# ARSDO ANTI-FRAUD, ANTI-BRIBERY, ANTI-CORRUPTION and LOSS MANAGEMENT POLICY

## 1. Introduction

Fraud, bribery and other forms of corruption are found in all countries. These financial malpractices hurt the poor disproportionately, divert resources intended for development and humanitarian assistance, increase the costs of basic public services, undermine economic growth and are a barrier to poverty alleviation and good governance; they can also aggravate conflict and insecurity. On average, fraud costs organizations across the globe around 5.6 per cent of their annual expenditure, though possibly much more.

ARSDO operates Kabul and we have provincial office in Nnagarhar Afghanistan. In common with many large and decentralized organizations, the size, spread and nature of our operations puts us at risk of loss due to financial irregularities and malpractices.

There is a risk that fraud, bribery and other forms of corruption will prevent us from achieving our objectives, especially when it is working in countries where there are high levels of financial malpractice. Suggestions that ARSDO is linked to fraud, bribery, or other forms of corruption in any way can be damaging to our reputation and undermine the trust and support of beneficiaries, partners, donors and the wider public.

ARSDO is committed to the highest possible standards of openness, transparency and accountability in all its affairs and has a policy of zero tolerance for fraud, bribery, and corruption in all forms.

## 2. Purpose

The purpose of the present policy is to outline the stance of ARSDO on fraud, bribery, corruption and loss management for existing and prospective staff and non-staff, partners and donors. This document also provides information on reporting obligations and mechanisms in cases of suspected or alleged financial malpractice.

## 3. Scope

This policy applies to all ARSDO staff (part-time and full-time permanent employees and contractors) and non-staff (consultants, Board of Trustees, volunteers/interns, retainers and fellows) as well as partners of ARSDO.

**4. Compliance**

This policy on anti-bribery, anti-fraud, anti-corruption and loss management is in line with international frameworks: United Nations Convention against Corruption, 2005,

ARSDO also fully subscribes to the Anti-Bribery Principles, which provides NGOs with guidance on how to manage bribery and corruption.

**5. Definitions**

Below are definitions of corruption, fraud, bribery and loss management.

**Corruption is:**

"The abuse of bestowed power or position for private gain"

**Fraud is:**

"The theft or misuse of funds, property, assets or other resources which belong to ARSDO, by an employee or a third party, which may or may not also involve the covering up of one's actions (e.g. in financial documents or records) to conceal said theft or misuse."

Examples of fraud include but are not limited to:

- Theft of funds or any other property or assets belonging to ARSDO,
- Falsification of work costs or expenses,
- Falsifying or knowingly not declaring other information (e.g. one's CV, education or certifications; relationships to others at ARSDO etc.),
- Forgery or alteration of work documents,
- Destruction or removal of records belonging to ARSDO and
- Inappropriate personal use of work assets and property.

**Bribery is:**

"The offering, promising, giving, accepting or soliciting of money, a gift or other advantage as an incentive to do something that is illegal or a breach of trust or policy in the course of carrying out activities for ARSDO"

A bribe can take many forms and be of any size. Where the offer or receipt is intended for an employee's family or friends, or when taking place through third parties, it is still considered to be a bribe.

**Examples of bribery include but are not limited to:**

- A potential supplier offers ARSDO staff or non-staff some money or a gift, in order to influence a procurement decision,
- ARSDO staff or non-staff accepting cash, gifts or other benefits from third parties in exchange for preferred treatment of third parties in their dealings the organization,
- A job applicant offers to pay ARSDO to increase his/her chance of being offered employment,
- ARSDO staff or non-staff offer a gift (e.g. excessive hospitality) to a local government planner, in return for approval of a development application,
- A customs official asks ARSDO for an unofficial payment or gift to release imported goods or
- A government official asks for payment in order to secure and/or maintain NGO registration for ARSDO.

**Loss management is:**

"A process by which ARSDO seeks to identify and recover any misappropriated funds and/or assets. Loss management also includes the preventive measures that ARSDO takes to minimize the occurrence of events which may cause a drop in its revenue, assets or services."

## 6. Partnerships

Prospective partners of ARSDO must be made aware from the beginning of their legal obligations to report financial malpractice. ARSDO encourages open dialogue with partners so that potential risks can be identified and managed as soon as possible.

## 7. Obligations to Internally Report Suspicious Activity and Incidents

### 7.1 Of All Staff and Non-Staff

It is the responsibility of all staff and non-staff to carry out their work in such a way as to prevent all forms of financial malpractice. This is a requirement not only under the ARSDO Code of Conduct but international frameworks, too.

Staff and non-staff are responsible for being familiar with the various forms of fraud, bribery and other forms of corruption which may occur in their area and be on alert for such occurrences. Staff and non-staff should be aware that unusual transactions or behaviors could be indications of financial malpractice.

