Anti-Fraud & Anti-Corruption Policy

AUGUST 2021, VERSION 5

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Introduction

Palmera Projects (**Palmera**) has a zero-tolerance policy towards fraud and corruption. We recognise that we work in a challenging context both in Australia and overseas where there are risks of fraud and corruption. We address this danger by conducting a thorough risk analysis of our projects and by implementing our Anti-Fraud & Anti-Corruption Policy throughout our operational procedures.

Definitions and Terms

Term	Definition
Corruption	Dishonestly obtaining a benefit or undue advantage by misuse of power, position, authority or resources. Examples of corruption can include (but are not limited to): • Bribery, extortion & blackmail • Secretly permitting personal interests to override corporate interests • Secretly giving or accepting gifts and benefits in return for preferential treatment to the giver • Collusion, false quotes, false invoices or price fixing • Manipulating design and specifications or processes for personal gain or to conceal defects • Complicity in excessive billing or submission of false support documents or concealment of documents • Falsifying job qualifications or work or safety certifications • Preferential treatment for family and friends and • Privacy breaches or data manipulation with intent to cause harm.
Fraud	Dishonestly obtaining a benefit, or causing a loss, by deception or other means. Fraud can typically result in actual or potential financial loss to any person or entity, however this is not always the case. Examples of fraud can include (but are not limited to): • The misappropriation of funds for private gain • Theft such as stealing property • Misuse of property e.g. using office space for private gain • Bribery of foreign public officials to implement work • Diversion of aid to non-target groups • Preferential treatment for family and friends • Coercion or intimidation of staff, volunteers or beneficiaries to ignore or participate in corruption • Manipulating or falsifying financial or other documents for private gain. "Private gain" can refer to individual benefits, as well as benefits received by communities, ethnic groups, religious groups, political organisations, corporations or militia.

Palmera Activity	Any proposed or actual programme or project to which Palmera contributes funds.
Palmera Partner	Any implementing partner organisation engaged by Palmera in the delivery of a Palmera Activity.
Palmera Staff	All employees, volunteers, contractors, consultants, officers and directors of Palmera.
Partner Staff	All employees, volunteers, contractors, consultants, officers and directors of a Palmera Partner.

Status of Policy

This Anti-Fraud & Anti-Corruption Policy Policy (**this Policy**) consolidates and replaces previous versions of Palmera's Anti-Fraud & Anti-Corruption Policy (**Prior Policy**).

Any reference to a Prior Policy in any document, policy, guidance of Palmera or any agreement entered into by Palmera (including agreements with Palmera Partners) will be taken as a reference to this Policy.

Scope of Policy

This Policy applies to all Palmera Staff, Palmera Partners and applies in all Palmera Activities. All Palmera Staff, and Partner Staff are required to read and familiarise with this Policy.

Policy

A. Our commitment

Palmera recognises the importance of fraud and corruption prevention and aims to maintain an organisational culture that discourages any fraudulent or corrupt activities. Fraudulent and corrupt activity negatively impacts our beneficiaries, sponsors, staff and volunteers, partner organisations and seriously damages public confidence in our ability to undertake sustainable development work.

The prevention and detection of fraud and corruption is the responsibility of every member of our organisation, including directors, staff and volunteers, as well as our overseas partner organisations. The Palmera Board is responsible for creating an ethical culture that prevents fraud and corruption.

All our staff and volunteers must agree to abide by this Policy and understand that it is their responsibility to prevent fraud or corruption by reporting suspected incidents in accordance with this Policy. Reporting may also be done in accordance with Palmera's **Whistle-Blowing Policy**.[1]

We are committed to preventing fraud and corruption by:

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[1] Complaints Handling and Whistleblowing Policy (April 2021).

1. Vetting Palmera Staff in accordance with the guidelines established in our **Human Resources Policy**[2];

2. Vetting and regularly reviewing Palmera Partners and setting out expectations in a formal agreement;

3. Educating Palmera Staff on fraud and corruption detection and prevention;

4. Rigorously monitoring financial transactions at both an organisational and Palmera Partner level;

5. Rigorously monitoring project implementation, management and outcomes;

6. External auditing and reporting;

7. Fraud and corruption detection, reporting and investigation.

These processes are described in further detail as follows.

B. Vetting Palmera Staff

In order to maintain a culture and environment that prevents fraud and corruption, Palmera hires staff, volunteers and appoints Board members who are of suitable character and do not pose a risk to Palmera's operations. It does this by:

- Recruiting staff and volunteers that are of strong moral character and following the guidelines of Palmera's **Human Resources Policy**. This includes carrying out reference checks where appropriate in light of the risk of fraud or corruption. This will be based on factors including the nature of the position and whether it involves dealing with funds or carrying out decision-making in operational activities;

- Requiring staff and volunteers to sign a **Statement of Commitment** declaring that they understand Palmera's organisational values and understand what is expected of them in their role;

- Appointing Board members of high moral standing, good reputation and appropriate experience.

C. Vetting and regularly reviewing Palmera Partners

Palmera works with Palmera Partners who are committed to the goal of preventing fraud and corruption and have in place adequate systems and procedures to prevent, detect and investigate fraud. Achieving this involves:

- Conducting due diligence on *prospective* Palmera Partners and recording the findings in the **Organisational Due Diligence** form. This includes assessing whether the organisation has in place sufficient governance structures, financial management systems, internal controls and any relevant anti-fraud or anti-corruption policies or control plans to effectively prevent and detect fraud and corruption, and assessing whether Partner Staff are trained in relevant policies and procedures;

- Setting out Palmera's expectations with the Palmera Partner in relation to fraud and corruption in the formal agreement, including setting out the basis on which Palmera can terminate any partnership arrangement with a Palmera Partner if any incidents of fraud or corruption are identified within that organisation.

