



# **COMMUNITY INITIATIVE FOR PARTNERSHIP AND DEVELOPMENT(CIPAD)**

## **POLICY ON FRAUD AND OTHER CORRUPT PRACTICES**

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## 1. Introduction

Any fraud in Community Initiative for Partnership and Development (CIPAD) operations reduces funds and other resources intended for supporting the mission. Thus, as in other organizations, fraud can undermine its effective functioning and divert scarce and valuable resources from its mission. Moreover, fraudulent and corrupt behavior can seriously damage CIPAD's reputation and diminish donors' trust in its ability to deliver results in an accountable and transparent manner.

All CIPAD personnel are the agents of the public and private resources entrusted to the organization. Hence, they are accountable for their proper, effective and efficient use for achieving the intended outcomes of CIPAD's programs and projects.

The CIPAD policy on fraud and other corrupt practices (the CIPAD Anti-fraud Policy) is an important part of CIPAD's corporate governance, establishing the framework for preventing, identifying, reporting and effectively dealing with fraud and other forms of corruption. It is in line with the CIPAD Accountability System, adopted by the Board of Directors to support ethical values and standards, increase transparency and proper stewardship of resources, as well as to clarify and align all relevant activities. These activities aim to ensure organizational, financial, and operational accountability, effectiveness of internal controls, prevention, detection and investigation of fraud and malpractice, and the promotion of organizational integrity.

## 2. Scope and application

CIPAD is committed to preventing, identifying and addressing all acts of fraud against CIPAD, whether committed by CIPAD staff members or other personnel or by third parties. CIPAD has zero tolerance for fraud, meaning that all incidents of fraud are to be reported and will be investigated in accordance with established investigation guidelines. To this effect, CIPAD is committed to raising awareness of fraud risks, implementing controls aimed at preventing fraud, and establishing and maintaining procedures applicable to the detection of fraud and the enforcement of this Policy.

This Policy applies to all activities and operations of CIPAD and any project implemented by CIPAD. The Policy aims to prevent and detect fraud.

## 3. Definition of fraud

The definition of fraud varies among countries and jurisdictions. But in simple terms, fraud is any act or omission that intentionally misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation. Corrupt practices are generally understood as the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party. In this Policy, fraud is defined in a broader sense and includes, but is not limited to, theft, embezzlement, forgery and corrupt practices.

Examples of fraud include the following, which is not an exhaustive list:

- Forging documents, preparing false entries in AGIDP systems or making false statements to obtain a financial or other benefit to which a person is not entitled;
- Offering or receiving something of value to improperly influence a procurement process;
- Asking for or receiving money for providing information to a vendor in the procurement of goods and services;
- Asking for or receiving personal reward or other private gain in return for showing favor to a candidate in a recruitment process;
- The misuse or theft of a password for the unauthorized access to IT systems;

- Collusion or other anti-competitive scheme between suppliers during a tender process;
- Stealing or misappropriating CIPAD assets.

## 4. Fraud prevention measures

### 4.1 Fraud awareness communication and training

To ensure that managers and staff members are aware of their responsibilities regarding preventing fraud and corruption, a plan for communication, dissemination and awareness-building of this Policy is critical to ensure its integration into CIPAD's processes and procedures.

In this regard, business units should reiterate the duty of all staff members to report acts of fraud and other corruption, as required by Staff Regulations and Rules.

Fraud communication and awareness programmes may involve:

Training and education components on how to comply with the Policy in relevant training programmes with an emphasis on induction material.

### 4.2 Management of the risk of fraud and corruption

Director and Managers – in consultation with all staff members, other personnel and, where appropriate, third parties engaged in CIPAD operations and Donor funded programmes– should identify and assess the risk of fraud in their programme or project areas. Such an assessment should, first, include systematically identifying areas most susceptible to potential fraud and developing appropriate strategies such as internal controls, assurance procedures, programme checks or transparency measures.

### 4.3 Internal control system

Where managers have identified and assessed the risk of fraud within their regular risk assessment, they should develop appropriate measures to minimize the risk of it occurring through the application of controls.

### 4.4 Preventing conflicts of interest

A 'conflict of interest' occurs when a staff member's private interests -- such as outside professional relationships or personal financial assets -- interfere with the proper performance of his or her duties as a CIPAD official. A conflict of interest can be: *Actual* (private interests interfere with official responsibilities), *Apparent* (there may be a reasonable perception that private interests interfere with official responsibilities), or *Potential* (private interests *may* interfere with official responsibilities). As Manager, it is important to preserve the independence and impartiality of staff members' official decision-making at all times. Conflict situations do not necessarily imply corruption, wrongdoing or inappropriate activities. However, if they are not identified and managed appropriately, such situations can compromise (or be perceived as compromising) professional integrity or flag a potential fraud situation. Staff members should avoid situations where they seem to benefit, directly or indirectly, or allow a third party to inappropriately benefit from the decisions they make.

Staff members having fiduciary responsibilities -- as managers or procurement or investment professionals -- are required to formally disclose private interests through the annual financial disclosure exercise.

#### **4.5 Integrity as a key criterion in selection procedures**

The CIPAD Values & HR policy identify integrity as a paramount consideration in the selection of staff members. It is important to recognize integrity as a key component, in its own right, of the recruitment and promotion of CIPAD staff members. Therefore, placing emphasis on integrity as a selection criterion will enable those involved in selection processes to reflect the principles enshrined in the policy as well as to prevent fraud and other corrupt practices. Recruiting managers should ensure that specific interview assessment tools for integrity, background, and academic checks are employed.

