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Fraud Control Policy

Document History

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Purpose

The Fraud Control Policy at Fairaction International is designed to foster the development of robust controls aimed at the detection and prevention of fraud within the organization. The policy underscores our commitment to promoting consistent, ethical organizational behavior by setting clear guidelines and specifying responsibilities for developing controls and conducting fraud investigations.

Scope of Policy

This policy encompasses all potential irregularities or suspected irregularities involving:

- **Employees and Board Members:** Ensuring comprehensive coverage across all levels of the organization's staff and governance.

- **Consultants, Vendors, and Contractors:** Including all external entities engaged in any business dealings with Fairaction International.

- **Outside Agencies:** Encompassing all external organizations that conduct business with employees of Fairaction International.

- **Partners:** Applying to all partnering organizations that have a business relationship with Fairaction International.

The policy is applicable regardless of the nature of the irregularity and extends to any fraudulent acts, including but not limited to theft, misuse of organization resources, corruption, and falsification of documents or financial records.

Investigative Activity

Investigative activities under this policy will be conducted impartially and without consideration of the suspected individual's length of service, position/title, or relationship to the organization. The primary goal is to ensure that investigations are thorough, fair, and focused on preserving the integrity and trustworthiness of Fairaction International's operations.
All investigations will be handled discreetly to maintain confidentiality and protect the rights of all parties involved. Fairaction International commits to following due process in all investigative activities to uphold the standards of fairness and justice.

Policy

Fairaction International fosters a culture of honesty, integrity, and trust. We are dedicated to preventing fraud by promoting an ethical and transparent environment where all personnel are actively involved in the responsible management of the organization's resources and reputation. Fairaction International adopts a zero-tolerance approach to fraud, emphasizing the importance of ethical behavior across all operations.

Responsibility and Accountability

All employees, board members, and partners of Fairaction International share the responsibility for detecting and preventing fraud, misappropriations, and other irregularities. Fraud is defined as the intentional false representation or concealment of a material fact, undertaken to induce another person to act upon it to their detriment.

Each member of the management team must understand the types of improprieties that might occur within their areas of responsibility and remain vigilant for any signs of irregular activity. It is crucial that management leads by example in maintaining high ethical standards and overseeing the adherence to this policy.

Definitions of Fraudulent Activities

Fraudulent activities include, but are not limited to:

- **Dishonest Acts:** Any dishonest or fraudulent act that compromises the integrity of Fairaction International.
- **Misappropriation:** Misuse of funds, securities, supplies, or other assets of the organization.
- **Financial Improprieties:** Inappropriate handling or reporting of monetary transactions or financial practices.
- **Insider Profiteering:** Benefiting from insider knowledge of the organization's activities in a manner that constitutes a conflict of interest.
- **Breach of Confidentiality:** Unauthorized disclosure of confidential and proprietary information to outside parties.
- **Securities Violations:** Disclosing information about securities activities engaged in or contemplated by the organization to unauthorized individuals.
- **Improper Gifts:** Accepting or soliciting anything of material value from contractors, vendors, or any persons providing services or materials to the organization, with the exception of gifts valued under AUD $50.
- **Destruction of Assets:** Inappropriate destruction, removal, or use of the organization's records, furniture, fixtures, and equipment.

Reporting Mechanisms

All employees, volunteers, and board members are obligated to report any suspicions or knowledge of fraudulent activities involving any staff member, board member, contractor, consultant, supplier, partner organization, or any other associated entity. Reports should be made in accordance with Fairaction International's Whistleblower Policy, which provides secure and confidential channels for raising concerns.

Enforcement and Compliance

Fairaction International is committed to investigating all reported instances of suspected fraud promptly and thoroughly. We will take appropriate action against any individual found to have engaged in fraudulent activities, including disciplinary action, legal proceedings, and restitution of lost funds or assets. The organization ensures that all reports are handled sensitively and discreetly, protecting the rights of all involved parties.

