

Practical Action

FINANCIAL CRIME POLICY

**PROTECTING PRACTICAL ACTION FROM –
FINANCIAL CRIME: FRAUD, BRIBERY AND MONEY
LAUNDERING**

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Scope All employees
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Approval required from	Finance Audit and Risk Committee (FAR)
Policy Owner:	Finance Accounting Manager
Responsible Director:	Chief Operating Officer
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Exceptions	Contact the Policy Owner
Derogations	Contact the Responsible Director

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1 Foreword by CEO

Practical Action, as a UK charity has a number of legal requirements placed upon it, both in relation to UK legislation and charity law to ensure that proportionate controls are put in place to protect us from potential harm. A key element of this is to protect the charity's assets from all forms of financial crime including fraud, corruption, bribery and money laundering.

We do not and will not tolerate any form of financial crime in our organisation, and it is our mission to facilitate the development of controls that will aid in the detection and prevention of any type of financial crime or misconduct within Practical Action. Those found guilty of any form of financial crime will face the most serious consequences including dismissal and possible criminal charges.

The resources entrusted to us by our donors make a significant impact on the lives of our beneficiaries and we all play a part, however large or small, in ensuring these funds are used honestly, diligently and effectively.

2 Roles and responsibilities:

- Clarifications on the policy content should be sought from the **policy owner** in the first instance. Any changes required to the policy as a result of clarity issues will be submitted through this individual to the **responsible director** for consideration.
- The **policy owner** is responsible for timely review of the policy in accordance with the agreed review timetable.
- Derogations from this policy require the advance written approval of the **responsible director**.
- The **responsible director** will seek formal approval of significant changes to this policy from the **Practical Action Board of Trustees** or their delegated representatives.

3 Linked Practical Action policies

- Global complaints framework – provides guidance on raising a concern or complaint.
- Protecting Practical Action from terrorist financing.
- Conflict of Interest policy - Gifts and Hospitality – defines what is deemed acceptable in the acceptance and giving of gifts and hospitality.

4 Policy scope

This policy applies to any financial irregularity or suspected irregularity, involving any employees, volunteers, consultants, suppliers/contractors, partners, beneficiaries, trustees, and any other parties who have a business relationship with any Practical Action offices.

Any investigative activity required will be conducted without regard to the suspected individual's length of service, position/title, or relationship to Practical Action.

5 Policy statement

All Practical Action staff have a duty of care to protect Practical Action assets and are therefore responsible for the detection and prevention of fraud, bribery, money laundering, and other financial irregularities.

Any irregularity suspected or detected must be reported immediately to a member of the **financial crime team** (Director of Finance and Services, Head of International Operations, Head of Internal Audit, Senior Internal Auditor, Head of Group Finance and Financial Accounting Manager) who will confirm the case lead and any support from Head Office, to put in place the right team for coordination of investigations both internally and externally. If any member of the **financial crime team** is implicated, the suspected irregularity should be reported to the Chief Executive and Treasurer (Chair of the Finance, Audit and Risk Committee).

All cases will be reported to the Finance, Audit and Risk Committee until the case is closed. Donors and the Charities Commission will be informed as and when required under the guidance and advice of the **financial crime team and the Board of Trustees**.

6 Actions constituting fraud or financial crime

Fraud is defined as the intentional, false representation or concealment of any type of dishonesty or financial misconduct. The following acts are considered as fraud or financial crime:

- Falsified expenses or invoices.
- Misappropriations of funds, supplies or other assets.
- Inappropriate handling or reporting of money or financial transactions.
- Profiting as a result of inside knowledge.
- Inappropriate disclosure of confidential information.
- Destruction, removal or inappropriate use of records, vehicles, furniture, fixtures and equipment.
- Any dishonest or fraudulent act; any similar or related irregularity.

If there is any question as to whether an action constitutes fraud, please refer to a member of the **financial crime team** (Director of Finance and Services, Head of International Operations, Head of Internal Audit, Head of Group Finance and Financial Accounting Manager).

7 Actions constituting bribery

Bribery is giving or receiving an unearned reward to influence someone's behaviour. Bribery is often done in secret and against the rules so that the recipient will act in a certain way that is contrary to what they would do in ordinary circumstances OR so that the recipient will not act in a way that they are threatening to do.

