The Anti-Fraud Policy
Archdiocese of Malta

The Anti-Fraud Policy

Purpose
The Anti-Fraud Policy (henceforth the Policy) affirms the Archdiocese of Malta’s (henceforth Archdiocese) zero-tolerance to fraud. The Policy outlines the scope and the reporting framework. This Policy is complementary to the Archdiocese’s Audit Committee Charter, the Archdiocese’s Whistleblowing Policy and the respective ecclesiastical entity’s Disciplinary Policy.

Fraud
Fraud is defined as any intentional deception designed to deprive the Archdiocese unlawfully of something of value, or to use the Archdiocese, either directly or indirectly, as a means of procuring personal gain from third parties or to secure from the Archdiocese an individual benefit, privilege, allowance or consideration to which an individual is not entitled. Such practices include, but are not limited to, theft; counterfeiting; the offer, payment, or acceptance of bribes or gratuities; making false statements; submitting false claims; using false weights and measures; evading or corrupting officials; deceit to obtain property, services or any advantage by either suppressing the truth or misrepresenting material fact; misuse of entrusted power or position for private gain; adulterating or substituting materials; falsifying records and books of accounts; arranging for secret profits, kickbacks or commissions; and undertaking, colluding or assisting in illegal activities. It also encompasses illegal use or disclosure of data and fraud perpetrated through the improper use of IT or non-IT systems. Therefore, the definition of fraud is not restricted to monetary or material benefits but it also includes intangibles.

Scope
The Policy is applicable to all diocesan entities and to all persons being members of their governing and decision-making bodies including the Archbishop’s Council, Kunsill Rapprezentattiv Djocesan (KRD), Kumitat Finanzjarju Djocesan (KFD) and sub-Committees, members of the Diocesan clergy, Parish Priests, Rectors, Kunsill Pastorali Parrokkjali (KPP)
and Kunsill Ekonomiku Parrokkjali (KEP) members, employees whether permanent or short-term, volunteers, paid or unpaid trainees, as well as to persons other than workers, who come in contact with the entity through their work-related activities, such as service-providers, distributors, suppliers, business partners, external consultants and contractors. Persons falling within scope are required to be familiar with this Policy in order to be able to contribute towards the Archdiocese’s effort in the prevention and detection of fraud.

**Reporting of fraud**

Persons within scope are bound to report the knowledge and suspicion of fraud immediately to their immediate supervisor, Parish Priest, Administrator, Office Manager, Director, Administrative Secretary or Chief Audit Executive (CAE). Members of the governing and decision-making bodies including the Archbishop’s Council, KRD, KFD and sub-Committees, shall inform the CAE if a fraud comes to their knowledge.

**Prevention and detection of fraud**

The KFD assumes ultimate responsibility for the prevention and detection of fraud. In so doing, the KFD safeguards the Archdiocese’s assets, integrity, credibility and reputation. Consequently, the KFD seeks to ensure that appropriate and effective internal control systems are in place to safeguard all assets. The KFD is supported in its role by the Audit Committee which, with the aid of Internal Audit Office, provides assurances to the KFD on the level of preparedness of the Archdiocese to prevent fraud and that effective internal control systems are operating.

Management has the responsibility to implement on a day-to-day basis properly designed internal controls, which effectively and consistently prevent and detect fraud. To minimise fraud risks, best practice recommends that (i) employees and/or tasks and responsibilities are preferably rotated particularly in key posts; (ii) duties are segregated so that control of a key function does not rest with one individual; (iii) the application of the four-eyes principle meaning that two individuals approve some action before it can be taken; (iv) backlogs of work are not allowed to accumulate and (v) that staff are adequately trained and updated working procedures have been made available to them.

Effective vetting and due diligence of new job applicants at recruitment stage also helps prevent fraud at a later stage. The HR Office of each respective entity should preferably vet
the previous record of job applicants in terms of their propriety and integrity. As part of the new recruit’s induction procedures, new staff are to be made aware of their important role in combating fraud.

Periods of change when processes or IT systems are being newly designed or modified are prone to errors, which could lead to ineffective internal controls. Particular attention is required during the implementation and testing of these changes to verify that key gaps have been closed, and systems are not left exposed to the opportunity of fraud.

Appendix I gives some examples of indicators that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

**Confidentiality**

The identity of employees who have come forward and the information given by them regarding the suspected fraud shall be treated with the strictest confidentiality. Investigation results will not be disclosed to or discussed with anyone other than those with a legitimate need to know. Irrespective of the outcome of the investigation, management will ensure that the interests of the suspected individuals, whistleblowers and witnesses shall be safeguarded from any potential discrimination, victimisation or retaliation.

**Disciplinary action**

The decision on whether or not to suspend an employee committing fraud is the prerogative of management and shall be taken in line with the entity’s disciplinary procedures under its Discipline Policy.
Appendix I

Red flags warnings of fraud

i. **Inventory shrinkage or loss of assets** - excessive inventory shrinkage; loss of assets; resistance to inventorise assets may be an indicator of ongoing fraud;

ii. **Unusual employee behaviour** - A large proportion of fraud affecting organizations comes from within the organization itself, mainly from employees. Some of the behavioral signs of employee fraud include: refusal to comply with normal rules and practices; failure to take leave; refusing promotion; an individual acting secretive and deliberately concealing information; Managers by-passing subordinates; subordinates by-passing Managers; living beyond one's means; job dissatisfaction; debts and financial difficulties; addiction to gambling.

iii. **Excessive gifts** – excessive gifts; hospitality or benefits of any kind received from a third party connected to a staff member's job and which might be seen to compromise their integrity;

iv. **Missing documents or unusual transactions** - Key documents go missing (e.g. invoices, contracts, cheque books); disorganisation; too many adjusting accounting entries; understated invoicing; absence of controls and audit trails; missing expenditure vouchers or other official records; reconciliations not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; crisis payments; duplicate payments; large payments to individuals; excessive variations to budgets or contracts;

v. **Bad procurement practices** - Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval; repetitive duplicate payments;

vi. **Frequent complaints** - Frequent complaints about certain personnel; chronic understaffing in key areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties; customer complaints;
vii. **Inadequate supervision** - Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended; low staff morale; weak or inconsistent management;

viii. **Lax corporate culture** - Management frequently overrides internal controls; climate of fear or a lax corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions;

ix. **Poor work practices** - such as lack of common sense controls, work is left until the employee returns from leave, post office boxes as shipping addresses, documentation that is photocopied or lacking essential information, lack of rotation of duties, unauthorised changes to systems or work practices; duties are not segregated so that control of a key function does not rest with one individual; individual reluctant to share duties;

x. **Non-compliance with internal policies or legislation** - A person has failed, is failing or is likely to fail to comply with an in-house policy or any law or other obligation to which he is subject.