

ActionAid International Anti-Fraud and Anti-Corruption Policy

<i>Revision No.</i>	<i>Date</i>	<i>Approval</i>
V001	June 2019	AAI General Assembly
V002	June 2022	AAI General Assembly

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A. General Policy Statement and Scope

Charities and organizations like ActionAid International (“AAI”) that operate in part based on the use of grants, donations, and contributions can be especially susceptible to fraud and corruption. As ActionAid International (“AAI”) we recognize both our legal obligation and moral duty to safeguard funds entrusted to us. We also know that fraud and corruption hurt the poor disproportionately and we should never contribute to that destructive impact. AAI is therefore committed to employing the highest standards of honesty and transparency and takes a zero-tolerance approach to fraud and corruption. This policy is one way of keeping ourselves accountable for this commitment.

1. References to “AA” in this Policy refer to ActionAid International, all Members and all Country Programmes.
2. This Policy applies equally to all units of the AA Federation (including the Global Secretariat, all Action Aid members and Country Programmes) and all units are expected to comply with the provisions contained herein.
3. Where applicable, all units of the AA Federation are expected to have in place their own country Anti-Fraud and Anti-Corruption policy to ensure compliance with national laws and regulations.
4. Donors also have anti-fraud clauses in their contracts. All units must read the fine print of the donor contracts and any conflicts between a donor contract and this policy should be discussed and resolved with the donor prior to contract signature.
5. AA’s anti-fraud and anti-corruption minimum standards as set out in this policy must be transferred onwards to partners, contractors and other third parties through a reference to this policy in all MOU’s and contracts. Anti-fraud and anti-corruption training and awareness should also be extended to these parties on a periodic basis.

B. Objectives of the Policy

6. This policy aims to enforce AA’s zero tolerance approach to fraud and corruption by:
 - Defining fraudulent and corrupt activities in order to increase awareness.
 - Establishing federation wide minimum standards for dealing with fraud and corruption.
 - Summarising the responsibilities of all AA staff, Board members, volunteers, partners and other third parties in the prevention and detection of fraud and corruption.
 - Highlighting the procedures for dealing with fraud and corruption incidents.

C. Definitions

7. Fraud is perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage. Fraud that is most perpetrated by or through organizations is known as Occupational Fraud which is the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets. This simply means that occupational frauds are those in which an employee, manager, officer, or owner of an organisation commits fraud to the organization's detriment.

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8. The **three major types of occupational fraud** are corruption, asset misappropriation and financial statement fraud.
9. **Corruption:** This is a term used to describe the various types of wrongful acts designed to cause an unfair advantage. Generally, it involves the wrongful use of influence to procure a benefit (financial or otherwise) for the actor or another person, contrary to the duty or the rights of others. The various forms of corruption are often used in combination, which reinforces the schemes' potency and makes them more difficult to combat. Corruption is a fraud type that may include but is not limited to:
 - Bribery
 - Economic extortion
 - Conflict of interest
 - Illegal gratuities
 - Nepotism
10. **Asset misappropriation:** Asset misappropriation fraud happens when people who are entrusted to manage the assets of an organisation steal from it. Asset misappropriation fraud involves third parties or employees in an organisation who abuse their position to steal from it through fraudulent activity. Asset misappropriation may include but is not limited to:
 - Theft of assets
 - Fraudulent disbursements
 - Payroll schemes
 - Forged documents
 - Misuse of assets
 - Ghost employees
 - Personal purchases
 - Overstated expenses
 - Fictitious expenses
 - Money laundering to hide the nature or destination of a payment
 - Sanctions breaches
 - Deception (e.g., misrepresentation of qualifications to obtain employment)
11. **Financial statement fraud:** This is the deliberate misrepresentation of the financial condition of an organisation, accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statements to deceive financial statement users. Financial statement fraud may include but is not limited to:
 - Timing differences
 - Improper disclosures
 - Concealed liabilities & expenses
 - Improper asset valuations
 - Fictitious income
 - Tax evasion
12. Neither Fraud nor Corruption are restricted to monetary or material benefit but could also include intangible benefits such as status or information.

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D. Roles and Responsibilities

13. AA attracts staff who have a positive attitude to protecting and making the best use of its assets. This attitude is reinforced by the various AA policies and procedures. All AA staff, volunteers and Board members are expected to understand and sign the AAI Code of Conduct which is a binding document and provides clear guidance, and outlines examples of conduct that is considered unacceptable.

