



FRAUD AND CORRUPTION CONTROL PLAN

APRIL 2019

**SOMALI ASSOCIATION FOR REHABILITATION AND
DEVELOPMENT**

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Forward from the Board Chairman

Welcome to the Fraud and Corruption Control Plan 2019-21.

At Somali Association for Rehabilitation and Development (SARD) (the organisation), we take our exposure to fraud seriously and we do have a zero tolerance policy against for it. Our organisation takes all reasonable measures to control fraud and properly manage its resources in a way that assures the integrity of the activities of the organisation while maximising benefits for the Somali people.

Fraud is a threat which affects every entity in all areas of business, including benefits, procurement, grants and internal procedures. Fraud against the organisation is a criminal offence that impacts negatively on all Somalis. It reduces funds available for delivering public goods and services, can place public safety at risk and undermines public confidence in an organisation.

Every day we work closely with the public, donor organisations, the government and other stakeholders to address the humanitarian calamities created by the prolonged conflict and natural disasters in Somalia. We must remain constantly vigilant of fraud vulnerabilities across all our programs and activities and ensure robust controls are in place. Through sound administration, we play a critical role in safeguarding the organisation against fraud.

We should also be aware of threats from within. The ‘trusted insider’ represents a real and enduring risk to everyday operations. A trusted insider is someone who leaks information or takes material outside of our organisation without authorisation, to gain benefit or cause a loss. Insider activity undermines the integrity and reputation of our organisation, and can also be a threat to our operational security.

To ensure we meet our obligations, we have developed this ‘Fraud and Corruption Control Plan 2019-21’ (FCCP). The FCCP ensures that the organisation establishes and maintains appropriate systems of risk oversight and management, and that all reasonable measures are in place to prevent, detect and deal with fraud.

All staff and contractors have a role in the organisation’s fraud control arrangements, including identifying and reducing fraud risks, reporting suspected fraud and participating in fraud control activities. As SARD employees, we are committed to the highest ethical standards as embedded in SARD’s Code of Conduct.

Signed:

Abdulkadir Ibrahim Haji

Vice Chairman,

Somali Association for Rehabilitation and Development (SARD)

Date: Effective from April 2019

2. Introduction

The Fraud and Corruption Control Plan (FCCP) documents the strategic and operational approach to controlling fraud and corruption within SARD (the organisation). It provides an overview of how fraud and corruption risks will be managed and compiles with the standard best practices. There being limited legal frameworks in Somalia to prevent, identify and respond to fraudulent activities, this plan has been bench marked against international best practices for public sector organisations.

The Fraud and Corruption Control Plan was reviewed on 1 April 2019 subsequent to an assessment of the level of implementation of the previously adopted Fraud and Corruption Prevention and Control Policy.

This FCCP shall remain effective for a period of 2 years beginning 1 April 2019 to 31 March 2021 and shall be reviewed biennial thereafter to take into account the changing conditions and ways of doing business in the public sector in Somalia.

In summary, this FCCP represents the organisation's commitment to fraud control, and aims to minimise the potential for fraud enacted on the organisation's programmes or activities by employees or people outside the organisation.

3. Fraud and corruption statement

SARD is committed to reducing fraud and corruption risk by complying with the following:

- the provisions of this Fraud and Corruption Control Plan;
- training employees in ethics, privacy, fraud and corruption awareness;
- working to prevent, detect, disrupt and investigate fraud and corruption, and to achieve deterrence to fraud against the organisation, including by prosecuting offenders in appropriate circumstances;
- applying, civil, administrative or disciplinary penalties and sanctions where appropriate;
- recovering proceeds of fraudulent and corrupt activity;
- a rolling programme of fraud and corruption related risk assessments;
- implementing an integrated system of appropriate and effect controls;
- providing specialised training for employees involved in fraud and corruption control activities; and
- reporting all fraud to the relevant government entity.

4. Code of Conduct

The organisation's attitude to ethical conduct is documented in the organisation's Code of Conduct Policy which is based on the international best practices and requires all employees to meet the standards of conduct.

