

**ACTIONAID INTERNATIONAL FINANCIAL  
MANAGEMENT FRAMEWORK**

**2008 ADDENDUM**

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## **1 ACCOUNTING POLICIES**

### **1.1 OVERDRAFTS**

In AAI the word overdraft is only used in relation to sponsorship funded DA/DIs.

A new DA may incur expenditure in advance of receipt of sponsorship income provided it prepares a 5-year financial plan showing that by the end of those 5 years it will have accumulated 3 months' worth of reserves. The plan must be approved by the funding affiliate before expenditure is incurred. The amount of the overdraft that is repaid each year must not exceed 20% of that year's sponsorship income. This works both as a control on the size of the overdraft and ensures, from the point of view of our accountability to sponsors, that we continue to spend a large majority of their donations on current activities.

## 2 FINANCIAL MANAGEMENT PROCESSES

### 2.1 EMERGENCY INTERVENTIONS

Emergency initiatives may, by their nature, be outside of the country or regional strategy. If the emergency intervention is within the regional strategy and funding is confirmed, then the activities can go ahead. The Regional Director is responsible for informing the Board of Trustees where funding is significant and for ensuring the region has the capacity to manage the intervention.

The Country Director of an affected Country programme will decide if existing in-country funding is to be reallocated to an emergency providing that;

- Reserves will not fall below the minimum level stipulated in the reserve policy
- The funding reallocation will not be in violation of sponsor/donor contracts

Countries requiring additional funds for an emergency response may make a request to the International Human Security Theme to access funds from the Strategic Crisis Programme.

If a proposed emergency response is outside the Regional Strategy then the Regional Director should seek approval from the Chief Executive and the International Director of Finance.

### 2.2 REPORTING ON DONOR-FUNDED CONTRACTS

Every Country Programme, Affiliate, Associate and the Secretariat has a responsibility to honour our accountability commitments and honestly report to donors on projects funded.

The finance functions should work closely with Programme Managers and the Partnership Development teams at both local and international levels to ensure that all contractual requirements on donor-funded contracts are met.

**The finance department should support the donor reporting process by generating donor reports from the accounting system in the format agreed with the donor.**

For reimbursable contracts, the finance department should lead the process of invoicing and follow up to ensure timely receipt of funds from the donor. In as far as possible, reimbursement should be on a monthly basis so as to minimize the amount of other ActionAid International funds required to fund such projects before donor funds are received.

**Invoices for reimbursable contracts should be submitted to the donor within 15 days of the following month or of the end of the relevant period/achievement of contract milestones. Donor debts should not remain unpaid for more than 30 days.**

Country Programmes and Affiliates are encouraged to seek local funding for identified projects and manage the relationship with the donor at the local level.

**Where the reserves of a country programme are inadequate to pay for work carried out under a reimbursable contract, express permission should be sought from the International Director of Finance before any contract is agreed with a donor.**

## **3 EXPENDITURE**

### **3.1 STATUTORY COSTS CLASSIFICATION**

Statutory cost analysis requires the reclassification of expenditure into four categories – project, support, fundraising and governance. Over the years a framework has been developed to ensure consistent inclusion, categorization and measurement of the items that should be classified into the four categories.

#### **Project Costs**

To measure AAI's financial performance we need to be able to (a) assess the costs of the various inputs that AAI delivers and (b) how much it costs the agency as a whole to provide the infrastructure that enables us to deliver those inputs. This is the project/support cost split.

In light of AAI's long-term approach to development and the DA basis of most of our work, AAI's project costs can be considered to include the whole intervention from its inception to its final conclusion, encompassing the initial appraisal and planning process, the project management and execution and the M & E and Impact Assessment processes. All grants made to partners in pursuance of AAI's objectives are also classified as Project Costs.

Costs to carry out research, policy advocacy and campaigns, directly with or through partners is also classified as Project Costs

#### **Support Costs**

In order to identify what elements of country programme, affiliate or associate expenditure fall outside the definition of project costs, support costs can be defined as all those costs connected with providing services which enhance the efficiency and effectiveness of the (country) programme rather than of its projects. These, therefore, include head office and DA finance, human resources, and the majority of office overheads. It is generally assumed that at the Head Office a significant proportion of costs will be support costs while at the DA level it will generally be a smaller amount.

