

# ANTI- FRAUD POLICY

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**Padova Headquarters:** Minutes of the 16th December 2019

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Approved by

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CUAMM Board of Directors Padova Headquarters

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## 1. INTRODUCTION

Doctors with Africa CUAMM, a non-governmental organization for health cooperation, is the bearer of a culture of ethics, honesty, transparency, accountability and good governance in opposition to (opposing) any expression of fraud and bad behavior. The risk of corruption or other fraudulent schemes can hinder the achievement of the objectives of the Organization, as well as damage its

reputation, impair the trust and support of Donors, Partners, Beneficiaries and the general public. The Policy is intended as part of the “Corporate Governance” of Doctors with Africa CUAMM, a set of procedures and structures put in place by the governing body to inform, direct, manage and control the activities of the Organization in achieving its goals.

## 2. RANGE OF APPLICATION

Doctors with Africa CUAMM is committed to preventing, identifying and managing the risk of possible fraud and other misconduct and illegal actions. The Organization envisages a “zero tolerance” approach to any fraudulent scheme. The recipients of this Policy are the Board of Directors, the Board of Statutory Auditors, the Director, the Personnel of the Italian Headquarters, the workers operating in the countries of intervention, the Third Parties (Suppliers of Goods and

Services, the institutional and non-institutional Donors, the Partners of Project, Public Authorities, Support Groups and Volunteers, etc ...) affiliated with the Organization. Management and Personnel operating in Italy and in the countries of intervention must act in accordance with the Code of Ethics, the Policies and the guidelines / procedures promulgated by the Organization.

## 3. DEFINITION OF FRAUD

The definition of fraud includes a wide range of irregularities and illegal acts characterized by intentional deception and false declarations. In more detail, the “Institute of Internal Auditors” defines fraud as “any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.”. In addition, the Association of Certified Fraud Examiner defines fraud as “any intentional act or omission designed to deceive other people, which results in a loss for the victim or a gain for the perpetrator.”

Its three basic elements are:

- Opportunity = (left to employees and third parties) the defrauder’s ability to commit fraud, aware of the weaknesses of the internal control system;
- Pressure / Incentive = need of the defrauder, deriving from internal or external sources, which encourages the commission of fraud;
- Rationalization (lack of ethics and integrity or self-legitimation) = the defrauder’s ability to manage to justify the fraud committed to himself and, if it is discovered, also to the other members of the Organization.

## 4. MAIN TYPES OF FRAUD

Here below a list of the main cases of fraud and illegal acts:

- Corruption and instigation to corruption;
- Extortion;
- Embezzlement;
- Bribery;
- Receiving, laundering and using money, goods or benefits of illegal origin;
- Liquidity theft;
- Misappropriation of funds and property owned by the Organization;
- Misappropriation of funds and property owned by Donors and Lenders;
- Falsification or alteration of checks or any other bank securities or financial documents;
- Falsification or alteration of any Organization document;
- Improper evaluation of the Property assets;
- Falsification of accounting records / documents and financial statement data;
- False non-accounting information: inappropriate or false reporting communication to Donors, to Project Partners or to other Third Parties;
- Accept or request substantial gifts from suppliers of goods and services;
- Destruction or inappropriate use of property assets;
- Computer crimes and illegal data processing;
- Copyright infringement;
- Fraud;
- Aggravated fraud for the achievement of public funds;
- Conflict of interest;
- Any other dishonest or fraudulent act causing damage to the Organization.

The potential indicators of fraudulent events that could highlight the need for investigation and greater attention are:

- Personnel's behavior (acting in an unusual way, changing lifestyle, reluctance to take time off from work for holidays / illness, taking a reserved attitude, using drugs, etc.)
- Making anomalous cash payments;
- Making payments of substantial value on behalf of Third Parties;
- Pressure to make payments urgently or with absolute priority;
- Private meetings with public contractors or with private companies waiting to participate in tenders;
- Personnel insistence to always deal with the same suppliers of goods and services;
- Hindering or avoiding independent checks on tendering, contracting or other functions;
- Acceptance of conspicuous gifts from suppliers;
- Unusual changes of suppliers of goods and services;
- Establishment of barriers to specific key roles or functions in tendering or contracting processes;
- Acceptance of contracts not favorable to the Organization both for the contractual conditions and for the timing;
- Abuse in decision-making or delegation processes in specific situations;
- Failing to respect the separation of roles and responsibilities;
- Lack of supervision and evaluation of the work done;
- Managers who go beyond subordinates, subordinates who go beyond managers and concern about internal control;
- Loss of documentation (eg invoices, contracts, expense vouchers, minutes of meetings and resolutions, accounting records)
- Document falsifications (accounting reports, non-accounting reports);
- Failure to comply with the Organization's procedures and guidelines;
- Failure to comply with legislative regulations.

