



Resolution Fraud and Corruption Control Policy

On May 29, 2009 the Board of Trustees has approved in its Fifty sixth meeting, the attached Fraud and Corruption Control Policy composed of eight points:

1. Introduction
2. Summary of Fraud and Corruption Control Strategies
3. Fraud and Corruption Risk Management
4. Procedures for Reporting Fraud and Corruption
5. Employment Conditions
6. Procedures for Fraud Investigation and Prosecution
7. Internal Audit Strategy
8. Review of Fraud Control Arrangements


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WELFARE ASSOCIATION

FRAUD AND CORRUPTION CONTROL POLICY

1. INTRODUCTION

1.1 Objectives of this policy are:

1. The elimination of internal and external fraud and corruption against the Welfare Association.
2. The detection of all instances of fraud and corruption against the Welfare Association.
3. The recovery for the Welfare Association of all property dishonestly appropriated or to secure compensation equivalent to any loss suffered as a result of fraudulent or corrupt conduct.
4. The suppression of fraud and corruption by the Welfare Association against other entities.

1.2 Definition of Fraud

Dishonest activity causing actual or potential financial loss to any person or organization including theft of money or other property by employees or persons and whether or not deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position.

1.3 Definition of corruption

Dishonest activity in which an elected Member of the Board of Trustees, director, executive, manager, employee, contractor or any other person acts contrary to the interests of an entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.

1.4 Statement of attitude to fraud and corruption

The Welfare Association is committed to establishing a positive organizational culture which does not tolerate fraud and corruption within the Association and which provides an effective system for identifying and reporting such activity.

The Welfare Association is committed to ensuring that its governance and the senior management has a high level of understanding of how to identify the risks of fraud and corruption within the association, and that management fulfils its responsibility for establishing controls and procedures for prevention and detection of such activities.



2. SUMMARY OF FRAUD AND CORRUPTION CONTROL STRATEGIES

2.1 Internal Auditor's Scope of Work

The Welfare Association's Internal Auditor is responsible for the implementation and ongoing monitoring of this policy, to coordinate the fraud and corruption risk assessment process, to record fraud and corruption incident reports and to conduct or coordinate the association's investigations into allegations of fraud and corruption.

2.2 Assistance to the Internal Auditor

Management of the Welfare Association and Departments' Directors shall provide all necessary assistance to the Internal Auditor. The Internal Auditor reports to the Chairman of the Management Committee

2.3 Fraud risk management

The Welfare Association shall conduct periodic reviews and assessment of fraud risk and the strategies implemented to combat such fraud in accordance with section 3 below.

2.4 Fraud awareness

The Welfare Association shall provide appropriate fraud awareness information (including a copy of this policy) to all personnel upon commencement of employment with the Welfare Association, or as soon as practicable thereafter.

2.5 Fraud detection

The Welfare Association shall implement a system aimed at quickly identifying instances of fraud and corruption in the event that prevention strategies fail.

The Welfare Association's Fraud Detection Program shall consist of (1) targeted post transactional review and (2) analysis of management accounting reports.

2.6 Fraud reporting

Instances of fraud and corruption detected within, against or by the Welfare Association are reported to senior management and through the appropriate communication channels.

Personnel shall have alternative means by which to report matters of concern involving allegations of unethical or illegal behavior. This entails avenues through which employees and others with concerns or allegations may report their suspicions.

Reports of behavior or activity involving possible fraud or corruption may be communicated to Senior Management through (1) normal reporting channels (*directly to Senior Management*), (2) outside the normal reporting channels (*to the Internal Auditor either in person or anonymously*).

The objective of having alternate reporting mechanisms is to ensure that:

- All actual or potential fraud and corruption control system failures are identified and rectified in an appropriate way; and



- Systemic and recurring problems of non-compliance are reported to those with sufficient authority to correct them.

2.7 Internal control review following discovery of fraud

In each instance where fraud or corruption is detected, the Internal Auditor shall reassess the adequacy of the internal control environment (particularly those controls directly impacting on the fraud incident and potentially allowing it to occur) and consider whether improvements are required.

