

# Kerk in Actie anti-fraud and corruption management procedure

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## 1. Purpose

The purpose of this procedure is to provide:

- guidance to staff on how to handle fraud and corruption cases
- protection to staff in circumstances where they might be victimised and to guarantee that “somebody is innocent until the opposite is proven”
- transparency for partners and beneficiaries on how Kerk in Actie handles cases of fraud and corruption

## 2. Definitions

ACT	Action by Churches Together
CEO	Chief Executive Officer
COO	Chief Operating Officer
DO PKN	Dienstenorganisatie Protestantse Kerk Nederland’, the office that serves the PKN congregations in the Netherlands
FO	Financial Officer
MT	Management Team
NGO	Non-governmental organisation
PO	Program Officer
RMA	Resources Management Audit
Corruption	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 organisation'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;
- Abuse or misuse of power;
- Extortion: the act of obtaining something by force, threats or undue demands;
- Favouritism: 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.

### **3. Responsibilities**

#### **Business Controller**

The Business Controller is part of the Finance & Control Unit of the DO PKN. It is his/her responsibility to advise the Integrity Officer and Finance Officer in estimating the scale and impact of fraud and corruption cases and how to handle and investigate them. The amount of involvement of the Business Controller depends on the scale of the fraud or corruption (see procedures below).

#### **CEO**

The CEO is responsible for the governance of the Kerk in Actie organisation, and for ensuring that a zero tolerance culture and policy on fraud and corruption is embedded at all levels in the organisation. Compliance and audit procedures are part of this responsibility. The final decision whether or not to prosecute is taken by the CEO.

#### **COO**

It is the responsibility of the COO to be familiar with types of fraud and corruption that might occur in the organisation and their working environment, including partner organisations, and to work on prevention and early detection, as well as proper handling and control.

The COO is responsible for sharing all relevant papers, policies and procedures with the staff and make them aware of the risks and content. The COO should also encourage their staff to report suspected cases immediately.

#### **Finance & Control Unit**

It is the responsibility of the Finance & Control unit to perform risk analysis for fraud and corruption and advise the COO accordingly.

#### **FO**

The FO has the responsibility to prevent fraud and corruption from happening as much as possible by being alert on signs, and immediately report to the PO, COO and Integrity Officer in case there is suspicion of fraud or corruption. In case of suspicion the FO is also responsible, together with the PO, to execute the steps of the protocol and handle the fraud- or corruption case. The FO informs the Business Controller on the developments of the case.

#### **Integrity Officer**

It is the responsibility of the Integrity Officer to advise staff and COO on how to handle fraud and corruption cases based on the procedure. She/he is also responsible to adjust the policies and procedure based on new experiences in the organisation. The Integrity Officer checks if the correct workflows and procedures have been followed.

#### **Legal Officer DO PKN**

The Legal Officer DO PKN gives advice and discusses with the COO and Business Controller the possible legal steps and actions in order to make a plan of legal action.

#### **PO**

The Program Officer has the responsibility to prevent fraud and corruption from happening as much as possible by being alert on signs, and immediately report to the FO, COO Kerk in Actie and Integrity Officer in case there is suspicion of fraud or corruption. In case of suspicion the PO is also responsible, together with the FO and advised by the Integrity Officer, to execute the steps of the procedure and handle the fraud-or corruption case. The PO is the first contact person to the partner organisation which is under suspicion.

#### **Staff Kerk in Actie**

All staff have the responsibility to prevent fraud and corruption from happening, and they may in no case be involved in fraud or corruption practices. They must also be alert on signs, and report immediately to the COO and Integrity Officer in case there is suspicion of fraud or corruption.

### **4. Description**

#### **4.1.1 General**

This procedure provides insight in the way Kerk in Actie manages the risks and controls of fraud and corruption for the people and partner organisations Kerk in Actie is working with.

When you suspect fraud or corruption from Kerk in Actie staff members please submit a complaint following the complaints and appeal procedure.

Kerk in Actie is committed to the highest possible standards of openness, transparency and accountability and as part of the ACT Alliance, Kerk in Actie promotes a culture of honesty and zero tolerance towards fraud and corruption.

Therefore all staff commits to this Code of Conduct:

- ACT Alliance Code of Conduct Policy
- Kerk in Actie Child Safeguarding Code of Conduct Policy
- The Code of Conduct for the International Red Cross and Red Crescent Movement and NGO's in Disaster Relief

Kerk in Actie operates in many regions and countries and has many different kinds of projects which makes the organisation vulnerable for risks of fraud and corruption.

