

Vanuatu Community-based Climate Resilience Project (VCCRP)

Annex 20: First-level AML/CFT Assessment (and
EE capacity assessment summary of findings)

Accredited Entity: Save the Children Australia

Version: B.32

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1. Project Executing Entity Due Diligence Assessments

1.1. Partner Vetting

1. All delivery partners are vetted by the Save the Children International legal team before any agreements are signed or resources transferred. Names are checked against global sanction lists daily. The partner's key staff are vetted against:
 - **Global Watch Lists (GWL):** data is constantly collected and validated from multiple official sanctions and caution lists, maintained by governments world-wide.
The primary regulatory lists are sourced from more than 45 regulatory bodies and compiled from verified international sources. Some of these lists include OFAC SDN list, European Union Sanction List, Her Majesty's Treasury, United Nations Consolidated List.
 - **Enhanced Due Diligence Lists (EDD):** offers an expansive data set encompassing over 900 enforcement lists and adverse media collected from over 20,000 media sources, offering unique additional security that goes beyond regulatory obligation to ensure optimal protection.
It includes the world's largest database of negative news and adverse media, and high-risk entities involved with money laundering, financial fraud, arms proliferation, drug trafficking, collateral crimes and terrorism and other high-risk activities.
 - **Politically Exposed Persons lists (PEP):** includes a current or former senior foreign or domestic political figure, their immediate family, and their close associates.

1.2. Partner Assessment Tool Overview

2. In addition to partner vetting, Save the Children completes a Partnership Assessment Tool (PAT) to assess all delivery partners. The objectives of the partnership assessment are: 1. To pre-qualify promising prospective partners, who do not pose serious risks; 2. to develop and shape the partner scope of work to be consistent with its capacities; and 3. to assess partners' needs in relation to the scope of work and jointly produce a capacity strengthening plan.
3. The PAT includes the following areas of assessment:
 - **Qualification** – registration, red flags, peer references, audit findings, et al.
 - **Partner Scope of Work** – a prerequisite for a partner assessment, as this is the basis against which to assess the partner's capacities. The SoW will include specific donor risks, geographic areas and work history in those areas, and types of programming activities that Save the Children identifies as higher risk
 - **Organisational Capacity** – The organisational capacity section includes review and analysis of governance and leadership, human resource practices, systems and controls, organisational culture, and child safeguarding.
 - **Programming Capacity** – capacity to deliver in thematic areas needed for the project, gender equality, and communications; project management and reporting capacity; monitoring, evaluation, and accountability capacity; and advocacy and campaigning (when applicable).
 - **Financial Capacity** – capacity to budget and plan effectively; accounting system; financial reporting; internal controls; awards management; and staffing.
 - **Supply Chain Management** –if the partner Scope of Work entails procurement and supply chain management of any goods or services with specialist requirements*, and/or valued at greater than \$25,000.

4. As part of PAT completion, Save the Children works in collaboration with each partner to develop a capacity strengthening plan across any areas that need strengthening.
5. *This portion has been redacted in accordance with the GCF Information Disclosure Policy, as the portion is confidential under the disclosure policy of the Accredited Entity*

1.3. Executing Entity Partnership Assessments

Save the Children Vanuatu

6. Save the Children Australia completed an initial partnership assessment for Save the Children Vanuatu (SC-Vanuatu) in October 2021. The data collected for the assessment included review of policies and procedures, summary of findings of an audit completed by Save the Children's Global Assurance Team in 2021, and discussions with the SC-Vanuatu team. The assessment found that SC-Vanuatu overall has strong systems, capacity, and experience to implement the scope of work outlined in the funding proposal. No red flag risks were identified.
7. As a subsidiary of Save the Children Australia, SC-Vanuatu has a strong set of organisational policies, systems, procedures, and controls in place. The financial system, policies, and procedures explicitly align with Save the Children Australia's Green Climate Fund (GCF) accredited financial system. At the same time, GCF is a new donor for SC-Vanuatu and the grant will increase the size of the SC-Vanuatu's portfolio. During project start-up Save the Children Australia (as Accredited Entity) will provide training on GCF-specific rules and compliance requirements to all project staff while also reinforcing SC-Vanuatu's existing policies and procedures. This training will reduce the risk of non-compliance while enhancing SC-Vanuatu's organisational capacity.
8. SC-Vanuatu has a long history of programming across Vanuatu, including programming in community-based climate adaptation, education, and health. The size and scope of GCF funding will significantly increase SC-Vanuatu's geographic reach of climate change adaptation programme. The project design responds to this by supporting primarily sub nation government capacity but also SCV's staffing capacity in the areas of climate change adaptation expertise and project monitoring and evaluation and procurement and Human resources. New staff in these areas will reduce risks and deepen and broaden SC-Vanuatu's ability to support the government of Vanuatu to deliver the project.
9. *This portion has been redacted in accordance with the GCF Information Disclosure Policy, as the portion is confidential under the disclosure policy of the Accredited Entity*