Board:

Complimentary to their responsibilities as defined in their respective governance documents, AA Boards have the following roles and responsibilities for the prevention, detection and correction of fraud and corruption:

14. AA Boards, together with management, are responsible for setting the 'tone at the top' and ensuring institutional support for ethical conduct at the highest levels of the organisation and promoting AA's zero tolerance approach to fraud and corruption.
15. AA Boards may delegate principal oversight for fraud risk management to a board-level committee (typically the audit committee).
16. AA Boards directly or through their delegated committees should ensure that they receive sufficient information on AA's fraud prevention, detection and correction efforts and prevalent fraud risks.
17. AA Boards should delegate board-level officials to participate directly in the oversight of fraud related investigations where members of senior management teams are implicated.

Management:

Management plays a crucial role in fostering a culture of high ethics and integrity.

18. The Secretary General and all Country and Executive Directors should lead by example, allocating organizational resources to antifraud efforts, holding management accountable for compliance violations, and requiring direct reports to communicate regularly and periodically with their employees on matters related to AA's antifraud programs and controls.
19. Managers are to raise awareness of this Policy and reiterate the duty of all staff members to report instances of fraud and corruption. Managers are also required to make non-staff personnel, contractors, implementing partners and responsible parties contracted/engaged by their respective offices aware of this Policy.
20. Management should ensure that adequate pre-employment checks are conducted before hiring staff and particularly ensuring that staff involved in the management of finances and those occupying high positions of trust undergo financial and criminal checks at recruitment and on promotion to these positions.
21. In addition, staff must be made aware of fraud and corruption risks in their area of work through induction programmes, anti-fraud workshops, and documents provided with the employee handbook. It is mandatory for anti-fraud and anti-corruption awareness to be included in induction programmes.

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22. Management must ensure that staff employment contracts make reference to this policy and other related policies and ensure that all staff understand and sign AA's code of conduct
23. Management is responsible for ensuring appropriate oversight of partner fraud and corruption risks through initial due diligence, regular review meetings, document checks and balances and other possible means.

Staff:

24. All AA staff are to adhere to the standards of conduct as stipulated in the AA Code of Conduct and all other policies and contractual requirements.
25. All AA staff are responsible for managing risks within their spheres of responsibility consistent with AA's zero tolerance approach towards fraud and corruption.
26. All AA staff members are expected to adhere to all appropriate measures in place to prevent, detect and communicate Fraud and Corruption – either potential or actual.
27. All AA staff must refrain from participating in any situation that may give rise to any undisclosed conflict of interest.
28. All AA staff must exercise due care in managing the funds, resources and assets of AA and its donors, applying established risk management and internal control mechanisms to mitigate the risk of fraud and corruption.
29. All staff should comply with mandatory anti-fraud and anti-corruption training requirements.
30. All AA staff will be held accountable for failing to satisfy their obligations under the policy, and knowingly condoning or facilitating any practice that is contrary to the policy. Such cases may be considered misconduct in and of themselves.

Partners, Contractors & Other Third Parties:

31. Actual and potential partners, vendors and other contracted third parties and their officers, employees, contractors, subcontractors, agents, and affiliates have the duty to act honestly and with integrity in their dealings with AA (and its partners).
32. Appropriate provisions are to be included in all agreements to require partners, vendors and other contracted third parties to acknowledge this policy and communicate it to their officers, employees, contractors, subcontractors, agents, and affiliates.
33. Partners, vendors and other contracted third parties will be encouraged to establish robust policies and procedures for combatting fraud and corruption and are required to promptly report any reasonably suspected case of fraud and corruption, or any attempts thereof, to AA and to cooperate with AA investigations.
34. Partners, vendors and other contracted third parties have the duty to ensure that AA resources are safeguarded and used for their intended purposes, as authorized by AA.