Where improvements are required, these shall be implemented as soon as practicable. The responsibility for ensuring that the internal control environment is re-assessed and for ensuring that the recommendations arising out of this assessment are implemented shall be allocated in advance. A summary of recommendations or requirements for the modification of the internal control environment will be provided to the director of the concerned department.

3. FRAUD AND CORRUPTION RISK MANAGEMENT

3.1 Regular program for fraud risk assessment

A fraud risk review and assessment shall be carried out every two years. In addition, at least every twelve months, strategies developed during the course of the most recent fraud risk assessment shall be reviewed for effectiveness and amended where necessary.

3.2 Ongoing review of fraud control strategies

The Welfare Association's fraud control strategies shall be reviewed annually by senior management (in conjunction with the Internal Auditor), taking into account such things as any organizational or operational restructuring, staff turnover, changing technology and environmental changes.

3.3 Fraud risk assessment

One of the primary objectives of the risk assessment process is the creation and maintenance of a "*Risk Register*", being a prioritized listing of all potential fraud and corruption risks facing the Welfare Association.

The Welfare Association shall review the effectiveness of the action items arising from the most recent fraud and corruption risk assessment. An analysis of each action item shall be carried out to ensure all have been implemented. Any action item that has not been fully implemented shall be considered for relevance and the likely impact on the risk it was intended to mitigate.

3.4 Implementation of proposed actions

Based on the level of residual risk for each risk identified and assessed, the Welfare Association shall develop one or more proposed actions aimed at achieving one or more of the following:

- Alteration to existing internal control procedures.
- New internal control procedures.
- Procedures aimed at detecting fraud.
- Fraud prevention strategies.

4. PROCEDURES FOR REPORTING FRAUD AND CORRUPTION

4.1 Internal reporting

Staff should feel able to report a fraud or corruption concern directly to their manager or supervisor, and will also have alternative means of raising concerns and suspicions outside the usual channels.

4.2 Reports by members of staff

Reporting of suspected cases of fraudulent or corrupt conduct by staff can be made either personally to either their manager or supervisor or to the Internal Auditor. Reports can also be made anonymously, by leaving an unsigned/unidentified copy of the report in a sealed envelope at the office of the Internal Auditor (either on desk, or under office door, if the office is locked).

4.3 Protection of employees reporting suspected fraud

Employees reporting suspected cases of fraud and/or corruption shall be protected from retribution, vilification or other consequences, irrespective of the method used to report suspected cases of fraud or corruption.

4.4 Recovery of the proceeds of fraudulent conduct

The Welfare Association shall take all reasonable steps (including the institution of criminal or civil proceedings) to recover property of the Welfare Association that has been misappropriated or otherwise been obtained as a result (either directly or indirectly) of fraud or corruption.

5. EMPLOYMENT CONDITIONS

Pre-employment screening shall be carried out by the Welfare Association for all new employees.

Consideration shall be given to the following pre-employment screening:

- Verification of identity
- Reference check with the two most recent employers – this will normally require telephone contact.
- A consideration of any gaps in employment history and the reasons for those gaps.
- Verification of formal qualifications claimed.

In order to carry out the pre-employment screening referred to above, it will be necessary to have the prior express permission of the candidate.

6. PROCEDURES FOR FRAUD INVESTIGATION AND PROSECUTION

The ultimate outcome of disciplinary proceedings related to any case of fraud or corruption shall be subject to a decision of a disciplinary committee, in coordination with the concerned director, and may involve the admonition, termination, demotion, fining or reduction in seniority of an employee or other internal person.

7. INTERNAL AUDIT STRATEGY

The Welfare Association recognizes that the internal audit function can, in the context of addressing all business risks, be used effectively to prevent and detect fraud and corruption.

The Director General shall ensure, through the annual internal audit plan (endorsed by the Audit and Risk Management Sub-committee) that the internal audit resources available to the Welfare Association are applied to best effect in terms of preventing and detecting fraud and corruption against the entity.

8. REVIEW OF FRAUD CONTROL ARRANGEMENTS

This policy shall be reviewed by the Audit and Risk Management Sub-committee on recommendations from the Internal Auditor.