- Conducting a regular reviews (such as yearly, or less frequently, if appropriate) of Palmera Partners' capacity for effective governance and financial management, including an assessment of the organisation's internal controls and fraud mitigation systems, any fraud or corruption concerns that may have arisen for the

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[2] Human Resources Policy (February 2017).

organisation and the effectiveness of the Partner's response to those concerns (see **Annual Partnership Review and Capacity Building Assessment**).

D. Educating Palmera Staff

Palmera is committed to providing staff, volunteers and partner organisations with induction training in conduct, ethics and fraud and corruption awareness and prevention.

Given its relatively small organisational size, Palmera ensures that Palmera Staff are aware of this Policy through continual engagement on this issue between employees and senior staff. Palmera will also look to implement any other formal or informal means of ongoing training in fraud and corruption awareness and prevention where possible.

E. Monitoring financial transactions

1) Requirements for all Palmera financial transactions

Palmera monitors its financial transactions to detect possible fraud or corruption. It does this by having in place financial policies and procedures as set out in the **Finance Manual** to rigorously control and monitor financial transactions, which specify, amongst other things:

- the segregation of duties;
- the delegations of authority for executing financial transactions;
- the necessary approvals and documentation;
- reporting and review mechanisms; and
- the oversight role of Palmera management.

2) Additional requirements for financial transactions relating to Palmera Activities

To detect possible fraud or corruption in relation to any Palmera Activity, Palmera requires Palmera Partners to:

- Prepare annual budgets at the start of each financial year which are then tracked monthly to detect any variance in budget;

- Undertake regular management reviews of their budgets; and

- Submit acquittals and other financial reports to Palmera for the payment of each instalment of funds by Palmera.

In addition, Palmera undertakes regular programme audits and internal control audits for each Palmera Partner as appropriate in light of the size and scope of the programme and funding commitment and the nature of the risks involved.

F. Monitoring project implementation, management and outcomes

Monitoring and evaluation are crucial to determining the success of Palmera's Activities and its relationships with Palmera Partners, and a key measure of success is ensuring that fraud or corruption does not occur. This involves:

- Palmera's management rigorously monitoring the design, implementation, management and results of Palmera Activities overseas projects in accordance with the Project Monitoring Section of its **Projects Manual**;

- Conducting monitoring discussions during and after the Palmera Activity with the Program Coordinator of the Palmera Partner. Palmera may conduct this monitoring through Palmera Staff on-site, and/or through

independent third parties whom Palmera requests to conduct on-site monitoring. The frequency of the monitoring varies according to the type of project undertaken, however the standard period is at three-month intervals during the project, and at six and twelve months after the project has finished.

G. External auditing and reporting

Palmera must undergo periodic external auditing and reporting processes as follows:

- At least once every year, Palmera's accounts must be examined by an external qualified auditor who must report to the Members in accordance with the requirements under the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) and Australian Council for International Development's (**ACFID**) Code of Conduct;

- Palmera must provide an annual report to Members detailing the financial health of the organisation, including the financial performance for that year

H. Reporting fraud and corruption

Palmera has a "zero-tolerance" attitude towards fraudulent or corrupt behaviour. This means that <u>any case of alleged, suspected or detected fraud or corruption must be reported immediately</u> to the CEO and, if not immaterial, to the Palmera Board.

The **Whistle-Blowing Policy**[3] clearly outlines the mechanism through which Palmera Staff must report allegations of fraud or corruption.

I. Investigating fraud and corruption

Palmera will investigate all reported cases of alleged, suspected or detected fraud and corruption. Moreover, Palmera aims to create a culture that encourages fraud and corruption detection, ensures that whistle-blowers are protected, and investigates allegations in a rigorous and impartial manner. To achieve this, Palmera adopts the following measures for investigating fraud and corruption once a fraud incident has been reported or identified:

- Taking steps to hold or freeze any pending transactions if possible and inform local law enforcement if assistance is required in this regard;

- Undertaking investigations in a confidential, prompt and professional manner according to established guidelines;

- Ensuring that no negative outcomes occur for whistle-blowers acting in good faith;

- Maintaining a **Fraud Register** to identify all incidents of identified or reported cases of alleged, suspected or detected fraud, including the outcomes of any investigation into the incident, actions taken and whether the incident was escalated to the Palmera Board.

J. Confirmed incidents of fraud and corruption

If allegations of fraud or corruption are proved to be correct, Palmera will:

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[3] *See Complaints Handling and Whistle-Blowing Policy*, April 2021.

- take appropriate disciplinary action in a transparent and fair manner;

- seek the recovery of misappropriated funds or asses wherever possible including pursuing prosecutorial or administrative action;

- where the funds defrauded relate to institutional donors, such as the Australian Government, notify the donor in accordance with contractual requirements;

- report annually to the Palmera Board summarising any instances of fraudulent activity and actions taken by management.

Reviewing this Policy

This policy is to be reviewed every three years, or earlier if appropriate, and lessons learned incorporated into subsequent versions.

Date	Version	Review Description	Reviewed By	Approved By
August 2021	5	Original	N/A	CEO
July 2017	4	Original	N/A	