

FRAUD PREVENTION AND DETECTION POLICY

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HOUSING AND COMMERCE BANK
OF ERITREA SHARE COMPANY



APPROVED BY THE
BOARD OF DIRECTORS


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PREAMBLE

Housing and Commerce Bank of Eritrea's (HCBE) fraud prevention and detection policy is established to assist the development of controls which will aid in the prevention of fraud against the Bank. It is the intent of HCBE to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the prevention, detection, investigation and reporting of any fraudulent activities.

The legal basis for HCBE Fraud Prevention & Detection policy stalks from the state of Eritrea Penal Code:

- (i) Article 408;
- (ii) Article 657;

Housing and Commerce Bank of Eritrea adopts zero tolerance to all types and practices of fraud. In the corridor of zero tolerance frameworks and in accordance to the implementation of Fraud Prevention & Detection policy HCBE has assigned a dedicated division (Control Division).

OBJECTIVES

The Fraud Prevention & Detection Policy comprises a system for prevention, detection, investigation and reporting of any fraud that is suspected and a fair dealing of matters concerning to fraud. The main objectives of this policy are;

- i) To ensure the management is aware of its responsibilities for prevention and detection of fraud and for establishing procedures for preventing and/or detecting fraud when it occurs.
- ii) To provide a clear guidance to employees and others dealing with HCBE forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.

DEFINITION

Fraud can be broadly defined as an intentional act of deception to obtain an unjust/illegal advantage through misrepresentation of books of accounts, fraudulent encashment of instruments like cheques, drafts and bills of exchange, unauthorized handling of securities charged to banks, theft, embezzlement, misappropriation of funds, conversion of property, cheating, shortages, irregularities etc.

Fraud shall include but is not limited to:

- Theft or misappropriation of assets owned or managed by the Bank;
- Submitting false claims for payments or reimbursement;
- Accepting or offering a bribe or accepting gifts or other favours under circumstances that might lead to the inference that the gift or favour

was intended to influence an employee's decision-making while serving the Bank;

- Violation of the Bank's procedures with the aim of personal gain or to the detriment of the Bank;
- Wilful negligence intended to cause damage to the material interest of the Bank;
- A dishonourable or reckless or deliberate act against the interests of the Bank;
- Making false or fictitious accounting entries; and
- Creating and/or distributing false or misleading financial reports.

SCOPE OF THE POLICY

The policy applies to any irregularity, or suspected irregularity, involving members of HCBE Management, staff, consultants, vendors, contractors, outside agencies doing business with the Bank or employees of such agencies, and/or any other parties having a business relationship with the Bank without regard to their position, rank, or length of service.

RESPONSIBILITY FOR FRAUD PREVENTION

Management

- The managers, particularly responsible to be familiar with the types of fraud that might occur in their area, be alert for any indication of fraud or improper activity and maintain controls to avoid such occurrences. They are required to ensure that all staff under their control have a copy of this policy, and acknowledge its receipt.
- Management shall provide support to and work with the Control Division, other divisions involved, and law enforcement agencies in

the detection, investigation and reporting of dishonest or fraudulent activity, including the prosecution of offenders. Once fraud is detected, Control Division is responsible for taking appropriate corrective action to ensure adequate controls are put in place to prevent reoccurrence of improper activity.

Staff

- It is the responsibility of all employees to carry out their work in such a way as to prevent fraud occurring in the workplace. They must also be alert for occurrences of fraud, be aware that unusual transactions or behaviours could be indications of fraud, and report potential cases of fraud.
- All employees have a duty to guard against fraud. They are expected to identify processes and procedures that might be vulnerable to fraud and to draw such instances to the attention of management in their division.

REPORTING A SUSPECTED FRAUD

- Reporting fraud is mandatory for any employee who suspects that a fraud has occurred. Employees who suspect that a fraudulent activity is taking place should, in the first instance, report the matter to their immediate supervisor.
- Employees who cover up, obstruct, or fail to report a fraud that they become aware of, or ought to have been aware of, may be considered to be an accessory after the fact and may be subject to the Bank's disciplinary code which could involve action up to and including dismissal.

- Employees who threaten retaliation against a person reporting a suspected fraud shall be subject to the disciplinary code which could include action up to and including dismissal or prosecution or both.

AUTHORITY TO CONDUCT INVESTIGATIONS

Control Division, working in close collaboration and full transparency with compliance office, shall be responsible for receiving reports of purported or suspected prohibited conduct involving the HCBE's activities or HCBE members of governing bodies and staff; investigating such matters and cooperating directly with management in order to facilitate the latter's investigations; and reporting its findings to the HCBE's management and law enforcement agencies.

PROFESSIONAL STANDARDS

All investigations conducted by the Control Division shall be fair and impartial, with due regard to the rights of all persons or entities involved. The presumption of innocence applies to those purported to have engaged in misconduct. Those involved in the investigation (be those under investigation or those conducting the investigation) should be aware of their rights and obligations and ensure they are fully respected.

CONFIDENTIALITY

Within the Bank's rules on access to information, all information and documents collected and generated during an investigation, not already in the public domain, shall be kept strictly confidential. In particular, during the investigation the confidentiality of the identity of the subject, witnesses and informants must be respected in so far as it would not be contrary to the

interests of the investigation. The Control Division shall disclose in writing such information and documents only to those persons or entities authorized to receive them or otherwise on a need-to-know basis.

DISCIPLINARY ACTIONS

Where there is a request for a reference for an employee who has been disciplined or prosecuted for fraud or dishonesty, the Administration Division shall prepare any reply to such a request having regard to the Bank's policies and collective agreement.

REVIEW OF THE POLICY

The Policy will be reviewed and updated by the Strategic Management Team as and when required.