



PEMSEA RESOURCE FACILITY

Anti-Fraud and Corruption Policy

November 2023

PEMSEA Resource Facility	Document No.	POL-PRF-019
	Revision No.	000
	Effective Date	July 31, 2018
Policy Framework	Page	1 of 9
Title: PRF's Anti-Fraud and Corruption Policy		

PRF's Anti-Fraud and Corruption Policy

1. INTRODUCTION

Any fraud in PRF's operations and projects depletes funds and other resources intended for supporting PRF's mission. Moreover, fraudulent and corrupt behavior can seriously damage PEMSEA's reputation and diminish donors' and partners' trust in its ability to deliver results in an accountable and transparent manner.

All PRF personnel and projects are the stewards of the public and private resources entrusted to the organization. Hence, they are accountable for their proper, effective and efficient use for achieving the intended outcomes of PRF's operations, programmes and projects.

The PRF policy on fraud and other corrupt practices is an important part of PRF's governance, establishing the framework for preventing, identifying, reporting and effectively dealing with fraud and other forms of corruption.

The Anti-fraud Policy also recognizes the role of PRF in the efforts spearheaded by the international organizations and funding agencies to combat fraud and corruption, globally.

2. SCOPE

PRF is committed to preventing, identifying and addressing all acts of fraud against PEMSEA and PRF, whether committed by PRF staff members or other personnel or by third parties. PRF has zero tolerance for fraud, meaning that all incidents of fraud are to be reported and will be investigated in accordance with established investigation guidelines.

This Policy applies to all activities, operations, programmes and projects implemented by PRF. The Policy aims to prevent and detect fraud: involving PRF staff members and its personnel, including but not limited to consultants, contractors and interns.

3. PRINCIPLES FOR MANAGING FRAUD

Definition of fraud

The definition of fraud varies among countries and jurisdictions. But in simple terms, fraud is any act or omission that intentionally misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation. Corrupt practices are generally understood as the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party. In this Policy, fraud is defined

PEMSEA Resource Facility	Document No.	POL-PRF-019
	Revision No.	000
	Effective Date	July 31, 2018
Policy Framework	Page	2 of 9
Title: PRF's Anti-Fraud and Corruption Policy		

in a broader sense and includes, but is not limited to, theft, embezzlement, forgery and corrupt practices.

Examples of fraud include the following, which is not an exhaustive list:

- Forging documents, preparing false entries in PRF systems or making false statements to obtain a financial or other benefit to which a person is not entitled;
- Offering or receiving something of value to improperly influence a procurement process;
- Asking for or receiving money for providing information to a vendor in the procurement of goods and services;
- Asking for or receiving personal reward or other private gain in return for showing favor to a candidate in a recruitment process;
- The misuse or theft of a password for the unauthorized access to IT systems;
- Collusion or other anti-competitive scheme between suppliers during a tender process;
- Stealing or misappropriating PRF assets.

4. FRAUD PREVENTION MEASURES

4.1 Fraud awareness communication and training

To ensure that managers and staff members are aware of their responsibilities regarding preventing fraud and corruption, a plan for communication, dissemination and awareness-building of this Policy is critical to ensure its integration into PRF's processes and procedures.

Fraud communication and awareness programmes may involve:

- References to the Anti-fraud policy in public information material, online resources, information and guidelines available through the intranet and PRF's external webpage;
- Training and education components on how to comply with the Policy in relevant training programmes with an emphasis on induction material.

4.2 Management of the risk of fraud and corruption

The risk of fraud shall be managed in accordance with the PRF Risk Management policies. Managers – in consultation with all staff members, other personnel and, where appropriate, third parties engaged in PRF operations and PRF supported programmes and projects should identify and assess the risk of fraud in their

PEMSEA Resource Facility	Document No.	POL-PRF-019
	Revision No.	000
	Effective Date	July 31, 2018
Policy Framework	Page	3 of 9
Title: PRF's Anti-Fraud and Corruption Policy		

programme or project areas. Such an assessment should, first, include systematically identifying areas most susceptible to potential fraud and developing appropriate strategies such as internal controls, procedures, programme and project checks or transparency measures. The PRF shall improve its business processes and system configurations to better prevent and detect fraud as well as escalate risks to relevant stakeholders. In addition, managers of the different units of PRF should be vigilant in monitoring for irregularities and encourage staff to report them.

4.3 Internal control system

Where managers have identified and assessed the risk of fraud within their regular risk assessment, they should develop appropriate measures to minimize the risk of it occurring through the application of controls. This may involve applying controls additional to those specified within the latest PRF management system procedures and guideline, which outlines the minimum internal control standards that must be observed.

4.4 Preventing conflicts of interest

A 'conflict of interest' occurs when a staff member's private interests -- such as outside professional relationships or personal financial assets -- interfere with the proper performance of his or her duties as a PRF staff. A conflict of interest can be: *Actual* (private interests interfere with official responsibilities), *Apparent* (there may be a reasonable perception that private interests interfere with official responsibilities), or *Potential* (private interests *may* interfere with official responsibilities).

