

# **Anti fraud and Corruption Policy**

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# 1 INTRODUCTION

## Purpose of this document

This policy is established to facilitate measures that will help in the prevention and detection of fraud and corruption against OPEnE. Through this document, OPEnE wants to promote consistent organizational behaviour by providing guidelines in this area and by assigning responsibility for the development of appropriate measures and for conducting investigations when necessary.

## Background

Fraud and corruption can threaten the organisation and the realisation of its objectives. This is obvious in the case of theft or fraud. It is sometimes less obvious, in the case of other kinds of corruption, such as bribery.

People may use numerous tricks and fraudulent actions to 'get a piece of the cake'. Goods and funds of the programme can be misappropriated or abused, both by staff and by outsiders. Documents can be forged or 'forgotten'. Suppliers may deliver goods of inferior quality, or in less quantity than ordered and paid for. Staff may steal from the stores, etc. Also at a personal level, one may be deceived by a variety of false stories and promises. In many cultures this is officially illegal, but in practice it may not always be considered wrong, just smart.

Procedures to account for funds and goods, as found in OPEnE's administrative procedures, must be enforced in order to deter fraud and to detect it when it occurs.

Fear of insulting staff can never be a reason for failing to properly implement administrative procedures. In general, staff will welcome the procedures as they provide protection against pressure from family, colleagues or others. Unwillingness to co-operate with the implementation of procedures may well be an indication that something is wrong.

Even the perception of fraud or corruption, or false accusations of fraud and corruption, can cause the same negative effects as real fraud or corruption. Great care should therefore be taken to prevent unfounded perception of fraud or corruption to arise in connection with humanitarian organisations.

There are many reasons to avoid any kind of fraud and corruption, including:

- Corruption or fraud is something that negatively affects our target groups by denying them free and fair access to the services that they are entitled to. Humanitarian organisations are providing support to people who need it, and it is morally wrong to try to divert some of the resources intended for supporting the needy.
- It is usually against the law, and aid workers are bound by the laws of the country in which they are working. Besides, specific anti-fraud legislation from donor governments may apply, which may involve serious punishment in case of violation.
- Donor regulations usually prohibit fraud and corruption.
- Any fraud or corruption encourages more fraud or corruption.

## 2 SCOPE AND DEFINITIONS

### Scope

This policy applies to any irregularity or suspected irregularity that can be interpreted as fraud or corruption, involving internal person(s) (staff, volunteer, etc.) or external person(s) (anyone else) that have a professional relationship with OPEnE.

### Definitions

Fraud is defined as:

“A dishonest or deceitful activity, or misuse of OPEnE property or systems for financial benefit or any other kind of benefit for the person committing the fraud or any other person.”

Corruption is defined as:

“A dishonest activity in which a member of the board, a member of staff, a manager, or a contractor acts against OPEnE interests and misuses his or her position of trust to obtain any kind of benefit for himself/herself or any other person. This also includes offering and receiving bribes.”

The terms fraud, defalcation, misappropriation, and other irregularities refer to, but are not limited to:

- Misappropriation of funds, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- profiteering as a result of inside knowledge of OPEnE activities;
- disclosing confidential and proprietary information to outside parties;
- accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to OPEnE;
- Destruction, removal, or inappropriate use of records, assets, equipment;
- And/or any similar or related irregularity.

## 3 PRINCIPLES

### Statement of management:

OPEnE strongly disapproves all facets of fraud and corruption. If fraud has been established, the persons who committed fraud should not obtain any kind of benefit. OPEnE will recover any losses from all persons that committed the fraud, whether they are OPEnE employees or not, if necessary through a court of law with the appropriate jurisdiction. Moreover, disciplinary action will be taken against this persons.

OPEnE has a zero tolerance approach to fraud and corruption of any type or in any circumstances, whether perpetrated by staff, volunteers, contractors, partners or others and is determined to prevent, and were this is not possible, to detect and investigate such acts.

OPEnE expects that members of its board, staff and volunteers will have the highest standards of conduct and integrity at all times.

Any investigative activity required will be conducted without regard to the suspected person's length of service, position/title, or relationship to OPEnE.

OPEnE will always take robust action against those who commit fraud, which may include legal steps. In addition, OPEnE will actively pursue the recovery of assets, using all legal means.

Management is responsible for the prevention and detection of fraud, misappropriations, and other irregularities. Each member of a management team at any level in the organisation is expected to be familiar with the types of risks and improprieties that may be relevant for his/her area of responsibility, and be alert for any indication of irregularities.

Any irregularity that is suspected or detected must be reported immediately to the Team Leader/Chair person.

## 4 PREVENTING AND DETECTING FRAUD AND CORRUPTION

All in OPEnE - staff, volunteers and management - have a responsibility in the prevention and detection of fraud and corruption. Management may devise specific procedures for preventing and detecting most cases of fraud and corruption, but the commitment and dedication of all staff and volunteers is a vital ingredient to improve prevention.

According to the commonly used 'fraud triangle' there are three risk factors that are usually present at the same time for an ordinary person to commit fraud:

- **Pressure:** what motivates the person to commit fraud in the first place? E.g. pressure from his personal environment to bring in extra money.
- **Opportunity:** a chance for taking advantage from a specific situation or weakness in the control procedures in the organisation. E.g. an opportunity to take goods from a store, because of weak stock taking procedures.
- **Rationalisation:** The person committing fraud has a way to mentally justify the misconduct, which makes it an acceptable or justifiable act to him-/herself. E.g. the conclusion that he/she himself is poorer than the people receiving the goods.

Generally speaking, prevention should aim at addressing these factors. And they may guide in detecting fraud risks.

