



## **Punjab Skills Development Fund**

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### **Anti-Corruption, Fraud and Bribery Policy**

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## 1. Purpose

The Punjab Skills Development Fund (PSDF), herein also after referred to as “the Fund”, strictly prohibits bribery, fraud and all other corrupt business practices. This Anti-Corruption, Fraud and Bribery Policy (the “Policy”) is a commitment to ensure that the Fund has a clearly defined standard of accountability and compliance with the applicable laws and regulations and a framework for countering fraud, corruption and bribery. The policy explains the roles and responsibilities of individuals that are a part of the policy. The policy specifically sets out the actions that Fund stakeholders need to take in order to investigate any alleged, suspected, attempted or actual instances of bribery, fraud or other corrupt business practices and take disciplinary action in all such cases where results of the investigation has proven attempted and/or actual instances of bribery, fraud or other corrupt practices.

The objectives of the policy are;

- To promote measures to prevent fraud and corruption and developing an anti-fraud and anti-corruption culture.
- To set out responsibilities of the Fund, and of all Directors and employees, in observing and upholding Fund’s position on bribery, corruption and conflict of interests;
- To develop, maintain and consistently apply effective controls to prevent fraud and corruption at all levels;
- To ensure that if fraud or corruption occurs, a vigorous and prompt investigation takes place, and that reports are shared with the Board and sponsors as appropriate;
- To take appropriate disciplinary and legal action in all cases, where justified;
- To take all appropriate and reasonable steps to recover any financial losses;
- To review systems and procedures to prevent similar frauds or acts of corruption.

## 2. Policy Statement

The Fund is not-for-profit Company set up under the Companies Ordinance, 1984 by the Government of Punjab (GoP) in collaboration with UK’s Department for International Development (DFID). The Fund is committed to operate with the highest standards of integrity in line with the Fund’s values and complies with all relevant and applicable legislation.

The Fund has a zero-tolerance approach to fraud and corruption, and this also applies to all those within the supply chain who are entrusted with the Fund’s resources. Corruption and bribery may expose the Fund to risk of achieving operating, reporting and compliance objective and reputational risk.

The Fund requires that all stakeholders to safeguard the assets and resources of the Funds for which they are responsible, whilst acting with honesty and with integrity at all times and to comply with the policy and all the applicable laws and regulations.

## 3. Scope

This policy applies to all staff members, Directors, officer, contractors/suppliers/business partners and other stakeholders of the Fund, whether fixed-term or temporary, and third-party contractors working

on behalf of the Fund. This policy applies to all funded programs and activities implemented directly by the Fund.

The Policy expects that the Fund and its stakeholders must comply with all laws and regulations relating to Anti-corruption and anti-bribery that are applicable in Pakistan.

This policy is an integral part of the Fund's internal control policy framework and should be read and applied in conjunction with the Fund's other policies including but not limited to Code of Conduct, HR Policy, Blacklisting Policy, Whistleblowing Policy, the Fund's Accounts and Finance Policies and Procedural Manual.

The Policy should be embedded in all activities throughout the programme cycle, from design through mobilization, delivery and closure which should ensure opportunities for fraud and corruption are minimized and the stakeholders report all incidents immediately.

All internal and external stakeholders of the Fund, regardless of grade or location, are subject to the same disciplinary procedures in relation to fraud matters. Responsibility to manage the risk of fraud resides at all levels within the Fund including assurance, programme delivery, policy and corporate functions. The contractors, including Training Service Providers, of the Fund are also encouraged to adopt similar policies that are consistent with principles set out in this policy.

#### 4. Definitions

- **“DFID”** means Department for International Development of the UK.
- **“Allegations”** refers to accusing before proving with evidence.
- **“Contractors”** refers to Vendors/ Suppliers/ Contractors/ Consultant/ Bidders/ Training Service Providers.
- **“Corrupt parties”** refers to the parties involved corruption.
- **“Corruption”** is the misuse of public or entrusted power in order to gain private profit. In the business environment, corruption means, but is not limited to, the following:
  - Bribery;
  - Extortion;
  - Cronyism or Nepotism;
  - Coercive or collusive practices;
  - Building cartels;
  - Embezzlement.
- **“Bribery”** is the promise, offer, or payment of cash, gifts, or immoderate entertainment, or an inducement of any kind given or offered to any person in a position of trust to influence that person's conduct or views or to obtain any unentitled benefit, privilege and/or favour. Bribery may take any of the forms mentioned below:
  - Cash payments;
  - Kickbacks;
  - Political contributions;
  - Immoderate charitable contributions;
  - Excessive social benefits;
  - Unjustified gifts, travel, hospitality, and reimbursement of expenses; or
  - Other practices penalized as bribery under the laws of Pakistan.