By adhering to this policy, Fairaction International reinforces its commitment to maintaining a trustworthy and secure environment, crucial for achieving our mission of providing sustainable access to clean drinking water and enhancing community well-being.

Other Irregularities

Irregularities concerning an employee's moral, ethical, or behavioral conduct are to be resolved by management within Fairaction International. Management is tasked with maintaining standards of conduct and addressing any deviations from these standards. If there is uncertainty about whether an action constitutes fraud, the individual concerned or the management should seek guidance from the Chairman of the Board of Directors. This step ensures that all parties have a clear understanding of the ethical expectations and the definitions underpinning fraudulent activities.

Investigation Responsibilities

- **Primary Responsibility:** The CEO of Fairaction International holds the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. This responsibility includes initiating investigations, overseeing the process, and ensuring that all aspects of the suspected fraud are thoroughly examined.

- **Reporting to the Board:** If an investigation substantiates that fraudulent activities have occurred, the CEO is responsible for reporting these findings to the Board of Directors. This report will include detailed findings and any recommendations for action based on the results of the investigation.

- **Legal and Regulatory Referrals:** Decisions to prosecute or refer the investigation results to appropriate law enforcement or regulatory agencies will be made in consultation with legal counsel and senior management. This collaborative decision-making process ensures that all legal aspects are considered and that the organization responds appropriately to the fraud.

- **Final Decisions:** The final decisions on the disposition of the case, including any internal disciplinary actions or external referrals, will be taken by senior management in conjunction with the Board of Directors, based on the severity and impact of the fraudulent activity.

Special Procedures for Allegations Against the CEO

- **Investigation by the Board:** In the event that the CEO is suspected of involvement in fraud, the Board of Directors will oversee the investigation directly. This procedure is designed to remove any potential conflicts of interest and to ensure that the investigation is impartial and comprehensive.

- **External Assistance:** If necessary, the Board may engage external legal or forensic experts to assist in the investigation to ensure that it is conducted with the requisite level of expertise and objectivity.

Confidentiality

Maintaining Confidentiality

At Fairaction International, confidentiality is paramount in handling suspicions and investigations of dishonest or fraudulent activities. The CEO is responsible for ensuring that all information received in connection with such allegations is treated with the utmost confidentiality.

Notification and Investigation Procedures

- **Notification:** Any employee who suspects dishonest or fraudulent activity must notify the CEO immediately. It is crucial that employees refrain from attempting to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act. This protocol helps maintain the integrity of the investigation and the confidentiality of the information.

- **Controlled Disclosure:** Investigation results will be kept confidential and will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This group may include certain members of management, the Board of Directors, and legal counsel, depending on the nature of the fraud and the stage of the investigation.

Protecting Reputations and Legal Position

- **Protection of Reputations:** The confidentiality measures are crucial not only for protecting the integrity of the investigation process but also for safeguarding individuals against unwarranted damage to their reputation. This is especially important for persons who may be suspected but are subsequently found innocent of the alleged wrongful conduct.

- **Legal Safeguards:** Maintaining confidentiality also protects Fairaction International from potential civil liability that could arise from the disclosure of investigation details. By controlling the flow of information and limiting discussion of the investigation, Fairaction International mitigates the risk of defamation and other legal complications.

Reporting Procedures

Detailed reporting procedures are outlined in the Fraud Control Policy under the "Reporting Mechanisms" section. These procedures ensure that all suspicions of fraud are handled in a systematic and confidential manner, aligning with Fairaction International's commitment to ethical practices and legal compliance.

Authorization for Investigating Suspected Fraud

Scope of Authority for the CEO

To effectively conduct investigations into suspected fraudulent activities, the CEO of Fairaction International is granted the following authorities:

- **Access to Records and Premises:** The CEO has free and unrestricted access to all Fairaction International records and premises, whether owned or rented. This comprehensive access is essential for thorough investigations, allowing the CEO to gather necessary evidence and insights without impediments.

