NATIONAL ENVIRONMENT TRUST FUND (NETFUND)

CORRUPTION PREVENTION POLICY

NOVEMBER 2024

National Environment Trust Fund (NETFUND)

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Document Control

Organization	National Environment Trust Fund
Title	Corruption Prevention Policy
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Subject	Corruption Prevention
Applicability	Applies to all activities and operations in NETFUND, including funded programmes, projects and services provided by the Fund
Conforms to	The United Nations Convention Against Corruption Anti-Corruption and Economics Crime Act 2003
Review Date	September 2024

Revision History

Version Reviewed	Date Reviewed	Reviewed By	Description of Revision
Final Draft V0.1II	September 2024	Manager Internal audit	Review took into consideration international legal requirements and standards on Corruption Prevention and detection Review has put into consideration the role of Internal Audit in fighting corruption

Document Approval

Version III	Approved By	Date
	Chief Executive Officer	
	Chairperson Governance, Risk and Compliance Committee	
	Chairperson Board of Trustees	

References

UNDP Corruption Prevention Policy
IFRC Fraud and corruption prevention and control policy
World Bank Group Policy: Sanctions for Fraud and Corruption
Water Sector Trust Fund Anti- Corruption Policy

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Definition of Terms

Abuse of office: Use of one's office to improperly confer a benefit to oneself or anyone else

Bribery: is an offence of giving a bribe if the person offers, promises, or gives a financial or other advantage to another person, who knows or believes the acceptance of the financial or other advantage would itself constitute the improper performance of relevant function or activity (Bribery Act, 2016 Part II)

Conflict of interest is an incompatibility between an individual's private interest and that of the Fund. It arises from situations where you as an employee of the Fund has an interest that could potentially influence or be deemed to influence the impartial and objective performance of your duties. Private interest includes advantage to you or your family, close relatives' friends and persons or organizations with whom you have a business or political relations.

Corruption: Is the secret inducement for advice deceiving principal, conflict of interest, improper benefits to trustees for appointments, bid rigging, abuse of office, and dealing with suspect property, bribery, fraud, embezzlement or misappropriation of public funds, breach of trust or an offence involving dishonesty.

Fraud: The use of deception by an individual with the intention of obtaining an advantage for himself or herself or for a third party or parties, avoiding an obligation, or causing loss to another party.

Stakeholder: Stakeholder include but not limited to Development Partners, Board of trustees, chief executive officer, staff members, beneficiaries, suppliers, consultants, temporary staff, interns, and attaches .

Whistle Blower: A whistle-blower is a person, who could be an employee, or a government agency, disclosing information to the public or some higher authority about any wrongdoing, which could be in the form of fraud, corruption, etc.

Implementing Partners: Organizations (Public or Private) that implement the programs/ Projects supported by NETFUND.

Acronyms

ACECA	Anti-Corruption and Economic Crimes Act
CEO	Chief Executive Officer
CPC	Corruption Prevention Committee
CPP	Corruption Prevention Plan
CRA	Corruption Risk Assessment
CRAMP	Corruption Risk Assessment & Mitigation Plan
EACC	Ethics and Anti-corruption Commission
IAC	Integrity Assurance Committtee
ICT	Information Communication Technology
UNCAC	United Nations Convention Against Corruption
NETFUND	National Environment Trust Fund

2 Introduction

2.1 About NETFUND

National Environment Trust Fund (NETFUND) is a State Agency under the Ministry of Environment, Climate Change and Forestry in Kenya, established under section 24 of the Environmental Management and Coordination Act (EMCA 1999) with a mandate to mobilize, avail and manage resources to support the Country's environmental initiatives. Environmental actions include climate change adaptation and mitigation, ecosystem restoration, biodiversity conservation, circular and blue economy, and promotion of alternative nature-based solutions.

NETFUND is committed to upholding the highest standards of integrity and transparency in its operations. The Fund recognizes corruption is costly, both reputational risk and financial losses, including the use of resources in dealing with and resolving any suspected or identified cases. The policy is developed to provide a framework for corruption prevention and creating anti-corruption culture.

2.2 The scope

This Policy applies to all activities and operations of NETFUND, including resource mobilization, projects and programmes, funded by Government of Kenya and development partners. Policy aims to prevent, detect and address acts of fraud and corruption involving Board of Trustees, Staff members, vendors and NETFUND Implementing Partners.

