

## Fraud Management Policy

<b>Policy Title</b>	<b>Fraud Management Policy</b>		
<b>Unit</b>	<b>Finance, Habitat for Humanity Australia</b>		
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<b>Authorised by</b>	<b>Board of Directors</b>		
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### Introduction

All organisations face the risk of fraud. The organisation's 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 at 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

**Fraudulent activity** - an act of deception, bribery, forgery, extortion, theft, misappropriation, false representation, conspiracy, corruption, collusion, embezzlement, intentional omissions, concealment of material facts or gross negligence. 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
- vii. Receipt of kickbacks or gifts
- viii. Falsification of time sheets or payroll records
- ix. Falsification of travel and entertainment expenses and/or using company funds to pay for personal expenses
- x. Fictitious reporting of receipts from suppliers or shipments to customers
- xi. Misappropriation of funds, securities, supplies or any other asset
- xii. Unauthorised use of inventory, furniture, fixtures, equipment or other assets
- xiii. Theft, disappearance or destruction of any asset. Misappropriation of the organisation's computer hardware, software, data or other records
- xiv. Misrepresentation of information on documents
- xv. Any apparent violation of Federal, State or local laws related to fraudulent

activities.

xvi. Any similar or related activity

**Irregularity** - an act which has not risen to the state of a fraudulent activity but which includes a breach of policy or unbecoming conduct within the office.

**Manager** - Person in charge of a functional department.

**Chief Executive Officer (CEO)** - Person in charge of HFHA or his/her designate.

**Head of Finance** - Person in charge of the entity's financial records or her/his designate.

**Board** – Highest governing body of HFHA.

**Designate** – Person with authority, granted in writing, to perform specified responsibilities in lieu of the person normally assigned the responsibility.

**Direct Supervisor** -the immediate supervisor of the individual identifying suspected fraudulent activity.

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

## Purpose

The purpose of this policy is to:

- clarify acts that are considered fraudulent;
- identify the steps all employees, contractors, volunteers (including Directors), partners, sub partners and sub-contractors must take when a suspected fraudulent activity has been identified;
- outline and identify required fraud risk assessment and fraud control strategies at the organisational level as well as the partner and project level;
- 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 the organisation to avoid conflicts of interest and to act with reasonable care and diligence to protect its assets and ensure that financial affairs are managed responsibly and according to its intended purpose. HFHA takes a zero tolerance approach to all forms of fraud and supports organisational operations and culture within its organisation and within partner organisations that reflect its commitment to actively minimising risk of fraud through a risk management approach aimed at preventing fraud, as well as establishing procedures for detecting, investigating and correcting fraud. Fraud is identified as an activity requiring management and control in the Financial Risk Register and the Board Risk Policy.

## Policy in Practice

### 1. Organisational Responsibility

- HFHA will undertake an organisational risk assessment to ensure current fraud risk management policies and internal controls meet a determined minimum standard.
- HFHA will ensure an organisational Fraud Control strategy is in place through its organisational risk register.
- HFHA will ensure a HFHA Fraud Management Policy is regularly updated and shared with staff and partner affiliates.

## **2. Employee Responsibility**

- All staff have a responsibility for the detection and prevention of fraudulent activity in their respective areas of responsibility.
- Through a thorough risk assessment, employees and managers should be aware of 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 controls exist to prevent the occurrence or the re-occurrence of fraudulent activity in their respective area of responsibility.
- The Head of Finance is responsible for annual training for all HFHA staff and volunteers to ensure knowledge retention and updates to policies, procedures and controls.
- International Programs is responsible for regular fraud trainings with HFH partner organisations in other countries, as well as financial checks to test and review financial management where ever funds are distributed.

## **3. Partner Responsibility**

- As a DFAT funding recipient, HFHA follows DFAT Fraud Control guidelines for projects supported by DFAT, as outlined in the *Fraud Control Toolkit for Funding Recipients*, which provides a detailed mechanism to control fraud.
- 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 policies.
- These assessments and strategies must be updated by the HFH partner organisation at a minimum of every 6 months, and immediately report any changes to HFHA International Programs team.
- All HFHA partnership and third-party supplier agreements and/or contracts include references to anti-fraud and anti-corruption requirements of ACFID and if 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 fraud 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 HFHA 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 MySafeWorkplace.com (Refer to more details of this in the Employee Handbook, or on the MyHabitat site.) Partners may use the processes outlined in the HFHA Complaints and Complaints Handling 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 involvement of DFAT funding, the Head of Finance must be notified immediately that there is any suspicion of fraudulent activity, and the Head of Finance must ensure that DFAT is notified of this within five (5) working days of discovery of the suspicious activity. A template of the *Fraud Referral Form* is located [here](#).
- 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 primary 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 of Directors. If the Head of Finance is subject of the investigation, the investigation role in this section will revert to the CEO.
- The HFHA 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 HFHA 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 HFHA 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 HFHA Head of Finance (or a designate) will report all investigation results to the FAC and the HFHA Board of Directors 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 HFHA CEO under the advice of HFHA's Legal Advisors, the Head of Finance and the FAC and the Board of Directors.
- All final decisions regarding disposition of the case will be made by the HFHA CEO under the advice of HFHA's Legal Advisors, the Head of Finance and the FAC and the Board of Directors.
- 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 the CEO of the partner organisation (if appropriate) and agree on the person to investigate the activity. The investigating officer may be appointed from HFHA, the partner organisation or be from outside both organisations.

#### **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 5.8 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.

#### **8. Disclosure**

- The CEO and the Board will consider making the 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 to incorporate lessons learned from any financial wrongdoing incidents that have been suspected or occurred.

#### **Related Reference(s)**

Fraud Control Toolkit for Funding Recipients issued by DFAT, HFHA Employee Handbook (pp14, 17-18, 19-20, 25-30, 34), Complaints Handling Policy, Counter Terrorism Policy, HFHA Organisational Risk Register, HFHA Staff Development Policy, HFHA Whistleblower Policy, HFHA Board Risk 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 vs6, HFHA Grant Funded Activity Agreements, HFHA Partner Project Risk and Fraud Risk Management Template, HFHA Audit Policy, DFAT ANCP Grant Agreement (FY20 Clause 31), DFAT Suspected or Detected Fraud Referral Form.