

# **LOTUS OUTREACH** **AUSTRALIA** **ANTI- FRAUD POLICY**



**2014**

Reviewed September 2024  
Updated Aug 2025

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## **1. Introduction**

Any fraud in Lotus Outreach Australia's operations depletes funds and other resources intended for supporting LOA's mission. Fraud can undermine effective functioning and divert scarce and valuable resources from LOA's programs and projects. Fraudulent and corrupt behaviour can seriously damage LOA's reputation and diminish donor's trust in our ability to deliver results in an accountable and transparent manner. Given the risk of fraud, it is essential that all those involved in LOA activities are aware of their legal obligations and adopt strategies to avoid any fraudulent activities.

## **2. Policy Statement**

LOA is committed to the highest possible standards of openness, transparency and accountability in all its affairs. LOA regards and treats fraud seriously and has a zero tolerance policy towards fraudulent activity or behaviour. This means that all incidents of fraud are to be reported and will be investigated. LOA's fraud policy is established to facilitate the development of strong, robust and effective controls that will aid in the detection and prevention of fraud.

## **3. Scope**

This policy applies to:

- All LOA Board members, staff, volunteers and contractors.
- All partners (in Australia and overseas) and their Board members, staff, volunteers and contractors who are implementing activities funded by, or through, LOA.

## **4. Definition of fraud and financial wrongdoing**

For the purpose of this policy, fraud is defined as the use of deception by an individual with the intention of obtaining an advantage for himself or herself or for a third party or parties, avoiding an obligation or causing loss to another party. In this policy, fraud is defined in the broader sense of financial wrongdoing practices including but not limited to: theft, embezzlement, forgery, bribery, terrorism financing, money laundering and corrupt practices.

Fraud and financial wrongdoing refers, but is not limited, to:

- Any dishonest or fraudulent act including alteration, removal or destruction of documents, records and equipment.
- Bribery such as offering, soliciting or receiving something of value to improperly influence a procurement process or outcomes.
- Corrupt practice such as asking for or receiving money for providing information to a vendor in the procurement of goods and services.
- Corrupt practice such as asking for or receiving personal reward or other private gain in return for showing favour to a program candidate.
- Theft such as stealing or misappropriating LOA assets.
- Money laundering such as the disguising of financial assets so they can be used without detection of illegal activity.

## **5. Policy Principles**

- LOA is committed to protecting public money and resources from any attempt to gain by deceit financially or through other benefits. This includes bribery or being bribed;
- LOA maintains a zero tolerance attitude against fraud. This applies whether LOA or other donors have provided funding;
- Any case of suspected or detected fraud must be reported to the relevant Board member. If the suspected fraud relates to those on the Board, the detected fraud must be reported to a member of LOI;
- LOA will adopt a risk management approach to the prevention, detection and investigation of suspected fraudulent activity that is incorporated into its business process; management practices, internal controls and related activities;
- LOA supports internal and external processes for safe reporting of wrongdoing;
- LOA is committed to training staff in ethics, privacy, fraud and bribery awareness activities.
- LOA will prosecute or apply appropriate sanctions against those who have committed fraud.

## **6. Policy and Procedures**

### **6.1 Fraud Prevention:**

All Board members and staff have a responsibility to contribute to the management of fraud risk. LOA expects all people and organisations associated with it to be honest and fair in their dealings. LOA will not tolerate any level of fraud or corruption. Any detected case will be thoroughly investigated, with disciplinary or criminal sanctions pursued where appropriate and possible.

### **6.2 A culture of honesty and ethics:**

LOA will promote a culture of honesty and opposition to fraud in all its forms. Board members and senior staff will promote an ethical and transparent environment that encourages others (volunteers, partners etc.) to actively participate on protecting LOA's reputation and resources. This involves:

- Establishing, disseminating and enforcing a clear anti-fraud policy, including sanctions for wrong doing.
- Clarifying and addressing conflict of interest cases.
- Promoting staff awareness of fraud and training staff in anti-fraud and corruption strategies.

### **6.3 Awareness raising and training:**

Fraud awareness raising and training underpins fraud prevention and detection. LOA will ensure all Board members and staff are aware of their responsibilities of fraud control and ethical behaviour. Targeted training will be provided for new Board

members or new staff and refresher training for existing Board members and staff. Training may include the following subject areas:

- Definitions of fraud and financial wrong doing with examples to illustrate the breadth of fraud.
- The need for ethical behaviour and the fact that fraud avoidance is everyone's responsibility.
- The details of LOA's Fraud Policy.
- Things to look for that could indicate that fraud may have been committed.
- Steps to take if fraud is suspected.
- Responsibilities for handling allegations and inquiries into cases of fraud in LOA.

