



Australian Government

Department of Foreign Affairs and Trade

FRAUD AND CORRUPTION CONTROL TOOLKIT FOR SERVICE PROVIDERS AND FUNDING RECIPIENTS

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FRAUD AND CORRUPTION TOOLKIT ON A PAGE

Fraud is dishonestly obtaining a gain or benefit or causing a loss or risk of loss by deception or other means.

Corruption is any conduct of a public official that constitutes or involves: a breach of public trust; abuse of a public office; or misuse or information or documents; or conduct of any person that could adversely affect a public official's honest or impartial exercise of powers or performance of duties.

Why is Fraud and Corruption Control so important in the Australian development program?

- It protects finances and trust while improving program delivery.
- It demonstrates commitment to ethical management, increasing eligibility for future opportunities.
- It ensures efficient use of funds for sustainable development outcomes.
- It reduces the negative human, security and other impacts of fraud and corruption.

DFAT expects service providers and funding recipients to comply with the fraud and corruption control obligations in their arrangement and can offer support through the Fraud and Corruption Control Feedback Loop.

Service providers and funding recipients should be familiar with their specific DFAT arrangements. Following the 5-step fraud and corruption control process will support these arrangements and a strong control environment.

Use the self-assessment checklists to ensure your organisation has appropriate fraud and corruption control mechanisms in place, including:

- **Governance and strategy**—Current fraud and corruption control strategy and governance framework.
- **Prevention**—Fraud and corruption risk assessments, counter-fraud, and anti-corruption clauses, and provide staff training.
- **Detection**—Track funding, validate expenditure, and conduct regular audits and reviews.
- **Reporting**—Report fraud within 5 days (or as agreed), maintain investigation procedures, and correct issues.
- **Oversight**—Due diligence of downstream partners, ensure compliance, and monitor performance.



Did you know?

Service providers and funding recipients need to comply with certain contractual requirement reflecting DFAT's legislative and policy requirements, including:

- Achieving value for money.
- Preventing corruption, terrorism resourcing and foreign bribery
- Not making facilitation payments.
- Complying with the Commonwealth Protective Security Framework

Allegations of Fraud and Corruption should be reported to DFAT in accordance with contractual arrangement, through the following channels where it relates to:

- DFAT staff – conduct@dfat.gov.au
- Public Interest Disclosures – PID@dfat.gov.au
- Counter terrorism resourcing – counter-terrorism.resourcing@dfat.gov.au
- Passport fraud – passports.fraud@dfat.gov.au
- All other fraud or corruption – via DFAT's webform

ABOUT US

The Department of Foreign Affairs and Trade's (DFAT) purpose is to make Australia stronger, safer, and more prosperous, to provide timely and responsive consular and passport services, and to ensure a secure Australian Government presence overseas.

For more information regarding DFAT's objectives and functions, please visit [DFAT's website](#).

DFAT is responsible for protecting taxpayer funds used to achieve its objectives, this includes ensuring funds are used for their intended purpose. By extension, DFAT's service providers and funding recipients must use funding in a way that aligns with their arrangement with DFAT.

PURPOSE OF THIS TOOLKIT

This Fraud and Corruption Control Toolkit provides DFAT's service providers and funding recipients with ways of developing and implementing fraud and corruption control strategies. The capacity of organisations to prevent, detect, investigate, and respond to fraud and corruption can vary. This Toolkit has been developed to:

- help service providers and funding recipients manage fraud and corruption and highlight emerging fraud and corruption risks;
- promote collaboration between DFAT and its service providers and funding recipients when it comes to dealing with fraud and corruption;
- ensure all occurrences of fraud and corruption are reported and addressed promptly in accordance with contractual obligations; and
- help improve service providers and funding recipients' knowledge of how fraud and corruption might occur and what they can do about managing fraud and corruption risks.

DFAT emphasises to its staff the importance of actively working with service providers and funding recipients to ensure they are managing fraud and corruption risks. In pursuit of this shared commitment, DFAT expects these organisations to establish measures that prevent and detect fraud and corruption. While it is not mandatory for service providers and funding recipients to use the tools included in this toolkit, these organisations are obligated to clearly document and demonstrate their efforts in preventing, detecting, and correcting fraud and corruption in accordance with the obligations in their arrangements with DFAT.

This document aligns with the DFAT's Enterprise Risk Management Policy and should be read in conjunction with DFAT's *Fraud and Corruption Control Framework*.

DOES THIS TOOLKIT APPLY TO MY ORGANISATION?

This Fraud and Corruption Control Toolkit provides guidance to service providers and funding recipients who deliver programs or provide goods and services to DFAT including under the Australian International Development Program. DFAT's service providers and funding recipients include:

- grant recipients (including non-government organisations/not-for-profits)
- commercial suppliers (including managing contractors)
- third party providers
- subcontractors
- delivery chain partners
- bilateral partners
- multilateral partners
- other government agencies.

DFAT staff members and staff contracted to work in DFAT under labour hire arrangements should refer to DFAT's *Fraud and Corruption Control Plan* available on the Intranet.

NOTE: This toolkit does not apply to situations where DFAT directly funds partner governments. However, the principles outlined in this document can be used as a guide to minimise and mitigate fraud and corruption in activities and services delivered under DFAT arrangements.

HOW TO USE THIS TOOLKIT

This toolkit contains several sections containing different information for service providers and funding recipients:

- Part 1 contains relevant background and definitions;
- Part 2 contains information on DFAT's fraud and corruption risk governance, including relevant obligations that service providers and funding recipients must comply with, depending on their contractual obligations with DFAT;
- Part 3 contains fraud and corruption control steps which provides more detail on the processes service providers and funding recipients should have in place to prevent, detect, and correct fraud and corruption;
- Part 4 contains self-assessment checklists which should help to identify areas that need to be strengthened to minimise the likelihood of fraud and corruption occurring and to detect it promptly if it does; and
- Part 5 contains Annexures which include additional information to help service providers and funding recipients understand and comply with their fraud and corruption control obligations, depending on their contractual obligations with DFAT.

DISCLAIMER: This toolkit is designed as a guidance document. It is not intended to direct service providers and funding recipients on how fraud and corruption should be managed within their organisations. Service Providers and funding recipients are responsible for developing their own fraud and corruption management strategies that meet their obligations as outlined in their specific arrangement/s with DFAT and are tailored to their specific fraud and corruption risks.

WHY IS FRAUD AND CORRUPTION CONTROL IMPORTANT?

THE IMPACT

It is estimated that the Commonwealth loses between 3% and 5.95% of revenue to fraud annually.

When applied to Australia's Official Development Assistance budget for 2024/25 (\$4.96 billion), this equates to a potential loss of between \$148.8 million and \$295.2 million.

Fraud against Australia's Official Development Assistance is not victimless. Australia's Official Development Assistance is delivered to help support sustainable development and build a safer and more resilient world.

Fraud and corruption against this program have far reaching impacts that go beyond financial loss. It affects vulnerable individuals who should benefit from projects, the reputation of government, and has potential negative impacts on the environment and national security.

Commonwealth Fraud Prevention Centre, 2020; DFAT, Australia's Official Development Assistance Budget Summary 2024-25; UK Public Sector Authority, 2024

DFAT and its service providers and funding recipients operate in many challenging governance and security environments where fraud and corruption are significant risk factors. In recognition of this, DFAT arrangements stipulate terms that require service providers and funding recipients to proactively protect their organisations and DFAT activities from fraud and corruption.

Ensuring you have effective fraud and corruption control policies in place is integral to ensuring finances are protected, programs are delivered, and trust and confidence is maintained in your organisation and in DFAT's programs.

For more information on fraud and corruption control, please contact fraud.corruption@dfat.gov.au.

If you need to report suspected fraud or corruption, please visit the [Fraud and Corruption Control page](#) on DFAT's website for more information or go to the 'Step 4 – Report Fraud' section of this Toolkit.

DEFINITIONS

DFAT adopts the definitions of fraud and corruption as set out in the *Commonwealth Fraud and Corruption Control Framework*, and the *National Anti-Corruption Commission Act 2022* (NACC Act) respectively. Regarding foreign bribery, DFAT adopts the meaning as derived in the *Criminal Code Act 1995* (Criminal Code) (see [Annex 1](#)).

Fraud

Fraud against the Commonwealth is defined as, “dishonestly obtaining (including attempting to obtain) a gain or benefit, or causing a loss or risk of loss, by deception or other means”. This definition is based on the dishonesty offences under chapter 7 of the Criminal Code.

Fraud in the context of DFAT funding arrangements may include (but is not limited to):

- theft of funds or property;
- unlawful use of, or unlawful obtaining of, property, equipment, material, or services;
- causing a loss, or avoiding and/or creating a liability;
- providing false or misleading information to the Commonwealth, or failing to provide information when there is an obligation to do so;
- misuse of Commonwealth assets, equipment, or facilities;
- cartel conduct;
- making, or using, false, forged, or falsified documents; and/or
- wrongfully using Commonwealth information or intellectual property.

Fraud requires intent. It requires more than carelessness, accident, or error. When intent cannot be shown, an accident may be non-compliance rather than fraud.

A benefit or loss is not restricted to a material benefit or loss, and may be tangible or intangible. A benefit may also be obtained by a third party.

Fraud can include corrupt conduct where the conduct results in a party obtaining a benefit from, or causing a loss to, the Commonwealth.

Internal fraud occurs where fraud against an organisation is committed by its staff, this may involve a level of corruption. An example of internal fraud includes an employee intentionally using their corporate credit card to make personal purchases, or staff redirecting funds into their personal bank accounts.

External fraud is fraud committed against the organisation by external parties such as contractors, consultants, downstream delivery partners, other members of the public or organised criminal groups. An example of this is a downstream delivery partner providing false or misleading information to obtain a payment.

Corruption

Corruption is defined broadly consistently with the NACC Act and is any conduct that does or could compromise the integrity, accountability, or probity of public administration. Pursuant to the NACC Act, this includes:

- any conduct of any person (whether or not a public official) that adversely affects, or that could adversely affect, either directly or indirectly:
 - the honest or impartial exercise of any public official’s powers as a public official; or
 - the honest or impartial performance of any public official’s functions or duties as a public official;
- any conduct of a public official that constitutes or involves a breach of public trust;
- any conduct of a public official that constitutes, involves or is engaged in for the purpose of abuse of the person’s office as a public official;
- any conduct of a public official, or former public official, that constitutes or involves the misuse of information, or documents acquired in the person’s capacity as a public official.

Corruption may be criminal or non-criminal in nature and may affect any aspect of public administration. For example, an official being offered or accepting a bribe, or engaging in fraud against the entity.

Within the above definition, a public official includes contracted service providers under a Commonwealth contract, which includes DFAT delivery partners, their staff, sub-contractors, and downstream delivery partners. Fraud and corruption often overlap, as both involve dishonest or illegal behaviour to gain an unfair advantage or benefit. However, fraud involves deception to obtain a gain or cause a loss (e.g. provision of false information to obtain a payment), whereas corruption involves the abuse or misuse of power or position (e.g. soliciting bribes, or nepotism). Conduct can include elements of both fraud and corruption.