3 Purpose, Statement and Guiding Principles

3.1 Purpose

The purpose of the Policy is to build and maintain a zero tolerance to corruption environment in NETFUND by providing a comprehensive, coordinated, and integrated framework for prevention, detection and investigation of corruption.

The specific objectives of the policy are to:

i. Detect and prevent corruption and fraud

ii. **Risk Mitigation** the policy helps in identifying areas or processes most vulnerable to corruption and establishes controls or systems to minimize opportunities for corrupt practices. This includes implementing internal controls, audits, and monitoring mechanisms.

iii. **Promote Transparency and Accountability** will ensures that all actions, decisions, and transactions are open to scrutiny and can be traced back to responsible individuals.

iv. **Establish clear guidelines and procedures** the policy provides clear, written guidelines on behaviors or practices that are prohibited, and outlines the procedures for reporting suspected corruption. This creates a structured way to deal with misconduct.

v. **Facilitate Reporting, investigation and Whistleblower Protection**: the policy creates safe channels for individuals to report suspicious behavior or corruption without fear of retaliation, ensuring that whistleblowers are protected. The policy also ensures that all reported cases are investigated.

vi. **Strengthen Institutional Capacity** the policy provides for a robust management, governance, and operational frameworks to resist and combat corruption.

3.2 Policy statement

NETFUND has zero tolerance for corruption and collusive practices. It accordingly does not, shall not, tolerate any corrupt and/or collusive practices during its activities or operations.

3.3 Guiding principles

Transparency and Public Disclosure: Ensure that NETFUND's activities and decisions are open to public scrutiny, with accessible records of expenditures, budgets, and procurement.

Accountability and Independent Oversight: NETFUND shall have defined roles, responsibilities, establish and engage independent oversight bodies to regularly review the fund's operations.

Integrity and Ethical Standards: NETFUND shall enforce a strict code of conduct and promote a culture of honesty and ethical behavior.

Confidentiality all reported cases shall be treated with utmost confidentiality unless the disclosure is required by law.

3.4 Legal Framework

The policy is guided by the following policies, laws and institutions and shall be applicable to guide and inform the creation and implementation of this policy: This policy has been prepared and is applicable in the laws of Kenya under several legal instruments, policies and bodies. They include the

i. Constitution of Kenya,
ii. Anti- Corruption and Economics Crimes Act 2003
iii. Ethics and Anti-Corruption Commission Act 2011
iv. The Proceeds of Crime and Anti-Money Laundering (Amendment) Act, 2012
v. Proceeds of Crime and Anti-Money Laundering Regulations 2013
vi. Public Officer Ethics Act, 2003
vii. Public Audit Act 2015
viii. Public Finance Management Act, 2012
ix. Employment Act 2007
x. Witness Protection Act 2006
xi. Public Procurement and Assets Disposal Act, 2015 and attendant regulations
xii. Public Service Code of Conduct
xiii. Human Resources Manuals' and code of Conduct and Ethics
xiv. United Nations Convention Against Corruption of 2003
xv. the African Union Convention on Preventing and Combating Corruption.

4 Corruption and Prevention Screening Measures

To prevent, detect, investigate, and sanction corruption and fraud, NETFUND has put in place the following measures:

4.1 Fraud awareness

NETFUND shall ensure that all staff members, Board of Trustees, non-staff personnel, suppliers, implementing partners, beneficiaries and responsible parties are aware of their responsibility to prevent fraud and corruption. In this regard, internal audit department will raise awareness of this policy, preventive and detective measures put in place and reiterate the duty of all stakeholders to report instances of fraud and corruption.

4.2 Fraud Prevention in Programming and Resource Mobilization

During programme/project design and implementation, NETFUND will ensure that fraud risks are identified and fully considered throughout the project cycle and mitigation plans are developed and implemented. The Fund will ensure that the design process is done in a consultative and transparent manner and all the relevant stakeholders are involved.

These programme/project risks shall be communicated to relevant stakeholders, including donors, implementing partners, and beneficiaries , together with an assessment of the extent to which risks can be mitigated.

The Projects department will be responsible for ensuring that the risk of fraud and corruption is identified during the programme/project design phase. This will be done through evaluation of how easily fraudulent acts might occur. The department will also be responsible for evaluation of the effectiveness of the measures taken to mitigate risks.

