



## Anti-Corruption & Anti-Fraud Policy

### Details

<b>Policy &amp; Procedure Owner</b>	ERFA Board	
<b>Approved by</b>	ERFA Board of Directors	
<b>Date Approved</b>	<b>Date of Last Revision</b>	<b>Next Review</b>
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### Abbreviations

ACFID	Australian Council for International Development
CHO	Complaints Handling Officer
CHP	Complaints Handling Policy
ICCR	Incidents, Complaints & Compliments Register

### Definitions

Associate	Anyone in the community who interacts with ERFA Staff and Partners
ACFID Member	A not-for-profit organisation that has obtained accreditation with ACFID
Donor	Members of the public who contribute to ERFA in cash or in kind
Partner	Any organisation which has an MOU / contract with / or receives funding from ERFA
Program	Programs are overarching development approaches and initiatives that set priorities and guide project outcomes, results and activities. Programs can comprise ministries or entities
Project	Projects are the development activities of a Program supported by ERFA
Project Beneficiary	Children and adults who participate in and benefit from ERFA-funded programs
Staff	Employees, contractors, subcontractors, outworkers, apprentices and trainees, work experience students, volunteers, employers and any other person who performs work for ERFA or ERFK

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### Related policies

- Complaints Handling Policy
- Counter-Terrorism Policy
- Corporate Credit Card Policy & Procedure
- Funding, Donations & Refunds Policy
- Risk Management Framework Policy
- Whistleblowing Policy

## Related documents

- Incidents, Complaints & Compliments Register (ICCR)
- Corruption & Fraud Reporting Form
- Field Monitoring Report Template
- Field Monitoring Register

## Compliance

This policy applies to all staff and associates that act for, represent or visit ERFA and ERFA's implementing partners. Failure of ERFA implementing partners to fully comply with this policy could result in termination of agreements including, but not limited to, MOUs, partnerships agreements and funding contracts.

## Organisational overview

Edmund Rice Foundation Australia (ERFA) believes education is the key to sustainable change. We are an international development organisation that focuses on sustainable and transformational education. We operate in some of the poorest communities in the world, including in Africa, East Timor, the Philippines, and Papua New Guinea. We also partner with domestic programs in Australia. ERFA's goal is to design and implement high impact education programs that will enable our primary stakeholders to stand independently and break free from the cycle of poverty. ERFA-funded education programs range from kindergartens to advanced microfinance projects and are designed with the needs and strengths of the community at their core.

## Legal definitions

Edmund Rice Foundation (Australia) is a company limited by guarantee. The objects of the company are set out in clause 3 of ERFA's constitution. Clause 3 (f) reads as follows:

*To develop partnerships with overseas aid agencies or formal arrangements with other delivery agents related to the Company but resident in Developing Countries for the implementation of the objects in paragraph (a).*

One of ERFA's roles is to act as trustee of the Edmund Rice Overseas Aid Fund.

Throughout its policies and official documentation ERFA uses the term **Partners** for those organisations with which it has formed alliances in developing countries for the receipt of overseas aid funding for the in-country delivery of education programs. Whilst ERFA has an active, engaged and qualitative role with these programs, working to build capacity and maximise the impact of best practice development outcomes, these are not partnerships in the legal sense. Rather they are alliances that ERFA has formed with in-country organisations with whom ERFA has communicated its vision, mission, values, policies and expectations with respect to sustainable development and whose own vision, mission, values, policies and development goals are congruent with those of ERFA. The in-country organisations implement the programs and ERFA supports them.

## Contents Page

<b>Section</b>	<b>Page</b>
1.0 Policy overview	4
2.0 ACFID context	5
3.0 Definitions	5
4.0 Relevant legislation & conventions	6
5.0 Roles and responsibilities	7
<b>Section 1: Preventing cases of corruption and fraud</b>	
6.0 Procurement procedures	9
8.0 Contract agreements	10
<b>Section 2: Detecting cases of corruption and fraud</b>	
9.0 Internal auditing	12
10.0 External auditing of Partners	12
11.0 Receiving complaints of corruption and fraud	13
<b>Section 3: Responding to cases of corruption and fraud</b>	
12.0 Investigation process	15
13.0 Reporting process	16
14.0 Remedial actions	17
15.0 Learning	18
16.0 Resources	19

## **1.0 Policy overview**

### **1.1 Purpose**

The purpose of Edmund Rice Foundation Australia's (ERFA) Anti-Corruption and Anti-Fraud Policy is to ensure that all ERFA Australia-based personnel and all overseas Program personnel associated with the programs ERFA supports in developing countries, are aware of their responsibilities regarding the prevention, detection and response to corruption and fraudulent activity, and to articulate:

- ERFA's commitment to the highest standards in the conduct of all its operations, in an accountable, transparent and ethical manner;
- ERFA's rejection of all forms of corruption and fraud;
- ERFA expectation that these same standards will be mirrored in the management of the programs it supports in developing countries.

### **1.2 Commitments**

ERFA has an obligation to all stakeholders to ensure that all monies used and disbursed by ERFA are used only for their articulated purposes and that processes are in place to protect those funds from fraud both in Australia and in the developing countries where the programs it supports are located.

ERFA's position is that the most vulnerable people are ultimately the ones most hurt by corruption and fraud in the development space. ERFA subscribes to the following quote by Kofi A. Annan, former Secretary-General of the United Nations:

Corruption hurts the poor disproportionately by diverting funds intended for development, undermining a Government's ability to provide basic services, feeding inequality and injustice and discouraging foreign aid and investment  
(UN Convention against Corruption, page iv).

