



Policy regarding Fraud and Corruption Risk  
Management

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# 1 Introductory Provisions

## 1.1 Background

Enabel's mission is to promote sustainable development by means of development cooperation interventions. Because of the international context in which Enabel operates, often countries where fraud and/or corruption are more likely to flourish<sup>1</sup>, fraud and corruption risks are a threat to achieving objectives and to the reputation and the trust that Enabel enjoys with donors, partner countries and stakeholders. The Management Contract<sup>2</sup> stipulates that Enabel is to actively fight fraud and corruption; zero tolerance for fraud and corruption being a starting point.

In June 2018, all Belgian development cooperation sector actors, including Enabel, signed an Integrity Charter. Through the Charter they endorse integrity and respect as fundamental values that lead their actions and they undertake to develop a policy to apply these values in their organisation.

This is translated in Enabel's mission, with transparency and integrity being basic principles in our activities, and in Enabel's Code of Conduct.

To be able to actively fight fraud and corruption it is essential that fraud and corruption risks are managed through an effective prevention and detection policy.

## 1.2 Purpose

This 'Policy regarding Fraud and Corruption Risk Management', further called the 'anti-fraud policy', aims to systematically approach potential fraud by providing a general framework for preventing, detecting and addressing fraud, including the consequences of fraudulent behaviours, and for assigning responsibilities in the matter.

Enabel shows zero tolerance for fraud and corruption. This means that every case of fraud or corruption is investigated and addressed and/or sanctioned.

## 1.3 Approval

This anti-fraud policy was approved by the Board of Directors on 29/05/2019, following advice from the Audit committee.

The anti-fraud policy will be regularly assessed and the results thereof will be communicated to the Board of Directors.

# 2 Scope

The anti-fraud policy applies to all staff members and to the members of the Board of Directors of Enabel, in Belgium and abroad, and concerns any instance or suspected instance of fraud implying staff members, partners and/or third parties.

Partners are informed about the existence of and principles underlying this anti-fraud policy and must comply with the policy in accordance with the contract which they sign with Enabel.

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<sup>1</sup> Based on the Corruption Perception Index – Transparency International 2018 <https://www.transparency.org/>

<sup>2</sup> First Management Contract between the Belgian Federal State and Enabel, the Belgian development agency, Art. 37

## 3 Fraud and its impact

### 3.1 Definition

Fraud is an **improper act** (or the omission of an obligatory act) that is committed **intentionally and personally** in order to obtain an **undue advantage**.

- The advantage can be direct or indirect, tangible or intangible.
- It can be an advantage for one's own profit for the profit of Enabel or one of the projects of Enabel or for the profit of a third party.

When a staff member, manager or board member of Enabel commits fraud this is considered **internal fraud**.

When external parties such as suppliers, partners<sup>3</sup>, public servants... commit fraud to the disadvantage of Enabel or of the projects of Enabel this is considered **external fraud**.

**Corruption** is considered a specific form of fraud. Both passive corruption and active corruption, even if contributing to the achievement of objectives of a project, fall within the scope of this anti-fraud policy.

### 3.2 Impact

Fraud can have a big impact on Enabel:

- Financial risk: direct or indirect financial loss, increased credit risks, cost of fraud management and recovery;
- Reputation risk: damage to trust of donors, partner countries, etc. of reliability and ethical values of Enabel;
- Development impact: The objectives of the development projects are not, or only partially, achieved;
- Psychological impact: breach of confidence by staff members or external parties.

## 4 Steps in managing fraud risk

### 4.1 Fraud prevention

The fraud prevention policy comprises a range of measures:

- This anti-fraud policy provides clear guidelines on what fraud is and how fraud risks must be addressed, who is responsible for managing the fraud risks, and what must be done in case fraud is suspected. It also explains the consequences of fraudulent behaviour.
- Awareness of staff members is regularly raised by means of a training session on fraud risks and communication about the fraud policy so they understand well what fraud is, what the viewpoint of Enabel is in this matter, how they can recognise irregular patterns in their daily activities and how they are expected to act in such cases.
- Staff members can contact a dedicated person whom they can address their questions to in confidence.

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<sup>3</sup> A partner is an organisation contracted by Enabel for implementing a project.