In our resource mobilization efforts, NETFUND prioritizes integrity and accountability by undertaking a rigorous due diligence. The Fund will conduct thorough assessments of all partners, donors, and funding sources to ensure alignment with our values and to mitigate potential fraud risks. This includes background checks, verifying identities, assessing financial stability, sources of funds and screening for conflicts of interest. This will minimize the risk of engaging with parties that do not align with our ethical standards.

4.3 Fraud Prevention in Sourcing of Suppliers

NETFUND will undertake due diligence on all suppliers at the preliminary stage of sourcing where they will be required to fill a business questionnaire and conflict of interest forms. The due diligence will check on Anti Money Laundering, ability to deliver, previous works done, their corruption prevention policies and strategies.

Upon identification of a suitable supplier, NETFUND shall screen all suppliers, contractors and consultants against a list of Debarred suppliers posted on the Public Procurement Regulatory Authority (PPRA) website via https://ppra.go.ke/debarred-firms/.

The procurement process will be undertaken within the legal framework, vendors will be required to adhere to the requirements of this policy and report any cases of corruption and or extortion.

Suppliers participating in a procurement process will be required to accept to abide by the Code of Conduct as set out by the Public Procurement Assets Disposal Act 2015. They will also be required to actively ensure that their management processes and business operations align with ethical conduct regarding fraud and corruption, declaration of conflict of interest, gifts and hospitality, they will be required to report any instances of fraud and corruption.

4.4 Management of fraud and corruption risks

The risk of fraud and corruption shall be assessed and managed in accordance with NETFUND Risk Management Policy. Departmental heads will identify and assess the risks in their areas, including the risk of fraud and corruption, and apply mitigating measures, taking due account of the level of risk involved. It is impossible to eliminate all risks, risk management requires a sound balance of assessment, mitigation, transfer or acceptance of risks. These risks shall be communicated to all the relevant stakeholders, together with an assessment of the extent to which risks can be mitigated.

Heads of department shall be vigilant in monitoring irregularities and the risk of fraud. Where there are concerns about the level of fraud risk within a programme, project, or any other activity, they may consult Internal Audit for consideration as to whether a proactive investigation by the audit department is justified.

Where a high risk of fraud has been identified within the general risk assessment of programmes/projects, an additional and specific fraud risk assessment may be necessary. This in-depth assessment should be used to better identify fraud risks and develop effective measures that address these high risks. The aim is to help management to identify and evaluate areas of the programme/project that are most susceptible to fraud and prioritise where NETFUND should focus its resources for fraud prevention and risk mitigation.

4.5 Internal control system

NETFUND will establish and implement a strong internal control system, where policies and procedures are enforced, internal controls will be appropriately implemented, and staff members, vendors, implementing partners and all stakeholders will be made aware of the fraud and corruption prevention measures.

Internal Audit Department will independently appraise all the activities of the Fund and help in detecting and preventing any forms of corruption. The Human Resource Advisory committee will review, consider and make recommendations to management on human resource related corruption cases. Internal audit department will also undertake proactive investigations in high risk areas identified in the organisational risk matrix and are susceptible to fraud and corruption.

4.6 Integrity and Ethical conduct

NETFUND will undertake due diligence during recruitment of staff members, vendors, implementing partners and other stakeholders. In this context, NETFUND will only engage stakeholders with expected standards of conduct. This will be achieved through employment of specific interview assessment tools for integrity, professional experience and academic verification ensuring that the stakeholders meets the requirements of Chapter six of the Kenyan Constitution. All staff members are required to sign and adhere to NETFUND's Code of Conduct and Ethics while the vendors will be required to sign the business questionnaire and the conflict of interest forms.

