

Anti-Fraud and Corruption policy

Introduction

Fraud and corruption threatens good governance, sustainable development, democratic process, and fair business practices and is a clear contradiction to one of Help a Child core values *Stewardship*. Thus fighting corruption is building civil society and eliminating social injustice, which is in line with Help a Child's vision: *"Inspired by the Love of God Help a Child and its partners want vulnerable children, youngsters and their families and communities to live lives in dignity and to the full"*.

Help a Child is entrusted with funds from a variety of donors and works to secure they are spent correctly and transparently. Help a Child holds a great responsibility to avoid fraud and corruption and secure that the funds are spent correctly toward donors, partners and beneficiaries.

Employees of Help a Child are responsible for upholding and promoting the highest standards of ethical and professional conduct. Working in different countries, sometimes in complicated and difficult situations, among different languages, cultures and religions requires a lot from the employees. Knowledge, respect and common sense are some of the keywords that should be guiding Help a Child's work.

Scope

The purpose of this anti-fraud and corruption policy is to support a behavior characterized by high standards of personal and organizational integrity, both internally and with other external stakeholders (partner organisations and suppliers). This policy is applicable to for all local and foreign entities and employees that fall under the governance structure and responsibility of 'Help a Child Netherlands'. We require from our partner organisations to have a policy in place that is similar to this policy and we will require similar measures in case of suppliers responsible for delivery in our programs.

1 What is fraud and what is corruption?

Fraud is defined in this policy as an act carried out either by an internal source (staff, volunteer etc) or external source (anyone else) with the deliberate intention of deceiving the Charity, its donors, beneficiaries or the general public to gain a personal advantage, or cause loss to another. It covers acts varying from theft to false accounting, from the builder who dishonestly conducts unnecessary repairs to the candidate who falsely claims qualifications on their CV. It may involve not telling the truth, failing to say something when you should, or abusing your position.

Corruption involves the act of dishonestly obtaining an advantage from a third party by abusing an entrusted power.

Neither fraud nor corruption are restricted to monetary or material benefit, but could also include intangible benefits such as status or information.

2. What is the attitude of the Help a Child to fraud and corruption?

Help a Child is committed to fight fraud and corruption of any type or in any circumstances, whether perpetrated by staff, volunteers, contractors, partners or clients. Help a Child is determined to prevent, and where this is not possible to detect and investigate such acts. Fraud reduces our ability to help people in need.

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It is inexcusable for anyone to attempt to defraud a charity, because this is, in effect stealing from the most vulnerable and needy in society, as the money would otherwise be used to assist these people. Likewise we must ensure that we are not involved in practices of corruption. If appropriate, Help a Child will report instances of fraud and corruption to the Police.

Help a Child expects that its governing body, managers, staff and volunteers will have the highest standards of honesty at all times.

Help a Child is committed to counter fraud and corruption and puts this in practice following four pillars of: (1) Prevention, (2) Detection, (3) Investigation, Reporting and sanctions (3) and (4) Monitoring, Evaluation and Follow-up. Each of these pillars are set-out in the following paragraphs.

3. Preventing fraud and corruption

Fraud prevention (and detection) is the responsibility of everybody in Help a Child; staff, volunteers and management. Management develops processes for preventing and detecting fraud but the commitment and dedication of staff and volunteers is very important to improve protection.

The Anti-Fraud and Corruption Policy links with various measures and instruments noted below. This combination forms a major defence against fraud and corruption.

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The measures and instruments to prevent fraud and corruption as highlighted in the diagram are further explained as follows:

