CCFSA CLIMATE CHANGE AND FOOD SECURITY ASSOCIATION

Anti-Fraud Policy

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ANTI-FRAUD POLICY

Member:	• all board members/trustees, board committee members • all association employees, secondees, interns and volunteers; and • all consultants/contractors/suppliers (including internal consultants with an association email address) • all association partners
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1. INTRODUCTION

Climate Change and Food Security Association is aware of the levels and types of risks that it must manage if it is to retain and enhance its reputation and financial viability. External Reviews, donor feedback and reports of the External and Internal Audits highlights, in some cases repeatedly, the challenges, risks and opportunities that our association faces in effectively managing and governing itself.

Recognizing that addressing fraud risk is a normal requirement for the conduct of business by all organizations, the management board has responded to the recommendations of the Supervisory Board and the External Auditor to strengthen the association's risk management practices, internal controls and standards. Measures include the implementation of an Anti-Fraud Policy (this Policy), Enterprise Risk Management Framework, Internal Control Framework and Operational Guide, Vendor Sanction Procedures, Procurement Fraud and Corrupt Practices and the UN Supplier Code of Conduct. Through these measures, the association seeks to be an organization that is accountable, transparent and ethical in its management and governance, and that retains the confidence and trust of its members, staff, and donors.

The aim of this Anti-Fraud Policy is to safeguard the reputation and financial viability of the association through improved management of fraud risk. It sets out explicit steps to be taken in response to reported or suspected fraud, as well as measures that will be taken to prevent or minimize the risk of fraud. The Policy has been developed on good practice examples of fraud risk control strategies and of fraud response plans found in the public and not-for-profit sectors, and on the specific needs and requirements of the association.

This Policy applies to all staff members of the association. It is an integral part of the association's internal control policy framework and should be read and applied in conjunction with the UN Supplier Code of Conduct.

2. WHAT IS FRAUD?

For purposes of this Policy, fraud is defined as the use of deception by an individual with the intention of obtaining an advantage for himself or herself or for a third party or parties, avoiding an obligation, or causing loss to another party.

The term fraud is used to describe offences such as, but not limited to, deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts, and collusion.

This Policy is intended to apply to both internal and external fraud.

Examples of Fraudulent Behavior

- Obtaining property, financial advantage or any other benefit by deception or abuse of authority granted by virtue of official position or duty.
- Charging the association for goods and services that have not been delivered. Development or application of local policies or practices which are knowingly inconsistent with the objectives of the association's practices or objectives.
- Seeking to obtain confidential information about a colleague or others, with intent to use it for unauthorized purposes.
- Knowingly providing false, misleading or incomplete information to the association, its donors, partners, or other business relations, or deliberately failing to provide information where there is an

obligation to do so. Unauthorized personal use of the association's computers, telephones, vehicles or any other property or services outside of professional duties, hacking into, or interfering with the association's computer system.

3. HOW FRAUD OCCURS?

Frauds arise because of lack of proper internal control policies and procedures, failure by staff to observe internal controls, carelessness in carrying out checks, or inadequate separation of duties.

Four basic elements are usually present when fraud occurs:

- Individual(s) to carry out the fraud – inside or outside of the organization,
- Assets to be acquired, used or disposed of fraudulently,
- Intent to commit the fraud,
- Opportunity to do so.

Management board must ensure that the opportunities for fraud are minimized. A high probability of being caught will deter those who might otherwise engage in fraud. Opportunities to commit fraud may be reduced by ensuring that a sound system of internal control, proportional to risk, has been designed and implemented and is functioning as intended.

4. FRAUD PREVENTION

Everyone in the association has a responsibility as well as an obligation to contribute to the management of fraud risk.

