

Prevention of Terrorism Financing

Training Package



This training package is provided by Partner Housing Australasia, for use by its Directors, Volunteers and Partner Organisations, including Vision for Homes (PNG) and the South Ranongga Community Association (Solomon Islands).

The training package may be read on a computer screen or as hard copy, or **may be listened to** by **engaging the computer “Read Aloud” PDF reader function**.

The purpose of this training package is to explain the background and the detail of the Partner Housing Australasia policies for preventing the financing of terrorism in those countries and regions where the organisation operates. This includes ensuring that our partners and their personnel do not provide finance or support to terrorism or civil unrest.

Terrorism, in its broadest sense, is the use of criminal violence to provoke a state of terror or fear, mostly with the intention to achieve political or religious aims. The term is used in this regard primarily to refer to intentional violence during peacetime or in the context of war against non-combatants (mostly civilians and neutral military personnel). The terms "terrorist" and "terrorism" originated during the French Revolution of the late 18th century but became widely used internationally and gained worldwide attention in the 1970s during the Troubles in Northern Ireland, the Basque conflict, and the Israeli–Palestinian conflict. The increased use of suicide attacks from the 1980s onwards was typified by the 2001 September 11 attacks in the United States. (Source Wikipedia)

In this training package, terrorism is taken to mean the unlawful use of violence and intimidation, especially against civilians, in the pursuit of political aims. It is taken to include (but is not limited to) those activities which are proscribed by DFAT. For purposes of this policy, terrorism is taken to include violent civil unrest.

“Australian law prohibits the financing and support of terrorism, with offences applying under the Australian Criminal Code Act 1995 and the Charter of the United Nations Act 1945 and associated regulations. Offences can attract penalties of up to life imprisonment and can apply extra-territorially (that is, in addition to conduct that occurs in Australia, they can apply to conduct that occurs outside Australia).” (Source: DFAT)

The following policies are set out in “Policy and Procedures” documents E3.8a, E3.9a, E3.10a and E3.11a.

Partner Housing Australasia and its Partner Organisations shall ensure that their activities do not contribute in any way to, either directly or indirectly, to the spread of terrorism or civil unrest.

Partner Housing Australasia and its Partner Organisations shall not participate in political activism, terrorism or civil unrest.

The Organisation shall not participate with organisations involved in political activities or the like, or any organisation that could be that could be associated directly or indirectly with terrorism or civil unrest.

Partner Housing Australasia shall systematically annually screen partners and their personnel for terrorism associations.

Given that the Partner Housing Australasia only operates where the risk of diversion of funds to terrorist organisations is negligible or low (see Policy No E3.11a), the process shall be to check partners and their personnel against lists of prohibited terrorist organisations and individuals using the “Consolidated List of Australian-sanctioned individuals and entities” under Australian law.

Partner Housing Australasia shall obtain the relevant entity details from partners, to enable the required vetting and screening processes.

Partner Housing Australasia shall ensure that it has appropriate risk management systems in place to prevent funds going directly or indirectly to individuals or organisations associated with terrorism.

In particular –

- Partner Housing Australasia shall monitor the accounts of its partners (including Vision for Homes [PNG] and South Ranongga Community Association [SRCA]) to ensure that they do not participate in, or provide finance for, political activity, terrorism or civil unrest.
- Memoranda of Understanding with partners (including Vision for Homes [PNG] and South Ranongga Community Association [SRCA]) shall include specific clauses ensuring that they do not participate in, or provide finance for, political activity, terrorism or civil unrest.
- Partner Housing Australasia shall provide anti-terrorism training for partners (including Vision for Homes [PNG] and South Ranongga Community Association [SRCA]).
- A formal Risk Analysis and due diligence shall be carried out for each Partner Organisation (or as soon as practical in the case of existing Partner Organisations), including a formal quantification of relative risk and the appropriate mitigation.
- Partner Housing Australasia shall only operate in regions where the risk of financing terrorism is judged to be negligible or low.
- Each program shall incorporate a risk management framework, financial controls and monitoring that effectively prevent fraud, corruption, money laundering and financing of terrorism.
- Partner Housing Australasia Regional Managers shall provide direct oversight to funded programs.
- Partner Housing Australasia shall not remit cash to individuals or organisations.
- Partner Housing Australasia shall ensure that personnel who have responsibility for disbursing funds have training in the mechanisms of fraud, corruption, money laundering and financing of terrorism and the risk in project design, monitoring and reporting.

The procedures for implementing and managing these policies are set out in “Policy and Procedures” documents E3.8a, E3.9a, E3.10a and E3.11a, which should be consulted to determine what needs to be done.

The following illustrations provide context for this Training Package, and should be consulted for background and context.

Turn off the “Read Aloud” option for this part of the training package.