- Fraud risks are evaluated as part of the annual risk assessment exercise and when elaborating interventions, and where needed, risk mitigating measures are taken.
- When elaborating processes risk-based controls are incorporated in view of:
  - o On the one hand, preventing fraud to the extent possible (preventive controls, e.g. segregation of duties, 4-eyes principle, reporting...);
  - o On the other hand, detecting fraud in due time (detection controls, e.g. reporting and reconciliation procedures).
- The Integrity desk of Enabel communicates at least once per year about integrity breaches whilst respecting privacy rules.

## **4.2 Fraud detection**

When processes are carefully followed, irregularities, peculiar coincidences or deviations from regular proceedings may be encountered.

Staff members should be heedful of this and address this in the right way.

Beside controls that are part of the processes and daily oversight by management, also specific, transversal fraud detection measures are introduced.

## **4.3 Addressing incidents**

Every fraud notification leads to a professional and independent investigation in order to be able to decide whether fraud did indeed occur, to claim compensation from the offender, to enforce appropriate disciplinary measures and to adapt processes and/or controls to prevent recurrence.

# **5 Roles and responsibilities**

## **5.1 All staff members**

First, it is every Enabel staff member's responsibility not to commit an act of fraud or to be involved in fraud by a third party. This also applies where a supervisor asks a staff member to commit a fraudulent act.

Furthermore, it is everyone's duty to be heedful and to notify fraud incidents as described in this anti-fraud policy.

In order not to interfere with investigations, staff members may not carry out investigative acts of their own initiative.

## **5.2 Management Committee and Board of Directors**

The Management Committee and the Board of Directors are jointly responsible for installing an appropriate management structure and processes to manage fraud risks.

They are the owners of this anti-fraud policy and undertake to earmark all necessary means.

## **5.3 Operational management**

Enabel's management is responsible for identifying and evaluating fraud risks within their area and for installing appropriate control measures to manage fraud risks.

Furthermore, the management is also to immediately report any case of fraud to the Integrity desk and where necessary adjust the internal control system and recuperate the loss suffered to the extent possible.

## 5.4 Controlling

Controlling provides management with the necessary support in identifying fraud risks and in establishing appropriate measures to mitigate this risk. Controlling ensures that these measures are well-designed and regularly checks whether they function as intended.

Furthermore, Controlling will carry out specific transversal fraud detection controls.

Finally, Controlling follows up the evolution of fraud risks for Enabel and warns management if evolutions require fraud mitigating measures to be adjusted.

## 5.5 Fraud Focal Point

In every Representation of Enabel a Fraud Focal Point will be appointed by the Resident Representative and in consultation with the Integrity desk.

Where no Fraud Focal Point is appointed, the Resident Representative takes on this duty.

The Fraud Focal Point is the first point of contact for the fight against fraud and corruption for all staff members depending of the Representation, for the local partners and for the beneficiaries. (S)he is locally responsible for raising awareness and for training and for answering questions about the matter.

The Fraud Focal Point may receive fraud notifications and (s)he immediately forwards these to the Integrity desk. In specific cases, (s)he may, at the request of and under the supervision of the Integrity desk, ask for additional information.

The Fraud Focal Points are part of a global network of anti-fraud specialists within Enabel.

The Resident Representative ensures, in consultation with the Head of the Integrity desk, that these duties are included in the objectives of the Fraud Focal Point, that (s)he can liberate enough time for the purpose and that (s)he can attend necessary training.

## 5.6 Human Resources

Upon recruitment of new staff a screening is conducted, with a reference check with earlier employers as appropriate, in accordance with the risk profile of the job.

The Human Resources department ensures that all staff members receive training in fighting fraud in accordance with their duties.

Human Resources ensures that appropriate and proportionate disciplinary measures are taken in case of proved fraud.

## 5.7 Integrity desk

The Integrity desk coordinates fraud prevention. Its role consists of:

- Elaborating the anti-fraud policy and regularly reviewing it;
- Ensuring the content quality of central-level and local-level training and awareness-raising campaigns on fighting fraud;
- Support the evaluation of fraud risks and the elaboration of risk mitigating measures.

The Integrity desk is responsible for managing and investigating reported fraud cases. It does so in collaboration with the Fraud Focal Point where appropriate, and it reports to the Management Committee on the matter.

The Integrity desk regularly reports to the Board of Directors about the activities of Enabel in fighting fraud and about the incidents found.

The Integrity desk role is taken up by Enabel's internal audit activity.