Corruption assessments can be complex, if in doubt please report, particularly if the suspected conduct:

- could relate to a DFAT staff member (including contractors and sub-contractors) or to another person adversely affecting the conduct of a DFAT staff member; or
- could relate to a DFAT-funded program and/or goods and services provided directly or indirectly to DFAT.

THE FRAUD AND CORRUPTION FEEDBACK LOOP

DFAT takes a collaborative approach to managing fraud and corruption and will provide support to any partner facing fraud and corruption risks. This approach helps service providers and funding recipients strengthen their ability to combat fraud and corruption.

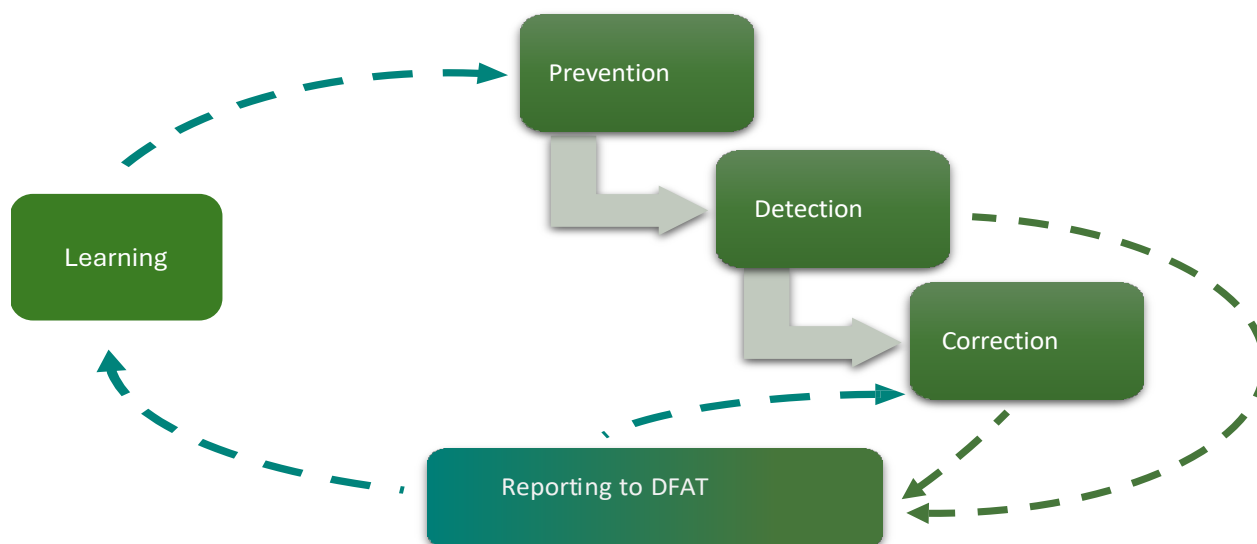
Service providers and funding recipients should have processes in place to support a Fraud and Corruption Feedback Loop with DFAT. This includes:

- having processes to report incidents of fraud and corruption to DFAT
- keeping records of all instances of fraud and corruption
- using learnings from fraud and corruption incidents to strengthen control strategies.

Reporting incidents of fraud and corruption to DFAT allows mutual learning from past cases of fraud and corruption to take place. It also allows DFAT to inform the investigation and correction process.

Maintaining accurate and readily available records is crucial to retaining relevant corporate knowledge and informing future prevention and detection activities.

The Fraud and Corruption Feedback Loop



CONTACT US

DFAT's Counter Fraud and Anti-Corruption Section oversees the management of fraud and corruption committed by external parties against DFAT including in relation to the Australian Development program. For more information on fraud and corruption control, please contact fraud.corruption@dfat.gov.au.

If you need to report suspected fraud or corruption, please visit the [Fraud and Corruption Control page](#) on DFAT's website for more information, go to the 'Step 4 – Report Fraud' section of this Toolkit.

DFAT FRAUD AND CORRUPTION RISK AND GOVERNANCE

DFAT has a range of mechanisms in place that are aimed at reducing its exposure to fraud and corruption risk. Internally, the *Enterprise Fraud and Corruption Control Plan* guides staff on how to manage fraud and corruption risks facing DFAT. There are also several committees that receive regular reporting on the management of fraud and corruption risks and incidents.

To minimise the likelihood of external fraud and corruption being committed against DFAT by its service providers and funding recipients, or their sub-contractors, DFAT employs a range of measures as part of its arrangements. This includes specific fraud and corruption clauses, as well as other legislation and policies.

DFAT ARRANGEMENTS

Each arrangement with DFAT includes specific obligations with which service providers and funding recipients must comply. These organisations should ensure they are aware of their specific obligations.

Fraud and corruption clauses

DFAT includes a range of clauses in its arrangements to minimise fraud and corruption risks. All service providers and funding recipients should ensure they are familiar with their arrangements and have policies and procedures in place to comply to DFAT's requirements (see Annex 2) for more information.

Other policies that support fraud and corruption risk governance

Corruption

Value for money

Preventing
Terrorism-
Resourcing

Bribery and
Facilitation
Payments

Bribery of
Foreign Officials

Banning of
Facilitation
Payments

Security

Conducting Due
Diligence on
Downstream
Partners

Arrangement Management

DFAT is committed to working with service providers and funding recipients to achieve mutual goals. To mitigate risks associated with outsourcing, DFAT includes requirements in its arrangements to ensure that its service providers and funding recipients have effective governance frameworks in place.

DFAT actively manages its arrangements to confirm service providers and funding recipients comply with DFAT's requirements. As part of its risk mitigation and arrangement management processes DFAT:

- ensures arrangements and guidelines are clear and unambiguous
- validates that services have been delivered
- detects and acts on non-compliance promptly
- ensures service providers and funding recipients are aware of and capable of fulfilling their fraud and corruption control responsibilities
- ensures arrangements include appropriate fraud and corruption control clauses
- provides formal training to service providers and funding recipients
- publicises successful prosecutions as a deterrent to future fraud and corruption.

Policies that support DFAT's Fraud and Corruption Risk Governance

Below is an overview of legislation and policies service providers and funding recipients should be aware of and would generally be required to be compliant with.

Corruption

The introduction of the NACC has increased the focus on corruption prevention across the Commonwealth. Corruption may be criminal or non-criminal in nature and may affect any aspect of public administration. For example, an official being offered or accepting a bribe, or using their position for their personal benefit.

DFAT service providers and funding recipients and their downstream partners may be considered by the NACC to be public officials for the purpose of the NACC Act. Accordingly, service providers and funding recipients should be aware that allegations may be made against them directly to the NACC, they may be subject to investigation by the NACC, and that the NACC may approach them directly.

Service providers and funding recipients should determine the most appropriate handling procedures for engagement with the NACC, including for reporting matters directly to the NACC or via DFAT, and for receiving requests from the NACC. Service providers and funding recipients should have regard to the NACC factsheet '[Interacting with the Commission](#)'. DFAT's Counter Fraud and Anti-Corruption Section may provide information where appropriate if your organisation receives a NACC request.

Your organisation will need to ensure that appropriate corruption control mechanisms are in place, and that relevant staff are informed and trained on the jurisdiction of the NACC.

Value for Money

Service providers and funding recipients are required to achieve Value for Money and spend funding in a way that is economical, efficient, effective, and ethical. DFAT has developed eight [Value for Money Principles](#) to guide decision-making and maximise the impact of investments. Service providers and funding recipients are expected to apply these principles to their procurements and expenditure.

If service providers and funding recipients do not apply the *Value for Money Principles*, DFAT may take steps to enforce its contractual rights regarding the program or project.

Preventing Terrorism-Resourcing

The resourcing or financing of terrorism is any process by which funds, assets, support or services are made available to individuals or organisations that support terrorist activities.

Australian laws establish serious criminal offences under the Criminal Code, as well as the *Charter of the United Nations Act 1945* and its set of regulations. As per contractual arrangements, service providers and funding recipients are required to comply with Australian laws, as well as any laws administered by the country in which they operate, or other relevant laws. Therefore, service providers and funding recipients are expected to familiarise themselves with Australian laws and make necessary efforts to fulfil the requirements. Service providers and funding recipients are also required to pass on similar contractual arrangements to their downstream partners.

Depending on the activity, and the location of that activity, some service providers and funding recipients may have additional obligations under their DFAT arrangements which they need to comply with. Organisations that operate

in crises and war zones overseas are at greater risk of being infiltrated and exploited by terrorist groups. Service providers and funding recipients should identify the risk of terrorism-resourcing within their operating context and implement controls to safeguard funds from financing terrorism or a terrorist organisation. This includes conducting due diligence on any downstream partner against the two lists maintained by the Australian Government:

- [Australian National Security Listed Terrorist Organisations](#), which contains a list of terrorist organisations that have been formally declared as involved in terrorism.
- DFAT's [Consolidated List](#), which contains a list of persons or entities that have been sanctioned under United Nations Security Council and Australian autonomous sanctions. Service providers and funding recipients can [subscribe](#) to receive updates of the Consolidated List.

The above-mentioned lists are not exhaustive. Recipients should be mindful that offences relating to funding or supporting a terrorist organisation are not limited to listed terrorist organisations. Under the Criminal Code, a terrorist organisation is any organisation that is directly or indirectly engaged in preparing, planning or assisting in, or fostering the doing of a terrorist act. Service providers and funding recipients should therefore undertake additional due diligence and vetting processes on key individuals within their organisation, as well as their downstream partners to ensure they have no link to terrorist activities or organisations. By extension, the service providers and funding recipient should conduct checks on their downstream partner's clauses, policies, systems, and processes to ensure the controls are effective to prevent and detect terrorism-resourcing.

Service providers and funding recipients should report any suspicions of the diversion of funds or assets to terrorists, or terrorist organisations, to:

- National Security Hotline - 1800 123 400.
- Sanctions Section – sanctions@dfat.gov.au.
- Transnational Crime Section – transnationalcrime@dfat.gov.au.
- Development Risk Management Section – counter-terrorism.resourcing@dfat.gov.au

Organisations seeking further guidance on protecting against terrorism-resourcing risk can access more information from the Australian Government, including the guide '[Safeguarding your organisation against terrorism-financing](#)', and may also consider seeking their own legal advice. Charities and not-for-profits can access more information from the Australian Charities and Not-for-profits Commission (ACNC), including the guide on '[Protecting your charity from the risk of terrorism-financing](#)'.

Bribery and Facilitation Payments

When service providers and funding recipient staff accept bribes, Australia's efforts to promote good governance internationally is undermined. Further, such actions could result in reputational damage for DFAT and Australia. Included below is a brief overview of DFAT's expectations of service providers and funding recipients regarding bribery and facilitation payments. Please refer to the "Bribery and Facilitation Payment Factsheet" ([Annex 5](#)) for more information.

Gifts and benefits can be perceived as bribes and create a real or apparent conflict of interest. However, the department recognises that limited circumstances may arise, particularly overseas, where no conflict of interest could reasonably be inferred from accepting a low value gift or benefit, or where refusal may reflect poorly on Australia, DFAT or a service provider or funding recipient. DFAT's approach to gifts and benefits is publicly available through its [Ethics, Integrity and Professional Standards Policy Manual](#).