### **1.3 Structure**

This policy is divided into an introductory preamble followed by 3 core sections which reflect the standard procedures for fraud and corruption control. These include:

- Section 1 Preventing corruption and fraud (pages 9-11);
- Section 2 Detecting corruption and fraud (pages 12-14);
- Section 3 Responding to corruption and fraud (pages 15-19).

### **1.4 Scope**

This policy applies to all ERFA Staff, which includes all employees, contractors, subcontractors, outworkers, apprentices and trainees, work experience students, volunteers, employers and any other person who performs work for ERFA or ERFK. It also extends to the Programs that ERFA supports in developing countries and their associated management, staff, volunteers, contractors and governing authorities. At times this policy will make a distinction between internal processes that concern ERFA and ERFK Staff and external processes that concern ERFA's network of supported Programs overseas.

Because it is a criminal offence under Australian law to bribe a foreign public official, ERFA and in-country program personnel need be aware that this offence applies to:

- both individuals and companies, whether or not they are Australian, who bribe or attempt to bribe a foreign public official while in Australia;
- Australian citizens, Australian residents or companies incorporated in Australia who bribe or attempt to bribe a foreign public official while overseas.

Companies can be found guilty of the foreign bribery offence and can be held criminally responsible for the acts of their agents. Individuals or companies that commit the offence can be prosecuted in an Australian court. Australian law provides for up to 10 years imprisonment for persons found guilty of bribing a foreign public official. A court can also impose a fine instead of, or in addition to, imprisonment. Proceeds of this criminal activity can also be forfeited to the Australian Government.

## 1.5 Links to other ERFA policies

There are 2 identified means through which a case of corruption or fraud may come to the attention of ERFA:

- through the independent evaluation and auditing process that ERFA subjects all the programs that it supports to (see Sections 8.0 and 9.0);
- through the lodgement of a complaint that notifies ERFA of observed or suspected instances of corruption and fraud. Such a complaint could derive from within or outside the organisation (see Section 11.0).

For cases of corruption and fraud that are brought to the attention of ERFA via the means of a complaint, this Anti-Corruption and Anti-Fraud Policy is to be read in conjunction with ERFA's [Complaints Handling Policy](#) (CHP). ERFA's CHP serves as the first point of contact for all formal complaints submitted to ERFA. A complaint deemed to concern a case of corruption or fraud is to be categorised as a "high-risk" complaint. In line with the complaints handling process set out in the CHP, the CEO is to refer to this Anti-Corruption and Anti-Fraud Policy for guidance on how to proceed.

For guidance on ERFA's complaints handling principles, the roles and responsibilities of ERFA Staff in completing the complaints handling process for how to lodge complaints, the survivor-centred approach that ERFA adopts for stakeholders involved in a complaint, the available avenues for lodging a complaint, the triage system for classifying complaints, as well as the processes of registering, responding to, and finalising complaints, please refer to ERFA's [Complaints Handling Policy](#).

For guidance on ERFA's approach to processing internal complaints lodged by an ERFA Staff member, please refer to ERFA's [Whistleblowing Policy](#).

For guidance on ERFA's approach to preventing and mitigating cases of financial misconduct linked to terrorism and criminal activities, including terrorism financing and money laundering, please refer to ERFA's [Counter-Terrorism Policy](#).

## 2.0 ACFID context

The ACFID Code of Conduct requires that, in accordance with Quality Principle (QP) 8, Resource Management, members satisfy the following conditions:

- QP 8.2.1 members can control and manage their financial resources and risks; this indicator also requires that members have policy documents which address:
  - risk management and control mechanisms;
  - financial wrongdoing, especially fraud, corruption, counter-terrorism and money laundering;
- QP 8.2.4 members produce and publish annual audited financial statements;
- QP 8.2.5 members undertake due diligence assessments of partners who manage funds on behalf of the member.

This Anti-Corruption and & Anti-Fraud Policy completely satisfies these conditions.

## 3.0 Definitions

### 3.1 Corruption

[Transparency International](#) defines corruption as, "the abuse of entrusted power for private gain," meaning private in contrast to public good. This includes financial corruption such as fraud, bribery and extortion and also non-financial forms such as the diversion of aid to non-target groups, allocation of resources in return for favours and preferential treatment for family and friends. These practices may be associated with intimidation of staff or beneficiaries who decline to participate in corruption.

### 3.2 Fraud

ERFA defines fraud as: the theft or misuse of ERFA funds or other resources by ERFA Australia based personnel or third party or in-country ERFA funded program personnel or third party, which may or

may not also involve misstatement of financial documents or records to conceal the theft or misuse.

Examples of fraud include but are not limited to:

- theft of funds or other property and resources
- falsification of costs or expenses
- collusion among tenderers and falsification of quotations
- forgery, falsification or alteration of documents
- destruction or removal of records
- inappropriate personal use of assets
- seeking or accepting of cash, gifts or other benefits from third parties in exchange for preferment of the third parties
- blackmail or extortion
- intentionally paying excessive prices or fees to third parties to obtain personal gain
- offering, promising or giving of a bribe or requesting, agreeing to receive or accepting a bribe.

### **3.3 Bribery of a foreign public official**

The elements of the offence of bribing a foreign public official include the following:

- Providing or offering a benefit to another person, or causing a benefit to be provided or offered to another person, where the benefit is not legitimately due to the other person.
- The benefit must be intended to influence a foreign public official in the exercise of his or her official duties for the purpose of obtaining business or a business advantage.
- A benefit can be a non-monetary or non-tangible inducement. It does not need to be provided or offered to the foreign public official (that is, it can be provided or offered to another person). It can also be provided or offered by an agent.

