

**ANTI FRAUD POLICY**  
**AND**  
**FRAUD RESPONSE PLAN**

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# **ANTI FRAUD POLICY AND FRAUD RESPONSE PLAN**

## **1. INTRODUCTION**

AFAD is a local level NGO registered with NGOAB, and Women and Children Affairs department. AFAD is established in -----, presently it is working in 02 Upazilas in Kurigram district.

In line with its vision, mission and goal, AFAD works with poor, extreme poor, vulnerable, excluded and all other disadvantaged people to bring a sustainable positive change in their lives.

The Executive Committee is responsible to set the strategic direction, final authority of approving policies, annual plan, budget, appointment of external auditors and approval of audit reports; and ensuring overall programmatic and financial integrity at all levels includes management of program and finance following the policies and guidelines; and verifying its implication, effectiveness, accuracy, authentication and transparency. The **Executive Director** is responsible to ensure the compliances at execution and implementation level on behalf of the Board..

The organization has a transparent and accountable governance system guided by its constitution and administered by different policies and manuals.

The authority of AFAD is committed to maintain legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty and wishes to be seen as opposed to fraud and corruption in the way that it conducts its business. All members of staffs are expected to share this commitment. The objectives of this policy is to promote a culture which deters fraudulent activity and to facilitate the prevention and detection of fraud and the development of procedures which will aid in the investigation of fraud and related offences and will ensure that such cases are dealt with timely and in appropriate manner.

The document sets out the policy and procedures of AFAD against fraud and other forms of dishonesty, together with the steps that must be taken where any of these practices is suspected or discovered

It applies to Executive Director, staff, volunteers and vendors/suppliers. Anybody associated with the organization who commits fraud, theft or any dishonesty, or who becomes aware of it and does not report it, will be subject to appropriate disciplinary action.

## **2. POLICY STATEMENT**

2.1. The organisation takes a zero-tolerance approach to fraud and will uphold all applicable laws relevant to countering fraud in all the jurisdictions in which it operates. It welcomes the national and international community's efforts to stamp out fraud. It undertakes due diligence on its partners, staff, volunteers, vendors, suppliers and associates and take reasonable steps to ensure that they apply all applicable anti-fraud laws.

2.2. The purpose of this policy is to:

- a) set out the AFAD's responsibilities in observing and upholding its policy on fraud;
- b) provide information and guidance to AFAD employees and volunteers, partner NGOs and vendors/suppliers on how to recognize and deal with fraud issues; and
- c) establish standards of conduct for AFAD employees and volunteers, partner NGOs and vendors/suppliers as to ensure that the relevant legislation and compliances are not violated.
- d) Maintaining cost effective procedures to deter fraud

- e) Taking firm action against any individual or group perpetrating fraud
- f) Encouraging AFAD employees, partners, vendors/ suppliers and those obtaining benefit from AFAD resources to be vigilant and to report any suspicion of fraud with stipulated time.
- g) establish suitable channels of communication to provide sensitive information will be treated appropriately

- 2.3. This policy and the Fraud Response Plan form part of a series of related policies ( Human Resource Management Policy, Finance and administration manual, Procurement manual, asset and inventory system, Vehicle management, internal audit, effective recruitment and selection procedures; disciplinary procedure; public interest disclosure procedures; etc) and procedures developed to provide sound internal financial controls and to counter any fraudulent activity.
- 2.4. Fraud harms legitimate activities and is a serious criminal offence. Under the Anti corruption law of Bangladesh, fraud is punishable for individuals, and if the organisation was found to have committed an offence, it could face an unlimited fine, be excluded from grant support, and face damage to its reputation. It therefore takes its legal responsibilities very seriously.
- 2.5. The organization considers a breach of this policy to be a serious violation which may result in disciplinary measures, including the dismissal of employees or the termination of its partnership relationship with any vendor or suppliers third party.

### **3. WHO IS COVERED BY THE POLICY?**

- 3.1. This policy applies directly to AFAD to all individuals working within the AFAD as employees, local partner NGOs, consultants or other persons who may represent the AFAD from time to time. The policy will be provided to partners, vendors, suppliers and associates, who will be required to take reasonable steps to ensure that, in carrying out activities supported by the AFAD, they and their employees and associates comply with all applicable anti-fraud laws.
- 3.2. The Executive Director is responsible for ensuring that all concern who carry out activities supported by the AFAD understand the requirements of this policy.

### **4. WHAT IS FRAUD?**

- 4.1. “Fraud is a form of dishonesty, involving false representation, failing to disclose information or abuse of position, undertaken in order to gain or cause loss to another” and “Theft is dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it”.
- 4.2. For practical purposes of the application of this policy, fraud may be defined as the use of deception with the intention of:
- a) gaining an advantage, financial or otherwise, personally and for family or friends;
  - or b) avoiding an obligation/compliance; or
  - c) causing a financial loss to the Organization.

