

FOUNDATION FOR ACTIVE CIVIC EDUCATION-FACE



**POLICY AGAINST FRAUD AND OTHER
CORRUPT PRACTICES**

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1. Introduction

Foundation for Active Civic Education-FACE plays a significant role in some communities in Malawi effort to combat fraud and corruption, by supporting many countries in strengthening their capacity and framework to prevent fraud and corruption.

FACE is a Malawian local Non-Governmental Organization registered by Government of Malawi under the Trustees Incorporation Act (Registration Number TR//INC: 2646). It is also registered with the Council for Non-governmental Organizations in Malawi (CONGOMA). FACE started operations in 2004 initially as a Community Based Organization registered with the Nsanje District Social Welfare Office (Registration number NE/SW/CBO/010/010) before turning into a full-fledged NGO. (Copies of registration certificates attached for reference). This provides empirical evidence to the legal existence of the organization that authenticates and legitimatizes its operations in Malawi

FACE has highly reputable board of trustees who provide overall guidance and strategic direction in the running of the organization. The Board comprises of people of high standing in society, with unimpeachable character and integrity. The Board is the focal point for corporate governance in the organization. It has a charter which articulates roles of the Board, among them, directing, governing and being in effective control of the organization.

Any act of fraud and corruption in FACE's activities depletes funds, assets and other resources necessary to fulfill FACE's mandate. Fraudulent and corrupt practices can also seriously damage FACE's reputation and diminish donors' trust in its ability to deliver results in an accountable and transparent manner. Furthermore, it may affect staff and personnel effectiveness, motivation and morale, and impact on the Organization's ability to attract and retain a talented work force.

2. Scope and application

FACE has zero tolerance for fraud and corruption, meaning that FACE staff members, non-staff personnel, vendors, implementing partners and responsible parties are not to engage in fraud or corruption.

All incidents of fraud and corruption are to be reported, and will be assessed and, as appropriate, investigated and when applicable. FACE will pursue rigorously disciplinary and other actions against perpetrators of fraud, including recovery of financial loss suffered by FACE.

FACE is committed to preventing, identifying and addressing all acts of fraud and corruption against FACE, through raising awareness of fraud risks, implementing controls aimed at preventing and detecting fraud and corruption, and enforcing this, Policy.

This Policy applies to all activities and operations of FACE, including projects and programmers' funded by donors as well as those implemented by FACE. This Policy aims to prevent, detect and address acts of fraud and corruption involving:

- I. Staff members holding a FACE letter of appointment ("staff members"); ii) Non-staff personnel, including Service Contract holders, Individual Contractors, Volunteers assigned to FACE and interns (collectively, "non-staff personnel"); iii) Vendors, including actual or potential contractors of civil works and suppliers of goods and services (collectively, "vendors"); and iv) Implementing

partners and responsible parties engaged/contracted by FACE for a FACE funded project (“implementing partners” and “responsible parties”, respectively).

3. Definition of fraud and corruption

The definition of fraud and corruption varies among organizations and jurisdictions, and the term is commonly used to describe a wide variety of dishonest practices. The following definitions shall apply in the context of this Policy:

Fraud is a knowing misrepresentation of the truth or a concealment of a material fact to induce another to act to his or her detriment.

Corruption is the act of doing something with an intent to give an advantage inappropriate with official duties to obtain a benefit, to harm or to influence improperly the actions of another party.

Actions taken to instigate, aid, abet, attempt, conspire or cooperate in a fraudulent or corrupt act, also constitute fraud or corruption.

Examples of fraud and corruption include, but are not limited to, the following actions:

- a. Forging documents, preparing false entries in FACE systems or making false statements to obtain a financial or other benefit for oneself or another/others;
- b. Collusion or other anti-competitive scheme between suppliers during a procurement process;
- c. Providing information in relation to a medical insurance claim or another entitlement that the claimant knows to be false;
- d. Forging the signature of a FACE staff member or forging a document purporting to be from FACE to induce a party outside FACE to act;
- e. Using another’s IT identity or password, or creating false identities/passwords, without consent or authority to manipulate FACE processes or cause the approval or denial of actions;
- f. Accepting hospitality such as meals or entertainment from a vendor;
- g. Misrepresenting FACE employment status to obtain a benefit from a government or private sector entity;
- h. Failing to disclose a financial or familial interest in a business or outside party while participating in the award/management of a contract to the benefit of that business or outside party;
- i. Processing the cost of personal travel as part of an official travel;
- j. Making misrepresentations, including educational credentials or professional qualifications, on a personal history form in the context of a job application; and
- k. Falsifying documents, making false statements, preparing false entries in FACE systems or other deceptive acts to the detriment of those someone seeks to disfavor, or to discredit a person, program or the Organization.

