail).
- HFHA has in place controls and procedures for detecting fraudulent activity should it occur and for encouraging the reporting of fraudulent activity should it be observed by employees, volunteers, contractors and partners. Any suspected or actual fraudulent activity must be reported to donors according to the specific donor's requirements.
- In the case of fraud involving DFAT funding, the HFHA Head of Finance must be notified immediately when there is any suspicion of fraudulent activity, and the Head of Finance, in consultation with the CEO, must ensure that DFAT is notified of this within five (5) working days of discovery of the suspicious activity. In instances where the CEO is involved in the fraud, the Board Chair will notify DFAT. A template of the *Fraud Referral Form* can be obtained from [DFAT](#).

- The Head of Finance must ensure that DFAT is kept informed of the progress and resolution of any investigation. The Head of Finance must respond within five (5) business days to any further requests for information by DFAT.

##### **5. Investigation and Correction of Fraudulent Activity**

- The person responsible for the investigation of all suspected fraudulent activity as defined above will possess at a minimum the qualifications specified in the Australian Government Investigations Standards or an equivalent agreed by DFAT. All suspected fraudulent activity must be reported to the CEO, Finance and Audit Committee (FAC), and the Board. If the Head of Finance is subject of the investigation, the investigation role in this section will revert to the CEO.
- HFHI will also be advised of any suspected fraudulent activity and may be requested to lead the investigation.
- The Head of Finance (or a designate) will consult with HFHA's Legal advisors and DFAT where appropriate, to obtain advice and counsel regarding the investigation. The Head of Finance (or designate) should also obtain advice from external consultants as required to investigate and verify the extent of, and financial implications of, the fraud.
- The Head of Finance (or a designate) will have the authority to examine, copy, and/or remove all or any portion of the contents of files, records, emails, cabinets, desks and other storage on the premises without prior knowledge or consent of the custodian when it is within the scope of their investigation.
- The Head of Finance (or a designate) will report all investigation results to the FAC and the Board for their information and input where necessary.
- Where a decision has been made to take formal action including referring the investigation results to the appropriate law enforcement agency for independent investigation or taking other legal action, the final decision must be made by the CEO under the advice of HFHA's Legal Advisors, the Head of Finance and the FAC and the Board.
- Before reporting a person/s to a law enforcement agency, HFHA will consider if reporting the incident:
  - could compromise the safety of a person's life or
  - could significantly impact on them to an extent which would result in undue hardship or
  - could result in a disproportionate response to the circumstances of the fraud (taking into account remedial actions already taken by HFHA or affiliate).

If the above factors exist, HFHA will consider seeking an exemption from police reporting from DFAT.

- All final decisions regarding disposition of the case will be made by the CEO on the advice of HFHA's Legal Advisors, the Head of Finance and the FAC and the Board.
- HFHA will provide reasonable assistance and bear associated costs should DFAT choose to appoint its own investigator in accordance with contract terms.
- Commercial and NGO partners will repay funds or replace assets lost to fraud including taking recovery action in accordance with recovery procedures.

- Where suspected fraudulent activity is alleged to have occurred in a partner organisation, the CEO and Head of Finance will consult with HFHI and the CEO or National Director of the partner organisation (if appropriate) and agree on the party to investigate the activity. The investigating officer may be appointed from HFHA, HFHI, the partner organisation or be from outside both organisations.
- HFHA will maintain a database of reports on alleged or detected fraud and the progress and outcomes of investigations.

#### **6. Confidentiality**

- Investigations will not be disclosed or discussed with anyone other than those who have a legitimate need to know the details of the case. Involvement will be limited to avoid damaging the reputations of persons suspected but found innocent of fraudulent conduct.
- All documentation relating to an investigation of fraud or potential fraud will be stored securely and confidentially in order to help improve preventative measures and mitigate future risks. This does not prevent the disclosure of information described at section 8 of this Policy.

#### **7. No retaliation**

- HFHA treats all information received confidentially and no officer, employee, contractor or volunteer, who in good faith reports suspected fraudulent activity, shall suffer harassment, retaliation or adverse employment consequences. Conversely, intentional submission of allegations that are known to be false is a fraudulent activity and will be handled in accordance with this policy and the Employee Handbook.

#### **8. Disclosure**

- The CEO and the Board will consider making the generalised outcomes of any fraud investigation available to all stakeholders consistent with HFHA policies and the principles of operating transparently and best governance.

#### **9. Review**

- This policy will be reviewed at least every three years to keep it current and reflective of good practice standards, external changes and DFAT and ACFID requirements.
- This Policy and agreements with affiliates and partners will be reviewed following any incidents to incorporate lessons learned from any financial wrongdoing that have been suspected or occurred.

#### **Related References**

Fraud Control Toolkit for Funding Recipients issued by DFAT, HFHA Employee Handbook, HFHA Complaints Policy, HFHA Counter Terrorism and Anti Money Laundering Policy, HFHA Organisational Risk Register, HFHA Staff Development Policy, HFHA Whistleblower Policy, HFHA Risk Management Policy, HFHA Child Protection Policy and Procedures (relating to criminal history checks), HFHA Expenditure Policy, HFHA Procurement of Goods and Services Policy, HFHA Delegations of Authority Policy, HFHA Global Village Donations Policy, HFHA Partnerships Agreements, HFHA Partner Handbook, HFHA Grant Funded Activity Agreements, HFHA Partner Project Risk and Fraud Risk



We build **strength**, **stability**, and **self-reliance** *through shelter*.

Management Template, HFHA Financial Audit Policy, DFAT ANCP Grant Agreement (FY20 Clause 31),  
DFAT Suspected or Detected Fraud Referral Form.