5 Investigation of Fraud Allegations

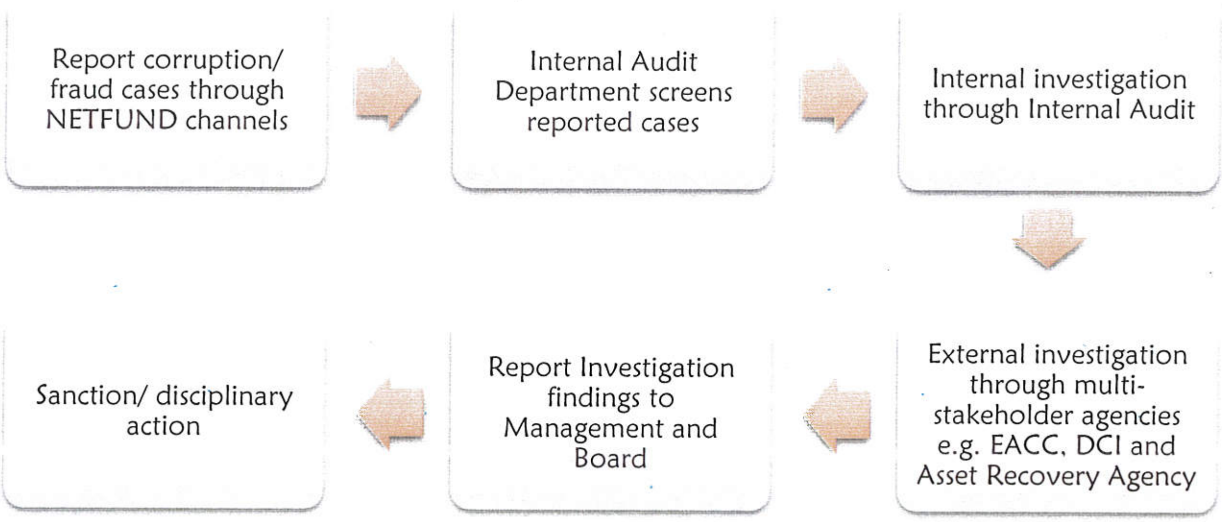
5.1 Internal Investigations

Allegations of corruption and fraud will be taken seriously. Upon receipt of any allegation report, the Internal Audit Department will assess the case to determine sufficient ground to warrant an investigation and collaborate with relevant stakeholders in the investigations. The department will also undertake proactive investigations in high-risk areas identified in the organizational risk matrix that are susceptible to corruption.

Where the allegations involve external parties (donors, implementing partners and beneficiaries) and IA department does not have the authority to investigate the issue, IA will collaborate and coordinate the investigation with relevant external enforcement offices, as appropriate and applicable under the international and national laws.

After thorough investigations and breaches are confirmed, the Fund will initiate appropriate sanctions (e.g., recovery, termination of relationships, legal suit). The Internal Auditor shall report on the investigation findings to the management and Audit Committee of the Board for further action.

Investigations will follow the following process



5.2 External Investigations

NETFUND shall collaborate with relevant agencies in efforts to fight and prevent corruption such as;

- **Ethics and Anti-Corruption Commission (EACC), it** plays a crucial role in combating corruption and promoting ethical standards. It investigates corruption-related offenses, undertakes asset recovery by tracing, seizing, and recovering proceeds of corruption.
- **Directorate of Criminal Investigations:** Investigates financial and corruption crimes.
- **Office of the Director of Public Prosecutions:** Prosecutes corruption cases.