### 7.2 Managers

In addition to the requirements listed in Section 7.1, managers are also required to ensure that all staff and non-staff under their supervision are given a copy of the Anti-Fraud, Anti-Bribery, Anti-Corruption and Loss Management Policy (this policy) in a language they can fully understand (e.g. English, Dari or Pashto).

Managers should also ensure that everyone under their supervision feels comfortable in reporting suspected or alleged cases of financial malpractice.

## 8. Internal Reporting, Management of Suspicions and Allegations, Informing Donors and the Investigation Process

### 8.1 Who to Report to

Everyone is required to immediately report any suspicions or allegations of fraud, bribery or other forms of corruption.

- Staff and non-staff must first report to their immediate line manager.

- If the immediate line manager is not available or does not respond to the person reporting the issue (the complainant) within five working days, then he/she should take the issue to either the Executive Director or the Director of Human Resources.

### 8.2 How to Report

Staff and non-staff may e-mail or verbally communicate suspicions or allegations of financial malpractice to the appropriate person. Any verbal communication must be well-documented (whether electronically or in hard copy).

If the complainant's immediate line manager is unavailable or after five working days has not responded to the report, then they should put into practice the Whistleblower Policy and report either via ARSDO's confidential 'e-helplines' or phone. The 'e-helplines' are the e-mail addresses of the Executive Director (Dr. Atta Ur Rahman Fitrat, afghaanistan.relief@gmail.com and via mobile (0771782070, respectively).

**8.3 What You Must Not Do**

Anyone who suspects fraud, bribery or other forms of corruption is advised to not do any of the following:

- Contact the suspected or alleged individual(s) directly in an effort to determine facts,

Demand explanations or restitution,

- Discuss the issue with anyone within ARSDO other than the people listed in Sections 8.1 and 8.2 or
- Discuss the issue with anyone outside of ARSDO, except as required by law or court order.

**8.4 Management of Reported Suspicions or Allegations**

Any suspicions or allegations of fraud, bribery or other forms of corruption will be taken seriously by ARSDO. ARSDO expects its managers to deal quickly and firmly with any reports of financial malpractice in order to immediately manage the situation.

- All Managers receiving reports of financial malpractice are required to fill out the Initial Reporting Form.
- All managers receiving reports of financial malpractice must first report to their immediate line manager. If the immediate line manager is not available or does not respond, within five working days, then the report should be shared with either the Executive Director or the Manager of Human Resources.
- The Executive Director must notify the Chairman of the Board of Trustees upon receiving reports of financial malpractices.

**8.5 Informing Donors**

The Executive Director of ARSDO is responsible for informing donors of any evolving risks or incidents related to fraud, bribery and/or corruption.

**8.6 The Investigation Process**

In consultation with the person(s) notified, arrangements must be made for a quick but comprehensive investigation of the issue, which must be completed within a maximum period of five working days, unless the case requires that an enquiry committee has to travel to a remote office location for investigation.

### 8.6.1 Positions Authorized to Investigate Cases of Financial Malpractice

The following positions are authorized to manage investigation cases of financial malpractice:

**In the provinces:** The Provincial Programme Manager (except in circumstances of suspected or alleged involvement of the Provincial Programme Manager in the suspected or alleged financial malpractice, in which case the Executive Director will appoint a two-member committee from the Directorate).

**In Kabul:** The Director of Finance and Administration (except in circumstances of suspected or alleged involvement of the Director of Finance and Administration in the suspected or alleged financial malpractice, in which case the Executive Director will appoint a two-member committee from the Directorate).

If a case is made against the Executive Director, the Chairman of the Board of Trustees will nominate a two-member committee from the Board of Trustees.

Investigations should be carried out by appropriately experienced ARSDO staff and may require the assistance of independent third parties (e.g. internal auditors, legal counsel). Appropriate and experienced staff will be chosen on a case by case basis. Any investigation must be fair and done without regard to the person's relationship with ARSDO, position or length of service.

Everyone is required to report suspicions or allegations of fraud, bribery or other forms of corruption to their line manager and if necessary, apply the Whistleblower Policy; reporting procedures can be found in Section 8 below.

### 8.6.2 Carrying Out an Investigation

Where an initial report of financial malpractice has been made (see Section 8.2), relevant staff members, in collaboration with the Executive Director and/or Manager of Human Resources, will liaise with outside legal counsel as appropriate in order to determine whether or not the report warrants a detailed investigation. Where a detailed investigation is found to be appropriate, an investigating officer or team possessing the necessary skills will conduct the investigation.

#### (i) Security of Evidence

The persons responsible for the investigation must ensure that all evidence (e.g. physical assets, records, etc.), which may be used further along in the investigation process is secured at an early stage of the investigation process.