## **7. Reporting Procedures**

- 7.1 LOA staff should be aware of the potential for fraud and should report any reasonably suspected fraud.
- 7.2 Any person who discovers or suspects fraudulent activity should notify the LOA Treasurer or LOA Vice-President immediately.  
[treasurer@lotusoutreachaustralia.org.au](mailto:treasurer@lotusoutreachaustralia.org.au)  
Lotus Outreach Australia, 3/16 Wonderland Ave, NSW 2026, Australia.
- 7.3 The Treasurer or Vice President will notify other Board members or staff members as appropriate.  
Discovery or suspicion of fraudulent activity involving the programs in Cambodia should be reported to LOA, or to LOCAM or to CWCC where appropriate.  
LOCAM  
[Raksmey@lotusoutreach.org](mailto:Raksmey@lotusoutreach.org)  
Building 9A, Street 217, Sangkat Steung Meanchey, Khan Meanchey, Phnom Penh  
+85511894908 (linked to Telegram)  
CWCC  
[PNPmanager@cwcc.org.kh](mailto:PNPmanager@cwcc.org.kh)  
42F, Street 488, Phsar Daeum Thkov, Chamkarmon, Phnom Penh  
+ 855 23 987 158
- 7.4 The individual(s) with an allegation against him or her will be notified.
- 7.5 The Treasurer and/or the Vice President have the primary responsibility for the investigation of all suspected fraudulent activities as defined in this policy.
- 7.6 In any case of alleged, suspected or detected fraud, notification must be given immediately to the relevant donor.
- 7.7 The reporting individual should be informed of the following:
- Do not contact the suspected individual in an effort to determine facts or demand restitution.
  - Do not discuss case, facts, suspicions or allegations with anyone unless specifically asked to do so by the investigation team or auditor.

## **8. Investigation Procedures**

- 8.1 Depending on the magnitude and the complexity of the fraud allegation, investigations will be carried out by LOA or by an external party, such as an external audit firm with specialised forensic accounting expertise and access to criminal law expertise or where deemed appropriate, by the Police.
- 8.2 Any decision to involve an external source will be recorded.
- 8.3 Investigations will be conducted without regard to any person's relationship to the organisation, position or length of service.
- 8.4 All work of the investigation team should be kept confidential, documented and recorded.
- 8.5 Interviews, if necessary, will be structured and documented.
- 8.6 Members of the investigation team will have:
  - Free and unrestricted access to all organisational records and premises; and
  - The authority to examine, copy and/or remove all or any portion of the contents of files, or storage facilities without prior knowledge or consent of individuals who might use or have custody of such items when it is under the scope of their investigation.
- 8.7 No information containing the status of the investigation will be given out.
- 8.8 The proper response to any enquiry is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation", "the crime", the "forgery" or any other specific reference.
- 8.9 If the investigation substantiates that fraudulent activities have occurred, the investigation team will alert the President who will provide reports to other Board members immediately.
- 8.10 A report detailing the findings and conclusions will be issued on the conclusion of all fraud investigations. The report may contain the investigation teams recommendations on the course of action to be taken. The results of the investigation must only be discussed with those involved in the investigation process; no outside party should be involved.

## **9. Possible actions arising from fraud investigations:**

### **9.1 Disciplinary Action:**

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the appropriate Board or staff member and if necessary, by outside counsel, before any such action is taken. The person(s) investigating the allegation does not have the authority to terminate the employee. The decision to terminate an employee is made by the employee's management.

Should the person(s) investigating the allegation believe that the employee's management decision inappropriate for the facts presented, the facts will be presented to the Board or other staff for a decision.

In addition, where appropriate, LOA will refer significant fraud to local law enforcement agencies with a view to initiating criminal prosecution.

#### 9.2 Changes to systems of controls:

After a fraud investigation, LOA will review its procedures and systems and consider implementing any actions required to improve fraud control.

#### 9.3 Recovery of losses:

Where LOA has suffered loss, full restitution will be sought of any benefit or advantages obtained and the recovery of any loss will be sought from individual(s) or organisations responsible for the loss.

If the individual or organisation cannot or will not make good the loss, consideration will be given to taking civil legal action to recover losses. This is in addition to any criminal proceedings, which may result.

### **10. Review of this Policy**

This policy will be reviewed regularly or after an incident.