- **Promoting an anti-fraud and anti-corruption culture:** Help a Child attracts staff and volunteers who have a positive attitude to protecting and making best use of its assets. This attitude is reinforced by the **core values of Help a Child** and various policies and procedures. This also includes periodic fraud and corruption awareness training also towards the partner organisations;
- Both **recruitment**- as well as **leave procedures** are in place to know our employees including verification of credentials with third people and holding interviews for reasons of leave. Also what is expected from our staff is clearly described in our **employee handbook**;
- Help a Child strives to have a clear and transparent organization. Our **valuemanagement approach** helps Help a Child identifying both risks and opportunities in which also risks of fraud and corruption on activity level is to be identified and specific measures are taken to mitigate specific identified risks. Valuemanagement includes also our **quality management** which is giving guidelines to a transparent way of handling with due care and quality and prescribe the procedures and communications;
- Important principles like **segregation of duties** and other **financial monitoring procedures** regarding important decision processes and disposal of assets (including cash/bank accounts) are mandatory and effective procedures often have both a preventive as well as detective effect. The same basic principles and procedures are also required with partner organisations of Help a Child.
- General research on fraud shows procurement process is involved with increased risks of fraud and corruption. Help a Child has introduced extensive **procurement policies** to mitigate these risks as much as possible. Similar procurement policies are also required with our partner organisations.
- In our **agreements with partners** it is documented that partner organizations abide by laws and regulation and have policies and procedures in place to prevent and act when detecting any instance of fraud or corruption.
- When identifying our partners, extensive research takes place and culture/ background of the partners' organizations and its decision makers are being analyzed, including documentation regarding anti-corruption/anti-fraud. This is part of a required Organisational Standard Assessments – OSA)
- Help a Child requires that all of our partners have an own external auditor. Yearly financial statements including (unqualified) auditor's opinion are required by Help a Child. Usually the auditors will need to comply with the latest International Standards on Auditing when performing audits. Help a Child will request from their partner organisations to instruct their external auditors through a Term of Reference to include in the annual audit verification of presence of and adherence to an anti-fraud and anti-corruption policy and to report deviances in the management letter. We request our partners to change auditors if Help a Child thinks the quality of the auditor/deliverable is not sufficient.

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4 Detection of fraud and corruption

The strategy of Help a Child is to work with (partner) organizations on a longer term basis. It is very important that Help a Child maintains sufficient interaction and communication with all layers (management and operational) of the organizations to know and understand how projects are managed and developed.

Management is responsible for reducing opportunities for fraud and corruption and improving detection rates. Most people who commit fraud at work are trusted individuals who are first-time offenders with no criminal history. Often there are three factors that must be present at the same time in order for an ordinary person to commit fraud. They are 'Pressure', 'Rationalization', and 'Opportunity'. Together, these factors are known as the Fraud Triangle, which is a framework for spotting fraudulent activities.

- **Pressure** is what motivates the fraud in the first place. The individual may have financial problems, addictions like gambling, shopping or drugs, or pressure to show good performance or results.
- **Rationalization** is when an individual thinks they are justified because they are underpaid, or it's for their family, or they need it now but they'll pay it back before anyone notices. The individual justifies the crime in a way that makes it an acceptable or justifiable act.
- **Opportunity** is created when there are weaknesses in controls. Individuals think they won't get caught because nobody is reviewing their work.

In Annex III examples of warning signs of fraud are mentioned.

Improving detection of fraud and corruption can be achieved by:

1. identifying the risks to which operations, locations and assets are exposed (*taking the fraud triangle into account*)
2. developing adequate controls
3. ensuring effective compliance with controls.

Well designed and cost effective controls include the following:

- ✓ thorough recruitment procedures
- ✓ physical security of assets
- ✓ clear organisation of responsibilities and reporting lines
- ✓ adequate staffing levels
- ✓ supervision and checking of output
- ✓ separation of duties to ensure that key functions and controls are not performed by the same member of staff
- ✓ rotation of staff
- ✓ random spot checks by managers
- ✓ complete and secure audit trails
- ✓ performance monitoring by management

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- ✓ budgetary and other financial reports
- ✓ reviews by independent bodies such as audit

The Finance department of Help a Child, often through internal or external auditors, will review and provide advice on controls for existing and proposed activities.

Major deterrents to perpetrating fraud and corruption are the risk of being caught and the severity of the consequences. Help a Child will always take robust action, including prosecution if needed, against those who commit fraud.

Most frauds (over 50%) are discovered through the normal operation of controls. Information from third parties accounts for around 30% of cases. Staff should report suspicions of fraud, knowing they are protected under the Whistle Blowing Policy. Contractors, suppliers, clients and the public are also encouraged to report their suspicions.

