

Financial Probity and Financial Transparency Policy

JUNE 2023, VERSION 4

1. INTRODUCTION

This Policy on Financial Probity and Transparency should be read in conjunction with the Policies on:

- Complaints Handling
- Conflict of Interest
- Counter-terrorism
- Partnerships, Alliances and Strategic Networks
- Union Aid Abroad Code of Conduct
- Whistle Blowing

Union Aid Abroad – APHEDA has a zero tolerance policy towards fraud and corruption. We recognise that our work occurs in a challenging environment where there are risks of fraud and corruption, both overseas and in Australia. It is essential that we regularly conduct a thorough risk analysis of operations and implement our Financial Probity and Financial Transparency Policy throughout our Operational Procedures to mitigate those risks.

2. Definition

For the purposes of this policy:

Fraud or financial wrongdoing is defined as dishonestly obtaining a benefit, or causing a loss, by deception or other means.

A fraud can typically result in actual or potential financial loss to any person or entity, however, this is not always the case.

Examples of fraud can include (but are not limited to):

- The misappropriation of funds for private gain.
- Theft such as stealing property.
- Misuse of property e.g. office space for private gain.
- Bribery of public officials.
- Diversion of aid to non-target groups.
- Preferential treatment for family and friends.
- Coercion or intimidation of staff, volunteers or beneficiaries to ignore or participate in corruption.
- Manipulating or falsifying financial or other documents for private gain.
- Forging documents

"Private gain" can refer to individual benefits, as well as benefits received by communities, ethnic groups, religious groups, political organisations, corporations or militia.

Corruption is defined as dishonestly obtaining a benefit or undue advantage by misuse of power, position, authority or resources.

Examples of corruption can include (but are not limited to):

- Bribery, extortion & blackmail;
- Secretly permitting personal interests to override corporate interests;

- Secretly giving or accepting gifts & benefits in return for preferential treatment to the giver;
- Collusion, false quotes, false invoices or price fixing;
- Manipulating design & specifications or processes for personal gain or to conceal defects;
- Complicity in excessive billing or submission of false support documents or concealment of documents;
- Falsifying job qualifications or work or safety certifications;
- Preferential treatment for family and friends; and
- Privacy breaches or data manipulation with intent to cause harm.

Senior managers include the International Programs Manager, Programs & Quality Manager, Chief Finance Officer and Country Managers.

3. Purpose of the policy

The purpose of this policy is to ensure that Union Aid Abroad – APHEDA, its Board, staff, overseas partners, volunteers and consultants will not be a willing party to corruption, bribery or fraud in any way in any of its activities, either in Australia or overseas.

4. Scope

The policy applies to Union Aid Abroad – APHEDA Board, staff in Australia and overseas, overseas partners, volunteers and consultants.

Union Aid Abroad - APHEDA recognises that the prevention and detection of fraud and corruption is the responsibility of every member of the organisation, including Board members, staff, volunteers and consultants, as well as overseas partner organisations.

As such, it is the responsibility of the Board to create an ethical culture encouraging fraud and corruption prevention. All our staff and volunteers must sign a Statement of Commitment declaring that they abide by our Anti-Fraud and Anti-Corruption Policy and understand that it is their responsibility to prevent fraud or corruption by reporting suspected incidents according to our Whistle-Blowing Policy.

5. Principles

Neither Union Aid Abroad – APHEDA nor any of its Board, staff, overseas partners, volunteers and consultants will make or cause to make, receive or seek to receive any offer, gift or payment, consideration or benefit of any kind, which would or could be construed as an illegal or corrupt practice, either directly or indirectly to any party, as an inducement or reward in relation to any funds received or given. Union Aid Abroad – APHEDA, its Board, staff, overseas partners, volunteers and consultants will not bribe any official in the delivery of any of the projects for which the organisation has responsibility.

Union Aid Abroad - APHEDA shall take prompt and firm corrective action whenever and wherever financial wrongdoing is found among its Board, staff, overseas partners, volunteers and consultants. Any fraud will be reported to the appropriate authorities.