Bribery of Foreign Officials

The Criminal Code makes foreign bribery an offence. Foreign bribery involves providing, causing, offering to provide, or causing an offer of the provision of a benefit to a person with the intention of improperly influencing a foreign public official to obtain or retain business or a business or personal advantage.

From September 2024, Australia introduced a new offence for corporations who fail to prevent their associates engaging in foreign bribery, if the commission of the offence is done for the profit or gain of the organisation. This

offence carries significant penalties for corporations, and carries absolute liability, meaning organisations may be held liable regardless of intent or knowledge. A corporation will not be liable under the corporate 'failure to prevent' offence if it can prove it had 'adequate procedures' in place to prevent foreign bribery. Service providers and funding recipients should ensure that they have adequate procedures in place to prevent foreign bribery. The Attorney-General's Department (AGD) has released guidance on '[adequate procedures](#)'. Service providers and funding recipients should review this guidance when developing their anti-bribery measures (See [Annex 5](#) for more information).

Australia's foreign bribery laws apply to conduct not only occurring in Australia, but outside Australia where the offence is committed by an Australian citizen, resident, or corporation. All incidents of suspected bribery of foreign officials must be reported by email to the Transnational Crime Section: transnationalcrime@dfat.gov.au.

Banning of Facilitation Payments

A facilitation payment is a payment of minor value provided in return for securing a minor, routine government action that should have been completed without any such payment (Section 70.4 of the Criminal Code). Facilitation payments are distinguished from bribes as they are not in any way linked to securing any decision to award, continue or create new business.

As facilitation payments can be difficult to distinguish from a bribe, DFAT funds cannot be used for facilitation payments regardless of whether it is legal in the country of payment.

If avoiding payment is likely to cause significant disruption to the delivery of a DFAT-funded project or service, you should notify your DFAT contact immediately. DFAT may be able to avoid further delays by escalating the situation diplomatically.

In certain circumstances, not paying a facilitation payment can create a threat to health or safety. In such a case, the payment should be made, documented, and reported to DFAT as soon as possible (see [Annex 6](#) for more information).

Security

If your organisation is required to access, or otherwise gains access to, Commonwealth official information or security-classified information, your organisation must comply with all relevant security requirements specified in the Commonwealth *Protective Security Policy Framework* in relation to personnel, physical and information security. Your organisation must undertake risk assessments of the environment and put in place proportional security controls to protect people, facilities, and resources. For more information on the *Protective Security Policy Framework*, please see [Protective Security Policy Framework](#).

Conducting Due Diligence on Downstream Partners

DFAT conducts due diligence on our partners and expects our service providers and funding recipients to undertake a similar process on any downstream partners they subcontract. Under standard DFAT arrangements, service providers and funding recipients are liable for the acts, defaults, and omissions of the subcontractor as if they were the service providers' and funding recipients' acts, defaults, and omissions.

Conducting effective due diligence is an integral part of managing the risk associated with subcontracting. The downstream partner checklist included in Annex 3 outlines steps that are recommended for on each individual and organisation they engage to ensure they are not involved in fraudulent, corrupt, coercive, collusive, obstructive practices, or other integrity violations. At a minimum, service providers and funding recipients should crosscheck organisations against the following lists:

- [The Asian Development Bank's Sanction List](#)
- [World Bank Listing of Ineligible Firms and Individuals](#)
- [Australian National Security Listed Terrorist Organisations](#)
- [DFAT's Consolidated List](#)

Service providers and funding recipients may check these lists directly or use a third-party screening tool. These lists are not exhaustive so service providers and funding recipients must ensure that the checks undertaken are proportional to the risk and meeting any obligations set out in DFAT arrangements.

Service providers and funding recipients should be able to provide a delivery chain map of all their downstream partners if requested.

Ensure compliance by mapping contractual requirements against your internal processes and policies and then identify and address any shortcomings your organisation has meeting its obligations. While not exhaustive, this may include considering if your organisation has:

- appropriate corruption control mechanisms in place?
- informed and trained relevant staff on the jurisdiction of the NACC?
- applied value for money principles to procurement and expenditure?
- fulfilled prevention of terrorism-resourcing requirements? Have you passed on similar contractual arrangements to your downstream partners?
- adequate procedures in place to prevent foreign bribery?
- ensured that DFAT funds are not used for facilitation payments?
- security obligations. If so, have you:
 - undertaken a risk assessment of the environment?
 - put in place proportional security controls to protect people, facilities, and resources?
- undertaken due diligence on any downstream partners you subcontract to?
- any additional clauses in your arrangement that you need to comply with?

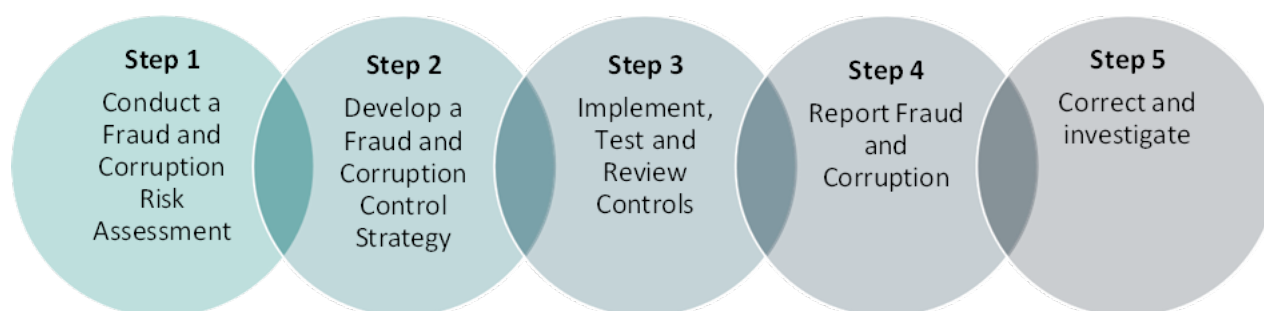
FRAUD AND CORRUPTION CONTROL STEPS

DFAT's arrangements require service providers and funding recipients to make ongoing efforts to protect their organisations from acts of fraud and corruption.

DFAT's standard fraud and corruption clauses are included at the end of this Toolkit (see [Annex 2](#)). Please note that there are additional clauses included in arrangements that contribute to fraud and corruption minimisation, so service providers and funding recipients need to be aware of all requirements under their specific arrangements.

DFAT arrangements require service providers and funding recipients to conduct a fraud and corruption risk assessment and to develop a fraud and corruption control strategy. However, service providers and funding recipients have flexibility to adopt their own methods for managing fraud and corruption risks, provided they are appropriate to prevent, detect and correct fraud and corruption.

There are five (5) basic steps of fraud and corruption control that your organisation should implement:



STEP 1 - CONDUCT A FRAUD AND CORRUPTION RISK ASSESSMENT

Fraud and corruption risk assessments help organisations systematically identify fraud and corruption risks. These should be conducted as part of an organisation's broader business improvement cycle.

Service providers and funding recipients should conduct a project specific fraud and corruption risk assessment in accordance with their agreements.

Each fraud and corruption risk assessment must contain project specific prevention, detection, and correction (response and reporting) controls.

Set out below is some guidance on how to develop a fraud and corruption risk assessment. Further detailed guidance has been published by the [Commonwealth Fraud Prevention Centre](#).

Each fraud and corruption risk assessment and strategy must contain project specific fraud prevention, detection, investigation and reporting processes and procedures.

Identify Fraud and Corruption Risks

The first step of a fraud and corruption risk assessment is to identify fraud and corruption risks as well as any weaknesses or deficiencies in internal and external controls. When assessing fraud and corruption risks your organisation should consider:

- the operating environment and associated risks
- possible methods for committing fraud or engaging in corrupt conduct
- what might attract a person to engage potentially in fraudulent or corrupt conduct
- frequency of due diligence checks on partners
- whether contract language with partners includes DFAT clauses regarding countering fraud and corruption (and other key legal risks such as Counter Terrorism, Environment and Social Safeguards, Child and Adult Safeguards)
- awareness of DFAT's zero tolerance for inaction where fraud and/or corruption are detected
- insurance mechanisms for cash and assets
- alternatives to the use of cash, such as debit/credit cards or bank transfer
- what existing controls are in place to prevent or detect fraud and corruption
- how current controls might be circumvented
- what treatments (additional actions not yet in place) could be available to further mitigate the risk.

Note: A treatment is not considered a risk control until it is implemented.

Common Fraud and Corruption Risks

DFAT recognises that fraud and corruption can affect any organisation regardless of its size or type. For more information on developing a strategy to address fraud and corruption and to implement controls, see Steps 2 and 3.

NOTE: The information included below is not exhaustive. Appropriate fraud and corruption risks and controls for your project and organisation will depend on your specific circumstance and operating context.

Examples of fraud and corruption risks

- Theft and/or misuse of funds or other assets (for example, vehicles, machinery)
- Downstream partners intentionally disregarding DFAT's or the service providers' and funding recipients' policies and procedures to obtain a benefit
- Provision of falsified documents to DFAT (for example, downstream partner provides false evidence that a project has commenced)
- DFAT service providers and funding recipients or downstream partners participate in bribery to obtain a benefit

- DFAT service providers and funding recipients or downstream partners solicit or accept bribes or kickbacks (for example, to award contracts to a certain provider)
- DFAT funds used to make facilitation payments
- DFAT funds spent on items not allowed under the arrangement
- Undeclared or unmanaged conflicts of interest: that is, contracts awarded to friends or family rather than seeking competitive quotes
- Collusion between downstream partners and external suppliers resulting in overspend

How Service Providers and Funding Recipients Can Prevent and Detect Fraud and Corruption

- Keep records of all financial accounts: Your financial systems must account for all expenditure against relevant budget lines. You should have the capacity to monitor and identify anomalies or discrepancies.
- Ensure separation of duties: To ensure accountability make sure that all processes and procedures provide sufficient segregation of duties, especially between the operational and financial areas. People who approve expenditure must not be able to benefit from that expenditure.
- Avoid Conflicts of Interest (COI): When your organisation makes purchases or sub-grants activities you must ensure there is no conflict of interest in that process. A key mechanism to minimise this risk is having and publicising COI registers. Please refer to ([Annex 7](#)) for more information.
- Maintain arrangement compliance: Your staff must understand the terms of your arrangement with DFAT. You must ensure that DFAT funds are only used for purposes that are allowable under the arrangement in terms of both content and timing. Include regular checks to ensure compliance.
- Guarantee value for money: Train staff to ask, 'Is this expenditure absolutely necessary to deliver the project?' and 'Would this expenditure stand up to public scrutiny?' If their answer is no to either question, then they must not expend taxpayer funds.
- Training of staff: Ensure staff know their obligations under your organisation's arrangement with DFAT and are aware of DFAT's policies. Staff must be aware of what fraud and corruption is and how to report it.
- Ensure due diligence of downstream partners: Ensure downstream partners that you are working with have the systems in place to manage funds.
- Active management of downstream partners: Ongoing and active arrangement management is critical. It is too late to check after an activity is completed.

Identify Controls

Once fraud and corruption risks are identified, your organisation will be able to design specific preventative, detective, and corrective control measures to manage and treat them.