#### **Fundraising Costs**

Fundraising costs include the full cost of the in-country sponsorship activities, the full costs of any other fundraising activity (whether successful or not), a proportion of the costs of other staff that can be attributed to Fundraising (mainly Country Director) plus their share of office overhead.

#### **Governance Costs**

Governance costs are those costs that relate to the governance structure of AAI which allow AAI to operate legally and comply with best practice in reporting its affairs to stakeholders. Costs included are:

- Any cost relating to trustees, such as meeting costs
- External audit fees
- Legal costs related to the governance of the organisation
- Internal audit costs: this should be salary costs, travel and any other direct costs

Following a review of basis of cost classification adopted across country programmes the following have been agreed as standard ratios for classification of Head Office costs for financial reporting purposes.

<b>FUNCTIONS</b>									
	<b>CD</b>	<b>Finance &amp; Admin</b>	<b>Audit</b>	<b>HR/OD</b>	<b>Info. Sys.</b>	<b>Comms</b>	<b>Prog. Support</b>	<b>M&amp;E &amp; Impact Assessment</b>	<b>Fund-raising</b>
<b>Project</b>	20%	-	-	-	-	-	100%	100%	-
<b>Support</b>	70%	100%		100%	100%	100%	-	-	-
<b>Fundraising</b>	10%	-	-	-	-	-	-	-	100%
<b>Governance</b>			100%						
<b>Variation allowed</b>	+/- 20%	+/- 20%	-	+/- 20%	+/- 20%	+/- 30%	-	-	-

**Note:** There may be genuine reasons why ratios outside these norms are required. These should be agreed with the Regional Finance Coordinator.

### 3.2 CENTRAL COST ON TABLE E

Table E requires expenditure to be captured under two headings – DA/Non-DA/Project and Central Cost.

#### **DA/Non-DA/Project Cost**

This comprises all costs attributable to a DA/I/Non DA/I/ Project. All grants and direct community inputs, staff, office, transport and travel, service and capital expenditure of the DA/I/Project is included in this definition.

#### **Central Cost**

This comprises all costs of all non project functions of the CP head office and regional office.

In the situation that a CP does not have DA/DIs as traditionally understood within the organisation and uses partners to carry out activities in specified areas and in addition, does not have staff dedicated to a particular partner, the cost analysis will be as outlined below.

All grants to partners should be included under DA/I/Project cost. The CP will also establish a criterion for allocating programme staff cost to the different partners and projects the staff is working on.

#### **Reallocating of central costs**

Central costs should be reallocated to DA/I/ in proportion to their income or expenditure. Once a criterion has been agreed upon, it should be applied consistently over time to enable comparison and trend analysis

For donor funded projects, central cost should be reallocated to the projects in line with the amounts included in the proposal to the donor.

**Table E - Central cost analysis**

		DA/Project	Central	Fundraising
1	All DA/DI expenditure, including office and transport cost etc, but excluding fundraising costs	100%		
2	All project expenditure excluding fundraising costs	100%		
3	Head office/Regional office costs not attributable to any DA or project In most CP's this will comprise costs of the following functions - Country Director - Finance - HR/OD - IT/IS - Communication - Audit - Admin/logistics		100%	
4	Specific national or regional projects with specified income sources including NF and unrestricted fund projects	100%		
5	Fundraising costs - Sponsorship costs - Other fundraising costs			100% 100%

### 3.3 CONSULTANTS

When procuring the services of consultants, the Global HR/OD framework should be followed. In all cases where services of consultants are to be negotiated, the following minimum guidelines should apply;

- There should be justification for procuring the services of a consultant
- Approval should be sought at the appropriate level of authority
- The selection criteria must be transparent and documented
- A clear terms of reference must be agreed with the consultant
- The initial advance to the consultant should not exceed 25% of the contract value
- Contract should comply with local labour and tax laws to ensure contract durations do not violate employment terms or other legal stipulations
- Fee rates should be in line with agreed rates in the LFPPM
- A signed contract between the organisation and the consultant must be in place which clearly details the following;
  - duration of the contract
  - maximum contract value
  - payment arrangements
  - expected output and
  - monitoring and evaluation arrangements.

Finance staff approving payments should see evidence of completion.