Union Aid Abroad - APHEDA recognises the importance of fraud and corruption prevention and aims to create an organisational culture that discourages any fraudulent or corrupt activities. Fraudulent and corrupt activity negatively impacts our project participants, sponsors, staff and volunteers, partner organisations and seriously damages public confidence in our ability to undertake sustainable development work.

Union Aid Abroad – APHEDA will ensure it has in place and maintain internal control procedures for both the Australian operations and in all overseas offices, in order to minimise the risk of misuse of funds. The Organisation will also have in place procedures that ensure funds are used effectively to maximise development results.

6. Guidelines

In order to prevent fraud and corruption, Union Aid Abroad – APHEDA implements the following :

6.1 Organisation-wide risk management

Union Aid Abroad – APHEDA has an organisation-wide risk framework. Issues related to financial risk are included in this framework and regularly monitored. Risks are reported to each Board meeting.

Union Aid Abroad – APHEDA will maintain a Code of Conduct and both Conflict of Interest and Whistleblower policies, which will enable staff, volunteers and consultants to confidentially bring to the attention of the Board evidence of misconduct on the part of anyone associated with the Organisation. All reports will be channelled through the Executive Officer unless it is an issue concerning the Executive Officer which should be taken directly to the Chair of the Board.

In Australia, Union Aid Abroad – APHEDA will maintain internal financial control procedures as detailed in its Financial Procedures, for the review and monitoring of income and expenditure, both on a regular basis, and also through the annual audit.

The Organisation’s annual audit will be undertaken by a firm of accountants who are fully qualified and are Registered Company Auditors, who are completely independent of the Organisation and of anyone on the Board. The Summary Financial Report (prepared in accordance with the ACFID Code of Conduct Summary Financial Report Format) will be included in the Annual Report which will be sent to all union and individual members and monthly donors, while a copy of the Full Financial Statements (prepared in accordance with the Australian Accounting Standards – Simplified Disclosures, the Australian Charities and Not-for-profits Commission Act 2012, and the Charitable Fundraising Act 1991 (NSW).) will be available for all attending the Annual General Meeting and also be available upon request from our Sydney Office.

6.2 Country Offices risk management

Union Aid Abroad – APHEDA Country Offices will follow the same policy and procedures as the Australian Office.

6.3 Human resources

6.3.1 Recruitment

Union Aid Abroad – APHEDA will be vigilant in the recruitment, selection and screening of all members of the Board, staff, volunteers and consultants to ensure they have not previously engaged in fraudulent or corrupt activities. Due diligence checks will be conducted of all at the time of recruitment, including counter-terrorism checks.

Board members, staff, volunteers and consultants will also be asked to sign Union Aid Abroad – APHEDA Code of Conduct which include a clause requiring the person signing to maintain the highest standards of probity and honesty in all financial dealings for which they are responsible and observe all the organisation's financial controls and procedures.

6.3.2 Financial probity and financial transparency Induction and Training

All staff and international volunteers will undertake induction training at the commencement of their employment or engagement to emphasise the importance of fraud and corruption prevention and of ensuring the implementation of high standards of probity and honesty in all financial dealings. The process for induction is detailed in HR Procedures Manual.

Refresher training will be organised regularly through the relevant supervisors or managers.

6.4 Verification of due diligence and risk management on the part of delivery partners

Prior to working with a partner, Union Aid Abroad – APHEDA conducts a Partner Capacity Assessment which includes checking partner financial policies and processes. On the basis of this assessment, Union Aid Abroad – APHEDA will decide whether or not to work with the relevant partner. Process for partner capacity assessment and selection of partners is outlined in the organisation's International Program Manual under 'Project Partner Selection and Appraisal'.

Union Aid Abroad – APHEDA will also undertake all actions and investigations necessary to ensure, to the best of its ability, that any person associated with a partner organisation which is implementing projects on behalf of Union Aid Abroad – APHEDA is in no way linked, directly or indirectly, to organisations or individuals associated with organised crime, money laundering or terrorism.

Union Aid Abroad – APHEDA will ensure that our partner organisations overseas are not on the list of organisations and individuals on the World Bank List of Ineligible Firms (for fraud, corruption, and counter-terrorism).