OPEnE is committed to create an internal environment (quality management structure, administrative organisation, internal auditing) that prevents and detects fraud and corruption. Management is responsible for reducing opportunities for fraud and corruption and improving detection rates. It can achieve this by:

- Identifying the risks to which operations, locations and assets are exposed.
- Developing adequate controls.
- Ensuring effective compliance with controls.

Measures for controlling fraud and corruption risks may include the following:

- Thorough staff recruitment procedures, including checking of references of new employees;
- Physical security of assets;
- Clear organisation of responsibilities and reporting lines;
- Trained staff on procedures, values and dilemmas in an open and safe environment;
- Segregation of duties to ensure that key functions and controls are not performed by the same staff;
- Rotation of staff;
- Implementing financial and logistical procedures, e.g. for procurement.
- Supervision and performance monitoring by management;
- Random spot checks by managers;
- Appropriate budgeting and financial reporting;
- Complete and secure audit trails;
- Reviews by independent bodies such as internal or external audit.

- Confidential, anonymous whistle-blowing channels, for the reporting of (suspected) corruption.
- Clear, open, honest relationships with local groups, local authorities and other organisations.
- A common position among humanitarian organisations on dealing with 'informal facilitation fees'.

Management should identify and document the specific risks, identify and implement appropriate measures for controlling those risks and monitor effective compliance with these prescribed measures. This should be evaluated on a regular basis and should be documented. When working with partner organisations, specific attention should be given to the prevention and detection of fraud and corruption, which may require additional control measures. This should at least include:

- A thorough, documented partner assessment is undertaken prior to engagement with that partner, in order to assess the partner's control environment. The assessment should also give specific attention to the identification of fraud risks.
- Sharing of relevant OPEnE policies and procedures with the partner, especially in areas for which the partner's own policies and procedures are considered to be inadequate, e.g. procurement policy.

This may involve training of partner staff, in order to ensure that such policy and procedures are understood by partner staff.

- Reporting requirements are effectively communicated to partner staff, including the type of supportive documentation that should be available to support reports. This may involve training of partner staff.
- A signed partnership agreement should be in place, covering all work that is done with and by partners. Where relevant, this agreement should stipulate any specific control measures required for OPEnE funded aspects of the partner's operations.

## **5 NOTIFICATION AND INVESTIGATION PROCEDURES**

OPEnE employs standard procedures for the notification and investigation of suspected Fraud. The a management staff or committee appointed by the team leader is responsible for coordinating all fraud investigation activities and for informing the Team Leader/Board of all suspected fraudulent acts as defined in this policy.

### **Duty to report**

It is the responsibility of all staff to report suspected, actual or attempted fraud or corruption. Any employee who discovers or suspects dishonest or fraudulent activity has a duty to report this to Team Leader/Board immediately. He/she should not attempt to investigate suspected fraudulent activity him-/herself. The reporting employee may decide to remain anonymous.

All available information concerning the suspected fraudulent activity should be directed to the Team Leader/Board. No information concerning the suspected fraud or status of an investigation should be shared with other persons. Under no circumstances should any reference be made to 'the allegation', 'the crime', 'the fraud', 'the forgery', 'the misappropriation' or any other specific reference.

Team leader/Board will inform the reporting individual about the following:

- not to contact the suspected individual in an effort to determine facts of demand restitution;
- not to discuss the case, facts, suspicions, or allegations with anyone, unless specifically asked to do so by Team leader/board.

The Team leader/Board treats all information received confidentially. However, Team leader informs the chair person about each reported instance of actual, attempted or suspected fraud or corruption.

### **Investigation**

The team leader maintains a register of all reported cases of fraud and corruption, actual and attempted.

Reported cases of actual, attempted or suspected fraud or corruption will be investigated by or under coordination of team leader/board. Where relevant and necessary, external experts may be involved in the actual investigations.

Team leader or any other internal or external expert assigned to be involved in the investigations will have:

- free and unrestricted access to all OPEnE owned records and information,
- the authority to examine, copy, and/or take all or any portion of (digital or physical) records or information,

when it is within the scope of their investigation.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputation of persons suspected but subsequently found innocent and to protect OPEnE from potential reputation damage or liability.

The implementation of adequate fraud policy guidelines and investigation procedures deserves special attention, as it will facilitate the early stages of a fraud identification and investigation and ensure that any further investigation will not be hampered or obstructed. Members of staff are not allowed to start their own investigation into a suspected fraud case without prior permission from the Team leader/board.

## 6 REPORTING AND DECISION MAKING

### Reporting

The investigation results in a written report to the Team Leader/board, and will include:

- motivated conclusion whether the reported case indeed concerns fraud or corruption;
- the volume of disadvantage or loss involved;
- the identity of the person(s) who appear to have committed the fraud, if known;
- where relevant, identification of any failures on the part of procedures or staff, which enabled the fraud to take place;
- where relevant, lessons learned and recommendations for the prevention of future cases of fraud.

The team leader reports on quarterly basis to the Board on all reported cases of (suspected) fraud. On annual basis a report is presented to the External Auditor. There may be additional donor requirements to report instances of fraud or corruption to donors.

### Decision making

Based on the report, the Team Leader, or a staff assigned by Team Leader/board, will draw conclusions and decide on any necessary actions, including possible disciplinary action and/or legal action.

The Team leader is responsible for communicating conclusions and follow-up actions to the person(s) involved.

## 7 POLICY ADMINISTRATION

The board is responsible for the, revision, interpretation, and application of this policy.

This document is related to other relevant OPEnE policy guidelines and procedures, including (but not limited to):

Date: August 2019

Approved by:



Chairperson, OPEnE