### 3.4 MEETINGS/WORKSHOPS

Meetings and workshops are an essential part of how we work. However, physical meetings should only be organised when it is established that other forms of communication cannot fulfil the set objectives.

- All meetings should have a statement of cost incurred. This should include – cost of venue, number of participants, costs of flight and other logistical

arrangements. The statement of cost will be prepared by meeting organisers in conjunction with the host CP/affiliate/associate HoF/FD

- Meeting organizers should demonstrate that the venue selected is cost effective
- Organizers of international meetings should complete the 'international meeting form' and get proper approval and authorization from the international directors before proceeding with the meeting arrangements
- Meeting venues should reflect our values of modesty, cost effectiveness and convey our values to the external world. For example, holding a meeting in a five star hotel (even on receiving a discounted rate) is discouraged as it does not portray our values.
- Each country should have a recommended list of venues of acceptable standards for meetings (image, secure, cost)
- Participants should not arrive at meeting/workshop venue more than 24 hours prior to commencement and should depart within 24 hours of the meeting ending.
- In the event that a meeting is planned in a location in which AAI has an office, meeting organizers should work with the administration units of the CP/Associate/Affiliate or secretariat office as opposed to doing it alone. This will ensure that the venue is in line with the CP/Affiliate/Associate/secretariat venue list and that appropriate procurement processes are adhered to.
- In the event that staff appear at a location for a meeting without having the necessary documents (visa, vaccination etc) and are sent back from the airport, 50% of the expenditure incurred for the ticket will be recovered from the travelling staff.
- Should AAI purchase a ticket and the staff subsequently does not travel, reasons for not travelling should be furnished, in writing to the line manager for approval. If approval is not granted 50% of any penalties incurred on refund for the ticket will be borne by the staff and/or 50% of the ticket cost should the ticket be non-refundable.

### **3.5 CORPORATE CREDIT CARDS**

Some staff are provided with corporate credit cards either issued by the secretariat or the CP/Associate/Affiliate. This may only be used for business expenditure and all expenditure must be supported by original receipts (including internet receipts, or where unavailable any screen information which details the purpose). Each card holder is expected to sign a 'no-personal' use statement on application for the card.

The card may not be used for personal expenditure even if immediately reimbursed without express prior approval from the line manager.

Monthly statements are sent to cardholders by International or local finance depending on the type of credit card issued. Each transaction on the statement should be coded and authorised by the relevant budget holder and returned to finance within one month of receipt of statement.

## **4 EMPLOYEE RELATED EXPENDITURE**

### **4.1 PAYROLL PROCEDURE – INTERNATIONAL STAFF**

Payroll for international staff is administered by international HR in Johannesburg and payments effected by AAI in UK.

#### **Local Salary Draw down**

In certain circumstances international staff may wish to receive part of their salary payment locally. The following guidelines should be followed by both local finance and the staff seeking the draw down;

- Authorisation from line manager of staff requesting to draw salary locally
- Notify international HR in Johannesburg and AAI in UK of amount paid locally
- Review monthly PROBAL to ensure salary account takes into consideration local salary draw down

#### **Other local deductions**

All international staff are expected to comply with local statutory requirements regarding taxation. The HoF should notify international HR of amounts due. For international expatriate staff, taxation is paid by AAI and for international national staff, the onus for taxation is on the employee. The HoF should compute the tax due and inform international HR in Johannesburg and AAI in UK to effect the deductions from salary.

For both situations the HoF should make a formal periodical confirmation (6 monthly) to international HR and AAI in UK on all issues concerning international staff costs i.e. confirming that all necessary deductions have been made.

### **4.2 CALLING HOME WHILE TRAVELING OVERSEAS**

AAI will reimburse staff a flat rate of one Great Britain pound a day (or equivalent in local currency) for every day of travel overseas for the purpose of calling home. No evidence of making calls is necessary to claim this benefit. The pound a day benefit may simply be added to travel expense accounts and claimed.

### **4.3 EXPENSE CLAIMS BY COUNTRY DIRECTORS, THEME HEADS AND INTERNATIONAL DIRECTORS**

Country Directors' (CD) expenses must be authorised by Regional Directors (RD) or the Chair of the local board, Theme Head expenses must be authorised by the relevant International Director whilst International Directors' expenses must be authorised by the Chief Executive. The Chief Executive's expenditure must be authorised by the Chair of the International board.