Typical Screening Record

Partner Housing Australasia (Building) Incorporated							
The Sanctions Snapshot (190905 Snapshots - Sanctions) has no relevant listing in the countries where PHA operates.							
The United Nations advice documents are scrutinised on receipt, and no matches to the above names were detected during the period.							
Name of Individual	Position & Name of Organisation	Lists Checked		Lists Checked		Lists Checked	
		DFAT DCL	DFAT DCL	ADB	DFAT DCL, MatchLite	LTO	ADB
James Johnstone	Director, Community South Australia	No match 12/12/2022 Rod Johnston	No match 15/1/2022 Rod Johnston	No match 15/1/2022 Rod Johnston	No match 24/1/2021 Rod Johnston	No match 24/1/2021 Rod Johnston	No match 24/1/2021 Rod Johnston
John Johnston	Director, Community South Australia	No match 12/12/2022 Rod Johnston	No match 15/1/2022 Rod Johnston	No match 15/1/2022 Rod Johnston	No match 24/1/2021 Rod Johnston	No match 24/1/2021 Rod Johnston	No match 24/1/2021 Rod Johnston
James Johnstone	Director, Community South Australia	No match 12/12/2022 Rod Johnston	No match 15/1/2022 Rod Johnston	No match 15/1/2022 Rod Johnston	No match 24/1/2021 Rod Johnston	No match 24/1/2021 Rod Johnston	No match 24/1/2021 Rod Johnston
	Contractor by South	No match	No match	No match	No match	No match	No match

Typical Quantified Risk Assessment

<u>Terrorism</u>	
<i>Terrorists continue carrying out attacks across the world. Some terrorist organisations view Australia and Australians as targets. This threat extends to Australians travelling overseas.</i>	
<p>PHA and VFH are committed to ensuring that they are not complicit in terrorism, fraud or anti-money-laundering, by ensuring that (a) funds are used strictly for the intended purpose, and (b) people proscribed on the DFAT website are not engaged as volunteers or contractors.</p> <p>The PHA and VFH managers are experienced and ethical professionals, with many years in project management, particularly in the building industry. PHA has taken a practical and pragmatic approach to eliminating the possibility of fraud. PHA consultants design and cost each building and infrastructure scheme in detail and prepare the Bills of Quantities. Site inspections and photographic evidence demonstrate that the materials have been delivered and installed, and provide confidence that funds are not diverted to terrorism, and that there is no fraud. PHA accounts (including donations to VFH) are externally audited by a qualified independent auditor. PHA has a rigorous approval mechanism to prevent fraud. These mechanisms are fully described in the procedures and are inspected during the annual external independent audit.</p> <p>Although there is endemic tribal warfare and violence, there is no reported terrorism in the region. There have been no previous complaints or breaches of the anti-terrorism, anti-fraud or anti-money-laundering provisions. PHA has a track record of implementing the anti-money-laundering policies and procedures.</p> <p>"Likelihood" = 1 (based on possible civil unrest due to tribal and political violence, rather than terrorism)</p> <p>"Consequence" = 10</p> <p>"Risk Rating" = 10</p> <p>"Mitigation" The PHA CEO, Finance Manager and Regional Manager shall minimise risk of facilitating or financing terrorism by rigorously adhering to the financial control procedures.</p> <p>The PHA CEO shall monitor the DFAT proscribed persons spreadsheet and website.</p>	



Disrupting Financing Terrorism

Quick Reference Guide

The Department of Foreign Affairs and Trade (DFAT) is committed to disrupting terrorism financing. For more information on DFAT's position, see [Financing of Terrorism Risk Management Statement](#) at www.dfat.gov.au. This factsheet is for funding recipients seeking guidance on managing terrorism financing risks. Funding recipients are any person or organisation in receipt of DFAT funds. For example, contractors, grant recipients, subcontractors, sub-grantees, suppliers and implementing partners.

Terrorism financing is any form of support conducted by persons who, or organisations that, encourage, plan or engage in terrorism. It includes providing assets to a person or organisation associated with terrorism. Terrorism financing means supporting any costs associated with terrorist acts. For example, travel expenses, explosive materials, weapons or vehicles. It also means supporting the less obvious parts of a terrorist organisation's operations. For example, paying for terrorists' living expenses, training or propaganda activities.

Terrorists use many means to finance their operations. This includes legitimate means, such as charities and donations, or illegitimate means, such as fraud, money-laundering, kidnapping for ransom and extortion. It can be difficult to detect terrorism financing because it is covert in nature. Many organisations are not aware that their assets are being misused by terrorists.

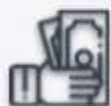
The terrorism financing process usually involves the following three stages.



