

Policy 1

ANTI-FRAUD AND WHISTLE BLOWING

Biblical Context: Whoever can be trusted with very little can also be trusted with much, and whoever is dishonest with very little will also be dishonest with much. **Luke 16:10 (NIV)**

Preamble

ADRA Vanuatu values its reputation for financial probity, reliability and accountability. ADRA recognizes that fraud may affect adversely on its image and reputation and believes that adoption of fraud-prevention culture discourages fraud and makes it easier to detect.

ADRA Vanuatu has a policy of zero tolerance towards fraudulent activity or behaviour. This applies to all employees and volunteers including employees and volunteers that are located on other islands within Vanuatu. Accordingly, the policy applies to contractors, third party services providers, non-government organisations and other funding recipients.

Responsible to keep and update the Policy/Procedure: Finance Director/HR/CD

References

- ADRA International Operations Manual
- Project agreements with Donors

1.0 What is Fraud

1.1 Definition

The term “Fraud” is used to describe a whole range of activities such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Fraud involves the intention to deceive ADRA in order to obtain financial and/or non-financial advantage directly or indirectly, avoid an obligation or cause a loss.

1.2 Examples of Fraud

- Intentionally causing damage to ADRA Vanuatu such as theft, abuse or misuse of ADRA Vanuatu property and assets.
- Failure to report misuse of assets or knowledge of illegal, prohibited or irresponsible acts by employees of ADRA Vanuatu.
- Misuse of ADRA Vanuatu assets for personal gain or unlawful purpose.
- Any nature can be verbal, written or financial such as;
- Altering documents
- Falsifying signatures
- Providing false information to ADRA
- Unauthorised disclosure of confidential information
- Theft of aid program funds or assets
- Misappropriation of funds – Refer to the following Examples

1.3 Examples of Misappropriation of Funds

- Taking cash or transferring to your personal bank account and concealing it through falsified supporting documentation.

- Making false claims on expense reports.
- Using the assets of the organisation for own personal use without prior approval, like vehicles and equipment etc.
- Making false claims of expenses.
- Making purchases through organisations purchase orders for own personal use.
- Using of organisations inventories for own personal use.
- Borrowing funds from the Organisation without proper approval.
- Assisting another person in obtaining any of the above.
- The use of trust funds for unintended purposes.

2.0 Sensitization on anti-Fraud:

2.1 ADRA's Pledge:

- ADRA management is answerable for awareness raising on the prevention and detection of fraud through sensitizing its staff, partners and stakeholders and detection of fraud through sensitizing its staff, partners and stakeholders and also by ensuring the existence of adequate internal control system and functioning them effectively.
- Encouraging its employees to be vigilant and to report any suspicion of fraud, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- Rigorously investigating instances of alleged fraud and pursuing offenders to seek restriction of any assets fraudulently obtained and the recovery of costs.
- Assisting the investigators, auditors, the police, and other appropriate authorities in the investigation and prosecution of suspected of fraud.
- Taking firm and vigorous action against any individual or group committing fraud against the Organisation, partners, and stakeholders.
- Management is also available to offer advice and assistance to staff on discovered risk and control issues.

2.2 Anticipation:

ADRA staffs are anticipated at all the times to act honestly and with integrity to safeguard the resources for which they are responsible. Fraud is an ever-present threat to these resources and hence must be a concern of all staff. Prevention and detection of fraud is the contractual responsibility of all staff and failure to report suspicions and concerns may result in disciplinary action being taken.

2.3 Prevention Tips:

- Segregate the duties adequately among employees
- Ensure that all employees comply with ADRA manuals, policies, procedures, regulations, guidelines and instructions that are designed to detect errors and misappropriation of funds and property
- Maintain strong internal controls that reduce the possibilities of fraud
- Carefully check employee references upon application for employment
- Educate employees about ADRA's code of conduct
- Post fraud policy notices on the office notice board.