As stated in the Policy on *Partnerships, Alliances and Strategic Networks* and the *Evangelisation, Politics & Welfare Activities Policy*, funds and other resources designated for the purposes of aid and development will be used only for those purposes and will not be used for evangelical purposes to promote a particular

religious adherence or to support a political party, or to promote a candidate or organisation affiliated to a political party.

Union Aid Abroad – APHEDA will only disburse donated funds or resources to a third party including to an overseas partner organisation for use in relation to an aid and development program if it is satisfied that the overseas partner organisation or third party to whom funds or resources are to be disbursed has the capacity to utilise the funds or resources in accordance with the specific instructions of Union Aid Abroad – APHEDA, in accordance with relevant provisions of the Code of Conduct and in a manner consistent with the Union Aid Abroad – APHEDA’s donor promise, express or implied.

From the answers gathered in the Partner Capacity Assessment (and the project appraisal), Union Aid Abroad – APHEDA will develop a Risk Matrix in which activities to strengthen partner processes for fraud and corruption prevention may be included when relevant. The process for completing and reviewing the overall risk matrix is outlined in the International Program Manual.

Once the Partner Capacity Assessment has been done and the risks registered in Union Aid Abroad – APHEDA Overall Risk Matrix, this will be recorded in the International Program Management Matrix. The procedures for completing this table are outlined in the International Program Manual.

6.5 Partner capacity building for the promotion of financial probity and transparency

Informed by the Partner Capacity Assessment and where Union Aid Abroad – and subject to APHEDA being satisfied that the partner organisation will be able to use the funds in accordance with Union Aid Abroad – APHEDA’s instructions, Code of Conduct and commitments made to donors, Union Aid Abroad – APHEDA and the partner organisation may agree to specific, capacity-building initiatives to promote financial probity and transparency. These initiatives will be included in a Capacity Building Plan which will be reviewed jointly on a yearly basis, when monitoring visits are taking place, or at other times as agreed.

Procedures for review of the partner capacity building plan are detailed in the International Program Manual.

6.6 Project-level fraud and corruption risk management

Union Aid Abroad – APHEDA will only disburse donated funds or resources to a third party for an aid and development program when:

- the particular aid and development program is aligned with or consistent with Union Aid Abroad – APHEDA’s strategy for achieving its objects and purpose;
- the funds and resources will be disbursed in accordance with relevant laws including counter-terrorism financing and anti-money laundering legislation; and
- appropriate control and risk management mechanisms (such as contractual arrangements specifying funding conditions and relevant reporting and

monitoring obligations) are in place to mitigate the risk of misappropriation or improper use of the funds or resources once disbursed.

Fraud and corruption prevention considerations are included at different stages of project development:

1. When developing the Risks Matrix - as mentioned above.
2. At appraisal stage - prior to a project starting, Union Aid Abroad – APHEDA will conduct a project appraisal. The outcome of the appraisal will allow the organisation to decide whether or not to support the project. This process requires Union Aid Abroad – APHEDA to check that the project is in line with Union Aid Abroad – APHEDA Financial Probity and Financial Transparency Policy and that financial management safeguards are adequate to prevent financial impropriety, misappropriation of funds or corruption.
3. When signing a partner agreement for a specific project, the partner is reminded of its obligations to prevent fraud and corruption.
4. When monitoring and reporting on the project - as part of the yearly monitoring report, partner organisations shall send an acquittal and such other additional information as requested which will be reviewed by Union Aid Abroad – APHEDA. Where relevant activities had been included in the overall risk matrix, the international program staff will be required to check and discuss its content with the partners. During monitoring visits, Union Aid Abroad – APHEDA staff will also review this document, as well as undertake financial monitoring of the partner's financial processes. This is further described in the International Program Manual and relevant monitoring templates are available.
5. When reviewing partner Annual and Audit reports - Union Aid Abroad – APHEDA will review those documents to ensure they are consistent with its own records.