4. Fraud prevention measures

4.1 Fraud awareness

Staff members, non-staff personnel, vendors, implementing partners and responsible parties must be aware of their responsibility to prevent fraud and corruption. In this regard, managers are to raise awareness of this Policy, and reiterate the duty of all staff members to report instances of fraud and corruption, as required. Managers are also required to make non-staff personnel, vendors, implementing partners and responsible parties contracted/engaged by their respective offices aware of this Policy.

Vendors, including non-governmental organizations (NGOs) and civil society organizations (CSOs), are made aware of and accept that they are subject to the FACE Vendor Sanction Procedures,

through the instructions on fraud and corruption issued within standard bidding documents and their signed bid submission.¹

4.2 Building fraud prevention into programme and project design

When developing a new programme or project, it is important to ensure that fraud risks are fully considered in the programme/project design and processes. This is especially important for high-risk programmes/projects, such as those that are complex or operate in high-risk environments. These programme/project risk logs shall be communicated to relevant stakeholders, including donors, implementing partners and responsible parties, together with an assessment of the extent to which risks can be mitigated.

Programme and Project Managers are responsible for ensuring that the risk of fraud and corruption is identified during the programme/project design phase. They are to consider how easily fraudulent acts might occur and be replicated in the day-to-day operations. They are also to evaluate their impact, and the effectiveness of the measures taken to mitigate risks, including systemic monitoring actions. Informed decisions can then be made on additional mitigating actions.

4.3 Management of the risk of fraud and corruption

The risk of fraud and corruption is assessed and managed in accordance with FACE's Enterprise Risk Management Framework. Managers shall identify and assess the risks in their programme or project areas, including the risk of fraud and corruption, and apply mitigating measures, taking due account of the level of risk involved. Because it is impossible to eliminate all risks, good risk management requires a sound balance of the following aspects: assessment, mitigation, transfer or acceptance of risks. These risks shall be communicated to relevant stakeholders, together with an assessment of the extent to which risks can be mitigated.

Managers shall be vigilant in monitoring irregularities and the risk of fraud. Where managers are concerned about the level of fraud risk within a programme, project, or management service agreement activity, they may consult executive director for its consideration as to whether a proactive investigation by the office is justified. Proactive investigations aim to identify and control an existing (but yet unidentified) risk of fraud or financial irregularity.

4.4 Fraud risk assessment

Where a high risk of fraud has been identified within the general risk assessment of programmes/projects, an additional and specific fraud risk assessment may be necessary. This in-depth assessment should be used to better identify fraud risks and develop effective measures that address these high risks. The aim is to help management to identify and evaluate areas of the programme/project that are most susceptible to fraud, and prioritize where FACE should focus its resources for fraud prevention and mitigation.

These fraud prevention and mitigation measures should be monitored for effectiveness over time, and the fraud risk assessment process may be repeated periodically utilising lessons learned, especially for longer-duration programs/projects or where material changes are made to the design of the programme/project during its implementation.

4.5 Internal control system

A strong internal control system, where policies and procedures are enforced, internal controls

1 Please note that Individual Contractors may also be subject to the Vendor Sanction Procedures.

are appropriately implemented, and staff members, non-staff personnel, vendors, implementing partners and responsible parties are informed about fraud and corruption and its consequences, can curtail fraud and corruption.

Where managers have identified and assessed the risk of fraud and corruption, these risks can be managed by establishing practices and controls to mitigate the risks, by accepting the risks — but monitoring actual exposure — or by designing ongoing or specific fraud evaluation procedures to deal with individual fraud risks. Within FACE, this may involve applying controls additional to those specified in the FACE Internal Control Framework and the Operational Guide of the Internal Control Framework, which outline the minimum internal control standards that must be observed.

