

Anti- Fraud Policy Manual



Document History

Date & Approval Ref	Version	Issues Addressed	Description of Change *

*Any changes in text/expression/entitlements/limits/policy or procedures through amendment or revision or review after due approvals are the examples of Description of Change and must be recorded in chronological order.

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Introduction

MDF is committed to the promising standards of honesty, transparency, and accountability in all its dealings. MDF demands to promote a culture of honesty and resistance to fraud in all its forms.

The purpose of this policy is to provide:

- a. A clear definition of what MDF means by “fraud”
- b. A definitive statement to staff forbidding fraudulent activity in all its forms
- c. A summary to staff of their responsibilities for identifying exposures to fraudulent activities and for establishing controls and procedures for preventing such fraudulent activity and/or detecting such fraudulent activity when it occurs.
- d. Guidance to employees as to action which should be taken where they suspect any fraudulent activity.
- e. Clear guidance as to responsibilities for conducting investigations into fraud related activities.
- f. Protection to employees in circumstances where they may be mistreated because of reporting, or being a witness to, fraudulent activities.

This document is intended to provide guidance and should be read in conjunction with:

- The Human Resource Policies,
- Finance Policies & Procedures in relation to Reporting Fraud.

This document will be reviewed periodically to determine whether it remains useful, relevant, and effective.

Definitions:

MDF defines fraud as:

"The theft or misuse of MDF 's funds or other resources, by an employee or a third party, which may or may not also involve misstatement of financial documents or records to conceal the theft or misuse"

Example, fraud includes but is not limited to the following:

- i. Misrepresentation with regards to educational qualification while acquiring job.
- ii. Provision of bogus educational certificates and or experience certificates with regards to previous employment history
- iii. Production of fake medical bills and medical certificates
- iv. Obtaining bribe from intended beneficiary to pass on donor or MDF funded cash or in-kind grant.
- v. Accepting cash, gifts, or other benefits from third parties or beneficiaries in exchange for providing details for their dealings with MDF
- vi. Unauthorized removal and addition or replacement of beneficiaries in project area
- vii. Destruction or removal of records.
- viii. Blackmail or threats.
- ix. Theft of funds or any other MDF property.
- x. Paying of excessive prices or fees to third parties with the aim of personal gain.
- xi. Providing microfinance loans to single individual through processing of multiple loan cases in name of different individuals or allowing loan sharing by clients among them.

- xii. Preparing and processing of such credit cases (or providing assistance in preparation thereof) for which there is no application from client or using the NIC and other information of client without his/her knowledge and consent, (even with or without the consent of supervisory structures)

Providing wrong information to supervisors with regards to loan utilization.

Collecting recoveries from borrowers and not depositing them in MDF designated bank accounts or with concerned staff authorized to collect recoveries

Unauthorized retention of official cash.

MDF Policy

Fraud in all its forms is immoral and is unacceptable to MDF. This is for the reason that as where fraud occurs:

- i. It is not just a loss to MDF, but eventually to beneficiaries and communities living in the state of abject poverty and are the neediest for the assistance of MDF
- ii. It may have a major impact on reputation of MDF and on donor confidence

MDF's objective is that fraud is eliminated from its activities. Any indications of fraud will be rigorously investigated and dealt with in a firm and controlled way.

Responsibilities of Employees

a. Senior Management Team

It is the responsibility of managers to be familiar with the types of fraud that might occur in their area, be alert for any indication of fraud or improper activity and maintain controls to avoid such occurrences. Managers are required to ensure that all staff under their control be given a copy of this policy in a language they can understand and acknowledge its receipt. Managers should also ensure that staff be encouraged to report suspected issues of fraud.

b. All Staff

It is the responsibility of all employees to carry out their work in such a way as to prevent fraud happening in the workplace. Employees must also be alert for occurrences of fraud, be aware that unusual transactions or behaviors could be indications of fraud, and report potential cases of fraud as outlined below.

Reporting Suspected Fraud

Employees are required to report issues of suspected fraud. Employees should report their suspicions as follows:

- Field Teams: To DPO in charge with a copy to Compliant Management System.
- DPO to Regional Head and concerned Sector head with copy to complaint Management System.
- Regional Head to General Manager and CEO with copy to Complaint Management Systems

Employees who suspect fraud should not do(X) any of the following:

- X** Contact the suspected individual(s) directly in an effort to determine facts, demand explanations or restitution
- X** Discuss the issue with anyone within MDF other than the people listed above
- X** Discuss the issue with anyone outside of MDF, except as required by law

If the circumstances are such that reporting a suspicion as above is inappropriate, or if the person to whom it is reported is unable to assist, the issue may be reported to the MDF confidential helpline. This helpline is monitored by the Chief internal Auditor and is accessed as follows:

By email to complaints@themdf.org

By post marked "Private & Confidential" to Chief Internal Auditor MDF Head Office, Islamabad

Dealing with Reports of Suspected Fraud

Any suspicions of fraud will be taken seriously by MDF. MDF expects its managers to deal firmly and quickly with any reports of suspected fraud. Managers receiving reports of suspected fraud must immediately notify the issue and proposed actions to the General Manager. The purpose of this prompt notification is to allow the sharing of experience of similar situations that may already have arisen elsewhere.