Approval by the line manager is not always possible prior to expenditure being reimbursed when staff are based in different countries. However, approval should be sought retrospectively on a quarterly basis from a higher authority as outlined above.

Notes:

The CD's expenses should be endorsed by the Head of Finance prior to reimbursement and on a quarterly basis, compiled and sent to the Regional Director/Chair of local board for approval. Expenses in this regard include costs of domestic and international flights, hotel accommodation, housing and school fees for children in line with the employment contract.

The Theme Head expenses should be endorsed by the Thematic Accountant prior to reimbursement. On a quarterly basis this should be compiled and sent to the relevant international director, for expenditure not previously expressly authorised by the director.

The Regional Director's expenses should be endorsed by the Regional Finance Coordinator prior to reimbursement and on a quarterly basis, compiled and sent to the Chief Executive for approval.

As a general rule expenses should be claimed within one month of being incurred.

#### **4.4 CELL PHONE**

The nature of our work may on occasion, necessitate the provision of AAI cell phones to staff. Each CP/Associate/Affiliate and secretariat should establish the criterion for issuing AAI cell phones to staff and this should be aligned to expense approval policies and procedures.

The CP/Associate/Affiliate and secretariat should have mechanisms of ensuring private phone use is identifiable e.g. that the service provider will be able to send itemised bills to AAI on a monthly basis.

The cell phone and the line remain the property of AAI and users are accountable for prudent use and accountability of use. Due to the higher charges cell phones generally attract, especially when roaming, staff need to use cell phones prudently and wherever possible staff should use modern technology e.g. VOIP or AAI landline.

On a monthly basis, each AAI cell phone user should be provided with an itemised bill to identify private use of the phone. Amounts should be settled on a monthly basis. Every quarter cell phone users should certify to their line manager that they have paid back AAI the cost of their private use during the previous three months.

CP/Associates/Affiliates and secretariat may develop alternative accountability mechanisms so long as these reflect the general principles of accountability, transparency and are in compliance with financial policies and procedures.

Internal audit will randomly check that cell phone users are indeed repaying the cost of private calls.

#### **4.5 HOSPITALITY**

It is essential to ensure that on occasions when extension of hospitality is in the best interest of the organisation, funds are expended prudently and in a manner compatible with the use of donated funds. Hospitality expenses are defined as the provision of food, beverages, activities or events for the purpose of promoting and furthering the mission of the organisation. The following guidelines should apply;

- Hospitality is only allowable in administrative meetings directly concerned with the objects of the organisation, in which meals are an integral part and not supplied solely for personal convenience.
- As a general rule, hospitality costs relating to staff visiting Country Programmes, Associates, Affiliates and the International Secretariat should be offset by the Per Diem payable to the employees.
- Feeding expenses incurred while on official travel should be reported and claimed as travel expenses for that trip. Staff who claim per diem are not entitled to claim additional expenses on hospitality.
- As a general rule alcoholic drinks must not be paid for from AAI funds during AAI events.
- Sight seeing/pleasure trips or any other outings not aligned to organisational objectives should not be arranged or funded with AAI funds
- Buying of gifts for participants, including AAI employees is discouraged

## **5 TRUSTEE RELATED EXPENDITURE**

As the internationalisation process intensifies, increasingly more parts of the organisation will be called upon to incur expenditure on board and trustee activities. The AAI governance manual sets the template and standards for local governance manuals and reference should be made to the governance manual when effecting payments to or on behalf of trustees.

Trustees are not entitled to receive any payment from AAI other than reasonable and out-of-pocket expenses to cover travel, accommodation, communication costs, authorised attendance at conferences, seminars and training events, and any other expenses directly incurred in the course of carrying out their responsibilities. AAI will not pay any allowances for board members attending meetings.

Trustees visiting parts of AAI may be entitled to receive an incidental allowance. The incidental allowance will be determined by the receiving country.

