

UNITED REPUBLIC OF TANZANIA



MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

FRAUD POLICY

DECEMBER, 2012

Table of Contents

List of Abbreviation and Acronyms	iv
Foreword.....	1
1.0 INTRODUCTION.....	3
1.1 Identification of Risk Areas	3
1.2 Fraud in the Context of this Policy	3
1.3 Situational Analysis.....	4
1.4 Scope of the Policy	5
2.0 RATIONALE, VISION, MISSION AND OBJECTIVES	6
2.1 Rationale.....	6
2.2 Vision, Mission and Objective	7
2.2.3 Policy Objective.....	7
3 POLICY ISSUES, OBJECTIVES AND STATEMENTS	8
3.2 Management of Funds	8
3.3 Public Expenditure Management.....	8
3.4 Management of Assets.....	9
3.5 Management of Records.....	10
3.6 Information and Communication.....	11
4 LEGAL AND INSTITUTIONAL FRAMEWORK	13
4.2 Implementation framework.....	13
4.3 Institutional Arrangement	13
4.4 Role of Stakeholders	13
4.4.3 Employees.....	13
4.4.4 Head of Departments and Institutions	13
4.4.5 Chief Internal Auditor.....	13

4.4.6	Permanent Secretary.....	14
4.4.7	Suppliers and Contractors, Importers, Exporters,	14
5	POLICY MONITORING AND EVALUATION	15

List of Abbreviation and Acronyms

MLFD	Ministry of Livestock and Fisheries Development
FETA	Fisheries Education and Training Agency
LITA	Livestock Training Agency
MDAs	Ministries Departments and Agencies
TVLA	Tanzania Veterinary Laboratory Agency
TALIRI	Tanzania Livestock Research Institute

Foreword

The Ministry of Livestock and Fisheries Development was established by Government Notice No. 494 of 17 December, 2010 and is charged with the formulation of livestock and fisheries policies, strategies and regulatory frameworks; and monitoring and evaluation of their implementation so as to promote, facilitate and regulate the growth of modern livestock, fisheries, aquaculture and their products for sustainable socio-economic development.

In the course of implementation of the aforementioned roles, the Ministry has the responsibility of safeguarding its allocated resources against fraudulent practices by ensuring that public money and assets are used in accordance with governing legislations.

The situation analysis indicates that there has been an increased fraud incidences with respect to utilization of public resources. This has necessitated the Ministry to formulate a fraud policy that will spell out types of frauds and measures to be taken to curb fraud practices.

This fraud policy is intended to assist the Ministry to manage public assets and resources effectively, efficiently and transparently in line with the legislations that governs public resources management.

It is my expectation that, this policy shall be a useful tool to manage fraud practices and ensuring that the Ministry achieves its goals in delivering public services.

Dr. David Mathayo David (MP)
Minister for Livestock and Fisheries Development
December, 2012

Fraud is defined as untruthful act causing material or financial loss to any person or entity including theft of money(s) or other properties by employees or persons external to the entity.

CHAPTER ONE

1.0 INTRODUCTION

The Ministry of Livestock and Fisheries Development (MLFD) fraud policy aims to detect and prevent fraud, among others, theft, waste or abuse against the public resources involving an employee (including management), a consultant, vendor, contractor, outside ministry, or person doing business with the Ministry or in any other relationship with the Ministry.

The policy will promote consistent, legal, and ethical organisational behaviour by:-

- assigning responsibilities for reporting fraud;
- providing guidelines to conduct investigations of suspected fraudulent behaviour; and
- requiring each employee to be aware of fraud indicators within the Ministry.

Failure to comply with this policy, subjects an employee (including management) to disciplinary action according to the prevailing Laws. Failure to comply by a consultant, vendor, contractor, outside ministry, or person doing business with the Ministry or in any other relationship with the ministry could result in cancellation of the business and/or charged with legal action.

1.1 Identification of Risk Areas

The policy highlights fraud risks facing the Ministry as identified by staff and stipulated in the risk register of the Ministry. The processes used Focus Group Discussion to brainstorm on the likelihood of the occurrence for the identified risks and their impacts. The process also, used other tools including questionnaire and literature review for providing solutions to potential risks which were considered to be challenges to the Ministry in achieving its objectives. Risk register was established as a benchmark for risk assessment whereby all potential identified risks were documented together. The risk register was circulated to all Heads of Department and Units to allow them to disseminate it to their staff members in order to help them work out their own list of risks.

