

## **ANTI-FRAUD & CORRUPTION POLICY**

### **I. RATIONALE FOR POLICY**

Children Believe (CB) is committed, conducting all its business and relationships with openness, transparency and accountability to the highest ethical standards.

CB recognizes the significant risk that fraud and corruption pose to the achievement of its mission and to its reputation. Fraud and corruption (hereinafter “fraud”) comprise acts of fraud, theft, bribery, nepotism, money laundering, terrorism financing, abuse of an undeclared conflict of interest, counterfeit money, cyber-crime, extortion and other forms of financial crime.

Any act of fraud in CB’s activities depletes funds, assets and other resources necessary to fulfil our mission. It is reprehensible for anyone to attempt to defraud a charity and divert resources intended for humanitarian assistance and development away from its intended beneficiaries. Moreover, fraudulent and corrupt practices can also seriously damage CB’s reputation and diminish donors’ trust in our ability to deliver results in an accountable and transparent manner. Last but not least, charities found to engage in bribery risk losing their charitable status. Canada’s *Corruption of Foreign Public Officials Act* makes it a criminal offense for any person or entity to give or offer a bribe to a foreign public official, whether the event takes place in Canada or elsewhere.

### **II. POLICY OBJECTIVE**

This policy aims to ensure that Children Believe’s systems, procedures and practices minimize the risks of fraud by:

- Defining fraud and corruption in the context of CB;
- Outlining the organization’s minimum standards in fighting fraud;
- Providing a framework for a response, advice and direction to those who find themselves having to deal with suspected cases of fraud; and
- Outlining roles and responsibilities related to adherence to this policy.

### **III. POLICY SCOPE**

This policy applies to Children Believe’s Board members, employees (temporary or permanent), volunteers, consultants, contractors, suppliers and partner organizations, in relation to any irregularity, or suspected irregularity involving any of Children Believe’s funds or assets.

This Policy sets minimum standards for the Children Believe Offices around the world.

- Each CB Office will be subject to the laws and regulations in their country of registration, as regulations may vary from country to country.
- Institutional donors may impose standards of due diligence or reporting which lie outside the scope of this policy. Since no single policy can document or anticipate the full range of regulations, due diligence, monitoring or reporting requirements that the domestic government or donor may impose on its citizens or in their funding contracts, individual CB offices may supplement this Policy to meet the regulatory requirements of their domestic governments.

- Any such supplementary requirements must be communicated to and agreed by the Director, Internal Audit. The supplementary requirements will form a part of agreements with partners and donors.

#### IV. POLICY DETAILS

Fraud is defined<sup>1</sup> as "*any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Fraud is perpetrated by persons to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.*" Fraud and corruption (hereafter called "fraud") – whether directly committed or instigated - commonly include activities such as theft, conspiracy, embezzlement, money laundering, deception, bribery, facilitation payments, blackmail, abuse of authority, insider dealing and extortion. Fraud may also involve:

- manipulation, falsification or adjustments of records or documents;
- suppression or omission of the effects of transactions from records or documents;
- recording of transactions without substance;
- asset misappropriation or willful destruction, including theft of cash or other assets (suppliers, inventory, equipment, and information);
- undisclosed personal economic interest (conflict of interest) in a transaction that adversely affects the organization or its stakeholders;
- offering, giving, receiving, or soliciting anything of value to influence an outcome;
- provision of unreasonable donations to fake charity organizations;
- deliberate misapplication of accounting or other regulations or policies.

Fraud also includes the use of information technology (IT) equipment to manipulate programs or data dishonestly, the theft of IT equipment and software, and the intentional misuse of computer time and resources. The criminal act is the attempt to deceive, and attempted fraud is therefore treated as seriously as accomplished fraud.

##### 1. **Zero tolerance on fraud and corruption**

- 1.1. Children Believe has a zero-tolerance approach to fraud of any type or in any circumstances, whether perpetrated by employees, volunteers, contractors, suppliers, partners or clients and is determined to prevent, and where this is not possible, to detect and investigate such acts.
- 1.2. CB has a zero-tolerance policy on offering or accepting bribes whether direct or indirect. CB will not support a transaction that involves the offer or giving of a bribe, and will exercise reasonable diligence and care not to support such a transaction. CB does not make contributions to political organizations or individuals as outlined in the "Anti-Terrorism, Money Laundering and Partisan Political Activity" Policy.
- 1.3. Children Believe supports the application of the zero-tolerance policy by providing:
  - Direction and rules to clearly establish appropriate and expected behaviour;
  - Effective deterrents to inappropriate behaviour in the form of meaningful consequences;
  - Prevention measures to reduce the risk of fraud or bribery occurring;
  - Detection measures to identify fraud or bribery if it happens;
  - Response measures to ensure we react appropriately to suspicions, allegations and proven incidents of fraud & corruption, including protection and fair treatment for accusers and accused;
  - Measurement processes to evaluate the impact and success of this fraud policy and management of risk; and

