

# Anti-Fraud Manual

Transparency International Zambia

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## **ACKNOWLEDGEMENTS**

The Finance, Audit and Investment Committee is grateful for the support and input received from the secretariat of Transparency International Zambia (TI-Z) and the Board of Directors for their input. This manual will provide guidance on how to effectively mitigate fraud and corruption within and outside the remits of Transparent International Zambia Chapter. TI-Z remains resolute to uphold the tenets of good governance, transparency and accountability.

**All personnel of TI – Zambia will uphold the outlined procedures in all transactions that are financed by TI Zambia or cooperating partners and will ensure zero tolerance to corruption over the resources placed under its care.**

**For and on Behalf of TI Zambia**

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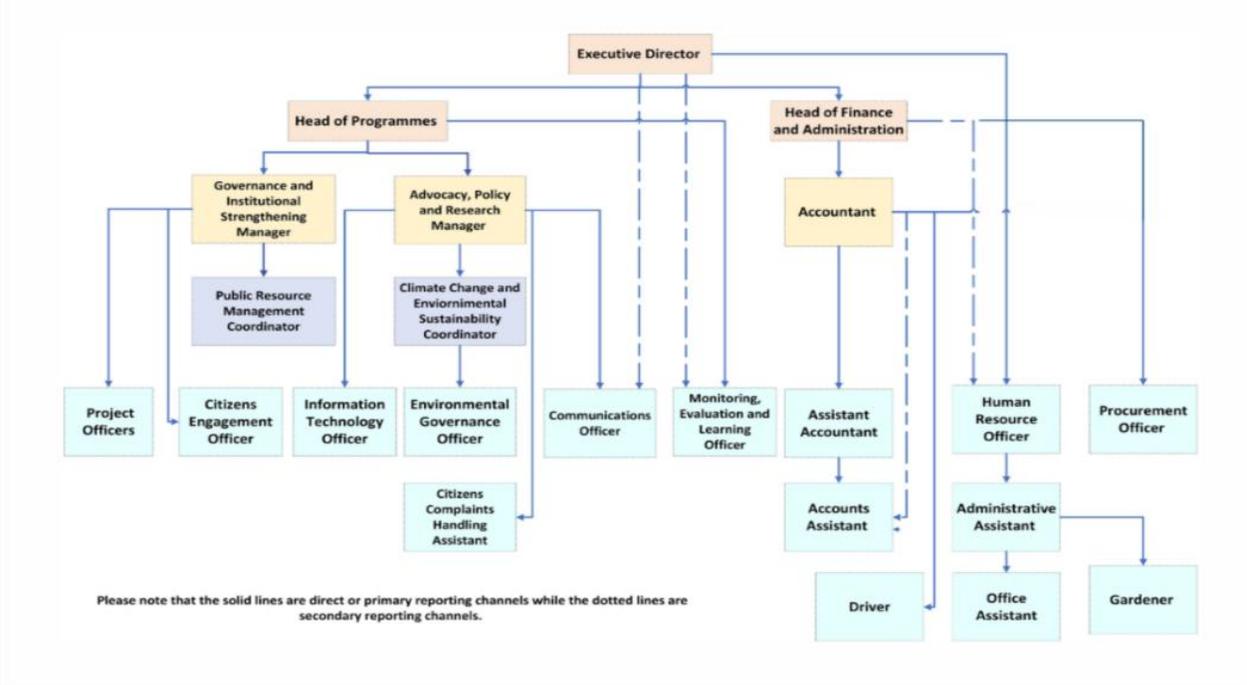
# 1 Introduction

## 1.1 Vision and Mission

Transparency International Zambia [TI-Z] was established in June 2000 and was registered in January 2001 under Registration Number 46295 as a ‘Company limited by guarantee’ with the Registrar of Companies. It is a member of the Transparency International [TI], an international civil society movement with exclusive focus on corruption. While abiding by the guiding principles of Transparency International globally, TI-Z has adopted its own vision, mission and core values to guide its operations.