Preventative controls

All DFAT service providers and funding recipients and their staff are required to prevent fraud and corruption on DFAT. Preventative strategies are the first line of defence and provide the most cost-effective way of dealing with fraud and corruption.

Preventative controls reduce the likelihood of a risk occurring and are aligned to the risk source.

Examples of Preventative Controls

This list of controls is not exhaustive; rather it is designed to provide examples of suitable prevention mechanisms.

- Training staff and downstream partners
- Clauses in contracts and agreements
- Governance arrangements, including board oversight and regular reporting
- Physical and information security controls
- ICT security and access control systems and policy
- Policies and procedures
- Ethics programs
- Defined roles and responsibilities, including decision making powers
- Conflict of interest register
- Regular documented fraud and corruption risk assessment
- Regular training

- Code of conduct
- Integrity checks and suitability assessments, including police checks and checks of relevant lists
- Segregation (separation) of duties and approvals
- Communication strategies and awareness campaigns
- Key performance indicators
- Gifts and benefits register
- Secure storage of equipment

Separation of duties – Examples where duties should be separated could include:

- Accounts receivable, cash application and billing.
- Vendor set up and payment preparation.
- Disbursement approval and recording.
- Procurement, receiving goods and services, and payment.
- Receiving and recording cash.
- Disbursing and reconciling petty cash.
- Billing and accounts receivable credits.
- Electronic banking payment initiation and release.
- Banking transaction process and bank reconciliation preparation.
- Changes to vendor bank details requiring two-part signoff.

In practice, the level of segregation of duties applicable to your organisation will depend on the size of the local finance team and the amount of funding your organisation receives.

Detective Controls

All DFAT service providers and funding recipients and their staff should actively detect and report allegations of fraud and corruption rather than passively waiting for it to be reported. To do this you will need to monitor the progress of activities funded by DFAT.

Detective mechanisms must be flexible, adaptable, and regularly updated to meet changes in the fraud and corruption risk profile. Early detection is an essential element of fraud and corruption control.

Service providers and funding recipients should not rely solely on audits or downstream partners/members of the public to report fraud and corruption. Although these are good mechanisms, statistically they are not the most effective way to detect fraud. Our data shows that only a small portion of fraud is detected by delivery partner audits. Audits are a powerful tool but cannot be relied upon as a sole mechanism to detect fraud. Your organisation must have mechanisms in place to validate that DFAT money has been spent in accordance with the arrangement. It is critical to have processes in place which enable your organisation to detect fraud and corruption quickly, as a delay in detection may lead to further fraudulent or corrupt activity and greater impacts. Service providers and funding recipient staff play a key detection role and therefore require fraud and corruption awareness training, so they can confidently identify the early warning signs and report appropriately (see Step 4).

Detective controls produce evidence that controls are functioning, or identify new or emerging risks, or issues that have occurred. Some examples include regular reporting and testing, site visits, phone calls, photos, workshops, videos, validation checks, audits, and reviews. DFAT arrangements typically require service providers and funding recipients to conduct an annual audit. DFAT's standard position is for this to be a 'compliance audit' tailored to the specific project/s.

Examples of Detective Controls

The list of controls is not exhaustive; rather it is designed to provide examples of suitable detection mechanisms.

- Evaluations and quality assurance checks (both desktop and at site).
- Whistleblowing Processes.
- Maintain an asset register and conduct an annual asset stocktake.
- Ensure access to systems done through unique identifiers so work areas can trace who entered data.
- Internal and External Audits.
- Inspections and Surveys.

- Ensure an audit trail (data log) of changes made to the IT system, including when changes were made and by which user.
- Monitoring and acquitting of expenditure through monthly reconciliation of invoices/statements by delegate.
- Build capacity to allow work areas to identify data or patterns which may indicate the emergence of a fraud or corruption risk.
- Conduct random process checks regularly.
- ICT access logs are maintained and reviewed periodically.
- Review any entitlement claims, such as travel claims.
- Maintain vehicle logs, listing the dates, times, mileage or odometer readings, trip purpose, and name of the officer using the vehicle.
- Manage audit of expense reports, credit card charges, and telephone bills periodically to determine whether charges are appropriate.
- Separate functions for handling (receipt and deposit) from record keeping (recording transactions and reconciling accounts).
- Maintain an equipment list and periodically complete an inventory.
- Conduct audits of personal leave and hours worked if needed.
- Conduct checks on claims in job application submissions.
- Conduct referee checks.
- Key Performance Indicators.
- Verify education qualifications.

System alerts – Examples of system actions

System alerts are a key detective control that account for a large portion of fraud and corruption detections. It is important to consider configuring systems to enable alerts. Examples of system actions that may pose a fraud or corruption risk and warrant an alert could include:

- A number of changes made to a specific field in a short timeframe.
- Changes made to certain fields (e.g. bank accounts) after data has been entered.
- High or unusual payment requests by certain users.
- A lack of data entered of evidence provided.
- Force codes used to progress items.
- Payments are made at unusual times by certain users.

Corrective Controls

Corrective controls reduce the negative consequences of a risk and are aligned to the consequence or impact.

Examples of Corrective Controls

The list of controls is not exhaustive; rather it is designed to provide examples of suitable correction mechanisms:

- Crisis management plan
- Insurance
- Increased monitoring
- Formal evaluations
- Training and awareness
- Implementing treatment plans
- Re-conducting fraud and corruption risk assessment
- Recovery of funds
- Other measures imposed by DFAT

STEP 2 – DEVELOP A FRAUD AND CORRUPTION STRATEGY

A fraud and corruption control strategy articulates how an organisation will manage its fraud and corruption risks. It may include:

- a summary of identified fraud and corruption risks;
- controls implemented to mitigate identified risks and vulnerabilities;
- information on how to implement fraud and corruption control arrangements within the organisational context;
- information on treatments which could be explored and implemented to further mitigate identified risk and vulnerabilities;
- training and awareness strategies designed to meet the organisations needs/obligations;
- a description of the organisation’s method of collecting, analysing, and reporting fraud and corruption;
- protocols for handling fraud and corruption incidents; and
- an outline of key fraud and corruption roles and responsibilities.

Fraud and corruption do not occur in isolation. They are usually the result of a failure or lack of governance or adherence to procedures. Policies and processes are important fraud and corruption controls but are not effective if organisations do not have checks to ensure that people are adhering to them. A strong governance framework supports your internal processes and sets the standard for fraud and corruption control within your organisation.. Therefore, sound governance and oversight are critical to the prevention of fraud and corruption.

To prevent and detect fraud, your organisation’s fraud and corruption control strategy should include strategies at an organisational level, such as governance arrangements, as well as strategies tailored at the country and project levels. To ensure the controls and corrective measures identified as part of the fraud and corruption risk assessment are implemented and adhere to DFAT’s fraud control obligations, a strong governance framework is required. By addressing any shortcomings in your own governance framework, you are ensuring that fraud and corruption risks will be more readily detected and reported.

Governance

While governance arrangements may vary from organisation to organisation, in principle they are a combination of processes and structures that inform, direct, and manage day-to-day business activities, to achieve objectives.

The below illustration of good fraud and corruption risk governance shows that integrity, ethics, and conduct surround all activities. A structure that includes oversight, such as a board of directors or committees, can play an important role in ensuring effective governance.



Fraud and corruption risk management functions, including risk assessments, are undertaken to identify fraud and corruption risk and to evaluate and prescribe fraud and corruption control mechanisms. Internal controls, which include any mitigation processes or systems, are integral to fraud and corruption control, and are therefore at the centre of fraud and corruption risk governance.

How Strong is your Governance Framework?

When assessing the strength of your organisation's approach to fraud and corruption risk governance, you should consider whether the governance framework in place for your organisation is able to:

- convey the expectations of oversight committees, such as the role of the board of directors
- ensure fraud and corruption risk assessments are conducted regularly to identify new or emerging risks
- identify and implement prevention techniques that mitigate the potential impact of fraud and corruption
- identify and implement detection techniques to uncover acts of fraud and corruption, should prevention techniques fail
- implement reporting processes
- identify and implement correction techniques to enable your organisation to respond to fraud and corruption effectively and efficiently update your fraud and corruption control strategy.

If your organisation has many DFAT funded projects in similar countries or regions, your organisation could develop an overarching fraud and corruption control strategy to address similar fraud and corruption risks. However, this high-intensity strategy must be complemented by project level assessments and fraud and corruption control strategies aimed addressing project/program specific risks.

Awareness and Training

Service providers and funding recipients and their staff play a significant role in the detection of fraud.

Without specific fraud and corruption awareness training these individuals may not understand your organisation's fraud and corruption control strategy, the controls that are designed to minimise fraud and corruption, how to recognise fraud and corruption, and where to report it. All staff should be made aware that preventing, detecting, and reporting fraud and corruption are part of their normal responsibilities.

Training could include:

- information on typical indicators of fraud and corruption
- information on the functionality of your organisation's fraud and corruption control strategy; for example, an overview of fraud and corruption prevention, detection, correction, and reporting mechanisms
- an overview of internal policies which contribute to fraud and corruption risk reduction, for example, your organisation's ethics policy or code of conduct, procurement policies, finance policies, and recruitment policies. Service providers and funding recipients should ensure records are retained of staff who have completed training.

Fraud and Corruption Control Strategy Review

Service providers and funding recipients must review and update their fraud and corruption risk assessments, and fraud and corruption control strategies, regularly (6 monthly at a minimum) and in response to a fraud or corruption event or any other change to the risk profile.

STEP 3 – IMPLEMENT, TEST AND REVIEW CONTROLS

Once a project level fraud and corruption risk assessment and strategy has been completed, your organisation should implement the identified controls to reduce the opportunity for fraud and corruption.

Mechanisms need to be developed to monitor the implementation of, and to test the effectiveness of, controls. The governance framework outlined in the fraud and corruption control strategy should designate control owners who are responsible for the implementation and testing of identified controls. An oversight protocol for the implementation and testing of controls should also be outlined.

Trust is not a control. Trusted employee's circumstances can change, giving them motivation to commit fraud or engage in corrupt conduct should the opportunity arise.

Implementation

To implement controls, you should:

- Ensure that they are designed appropriately, and that their operation will effectively address the risk they are intended to be mitigating.
- Ensure that the controls are documented, this may be in a standard operating procedure or guidance document.
- Provide guidance and training to staff on how the controls operate, what they are designed to do, and why they are important.
- Ensure that controls are being adhered to by staff.

Testing

Control effectiveness is the term used to describe how well a control is reducing or managing the risk it has been designed to modify¹.

Determining if controls are effective is key to understanding if risks are being managed effectively. The best way to assess control effectiveness is through regular testing based on documented evidence. Testing should focus on both the design and implementation of controls, as well-designed controls may still fail if poorly implemented.