## 6 Notification of suspected fraud or of a fraud incident

### 6.1 Notification by a staff member of Enabel

On any given day, in the course of their work, staff members of Enabel may find indications of fraud or suspect fraud (e.g. abuse of power, breaches of the law, abuse of resources, procurement fraud, theft of funds, corruption).

They can contact the Fraud Focal Point or the Integrity desk in case of doubt.

They are to immediately report concrete indications or suspicions, based on facts, pertaining to activities of Enabel, either to their supervisor or the local Fraud Focal Point or directly to the Integrity desk. The supervisor or Fraud Focal Point who receives such a notification will immediately inform the Integrity desk.

Irregularities that are detected during specific fraud control activities, must be immediately reported to the Integrity desk.

### 6.2 Notification to the Integrity desk

Every staff member of Enabel has the right to immediately report a suspected instance of fraud, based on facts, directly to the Integrity desk.

The Integrity desk's hotline is also there for suppliers or partners of Enabel or for beneficiaries of the activities of Enabel to report fraud-related facts, express doubts or raise questions.

The hotline can be reached

- Personally, at the head office of Enabel (Internal Audit) or via the Fraud Focal Points at the Representations.
- Directly via mail [integrity@enabel.be](mailto:integrity@enabel.be)
- Via the <https://www.enabelintegrity.be> website where the purpose-made digital form must be filled out.

Anonymous notifications cannot be accepted; one must identify oneself when filling out the digital form.

### 6.3 Whistleblower protection

In case of direct notification to the Integrity desk, the whistleblower protection goes into force. This implies that necessary measures are taken to protect the staff member in question.

- Complaints and questions are processed confidentially. This means that the identity of the informant is kept secret to the extent possible.
  - o However, Enabel may be forced to disclose the identity of the staff member concerned when the law requires so, in particular pursuant to a court decision or an administrative order.
  - o Also, it may occur that because of the nature of the information that is available to the informant or for reasons beyond the Integrity desk's



control, it becomes known within the organisation who the whistleblower is. The Integrity desk will neither confirm nor deny such rumours.

- Enabel follows a strict policy in taking no direct or indirect retaliatory measures whatsoever against a staff member who reports a situation in good faith. HR annually reports in this matter to the Board of Directors.

The informant is notified about these protection measures.

## **6.4 Integrity Centre at the Federal Ombudsman**

Staff members of Enabel have the right to contact the Integrity Centre at the Federal Ombudsman.

More information on this channel of notification is available in Dutch and French on the website <http://www.federaalombudsman.be/nl/inhoud/meld-een-integriteitsschending>

# **7 Management of fraud incidents**

## **7.1 Administrative investigations**

The Integrity desk assesses the admissibility of the notification and particularly checks whether there are sufficient grounds to start an administrative investigation. It must take into account, among other things, the facts notified, the characteristics of the allegations, and whether the complaint makes reference or not to sources of information, including any detail providing evidence for the allegations.

Where the Integrity desk considers there are sufficient grounds to do so, an administrative investigation will be conducted in accordance with the Code of Professional Standards of the Association of Certified Fraud Examiners.

Where the Integrity desk considers indications, facts or evidence are lacking, it decides not to start an administrative investigation. In that case, a local manager may start an own investigation into the irregularity.

Depending on the nature of the investigation, it may be completely or partially entrusted to the local hierarchy or to the Fraud Focal Point, or specialised external experts may be relied upon.

All information collected in this respect will be processed strictly confidentially.

The administrative investigation will be completed within a reasonable term.

After completion of the administrative investigation, the results and conclusions are submitted to the Management Committee of Enabel so the necessary measures can be taken to sanction abuse in accordance with existing policy and procedures.

## **7.2 Confidentiality**

The administrative investigation is strictly confidential. The identity of the staff member whom the complaint involves is confidential information and is kept secret to the extent possible.

Enabel may be forced to disclose the identity of the staff member concerned when the law requires so, in particular pursuant to a court decision or an administrative order.

Also, it may occur that the identity of the staff member whom the complaint involves becomes known within the organisation for reasons beyond the Integrity desk's control. The Integrity desk will neither confirm nor deny such rumours.

### **7.3 Crisis committee**

The Integrity desk escalates important fraud incidents, which may threaten the reputation or the financial stability of Enabel, without delay to the Crisis committee of Enabel<sup>4</sup> so necessary measures can be taken in due time to manage the incident. This, among others, pertains to incidents with a possible financial loss in excess of 10 000 euros and/or incidents with a potential significant negative impact on the reputation of Enabel.

