

# Beyond Essential Systems

## FRAUD AND CORRUPTION POLICY

Version date: March 2019

### 1. Purpose

The objective of this policy is to take all reasonable measures to protect against, detect and respond to fraud and corruption in order to protect the interests of clients, staff, donor partners and other stakeholders.

### 2. Related Policy

This policy is intended to be read in conjunction with all other BES policies and guidelines and those policies and guidelines of our contract partners and recipient partners.

### 3. Scope

Beyond Essential Systems (BES) policy regarding fraud risk applies to all BES employees, sub-contractors/consultants, grantees and volunteers, as well as partners, and associates of sub-contractors/consultants, grantees and volunteers.

### 4. Policy Statement

BES has a zero-tolerance policy regarding any employees, sub-contractors/consultants, grantees and volunteers, as well as partners, and associates of sub-contractors/consultants, grantees and volunteers that engage in or support fraud. BES staff are required to be watchful for fraud, corruption or any suspicious behaviour, and report it to the appropriate officer. All reported incidents will be appropriately investigated, disclosed to relevant management, governance body and the donor, remediated, and closed out.

### 5. Definitions

Fraud is defined as “Dishonestly obtaining a benefit, or causing a loss, by deception or other means”. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position.

In this definition “benefit” refers to both tangible items, such as money or objects, and intangible benefits including power, status or information.

Further definitions and examples of Fraud are provided in Appendix 1.

### 6. Policy Details

BES is committed to minimising the incidence of fraud and corruption through the identification of fraud risks and the development, implementation and regular review of a range of fraud prevention and detection strategies, and fraud control processes.

BES will seek prosecution of those who commit fraud against it, whether they are within or external to BES, and will cooperate with fraud and corruption investigations by law enforcement and other investigative authorities.

BES will seek to reclaim any money or other resources misappropriated through fraudulent or corrupt activity and will take appropriate disciplinary action against staff members found to have engaged in such activity.

The BES Executive will foster an environment that makes active fraud and corruption control the responsibility of all staff.

BES encourages the reporting of suspected fraud and corruption and will take active steps to support and protect anyone who makes a disclosure, provided the disclosure is made in good faith.

Information relating to suspected fraud or corruption will be collected and handled appropriately having regard to the principles of confidentiality and natural justice and the requirements for reporting to law enforcement authorities.

***Staff's Responsibility for Prevention of Fraud and Corruption:***

All BES staff share responsibility for the prevention and detection of fraud and for the adherence to the policies. It is the responsibility of all staff to ensure that mechanisms are in place in their area of responsibility to:

- Promote employee awareness of ethical principles subscribed to by BES;
- Display a positive, appropriate attitude towards compliance with laws, rules and regulations;
- Are aware of common indicators/symptoms of fraudulent or other wrongful acts and respond to those indicators as appropriate;
- Establish and maintain proper internal controls to provide for the security and accountability over BES resources and prevent/reduce the opportunity for fraud, including but not limited to:
  - Accurate records of all financial accounts;
  - Segregation of duties;
  - BES recruitment procedures;
  - Internal checking;
  - Security (including physical and computer security);
  - Documentation of procedures;
  - Budget control;
  - Regular review of management reports;
  - Regular reconciliations;
  - Consideration of risk;
  - Facilitate the reporting of suspected fraud; and
  - Respond to all allegations or indications of fraudulent, corrupt or improper conduct.

BES will at minimum adhere to the Department of Foreign Affairs & Trade (DFAT) recommendations for detective and preventing fraud outlined in Appendix 2.

<b>7. Responsibility for fraud and corruption prevention</b>
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All employees have the responsibility to report suspected fraudulent, corrupt or improper conduct. Any employee who suspects this type of activity must immediately notify a Director of BES.

In each instance where fraud is detected, BES will reassess the adequacy of the internal control environment (particularly those controls directly impacting on the fraud incident and potentially allowing it to occur) and actively plan and implement improvements as soon as practicable.

## **8. Provision of information to external agencies**

Procedures for the collection and recording of fraud information are in place to ensure that external agencies, such as the DFAT, are informed in accordance with contractual and legislative requirements.

Information will be collected, classified and handled appropriately, having regard to privacy, confidentiality, legal professional privilege and the requirements of natural justice and procedural fairness.

## **9. Policy Compliance and Review**

BES will monitor compliance with the policy through new and existing methods, including spot checks and reviews.