There are 4 criteria and questions which will help in this process:

1. Design—*does the control address the risk?*
2. Operation—*does the control consistently operate as intended?*
3. Resourcing—*is the control sufficiently resourced to operate as intended?*
4. Testing—*is the control regularly tested?*

Service providers and funding recipients should develop their own control effectiveness testing procedures that are proportionate and focused on areas most susceptible to fraud and corruption. Examples of control effectiveness testing include:

- Compliance tests/spot checks—random sample tests of specific controls to ensure they are working as designed.
- Pressure tests— specific methodology that aims to penetrate controls, for example, from the perspective of a fraudulent or corrupt actor.
- Assurance reviews—checks of controls or control environments undertaken by control owners and reported through governance arrangements.
- Internal audits—formal reviews of controls or control environments undertaken by an Internal Audit function.

For more information or guidance of testing of controls effectiveness, organisations should review the IPSFF Fraud Control Testing Framework and the Handbook of Fraud Control Testing Methods which provide a range of methods to evaluate different types of fraud and corruption controls.

The results of controls effectiveness testing should be reflected in fraud and corruption risk assessments and should be used to strengthen controls where necessary.¹

¹ Commonwealth Risk Management Policy

STEP 4 – REPORT FRAUD AND CORRUPTION

Reporting Culture

DFAT looks upon self-reported incidents of non-compliance, fraud, and corruption more favourably than non-reported incidents. DFAT knows that fraud and corruption can occur in the locations where we operate and are aware that some of these locations pose a high risk of fraud and corruption. Our focus is on preventing fraud and corruption where possible and ensuring that your organisation is well equipped to detect and manage it. DFAT welcomes fraud and corruption reports. If in doubt, service providers and funding recipients should report a matter to DFAT. DFAT also checks programs that, in comparison to their level of funding, have under-reported incidents of fraud or corruption.

DFAT does not require cases of stolen portable and handheld devices (such as mobile phones, iPads, and laptops) to be reported as fraud. If the theft isn't specifically targeting DFAT property or information, such incidents should be dealt with by reporting the theft to your DFAT project/program and repaying an agreed amount to the program or replacing the item. However, the theft may need to be reported to local authorities.

Reporting Fraud and Corruption to DFAT

Service providers and funding recipients are generally required under their DFAT arrangements to report any suspected or real incidents of fraud and/or corruption within five (5) business days (or as agreed). Reporting incidents is done via the [Suspected or detected External Fraud/Corruption Referral Form](#).

You should not wait to report an incident of fraud or corruption to DFAT until you have more information. Any suspected or real incidents of fraud and corruption, aside from passport fraud, must be reported to the Counter Fraud and Anti-Corruption Section (by completing the webform). Your arrangement/activity manager should also be notified of the report.

Reporting DFAT Staff

If an organisation becomes aware of fraudulent or corrupt activity involving DFAT staff, including LES staff, they must also report it to the People Division via email to conduct@dfat.gov.au.

Public Interest Disclosure

Current, former or deemed public officials may report suspected fraud or corruption in the Commonwealth public sector (make a public interest disclosure) under the *Public Interest Disclosure Act 2013* (PID Act). Public officials include:

- any person employed by the Australian Government,
- individuals employed by Commonwealth companies, statutory authorities, statutory agencies, the Parliamentary service, statutory officeholders and government business enterprises,
- service providers under contract (directly or indirectly) to the Commonwealth and their staff, or
- a person deemed to be a public official (which may include funding recipients).

Current or former public officials may make the report to the Commonwealth agency's authorised officer or to their supervisor.

The PID Act protects individuals making the disclosure from reprisal. Disclosures may be made by:

- Post: For Authorised Officer Only | Public Interest Disclosure | Management and Corporate Strategy Section | Department of Foreign Affairs and Trade | R.G. Casey Building, John McEwen Crescent | BARTON ACT 0221 Australia
- Email: PID@dfat.gov.au
- Phone: (02) 6178 4321

Where a public interest disclosure relates to serious or systemic corrupt conduct, the DFAT PID officer must refer the matter to the NACC as soon as reasonably practicable.

Reporting Terrorism Resourcing

All concerns and suspicions relating to the diversion of public or private funds, including DFAT funds, to terrorists should be provided to:

- National Security Hotline on 1800 123 400
- DFAT Sanctions Section – sanctions@dfat.gov.au
- Transnational Crime Section – transnationalcrime@dfat.gov.au
- Development Risk Management Section – counter-terrorism.resourcing@dfat.gov.au

Reporting Extraterritorial Offences including Foreign Bribery

All information which relates to the possible or attempted commission of a serious extraterritorial offence under Australian law, such as bribery of foreign public officials, should be reported to the Transnational Crime Section by email: transnationalcrime@dfat.gov.au.

Reporting Passport Fraud

Passport fraud is generally dealt with under the *Australian Passport Act 2005*. Report any suspected or real incidents of passport fraud to the Australian Passport Office via:

- Phone: 131 232
- Email: passports.fraud@dfat.gov.au

The National Anti-Corruption Commission (NACC) reporting

DFAT's Secretary must refer corruption issues to the NACC where the issue concerns a person who is, or was, a DFAT staff member and where it is suspected the corruption issue could involve 'serious or systemic' corrupt conduct. The NACC may view staff in your organisation as DFAT staff members and may approach your organisation directly. DFAT staff members include people who are responsible for delivering goods or services to DFAT under a Commonwealth contract, including subcontractors who are responsible for doing something required by the Commonwealth contract.

Your organisation must continue to report any suspected corrupt conduct to DFAT in accordance with your agreement. DFAT will determine if a matter warrants mandatory or voluntary referral to the NACC. However, you can also make a report direct to the NACC:

- Online: www.nacc.gov.au
- Phone: 1300 489 844 International callers: +612 6105 9600
- Post: National Anti-Corruption Commission | GPO Box 605 | CANBERRA ACT 2601 AUSTRALIA

DFAT and its services providers and funding recipients must follow the NACC's directions for handling any corruption matters. It is a matter for your organisation to determine the most appropriate handling procedures for your engagement with the NACC. DFAT's Counter-Fraud and Anti-Corruption Section may provide information and resources if your organisation receives a NACC request. You should also seek independent legal advice where appropriate on your organisation's obligations under the NACC Act, including on making referrals to the NACC.

STEP 5 – CORRECT AND INVESTIGATE

For all instances of attempted, alleged, suspected, or detected fraud or corruption, DFAT requires an investigation of the matter. Your organisation needs to investigate detected, suspected, or attempted fraud or corruption in accordance with the principles set out in the *Australian Government Investigation Standards* (AGIS) and the laws of the jurisdiction in which the fraud or corruption incident occurred. The fraud and corruption case manager checklist ([Annex 4](#)) provides guidance for individuals conducting investigations and outlines how fraud and corruption cases should be managed.

DFAT oversees (and may direct) the management of fraud and corruption allegations and investigations. If fraud or corruption is identified, then DFAT will:

- consider the enforcement contractual rights
- seek prosecution of offenders
- seek the recovery of losses.

Investigative Procedures

Your organisation should have investigative procedures that meet the AGIS or to an equivalent standard (where required in overseas jurisdictions).

Qualifications of Staff

Your arrangement will specify the qualifications required of investigators. Typically, the DFAT arrangements state that investigators must have the minimum requirements outlined in AGIS. AGIS requires investigations staff to have at a minimum the following qualifications:

- Investigator: Certificate IV in Government (Investigation), or its equivalent.
- Staff involved in the coordination and supervision of investigations: Diploma of Government (Investigation), or equivalent.

Whether your organisation investigates or appoints an investigator to conduct an investigation, the person conducting the investigation must possess the minimum qualifications specified in the AGIS or an equivalent acceptable to DFAT. Equivalent qualifications deemed acceptable to DFAT include legal, audit, and alternate formal investigations qualifications.

Contact fraud.corruption@dfat.gov.au for more advice on acceptable qualifications or to seek formal approval for individuals to conduct investigations if their qualifications are different to those listed above.

Reporting to Police or Government Agencies

To resolve incidents of fraud or corruption, the service providers and funding recipient will generally be required to report fraud or corruption to an appropriate law enforcement agency. However, there may be instances where reporting to local law enforcement may raise other issues. Accordingly, before making any report to law enforcement, service providers and funding recipients must consider whether reporting the incident:

- could compromise a person's safety
- could significantly impact on them to an extent which would result in undue hardship
- could result in a disproportionate response to the circumstances of the fraud or corrupt activity (considering remedial actions already taken by your organisation).

If the above factors exist, please contact fraud.corruption@dfat.gov.au for information and guidance on reporting to local authorities/police.

When cases are reported to local authorities, DFAT requires details of police reporting such as the date reported, a copy of the police report, reference numbers, and results of the police investigation (where possible).

Dealing with Non-Compliance

Where non-compliance rather than fraud or corruption is identified, it must be dealt with in accordance with contractual obligations, promptly and proportionately to the wrongdoing identified.

Learning From Past Incidents of Fraud and Corruption

Where fraud or corruption occurs, service providers and funding recipients should develop a lesson-learned document. This should consider how the fraud or corruption event occurred, what controls may have failed enabling the activity, and how the event was detected. It should be used to inform future business practices and improvements to fraud and corruption controls. By learning from past experiences and each other, DFAT and its service providers and funding recipient partners can work together to better manage fraud and corruption.

Service providers and funding recipients must evaluate the effectiveness of existing fraud and corruption controls because of a fraud or corruption event. This is to ensure that control weaknesses are identified, and control plans (treatments) are developed and implemented to prevent similar events from occurring in future.

ANNEX 1: DEFINITIONS

Arrangement – Collectively refers to the many types of arrangements DFAT enters into under different names for example, contracts, agreements, arrangements, memorandums of understanding (MOU) etc.

Collusion – Collusion is a deceitful agreement or compact between two or more persons or organisations, aimed at defrauding a third party. Collusion against DFAT could involve DFAT officers, service providers and funding recipients and/or other parties.

Corruption – See corruption definition on page 7.

External Fraud – External fraud is fraud committed against an entity by an external party. In the DFAT environment this means individuals or organisations who are not employed by DFAT targeting department programs or systems from outside the organisation. Some examples of external fraud in the DFAT context include organisations providing false information to obtain or acquit funding; organisations or their downstream partners intentionally misusing DFAT funding; or external parties engaging in vendor bank account manipulation (that is, diverting funds from legitimate vendors to their own bank account through deception).

Foreign Bribery – Foreign bribery involves providing, causing, offering to provide, or causing an offer of the provision of a benefit to a person with the intention of improperly influencing a foreign public official to obtain or retain business or a business or personal advantage

Fraud – See fraud definition on page 7.

Fraud and Corruption Control Strategy – A fraud and corruption control strategy is the plan for how fraud and corruption risks will be managed or controlled in an organisation or program.

Fraud and Corruption Risk Assessment – A fraud and corruption risk assessment identifies fraud and corruption risks, and corresponding controls to minimise or mitigate the identified risks.

Internal Fraud – Internal fraud is fraud committed against an entity by officials / contractors of that entity. Practically, this means DFAT staff or contractors engaging in fraudulent activities enabled by their internal access to DFAT systems and information. Internal Fraud is generally dealt with under the *Public Service Act 1999*, or under domestic criminal law. For locally engaged staff (LES) at posts, the LES Code of Conduct applies in conjunction with local employment law. Corruption is a type of internal fraud.

