

ANTI-FRAUD AND CORRUPTION POLICY

POLFIN01EN

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1. INTRODUCTION

Fraud and corruption can have a devastating effect on our organization because it could result in significant financial loss and other long-term repercussions such as loss of public trust. Any allegations of fraud or corruption will be taken seriously, with no exceptions. All individuals, regardless of position, title, or tenure with Educo are expected to remain vigilant and report any suspicious activity.

This policy promotes a culture founded on fraud and corruption prevention and awareness and accountability and clarify acts that can be considered as suspicious. They support a culture of operating within a comprehensive framework of internal controls completed with documented and formalized policies, procedures and other supporting safeguards as needed. The policy provides guidance to prevent, detect, react/respond, report, and manage an inquiry into corruption incident.

These guidelines define the roles and responsibilities at Head Office and field levels and aim to ensure that corruption incidents are adequately managed inside the Organization and in accordance with Educo values, good practices, ethical principles (e.g. respect for its beneficiaries, employees and donors) and Behavioral Commitments.

1.1. DEFINITION AND TYPES OF CORRUPTION

Corruption is to offer, give, request or accept an incentive or reward that may unduly influence the action of a person or organization. Corruption includes robbery, fraud, bribery, embezzlement, nepotism, facilitation payments, deception, extortion, abuse of power, as well as any other similar action or conduct whether or not it is criminal in nature. Corruption is not limited to monetary benefits.

Types of corruption:

- **Fraud:** any act or omission, whether intended to deceive or not, which may or may not involve an act of administration or disposition of property or rights resulting in a loss to the victim and/or a benefit to the fraudster.

Fraudulent activities include, but are not limited to the following:

- Intentional and unlawful appropriation of the property and rights of Educo without permission and/or consent and for profit (includes robbery, theft, misappropriation and similar acts).
- Performing acts of administration or disposition of property and rights of Educo to the detriment of its assets (unfair administration, fraud and similar).

- Falsification or alteration of documents (cheques and bank drafts, office attendance records, invoices, agreements, etc.) or bank accounts that Educo is the holder.
 - Misrepresentation of information contained in documents owned by Educo.
 - Loss or destruction of property owned by Educo to the detriment of its assets.
 - Irregularities in the management or declaration of money or financial transactions.
 - Authorization or reception of payments for goods or services that have not been received.
 - Authorization or receipt of remuneration for hours not worked.
 - Misuse of institutional records and disclosure of confidential or proprietary information to third parties.
 - Data fraud and phishing.
 - Collusion with suppliers.
- The offering, promising, giving, receiving, accepting or soliciting of money, gift or other advantage (loan, reward, service, in kind help or support, hospitality, donation, etc.) as an inducement to do something that is dishonest, unethical, illegal or a breach of trust in the course of carrying out an Organization's activities or the conduct of one's duties. It includes in particular:
- Passive bribery (receiving, accepting or soliciting).
 - Active bribery (offering, promising, giving).
 - Gifts.
 - Kickbacks.
 - Facilitation payment (a form of active bribery aiming at accelerating a routine or necessary action, like an administrative procedure).
 - Commissions.
 - Extortion (act of utilizing one's access to a position of power or knowledge, either directly or indirectly, to demand unmerited cooperation or compensation (including money or any other asset) as a result of coercive threats).
- **Conflict of interest:** A conflict of interest may arise when two or more competing interests impair the ability to make objective, unbiased decisions, which are not necessarily in the best interests of the Organization. It includes in particular: nepotism (family, relatives), cronyism (friends, acquaintances). Some examples:

- Use of power or influence in order to irregularly favor acquaintances, relatives or friends (especially by giving them jobs).
- Signing a supply or service provision agreement irregularly favoring acquaintances, friends or relatives.
- Irregularly favoring an Organization or a partner

1.2. OUR COMMITMENT

Educo will uphold a zero-tolerance approach regarding fraud and corruption. Educo will identify and promptly investigate any suspected fraudulent or corruption related dishonest activity against the organization or other parties with whom the organization has dealings. The organization will take appropriate disciplinary and legal actions to include the possibility of termination of employment, restitution, and forwarding information to the appropriate authorities for prosecution.

1.3. SCOPE

This policy applies to:

- (a) Educo's Board of Trustees.
- (b) Educo's team, including salaried staff, volunteers, and interns.
- (c) Partner organizations, throughout the development of activities that form part of programs or projects carried out in collaboration with Educo.

Likewise, other involved parties, such as consultants or research professionals, or people visiting projects or programs in the field (collaborators, media, etc.) must behave in a way that is consistent with this policy throughout their relationship with the organization.