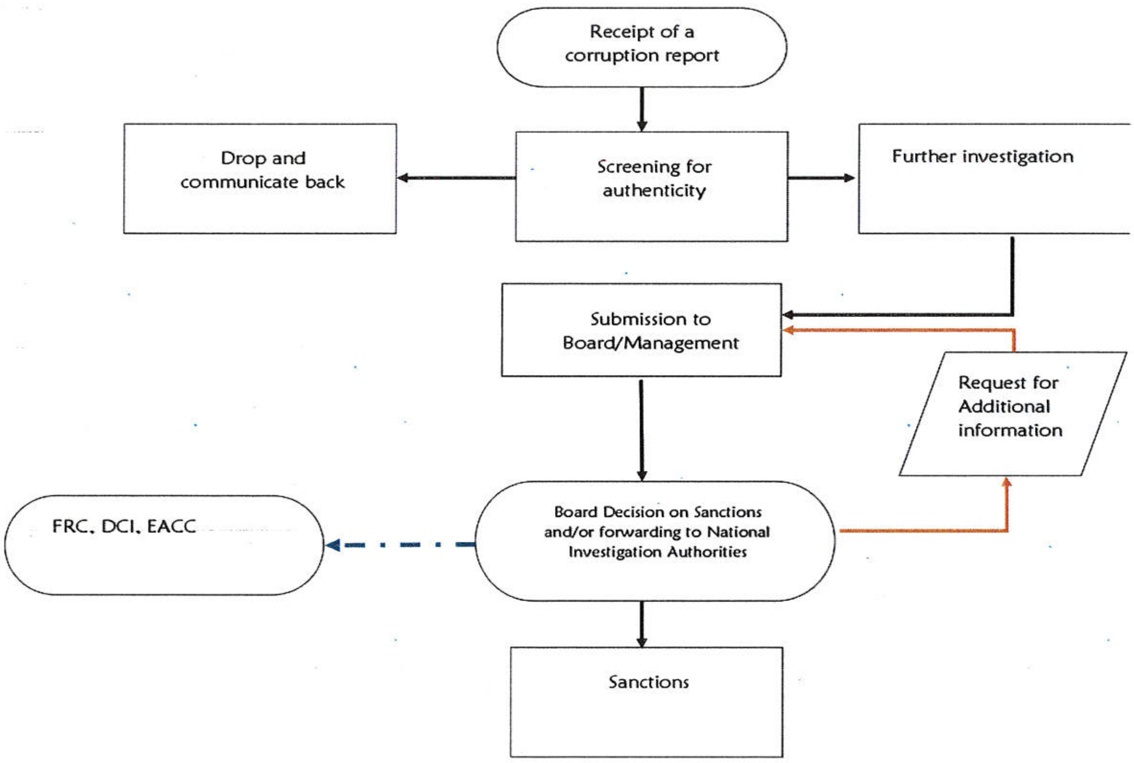
- **Office of the Auditor General:** It plays a crucial role in combating corruption by auditing government accounts, ensuring compliance with financial regulations, and reporting findings to the Parliament.

5.3 Sanctions upon Investigations

corruption allegations, if substantiated by an investigation and any applicable legal review, may result in disciplinary and/or administrative actions or other actions taken by NETFUND depending on the case.

The outcomes may be as follows:

a) For implementing partners and beneficiaries, NETFUND shall terminate the financing/ Partnership agreements or may take legal action as deemed necessary
b) For staff members, disciplinary and/or administrative actions as stipulated in the Human Resources and Procedures Manual
c) For vendors, NETFUND shall terminate or not renew their contract or may take legal action as deemed necessary
d) NETFUND will collaborate with relevant State Agencies such as the Assets Recovery Agency to recover any financial loss and/or assets lost.



5.4 Protection of Whistle Blowers

The Fund shall protect persons making corruption disclosures as outlined in the whistle blower's policy. Deterring anyone from reporting and/or testifying against fraud or corruption in an investigation is a serious breach of NETFUND's Code of Conduct and may result in disciplinary measures.

5.5 Confidentiality

All reports and investigations relating to corruption shall be treated with the utmost confidentiality unless its a requirement by law. No information shall be disclosed to unauthorized individuals.

6 Reporting

6.1 Reporting Avenues

NETFUND will establish a reporting structure for relating corruption and an efficient communication channel to ensure compliance and mitigate risks. All issues will be reported to the Internal Audit who will investigate and report to management and the Board of Trustees for further action.
The internal auditor will report directly to senior management and the Board on any reported and investigated cases and a regular compliance update. The department will also liaise with external authorities for complex cases.

6.2 Corruption Reporting Channels

NETFUND shall provide various mediums to report any corruption issue through the website https://www.netfund.go.ke/report- telephone number +254-20-2369563, Corruption reporting box, and email addresses: corruption@netfund.go.ke and/ info@netfund.go.ke or by mail addressed to Chief Executive Officer P.O Box 19324 – 00202 Nairobi. Any suspicion of corruption can also be reported through the office of Internal Audit or the Office of the Chief Executive Officer.

Individuals who wish to protect their identity may report fraud anonymously via the website link https://www.netfund.go.ke/report- where the submitted report does not reveal their contact details.

7 Roles and Responsibilities

7.1 Board of Trustees

The Board of Trustees will approve and oversee the implementation and effectiveness of corruption prevention measures. The BoT will also be required to administer disciplinary action based on the outcome of an investigation. The Board will also be required to declare of conflict of interest if any during meetings, sign the Board code of conduct and review of the internal audit reports and take appropriate actions.

7.2 Internal Audit Department

Internal audit plays a crucial role in the prevention and detection of corruption. It provides an institutionalized mechanism for supervision, control, and review of operational systems.

