

# **Malaria Consortium**

## **Anti-Fraud and Anti-Corruption Policy**



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## 1. Purpose and context

It is vital for Malaria Consortium to reassure donors that their funds are used properly and for the purpose for which they are intended.

The aim of Malaria Consortium's fraud and anti-corruption policy is to minimise fraud through a series of measures, including clear policies and processes, regular internal and external audits and training for all persons working for us or on our behalf in any capacity, whether paid or unpaid (together, "staff") and wherever located, unless local legal requirements are more rigorous.

The purpose of this policy is to:

- a) set out our responsibilities, and of those of the staff working for us, in observing and upholding our position on fraud and corruption; and
- b) provide information and guidance to staff working for us on how to recognise and deal with fraud and corruption issues.

## 2. Principles and Scope

It is Malaria Consortium's policy to conduct all of its business and operations in an honest and ethical manner and to maintain an untainted reputation with its donors, partners, beneficiaries and vendors. We take a zero-tolerance approach to fraud and corruption and are committed to acting professionally, fairly and with integrity in all our business, operations and relationships wherever we operate and implementing and enforcing effective systems to counter fraud and corruption.

Malaria Consortium will uphold all laws relevant to countering fraud and corruption. However, we remain bound by UK laws, including the Fraud Act 2006, in respect of our conduct both in the UK and overseas.

Malaria Consortium is committed to investigate any and all suspected acts of fraud, misappropriation or other similar irregularity. We consider that detecting fraud and corruption is everyone's responsibility and if any incident or potential incident is discovered, Staff are expected report it immediately, as required by Malaria Consortium's Whistleblowing policy.

All Malaria Consortium staff and trustees are expected to maintain integrity in all actions and must avoid circumstances that compromise their decisions or actions. All staff and trustees must ensure that this policy and the wider ethical business practices and interests of the organisation are observed.

This policy does not form part of any employee's contract of employment and we may amend it at any time.

## 3. What is fraud?

There are many different types of fraud and the methods used, particularly given recent technological advancements, are constantly evolving. Generally, speaking, fraud is a form of dishonesty and all acts of fraud include some dishonest element.

In the UK, the Fraud Act 2006 provides for three ways in which fraud is committed:

- Fraud by false representation;
- Fraud by failure to disclose information; or
- Fraud by abuse of position,

It also creates new offences:

- obtaining services dishonestly with intent to avoid payment
- possessing, making and supplying articles for use in frauds
- participating in a fraudulent business carried on by a sole trader

The Theft Act 1968 covers the criminal definition of theft and associated offences such as false accounting. False accounting is described as follows:

(1) Where a person dishonestly, with a view to gain for himself or another or with intent to cause loss to another -

- (a) destroys, defaces, conceals or falsifies any account or any record or document made or required for any accounting purpose; or
- (b) in furnishing information for any purpose produces or makes use of any account, or any such record or document as aforesaid, which to his knowledge is or may be misleading, false or deceptive in a material particular
- (c) Understatement of liabilities.
- (d) Misstatement of income.

There are various frauds to which charities are potentially vulnerable. Frauds can be identified either as internal (involving only people within the charity) or external (in which at least some element of the fraud is perpetrated outside the charity).

in each case, in order to make a gain for themselves or another or to cause or expose another to a risk of loss.

### **“Gain” and “loss”**

The terms gain and loss used above relate to gains or losses in money or other property (both temporary and permanent). Keeping what you already have may constitute a gain (as well as obtaining what you do not have) and not obtaining something that you might, may cause a loss (as well as departing with something already owned).

The Fraud Act also includes other fraud related offences including, possessing, making or supplying articles for use in fraud and obtaining services dishonestly with an intention to avoid payment.

Fraud covers an act of deception, bribery, forgery, extortion, theft, misappropriation, false representation, conspiracy, corruption, collusion, embezzlement, or concealment of material facts.

Examples of Fraud applicable to Malaria Consortium’s operations include, but are not restricted to, the following:

## 1. Income-related fraud

This occurs when people within or connected to a charity attempt to divert funds for personal use or other non-charity purposes.

- intercepted postal donations and cheques being paid into personal accounts
- skimming money from charitable fundraising collections
- impersonating a charity and redirecting the income collected to a fraudulent or bogus body
- false accounting
- claiming inappropriate expenses
- Obtaining Malaria Consortium income or assets by deception.

## 2. Expenditure fraud

- falsifying or claiming non-existent, over-inflated or inappropriate expenses or overtime
- withdrawing cash directly from the charity's bank account for personal use using cheques which have been obtained without authorisation, or by issuing false direct debit/standing order instructions for personal gain
- misusing charity credit and debit cards or internet banking for personal expenditure
- creating false invoices, purchase orders and supplier identities in order to obtain payment from the charity for goods and services that have not been supplied
- submitting, or conspiring to submit, false applications from real or fictional individuals for grants or other charitable benefit - this may involve an employee who knows the system and how to manipulate it. In some cases, individual employees may have authority to approve applications themselves
- a trustee or employee awarding a contract, or preferential terms, to a supplier in return for payments, personal discounts, commission or other benefits
- using receipts and records for a completed project to support a further application for funding from another grant-maker
- creating non-existent beneficiaries or employees for directing payments, or use of a beneficiary identity for personal benefit
- falsifying time sheets or payroll records.