There is no minimum financial threshold to consider: all cases of corruption, even those involving insignificant losses, must be considered and reported

1.4. RELATED DOCUMENTS

- Ethical Code
- Code of Good Governance
- Complaints and Feedback Policy
- Whistleblowing Policy

- Quality Management and Social Responsibility Policy
- Partnership Policy and Guide
- Policy for Collaborating with Businesses
- Product and Service Purchasing Procedures

1.5. MEANS AND ORGANISATION

Management: for purposes of this policy, management refers to the General Director, directors, coordinators or other individuals who approve, buy, manage or supervise funds, goods or other resources, including human resources.

Management is responsible for the detection and prevention of corruption, fraud, and misappropriation. Each member of management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indication of irregularity.

Management is responsible for reporting any potential instance of fraud or corruption (see 6.1.2). All reporting must include between the recipients the email address of the whistleblowing channel of the organization (ethics@educo.org). The incident report must be addressed to (ethics@educo.org). Report to other Head Office managers can be added in the communication if it is considered relevant.

Management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.

The **Finance Division** is responsible for the administration, revision and interpretation of this Policy. The policy will be reviewed every two years and revised as necessary.

The **Audit and Compliance** Unit is responsible to keep a complete register of irregularities, fraud and corruption allegations and established cases, and establish a periodical report to the **Compliance Committee**. Confidentiality and integrity of the data will be ensured.

The Audit and Compliance Unit is also responsible for acting as the lead during the investigation process in determining if fraudulent or corrupt activity has taken place and for leading the review process.

All members of Educo's team and the Board of Trustees have a duty to report concerns they have or information provided to them about the possible fraudulent or corrupt activity of any member of the Educo's team, trustee, contractor, vendor, or any other party with an association with Educo. Any person who has a reasonable basis for believing fraudulent or corrupt acts have occurred has an obligation to report the suspected act immediately.

1.6. CHANGE LOG

Version n°	Description of changes	Date of approval
2.0	<ul style="list-style-type: none"> ▪ The procedure has been given a global scope and includes the ECHO requirements. ▪ It includes a broader definition of corruption offences. ▪ Extends definitions of the responsibilities. ▪ It includes, as an example of minimums, the minimum and mandatory control procedures for each country/head office. ▪ It includes an annex with warning signs of corruption, behaviors that may indicate corruption, as a guide for detection. ▪ It includes a Reporting format: Corruption Incident Report for recording and reporting to the Board. ▪ It is coherent with the Whistleblowing Policy defining, at the same time, country Focal Points (CDs) and Head office (AI&C) 	09/7/2020
1.0	Initial version	17/5/2017

2. PROCEDURES

2.1. PREVENTING FRAUD AND CORRUPTION

2.1.1. Educo has established internal systems and controls in order to prevent and detect fraud and corruption. These policies, processes and procedures need to be implemented at Head Office and by all countries and projects. Compliance with these policies, processes and procedures (taking into consideration the spirit of those rules) is essential to mitigate the risk of corruption and it will be periodically evaluated by the Audit and Compliance Unit.

Generally speaking, and as a minimum, the following key processes and internal controls should be in place:

SUPPLY & LOGISTICS	<ul style="list-style-type: none"> Supplier selection and review process Reconciliation between the purchase order, the goods receipt note and the invoice Controls over fuel / drivers' expenses and schedule, etc. Assets management (inc. IT) Stock management (including stock tests, inventories)
HR	<ul style="list-style-type: none"> Recruitment process Maintenance of employee files Overtime, holidays, annual leaves controls Review of salary calculations (Payroll) Per diems/travel expense management Daily workers request, recruitment, payment and follow-up Trainings (selection of candidates) Compliance with local laws and regulations Employee evaluations End of employment
FINANCE	<ul style="list-style-type: none"> Payment process Double signatures and bank authorized signatories Control over service providers' and suppliers' bank data Safe/cash management Management of foreign currency and exchange Globe/accounting software knowledge Compliance with local laws and regulations (e.g., taxes, VAT, etc.) Accruals/provisions
IT	<ul style="list-style-type: none"> Backup processes Access rights and password controls Equipment handover (phone, computer...)

2.1.2. As part of the procurement guidelines, all vendors, contractors, and suppliers must be active, in good standing, and authorized to transact business in their country. Vendors, contractors, and suppliers are subject to screening, including verification of the individual's or organization's status.

2.1.3. La Raising staff awareness, briefings and training sessions are also essential: the more Educo employees are aware and trained on corruption situations, the more they will be able to address them effectively and quickly (and thus reduce the impacts). A general briefing on this policy has been produced to raise awareness in the country offices. The Financial and Administration Responsible (RAF) is responsible for adjusting it to the specific context of the country and ensuring that all managers are adequately briefed. As a general principle, this briefing includes: 1) a definition of corruption, 2) typical examples of corruption cases, 3) how to react when one suspects corruption and 4) useful contact details. In addition, training sessions on corruption management will be developed and provided to Educo staff on a periodical basis. New hires will receive this information as part of their orientation at the commencement of employment.

