



ORGANIZATIONAL ANTI FRAUD AND CORRUPTION POLICY

June, 2014

Dire Dawa, Ethiopia

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ORGANIZATIONAL STATEMENT

Positive Action for Development established to support the very poor in particular and the wider community in its efforts of alleviating poverty and realizing socio economically strong and culturally developed society. More specifically, Positive Action for development is a non- for profit and nongovernmental organization, existing to support developmental intervention by implementing different need based and area specific short term and long term projects and programs with an objective of improving the living conditions of the very poor in particular and the general community in general . To make this happen, positive Action for development will have sufficient ongoing funding and skilled staff to ensure this mission is realized.

1. INTRODUCTION

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.

2 CORRUPTION - TERRORIST FINANCING

We must ensure that we are not inadvertently used by a terrorist organization. The authorities are concerned about employees working for charities, and therefore in positions of trust and authority, being used to smuggle weapons or purchase weapons on behalf of the terrorist organization. Alternatively another concern is that an employee may use the charity's funds to support the terrorist organization, by for example directing charity funds to a body connected with a terrorist organization.

3. ATTITUDE OF PAD TO FRAUD AND CORRUPTION

PAD has a zero tolerance approach to fraud and corruption of any type or in any circumstances, whether perpetrated by staff, volunteers, contractors, partners or clients and is determined to prevent, and where this is not possible to detect and investigate such acts. Fraud reduces our ability to help people in crisis. It is reprehensible 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 used to assist in money laundering or any terrorist activity. As a matter of principle, PAD reports all instances of fraud and corruption to the Police automatically and immediately. PAD expects that its governing body, managers, staff and volunteers will have the highest standards of honesty at all times.

4. PREVENTING AND DETECTING FRAUD AND CORRUPTION

Fraud prevention and detection is the responsibility of everybody in the PAD; staff, volunteers and management. Management may devise processes for preventing and detecting many frauds but the commitment and dedication of staff and volunteers is a vital ingredient to improve protection.

4.1 Promoting an anti fraud and anti corruption culture.

PAD attracts staff and volunteers who have a positive attitude to protecting and making best use of its assets. This attitude is reinforced by the Statement of Fundamental Principles and various policies and procedures. The policies and procedures noted below, combined with the Fraud Policy, are a major defense against fraud.

4.2 Deterrence and detection

Management is responsible for reducing opportunities for fraud and corruption and improving detection rates. It can achieve this by:

1. Identifying the risks to which operations, locations and assets are exposed
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 organization 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
- ✓ budgetary and other financial reports
- ✓ reviews by independent bodies such as audit

The Risk and Assurance department 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. PAD will always take robust action, including prosecution, 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.² Staff should report suspicions of fraud, Contractors, suppliers, clients and the public are also encouraged to report their suspicions. In addition to reporting the fraud to the police, PAD will actively pursue the recovery of monies, using all legal means.

5. WORKING WITH PARTNER ORGANIZATIONS

When working with Partner organizations additional control systems must be developed to detect and prevent fraud or corruption. List of additional controls required include, but are not restricted to:

- ✓ Ensuring a thorough, documented Partner Assessment is undertaken prior to engagement to assess the Partner's control environment. The assessment should expressly identify additional fraud risks, perhaps as a result of the environment (emergency context).
- ✓ Ensuring PAD Policies are shared and understood by Partner staff, where Partner's own Policies are considered inadequate, conflicting or do not exist, e.g. procurement policy. This may involve training of Partner staff.
- ✓ Ensure reporting requirements are effectively communicated to Partner staff, including the type of documents expected to support all reports. This may involve training of Partner staff.
- ✓ Ensuring a signed Partnership Agreement supports all work with Partners. This agreement should stipulate any additional controls required for PAD funded aspect of Partner work, e.g. opening a separate bank account for PAD funds.
- ✓ Ensure financial reports received from Partners are thoroughly reviewed, fully supported and compared to the approved budget prior to sending the next tranche of funds.

6. REPORTING

- ✓ It is the responsibility of all staff to report suspected, actual or attempted fraud or corruption
- ✓ All reported instances of actual, attempted or suspected fraud or corruption will be investigated and appropriate action taken against the perpetrator. Control weaknesses identified as a result of reported instances will be addressed with immediate effect to prevent future similar occurrences.
- ✓ There may be additional requirements to report instances of fraud or corruption to Donors on a regular basis.