---

<sup>1</sup> In accordance with Glossary of The Institute of Internal Auditors

## Anti-Fraud and Corruption Policy

- Deliberate proactive steps to embed fraud aversion thinking into our culture, including staff training and awareness.
- 1.4. Suspected or actual cases of fraud will be promptly investigated and appropriate action will be taken including reporting to authorities.
  - 1.5. Anyone found guilty of fraud will be subject to disciplinary measures which will ordinarily include dismissal, prosecution and recovery of losses.
  - 1.6. All staff have a duty to familiarize themselves with the types of improprieties that might be expected to occur within their areas of responsibility and to be alert to any indications (“red flags”) of fraud risk.
  - 1.7. All Board Members and employees, together with volunteers and contractors are required to acknowledge (1) this policy upon commencement of their engagement with CB / employment and (2) compliance with this policy on an annual basis.
2. **Conflict of interest** refers to a situation where an employee’s personal relationship(s) or financial interest(s) could reasonably be seen as influencing the employee’s duty to act in the best interests of Children Believe. It is necessary to ensure that any actual or potential conflict of interest between CB and any of its employees is prevented or minimized. Please refer to CB’s Conflict of Interest Policy for the established a protocol for disclosing and dealing with such conflicts of interest.
3. **Offering and accepting gifts and hospitality**
- 3.1. Gifts and hospitality given to or received by CB may be used to disguise bribes that are intended to influence behaviour. Refer to the “Travel and Reimbursable Expenses Policy” and “Financial Management Policy – Country Offices” for further guidance.
  - 3.2. Gifts from Children Believe must comply with the provisions of the “Finance Management Policy”, section 5.7.12.
4. **Fraud risk assessments**
- 4.1. The risk of fraud is assessed and managed in accordance with Children Believe’s **Enterprise Risk Management Framework**. ELT members will identify and assess the risks in their program or project areas, including the risk of fraud, and apply mitigating measures, taking due account of the level of risk involved. Because it is impossible to eliminate all risks, good risk management requires a sound balance of the following aspects: assessment, mitigation, transfer or acceptance of risks. These risks shall be communicated to relevant stakeholders, together with an assessment of the extent to which risks can be mitigated.

ELT, Directors and Managers, including Programs & Policy staff, shall be vigilant in monitoring irregularities and the risk of fraud. Where there are concerns about the level of fraud risk within a program, project, country location or department, they may consult Internal Audit to determine if a proactive investigation by Internal Audit is justified. Proactive investigations aim to identify and control an existing, but yet unidentified, risk of fraud or financial irregularity.

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

These fraud prevention and risk mitigation measures will be monitored for effectiveness over time, and the fraud risk assessment process may be repeated periodically utilizing lessons learned,

## Anti-Fraud and Corruption Policy

especially for longer-duration programs/projects or where material changes are made to the design of the program/project during its implementation.

- 4.3. For **new programs or projects, fraud risks will be fully considered in the program/project design and processes**, especially for high-risk programs/projects such as those that are complex or operate in high-risk environments. These program/project risks shall be communicated to relevant stakeholders, including donors (where required), implementing partners and responsible parties, together with an assessment of the extent to which risks can be mitigated.

Programs & Policy is responsible for ensuring that the risk of fraud and corruption is identified during the program/project design phase. Consideration must be given to how easily fraudulent acts might occur and be replicated in the day-to-day operations. The effectiveness of the measures taken to mitigate risks, including systemic monitoring actions, will be evaluated.

- 4.4. Children Believe will take out a fidelity insurance policy to mitigate the impact of losses from fraud or bribery.

### 5. **Reporting fraud**

Anyone covered by this policy must *immediately* report suspected, actual or attempted fraud. Anyone with information regarding allegations of fraud or other corrupt practices can report it using one of the following means:

- By email to Internal Audit, Children Believe at [internal.audit@childrenbelieve.ca](mailto:internal.audit@childrenbelieve.ca) directly to the Director, Internal Audit.
- Through an online form accessible through a link at [www.childrenbelieve.ca](http://www.childrenbelieve.ca).
- By mail addressed to: Director, Internal Audit, Children Believe, 1200 Denison Street, Markham, ON L3R 8G6.

- 5.2. Complaints should be as specific as possible. To the extent possible, they should include details such as:

- The type of alleged wrongdoing;
- When, where and how the wrongdoing occurred; and
- Who was involved and may have knowledge of the matter(s) being reported.