4.6 Integrity and other best practices

Best practices with respect to knowing staff members, non-staff personnel, vendors, implementing partners and responsible parties, must be followed by FACE staff, especially business unit managers and other hiring/contracting officials.

Integrity and passion are paramount consideration in the recruitment of staff members and the contracting of non-staff personnel. In this context, FACE hiring units should ensure that the Organization is recruiting/contracting individuals that meet the standards of conduct expected of staff members and non-staff personnel. This can be achieved, for instance, by using specific interview assessment tools for integrity, professional experience and academic checks.

Additionally, with respect to the hiring staff members, the hiring unit has the duty to enquire about the candidates' possible existence of family relationships and to ensure that the job candidates are aware of and declare any family or spousal relationships, as required by FACE's Policy on the Recruitment of Family Members, and Conflicts of Interest.

FACE requires all of its vendors to be qualified, as well as be eligible. FACE shall not award a contract to any vendor, including NGOs or CSOs (as are a responsible party, implementing partner or as a vendor), that has been debarred by FACE or any other NGO, fund or programme. Awarding a contract to an ineligible vendor may only occur when a vendor has been rehabilitated or when the FACE Vendor Review Committee (VRC) considers that a waiver or exception should be granted in consideration of the specific circumstances surrounding the procurement action.

4.7 Application and adherence to standards and codes of conduct

Standards and codes of conduct have been established for staff members and non-staff personnel. In addition, contracts issued to non-staff personnel and vendors stipulate requirements with respect to such non-staff personnel's and vendors' actions in the context of their contractual relationship with FACE. The observance of such standards of conduct and contractual obligations deters fraud and encourages the highest standards of professional behavior.

FACE staff members must be guided by the standards of conduct administration manual and other organization policies.

Similarly, vendors, as well as NGOs and CSOs participating in a procurement process, accept to abide by the FACE Supplier Code of Conduct. They are required to actively ensure that their management processes and business operations align with FACE principles, including, but not limited to its standards of ethical conduct regarding fraud and corruption, conflict of interest, gifts and hospitality, and post-employment restrictions. They are required to report any instances of wrongdoing.

5. Roles and responsibilities

All FACE staff members and non-staff personnel have critical roles and responsibilities in ensuring that fraud is prevented, detected and dealt with promptly. They are responsible for safeguarding resources entrusted to FACE and for upholding and protecting its reputation. Similarly, all FACE vendors, implementing partners and responsible parties shall be held to the highest ethical standards, and should report to FACE any acts of fraud and corruption.

5.1 Staff Members and Non-staff Personnel

Staff members and non-staff personnel must understand their roles and responsibilities, and how their job functions and procedures are designed to manage fraud risks, and how non-compliance may create an opportunity for fraud to occur or go undetected. Staff members have the obligation to complete all mandatory FACE trainings, and to keep themselves informed of new policies, and report immediately any evidence of practices that indicate fraud or corruption may have occurred.

Fraud and corruption, if committed by a staff member, constitutes misconduct for which a disciplinary measure may be imposed, including dismissal, in accordance with the FACE Legal Framework. Similarly, fraud and corruption by non-staff personnel is not tolerated in accordance with FACE's zero tolerance policy. Contracts must be terminated where non-staff personnel's involvement in proscribed practices is established. In both instances, the allegations of fraud and corruption may be referred to national authorities for criminal investigation and prosecution of those involved.

Additionally, managers are expected to act as role models and through their actions and behaviors set the tone for the rest of the Organization. They should foster a culture of zero tolerance for fraud and corruption, and ensure that any practices not aligned with this Policy are dealt with expeditiously. They are required to go beyond compliance with relevant corporate policies and procedures and to take proactive steps to prevent and identify potential fraud and corruption. In particular, managers are expected to:

- i. Perform risk assessments to identify potential fraud risks to which their assets, programmes, activities, and interests are exposed;
- ii. Assess the identified risks, select risk-avoidance options, design and implement cost effective prevention, mitigation and control measures;
- iii. Establish/implement measures to prevent the recurrence of fraud;
- iv. Monitor and supervise the performance, working methods and outputs of their staff to ensure that staff is conducting themselves in ways that meet the most ethical and professional standards; and
- v. Seek guidance where necessary from the Regional Bureaus, BoM, OAI and the Ethics Office.
- vi. Managers who fail to take appropriate action or who tolerate or condone fraudulent activities or corruption will be held accountable.