## 3. Procurement fraud

Procurement fraud is a generic term describing fraud relating to the purchase of goods and/or the commissioning of services, as opposed to the simple theft of cash. Procurement fraud usually involves collusion between one or more members of the charity's staff and one or more outside suppliers. This includes:

- Signing for receipt of goods or services not yet received or completed.
- Fictitious reporting of receipts from suppliers or shipments to customers.
- Creation of false invoices or purchase orders, including the back-dating of documents.
- Misappropriation of Malaria Consortium and donor equipment, resources and even data.

- Misstatement of assets.

#### 4. Identity fraud/theft

False identities may be created in order to justify fraudulent payments. Corporate Identity Fraud occurs when a bogus company is set up, or a genuine company's details are used without authorisation, to facilitate unlawful activity. For further information see the Fraud Advisory Panel's guidance on identity fraud and their leaflet on 'Data Security'. Other examples of identity fraud and theft include:

- falsifying, creating or fraudulently using trustee or employee details
- provision of funds or services to non-existent beneficiaries
- using a genuine charity's name or logo in correspondence or on materials for the purpose of deception and fraudulent gain
- claiming to provide services to beneficiaries that do not exist, and other forms of identify fraud.

#### 5. Banking fraud

Although the UK banking system is regulated and generally thought of as safe, it is not immune from criminal abuse. Charities which have online banking arrangements but do not have adequate internet firewall protection may be more vulnerable to fraud on their accounts. One of the main risks involves fraudulently setting up direct debits and standing orders to transfer funds to the fraudster's own bank account.

#### 6. E-Crime - Using charities to validate stolen or cloned credit cards

Fraudsters may use stolen or cloned credit cards to make small online donations through charity websites. Their purpose in doing this is to check whether a stolen card has been blocked or cancelled. If the 'test' donation works the card will be used for more widespread fraud.

Examples of Fraud applicable to Malaria Consortium's operations include, but are not restricted to, the following:

- Paying bribes, that is payment to another person to induce a certain action from them, this includes payments to officials such police officers requesting unofficial payments on road blocks (see also Malaria Consortium's Anti-bribery and Corruption Policy).
- Receiving money or gifts in order to undertake a certain action for example ordering with a specific supplier.

## 5 Application

### Your responsibilities

You must ensure that you read, understand and comply with this policy.

The prevention, detection and reporting of fraud and other forms of corruption are the responsibility of trustees and all those working for us or under our control. You are required to avoid any activity that might lead to, or suggest, a breach of this policy.

You must notify your line manager or the Internal Audit Manager as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

### Steps to mitigate occurrence

Malaria Consortium adopts the following anti-fraud measures to minimise its risk from fraudulent activity:

- reporting fraud to the police and to the Charity Commission.
- implementing robust financial controls and governance measures – making staff aware of the controls and measures in place
- maintaining clear procedures for reporting fraud to the police and to the Charity
- ensuring basic records of all income and expenditure are kept and receipts, invoices and supporting documents are kept
- increasing awareness amongst trustees, staff and volunteers of the fraud risks within the charity
- checking that financial controls are not being overridden, by-passed or ignored, whether by trustees, staff or volunteers - override arrangements such as pre-signing blank cheques can significantly compromise financial controls
- restricting and closely monitoring access to sensitive information
- using tiered delegated financial authority and signature levels for all payments
- regularly reconciling bank statements and other accounts, carrying out spot-checks on books and records
- internal audit periodically audits processes and procedures on a risk based approach
- setting out clearly defined roles for trustees and staff -these should include segregation of duties and delegation of financial responsibilities with appropriate report-back procedures
- recording of all instances of suspected and confirmed instances of fraud, which will help spot emerging patterns, identify areas of risk, measure losses and build an evidence base if fraud is confirmed as having occurred
- clearly communicating fraud policies and procedures to all staff, volunteers and trustees through team meetings and as part of an induction programme and updates in team meetings.
- whistle-blowing policy for reporting suspected cases of fraud and corruption and including fraud as one of the key threats on the charity's risk register
- controlling access to buildings, assets and systems using secure or unique logins and passwords
- having a clear response plan in case fraud occurs – outlining how and by whom investigations will be conducted in line with Malaria Consortium's Guidance on Conducting a Fraud investigation, the people and organisations that need to be notified, and the process for handling internal and external communications

## Penalties

Any offence under the Fraud Act is punishable by a fine or imprisonment for up to ten (10) years, or both. Any person convicted of an offence involving dishonesty or deception will also automatically be disqualified from holding the position of a charity trustee.

As such, Malaria Consortium has a zero tolerance to fraud and corruption. It is a major violation of Malaria Consortium's policies for trustees and staff to knowingly conceal, falsify or misrepresent a material fact relating to any transaction. Malaria Consortium will apply robust sanctions to combat fraud and corruption including disciplinary action and reporting suspected criminal activity to the police. Proven violations will lead to disciplinary action up to dismissal from employment and legal action.

## 6 Monitoring and Review

The Board of Trustees has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it. Trustees in exercising reasonable care, seek to ensure that Malaria Consortium has internal financial controls and banking procedures in place which are appropriate to its activities and are fit for purpose so as to prevent and mitigate the risk of fraud and corruption.

The Finance Director has primary and day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in countering bribery and corruption.

Management at all levels are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate and regular training on it.

### **Malaria Consortium**

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