Specific detection measures within Help a Child apart from regular internal controls are the following:

- On a regular basis our partner organizations are being visited by employees and/or representatives of Help a Child. Any significant findings (including indications of fraud or corruption) from field trips are shared with the financial auditors and the Finance Manager.
- Help a Child hires external auditors who perform operational and financial audits at our organizations. At least once in 4 years Help a Child performs an extensive audit at each partner organizations. Anti-fraud and anti-corruption are fixed attention points of our audit program. Also 'lean audits' are part of the audit-framework of Help a Child. With a lean (interim) audit financial staff will focus on specific areas based on an own risk-analysis and possibly based on output from Help a Child program staff.
- If we have indications that there might be instances of fraud or corruption that have taken place within our partners' organizations Help a Child verifies with an 'ad hoc audit' whether the indications can be substantiated with evidence. If assessed necessary external experts are hired to support.
- Internal and external procedures include budgetary monitoring. Variances need to be analyzed and explained for. Integrated Regional Teams together with support of projectadministration verify the relations and consistency between narrative and financial reporting.
- Help a Child applies benchmarking procedures towards our program development in which financial outputs (budgets/actuals) are linked with outcomes and difference between projects need to be analyzed.

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5 Investigating, Reporting and Sanctions

I- *Communication of suspected fraud or corruption*

Any suspected instances of fraud or corruption should be directly reported to the Manager Finance of Help a Child (see Annex I for further guidance). The Manager Finance will inform the CEO with immediate effect and the instance will be registered in the Fraud Register (see Annex IV). If needed, The CEO together with the Manager Finance will arrange for the creation and meeting of a Fraud Response Team as soon as possible (see Annex II). Membership of the Team may vary depending on initial indications of the severity of the suspected fraud but may include: the project coordinator responsible for the area of the suspected fraud, the CEO and Manager Finance.

For employees or stakeholders who want to be assured of absolute confidentiality or wish to stay anonymous a member of the Supervisory Board can be contacted as confidant (see Annex I). The confidant may consult the Chair of the Board for next steps before the CEO can be informed.

For smaller (< EUR 500), less complex frauds, it may not be appropriate to establish a full Fraud Response Team but the Manager Finance should always be a member and should be kept informed of progress at all stages of the investigation.

Depending on the situation the (suspected) fraud and follow-up is also reported within MT.

Fraud is standard to be reported at the following Audit Committee Meeting. In case a MT member of Help a Child is involved the Chair of the Supervisory Board will need to be informed instantly.

II- *Analysis of situation*

- a. A case description is made to include as much as possible all related and relevant facts and figures. This must also include a circumstantial analysis as to how and by whom the information regarding the instance was obtained and shared;
- b. These details are also discussed with staff responsible for the project (if applicable) to verify whether the description is representing the facts.
- c. Besides the case-description an impact-analysis must be made, the following need to be assessed.
 - i. Which projects are involved;
 - ii. To what extent can this issue have impact on the continuity of the project;
 - iii. How can any possible damage to project beneficiaries resulting from measures to resolve the issue be minimized;
 - iv. Any possible impact

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- d. If it is clear that management within Help a Child or the management of the partner organization is not involved in fraud or corruption Help a Child will request the partner organization to share with Help a Child a plan of corrective and preventive measures. Based on this plan Help a Child needs to decide whether this will be sufficient for correcting the instance and preventing future damage.
 - e. If possibly also management of the partner organization is involved in fraud of corruption it needs to be decided how to prepare and communicate an investigation;
- III- Investigation
- a. If Help a Child decides to perform an investigation this needs to be performed within 3 weeks after the decision is taken to perform an investigation;
 - b. If necessary, external (local) support must be hired;
 - c. A 'root-cause' analysis must be included in the investigation to identify internal or external drivers if any;
 - d. The report is issued within 2 weeks after finalization of the investigation.
- IV- Follow-up
- a. After issuance of the report by Help a Child to the partner organization, management of the partner organization has one week to react on the report. Management of the partner organization must include a plan containing corrective and preventive measures;
 - b. If the partner organization also has a (Supervisory) Board an additional response from this (Supervisory) Board must be requested;
 - c. Depending on the response of the partner organization one member of the Management Team together with a responsible project coordinator visits the management of the partner organization to discuss the relationship, any organizational measures and the plan for implementation of measures including milestones.
- V- Sanctioning
- a. In case of fraud within Help a Child Annex II 'Employees under suspicion' is applicable.
 - b. If an instance of fraud or corruption at a (partner)organization of Help a Child is substantiated from the output of the investigation but management of the partner organization is denying the allegations, continuation of the relationship between Help a Child and the partner organization must be discussed between both parties;
The following options have to be assessed :
 - i. Whether a second opinion by a third party can add value;
 - ii. Whether an independent mediator could help working to a solution.
 - c. If after discussion the partner organization is not willing to acknowledge any responsibility in the case of fraud/corruption the management team of Help a Child will decide on continuation of the relationship and an exit-strategy depending on the impact for children/communities involved.