2.1.4. In addition to the non-compliance with Educo processes and procedures mentioned above (6.1.1), certain « **red flags** » and warning signs might in certain circumstances be indicative of corruption (see **Annex 1**). Although the tips of Annex 1 are good indicators to keep in mind, it is essential to **prioritize transparency and create a relationship of trust between staff**.

2.1.5. The corruption triangle: to detect corruption, it is also important to understand the motivation and the dynamics that can lead a trusted individual to be involved in corruption. Three variables influence in the likelihood of a corruption incident:

- Incentive pressure: debts, threats, family needs...
- Opportunity: it's easy, nobody controls, nobody will realize...
- Rationalization: everybody is doing it, "it's normal"

The greater the incentive or pressure, the more likely an individual will be able to rationalize the acceptability of being involved in corruption

2.2. REPORTING FRAUD AND CORRUPTION

Any person who has a reasonable basis to believe that fraudulent or corrupt acts have occurred has a duty to report the suspected act immediately.

2.2.1. An incident must be reported as soon as possible. In some cases, a delay can indeed lead to security and/or HR/legal risks, increased losses or corruption occurrence. All incidents of corruption, however minor they may seem, irrespective of value or scale, must be reported, including when only at the suspicion stage. A suspicion occurs when someone

becomes aware of an element potentially suggestive of a corruption. Reporting the suspicion will allow the country office and Head Office to help inquire into the corruption case, monitor the risks (legal, HR, security or others) and confirm or reject the case.

2.2.2. Country Office Directors / Audit & Compliance Unit are the Focal Points and responsible for completing the standard corruption incident report template in the **Country Offices / Head Office**. They may delegate the draft to the relevant manager. Templates are available as annexes.

English version (annex 2)

French version (annex 3)

Spanish version (annex 4)

The incident report must be addressed to ethics@educo.org. Reports to other Head Office managers can be added in the communication if it is considered relevant.

Educo assures the possibility of report any suspicion of misconduct, PSEAH, fraud or corruption, or any other ethical breach in a confidential and protected way (see Whistleblowing Policy). When the normal reporting is not possible for any reason (e.g. if the direct management is also involved in the corruption incident), any Educo staff can contact the confidential line of the Compliance Committee via the email address: ethics@educo.org. In case of Audit and Compliance Unit is involved, the reporting will be addressed to the Finance Direction.

2.2.3. False disclosures or failure to report suspected fraudulent or corrupt activity in a timely manner according to the procedures established will also be subject to disciplinary action. The procedures for doing so are laid out in Educo's Whistleblower Policy, but, in the case of suspected fraud or corrupt activities, anonymous disclosures will not be accepted.

2.2.4. The reporting person shall refrain from further investigation of the incident, confrontation of the alleged violator, or further discussion of the incident with any other party unless requested to do so by their respective head of unit, director, the Audit and Compliance Unit, Educo's legal counsel, and/or public law enforcement.

2.2.5. Retaliation and retribution for reporting suspected fraudulent or corrupt activities will not be tolerated.

2.2.6. A regular and reliable consolidated reporting on irregularities, fraud and corruption issues will be provided to the Board of Trustees, or the appropriate authority if the Board is compromised, by the Compliance Committee.

2.3. INVESTIGATION

2.3.1. The Audit and Compliance Unit has the responsibility to ensure that all suspected fraudulent or corrupt acts are properly screened and investigated. Where the subject of the investigation involves Auditing and Compliance Unit staff, the Finances Director shall be responsible for the investigation.

2.3.2. The investigating team or individual will have:

- a) Free and unrestricted access to all Educo records and premises, whether owned or rented; and
- b) 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 may use or have custody of any such items or facilities when it is within the scope of their investigation.

2.3.3. If a fraudulent or corrupt act involves an employee, the investigating team or individual will determine when to notify the employee and whether to recommend that the employee be suspended or temporarily reassigned.

2.3.4. All reports of suspected fraudulent or corrupt acts will be taken seriously and the investigation team or individual will decide, based on the nature and seriousness of the allegation and facts of each case, whether to consult with legal counsel or to utilize outside resources to further the investigation.

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

2.3.6. If the investigation substantiates that fraudulent or corrupt activities have occurred, the investigating team or individual will issue an investigation report to the Compliance Committee.

2.4. MEASURES AND APPLICABLE REGULATION

2.4.1. Educo will take the necessary preventive and/or corrective measures in the case of any situation of fraud or corruption, without prejudice to taking any legal action required, including disciplinary action, against the persons responsible and to claim for any damages that may have been caused.

