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*FRAUD PROTOCOL OF THE NGO
OTUKE HARVEST FOUNDATION*

To reduce the risk of mishandling donor funds, either by ignorance or bad intent, Stichting Otuke Harvest Foundation (hereafter: the foundation) has issued the following fraud protocol.

DEFINITION OF FRAUD

Typically, fraud is an offence resulting from dishonest behaviour that intentionally allows the fraudster or a third party to gain, or cause a loss, to another. This can occur through intentional misstatement, distortion, omission, or concealment of financial statements or other records carried out to conceal the misappropriation of assets or otherwise for gain, to mislead or misrepresent.

Corruption is generally far more difficult to get to grips with than fraud. Corruption can take many forms but its defining characteristic is that colluding parties conspire together to enable the intended event to occur. This might be a fraud, or could be offering, giving, soliciting or acceptance of an inducement or a reward in order to (or to try to) improperly influence someone's actions, or the failure to disclose an interest in order to enjoy financial or other benefits or gains.

In the context of these guidelines, fraud or corruption is defined as a deliberate act involving:

- a misrepresentation of the truth;
- an unlawful or illegal act;
- non-compliance with the contract terms;
- abuse of the financial funds of the foundation and/or
- focused on achieving financial gain.

At the same time, a distinction needs to be made between fraud and financial incompetence. The foundation promotes the training of staff members and employees with respect to financial accounting. Where its application is differently perceived within an African context, the foundation will make an effort to educate the persons involved with respect to financial management and the transparent and objective reporting of financial transactions.

In practical terms, fraud or corruption is considered to be a deliberate act, relating to an employee or related parties that will include (but is not limited to):

1. Theft and misuse of assets, including cash, physical assets and property.
2. Manipulation or misreporting of financial information.
3. Deception (e.g. misrepresentation of qualifications to obtain employment).
4. Offering or accepting bribes or inducements from third parties and offering or giving them to third parties.

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5. Conspiracy to breach laws or regulations.
6. Fraudulent completion of official documents.
7. Falsification or amendment of receipts.
8. Withholding of information with the aim of personal enrichment.

The local project management is responsible for monitoring compliance with these rules at the project and for reporting any fraud taking place and any suspicion of fraud directly to the management board of the foundation. The management of the foundation is responsible for monitoring compliance with these rules on the level of fund raising.

RULES FOR FRAUD MITIGATION

In order to reduce the risk of fraud taking place and to mitigate the negative effects of fraud taking place, the management board of the foundation has given the following instructions to its workers. All workers must adhere to these rules.

1. Decision involving financial risk or commitment

Any decision by the project for a purchase or involving a financial commitment must be made by the local project management. For decisions involving a financial commitment of more than 25.000 cfa franc previous approval of the chairman or the treasurer of the management board is needed. Decisions involving a commitment of more than 500 euro or implying a financial risk for the foundation exceeding an equivalent of 500 euro must be made by at least two board members.

2. Receipts

A receipt for all expenses will be kept and included in the financial administration. If in some instances an official receipt is not possible (e.g. purchases on the local market) a written notice is prepared by the local project management and provided to the chairman or the treasurer of the management board for approval. On request by the management board pictures are taken for circumstantial evidence.

3. Cash payments

When any cash amount is handed to a colleague or co-worker, the purpose of the payment and the amount involved need to be written down and signed by both individuals. The signed document will be treated as a receipt.

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4. Reporting

The local project management will provide monthly project reports to the management board, making sure the expenses do relate to a budget category of the project. Project expenses outside a budget category are not possible.

5. Financial planning

For special projects, outside the tasks regularly performed by the project, a budget needs to be prepared and sent beforehand to the management board for approval.

6. Periodic check

The daily tracking of cash, finances and storage at the project is being done by the local project managers. During visits of the chairman or the treasurer of the management board, the financial accounts will be checked including the cash and bank balances.

7. Accounting

Donor funds will be accounted for by submitting:

- a. Periodic reporting on how the funds have been spent. This reporting may be more informal in e.g. through newsletters.
- b. An annual financial report extracted from an accounting system which contains all expenses associated with cost categories.
- c. The digital storage of a copy of all receipts related to the expenses.

8. Periodic contact

The management board will keep periodic contact with the local project management. In case the local project management is not replying to requests for information within a term of 14 days, further payments will be stopped. If there is no response a term of 30 days, it must be considered whether there is fraud.

9. Actions in case of fraud

In case of suspicion of fraud, the management board takes immediate action by initiating an investigation. In case of fraud, the supervisory board will be informed and improperly used funds will be reclaimed. Employees who are suspected of fraud will be immediately released from their duties. The advantages and disadvantages of juridical proceedings will be considered before taking any action.

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