FARM-007 Financial Control and Fraud Prevention Policy

References:	Australian Charities and Not-for-profits Commission Act 2012 (Cth)
Associated Policies/Procedures:	ACA Board and Staff Codes of Conduct
	FARMC Charter
	FARM-001 – ACA Risk Management Policy
	FARM-002 – ACA Risk Appetite Statement
	FARM-004 – ACA Delegation of Authority Policy
	FARM-006 – ACA Reserves Investment and Banking Policy
	GOV-007 – Whistleblower Policy
	HO-002 – Financial Management and Control Procedures
Associated Forms:	

1. Introduction

The Australasian Corrosion Association (the Association) is a not-for-profit membership association which promotes corrosion prevention and control through training, information and advocacy.

The Association's Board is committed to achieving best practice in the area of governance, including financial risk management, throughout the Association's operations and activities. The Financial Control and Fraud Prevention policy is a component of the financial risk management governance structure aimed at facilitating the best practice governance of the Association's financial operations.

2. Purpose

The aim of this Financial Control and Fraud Prevention (FCAFP) policy is to ensure that the Association has measures in place that prevent and detect fraud and irregularities in using the Association's financial resources, thereby safeguarding the Association's assets and maintaining the integrity of financial reporting. The Association has zero tolerance for fraud and reputational damage and has a low appetite for financial risk.

Fraud occurs when a person acts in a dishonest way so that they receive a benefit or someone else experiences a loss. People can commit fraud in a variety of ways, including by making false representations, abusing their position, failing to disclose information (e.g., not declaring a conflict of interest), and using other forms of deception.

The Association's staff must act in accordance with the relevant Code of Conduct which prohibits fraudulent behaviour. This policy outlines the principles that minimise the likelihood of the internal fraud (committed by someone within the Association) with detrimental financial consequences for the Association. External fraud is dealt with in other policies (e.g., Risk Management Policy, Conflict of Interest disclosures, Procurement, Human Resources, IT cybersecurity policies etc). Additionally, it is crucial to maintain a culture of ethics (honesty, accountability and integrity) throughout the organisation to support the effective implementation of these policies.

3. Scope

This policy applies to employees, Members and volunteers of the Association; referred to as 'staff' or 'Members'. These include Board members, Council and branch executives who have access to the Association's funds. It also applies to third parties who interact with the Association, such as contractors and consultants.

4. Definitions

Term	Definition
ACNC	The Australian Charity and Not-for-profit Commission
EO	Executive Officer
FARMC	The Association's Finance, Audit and Risk Management Committee
Fraud	Action in a dishonest way to receive a benefit or cause a loss, including by making false representations, abusing position, failing to disclose information, and using other forms of deception
Internal fraud	Fraud conducted by persons within or connected to the Association
External fraud	Fraud conducted by persons with no connection to the Association
Financial control	Measure to prevent financial fraud
Volunteer	A person who undertakes a piece of work for the Association and receives no compensation for the activity. They can be members or non-members

5. Policy statement

The Association is committed to delivering on its mission to promote corrosion prevention and control through training, information and advocacy. It depends on members, volunteers and staff to deliver courses, conferences, events and other activities. There is a high level of public trust built in the pursuit of common goals that underpins the Association's reputation. However, charities are at risk of fraud. It is the Association's Board and EO's responsibility to prevent fraud and to ensure the financial sustainability and reputational integrity of the Association.

This Financial Control and Fraud Prevention (FCAFP) policy:

- Raises awareness of fraud risks.
- Describes actions and responsibilities for preventing, identifying and responding to incidents of fraud.
- Outlines the key responsibilities of the Association's staff, EO and the Board in preventing fraud.

In the Association's case, financial fraud might occur if a staff member, volunteer, a contractor or a Director takes advantage of their position of trust and misuses information or financial resources they have access to. This could take the form of:

- Misusing the Association's banking facilities – including credit and debit cards, internet banking or foreign exchange payment accounts – for personal expenditure.
- Claiming non-existent, excessive or inappropriate expenses.

- Creating false or inflated invoices or purchase orders to obtain payment for goods and services that have not been supplied or have been supplied at the quality different from quoted.
- Submitting false applications for grants or other benefits.
- Creating non-existent beneficiaries or employees to direct unauthorised payments.