In carrying out their responsibilities, trustees are entitled to claim actual expenses on production of receipts or other evidence of the expenditure. Policies applicable to ActionAid International staff expenses apply equally to Trustees, in particular;

- When a trustee is called upon to undertake international travel, AAI will cover the cost of the cheapest economy return fare from the Trustee's home/work station to the meeting venue.
- Accommodation, meals and Per Diems (where applicable) will be provided in line with existing policies and procedures
- AAI will only cover its share of travel costs if a Trustee's journey combines AAI initiated business with business related to the Trustee's other interests

### **Claims process and authorisation**

- Trustees have the choice of sending their expense claims together with accompanying receipts and statement directly to the International Secretariat in the case of an international board member or Country programme in the case of an associate/affiliate board member or bringing their claim to a Board meeting/workshop
- All claims should be submitted within 3 months of incurring the costs.
- Trustee expense claims are required to be authorised in arrears by the Chair of the Board at least once annually. In the case of expense claims submitted by the Chair, these are authorised by the Treasurer.

## **6 CONFLICT OF INTEREST**

A conflict of interest is a situation in which someone in a position of trust has competing professional and/or personal interests. Such competing interests can make it difficult to fulfil his or her duties fairly. Even if there is no evidence of improper actions, a conflict of interest can create an appearance of impropriety that can undermine confidence in the ability of that person to act properly. A conflict of interest can exist whether or not money is involved, and whether the conflict is actual or perceived.

Trustees are expected to declare conflict of interest as set out in the governance manual.

The following principles will apply in all Country Programmes and Associates/Affiliates;

- i. A country programme shall not engage in partnership with any organisation or individual when a senior official of the AAI Programme is a relative of any of the Board members/management team members of that organisation or that individual. This may not apply in case of AAI or an AAI staff member being a part of a larger network/association like the Association of NGOs, CSOs and INGOs etc.
- ii. In appointing consultants and recruitment of staff, to avoid conflict of interest, an individual or organisation will not be appointed if they are connected to a member of the senior management of the country programme, unless the conflicted member of the senior management team plays no part in the decision.

The restriction on consultancies will only apply to long-term / large consultancies of more than 10 days of work and or more than £1,000 fees in a year.

In exceptional situations where a contract with a related party is necessary, the following authorisation process will be applicable;

### **For Country Programmes**

The Country Director will formally seek approval from the Regional Director/Local Board

### **For Theme Heads**

The Theme Head will seek approval from the relevant International Director

### **For Regional Offices**

The relevant Regional Coordinator will seek formal approval from the Regional Director.

In the case of the Regional Director being involved then permission will be sought from the Chief Executive Officer. In the case of the Chief Executive Officer, permission will be sought from the Chair of the International Board.

## 7 AUDIT

### 7.1 EXTERNAL AUDIT

An audit of the global aggregated accounts will be carried out on an annual basis by the external auditors. Selected country programmes and affiliates are audited as part of this statutory audit.

Once a Country Programme becomes an Associate, an annual external audit becomes mandatory. Country Programmes are also required to undertake an annual external audit if required by local legal requirements or as part of conditions set by official donors. The choice of external auditors for the local audit is at the discretion of Country Management Teams and their Boards (where applicable) although it is expected that the local external audit firm so appointed will be competent to work with Buzzacott (the external auditors of AAI)

**Country Directors and Heads of Finance should ensure compliance with local laws and regulations regarding the conduct of external audits.**

#### 7.1.1 Audit Arrangements

All audit fees should be approved by the Country Director/ Head of Finance for Country Programmes and by the Finance and Audit Committees for Associates and Affiliates. Countries to be audited as part of the Secretariat audit will be agreed annually between the International Finance function and the external auditors (currently Buzzacott) before approval by the Finance and Audit Committees of AAI and AAI UK which are sitting together for the time being.

Audit arrangements are made directly between the Country Programmes and the local audit office, but the scope of the audit is laid down in Audit Instructions issued by Buzzacott's London office.

#### 7.1.2 Timing /Formats for Accounts

The timing of the external audit should be agreed directly between the Country Programme and the local audit office, but must be consistent with the international audit timetable.

Standard formats for production of year-end accounts will be issued by the International Finance function each year. Accounts should be prepared in the required formats by Heads of Finance prior to commencement of the audit.

**All external audit reports should be circulated to the Regional Finance Coordinator and International Head of Internal Audit within two weeks of issue.**

#### 7.1.3 Audit qualifications

AAI takes a serious view of qualified audit reports because the external audit is seen as an attestation of internal controls over financial reporting and in the case of donor audits, most audit qualifications will inevitably lead to a repayment of funds already given for a particular project.