1.2 Fraud in the Context of this Policy

Is a false representation or concealment of a material fact or any, other illegal act committed internationally to cause wrongful gains to self or other and or wrongful loss to others.

Fraud has been classified in different ways, but mainly there are three categories of fraud, namely; corruption, assets misappropriation and financial statement fraud.

1.2.1 Corruption

Is any conduct where a person accepts, agrees or offers any gratification for his/her self or for another person where the purpose is to act dishonestly or illegally. Some of the issues falling under this categories are conflict of interest, bribery and extortion.

1.2.2 Assets Misappropriation

Involves third parties or employees of an organization who abuse their position to steal from it through fraudulent activities.

The common features falling under these categories are cash theft, fraudulent disbursements, inventory fraud and misuse of assets.

1.2.3 Financial Statement Fraud

It is a type of fraud that cases a material misstatement in the financial statement. It can include, deliberate falsification of accounting records, omission of transactions, balances or disclosures from the financial statements or the misapplication of financial reporting standards.

1.3 Situational Analysis

As part of fraud risk assessment the Ministry has established a Risk Register which This clearly lists the identified potential fraud and risks that the Ministry faces and need deliberate policy directions to mitigate them:-

- (i) Misappropriation of assets, including theft, 'temporary borrowing' control over handling of cash and recording its use;
- (ii) Misuse of assets, such as unauthorized personal use of Ministry's assets including motor vehicle, computers and stationery;
- (iii) Failure by staff to adhere to delegations of authority relating to the value of assets or contracts they can sign for;
- (iv) Fraudulent financial reporting, including intentional distortion of financial statements, fictitious asset register items, arguments with auditors, calculated avoidance of auditor involvement or restrictions in access to, or availability of, staff;
- (v) Employment of unqualified and ineffective staff;
- (vi) Hiring of unqualified service providers and suppliers in public procurement ; and

- (vii) Attitudes of and financial pressures affecting employees handling assets that are susceptible to misappropriation

In an effort to prevent fraud that encompasses both financial and non financial systems the Ministry has implemented various controls measure to minimize the prevalence of fraud and abuse in the ministry.

- (i) Clear organization structure
- (ii) Availability of training programme and guidance
- (iii) Strong system over physical premises and confidential information
- (iv) Committed management Team
- (v) Effective Ministerial Tender Board
- (vi) Effective Internal Control System over segregation and rotation of duties

1.4 Scope of the Policy

This Fraud Policy applies to the Ministry of Livestock and Fisheries Development of Mainland Tanzania and to its all staff members of all cadres. It also applies to entities under the ministry and their respective staff (full time, part time, temporary and casual).

The policy will apply as circumstance requires to stakeholders who work with the Ministry in a way of partners, suppliers, contractors or service providers. The ministry will include appropriate clauses in its contracts with its stakeholders about the consequences of fraud evidence of such acts of which will most likely lead to a termination of the particular contract or may lead to prosecution.

CHAPTER TWO

2.0 RATIONALE, VISION, MISSION AND OBJECTIVES

2.1 Rationale

The Ministry of Livestock and Fisheries Development wishes to be judged by all as being, accountable, honest and opposed to fraud in the way it performs its mandatory obligations. Trust is an essential component of the Ministry, but sometimes trust is not substantial. Fraud does happen and often when and where there is least expectation for fraud to occur given the existing internal control system. There have been several anticipations of fraud in the country and the Ministry of Livestock and Fisheries Development is no exception. If fraud is not deliberately suppressed it will bring the Ministry into disrepute by tarnishing our reputation as sound managers of our, and the community's resources; and therefore, create trauma within the livestock and fisheries sectors and the entire economy at large.

The ever increasing application of Information Technology in Government operation and the Ministry in particular calls for management influence on controlling financial and human resources in favour of fraud mitigation. The following features call for policy directions to guide Ministry's efforts in fraud control:-

- Possibility of making false representation by ministry's staff members for the sake of gaining illegal advantage or causing some one lack legal advantage;
- Possibility of abuses a position in which one expected to safeguard, or not to act against, the financial interests of another person or of anyone acting on that person's behalf; and
- Mismanagement of public resources.

Moreover, fraud policy intent to reduce fraud practices in livestock and fisheries sectors within the mandates of the Ministry. It synthesizes fraud related areas which were not covered in legal and regulatory frameworks of the Ministry. Taking into consideration changes in information technologies; roles of public and private sectors; mandates of the Ministry in line with Presidential Instrument; and financial and asset management, this policy provides an avenue for dealing with fraud practices.