Other types of fraud might occur in procurement practices where a conflict of interest exists or as a result of a cyberattack on the Association or its bank accounts. These types of fraud are addressed in other policies.

The Association's Financial Control and Fraud Prevention Policy aims to:

- Set controls to prevent internal financial fraud.
- Protect the Association's assets.
- Maintain the integrity of the Association's financial accounts.
- Maintain compliance with the Act and other laws and regulations.

The Association has a low appetite for financial and reputational risks. The Board periodically reviews the Association's risk appetite. This policy will be updated to reflect any changes in the risk appetite or strategic plans, or to respond to the emerging risks.

EO develops and maintains HO-002 – Financial Management and Control Procedures aligned with the FCAFP policy, reviewed from time to time and presented to the FARMC for information and comment.

6. Financial controls

By developing the FCAFP Policy, the Board sets the principles for measures to control the risks of financial fraud, including the steps to prevent, identify and respond to fraud, as well as who is responsible for overseeing them. The EO implements the policy by way of operational procedures and controls, by conducting staff training and enforcing compliance.

Key principles of financial control for the Association are:

6.1. Segregation of duties:

- Divide responsibilities among different individuals to reduce the risk of error or inappropriate actions.

6.2. Authorisation limits:

- Set limits on the amount and nature of transactions that can be approved by each level of management.
- Require dual authorisation for all transactions or as otherwise prescribed by the Board.

6.3. Reconciliation procedures:

- Regularly compare financial records with physical assets to identify and correct discrepancies.
- Check integrity of vendor and payroll master files quarterly.

6.4. Audit program:

- Internal audit to address areas identified as high risk.
- Annual external audit by an independent auditor.

7. Fraud risk assessment

FARMC's responsibility is to regularly conduct fraud risk assessment, including:

7.1. Risk identification:

- Identify potential sources of fraud, including internal and external threats.
- Identify types of risks most relevant to the Association's operations related to its activities, by activity stream.
- Identify the roles and responsibilities of staff and volunteers.
- Identify banking procedures and fundraising methods and any potential risks.
- Identify the signs of potential fraud ("the red flags").

7.2. Risk assessment:

- Evaluate the likelihood and impact of identified risks.

7.3. Control activities:

- Develop and implement controls to mitigate identified risks.

Financial fraud risk assessment should be included in the 6-monthly review of the risk register. Results of the assessment should inform the internal audit program.

8. Audit function

Fraud is prevented controlled by implementing a strong internal and external audit program.

8.1. The Association's internal audit

The Association conducts internal audit investigations of issues of strategic importance for members or those assessed as high risk. A risk assessment is conducted before developing the annual internal audit plan. Internal audit takes the following steps:

8.1.1. Audit plan

- Develop and implement an annual audit plan based on the results of the fraud risk assessment.

8.1.2. Testing of controls

- Regularly test the effectiveness of financial controls and fraud prevention measures.

8.1.3. Reporting

- Communicate audit findings and recommendations to management, FARMC and the Board.

8.2. External audit

As a large charity, the Association is required to lodge its audited financial accounts with the ACNC. The annual external audit takes the following steps:

8.2.1. Appointment of independent auditors

- Considered by FARMC and the Board and approved annually at the AGM.

8.2.2. Annual audit

- Conduct an annual external audit to provide an independent opinion on the financial statements.
- The report is presented at the AGM and interrogated by the Association's Members.

8.2.3. Regulatory compliance

- Ensure compliance with applicable laws and regulations.
- Lodgement of annual reports and accounts with the ACNC.

The Board develops actions following recommendations of the internal and external audit reports. Management is responsible for implementing these actions. The Association makes and keeps up to date Compliance Register approved by the Board. FARMC, GovCom and the Board monitors the progress and keeps the management accountable.

9. Communications and reporting procedures

For the effective prevention of fraud, the Association implements the following:

9.1. Initial incident reporting

- Promote a "no blame" culture that enables any concerns and queries to be listened to and followed up.
- Ensure whistleblower protection:

    - Provide channels for reporting suspicious activity and ensure protection against retaliation for whistleblowers.
    - Have a whistleblower policy in place.

- Establish processes for incident reporting:

    - Clearly define the process for reporting and escalating potential fraud incidents.

Staff or members can report any incidents in accordance with the Association's GOV-007 – Whistleblower Policy available on the Association's website.