Government of Vanuatu represented by the Ministry of Climate Change

10. Save the Children Australia completed an initial partnership assessment for The Government of Vanuatu represented by the Ministry of Climate Change (MoCC) in October 2021. The data collected for the assessment included review of related policies, *'This portion has been redacted in accordance with the GCF Information Disclosure Policy, as the portion is confidential under the disclosure policy of the Accredited Entity'*. The assessment found that MoCC has the experience and expertise to carry out the scope of work outlined in the project successfully. Due to MoCC staff accessibility during the review period, the results of the assessment highlighted that Save the Children should work together with the Government of Vanuatu and MoCC partners to better understand the strength of financial systems, including planning & budgeting, reporting, controls, and staffing. Similarly, while the team reviewed the Ministry of Finance and Economic Management (MFEM) and MoCC procurement guidelines, which were deemed to adequate as outlined in their procumbent manuals, *'This portion has been redacted in accordance with the GCF Information Disclosure Policy, as the portion is confidential under the disclosure policy of the Accredited Entity'*. While the review identified no red flag risks, Save the Children will continue to collaborate with MoCC and plans to update the partner assessment on an ongoing basis as the project is delivered.

11. MoCC coordinates all climate change adaptation and disaster risk mitigation programming in Vanuatu. The size and scope of GCF funding will increase MoCC's climate change adaptation budget and programming capacity. The project design responds to this increase by supporting additional staff to be embedded across the arms of government involved in the delivery of the project, which are the Department of Local Authorities (DLA), Department of Agriculture and Rural Development (DARD) and the Vanuatu Fisheries Department (VFD) as well as in climate change technical capacity in the Department of Climate Change (DoCC) of the MoCC. New staff will broaden MoCC's programming capacity and experience in overseeing and managing community-based adaptation project like this and more broadly help to prepare then to manage future climate finance funding flows to Vanuatu.
12. As a part of the Government of Vanuatu the MoCC's financial policies, systems, procedures, and controls align to broader government systems and policies. The data Save the Children compiled on key areas of the MoCC financial systems is not fully complete and will require additional information gathering in collaboration with MoCC partners to fill gaps relating to controls, reporting, planning, and staffing. Save the Children plans to update the partner assessment on an ongoing basis and support the MoCC to address weakness as identified.
13. The assessment found that the MoCC has an effective management structure, human resource policies, organisational systems and controls, and a commitment to gender equality. Simultaneously, the assessment highlighted issues in a few areas of organisational capacity. These areas include ensuring awareness and procedures to ensure child safeguarding and data protection. Save the Children will train all project staff, not just MoCC, on child safeguarding policies and procedures as well as develop a data management plan and policy for the project to mitigate these risks.
14. While Save the Children Australia reviewed MFEM and MoCC procurement guidelines the team was unable to verify whether these policies are followed consistently. An additional compliance review of the consistency of the application of the guidelines will be undertaken by March 2022. It was reported by the government that the MFEM procurement guidelines are currently being reviewed and updated and therefore SCA will work with the MoCC and SCV to ensure any new systems and procedures are aligned to the contractual requirements as outlined in the AE's AMA, FAA and Term Sheet. It is expected that the updated procedures will be more detailed and robust than the existing ones, which have been assessed as adequate. When they are issued a review will be undertaken within 4 months to ensure compliance.

