

## **Action Lesotho's Anti-Fraud Policy**

### **1. Introduction**

This document sets out Action Lesotho's policies and procedures in relation to fraud and other forms of dishonesty, together with the steps that must be taken where any of these practices is suspected or discovered.

It applies to Directors, staff and volunteers. Anybody associated with Action Lesotho who commits fraud, theft or any other dishonesty, or who becomes aware of it and does not report it, will be subject to appropriate disciplinary action.

Fraud in all its forms is wrong, and is unacceptable to Action Lesotho because where fraud occurs:

- It is not just a loss to Action Lesotho but ultimately to our beneficiaries i.e. people living in poverty who are some of the most needy of Lesotho's citizens
- It may have a major impact on our reputation, on donor confidence and therefore on our beneficiaries.

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

### **2. Statement of intent**

Action Lesotho is fully committed to ensuring that all its financial and administrative processes are carried out and reported honestly, accurately, transparently and accountability and that all decisions are taken objectively and free of personal interest. We will not condone any behaviour that falls short of these principles.

All members of the organisation have a responsibility for putting these principles into practice and for reporting any breaches they discover.

### **3. Definitions**

a) Fraud: Definitions include, but are not limited to, the following:

- A deliberate intent to acquire money or goods dishonestly through the falsification of records or documents.
- The deliberate falsification of financial statements or other records.
- Offering, promising or giving of a bribe or requesting or accepting a bribe for any personal or organizational gain.

Note: The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud

b) Theft: Dishonestly acquiring, using or disposing of physical or intellectual property belonging to Action Lesotho or to individual members of the organisation.

c) Misuse of equipment: Deliberately misusing materials or equipment belonging to Action Lesotho, including inappropriate personal use of items.

d) Abuse of position: Exploiting a position of trust within the organisation.

#### 4. Culture

Action Lesotho's culture is intended to foster honesty and integrity and is underpinned by seven principles of behaviour. These are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Directors, staff and volunteers are expected to lead by example in adhering to policies, procedures and practices. Equally, members of the public, service users and external organisations (such as suppliers and contractors) are expected to act with integrity and without intent to commit fraud against Action Lesotho in any dealings they may have with the organisation.

As part of the culture, Action Lesotho will provide clear mechanisms by which concerns can be raised by Directors, staff and volunteers and by those outside of the Charity. A copy of Action Lesotho's whistleblowing policy (see Appendix 2) is available to Directors, staff, volunteers, service users, suppliers and other third parties.

Senior management are expected to deal promptly, firmly and fairly with suspicions and allegations of fraud or corrupt practice

#### 5. Responsibilities

In relation to the prevention of fraud, theft, misuse of equipment and abuse of position, specific responsibilities are as follows:

##### a) Directors:

The Directors are responsible for establishing and maintaining a sound system of internal control that supports the achievement of Action Lesotho's policies, aims and objectives.

The system of internal control is designed to respond to and manage the whole range of risks that Action Lesotho faces.

The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk is seen in the context of the management of this wider range of risks.

##### b) The In-Country Director

Overall responsibility for managing the risk of fraud in Lesotho has been delegated to the In-Country Director. His/her responsibilities include:

- Undertaking a regular review of the fraud risks associated with each of the key organisational objectives.
- The design of an effective control environment to prevent fraud.
- Establishing appropriate mechanisms for:
  - reporting fraud risk issues
  - reporting significant incidents of fraud or attempted fraud to the Board of Directors in Ireland;
- Liaising with Action Lesotho's appointed Auditors.

- Making sure that all staff are aware of the Action Lesotho's Anti-Fraud Policy and know what their responsibilities are in relation to combating fraud;
- Ensuring that appropriate anti-fraud training is made available to staff and volunteers as required; and
- Ensuring that appropriate action is taken to minimise the risk of previous frauds re-occurring in future.

#### c) Management Team

The Managers are responsible for:

- Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- Preventing and detecting fraud as far as possible;
- Assessing the types of risk involved in the operations for which they are responsible;
- Reviewing the control systems for which they are responsible regularly;
- Ensuring that controls are being complied with and their systems continue to operate effectively; and
- Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

#### d) Staff and Volunteers

Every member of staff or volunteer is responsible for:

- Acting with propriety in the use of Action Lesotho's resources and the handling and use of funds whether they are involved with cash, receipts, payments or dealing with suppliers;
- Conducting themselves in accordance with the seven principles set out above. They are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- Alerting their manager when they believe the opportunity for fraud exists e.g. because of poor procedures or lack of effective oversight;
- Reporting details immediately if they suspect that a fraud has been committed or see any suspicious acts or events; and
- Cooperating fully with whoever is conducting internal checks or reviews or fraud investigations.