### **3.4 Foreign public official**

The definition of foreign public official includes:

- employees, officials or contractors of a foreign government body
- individuals performing the duties of an appointment, office or position under a law of a foreign country; individuals holding or performing the duties of an appointment, office or position created by custom or convention of a foreign country
- members of the executive, judiciary, magistracy or legislature of a foreign country
- employees, contractors and individuals who perform the duties of an office or position, or are otherwise in the service of a public international organisation (e.g. United Nations)
- individuals who hold themselves to be an authorised intermediary of a foreign public official

### **3.5 Benefit**

A benefit is any advantage and is not limited to property. A benefit can be a non-monetary or non-tangible inducement. It does not need to be provided or offered to the foreign public official directly; it can be provided or offered to another person. A benefit can also be provided or offered by an agent.

## **4.0 Relevant legislation & conventions**

It is a criminal offence under Australian law to bribe a foreign public official. Details of this offence are contained in Section 70.2 of the Criminal Code Act 1995 (Commonwealth). Australia is also a party to significant international instruments on bribery and corruption, including the United Nations Convention against Corruption 2004 and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions 2011 (the Anti-Bribery Convention).

Links to relevant legislation:

- [Criminal Code Act 1995 \(Commonwealth\)](#)
- [United Nations Convention against Corruption 2004](#)
- [OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions 2011](#)

## 5.0 Roles and responsibilities

All Staff members, including employees, contractors, subcontractors, outworkers, apprentices and trainees, work experience students, volunteers, employers and any other person who performs work for ERFA or ERFK holds certain responsibilities to prevent, detect and report cases of financial corruption and fraud.

The responsibilities, including reporting requirements to ERFA, extend to the staff of overseas Programs that ERFA supports.

The ERFA Board of Directors has ultimate responsibility over the usage of ERFA funds.

### 5.1 Responsibilities of Australian Staff

The responsibilities of Australian Staff are as follows:

- sign ERFA's Code of Conduct; ERFA's Code of Conduct outlines expectations of Staff conduct. This Anti-Corruption & Anti-Fraud Policy is one of several related policies compiled in the document;
- adhere to ERFA's Anti-Corruption & Anti-Fraud Policy;
- immediately notify ERFA's CEO of any lodged complaints or witnessed cases of financial misconduct;
- assist the CEO with the complaints investigation process as required.

The responsibilities of the **CEO** include those of all ERFA staff as well as the following:

- lodge all complaints received by ERFA;
- complete the triage process for all complaints received by ERFA;
- determine during the triage process whether a complaint concerns a case of financial wrongdoing and thus, whether it warrants the risk assessment of "high risk";
- report to the ERFA Board complaints that concern a case of financial misconduct;
- for a case of financial misconduct that concerns one ERFA's domestic operations:
  - liaise with the ERFA Board to determine a course of action;
  - work with the ERFA Board to investigate cases of witnessed or alleged financial misconduct;
- for a case of financial misconduct that concerns one of ERFA's supported overseas Programs:
  - liaise with the ERFA Board to determine a course of action;
  - liaise with the Program's Governing Body and request that they open an investigation into the case;
  - provide guidance to the Program's Governing Body to assist with an investigation;
  - continue to liaise with the Governing Body on a regular basis to discuss outcomes of the investigation;
- file all documentation regarding a case of financial misconduct, including emails, meeting minutes with Program Governing Bodies, meeting minutes with the ERFA Board of Directors and witness reports in Sharefile;
- oversee, manage, and delegate the completion of all 3 sections of the Corruption and Fraud Reporting Form;
- manage entries into the Financial Wrongdoing section of the Incidents, Complaints and Compliments Register (ICCR);
- train ERFA and ERFK Staff in the prevention, detection and reporting of cases of corruption and fraud;
- disseminate learnings to ERFA and ERFK Staff about finalised cases of financial misconduct, including lessons for how to prevent future cases from occurring.

The responsibilities of the **Programs Director** include those of all ERFA staff as well as the following:

- assume the responsibilities of CEO when contacted directly with a complaint in the capacity as a secondary contact;
- oversee, manage, and delegate the completion of all 3 sections of the Corruption and Fraud Reporting Form;
- file all documentation regarding a case, including emails, meeting minutes with Program Governing Bodies, meeting minutes with the ERFA Board of Directors and witness reports in Sharefile;
- manage entries into the Financial Wrongdoing section of the Incidents, Complaints and Compliments Register (ICCR);

The responsibilities of the **Programs, Policy & Risk Officer** include those of all ERFA staff as well as the following:

- assist the CEO and the Programs Director with filing documentation into Sharefile concerning investigations into cases of financial misconduct;
- assist the CEO and the Programs Director with managing entries into the Financial Wrongdoing section of the Incidents, Complaints and Compliments Register (ICCR).

## **5.2 Responsibilities of international Partners**

The responsibilities of Partner Staff are as follows:

- complete anti-corruption and anti-fraud training as instructed by their Program Leader;
- participate in ERFA-facilitated sessions on anti-corruption and anti-fraud as required;
- in accordance with ERFA's [Complaints Handling Policy](#), submit a formal complaint to their Programs' Complaints Handling Officer (CHO), as soon as is reasonably possible, of all witnessed or suspected incidents of financial misconduct;

The responsibilities of Partner Complaints Handling Officers (CHOs) include those of Partner Staff as well as the following:

- immediately report to their Program Leader received complaints concerning financial misconduct, including complaints that appear to lack credibility;

For a full list of the CHOs responsibilities in relation to complaints handling generally, please refer to ERFA's [Complaints Handling Policy](#).