Anyone being investigated for financial malpractice may be denied access to ARSDO premises and information systems. If those who are under investigation are ARSDO employees, they may be sent on forced leave.

Details of investigations performed and documentation produced are to be managed and retained in accordance with our data protection system.

**8.6.3 Enforcement and Accountability**

Any disciplinary action to be taken as the result of an actual incident or incidents of financial malpractice will be established by the investigating team, the Executive Director and legal counsel (if necessary) at the end of the investigation process.

**8.6.4 Disclosure of the Results**

A Final Report Form detailing the investigation(s) performed will identify the root causes of the incident/violation (e.g. control gaps/deficiencies, collusion, systems penetration, sabotage, etc.). This report will only be shared among members of the investigation committee. Following thorough consideration and analysis of these findings, remedial actions will be taken to address the identified deficiencies/gaps, including but not limited to: amending existing or implementing new policy guidelines, procedures and controls; improving existing or implementing new systems; increasing assurance activities and making changes to the systems or processes to address identified causes.

**(i) Communication to Employees**

Appropriately limited information in relation to incidents of financial malpractice committed and action taken/to be taken may be communicated to employees both during and after the investigation process (e.g. to emphasize that unethical behavior will not be tolerated by ARSDO).

## 9. Loss and Damage Recovery Actions

Based on the results of the investigation performed, all actions possible will be taken (with external assistance where required) to recover misappropriated funds and/or assets belong to ARSDO. Consideration will be given to the possibility of legal proceedings against the offending parties in order to obtain the appropriate remedies.

## 10. Quarterly Reporting of Fraud, Corruption and Bribery Cases

The Director of Finance and Administration will generate a Fraud, Bribery, Corruption and Loss Report each quarter for the Executive Director on a prescribed format. This report will be based on information received from the provinces, Head Office and will allow ARSDO to track the status of reported allegations of financial malpractice on a regular basis, take actions where required, and share learning experiences within the organization.

## 11. Safeguards for Employees

### 11.1 Personal Security

ARSDO understands that there is a need to provide security and protection for the person(s) reporting the suspected or alleged incident(s) of financial malpractice, members of the investigating team and other employees who may be closely associated with gathering evidence.

Retaliation against anyone for raising a legitimate concern, assisting to address financial malpractice or any other unethical matter will absolutely not be tolerated by ARSDO (see Section 10.3 on False Allegations). Retaliation amounts to gross misconduct and will be dealt with according to our Code of Conduct.

### 11.2 Anonymous Allegations

Anonymous allegations are difficult for ARSDO to investigate. Suspicions or allegations expressed anonymously will be considered at the discretion of ARSDO. In exercising this discretion, the factors to be taken into account will include:

The seriousness of the issues rose, the credibility of the allegations and the supporting facts and the likelihood of confirming the allegation from attributable sources

### 11.3 False Allegations

If an allegation is made in good faith, but is not confirmed by an investigation, ARSDO guarantees that no action will be taken against the complainant. If, however, individuals make malicious or vexatious allegations, disciplinary action will made.

## 12. Actions Arising from Financial Malpractice Investigations

### 12.1 Disciplinary Procedures

Persons who are found guilty of financial malpractice have committed gross misconduct and will be dealt with in accordance with the Code of Conduct. Proven allegations of financial malpractice are likely to result in dismissal from employment with ARSDO.

Where appropriate, ARSDO will refer cases of financial malpractice to local law enforcement agencies, with a view to initiating criminal prosecution. Due consideration will be given to the local context and the consequences in terms of human rights abuses as a result of initiating criminal prosecution against the individual(s) involved. In every case, the final decision whether or not to prosecute will be taken by either the Managing Director in consultation with the Chair of Board of Trustees or the Chairman of Board of Trustees, where allegations may involve Executive Director.

**12.2 Changes to Systems of Controls**

The financial malpractices investigation is likely to highlight where there has been a failure of supervision and/ or a breakdown or absence of management control. The course of action required to improve systems so as to prevent the same failures from happening again in the future will be documented in the investigation report and implemented once the report is finalized.

**12.3 Recovery of Losses**

Where ARSDO has suffered loss, full restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from the individual(s) and/or organization(s) responsible for the loss. If the individual(s) and/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.

## 13. Effective Date

This document, which governs the procedures to be taken in case of financial malpractice, will come into effect from 15 January 2019.

## 14. Custodianship and Policy Review

The Director of Finance and Administration is the custodian (i.e. the person responsible for looking after) of the Counter-Terrorism Financing and Money Laundering Policy.

In the interests of maintaining best practice, the contents of this policy will be reviewed by a committee to be appointed by the Executive Director every three years or earlier if circumstances change and warrant an earlier review.

## 14. Approving Authority

This Policy Guide is approved by the Executive Director of ARSDO on the 15 January 2019.