Passport Fraud – Passport fraud is dealt with under the *Passports Act 2005*. Passport fraud relates to dishonesty in the passport application process, or in the subsequent use of passports. Passport fraud may include, for example, forging signatures of persons with parental responsibility or witnesses on applications, making false or misleading statements in the application, or improperly using or selling, damaging, or altering a passport.

ANNEX 2: STANDARD FRAUD AND CORRUPTION CLAUSES

DFAT communicates and enforces its expectations relating to fraud and corruption control via arrangement clauses with its service providers and funding recipients. DFAT's arrangements typically include standard fraud and corruption clauses which detail the responsibilities of DFAT's service providers and funding recipients, including investigations allegations of fraud and corruption. Contract and grant arrangement obligations, on a proportional risk basis, are likely to require service providers and funding recipients to:

- Ensure that the service providers and funding recipient and/or its personnel do not engage in any fraud or corruption. Fraud and corruption must be actively prevented and detected, including by the service providers and funding recipient's personnel.
- Adhere to the relevant conflict of interest and confidentiality clauses.
- Ensure that the service providers and funding recipient and/or its personnel do not make or cause to be made, receive, or seek to receive any offer, gift, payment, or benefit of any kind, which could be construed as an illegal or corrupt act.
- Within one month of project start date: conduct a fraud and corruption risk assessment and produce a fraud and corruption control strategy in compliance with the *Commonwealth Fraud and Corruption Control Framework* available at www.ag.gov.au
- Ensure risk assessments and strategies contain appropriate fraud and corruption prevention, detection, investigation, and reporting processes and procedures.
- Ensure that personnel are responsible and accountable to the service providers and funding recipient for preventing and reporting fraud and corruption as part of their routine responsibilities. This includes reporting potential fraud and corruption matters within five (5) business days to DFAT (or as agreed). Reporting incidents is done via the [Suspected or detected External Fraud/Corruption Referral Form](#). Respond within five (5) business days (or as agreed) to any further requests for information by DFAT.
- Investigate allegations of fraud or corruption and bear the cost of the investigation in accordance with any directions or standards required by DFAT.
- Have access to an investigator (internal or appointed) that possesses the minimum qualifications specified in the AGIS or an equivalent agreed to by DFAT.
- Provide reasonable assistance and bear associated costs should DFAT choose to appoint its own investigator in accordance with the arrangement terms.
- Report any suspected offenders identified as part of the investigation to the appropriate law enforcement agencies unless the Director, Counter Fraud and Anti-Corruption Section agrees otherwise in writing.
- Ensure any subcontracts entered into contains substantially equivalent fraud and corruption clauses.

These standard clauses also require commercial and NGO partners to repay funds or replace assets lost to fraud and corruption including taking recovery action in accordance with recovery procedures (including civil litigation) available in the partner country. This applies if the fraud or corruption event was committed by the organisation or an employee of the organisation, or a downstream partner or employee of that organisation. DFAT uses these clauses to recover funds where appropriate. Other arrangements cover partner governments and multilateral organisations.

Additionally, as part of DFAT's due diligence checks on DFAT's major service providers and funding recipients, DFAT arrangements may require organisations to present a code of conduct, fraud and corruption control policy and anti-corruption/bribery policy to ensure their compliance. Service providers and funding recipients are also generally contractually required to act in accordance with the [Commonwealth Procurement Rules](#), of which due diligence assessments are a component.

ANNEX 3: SELF-ASSESSMENT CHECKLIST

This checklist has been developed to assist service providers and funding recipients understand and meet DFAT's fraud and corruption control obligations. It is designed to showcase best practice procedures / processes as well as to outline DFAT's mandatory requirements. Organisations should check their DFAT arrangements for specific contractual obligations, noting that most requirements in the 'mandatory' column will be required.

- Stage 1 focuses on the organisational level
- Stage 2 considers fraud and corruption control at an individual project level, and
- Stage 3 is designed to assess the fraud and corruption control mechanisms your organisation has in place to prevent, detect, and correct fraud or corruption related to downstream partners.

STAGE 1 | ORGANISATIONAL LEVEL

Your organisation should conduct a fraud and corruption risk assessment as part of your organisation's broader business improvement cycle.

Table 1 – Self assessment checklist for organisation procedure/policy specifics

Mandatory or Best Practice?	Organisation Procedure/Policy Specifics	Yes	No	Not Applicable
Mandatory	Your organisation has conducted a fraud and corruption risk assessment.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Your organisation has a fraud and corruption control strategy in place.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	The fraud and corruption control strategy/policy is current (no more than two years old and considers any updates to the fraud and corruption risk profile).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Your fraud and corruption control strategy/policy stipulates how your organisation should assess the risk of fraud and corruption to your organisation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Your fraud and corruption control strategy/policy addresses corruption, bribery, facilitation payments, training, mechanisms for internal and external reporting of fraud and whistle-blowing processes.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	You have an employee code of conduct and ethics, or you have other policies that address fraud, corruption, and ethics in your organisation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	A strong policy position is in place ensuring that your organisation overall: <ul style="list-style-type: none"> • is open and honest • has developed insight into the causes and consequences of previous problem • demonstrated that they have addressed previous problems • complied with all contractual conditions • complied with DFAT reporting requirements, including a detailed audit of financial records • has strong governance arrangements in place. 	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

STAGE 2 | PROJECT LEVEL

Stage 2 is split into 3 separate checklists: prevention, detection, and correction. Use each checklist to ensure that appropriate considerations have been made when designing and implementing controls.

Table 2.1 – Self assessment checklist for fraud and corruption prevention considerations

Mandatory or Best Practice?	Fraud and Corruption Prevention Considerations	Yes	No	Not Applicable
Mandatory	Your organisation has conducted a fraud and corruption risk assessment and produced a fraud and corruption control strategy within one month of the project start date.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	The fraud and corruption control strategy has been communicated to staff.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	The approach to ongoing fraud and corruption risk assessment has been established, including its oversight.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	An oversight protocol for the implementation and testing of controls has been outlined.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Your organisation includes fraud and anti-corruption clauses in its contracts, MOUs, other types of arrangements with your partner organisations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Formal mandatory fraud and corruption awareness training is provided to all staff.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Refresher fraud and corruption awareness training is mandatory on a regular basis.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Records of staff who have completed training are kept.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Staff understand and are trained in applying the <i>Value for Money Principles</i> .	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Policies and procedures are in place to guide decision-making.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Conflict of interest policy and process is clear for internal and external persons.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Service delivery is substantiated before invoices are paid.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Fraud and corruption risk assessments and fraud and corruption control strategies are reviewed and updated on a 6 monthly basis to ensure risks and treatments are appropriate.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Checks of the identities of employees, suppliers and downstream partners have been carried out.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Responsibilities and performance expectations are clearly articulated.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Compliance strategies have been communicated to stakeholders.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Communication strategies articulate what compliance looks like.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	An early-intervention and compliance plan is in place to respond to any issues.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Funding is traceable.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Separation of duties occurs where applicable.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Official information or security classified information is handled in compliance with all relevant security requirements specified in the <i>Commonwealth Protective Security Policy Framework</i> .	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Table 2.2 – Self assessment checklist for fraud and corruption considerations

Mandatory or Best Practice?	Fraud and Corruption Detection Considerations	Yes	No	Not Applicable
Mandatory	Your organisation has a process to effectively track funding against budget to ensure that funding is spent in accordance with your arrangement.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Assurance activities are conducted to validate expenditure.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Data is collected to inform compliance with DFAT arrangements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Data analysis is undertaken to identify potential red flags for fraud and corruption.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Internal or external persons undertake evaluations or reviews over projects regularly, and where there are concerns.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Sufficient and appropriate records are retained and are easily accessible for staff who have a business need to access them.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Data is compared to similar benchmarked programs to provide a comparison.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Quality of outputs is measured (site visits, photo evidence, desktop reviews).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	The format of the financial acquittal complies with DFAT's requirements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Action is taken if the acquittal is inadequate.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Where possible, funds are acquitted progressively.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Acquittals are checked and signed off by the authorised person.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	A mechanism exists for staff to report incidents of fraud and corruption to your organisation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	A mechanism exists for the public to report incidents of fraud and corruption to your organisation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Staff and members of the public can report fraud and corruption anonymously to your organisation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Internal reviews of compliance with internal policies and DFAT's arrangement are conducted regularly.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Table 2.3 – Self assessment checklist for fraud and corruption investigation and correction considerations.

Mandatory Or Best Practice?	Fraud and Corruption Investigation and Correction Considerations Use this checklist to review your organisations corrective controls.	Yes	No	Not Applicable
Mandatory	You maintain an internal database on alleged, suspected or detected fraud and corruption reports and progress of investigations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Senior management receive regular updates on fraud and corruption reports and investigations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	You have access to investigators qualified under the AGIS (or to equivalent standards).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Staff are made aware of the contractual obligations to report fraud and corruption to DFAT and the process by which this is done. This includes staff understanding that potential fraud and corruption matters must be reported to DFAT within five (5) business days (or as agreed).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Contractual obligations regarding reporting fraud to law enforcement agencies have been communicated to staff.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	You have a documented procedure outlining: <ul style="list-style-type: none"> • how to report fraud and corruption to local law enforcement agencies. • how to seek an exemption from this requirement from DFAT. 	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	You have a documented procedure/investigations manual setting out investigation procedures that align with AGIS principles. They include relevant items including evidence collection, recording of information, interviewing witnesses etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	You have trained relevant staff in investigative procedures that comply with the principles of AGIS.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Reporting on progress of investigations is performed in accordance with your arrangement.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Findings from evaluations are used to make policy or contractual changes.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Findings of non-compliance, fraud or corruption are shared with other areas and corrections made to prevent reoccurrence.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Staff understand what DFAT funds can and cannot be used for in accordance with your arrangement.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	The responses to non-compliance, fraud or corruption directly respond to the level of risk and the significance of the breach (for example, you might deal with a small, low risk problem via an email or telephone discussions, and a large problem involving more money with more frequent attention and a more hands-on approach, such as site visits).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	DFAT is kept updated on the progress of investigations via monthly updates and/or meetings.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

STAGE 3 | DOWNSTREAM PARTNER LEVEL

Table 3.1 – Downstream partner checklist

Mandatory or Best Practice?	Downstream Partner Checklist Use this checklist to review contractual arrangements with downstream partner through a fraud and corruption lens. This checklist refers to arrangements between the funding recipient and its downstream partners. It can be used in relation to a specific downstream partner, or collectively for all downstream partners.	Yes	No	Not Applicable
Mandatory	Risk assessments are conducted on all downstream partners.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Risk based and proportionate due diligence is conducted on all downstream partners including individual/organisation identity checks.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Organisations are crosschecked against The Asian Development Bank's Sanction List , World Bank Listing of Ineligible Firms and Individuals , the Consolidated List and the Australian National Security Listed Terrorist Organisations List to find out if a person or entity is subject to sanctions or have been formally declared as being involved in terrorism.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	A fraud and corruption risk assessment and fraud and corruption control strategy have been completed by the downstream partner.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Goals are precise in the arrangement to allow for later evaluation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Best Practice	Relevant training has been identified and delivered by the downstream partner, and evidence of delivery has been provided to the funding recipient.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	DFAT's standard arrangement clauses have been included in the contract with the downstream partner, including counter fraud and anti-corruption clauses.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	It is stipulated that any variation to the arrangement must be made in writing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Responsibilities and performance expectations are clearly articulated.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Programs undergo regular reviews and are adjusted to remain relevant.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Funding recipient has contractual clauses to allow instances of non-compliance to be escalated appropriately if downstream partners fail to deliver on critical activities or milestones or act inappropriately.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Contracts or arrangements are varied to address evaluations, non-compliance, fraud, or corruption risks.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	The organisation's financial acquittal policy is available to downstream partners so that they are aware of their financial acquittal obligations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Acquittal policy linked to the level of financial risk.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Key performance indicators have been developed, and they are specific, measurable, achievable, realistic and with timeframes.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Formal evaluation has been designed, including key questions.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Required data has been identified to inform future evaluations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Checks are routinely and randomly carried out in accordance with DFAT arrangements to validate service delivery and claims for payment.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Note: The level of management of downstream partners required is context specific. The level of oversight your organisation has over your downstream partner's operations should be proportionate to the identified level of risk. When assessing risk in this context it is important to consider:

- The risk posed by the partner (that is, unknown partners will require a higher level of intervention).
- The level of project specific risk (that is, higher project risk will require more involvement).
- The value of the arrangement or project (that is, higher value projects will require more controls).