The responsibilities of Partner Program Leaders include those of Partner Staff as well as the following:

- assess the risk of corruption and fraud within their area of responsibility;
- ensure that their Program Risk Management Plan identifies and assesses issues of potential risk with respect to corruption and fraud, sets out related mitigation strategies in place and identifies the Program personnel responsible for the implementation of those strategies;
- train their Staff in the prevention, detection and reporting of cases of financial misconduct;
- disseminate learnings to Staff about finalised cases of financial misconduct, including lessons for how to prevent future cases from occurring;
- report all cases of witnessed or suspected corruption and fraud to their Governing Body within 24 hours of first detection;
- report all cases of witnessed or suspected corruption and fraud to the ERFA CEO within 24 hours of first detection;
- cooperate with the ERFA CEO during an investigation of financial misconduct.



## Section 1: Prevention of corruption and fraud

ERFA incorporates the following policies to disincentivise stakeholders from committing corruption or fraud:

- distributing public tenders for supplier procurements;
- a partnership/funding application process that verifies the transparent, prudential financial management of prospective Programs;
- contract arrangements that commit Partner Programs to transparent financial reporting, prudential budgetary expenditure and compliance with various policies intended to prevent fraud and corruption;
- remedial actions for stakeholders, including for those deemed to have engaged in corruption, fraud or related criminal activity, as well as those who detected but failed to report such cases (See Section 14.0);
- protection of complainants;
- the establishment and ongoing implementation of a [Complaints Handling Policy](#);
- the establishment and ongoing implementation of a [Whistleblowing Policy](#);
- training of domestic Staff and overseas Program Managers in anti-fraud and anti-corruption practices.

### 6.0 Procurement procedures

ERFA Partners must have Program-specific financial management policies which ERFA reviews to ensure compliance with our Partnership requirements. ERFA abides by the following procurement principles:

- ERFA aims to support the local economies of the areas in which it is operational. In practice
- this means an obligation to purchase from local vendors when possible;
- in all cases fair competition must be the overriding principle for awarding orders;
- best value for money should always be a key factor when purchasing taking into consideration all factors such as costs, benefits, risks and resources over the entirety of the product or service life-cycle;
- price alone does not necessarily determine best value for money.
- documentation relating to procurement must be retained for a minimum of 7 years for auditor, donor, and host government purposes.

ERFA ensures a transparent procurement process distinguished by the type of purchase, collated in the procurement matrix below.

Procedure type	Value for supplies	Value for services and works	Method to apply
Single quote	<\$1000	<\$5000	This method requires that only one quote or offer be obtained prior to the confirmation of an order/contract
Negotiated procedure	\$1001 to \$10,000	\$5001 to \$25,000	This requires that a minimum of 3 quotes/offers be obtained by contacting vendors individually and requesting offers
National tender procedure	>\$10,001	>\$25,001	This requires that all interested vendors be allowed to submit offers following publication of a National Tender Notice

The types of purchases ERFA distinguishes between includes:

- supplies: this refers to the physical items such as computers or construction materials;
- services: this refers to advisory or consultancy contracts carried out including financial audits, surveys, monitoring and evaluation or technical assistance for trainings;
- works: this refers to infrastructural works such as the building of a school.

## 7.0 Partnership/funding applications

The partnership/funding application stage presents an opportunity for ERFA to conduct due diligence of potential Program Partners.

Funding applications submitted to ERFA must include the following:

- details of a Program's internal financial management systems and procedures;
- confirmation of Program leadership's familiarity with ERFA's Anti-Corruption & Anti-Fraud and Counter Terrorism Policies.

## 8.0 Contract agreements

For Partners whom ERFA has agreed to enter into a partnership with, the funding contract is a mechanism for ensuring the prudent use of funds. The International Funding Contract that ERFA distributes to approved Partners contains the following clause at the start of the document:

Acceptance of this Contract is an undertaking by the Program Manager to spend the funds only for the Program solely as detailed in the approved budget, which together with the following terms and conditions forms part of the Contract for 2020 funding.

The contract commits Partners to the following terms and conditions listed under Section 7.0 Roles and relationship responsibilities of the Program:

- 7.4 Use the funds provided by ERFA solely for activities as detailed in the approved budget.
- 7.5 Acknowledge receipt of funds transferred each quarter by ERFA.
- 7.6 Reply promptly to ERFA requests and correspondence.
- 7.7 Record any unspent funds annually and reimburse to ERFA or seek written approval for re-allocation/carry-over.
- 7.13 Provide an in-country external audit of the Program in its entirety (not limited to ERFA funding only) to ERFA at the end of the funded year.
- 7.14 Complete timely provision of compliant quarterly and annual reporting to ERFA as detailed in ERFA's Program Design, Funding and Management Policy. ERFA will work with the Program Manager and provide reporting templates, training and support to meet ERFA's funding requirements.
- 7.20 Adopt and implement a Complaints Handling Policy (CHP) that adheres with ERFA's CHP. Ensure that all staff, volunteers and beneficiaries understand how they can make a complaint in relation to the Program activities or the conduct of any staff, volunteers or visitors. Publicly display a child-friendly Complaints Notice in the local language. Adopt a triage system that allocates a risk level to all lodged complaints. Report to ERFA within 24 hours all lodged complaints that are allocated a risk level of moderate, major or extreme.