2.2 Vision, Mission and Objective

2.2.1 Vision Statement

To have a progressive world-class livestock and fisheries sector which are economically, socially and environmentally sustainable.

2.2.2 Mission Statement

To promote, facilitate and regulate the growth of modern livestock, fisheries, aquaculture and their products for sustainable socio-economic development through building capacity of LGAs in provision of quality livestock and fishery technical and professional services and enhancing partnership with private sector.

2.2.3 Policy Objective

The overall objective of Fraud Policy is to set up a staff community within the Ministry of Livestock and Fisheries Development that is against fraud and support anti-fraud initiatives in their daily duties and responsibilities.

The specific objectives of this policy are to:-

- (i) raise staff awareness on public service ethics, privacy and build their capacity on fraud control; and

- (ii) build institution capacity to detect, investigate and prevent fraudulent conduct;

CHAPTER THREE

3 POLICY ISSUES, OBJECTIVES AND STATEMENTS

This chapter highlights policy issues, objectives as well as policy statements therein respect of each of the following:-

3.2 Management of Funds

Despite the fact that the Ministry observes Public Finance Act of 2001 as revised in 2004 and its regulations, it is important that fraud issues are dealt with in accordance with existing regulatory framework. In this respect the ministry aims to increase efficiency in management of funds and therefore mitigate misappropriation of funds by taking appropriate actions.

Issues

Management of funds is constrained by inefficiency over cash collection and banking, uses of forged documents, involvement of improper staff in revenue collection and fraudulent disbursements. This situation leads to the risk of misappropriation of funds in the Ministry and consequently planned interventions and activities are not implemented accordingly.

Objective

To identify and investigate instances and allegations of mismanagement of funds and take appropriate actions

Policy statements

The ministry shall

- (i) investigate any suspect of mismanagement of funds and take appropriate actions;
- (ii) build staff capacity on matters pertaining to management of public funds; and
- (iii) ensure that procurement of goods and services is done in accordance with public procurement legislation.

3.3 Public Expenditure Management

It is a framework for developing and implementing the Public spending plans and encompasses a number of activities (eg. Planning and evaluation that guide decision on the allocation of resources).

In general, Public Expenditure Management (PEM) tends to promote the achievement of three outcomes, namely, aggregate fiscal discipline, allocate resources in accordance with government priority, and operational efficiency and promote the efficient delivery of services

Issues

MLFD like other MDAs faces challenges in management of expenditure in which fraudster claims reimbursement for fictitious expenses or inflating actual expenses. The possible fictitious expenses that are likely to appear on expense reports of the ministry include; charging for items used for personal reasons; billing for travel and expenses that never materialized and outright falsifying or manipulating receipts.

Objective

To institute control of fraudulent activities through frequent review of expenditure reports for compliance with financial legislation.

Policy statements

The Ministry shall

- (i) strengthen Internal Audit Unit for scrutinizing ministerial planned expenditure against actual expenditure;
- (ii) strengthen system for internal control of disbursement of funds;
- (iii) build staff capacity on matters pertaining to management of expenditure.
- (iv) conduct regular monitoring to assess physical progress on spent public monies.

3.4 Management of Assets

Assets and other equipments are what people in a business use to conduct their daily activities. Therefore, it is important to manage these assets in order to improve performance of the ministry.

Issues

In management of assets the following challenges have been encountered, running a private business with ministry's assets, writing off recoverable assets, inaccurate assets records and non-coding of some assets. It involves third parties or employees of the ministry who abuse their position to steal from ministry's assets through fraudulent activity. This type of fraud is likely to be committed by any cadre of ministry's employees, or anyone else entrusted to hold and manage the assets.

Objective

To promote behavior of carrying out responsibilities with integrity in using public assets.

Policy statements

The Ministry shall

- (i) strengthen controls to restrict employees from misuse of public assets or taking out ministry's assets without authorization; and
- (ii) promote compliance with public service code of conduct.

3.5 Management of Records

Record management is a Systematic administration of records and documented information for its entire life cycle, from creation/receipt, classification, use, filing, retention, storage, to final disposition.

Records management ensures that information can be accessed easily, can be destroyed routinely when no longer needed and enables Ministry to function on a day to day basis and to fulfill legal and financial requirements. In the context of this policy records include; accounts, correspondence, tapes, discs, papers, books, and other documents or transcribed information of any type.