Audits are qualified for many reasons, some more alarming than others. The circumstances which can give rise to a qualification are;

- **Uncertainty** arising from either a limitation of scope of the auditor's work or inability to obtain any evidence regarding doubts which exist in relation to an unresolved matter.
- **Disagreements** arising from factual discrepancies, unsuitable accounting policies, inadequate or misleading disclosures given in the financial statements or failure to comply with an accounting standard or legislation. Some of these types of

disagreement should be resolved fairly easily with the auditors so that a qualification can be avoided, for example a factual disagreement should lead to the financial statements being amended to reflect the correct view.

**Where a Country Programme, Associate, Affiliate or Project has been issued with a qualified audit report, the Country Director should within a month of the issue of such report by the external auditors, submit to the Regional Director, RFC and Head of Internal Audit a three-month plan to address the basis of the audit qualification .**

The plan should also be discussed with the local Finance and Audit Committee as appropriate. In the case of multi-country projects the plan should be prepared by the Project Manager.

All qualified audit reports will be reported to the AAI Finance and Audit Committee and may lead to the relevant Country Programme being listed in an 'at risk register' until such time as the basis of the qualification is satisfactorily addressed.

## **7.2 INTERNAL AUDIT**

### **7.2.1 International Internal Audit Function**

The International audit function consists of the International Head of Internal Audit and three internal auditors. The function is responsible for ensuring the economical, effective and efficient utilisation of charitable funds and the management of the organisation's approach to risk management.

The team undertakes a financial and operational audit of every country programme, affiliate, associate and regional office at least once every two years based on an annual work plan. In some cases, more frequent visits may be necessary. The timing of audits and terms of reference will be agreed with the Country Director and Head of Finance or Head of department/division prior to the commencement of the audit. The Regional Director and Regional Finance Coordinator should give input to the TOR.

### **7.2.2 Local Internal Audit Function**

Most medium to large country programmes also have a local internal audit function reporting to the Country Management Team, the International Head of Internal Audit and the Finance and Audit Committee (where applicable).

**It is recommended that country programmes with an annual expenditure of £2 million or over should, in consultation with the International Head of Internal Audit, strongly consider the need for an internal audit function.**

### **7.2.3 Country Programme Internal Audit Function**

There are a number of country programmes with a local internal audit function. The scope of the local auditors includes all financial and management controls including risk management.

## **7.3 INDEPENDENCE**

The internal audit function should be sufficiently independent of the activities of the country programme. Internal auditors should have no executive responsibilities. Individual auditors should have an impartial, unbiased attitude and an objective approach to work. They should at all costs avoid conflicts of interest.

## **7.4 SCOPE OF WORK**

1. Internal audit should review policies, procedures and operations in place to;
  - ensure the economical, effective and efficient use of resources
  - safeguard the organisation's assets
  - ensure compliance with established policies, procedures, laws and regulations

- ensure that partner organisations are adequately delivering their objectives
2. Internal audit should coordinate and review risk management at the country programme. In conjunction with the Country Management Team, the internal auditor should develop the country programme's risk register using the matrix in Appendix III of this document.

## **7.5 AUDIT PLANNING**

A risk-based annual internal audit plan should be prepared by the internal auditor and approved by the Country Management Team and Finance and Audit Committee (if applicable) before the beginning of a new operational year. The plan should give appropriate attention to all auditable units within the Country Programme/Associate/Affiliate based on risk. This will include country office departments, regional offices, development areas, donor funded projects and partner organisations.

## **7.6 REPORTING**

The country programme internal auditor should report regularly to the Country Director and the Finance and Audit Committee (where applicable) on the control environment and progress against internal audit plan. The internal auditor should produce regular reports to senior management and the International Head of Internal Audit.

As a minimum, the following reports should be prepared by the internal auditor;

### **For Finance and Audit Committees (local)**

1. Final reports of all audits undertaken, incorporating full management responses
2. Summary reports to be presented at each meeting of the Finance and Audit Committee. The reports, should as a minimum, cover the following;
  - Progress against annual audit plan
  - Summary of all audit reports issued in the period after the last meeting
  - Status of issues raised in previous reports
  - Summary of issues raised during previous audits
  - Major recommendations where satisfactory action is yet to be taken by management
  - Details of fraud and other irregularities

The Finance and Audit committees are expected to note the contents of the audit reports and charge management with ensuring that the recommendations contained in the reports are satisfactorily implemented. Any issues of concern raised in the reports should be discussed with management to gain assurance that risks attached will be properly mitigated.