The contract commits Partners to the following terms and conditions listed under Section 12.0 Budget, financial management and insurance:

- 12.1.1 Any variation on the approved budget lines or any change to the objectives, purpose, commencement date or completion date of the Program must be agreed in writing with ERFA prior to using the funding for any alternative purpose or adjusting the timeline of the Program.
- 12.1.2 At program end, any unused funds transferred to the Program are to be returned to ERFA for overseas use unless other arrangements are agreed to in writing.
- 12.2.1 Financial records must be kept for a period of seven years from the end of the program period. The Program Manager must send externally audited financial reports to ERFA for the entire program (not only for ERFA funding) at the completion of each program year by no later than 31 March. The source of funds from ERFA should be shown in the audited financial statements as coming from Edmund Rice Foundation (Australia).
- 12.2.2 The Program and ERFA shall maintain sound financial and project management systems and internal controls and keep proper and detailed accounts, records and assets registers, including clear audit trails and adequate records/receipts in relation to expenditure of all

program funds.

- 12.2.3 ERFA will require financial documentation to be provided with quarterly reporting including:
  - budget vs actual for the 3-month period utilising reporting template;
  - extract of trial balance sheet;
  - extract of general journals/ledgers;
  - quarterly management accounts.

The contract commits Partners to the following terms and conditions listed under Section 16.0 Termination of agreement:

- 16.1 Failure of the Program to account for any or all of the funding provided.
- 16.4 Where any offer, payment, consideration or benefit of any kind, which constitutes or could be construed as an illegal or corrupt practice, is made - either directly or indirectly - as an inducement or reward for the award or execution of the present Agreement, Program or projects funded pursuant to same.

## **Section 2: Detection of corruption and fraud**

### **9.0 Internal auditing**

Independent auditing is a crucial process to ensure the integrity of ERFA's financial activity. ERFA subjects itself to a rigorous auditing process, overseen by its Board of Directors, and made available to the public for wider transparency.

ERFA is committed to:

- producing full financial reports of ERFA operations on an annual basis which are independently audited and comply with Australian accounting standards;
- publishing audited financial statements;
- including within the independent audit, the signature, qualifications and contact details of the auditor;
- attaching the financial statement to ERFA's Annual Report publication;
- including within published financial statements a statement from the ERFA Board of Directors confirming that the audit is compliant with Australian accounting standards and provides a fair and true account of ERFA's financial position.
- compiling evidence of the Board of Director's deliberation appraisal of ERFA's financial position, as contained in meeting minutes.

### **10.0 External auditing of Partners**

#### **10.1 Financial reports**

ERFA also requires the programs it supports to undergo an independent auditing process and to produce financial statements. All financial statements are independently audited in compliance with international auditing standards.

At the end of the annual funding cycle, full financial reports must be accompanied by an Independent Auditor's Report and Auditor's Management Letter, certifying that the Program Finance Report is a true and fair view of the income and expenditure of the program. The independent auditor must hold in-country accreditation and must not be an employee of, or hold any other relation to, program staff. Financial reports are due by the 31<sup>st</sup> of January. External audits are due by the 31<sup>st</sup> of March.

#### **10.2 Quarterly acquittal reports**

A major vehicle through which ERFA conducts monitoring and evaluation is the SmartyGrants online platform. ERFA uses the platform to provide feedback and submit requests for further clarification when assessing Partners' online application forms and quarterly acquittal reports.

Implementing Partners who receive support and funding from ERFA are required to provide detailed financial updates in quarterly acquittal reports. For each of their Projects that receive ERFA funding, Partners are required to provide evidence of:

- a financial report;
- any income their Projects received during the quarter and the details of the income provider;
- budget versus actual expenditure for the 3-month period utilising the ERFA-approved budget template;
- bank statements for the 3-month period;
- an extract of their general journals/ledgers;
- an extract of their trial balance sheet;
- quarterly management accounts.

ERFA conducts assessment of Partner's quarterly acquittal reports. The assessor allocates various ranks to indicate the reliability and transparency of Partners' financial reporting. If necessary, the assessor also provides feedback to the Partner which the Partner is then required to address in a follow-up acquittal process and through ongoing consultation with ERFA Staff.

The following examples warrant an ERFA assessor asking a Partner for clarifying information and depending on their response, performing an investigation of the Partner's finances:

- discrepancies between a Partner's approved budget and their provided financial documentation;
- suspicious costing.

ERFA reserves the right to withhold financial transfers until the Partner has satisfied their quarterly reporting requirements, including responding to ERFA assessor requests for clarification.

### **10.3 Field monitoring**

ERFA conducts field monitoring of programs on a continuous basis.

Field monitoring visits are a unique opportunity for ERFA Staff to obtain an in-person vantage point with which to observe, monitor and evaluate a Project. Information that ERFA seeks to ascertain during its field monitoring includes:

- the operational effectiveness of the Project;
- the day-to-day/logistical activities of Staff;
- the Project's financial management;
- staff motivation;
- the degree of beneficiary involvement in the Project;
- the degree of beneficiary consultation with Project Staff.
- the Project's relationship to the broader community.

Given that ERFA only has Staff locations in a Brisbane and a Nairobi office, it is limited in the frequency of field monitoring that can be reasonably conducted. ERFA seeks to conduct in-person field monitoring to each of its supported Programs once every 2-3 years.

ERFA will engage external consultants to assist with performing a field visit where necessary. A field monitoring report is to be produced from each field visit conducted. To guide the construction of such a report is the Field Monitoring Report Template. ERFA maintains the document Field Monitoring Register to keep track of field monitoring performed.