Investigation Guidelines

In consultation with the persons notified, arrangements must be made for a comprehensive investigation of the issue. The following are responsible for managing these investigations:

General Manager or any other person nominated by the Chief Executive

Investigations should be done either by appropriately experienced independent MDF staff, or by independent third parties. An investigation is required to be done without regard to any person's relationship with MDF, position or length of service. The safeguards for reporting employees must be applied in all cases. All work of the investigation team should be documented, including transcripts of interviews conducted. The conclusion of all fraud investigations must be documented. The responsible manager should forward the written report/conclusions to the persons requiring notification and agree the appropriate action to be taken. The person(s) that initially reported the suspicions should be informed of the outcome of the investigation, but this should be done only once the report and proposed course of action has been finalized.

Safeguards for Employees

Issues reported to line management and the helpline will be investigated with the following safeguards.

- ***Harassment or Discrimination:***

MDF recognizes that the decision to report a suspicion can be a difficult one to make, not least because of the fear of revenge from those responsible for the malpractice. MDF in accordance with its Human Resource Policies will not tolerate harassment or discrimination and will take all practical steps to protect those who raise an issue in good faith.

- ***Confidentiality:***

MDF will endeavor to protect an individual's identity when he or she raises an issue and does not want their name to be disclosed. It should be understood, however, that an investigation of any malpractice may need to identify the source of the information and a statement by the individual may be required as part of the evidence.

- ***Legal Protection:***

MDF will bear the legal fee for the defense of investigation officers, officials and employees providing meaning full support for implementation of Anti-fraud policies and procedures

Anonymous Allegations:

MDF discourages anonymous allegations. Issues expressed anonymously will be considered at the discretion of MDF. In exercising this discretion, the factors to be considered will include:

- a. The seriousness of the issues raised
- b. The credibility of the allegations and the supporting facts
- c. The likelihood of confirming the allegation from attributable sources

- ***Untrue Allegations:***

If an allegation is made in good faith, but it is not confirmed by an investigation, MDF guarantees that no action will be taken against the complainant. If, however, individuals make malicious or irritating unproved allegations, to disciplinary action will be considered against an individual alleging that may include closure of service contract.

Actions Arising from Fraud Investigations Disciplinary procedures:

Persons who are judged guilty of fraud / misconduct and will be dealt with in accordance with the HR Policy on Disciplinary Action. Proven allegations of fraud may result in

- Termination from service in event where fraud amount is equal or more than
- One month's salary of employee, or
- Equaling the amount approved as cash /in kind grant for a single beneficiary¹
- Microfinance loan ceiling for first cycle²

Where appropriate, MDF will refer significant³ fraud to the local law enforcement agencies with a view to initiating criminal prosecution. In every case, the final decision whether or not to prosecute should be taken by the CEO⁴ on the recommendation of concerned supervisor /Sector head. The Board has already empowered the CEO through a Special Power of Attorney to file legal suits

Changes to systems of controls

The fraud investigation is likely to highlight where there has been a failure of supervision and / or a breakdown or absence of control; the course of action required to improve systems should be documented in the investigation report and implemented when this report is finalized.

Recovery of losses:

Where MDF has suffered loss, full reimbursement will be sought of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) or organization(s) responsible for the loss. If the individual(s) or organization(s) cannot or will not make good the loss, consideration will be given to taking civil legal action to recover losses. This is in addition to any criminal proceedings which may result.

Effective Date:

The Anti-Fraud Policy will come into effect immediately upon approval by Board Review of this Policy. In the interests of maintaining best practice, the contents of this Anti-Fraud Policy will be reviewed by the Audit Committee every three years.

¹ Current approved cash / in kind thresholds for grants equals to PKR 25,000/- is subject to revision by competent authority

² The current ceiling for first loan equals to PKR 30,000/- and is subject to revision by competent authority.

³ Significant means amount exceeding PKR 50,000/-

⁴ The Board of Directors has already empowered CEO to handle legal matters