Vision and Mission: TIZ’s vision is ‘*A corruption free Zambia anchored on citizens, businesses and institutions of integrity*’ and its mission statement is “To actively contribute to the sustainable development of all Zambians by promoting a culture of integrity, good governance and zero tolerance to

## 1.2 Organogram



## 2 Overall Objectives of the Manual

The objective of the Anti-Fraud Manual is to adequately ensure that the organisational resources are protected and made to good use at all times. This will ensure and facilitate efficiency, accountability and transparency in the utilization of funds and adherence to partner regulations. The key objectives of the Anti-Fraud manual are;

2.1 Establishing a Robust Control Environment: A core objective is to outline and implement internal controls designed to minimize opportunities for fraud. This includes measures like

segregation of duties, where different staff are responsible for authorizing, recording, and reconciling transactions to prevent a single person from controlling an entire process.

**2.2 Promoting Ethical Conduct and Awareness:** The manual is expected to shape expected ethical behaviour through a code of conduct, which employees, vendors, and contractors are required to acknowledge. It also aims to raise awareness about various types of fraud, both internal (e.g., asset misappropriation, payroll schemes) and external (e.g., business procurement collusion). This education helps employees recognize red flags and understand their role in fraud prevention.

**2.3 Facilitating Fraud Detection:** An anti-fraud manual details mechanisms for detecting fraudulent activities. This involves outlining processes for management reviews and reconciliations, such as routine checks of bank statements, accounts receivable/payable aging, and vendor changes. It also encourages the use of proactive data monitoring and surprise audits, which have been shown to shorten the duration of fraud schemes and reduce losses.

**2.4 Ensuring Compliance and Reporting:** The manual provides guidelines for documenting and reporting fraud incidents, which is crucial for record-keeping, compliance, and audits. It should also establish channels for employees to report suspicious activities anonymously and without fear of retaliation, such as a direct walk-in to the Executive Director or Head of Finance and Administration.

**2.5 Minimizing Financial Losses and Reputational Damage:** By implementing effective anti-fraud controls, Transparency International Zambia aims to reduce the financial impact of fraud on cash flow and financial statements. Protecting high-value transactions through manual inspections, for example, can minimize substantial financial losses. Furthermore, preventing fraud helps maintain stakeholder trust and protects the organization's reputation.

**2.6 Adapting to Evolving Threats:** The manual emphasizes the importance of periodic fraud risk assessments to identify high-risk processes and adapt controls as new threats emerge. This includes staying vigilant against evolving fraud techniques, such as malicious websites manipulation, leading to malware infections or credential theft. While automated systems are crucial, human judgment in manual reviews can help identify novel fraud patterns that technology might miss.

**2.7 Guiding Response and Remediation:** In the event that fraud is detected, the manual outlines a clear response plan. This typically includes steps such as preserving evidence, limiting access for implicated individuals, conducting an independent review, and reporting the incident to relevant authorities. It also covers remediation actions, such as updating policies and providing remedial training, to prevent recurrence

## 3 Fraud Management and Responsibilities

### 3.1 The Board of director

The Board of Directors (BoD) shall oversee the management of TI-Z. It will therefore provide policy guidance and direction, approval of annual budgets and workplans; and implementation of plans and budgets as planned.

### 3.2 Finance, Audit and Investment Committees

The responsibilities of the committee are to provide guidance and input in the development and in selected cases, interpretation of this manual.

### 3.3 Management

Management shall be headed by the Executive Director, who shall be responsible for all interventions around fraud management of TI-Z and shall liaise with the Head of Finance and Administration.

