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Final Draft

GUIDELINE ANTI-FRAUD POLICY	VB/GL/6.1.5.2.1	ISO Ref #: 7.1
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1. Purpose

To ensure that the Bank conducts:

- i) Its business in accordance with the laws of the country and to emphasize that it does not condone illegal acts for whatever reason.
- ii) To promote an environment of honesty and inform all employees of the Bank's concern with improper activities and actions taken when individuals choose to conduct themselves against the best interest of the Bank.
- iii) To instill integrity and honesty among staff in the banking environment and the awareness of Bank's policies on dishonest acts, their implications and consequences.
- iv) To create staff awareness on their roles, rights and responsibilities pertaining to dishonest and fraudulent acts.
- v) To communicate the Bank's policy regarding investigation on fraudulent activities, improprieties or irregularities.

2. Applicability

- i) The conditions of this Policy apply to any irregularity or suspected irregularity involving not only Directors, officers and staff of the Bank but also vendors/suppliers/consultants/agents engaged in the supply of goods or services to the Bank, outside agencies doing business with staff of the Bank, and/or unknown parties.
- ii) It is intended that all members of staff be aware of this policy since good business practice dictates that every suspected fraud is to be promptly identified and investigated.
- iii) All members of staff at all levels are responsible for knowing what can go wrong in their areas and for being alert to symptoms of wrong-doing.

3. Policy

- i) All staffs are responsible for preventing and detecting defalcations, misappropriations and other irregularities. They should be familiar with the types of improprieties that might occur within their areas of responsibility and be alert to any indication of irregularity.
- ii) In the case involving branches, any irregularity detected or suspected must be reported to the staff's immediate Regional Branch Manager or if that is not appropriate, to the Director, Administration Division
- iii) In the case involving Head Office, any irregularity detected or suspected must be reported to the staff's Head of Division or if that is not appropriate, to the Director, Administration Division
- iv) In the case where it involves the Regional Branch Manager, Head of Division, Director, Administration, the matter is to be referred to the Chairman of the Audit Committee.
- v) In any case and in accordance with the bank's whistle blowing policy, staff may report to email to xxx under anonymity???

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4. Definition and Scope of Fraud

- i) The term "FRAUD" refers to all multifarious means which human ingenuity can devise, which are resorted to by one or more individuals, to take advantage over another by false suggestions or suppression of the truth, including surprise, trickery, cunning or dissembling and any other unfair way by which another is cheated.
- ii) Elements of Fraud :
 - a) A material false statement;
 - b) Knowledge that the statement was false;
 - c) Reliance by the victim; and
 - d) Damages are resulted.
- iii) The term fraud refers to but is not limited to :
 - a) manipulation, falsification, alteration of records or documents belonging to a shareholder or customer, staff of the Bank, supplier, vendor, agent, etc;
 - b) forgery or alteration of cheques, drafts, promissory notes, securities or any other financial documents;
 - c) misappropriation of funds, securities, supplies or other assets;
 - d) impropriety in the handling or reporting of money or financial transactions;
 - e) profiteering as a result of insider knowledge of sensitive and privileged information;
 - f) disclosing to unauthorised persons the sensitive and privileged information engaged in or contemplated by the Bank and its subsidiaries;
 - g) accepting or seeking anything of material value from customers and person(s) providing services/materials to the Bank in return for giving favourable treatment to such parties;
 - h) unauthorised destruction or suppression of documents, records, furniture, fixtures and equipments;
 - i) cheating, falsifying documents for gainful usage of oneself or for others outside the Bank;
 - j) offences in relation to entries in books/ documents including :
 - Causing or making a false entry.
 - Omitting or causing to omit any entry.
 - Altering, abstracting, concealing, destroying or causing to alter, abstract, conceal or destroy any entry.
 - Obscuring the true nature of the transaction.
 - Mislead the true authorisation limits or approval.
 - k) computer fraud by manipulation of input/documents and records, theft of any kind e.g. money, data or programs, damage to software, etc.
- iv) All attempted fraud, if successfully proven, are to be dealt with, as if they are fraud.
- v) If there is any doubt as to whether an action constitutes fraud, the Chief Internal Auditor is to be consulted.

5. Why are we concerned about Fraud?

- Banks deal with money and valuable securities,
 - Increasing number of incidents and amounts involved,
 - Frauds are sometimes professionally done,
 - Reputation of the bank is at stake.
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5.1 Consequences of Fraud

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- a) Financial risks – loss of money or fines.
- b) Market risks – bad publicity/loss of reputation and customers’ confidence
- c) Legal/Regulatory risks – law suits/fines/loss of licence

5.2 Causes of Fraud

Staff

- Non-compliance of procedures
- Negative attitudes and lack of understanding on the consequences of fraud
- Ignorance of the law and operations procedures and manuals

Systems

- Weaknesses in systems and procedures
- Breach of confidentiality and secrecy

Management

- Weaknesses in organizational structure
- Staff constraint and unequal job distribution
- Poor supervision and control

5.3 Formation of Loss and Claims Committee

A Loss and Claims Committee will be established to look into frauds, losses, cash shortages, claims etc. This Committee is to meet at least once a month to deliberate and make recommendations/decisions on the cases tabled.