- Starting at the top, the management board, the supervisory board and the advisory board all set the tone and lead in the promotion of risk management, internal controls and an anti-fraud culture throughout the association.
- Staff members conduct themselves with integrity and demonstrate awareness of the importance of ethical practices in their day-to-day work.
- Staff members design, implement and operate the control actions, recruit the right people, and ensure that physical and IT services promote computer and data security.
- Fundamental to sound management are governance structures that demonstrate and reinforce leadership, stewardship, ethical behavior, transparency, accountability and performance. In the association this refers to the overall role of the association’s management board and the specific role of the supervisory board to oversee the association’s internal controls and risk management practices.

The association expects all people and organizations to be honest and fair in their dealings with the association. The association will not tolerate any level of fraud or corruption. Any detected case will be thoroughly investigated, with disciplinary or criminal sanctions pursued where appropriate and possible, and losses recovered by any lawful means. The association is also committed to ensuring that opportunities for fraud are reduced to the lowest possible level of risk; that effective controls are maintained to prevent fraud; and systems and procedures are reviewed and improved following detected cases of fraud.

There are four major facets to the association’s strategy for effective fraud prevention:

4.1. A Culture of Honesty and Ethics

The most persuasive and effective method of preventing fraud is the promotion by the management, supervisory and advisory boards of an ethical and transparent environment that encourages staff members at all levels to actively participate in protecting the association’s reputation and resources.

This involves:

- Clear statement of ethical values found in the UN Supplier Code of Conduct which all staff have an obligation to comply with and to promote with third parties, and which the organization applies and enforces consistently.
- Establishing, disseminating and enforcing a clear anti-fraud policy, including sanctions for wrongdoing.
- Clarifying and addressing conflict of interest cases.
- Promoting staff awareness of fraud and training staff in anti-fraud and corruption strategies.
- Establishing and applying personnel policies that focus on the honesty and integrity of employment candidates and require background checks sufficient to the level and sensitivity of the position.
- Maintaining staff morale, reasonable working hours, and common basic standards in local working conditions.

4.2. Risk Management and Internal Control

Risk management is at the heart of effective fraud control, especially through the development of risk criteria and implementation of effective controls. The association will undertake a comprehensive evaluation of its overall vulnerability to fraud as well as the scope and magnitude of fraud risk in specific areas at least every two years, or more frequently as part of an ongoing risk assessment process. Findings will be reported to the supervisory board of the association.

The supervisory board of the association:

- Expects the management board to exercise proactively its responsibility for the overall management of fraud risk and for the management of specific fraud risks.
- Monitors the implementation of actions designed to reduce fraud risk.
- Reports the matter to the management board with recommendations for appropriate action.

The management board:

- Establish internal controls to detect, report and deter fraud that are cost effective and commensurate with the magnitude of identified risks.
- Ensure that staff are comfortable to report fraud without fear of reprisal.
- Initiate and facilitate fraud detection and reporting.

4.3. Awareness Raising and Training

Fraud awareness raising and training underpins fraud prevention and detection. The association will ensure that all employees are aware of their responsibilities for fraud control and ethical behavior. Targeted training will be provided for new staff and refresher training for current staff. Training will include the following subject areas:

- Definition of fraud – with the association examples to illustrate the breadth of fraud and the fact that it can involve the pursuit of tangible and intangible benefits,
- The need for ethical behavior and the fact that fraud avoidance is everyone's responsibility,
- The details of the association's Anti-Fraud Policy:
    - Things to look for that could indicate that fraud may have been committed.
    - Steps to take if fraud is reasonably suspected.
    - Responsibilities for handling allegations and inquiries into cases of fraud in the association.
    - Relationship of the Anti-Fraud Policy with the UN Supplier Code of Conduct.
    - The role of the Management, Supervisory and Advisory Board of the association.
    - Available remedies and measures to be applied when fraud is established.
    - Measures to ensure that third parties are aware of the association's Anti-Fraud Policy.

4.4. Oversight Process

Independent reviews by internal and external auditors will examine the effectiveness of internal controls and review operations for evidence of fraud. The results of such reviews will be reported directly to the management board and the supervisory board of the association, and will be followed-up.