### **7.4 Communication with the media**

Questions from the media about fraud and fraud incidents at Enabel's are always forwarded to the Communication service in Brussels or to the Resident Representative to be dealt with in accordance with the communication policy.

Only the Communication service is competent to react to social media messages about fraud incidents at Enabel's.

Staff members of Enabel must not react personally to such messages.

### **7.5 Disciplinary measures and recovery**

#### **7.5.1 Disciplinary measures**

The management of Enabel will take appropriate action in accordance with the position of the fraud offender:

- 1) For internal staff members appropriate disciplinary measures will be determined with Human Resources.
- 2) In case it concerns a staff member of a partner, the partner will be informed about the findings and it will be made clear that the staff member concerned cannot work for Enabel anymore.

Also, the partner will have to show which measures are taken to prevent such fraud in the future.

- 3) If the management of a partner is itself involved in fraud, or if it appears that the fraud is the result of blatant shortcomings in a partner's integrity policy, Enabel will terminate the contract with that partner.

The Management Committee of Enabel may, following advice of the Legal service, decide to take legal action against the fraud offender(s).

#### **7.5.2 Recovery**

The management concerned will analyse the causes of fraud and determine which mitigating measures must be taken to prevent such fraud in the future. Such mitigating measures may regard a review of fraud risk evaluation, a strengthening of the internal control system, relaunching of training programmes or awareness-raising campaigns... To that end, the management concerned will submit an action plan to the responsible member of the Management Committee.

Fraud losses are recorded as such in accounting records.

The management, in consultation with the Legal service, will make appropriate efforts to recover financial losses.

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<sup>4</sup> Cf. Procedure Crisis committee

## 7.6 Reporting

The Head of the Integrity desk regularly reports to the Board of Directors about Enabel's fraud prevention, detection and processing activities, about incidents that have occurred, about actions taken and about sanctions imposed.

The Board of Directors and the Management Committee also receive at least once per year a global report about the fraud incidents whilst privacy of the parties concerned is respected in accordance with privacy regulations.

## 8 Annexe: Categories and examples of fraud

### Internal fraud<sup>5</sup>

- **Embezzlement of money or other property of the organisation:** For instance, stealing petty cash, fuel or office equipment, pay personal expenses with funds of the organisation, report fictitious expenses in an expense claim, fictitious personnel costs...
- **Corruption:** Abuse of power for private gain. If a staff member of Enabel pays for a favour (e.g. to have a routine legal formality carried out), we speak of **active corruption** and this is considered internal fraud. If someone is paid to carry out certain acts, we speak of **passive corruption**.  
Corruption can be committed at various levels and under various forms. Forms of corruption include **conflicts of interest** (e.g. in procurement), **bribery** (e.g. 1- pay low-ranking or medium-level public officials for gaining access to basic goods or services in hospitals, schools, the police force and/or other institutions; 2- manipulation of the procurement procedure, for instance by accepting or asking advantages when negotiating with building contractors, sales people, service providers or suppliers...); **illegal gifts** (give a staff member something valuable as a reward for a decision after the decision has been taken); **economic extortion** (staff member abusing (economic) power: as a supplier (only supplier of a certain good), as an important client (terminating the relation leads to bankruptcy of the supplier), as an employer...). All these forms of corruption are liable to punishment in Belgium.<sup>6</sup>
- **Accounting fraud:** Overstatements or understatements of assets and revenues (e.g. fictitious revenue, underestimated revenue; concealed or overstated liabilities, improper asset valuations, improper disclosures...).

### External fraud

- Corruption: low-ranking or medium-level public officials demanding money in exchange for providing access to basic goods or services in hospitals, schools, the police force and/or other institutions; manipulating public procurement procedures: bribing building contractors, service providers or suppliers...
- Fraud with documents: e.g. fake invoices, manipulation of the procurement procedure;

<sup>5</sup> Based on the Fraud Tree, ACFE 2016 regarding internal or occupational fraud.

<sup>6</sup> Publication Federal Public Service Justice 2008

- Embezzlement of money or property of the organisation, such as:
  - o declaration of project activities that have not taken place or spending funds to activities that are not part of the project or submitting costs that have not been incurred;
  - o theft of IT equipment, fuel...