#### **4.1.2 Registration of reported cases**

Reported cases are registered in a confidential integrity report spreadsheet. This spreadsheet has limited accessibility.

Per reported case an (online) folder will be created. The name of the folder exists out of the case number (year+number of reported case of that year) followed by the name and country of the partner organisation involved and the month and year when the case was reported. The PO, FO, Integrity Officer and COO make sure all relevant information regarding the reported case will be accessible in this folder.

Starting in April 2024 all reported cases will have their own log book. Template L01 Log Book will be used for this. This log book will show a detailed timeline regarding all activities of the reported case. The log book will be saved to the folder of the reported case.

#### **4.2 Suspected fraud and corruption**

All Kerk in Actie staff are obliged to immediately report suspected fraud and corruption to the COO and the Integrity officer. The following steps need to be taken:

##### **Step 1: Reporting**

Kerk in Actie staff: report via email the suspected fraud or corruption to COO, FO/PO and Integrity Officer Kerk in Actie.

##### **Step 2: Decide on the possible level of impact and specify the steps to take outlined below**

The Integrity Officer, FO and PO, advises the COO on the possible scale of the suspected fraud or corruption and whether it should be considered a low impact or high impact situation. Factors that need to be considered:

- How much Kerk in Actie money is involved?
- Does it involve a current partner organisation of Kerk in Actie?
- Are there other international donors involved?

- What is the risk of reputation damage?

Based on the advice the COO decides on whether the case should be handled as low impact or high impact:

Low impact case - When the case is considered to probably have low impact, the staff members involved and their responsibilities are:

PO and FO: are responsible to execute the steps of the procedure written in this document and handle the situation together with the partner. PO is responsible for the contact with the suspected partner. The FO gives input with his/her financial background.

Integrity officer: inform and advise PO and FO on the procedure to follow and make sure the necessary steps are taken. She/he informs the COO on progress. She/he also informs the Business Controller, but no action is expected of her/him.

In case the PO and/or FO might in any way be involved in the suspected fraud or corruption or it is considered undesirable (by PO, FO, Controller or COO) that PO and/or FO are to be in contact with the involved partner the Integrity Officer together with the COO will give the assignment to other colleagues.

High impact case - When the suspected fraud or corruption case is expected to have high impact on Kerk in Actie, the staff members involved and their responsibilities are:

COO: The COO or Integrity Officer informs the Business Controller. The COO reports to CEO.

PO and FO: are responsible to execute the steps of the procedure and handle the situation together with the partner organisation involved. PO is responsible for the contact with the suspected partner. The FO gives input with his/her financial background.

Integrity Officer: The Integrity Officer or COO informs the Business Controller. The Integrity Officer and Business Controller agree on the procedure for this specific case, based on the general procedure written in this document. Inform and advise staff on the procedure and make sure the necessary steps are taken. She/he informs COO and Business Controller on progress.

Business Controller: supports and advises FO and Integrity Officer and improves the financial standards and regulations based on the lessons learned.

In case the PO and/or FO might in any way be involved in the suspected fraud or corruption or it is considered undesirable (by PO, FO or COO) that PO and/or FO are to be in contact with the involved partner the Integrity Officer together with the COO will give the assignment to other colleagues.

In general:

Staff who suspect fraud and corruption should not do any of the following:

- contact the suspected individual or organisation directly without first taking the steps mentioned above;
- discuss the issue with anyone within Kerk in Actie other than the staff listed above;
- discuss the issue with anyone outside Kerk in Actie, without first contacting one of the persons listed above.

### **Step 3: Changing status of contract party**

After discussion with the PO and Integrity officer, the FO will change the status of the contract party to non-active (blocked) in AllSolutions. If the contract party has one or more subprojects, the COO may also decide to change the status of the subproject(s). In a situation of cyber crime risk, damage and impact should be carefully weighed before taking this step.

### **Step 4: Investigation**

The investigation is meant to find out what is the underlying reason for the observed signs: is it really fraud or corruption? In what way is Kerk in Actie involved? And what problems underlie the fraud or corruption?

The contract party is informed by the PO of the fact that it is under investigation and that payments and contracts are suspended immediately. In a situation of cyber crime risk, damage and impact should be carefully weighed before taking this step.

The COO is responsible for the investigation on facts, unless the COO is subject of investigation by CEO and Business Controller, or the situation requires the CEO to take over the lead in the investigation (due to security or impact).

Investigations should be done by experienced staff, preferably PO together with FO, who are not involved in the case being investigated together with an external party (lawyer, or forensic auditors, etc). In case the partner organisation has discovered the fraud or corruption of their own staff and leads the investigation, PO and FO should be involved in the composition of the Terms of Reference.