Management's reports to the FARMC and Board should include any incidents reported to the whistleblower line.

The EO ensures that staff and volunteers understand the importance of reporting fraud to senior management and that the reporting channels are clearly explained and are accessible.

9.2. Initial response and actions

The EO escalates to the FARMC and the Board any issues where fraudulent or irregular activities are suspected.

The Board assesses the situation, investigates, communicates with the members and the relevant authorities, being honest about the possibility of fraud occurring.

9.3. Reporting to relevant authorities

If Board forms a suspicion that fraud has occurred, this will be reported to the police and the ACNC as soon as possible. This helps ensure that the Association's reputation is protected.

Where Commonwealth laws have been broken, the Australian Federal Police has primary law enforcement responsibility for investigating serious or complex fraud. Fraud will be reported to the local police if the situation is urgent and there is a risk of immediate loss or harm. The Chair of the Board is authorised to report on the ACA's behalf.

Fraud related to the bank account, debit or credit card, or foreign exchange payment account should be immediately reported to the bank, a credit card company or a forex service provider, to organise a stop to be put on access. The EO is authorised to report this fraud immediately on suspicion.

Suspected external fraud can be reported to SCAMwatch, a website run by the Australian Competition and Consumer Commission (ACCC) that provides information about how to recognise, avoid and report scams, and/or State or territory Consumer Affairs or Fair Trading.

9.4. Reporting to ACNC

The ACNC Act requires charities to report breaches of the Act, Governance Standards or External Conduct Standards as soon as practicable, and no later than 28 days after the charity has knowledge of the breach.

To report an incident of fraud to the ACNC, the Form 3C: Notification of contravention or non-compliance is used. The ACNC expects instances of high value fraud or theft, or instances of fraud where there is media or public interest, to be reported immediately.

Low value incidents are optional for reporting. The Board decides on reporting the fraud incident to the ACNC. If the Board decides fraud is too minor to report, detailed records documenting the situation and decisions should be kept.

10.   Investigation and response

To investigate the alleged fraud, the following steps are to be taken:

10.1. Investigation procedures

- The Board sets up a confidential committee to investigate the reported fraud. Expert consultants might be engaged to assist with the preliminary investigations before forming the view of whether the fraud has occurred. The Chair is authorised to act on the Board's behalf if an immediate action is required.
- The Committee reports in a timely manner to the Board with the outcomes of the preliminary investigation and the recommendations.
- The Board decides on the corrective action and further reporting and communication actions.
- Minor fraud or irregularities are delegated to FARMC to investigate and provide recommendations to the Board.

10.2. Corrective action

- Take appropriate corrective action, including disciplinary measures, process improvement, and legal action if necessary.

10.3. Insurance

- Maintain appropriate insurance coverage to mitigate the financial impact of fraud.

11. Training and awareness

The ACA's directors and management should live the association's values setting the tone of integrity and honesty from the top. The following can be implemented to facilitate fraud prevention and awareness amongst staff:

11.1. Training programs

- Provide regular training on financial controls, fraud awareness, and reporting procedures for all employees.
- This should include guidance on financial controls, and how to report suspicions.

11.2. Awareness campaigns

- Conduct awareness campaigns to reinforce the importance of adhering to financial controls and reporting suspicious activities.

11.3. Human resources procedures

- Implement in the recruitment process, ongoing training and staff communications.
- Ensure that the recruitment processes are sound, and that there is ongoing training and communication to staff and volunteers about fraud prevention measures.
- Ensure people with financial responsibility are competent and understand their roles. Have written role descriptions that set out expectations of staff, including their financial responsibilities.
- Demonstrate and encourage ethical behaviour by displaying and embodying your code of conduct.

12. Monitoring and review

Fraud risk assessments and internal audit reports will be reviewed every six months by FARMC and reported to the Board.

13. Policy review

FARMC will review the FCAFP Policy at least every three years or in response to the changes in the organisational structure, business environment, applicable laws and regulations, and the Association's strategic plan.

This policy will be made available to Members on the Association's website.

Revision	Change details	Reviewed by	Date reviewed/drafted	Approved by	Approval date
1.0	ACA Financial Control and Fraud Prevention Policy (new)	FARMC	August 2024	Board	18 Sep 2024