It is important to preserve the independence and impartiality of staff members' official decision-making at all times. Conflict situations do not necessarily imply corruption, wrongdoing or inappropriate activities. However, if they are not identified and managed appropriately, such situations can compromise (or be perceived as compromising) professional integrity or flag a potential fraud situation. Staff members should avoid situations where they seem to benefit, directly or indirectly, or allow a third party to inappropriately benefit from the decisions they make.

Staff members having fiduciary responsibilities -- as managers or procurement or investment professionals -- are required to formally disclose private interests through the annual financial disclosure exercise. The objective is to identify, manage, reduce or eliminate the risk of conflicts of interest arising from the financial holdings or outside activities of staff members, spouses and dependent children. In doing so, this policy not only protects PRF's reputation but also that of the staff members designated to file.

PEMSEA Resource Facility	Document No.	POL-PRF-019
	Revision No.	000
	Effective Date	July 31, 2018
Policy Framework	Page	4 of 9
Title: PRF's Anti-Fraud and Corruption Policy		

Identified interests may include investments or outside positions that may create or seem to create a conflict of interest. Such a disclosure will enable the Ethics Committee to advise staff members on steps to appropriately manage risks through recusals, transfers of duties, divestment, or placement of assets at arm's-length.

4.5 Integrity as a key criterion in selection procedures

PRF identifies integrity as a paramount consideration in the selection of staff members. It is important to recognize integrity as a key component, in its own right, of the recruitment and promotion of PRF staff members. Therefore, placing emphasis on integrity as a selection criterion will enable those involved in selection processes to reflect the principles enshrined in this policy as well as to prevent fraud and other corrupt practices.

The Human Resource managers should ensure that specific interview assessment tools for integrity, background, and academic checks are employed. Additionally, recruiting managers should exercise due diligence in ensuring that job candidates are aware of and declare any family or spousal relationships. Similarly, high standards also apply to the selection of other PRF personnel.

4.6 Standards or code of conduct

PRF's staff members must be guided by standards of conduct that are prescribed in the Code of Ethics for Personnel of PEMSEA. All staff members are required to observe the Code of Ethics. The observance of Code of Ethics not only prevents fraud but encourages staff members to aspire to the highest standards of professional behavior.

5. ROLES AND RESPONSIBILITIES

All PRF staff members and personnel have critical roles and responsibilities in ensuring that fraud is prevented, detected and dealt with promptly. They should not only safeguard resources entrusted to PRF for supporting programmes and projects but also protect its reputation. The following parties are accountable for the following activities:

5.1 The Executive Director

As the custodian of PRF's Anti-Fraud and Corruption Policy, the Executive Director and the PRF Management Committee approves the Policy and its subsequent revisions.

PEMSEA Resource Facility	Document No.	POL-PRF-019
	Revision No.	000
	Effective Date	July 31, 2018
Policy Framework	Page	5 of 9
Title: PRF's Anti-Fraud and Corruption Policy		

5.2 Managers

Managers should act as role models and are required to take active steps to prevent and detect fraud, misappropriation and other irregularities through compliance with relevant corporate policies and procedures. They are expected to implement appropriate controls to prevent fraud, in particular:

- Identify the potential fraud risks to which PRF's assets, programmes, activities, and interests are exposed;
- Assess the identified risk, select risk-avoidance options, design and implement cost effective prevention, mitigation and control measures;
- Establish/implement measures to prevent the recurrence of fraud.
- Managers who fail to take appropriate action or tolerate or condone fraudulent activity will be held accountable.

5.3 Individual staff members

Each staff member must realize that fraud, whatever its extent and form, is contrary to the standards defined in the Code of Ethics for Personnel of PEMSEA.

Fraud constitutes serious misconduct for which a staff member may be summarily dismissed. Other personnel may also be terminated where involvement in fraud is established. In addition, the evidence may be referred to national authorities for criminal prosecution of those involved.

5.4 Contractors

Contractors, as well as employees of companies doing business with PRF are obligated not only to interact honestly in the provision of services for PRF but also to report allegations of fraud to PRF. Upon proof that contractors have engaged in fraud or theft that has caused a financial loss to the organization, PRF will seek restitution for any such loss. PRF may also report appropriate cases to national authorities for investigation and criminal prosecution.

6. REPORTING FRAUD

Staff members and other personnel have the obligation to report information pointing to fraud involving PRF staff members or affecting PRF funds and assets. Other persons having such information are strongly encouraged to report incidences.