### **For Country Management Team**

1. Reports on all audits conducted, incorporating full management responses
2. Quarterly report summarising key audit issues

Country Management Teams are expected to take note of the issues raised in the internal audit reports and support the process of implementing the recommendations made.

## For Country Management Team and International Head of Audit

1.	Six Monthly Report on Internal Audit Issues (This report should be sent direct to the International Head of Internal Audit and is not expected to be approved by the Country director)	April and October
2.	Annual Report on Internal Audit Activity	March
3.	Annual Report on fraud and irregularities	April
4.	Annual Risk Management Report and Matrix	September/October

### 7.7 AUDIT COMMITTEES

#### 7.7.1 Finance and Audit Committee of the International Board

The Finance and Audit Committee of the International Board of Trustees is established in line with the governance manual.

The Finance and Audit Committee of the International Board of Trustees is made up of selected members of the Board. The Committee meets four times a year and for the time being sits jointly with the AAI UK Audit Committee.

Representatives of ActionAid International management and the external auditors attend Audit Committee meetings. A Terms of Reference guides the work of the Audit Committee.

Following the Committee meetings, the Treasurer will provide feedback to Country Programmes on audit reports and issues considered in the course of the meeting. This feedback is usually in the form of a letter to the relevant Country Director copied to the Regional Director and the Chair of the local Board.

#### 7.7.2 Country Programme Finance and Audit Committees

National Finance and Audit Committees should be established in line with the national governance manual.

Generally, all Country Programmes, Affiliates and Associates should set-up an Audit Committee comprising at least three members of the Board of Trustees/Local Advisory Board and selected members of senior management, including the Country Director, Head of Finance and Internal Auditor. The Internal Auditor or Head of Finance should act as Secretary of the Committee.

The Committee should meet at least twice a year to review internal audit findings and the overall control environment.

The International Head of Internal Audit reviews the minutes of the Finance and Audit Committee meetings for content and quality of deliberations and gives feedback to the AAI Finance and Audit Committee on the overall effectiveness of the Local Finance and Audit Committees.

## 8 FRAUD AND CORRUPTION MANAGEMENT

### 8.1 INTRODUCTION

ActionAid International proactively seeks to deter, prevent and detect any instances of fraud and corruption. Fraud and corruption is an ever-present threat to the quality of programme and resources and hence must be a concern to all members of staff in AAI. Fraud and corruption may occur internally or externally and may be perpetrated by staff, consultants, suppliers, contractors or development partners, individually or in collusion with others.

This section sets out;

- Responsibilities for staff and management with regard to fraud and corruption prevention and detection
- What to do if fraudulent or corrupt activity is suspected in AAI programmes and
- Action to be taken by management

### 8.2 DEFINITIONS

In this framework, fraud refers to intentional misrepresentation of facts or suppression of truth resulting in actual or potential financial/non-financial loss to AAI.

**Corruption** is “abuse of entrusted power for private gain” as described by Transparency International.

Examples of actions constituting fraud	Examples of actions constituting corruption
<ul style="list-style-type: none"><li>▪ Deliberate financial misreporting such as not showing all income received from donors</li><li>▪ Falsification of records such as submitting false invoices</li><li>▪ Manipulation and misuse of accounts payment such as forging signatures on a cheque</li><li>▪ Stealing goods or assets</li></ul>	<ul style="list-style-type: none"><li>▪ Accepting or seeking bribes in exchange for favourable treatment of supplier/partner</li><li>▪ Nepotism or favouritisms in staff appointments and promotions</li><li>▪ Participation and profiting from an act without disclosing vested interests / conflict of interest</li></ul>

### 8.3 POLICY STATEMENT

**To preserve programme and financial integrity and the reputation of ActionAid International, AAI observes zero tolerance towards fraud and corruption. Consequently, severe disciplinary action will be taken against perpetrators and collaborators of fraudulent or corrupt activities.**

AAI requires that major frauds be reported to the police. AAI further requires that Country programmes, Affiliates, Associates and the Secretariat uphold local laws countering bribery and corruption.