- Here “immoderate”, “Excessive” and “Unjustified” means something that is not ordinary, unusual or unreasonable in the given circumstances or which exceeding the suitable bounds of a situation.
- **“Extortion”** means obtaining or taking any property, money or any other thing from another person by illegal compulsion or forceful means through the use of violence, fear or under pretence of authority.
- **“Cronyism and Nepotism”** means the practice of using power or authority to give favours to close friends or relatives.
- **“Collusive practices”** are referred to arrangements between two or more parties (internal and/or external) with or without the knowledge of Fund, to achieve any unentitled benefit, privilege and/or favour.
- **“Coercive practices”** means harming or threatening to harm, directly or indirectly, persons or their property to influence or affect the execution of an agreement.
- **“Embezzlement”** is the fraudulent misappropriation of funds through deceptive practices for personal benefits and purposes.
- **“Building a cartel”** means signing of an agreement among a group of various entities in a sector uniting and forming a group together for restricting business activities for their mutual benefit.
- **“Fraud or fraudulent activity”** is an intentional act by one or more individuals among management, those charged with governance, employees or third parties, involving the use of deception to obtain an unjust or illegal advantage. It includes an intentional concealment, deception, omission, misrepresentation or prevention of the truth or facts in order to:
  - Gain unlawful or unfair advantage;
  - Induce someone to a valuable gain or to forfeit one’s legal right;
  - Harm someone in any manner etc.

## 5. Roles and responsibilities

### 5.1 The Board of Directors

The roles and responsibilities of Board includes, but are not limited to, the following:

- The review, approval and implementation of policy along with the delegation of the responsibility for implementation and responding the reported or suspected fraud to the Board Audit and Finance Committee.
- The prevention of corruption and bribe in the business environment of the Fund;
- The review and approval of Fraud Risk Management (FRM) framework. The Board should also be responsible for the review of FRM reports of the Audit, Risk and Compliance department and the decisions made by Board Audit and Finance

Committee on quarterly basis. Board may also give recommendation on the decisions and controls to be implemented to mitigate the risk.

- The review of the reports of Board Audit and Finance Committee on quarterly basis.

## 5.2 Board Audit and Finance Committee

The roles and responsibilities of the Audit and Finance Committee includes, but are not limited to, the following:

- Implementation of the policy;
  - a. Setting a mechanism with Audit, Risk and Compliance department to identify corrupt and fraudulent activities. Board Audit and Finance Committee should specify roles, responsibilities and the authority of the Audit, Risk and Compliance department for conducting the investigation and acts which are not covered under the authority;
- Implementation of approved Fraud Risk Management (FRM) framework through Audit, Risk and Compliance department;
- Review report from the Audit, Risk and Compliance department, in every Board Audit and Finance Committee meeting, in which high fraud-risk areas have been identified and recommendations given by the Audit, Risk and Compliance department to ensure regular risk assessment mitigation of the organization's risk profile. Such reports should be presented to the Board on Quarterly basis by the Board Audit and Finance Committee;
- Directing appropriate action for the reported or identified non-compliances with the Policy to the Audit, Risk and Compliance department or any other department, if appropriate;
- Obtaining advice from the Legal counsel, where required, while making the decision.
- Receive on a quarterly basis, management responses, department-wise implementation of recommendations and follow-up actions to all internal and external audit reports that pertain to identifying weaknesses in internal controls, policies and procedures.

## 5.3 Audit, Risk and Compliance department

The roles and responsibilities of the Audit, Risk and Compliance department includes, but are not limited to, the following:

- Recording the instances of identified fraud, corruptions and non-compliances with the Policy and reporting to Board Audit and Finance Committee and DFID as per agreed arrangement with DFID;
- Investigating the matter and making recommendations to the Board Audit and Finance Committee;
- Acting as per the instruction of Board Audit and Finance Committee and carrying out investigative procedures. It should also consider recommendations of DFID.
- Making a status report for Board Audit and Finance Committee, reviewed by Chief Internal Auditor (CIA), showing the current standing of identified instances and the

actions taken by the Audit, Risk and Compliance department on the instructions of Board Audit and Finance Committee.

