



AMERICAN UNIVERSITY *of* AFGHANISTAN

Fraud Policy

BACKGROUND

This policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the American University of Afghanistan. It is the intent of the organization to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

SCOPE OF POLICY

This policy applies to any irregularity, or suspected irregularity, involving employees as well as vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the AUAF.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the AUAF.

POLICY

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as "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, defalcation, misappropriation, and other fiscal irregularities that results in exposing AUAF to the financial loss, Reputational loss, Regulatory violation or Misstatement of the financial statements." Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any irregularity that is detected or suspected must be reported immediately to the President & the Audit Department who coordinates all investigations with the concerned department and other affected both internal and external.

ACTIONS CONSTITUTING FRAUD

The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not

limited to:

- Any dishonest or fraudulent act such as acceptance of bribes or kickbacks payments
- Impropriety in the handling or reporting of money or financial transactions
- Misappropriation of funds, securities, and/ or other assets
- Profiteering as a result of insider knowledge of AUAF activities
- Disclosing confidential and proprietary information to outside parties
- Disclosing to other persons securities/ activities engaged in or contemplated by the AUAF
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the AUAF.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Diversion to an employee or outsider of a potentially profitable transaction that would normally generate profits for the organization.
- Embezzlement, as typified by the misappropriation of money or property, and falsification of financial records to cover up an act, thus making detection difficult.
- Intentional concealment or misrepresentation of events, transactions, or data.
- Intentional failure to record or disclose significant information accurately or completely, which may present an enhanced picture of the organization to outside parties.
- Intentional and improper related-party activities in which one party receives some benefit not obtainable in an arm s-length transaction.
- Claims submitted for services or goods not actually provided to the organization.
- Intentional failure to act in circumstances where action is required by the company or bylaw.
- Unauthorized or illegal manipulation of information technology networks or operating systems.
- Theft and or
- Any similar or related irregularity

OTHER IRREGULARITIES

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and the Human Resource Department.

If there is any question as to whether an action constitutes fraud, contact the Internal Audit Department for guidance.

INVESTIGATION RESPONSIBILITIES

The President has the authority for assigning a person or a team for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, a report will be issued to the President if appropriate to

the Board through Audit Committee, who will make the appropriate decision to initiate disciplinary action and or to refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation for further prosecution.

CONFIDENTIALITY

All information received and reports produced will remain confidential. Any employee who suspects dishonest or fraudulent activity **must** notify the President and the Internal Audit Department immediately, and *should not attempt to personally conduct investigations or interviews/interrogations* related to any suspected fraudulent act.

(Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know).

AUTHORISATION FOR INVESTIGATING SUSPECTED FRAUD

Members of the Investigation Unit will have:

- Free and unrestricted access to all AUAF records and premises, whether owned or rented; and
- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

The reporting individual should know the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with *anyone* unless specifically asked to do so by the relevant authority.

TERMINATION

Any act involving the use of deception to obtain an unjust or illegal advantage, defalcation, misappropriation, and other irregularities those result in exposing AUAF to the financial loss, Reputational loss, Regulatory violation or Misstatement of the financial statements will result in early termination of his/her employment with AUAF and if considered appropriate it will be forwarded to the appropriate law enforcement and/or regulatory agencies for independent investigation for further prosecution.

APPROVAL



President

April 1, 2016

Date