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- d. Help a Child will principally hold the partner organization liable to fully compensate for the damage incurred, but this is to be decided based on the case and context.
- e. If the partner organization is cooperative and has delivered a plan containing corrective and preventive measure a follow-up audit will take place within 6 months after launch of the plan.
- f. As mentioned in both the partner agreement and finance agreement the contract may be terminated if no other options are available.

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6 Monitoring and Evaluation

The effectiveness of the implementation of the Anti-Fraud and Corruption policy including the effectiveness of preventive and detective measures must be monitored and evaluated after each instance of fraud or corruption, so that the anti-fraud and corruption policy can be further improved and (control)procedures may be changed or added to prevent new instances of fraud or corruption.

In the evaluation it will be important to include the outcome of the 'root-cause' analysis (mentioned under 'investigation') which may lead to changes in the organization, policies or procedures.

On an annual basis together with the presentation of the financial statements the fraud register will be discussed and will be reflected on the practice by the Audit Committee to see if any lessons can be learned.

Occurrence of fraud (though anonymized) may be used as learning materials (lessons learned) for the organization, so that staff concerned stays aware of risks.

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Annex I – Guidance how to respond with a suspected case of fraud or corruption

Initial guidance if you suspect a fraud / corruption

Fraud/corruption may be uncovered in a variety of ways: from your own observations, someone from inside or outside blowing the whistle, ongoing controls throwing up a discrepancy, internal or external audit discovering a problem, or external regulators and inspectors finding something.

It is important for you to know how to deal with your suspicions.

Things to do:

- ✓ Stay calm – remember you are a witness not a complainant;
- ✓ Write down your concerns immediately – make a note of all relevant details such as what was said in phone or other conversations, the date, the time and the names of anyone involved;
- ✓ Consider the possible risks and outcomes of any action you take;
- ✓ Make sure your suspicion is supported by facts, don't just allege.

Things not to do:

- ✓ Do not become a private detective and personally conduct an investigation or interviews;
- ✓ Do not approach the person involved (this may lead to him/her destroying evidence);
- ✓ Do not discuss your suspicions or case facts with anyone other than those persons referred to below unless specifically asked to do so by them;
- ✓ Do not use the process to pursue a personal grievance.

Some things to remember:

You may be mistaken or there may be an innocent or good explanation – this will come out in the investigation. The process may be complex and you may not be thanked immediately and the situation may lead to a period of disquiet or distrust in the organisation despite your having acted in good faith.

Reporting your suspicions.

The following reporting lines are to be used regardless of the potential magnitude of the fraud, which it would be difficult to quantify at an early stage. Report your suspicions as below:

- **Your line manager.** Generally this is your first port of call. Fraud prevention is their responsibility in particular. They will know the systems, the people, what is at risk. They should immediately contact the Manager Finance for further support.
- If you think your manager might be involved in the fraud or if you feel they have wrongly dismissed your concerns, then you should go to the **Director Operations or the CEO**;
- **Fraud reporting email:** If you want to be assured of absolute confidentiality or wish to remain anonymous, you can report to a confidant who is member of the Supervisory Board (gerdabastiaan@gmail.com). The confidant will treat the matter highly confidential and will decide on the next step.

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Whistleblowing

The Whistleblowing Policy provides advice on reporting practices in violation of the law (such as fraud and corruption).

You should write to the Board of Help a Child (CEO). Provided reports are made in good faith, you are protected by Help a Child and the law against retribution, harassment or victimization and your confidentiality will be preserved.