### 3.4 Overall Financial Responsibility

The Board shall, through the Executive Director and Management, be responsible for the implementation, coordination and Management of the financial resources received and generated. This shall be subject to the contents of the funding agreements and/or the MoU, the principles of internal controls, accountability mechanisms, and the overall accounting responsibility for the financial resources in TI-Z

## 4 Anti-Fraud and Anti-Corruption Policy

This policy outlines the commitment of Transparency International Zambia to preventing fraud and corruption within the organization and maintaining the highest ethical standards in all its activities. It provides guidelines for employees to ensure the organization conducts its activities ethically and legally. This policy is crucial for deterring potential wrongdoers, ensuring compliance with relevant laws and regulations, and protecting the organization's reputation and public trust.

Transparency International Zambia is dedicated to upholding the highest ethical standards in all its operations. We recognize that fraud and corruption can lead to severe consequences, including reputational damage, financial losses, and legal penalties. Therefore, we are committed to taking all necessary steps to prevent such activities within our organization.

### 4.1 Definition of Fraud and Corruption

For the purposes of this policy, **fraud is defined as the act of intentionally deceiving someone to gain an unfair or illegal advantage (financial, political, or otherwise)**. Corruption encompasses any act or omission intended to deceive or mislead, or that could improperly influence an employee, agent, or contractor of Transparency International Zambia.

Examples of prohibited practices include, but are not limited to:

- ❖ Stealing money or assets meant for organisational activity implementation, for personal use

- ❖ Abuse of procurement processes, such as collusion with suppliers to pay inflated prices
- ❖ Pocketing of cash receipts
- ❖ Bribes paid to Transparency International Zambia staff by suppliers or beneficiaries
- ❖ Supplies sold for personal gain
- ❖ Falsifying documents to feign expenditure which may not have been incurred
- ❖ Staff being paid inflated expenses supported by false receipts
- ❖ The same activity being funded by two different donors
- ❖ Unauthorized personal use of assets (e.g., telephones, computers, vehicles)
- ❖ Embezzlement
- ❖ Conflicts of interest

#### 4.2 Scope and Applicability

This policy applies to **all employees and members of TI-Z, contractors, consultants, and any other individuals who work with or provide services to Transparency International Zambia**. Employees are expected to adhere to the provisions of this policy in prohibiting fraudulent and corrupt practices. They must notify the Executive Director or the Head of Finance and Administration of any suspicions of fraudulent or corrupt activities happening.

#### 4.3 Fraud Management

Management is responsible for the detection and prevention of fraud, misappropriations, other inappropriate conduct, and other irregularities including illegal acts such as theft, deception, and manipulation of accounting entries, bribery and corruption.

TI-Z financial integrity and reputation is to be preserved and financial losses due to fraud and irregularities are to be minimised.

Management will be categorical; that fraud will not be tolerated and that the organisation's policy is to prosecute all perpetrators.

TI-Z requires that major frauds be reported to the police.

## 5 Reporting Procedure

Where cases of suspected fraud, or irregularities, are discovered, these must be promptly reported to the Executive Director who should conduct an appropriate investigation.

- ❖ Every investigation should result in a written report. In this report, management must disclose full details of their findings.
- ❖ Significant cases of fraud i.e.>ZMW 10,000 must be reported to the Executive Director and the Head of Finance and Administration immediately.
- ❖ This requirement extends to all Programme Officers and TAGs that may receive support from TI-Z.

## 5.1 Fraud Investigation

The Executive Director has the primary responsibility for the investigation of all suspected fraudulent acts. If the investigation concludes that fraudulent activities have occurred, these shall be reported to the Chairperson of the Board immediately.

A fraud investigation should be initiated to determine the extent of the fraud, establish how it was carried out so that safeguards can be put in place to prevent future occurrences, and to identify the perpetrator.

The knowledge that fraud has been uncovered should be limited to very few key personnel. This will increase the likelihood of full and unbiased information emerging and prevent the untimely departure of the suspected perpetrator(s), destruction of evidence and accusations of slander.

There are five issues to be addressed in the investigation: -

- ❖ Whether any criminal prosecution is likely or desired and how the investigation should proceed with such so that the end is not compromised;
- ❖ Is there any need to report the incidence to Zambia Police or any other law enforcement agency?
- ❖ The recovery of losses incurred by TI-Z by taking action through the courts;
- ❖ If and how to dismiss employee(s) to minimise the knock-on effect of that action; and
- ❖ What action is to be taken to prevent reoccurrence of the fraud.