E. Fraud Risk Assessment

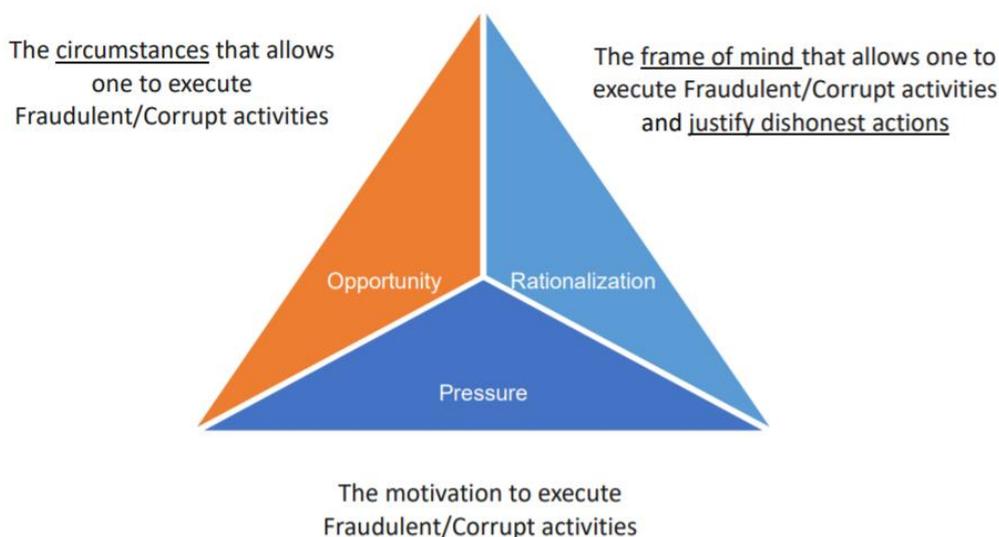
35. The aim of a fraud risk assessment is to help management identify and evaluate the areas of programme, operational and support activities that are most susceptible to fraud and corruption and to prioritize those on which AA should focus its resources for prevention and mitigation

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36. A fraud risk assessment is an effective way to improve communication about and awareness of the potential for fraud and corruption among AA employees. When employees are engaged in an open discussion about fraud and corruption, the conversations themselves can play a role in reducing vulnerability to fraud and corruption. A culture of openness and transparency in relation to fraud and corruption risks empowers employees to report potential cases. It also promotes the identification of potential vulnerabilities and enables AA to become more resilient against fraud and corruption.

37. The 'fraud triangle' depicted below is a model which is commonly used to explain why an individual might commit fraud. It describes three key components that contribute to an individual's decision to do something fraudulent: opportunity, pressure, and rationalization.



F. Key Controls and Good Practices

38. Control activities are the policies and procedures that enforce management's directives intended to mitigate risk. Effective controls to mitigate fraud risk should address in particular the Opportunity, Rationalization, and Pressure that can be applied by staff in perpetuating fraud and corruption.

39. The following are common and cost-effective control activities that can be implemented within AA.

- Regular Fraud Awareness training sessions across all levels of staff
- Board oversight of fraud risks
- Thorough recruitment procedures
- Physical security of assets
- Clear organisation of responsibilities and reporting lines
- Adequate staffing levels
- Supervision and reviewing of output

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- Separation of duties to ensure that key functions and controls are not performed by the same member of staff
 - Rotation of staff
 - Random spot checks by managers
 - Complete and secure audit trails
 - Reviews of budgets and other financial reports
 - Reviews by independent bodies such as audit
 - Ethical and transparent decision making
 - Where appropriate, a local Internal Audit Function should be in place
40. Major deterrents to perpetrating Fraud and Corruption are the risk of being caught and the severity of the consequences.
41. When working with partner organizations, additional control systems must be developed to prevent and detect Fraud or Corruption. Otherwise, we could inadvertently be associated with an organisation involved in illegal activities and or not aligned to AA's zero tolerance principle to Fraud and Corruption.
42. Examples of additional controls required include, but are not restricted to:
- Ensuring a thorough, documented Partner Assessment is undertaken prior to engagement to assess the Partner's control environment. The assessment should expressly identify additional Fraud risks, perhaps because of the environment (emergency context).
 - Ensuring key AA policies are shared and understood by partner staff. This may involve training of partner staff.
 - Ensuring a signed Partnership Agreement supports all work with each partner. This agreement should stipulate any additional controls required for the AA funded aspect of Partner work and should specifically include compliance with the Fraud and Corruption policy and periodic partner reviews as a contract requirement.
 - Ensuring that background checks are conducted on the Board and Management of the partner organisation before signing any partnership agreement.