The Committee members should include the following personnel:

- MD
- Executive Director
- COO
- CFO
- Head Administration
- Head of Operations
- Head of Human Resources
- Head of Finance
- Head Internal Auditor
- Head Risk

The secretary of this committee wills the Head of Internal Audit.

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ANTI-FRAUD POLICY

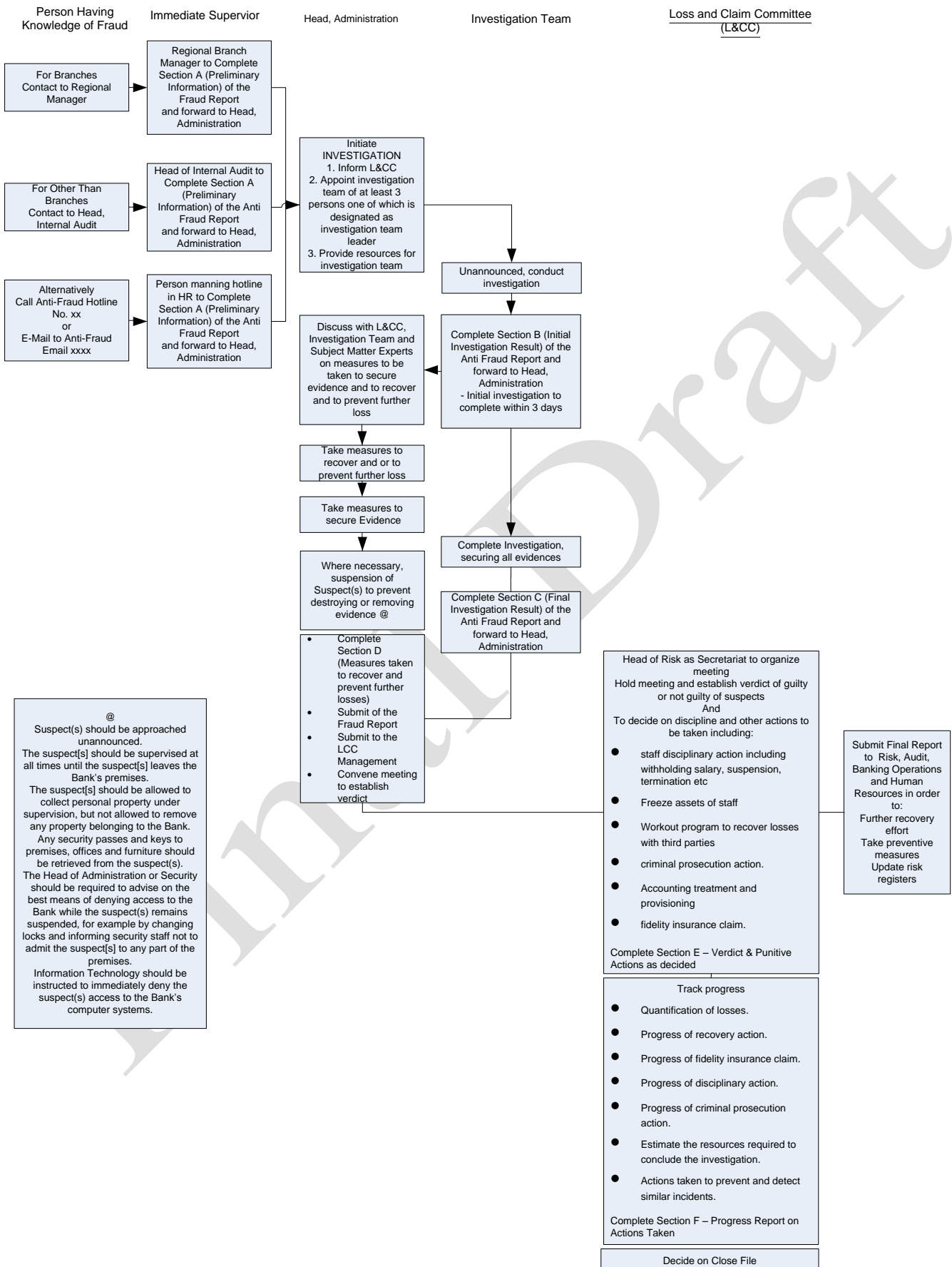
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5.4 Fraud Discovery Procedures



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5.5 Status of Staff Involved in Fraud

- i) It is the declared policy of the Bank :
 - a) to dismiss all staff proven to have been engaged in fraudulent acts;
 - b) to recover from the persons involved, in whatever manner as legally permissible, the losses incurred by the Bank; and
 - c) to report all staff proven to have been engaged in fraudulent acts to the relevant law enforcement agencies.
- ii) Management reserves the right to request the suspected staff to declare all his/her assets and liabilities.
- iii) Staff with knowledge of any wrongdoing and who conceal, abet or suppress information of the wrongdoing will be liable for disciplinary action.