- 4.3. A fraudulent act can take many forms, for example, theft – removal or misuse of funds, assets or cash; false accounting - dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with the intent to cause loss to the organisation or furnishing information which is or may be misleading, false or deceptive; or abuse of position – abusing authorities and misusing organization resources or information for personal gain or causing loss to the organization.
- 4.4. Those engaged in fraud can include an employee, a board member, or vendor/supplier, any person acting on behalf of the AFAD i.e. individuals or organizations who authorize someone else to carry out these acts, government or public officials whether foreign or domestic.

## **5. PREVENTION**

- 5.1. Fraud is costly, both in terms of reputational risk and financial losses, as well as time-consuming to identify and investigate, disruptive and unpleasant. The prevention of fraud is therefore a key objective. Measures should be put in place to deny opportunity and provide effective leadership, auditing, employee screening procedures, which deny opportunities for fraud.
- 5.2. Fraud can be minimized by carefully designed and consistently operated procedures which deny opportunities for fraud. Staff are made aware of policies through the Employee code of conduct and updates are circulated by email or office circular.
- 5.3. The internal financial controls help to ensure that at all times the financial management of the Organisation is conducted in accordance with the highest standards. Regular management review of systems and reports by internal audit in line with the agreed annual audit programme should assist in preventing and detecting fraud; and should also result in continuous improvements. The risk of fraud should be a factor for consideration in audit plans.
- 5.4. The credibility and success of the Anti-Fraud Policy and Fraud Response Plan is dependent largely on how effectively it is communicated throughout the organisation. To this end, details of the Policy and Fraud Response Plan will be provided to all staff, board members, partners, vendors and suppliers.

## **6. RESPONSIBILITIES**

- 6.1. Board members, employees, vendors, partners must ensure that they read, understand and comply with this policy.
- 6.2. The prevention, detection and reporting of fraud are the responsibility of all those working for the organisation or under its control. They are required to avoid any activity that might lead to, or suggest, a breach of this policy.
- 6.3. They must notify your line manager as soon as possible if you believe or suspect that a conflict with this policy or the Fraud Act by an employee or any third party has occurred, or may occur in the future.
- 6.4. Any employee who breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct. The organization also reserves the right to terminate its

contractual relationship with its partners, consultant, vendors/suppliers and associates if they breach this policy.

## **7. RECORD-KEEPING**

- 7.1. The organization must keep financial records for five years, and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.
- 7.2. You must ensure all expenses claims relating to hospitality, gifts or expenses incurred to third parties are submitted in accordance with the AFAD's finance policy, and specifically record the reason for the expenditure.
- 7.3. All accounts, invoices, memoranda and other documents and records relating to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and maintained with strict accuracy and completeness. No accounts must be kept "off-book" to facilitate or conceal improper payments.

## **8. HOW TO RAISE A CONCERN**

All concerns are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If you are unsure whether a particular act constitutes fraud, or if you have any other queries, these should be raised as a protected disclosure to your line manager or a Director. **For raising the concern, a whistle blower Declaration is attached here with as annex which will be signed and kept by all staff and vendors as well as a photocopy will be in respective file for record.**

## **9. PROTECTION**

- 9.1. Employees who raise concerns or report another's wrongdoing are sometimes worried about possible repercussions. It is the AFAD's policy that employees will not suffer retaliation or harassment for reporting in good faith any compliance concerns. AFAD aims to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.
- 9.2. The organization is committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in fraud, or because of reporting in good faith their suspicion that an actual or potential fraudulent act has taken place, or may take place in the future. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavorable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the Chief Executive immediately.

## **10. TRAINING AND COMMUNICATION**

- 10.1. All employees will receive relevant training on how to adhere to this policy.
- 10.2. The organization's zero-tolerance approach to fraud will be communicated to all partners, associates, suppliers, and contractors at the onset of its relationship with them and as appropriate thereafter.

## **11. WHO IS RESPONSIBLE FOR THE POLICY?**

11.1. The Executive Board has overall responsibility for ensuring this policy complies with the AFAD's legal and ethical obligations, and that all those under our control comply with it.

11.2. The Executive Director have primary and day-to-day responsibility for implementing this policy and for monitoring its use and effectiveness and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

## **12. RISK ASSESSMENT, MONITORING, AND REVIEW**

12.1. As part of its annual risk assessment process the management will monitor the effectiveness and review the implementation of this policy, considering its suitability, adequacy and effectiveness. The Executive Directors will carry out regular audits of the AFAD's control systems and procedures to provide assurance that they are effective in countering fraud.

12.2. All employees are responsible for the success of this policy and should ensure they use it to disclose any suspected danger or wrong doing.

12.3. This policy does not form part of any employee's contract of employment and it may be amended at any time.

## **13. FRAUD RESPONSE PLAN**

The purpose of this plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud. This plan may not be appropriate for concerns that are not fraud related such as bribery, anti-competitive behaviour or other irregularity.

1. All actual or suspected incidents should be reported without delay to a line manager or the Executive Director, who should as soon as possible convene a meeting of EC to decide on the initial response:

This committee will decide on the action to be taken, normally an investigation. If necessary, external specialist investigative auditors and legal experts may be appointed to carry out the investigation.