## 5. MAIN ROLES AND RESPONSIBILITIES

The Organization is committed to adopting and disseminating the culture of ethics, integrity and good governance in its own structures and externally. The Organization encourages its staff, operating in Italy and abroad, as well as other affiliated Third Parties such as consultants, suppliers of goods and services, project partners, public authorities, support groups and volunteers to report suspected cases of fraud and wrongdoing.

### Director

has overall responsibility for managing the risk of fraud:

- promote an anti-fraud culture;
- implement appropriate risk management processes;
- implement fraud prevention and identification measures;
- keep the anti-fraud Policy updated.

### Financial Director – Head of finance and control management

has the task of assisting the Director in pursuing his/her objectives through a professional and systematic approach that generates added value as it is aimed at evaluating and improving control, risk management and Corporate Governance processes. He/she supports the Management in preventing, identifying, evaluating, managing and mitigating fraud risks.

He/she receives reports of fraud or embezzlement from both the Padua office and the countries in which the Organization operates through the hierarchical information channels, and treats any reports received with particular confidentiality, through the Whistleblowing procedure (See chapter 6 of this Policy).

He/she avails himself/herself of the collaboration of all functions managers to coordinate all the phases of the fraud and embezzlement management process, by:

- annotation in the appropriate register of reports that are received in written and detailed form from identifiable subjects;
- in the event of fraud attempted or committed by persons outside the Organization, request for written reports from employees who have been involved in the activities, analysis of responses and, in agreement with the Management, communication to interested third parties of the Organization's decisions;
- any on-the-spot checks to collect further information or documentation by the appointed staff, who will report in writing form on the outcome of the checks;
- in the event of embezzlement or internal fraud committed by employees of the Organization, evaluation in agreement with the Management of whether it is more appropriate to request a simple report from the employees involved or if it is appropriate to send an official letter of objection to the employees concerned in

- accordance with the Employment Contract;
- collaboration with the Human Resources Office for the formulation of any counterclaim;
- analysis of the reports received or the replies to any counterclaim;
- reporting to the Director of any liability for employees;
- in line with the Director's indications, collaboration with the Human Resources Office for the communication to the employees concerned of any disciplinary measures imposed.

### Sector Managers, Country Representatives and Project Managers

In exercising their roles and in compliance with the Organization's internal procedures and policies, they are responsible for:

- ensuring that an adequate control system exists within their area of responsibility and that said controls are effective;
- identifying the risks of corruption, embezzlement and other fraudulent schemes that could damage the Organization's assets, the donor assets, the exercise of its activities and programs, the reputation of the Organization;
- assessing the risks in order to implement controls and risk mitigation measures;
- regularly checking the control systems for which they are responsible;
- coordinating the activities that may be requested by the Administrative Director of the Padua office regarding fraud or embezzlement that took place within the sphere of the activities that fall under their respective responsibilities;
- implement new controls to reduce the risk of fraud and offenses where such situations have already occurred.

### Organization Staff

All the human resources of the Organization, operating in Italy and abroad in different contractual terms, are required to maintain an ethical behavior, in compliance with internal and external rules of the Organization. Criminal activities will be subjected to disciplinary actions in accordance with the provisions of the applicable national labour agreements, of the Organization's Human Resources Management Procedures, also with regard to reporting obligations to the competent Authorities.

### Third Parties to the organization

Suppliers of goods and services such as independent suppliers and their staff, support groups, project partners, in accordance with this Policy, are required to operate with

honesty and integrity and encouraged to report cases of fraud, abuse and other offenses committed by the Organization's staff.