## **11.0 Receiving complaints of corruption and fraud**

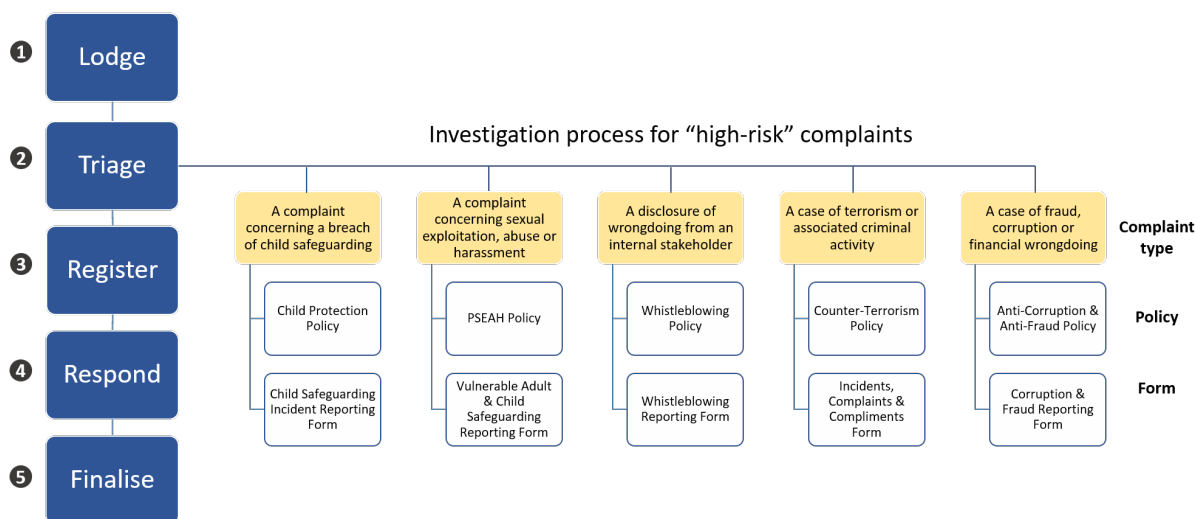
### **11.1 Links with ERFA's Complaints Handling Policy**

ERFA's [Complaints Handling Policy](#) (CHP) is the first point of contact for all formal complaints submitted to ERFA regarding its domestic operations or those of its partner programs. ERFA's CHP specifies 5 stages through which complaints are processed: 1. Lodge, 2. Triage, 3. Register, 4. Respond and 5. Finalise. During the second "Triage" stage, a complaint will be classified as "high-risk" if it concerns, among other matters, a case of corruption or fraud. Once this classification is made, the ERFA CEO is required to refer to this Anti-Corruption & Anti-Fraud Policy for guidance on how to proceed with registering, responding to and finalising the complaint.

The process by which the ERFA CEO first consults ERFA's CHP in the first 2 steps of the Complaints Handling Process, and then escalates the complaint to a "high risk" category is illustrated below.

## Complaints Handling Process Flowchart:

### Complaints handling flowchart



### 11.2 Registering fraud and corruption complaints

It is a requirement that a record be made within 24 hours of receiving a complaint concerning financial wrongdoing. This is to be done using Section 1 of the Corruption and Fraud Reporting Form: Initial Incident Report (see Section 13.0). It is the responsibility of the CEO and the Programs Director to oversee and manage the completion of the Corruption and Fraud Reporting Form. A record of the case is also to be made in the Financial Wrongdoing section of the Incidents, Complaints and Compliments Register (ICCR) as required (see Section 13.0). It is the responsibility of the CEO and the Programs Director to record cases of financial misconduct in the ICCR and to ensure the record is continuously updated throughout the course of an investigation process.

### 11.3 Protecting complainants

ERFA takes particular care to protect the rights, needs and wishes of complainants. Reports of suspected corruption or fraud will be handled confidentially and the identity of the person making the report will not be revealed to the accused without their consent. Nor will any person making such report be penalised in any way. A complainant reserves the right to request that they remain anonymous during an investigation.

### 11.4 Responding to fraud and corruption complaints

The complainant will be informed that their complaint is being handled. If the complainant has provided their contact details, ERFA will provide them with regular updates throughout the investigation procedure. The frequency and timeframe of such updates will vary depending on the subject matter of the disclosure.

For ERFA's process in handling the substance of incidents of corruption and fraud, including those detected internally or externally, see Section 3: Responding to corruption and fraud.

### 11.5 Finalising fraud and corruption complaints

A report will be prepared for the Board when the investigation is complete and the case closed. This is to be done using Section 3 of the Corruption and Fraud Reporting Form: Remediation Procedures and Lessons Learned (see Section 13.0). It is the responsibility of the CEO and the Programs Director to oversee and manage the completion of the Corruption and Fraud Reporting Form. The report will be provided to the complainant, including, if necessary, any applicable confidential stipulations.

## **Section 3: Responding to corruption and fraud**

### **12.0 Investigation process**

#### **12.1 Investigating domestic cases of corruption and fraud**

- The CEO will ensure that an investigation of the allegations is established and adequately resourced.
- Terms of Reference for the investigation will be drawn up to clarify the issues to be investigated and the scale of the investigation in proportion to the seriousness of the allegation(s). This includes necessary information that the CEO needs to gather before they can make a decision about how to ameliorate the conditions that led to the alleged incident.
- The CEO will seek to hear from all relevant witnesses of the complaint. Where the complainant's safety is not jeopardised by doing so, the CEO will require all relevant witnesses to complete their own reporting of the case. Where further detailed information is required, witnesses may be interviewed.
- The CEO will ensure the investigation is completed within a reasonable time depending on the circumstances and within no less than 90 days of the investigations commencement, subject to extraordinary circumstances justifying extension beyond this time.
- The CEO will file all relevant documentation regarding the case, including emails, meeting minutes with the ERFA Board of Directors and witness reports in ERFA's designated database, Sharefile.

