

ANTI-FRAUD AND CORRUPTION POLICY

For the ACT Alliance

Approved by ACT International Executive Committee on April 27th, 2009

This document was updated in March 2010 to take in account the change of name to ACT Alliance. No substantive changes were made.

1. INTRODUCTION

The incidence of corporate fraud and corruption has risen in recent years making it essential for companies and organisations to put in place effective deterrence mechanisms. Non governmental organisations, including members of the ACT Alliance, have also been affected. The ACT Executive Committee at its December 2007 meeting, requested the ACT Coordinating Office¹ to develop a policy on Fraud and Corruption stressing that the ACT Alliance Anti Fraud and Corruption Policy is one of **ZERO-TOLERANCE**. The Executive Committee further requested that clear definitions of Fraud and Corruption be developed.

2. PURPOSE AND SCOPE

2.1 The purpose of this Anti-Fraud and Corruption policy is to minimise the chances of occurrence of fraud and corruption within the ACT Secretariat as well as within the ACT Alliance member organisations (hereafter referred to as "ACT") which access funds through the ACT funding mechanisms² thereby ensuring that the funds and the assets that have been raised are protected from fraud and corruption-related losses.

The policy aims to:

- Ensure that financial and other resources are used solely for the intended purposes.
- Promote a culture of honesty and openness among the staff and management of ACT.
- Ensure that vulnerable populations are not disadvantaged or exploited by staff members or their associates who commit fraudulent and corrupt acts; and
- Assure members of staff and target populations that they can safely and confidently raise and report all serious concerns about unethical conduct, suspected fraud and corruption.

2.2 This Policy applies to all ACT employees (full time, part time, temporary and casual), ACT members, and also to non-ACT implementing partners who access funds from ACT members through the ACT funding mechanisms.

2.3 The policy covers all bona fide concerns raised relating to the following:

- Financial misconduct, including criminal acts such as theft of cash and false accounting thereof.
- Abuse of resources which belong to ACT and those provided by, or purchased using funds raised by the ACT Alliance members and other non-ACT donors in response to an ACT appeal. Abuse of resources can include theft and computer crimes where a

¹ Renamed the ACT Secretariat in 2010

² Funding mechanisms include the ACT Appeals, Rapid Response Fund, Capacity Development Initiative, as well as ACT member management of funding received outside the ACT funding mechanisms.

- computer or network is the source, tool, target, or place of a crime (e.g., unauthorised access, suppression of data, electronic fraud, etc).
- Use of improper means, such as bribery, kickbacks or so-called 'facilitation' payments, by someone to induce another person to act or to refrain from acting in the exercise of her/his duties, in order to obtain or retain an undue advantage.
 - Any action or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
 - Threatened or actual illegal actions such as personal injury or damage to property, in order to obtain an undue advantage or to avoid an obligation.
 - Collusion in improper procurement or contracting activities.
 - Any attempts to suppress or conceal any of the above.

3. DEFINITIONS

For the purpose of this policy statement, the terms 'fraud' and 'corruption' are defined as follows:

- Corruption is the "offering, giving, soliciting or acceptance of an inducement or reward which may improperly influence the action of any person"
- Fraud is an intentional distortion, deceit, trickery, and perversion of truth or breach of confidence, relating to an organization's financial, material, or human resources, assets, services and/or transactions, generally for the purpose of personal gain or benefit. **Fraud** is a criminal deception or the use of false representations to gain an unjust advantage.

The definitions above equally apply to all malpractice and unethical behaviour, including (this list is not exhaustive):

- Embezzlement- theft of organisation's resources for own use. It may involve only one person or more.
- Misuse and misappropriation of funds;
- Collusion and bribery. Bribery means that a person, organisation or institution improperly provides goods or services against some form of improper remuneration. This involves (at least) two parties
- Obstruction of justice;
- Sharing of profits / kick backs, cuts, discounts for personal benefits; and
- Abuse or misuse of power.
- Extortion - the act of obtaining something by force, threats or undue demands.
- Favouritism is the unfair favouring of one person or a group with something at the expense of others.
- Nepotism is favouritism shown to relatives in conferring offices or privileges."

4. CULTURAL AND THEOLOGICAL STANCE AGAINST FRAUD AND CORRUPTION

4.1 *Mission Statement*³

As churches and church-related organisations, we work together for positive and sustainable change in the lives of people affected by poverty and injustice through coordinated and effective humanitarian, development and advocacy work.