#### External Audit function

The external auditors of the Organization are responsible for exercising their assignment in accordance with their professional standards and for planning and auditing the Organization's financial statements in order to:

- ensure that the Annual Report is free from material errors of incorrect information / communication;
- ensure that incorrect communications are due to errors or to fraud / wrongdoing;
- ensure that in the event of a fraud investigation, the external auditor, in the event of management's investigation or suspicion of fraud, can report to the governing body (BoD).

## 6. WHISTLEBLOWING PROCEDURE

In the event that the ordinary reports of any fraud or embezzlement have not been taken into consideration, or if the person making the report believes he wants to report with particular confidentiality, the Organization makes available the so-called Whistleblowing procedure. With this system, all the human resources of the Organization and third parties in an interest relationship with the Organization itself, can report suspected cases of fraud and offenses through the following specifically reserved communication channels:

- Mail: CUAMM Medici con l'Africa – Attention to Financial Director, Via San Francesco 126 - 35121 Padova
- E-mail: [cuamm-antifrode@cuamm.org](mailto:cuamm-antifrode@cuamm.org)
- Phone: 0039.049.8751649

In the countries where CUAMM operates, the contact indicated for reporting will be that of the Country Manager.

### 6.1 Elements of the report

In order to provide useful elements for a correct investigation, the reports must be as detailed as possible and able to provide the following:

- type of alleged fraud;
- place and date of the occurred events;

- subjects directly or indirectly involved in the fraud commission;
- how the fraud was carried out;
- people who are already aware of the alleged offense or fraud;
- the reason why the fraud is reported;
- any witnesses.

Further information or evidence considered complementary and useful for ascertaining events must be included in the report and sent by mail to the Head of Management, Finance and Control.

### 6.2 Confidentiality and Protection

To put the Organization in a position to intervene efficiently and effectively, reports of presumed acts of fraud must not be made anonymously. The Organization takes care of ensuring confidentiality and protection against retaliation towards those who report the events. The investigative actions will be undertaken by the Financial Director on a strictly confidential and confidential basis. The people interviewed are kept in the strictest confidence of the information communicated or received.

## 7. FRAUD RESPONSE PLAN

The fraud response plan is intended as the process that must be undertaken, following the discovery or following a suspicion of fraud and other illegal act, in order to ascertain the evidence and initiate investigative actions.

### 7.1 Objectives

The objectives of a Fraud Response Plan are:

- prevent losses of funds and other assets of the Organization or of Donors' assets when the fraud has already been detected, trying to maximize compensation or recovery of losses;
- mitigate the fraud by taking rapid precautionary actions on the first evidence of illegal acts;
- identify defrauder and maximize the success of any disciplinary or legal action;
- reduce the negative impact on the Organization, implement the control system, introducing controls aimed at verifying that embezzlement or fraud similar to those reported are not perpetrated in other countries or contexts too.

### 7.2 Staff Responsibilities -

#### Communication of suspected fraud

In the event that the fraud was attempted or committed by persons outside the Organization (e.g. Public Officials, Suppliers, etc.), the event must be reported immediately to the Head of Management, Finance and Control. If a colleague or his hierarchical superior is suspected of committing fraud or other illegal act, the event must be reported to the Head of Management, Finance and Control, through the ordinary hierarchical channels. The organization also admits the Whistleblowing procedure to report a suspicion of fraud or embezzlement with particular confidentiality measures (Chapter 6).

#### 7.3 Preventive fraud detection action

A suspicion of fraud should not be reported or discussed with any other colleague / collaborator, but only with his / her function manager, who will decide on the report. In the event of an action being reported, the Function Manager has the task of assessing whether it is a fraud or embezzlement, in which case he must report the event promptly to the hierarchical superior and in agreement with the same, to the Financial Director.

### 7.4 Management of investigations

The Financial Director - Head of Management Finance and Control is responsible for verifying compliance with the process envisaged for the management of fraud and embezzlement listed in this Policy in Chapter 5. In the event that the investigation activity detects that fraudulent events actually happened, the Head of Finance and Control Management will communicate what is maintained to the Director and, where the seriousness of the event requires it, the communication must also be sent to the Board of Directors. In relation to the seriousness of the event, the Director, on the basis of the information received from the Administrative Manager, will decide:

- whether to start further independent investigation (outside the Organization);
- whether to report, at the same time as the suffered damage, the malicious act to the authorities of the country;
- whether to take legal action against the external defrauder;
- In the event of internal fraud or embezzlement implemented by an employee, the nature of the disciplinary measures to be taken in compliance with the provisions of the current Employment Contract, of this Policy and of the Procedures adopted for human resources management.