5.2 Vendors

Actual and potential FACE vendors and their employees, personnel and agents, have the duty to interact honestly and with integrity in the provision of goods and services to FACE, and to report immediately allegations of fraud and corruption to FACE. Vendors shall be encouraged to establish robust policies and procedures to combat fraud and corrupt practices, and are to cooperate with FACE auditors and investigators. Whenever a NGO or CSO acts as a FACE implementing partner or a responsible party, they have the duty to ensure that those funds are safeguarded and used for their intended purposes, as authorized by FACE.

When allegations concerning possible involvement in fraud or corruption are deemed substantiated, FACE shall take any administrative actions available to it, including but not limited to Vendor Sanctions Procedures, and shall seek to recover fully any financial loss. In addition, FACE may terminate contracts, and may refer appropriate cases to national authorities for criminal investigation and prosecution, when applicable.

FACE has a zero-tolerance policy towards the acceptance of any gift or any offer of hospitality from vendors. FACE staff will not accept any invitations to sporting or cultural events, offers of holidays or other recreational trips, transportation, or invitations to lunches or dinners. FACE vendors shall not offer any benefit such as free goods or services, employment or sales opportunity to a FACE staff member in order to facilitate the suppliers' business with FACE.

Post-employment restrictions apply to FACE staff in service and former FACE staff members who participated in the procurement process, if such persons had prior professional dealings with suppliers. FACE suppliers are to refrain from offering employment to any such person for a period of at least one year following separation from service.

5.3 Governmental Implementing Partners

In cases where the government is the implementing partner, the governmental implementing partners must take appropriate steps to prevent fraud and corruption, and ensure that anti-fraud and corruption policies are in place and applied to FACE projects or programs that receive funding from FACE. All credible

allegations of fraud and corruption in connection with the implementation of activities funded by FACE will be investigated by the appropriate governmental authorities.

Where the governmental implementing partner becomes aware that FACE has provided or is to provide funds to an activity or an entity that is the focus of an investigation for alleged fraud/corruption, the governmental implementing partner will (i) promptly advise FACE's investigations. In cases where funds have already been provided by FACE, the governmental implementing partner will make every effort to recover all funds that it determines were diverted through fraud, corruption or other financial irregularities, and return any recovered funds to FACE.

Consistent with FACE's standard practices, when a contract is to be issued by the governmental implementing partner in connection with expenses of the FACE funds, that contract shall include

clauses that ensure that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that they shall cooperate with investigations.

5.4 Office of Audit and Investigations

OAI will consider fraud and corruption red flags and risk factors in audit planning and reporting, consistent with applicable auditing standards. Proactive investigations may also be initiated by OAI, without awaiting the receipt of allegations.

5.5 The Vendor Review Committee

Vendors, including NGOs and CSOs, are subject to the Vendor Review Committee (VRC). The VRC is an internal body tasked with making recommendations on vendor sanctions, including with respect to vendors' continued eligibility to do business with FACE. If the VRC finds that a vendor has been involved in proscribed practices, it can recommend sanctions, including debarment. Cases are referred to the VRC

6. Reporting fraud

FACE has established a 'Hotline' to ensure that persons can report fraud free of charge, using different options. Anyone with information regarding fraud or other corrupt practices against FACE or involving FACE staff, non-staff personnel, vendors, implementing partners and responsible parties, is strongly encouraged to report this information through the Investigations Hotline. The Investigations Hotline is managed by an independent service provider on behalf of OAI to protect confidentiality, and can be directly accessed worldwide in different ways:

By phone+265999090304 / +265881216833

Postal Address: Postal Box 27 Chiromo, Nsanje. Malawi

Alternatively, complaints can be sent directly to OAI by email at facemw@gmail.com, facemalawi.co.uk

6.1 Details that should be included in a report of fraud

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

- i. The type of alleged wrongdoing;
- ii. When, where and how the wrongdoing occurred; and
- iii. Who was involved and may have knowledge of the matters being reported.
- iv. Relevant documents or other evidence should be included with the report or provided as soon as possible.
- v. However, the absence of any of the above details does not prevent OAI from investigating allegations of fraud or corruption.