2. Baseline Assessment of AML/CFT Risks

2.1. Key Risks or Challenges

Risk Area	Risk	Controls
Money Laundering & Terrorism Financing	SCA resources are unwittingly engaged in money laundering or diverted to proscribed groups including "terrorists" via project staff, partners or suppliers.	<ul style="list-style-type: none"> • <i>Anti-Money Laundering and Counter Terrorism Financing Policy</i> in place • Regular vetting processes carried out for staff, partners and suppliers, in line with SCA's <i>Staff and Partner/Supplier Vetting Guidelines</i>. • Whistle-blower Policy & Procedure in place • Incident reporting mechanism in place for receiving and managing reports of suspected or alleged fraud, corruption or dishonesty, including AML/CTF. • Reference and background checks carried out for new staff • Partner assessment completed for all delivery partners and updated regularly
	Ministers of delivery partner are identified as Politically Exposed Persons – potential	<ul style="list-style-type: none"> • Participatory program design and implementation including Government of Vanuatu and SC Vanuatu

	risk of money laundering, bribery or corruption	<ul style="list-style-type: none"> • Embedded Program Management Unit (PMU), who are jointly recruited by SCA • Active Technical Working Group and Project Steering Committee approving disbursements • Use and strengthen government financial management and procurement processes • Financial management and procurement assessment conducted during effectiveness/start up and regularly afterwards • Audits in relevant Ministries and spot checks • Monthly budget v actual expenditure reports. • Rigorous background check on program staff. • Electronic transfer of funds where applicable. • Regular publicity about the program, its targets and achievements.
Fraud & Corruption	Poor fraud management planning leading to fraud incidents	<ul style="list-style-type: none"> • <i>Fraud Bribery and Anti-Corruption Policy</i> in place • Whistle-blower Policy & Procedure • Incident reporting mechanism in place for receiving and managing reports of suspected or alleged fraud, corruption or dishonesty. • Conduct fraud refresher training for all SCV, Consultants, MoCC staff, other government department staff involved in the project and community volunteers.
	Financial and/or supplies mismanagement or misappropriation by Save the Children staff or partner(s)	<ul style="list-style-type: none"> • Use and strengthen government financial management and procurement processes and use of a Program Operations Manual for finance and procurement. • Financial management and procurement assessment conducted during effectiveness/start up and regularly afterwards. • Regular audits • Monthly budget v actual expenditure reports - GMC reports • Rigorous background checks on program staff (recruitment process) • SCV work closely with the MIPU to strengthen the MIPU procurement system to ensure that no fraudulent activities occur. • Robust internal financial guidelines and checks and whistleblowing policy in place • Conduct fraud refresher training for all SCV, Consultants, MoCC staff, other government department staff involved in the project and Community volunteers. • Monthly project monitoring reports - GMC

3. Project Risk Monitoring and Mitigation Plan (including AML/CFT Risks)

3.1. Save the Children Risk Assessment Overview

15. The Project and Award Risk Tool (PART) enables identification of specific risks to be assessed including fraud and CFT to ensure adequate planning and costing. Risks are identified and rated with relevant mitigations/actions, risk owner, task owner and due date for mitigation actions. Further, in-

depth risk assessments or checklists are linked if required. The tool is used to review, monitor and adjust identified risks throughout the project.

3.2. VCCRP Project and Award Risk Tool (PART)

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4. Incident reporting and Management

17. As stated in the SCC Anti-bribery and Anti-corruption policy and Fraud policy, all detected or suspected frauds, and any actual or suspected financial mismanagement are reported to line management for investigation, or if the person raising the issue is concerned about reprisals in accordance with the SCA Whistleblower Policy and procedural guidelines.

18. SCA's incident reporting system (Risk Wizard) is the point at which the organisation is notified of a specific event (e.g. instance of reported fraud, misappropriation, corruption, or breaches of policy and Child Safeguarding incidents etc.), and it is from here that the event is managed in terms of requesting an investigation. SCA Head of Risk and Audit assesses the seriousness of the matter guided by category criteria.

19. All Category 1 (serious) matters will be escalated to the relevant Executive responsible for the department in which the event occurred. Should the event not be specific to a particular business area, it will be presented to the SCA Executive Committee for a determination of where responsibility lies regarding a formal investigation, the development of the terms of reference (ToR) for the investigation and the appointment of an Investigating Officer and a peer review team. The independence of the investigating Officer is safeguarded by making sure there are no conflicts of interest e.g. Finance will not investigate finance etc. and there is Executive oversight/agreement on the composition of the 'team' as per the investigation guidelines. If required the Investigating Officer will be external to the organisation. This process is to ensure that procedural fairness, natural justice and confidentiality is maintained.

20. Category II (routine) matters are investigated at the departmental level; however depending on the level of risk posed by the event, especially those with significant consequences, they may have to be escalated to the Executive.

21. There is provision for the public to report potential wrongdoing (for example, financial mismanagement or other breaches of the Code of Conduct) through any of the channels (telephone, letter, email, fax or social media) published on our website at <https://www.savethechildren.org.au/about-us/contact-us>