## 5.2 Timeline for Reporting Fraud

Dealing effectively with suspected fraud involves prompt action. Whilst it is not possible to define a rigid timetable to be followed for all fraud investigations, there are clearly certain standards for swift action that should be achieved. The above table shows the minimum time frame which should be established. In many cases straightforward fraud should be resolved in a much shorter time frame.

	<b>ISSUE/ACTION</b>	<b>DAYS</b>
1.0	Fraud or Suspected Fraud Identified	0
2.0	Notification to the Executive Director	1
3.0	Initiation of Fraud Investigation	3
4.0	Verbal Findings of Investigation Management	7
5.0	Written Report on the Investigations	14
6.0	Management's Action on the Report	30

7.0	Implementation of Recommendations to avoid repeat of occurrence	Not more than 60
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### 5.3 Fraud at Partner Organisations

Incidents of fraud by partner organisations need to be dealt with on a case-by-case basis. However, the following basic good practice guidelines can be followed in almost all cases;

- ❖ Report the matter to the Executive Director;
- ❖ Suspend further funding to or from the Partner as soon as fraud is established until the matter has been resolved to the satisfaction of TI-Z.
- ❖ Carry out an investigation as appropriate either independently or with partner staff;
- ❖ Demand that the organization takes appropriate action against the perpetrators;
- ❖ Make efforts to recover the money that has been miss-appropriated;
- ❖ Re-assess the relationship with the partner organization and terminate if it cannot be salvaged;
- ❖ If the relationship is to continue, ensure that sufficient action has been taken to address control weaknesses that allowed the fraud to occur. This may involve building the capacity of the partner organization.

### 5.4 Whistle Blowing

There may be occasions where staff members feel that financial or procedural malpractice is taking place. If the member of staff has a genuine concern over the actions of a colleague or a partner organisation, then the matter should be raised with:

- ❖ The Executive Director and the Head of Finance and Administration
- ❖ The Chairperson of the Ethics Committee when there is a concern over a member of the Senior management team;
- ❖ The Executive Director where it involves a member of the Board;
- ❖ Where the concern is over the entire management and Board, then report the Chairperson of the Board to the Anti-Corruption Commission (ACC).

Any personal interest should be made known when first raising concerns. No disciplinary action will be taken against a member of staff raising the concern unless there is evidence that the allegations were both false and malicious.

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## 5.5 Money Laundering

The word "Laundering" is used to describe how illegal (or dirty) money is made to look legal (or clean). The perpetrator finds a way to put the dirty money through a reputable party and then gets the money back. This process of making illegally generated money appear legal is Money Laundering.

The term Money Laundering is also used for several offences involving the proceeds of crime or terrorist funds. It includes possessing, or in any way dealing with, or concealing, the proceeds of any crime. Charities can be especially susceptible to the attentions of potential money launderers.

## 5.6 Obligations of All Staff

- ❖ Report any suspicious money laundering activity to the Executive Director;
- ❖ Not to assist in the money laundering process through acquiring, concealing, disguising, retaining or using the proceeds of crime;
- ❖ Not to prejudice an ongoing investigation;
- ❖ Not to contact any person who has been suspected of, and reported for, possible money laundering in such a way as to make them aware of the suspicion or report ("tipping off").

## 6 Working with Partners

Partners can be defined for these purposes as organisations with which TI-Z has a funding or implementing relationship for achieving TI-Z's strategic goals. The organisation could be a government body, a registered NGO, or a Community Based Organisation or other grouping of individuals or organisations. In some cases, a partner could be a single individual with campaigning or policy expertise, for example.

TI-Z will facilitate efficient working relationships with Partner organisations in the delivery of organisational objectives. The Finance office should ensure that its functions are transparent, accountable and that there is mutual respect in their dealings with Partners.