6.7 Australian education and fundraising activities level risk management

Union Aid Abroad – APHEDA conducts education and fundraising activities. Volunteers working on those activities on behalf of the organisation will be asked to comply with due diligence processes and to follow the organisation's Finance procedures manual.

6.8 Accountability to members, donors and the general public

Union Aid Abroad – APHEDA has reporting mechanisms which facilitate accountability to members, donors and the general public who donate to the organisation. Reports will be sent regularly and systematically to members on all projects during the course of the year. All unions, members and donors will also receive an Annual Report containing the Summary Financial Statements, and the Full Financial Statements are available on request.

Donations to Union Aid Abroad – APHEDA shall be used as promised or implied in fundraising appeals or as requested by the donor. After a period of five years and in circumstances where funds intended for specific purposes has not been able to be spent for that purpose, those funds may be re-allocated to alternate international projects.

6.9 Breach of this Policy

As per Union Aid Abroad – APHEDA’s Whistle Blowing Policy, Union Aid Abroad - APHEDA personnel must report:

- any breach of the Code of Conduct or policy non-compliance and must report activities that they suspect may be fraud or corruption, by:
 - Union Aid Abroad – APHEDA personnel, including staff, volunteers, consultants, donors or members of the Board;
 - personnel of a Union Aid Abroad – APHEDA partner or civil society organisation
- any report made by anyone relating to fraud or corruption or policy non-compliance by Union Aid Abroad – APHEDA personnel or personnel of a Union Aid Abroad – APHEDA partner organisation.

It is the responsibility of personnel to report the incident, not investigate it.

Process for reporting a breach is included in the organisation’s Complaints Handling process.

Union Aid Abroad – APHEDA will treat all concerns raised seriously. All reports will be handled professionally, confidentially and expediently. Union Aid Abroad - APHEDA will

- Investigate all reported cases of alleged, suspected or detected fraud and corruption;
- Prosecute or apply other appropriate sanctions against those who have committed fraud or corruption; and
- Seek the recovery of misappropriated funds or assets wherever possible including pursuing prosecutorial or administrative action.

Where the funds defrauded relate to institutional donors, such as the Australian Government, the donor will be informed in accordance with contractual requirements.

The HR Procedures outline sanctions that would be applied in the event of breaches if allegations of fraud or corruption are proved to be correct, Union Aid Abroad - APHEDA is committed to taking disciplinary action.

6.9. Roles and Responsibilities

6.9.1 Board and Executive Officer

It is the responsibility of the Board and Executive Officer to ensure that Union Aid Abroad – APHEDA takes every precaution to prevent fraud or corruption in all its areas of operations and to promote a culture of financial probity and financial transparency.

Any actual or suspected incidents of fraud or corruption must be reported to the Executive Officer or to the Union Aid Abroad – APHEDA Chair if the complaints concern the Executive Officer. Information on how, to whom and what to report is included in the Complaints handling and Whistleblower policies and Governance and Human Resources procedures manual.

6.9.2 Senior managers

Senior managers can act as a resource person for questions about what constitutes fraud or corruption or policy non-compliance. They also act as the first point of contact to receive formal complaints, which will then be reported to the Executive Officer. They are also responsible for ensuring that the Financial Probity and Financial Transparency Policy and related procedures are followed and implemented by the staff and volunteers they supervise.

6.9.3 Employees

All employees working in the International Program in Australia and overseas are responsible for ensuring partners are compliant with Union Aid Abroad – APHEDA’s Financial Probity and Financial Transparency Policy.

Union Aid Abroad – APHEDA staff, who are coordinating programs and activities are responsible for ensuring that those programs and activities are compliant with Union Aid Abroad – APHEDA risk-based approach to preventing fraud and corruption.

7. External: legislative and regulatory framework

ACFID Code of Conduct

Fraud Control and Anti-Corruption within DFAT, 2018

Fraud Policy Statement, DFAT (undated)

8. Document Control

Version	Revision Description	Approved by Board (date)
1	Original	October 2010
2	Re-endorsement	N/A
3	Amended in a new template, added guidelines and other considerations	September 2018
4	Amended with updated terms	June 2023