5.6 Training on Fraud Prevention

The Fraud Prevention training should be conducted at least twice a year. The training objectives are to enable Bank's staff to:-

1. Define Fraud
2. Identify the symptoms of fraud
3. Give examples of the consequences of committing fraud
4. List the secured and protected reporting options

A sample of the fraud training ppt is attached.

6. Fraud Prevention

- i) The Board of Directors and Management will ensure that an ethical environment prevails in the Bank and will be guided by the policies on fair dealing and conflict of interest.
- ii) Internal controls must be reviewed giving consideration to the types of fraud that can be perpetrated and by whom.
- iii) Management when making decisions about control, must be fully aware of the implications of fraud.
- iv) In areas where segregation of duties is not practical, alternative control must be incorporated to reduce such opportunity.
- v) The working environment must be such that staff are aware that dishonest acts will be detected by the Management or by the Auditors.
- vi) The working environment should be such that dishonest acts are not tolerated and are in fact punished and/or prosecuted.
- vii) Staff, especially senior supervisors, should be alert to changes in the life styles of staff, frequent visits by suspicious characters or threatening calls, etc.

It is a requirement that only honest staff are hired through proper reference checks of their backgrounds.

7. Administration

The Head of Internal Auditor is responsible for the administration, interpretation and application of this policy.

8. Forms, Registers and Reports

	Forms, Registers and Reports	Reference
8.1	Fraud Report	Appendix 1

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**AYA BANK
FRAUD REPORT**

SECTION A (PRELIMINARY INFORMATION)

To be completed by Immediate Supervisor –Regional, Head of Internal Audit and Human Resource

Date Fraud Reported	Date Fraud Happen	<input type="checkbox"/> Internal Fraud <input type="checkbox"/> External Fraud
Name of Person Reporting	Department or Branch of Person Reporting	Department or Branch where Purported Fraud Occurred
Person/s involved in the Fraud		Amount of Loss Involved

Description of Purported Fraud or Incident

Complete By Date: / /

SECTION B (INITIAL INVESTIGATION RESULT)

To be completed by Head of Investigation Team

Name of Suspect/s	Loss Involved
Description of Fraud or Incident after investigation	

Complete By Date: / /

SECTION C (FINAL INVESTIGATION RESULT)

To be completed by Head of Investigation Team

Investigation Findings	Actual Loss Involved
	Other Financial/ Legal Impact/ Reputational Risk Implication

Complete By Date: / /

SECTION D (MEASURES TAKEN TO RECOVER AND PREVENT FURTHER LOSSES)

To be completed by Head of Administration

Measures taken to recover loss

Measures taken to prevent further losses

Measures taken to secure evidence

Complete By Date: / /

SECTION E (VERDICT AND PUNITIVE ACTIONS)		<i>To be completed by Loss & Claim Committee (L&CC)</i>												
Verdict of guilty or not guilty of suspect/s	Rationale for returning verdict	Discipline and other actions to be taken*												
Complete By Date: / /														
SECTION F (PROGRESS REPORT ON ACTIONS TAKEN)		<i>To be completed by Loss & Claim Committee (L&CC)</i>												
Progress Report on Actions Taken														
Decision to Close File														
Date of Decision: / /														
*Note: Possible discipline and other actions to be taken: <ul style="list-style-type: none"> • Staff disciplinary action including warning letter, withholding salary, suspension, termination etc • Freeze assets of staff • Workout program to recover losses with third parties • Criminal prosecution action. • Accounting treatment and provisioning • Fidelity insurance claim. 														
Evidence Gathered: <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;"><input type="checkbox"/> Interviews Report</td> <td style="width: 33%;"><input type="checkbox"/> Vouchers</td> <td style="width: 33%;"><input type="checkbox"/> Video camera</td> </tr> <tr> <td><input type="checkbox"/> Statement from Staff</td> <td><input type="checkbox"/> Source Documents</td> <td><input type="checkbox"/> Other evidences</td> </tr> <tr> <td><input type="checkbox"/> Computer Print Outs</td> <td><input type="checkbox"/> Other Documents</td> <td><input type="checkbox"/> Others (.....)</td> </tr> <tr> <td><input type="checkbox"/> Others (.....)</td> <td><input type="checkbox"/> Others (.....)</td> <td><input type="checkbox"/> Others (.....)</td> </tr> </table>			<input type="checkbox"/> Interviews Report	<input type="checkbox"/> Vouchers	<input type="checkbox"/> Video camera	<input type="checkbox"/> Statement from Staff	<input type="checkbox"/> Source Documents	<input type="checkbox"/> Other evidences	<input type="checkbox"/> Computer Print Outs	<input type="checkbox"/> Other Documents	<input type="checkbox"/> Others (.....)	<input type="checkbox"/> Others (.....)	<input type="checkbox"/> Others (.....)	<input type="checkbox"/> Others (.....)
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