ANNEX 4: FRAUD AND CORRUPTION CASE MANAGER CHECKLIST

Table 4 – Fraud and corruption case manager obligations.

Mandatory or Best Practice?	Fraud and Corruption Case Manager Obligations Use this checklist if you are managing a fraud or corruption investigation to ensure that you meet all DFAT's requirements.	Yes	No	Not Applicable
Mandatory	In accordance with your arrangement with DFAT, ensure that the fraud and corruption referral webform is completed within 5 business days (or as agreed) of an alleged, suspected or detected fraud or corruption.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Ensure relevant senior managers in your organisation are advised and your relationship or program manager at DFAT is notified of the fraud or corruption allegations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Ensure any details not known or provided on the initial form are updated and provided to the Counter Fraud and Anti-Corruption Section once available.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Do not discuss or disclose information to anyone (other than senior managers in your organisation) before checking with the Counter Fraud and Anti-Corruption Section unless required by law (in which case seek legal advice).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Consider whether a mandatory or voluntary referral needs to be made to the NACC.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Maintain confidentiality. Information about persons reporting fraud or corruption is NOT to be disclosed.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Respond in a timely manner to requests for information and/or action from the Counter Fraud and Anti-Corruption Section.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	When allegations relate to a specific program, familiarise yourself with the relevant contracts/arrangements with relevant downstream partners.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Check whether the alleged behaviour was erroneously permitted under the program/arrangement/guidelines or by DFAT in some other way (that is, though advising the service providers and funding recipient that they could do something).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Develop an investigation plan to guide the investigation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Liaise with any third parties involved in the alleged fraud or corruption (after reporting to the Counter Fraud and Anti-Corruption Section, and at the direction of the Counter Fraud and Anti-Corruption Section).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Ensure records are kept documenting the matter.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Provide the Counter Fraud and Anti-Corruption Section with a progress report on the investigation every month, including a nil report where no progress has been made.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Take all reasonable steps to recover funds/assets subject to misappropriation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	With guidance from the Counter Fraud and Anti-Corruption Section, ensure that appropriate penalties are sought.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Provide the Counter Fraud and Anti-Corruption Section with relevant case numbers/reports issued by local authorities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Mandatory or Best Practice?	Fraud and Corruption Case Manager Obligations	Yes	No	Not Applicable
	Use this checklist if you are managing a fraud or corruption investigation to ensure that you meet all DFAT's requirements.			
Mandatory	Advise the Counter Fraud and Anti-Corruption Section of any disciplinary action taken because of the investigation. Actions may include employment termination/resignation or legal prosecution.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Advise the Counter Fraud and Anti-Corruption Section of any mitigation strategies implemented to prevent reoccurrence of the fraud or corruption.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	When all conditions have been met (or exemptions granted) recommend to the Counter Fraud and Anti-Corruption Section that the case be closed.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mandatory	Provide the Counter Fraud and Anti-Corruption Section with a copy of the investigation report.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

ANNEX 5: FOREIGN BRIBERY FACTSHEET AND CHECKLIST

WHAT IS BRIBERY?

Bribery is the promise or delivery of a benefit in order to influence the receiver's behaviour. Usually, the behaviour expected of the person receiving the bribe is illegal or unethical in nature and would not be something they would usually do. However, the return behaviour itself does not have to be illegal or unethical in order for it to fall within the definition of bribery.

Facilitation payments are closely linked to bribery and are addressed in Annex 6.

All information which relates to the possible or attempted commission of a serious extraterritorial offence under Australian law, such as bribery of foreign public officials, should be reported to the Transnational Crime Section by email: transnationalcrime@dfat.gov.au.

WHAT IS FOREIGN BRIBERY?

Foreign bribery involves providing, causing, offering, or causing an offer of the provision of a benefit with the intention of improperly influencing a foreign public official to obtain or retain business or an advantage (either business or personal).

A foreign public official is defined in Section 70.1 of the Criminal Code and includes:

- an individual who performs official duties under a foreign law
- an employee, official or contractor of a foreign public enterprise
- an employee official or contractor of a public international organisation
- an employee official or contractor of a foreign government
- an authorised intermediary of a public official (or a person who represents themselves to be so)
- a member of the executive, legislature, or judiciary of a foreign country, including heads of state, ministers, and their staff
- an individual holding an official post as a result of a local custom
- an individual standing or nominated as a candidate to be a foreign public official
- an individual providing a public service as defined in the foreign country's domestic law.

Australia's foreign bribery laws apply to conduct not only occurring in Australia, but outside Australia where the offence is committed by an Australian citizen, resident, or corporation.

FAILURE TO PREVENT OFFENCE

On 8 September 2024, changes to Australia's foreign bribery offences came into effect, aiming to strengthen Australia's ability to combat foreign bribery, promote transparency, and ensure organisations take active steps to prevent corrupt practices in their international operations.

These changes will impact DFAT service providers and funding recipients operating internationally, and include:

1. A new offence for corporations who fail to prevent foreign bribery, committed by an 'associate'², if the commission of the offence is done for the profit or gain of the organisation.
2. A defence to the new offence for corporations if they can prove that adequate procedures were in place to prevent the commission of a foreign bribery offence.

Importantly for DFAT service providers and funding recipients, the 'failure to prevent' offence carries absolute liability, meaning organisations may be held liable regardless of intent or knowledge. A corporation will not be

² 'Associate' is broadly defined at s 70.1 of the Criminal Code to include an officer, employee, agent, or contractor; a subsidiary (within the meaning of the Corporations Act 2001); a person controlled (within the meaning of the Corporations Act 2001) by the other person; or a person who otherwise performs services for or on behalf of the other person.

liable under the corporate ‘failure to prevent’ offence if it can prove it had ‘adequate procedures’ in place to prevent foreign bribery. The Attorney-General’s Department (AGD) have released [guidance on ‘adequate procedures’](#).

Due to the extra-territorial reach of these laws, the failure to prevent offence applies to Australian corporations for conduct either within or outside of Australia by any associate whether they are Australian or not.

DOWNSTREAM PARTNER ANTI-BRIBERY PROCEDURES

Australia’s foreign bribery laws highlight the importance of DFAT ensuring that downstream partners have adequate anti-bribery procedures in place and that they are effective in practise. Downstream partners with inadequate anti-bribery procedures give rise to significant reputational and financial risks to both service providers and funding recipients and DFAT. Public funds diverted from their intended purpose through foreign bribery could undermine public trust and the integrity of Australian Government operations.

The department has a number of controls that support ensuring downstream partners have adequate anti-bribery procedures in place and are effective in practise. These include due diligence assessments, performance and management reporting, consultations and governance representation.

To ensure that service providers and funding recipients are compliant with their legal obligations, they should undertake a due diligence process to assess the adequacy of their downstream partner’s anti-bribery procedures. To assist in this process, DFAT has developed a **checklist** to guide the assessment of whether a delivery partner’s anti-bribery procedures could be considered adequate. This checklist is based on guidance documents released by AGD and Transparency International and is included below.

Where the due diligence process identifies that a downstream partner does not have adequate anti-bribery procedures in place, arrangements should include obligations that the downstream partner will implement adequate procedures. These obligations should be regularly monitored by the service providers and funding recipient.

FOREIGN BRIBERY DUE DILIGENCE CHECKLIST

The below checklist has been developed based on guidance from AGD to assist DFAT service providers and funding recipients to understand whether a downstream supplier has relevant anti-bribery measures in place.

This checklist is intended to provide general guidance to assist in considering the anti-bribery procedures for downstream partners. It is not exhaustive or definitive, and completion of this checklist does not guarantee compliance with Australian foreign bribery laws or other legal obligations. The determination of whether anti-bribery procedures are considered adequate may ultimately rest with the courts, particularly in the event of an investigation or legal proceedings.

CHECKLIST

- **Anti-Bribery Policy** – Does the entity have an anti-bribery policy, and is it accessible to all staff?
- **Top-Level Management Commitment** – Is there evidence of top management’s involvement in promoting anti-bribery measures? Some examples could include:
 - senior managers endorsing anti-bribery policies and supporting documents
 - senior managers communicating an anti-bribery stance
 - senior staff involvement in the bribery risk assessment
- **Bribery risk assessment** – Has the entity conducted a comprehensive bribery risk assessment? Some key things to consider could include:
 - Has the organisation used Transparency International’s Corruption Perceptions Index to assess exposure risks.
 - Has the organisation adequately considered the risks regarding their specific operating environment, including countries of operation, common transactions, interaction with foreign officials.
 - Is the risk assessment reviewed periodically and kept up to date?

- Does the risk assessment document relevant controls, have these been adequately considered, and are they effective?
- **Third-Party Due Diligence**
 - Does the entity conduct due diligence on third parties to assess bribery risk?
 - Does the entity include relevant anti-bribery clauses and enforcement mechanisms in its contracts with downstream providers?
- **Communication and Training**
 - Does the entity provide regular, comprehensive, and tailored anti-bribery training to its staff and downstream providers?
 - Does the entity provide regular communication on the anti-bribery compliance program to its staff and downstream partners? The aim of this communication should be to ensure that it remains front of mind.
- **Reporting and Whistleblower Mechanisms** – Confirm the presence of confidential reporting channels and whistleblower protections.
- **Monitoring and Review of Anti-Bribery Procedures** – Does the entity regularly monitor, review, and adjust its program to test the effectiveness and to adapt the controls to environmental changes?

ADDITIONAL RESOURCES

- [*Guidance on adequate procedures to prevent the commission of foreign bribery*](#) published by the Attorney-General's Department.
- [*Adequate Procedures under Australia's foreign bribery regime: Guidance on good practice procedures for corporate anti-bribery and anti-corruption programs*](#) published by Transparency International Australia.
- [Bribery Prevention Network](#) an online portal with resources curated by Australia's leading anti-bribery experts.
- [*Best Practice Guideline: Self-reporting of foreign bribery and related offending by corporations*](#) published by the Commonwealth Director of Public Prosecutions.

