

STRIVE Stage 2
ANNUAL PLAN 2010/11

ANNEX E
*Anti-Fraud and Corruption
Strategic Plan*

ANTI-FRAUD AND CORRUPTION STRATEGIC PLAN

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1. BACKGROUND

Corruption has been recognized as a serious global problem as it stifles broad-based economic growth and slows development. Corruption weakens institutions in terms of its credibility and effectiveness. It has effects on the stability and security of society, undermines justice and the rule of law. The costs of corruption fall on the poor as it diverts funds away from activities vital to poverty reduction and sustainable economic growth and development;

The Australian Government policy for Australian assistance on anti-corruption (Tackling Corruption for Growth and Development, March 2007) was developed in collaboration with a wide range of Australian government agencies and external stakeholders. The overall goal of Australia's anti-corruption for development policy is: "To assist developing countries bring about a sustainable reduction in corrupt behavior for the purpose of improving economic and social development. Australia's approach to anti-corruption focuses on three mutually reinforcing elements:

- **Building constituencies for anti-corruption reform:** Strong leadership is critical for successful anti-corruption efforts. Australia will assist institutions, groups and individuals that support good leadership.
- **Reducing opportunities for corruption:** Poor political governance provides greater scope for corrupt behavior. Promoting transparency and accountability reduces opportunities for corruption. Helping to improve budget processes, public financial management, and procurement systems makes corrupt activities more difficult to undertake and easier to identify and prosecute.
- **Changing incentives for corrupt behavior:** The timely investigation and prosecution of corrupt behavior sends an important message that corruption will not be tolerated. A professional, merit-based public service is also critical for the effective and honest operation of government systems and processes.

The policy states that "The starting point is to support the priorities and plans of partner countries to improve governance and tackle corruption. Long-term sustainability is most likely to be achieved through this partnership approach. Where such country-led strategies do not exist, Australia will support efforts to develop anti-corruption policies and plans".

As a funding agency of the Australian government, AusAID has a policy of "zero tolerance" for corruption. Thus, it is stipulated in the contract by and between AusAID and GRM Pty. Ltd, the managing contractor of the project "Strengthening the Implementation of Basic Education in Selected Provinces in the Visayas 2" (STRIVE2), that Anti-Fraud and Corruption should be imposed and observed to ensure that project funds are utilized properly as provided and intended.

Following is the "STRIVE Anti-Fraud and Corruption Strategic Plan" included in the 4th Annual Plan of project "Strengthening the Implementation of Basic Education in Selected Provinces in the Visayas" (STRIVE 2-AP4) covering the proposed 9-month project extension.

2. PURPOSE OF THE PLAN

This plan responds to the clause in the contract between AusAID and GRM that "The Contractor must prepare a fraud risk assessment and zero tolerance fraud control strategy. These must contain appropriate fraud prevention, detection, investigation and reporting processes and procedures that comply with the Commonwealth Fraud Control Guidelines".

This plan also ensures that the STRIVE 2 project is implemented with integrity and that funds meant for the project are efficiently and effectively utilized.

3. DEFINITION OF TERMS

Fraud is defined as a deliberate act of deception by an individual to obtain unlawful or unfair personal or private advantage.

On the other hand, corruption may be viewed from three perspectives and defined accordingly:

At the individual level corruption is when a person violates norms of duty and responsibility, abuses a position or misuse entrusted power for personal or private gain or advantage.

Corruption also happens when an individual induces another or others to do wrong (- Ex. Appointment of officials through improper or unlawful means). This brings into the picture the “corrupter” who together with the individual who makes the “corrupt” act collude with each other and brings about the “corrupt system”.

Corruption thus is also “an organized, interdependent system in which part of the system is either not performing duties it was originally intended to or performing them in an improper way to the detriment of the system’s original purpose,”

4. POSSIBLE AREAS FOR FRAUD AND CORRUPTION

4.A. Financial – refer to the funds provided for the project by either the Government of the Philippines (GOP) or the Government of Australia (GOA) where in possible fraud or corruption may occur in the disbursement, utilization and accounting of funds in the course of project implementation. Below are descriptions of possible fraudulent activities or areas for corruption regarding use of project funds:

- **Budgeting** – refers to planning where funds will be utilized. Possible area of fraud is the “padding” of budget or bloating a projected expense area.
- **Cash Disbursement** – release of funds to parties concerned for utilization in the project. Possible area of fraud is using funds for non-project related expenses or non-approved activities.
- **Liquidation** – accounting for cash advances made or claiming of reimbursement through the submission of receipts on itemized allowable expenses. Possible fraud area is claiming more than what was spent thru “padded” receipts for liquidation or using cash advances for personal gain by “overlapping the cash on hand” with cash advances made.
- **Financial Reports on Project Accomplishments/Milestones** – refers to target Milestone of Project Accomplishments. Possible area of fraud is the reporting of unaccomplished target as milestones to overcome slippages and is reported completed for purposes of payment.
- **Special Fund Usage** – Grant facility provided by AusAID designed to provide a flexible funding support mechanism to the target school and its communities in addressing the problems in the Schools. It can provide direct support to identified project activities or it can serve as a leverage fund for drawing in Special Education Fund (SEF) of the Local Government Units and other fund sources from other stakeholders. Possible area of fraud is misuse/and or diversion of funds to other things, it was not intended. These funds are:
 - ↳ Support Options for Basic Education Fund (SOBEF)
 - ↳ Cluster of Lead and Satellite Schools (CLASS) Fund
 - ↳ Innovation Fund for the Region

↳ Commissioned Studies

4.B. Capital – refer to the office and project equipment, vehicle, furniture, fixtures funded either by GOA and/or GOP to support operation and delivery of project outputs. These include but are not limited to the following:

- **Equipment** – tools utilized to facilitate the performance of task such as desktop and laptop computers, printers, reproduction machines, multimedia projectors, cellular phones, etc.
- **New Constructio** – the project includes the construction of two (2) Training and Development Centers and two (2) Community Learning Centers,
- **Refurbishment**- the project includes the refurbishment of one (1) Training and Development Center and one (1) Community Learning Center
- **Information and Communication Technology** – equipment, network and tools will be bought and installed in the course of the project
- **Furniture and office fixtures** – office tables and chairs, cabinets etc.

Possible area of Fraud under “Capital” is the misuse of project equipment, vehicles, furniture and fixtures other than it was intended or approved and gaining from procurement of said equipment, contracts, and furniture or office fixtures.

4.C. Human – refer to the human resource provided for the project. This includes the following

- **Selection and Appointment** – search, screening members of the project staff
- **Backfilling of Organic Personnel assigned as full time Project Staff** – implementing the “Backfilling Scheme” of the project.
- **Contractual Personnel** – hiring of contractual personnel

Possible area of Fraud under “Human” is the appointment of unqualified project personnel doing work outside of the guidelines and TOR without prior approval from GOA and GOP authorities.

5. OBJECTIVES

The “Anti-Fraud and Corruption Strategy” has the following objectives:

- OBJECTIVE 1.** To take effective measures against fraud and corruption in order *to reduce opportunities* for Fraud and corruption (preventive);
- OBJECTIVE 2.** To provide and maintain a working environment that will *effectively manage risk of fraud and corruption incidents* (detection);
- OBJECTIVE 3.** To provide the facilities and create a conducive situation in a management system where *investigation of fraud and corruption takes place* (investigation and correction);

6. STRATEGIES AND ACTION PLANS

The following tables provide the strategies, corresponding actions, timeline and accountable units for each Anti-Fraud and Corruption objective.

OBJECTIVE 1. To take effective measures against fraud and corruption in order *to reduce opportunities* for Fraud and corruption (preventive);

A. FINANCIAL

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Disseminate Financial and other Guidelines relevant to use and accounting of project financial resources.	<ul style="list-style-type: none"> ▪ Remind and review with project staff the Financial Guidelines disseminated to them from the following sources: <ul style="list-style-type: none"> ↳ COA Rules & Regulations ↳ Code of Conduct and Ethical Standards of Public Officials and Employees” (RA 6713) ↳ DepED Manual on Financial Operation ↳ Commonwealth of Australia Fraud Control Guidelines 	Start of AP4 Aug 2010 (during MC meeting)	GOP & GOA Ed Palacol – Finance EDPITAF Ana Capuz Finance Manager, GRM
	<ul style="list-style-type: none"> ▪ Review relevance of the easy reference manual on relevant guidelines for specific project staff. 	BO Aug 2010	
	<ul style="list-style-type: none"> ▪ Review with PPM, RPCs, DPCs, RTLs and AOs copy of the guidelines provided to them for their use and for orienting new and incumbent project staff. 	Aug 2010 (MC meeting)	
	<ul style="list-style-type: none"> ▪ Request RPC, DPC, RTL to include portions of these materials for discussion in every Regional and Divisional Coordinating Meetings. 		
	<ul style="list-style-type: none"> ▪ Monitor dissemination of the Information by checking the minutes of meeting for any discussion on financial resources. 	Monthly (3rd Wk of every Month)	
2. Disseminate Guidelines on utilization recording and accounting of GOA funds for Travel and Reimbursements	<ul style="list-style-type: none"> ▪ Prepare guidelines on utilization and recording of GOA funds pertaining to various areas specifically travel and reimbursements. ▪ Prepare orientation materials for TAs and project staff on policies regarding travel reimbursements and allowances. ▪ Include guidelines in the materials provided in the Orientation Session for new STRIVE team members. 		GOP & GOA Ed Palacol – EDPITAF Finance Ana Finance Manager, GRM