Bribery is **illegal**, it is **unethical**, and it is not allowed under Practical Action Policy (the only exception is if it is necessary for your personal safety or for that of someone else.)

It is wrong:

- Whether the value is high or low
- Whether the bribe is money, or any item of value, or any act of favour
- Whether the bribe took place or not – i.e. if it was accepted or not
- Whatever you call it – e.g. back-handers, facilitation payments
- Whatever the normal practice is in your country

In all circumstances, even if a bribe didn't actually take place, you should report the matter as soon as possible.

8 Actions constituting money laundering

Money laundering is the illegal process of concealing the origins of money obtained illegally by passing it through a complex sequence of banking transfers or commercial transactions. The overall scheme of this process returns the "clean" money to the launderer in an obscure and indirect way.

Practical Action takes its responsibilities very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of funds and assets. Practical Action will not tolerate actions constituting as money laundering by any employees, volunteers, consultants, suppliers/contractors, partners, beneficiaries, trustees, and any other parties who have a business relationship with any Practical Action offices partners or service users.

It is not possible to give a definitive list of ways in which to spot money laundering but facts which tend to suggest that something "odd" is happening may be sufficient for a reasonable suspicion of money laundering to arise. The following are the types of risk factors which may, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

- A new customer with no previous history with Practical Action;
- A secretive customer: for example, one who refuses to provide requested information without a reasonable explanation;
- Concerns about the honesty, integrity or identity of a customer;
- Illogical third-party transactions: for example, unnecessary routing or receipt of funds from third parties or through third party accounts;
- Involvement of an unconnected third party without logical reason or explanation;
- Payment of a substantial sum in cash;
- Overpayments by a customer;
- Absence of an obvious legitimate source of the funds;
- Movement of funds to and from overseas;

- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions is out of line with normal expectations;
- Cancellation or reversal of an earlier transaction.

9 Investigating & reporting responsibilities

Suspected fraud or financial crime of any nature will be investigated in an independent, open- minded and professional manner with the aim of protecting the interests of both Practical Action and the suspected individual(s). This is important in order to avoid damaging the reputation and privacy rights of persons suspected but subsequently found innocent of wrongful conduct and to protect the organisation from potential liability.

The investigation process will vary according to the circumstances of each case with initial guidance provided by the **financial crime team**. The **financial crime team** will assign leadership and responsibility for the investigation of all suspected fraudulent or criminal acts as defined in this policy.

Leadership of the investigation will normally be given to the relevant Regional/Country or Unit Director. On completion of the investigation, the lead investigator will issue an updated financial crime report to the **financial crime team** with clear actions and recommendations as required including if the donor is to be informed.

In all cases donors whose funds may have been affected should be informed as soon as an investigation is sanctioned – the **financial crime team** will determine the most appropriate way to do this.

To enable action to be taken swiftly, and where it has not been possible to convene the whole team, any two members of the **financial crime team** have the authority to make decisions and instigate action on behalf of the **financial crime team** whilst keeping other members informed.

10 Confidentiality & retention of documents

All information received should be treated as strictly confidential. Investigation processes or results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

All records should form part of a formal file, held by people & culture or the financial crime team (dependant on the findings on completion of the investigation) and all temporary files and general correspondence which identifies an individual should be deleted immediately after the case is closed.

The individual reporting any incident will be instructed as follows:

- Do not contact the suspected individual in an effort to determine facts.
- Do not discuss the case, facts, suspicions or allegations with anyone unless specifically asked to do so by line management of the financial crimes team.
- Do not create or share notes, files, emails or other records that will not form part of the formal file.