The Code of Conduct procedure is provided to assist in understanding the Code of Conduct and steps to be taken for alleged breaches. It also helps to identify and address issues associated with behavioural standards that are often integrally linked to performance problems.

Where an employee is found to have breached the Code of Conduct, the organisation may decide to take misconduct action. The organisation's Code of Conduct Policy outlines the process to managing suspected breaches.

5. Definition of Fraud and Corruption

5.1. Fraud

SARD defines fraud as any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

5.2. Corruption

Corruption is the abuse of entrusted power for private gain, including bribery. Fraud and Corruption do not necessarily imply immediate financial benefits for the individual(s) committing fraud or corruption, but may include those activities that cause financial or reputational damages to SARD.

5.3. Types of fraudulent and corrupt activities

SARD further lists the following categories of fraudulent and corrupt activities:

- A “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
- A “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- A “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
- A “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party; and
- An “obstructive practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the SARD’s contractual rights of audit or access to information.

6. Internal control system

SARD shall contribute to preventing and detecting fraud and corruption by:

- identifying areas of operations that are more vulnerable to the risks of fraud and corruption;
- implementing and monitoring robust risk management and internal control systems that are easily accessible by internal and external auditors;
- monitoring risks on an ongoing basis and regularly assessing the effectiveness of the internal controls;
- maintaining sufficient and appropriate records of financial transactions and balances;
- conducting training on SARD employees on internal control systems to prevent, detect and report fraud and corruption.

7. Fraud control policy and principles

The organisation considers fraud against the organisation as a serious matter. In this regard, the organisation:

- maintains a ‘zero tolerance’ attitude towards fraud and requires that any case of suspected fraud is reported immediately and, dealt with appropriately;
- creates and maintains an ethical culture in the workplace which supports vigilance, diligence, loyalty and the courage to report fraud-related concerns;
- provides mechanisms for reporting allegations of internal and external fraud, and
- adopts a risk management approach to determine appropriated fraud control strategies.

To support these principles, the organisation will:

- ensure a fraud control plan is published and maintained in accordance with the public sector best practices;
- publish fraud control policies containing clearly documented fraud control procedures;
- conduct risk assessments at a minimum of every two years or when there are significant changes to the structure and/or function of the organisation;
- increase awareness of the risks of fraud by providing fraud awareness training to new staff at induction and through on-line training;

- provide periodic fraud awareness training to ongoing staff which is designed to target a variety of audiences including high risk areas;
- require professional and ethical practice by staff, consultants/ contractors and those who do business with the organisation;
- provide easily accessible mechanisms for reporting allegations of internal and external fraud;
- maintain a Risk and Compliance officer (internal auditor) to provide oversight of all fraud control measures established by the organisation;
- use all lawful avenues to recover money or property lost through fraudulent activity;
- investigate allegations of fraud against the organisation, whether internal or external;
- where appropriate, prepare briefs of evidence and refer matters to the relevant authorities for consideration of prosecution action, and
- ensure all aspects of fraud control are continuously monitored, reported and reviewed.

8. Fraud roles, responsibilities and accountabilities

In order to ensure the organisation's fraud control strategies are properly implemented, responsibilities for fraud control are clearly defined. This includes the designation of a Risk and Compliance control officer (also acting as internal auditor) along with specific responsibilities for employees and management.

8.1. Audit committee

The audit committee has overall responsibility for fraud control within the organisation and developing and implementing the Fraud and Corruption Control Plan.

The audit committee will ensure that adequate policies and procedures are in place to protect the SARD and donor funds entrusted to it, and this includes dealing with any allegations, or instances of fraud, bribery and corruption within the organisation.

8.2. Authorised official – Risk and Compliance Officer (RCO)

The audit committee has authorised the organisation's RCO to coordinate the development and implementation of a Fraud and Corruption Control Plan (FCCP) for the organisation.

The RCO shall be responsible for investigating fraudulent activities on a day-to-day basis.

The RCO shall also double up as an internal auditor who shall continuously monitor the operational effectiveness of the internal controls.