Issues

Challenges facing management of record include lack of awareness in the importance of record keeping, leakage of information and documents, misfiling, misplacement of files

and lack of confidentiality. Mismanagement of records that have been recurring in the Ministry include failure to record proper transactions; records that are falsified to disguise aspects of improper transactions; and records that correctly set forth the quantitative aspects of transactions but fail to record the qualitative aspects of the transactions.

Objective

To strengthen a system of record management so as to provide appropriate decisions.

Policy statements

The Ministry shall

- (i) Strengthen internal system of record management;
- (ii) build staff capacity on matters pertaining to record management;
- (iii) raise awareness to staff and other stakeholders on familiarity with the record management code of conduct;
- (iv) implement Clients Service Charter; and
- (v) conduct regular monitoring to assess handling of records.

3.6 Information and Communication

Information and Communication refers to the data that is accurate and timely, specific and organized presented within a context that gives its meaning and relevance and can lead to an increase in understanding and decrease in uncertainty.

Information is valuable because it can affect behavior, decision or an outcome.

Issues

The advent of electronic networking and communication technologies has transformed the way employees of the Ministry and stakeholders learn, work, interact and behave. However, this advent has triggered risk of unauthorized access and use of information. Either employees or stakeholders may misuse the Ministry's ICT resources to access, process and distribute materials which are against the public services conduct.

Objective

To manage accessibility and use of information.

Policy Statements

The Ministry shall

- (i) strengthen mechanism for removal of official information from decrepit computers prior to services or auctioning; and
- (ii) establish a system of using password to limit access to ministry's computers and other communication facilities.

CHAPTER FOUR

4 LEGAL AND INSTITUTIONAL FRAMEWORK

4.2 Implementation framework

Implementation of this policy will take into consideration different legal and regulatory frameworks and standards.

4.3 Institutional Arrangement

Employees and other stakeholders have critical roles and responsibilities in ensuring that fraud is prevented, detected and dealt with promptly. They should not only safeguard resources entrusted to the Ministry for supporting sustainable human development but also protect its reputation. Working together, they contribute to a complementary institutional framework for effectively attainment of the policy objectives by enforcing their obligations and organizational culture that does not tolerate fraud and other forms of corruption. Accordingly, the following parties are accountable for the following activities:

4.4 Role of Stakeholders

4.4.3 Employees

Employees should understand symptoms and effects of fraudulent activities and create awareness to other stakeholders. Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, should immediately notify his/her supervisor. If the employee has reason to believe that the employee's supervisor may be involved, the employee shall immediately notify the Permanent Secretary who shall take appropriate action.

4.4.4 Head of Departments and Institutions

Upon notification from an employee of suspected fraud or if the Head of Department has reason to suspect that a fraud has occurred, the Head of Department shall immediately handle it or if need arises shall notify the Permanent Secretary who shall take appropriate action.

4.4.5 Chief Internal Auditor

The audit office shall consider fraud risk factors in planning and reporting consistent with applicable auditing national and international standards. The audit office is expected to develop Ministry's fraud control plan.

4.4.6 Permanent Secretary

Upon notification from an employee of a suspected fraud, or if the Permanent Secretary has reason to suspect that a fraud has occurred, shall appoint a team of senior staff to investigate the suspected fraud or to discuss the matter with anyone and appropriate law enforcement officials on behalf of the Ministry.

4.4.7 Suppliers and Contractors, importers, exporters,

Any representative of vendors, suppliers, contractors, consultants, service providers or other agency(ies) doing any type of business with Ministry as soon as he / she comes to know of any fraud or suspected fraud or any other fraudulent activity must report such incident(s) to Complaints Desk Officer.

CHAPTER FIVE

5 POLICY MONITORING AND EVALUATION

The implementation of this Policy and achievement of its Vision, Mission and Objectives will need to be monitored and evaluated throughout the useful life time of the Policy. This will entail putting in place monitoring and evaluation (M&E) mechanism using the identified qualitative and quantitative indicators.

The objective of M&E is to provide information at different levels of policy implementation with a view of resolving challenges and assessing progress. The process will have to involve systematic investigation of fraudulent activities with specified indicators to record the direction to which implementation is moving; the ultimate goal being that of achieving the fraud free operation of the Ministry when executing its mandatory responsibilities as stipulated in the Presidential Instrument.

In order to achieve the objective of ensuring that M&E is being properly undertaken, all Departments, Units and Agencies of the Ministry shall be responsible for M&E the implementation of this Policy. The core function of M&E shall be vested to the Internal Audit Unit.