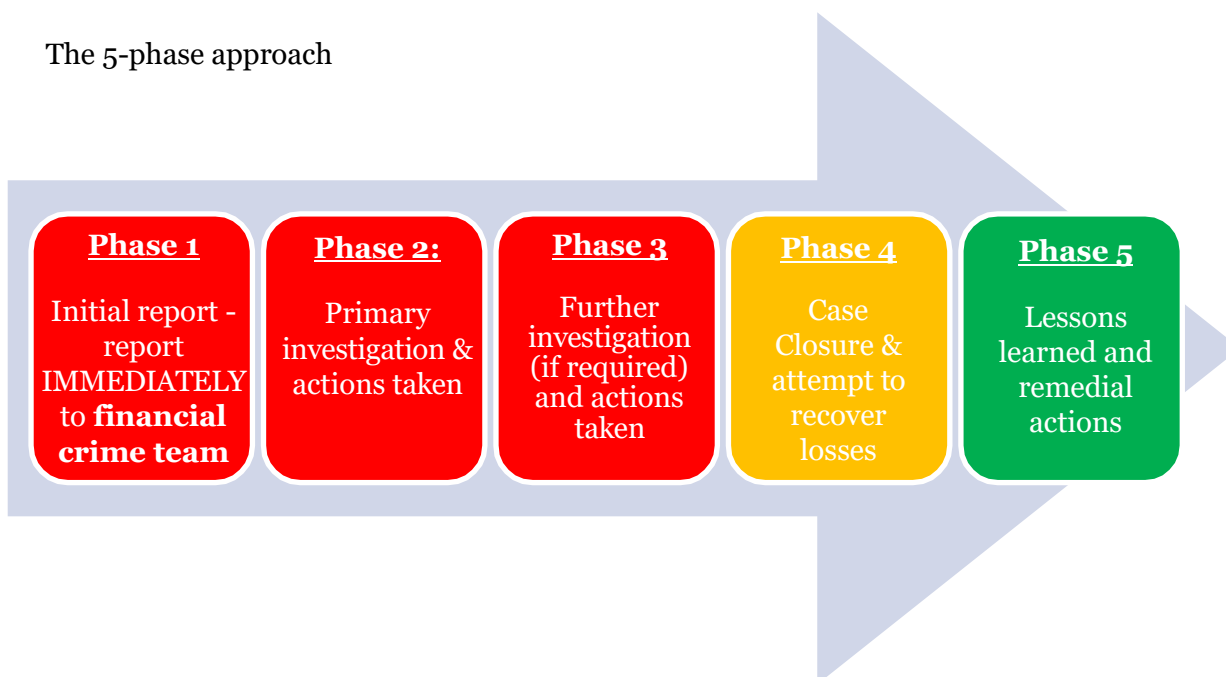
11 Dismissal and legal action

If an investigation results in a recommendation to suspend, dismiss or prosecute an individual, then the recommendation will be reviewed for approval and actioned by the People & Culture department in consultation with our legal advisors.

12 Reporting and investigating

Reporting and investigating possible fraud, bribery and money laundering.

The 5-phase approach



Phase 1: Initial report

Suspected fraud or financial crime can be reported through a range of mechanisms. These are highlighted in the global complaints framework (policy).

If you are the recipient of such a report, no matter what form it takes, you must report the allegations to the **financial crime team** (Director of Finance and Services, Head of International Operations, Head of Internal Audit, Head of Group Finance and Financial Accounting Manager) immediately using the Reporting Financial Crime Template. The template is located on Net Consent under 'Forms and templates' then 'Finance Forms'. Please try to complete as much of the form as possible on the basis of the information that has been passed to you.

You **MUST NOT** undertake any further investigation or speak to anyone else about the report until you receive advice from the **financial crime team**.

Phase 2: Primary investigation

Primary investigation will usually be on the basis that the case is fairly straight forward or requires an initial investigation to determine factual evidence in order to assess and conclude on the case. This will be done in a cost-efficient way using internal resources. On receipt of the initial report, members of the **financial crime team** will review the case details and determine next steps.

Phase 3: Secondary investigation

Secondary/further investigation may be required, where through the primary investigation we have established that there is a case to answer but need further evidence or that the case appears to be more complex possibly on a larger scale. On receipt of the initial report of the primary investigation, members of the **financial crime team** will review the case details and determine next steps.

Phase 4: Case closure

When the financial crime team deems that a case has been sufficiently investigated it will move to close it out. In the event that no case has been proven, all relevant parties will be informed and the case will be closed. Where financial crime has occurred, all reasonable efforts will be made to recover any losses arising from fraud, theft or financial misconduct, action to be taken against perpetrators; individuals or groups and report accordingly the FAR, donors and the Charity Commission.

Phase 5: Lessons learned

In relation to the details of any individual case or to its caseload as a whole, the financial crime team will identify control gaps from within the organisation or particular units/departments and the remedial action required to close control gaps and share case studies internally with senior management to raise awareness and possibly implement similar actions.