6.2 Confidentiality

Requests for confidentiality by persons making a complaint will be honored to the extent possible within the legitimate needs of the investigation. All investigations undertaken by OAI are confidential. Information will only be disclosed as required by the legitimate needs of the investigation. Investigation reports are confidential, internal OAI documents.

The work product of the VRC is also confidential, and its members are advised of the sensitive nature of the discussions carried out therein. Until decisions are final, the identity of the vendors or implementing partners involved is kept confidential within FACE. Senior Managers may, at their discretion, share general aspects of a case with other agencies, funds and programmes on an as-needed basis.

6.3 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 and to check if the assessing officer has requested further information.

6.4 Protection against retaliation (“Whistleblower” protection)

FACE does not tolerate any form of retaliation against whistleblowers, i.e., an individual holding a FACE assignment/contract that has reported allegations of wrongdoing or cooperated with a duly authorized audit or investigation. For more information on protection against retaliation, please refer to the FACE Policy for Protection against Retaliation (a “whistleblower” protection policy).

7. Investigation of allegations

All allegations of fraud and corruption are taken seriously. Upon receipt of an allegation, OAI will assess the case and if it determines that there is sufficient ground to warrant an OAI investigation, it will conduct an investigation. In addition, OAI may undertake proactive investigations in high-risk areas that are susceptible to fraud and corruption. OAI also coordinates with other fraud investigation and enforcement offices, as appropriate, to ensure the effective investigation of fraud involving external parties, parties for whom OAI does not have the authority to investigate, or for investigations involving more than one organization.

For specific details of how matters are investigated by OAI, please refer to the FACE Legal Framework and the OAI Investigation Guidelines.

8. Action based on investigations

The allegations, if substantiated by the investigation, may result in disciplinary and/or administrative actions or other actions taken by FACE, depending on the case. The outcomes may be as follows:

- a) For staff members, disciplinary and/or administrative actions;
- b) For Service Contract holders and Individual Contractors, non-renewal or termination of their contract or other action as deemed necessary. Cases involving Individual Contractors may also be referred to the VRC;
- c) For vendors, NGOs and CSOs, termination of the contract and debarment from doing business with FACE or other sanctions;
- e) Referral to the national authorities of a member state for criminal investigation and prosecution; f) Recovery of financial loss and/or assets suffered by FACE, and to return funds recovered to the respective funding sources; and
- g) Issuance of Management Letters to allow business units concerned to take corrective actions and strengthen internal controls.

9. Remediation and implementation of lessons learned

OAI will also use its collective knowledge gained from lessons learned on audits and investigations to enable FACE management to be more proactive in dealing with potential systemic weaknesses. When appropriate, OAI will provide briefings and reports on risks facing the Organization and “lessons learned” from investigations to relevant management in FACE. In addition, if during an investigation OAI determines that there is a substantial risk to security, or a threat to UN personnel or to the Organization’s interest, OAI may inform persons with a need to know of sufficient information about the investigation to allow them to taking mitigating measures. Action is then taken to address the problems identified and prevent their recurrence.

10. Reporting

FACE has a long-standing commitment to transparency, including reporting on matters of fraud and corruption.

The FACE Annual Report of the Administrator on Disciplinary Measures on Other actions Taken in Response to Fraud, Corruption and Other Wrongdoing includes an overview of actions taken in cases of fraudulent or corrupt practices. OAI’s annual Report on internal audit and investigations to the Executive Board contains information on investigations of fraud and other corrupt practices conducted during the reporting period. In addition, reports of cases of fraud and alleged fraud are annexed to FACE’s annual Financial Report and Audited Financial Statements. These three reports are all available publicly on the FACE website.