4.2 *Culture and Theological Foundation*

- ACT is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting a culture of openness and honesty in all ACT activities and initiatives. The ACT governance and management are therefore committed to the following principles:
 - Creating an anti-fraud and corruption culture and maintaining high ethical standards in its administration;
 - Accepting that an anti-fraud and corruption culture is the joint responsibility of all those involved in giving political direction of the organization, determining policy and management;
 - Requiring that ACT members and employees will lead by example in ensuring adherence to legal requirements, standing orders, financial regulations, and codes of conduct, procedures and practices;
 - Providing clear mechanisms by which concerns can be raised by both ACT members and employees, and external individuals or organisations who are providing, using or paying for the services; and
 - Ensuring and maintaining a culture of openness and transparency.
- As we address the issue of fraud and corruption, as faith-based organizations, ACT commits to uphold:
 - **Honesty** (Exodus 20:15-16, Luke 16:10). We accept that to misuse or abuse resources not only deceives the giver of such resources, but even more importantly, it deprives those we seek to assist from the support that has been promised. In addition, the act of improperly influencing others greatly diminishes our ability to act honestly, impartially and independently. Such actions are a breach of trust with stakeholders and can cause significant harm to our efforts.
 - **Stewardship** (Psalm 24:1, Matthew 25:14-30): At the core of our work, we recognize that our resources are not our own. This includes resources of all kinds, whether it is funds from a donor, the skills of a staff person or the capacities of local communities we aim to serve. When we start acting as if the resources we have are entirely owned by us, we can abuse the trust by which they have been given for our use. Ultimately, our resources are gifts entrusted to us by God to support those affected by emergencies through the most effective, appropriate and responsible means possible.
 - **Transparency** (Psalm 139:23-24, Proverbs 16:11): While the aims of good stewardship and honesty are strong enough reasons in their own right to avoid fraud and corrupt actions, there is also the added long-term value of increasing our trust with stakeholders through transparent activities. This transparency, both actual and perceived, directly relates to our reputation and future ability to raise additional resources and build acceptance in communities.

³ ACT Alliance Founding Document and ACT Alliance Mission Statement and By-Laws

4.3 Values

ACT Alliance members are bound together by several core values that are grounded in our Christian faith and which guide our humanitarian, development and advocacy work.

The theological foundation stated above in 4.2 supports the values of the ACT Alliance, namely: ***“We believe that the resources available to us are not our own, but are a gift from God and our vocation to service calls us to be faithful to our principles of good stewardship”⁴***

- Professionalism and Ethical Standards

Therefore we will uphold high ethical and program standards of accountability, recognising our accountability to those we seek to serve, to those who support us, to each other, and ultimately to God . This includes upholding the Red Cross Code of Conduct, the ACT Code of Conduct on Sexual Exploitation and Abuse of Power and Corruption, Humanitarian Charter, SPHERE Standards, and other ACT policies in all our programs.

- Accountability and Transparency

Therefore, we will meet the highest standards of truthfulness and integrity in all our work. We will uphold principles of mutuality and transparency in relating to each other and in the provision of accurate and timely programmatic and financial information.

5. POLICY PRINCIPLES

- 5.1 The ACT Alliance Anti Fraud and Corruption Policy is one of **zero tolerance**. The ACT governing bodies shall not tolerate the fraudulent and corrupt use of funds and resources by ACT staff, members, or by the external implementing partners of ACT members. ACT is equally committed to maintaining its reputation as an Alliance that will not tolerate abuse of position for personal or organisational gain.
- 5.2 The ACT Alliance Anti-fraud and corruption policy will be complementary to ACT member organisations' own policy where one exists.
- 5.3 The management and governance of ACT are determined to uphold their duty and obligation to ensure proper management of funds and resources entrusted to it by the alliance for the purpose of assisting those affected by disasters and emergencies.
- 5.4 ACT is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption, whether these are attempted from within or outside the organisation.
- 5.5 ACT is committed to ensuring that concerns raised by ACT members or staff at all levels of the organization, as well as complaints registered by the target population, are considered and investigated fairly, equally and in a responsible manner⁵.
- 5.6 ACT members who have received funding and/or resources through the ACT mechanism are to ensure that systems limiting the possibilities of misuse and mismanagement of those funds and resources are in place. The ACT member shall make good any losses suffered as a result of negligence, fraudulent activities on the part of their staff and or partners.
- 5.7 Contracts and agreements with employees, partners and consultants shall be consistent with this policy”.

⁴ ACT Mission Statement and By-Laws

⁵ ACT is in the process of developing the whistle blowing, complaints and investigation guidelines

- 5.8 ACT will publish the ACT Anti-Fraud and Corruption Policy to all ACT members and other interested parties.
- 5.9 Guidelines for procedures designed to deter any fraudulent or corrupt action will be an integral part of the ACT Manual