Guidance for line managers on receiving a report of fraud:

- ✓ Listen to the concerns of your staff and treat every report you receive seriously and sensitively. Make sure that all staff concerned are given a fair hearing.
- ✓ You should reassure your staff that they will not suffer because they have told you of their suspicions.
- ✓ Get as much information as possible from the member of staff. Do not interfere with any evidence and make sure it is kept in a safe place.
- ✓ Request the member of staff to keep the matter fully confidential in order that senior management are given time to investigate the matter without alerting the suspected/alleged perpetrator
- ✓ If you suspect the fraud involves another department then you should notify the CEO for further action in accordance with this policy.
- ✓ do not carry out an investigation yourself – this could hinder proper investigation and any criminal enquiry. Report the matter immediately to manager Finance or the CEO. They will decide on activation of the Fraud Response Plan.

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Annex II Guidance for Fraud Response Team

It is important that managers and others know what to do in the event of a fraud so that they can act without delay. The anti-fraud and corruption Policy covers the action required when fraud is suspected and to whom the fraud/corruption or suspicion should be reported. The Fraud Response Plan is a guide to how and by whom the fraud suspicion will then be investigated, reported and closed.

The Fraud Response Plan provides an outline of many of the areas that will need to be considered when investigating a large and complex fraud. For smaller less complex frauds, there will be parts of the plan that will not be applicable. It is however important to keep an open mind and consider whether a small fraud is concealing a much larger fraud.

Membership of the Fraud Response Team should be established as part of agreeing and signing off a Fraud Response Plan.

The Fraud Response Team should quickly determine the following:

- ✓ whether an investigation is necessary
- ✓ who will lead the investigation (The person chosen to lead the investigation should be appropriately experienced and independent of the activity affected by the alleged fraud).
- ✓ any necessary additional resource to support the investigation
- ✓ any immediate need for police involvement
- ✓ any additional support requirements (e.g. IT facilities, a secure room, secure fax and phone facilities, administrative support etc)
- ✓ any immediate need for legal advice
- ✓ any immediate need for external, technical advice or support (e.g. forensics)
- ✓ any immediate need to establish a PR/media strategy for dealing with the case (both internally and externally)
- ✓ any immediate need to suspend staff; conduct searches and remove staff access (e.g. to files, buildings, computers/systems etc)
- ✓ any immediate need to report the potential fraud externally (e.g. Charity Commission, external auditors, funders/donors, tax authorities etc).
- ✓ whether the fraud is suspected to approach the insurance excess (currently £50,000) and therefore the insurers need to be informed.
- ✓ Whether the chair of the Audit Committee should be informed.
- ✓ a timetable for the lead investigator to report back progress on the investigation.

The objectives of the investigation should be documented and approved by the Fraud Response Team at the outset. Likely objectives would be to:

- ✓ identify the culprit(s)
- ✓ establish the facts surrounding the fraud and ascertain total losses
- ✓ remove the threat of further losses. (Note: in some exceptional cases it may be necessary to allow further losses, in order to gain additional evidence and increase the chances of successful criminal, civil, or disciplinary action. This should normally only be allowed under police guidance).
- ✓ obtain sufficient evidence for successful disciplinary, criminal, or civil action

Certain action may need to take place immediately to prevent further losses.

The Board (CEO/Director Operations) should lead on any decisions and action regarding staff suspensions and removal of access to files, systems and offices.

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The date of the next meeting and review of the first investigation progress report should be agreed. The Fraud Response Team should arrange to meet on a regular basis, to oversee progress of the investigation and to take major decisions relating to the case.

The Plan may cover some or all of the following:

- ✓ identification and recording of the persons involved and facts of the case
- ✓ handling internal and external communications
- ✓ actions to prevent further losses
- ✓ actions to secure evidence. Normally, evidence should be secured in a way that will be least likely to alert the suspect(s) or others
- ✓ liaison with Board regarding HR issues and dealing with employees under suspicion
- ✓ interviews to be conducted
- ✓ timetables for involving the police or other external experts
- ✓ analysis of evidence
- ✓ internal reporting (e.g. to Management Team, to Audit Committee, etc)
- ✓ reporting to regulatory/government bodies
- ✓ target dates for reporting back to the Fraud Response Team

The effectiveness of the Plan depends on good quality communication at all stages.