ANNEX 6: FACILITATION PAYMENT FACTSHEET

WHAT ARE FACILITATION PAYMENTS?

Facilitation payments are payments designed to speed up routine government actions. These are sometimes referred to as 'grease payments'.

Facilitation payments create incentives for public officials to slow down processes and create obstructions. The benefits of facilitation payments are neither certain nor enforceable and leave organisations open to exploitation and reputational risks. Regardless of their value, such payments amount to public officials personally benefitting from providing a public service. They undermine local laws and entrench corrupt practices.

The changes to the foreign bribery offences which commenced on 8 September 2024 under Australian Law have an increased emphasis on discouraging the use of facilitation payments. While the changes do not make facilitation payments illegal under Australian Law, they are often illegal under foreign laws and can expose corporations to foreign bribery risk.

WHAT IS DFAT'S POLICY ON FACILITATION PAYMENTS?

DFAT prohibits the use of facilitation payments with Commonwealth funds, by its staff and partners unless there is a threat to the health or safety of an individual.

The use of facilitation payments could link the success of Australian endeavours, including the Australia's development program, to corrupt officials. It can create an impression that Australia endorses corrupt behaviour and undermines our efforts to promote good governance.

The Australian Government strongly discourages Australian businesses and individuals from paying facilitation payments.

If you have questions about facilitation payments and the development program, please contact the Counter Fraud and Anti-Corruption Section at fraud.corruption@dfat.gov.au.

WHAT CAN I DO TO AVOID REQUESTS FOR FACILITATION PAYMENTS?

Develop a strategy to avoid and refuse requests for facilitation payments.

- Know the local laws in relation to facilitation payments. This will make it easier to resist paying a facilitation payment if one is requested.
- Know the process and costs before applying for authorisations and permits. If possible, obtain official written confirmation that all required information and documentation is in order.
- When paying fees, make it clear that you will require an official receipt that identifies the amount paid, what the payment is for, when it was made, and to whom it was made.
- Avoid last minute applications. Requests for facilitation payments are often made to expedite approval processes. Avoiding time pressure makes resistance to facilitation payments easier.

WHAT SHOULD I DO IF I AM ASKED FOR A FACILITATION PAYMENT?

- Question the legitimacy of the request.
- Explain to the person requesting the payment that you do not feel you are required to make the payment as all your paperwork is in order. This is where having a solid understanding of the process will work to your advantage.
- Explain that making a facilitation payment is against DFAT's policy and that you are not authorised to make facilitation payments from DFAT provided funds.
- Point out that facilitation payments are against local laws if this is the case.
- Raise with senior management at post who can raise with host governments if appropriate.

WHAT IF THE REQUEST FOR A FACILITATION PAYMENT IS ASSOCIATED WITH THREATS TO SAFETY OR OF VIOLENCE?

If asked for a facilitation payment, only resist making the payment if you feel safe. If the request is accompanied by any threats or perceived threats, make the payment and record as much detail as you can when in a safe location.

The record should include:

- The name of the individual who requested the payment.
- The date and time the request was made and how much was requested.
- The steps you took to resist making the facilitation.
- Nature of any threats, intimidation or violence that was involved.
- Any other relevant detail.

Never refuse to make a payment if you are faced with a threat or believe there is a threat to your safety. The safety of DFAT's employees and that of our partners is of utmost importance to us.

WHAT SHOULD I SAY IF AUSTRALIAN BUSINESSES ASK ABOUT FACILITATION PAYMENTS?

- DFAT prohibits the use of facilitation payments by its staff and partners, including those receiving DFAT funding to deliver Australia's development program. The Australian Government strongly discourages Australian businesses and individuals from paying facilitation payments.
- Facilitation payments should be seen as a business risk, not a nuisance. By making facilitation payments businesses expose themselves to demands for higher payments and link their commercial future – and personal liberty – to a corrupt official, as well as potentially committing a crime.
- DFAT can assist Australian businesses and individuals by raising issues relating to facilitation payments with host governments.

QUESTIONS ABOUT FACILITATION PAYMENTS?

If you have questions about facilitation payments, please contact the DFAT Counter Fraud and Anti-Corruption Section at fraud.corruption@dfat.gov.au.

ANNEX 7: CONFLICT OF INTEREST FACTSHEET

WHAT IS A CONFLICT OF INTEREST

A conflict of interest may arise in a situation where a person or an organisation has multiple interests, one (or some) of which may improperly influence the person or organisation's duties and responsibilities.

A conflict of interest can create the appearance that a person or an organisation's objective judgement is likely to be compromised, biased or partial. Conflicts of interest can be real or apparent:

- Real is where a direct conflict exists between current official duties and other interests. A real conflict can also be potential, where interests may conflict in future.
- Apparent is where it appears or could be perceived that other interests are improperly influencing the performance of official duties – whether that is actually the case or not.

Conflicts of interest can arise in relation to financial interests such as relationships, shareholdings, employment opportunities, real estate, and trusts, as well as non-financial interests such as affiliations, associations and reputational interests that may conflict with duties and responsibilities.

A conflict can also include the interests of an official's relatives (such as spouses, siblings, or dependants), business partners or associates.

Conflicts of interest are not inherently wrong and can happen without anyone being at fault. However, it is important to disclose and manage conflicts so departmental officers and service providers and funding recipients perform, and are seen to be performing, their duties in a fair, transparent, and unbiased way.

WHY DO I NEED TO BE AWARE OF CONFLICTS OF INTEREST?

All service providers and funding recipients have an important duty to uphold and promote the positive reputation of Australia, the Government, and the department. This reputation can be compromised by conflicts of interest. For this reason, there are direct and indirect references to conflicts of interest (including obligations and sanctions) in the contractual arrangements between the department and its partners.

WHAT DO I NEED TO DO?

Staff of service providers and funding recipients must be:

- Aware of any conflicts of interest in connection with their duties and responsibilities.
- Disclose any such conflicts to the service providers and funding recipient and DFAT.
- Take reasonable steps to avoid any situation where their other interests' conflict or could be perceived to conflict with their duties and responsibilities.

Ask yourself

Could any of my personal or private interests, or the interests of my organisation, improperly influence, or be perceived to improperly influence, my duties and responsibilities with regards to:

- The decisions I make?
- The actions I take?
- The advice I provide?

If 'yes', then you must immediately disclose these interests.

Service providers, funding recipients and staff representatives must continuously assess whether they have any conflicts of interest and must disclose them immediately.

As well as disclosing any conflicts of interest to the department, all service providers and funding recipient staff must also take reasonable steps to avoid situations where their other interests' conflict (or could be perceived to conflict) with their duties and responsibilities.

Service providers and funding recipients have specific responsibilities and obligations outlined in their contractual or grant arrangements with DFAT. Generally, when entering into an arrangement with DFAT, service providers and funding recipients and their staff are required to:

- Disclose the details of any real or perceived conflicts of interest.
- Declare that no conflicts of interest exist—or are likely to arise—in the performance of that service provider and service providers and funding recipient's obligations under that arrangement.

In addition, service providers and funding recipients are required to use their best endeavours to ensure that no conflicts of interest arise in relation to the performance of that arrangement. If a conflict does arise, service providers and funding recipients are generally required to immediately notify DFAT in writing.

WHAT SITUATIONS MIGHT PRESENT A CONFLICT OF INTEREST

The principal test is whether the circumstances create the appearance that an individual's or an organisation's objective judgement is likely to be compromised, biased or partial. Listed below are some common situations that might present conflicts of interest:

- A DFAT employee is involved in a procurement tender process. The DFAT employee has a sibling employed with a company bidding for work related to the tender.
- A partner organisation is managing a scholarship program on behalf of DFAT. An employee of the partner organisation is appointed to the scholarship selection panel. The employee works with or knows one of the applicants personally.
- An NGO has received a grant from DFAT. The NGO is running a procurement tender process for the expenditure of some of the grant money. An employee of the NGO has shares in a company that is bidding for the tender.
- A partner organisation has received a grant from DFAT. The partner organisation is running a procurement tender process for the expenditure of some of the grant money. The daughter of a DFAT employee works for a company that is bidding for the tender.
- A DFAT employee is managing a development project. The employee has shares in a company bidding for work related to that project.
- A partner organisation is managing an infrastructure project on behalf of DFAT. An employee of the partner organisation is running a procurement tender process as part of the project. The employee has a cousin employed with a company bidding for work related to the tender.
- An NGO is contracted by DFAT to assess grant applications. An employee of the NGO belongs to an association or a community group that has applied for a grant.
- A DFAT employee is involved in a development project. The employee volunteers for an NGO that is bidding for work related to that project.
- A partner organisation is managing a development project on behalf of DFAT. An allegation of fraud is made in relation to the project and the partner organisation. The partner organisation appoints its own employees to investigate the fraud allegation.

ANNEX 8: MINIMISING FRAUD AND CORRUPTION IN CASH TRANSACTIONS

In some countries, electronic transactions are the exception and cash (including cash cheques) is widely used. Cash transactions are a higher fraud risk than electronic transactions because, where it is misappropriated, it is much harder to trace. Consequently cash should only be used where there is no other option. In these circumstances, controls must be implemented to minimise potential fraud. The controls need to be tailored to the local risks and operating framework of the organisation.

Some examples of minimising fraud in cash transactions are outlined below. The list of controls is not exhaustive; rather it is designed to provide examples of suitable mechanisms

Training and awareness

- Ensure staff are trained in your procedures regarding the use of cash.
- Ensure staff know that you have mechanisms for checking compliance with procedures and that there are consequences for non-compliance (that is, termination of employment, prosecution).

Procedures

- Set clear rules about use of cash, accountability for cash and storage of cash.
- Make someone accountable for cash holdings, appoint a custodian for issue, receipt and holding of cash. If possible, have two signatories for issuing cash.
- Ensure that only the appointed custodian is authorised to access cash stores, receive or issue cash payments (including access to secure storage facilities).
- Set a clear upper limit on the amounts of cash on hand. If it is necessary to increase or exceed the limit, a written request giving reasons must be submitted for prior authorization from management.
- Any advances should be promptly acquitted.
- Do not advance further money until previous advances are acquitted.
- Ensure appropriate separation of duties in the handling of cash, including by:
 - Ensuring that the person conducting checks on cash holdings is not also appointed as the custodian to store, receive, or issue cash payments.
 - Ensuring that the person issuing cash (for payments) is not also able to authorize the payment or disbursement.

Security

- Ensure cash is stored securely—that is, lock it in a safe, put strong procedures in place for access, have a camera on the safe.

Record keeping

- Create a template for cash recipients to acknowledge receipt or use a receipt book and ask the recipient to sign for receipt.
- Obtain receipts or acknowledgements for each payment (where possible).
- Keep thorough records of all transactions.
- If recipients are illiterate, have community leaders witness receipt of cash or ask for a photo of the recipient with cash in hand.

Verification and deterrents

- Liaise with the community to validate cost and/or delivery of goods/services for which cash is issued.
- Install signage stating what activities are being undertaken and ways of providing feedback.
- Conduct checks to ensure correct procedures are being followed. Checks should be regular but random and unannounced. These checks should be signed off by management.