8.3. External auditor

The external auditor shall design and perform those audit tests that shall enable him/her to identify and assess areas of risks in the organisation, and any instances of fraud and/or corrupt activities that shall come to his/her attention in the course of the audit assignment.

The external auditor shall also bring to the attention of the management, any instances of weaknesses in the internal control system of the organisation, and give clear recommendations for remedial action.

8.4. All personnel

Roles and responsibilities applicable to SARD personnel shall include (but not limited to) the obligations to:

- act at all times in accordance with the highest standards of integrity;
- under no circumstances, engage in, condone or facilitate, or appear to condone or facilitate, any fraud and/or corruption in the course of the activities and operations of SARD;
- refrain from participating in any situation that may give rise to any conflict of interest;
- avoid any use of the funds, resources and/or assets of SARD that is contrary to the guidelines;

- detect, prevent and report any fraud and corruption, or any attempts thereof, in accordance with the guidelines;
- exercise due care in managing the funds, resources and/or assets of SARD and its donors, applying established risk-control mechanisms to mitigate the risk of fraud and corruption;
- promptly report any practice contrary, or reasonably suspected of being contrary, to the guidelines of this Plan or any attempts thereof, to the RCO; and
- comply with the mandatory training requirements under the Policy.

The organisation accepts reports of suspected fraud from internal and external parties. The organisation ensures the confidentiality of the information received from any party wishing to report a suspected case of fraud.

8.5. Fraud reports from internal parties

Details of the organisation's fraud hotline, and other means by which fraud can be reported shall be provided to staff. The FCCP is also contained within the internet page to ensure that people external to the organisation can be appropriately report allegations of fraud or corruption.

A report can be made in person, in writing, by email or by telephone.

Phone: +252 61 6183467

Email: Sard.whistleblowing@gmail.com

8.6. Fraud reports from external parties

Allegations of fraud by recipients of funding administered by the organisation, suppliers, contractors or other stakeholders can also be made via the same methods as for internal staff above.

8.7. Fraud advice

The RCO has the authority to provide confidential and independent advice to staff and management in relation to concerns around suspected fraud.

Staff and managers are to be guided by the advice of the RCO and are to refrain from any action which might contaminate potential evidence or jeopardise the success of an investigation.

The RCO will also be responsible for maintaining an appropriate recording, reporting and analysis system to ensure that all instances of suspected fraud are satisfactorily resolved.

The information provided to the RCO should include:

- details and dates of the suspected offence;
- details of any staff involved (name and location);
- the value of the alleged fraudulent or improper conduct;
- details of any outside parties involved (name, description and address), and
- potential sources of additional information about the matter in question, such as people and files.

8.8. What to expect when you report fraud

The organisation takes all allegations of fraud seriously. Information is assessed and, where appropriate, will be investigated. Should informants choose to provide personal details when making an allegation, an investigator may be in contact to obtain further information.

8.9. Protection of employees reporting suspected fraud

The organisation will, in accordance with relevant policies and procedures, protect any person who has made an allegation against another member of staff or against an external party whether the allegation has been made with full disclosure of the informant's identity or anonymously.

8.10. Anonymity

The organisation accepts anonymous reports of suspected fraud. Informants are not required to provide contact details if they do not wish to do so.

9. Fraud investigations

The organisation conducts its own investigations into suspected fraud.

- Internal Fraud is fraud committed by staff or contractors of the organisation against organisation;
- External Fraud is fraud committed by persons external to the organisation including contractors, providers of goods and services, and recipients of organisation's benefits and funding.

All allegations of fraud on the organisation, whether internal or external, are assessed, and where appropriate, investigated with the aim of proving or disproving the allegations.

The organisation's RCO shall conduct the investigations and present the findings to the audit committee.

10. Fraud prevention strategies

Central to the organisation's fraud prevention strategy is the identification of current and emerging fraud risks through an ongoing fraud risk assessment programme.

The organisation has implemented a number of prevention strategies which are outlined below.