Relevant documents or other evidence should be included with the report or provided as soon as possible. The absence of any of the above details does not prevent Children Believe from investigating allegations of fraud or corruption.

- 5.3. Through its “Whistleblower Policy” Children provides a means for employees and volunteers to report misconduct or suspected misconduct in an open, honest and confidential manner without fear of retaliation.
- 5.4. Anyone who reports legitimate concerns of misconduct in good faith shall not have retaliatory action taken against them. This includes attempting to deter a person from raising a concern, disciplinary measures, threatening to hold back promotional opportunities, termination and direct or indirect harmful or damaging actions taken or threatened, such as bullying or victimization, whether by superiors or peers.
- 5.5. All reports of retaliatory actions taken or threatened will be documented and investigated. Individual(s) reporting concerns will be notified of the results of the investigation, progress made and actions to be taken.
- 5.6. Any proven instance of threatened or implemented retaliatory action against an individual seeking to report a fraud will result in disciplinary action up to termination of employment for the individual(s) threatening or retaliating against the person making the report.

- 5.7. Utmost effort will be taken to maintain confidentiality of those reporting fraud within the limits of the law.

## **6. Fraud Response Team (FRT)**

- 6.1. Once a concern has been reported or otherwise identified, the responsibility to respond to that allegation will fall to the FRT.
- 6.2. The FRT will be convened by the Director, Internal Audit, or by the Chair, Audit & Risk Committee in the event that the Director, Internal Audit is involved.
- 6.3. The FRT will comprise a minimum of 3 individuals including the Chief Financial Officer; VP, People & Culture; Chief International Programs Officer and any other such member deemed appropriate to the circumstances. Any relevant person implicated in an allegation cannot not be a member of the FRT.
- 6.4. The roles and responsibilities of the FRT are detailed in Appendix II and can be amended from time to time by the Executive Champion of this policy.

## **7. Conducting investigations**

- 7.1. The purpose of conducting an investigation is to gather evidence and facts to establish whether suspicions or allegations raised are true, and whether any proven incidents are isolated or more widespread.
- 7.2. Anyone covered by this policy who suspects fraudulent activity must not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.
- 7.3. All investigations must be impartial, thorough, timely and confidential.
- 7.4. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position / title, or relationship to CB.
- 7.5. Any relevant persons investigated will be considered innocent until proven guilty as false or mistaken accusations are not uncommon.
- 7.6. All reported allegations or suspicions of misconduct will normally be investigated. This includes cases where:
  - There is belief that the genuine concern may have been reported due to malicious motives.
  - The allegation relates to attempted fraud or bribery.
  - The accused individual is no longer employed, engaged or in a contractual relationship with CB.
- 7.7. The FRT may decide not to investigate in exceptional cases where a reported allegation or suspicion:
  - Is frivolous, trivial or has clearly arisen from a misunderstanding.
  - Is wholly unbelievable, i.e. there is no conceivable way the facts it related to could have occurred.
  - Has been raised anonymously and there is insufficient information to investigate.
- 7.8. Investigations may be carried out by an employee from the CB Canada office, senior staff from a country location outside Canada, Director Internal Audit, or by an internal or external investigative team, depending on the case.
  - Investigators must be objective and unbiased, thorough, able to maintain confidentiality, competent in investigative techniques, empowered with sufficient seniority and confidence, honest persons of integrity and independent of any possible subsequent disciplinary process.

## Anti-Fraud and Corruption Policy

- The FRT will set out a clear terms of reference for the investigator including background, allegations made, scope of investigation, and the timeline for expected work and report to be done.

7.9. Care must be taken not to compromise admissibility in court of all evidence collected.

7.10. The legal and other rights of interviewees must be considered when conducting interviews during an investigation. This might include among other things ensuring that:

- All interviews are completely and accurately documented;
- There is a complete ban on use of coercion or coercive techniques;
- The assistance of a translator is provided if necessary;
- The date, time and location of interviews are unless required within office norms;
- The interviewees' wish or right to have a witness is respected as appropriate.

7.11. A formal documented investigation report must be submitted to the FRT outlining the findings, facts and conclusions of the case. The investigation report must make recommendations about weaknesses and avoid recommendations associated with disciplinary consequences.

7.12. All emails, meeting minutes, reports, and other information relevant to the case must be maintained in a secure environment.

### **8. Reporting and acting on findings of investigations**

8.1. FRT will make recommendations to the ELT on the appropriate actions to be taken in light of the findings of an investigation. Recommendations include, but are not limited to, the following:

- Seek legal advice;
- Pass the matter to the People & Culture department to take action against guilty individuals, in accordance with the Discipline Policy;
- Organize appeal hearings in accordance with the Discipline Policy, in case individuals appeal;
- Clear the reputations of those accused but found to be innocent of wrongdoing
- Recover losses from individuals;
- Prosecute in courts of law;
- Make improvements to internal control systems to ensure that similar frauds are not repeated;
- Implement recommendations from the investigation report;
- Communicate with donors, employees, and public as necessary;
- Discuss with donors with respect to treatment of fraudulent losses, making repayment if required; or
- Make a claim against the fidelity insurance policy.