### 6. Detection and Investigation

Whilst having regard to the requirements of the Data Protection legislation<sup>1</sup> & ethos<sup>2</sup>, Action Lesotho actively participates in an exchange of information with external agencies on fraud and corruption. It is often the alertness of Directors, staff or volunteers

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<sup>1</sup> The main Irish law dealing with data protection is the [Data Protection Act 1988](#). The 1988 Act was amended by the [Data Protection \(Amendment\) Act 2003](#).

<sup>2</sup> Lesotho does not have Data Protection legislation but Action Lesotho is committed to applying the principles applying to Ireland to our handling of data & private information in Lesotho.

and the general public to the possibility of fraud and corruption that leads to detection of financial irregularity.

The appropriate person must be notified immediately of all financial or accounting irregularities or suspected irregularities or of any circumstances which may suggest the possibility of irregularities including those affecting cash, stores, property, remuneration or allowances.

The reporting structure is as follows:

Overseas staff & volunteers: To their Line Manager, or to the In-Country Director.

In-Country Director: To the Board of Directors and Internal Auditor where the fraud is in excess of R3000

Board of Directors (Ireland): To the Chair of the Board, the Treasurer and External Auditor.

Staff and volunteers in Ireland: To their supervisor or the Board of Directors.

Reporting of suspected irregularities is essential as it:

- Facilitates a proper investigation by experienced staff, and ensures the consistent treatment of information regarding fraud and corruption.
- When so notified, the Board of Directors or In-Country Director will undertake an investigation by appointing a designated officer, auditor or other adviser.
- The designated officer, auditor or other adviser will:
  - deal promptly with the matter
  - record evidence received
  - ensure the security and confidentiality of evidence
  - Work closely with senior managers of Action Lesotho & other agencies e.g. the Police to ensure that issues are properly investigated & reported upon.
  - Ensure maximum recoveries are made on behalf of Action Lesotho, and assist the senior managers to implement disciplinary procedures where considered appropriate (referral to the Police will not prohibit or restrict action under the Disciplinary Procedure).
- In cases of suspected payroll irregularities where a fraud investigation may be possible, discussion will occur between the Chair and the In-Country Director if it is thought a disciplinary investigation is more appropriate
- Malicious accusations may be the subject of disciplinary action.

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

- Unless they are the designated investigator, they should not contact the suspected individual(s) directly in an effort to determine facts, demand explanations or restitution
- Discuss the issue with anyone outside of Action Lesotho, except as required by law

#### Investigation Report

The conclusion of all fraud investigations must be documented. The Investigation Report will contain all details relating to the investigation and a timeline of all the events which took place. The Report will also include the transcripts of any interviews undertaken and any legal advice received. The report may also contain the recommendations of the investigation team on the course of action to be taken. The In-Country Director / responsible investigator should forward the written

report/conclusions to the persons requiring notification – see section 6 above – 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 finalised.

## **7. Actions arising from Investigation**

- a) Disciplinary Action: Proven allegations may result in a formal warning, disciplinary action or dismissal, depending on the seriousness of the activity. Where appropriate the fraud will be reported to the relevant authorities e.g. Police, Revenue, etc.
- b) Changes to Control Systems: Fraud investigations will often reveal weaknesses in control systems. The necessary changes should be recommended, documented and implemented.
- c) Recovery of losses: Action Lesotho will seek full restitution of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) or organisations responsible for the loss. If the individual or organisation 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.

## **8. Safeguards for Employees**

The safety of whistle blowers is a very important consideration for investigators and one that must not be taken lightly. The organisation has an obligation to protect staff members who have come forward to report wrong doing. Issues reported will be investigated with the following safeguards:

- Action Lesotho will not tolerate harassment or victimisation and will take all practical steps to protect those who raise an issue in good faith.
- Confidentiality: Action Lesotho will endeavour 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.
- Untrue Allegations: Employees should be aware that if an allegation is made in good faith, but it is not confirmed by an investigation, Action Lesotho guarantees that no action will be taken against the complainant. If, however, individuals make malicious or vexatious allegations, disciplinary action will be considered against an individual making the allegation.

## **9. Training**

An important contribution to the continuing success of an anti-fraud strategy, and its general credibility, lies in the effectiveness of programmed training, of Directors staff and volunteers throughout the organisation. This will be achieved through the development of both induction and refresher training for all personnel involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

## **10. Review**

This policy will be reviewed on an annual basis.

## Appendix 1: Donor Requirements on Reporting Fraud.

### **Irish Aid**

Fraud is deemed to have been perpetrated where:

- a) An act is wilfully or knowingly perpetrated; and
- b) Such act has the characteristics of fraud including, but not limited to, misappropriation, deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, false representation, alteration of negotiable instruments such as cheques, falsification of accounting records or financial reports, or concealment of material facts and collusion: and
- c) The Department suffers, or could realistically believe that it might suffer, an actual loss including but not limited to a financial loss.