2.4.2. Educo will guarantee full respect for the rights and guarantees of its personnel before any actions or procedures that may be carried out in compliance and execution of this policy. In the event that the disciplinary regime is exercised, the principles of equal treatment, weighting, proportionality and equanimity will be preserved and, in any case, the

concurrent circumstances of the case, the classification of the offending conduct, reiteration or recidivism and the damage to the organization's interests will be taken into account.

2.4.3. The Audit and Compliance Unit shall be responsible for forwarding the results of the investigation carried out to the Compliance Committee, which in view of the same may require the extension of the investigation or the carrying out of an independent external investigation.


2.4.4. If, as a result of the investigation carried out, it is concluded that there has been a violation of the law by persons in the organization, the Compliance Committee will propose to the Human Resources Director, General Manager or Board of Trustees, as appropriate, the adoption of the corresponding disciplinary or sanctioning measures against the persons responsible for the violation, in accordance with the applicable procedure and regulations, which may lead to their disciplinary dismissal; all of which is without prejudice and subject to any other type of civil or criminal action that may arise.

3. APPENDIX

3.1. APPENDIX 1: RED FLAGS

- Unusual staff behaviour
- Staff present at work even during illness, day offs, weekends and out of normal hours to avoid being replaced and/or to hide fraudulent activities
- Unwillingness to share duties (or to go on leave), staff insisting on dealing with specific suppliers or service providers
- Insufficient segregation of duties and responsibilities
- Staff living beyond their means
- Unusually close relationships, private meetings with suppliers and service providers or public agents
- Supplier location far or not very logical while many other suppliers for same goods available in a closer location
- Gifts or favours being received
- Procedures or guidelines not being followed, without due reason and justification
- Alteration of documents/ records (accounting, purchase orders, invoices, delivery, shipping, documents or records regarding meeting or decisions): hand-written additions or corrections, unusual deletions, missing pages, extensive use of correction fluid
- Missing documents / lack of original documents, photocopies of documents instead of originals
- Insufficient description of goods or services provided
- Unusual bills or expenses
- Pressure exerted for unjustified emergencies and subsequent payment for « urgent » or ahead of payment schedule's requests
- Invoices being agreed in excess of contract without reasonable cause
- Unusual accounting entries / break of sequential numbers for invoices, purchase orders or cheques
- Abnormal cash payments
- Split purchases / multiple invoices / unjustified separation of purchases, e.g. separate contracts for labour and materials, each of which is below competitive bidding limits, but when combined is over such limits
- Discrepancies between invoice and supporting documents (commitment and reception).
- Paid suppliers or service providers not on the approved suppliers or service providers' list / suppliers or service providers not listed in business directories or in Internet
- Transactions done without the approval of the person in charge
- Disrespect of decision making processes (including validation table) or delegated powers in specific cases
- Unclear, bypass or no tender / bidding process, no formal supplier selection process
- Staff making unexpected or illogical decisions, unexplained or unclear preferences for certain contractors during tendering or contracting process
- Agreeing contracts not favourable to the Organisation either with terms or time period
- Avoidance of independent checks on tendering or contracting processes
- Unexplained stock in stock inventories, inventory adjustments
- Supplies purchased in excess of need

3.2. APPENDIX 2: CORRUPTION INCIDENT REPORT

 CORRUPTION INCIDENT REPORT (!! CONFIDENTIAL !!)	
Date of the report	
Author (name and job title)	
BASIC INFORMATION	
Country/Project title/Project code	
Period of incident and date of disclosure	
Nature of the incident	
Status of the incident	
Type of incident	
Type of asset lost or involved	
Main department involved	
IMPACT OF THE INCIDENT	
Please describe in brief the impacts on the project/mission (operations, reputation, financial):	
Estimated financial loss (in local currency and euros - if possible)	
Is the project financed by specific institutional and/or private funds? If yes, which one(s)?	
Is the incident also a security issue?	
If Yes, did you report the incident to the Security Focal Point?	
DESCRIPTION OF THE INCIDENT	
Describe <u>briefly</u> what happened:	
DETECTION	
How was the case detected ?	
If tip/whistleblowing, where from?	
Describe <u>briefly</u> how the case was detected:	
ACTION	
Describe <u>briefly</u> what immediate internal and external actions have been taken (e.g. reporting, investigation, whistle-blower protection, disciplinary process, legal steps, communication, etc.):	
Describe <u>briefly</u> further actions to be taken <u>and when</u> they will be completed. Which corrective actions have been undertaken in order to prevent similar irregularities to take place in the future (change in procedures, additional controls, raising awareness, training, etc.) ?	
ADDITIONAL COMMENTS	
SUPPORT & CONTACTS	
Would you like some support?	
If Yes, what kind of support? (Legal, HR, advice for inquiry, etc....):	
Contact person(s) for follow-up:	
Annexed documents:	