CAPITAL

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Disseminate "Procurement Guidelines" including Bids and Awards procedures.	<ul style="list-style-type: none"> ▪ Study the Procurement Guidelines" including Bids and Awards procedures of DepED, the GOP, and GOA to identify and recommend the most efficient procedure within the bounds of the law. ▪ Disseminate as needed to concerned parties (e.g. CLC, T&D Center construction) 	Aug 2010	GOP PPM
2. Lay out process for receipt, storage, maintenance and utilization of project equipment and vehicles other capital resource properties of the project.	<ul style="list-style-type: none"> ▪ Design and document process for receipt, storage, maintenance and utilization of project equipment and other capital resources. ▪ Implement the process. ▪ Monitor implementation. 	July 2009	AO
3. Inventory all equipment and properties of the project.	<ul style="list-style-type: none"> ▪ Review and enhance system for tagging and recording equipment. 	Aug 2010	GOA Adm Mgr
	<ul style="list-style-type: none"> ▪ Check each newly delivered equipment against procurement specifications for consistency. 	As received	AO/ Receptient
	<ul style="list-style-type: none"> ▪ Audit the inventory of equipment or property both existing and newly delivered. 	Aug 2010	Audit Team of GOP and GOA
	<ul style="list-style-type: none"> ▪ Audit "Memorandum Receipts" signed by the recipient of project equipment. 	July-Aug 2010	Audit Team of GOP and GOA
	<ul style="list-style-type: none"> ▪ Implement a system to keep track of the whereabouts of equipment. 	Aug 2010	PPM, RPC,DPC, RTL, AO

B. HUMAN

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Define TOR and selection criteria for all project staff positions of both GOP and GRM	<ul style="list-style-type: none"> ▪ RPC/DPC to review the TOR and selection criteria of project staff positions in their respective areas and implement accordingly. 	BO Aug 2010	PPM/TL RTL
	<ul style="list-style-type: none"> ▪ Audit process for screening and selection of applicants and check if this is being adhered to 	BO Aug 2010	PPM/ TL RTL
2. Disseminate "Backfilling Guidelines" to RPC, RPT, DPC, AOs	<ul style="list-style-type: none"> ▪ Amend "Backfilling Guidelines" and provide soft and hard copies to RPC, DPC, RTL and AOs for reference and guidance. 	Mid Aug 2010	PPM/ TL
	<ul style="list-style-type: none"> ▪ Reiterate the amended "Backfilling Scheme" and guidelines to MC in the MC meeting. 	Aug MC meeting	
3. Provide appropriate and	<ul style="list-style-type: none"> ▪ Audit status of payment to project staff and back fillers. 	August 2010	GOA Finance

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
timely compensation to project staff and back fillers	<ul style="list-style-type: none"> ▪ Provide on-time payment of compensation to project staff and back fillers thru payrolls or check releases 	Monthly On-going	

OBJECTIVE 2. To provide and maintain a working environment that will *effectively manage risk of fraud and corruption incidents* (detection);

A. FINANCIAL

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Conduct regular financial Audit	<ul style="list-style-type: none"> ▪ Conduct review of financial performance in the regions and divisions ▪ Provide feedback to regions and divisions on the audit result ▪ Implement recommendations on audit findings. 	Once a year or as needed	EDPITAF GRM
2. Follow "Financial Guidelines and Procedures" disseminated the Finance staff of EDPITAF and GRM	<ul style="list-style-type: none"> ▪ Refer to and follow the "Financial Guidelines and Procedures" in all financial transactions. 	At all times	All project staff of DepED
	<ul style="list-style-type: none"> ▪ Conduct "spot checks" and "pre-audit" on liquidations of cash advances. 	Random spot checks	GRM Finance Manager

B. CAPITAL

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Follow RA 9184 (Procurement Law) (GOP)	<ul style="list-style-type: none"> ▪ Check with Procurement Services all procurement requirements funded out of GOP funds. 	As needed	PPM/TL
	<ul style="list-style-type: none"> ▪ Monitor procurement processes ▪ Take corrective action on any deviation from standard processes. 	Upon Procurement	PPM/TL
2. Monitor construction specs vis-à-vis As Built (GOP)	<ul style="list-style-type: none"> ▪ Audit construction of CLCs and T&D 	EO Aug 2010	PPM/TL
	<ul style="list-style-type: none"> ▪ Ensure proper documentation and filing of documents on the CLCs and T&D 	EO Sep 2010	RPC/ DPC RTLs