2. The Chairperson of the EC should be informed at the earliest stage when an investigation under this procedure has been initiated.
3. Where an investigation is to take place, and the matter implicates any of the individuals mentioned above, another person with senior management responsibility shall be appointed by the Chairperson the Committee.
4. Prevention of further loss: where initial investigation provides reasonable grounds for suspecting a staff member of fraud, the committee will decide how to prevent further loss. The staff member under suspicion will be suspended on full pay or as defined the human resource management policy.

5. In these circumstances, the suspect(s) should be approached unannounced and should be interviewed about the allegation prior to being informed of their suspension. They should be supervised at all times before leaving the organization's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the organization. Any security passes and keys to premises, offices, and furniture should be returned. Laptop computers, mobile phones, etc and associated hardware/software must also be returned. The IT personnel should be instructed to immediately withdraw access permissions of the suspects to the organization's computer systems.
6. The committee will consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the organizations assets.
7. Recovery of losses is a major objective of any fraud investigation. The committee will ensure that, in all fraud investigations, the amount of any loss is quantified. Repayment of losses will be sought in all cases. Where the loss is substantial, legal advice may be obtained about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice may also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The organization will normally expect to recover costs in addition to losses.
8. Reporting to the Executive Committee: any incident shall be reported without delay to the Chairperson and updates shall be given on a regular basis on the investigation.
9. On completion of the investigation, a written report shall be submitted to the Executive Board containing a description of the incident, including the value of any loss, the people involved; the means of perpetrating the fraud; the measures taken to prevent a recurrence; and any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken. This report will represent the definitive document on which management (in a disciplinary situation) and possibly the Police (in a criminal situation) will base their decision.

## **14. Examples and Indicators of Fraud**

Examples of fraud, which are neither exclusive nor exhaustive, include the following:

- Misappropriation of cash;
- Fraudulent encashment of payable orders or cheques;
- Misappropriation of other assets including information and intellectual property. This would also include unauthorized use of organization property e.g. Computers, other equipment;
- Purchasing or purchase ledger fraud (e.g. Approving/paying for goods not received, approving/paying bogus suppliers, approving/paying inflated prices for goods and services, accepting any bribe);
- Travel and Expense claims overstated or falsely claimed. This may include advances not recovered or forging of counter-signatories;
- Accepting pay for time not worked (e.g. false claim for hours worked, failing to work full contracted hours by any member of staff, false overtime claims, or falsification of sickness self-certification); and
- Document fraud (e.g. altering or substituting records, duplicating or creating spurious records, or destroying or suppressing records), where IT equipment has been used to manipulate program of data dishonestly, or where the use of an IT system was a material factor in the preparation of the fraud.



Whilst by no means being proof alone, the circumstances below (warning signs) may indicate fraud, and should therefore alert staff:

- Altered documents (correcting fluid, different pen or handwriting);
- Claim form details not readily checkable or properly approved;
- Changes in normal patterns, of cash takings or expense claim details (for example);
- Delay in completion or submission of expense claims;
- Lack of vouchers or receipts in support of expense claims, etc;
- Staff seemingly living beyond their means;
- Staff under constant financial or other stress;
- Staff choosing not to take annual leave (and so preventing others becoming involved in their work), especially if solely responsible for a “risk” area; and
- Complaints from staff.

## 15. “Do’s and Don’ts”

In addition to the warning signs outlined above, staff are advised to take notice of the following in respect of possible fraud-related instances or actions:

| <b>DO</b>   | <b>DON’T</b>  |
|---|---|
| <b>Make a note of your concerns</b>   | <b>Be afraid to raise your concerns</b>   |
| <p>Record all relevant details, such as the nature of your concern, the names of parties you believe to be involved, details of any telephone or other conversations with names, dates and times and any witnesses.</p> <p>Notes do not need to be overly formal, but should be timed, signed and dated.</p> <p>Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened.</p> | <p>The Public Interest Disclosure Act provides protection for employees who raise reasonably held concerns through the appropriate channels– whistle blowing .</p> <p>You will not suffer discrimination or victimization as a result of following these procedures and the matter will be treated sensitively and confidentially where the concern raised is genuine and held in good faith.</p> |
| Retain any evidence you may have.   | Seek to obtain evidence not already in your possession or in any other way carry out your own investigation into your suspicions.   |
| The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective investigation.   | There may be a perfectly reasonable explanation for the events that give rise to your suspicion. Spreading unsubstantiated concerns may harm innocent persons.  |
| Report your suspicions promptly.  | Approach the person you suspect or try to investigate the matter yourself.  |
| All concerns must be reported to the appropriate person detailed in the Fraud Response Plan.  | There are special rules relating to the gathering of evidence for use in criminal cases. Any attempt to gather evidence by persons who are unfamiliar with these rules may undermine the case.  |
|   | Convey your concerns to anyone other than authorised persons listed in the Foundation’s Fraud Response Plan.  |