3.0 Fraud Control Prevention Methods

Fraud control requires the implementation of a number of key control strategies which contribute to an effective fraud control framework. These strategies are interdependent and subject to a cyclic process of review and enhancement. The strategies are grouped in four key themes:

- 3.1 Fraud Prevention:** involves those strategies designed to prevent fraud from occurring in the first instance;
- 3.2 Fraud Detection:** Includes strategies to discover fraud as soon as possible after it has occurred;
- 3.3 Fraud Response:** Covers the systems and processes that assist an entity to respond appropriately to an alleged fraud when it is detected; and
- 3.4 Fraud Monitoring, Reporting and Evaluation:** These are strategies to provide assurance that legislative responsibilities are being met. Also promoting accountability by providing information that demonstrates compliance with specific fraud control measures.

For these strategies to be effective in the context of an overarching Fraud Control Framework, each strategy must be subject to active Management and Ownership within the ADRA Organisation.

Senior Management oversight through sound governance arrangements will ensure that each strategy does not operate in isolation, and that interdependencies are effectively identified and managed appropriately. Following are four examples of Fraud Control Prevention Measures that must be adhered to;

Example 1. Purchasing Materials for Projects, Training and Activities

- At all times, three written quotes are to be obtained.
- The most efficient way is to obtain these quotes via email, and this is the preferred method.
- The three quotes are then submitted with your budget, to the Accountant.
- If the quotes are not by email, a reason must be given in writing and also submitted to the Accountant.
- Only when the Accountant receives all of the required documentation, can the quotes be submitted to the Country Director.
- The Country Director is the only person within ADRA Vanuatu that can approve the payment for the materials.
- If the Country Director is not present, then the Acting Director or the Programs Director can approve the payment for materials.
- If the Country Director / Acting Director / Programs Director discovers that the materials could have been purchased at a cheaper price, than the submitted quote, the difference will be deducted from the employee's salary.

Example 2. Per Diems and Meal Allowances

- All Per Diems and Meal Allowances that are submitted with the Budget and therefore must be accountable and correct.
- For employees that claims a Per Diem and or Meal Allowance that they are not entitled to, this amount will be deducted from their salary.

Example 3. Receipts for Travel, Materials and Training Resources

- All receipts must be a realistic cost. As an example if it usually costs 1,500 Vatu to travel to the Airport and a receipt is submitted for one way travel of 2,500 Vatu, then the difference will be deducted from the employee's salary.
- All receipts must be signed by the person that is providing the service or materials. In addition, the person providing the service or goods, mobile phone number must be recorded on the receipt. As an example is the Bus Driver is to sign the receipt and record their mobile phone number. If the Bus Driver cannot sign the receipt, then obtain a signature from someone else, but still ensure that you obtain the Bus Drivers mobile phone number, for confirmation.

Example 4. Au Bon Marche Receipts with "Supa Win Big!" Tickets

- When purchasing materials from Au Bon Marche (ABM) and you receive your receipt, if it comes with the "Supa Win Big!" Ticket, this is with ADRA Vanuatu money.
- Therefore all the "Supa Win Big" Tickets are to be completed under ADRA Vanuatu name and contact details.
- The tickets are not to be filled in with an employee's name.

4.0 Fraud reporting

Effective internal reporting channels are critical to the management of fraud risk within the ADRA Vanuatu Organisation. When fraud has been detected, it must be immediately reported to the ADRA Country Director. If the Country Director is not present then the Acting Director or Programs Director is to be advised. Depending on the level of fraud, it can be a gross misconduct and a serious violation of the ADRA Vanuatu Code of Conduct. Such a gross misconduct can be illegal and may result in the employee being dismissed on the spot.