Monitoring of the investigation is done by:

Option 1 Low impact case: PO and FO together with the Integrity Officer, unless the assignment is given to others.

Option 2 High impact case: PO and FO together with the Business Controller and Integrity Officer, unless the assignment is given to others.

For the costs of the investigation project budget may be used, until the fraud or corruption has been proven after which the funds should be returned by the partner organisation in line with contractual arrangements.

All work of the investigation team should be documented, including transcripts of interviews. The conclusion of the investigation must also be properly documented.

During the investigation security risks might occur. The investigation team, PO or FO should always inform the COO, Security Advisor, Integrity Officer and Business Controller about any security risks.

#### Design of the investigation:

The who and how of the investigation is very much dependent on whether the situation is considered low or high level impact (option 1 or option 2) and whether there are other stakeholders involved that wish to investigate. The investigation is therefore designed per case, but some tools that can help in the investigation process are:

- o Correspondence with the contract party to ask for clarification;
- o Information from other donors;
- o Visit of program staff to the contract party;
- o Financial audit or RMA by an external auditor chosen together with Kerk in Actie or another donor. Costs and benefits should be balanced. Costs are to be covered by program budget and later covered by the contract party in case fraud is proven. In case of suspicions with a possible high impact (option 2) an external financial audit or RMA should always be part of the investigation;

In a situation where the partner organisation is victim of theft by criminals on the internet the additional questions that need to be answered in the investigation are whether a staff member of the partner organisation can be proven to be involved in the offense and/or whether the systems of the organisation have been sufficiently protected against these crimes. The case should also be reported to the local police so a criminal research can be conducted.

Results of the investigation phase will be reported by the investigator to the COO and Integrity Officer and documented in AllSolutions and under the specific subproject(s). The results of the investigation can be:

- There is no fraud or corruption proven, it is a matter of incapacity from the side of the contract party;
- The case remains uncertain;
- Fraud or corruption are proven and confirmed.

#### **Step 5: Action Plan**

In some cases the COO can decide that the relation with the contract party should be continued, despite the fact that incapacity is confirmed, that the case remains uncertain or that fraud is confirmed. For proven fraud cases continuation is only allowed when the fraudulent actions have been "repaired", funds are returned, goods are exchanged, staff and management is replaced etc.

In case that the relation with the contract party will be continued, an Action Plan should be written by the contract party in which an improvement trajectory is outlined to address the problems found during the investigation. The COO approves the Action Plan. The contract party is informed whether the Action Plan was approved.

The PO is responsible for monitoring the implementation of the Action Plan and will report to the COO and Integrity officer.

#### **Step 6: End of investigation**

The investigation ends in one of the following ways, which is decided by the COO:

- The relationship with the contract party is ended. A letter is sent to the contract party by the COO. The contract party will be marked as a non-active (blocked) contract party in the system. Afterwards new contracts and payments are not possible anymore. If in future the fraudulent actions are “repaired” in retrospective, it is possible to “undo” this situation.
- The risk level is considered medium or low again, due to e.g. an implemented Action Plan, returned funds etc. The COO will have the status of the contract party changed back to active in the system.

#### **Step 7: Results from investigation**

After the investigations ends there are several steps that need to be taken:

##### *7a. Disciplinary procedures*

Individuals or organisations who are judged guilty of fraud and/or corruption have committed gross misconduct and will be dealt with in accordance with Kerk in Actie’s sanction policies and contractual arrangements with the partner.

Where appropriate, Kerk in Actie will refer significant cases to the local law enforcement agencies with a view to initiating criminal prosecution. Consideration should be given to the local context and the consequences in terms of human rights of initiating criminal prosecution against the individual or organisation involved. In every case, the final decision whether or not to prosecute should be taken by the CEO, in consultation with Legal Officer DO PKN, Business Controller Kerk in Actie and COO.

When a Kerk in Actie staff member is involved and found guilty in proven fraud or corruption cases he/she will be dismissed according to the procedures of local legislation.

##### *7b. Changes to systems or controls*

The investigation is likely to highlight where there has been a failure of supervision and/or a breakdown or absence of controls. The course of action required to improve systems and controls should be documented in the investigation report and implemented when this report is finalized. This is the responsibility of the Integrity officer. The outcome of an investigation should also, anonymized, feature in training sessions in-house

##### *7c. Recovery of losses*

Where Kerk in Actie has suffered a loss, full restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from the individual or organisation responsible for the loss.

If the individual or organisation can not or will not compensate for the loss, Kerk in Actie considers taking legal action to recover the loss.