- **Examination and Removal of Contents:** The CEO is authorized to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises. This authority extends without the prior knowledge or consent of any individual who may use or have custody of such items or facilities, provided it falls within the scope of an investigation.

Ethical and Legal Considerations

- **Ethical Conduct:** While the CEO is endowed with significant investigative powers, these must be exercised ethically and responsibly. The CEO is expected to respect the privacy and rights of employees to the extent possible while ensuring that the investigation is conducted effectively and efficiently.

- **Legal Compliance:** All actions taken under this authorization must comply with relevant laws and regulations. The CEO should ensure that any search or seizure of property is conducted in a manner that upholds legal standards and protects the organization from potential legal challenges.

Limitations and Oversight

- **Oversight Mechanisms:** To ensure that the CEO's authority is exercised appropriately, oversight mechanisms are put in place. This includes periodic reviews of investigative practices by the Board of Directors to ensure they align with the organization's policies and ethical standards.

- **Documentation and Reporting:** The CEO is required to document all investigative actions and decisions comprehensively. These records will be reviewed as part of the organization's regular audit processes and during board meetings that address governance and compliance issues.

Integration with Other Policies

This authorization is integrated with Fairaction International's broader governance and compliance frameworks. It should be read in conjunction with the organization's Whistleblower Policy, Privacy Policy, and other relevant guidelines to ensure a holistic approach to fraud prevention and investigation.

By establishing clear parameters around the CEO's investigative authority, Fairaction International ensures that investigations into suspected fraud are conducted efficiently while maintaining high standards of integrity and compliance. This policy aids in safeguarding the organization's assets and reputation, contributing to a transparent and trustworthy operational environment.

Reporting Procedures for Suspected Fraud

General Guidelines

Fairaction International emphasizes discretion and confidentiality in the investigation of suspected improprieties or irregularities to prevent erroneous accusations and to avoid alerting suspected individuals that an investigation is underway. The procedures outlined below are designed to maintain the integrity of the investigation process and safeguard all involved parties.

Initial Reporting

- **Direct Reporting to CEO:** Any employee who discovers or suspects fraudulent activity must contact the CEO immediately. Reports can be made in person, over the phone, or by email. The CEO is responsible for initiating the investigation and ensuring that all procedural steps are followed.

- **Anonymous Reporting:** Employees or complainants have the option to remain anonymous when reporting fraudulent activities. Fairaction

International respects the choice of anonymity to encourage reporting without fear of retaliation.

Handling Inquiries

- **Redirecting Inquiries:** All inquiries related to the activity under investigation, whether from the suspected individual, their attorney or representative, or any other inquirer, must be directed to the CEO.

- **Standard Response:** Employees should respond to any inquiries with, "I am not at liberty to discuss this matter." Under no circumstances should any details related to the investigation or specific allegations be disclosed, including references to the nature of the suspected wrongdoing.

Instructions for Reporting Individuals

- **Non-Contact with Suspect:** The reporting individual should not contact the suspected individual to gather facts or demand restitution. This is to prevent compromising the investigation and to ensure fairness in handling the case.

- **Confidentiality:** Reporting individuals must refrain from discussing the case, facts, suspicions, or allegations with anyone, unless specifically directed to do so by the CEO. This restriction is critical to maintaining confidentiality and protecting the integrity of the investigative process.

- **Alternative Reporting Path:** In the event that the suspected fraud involves the CEO, the reporting individual should direct their report to the Chairperson of the Board. This ensures that the investigation remains impartial and is free from potential conflicts of interest.

Reporting Mechanisms

- **Multiple Channels:** Reports of suspected fraud can be made through various channels to accommodate the preferences and needs of the reporting individuals. This includes in-person meetings, telephone calls, and emails, ensuring accessibility and ease of reporting.

Fraud Prevention Procedures

I. Risk Assessment

- **Vulnerability Analysis:** Management at Fairaction International is required to assess the vulnerability of each business unit to risks associated with bribery and corruption. This assessment is crucial in identifying potential areas of risk within different segments of the organization.