During the investigation procedure the ERFA Board will adopt the following principles:

- The principles of procedural fairness (natural justice) will be observed. In particular, where adverse comment about a person is likely to be included in a report, the person affected will be given an opportunity to comment beforehand and any comments will be considered before Section 3 of the "Corruption and Fraud Reporting Form is finalised.
- The person or persons conducting the investigation will be as far as possible unbiased.

#### **12.2 Investigating international cases of corruption and fraud**

- The ERFA CEO will liaise with the ERFA Board to determine a course of action.
- The ERFA CEO will contact the Governing Body of the Program where a case of financial wrongdoing is alleged to have occurred. The CEO will request that the Governing Body conduct their own investigation into the matter.
- The ERFA CEO will provide guidance to the Program's Governing Body as required to assist with an investigation.
- The ERFA CEO will continue to liaise with the Governing Body on a regular basis to discuss outcomes of the investigation.
- The ERFA CEO will file all relevant documentation regarding the case, including emails, meeting minutes with the Program's Governing Body, meeting minutes with the ERFA Board of Directors in ERFA's designated database, Sharefile.
- At the completion of the investigation conducted by the Program's Governing Body, if the ERFA Board of Directors is dissatisfied with any aspect of the investigation, including its conduct and recommended remediation procedures, they reserve the right to initiate a separate investigation and forensic audit.

#### **12.3 Suspension of funding**

Where there is an open investigation into a case of financial wrongdoing concerning one of ERFA's international Partner Programs, ERFA reserves the right to suspend funding to the Program until satisfied that:

- the investigation has been concluded;
- the misappropriated funds have been accounted for;
- individuals deemed to have committed fraud or corruption are no longer involved in the Program;

- remediation procedures have been implemented to prevent future cases of financial wrongdoing from occurring;
- accuracy, transparency and honesty of the Program's financial conduct is confirmed.

Whilst prudential management of financial resources is one of ERFA's top priorities, ERFA is also conscious of the ethical duty it holds towards its funded Programs. The stakeholders of these Programs, including beneficiaries and staff, live in extremely vulnerable circumstances, and ERFA is not prepared to suspend total funding amounts when their immediate wellbeing would be jeopardised as a result. This is especially the case when an incident of financial wrongdoing has yet to be confirmed or when the entire community of a Program would suffer because of the actions of a few.

As a result, the case for suspension of funding depends on various contextual factors:

- the nature of the Program concerned;
- the quantity and proportion of funding that ERFA has committed to the Program;
- the point in the funding cycle when the case of financial wrongdoing is brought to ERFA's attention;
- whether the Program has a past history of financial misconduct;
- ERFA's confidence in the Program's ability to conduct an investigation of the case;
- other extenuating circumstances that might increase the vulnerability of the Program's stakeholders.

To reconcile ERFA's conflicting responsibility of responding to and limiting the damage of financial wrongdoing with the ethical responsibility it holds towards Program stakeholders, in certain circumstances, ERFA reserves the right to conduct a one-off transfer to a Program where there is an ongoing investigation into a case of financial misconduct. This is to ensure that the Program can continue to function and that the stakeholders are not disproportionately hurt because of an action they themselves did not commit. This transfer is contingent upon the strict condition that all persons suspected or alleged to have committed or been otherwise connected to a case of financial misconduct are not involved in the current operation of the Program and have no way of accessing the funds to be transferred. To facilitate this transfer, ERFA is prepared to work with the Program's Governing Authority to appoint an alternative suitable administrator who will handle the disbursement of funds within the Program.

## **13.0 Reporting process**

### **13.1 Corruption & Fraud Reporting Form**

ERFA has constructed the document: Corruption & Fraud Reporting Form, which is to serve as a guiding procedure for how to document cases of financial misconduct, their investigation, progression, handling and eventual finalisation. It is a requirement that the Corruption & Fraud Reporting Form be completed for all cases of corruption and fraud, domestic or international. Transparent, structured reporting is crucial for cases of financial misconduct which can change rapidly. This is especially important for instances where ERFA decides to conduct their own internal investigation into a case, for example, if new information comes to light, or if the ERFA CEO is not satisfied with the external investigation conducted by an overseas Governing Body. In these instances, a secondary investigation process can build off the foundations already created by early reporting.

The form is divided into three sections:

- Section 1 - Initial Report: is used to record basic facts about a witnessed or suspected case of corruption or fraud. This section is to be completed when an incident of financial misconduct is first detected. It is to be completed only once with no further edits made to it.
- Section 2 – Investigation: is used to record updates to the investigation of a case of financial misconduct. This section is to be updated throughout the course of an investigation as required, for example, as new information comes to light.
- Section 3 - Remediation Procedures and Lessons Learnt: is used to record the handling of a



case of financial misconduct and the lessons learnt from the process. The report is to include a summary of the allegations, a statement of all relevant findings of fact and evidence upon which conclusions have been based, an account of the damage caused to relevant stakeholders, the remediation processes taken as well as recommendations for how ERFA can strengthen its controls against financial misconduct in the future. This section is to be completed when an investigation into an incident of financial misconduct has been closed and ERFA deems the case finalised. It is to be completed only once.