Internal communications

- Investigators and managers need to ensure that everyone with a need to know is kept suitably briefed throughout the investigation and at the reporting, acting on findings and debriefing stages. Communication with any person(s) about whom concerns are raised needs to be conducted in accordance with the organisation's HR policies. The person who raised concerns should be kept up to date, with due regard to confidentiality.
- There will always be a balance to be struck between communication and confidentiality therefore those persons or categories of persons who need to know should be clearly identified at each stage of the Plan, so that assurances on confidentiality can be given where required

External communications

- Third parties who may need to be alerted or informed might include the police, regulatory authorities, insurers, legal advisors, external auditors and the CBF. The Plan should make clear who is mandated to communicate with these third parties, and under what circumstances.
- HELP A CHILD is prepared for the fact that frauds may attract media attention and the Plan should identify which employee is mandated to deal with the press and what action any other staff contacted by the press should take. The current media communication channels and procedures should be used where possible

Inappropriate communication

The Plan should make clear any form of communication that is considered inappropriate, for example:

- discussing the case outside Help a Child;
- confrontation between the person reporting the fraud and the suspected perpetrator(s). (Note that the Whistle blowing Policy provides assurances for the safety and confidentiality of the person making the report)

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Securing evidence

In securing and handling evidence it should be assumed that all evidence may need to be presented in court and should therefore be treated accordingly. (Even if criminal or civil action is not planned, it is sensible to adopt this approach).

- ✓ Normally, all evidence should be kept securely under lock and key, with access limited to those working on the investigation. If necessary, locks to secure rooms should be changed. A record should be maintained of anyone handling evidence.
- ✓ Evidence such as computer data, transferable media, videotape etc, should only be handled by suitably trained and skilled personnel. Where there is any doubt, professional/police advice should be sought
- ✓ Where evidence, or other relevant information, is to be shared with another body, careful consideration should be given to any data protection (confidentiality) requirements. Where there is any doubt, expert advice should be sought.
- ✓ Evidence can take different forms and will need to be handled in different ways.

Original Documents

- ✓ handle as little as possible
- ✓ put in protective folder and label the folder
- ✓ do not mark in any way
- ✓ assign responsibility to one person for keeping the documents
- ✓ keep a clear record of how and where the documents were obtained
- ✓ keep a record of anyone who subsequently handles the documents

Computer Held Data/Transferable Media

- ✓ keep secured in an appropriate environment
- ✓ data should only be retrieved from computers by those who are technically qualified

Photocopied Documents

- ✓ in some cases it may be preferable or necessary to leave original documents in situ and take photocopies for further analysis and investigation
- ✓ photocopies should be clearly marked as such
- ✓ photocopies should be signed and dated, and certified as a true copy of the original

DVD/CD Rom Evidence

- ✓ keep secured in an appropriate environment (e.g. protective bag)
- ✓ videos should not be viewed until technical and legal advice is sought (i.e. so that they can be treated in accordance with the rules of evidence).

External evidence

- ✓ There are potential external sources from which evidence or information to support an investigation can be obtained, such as the tax authorities, supplier records, government registers of companies, donor records etc.

Employees under suspicion

It should always be remembered that an allegation of fraud may be unfounded and in order to respect the employee and ensure good working relations after an investigation, any action taken, such as suspension, and interviewing should be handled very carefully.

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- Suspension from work is an opportunity to protect both the employer and employee, providing the necessary space and opportunity to plan the investigation, investigate the facts and speak to other staff without the employee being present. It should be made clear that suspension is not a judgement.
- The key factors in deciding to suspend staff will normally be prevention of further losses and removal or destruction of evidence. In some cases, it may be preferable to not suspend even at the risk of further losses (e.g. to gather further evidence).
- Any employees under suspicion who are allowed to remain at work should be closely monitored. This may include: physical surveillance of movements, monitoring of IT usage, monitoring of telephone, email and internet usage etc. (Note: it is advisable to seek legal advice regarding the use of surveillance techniques, to ensure compliance with local laws such as the privacy regulations).
- Other matters to consider include:
 - a review of staff records (e.g. to check references, employment history, qualifications etc, but with due regard to any data confidentiality / protection requirements)
 - searching the suspects work area; desk, cabinets, files, computer etc
 - restricting access by the suspect to files, computers etc.