5. FRAUD RESPONSE

5.1. Delegation Structure

The management board has overall responsibility for the organizational response in the case of a reported or suspected fraud. Sub-delegation for handling the response will be made as appropriate. Care should be taken to ensure that those involved in overseeing fraud response do not have managerial responsibilities in the area(s) affected.

5.2. Reporting Allegations of Fraud the association Staff Members' Responsibility

The association staff members should be aware of the potential for fraud, and should report any reasonably suspected fraud. Concerns which should be reported include, but are not limited to, staff committing or attempting to commit:

- Any dishonest or fraudulent act, such as:
- Forgery or alteration of documents or accounts,
- Misappropriation of funds, supplies or other assets,
- Impropriety in the handling or reporting of money or financial transactions,
- Personal gain from an official position or enabling family members or others to do so,
- Disclosure of official activities or information for advantage,
- Attempt to achieve personal gain from third parties by virtue of official position or authority,
- Theft or misuse of property, facilities or services.

External party actions which should be reported include:

- Being offered a bribe or inducement by a partner or supplier,
- Receiving fraudulent (i.e., intentionally inaccurate, rather than erroneous) invoices from supplier,
- Known instances of corruption, deception or misuse by a supplier or partner,
- Any of the concerns listed in reference to the association staff members.

If staff become aware of a suspected fraud, they should take note in writing of any pertinent details, including what was said or done by whom, the date, the time, the location and the names of the individual(s) involved.

Reporting process

Depending on the circumstances of who is thought to be involved in the suspected fraud, the association staff members should report the suspected fraud to the supervisory board.

All information provided to the Head Oversight Unit will be treated confidentially. All reasonable allegations will be treated seriously and systematically, and will be properly investigated. Allegations, whether made anonymously or not, must be supported by documentary evidence or statements by witnesses for the investigation to proceed. Without such evidence the investigation cannot take place.

If an allegation is determined to have been made frivolously, in bad faith, maliciously, for personal gain or for revenge, disciplinary action will be taken against the person making such an allegation.

Supervisory Board's Responsibility

If informed of fraud, board members should listen carefully and with respect to staff, and ensure that every allegation is treated seriously and given a fair hearing. Board members should obtain as much documentation and information as possible regarding the alleged fraud, including any notes or evidence, and they should reassure staff members that they will be protected and will not suffer any reprisal for having reported allegations made in good faith. Board members will be required to prepare a written report of the details of any suspected fraud that has been reported to them for enquiry, and provide it to the management board.

If the board members consider that the case cannot be discussed with the alleged perpetrator, they should report the matter immediately to the management board. All cases should be reported within five working days of discovery or notification from another member of staff, to the management board. All subsequent correspondence should be forwarded to the management board.

5.3. Initial Reaction to Allegations of Fraud

- The management board will act promptly to determine a course of action appropriate to the seriousness of the alleged offence. Sanctions could range from leave with pay, or suspension, to immediate dismissal. In all cases the course of action will be determined in consultation with the supervisory and advisory board.
- The supervisory board will inform the individual(s) concerned of the allegations against him or her, and the course of action to be taken.
- Simultaneously the management board will ensure that all relevant information in the possession of the individual suspected is secured for investigation.
- The management board will mitigate the risk of future losses by immediately amending procedures in order to protect assets and to preserve evidence, including, if necessary, suspending payments (such as of salary or of invoices).
- Relevant insurers will be notified immediately of any loss or damage to the association's insured property.
- Depending on the legal status of the association, the association may have a legal obligation to report the case to the appropriate government body in order to protect the association's reputation or legal status.
- The association may have a legal obligation to provide early notification to parties such as donors and partners who may potentially suffer losses. (see also Managing External Relations, below).