4.1 ADRA Employees that Commit Fraud

When it becomes evident that an employee, in whatever capacity has directly or indirectly been involved in fraud, the following procedures shall be followed:

- The employee is immediately suspended on half pay. The forgone pay will be refundable if the claim is not substantiated.
- While the employee is suspended a thorough investigation in consultation with the employees immediate supervisor and the Country Director.
- This investigation with the required parties is conducted to consider the validity of the evidence and any further evidence to be relevant.
- If the investigation supports the initial evidence, the employee shall be terminated with immediate effect.
- If the investigation is not fully supported the employee will be reinstated.
- Depending on the level of fraud, the Country Manager will decide if this matter is to be reported to the police.

4.2 ADRA Volunteers that Commit Fraud

When it becomes evident that a volunteer, in whatever capacity has directly or indirectly been involved in fraud, the following procedures shall be followed:

- The volunteer shall be directed to temporarily step down from their role and an immediate investigation into the matter shall be instigated.

- A full investigation shall be carried out by ADRA to determine if there is sufficient evidence to support the allegation.
- If sufficient evidence exist to support allegations of fraud the volunteer will not be allowed to serve in any other positions for ADRA.
- The matter shall be reported to the police, if full restitution is not made within one month.

5.0 Whistle-blowing:

5.1 Coverages:

This policy is intended to cover the airing of genuine concerns which any employee may have about suspected malpractice within the Organisation. It is intended to conform to the expectation of donor(s) that encourages staff to raise concerns internally in the first instance

It applies to all employees of ADRA Vanuatu. It also applies to external consultants, contractors and agency personnel whilst at ADRA. Disciplinary action will be taken against anyone deliberately raising false and malicious allegations.

5.2 Raising Concerns:

- All Employees need to report suspected fraud to the immediate supervisor without delay
- S/He will then raise the matter with Management
- If the fraud involves the immediate supervisor, or for any reason would prefer them not to be told, inform the matter directly with a person of trust on the next higher Organisational level or the Country Director directly to investigate further.
- You may also contact for the case with (a) legal counsel (b) Director for Administration and Finance in writing.
- If you feel that your communicated concern lacks an appropriate response or is not being taken serious, contact directly with the members of ADCOM.

5.3 Raising Concerns:

ADRA Supervisors receiving information of possible fraud need to ensure that a fraud investigation is conducted with the objectives of establishing whether fraud has occurred. Country Director and HR will arrange to:

- Start an investigation immediately
- Attempt to solve the problem internally and without any losses to third party.
- Secure evidences and ensuring that proper actions are taken to prevent further loss.
- Employ investigators/auditors to conduct investigation in order to gauge the actual extent of the problem.
- Notify the relevant stakeholders and authorities.

Fraud investigations and interviews may be assisted by:

- ADCOM team
- BOARD, as appropriate

Fraud investigators will:

- Carry out all investigations in a confidential manner in order to protect:
 - The reputation of innocent people

- ADRA from potential civil liability
- Disclose details only to those directly involved in the investigation, such as:
 - Appropriate ADRA personnel
 - Law enforcement agencies
 - Regulatory Agencies

5.4 Reporting:

The fraud investigator, regardless of size or outcome, will submit the report to the Country Director detailing:

- Investigative procedures
- Monies involved
- Conclusion of investigation

5.5 Approving Investigations: The Country Director needs to approve the investigations conducted on fraud

5.6 Findings:

The Country Director will communicate the findings of the investigation to:

- a. The person raising the malpractice concern
- b. The individual(s) under investigation; and if appropriate
- c. Members of the ADRA management or external authorities, who need to consider whether and which kind of action should be taken on the basis of the findings.

5.7 Action on occurrence of Fraud

If fraud occurred, the Country Director will determine the appropriate disciplinary action. Such action could include:

- Suspension (Note: employees under investigation may also be suspended)
- Demand for reimbursement, or any other possible action to recover the losses
- Termination of employment
- Legal prosecution

If none of the above steps are taken, the following is to happen:

- Written documentation of the reason/s that action was not taken
- A copy of the documentation is to be forwarded to ADCOM/the Board

Important: any employee who misuses or misappropriates funds should be terminated and prosecuted.