Stage 1 | Raise funds
through charities, donations, self-funding or criminal activity



Stage 2 | Transfer funds
to a terrorist network, organisation or cell



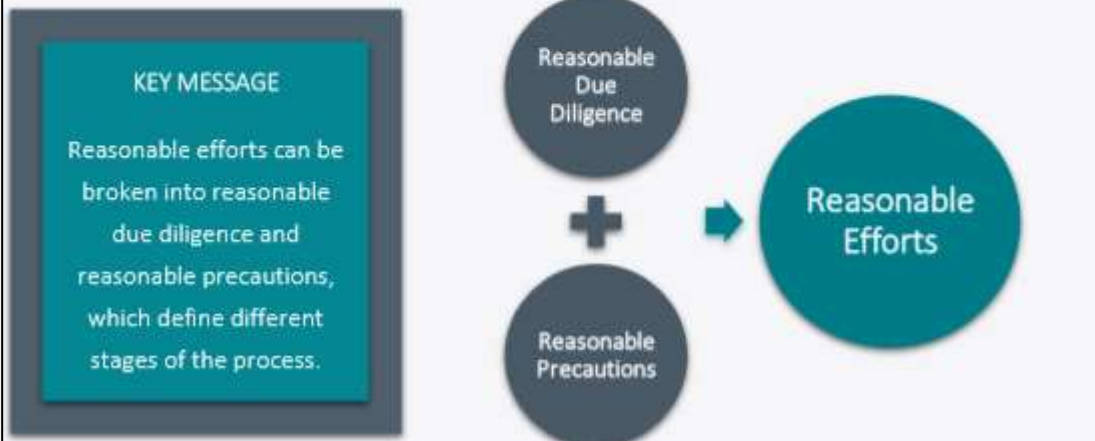
Stage 3 | Use funds
to purchase or make weapons, to pay for insurgents, or to cover terrorists' living expenses

KEY MESSAGE

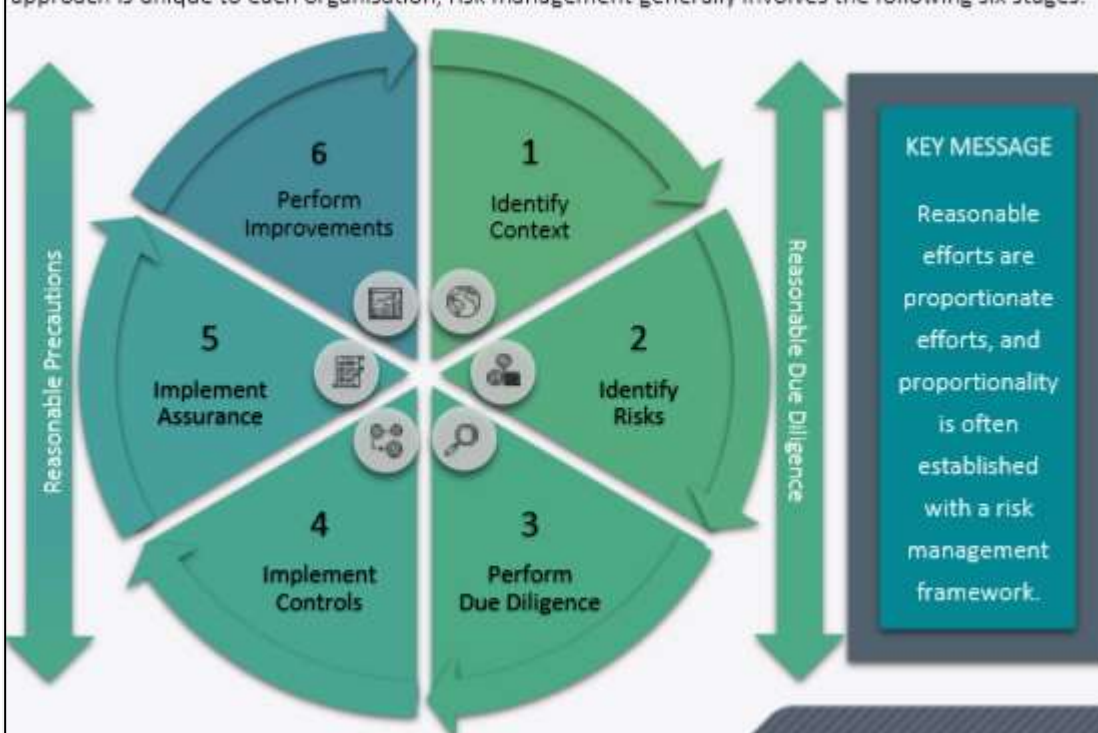
While foreign aid helps build stability and prosperity, foreign aid can also be diverted into terrorism undermining any efforts to build stability and prosperity.