8.2. All decisions and actions of the FRT shall be documented and a summary of the case (allegation, response and outcome) will be shared with the Audit & Risk Committee.

8.3. Where fraud is collusive and involves more than employee, junior employees should never be used as a scapegoat to protect more senior employees.

8.4. All reported or otherwise identified allegations, suspicions or concerns will be submitted to the Audit & Risk Committee, maintaining confidentiality, providing updates until the issue is closed. The Board of Directors will be informed of all proven fraud instances.

8.5. FRT, in collaboration with the appropriate departments, will facilitate communication regarding the fraud to the relevant donors. The full investigation report or disciplinary report will not be shared with the donor(s) unless required to do so, and if so, only in an anonymized form.

**9. Training and awareness**

- 9.1. All relevant persons will receive training in the provisions of this policy.
- 9.2. Refresher training will be required for all employees at least every 2 years.
- 9.3. The Executive Champion of this policy will work with relevant staff to implement ongoing anti-fraud and corruption awareness activities.

**10. Contracts**

- 10.1. Children Believe contracts with employees, partners, vendors and other third parties will overtly discourage any form of misconduct. All standard contracts will include a clause which allows CB to terminate the agreement with immediate effect if any act of gross misconduct, including fraud, bribery or theft, has been proven. This policy must be included in all agreements with partners, consultants, contractors, and suppliers.

**V. POLICY AUTHORITY AND OFFICERS**

- a. Authority to approve this policy: Board of Directors
- b. Executive champion of this policy: Chief Financial Officer
- c. Authority to develop procedures: Chief Financial Officer
- d. Authority to approve procedures: Executive Leadership Team

**VI. IMPLEMENTATION, MONITORING, COMPLIANCE AND REPORTING**

The Executive Champion is responsible for the implementation of this policy including its publication, communication, training and change management, development and implementation of the related policy procedures, forms and guidelines as well as cascading the policy to all office locations (where applicable).

The Approval Authority identified in Section Va is ultimately responsible for compliance with this policy.

The Executive Champion will report on compliance with this policy to the policy Approval Authority on a quarterly basis.

**VII. POLICY REVIEW**

This policy and related procedures must undergo an in-depth review every 3 years, but may be reviewed at any time as needed.

The Executive Champion will initiate and lead the policy or procedure review process and will provide updates to the Approval Authority on the progress and key dates.

**VIII. RELATED DOCUMENTS**

In support of this policy, the following are included:

- Conflict of Interest Policy
- Code of Ethical Conduct Policy
- Discipline Policy
- Finance Management Policy
- Whistleblower Policy

## Anti-Fraud and Corruption Policy

- Enterprise Risk Management Framework
- Anti-terrorism and Partisan Political Activity Policy

---

### DEFINITIONS

List the unique terms, technical terms, terms with special meanings in the policy that, by being defined, would add to the reader's understanding of the basic policy.

**Executive Leadership Team (ELT):** The most senior level of staff leadership within Children Believe comprised of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Marketing and Development Officer (CMDO), Chief International Programs Officer (CIPO) and Vice-President, People & Culture (VP-P&C). The CEO may alter the composition of the ELT as required from time to time. One person may hold more than one position.

**Executive Champion:** A member of the ELT with overall responsibility for an assigned policy including: drafting, carrying out appropriate consultations/assessment, evaluating implications of the policy including risks and costs and seeking legal advice where necessary, developing and carrying out the communication, change management and implementation plan, writing any related procedures, standards or guidelines, monitoring compliance through regular reviews of the policy as well providing oversight to cascading the policy to Country Offices.

**Fraud:** Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by persons to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage. Fraud includes but is not limited to activities such as theft, corruption, conspiracy, embezzlement, money laundering, deception, bribery, abuse of authority, insider dealing and extortion.

**Bribery:** The act or practice of giving or accepting money or any other valuable with the intent to corrupt the behaviour of a person, especially in that person's performance as a government/public official.

**Facilitation payments:** When a payment is made to a government official to speed up performance of their regular duties. These are usually small unofficial payments where the official does not have discretionary decision-making.

**Extortion:** Unlawful exaction of money or property through intimidation or undue exercise of authority. It may include threats of physical harm, criminal prosecution, or public exposure.

**Blackmail:** Extortion or coercion by threats especially of public exposure or criminal prosecution; the payment that is extorted.