#### *7d. Reporting*

Externally Kerk in Actie reports about its performance on fraud and corruption cases through the corporate annual report and reports to donors.

Every 3 months the Integrity officer and/or Business Controller Kerk in Actie reports to the MT of Kerk in Actie about the current fraud- and corruption cases.

### **4.3 Safeguards**

Issues reported to the COO will be investigated with the following safeguards.

**Harassment or victimisation:** Kerk in Actie recognizes that the decision to report a suspicion can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The person that considers to report may contact her/his Coordinator, Integrity officer or DO 'vertrouwenspersoon' to discuss this.

In accordance, Kerk in Actie will not tolerate any harassment or victimisation and will take all practical steps to protect those who raise an issue in good faith.

**Confidentiality:** Kerk in Actie will endeavour to protect an individual's or organisation's identity when the issue is raised and they do not want their name to be disclosed. It should be understood however, that an investigation of any malpractice may need to identify the source of the information and a statement of the individual or organisation may be required as part of the evidence.

**Anonymous allegations:** Kerk in Actie discourages anonymous allegations. Issues expressed anonymously will be considered at the discretion of Kerk in Actie. In exercising this discretion, the factors to be taken into account are:

- the seriousness of the issues raised
- the credibility of the allegations and the supporting facts
- the likelihood of confirming the allegation from attributable sources

**Untrue allegations:** if an allegation is made in good faith, but it is not confirmed by an investigation, Kerk in Actie guarantees that no action will be taken against the individual or organisation who raised the issue. If, however, individuals or organisations make malicious allegations, disciplinary action will be considered against the individual or organisation making the accusation.

The principle "somebody is not guilty until proven otherwise" is applicable and important in our approach.

### **4.4 Handling procedures**

The ultimate goal of handling all fraud and corruption cases is to solve cases in such a way that minimum financial and reputational damage is done to Kerk in Actie, its stakeholders (donors, partners, the latter's staff, consortium members etc.), and its employees now and in the future. Depending on the nature of the case, its size,

impact, and complexity this will be possible or not. Kerk in Actie tries to solve its cases first on its own, but has a network of lawyers and consultants who can assist in the handling process.

Handling procedures are sometimes open and sometimes confidential, depending again on the nature of the case.

First Kerk in Actie always intends to solve cases via procedures mentioned above. If cases can not be solved that way, then Kerk in Actie tries to mitigate the issue through its contractual procedures and position as rightful demander of its claim. In the situation when fraud or corruption are confirmed by e.g. an independent audit report and the amount concerned can be clearly defined and proven, Kerk in Actie is free to use all legal remedies to recover the (financial) loss from the contract partner. The legal option is mentioned in Kerk in Actie's contract terms and conditions.

If the legal option is chosen, it is mandatory to report cases of proven fraud to the police. For possible cases that need to be tackled abroad the COO should define whether given the local legal system and culture it is feasible and wise to report the case to the police. The COO should balance whether the costs of a legal procedure weigh against the benefits.

The legal steps can also be taken after a relationship is ended. COO should discuss the possible legal steps and actions with the Legal Officer DO PKN and with the Business Controller in order to make a plan of legal action.

#### **4.5 Prevention & detection**

Prevention is the most favoured way of dealing with fraud and corruption, as fraud and corruption should not occur in the first place. Prevention is about raising awareness on zero tolerance, moral ethics and behaviour and assessments before any fraudulent event may occur.

Kerk in Actie has several prevention procedures:

1. Code of conduct which contract parties and employees need to adhere to when signing an agreement with Kerk in Actie:
  - ACT Alliance Code of Conduct Policy
  - Kerk in Actie Child Safeguarding Code of Conduct Policy
  - The Code of Conduct for the International Red Cross and Red Crescent Movement and NGO's in Disaster Relief
2. Policies and procedures are improved based on the experience with new cases of fraud- and corruption.
3. Kerk in Actie is in the process of developing risk analysis to show possible vulnerabilities of the organisation and our partners.

Besides these procedures Kerk in Actie uses also more needs based prevention measures, such as specific clauses within contracts with partner organisations, suppliers, service providers and consortium members if funders explicitly ask for certain measures to arrange, provide needs based training within program inception

periods and within teams, and have due diligence done in more complex environments.

Kerk in Actie also has several detection procedures:

1. Detection of fraud and/or corruption through confidential reporting to the Integrity Officer - the Kerk in Actie external Whistleblower policy
2. Detection of fraud and/or corruption through receipt complaints from contract parties - Complaints and Appeal procedure Kerk in Actie for partners
3. Annual reporting schedule with operational budget, narrative and financial report and auditor's report through which Kerk in Actie staff monitor possible risks.
4. See Annex A for the monitoring tool for Kerk in Actie staff to detect fraud and corruption.