10.1. Fraud awareness training

The organisation provides formal fraud awareness training and ensures that all updates and changes to fraud-related policies, procedures, codes of conduct etc., are circulated to staff and consultants/contractors in a timely manner.

The organisation has further developed its fraud awareness training programme for face-to-face training targeted to the specific needs of line areas. In addition, training attendance records are maintained and feedback surveys are used to establish the effectiveness of training sessions.

10.2. Employment screening

The organisation has a new employee verification process to ascertain a person's suitability for employment, against a list of defined pre-requisites.

As part of the recruitment process, managers and selection committees conducting the interview process are responsible to verify the prospective employees' suitability for the position.

10.3. Leave policies

The organisation's leave policy details the policy principles and leave conditions applicable to all staff. Each year, managers will be advised of employees with more than the required number of accumulated recreation leave days. Employees will be required to develop a plan with their manager to have their recreation leave days at no more than 7 days at the end of each year.

Employees who still have in excess of 7 recreation leave days at year end be directed, in writing, to take leave.

10.4. Declaration of interest and conflict of interest policy

The organisation ensures that its employees understand the detrimental impact to the organisation of conflicts of interest. Employees are required to report to their immediate supervisor any conflict of interest issue that might present itself during the normal process of exercising their responsibilities.

11. Fraud detection strategies

It is incumbent on line management to be alert to the potential for fraud and to take active steps to detect any fraud that occurs. The fraud control officer (internal auditor) will work with line management and internal audit in applying the organisation's findings from fraud risk assessments to formulate effective fraud detection systems.

The organisation has implemented a number of detection strategies which are outlined below.

11.1. Fraud reporting mechanisms

Internal and external fraud reporting mechanisms are available on the organisation's internet. A reporting hotline has been established and information is available to assist parties to understand their rights and obligations. The reporting mechanisms ensure the confidentiality of the information received from anyone wishing to report a suspected case of fraud.

11.2. Internal audit

Internal audit is an independent function within the organisation that reports directly to the Audit Committee. They conduct better practice assurance activities, audits and assurance advisory services which assist in the development of efficient and effective systems of internal control, risk management and corporate governance.

The results of the most recent fraud risk assessment are considered when developing the Audit Plan. This is also developed with a view to the organisation's stated risk appetite for fraud and corruption to ensure that areas with the highest areas of risk are considered. Further, fraud risks are considered within each audit where relevant to determine whether controls satisfactorily address these risks.

11.3. External audit

The external auditor shall provide external oversight over SARD's financial activities. The external auditor is under the obligation to report any cases of fraud or presumptive fraud or wasteful or improper expenditure of SARD's money or other assets, thereby contributing to the objectives of the guidelines.

12. Fraud response strategies

The organisation conducts investigations into suspected fraud against its activities.

SARD promptly and efficiently investigate will suspected instances of fraud and corruption in accordance with the provisions of this Plan, the Code of Conduct and Human Resource Guidelines. Any investigation pursuant to this Plan will be conducted impartially, fairly and thoroughly.

12.1. Investigation resources

To ensure that there is reasonable assurance that investigations are performed and reported properly, the organisation shall set up an investigation committee to ensure fraud control is conducted by experienced personnel who are sufficiently independent of the area or the matter under investigation.

12.2. External investigation resources

Where the initial investigation discloses a complex situation beyond the organisation's investigative capability, external expertise should be sought to carry out the investigation. The decision to obtain such external expertise will be at the discretion of the Audit Committee.

12.3. Disciplinary procedures

Where it is appropriate that the matter not be reported to the police, the organisation may pursue a range of remedies including dismissal, demotion or reprimand in accordance with the Human Resource guidelines and the Code of Conduct.

For external parties e.g. suppliers, consultants etc., SARD may sever any existing working relationship including suspension of already existing agreements and that of future working relationship for a period that could be determined by the management of SARD.

12.4. Policy for civil proceedings to recover the proceeds of fraud

The organisation has adopted a policy wherein it will actively pursue the recovery of any money or property lost through fraud, provided there is a strong prospect of a net benefit to the organisation from such action.