- Keeping appropriate record of all reported or identified non-compliances with the policies and the actions taken;
- Identifying fraud-risk areas and generate a report on quarterly basis. The Audit, Risk and Compliance department should include the recommendations to eliminate the risk in the report. The recommendations should be included based on the discussion with the relevant department heads, and the tentative date for implementation of the agreed control. The Audit, Risk and Compliance department should state status of the implementation of the previously agreed controls and share the status report to the Board Audit and Finance Committee.
- Following up and responding to the recommendations and suggestions given by the Board Audit and Finance Committee and the Board on the reports produced by the Board Audit and Finance Committee;

#### **5.4 Human Resource (HR) Department**

HR Department is responsible for dissemination of this policy, conducting training and awareness sessions of all employees regarding this policy, with the collaboration of the Audit, Risk and Compliance department and a complete record should be maintained of all attendees. Furthermore, in order to reinforce the importance of this policy, annual reminders for adherence to policy must also be sent to all employees through emails. It should ensure that HR policies, Code of Conduct and disciplinary actions and procedures are aligned with this policy.

#### **5.5 Other Departments**

Every department is responsible for ensuring that the agreements with their respective contractors include the anti-corruption and anti-fraud clauses and that they have understood the terms and conditions stated therein.

The procurement department should be responsible for ensuring the same when drafting the contract with the TSPs and Program Development Department should put special emphasis on anti-corruption and anti-fraud policy while conducting the roadshows for the TSPs.

All departments should facilitate Audit, Risk and Compliance department for identifying fraud-risk areas. Departments may also recommend Audit, Risk and Compliance department to evaluate a control, if they consider it ineffective or insufficient. Furthermore, the relevant department should agree, with Audit, Risk and Compliance department, the controls to eliminate the risks and the tentative date of the implementation. All department heads should also follow the instructions of Audit, Risk and Compliance department that are given on behalf of the Board Audit and Finance Committee and the Board.

In case the relevant department disagrees with the recommendations and/or instructions of the Audit, Risk and Compliance department, the relevant department head may present the matter to the Audit and Risk Committee through the CEO of the Fund.

## 5.6 Chief Executive Officer (CEO)

Apart from the regular duties and responsibilities of the CEO stated in the Board Charter of PSDF, the responsibilities of the CEO, with respect to the Policy include, but are not limited to, the following:

- Establish procedures for conducting due diligence and obtaining written agreements with their consultants, contractors, employees, etc. before entering agreements with them;
- Integrate the values and requirements stated in the Policy, and set out in the Company's Code of conduct, in its performance management processes, employment and contractor agreements, induction procedures, commercial agreements, and similar systems.

## 5.7 Chief Financial Officer (CFO)

The responsibilities of the CFO include, along with other, the following:

- Maintaining the adequacy and effectiveness of the controls in place relating to the financial record keeping and reporting. CFO should also be responsible for the deterrence and prevention of fraud by evaluating the effectiveness of internal controls and should report quarterly on their adequacy to the CEO of the Fund.
- Exercising professional scepticism while approving the transactions. CFO should ensure the underlining documents are appropriate and should understand the rationale of the transactions.
- Ensuring that appropriate segregation of duties exist in the processes and procedures to reduce the risk of fraud. CFO should further ensure that each transaction is being recorded and the financial position of the Fund, represents true and fair view.
- Comparing the actual position of the Fund with the Budget on quarterly basis and presentation of variance analysis to Board on quarterly basis

## 6. Confidentiality

All information received under this policy should be kept highly confidential, including from the management. If the person informing the incident asked not to disclose his identity to anyone, the Audit, Risk and Compliance department is responsible for ensuring that the complaint is registered anonymously. However, if the Board requires it necessary to disseminate happening of the incident, its consequences and the actions taken in its response throughout the Fund, in order to strengthen the system of internal control and to foster an anti-fraud culture, the information should be communicated with or without mentioning the name of the informing party, as required by the person informing the incident.



## **7. Guiding Principles**

The Fund has established the guidelines which are explained below.

### **7.1 Compliance principles**

The Policy requires compliance with the following principles:

#### **7.1.1 Acting with Objectivity**

- The Fund should conduct its business in a fair and balanced manner and shall expect that all decisions are based on hard facts and evidence rather than personal judgements and associations. The employees and the Board members of the Fund must not compromise, their ability to make objective business decisions in the best interest of the Fund. To ensure objectivity in decision making, no persons should allow conflict of interest to override professional or business judgments. The Conflict of interest is dealt as per the Conflict of interest policy of the Fund.