In such cases, you are obliged to report the suspicion of fraud by following the procedures outlined below:

1. Communicate in writing and by email with the signatory (or his / her replacement) of the legal contract between your organization and the Department of Foreign Affairs.
2. Describe, as far as possible, the circumstances of the (alleged) fraud, the suspected principals involved and an estimate of Irish Aid funds concerned.
3. Describe any action already taken, the proposed follow-up actions, including plans for a forensic audit if this is deemed appropriate.
4. Share the draft TORs of an investigative exercise for comment with Irish Aid before tendering the exercise to a third party.
5. Share all relevant documentation that might be requested by Irish Aid, including the results of the forensic audit in a timely manner.
6. Maintain constant contact with Irish Aid until the fraud case is thoroughly investigated and the case deemed closed by Irish Aid officials.

Notwithstanding full compliance with the above, the Department reserves the right to undertake a separate audit exercise should that be deemed an appropriate course of action.

## **Appendix 2: Action Lesotho Whistle-blowing Policy**

### **Introduction**

**1** The word whistleblowing in this Policy refers to the disclosure internally or externally by workers (staff or volunteers) of anything which is illegal or unethical. It also includes reporting of colleagues who are neglecting their duties.

### **Policy statement**

**2** Action Lesotho is committed to achieving the highest possible ethical standards. To achieve these ends, it encourages freedom of speech. It also encourages staff to use internal mechanisms for reporting any malpractice or illegal acts by its employees, volunteers or Board members.

### **Other policies and procedures**

**3** Action Lesotho staff & volunteers are encouraged to raise personal employment issues with their supervisor. There may be times, however, when the matter is not about personal employment issues and needs to be handled in a different way. Examples may be:

- **Ill treatment of a someone at work or a client by a senior member of staff**
- **A criminal offence has been committed or is being committed**
- **Suspected fraud**
- **Disregard for legislation, particularly in relation to health and safety at work**
- **Breach of standing financial instructions**
- **Showing undue favour over a contractual matter or to a job applicant**
- **A breach of a code of conduct**
- **Information on any of the above has been, is being, or is likely to be concealed**

*Note: This list is not exhaustive.*

Action Lesotho will not tolerate any harassment or victimisation of a whistleblower (including informal pressures), and will treat this as a serious disciplinary offence.

### **Designated officers**

**4** The following people have been nominated and agreed by Action Lesotho as designated officers for concerns under this procedure.

Dominic Matoane - Lesotho

Clare Heardman - Ireland

### **Role of designated officer**

**5** Where employees don't feel able to raise issues with their line manager, the designated officer will be the point of contact under the provisions of this policy. Where concerns are raised with him/her, he/she will arrange an initial interview to ascertain the area of concern. At this stage, the whistleblower will be asked whether he/she wishes his/her identity to be disclosed and will be reassured about protection from possible reprisals or victimisation. He/she will also be asked whether or not he/she wishes to make a written or verbal statement. In either case, the designated officer will write a brief summary of the interview, which will be agreed by both parties.

### **Role of the most senior people in the organisation**

**8** The designated officer will report to the In-Country Director in Lesotho or to the Chairman of the Board in Ireland, who will be responsible for the commission of any further investigation.

### **Complaints about the most senior people in the organisation**

**9** If the concern is about the most senior people in Action Lesotho this should be made to the Company Secretary, who will decide on how the investigation will proceed. This may include an external investigation.

### **The investigation**

**10** The investigation may need to be carried out under the terms of strict confidentiality i.e. by not informing the subject of the complaint until (or if) it becomes necessary to do so. This may be appropriate in cases of suspected fraud. In certain cases, however, such as allegations of ill treatment of clients (adults or children), suspension from work may have to be considered immediately. Protection of vulnerable clients is paramount in all cases.

**10.1** The designated officer will offer to keep the whistleblower informed about the investigation and its outcome.

**10.2** If the result of the investigation is that there is a case to be answered by any individual, disciplinary action will entail (as per contractual Disciplinary Procedures).

**10.3** Where there is no case to answer, but the employee held a genuine concern and was not acting maliciously, the designated officer should ensure that the employee suffers no reprisals.

**10.4** Only where false allegations are made maliciously, will it be considered appropriate to take disciplinary action against the whistleblower.

### **Inquiries**

**11** If the concern raised is very serious or complex, an inquiry may be held.

### **Following the investigation**

**12** The most senior person in the organisation will brief the designated officer as to the outcome of the investigation. The designated officer will then arrange a meeting with the whistleblower to give feedback on any action taken. (This will not include details of any disciplinary action, which will remain confidential to the individual concerned). The feedback will be provided within the time limits (to be specified).

**12.1** If the whistleblower is not satisfied with the outcome of the investigation, Action Lesotho recognizes the rights of the whistleblower to make disclosures to prescribed bodies or representative organisations (such as the Police, Dochas, etc.)