Interviews/statements

When interviewing employees under suspicion it must be made clear whether it is a formal interview or an informal discussion. It should be explained that you have no pre-set view, the suspicion should be outlined and the employee given adequate time to respond.

- If it is decided that formal questioning is needed because involvement in a criminal offence is suspected, then the professionals need to be involved.
- Interviews should only be carried out with the approval of senior management/the Fraud Response Team.
- Early consideration should be given to police involvement, or consultation.
- There are strict rules relating to tape recorded interviews and investigators must be suitably skilled and experienced, where these are used.
- Ideally, statements should be taken from witnesses using their own words. The witness must be happy to sign the resulting document as a true record – the witness can be given a copy of the statement if desired.
- It is very important to keep contemporaneous notes on file, in the event that they are needed for future reference (e.g. court, tribunal, disciplinary hearing). Such notes should always show: date of interview; time started; time finished; and, be signed and dated by the interviewer.

Police involvement

At some point a decision will need to be made as to whether the case is reported to the police. It is up to the Board to decide when and how the policy will be reported of fraud, theft or corruption, there needs to be an element of realism as to the likely extent of police involvement. For large-scale frauds, it may be appropriate to ask the police to attend meetings of the Fraud Response Team.

The lead investigator should prepare an “Evidence Pack” that can be handed to the police at the time the fraud is reported. The Evidence Pack should include a summary of the fraud, highlighting (where known) the amount, the modus operandi, and the location, and including photocopies of key supporting documents and contact details of the person leading the investigation. Remember to keep a photocopy of everything that is handed to the police.



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- All contact with the police should be channelled through one person (i.e. the person leading the investigation). A record should be maintained of all contacts with the police, the details of the officers, and the crime reference number.
- The Police have knowledge of similar cases of fraud and their advice should be sought regarding measures to prevent further losses or future incidents

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Annex III Warning signs for fraud

There are warning signs that can indicate a fraud may be taking place, these can include:

- ✓ staff under stress without a high workload
- ✓ reluctance to take annual leave
- ✓ being first to arrive in the morning and last to leave in the evening
- ✓ refusal of promotion
- ✓ unexplained wealth
- ✓ sudden change of lifestyle
- ✓ suppliers/ contractors who insist on only dealing with one staff member
- ✓ a risk taker or rule breaker
- ✓ disgruntled at work / not supportive of organizations mission

Fraud Indicators can include:

- ✓ staff exhibiting unusual behavior (see list above)
- ✓ missing key documents (invoices/ contracts)
- ✓ inadequate or no segregation of duties
- ✓ documentation which is photocopied or missing key information
- ✓ missing expenditure vouchers
- ✓ excessive variations to budgets / contracts
- ✓ bank and ledger reconciliations not regularly performed and cannot be balanced
- ✓ numerous adjustments or exceptions
- ✓ overdue pay or expense advances
- ✓ duplicate payments
- ✓ ghost employees on payroll
- ✓ large payments to individuals
- ✓ crisis management coupled with a pressured work environment
- ✓ lowest tenders or quotes passed over without adequate explanation single vendors
- ✓ climate of fear / low staff morale
- ✓ consistent failure to implement key controls management
- ✓ frequently overriding controls

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✓ ANNEX IV FRAUD REGISTER

See Chapter 5 under I- 'Communication': all suspected instances of fraud and corruption will be registered in the Fraud Register.

See Chapter 6 on 'Monitoring and Evaluation': on an annual basis, together with the review of the financial statements, the Audit Committee will reflect on all instances of the past year for evaluation and learning purposes

The Fraud Register contains the following headings:

1. Case number
2. Date of reporting
3. Location of incident(s)
4. Nature of alleged incident
5. Key persons involved
6. Time period over which the incident(s) occurred
7. Value (estimated or actual) associated
8. References to documentary and other evidence sought or acquired
9. Control weaknesses identified
10. Recommendations for improvement / further action identified
11. Responsibilities and time frames for action