## 5. Attachments

### **Annex A - Monitoring tool for PO and FO for detection of fraud and corruption**

Contract parties monitoring includes analysis of reporting, procurement checks, visiting partners and projects in the field, doing audits, evaluations or assessments at location etc..

For program staff it is often difficult to detect fraud or corruption at the level of contract parties, because the monitoring of their performance is based on the information that the party shares in reports, offers etc. and during visits. Therefore the signs or symptoms of fraud or corruption are often indirect and intuitive. However in this section a few signs are enumerated. When a combination of these signs is observed, staff should stay alert and should inform the COO, FO and Integrity officer.

Signs that can be observed:

- o Narrative, financial or audit reports to Kerk in Actie have delays of more than 3 months.
- o The quality of the goods provided varies significantly from the goods offered.
- o The external auditor of the partner expressed a qualified opinion on the institutional or project financial statements.
- o An (anonymous) letter or notification is received from (former) employees, beneficiaries or other external parties.
- o An external evaluation appoints that the results that were agreed upon in the contract were not (fully) achieved due to organisational problems.
- o The same signatures at different stages of procurement.
- o Fees and admin costs for facilitation payments.
- o There is lack of transparency in financial reports or price offers/tenders received from contract parties:
  - How core costs (overhead) are distributed over the several projects;

- What is registered under each budget line;
- How the organisation deals with exchange gains/losses, interest gains losses.
- o The contract party refuses to cooperate with external evaluations and/or audits.
- o Other donors are withdrawing their funds or phasing out.
- o The contract party is listed on a red list of other donors (e.g. List of Debarred Firms of the World Bank).
- o Budget monitoring reports showing inconsistent behaviour between line items. E.g. project related expenditure is underspent due to delays in the implementation but fuel is overspent.

Signs that can be observed in the financial records of the contract party:

- o Lots of corrections to the manual cashbook, including extensive use of white-out fluid.
- o Manual records that look as if they have been written on the same day, same hand, same pen. Could be evidence of rewritten or duplicate books.
- o Delayed banking of cash received, shown up by bank reconciliation.
- o Records not being kept up to date so managers cannot detect acts of false accounting.
- o Missing supporting documents

Non-financial signs that can be observed during a visit:

- o One employee working very long hours – first in and last out.
- o Never taking holidays – to prevent anyone else seeing their records.
- o Change of lifestyle – spending patterns don't match with income.
- o Smoke screens: making false accusations of other colleagues to win time.

## 6. Risk analysis

For each process the possible risks will be described. The aim is to eliminate the risk or reduce it to an acceptable level. The implementation is described in procedure P02 - Riskmanagement (Risk Management). The risks are described in form F02 - Risico analyse (Risk analysis).

## 7. Materials and methods

Linked work instructions, forms or lists.  
L01 - Log Book

## 8. References

ISO 9001:2015, Partos ISO 9001:2015 and CHS

## 9. Document changes

Revision	Date	Changes
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01	23-06-2020	First release
02	03-2024	<p>Document changed to procedure template</p> <ul style="list-style-type: none"> <li>- Added Kerk in Actie to title (document will be for public use - see 1. Purpose)</li> <li>- Added definitions</li> <li>- Name change: Director to CEO</li> <li>- Name change: Manager Kerk in Actie to COO</li> <li>- 4.2 coordinator has been deleted in step 1 and 2</li> </ul>
03	04-2024	<ul style="list-style-type: none"> <li>- Procedure owner set to Integrity Officers</li> <li>- Protocol changed to procedure</li> <li>- 3. Responsibilities CEO updated</li> <li>- Finance &amp; Control Unit added to 3. Responsibilities</li> <li>- Legal Officer added to 3. Responsibilities</li> <li>- Added 4.1.2 Registration of reported cases</li> <li>- 4.2 Step 2: <i>gives a written advice</i> changed to advice</li> <li>- 4.2 Step 2: responsibility COO and Integrity Officer updated</li> <li>- 4.2 Step 3: <i>Raising risk level</i> changed to Change of status of contract party - updated step 3</li> <li>- 4.2 Step 6: <i>High risk</i> changed to non-active (blocked)</li> <li>- 4.2 Step 7d reporting: <ul style="list-style-type: none"> <li>- <i>reporting to Management Team DO</i> changed to MT Kerk in Actie</li> <li>- <i>Integrity Officer and Controller</i> changed to Integrity Officer and/or Business Controller</li> </ul> </li> <li>- L01 Log Book added to 7. Materials and methods</li> </ul>