DFAT or another government agency may audit BES 's compliance with the Fraud and Corruption Policy. Therefore, it is imperative that the Project Managers and employees are aware of their responsibilities.

BES shall review this policy every five years, or earlier if warranted.

## Appendix 1

### Definitions and examples of fraudulent or corrupt practices

All staff are prohibited from involvement with any of these practice:

#### Bonus/Gifts:

Accepting inappropriate gifts or money from agents, suppliers, partners, individuals or service providers as a result of help with any decision, contract, promise, request or any other relationship connected with Program/Project activities. All inappropriate bonuses or gifts received must be immediately returned to the giver or should become the joint property of the Program/Project office.

#### Bribery:

Bribery is the promise or delivery of a benefit in order to influence the receiver's behaviour. Usually the behaviour expected of the person receiving the bribe is illegal or unethical in nature and would not be something they would usually do.

#### Collusion:

Collusion is an illegal agreement or cooperation between two or more people, for a fraudulent or deceitful purpose.

#### Commission:

Taking of commissions from agents, suppliers, partners, individuals or service providers whilst undertaking work for the Program/Project.

#### Conflict of Interest:

A conflict of interest arises when an employee's or an organization has multiple interests (financial, personal or otherwise) which affect, could affect, or have the appearance of affecting, their duties and responsibilities. A conflict of interest creates the appearance that an individual's or an organization's judgement, objectivity or independence is likely to be compromised, biased. Conflicts of interest can be real, perceived or potential.

#### Corruption:

Dishonest activity in which a director, executive, manager, employee or contractor acts contrary to the interests of BES and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity

#### Discounts:

Accepting/negotiating discounts on the price of any goods bought on behalf of the Program/Project and then pocketing the difference. Discounts may only be accepted if the discount is passed on to the Program/Project. The discount must be accompanied by written proof by way of quotations and receipts.

#### Facilitation Payments:

Facilitation payments are amounts paid or gifts given to try expedite standard government procedures outside of the official payment system.

#### Misuse of Assets:

Using organization assets outside their intended business use or for personal purposes.

Stealing:

Taking office items for personal gain or using Program/Project funds for self-interest or personal use.

## Appendix 2

### DFAT examples of Key Fraud Risks and Prevent and Detect Fraud

Examples of Key Fraud Risks		
Theft and/or misuse of funds	Downstream sub-contractors not adhering to DFAT's or the funding recipient's policies and procedures	Falsified documents such as invoices being provided
DFAT contractors participate in bribery	Theft and/or misuse of assets	Facilitation payments are paid out of DFAT funds
Funds spent on items not allowed under the arrangement	Conflicts of interest i.e. contracts awarded to friends or family rather than seeking competitive quotes and maximising value	Collusion between downstream partners and external suppliers resulting in overspend
DFAT's Lessons Learned – How Funding recipients Can Prevent and Detect Fraud		
1. <b>Keep records of all financial accounts:</b> Your financial systems must account for all expenditure against relevant budget lines. You must have the capacity to monitor and identify anomalies or discrepancies in spending.		
2. <b>Ensure separation of duties:</b> To ensure accountability make sure that all processes and procedures provide sufficient segregation of duties, especially between the operation and financial areas. People who approve expenditure must not be in a position to benefit from that expenditure.		
3. <b>Avoid Conflicts of Interest (COI):</b> When your organisation makes purchases or sub-grants activities you must ensure there is no conflict of interest in that process. A key mechanism to minimise this risk is having and publicising COI registers. Please refer to (Annex 6) for more information.		
4. <b>Maintain arrangement compliance:</b> Your staff must understand the terms of your arrangement with DFAT. You must ensure that DFAT funds are only used for items that are clearly allowable under the arrangement in terms of both content and timing. Include regular checks on your organisation to ensure compliance.		
5. <b>Guarantee value for money:</b> Train staff to ask 'Is this expenditure absolutely necessary to deliver the project?' and 'Would this expenditure stand up to public scrutiny?' If their answer is no to either question, then they must not expend taxpayer funds.		
6. <b>Training of staff:</b> Ensure staff know their obligations under your organisation's arrangement with DFAT and are aware of DFAT's policies. Staff must be aware of what fraud is and how and where to report it.		
7. <b>Ensure due diligence of sub-partners:</b> Ensure whatever downstream partner you are working with is a reputable entity and that they have the systems in place to manage funds.		
8. <b>Active management of downstream partners:</b> Ongoing and active arrangement management is critical. It is too late to check after an activity is completed.		