C. HUMAN

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Implement Performance Appraisal	<ul style="list-style-type: none"> Monitor yearly conduct of performance appraisal 		EDPITAF
2. Audit implementation of the Backfilling Scheme	<ul style="list-style-type: none"> Conduct yearly audit of back fillers if backfilling scheme is in place and if staff are performing in accordance with the guidelines 	Once a Year	EDPITAF and GRM Finance Team
	<ul style="list-style-type: none"> Report findings to the MC Implement recommendations 		Mgmt Com.
3. Implement project monitoring and evaluation as scheduled	<ul style="list-style-type: none"> Conduct Regular (monthly, quarterly, Semi, annually) of staff performance thru use of monitoring instruments prepared for the purpose. 	As scheduled	M&E Component

OBJECTIVE 3. To provide the facilities and create a conducive situation in a management system where *investigation of fraud and corruption takes place* (investigation and correction);

A. FINANCIAL

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Make available to the project management staff "Guidelines in investigation and reporting processes and procedures" that comply with the <i>Commonwealth Fraud Control Guidelines</i> of the GOA and that of the GOP	<ul style="list-style-type: none"> Review and reissue document containing the "Guidelines in investigation and reporting processes and procedures" that comply with the <i>Fraud Control Guidelines</i> of the GOA and that of the GOP. Provide members of the MC a copy of the document to be utilized when needed. 	EO Aug 2010	EDPITAF/ GRM Finance Team
2. Conduct investigation on a suspected fraud or corruption incident and implement the necessary action.	<ul style="list-style-type: none"> Upon report of suspected fraud PPM implements due process for investigation according to Civil Service Rules. 	As it occurs	PPM
	<ul style="list-style-type: none"> GRM report in writing within five (5) working days to AusAID any detected, suspected, or attempted fraudulent activity involving AusAID provided funds. GRM (in consultation with AusAID), develops and implements a strategy to investigate the detected, suspected or attempted fraud based on the principles set out in the <i>Australian Government Investigations Standards</i>. 	Within 5 days	TL

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
	<ul style="list-style-type: none"> ▪ Where a matter is reported in writing to AusAID by a Contractor, the advice must provide where known: <ul style="list-style-type: none"> ○ the name of the Project under which AusAID funding is being provided; ○ name of any personnel or subcontractors involved; ○ the allegation(s), including a chronological account of the facts giving rise to the allegation(s); ○ the names of the suspected offender(s) (where known); ○ details of witnesses; ○ copies of relevant documents; ○ references to any relevant legislation; ○ a nominated contact officer; 		
3. Seek recovery of Project Funds or funded property	<ul style="list-style-type: none"> ▪ The immediate superior of the individual under investigation will request and follow up the return of the funds in question 	As needed	PPM, RPC,RPT,DPC
4. Resolve case according to pertinent rules and guidelines of the GOA and GOP.	<ul style="list-style-type: none"> ▪ Follow due process in the investigation ensuring that there is a “face to face” meeting with the person involved before any “judgment” is made. ▪ Implement the recommended action on the personnel involved. ▪ Identify how future fraud and corruption incidents on this matter can be prevented or avoided. 	As specified in the law.	PPM/TL

B. CAPITAL

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Ensure rectification of work	<ul style="list-style-type: none"> ▪ Conduct site inspection and identify work below standard. 	Monthly	Project Management Team
	<ul style="list-style-type: none"> ▪ Follow up service provider to implement any work which needs rectification 	As needed	
2. Ensure recovery of equipment	<ul style="list-style-type: none"> ▪ Review audit findings and account for missing equipment. ▪ Follow up person who was issued the equipment and recover the equipment or request payment of equivalent amount to the cost of the equipment. 	As needed	PPM, RPC, RTL DPC

C. HUMAN

STRATEGY	ACTION STEPS	TIMELINE	ACCOUNTABLE
1. Replacement of Project Personnel	<ul style="list-style-type: none"> ▪ Conduct investigation on the suspected fraud or corruption incident related to personnel. ▪ Upon establishment of the occurrence of fraud (e.g. hiring of unqualified personnel or hiring of relatives) the project personnel must be replaced from the project. ▪ Prepare necessary reports and documents on the matter 	As needed	EDPITAF/GRM
2. Termination of Contract or non-renewal of contract	<ul style="list-style-type: none"> ▪ Upon establishment of the occurrence of fraud, the termination or non-renewal of contract will be implemented if personnel is on contract with STRIVE, 	As needed	EDPITAF/ GRM

References:

- Commonwealth of Australia Fraud Control Guidelines
- Fraud Clause in the Contract between AusAID and Contractor
- R.A. 9184 , “Government Procurement Reform Act
- “Tackling Corruption for Growth and Development: A Policy for Australian Development Assistance on Anti-Corruption”, March 2007
- Output of Meeting in Taal Vista Lodge, Tagaytay last March 3, 2009
- Output of AP3 Planning Session, Ecotech, Cebu, March 09, 2009