### 8.4 RESPONSIBILITY TO PREVENT FRAUD AND CORRUPTION

All staff have an obligation to understand the points in this framework and to report any suspected or actual case of fraud and corruption.

ActionAid International expects its staff, volunteers and interns to fully endorse an anti-fraud and corruption culture by;

- Fully understanding all requirements of this policy
- Promptly reporting any suspected fraud or corruption in AAI or partner organisation in line with the whistle blowing policy

- Ensuring they understand the internal controls in their area of work
- Attending anti-fraud and corruption training when it is organised for their unit

Development partners will need to understand the requirements of this policy and report any wrong doing in line with the whistle blowing policy.

#### **8.5 RESPONSIBILITY TO REPORT FRAUD AND CORRUPTION**

Any suspected cases of wrong doing can be reported orally, by letter or e-mail. The communication needs to state as many facts as possible (names, dates, documents, etc) and what the key concerns are. In line with the whistle blowing policy, suspected cases should be reported as follows:

<b>Alleged wrong doer</b>	<b>Report to</b>
Partner staff or board members	Country Director
Country Programme staff or volunteers	Country Director
Country Director	International Director
Affiliate staff member	Country Director or International Director
Associate staff member (CP)	Associate Director
Associate staff member (Northern)	Director/Chief Executive Officer
International Secretariat staff	International Director
International Director	Chief Executive Officer
Chief Executive Officer	Head of internal Audit
Head of internal audit	Chief Executive Officer
Or e-mail or call head of internal audit	Whistleblowing@actionaid.org

#### **8.6 INVESTIGATION OF REPORTED CASES OF FRAUD OR CORRUPTION**

- All cases of fraud should be investigated by management. Where appropriate, the matters raised will be professionally investigated, within a reasonable time – ideally not exceeding 3 months

## **9 WHISTLE BLOWING POLICY**

The Whistle-blowing system aims to reinforce AAI's commitment to its policies, values, attitudes and behaviours. The system provides an alternative channel to other reporting systems to learn of serious problems so that they can be resolved quickly. (Refer to whistle blowing guidelines)

### **9.1 REPORTING RESPONSIBILITY**

It is an obligation for all ActionAid International staff to report wrongful acts or suspected wrongful acts in accordance with the whistle blowing policy. Members of staff of partner organisations are also required to report such acts committed by ActionAid staff or their own staff in the execution of their partnership agreements. Reporting is similar to that outlined in section 8.5

All reports should be properly investigated by a Committee set up by management or an internal auditor where applicable. Reported cases may also be passed to the international internal audit team for investigation, if considered appropriate.

### **9.2 CONFIDENTIALITY AND SUPPORT**

ActionAid International will endeavour to protect as far as practical the identity of the person raising the concern and inform them of the outcome of any investigation (where practical). ActionAid International will ensure everyone reporting a suspicion of wrong doing in good faith, even if it later the concern proves not to be justified, is not victimised or punished. Victimising a whistleblower will be treated as a disciplinary offence. On the other hand any allegation which proves to be maliciously or knowingly false will be viewed as serious disciplinary offence. Any personal interest should be made known when first raising concerns.

### **9.3 FURTHER ADVICE AND INFORMTION**

If in doubt about whether to report something or not, or need further information, contact any internal auditor in the Country Programme, Associate/Affiliate or one of the international auditors.

## **10 MONEY LAUNDERING AND TERRORIST FINANCING**

Money laundering is an area of global concern for governments and generates much public interest. It is also an area which in the last few years has been the focus of increasing legislation which also apply to international aid organisations.

International aid organisations are generally vulnerable to be used as conduits for terrorist funding and to exploitation by money launderers in general because of such factors as their high cash turnover, international reach and distribution of aid to countries or jurisdictions where the incidence of corruption is high.

### **10.1 OBLIGATIONS OF ALL STAFF**

- Be alert to the possibility of Partners having links with terrorist organisations and thereby pass on AAI funds for terrorist purposes
- Report any suspicious money laundering activity or terrorist link to the Country Director or appropriate member of senior management
- Not to assist in the money laundering process through acquiring, concealing, disguising, retaining or using the proceeds of crime
- Not to prejudice an ongoing investigation
- Not to contact any person who has been suspected of, and reported for, possible money laundering in such a way as to make them aware of the suspicion or report (“tipping off”)