5.4. Investigation Procedure

- Depending on the magnitude and the complexity of the fraud, investigations will be carried out either in-house by the supervisory board or by external parties such as independent accountants with specialized forensic accounting expertise and access to criminal law expertise, or where deemed appropriate, by the police. The decision whether to use internal or external investigation services, or a combination of both, will be made by the management board on the advice of the supervisory and advisory board.
- Investigations will be conducted without regard to any person's relationship to the organization, position or length of service. Supervisory board will retain and secure records of all actions in the investigation, in the event of any future criminal, civil or disciplinary action.
- The supervisory board will determine who should be involved in the investigation and take care to avoid a conflict-of-interest situation for staff members with close working relationships with the individual(s) in question.

- The management board will ensure that full access is given to the supervisory board and any external body requested to assist them to immediately search the work area in question, including any files and computers. All searches are to be conducted in a lawful manner, to ensure that evidence is admissible in court, if required. The supervisory board will keep records of any action or handling of evidence.
- Interviews, if necessary, will be structured and documented as much as possible. The supervisory board will develop the procedure, in consultation with the advisory board.
- The supervisory board will issue a report detailing the findings and conclusions of every completed investigation, including recommendations for future action. Results of investigations will not be disclosed to or discussed with any person apart from the management and advisory board, and anyone with a legitimate need to be involved. This is important to avoid damaging the reputation of those suspected of wrongdoing and subsequently found innocent, and to protect the association from potential civil liability and loss of reputation and goodwill.

5.5. Managing External Relations

In the case of substantiated fraud, the association will take immediate steps to mitigate potential loss of the association's reputation and credibility with donors and partners who are involved in funding or delivering work in the particular context in question. Where an investigation confirms that an act of fraud was committed, the management board, will disclose the details of the fraud, the assets/resources affected, and the efforts being made to remedy the situation to any partner or donor with an interest in the affected area. This must be done as rapidly as possible.

5.6. Recovering Assets

Where the association has suffered pecuniary loss or loss of other material assets, efforts will be made to seek restitution from the individual(s) responsible for the fraud. This can be done through the following methods:

- Making arrangements for voluntary payment,
- Making deductions from benefit payments or a pension scheme if permitted by law,
- Considering an insurance claim, and subrogation if the claim is settled,
- Taking civil action to obtain a judgment for the loss,
- Obtaining compensation orders in criminal cases,
- Considering any other appropriate means of recovery.

5.7. Disciplinary Action

Where the supervisory board investigation reveals that a staff member has committed a fraud involving theft, embezzlement or misappropriation of funds and the facts are considered to be beyond reasonable doubt, the management board, in consultation with the advisory board will seek advice from external counsel. Where appropriate, a complaint should be filed with the police. In these cases, disciplinary action will take the form of termination, or immediate dismissal.

Where the fraud does not involve theft, embezzlement or misappropriation of funds, the member of staff should be suspended from duties on pay pending completion of the investigation. The management board following consultations with external counsel and the advisory board will determine the appropriate course of action.

Disciplinary action may also be brought against supervisors whose failures have contributed to the act of fraud or against a staff member deliberately making an allegation in bad faith.

5.8. Follow-up Action

Following a case of fraud, and subject to any legal reporting restrictions, the management board will ensure that all staff in the area affected are briefed on the process and outcome of the investigation. There should also be a follow-up with the individual(s) who reported the initial suspicion of fraud, to provide assurance that their claims have been taken seriously.

Depending on the circumstances, management board will consider the need for communication with staff, donors and partners on a larger scale.

The management board will ensure that the organization conducts a thorough review of operating procedures in the areas affected by the fraud and that improvements are made where necessary. Lessons learned will be disseminated throughout the organization, where applicable, to strengthen the system of internal control and to foster an anti-fraud culture. A report on actions taken will be submitted to the supervisory board.