#### **7.1.2 Ensuring a Culture of Integrity and Ethics**

- Integrity is fundamental to the Fund's core principles. Integrity means doing what is right. A clear statement of ethical values should be stated in the Fund's Code of Conduct which all stakeholders have an obligation to comply with and promote with third parties.

#### **7.1.3 Comply with Anti-Corruption and anti-bribery Laws of Pakistan**

- The anti-corruption laws of Pakistan apply to the conduct of the Fund's business. The stakeholders must become familiar with the anti-corruption and anti-bribery laws of Pakistan. The employees of the Fund are responsible for seeking the advice of the Legal counsel of the Company in any situation involving questionable circumstances. The policy provides minimum standards of compliance with respect of conduct of employees and interaction within the business environment of the Fund, however, where local laws and regulations of Pakistan require more rigorous controls, then those controls should be applied.

#### **7.1.4 Keeping Books and Records**

- The books and records of the Fund must reflect, accurately and fairly, the transactions of the Fund and dispositions of its assets. All activities and transactions of the Fund should be open and transparent. No undisclosed or unrecorded funds or assets are to be established for any purpose.
- All record including accounts, invoices, memoranda and other documents related to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and maintained with strict accuracy and completeness for a period of five (5) years, which the complaints may be discarded as per the Fund practices. No transactions must be kept "off-the-books" to facilitate or conceal

improper payments.

## 7.2 Prohibited Practices

The Policy prohibits the conduct of the following acts:

### 7.2.1 Bribery & Facilitation Payments

The Fund prohibits:

- Offering, promising and granting and authorizing payments of anything of monetary worth to any person or organization, including government agencies, officials, private companies and employees of private companies, to obtain an undue advantage for one's own benefit including incorrect reporting or for the benefit of a third party.  
Anything of monetary worth may include, but is not limited to:
  - opportunities for business
  - making a contract overly favourable
  - payments for misappropriate gifts, meals, entertainment or conveyance
  - donation or release of funds
  - direct or indirect political contribution
- Accepting, demanding or expecting from any person or organization, including government agencies, officials, private companies and employees of private companies, an undue advantage for oneself or for a third party.
- Facilitation payments that are made to expedite bureaucratic procedures or other business arrangements that have been paid for but not delivered.
- Stakeholders from engaging in acts of corruption, and from paying bribes or kickbacks to, or accepting bribes or kickbacks including not only cash and cash equivalents, but also an improper advantage and anything else of tangible or intangible value from individuals or companies with which the company does business.

### 7.2.2 Gifts, Hospitality and Favours

The Fund does not permit offering, giving or accepting gifts, hospitality and favours to and from its stakeholders to obtain inappropriate benefit or favour. Therefore, every employee of the Fund should avoid giving and receiving of any gifts, hospitality and favours in the business environment.

However, in some circumstances, with the prior approval of the CEO the Fund has to offer or accept modest gifts and hospitality or reasonable favours. The Fund should ensure that such gifts, hospitality or favours are permissible if;

- These are according to the norms of the industry and do not disregard any provision of the law;
- There is no intention to obtain undue favour or business advantage by any party;
- It does not give an impression of establishment of an obligation to the recipient;
- The transaction is appropriately recorded in the books of accounts;
- It should not be considered as bribe or facilitation consideration or harm the reputation of the Fund;
- It was not demanded by the recipient.

- In instances where refusal to accept a gift could be considered as being in poor taste, a gift may be accepted and handed over to the Board Audit and Finance Committee on the same or next working day. The Audit, Risk and Compliance department should maintain a proper log of all gifts received.

### **7.2.3 Prohibited payments**

Prohibited payments may take different forms. The Fund prohibits all such payment which are offered, paid or received to exchange inappropriate advantage or benefit. These include but are not limited to the following.

Payment made or received to:

- Induce or try to induce a contractor to award a contract, even if the contract is not awarded in the end.
- Obtain favourable treatment that could not otherwise be achieved by the Fund
- Avoid applicability of laws or regulations and cause enforcement non-enforceable laws on the Fund

## **8. The Fund and the Contractors**

The Fund should work closely with all its contractors, specifically those working on behalf of the Fund, including Training Service Providers (Tsps.), to avoid fraud and corruption in the business environment.

Contracts with every external and internal parties should include the anti-corruption and anti-fraud clauses especially for freezing payments in case of an investigation pending for offences under this policy and the contractor should commit to the clause by signing the contract.