It is the responsibility of the ERFA CEO and the Program's Director, together with the cooperation of the ERFA Board of Directors, to manage and oversee the completion of all sections of the form (See Section 5.0).

### **13.2 Incidents, Complaints and Compliments Register**

A record of cases of financial misconduct are also to be made in the Financial Wrongdoing section of the Incidents, Complaints and Compliments Register (ICCR) (see Section 12.0). It is the responsibility of the CEO and the Programs Director to record cases of financial misconduct in the ICCR and to ensure the record is continuously updated throughout the course of an investigation process.

Fields required to be filled out by the person managing the ICCR record include:

- date received;
- date of incident;
- program name;
- project name;
- person(s) to whom allegations are being made;
- summary of incident;
- involved parties;
- completion of reporting form section 1;
- estimation of financial losses;
- information to collect in an investigation;
- externally referred;
- completion of reporting form section 2;
- remediation procedures undertaken;
- outstanding issues;
- date closed;
- location of case in Sharefile;
- completion of reporting form section 3.

### **13.3 Filing of documentation**

Together with the formal reporting mechanisms of the Corruption & Fraud Reporting Form and the Incidents, Complaints and Compliments Register, informal documentation regarding a case, including emails, meeting minutes with Program Governing Bodies, meeting minutes with the ERFA Board of Directors and witness reports, are to be filed in ERFA's designated database, Sharefile. It is the responsibility of the CEO to file documentation relevant to a case of financial misconduct. They reserve the right to delegate this task to the Programs Director or the Programs, Policy & Risk Officer (see Section 5.0).

## **14.0 Remedial actions**

### **14.1 Termination of funding**

As contained in ERFA's funding contracts with Partners, ERFA reserves the right to terminate funding. Only in exceptional cases or where a Partner Program has been unable to demonstrate its prudential management of financial resources would the ERFA CEO, with the counsel of the ERFA Board of Directors, consider terminating funding to a Program.

ERFA's funding contract commits Partners to the following terms and conditions related to the nullification of the Agreement:

- 15.1 Deemed Nullification. This Agreement will be deemed nullified if ERFA considers that events have occurred which are sufficient to defeat or substantially prevent or delay the achievement of the stated objectives of the Program as set out in the approved Funding Application and Program Log Frame.
- 15.2 Notice. ERFA must give notice to the Program Governing Body and an opportunity to respond and take curative action within 15 days in the event ERFA considers this Agreement to be nullified.
- 15.3 Refund. In the case of Nullification of this Agreement, the Program agrees to refund immediately to ERFA the balance of any unspent Funding.

The funding contract also commits Partners to the following terms and conditions related to the termination of funding. As contained in Section 16.0, the Agreement may be terminated by ERFA, by notice in writing, in the event of:

- 16.1 Failure of the Program to account for any or all of the funding provided.
- 16.2 Failure of the Program to meet its reporting obligations to ERFA.
- 16.3 Where, on the basis of reporting or monitoring, and after consultation with the Program Governing Body, ERFA determines that the purposes for which the funding has been provided have not or cannot be substantially met.
- 16.4 Where any offer, payment, consideration or benefit of any kind, which constitutes or could be construed as an illegal or corrupt practice, is made - either directly or indirectly - as an inducement or reward for the award or execution of the present Agreement, Program or projects funded pursuant to same.
- 16.5 Where a Program breaches or fails to comply with ERFA policies.
- 16.6 In the case of mutual agreement between ERFA and the Program Governing Body to terminate the Project.

#### **14.2 Stepping down of Staff**

Any attempted or committed case of corruption or fraud will be grounds for dismissal or the termination of the contract of the person(s) involved. Whether someone has engaged in financial misconduct will be determined through ERFA's aforementioned investigation process (see Section 12.0 Investigation process). For domestic cases of corruption and fraud, the ERFA CEO, in consultation with the Board of Directors, will terminate the contract of the person(s) deemed responsible. For international cases of corruption and fraud, the ERFA CEO, in consultation with the Board of Directors, will liaise with the relevant Program's Governing Authority, to request that the person(s) deemed responsible are asked to stand down from the Program.

#### **14.3 Reporting to authorities**

The ERFA CEO, in consultation with the Board of Directors, will decide whether to report cases of corruption or fraud to relevant external bodies. This includes the local police authority and/or the ACNC.

ERFA will report suspected fraud or corruption involving DFAT funds to DFAT within five working days of detection, using DFAT's prescribed form.

#### **15.0 Learning**

ERFA is committed to the continuous improvement of its financial controls. This means strengthening its capacity to prevent, detect and respond to cases of corruption and fraud. ERFA adopts the following processes to assist learning and development:

- the maintenance of the ICCR (see Section 13.2);
- the maintenance of transparent and accessible records relating to cases of financial misconduct (see Section 13.3);

- a bi-annual consultation between the ERFA CEO, Programs Director and Programs, Policy & Risk Officer to assess the strength of ERFA's financial controls and discuss outcomes of monitoring and evaluation and compliance with this Anti-Corruption and Anti-Fraud Policy.
- regular training of domestic ERFA Staff and overseas Program Staff in the substance of this Anti-Corruption & Anti-Fraud Policy and related financial controls.

## **16.0 Resources**

ERFA recommends the following resources for anti-corruption and anti-bribery education and training for ERFA Australia based personnel and in-country program personnel:

- [CPA Australia internal controls for NFP organisations;](#)
- [DFAT Fraud Control Toolkit;](#)
- [Transparency International corruption risk assessment for different countries;](#)
- [Australian Federal Police - Foreign Bribery Fact Sheet.](#)