#### **4.6 Standards or code of conduct**

CIPAD's staff members must be guided by standards of conduct that are prescribed in the CIPAD constitution and HR policy. Managers must ensure that all staff members take the mandatory guideline. They should also encourage staff members to take periodic refresher ethics training such as the face-to-face.

### **5. Roles and responsibilities**

All CIPAD staff members and personnel have critical roles and responsibilities in ensuring that fraud is prevented, detected and dealt with promptly. They should not only safeguard resources entrusted to CIPAD for supporting sustainable human development but also protect its reputation. Working together, they contribute to a coherent and complementary institutional framework for effectively enforcing their obligations and cultivating an organizational culture that does not tolerate fraud, malfeasance and other forms of corruption. Accordingly, the following parties are accountable for the following activities:

#### **5.1 The Executive Director**

As the custodian of CIPAD's Anti-fraud Policy, the Executive Director or a designate approves the Policy and its subsequent revisions.

#### **5.2 Managers**

Managers should act as role models and are required to take active steps to prevent and detect fraud, misappropriation and other irregularities through compliance with relevant corporate policies and procedures. They are expected to implement appropriate controls to prevent fraud, in particular:

- Identify the potential fraud risks to which their assets, programmes, activities, and interests are exposed;
- Assess the identified risk, select risk-avoidance options, design and implement cost effective prevention, mitigation and control measures;
- Establish/implement measures to prevent the recurrence of fraud.

Managers who fail to take appropriate action or tolerate or condone fraudulent activity will be held accountable.

### 5.3 Individual staff members

Each staff member must realize that fraud, whatever its extent and form, is contrary to the standards of conduct expected of international civil servants.

Fraud constitutes serious misconduct for which a staff member may be summarily dismissed. Other personnel may also be terminated where involvement in fraud is established. In addition, the evidence may be referred to the competence courts for criminal prosecution of those involved. Staff members have the obligation to complete mandatory CIPAD training on ethics and conduct related issues, and to keep themselves abreast of new policies.

### 5.4 Contractors

Individual independent contractors, as well as employees of companies doing business with CIPAD are obligated not only to interact honestly in the provision of services for CIPAD but also to report allegations of fraud to CIPAD. Upon proof that contractors have engaged in fraud or theft that has caused a financial loss to the organization, CIPAD will seek compensation for any such loss. CIPAD may also report appropriate cases to national authorities for investigation and criminal prosecution.

5.5 Office of Audit (Internal and external) and Investigations will consider fraud and corruption red flags and risk factors in audit planning and reporting, consistent with applicable auditing standards. It will also provide 'lessons learned' from audits and investigations as relevant to the further development of CIPAD's risk management framework.

## 6. Reporting fraud

Staff members and other personnel have the obligation to report information pointing to fraud involving CIPAD staff members or affecting CIPAD funds and assets. Other persons having such information are strongly encouraged to report incidences.

In order for investigations to be successful, complaints should be as specific as possible. To the extent possible, they should include details such as:

- The type of alleged wrongdoing;
- Where and when these events occurred;
- Who is involved and who has knowledge about the matters being reported;
- How the individual, organization or company committed the alleged wrongdoing;
- Why the matter is being reported.

Further, information or evidence (for example, documents) that are important for a proper assessment should be included with the report or sent as soon as possible.

### 6.1 Confidentiality

All investigations are undertaken by Audit office on a confidential basis and investigation participants (witnesses and subjects) are reminded of the need for confidentiality in the course of the investigation. Investigation reports and specific details of investigations are shared on a strictly 'need to know' basis. Requests for confidentiality by persons making a complaint will be honored to the extent possible within the legitimate needs of the investigation.

### 6.2 Anonymous reports

Individuals wishing to protect their identity may report fraud anonymously. For anonymous reports, a report number and code are used to allow the individual making a complaint to follow up for a response and to check if the assessing officer has requested further information.

However, it can be more difficult to assess and investigate anonymous allegations. Therefore, individuals wishing to make a report are encouraged to provide their contact details. Audit and complain officer will treat information received sensitively, and will limit disclosure of identifying information of the reporting individual to the maximum degree possible. This can be discussed on a case-specific basis with the office of auditors and investigators at the time of reporting.

## **7. Investigation of allegations**

All allegations of fraud are reviewed by the Office of Audit and Investigation (OAI). In addition, OAI may undertake proactive investigations in high risk areas that are susceptible to fraud and corruption. OAI will often request further information to enable a proper assessment. Where a matter is appropriate for an OAI investigation, the case will be assigned to an investigator who will conduct an objective investigation of all available facts. This will include the collection and review of all relevant documents, interviews of people who can provide information, and an interview with those alleged to be involved in fraud. OAI also coordinates with other fraud investigation and enforcement offices, as appropriate, to ensure the effective investigation of fraud involving more than one organization, or where parties' external to CIPAD are allegedly involved.

## **8. Action based on investigations**

The investigation may result in one or more of the following outcomes:

- a) A referral to the office of Director or Board for consideration of a disciplinary action against staff members;
- b) A referral to the appropriate national law enforcement or prosecutorial agency for criminal investigation;
- c) Recovery of funds and assets;
- d) Debarring vendors from doing business with CIPAD.

## **9. Reporting to the Board**

Reporting is an important element in communication and awareness of the CIPAD's Anti-fraud Policy, as well as deterrence. The Executive Director's Annual Report on Disciplinary Cases sets out the disciplinary measures taken in cases of fraudulent or corrupt behavior. The report on internal audit and investigations of the OAI to the Board, prepared annually, contains information on fraud investigations conducted during the reporting period. In addition, reports of cases of alleged and proven fraud are currently reflected in the biennium Financial Report and Audited Financial Statements of the CIPAD.

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