Reasonable Efforts

Funding recipients should use reasonable efforts to manage terrorism financing risks. Reasonable efforts can be broken into two stages: due diligence and precautions. Due diligence is done before employing a person or entering into an agreement with a person or organisation. For countries susceptible to terrorism, due diligence is done more regularly (for example, annually). Reasonable precautions are controls that manage risks, and apply throughout the lifespan of any agreement.



'Reasonableness' is often defined with a framework of adequately identifying risks, and responding proportionately to those risks. In other words, reasonable efforts are the level of investment needed to manage the risks. The lower the risk, the less controls are needed to manage the risk. The higher the risk, a stronger control environment is needed to manage the risk. While the risk management approach is unique to each organisation, risk management generally involves the following six stages.



Reasonable Due Diligence

Stage 1 Identify Context



Terrorism financing risks differ depending on the context. Context means where the activity is taking place, and the type of activity. Funding recipients should identify the context before deciding on the types of risks, and the level of risk. In general, terrorism financing risks increase in places of conflicts. To establish the context, some key questions to ask are:

- What are the main terrorist organisations?
- What are the main methods for financing terrorism?
- How are funds and assets used?
- Who are the associates?
- Who is the end beneficiary?

To help identify the context, see:

- Global Terrorism Database
<http://www.start-dev.umd.edu/gtd/>
- Global Terrorism Index
<http://visionofhumanity.org/app/uploads/2018/12/Global-Terrorism-Index-2018-1.pdf>

Stage 2 Identify Risks



After identifying the context, funding recipients should identify the unique terrorism financing risks resulting from the context. Funding recipients may complete a supply chain risk map to identify the risks resulting from downward funding. Funding recipients should ensure their terrorism financing risks, including the risk event, sources, impacts and risk rating, remain current.

Funding recipients must conduct due diligence checks in proportion to the risks before entering into an agreement with another person or organisation. At a minimum, funding recipients must crosscheck persons or organisations against the proscribed lists:

- [List of Terrorist Organisations](#)
- [DFAT Consolidated List](#)

Funding recipients may check these lists directly or use a third party screening tool. The LinkMatchLite software may help funding recipients find matches to names on the DFAT Consolidated List. To obtain this software, email asset.freezing@dfat.gov.au. For more information, see the DFAT's website (search Australia and Sanctions).

Stage 3 Perform Due Diligence



These lists may not represent every person or organisation associated with terrorism. For countries susceptible to terrorism, the proscribed lists should not promote complacency towards persons or organisations who do not appear on the list. Funding recipients should consider additional due diligence measures to establish if a person or organisation poses a risk of financing terrorism.

Funding recipients can also subscribe to the DFAT alert list. This may help funding recipients check any new alerts against existing persons or organisations. For more information, email asset.freezing@dfat.gov.au.

Reasonable Precautions

Stage 4 Implement Controls



After identifying the risks, funding recipients should implement controls proportionate to the risks. Countries operating in countries susceptible to terrorism need to more controls to manage the risk. Controls vary from cultural controls, such as training to promote an environment that does not tolerate terrorism, to financial controls, such as reconciling funds.

Funding recipients should refer to their agreement clauses for specific controls relevant to their activity. This is because DFAT officers assess the types of risks, and implement specific agreement clauses to help manage the risks before entering into an agreement with a funding recipient.

Assurance means providing necessary oversight of the controls and treatments used to manage the risks. After implementing the controls, funding recipients should continuously provide oversight for, and test the effectiveness of, their controls. DFAT may also conduct reviews to ensure funding recipients have sufficient controls in place.

Stage 5 Implement Assurance



Funding recipients operating in countries susceptible to terrorism must ensure they have increased levels of oversight of the controls. This includes ensuring they have oversight of any person or organisation they have an agreement with.

Funding recipients can review the controls when reviewing the risk register, but should also test the controls through formal assurance or auditing mechanisms. Charities and not-for-profits should also refer to the Australian Charities and Not-for-profits Commission's guidance on financial reporting and assurance requirements.

Stage 6 Perform Improvements



As part of standard business, funding recipients should improve any controls if they are insufficient. This is important because the characteristics of risks constantly change. Continuously reviewing risks helps an organisation remain in tune to the changing environment, and adapt their approach in response.

KEY MESSAGE

All funding recipients must check the proscribed lists before entering into an agreement or employing a person. Report any exact matches of either lists to DFAT for help.



SRCA Members during training at Buri, Solomon Islands, September 2022

	Partner Housing Australasia (Building) Incorporated ABN 88 722 057 429 CFN: 15429 Web: www.partnerhousing.org Pro-bono professional services and funding for South Pacific village infrastructure, housing, water, sanitation and training.
	
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Revisions

Q230101-E3.8-E3.9-E3.10-E3.11-Training-1 Terrorism Financing
 General revision to align with DFAT requirements

1 January 2023