



PAFFREL

People's Action for Free & fair Election (PAFFREL)

FROUD AND LOSS POLICY

POLICY NO:

Approved By : Board of Directors
Approved Date :.....
Date for Review :.....
Language :Sinhala / Tamil/ English
Applicable to :.....

1. Policy statement

It is PAFFREL's policy to take fraud and loss seriously. When fraud or loss is suspected, staff should use make a report as soon as possible, If the suspected are in the senior management it should go to the Executive Director .

Reports classified as fraud and loss should be directed to the Administration Officer.

All fraud and loss cases, however reported, will be recorded in PAFFREL's Fraud and Loss Register, which is owned and maintained by the Administration Officer.

Open fraud and loss cases will be reported annually Board of Directors with any "Serious Incidents" reported immediately when PAFFREL has reasonable grounds for suspicion that a fraud or loss has occurred.

Action will be taken through line management, following discussion with the Administration Officer and Executive Director, in respect of any staff member who fails to adhere to the policy. External legal action may result in prosecution, fines and/or prison sentences for both the staff member and PAFFREL.

All PAFFREL employees and program partners are accountable for, and have a role to play in, fraud and corruption control. PAFFREL will encourage a positive culture within staff to disclose actual or suspected fraudulent acts. PAFFREL will investigate all reports thoroughly. Where this is the appropriate course of action PAFFREL will protect the anonymity of anyone reporting these activities.

PAFFREL takes a proportionate and risk-based approach, designed to prevent incidents of fraud and loss as far as possible, and mitigate the impact when incidents do occur. This allows the management to provide reasonable assurance that funds and assets are safeguarded against fraud and loss.



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2. Legal compliance

PAFFREL complies with all relevant legislation in Sri Lanka. This document will apply where PAFFREL policy is more stringent than Sri Lankan legislation.

3. Risk statement

PAFFREL has designed its procedures and mechanisms to ensure that the possibility that staff and partners will engage in fraudulent activities and/or that losses will be incurred is minimised. The impact on the organisation of any proven or alleged fraud is high due to the potential for reputational damage and possible financial losses.

4. Definitions

Fraud is a commonly understood term, but different definitions emphasize different aspects. PAFFREL takes a broad and common-sense approach, and respects its partners' definitions of fraud, but the following definitions should inform our behaviour:

"Fraud is a deliberate improper action which leads to financial loss to the organisation and usually also results in financial gain to the fraudster. Fraud is typically carried out by an NGO's own staff, or their partners' staff - often by people you have previously trusted. Sometimes money may be leaking out of the organisation for a long time undetected. Fraud can be broadly defined as any intentional false representation, failure to declare information or abuse of position, which is carried out to make gain, cause loss or expose another to the risk of loss."

For the purposes of this policy, a relevant loss is any loss, or risk of loss, of PAFFREL's money or assets that is significant in the context of PAFFREL's staff, operations, finances and/or reputation. This policy does not apply to small losses,, for example where a staff member has had to cancel a hotel booking and is unable to recover the cost.

Relevant losses for the purposes of this policy may be, but are not necessarily, caused by fraud. Non-fraudulent losses include losses caused by genuine errors, natural disasters, accidents or forceful external action (e.g. cases of burglary or robbery where there has been no collusion between an external perpetrator and "insiders"). There are also losses in the banking system, exceptional losses caused by the way that exchange rates have been handled, and so-called "fruitless" payments (e.g. where a contract has had to be cancelled and a penalty is due, or where a payment has been made for goods or services not supplied and it is not possible to recover the money).

5. Procedures

Investigating and reporting

When fraud or loss is suspected, staff should report as soon as possible. Reports classified as fraud and loss are automatically directed to Administration Officer. Reports will be managed confidentially with further access granted on a need to know basis.

Following up fraud and loss within PAFFREL is the responsibility of the Manager Administration. However, cases will usually be investigated by the Finance Officer. Cases should be signed off before closure by the Executive Director.

Following up fraud and loss involving PAFFREL's grants held by partners or communities is the responsibility of the relevant staff and managers, under the overall supervision of the Finance Officer. However, the Administration Officer or Executive Director will provide support and guidance. Cases should be signed off by the Executive Director before closure.



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Suspected fraud will be investigated in an independent, open-minded and professional manner with the aim of protecting the interests of both PAFFREL and the suspected individual(s). Suspicion will not be seen as guilt to be proven.

The investigation process will vary according to the circumstances of each case. Where initial investigations reveal that there are reasonable grounds for suspicion, and to facilitate the ongoing investigation, it may be appropriate to suspend an employee against whom an accusation has been made. This decision will be taken by the Executive Director, in coordination with the Manager Administration. Such suspension should not be regarded as disciplinary action, nor does it imply guilt. All interviews will be conducted in a fair and proper manner.

Action to recover losses

PAFFREL will take appropriate steps, including legal action if necessary, to recover any losses arising from fraud, theft or misconduct. This may include action against third parties involved in the fraud or whose negligent actions contributed to the fraud.

Fraud within partner organisations:

It is important to help prevent fraud within partner organisations and to encourage them to feel confident to report problems to PAFFREL. One way of doing this is to discuss their policy on fraud and whether they have a written procedure. If necessary, it is good to support partners in developing their own policy and procedure.

If there are reasonable grounds for suspicion that fraud has taken place at a partner organisation, it may be appropriate to suspend grant payments. The decision will be taken by the Executive Director, in coordination with the Program Director. Such suspension is a precaution and should not imply guilt.

Response

In response to a confirmed case of fraud or loss, PAFFREL's response measures may include:

- Revision and amendments to policies to strengthen and address gaps;
- Review of internal controls after every confirmed incident;
- Maintenance of insurance policies;
- Reporting to funding agency where required.

6. Policy dissemination and training

All staff will be made aware of the Fraud and Loss policy upon joining the organisation. Staff contracting other representatives, partners or suppliers must reference the Fraud and Loss policy.

7. Related policies, procedures, forms, guidelines & other resources

The following policies, procedures, forms, guidelines and other resources may support with the use and application of this policy:

- Policies: Code of Conduct, Finance Handbook
- Forms/Templates

8. Internal Audit:

An Internal Auditor to provide from time to time an independent assurance that PAFFREL's risk management, governance and internal control processes are operating effectively. It would help PAFFREL accomplish its objectives by ensuring a systematic, disciplined approach to evaluate and



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improve the effectiveness of risk management, control and governance processes. Internal auditing achieves this by providing insight and recommendations based on analyses and assessments of data and governance processes. With commitment to integrity and accountability, internal auditing will provide value to Directors and senior management as an objective source of independent advice.

9. Directors' responsibilities

PAFFREL's Board of Directors is ultimately responsible for reviewing and approving this policy. They must ensure that PAFFREL complies with the law on fraud and financial crime and take all reasonable steps to ensure that there is no misuse of PAFFREL's funds or assets.