6. ROLES AND RESPONSIBILITIES IN FRAUD RESPONSE AND CONTROL

In summary, the specific roles and responsibilities for preventing and responding to fraud in the association are the following:

6.1. The Supervisory Board of the Association

The management board is expected to provide regular reporting to the supervisory board on the assessment of fraud risk and measures being taken to prevent fraud in the association. Hence4, the supervisory board,

- Promotes the deterrence and prevention of fraud by evaluating the effectiveness of internal controls, and reports periodically on their adequacy to the management board of the association.
- Receives reports of fraud from staff, and provides guidance to the management board in determining the scope of the fraud and contacting external experts or legal authorities.
- Conducts internal investigations, where applicable, including gathering evidence, conducting interviews, and writing reports on investigations.
- Keeps records of any allegations made, any subsequent actions taken, and the ensuing result.
- Reviews and approves the proposed changes to the system of internal controls.
- Reviews the implementation of the changes made to the system of internal control subsequent to a case of fraud to evaluate their efficiency and effectiveness.

6.2. The Management Board

- Sets the overall tone to reinforce the message that fraud will not be tolerated in the association.
- Establishes an internal control system designed to eliminate or mitigate the risks faced by the association. They will be accountable for the adequacy and effectiveness of the controls designed and implemented. Managing fraud risk should be seen in the context of the management of a wider range of risks.
- Provides strong support to the advisory board.
- Establishes mechanisms for reporting suspected fraud and issues with management of fraud risk.
- Ensures that staff knowledge of anti-fraud policies is sufficient and that appropriate training is provided.
- Ensures that swift action is taken to respond to allegations and substantiated cases of fraud.
- Makes arrangements for investigating allegations of fraud, and ensures that vigorous and prompt investigations are carried out without delay.

- Determines the appropriate disciplinary and/or legal action to be taken against perpetrators of fraud and supervisors whose failures have contributed to a proven act of fraud, and ensures that appropriate action is taken to recover assets.
- Communicates, if necessary, with major donors or partners affected by the fraud to reassure them that all necessary steps are being taken.
- Ensures timely follow-up and strengthening of preventive measures.
- Takes appropriate measures in case of frivolous or bad faith allegations.
- Takes appropriate measures if a staff member is cleared of allegations made in good faith.
- Assess the risks, including but not limited to fraud risks, involved in their area of responsibility and ensure that an adequate system of internal control exists and functions to address these risks.
- Ensure that controls are properly operated and complied with. Management Board should regularly review the control system in the area of work to satisfy themselves that it continues to operate effectively.
- Encourage staff to report reasonable suspicions of fraud, treating all allegations seriously, and promptly reporting allegations to the supervisory board.
- Keep records of any allegations as well as any subsequent actions taken.

6.3. The Legal Adviser

- Provides guidance to the management and supervisory board on the course of action to be taken, the involvement of external experts or legal authorities, and the conduct of investigations.
- Provides guidance to the management and supervisory board regarding the potential legal avenues or consequences once a fraud has been established through investigation, and the means available to recover assets and to restore the association's reputation and goodwill.
- Communicates with and manages the follow up with external criminal lawyers engaged in the jurisdictions relevant to the fraud.
- Consults with the management board regarding the appropriate disciplinary action to be taken against the perpetrators of fraud and supervisors whose failures have contributed to the commission of fraud or those who have made frivolous or bad faith allegations.
- Ensures that detailed reference checks are carried out in recruitment processes for staff positions that may be more vulnerable to opportunities for fraud (handling money, procurement, etc.).

6.4. All Staff Members

- Conduct themselves lawfully and properly in the use of the association's resources.
- Remain alert to the possibility of fraud and report suspicious behavior to their management, supervisory and advisory boards.
- Attend in-house training courses on Fraud Prevention.
- Sign and accept the Anti-Fraud Policy as an integral part of their employment contract with the association.

7. RELATED POLICIES FOR FURTHER GUIDANCE

The association's Anti-Fraud Policy is to be incorporated by reference into all instruments regulating the employment, contractual or institutional relationships between the association and natural or legal persons, and is to be read and applied in conjunction and consistent with the following resources:

- UN Supplier Code of Conduct
- Associations Law No. 1163
- Enterprise Risk Management Framework;
- Internal Control Framework and Operational Guide
- Vendor Sanction Procedures
- Procurement Fraud and Corrupt Practices