### 6.1 Selection of Long-Term Partners

During the selection process of a partner, a review should be carried out of the Partner's financial and administrative systems with a view to TI-Z satisfying itself as to the proposed Partner's financial integrity or, at least, becoming aware of the financial risks of entering a relationship with the proposed partner. The review should cover:

- ❖ Legal status and governance
- ❖ Latest management accounts and statutory accounts
- ❖ Audit arrangements including previous audit opinions
- ❖ Procedures for authorisation, payments, procurement, budgeting and reporting; and banking facilities
- ❖ Accounting system and books of accounts, e.g. cash book
- ❖ Other funders and their reporting requirements

- ❖ Competence of finance staff & senior management.

## 6.2 Agreements with Partners

A contract should be drawn up with a partner before ANY funding starts, or long-term commitments are made. The Executive Director should review the contract before it is finalised.

The contract should be signed and dated by the Executive Director.

The contract should include the following:

- ❖ An indication of the funding to be made available over the period provided all conditions are met;
- ❖ Timetable and content for reports and budgets;
- ❖ Expected performance obligations from both parties
- ❖ TI-Z's internal and external auditors' right of access to all books of records and financial documents held by the partner, including those relating to other funders;
- ❖ Requirement for annual audit by external auditors or TI-Z's internal financial reviews;
- ❖ The contract could also specify the requirement for the partner to maintain a separate bank account for TI-Z's funds, in cases where its systems were weak, at least until, with TI-Z's help, its financial management capacity has been sufficiently improved to make that requirement unnecessary;
- ❖ The consequences of financial misappropriation or expenditure on different activities from those planned. The consequences could include suspension of remittances, termination of agreement and or repayment of grants.

## 6.3 Reporting and Monitoring

The partner should provide the following reports as a minimum:

- ❖ Annual statement of income and expenditure;
- ❖ Annual and bi-annual expenditure variance report with narrative;
- ❖ Year-end balance sheet and six-monthly statement of cash and bank reserves;
- ❖ In the case of multi-funded partners, each of these reports should include a separate analysis of TI-Z's funding and expenditure against it.

The Head of Finance and Administration should monitor these reports and feed back to the Partner as necessary.

There should be regular visits (minimum six-monthly) to the Partner's offices and relevant communities to confirm that work is proceeding to plan, that funds are being utilised for the stated purposes and to identify the partner's capacity building needs.

Regular meetings should be held, at least annually, with the Partner and other donors to share experience and agree on reporting and budgeting formats, which satisfy the different donors' requirements.

## 7 TI-Z Property / Resources

All the equipment and resources of TI-Z are for use only in achieving the objectives of the organization and are not intended for personal use.

### 7.1 Confidentiality

While performing duties for TI-Z, employees may have access to confidential information relating to TI-Z and may obtain personal knowledge of and influence over partners and other employees. Staff MUST not (except with the prior written consent of the Executive Director / Board Chairperson), disclose such information to any person or firm for any reason or purpose whatsoever, other than in furtherance of their duties. Staff may not make use of any such information for their own purposes or for the benefit of any person or firm except TI-Z during or after their employment.

All requests for information from other agencies and outsiders must be referred to the Executive Director

### 7.2 TI-Z Assets – On Termination

Employees must on request and on termination of their employment, surrender to TI-Z all property (including intellectual property) equipment and documents belonging to the organisation. Any work developed by staff during their employment with TI-Z and other materials owned by the organisation or used by it relating to the conduct of its business shall always remain the sole property of TI-Z.

### 7.3 Computer Equipment Usage

TI-Z Staff to ensure all IT resources are used for the attainment of the organisation's objectives. While access to the internet/email is to be used for business purpose only, occasional personal use may be justified but should be kept to a few lines of text. This access is a privilege, not a right and TI-Z may restrict this. TI-Z may define the job specific access needs of every internet/email user, to establish an accounting system for the cost control of internet/email usage.