Prior to granting funds, the Fund should verify the integrity of the contractors through a due diligence process and the process should be repeated at least annually and at the time of contract renewal. However, the ultimate responsibility lies with the CEO to ensure the adequacy of the such controls.

## **9. Oversight Process**

Independent reviews by External and Internal Auditors should examine the effectiveness of internal controls and review operations for evidence of fraud. The results of such reviews should be reported directly to the CEO and the Board Audit and Finance Committee, and an update on the agreed action plan should be provided to the same.

Board Audit and Finance Committee should present the reports in the Board meeting on quarterly basis. The report on the fraudulent activities identified and action taken should also be presented alongside, for reviewing the adequacy of controls and the effectiveness of decision-making process.

## 10. Reporting Fraud or Corruption Process

### 10.1 Reporting Responsibility

Every stakeholder should be sceptical in their business dealings and where they become aware of any alleged, suspected, attempted or actual instances of bribery, fraud or other corrupt business practices they should report according to the communication channels stated in the Whistle blowing Policy.

Concerns that should be reported include, but are not limited to, staff committing or undertaking to commit:

- Any dishonest or fraudulent act;
- Forgery or falsification of documents or accounts;
- Misappropriation of funds, supplies or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiting personally from an official position or enabling family members/others to do so;
- Disclosure of official activities or information for advantage;
- Accepting or seeking value from third parties by virtue of official position or authority;
- Theft or misuse of property, facilities or services.

Actions of external party that should be reported include, but are not limited to:

- Being offered a bribe or inducement by a contractor or supplier;
- Receiving fraudulent (i.e., intentionally inaccurate, rather than erroneous) invoices from a supplier;
- Known instances of corruption, deception or misuse by a supplier or Contractor;
- Incorrect reporting etc.;
- Any of the concerns listed about Fund's staff member.

If any person become aware of a suspected fraud or corruption, they should take note in writing of any pertinent details and report it through the whistle blowing function or any other communication channels. Failure to report a suspected violation of the Policy is considered as an independent policy violation itself which may lead to disciplinary actions against the person. However, the person should not:

- Contact the suspected perpetrator to get facts or demand restitution;
- Discuss the case facts or allegations with anyone outside of the organization;
- Attempt to personally conduct investigations or interviews.

### 10.2 Communication Channels for Lodging Complaints

All Complaints in respect of Corruption, Fraud & Bribery should be launched through the Whistleblowing Function.

Once the Complaint has been reported to the Whistle Blowing Function, thereafter, the whistleblowing policy should be applicable.

## **11. Disciplinary Action**

Where an investigation reveals that a staff Member or a contractor has committed fraud, the Board Audit and Finance Committee should be the final authority to decide on the matter, as per the whistleblowing policy. Where deemed necessary, Board Audit and Finance Committee may initiate a legal action against such staff member or contractor.

Disciplinary action for fraud or corruption, unless prevented by local legal restrictions, may result in immediate termination of employment and for contractor, including TSPs, immediate termination or suspension of the contract.

Disciplinary action could also be brought against supervisors whose failures have contributed to the commission of fraud/corruption or a Staff Member deliberately making an allegation in bad faith.

The Decision should be taken by the Audit and Risk committee and should be reviewed by the Board on quarterly basis. Where deemed necessary, the Board Audit and Finance Committee may obtain legal advice from the legal counsel of the Fund before finalizing the decision.

## **12. Recovering Assets**

Where the Fund has suffered pecuniary loss or loss of other material assets, Board Audit and Finance Committee should direct best actions to seek and obtain restitution from the individual(s) responsible for the corruption or fraud including taking legal action.

## **13. Follow-up Actions**

Following a case of corruption or fraud, the CIA should ensure that all managers and staff of the relevant departments are debriefed on the process and outcome of the investigation.

The Audit, Risk and Compliance department should follow-up with the individual(s) who reported the initial suspicion of fraud, to provide assurance that their claims have been taken seriously. Lessons learned should be disseminated throughout the Fund, where applicable, to strengthen the system of internal control and to foster an anti-fraud culture.

## **14. Review**

This policy should be reviewed by the Board and may be changed, modified or abrogated at any time on recommendation of the Board Audit and Finance Committee.

## **15. Effective Date**

The Anti-Corruption, Fraud and Bribery Policy will be effective from the date of its approval by the Board of Directors i.e. January 28, 2020