In order to avoid reputational damage to unjustly suspected people, to avoid consequent civil legal actions against the Organization, as well as to prevent people involved in the investigation from being alerted early, the result of the checks must not be disclosed to people who are not legitimate to the knowledge of events.

The personnel inside or outside the Organization in charge of carrying out the investigations must have:

- free access to information (records, documents, information systems, etc.) and to the Organization's premises;
- the authority to examine, photocopy documents and IT data storage systems and examine the contents of desks, cabinets, etc. even without the consent and knowledge of the staff who followed the activities being investigated or who else may have useful information to understand how the events took place.

## 8. THE INTERNAL CONTROL SYSTEM

The Head of Management Finance and Control must ensure that controls, including governance processes and effective accounting systems, are put in place and are operational in order to reduce the risk of fraud. The Administrative Manager coordinates the entire process of managing the various phases relating to fraud or embezzlement reported. The Sector Managers, the Country Representatives, the Project Managers, in the role of "line managers" must ensure the safeguard of the assets and funds of the Organization within their sphere of competence. Among the various measures that can be taken to ensure the above, it is recommended to comply with the following:

- Carry out a systematic and regular assessment of exposure to the risks of fraud and offenses;
- Ensure that an adequate system for communicating problems to Senior Managers is in place;

- Be familiar with the Anti-Fraud and Whistleblowing Policy and Procedures;
- Ensure compliance with the principle of functional separation of roles and responsibilities;
- Provide adequate training and assistance on the prevention and management of fraud and other illegal acts;
- Ensure systematic supervision of the work;
- Ensure complete and transparent disclosure of all transactions carried out on behalf of the Organization;

When the fraud has been identified, the Head of Finance and Control Management has the task of reviewing the adequacy of the internal control procedures in order to avoid the repetition of the opportunities of fraudulent schemes and to mitigate the risk of their manifestation.

## 9. GLOSSARY

- **Accountability:** it is the attitude of the governing bodies to account for their actions and their own behaviors, or the attitude to explain what has been done to fulfill a responsibility or a task;
- **Bribery:** Offense committed by a public official or a person in charge of a public service, who, by abusing his powers, forces to give or promise illegitimately to him or to a third party, money or other benefits;
- **Conflict of Interest:** the conflict of interest occurs when a high decision-making responsibility is entrusted to a person who has personal or professional interests in conflict with the impartiality required by this responsibility;
- **Corruption:** corruption through bribes is configured in the offer, receipt or solicitation of any asset of value that could influence the judgment or work of a Third Party;
- **Counterclaim:** notification of a violation of internal regulations or laws formulated to an employee, in the manner provided by the current National Collective Labor Agreement, containing the request to respond to the dispute within the deadlines set by the CLA (usually seven days from the date of receipt of the dispute)
- **Embezzlement to the detriment of the State:** an offense by anyone, unrelated to the Public Administration, who having obtained from the State or other Public Entity contributions or loans intended to favor initiatives aimed at carrying out works or implementing activities of public interest, does not destine them to the said purposes;
- **Extortion:** it is the offense of those who through violence or threat force one or more third parties to do or omit something making a profit or an advantage;
- **Fraud:** the crime against property, committed by those who derive illicit profit by harming others, through deceit and deception;
- **Governance:** the set of procedures and structures put in place by the organization's governing body to inform, direct, manage and control the organization's activities in achieving its objectives;
- **Misappropriation:** a crime very similar to theft but differs for the fact that in the crime in question the thing is already in the possession of the defrauder (more widespread criminal action);
- **Risk Management:** identification process, evaluation, response, control, communication and monitoring of corporate risks (operational, financial, environmental, reputation, strategic);
- **Risk:** the possibility of an event, that may have an impact on the achievement of the objectives, occurring. Risk is measured in terms of probability and impact;
- **Theft:** taking possession of the thing of others;
- **Whistleblowing:** alarm signal made by the Organization's Staff or by people outside the Organization expressing concern or an attempt to reveal a fraudulent event or an abuse or negligence in the context of the Organization's activities.