TI-Z reserves the right to monitor all internet/email access. Employees should not consider information sent or received through the internet/email to be private.

Transmission of TI-Z material in violation of the law is prohibited. This includes, but is not limited to, copyright, threatening, or obscene material. It is the responsibility of the user to be aware of the law and to keep within it.

Users may encounter material on the internet/email that is not business related. It is the user's responsibility not to access or disseminate such material.

The most serious threat posed using the internet/email is from viruses and security breaches. Users must be aware that data downloaded may contain hidden codes capable of making the

entire network unusable or destroying data. It is the user's responsibility to help secure the network from such attacks. Any data acquired from the internet/email must be downloaded in compliance with TI-Z guidelines.

Inappropriate use, including any violation of this policy, may result in cancellation of the privilege, disciplinary action including termination of employment, or notification to proper authorities for criminal/civil proceedings.

#### 7.4 Security and Keys

It is the responsibility of all staff members to ensure that TI-Z property is well protected and safeguarded by utilising all the security devices provided and observing the security procedures. Members of staff wishing to gain access to the office outside normal working hours should contact the Head of Finance and Administration.

## 8 Fraud/Corruption Forms and remediation

**8.1 Embezzlement of Funds/Programme Assets:** This involves the intentional misappropriation of financial resources or assets intended for programme implementation or operational costs. This is considered the most severe due to its direct and substantial impact on Transparency International Zambia's ability to deliver services, potential for reputational damage, and significant financial loss. Examples include diverting donor funds for personal use, selling off donated equipment for profit, or creating ghost employees to siphon salaries.

**Immediate termination of employment** is a standard and necessary first step for anyone found embezzling institutional financial resources. This sends a clear message about the Transparency International Zambia's zero-tolerance policy to any form of corruption.

**8.2 Bribery and Kickbacks (High Value/Systemic):** This involves offering or accepting substantial inducements to influence decisions, award contracts, or gain unfair advantages, especially when it becomes a systemic practice within the Transparency International Zambia. This undermines fair processes, leads to inflated costs, and compromises the quality of services or goods procured. For instance, an officer accepting a large sum to award a contract to an unqualified vendor. **Immediate disqualification of the vendor involved**, and disciplinary action against the employee involved, as per the provisions in the Human Resources Manual.

**8.3 Fraudulent Financial Reporting/Misrepresentation of Programme Outcomes:** This includes intentionally falsifying financial documents, program reports, or beneficiary data to deceive management, donors, regulators, or the public. This form of corruption erodes trust, misleads stakeholders, and can result in continued funding for ineffective or non-existent programmes. An example would be fabricating beneficiary numbers to meet grant targets. Involved staff to be dealt with in line with the provisions of the Human Resources Manual.

**8.4 Conflict of Interest:** This occurs when an officer uses their position to benefit themselves, family, or close associates, without proper disclosure and management, especially when it leads to financial gain or unfair advantage. While not always directly illegal, it can lead to unethical practices and resource misallocation. For example, an officer awarding a contract to a company

owned by a relative without declaring the relationship. **Immediate disqualification of the vendor involved**, and disciplinary action against the employee involved, as per the provisions in the Human Resources Manual.

**8.5 Petty Corruption/Misuse of Minor Resources:** This involves the unauthorized use of minor organizational assets or small-scale financial impropriety. While individually small, cumulative instances can still impact Transparency International Zambia. Examples include using Organisational vehicles, computers or cell phones for personal errands without authorization or taking small amounts from petty cash for personal use.

**Restitution/Repayment:** For misuse of minor resources or minor financial impropriety, requiring the officer to repay the misused funds or replace the assets is an appropriate measure, alongside other disciplinary actions as provided for in the Human Resources Manual.

**8.6 Enhanced Internal Controls and Training:** While not a punitive measure for the individuals, Transparency International Zambia continues to implement **enhanced internal controls, regular internal reviews, and mandatory ethics and anti-corruption training** for all staff to prevent future occurrences.