G. Reporting Suspected Fraud

43. Where any AA staff member, volunteer, contractor, or partner suspects that a fraudulent or corrupt act has been or is being committed or is being concealed he/she should immediately report it through the available channels. The reporting channels are as follows:

Country Level	GS/International Level
<ul style="list-style-type: none"> • Country Internal Audit or other country level equivalent figure of authority • Country Director • Line Manager • HR Representative 	<ul style="list-style-type: none"> • International Internal Audit • International Director • Line Manager • HR Representative

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<ul style="list-style-type: none"> Any other locally available internal reporting mechanism (such as an independently managed tip-offline, mailbox or website) 	
<p>National Board Chairperson / relevant delegated Board member where applicable (e.g., Chair of the Audit Committee) Where the alleged wrongdoing relates to the conduct of the respective Country Director or Country Management Team Member</p>	<p>Secretary General Where the alleged wrongdoing relates to the conduct of an International Leadership Team Director.</p>
<p>International Director and International Internal Audit. Where alleged wrongdoing relates to the respective Country Board.</p>	<p>AAI Board Where the alleged wrongdoing relates to the conduct of the Secretary General.</p>
	<p>International Head of Internal Audit¹. Where alleged wrongdoing relates to the conduct of International Board members.</p>
	<p>Secretary General and the AAI Board. Where the alleged wrongdoing relates to the conduct of International Internal Audit.</p>

44. If the reporting person/s feels unable to report the allegation through these channels, then he/she should use the AAI Whistleblowing mechanism to do this (see Section K below).
45. Once the suspected fraudulent or corrupt act has been reported a case manager must be appointed (this may be the Country Director/Executive Director, National or International Head of Internal Audit, or Board representative or any other appropriate figure of authority). The case manager is tasked with overseeing the case including ensuring that an investigator is in place and an investigation takes place, ensuring communication on the case takes place appropriately and ensuring that the investigation report is completed in a timely manner and issued to the relevant parties.
46. It is a mandatory requirement for all Fraud related allegations – with potential losses exceeding £1,000 – to be reported to the International Head of Internal Audit prior to commencement of the investigation.
47. Additionally, all fraud incidents including those not meeting the £1000 threshold should be reported to the AAI Internal Audit annually as part of the collation process of fraud and losses across the federation.
48. ActionAid is committed to informing donors about fraud cases as soon as it is safe and practicable to do so. Where the allegations have a direct link to donor funding, we will aim to inform donors after the initial enquiry has been done and a formal complaint has been recorded, the relevant legal advice on the matters has been sought, and a decision made to take forward a formal response (e.g., investigation, reporting to police). The relevant donors will be informed of the

¹ International Head of Internal Audit describes the role of a person in a senior position responsible for effectively managing the internal audit activity within the Global Secretariat in accordance with the internal audit charter irrespective of the job title that they have been given.

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incident type, relationship of those involved to AA, and actions planned or undertaken. Direct donors and other relevant external bodies will also be informed of the outcome once the investigation is finalized.

49. The person reporting suspected or known fraud must provide valid and adequate information to assist the investigators in conducting the investigation.

H. Investigating Suspected Fraud

50. It is the responsibility of the Board and Management (through the use of local Internal Audit, AAI Internal Audit, or other means) to ensure that each allegation is appropriately and promptly investigated. As a minimum requirement the investigation will address the following:

- Details of what has taken place, the loss to the organization (if any), how it was detected, and the likely reasons this fraudulent or corrupt act was able to take place.
- Action required (if any) to deal with the people involved in the Fraud or Corruption.
- Action required to recover lost assets and funds where applicable.
- Lessons to be learned and actions to be taken to prevent recurrence of such fraudulent or corrupt activities.

51. Prior to any investigation taking place, the investigators should ensure that they are cognizant of the applicable legislation. Management is encouraged to proactively collate national legislation relating to fraud and corruption, protected disclosures (whistleblowing), data protection, investigation of financial crimes and labour relations.

52. In some cases, in order to pave the way for an efficient investigation, members of staff may be suspended, requested to take special leave, or have their duties changed. Suspension, the request for special leave and the changing of duties does not mean that the outcome of the investigation has been preempted or that a decision has been taken on the guilt or innocence of any party. The appropriate support will be provided to suspended / on special leave staff on a case-by-case basis.