PRF has put in place a 'Hotline' which is managed by the PRF Administrative Officer. The Administrative Officer will refer the report to the Internal Auditor of PEMSEA for further action, unless the report concerns the Internal Auditor, in

PEMSEA Resource Facility	Document No.	POL-PRF-019
	Revision No.	000
	Effective Date	July 31, 2018
Policy Framework	Page	6 of 9
Title: PRF's Anti-Fraud and Corruption Policy		

which case, the Administrative Officer shall report it directly to the Executive Director (see Annex 10.F 19.1.2 of the PEMSEA Rules of Governance)

6.1 **Details that should be included in a report of fraud**

In order for investigations to be successful, complaints should be as specific as possible. To the extent possible, they should include details such as:

- The type of alleged wrongdoing;
- Where and when these events occurred;
- Who is involved and who has knowledge about the matters being reported;
- How the individual, organization or company committed the alleged wrongdoing;
- Why the matter is being reported.

Further, information or evidence (for example, documents) that are important for a proper assessment should be included with the report or sent as soon as possible.

6.2 **Confidentiality**

All investigations are undertaken by the Committee on Discipline (refer to Annex 10. D14 of the PEMSEA Rules of Governance for the composition of the Committee on Discipline). The investigation will be held with utmost confidentiality and investigation participants (witnesses and subjects) are reminded of the need for confidentiality in the course of the investigation. Investigation reports and specific details of investigations are shared on a strictly 'need to know' basis. Requests for confidentiality by persons making a complaint will be honored to the extent possible within the legitimate needs of the investigation.

6.3 **Anonymous reports**

Individuals wishing to protect their identity may report fraud anonymously. For anonymous reports, a report number and code are used to allow the individual making a complaint to follow up for a response and to check if the assessing officer has requested further information.

However, it can be more difficult to assess and investigate anonymous allegations. Therefore, individuals wishing to make a report are encouraged to provide their contact details. The Committee on Discipline will treat information received sensitively, and will limit disclosure of identifying information of the reporting individual to the maximum degree possible.

6.4 **Protection against retaliation for reporting (“Whistleblower” protection)**

The PRF has provisions on protection against retaliation or a “whistleblower protection” policy. The objective of PRF's Protection against Retaliation Policy is to enable the organization to identify and prevent fraud, other corrupt practices

PEMSEA Resource Facility	Document No.	POL-PRF-019
	Revision No.	000
	Effective Date	July 31, 2018
Policy Framework	Page	7 of 9
Title: PRF's Anti-Fraud and Corruption Policy		

and ethical misconduct as well as to function in a transparent and accountable manner. It accomplishes this objective by affording protection for staff members who report fraud or other corrupt practices, or who cooperate with a duly authorized audit or investigation.

If a staff member has reported allegations of wrongdoing or cooperated with a duly authorized audit or investigation and, as a result, has been retaliated against, he or she is entitled to protection. (Please refer to Annex 10.K on protection against retaliation under the PEMSEA Rules of Governance).

7. INVESTIGATION OF ALLEGATIONS

All allegations of fraud are reviewed by the Committee on Discipline. In addition, the Committee on Discipline may undertake proactive investigations in high risk areas or processes that are susceptible to fraud and corruption. The Committee on Discipline will often request further information to enable a proper assessment. Where a matter is appropriate for an investigation by the Committee on Discipline, the case will be assigned to an investigator who will conduct an objective investigation of all available facts. This will include the collection and review of all relevant documents, interviews of people who can provide information, and an interview with those alleged to be involved in fraud. The Committee on Discipline also coordinates with other national or international fraud investigation and enforcement offices, as appropriate, to ensure the effective investigation of fraud involving more than one organization, or where parties external to PRF are allegedly involved.

8. ACTION BASED ON INVESTIGATIONS

The investigation may result in one or more of the following outcomes:

- a) A referral to the Ethics Committee for consideration of a disciplinary action against staff members;
- b) A referral to the appropriate national law enforcement or prosecutorial agency for criminal investigation;
- c) Recovery of funds and assets;
- d) Debarring vendors from doing business with PRF.

9. REPORTING TO THE PEMSEA EXECUTIVE COMMITTEE

Reporting is an important element in communication and awareness of the PRF's Anti-Fraud and Corruption Policy, as well as deterrence. The Executive Director's Annual Report on Disciplinary Cases sets out the disciplinary measures taken in cases of fraudulent or corrupt behavior. The report on internal audit and investigations of the

PEMSEA Resource Facility	Document No.	POL-PRF-019
	Revision No.	000
	Effective Date	July 31, 2018
Policy Framework	Page	8 of 9
Title: PRF's Anti-Fraud and Corruption Policy		

Committee on Discipline to the PEMSEA Executive Committee, prepared annually, contains information on fraud investigations conducted during the reporting period.

10. REFERENCES

- POL-PRF-009 Code of Ethics for Personnel of PEMSEA
- POL-PRF-010 Rules on Reporting and Investigation of Violations of the Code of Ethics for PEMSEA Personnel
- POL-PRF-013 PRF Risk Assessment and Risk Management Framework
- POL-PRF-020 PRF Environmental and Social Safeguards and Gender Mainstreaming Policies
- PEMSEA Rules of Governance
- UNDP policy on fraud and other corrupt practices (“UNDP Anti-fraud policy”)