- **Risk Management:** Identified risks related to bribery and corruption must be managed according to Fairaction International's established risk management framework. This framework provides structured guidance on how to mitigate identified risks effectively, ensuring that all areas of vulnerability are addressed promptly and appropriately.

II. Accurate Books and Record-Keeping

- **Transparency in Financial Reporting:** Management is responsible for ensuring that all books, records, and financial reports are transparent and accurate. This means that the financial documents must faithfully represent all underlying transactions without alteration or misrepresentation.

- **Documentation Integrity:** The integrity of financial documentation is fundamental not only for internal assessments and decision-making but also for maintaining compliance with regulatory standards and fostering trust with donors, partners, and the public.

III. Effective Monitoring and Control

- **Internal Controls:** Management must implement and maintain an effective system of internal controls to prevent bribery and corruption. These controls are designed to detect and prevent inappropriate, unauthorized, or illegal activities before they can impact the organization.

- **Employee Education and Training:** A critical component of effective control is the education and training of employees. Fairaction International commits to regular training sessions on anti-bribery and anti-corruption practices to ensure that all employees understand their roles in preventing fraud and are equipped to recognize and respond to potential integrity threats.

Complementary Policies

Several other policies at Fairaction International work in conjunction with the Fraud Control Policy to mitigate the risk of fraud across the organization and its partnerships:

- **Anti-Corruption/Bribery Policy:** Directly addresses practices that prevent bribery and corrupt activities within the organization and in dealings with external entities.

- **Counter-Terrorism Policy:** Ensures that all organizational activities comply with laws related to counter-terrorism, preventing any unintentional support to terrorist activities.

- **Procurement Policy:** Outlines procedures for transparent and fair procurement to avoid conflicts of interest and ensure the best value and integrity in purchasing activities.

- **HR Policy:** Includes recruitment screening to ensure the integrity of new hires, a Code of Conduct that all employees must follow, and clear obligations for staff and volunteers that align with organizational values.

- **Whistleblower Policy:** Encourages and protects employees who report unethical behaviors or policy violations, ensuring that they can come forward without fear of retaliation.

- **Complaints Policy:** Provides a formal mechanism for addressing grievances and concerns, ensuring that they are handled efficiently and fairly.

Termination Procedures

- **Investigative Findings and Recommendations:** If an investigation conducted under Fairaction International's fraud control policy results in a recommendation to terminate an individual, this recommendation must undergo a rigorous review process.

- **Board Review and Approval:** The recommendation for termination will be presented to the Board of Directors of Fairaction International for review. This ensures that the decision is balanced and considers all aspects of the case, including the evidence and circumstances surrounding the allegations.

- **Consultation with Outside Counsel:** If deemed necessary, the recommendation may also be reviewed by outside legal counsel to ensure that the termination process complies with legal standards and protects both the individual and the organization from potential legal repercussions.

- **Final Decision Authority:** The CEO of Fairaction International does not possess the authority to terminate an employee unilaterally. The final decision to terminate an employee, particularly in cases related to fraud or misconduct, rests solely with the Board of Directors. This measure is to maintain fairness and ensure that all termination decisions are made impartially and with adequate oversight.

Administration of the Policy

- **Responsibility for Policy Administration:** The Chief Financial Officer (CFO)/Chief Operating Officer (COO) is designated as the primary administrator responsible for the oversight, revision, interpretation, and application of the fraud control policy. This centralizes the responsibility within the executive management, ensuring that the policy is applied consistently across all levels of the organization.

- **Annual Review and Revision:** The fraud control policy is subject to an annual review to ensure its effectiveness and relevance. During this review, the CFO/COO will assess the policy's current provisions, make adjustments as necessary, and update procedures to respond to new challenges or changes in the operational environment.

- **Policy Updates:** Any revisions to the policy will be documented and communicated to all employees and relevant stakeholders. This ensures that all parties are informed of the current rules and procedures regarding fraud prevention, detection, and response within Fairaction International.