53. AA staff have a duty of care to record, store, and make available any records in all cases of suspected fraud/corruption.

54. All AA staff have a responsibility to cooperate with all duly authorized audits, inspections, investigation, or other evaluations.

I. Sanctions and Related Measures

55. The allegations, if substantiated by the investigation and any applicable legal review, may result in disciplinary and/or administrative actions or other actions taken by AA, in line with the applicable AA policies. The outcomes may be as follows:

- For staff members proven fraudulent or corrupt activity will be treated as gross misconduct and the appropriate, disciplinary, legal and/or administrative actions shall always be taken
- Report the staff to the relevant professional bodies.
- For service contract holders, non-renewal or termination of their contract or other action as deemed necessary.

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- For volunteers, a decision by the Country Director or the relevant International Director or their delegated authority on the appropriate administrative action or the imposition of disciplinary sanctions.
- For suppliers, NGOs and CSOs, termination of the contract and debarment from doing business with AA or other sanctions.
- Referral to the national authorities of a member country for criminal investigation and prosecution.
- Recovery of financial loss and/or assets suffered by AA, and to return funds recovered to the respective funding sources.
- Funds provided by donors may be subject to disallowances, audit, suspension of future payments and termination of agreements.
- In cases where an AA Joint Staff Pension Fund participant is the subject of a criminal conviction by a competent national court for fraud against AA, the Fund may, at the request of AA or any organization it administers staff on behalf of, remit to AA or any organization it administers staff on behalf of a portion of the pension benefit payable to the participant.
- Issuance of Management Letters to allow business units concerned to take corrective actions and strengthen internal controls.

J. Confidentiality

56. The knowledge that Fraud or Corruption is suspected or confirmed should be limited to a very few key personnel. This will prevent destruction/removal of evidence or disappearance of suspected perpetrators. It will also avoid any intimidation of the investigating team or accusations of slander.
57. The investigating team should ensure that the Case Manager is kept aware of developments as appropriate but further communication outside of the applicable stakeholder panel and investigation team should be avoided until the investigation is complete. It is also recommended that a communication register be maintained to monitor potential breaches of confidentiality.

K. Communicating of Investigation Outcomes

• Internal Communication

58. A detailed investigation report should be provided to the case manager, stakeholder panel (where applicable) and decision maker or decision-making panel (where applicable).
59. In cases where a stakeholder panel is not in place or where the respective Head of Country Engagement and Transformation, Global Grants and Compliance Lead and International Head of Internal Audit are not part of the stakeholder panel then they must be notified of the outcome of the investigation. Details relating to the investigation should be made available to these parties upon request.
60. The outcomes of all investigations should also be reported to all Boards, through their respective sub-committees where applicable on a periodic basis or more urgently where required.

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61. Following the investigation report, management or the Board (where senior staff are implicated) must provide to the Board a report indicating immediate actions taken in response to the findings of the report as well as planned longer term actions.

- **External Communication**

62. ActionAid is committed to informing donors about fraud cases as soon as it is safe and practicable to do so. Where the allegations have a direct link to donor funding, we will aim to inform donors after the initial enquiry has been done and a formal complaint has been recorded, the relevant legal advice on the matters has been sought, a risk assessment has been done, and a decision made to take forward a formal response (e.g., investigation, reporting to police). The relevant donors will be informed of the incident type, relationship of those involved to AA, and actions planned or undertaken. Direct donors and other relevant external bodies will also be informed of the outcome once the investigation is finalized.

63. Communication with donors must be managed under the guidance of the Global Grants and Grants Lead.

64. In a case where fraudulent activities have been discovered through whistleblowing the communication with the whistleblower will be in accordance with the whistleblowing policy.

L. Whistle-blowing Policy

65. This policy should be read together with the Whistleblowing policy. The Whistle-blowing policy provides a mechanism for the reporting of wrongdoing while protecting the employees who make such reports from retaliation.

M. Policy Review

66. This policy will be reviewed **every three years**, or when there are major changes in the organizational structure or global regulatory requirements.

N. Related Policies

67. This policy is complemented by the following AA policies:

- AA Code of conduct
- AA Whistleblowing policy
- AA Financial management framework and local financial management policies
- AA Anti- terrorist funding policy
- AA Global and Local HR Policies
- AA Data protection related policies
- And all other AA policies as they become relevant from time to time