The key functions of internal audit in preventing corruption will include:

I. **Investigations:** Internal audit will collaborate with all stakeholders and investigate all cases of corruption and put in place appropriate recommendations. The final report will be presented to the Board of Trustees for action.

II. **Risk Management:** Internal auditors will identify, assess, evaluate areas most vulnerable to corruption and assess the effectiveness of controls in place to mitigate these risks. These risks will be recorded in the enterprise risk framework. The department will review the risk framework frequently to monitor the efficiency of the mitigation measures put in place.

III. **Fraud Detection**: internal audit will identify and investigate suspicious activities related to corruption and fraud.

IV. **Compliance Monitoring**: Internal audit will ensure that the Fund adheres to laws, regulations, and internal policies designed to prevent and detect corruption.

V. **Reporting to the Board**: Internal audit will report their findings to the audit committee of the Board of Trustees for further action.

VI. **Monitor and review** the impact of Corruption Prevention initiatives.

7.3 Employees

Management should Foster a culture of zero tolerance to corruption. Perform risk assessment in the departments and propose appropriate mitigation measures. All employees are required to comply with this policy, report any suspicious activity, and participate in Corruption related training. Failure to comply with this policy may result in disciplinary action.

7.4 Implementing Partners

Implementing Partners are required to take appropriate measures to prevent fraud and corruption and ensure anti corruption measures are in place and applied to all NETFUND projects and programmes. The implementing partners will be required to report of form of corruption or extosion. The Implementing Partners will also be required to collaborate with NETFUND and other relevant agencies in case of allegation of fraud or corruption. Failure to comply with this policy may lead to termination of partnership arrangements as well as potential legal action.

7.5 Vendors

Vendors will be required to sign the business questionnaire form, declare any conflict of interest and comply with the legal requirements set out to prevent corruption and fraud. The suppliers will be required to report any form of coercion or extortion.

Actual and potential NETFUND vendors and their employees, personnel and agents, have the duty to interact honestly and with integrity in the provision of goods, services and to report immediately allegations of fraud and corruption. Suppliers shall be encouraged to establish robust policies and procedures to combat fraud and corrupt practices and are to cooperate with NETFUND auditors and investigators.

When allegations concerning possible involvement in fraud or corruption are deemed substantiated, the Fund shall take any administrative actions available to it, including but not limited to vendor sanctions, and shall seek to recover fully any financial loss. In addition, NETFUND may terminate contracts, and may refer appropriate cases to national authorities for criminal investigation and prosecution such as the Directorate of Criminal Investigation, Ethics and Anti-Corruption Commission

NETFUND has a zero-tolerance policy towards the acceptance of any gift or any offer of hospitality from suppliers. The staff will not accept any invitations to sporting or cultural events, offers of holidays or other recreational trips, transportation, or invitations to lunches or dinners. NETFUND's vendors shall not offer any benefit such as free goods or services, employment or sales opportunity to staff members in order to facilitate the suppliers' business with NETFUND.

8 Remediation and implementation of lessons learnt

NETFUND will use its collective knowledge gained from lessons learned on audits and investigations to enable management to be more proactive in dealing with potential systemic weaknesses. When appropriate, internal audit department will provide briefings and reports on risks facing the Fund and lessons learned from investigations to management. Actions will be taken to address the problems identified and prevent their recurrence. Additional internal controls will be established as appropriate.

9 Monitoring and Review

The effectiveness of the Corruption Prevention policy will be regularly monitored and reviewed every three years. Any necessary updates or changes will be implemented to ensure ongoing compliance with relevant laws and regulations.

10 Approval

The Chief Executive Officer duly recommends the Corruption Prevention Policy for approval by the NETFUND Board of Trustees and hereby confirms that the policy has been developed consultatively considering the views of all the relevant stakeholders and in line with national and international Corruption Prevention standards.

Signature: Date: 21/11/2024

Samson Toniok
Chief Executive Officer and Secretary to the Board of Trustees

The NETFUND Board of Trustees hereby approves the Corruption Prevention Policy to be operative for a period of three (3) years.

Signature: **Date:** 21/11/2024

Hon Mwaure Waihiga
Chairman, Board of Trustees

11 Complementary Policies

i. NETFUND Risk Management Policy
ii. Anti Money Laundering Policy
iii. Whistle Blowing Policy
iv. Procurement Manual
v. Resource Mobilization Policy and Framework
vi. Finance Policy and Procedures Manual